

ABRIDGED VERSION

Analysis of ¹Our Time

EUROMEDI REPORT

Analysis of the potential of the Mediterranean Euroregion
and of the constraints imposed on it



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Josep Reyner

Analysis of **1** *Our Time*

FUNDACIÓ VINCLE

Fundació Vincle was created in 2008 with the aim of working toward an integrated and inclusive society in all aspects, focusing its efforts on the Catalan language as a source of social cohesion.

Fundació Vincle currently has three main lines of activity: first, promotion of the use of Catalan in the business world, whether among employees or as part of the products and services offered by a standard company; second, social connection and an increase in the use of the Catalan language among newcomers who have been in the country for some time; and, finally, diffusion of the discrimination and imbalances in investments affecting what is referred to as the Mediterranean Euroregion, which includes, principally, the territories of Catalonia, Valencia and the Balearic Islands.

JUSTIFICATION

The Spanish State is a parliamentary monarchy that has a head of state, the king, and a prime minister, who centralises and coordinates power in conjunction with a series of ministries. In its current territorial structure, it is comprised of 17 autonomous communities and two cities in northern African, Ceuta and Melilla. Each autonomous community has its own powers, although with some differences between them, that allow them to handle their own administration.

Of the 17 autonomous communities, there are two that have a special economic and fiscal regime: the Basque Country and Navarre. During the Spanish transition to democracy following the death of General Franco these two communities, located in the north of Spain, managed to establish their own regional charters (because they returned to an older feudal organisation based on *fueros*, or charters). The main advantage of this local regime is that both territories first collect their own taxes and then their regional governments compensate the central government for the expenses associated with non-devolved powers in the territory. The system for the remaining 15 autonomous communities, however, works in the reverse: the Spanish State collects the taxes and then transfers funds back to the territories to finance the devolved powers. Thus, the financing system and the distribution of the State's economic resources become arbitrary both because of the lack of control of revenue and the unfair results of the distribution of funds. To top it off, there is an opacity of information.

There is another notable difference in the Spanish financing system, which some might consider an anomaly. The capital of Spain, Madrid, and by extension the autonomous community of the same name, receives a

much more favourable tax treatment than the other autonomous communities simply because it is the capital. Madrid enjoys more advantages than other communities as a result of its capital status: it concentrates the main institutions of the State, the headquarters of large companies and the associated talent, which results in a higher percentage of high incomes and the associated tax revenue; Madrid also monopolises public procurement, and it saves on public spending, since the large cultural institutions and infrastructures concentrated there are funded directly by the State.

It is a fact that the Spanish State suffers from an internal imbalance with regard to the productivity and competitiveness of its territories. Thus, activity has tended to concentrate in the Mediterranean region (47% of GDP, 48% of industry, 50% of the population, 51% of exports and 75% of the maritime traffic of goods). The inherent centralism of the Spanish State drives the desire to equalise all the territories in economic terms, a secular fact since the mid-19th century. In that vein, it aims to slow down productivity coming from the territories of the Euro-Mediterranean region for the sake of benefitting the capital, Madrid

Madrid is a very important centre because the modern economy needs concentrations of high added value. The State makes every effort to maintain a very powerful capital, despite its location in the middle of nowhere, productively speaking; and that, in turn, shores up the State. The fiscal deficit for the Mediterranean regions is the direct result of this favouring of Madrid, along with holding back the most productive territories and maintaining them in a fiscal deficit.

The State refuses to make investments where there is activity of high added value: i.e., in the autonomous regions along the Mediterranean—and especially in Catalonia—because it perceives them as the main competitors of Madrid and, therefore, the State. The goal, therefore, is to reduce the potential of the Mediterranean region even if it means accepting very large inefficiencies when the activity is transferred to places that defy the logics of the market. It is a fact that a large amount of public and private resources are being poured into Madrid with results that are inefficient at best.

In this document we analyse the fiscal abuse and deficits in public investment taking place in Catalonia, Valencia and the Balearic Islands, which we call the Mediterranean Euroregion, and which, despite not being a political unit, can be considered a single economic bloc that, moreover, shares similar problems. At Fundació Vincle our aim is to make the European public aware of this discriminatory, unfair and economically illogical reality.

INTRODUCTION

Euroregió Mediterrània (the Mediterranean Euroregion), made up primarily of Catalonia, València and the Balearic Islands, is a solid economic reality in the south of Europe with great potential, but one that comes up against major obstacles in developing this potential, caused by the Spanish state itself. The economic suffocation and constraints imposed on it—by a poor system of finance—and a lack of public investment in infrastructure are two clear examples of this chronic mistreatment. In this respect, the Balearic Islands contribute between 11 and 15% of their GDP to the central state, Catalonia 8.4% and València 5–6%, but the part returned by the state is meagre. Meanwhile, “Greater Madrid” benefits enormously from its capital status.

It should be stressed that the origin of much of the grassroots discontent that exists lies in the lack of investment in the Euroregion. This discontent makes things worse when much of the Valencian, Catalan and Balearic population does not realise that their respective autonomous governments, the tier of government closest to the public, are increasingly constrained in their ability to meet their needs and drive growth in their regions.

This publication is a much abridged version, for wider circulation, of the *Informe EuroMedi. Anàlisi de les potencialitats de l'Euroregió Mediterrània i de les limitacions que li són imposades* [EuroMedi Report: Analysis of the Potential of the Mediterranean Euroregion and of the Constraints Imposed on it], by Josep Renyer with the assistance of Jordi Manent. This is a volume over 200 pages long that—in 13 main subject areas, 60 sections and 150 graphs and tables—analyses the strengths and weaknesses of all three territories, using objective data from a range of public and private sources. It is available from bookshops, or the abridged version can be downloaded from the website:

www.fundaciovincl.com

In this publication, this information about the Euroregion is compared with data from other Spanish autonomous regions. In general the latter regions benefit more and some of them, very important in population terms, cannot sustain their own welfare state and depend on other territories. The report warns that if in the coming years there is no substantial change in these policies, which depend largely on the will of the Spanish government, the viability and development of the territories of València, the Balearic Islands, and Catalonia could be seriously compromised. It is therefore urgent for the territories within the Euroregion to create synergies and join forces to achieve common goals for the sake of the progress of their people in general.

PURPOSE

The purpose of this publication, first published in Catalan in June 2020, is to explain the special features of the economy of the three territories of the Mediterranean Euroregion and the constraints and issues facing them. However, while it is not the primary goal, this is not possible without describing the growth model¹ under which Spain has been run in the last 20–25 years.

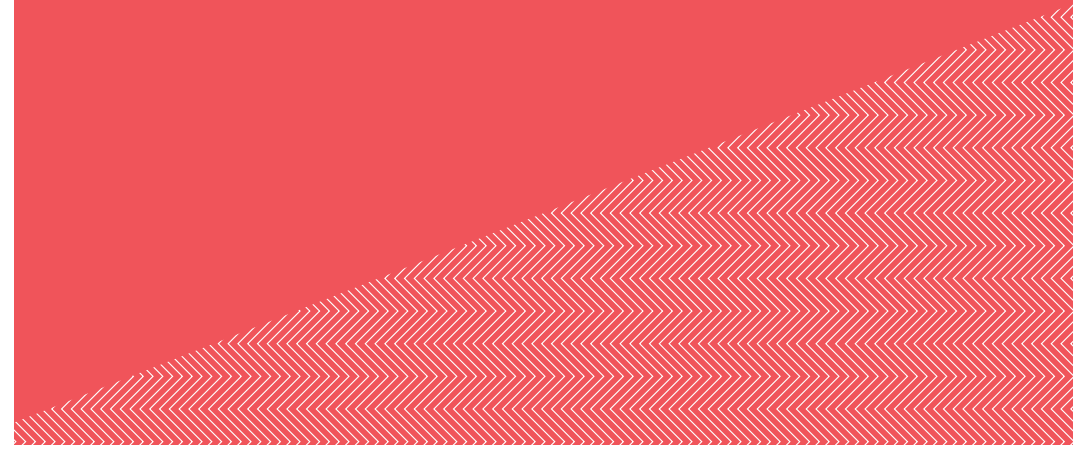
Throughout this document we will use the term “Mediterranean Euroregion” to refer globally to the territories of Catalonia, València and the Balearic Islands. Although the Euroregion is not a political unit, it can be considered a single economic bloc because of its similarities in

“IF IN THE COMING YEARS THERE IS NO SUBSTANTIAL CHANGE IN THESE POLICIES, WHICH DEPEND LARGELY ON THE WILL OF THE SPANISH GOVERNMENT, THE VIABILITY AND DEVELOPMENT OF THE TERRITORIES OF VALENCIA, THE BALEARIC ISLANDS, AND CATALONIA COULD BE SERIOUSLY COMPROMISED.”

terms of productivity, its geographic situation, and because all three autonomous communities are discriminated against by the Spanish State through its various governments, both in terms of the fiscal deficit they suffer and the lack of economic investment in infrastructure.

¹ See section 23 of the full *EuroMedi Report*.

A GROWTH
MODEL THAT
PLACES PUBLIC
WELL-BEING
IN QUESTION



Without denying the overall **progress** that has been made in Spain as a whole over this period, this has been **marked by certain very specific features**:

- Growth in GDP and employment has been based on activities or sectors of low added value, to a much greater extent than in our international neighbours.²
- This has led to the creation of large numbers of insecure low-skilled and low-paid jobs,³ in far higher proportions than in comparable countries.
- This growth has also led to the need for a large, constant flow of low-skilled immigration to sustain low pay and take up many of these low-skilled jobs that in many cases would otherwise be unfilled.
- In comparison with our international neighbours, this job creation with an excessive percentage of low-skilled, low-qualified employees is perfectly compatible with an equally high percentage of employees over-qualified for the jobs they are in, large numbers of job vacancies that cannot be filled and high rates of structural unemployment.
- An inadequate, inefficient, megalomaniac public investment and infrastructure policy, used as a way of gaining votes⁴ that holds back quality development in many areas of Spain, including those in the Euroregion.

“INADEQUATE, INEFFICIENT, MEGALOMANIAC PUBLIC INVESTMENT AND INFRASTRUCTURE POLICY HOLDS BACK QUALITY DEVELOPMENT IN MANY AREAS OF SPAIN, INCLUDING THOSE IN THE EUROREGION.”

- A lack of a long and medium-term vision that is reflected in the meagre, poorly-coordinated investment in RDI, at levels much lower than other western countries.⁵
- All this has led to growth of low quality in terms of its poor productivity, which is much lower than in the countries around us, a factor which in the long term is what determines the overall progress of a society.⁶

² See section 7.

³ See section 15.

⁴ See sections 25 and 26.

⁵ See sections 47 to 50.

⁶ See section 23.

- Implicit in this model is **growing inequality and poverty**,⁷ at levels much higher than those in the advanced countries with whom we want to be comparable. A trend now poorly hidden by the economic recovery we have seen since 2014, and threatened by the predictable crisis in early 2020 caused by coronavirus, after which the economy has not yet returned to pre-crisis figures.

- **This model, together with a long-established high level of tax fraud, in the long term places in question the basis of our welfare state:** such a high proportion of the population employed at low pay with little security as in the Spanish economy cannot generate enough tax revenue to pay for the needs of a decent, modern state. Spending on pensions, health, education, social services, infrastructure and so on will be facing certain increasing needs, among other things due to the ageing population and obsolete facilities in basic services that cannot be provided properly under this model.

This pattern of growth is no coincidence, but a deliberate, planned, directed model to benefit certain elites. It is based on the different employment reforms passed since the late 80s, encouraging insecure contracts, extreme pay restraint and the weakening of trade union power, while flouting negotiated labour regulations.

“IMPLICIT IN THIS MODEL IS GROWING INEQUALITY AND POVERTY. THIS PATTERN OF GROWTH IS NO COINCIDENCE, BUT A DELIBERATE, PLANNED, DIRECTED MODEL TO BENEFIT CERTAIN ELITES.”

⁷ See sections 53 to 56.

AN UNBALANCED
MODEL THAT
PARTICULARLY
HARMS THE THREE
TERRITORIES IN
THE EUROREGION

This imbalanced model created by a particular institutional and legal framework, that in itself generates social inequality, is also developed unevenly in geographical terms. The traditional Spanish regional inequalities not only have not been corrected but have persisted, with the aggravating factor of exaggeratedly centralised growth focused on a megalomaniac capital that soaks up resources and energy, gradually condemning many of the peripheral regions to irrelevance or constant dependence.⁸

The Mediterranean Euroregion is enmeshed in this framework, and each of the three territories within it form part of the growth model described above, to varying degrees and with different peculiarities. A look at the dynamics the three territories have followed since the return of democracy shows that they have seen sharp population growth, especially in the cases of the Balearic Islands and Valencia,⁹ driven primarily by immigration.¹⁰ However, at the same time they suffer from unproductive economic growth that shares many of the worst features of the pattern described above, and which has stripped them of much of their initial competitive advantage (in terms of differential GDP per capita compared to the Spanish average) in the case of the Balearic Islands, or increased their initial lag in the case of Valencia.¹¹

“A MEGALOMANIAC CAPITAL THAT SOAKS UP RESOURCES AND ENERGY, GRADUALLY CONDEMNING MANY OF THE PERIPHERAL REGIONS TO IRRELEVANCE OR CONSTANT DEPENDENCE.”

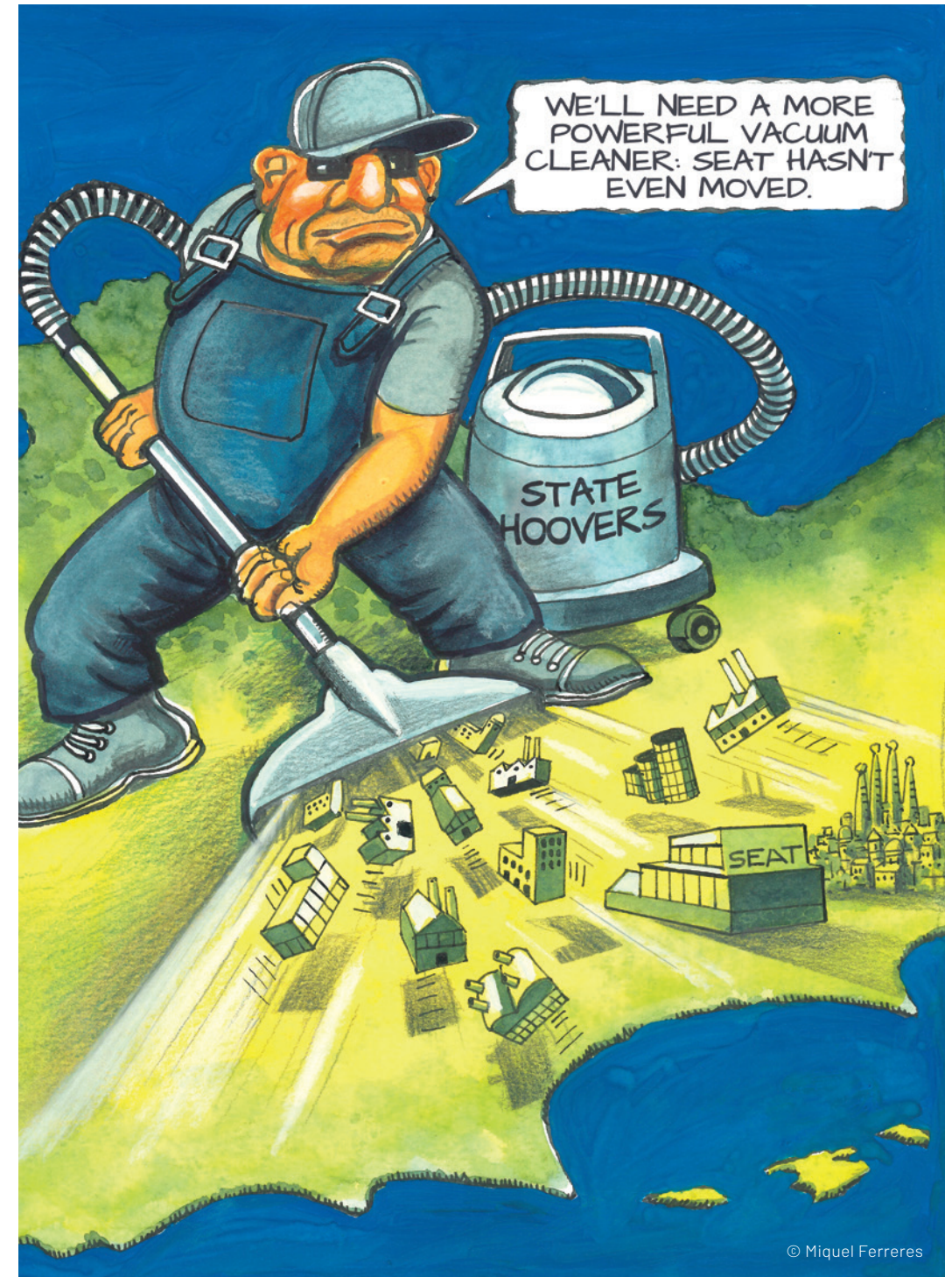
The counterpoint in this model is the case of Madrid, which has seen a far above-average rise in its GDP per capita. A rich region which has been favoured historically and has become wealthier to an extent clearly out of proportion to the rest of the country. Madrid, based on its status as state capital, is favoured by the concentration of political power, which has in turn encouraged the concentration of economic power around it, particularly the sector dependent on power, and has used this to attract large numbers of business activities and jobs with high added value that revolve around these two key circles of power: the political and the economic. This growth is unhealthy because to a great extent it is at the expense of the human and material resources of other regions.

⁸ See sections 6, 8, 13, 23, 31, 32 and various comments throughout this publication.

⁹ See section 2.

¹⁰ See section 3.

¹¹ See sections 4, 5 and 6.

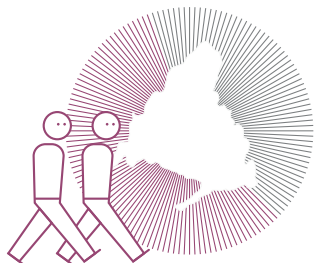


MADRID, THE CENTRE THAT SOAKS UP EVERYTHING

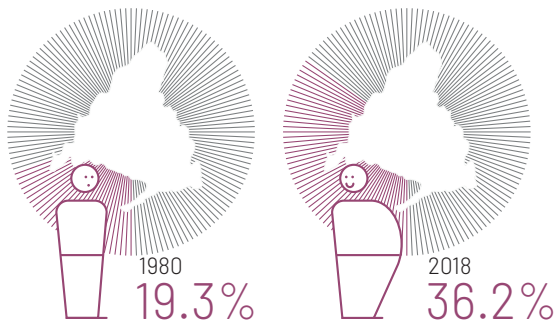
WORKERS MOVING BETWEEN AUTONOMOUS REGIONS

DEPOPULATION
OF CASTILLA-LEÓN,
GALICIA, ASTURIAS,
EXTREMADURA, ETC.

57.2%
of workers who
move from other
autonomous regions
to go to Madrid



GDP PER INHABITANT OF MADRID ABOVE SPANISH AVERAGE



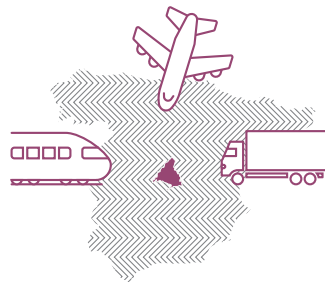
MONOPOLY OF POWER

Privatisations of state monopolies
and oligopolies have benefited Madrid.
Ministries, regulatory bodies
BdE, CNMV, CMNC,
all based in Madrid.



FISCAL DUMPING

- The lowest **income tax**
- **100%** reduction in **wealth tax**
- **99%** reduction in **inheritance and gift tax**
- Lowest **IAJD** in Spain



CENTRE OF RADIAL SPAIN

Infrastructures
centred on Madrid:
AVE (high-speed train),
AENA (airport authority),
toll and free motorways

“THE SPANISH
STATE HAS BEEN
AND IS RADICALLY
UNWILLING TO
PUBLISH THE
FISCAL BALANCE
SHEETS OF ITS
DIFFERENT
REGIONS.”¹²

Key: BdE = Banco de España (Bank of Spain); CNMV = Comisión Nacional del Mercado de Valores (securities commission); CMNC = Comisión Nacional de los Mercados y la Competencia (monopolies commission); IAJD = Impuesto de Actos Jurídicos Documentados (tax on documented legal acts).

It is true that there have been other regions that have managed to make progress apparently above the Spanish average, such as Extremadura, Galicia and Castilla-León. However, this apparent progress hides a phenomenon that in the long term will end up harming them, which is that of gradual depopulation, particularly among younger age groups that should be the foundation of future progress in these regions. This phenomenon misleadingly drives an increase in GDP per capital that in the long term will work against these regions.¹³

This socially and geographically unequal model of growth is sustained thanks to a constant flow of inter-regional transfers, also supported by transfers from the European Union (structural funds).

The Spanish state has been and is radically unwilling to publish the fiscal balance sheets of its different regions. However, when it is forced to do so for one reason or another, or because other institutions do so, it is clear that there are basically four regions—the three of the Mediterranean Euroregion (Catalonia, the Balearic Islands and Valencia), together with Madrid—that supply the flow of transfers that allows the state as a whole to function and sustains the welfare state in a set of seven or eight regions that individually do not generate the necessary resources.

The chartered regions of the Basque Country and Navarra, due to the different special

12 A territory’s fiscal balance sheet shows the imbalances resulting from the difference between taxes and other revenues the state collects from that territory and the expenditure and investments it makes in that same territory.

13 See section 6.

“THERE ARE BASICALLY
FOUR REGIONS—THE THREE
OF THE MEDITERRANEAN
EUROREGION (CATALONIA,
THE BALEARIC ISLANDS
AND VALENCIA),
TOGETHER WITH MADRID—
THAT SUPPLY THE FLOW
OF TRANSFERS THAT
ALLOWS THE STATE AS A
WHOLE TO FUNCTION.”

terms on which their share is calculated¹⁴, do not form part of this mechanism of inter-regional transfers. The case of Madrid is different from the rest. Its status as capital and the advantages it draws from this lead to growth considerably greater than in other regions, allowing it to cope with this drain without affecting its competitiveness, and also to engage in effective “fiscal dumping”¹⁵ in relation to other territories.¹⁶ But this is not the case in the other three regions in chronic fiscal deficit,¹⁷ those of the Euroregion.

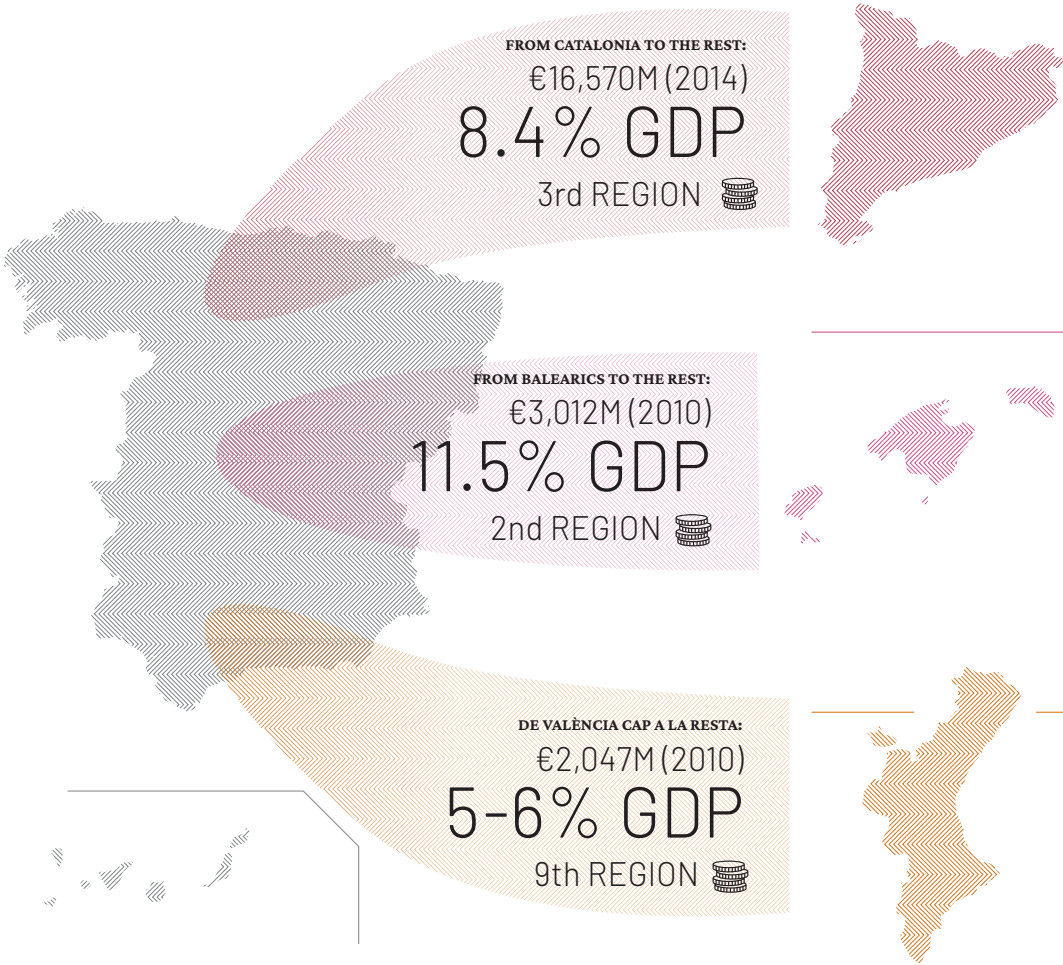
14 Under their economic agreement with the Spanish State, Navarre and the Basque Country have their own tax systems and most of the powers to regulate and manage taxes usually available to countries with a treasury system.

15 Fiscal dumping: the fiscal practice of lowering or removing taxes to attract companies, skilled workers and major fortunes while putting competitive pressure on other regions to act in the same way. In the case of Madrid, this pressure is founded on the dominant position conferred by its status as capital.

16 See section 17.

17 See section 16.

THE EUROREGION SUPPORTS THE COST OF THE WELFARE STATE IN REGIONS WITH A DEFICIT



PER CAPITA CONTRIBUTION TO THE
AUTONOMOUS FUNDING SYSTEM



PUBLIC SPENDING ON
EDUCATION PER STUDENT



HEALTH SPENDING
PER INHABITANT

CATALONIA



3rd highest-
contributing
region per
capita to the
autonomous
funding system

10th region
for resources
received
per capita
(1.7% below
average)



11th region
for health
spending
per capita
(0.9% below
average)



13th region
for public
spending on
education per
student (3.2%
below average)



7th region
for social
welfare spending
per inhabitant
aged over 65



17th region
for proportion
of state public
investment,
of GDP (39.6%
below average)

BALEARIC ISLANDS



2nd highest-
contributing
region per
capita to the
autonomous
funding system

9th region
for resources
received
per capita
(1.1% below
average)



15th region
for health
spending
per capita
(3.9% below
average)



8th region
for public
spending
on education
per student



16th region
for social welfare
spending
per inhabitant
aged over 65
(35.9% below
average)



16th region
for proportion
of state public
investment,
of GDP (42.1%
below average)

VALENCIA



9th highest-
contributing
region per
capita in the
autonomous
funding system

15th region
for resources
received
per capita
(7.6% below
average)



12th region
for health
spending
per capita
(1.7% below
average)



12th region
for public
spending
on education
per student
(1.23% below
average)



17th region
for social welfare
spending
per inhabitant
aged over 65
(36.2% below
average)



14th region
for proportion
of state public
investment,
of GDP (48.8%
below average)



SOCIAL WELFARE SPENDING
PER INHABITANT AGED OVER 65

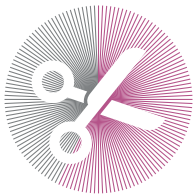


PROPORTION OF STATE
PUBLIC INVESTMENT, OF GDP

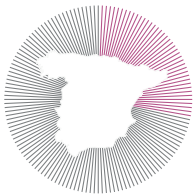
THE DISLOYALTY OF A STATE TOWARDS ITS OWN INSTITUTIONS

CUTS MADE BETWEEN 2009 AND 2014:

THE AUTONOMOUS REGIONS

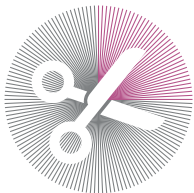


HAD TO BEAR
56.7%*
OF THE TOTAL

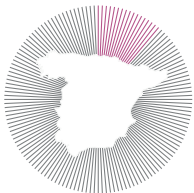


WHEN THEIR PUBLIC
SPENDING WAS
27.8%
OF THE TOTAL

LOCAL AUTHORITIES



HAD TO BEAR
24.9%*
OF THE TOTAL

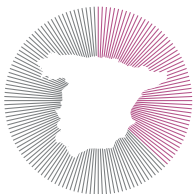


WHEN THEIR PUBLIC
SPENDING WAS
11%
OF THE TOTAL

CENTRAL GOVERNMENT



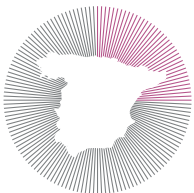
HAD TO BEAR
14.3%*
OF THE TOTAL



WHEN THEIR PUBLIC
SPENDING WAS
36.8%
OF THE TOTAL

SOCIAL SECURITY FUNDING

INCREASED SPENDING TO COPE WITH THE
RISE IN PENSIONS AND UNEMPLOYMENT.
EXCLUDING THESE INCREASES IT ONLY
CUT ITS SPENDING BY **4.2%**



WHEN ITS PUBLIC
SPENDING
REPRESENTS
24.5%
OF THE TOTAL

*Central government has justified its meagre proportion of the cuts because of its payment of interest on public debt and increased spending on pensions and unemployment benefit during the period. The calculations excluded these increases in public spending, i.e. did not take them into account. This makes clear, even if central government's justifications are accepted, the considerable imbalance between its contribution to bearing spending cuts in relation to its share of public spending (see detailed explanation in section 19).

The three territories of the Euroregion suffer a constant drain of resources, under different forms:

■ A system of finance that is inadequate, out of date, arbitrary and unfair,¹⁸ which once again does not include the two chartered regions, and which keeps much of the welfare state—the part for which the regional governments are responsible—underfunded. The systems of health,¹⁹ education²⁰ and social welfare in the Euroregion are kept systematically funded below the Spanish average and far below their fiscal capacity.²¹

■ The inadequacy of the funding system essentially forces them to depend on investments assigned arbitrarily by the State, as practically no margin is allowed for an autonomous policy.

“THE SPANISH SYSTEM OF FINANCE IS INADEQUATE, OUT OF DATE, ARBITRARY AND UNFAIR.”

■ This assignment of resources to infrastructure, which is completely inadequate to meet the three territories' needs, is a discriminatory factor which in many ways lacks even the logic of cost-benefit, and is used as a political tool to gain votes, managed essentially by central government in Madrid and primarily benefiting Madrid's capital status and certain business sectors.²²

■ Meagre, poorly coordinated investment in RDI,²³ which affects the core of future growth potential for our businesses and which, if it were adequate and properly organised, would enable them to climb up the value chain and so boost the likelihood of healthy, balance growth with high productivity.

18 See sections 17, 18 and 19.

19 See sections 43, 44, 45 and 46.

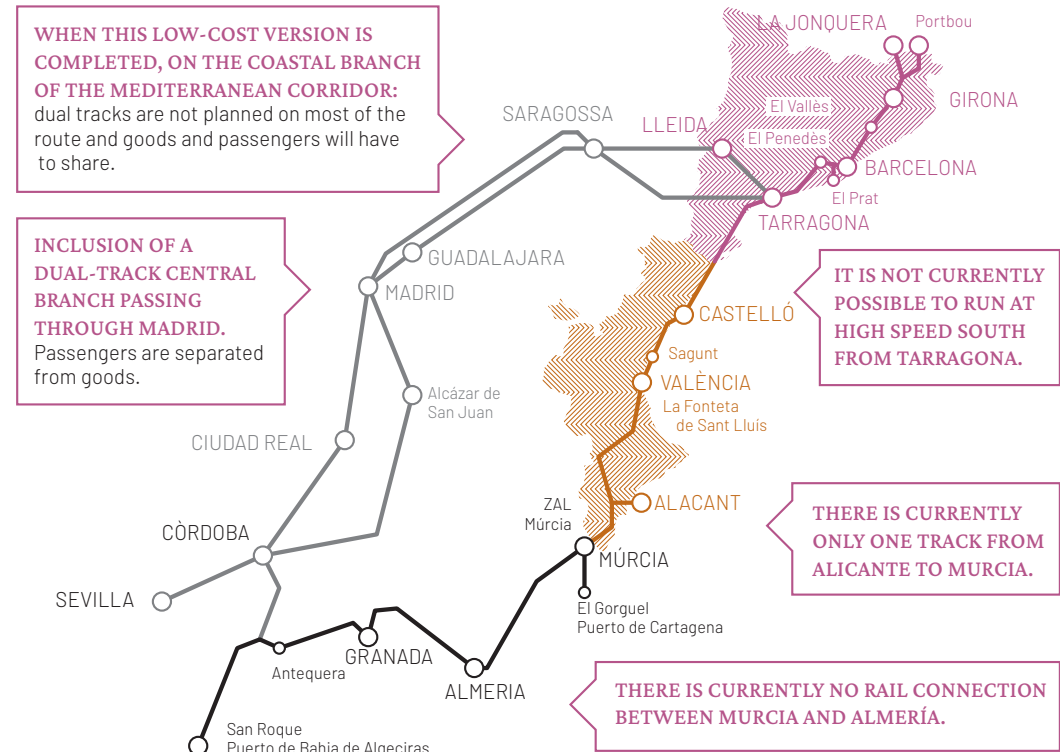
20 See sections 38 and 39.

21 See sections 20, 21 and 22.

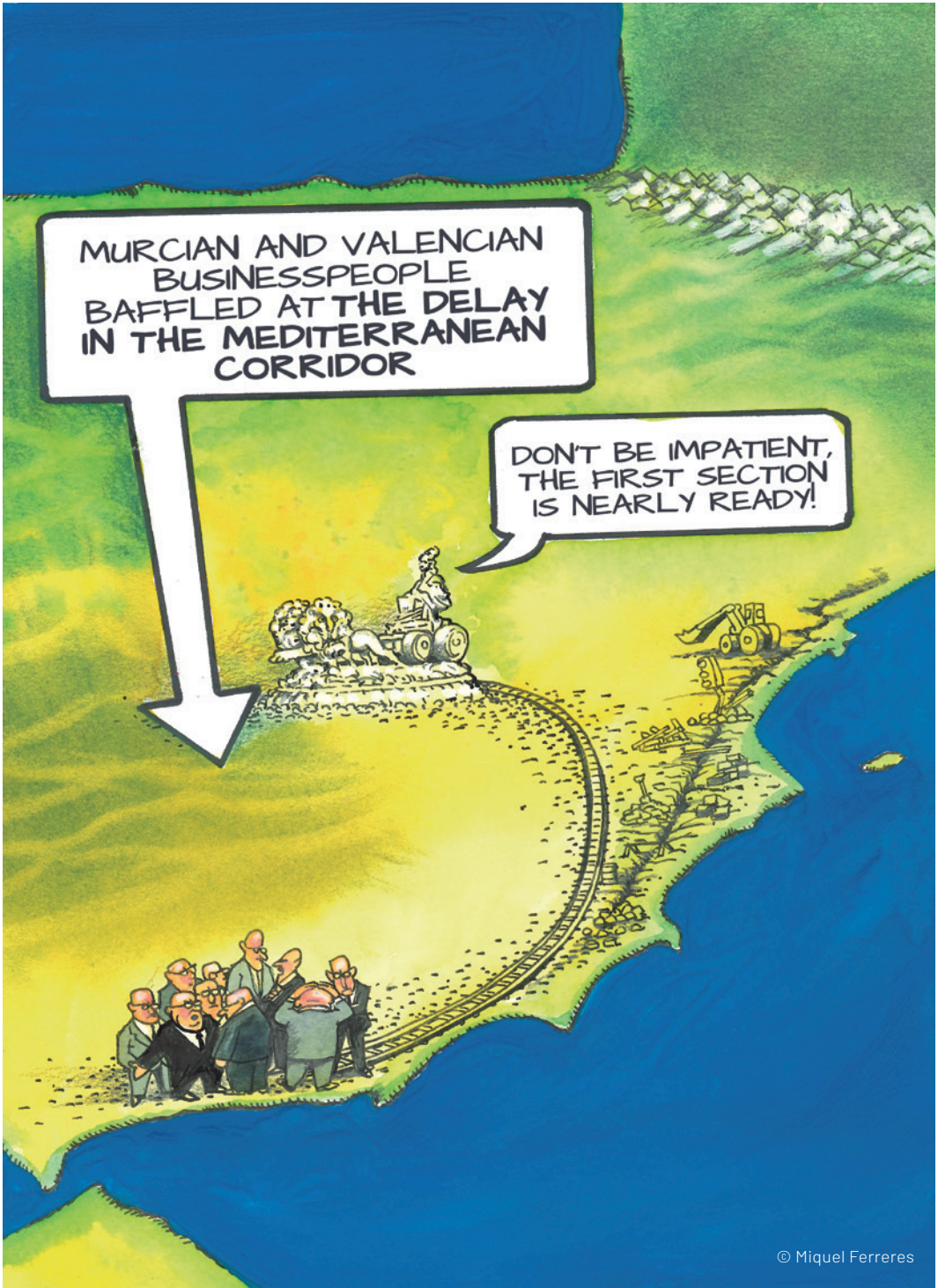
22 See sections 25, 27, 30 and 37.

23 See sections 47, 48, 49 and 50.

A PROJECT PLAGUED BY DELAYS AND CUTBACKS



- INSTALLATION OF THE THIRD RAIL CASTELLBISBAL-MARTORELL:** Contract cancelled (05/2017). New award 03/2019.
- RAIL ACCESS TO PORT OF BARCELONA:** Contract awarded cancelled because it was ruled unsafe. The plan needs to be drawn up again from zero. There is no planned start date for the work.
- TARRAGONA-VADELLÒS SUB-SECTION:** Only single-track section. New Iberian-gauge dual track route* in trials for over a year.
- PORT OF TARRAGONA INTERMODAL RAIL TERMINAL:** Construction completed, waiting for ADIF to carry out the connection work assessment
- CASTELLÓ-VADELLÒS SUB-SECTION:** Contract cancelled due to alteration of the plan. The plan is currently being drawn up again, with the original aspirations scaled down and limiting the third rail to a single track.



The under-financing of the autonomous regional governments in the Euroregion clearly affects the well-being and future of their people, and is shown, for example, in the levels of school failure,²⁴ the results of PISA testing,²⁵ staffing levels in healthcare²⁶ and teaching, and waiting lists in public healthcare.²⁷

Social progress—defined as effectively meeting citizens’ basic needs—does not match the economic progress made in many of the Spanish regions. This is the most flagrant in the cases of Catalonia (with the widest gap between its GDP capacity and its actual social progress) and the Balearics (the 4th worsening).²⁸

Low investment harms competitiveness²⁹ and productivity³⁰ in the Euroregion and throughout the Mediterranean basin, and is shown in the postponement, delays and lack of coordination suffered by, for example: 1) the Mediterranean Corridor and its connections;³¹ 2) the Mediterranean ports of Valencia,

“THE UNDER-FINANCING OF THE AUTONOMOUS REGIONAL GOVERNMENTS IN THE EUROREGION CLEARLY AFFECTS THE WELL-BEING AND FUTURE OF THEIR PEOPLE.”

Tarragona and Barcelona with their poor rail and road links;³² 3) El Prat airport and its continuing dependence on the strategic decisions of Spanish airport authority AENA;³³ 4) the neglect of local train services around Barcelona and Valencia,³⁴ and 5) many other projects that are delayed indefinitely and for reasons of space cannot be dealt with in this publication.³⁵

32 See section 34.
33 See section 33.
34 See section 36.
35 For example: 1) **in Catalonia**, the permanently unfinished B-40 (fourth Barcelona ring road, AKA Ronda del Vallès) or the as yet un-started orbital rail loop, both essential to reduce the dependence of the Vallès area (with a total population of 1.4 million people) and boost its autonomy from the Barcelona conurbation; or also the A-27 (Tarragona-Lleida trunk road) to perform the same function in the south of the country; 2) **in the Valencia region**, links to Elx-Alacant airport, or the extension of local train services to Benicàssim-Vinaròs, and 3) **in the Balearic Islands**, the Palma bay tram line linking the capital to the airport and extending along the coast.

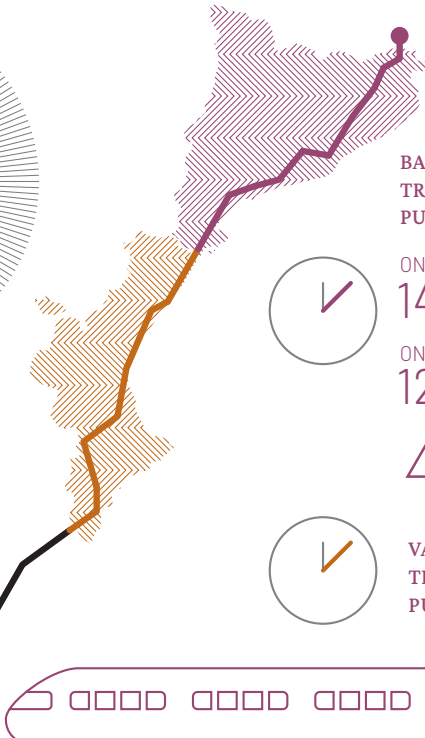
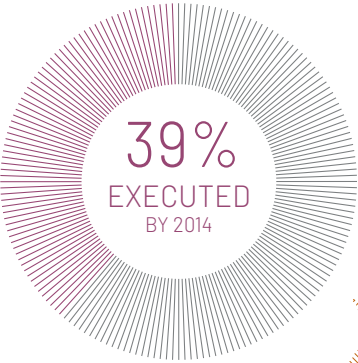
24 See section 40.
25 See section 41.
26 See section 45.
27 See section 46.
28 See section 52.
29 See section 22.
30 See section 23.
31 See section 35.

LOCAL RAIL, THE VICTIM OF THE AVE



THE 2nd LARGEST AND MOST UNDER-USED HIGH-SPEED RAIL NETWORK IN THE WORLD

MEDITERRANEAN CORRIDOR:

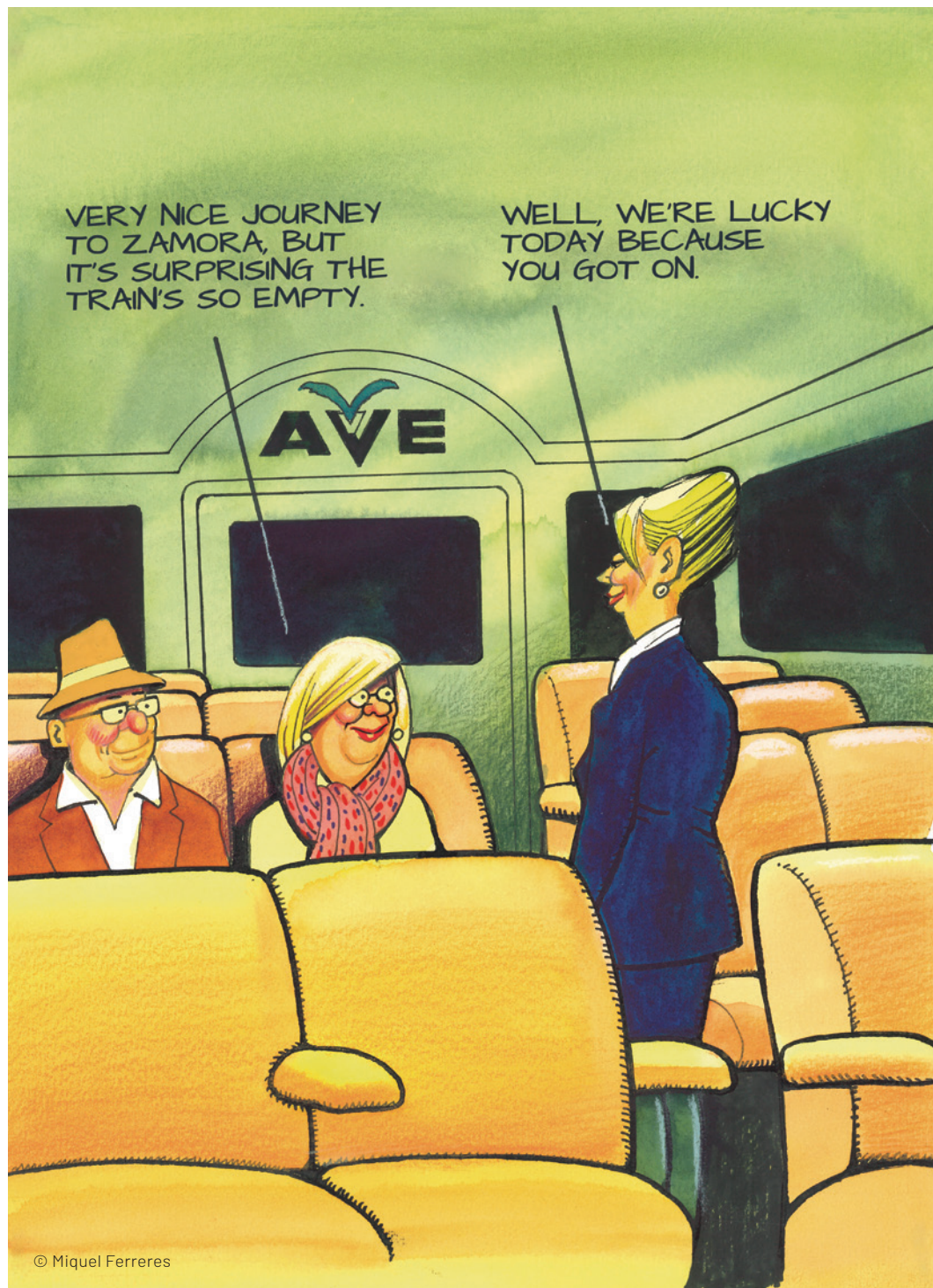


BARCELONA LOCAL TRAINS, THE THIRD LEAST PUNCTUAL NETWORK:



VERY FREQUENT ACCIDENTS AND INCIDENTS





THERE IS ALSO
ROOM FOR
IMPROVEMENT
WITHIN THE
EUROREGION
ITSELF

The full *EuroMedi Report* also gives a brief environmental assessment of the three territories of the Euroregion and Spain as a whole. Neither Spain nor practically any of its autonomous regions will meet the Kyoto targets, nor will they comply with air quality regulations, with the European Union currently taking Spain to the European Court (CJEU). Spain is also at the bottom of the list in recycling and separation of waste.³⁶ **And some of the steps required depend on decisions** where the necessary courage and leadership have at times been lacking.

However, ultimately the big question is whether a country can solve problems of this kind if it does not have good government.

The necessary-though not in itself sufficient-condition for a country to maintain a decent society, which means one that is prosperous and with inequality under control, is to have efficient, corruption-free government.

From 2004 to 2018, Spain tumbled from 22nd (out of 146 countries) to 41st (out of 180) in the Transparency International Corruption Index. Its score plunged from 71 to 58 over the same period.³⁷ It is the country that has fallen the furthest after Viktor Orban's Hungary.³⁸

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Other indices show the same worrying trend.³⁹ Not surprising if one looks at the news. Unfortunately this is the case at all levels of government, at least in the public view. However, this deterioration has not only come about at state level, but also at most regional levels, including in the Euroregion. The problem is that once public trust has been lost it is hard to regain.

³⁶ See sections 57, 78 and 59.

³⁷ A score of 0 is highly corrupt and 100 means corruption-free. The highest-scoring country is Denmark, with 88 points.

³⁸ See <https://voxeurop.eu/en/2019/corruption-5122637>

³⁹ See section 60.

COVID-19
WILL MAKE
THE STRUCTURAL
PROBLEMS
EVEN WORSE

While the full version of the *EuroMedi Report* was being printed, the terrible Covid-19-or Coronavirus-pandemic broke out, forcing us to consider urgently what the impact of this virus and its economic consequences will be on the multitude of issues already described in the document.

Trends in majority opinion and political attitudes in Spain do not allow any optimism about the likelihood of positive changes in the prevailing public perceptions in Spain. And unfortunately, the Covid-19 crisis will probably only make these trends worse. This is shown by the institutional approach to the crisis, recentralising powers, taking decisions without any regional dialogue whatsoever, refusing to adopt different solutions depending on the situations and needs of each region and the persistent presence in the Spanish media of the army and the police. The response to the worst crisis since the civil war in Spain has ignored the basic institutional architecture envisaged by the constitution, something highly revealing in itself. This is the attitude of a fearful government more concerned about its own authority than on the effectiveness of its measures.

At the time of writing, the health crisis, aggravated by errors and delays in adopting some measures, is causing an economic crisis at least as severe as that of 2008. So severe that it might lead to reversals in economic activity, unemployment and levels of public deficits and public and private debt of the same order as then. Forecasts for public debt are particularly worrying: the most optimistic of these place it at a minimum of 110% of GDP by mid-2020 (from 95.5 in 2019). Where economists do not agree is in making predictions for recovery. It is now practically sure that the tourist season can be written off, and many activities linked to it

will not be returning to normal for a long time (restaurants, hotels, shops, travel, live shows and so on). The effects on the most vulnerable (temporary and casual) workers, self-employed people and SMEs may prove dramatic. The repercussions of the crisis on investor and consumer confidence remain to be seen. All this comes amid great uncertainty over how long recovery will take after the strictest measures are lifted. In fact, mobility is unlikely to be resumed until an effective vaccine or cure is found.

Notwithstanding the speed and effectiveness of some measures, which are more than arguable, particularly in view of the dramatic results of the illness in terms of mortality, the centralist, nationalist approach of the Spanish government to measures means there is a real risk of backsliding in its recognition of the varied regional realities within the state, encouraged by the prevailing state of opinion in Spain as a whole. The state was negligent in its initial approach, at a time when the experiences of other countries were already becoming clear, failing to prepare adequately and taking its first measures when contagion was already out of control. It blocked decisions by the Catalan authorities that, had they been taken when they were proposed, might have saved lives. It was negligent once more in taking risks when the epidemic began to recede, questioning the opinions of experts and regions. It is a fact that small states and federal countries have managed to handle the crisis better initially because of their proximity to the realities of the situation.

Moreover, the Spanish government took a miserly approach to dealing with the crisis which has a lot to do with the economy. The structural imbalances in the Spanish economy, many of which are discussed in the *EuroMedi Report*, have conditioned the scale and nature

of the direct and indirect economic support rolled out by the Spanish government. In relation to the wealth generated by each country, these are the least substantial of the countries immediately around us. When steps have been taken, they were taken with a delay and a bureaucratic burden that often made them ineffective. This is no coincidence: it is directly determined by the public deficits and debt built up since 2008 and which the Spanish economy has been unable to clear despite the recovery since 2014, at least in certain sectors. This crisis will aggravate the imbalances to which we have referred: public deficit and debt, the insecurity and duality of the labour market, social inequality, the weakness of the productive fabric of SMEs and self-employed people, the power of oligopolies and lobbies and so on.

As the weight of debt becomes more obvious and the health emergency recedes, European institutions will ask the Spanish state to take determined measures to balance its books. The elites and government bureaucracies will once again deploy their power and capacity for pressure to block certain fiscal or redistributive measures in an effort to maintain their privileged position and refuse to bear their share of the costs. Pressure to pass the costs of the crisis on to the employed middle and lower classes will grow, just as it did in 2012, with the classic (and false) argument that “there is no alternative”. The same may happen to the autonomous regions, in particular those of the Euroregion. We hope we are wrong.

“SMALL STATES AND FEDERAL COUNTRIES HAVE MANAGED TO HANDLE THE CRISIS BETTER INITIALLY BECAUSE OF THE FEELING OF PROXIMITY AND COOPERATIVE GOOD FAITH BETWEEN CENTRAL AND REGIONAL GOVERNMENT.”

We believe that there is a very high risk that the Covid-19 health crisis will mean a further decline in the welfare and living conditions of the public in general, and in the Euroregion in particular. This will affect the Balearic Islands in particular because of their obvious dependence on tourist activities, but also to a lesser extent Valencia and Catalonia, where the importance of the tourist trade is also very high, as in the rest of Spain.

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Text: Josep Reyner
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Fundació Vincle
www.fundaciovincle.com
info@fundaciovincle.cat

ABRIDGED VERSION

EUROMEDI REPORT

The Euroregió Mediterrània (the Mediterranean Euroregion), made up primarily of Catalonia, Valencia and the Balearic Islands, is a solid economic reality in the south of Europe with great potential, but one that comes up against major obstacles in developing this potential, caused by the Spanish state itself. The economic suffocation and constraints imposed on it and a lack of public investment in infrastructure are two clear examples of this chronic mistreatment. In this respect, the Balearic Islands contribute between 11 and 15% of their GDP to the central state, Catalonia, 8.4% and Valencia 5-6%, but the part returned by the state is meagre. Meanwhile, "Greater Madrid" benefits enormously from its capital status. This publication is a much abridged version for wider circulation of the *EuroMedi Report: Analysis of the Potential of the Mediterranean Euroregion and of the Constraints Imposed on it*, by Josep Renyer with the assistance of Jordi Manent, published by the Fundació Vincle to raise public awareness of an undesired situation that goes beyond the policies—however good—adopted by the autonomous regional governments. It is therefore urgent for the territories within the Euroregion to create synergies and join forces to achieve common goals for the sake of the progress of their people in general.

Analysis of Our Time

We live in unsettled times, with constant, dramatic changes, and the situation is changing from day to day. However, there are underlying issues that have not changed in the Spanish state, such as the centralised structure on which its economic model is based and the unfair distribution of the wealth generated at state level between the autonomous regions. There are basically three autonomous regions of Spain that are discriminated against by the system of public finance and investment: the Balearic Islands, Catalonia and Valencia, which make up the so-called Mediterranean Euroregion. The Analysis of Our Time series sets out to explain, in a graphical, informative way, topic by topic, the incoherences caused by an out of date model, and suggest ways towards new models that are much more beneficial for the welfare state in general and for people in particular.

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