Spanish Steps: Zapatero and the Second Transition in Spain

David Mathieson

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About Policy Network

Policy Network is an international think-tank dedicated to promoting progressive policies and the renewal of social democracy. Launched in December 2000, Policy Network facilitates the sharing of ideas and experiences among politicians, policy-makers and experts on the centre-left.

Our Common Challenge

Progressive governments and parties in the developed world are facing similar challenges. Perceived threats to economic, political and social security linked to globalisation, and the limitations of traditional policy prescriptions in the light of rapid social and technological change, increasingly demand that progressives work across national boundaries to find solutions. Insecurities associated with increased immigration flows, terrorism, shifts in economic power and environmental change are increasingly driving the political agenda. Responses to these challenges must be located within an international framework of progressive thinking, rooted in social democratic values.

Our Mission

Policy Network's objective is to develop and promote a progressive agenda based upon the ideas and experiences of social democratic modernisers. By working with politicians and thinkers across Europe and the world, Policy Network seeks to share the experiences of policy-makers and experts in different national contexts, find innovative solutions to common problems and provide quality research on a wider range of policy areas.

Activities

Through a programme of regular events, including Progressive Governance Conferences, symposia, working groups and one-day conferences,

Policy Network's focus is injecting new ideas into progressive politics. Meetings are held throughout the year, often in cooperation with partner organisations such as Fondazione Italianieuropei, the Wiardi Beckman Stichting, Fundación Alternativas, A Gauche en Europe, the Friedrich-Ebert-Stiftung, the European Policy Centre, the Progressive Policy Institute, and the Centre for American Progress. The outcome and results of the discussions are published in individual pamphlets that are distributed throughout the network, placed on our website and used as the basis for discussions at Policy Network events.

During 2005 and 2006, we have concentrated our energies on the renewal of the European Social Model. Our programme on the ESM was launched during the UK Presidency of the European Union and has investigated the principal means through which the various models for welfare states in Europe can be adapted to meet the challenges of the twenty-first century. Eighteen working papers were commissioned for the project, and six of them presented for discussion at a private seminar for the UK Prime Minister at 10 Downing Street one week prior to the European Summit at Hampton Court. Since then the debate has widened in a series of discussions across Europe in collaboration with other European centre-left think tanks in Italy, the Netherlands, France, Hungary, Germany, Spain, Romania and Finland. Similar discussions also took place around the UK. The first results have been published in a policy pamphlet, *The Hampton Court Agenda: a Social Model for Europe*, published by Policy Network in March 2006. In late 2006 we published two major books contributing to the debate on the future of the European Social Model, *Global Europe, Social Europe* edited by Anthony Giddens, Patrick Diamond and Roger Liddle, and *Europe in the Global Age* by Anthony Giddens.

In 2007, Policy Network's work programme will broaden to include research on immigration and social integration, public service reform and social justice in a globalised world. More information on Policy Network's activities and research can be found on our website:

www.policy-network.net

About the Author

David Mathieson was special adviser to the former British foreign minister, the late Robin Cook.

David holds a doctorate from London University in modern history and is a solicitor by profession. He now lives in Madrid where he works at the foreign affairs think-tank *Fundación Para Relaciones Internacionales y Diálogo Exterior* (FRIDE). He also writes regularly in Spanish newspapers such as *El País*, *Expansión*, *La Razón* and *El Correo*.

David is married with a six year old daughter, Olivia, who was born in Madrid and is as much Spanish as English

Preface

In the 1990s, the roots of social democratic success are to be found not least in the unprecedented co-operation and exchange of ideas among centre-left policy-makers, advisers and thinkers. Before the end of the millennium, eleven out of the fifteen EU governments, and four of the largest Member States had centre-left prime ministers. On the other side of the Atlantic, Bill Clinton occupied the White House.

Debate on the progressive left was manifestly shaped by the challenge of combining economic efficiency with social justice. The strategy of modern social democracy marrying the traditional emphasis on redistribution with new measures to encourage innovation and growth was framed in opposition to the anti-state rhetoric and free market ideology of the right. It has enabled the centre-left to build new electoral coalitions and to break centre-right dominance.

Much could (and can still) be learned, for example, from the reinvigoration of the Scandinavian models or the successes of the 'polder model' in the Netherlands. In the light of the emerging knowledge economy, successful centre-left policies have focused on investing in education, training and skills, together with active labour market intervention to reintegrate the losers from economic change. The reliance on human capital made it possible for social democratic governments to spread opportunity and lay the foundations of a more socially just society without reverting to the traditional tools of nationalisation and state planning.

Today, however, the pendulum appears to have swung again. The centre-left is struggling in many European countries, as well as in the US. The technological revolution and processes attributed to globalisation such as rising inequality and the break down of solidarity have provoked a new set of challenges. In turn, the priority for social democrats has shifted from coming to terms with the market to rethinking the role of the state.

In this new context, the cross-fertilisation of progressive policy ideas on the centre-left has become indispensable, whilst successful social democratic governments serve as important sources of inspiration.

Undoubtedly, José Luis Rodriguez Zapatero and the policies of the PSOE constitute such a source of inspiration.

This essay by David Mathieson provides an excellent overview of the second transition of economic, social and political reform that is bringing Spain into the twenty-first century. In David Mathieson's words, "it is a distinctive model of social democracy and one that works": a much needed contribution to the revitalisation of social democracy in our times.

Olaf Cramme
Deputy Director
Policy Network

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David Mathieson

1. Introduction

To celebrate the second anniversary of their Government in power in 2006, around 20,000 supporters of the Spanish socialist party (PSOE) packed out a bull ring in the south of Madrid. Accelerating quickly into *fiesta* mode, the PSOE activists waved thousands of red banners and hit decibel levels that only other Spaniards know how to tolerate. Images of the crowd were then scooped up by a sweeping boom camera which relayed the pictures onto giant video screens suspended from the dome above whilst a stream of telephone text messages flashed up in real time.

In the centre of the arena stood the socialist Prime Minister, José Luis Rodriguez Zapatero. Known by Spaniards as *el hombre tranquilo* (the calm man) it was precisely this quality that contrasted so strongly with the fervour of party members as he acknowledged their plaudits in what was a remarkable moment. Six years ago Zapatero scraped in as the PSOE leader by a handful of votes – less than one per cent of the total– over an older, better known rival with a long track record of success in regional government. Two years ago, against the odds, Zapatero was elected as the Prime Minister of Spain in the biggest political upset since the death of Franco.

In the intervening two years, PSOE have increased the number of its MEPs in euro-elections, made gains in local elections and toppled the Partido Popular (PP) in regions such as Galicia, a traditional right-

wing fiefdom that was controlled by the PP almost without interruption for more than three decades. Zapatero now dominates both his party and his government so that, according to recent polls, over 60 per cent of all Spanish voters expect him to win the next General Election. It is a position unrivalled by any other leader on the European left.

Tony Blair once enjoyed this pre-eminent position but it is evident that he and Zapatero are now at different points in the political cycle. In my previous pamphlet[1], I explored the similarities in style, background and personality of the two men and the considerable policy overlap between PSOE and New Labour. In some areas these similarities are as strong as ever, although as Blair's reputation has suffered over the last two years perhaps the more pertinent question now centres on any future relationship between Zapatero and Gordon Brown. Members of Zapatero's team have studied the UK economic model closely and have been strongly influenced by Brown's approach as finance minister. The details of how a Brown premiership might engage with the rest of Europe can only be guessed at, but Zapatero may well turn out to be one of the leaders with whom he can most identify. However, whatever happens in Downing Street, Zapatero has spent the last two years consolidating and strengthening his position by promoting a second transition that can only be understood in the context of modern Spanish democracy[2].

In the 1970s, Spain underwent a successful transition from dictatorship to democracy but significant elements of the old order remained. Institutions such as the judiciary were given a broader base, but the politicised structure remained intact. Symbols such as statues of Franco, streets bearing his name and memorials to his power were left untouched. Despite flagrant human rights abuses, not a single member of the fascist regime was ever called to account for their actions, let alone punished.

The left acquiesced to this at the time through an informal pact to simply forget (*el pacto del olvido*) because their priority was to take Spain forward, not rake over the tragic past. In any event there was little choice;

1. *Blair's Doppleganger: Zapatero and the New Spanish Left*, Foreign Policy Centre, 2004

2. Former Prime Minister José Maria Aznar also claimed the epithet 'second transition' but this was in relation to continued and largely uncontroversial economic reform.

Spain was still isolated, and with it the democratic left. Membership of the EU or NATO – let alone international intervention – was a dim prospect whilst the residual power of the right was demonstrated by the gun toting paramilitaries from the Guardia Civil who felt confident enough to invade the parliament and attempt a military coup just 25 years ago. Democrats had to coax – not coerce – the still powerful vestiges of the right to participate in the New Spain and for this to happen compromises were made across a range of issues from the structure of the State, to public policy and the commemoration of the past.

Zapatero is now re-examining some of those compromises in what is described as the 'second transition'. The cornerstone of his government is sound economic management, carefully structuring both supply and demand, that to a significant extent resembles what is happening in Britain. Yet the most controversial policies have been those to do with further devolution, social reform and the modernisation of Spain in the twenty-first century. This second transition is very much a product of Spanish social democracy but the lessons and examples are also relevant to other parties on the European left. Many of the issues facing the government in Madrid are at the centre of the debate on the future of social democracy: how to meet the economic challenges posed by globalisation and the emergence of India and China; how to manage increased immigration (in particular from Morocco, Eastern Europe and South America); and how to ensure that future economic growth is environmentally sustainable are just a few of the concerns. In its attempt to find an answer to these and other questions, the PSOE Government is providing a working example of social democratic government. Where Sweden used to be the model for the European left, there are now others which are worth examining and Spain is certainly one of them.

2. The Politics of Niceness

Zapatero is sometimes portrayed as a mock superman called "so-so man" or boring man. It reflects a popular image of the Premier as a politician devoid of any strong ideological convictions or marked personality traits. Zapatero almost conceded the point himself when he famously described his politics as being driven by *buen talante*; a phrase that means, roughly, pleasantness, good humour or niceness.

This style change has been one of the most pronounced characteristics of the first two years of the PSOE Government and the contrast is particularly marked when compared with the latter years of José Maria Aznar, who alienated many voters with an unpleasant brusqueness verging on arrogance. Zapatero's style is a welcome relief from the confrontational approach of his predecessor and has paid dividends. Zapatero lacks a parliamentary majority and governs with the votes of several minority parties, such as the United Left and the Republican Left of Catalonia. This is often forgotten, even within Spain, and the fact that he holds the coalition together with apparent ease has much to do with the warm personal relationship that he has developed with other party leaders. On occasion Zapatero has demonstrated a similar approach abroad: for example at the European summit in December 2005 Zapatero secured a very good budget deal for Spain not through obstinacy (all too frequent in EU negotiations) but, in the words of one foreign diplomat, "using sweet reason and considerable personal charm".

Sometimes, however, the *buen talante* appears to be merely an end in itself and has laid him open to the charge that what you see is all you get; a bland, soft-focus premiership that lacks precision, vision or strategic goals. Zapatero is regularly criticised by the main opposition party, the PP for lacking a clear direction and serious objectives. Yet at the same time, this very flexibility has created real problems for his opponents; as one sympathetic commentator argued: "Zapatero has governed with such lightness in terms of ideology that it has disconcerted his adversaries".

In fact, Zapatero has spent his entire political career in the PSOE

mainstream rather than any particular faction, and now presents himself simply as a moderniser leading the party that modernised Spain. In a recent interview he offered a succinct view of his politics: "The programme of the modern left is about sound economic management with a surplus on the public accounts, moderate taxes and a limited public sector … together with an extension of civil and social rights. That is the programme of the future."

A stark contrast to the flexible style of the PSOE Government has been the unrelenting, fiercely sectarian and strident opposition of the PP over the last two years. The issues that motivate them are different but the tag 'nasty party' applies even more to the Spanish PP than it did, for instance, to the pre-Cameron Tories. Historically, PSOE have demonstrated that they are not innocent in the black arts of opposition politics but the PP have taken this to new levels which have done nothing to develop the fabric of democracy or enhance their standing either within Spain or abroad. Exceptional by most European standards, the Spanish Opposition has attracted the attention of the mainstream international media. A recent editorial in the Financial Times reprimanded the PP for irresponsibility and said that: "The PP is playing a dangerous game of reviving the inflammatory political idiom of Francoism, of the 'two Spains' and the civil war."

In Parliament, the PP is almost invariably isolated in key votes and has consistently challenged procedure. The President (Speaker) of the Parliament, former EU commissioner Manuel Marin, lamented recently that normal parliamentary life over the last two years has been "impossible" because of the lack of co-operation between the parties. He was most likely talking about the PP; PSOE does not have a majority in the Parliament and relies on the votes of minority parties with whom it has a solid rapport. Outside Parliament, tension is fuelled by a right-wing media machine. The official Catholic radio station leads the charge every morning with visceral attacks on Zapatero, PSOE, Nationalists (whether Basque, Catalan, Galician) and moderate elements within the PP. There have been several serious street demonstrations organised by right-wing groups protesting against various issues, such as gay marriage and negotiations with ETA.

The PP has constantly appealed to their core vote and sectional

interests. They have been driven back into their political comfort zone – but according to the overwhelming evidence of the polling data this is not a place that appeals to most voters. PSOE have had a consistent lead in the polls and Zapatero's margin over the leader of the opposition, Mariano Rajoy, is greater still.

3. Changes and Challenges: the Second Transition

In a context of unprecedented technological, economic and social change, Zapatero has set out his goal to base the further modernisation of Spain on progressive values, frequently known as the 'second transition'.

In comparison to the Labour government in Britain, however, the policies are also determined by different cultural, social and historical paradigms and these are powerful reason for qualifying simplistic comparisons between the approaches of the two governments. In Britain, the underlying ('Anglo Saxon') tradition was one of individualism, pursued by Mrs Thatcher to a point where it lead to a social disequilibrium. The Blair project of the last decade has centred on rebuilding the state through public investment and nurturing the concepts of social bond and community. The social democratic challenge in Britain now is to devolve – but not destroy – the mechanisms of government so that people can take more control over decision-making at a local level.

Spain has a weaker tradition of individualism. Historically, citizens have seldom escaped from the shadow of top-down authority whether in the form of autocratic monarchs, dictators or the Roman Catholic Church. The left in Spain has confronted all these institutions at one time or another, often with great courage, but seldom challenged the overall model. Repressive regimes have periodically been replaced with more enlightened government but invariably using the same top-down approach. The left has seldom sought, or been able, to develop a bottom-up model of active citizenship. For example, there is little tradition of volunteering, community groups, youth groups or homegrown NGOs independent of the state.

On the other hand, the progressive debate in Britain about social cohesion has less resonance in Spain and is couched in different terms. For most of the Spanish left, social cohesion is a relatively straightforward argument about increasing state spending on social services. There is little discussion on the Spanish left about 'lost communities' or 'rebuilding society' since neither have disappeared from sight. This is reflected in,

for example, a crime rate which is well below both the EU average and that of Britain. And, whilst the model of the family is evolving, its role remains generally more important for Spaniards – in terms of providing economic support, social values and individual identity – than it does for many Britons.

These factors may have a further consequence that is currently of interest to policy-makers in the EU; Spaniards appear to be amongst the most contented people in Europe. A lifestyle poll in November 2005 compared Spain to its richer neighbours in France and Germany. The French and Germans were better off but Spaniards were happiest. Warm sunny weather helps, but so do firm social values. The challenge now for the PSOE Government is to create the conditions that will continue to stimulate individual initiative whilst retaining the strong sense of social cohesion that exists in Spain. If the challenge in Britain is to strengthen basic social units such as community and the family, that of Spain is to loosen them slightly but without endangering the whole social fabric. These differences have important consequences that are central both to a comparison with the left in Britain and for the future development of Spanish social democracy. Firstly, in British eyes, it may be tempting to describe some of Zapatero's decisions over the last two years as centralist or interventionist. That judgement may be correct but it needs to be made in the context of Spanish, not British, political culture and history.

Secondly, questions about the impact of social change must be answered in a Spanish context and using a baseline different to that of Britain. For example, expectations of exercising individual consumer choice remain more limited: there is no red button interactive TV, far less internet trading (no Spanish version of the internet book retailer Amazon.com exists), Sunday trading is rarely permitted, and most Spaniards do not take their holidays abroad. Against this, society is changing. Thirteen million Spaniards now live on their own – a cultural revolution compared to 20 years ago but still less than in Britain. As in Britain, people in Spain are taking more control over their own lives and they expect to make choices. These changes are most pronounced amongst young people whose vote was crucial in Zapatero's election.

The PSOE response, as a party and a government, to these shifting social forces will determine their future success or failure. In

which direction, is the PSOE Government generally heading then? So far, Government policy has rested on four pillars; a cautious approach to macro-economic management, a radical social agenda, further devolution for the regions and a traditional foreign policy with Europe at the centre.

4. The Economy: Growing Pains

The Spanish economy has been amongst Europe's most successful for nearly three decades. Despite some late reforms under Franco, the old dictator's bequest to democracy was a closed, uncompetitive economy which failed to provide the vast majority of Spaniards with anything like the standard of living enjoyed in the rest of Europe. Membership of the EU in 1986 gave Spain a huge boost as substantial funds began to flow from Brussels to Spain.

Guiding the modernising, privatising and restructuring were the PSOE Governments of the young Felipe Gonzalez. He left PSOE and Spain with an important legacy: the embracing of change. Further solid growth and restructuring took place under José Maria Aznar who, with Tony Blair, was one of the progenitors of the Lisbon agenda to reform the European economy. When the Partido Popular went to the polls in 2004 they confidently expected their record of delivering strong growth and a balanced budget to win them a third term.

After the PSOE victory, PP spokespeople and expert commentators in the right-wing media waited impatiently throughout 2004 and 2005 for the economic slump that they were sure would be the outcome of a socialist government. In fact, the economy grew even stronger. Whilst significant underlying structural problems remain, most EU finance ministers would be delighted to swap seats with finance minister Pedro Solbes, a former EU finance commissioner.

The healthy rate of growth has been sustained during the last two years and according to the latest figures from the Organisation for Economic Co-operation and Development (OECD) the economy will grow by 3.3 per cent in 2006. This is primarily fuelled by strong internal demand, an amnesty for illegal immigrants (see below) and a growing workforce. The construction sector has been particularly dynamic in Spain. In 2005 there were more housing new starts in Spain (many for second homes) than in France, Germany and the UK combined. Several consequences result from this comparatively high level of growth.

First, unemployment has continued to fall – continuing a trend that began in 1995. Since Zapatero came to power 1.8 million new jobs have been created and the unemployment rate has fallen to 8.1 per cent of the active workforce – the lowest level for nearly three decades and below than the EU average. Last year 60 per cent of all new jobs in Europe were created in Spain. PSOE are particularly proud that the fall in unemployment has been particularly marked amongst women where unemployment has fallen by 25 per cent over the last two years.

Secondly, when most Governments in the EU are struggling to keep their fiscal deficits in check, Spain closed 2005 with a surplus. This in turn has allowed Finance Minister Solbes to cut personal and corporate tax across the board and in particular for small business and low earners. Tax payers on less than €18,000 a year will enjoy cuts of up to 17 per cent in income tax and 1.3 million very low earners will cease to pay income tax altogether.

Despite these marginal cuts in personal and corporate tax, fiscal pressure has risen under the PSOE Government by almost one per cent of GDP from 34.5 per cent to 35.5 per cent. Fiscal pressure is, crudely, the amount of GDP taken up by taxation. This is mainly as a result of people earning more (so moving into higher tax brackets) and rises in indirect taxes. It is not evidence of 'tax and spend' philosophy and overall, fiscal pressure in Spain remains one of the lowest in the EU and well below the EU average of 39.3 per cent. If the improvements in public services – particularly education and infrastructure – are to be sustained, it may be that the tax take has to increase yet further.

Thirdly, and less welcome, are evident signs of overheating in the economy resulting in an inflation level of 2.4 per cent, consistently above the EU average. This is one of the major factors behind a worrying lack of competitiveness that is seriously affecting Spain's ability to compete in global markets.

Finally, and partly related to the inflationary tendencies, Spain shares with Britain the invidious position of having one of the worst trade deficits in Europe – around €8 billion in 2005. Strong domestic spending continued to suck in imports whilst Spanish exports grew by only three per cent. Moreover, this demand is, again like Britain, fuelled not by real earnings but by spiralling levels of personal debt. In 2005, household

borrowing in Spain rose by 21 per cent to a total of €635,955 million. But the upward drift in interest rates is already hurting many Spanish families struggling with mortgage repayments and further rises will exacerbate the pain.

The most evident strength of the Spanish economy for many British observers has been the minor invasion of Spanish firms of the UK through buying up British rivals. In 2004, for example, Banco Santander bought Abbey Bank. In 2005 Telefonica bought the mobile operator O2 and the Spanish construction giant Ferrovial took over British Airports Authority (BAA) and is now operating British airports. There is an understandable national satisfaction at these takeovers. But, at times, the Spanish Government seems too quick to resort to protectionism and defend its own national champions: such as the government response to the German energy company E.ON's bid to buy the Spanish electricity company Endesa by changing the takeover code so that it can now block bids which threaten 'national security'.

The European Commission has given Spain a yellow card for this and the future of Endesa remains uncertain. In addition, whilst Ferrovial might buy BAA, it remains impossible for foreign firms to buy into the Spanish market since all Spanish airports are 100 per cent state owned. The PSOE Government (along with many others in the European Union) has yet to make it clear if it really is prepared to accept the consequences of the single market and cross-border takeovers or if defending sectional interests is, in fact, the priority.

The PSOE Government's toughest challenge, however, will be to implement the necessary supply side reforms capable of making Spain more competitive and reducing inflation. It is astonishing that although José Maria Aznar was one of the progenitors of the Lisbon agenda, he did so little to equip Spain for the IT revolution; when PSOE came to power in 2004, internet use in Spain was amongst the lowest in Europe alongside Greece and Portugal. Just one third of Spaniards made regular use of online facilities compared to around two thirds of the population in countries like France, Germany and the UK. Educational centres such as universities, schools and libraries have only recently begun to make widespread use of IT. Figures from the Banco de España clearly show the failure to keep abreast of the IT revolution in the late 1990s and

the high cost of broadband tariffs were a significant break on overall competitiveness.

The PSOE Government has drawn up an ambitious plan, "Ingenio 2010", to modernise training, production and service delivery. The central objective is to double the amount of research and development (R&D) undertaken by the private sector and reach the European average level of investment in communication technology by 2010. Over the last year spending on R&D increased by 25 per cent and next year it is planned to rise by 30 per cent. In addition, targets have been set for the training of more scientists and researchers whilst extending the use of IT in all sectors – especially in the delivery of public services. More traditional infrastructure will be boosted by the construction of high speed train lines to all provincial capitals. Critics remain unconvinced by the plan, which they regard as so much well-intentioned wishful thinking, and they are sceptical that it will achieve the results claimed.

In some areas, however, there are signs of relative improvement; the number of patents registered in 2005 was 35 per cent up on the number registered the year before – a greater percentage increase than any other country in the OECD. If this trend continues it will be a very healthy cultural shift from what a leading pre-war Spanish intellectual, Miguel Unamuno, summed up in the ironic phrase *Que inventen otros* (let others do the inventing). It is an attitude that has bedevilled Spanish thinking for hundreds of years and explains why, for example, in the entire twentieth century only two Spanish scientists won Nobel prizes (mainly for work done outside Spain).

The increase in the number of patents is encouraging but other figures suggest that Spain has long way to go to catch up with the best. Spaniards continue to spend more on lottery tickets each week than the country does on R&D. According to Eurostat data for 2005, Spain invested just 1.03 per cent of its GDP in research and development – around half the average for the EU-15 of almost 1.9 per cent. The corresponding figures for the USA and Japan were 2.6 per cent and 3.1 per cent respectively. Zapatero has said that education is one of his priorities. But, so far, there have only been some rather innocuous changes to the system and far more needs to be done if Spain is to be amongst the best.

The Government has put an enterprise plan to stimulate the

growth of small business by making credit easier and cutting the red tape needed for business start-ups. Famously, in the first few weeks of taking power, Zapatero's then economic adviser, Miguel Sebastian[3], instructed members of his team to go away and try to register a new business. Most gave up defeated by mind-boggling maze of bureaucratic paperwork. Sebastian subsequently ruffled orthodox perceptions (and not a few in his own party) when he announced that PSOE is now the home for the non-interventionist economic liberal vote. There is plenty of evidence to suggest that the PSOE government is far more interventionist than it likes to admit, but it is equally true that it is no more so than the last PP government.

One of the most important supply side policies is the politically sensitive issue of labour market reform. The reduction in unemployment is welcome but as labour strategists would say, there is a lot left to do. The problem is that in Spain there are two labour markets. In crude terms, two thirds of the labour force enjoy the benefits of a rigid 'permanent' contract that compensates them with 45 days pay for every year worked in the event of dismissal or redundancy. People aged over 40 mainly hold permanent contracts. As the years pass, the cost of dismissal becomes prohibitively expensive and the worker is effectively in for life. The alternative is a temporary contract of up to six months that offers little protection and is held by a third of the working population – mostly those under 40. The use of temporary contracts is amongst the highest in Europe. This is partly because important sectors of the Spanish economy – such as agriculture and tourism – lend themselves to a system of temporary contracts but more generally because employers try to avoid the costly implications of the permanent contracts.

When the PP Government proposed some relatively anodyne changes to employment law in 2002, primarily affecting agricultural and seasonal workers, it triggered in a general strike. This experience, and the consequences of attempts to flex the labour market in France and Germany, led Zapatero to proceed with caution. After a year of careful negotiation with the Unions and the employers a deal was finally struck. The agreement is complex but in broad terms is a trade off between less

3 Sebastian is now the PSOE candidate for the mayoralty of Madrid in the elections of 2007

compensation and more security. New permanent contracts will reduce the days of compensation for years worked from 45 to 33. In return anyone who has held several temporary contracts with the same employer in a 30 month period will be deemed to have a permanent contract. Cautious? Yes, but moving in the right direction without strikes and paralysed cities (which explains why most of the European press and commentators have taken little notice of the agreement).

A further sweetener for the Unions has been a sustained increase in the national minimum wage which was withering on the vine under the PP. In the last two years it has been increased by 18 per cent – more than all the increases of the previous eight years under the government of PP. It currently stands at €541 per month.

The Spanish economy has developed apace in the last two decades and measured in terms of purchasing power party average incomes have almost tripled. But this robust growth has generated alarming externalities. Spain is currently missing its Kyoto targets for reducing emissions by 53 per cent, the worst record in Europe. It has also left Spain as one of the European countries most dependent on imported energy, currently over 60 per cent of the countries needs. Providing energy for Spain's long term needs may well lead Zapatero into one of his first important policy crunches with his own natural supporters – particularly young voters. He was elected on a manifesto that promised decommissioning of existing nuclear capacity through the non-replacement of obsolete equipment and an emphasis on renewable energy and conservation. However, he starts from a low base because little was done by the PP to develop renewable energy supplies. Extraordinarily, Germany generates more solar power than Spain although the Spanish are exporters of wind farm technology. In Britain, Tony Blair appears to have pre-empted a national policy review by announcing that the future is nuclear. It remains to be seen if Zapatero will follow and, if not, what his alternative is. There are some signs of PSOE repositioning on energy policy but formal announcements will be unlikely until after the next election.

DAVID MATHIESON

5. New Spaniards, New Spain

The pace of social change in Spain has been vertiginous over the last three decades. From dictatorship to democracy, from isolation to integration, relative poverty to general affluence, the country has moved an astonishing distance in a short space of time. The Spanish social democrats are attempting to find the right answers to the new challenges resulting from increased global competition and trade as well as changing technologies and demographies. Yet, one of the government's most difficult tasks is how to deal with immigration.

The most evident and rapid change in Spanish society in recent years has been a huge increase in the number of immigrants. Immigration has shot to the top of the political agenda in the last few months and, according to poll data, Spaniards now put it at the top of their list of pressing concerns – along with unemployment, terrorism and housing. Yet there is also a very widespread perception that the country needs immigrants. A recent editorial in El País commented: "In Spain, like the United Kingdom, immigration is making a decisive contribution to economic growth and how the society functions. Without it, the most basic services would grind to a halt." A recent analysis by the Caixa Catalunya (Catalan Savings Bank) concluded that almost all Spain's GDP growth over the past few years has been the result of immigration.

There are nearly five million immigrants living in Spain. This is more than 11 per cent of the total population – a greater percentage than neighbours such as Britain or France. Moreover, in many other European countries the process began decades ago and they have established immigrant communities that include second or third generations. In Spain the change has been far more recent and rapid. In 2004 one third of all immigrants into Europe went to Spain, mainly from Morocco, Latin America and Eastern Europe. Incidentally, the fifth largest group of immigrants in Spain is from the UK.

Legal immigrants are, of course, only part of the story and it is the large number of illegal entrants – *sin papeles* – who have arrived over

the years that give the authorities their biggest headache. Most are Latin Americans but some drifted in from Eastern Europe whilst others arrived through the porous borders with the two Spanish enclaves in North Africa, Ceuta and Melilla. In the last two years the PSOE government has attempted to block the routes from North Africa to the Spanish mainland by tightening up security and enlisting the support of the Moroccan Government with has been made easier as a result of an improvement in the relationship between Madrid and Rabat (see below). It has also trained up more immigration and security forces whose numbers had dwindled under the previous PP Government.

As a result of improved border controls in southern Spain there has been a large increase in the number of migrants attempting the crossing from West Africa to the Canary Islands. Using cheap GPS (global positioning system) navigation aids and better boats they are arriving in ever larger numbers; in May 2005 security forces intercepted 218 illegal immigrants trying to get onto the Canary Islands. In May 2006 the security forces detained 22 times that number – 4,792. At the Hampton Court summit last year, Spain successfully argued that illegal immigration through their borders is a European problem and is now being given more resources from the EU to tackle the flow.

Returning the migrants is frequently complicated by the fact that the extradition treaties between Spain and West African states are highly complex and in some cases there are none. In any event, many migrants simply refuse to reveal their nationality. Unable to deal with the increasing numbers or return them to the country of origin, the Canaries' administration simply put the immigrants on planes to the Spanish mainland – mainly Madrid or Barcelona. There they stay in a legal limbo, under no threat of being returned but unrecognised by the Spanish state and without any status in society. As a result, the hidden, unregulated labour market ballooned in a variety of occupations such as construction, agriculture and prostitution.

In 2005 the PSOE Government offered all illegal immigrants an amnesty and residency if they could provide proof that they had been working in the country since at least August 2004. So far, well over half a million immigrants have taken advantage of the amnesty and are now fully incorporated into the Spanish system. The amnesty was primarily

about justice for a large number of people who sought to improve their lives in an era of globalisation but found themselves trapped by a system incapable adapting to the realities of the twenty-first century. Yet, it was also about ensuring rights and responsibilities – the right to live and work freely in Spain with all the associated benefits, but with the responsibility to observe Spanish law and pay all taxes and social security contributions due.

Whilst the arrival of large numbers of migrants into Spain has been a rapid process over the last decade, their integration into Spanish society has been slower and poses a major challenge for the future. For example, there are no MPs from minority groups in the Spanish national parliament and only one in all the seventeen regional parliaments (a Moroccan who took Spanish citizenship some 30 years ago). At the moment, like Britain, the Spanish political system is not challenged by a racist-nationalist party of any size, but Spain will need to continue to work very hard to keep it that way.

Gender equality is a far older challenge for Spanish society. Castilian Spanish is, after all, the language that gave the world the word *machismo* and women still face considerable discrimination at work. As elsewhere, it has led to an ugly level of domestic violence among some sections of Spanish society: last year, over 100 women were murdered by their male partners. Zapatero tackled the problem head on from the outset of his presidency by doing two things. First, he appointed women to half the posts in his cabinet and appointed a woman as Vice-President. It is the only government in Europe with a 50-50 gender balance. Accusations of posturing followed from some critics who pointed out that the lower ranks of the Government continued to be dominated by men in suits. Women are still under-represented in Parliament and PSOE propose that, in future, any parliamentary group must have at least 40 per cent of either gender. For PSOE as a party, women now play a central role: at their annual conference in September 2006 more than half the participants were women. Perhaps the most important change, however, is a ground-breaking piece of legislation which will modernise the Spanish welfare state to provide financial help for the carers of dependents such as elderly or sick relatives in the home. Most carers are women in poorer households and for them this will be a truly liberating measure.

Second, Zapatero fulfilled a manifesto commitment to tighten up the law on domestic violence. It was the Government's first piece of legislation and presented within days of taking office. Penalties against abusive men (and the law stipulates *men*) have been toughened and the assistance available to women in danger has been increased. The immediate effects of the new law, however, have been disappointing. The numbers of women murdered by their partners is not decreasing, and to be effective the law will need to be part of a much wider culture change in Spanish society.

Other reforms, however, are beginning to bite. Female unemployment has been reduced more than male – although it remains disproportionately high. A recent law to promote gender equality provides further measures against discrimination in the workplace and attempts to enshrine the right to family life with work. For the first time it establishes the legal right to paternity leave to encourage men to take more responsibility for the upbringing of their children. It could also put an end to the long Spanish lunch-time, venerated by some but hated by many more, and allow workers to return home earlier. For couples that find home life impossible, the divorce laws, always a sensitive issue in Catholic Spain, have been loosened to make separation easier. Hardliners were further upset when the Government agreed to allow stem cell research.

The fiercest controversy, however, was the decision to change Spain's civil code to recognise gay marriage and allow gay couples to adopt children. Zapatero even wanted to go beyond a formal legal contract and recognise gay marriage as indistinguishable from any other marriage. Why, he argued, should gay people not have the exactly the same right to marry as heterosexual people? He challenged opponents to "look into the eyes of a gay person and tell them that they are a second class citizen". In Catholic Spain this was a politically bold move.

The reaction of some sections of the Church and right wing commentators was, predictably, hostile. The head of the Vatican Council on the Family, Cardinal Trujillo, denounced the law as "iniquitous" and urged Catholic officials in Spain not to implement the law – even if it meant losing their jobs. The archbishop of Barcelona agreed and said that putting the law before conscience was an attitude that "leads to

Auschwitz". Gay rights groups swiftly pointed out that many homosexuals died in Auschwitz. The Partido Popular voted against the measure in Parliament.

In fact, as the new code has settled down, there have been relatively few gay marriages – some 3,000 – and most people are now left wondering what all the fuss was about. One of the gay marriages celebrated was between a PP counsellor and his partner and even if the PP returns to power repealing the law will be difficult. When the first PSOE Government relaxed the divorce laws in the 1980s the change was bitterly opposed by the PP but many of their members – including several leaders – subsequently made ready use of the new rules to obtain divorces for themselves. In government, the PP made no attempt to return to turn the clock back and revert to the *status quo ante*. The same will almost certainly be true for gay marriage.

In a further move to loosen the grip of the Church, Zapatero suspended the application of an education law passed by the PP Government that was about to come into force. This law not only made religion in schools compulsory but also passing an exam in religion was to be an obligatory part of the entry requirement to enter any state University. In a country where the Church runs many schools (with large state subsidies) religion was about to assume the same status as, say, maths. In the row that followed the Church mobilised large street protests and some PP controlled regions, such as Madrid, threatened to implement the new law anyway. It was a battle that the Government won but provided further evidence that the historic tension between the Church and the left in Spain is still very much alive.

6. The State of Spain: Basques and Catalans

Meeting Spaniards abroad and asking the question "where are you from?" it is striking how often they reply with the name of their region before adding "in Spain". The acute sense of regional identity is one of Spain's striking hallmarks.

The questions about regional autonomy, identity and the extent to which Spain is or should be a federal state are at the epicentre of a bitter political debate. The argument about identity is deeply rooted in Spain's history and not least in the twentieth century. The decision of the socialist government in the 1930s to let the Catalans go their own way was one of the events that triggered the army rebellion and Civil War (1936-39). Franco subsequently presented himself as the saviour of the 'unity of Spain'. Generally repressive, *el generalissimo* worked particularly hard to stamp out vestiges of a separate identity such as language and culture in the regions. Half a century later, nationalists in those regions are now noisily articulating the case for more autonomy.

The current controversy has centred on two regions: the Basque Country and Catalonia. Both enjoy considerable, if asymmetrical, autonomy. All the taxes in the Basque Country, for example, are collected by the regional Government, which then apportions a percentage to Madrid. Since the transition to democracy both regions have elected nationalist parties that have demanded greater, devolved powers. The PP are very weak in both regions, but they have mounted an effective campaign against devolution that has resonated in the rest of Spain and damaged PSOE.

In the campaign for the Catalan regional elections of 2003 Zapatero (then in Opposition) promised the region's then socialist party leader, Pascual Maragall, that if both won their respective elections they would together forge a new statute or constitution for Catalonia giving the region more powers. It was a promise that came back to haunt him.

Maragall was elected as the Catalan president but reliant on an unstable coalition made up of the socialists and nationalist parties that

rapidly demanded more autonomy for the region. The progress of the Catalan *estatut* as it is known, has dominated domestic politics and the first two years of the PSOE Government. As it crawled painfully through the regional and national Parliaments, weeks were spent on Point of the Needle debates in the press and political programmes. The nationalists insist, for example, that Catalonia is a nation and this be clearly reflected in the preamble of the new *estatut*. But the Spanish constitution states that Spain is a nation – can mature nations exist inside each other like Russian dolls? A compromise was struck: the *estatut* recognises that some Catalans recognise Catalonia as a nation. It is all about as far from most people's daily lives as it is possible to get. A recent referendum in Catalonia approved the *estatut* by a margin of three to one – but only half of Catalans bothered to vote.

Outside Catalonia most voters have been wearied and worried by the Catalan debate. Wearied because they have been bored rigid by the incestuous debate, and apprehensive that nationalist minorities could be unsettling the fragile unity of Spain as a whole. To a British observer, accustomed to somewhat vague 'unwritten' Constitutional arrangements, the lack of clarity is not disturbing. But for many Spaniards, as for Americans or the French, the Constitution is a document to be revered, commemorated by numerous *plazas* and a public holiday. It provides a sense of security even if all the details are not properly understood.

Zapatero argues that, as Spain has matured as a democracy since 1978, further devolution is possible and that "Spain is a country which cannot be understood through old paradigms or governed by the traditional routine". Strength in the future, he argues, will arise through a flexible, not a centralised, state. Exactly how far Zapatero envisages this process will go – Spain as a fully federal state? – is not clear and he has never spelt out the endgame.

This is unsettling particularly in the PSOE heartlands. The presidents of some of Spain's poorer regions – solidly PSOE – have expressed their apprehension that transfer payments will dry up if the richer regions such as Catalonia and the Basque Country become more independent. Some observers even argue that ironically the last Aznar government created a highly progressive system that ensured the rich regions paid more into the national pot. Now a PSOE government is

about to give them more of their money back. The debate is almost the reverse of that in Britain where some regions like Scotland enjoy a much higher level of per capita spending than other parts of Britain. A major challenge for PSOE in the future will be to ensure that, despite further devolution, there is fairness and equity in access to public services and that the situation does not arise where some regions get left behind.

Over the last two years, the PP have exploited the issue of the *estatut* to drive home the general charge that Zapatero is governing from week to week without any overall plan. In the words of the PP leader, Mariano Rajoy, this president has "no fixed course… and does not know where he is leading Spain." It is a damaging charge and polling data suggests that it has hurt PSOE among its own supporters in the rest of Spain.

After the referendum in 2006, fresh elections were held in Catalonia. The socialists held on to the Presidency (again leading a coalition) but were punished by the loss of several seats. Few Catalan socialists express much pride in their party's ramshackle performance over the last two years and strategists in Madrid are desperate to move on. If there are no further headlines emanating from Barcelona between now and the next elections they will be delighted.

It is another territorial issue, however, that looks set to dominate the agenda for many months to come. Like the Catalans, independence from Spain has been a long-standing claim by many Basques. For more than 30 years the Basque nationalist party (PNV) has dominated the regional government but, crucially, nearly half the population have consistently voted for non-nationalist parties. In addition, the terrorist group ETA has subjected non-nationalists to a long-standing campaign of intimidation. Politicians, judges, lawyers, policemen, businesspeople and journalists have been prime targets but the violence has not been confined to the political class. ETA bombings have killed many wholly innocent victims from Saturday afternoon shoppers to children at play.

In recent years better surveillance techniques, cross border co-operation and intelligence have allowed the security services to make important strikes against ETA. The ETA structure was further debilitated when the Aznar Government passed a law to make their political wing, a party called Batasuna, illegal. The justification, however, was that in a

system of state funded political parties large sums of money were being channelled through Batasuna to finance the ETA infrastructure. State funding was being used to finance terrorist attacks on the State. PSOE, deeply uneasy about the human rights implications, held their silence.

Some weeks after Zapatero's election, subterranean movements were detected within ETA which suggested that they might abandon terrorism. It is impossible to identify a causal event but three factors appear to be significant. First, the revulsion against the Madrid bombings hardened the public mood against terrorism even further. Even the Batasuna leadership were quick to distance themselves from the Madrid bombings and the more astute leaders immediately recognised the looming contradiction of then attempting to justify any future ETA terrorism. Secondly, important arrests of ETA leaders continued effectively truncating an organisation that was now running seriously short of funds. Finally, by agreeing to a new *estatut* for Catalonia, Zapatero signalled that he was prepared to reopen the whole question of the relationship between Madrid and regions seeking greater autonomy.

In March 2006 after months of speculation and media buzz ETA announced a permanent ceasefire. The wave of relief that swept across Spain was almost tangible and Zapatero has described it as his most memorable day in Moncloa so far. The Basque problem has also brought London and Madrid closer. Zapatero publicly singled out and thanked Tony Blair for his help in opening the possibility of a peace process (exactly what the British Government did has never been fully explained). Furthermore, to the chagrin of the PP (see below), Blair very publicly threw his weight behind Zapatero and the continuing peace process in his trip to Madrid in October 2006. Politicians from Northern Ireland have also lent their support: Gerry Adams has made several trips to the Basque Country where he has met the Batasuna leadership.

On 30 December 2006 ETA detonated a car bomb at Madrid airport which killed two people and demolished a multi-storey car park. It was apparently planted by a young radical element within the terrorist group who acted to undermine their own leaders with whom the Government were negotiating. In this respect it seems uncannily similar to the London Docklands bomb of 1996 planted by rogue elements of the IRA when Gerry Adams and Martin McGuiness were engaged in talks

with the Major government.

But the Basque problem is *sui generis* not least because the cross party unity which was vital to the Northern Ireland process has been absent in Spain in the last two years. When the *Observer* broke the story in 1992 that the Conservative government had been negotiating with the IRA, Labour remained silent and then offered solid support. That support was reciprocated from the Tory front bench after 1997 and, despite the many problems, has held firm.

In Opposition, PSOE adopted exactly this bi-partisan approach. PSOE made no objection when in 1998, for example, President Aznar personally authorised contacts with what he described as "the Basque Liberation Organisation" and in 2002 Zapatero proposed and signed a formal cross party anti-terrorist pact to support Aznar. But this support has not been reciprocated. In the same way that Margaret Thatcher used to attack Labour for being "soft on terrorism" the PP seem intent on using possible negotiations with ETA as another stick to beat Zapatero.

The PP have repeatedly accused Zapatero of preparing to negotiate with terrorists by 'paying a political price' – appeasing violence and dismembering Spain. Consistent with their demagogic style of opposition some have gone further: the PP leader has denounced Zapatero for "betraying the blood of the victims" and called for a 'civic rebellion' against the peace process. The PP Parliamentary Spokesman has alleged that: "the project of Zapatero is the same as the project of ETA".

The Barajas bomb was a significant personal and political blow to Zapatero not least because of remarks made just the day before in which he boasted that the ETA problem had improved since he came to office and would continue to approve. His handling of the immediate aftermath of the attack was poor and his confidence clearly shaken.

Restarting the process before the next general election looks difficult and if he makes progress in the next two years the PP will accuse him of having sold out to ETA in an explicit agreement or through a hidden deal. If he fails they will present him as naive and incompetent. Yet the prize is also great; progress in the negotiations will put an end to the last domestic terrorist threat in Europe and close another tragic chapter in Spanish history.

DAVID MATHIESON

7. Europe and Foreign Policy

There has been a radical shift in Spanish foreign policy over the last two years with Europe once again at the centre. The focus has been on rebuilding bilateral relations with Berlin and Paris but there is also a real convergence with London on important policies such as the need for structural reform of the European economy and enlargement. Zapatero has proposed a 'dialogue of civilisations' with the Arab world and the bilateral relationship with Rabat in particular has been strengthened. The relationship with the USA, at rock bottom two years ago, has improved slightly. The overall impression, however, is disappointing. For a sizable European country with the world's ninth largest economy, Spain has made surprisingly little impact in international forums over the last two years.

Involvement in the Iraq war 'coalition of the willing' under José Maria Aznar bought a closer relationship with Washington at the cost of alienating Paris, Berlin and diminished Spanish influence in the European Union. Zapatero withdrew Spanish troops from Iraq the day after taking office and said that he felt "privileged" to give the order to withdraw because it "fulfilled the almost unanimous wish of the Spanish people which was to get out of a war which was illegal, immoral and unjust." It was a popular move domestically – 80 per cent of Spaniards had been opposed to the war – and presaged a significant change in foreign policy that now reverted to the traditional focus on the EU. Active participation in the EU had been the mainstay of Spanish foreign policy, with committed bipartisan support for the 25 years previous to Iraq.

Yet the warming in the relationship with the continental neighbours has been mirrored by an icy blast from across the Atlantic. Spanish ministers have struggled to get time with their opposite numbers in Washington and although there are signs of an improvement, any hopes that Zapatero may have of visiting the Whitehouse will have to wait until President Bush has moved out. The American response has only been tempered, perhaps, by the continued presence of US military bases in

Spain and the need to share some intelligence.

With regard to the future of the EU, the concept of Europe has wholly positive connotations in Spain and it remains one of only two countries to have endorsed the EU constitution by a popular vote (the other was Luxembourg). PSOE are also fully signed up to the Lisbon agenda to make the European economy the most competitive in the world by 2010. It is arguable that the PSOE Government is implementing some of the agenda's supply side reforms – boosting R&D, information technology and some labour market reform – more aggressively than their PP predecessors. There is certainly no evidence that a socialist government is retarding Spain's effort to achieving the Lisbon goals. During the British presidency of the EU in 2005, Zapatero supported Tony Blair's efforts to bring services into the single market – a move opposed by the French and Germans.

Zapatero also appears to share the British view that the EU (and global security) would benefit from eventual Turkish accession, and his proposal for a 'Dialogue of Civilisations' – a project now being worked up by the UN to promote understanding between, crudely, the Muslim East and the Christian West is widely supported.

Both the 'Dialogue of Civilisations' and Euro-Med – a process that brings Europe and the countries around the Mediterranean to talk about a variety of issues from education to trade and human rights – are focused on building a relationship with the Muslim and Arab world and are examples of the 'soft' diplomatic approach which Zapatero favours. They are not expected to yield immediate dividends and even in the longer term it is hard to gauge their success. This has led to questions about their overall effectiveness. During the last two years, for example, the relationship between Spain and Morocco has improved after the deterioration under Aznar. Practical benefits can be assessed in terms of counter-terrorism, drugs trafficking and immigration amongst other things. However, Morocco is still governed by an absolute monarch and has at best a mediocre record on human rights that the Spanish are seldom willing to challenge.

Beyond Europe, Spain has primarily focused on Africa. Uncontrolled immigration from the south has led Madrid to focus on causes and devote more resources to development in sub-Saharan Africa.

Rich countries will naturally attract poor people and nowhere is the difference greater than between Southern Europe and North Africa: the average income differential between Spain and Morocco is greater than for any other neighbouring countries in the world. Zapatero has increased the aid and development budget by 65 per cent over the last two years and at €3.2 billion it is now 0.35 per cent of GDP. The Government has pledged to increase this to 0.5 per cent by the end of the 2008 parliament and meet the UN target of 0.7 per cent by 2012.

There remains, however, a perception that after troop withdrawal from Iraq and a return to Europe Spain itself has withdrawn on the international stage. If forces serving overseas is the measure, then this is not entirely true. Spain currently has peacekeeping troops in, for example, the Balkans, Afghanistan, the Congo and Lebanon and the current number of troops serving overseas is virtually identical to that when the PP were in power. Nevertheless, opponents argue that foreign policy is Zapatero's weakest point – and some friends would agree. It is notable that in set speeches Zapatero seldom talks about his vision of Spain's international role or foreign policy beyond a few references to Europe. Issues such as the new challenges in the global economy to promoting human rights and democracy are scarcely discussed and crises such as Darfur are not even mentioned.

There are various reasons for this. First, the experience of Iraq has been seared into the psyche of the Spanish political class. José Maria Aznar clearly enjoyed his moment under the spotlight on the international stage but he was severely burned by the experience and it contributed greatly to his political defeat. Since then, Zapatero has watched for instance Tony Blair suffering from his foreign policy agenda. Zapatero has reasonably decided that the sideline is a politically prudent, if not necessarily laudable, place to be at the moment.

Second, Zapatero has reverted to a traditional foreign policy centred on European alliances and the EU. Spanish ratification was a foregone conclusion given that the country has done so well out the EU over the last 25 years. Since joining, Spain has been a net recipient of around €180bn in transfer payments and in the latest EU budget deal it managed a minor miracle by retaining some share of funds as a net beneficiary until 2013. Moreover, three Spanish socialists – Joaquin

Almunia (European Commissioner for Economic and Monetary Affairs), Josep Borrell (President of the European Parliament until 2007) and Javier Solana (Secretary General of the Council of the European Union) have been at the centre of the European institutions.

Third, Zapatero, who is nearly always relaxed in a domestic setting does not appear confident on the international stage or with a high profile international role. Prior to 1997, Zapatero showed little interest in foreign policy in Opposition (outside his opposition to the Iraq war). This didn't even change after moving into government and at his first European summit he made no attempt to contribute at all. He speaks no other languages (surprising for a young, professional Spaniard) and in his eighteen years as a member of parliament made no overseas trips. Zapatero's failure to make any real mark on the international stage has been the biggest flaw of his Presidency. If elected for a second term he should be looking to make a greater impact in the debates for the sake of Spain and the social democratic values he represents.

DAVID MATHIESON

8. Does it always have to be Sweden?

"Why does it always have to be Sweden?" complained Quentin Hogg during the course of a discussion about social democracy in the 1960s. Well now it doesn't. The Swedish social democrats are currently out of office and in any current debate about the successful application of social democratic values in the twenty-first century several other countries are worth looking at and Spain is certainly on of them.

The central challenge for political parties of the European left is renovation and renewal – of themselves and of the societies that they seek to govern. Between 1982-95, the PSOE government of Felipe Gonzalez modernised Spain but ultimately failed to renew itself and was finally thrown out of office exhausted and mired in corruption. The renovation of the Party under Zapatero in opposition laid the groundwork for the General Election victory of 2004. His Government has now embarked on a second transition of economic, social and political reforms that are bringing Spain into the twenty-first century. It is a distinctive model of social democracy and one that works. European social democrats can now look south to the Iberian peninsular as well as north to Scandinavia for inspiration.

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Since his election victory in 2004, the Spanish Prime Minister José Luis Roderiguez Zapatero has initiated extensive political and social and economic reforms in Spain, known as the 'second transistion'. This pamphlet examines how progressive policies have been applied by the PSOE Government in Spain, and the challenges it continues to face, suggesting that the Spanish model should be an inspiration for progressives across Europe.