

SPAIN'S COMEBACK: OPPORTUNITIES AND CHALLENGES

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LADIES AND GENTLEMEN

YOU WILL UNDERSTAND THAT FOR A SPANISH AMBASSADOR TO COME TO SAN DIEGO IS ALWAYS VERY SPECIAL.

MANY SPANIARDS REMEMBER THE WORDS OF OUR OWN -YOUR OWN- FATHER JUNIPERO SERRA WHEN HE WROTE IN 1769: "I TRUST THAT GOD GIVES ME THE STRENGTH TO REACH SAN DIEGO". TODAY IS MY FIRST TIME IN THIS CITY, AND ON TOP, I HAVE BEEN GRANTED THE OPPORTUNITY TO SPEAK AT THIS PRESTIGIOUS UNIVERSITY. I AM SURE FATHER JUNIPERO, IS FEELING A BIT JEALOUS -IN THE BEST OF SENSES- FROM UP THERE.

BUT LET ME GO RIGHT TO TOPIC: SPAIN'S COME BACK CHALLENGES AND OPPORTUNITIES.

WHEN PRESIDENT RAJOY ADDRESSED A BUSINESS CROWD OF MORE THAN 200 PEOPLE AT THE US CHAMBER OF COMMERCE BACK IN JANUARY OF THE YEAR, HE STRESSED THAT GROWTH WAS BACK AND THAT SPAIN WAS READY FOR JOBS.

TWO YEARS PRIOR TO THESE WORDS, YOU WILL REMEMBER, THE WORD SPAIN WAS LINKED TO THE WORD CRISIS, WITH FIGURES SHOWING A GDP DECREASE OF AROUND 2.5%, UNEMPLOYMENT SKYROCKETING ABOVE 22%, HIGH PUBLIC DEFICIT OF MORE THAN 9%, AND OF COURSE LACK OF COMPETITIVENESS AND PROBLEMS OF THE FINANCIAL SECTOR.

IN JULY 2012, THE RISK PREMIUM OF THE SPANISH BOND REACHED THE UNTIL THEN UNIMAGINABLE FIGURE OF 630 POINTS. AND WORD HAD IT THAT WE WERE GOING TO BE THE NEXT COUNTRY OF THE EURO AREA THAT WAS GOING TO BE BAILED OUT BY THE EUROPEAN CENTRAL BANK.

IN THE UNITED STATES THE SITUATION WAS PERCEIVED IN A VERY PARTICULAR MANNER. OUR COUNTRY WAS SEEN IN RISK OF DEFAULT. OUR PRIME MINISTER STATED THAT HE WAS NOT GOING TO ASK FOR THE BAIL OUT. AND THEN "AH -IT WAS SAID- THESE PROUD SPANIARDS ARE GOING TO GO BANKRUPT, THEY ARE GOING TO MAKE THE EURO GO DOWN THE DRAIN; THAT IS GOING TO AFFECT MANY EUROPEAN BANKS; UNEMPLOYMENT IS GOING TO GROW, AND THAT IS GOING TO HAVE REPERCUSSION ON OUR OWN UNEMPLOYMENT".

MIND YOU THIS WAS JULY 2012, FOUR MONTHS BEFORE THE ELECTIONS, AND NO INCUMBENT TO THE WHITE HOUSE HAD BEEN REELECTED WITH AN UNEMPLOYMENT HIGHER THAN 8%.

I HAD BEEN IN WASHINGTON FOR ONLY TWO MONTHS AND ALL OF A SUDDEN I HAD BECOME THE AMBASSADOR OF THE COUNTRY THAT WAS GOING TO MAKE PRESIDENT OBAMA LOOSE THE ELECTIONS.

TWO YEARS HAVE PASSED SINCE THEN AND, WHAT IS THE SITUATION NOW? I WILL TELL YOU.

- NO ONE SPEAKS OF THE EURO BEING IN DANGER.
- NO ONE SPEAKS OF THE NEED FOR A BAIL OUT PROGRAM FOR SPAIN
- AFTER THREE CONSECUTIVE QUARTERS OF GROWTH, ALBEIT SLIGHT, WE ARE TECHNICALLY OUT OF THE RECESSION.
- COMPETITIVENESS IS BACK
- THE RISK PREMIUM IS NO LONGER A PROBLEM

DURING THESE LAST TWO YEARS, THE GOVERNMENT HAS TAKEN ACTION IN DIFFERENT FIELDS: FROM A BUDGETARY STABILITY ACT, TO REFORMS OF THE LABOR MARKET, PENSION AND FINANCIAL SYSTEMS, EDUCATION, AND ENERGY SECTOR, JUST TO NAME A FEW.

THOUGH PAINFUL, THESE MEASURES HAVE HELPED TO CURB FISCAL DEFICITS, TO RESTRUCTURE AND RECAPITALISE OUR BANKS, AND TO STOP THE RAISE OF UNEMPLOYMENT. AND WE HAVE HAD TO ACCOMPLISH ALL THIS IN AN EXTREMELY ADVERSE ENVIRONMENT OF ECONOMIC RECESSION AND

FINANCIAL INSTABILITY IN THE EURO AREA. BUT, AGAIN I AM GLAD TO TELL YOU TODAY THAT OUR EFFORTS ARE PAYING OFF.

LET ME PUT SOME FLESH TO THIS: ON JULY 2012, THE SPANISH TREASURY WAS PAYING MORE THAN 7% FOR ITS TEN-YEAR BONDS; TODAY, THE SAME BOND IS TRADING AROUND 3%. FOREIGN INVESTORS ARE BUYING SPANISH ASSETS AGAIN, LURED BY ATTRACTIVE VALUATIONS AND GOOD GROWTH OPPORTUNITIES. THE RATING AGENCIES FITCH AND MOODY'S HAVE RECENTLY UPGRADED THEIR ASSESSMENT OF SPANISH DEBT. ACCORDING TO THE EUROPEAN COMMISSION FORECASTS, IN 2015 SPAIN WILL GROW ABOVE THE EURO AREA AVERAGE (2,1%). AND THE ECONOMY IS CREATING JOBS AGAIN, WHICH WAS UNDOUBTEDLY OUR MORE DAUNTING CHALLENGE. IN THE LAST YEAR WE HAVE ALMOST 200.000 WORKERS MORE WHO ARE CONTRIBUTING TO SOCIAL SECURITY.

HENCE WE HAVE NOW SUFFICIENT EVIDENCE TO CONCLUDE THAT SPAIN HAS COME BACK. LET ME GO THEN TO THE SECOND PART OF THE TITLE OF THIS LECTURE.

HAVING RE-CONQUERED STABILITY AND GROWTH, WE CAN NOW LOOK FORWARD WITH CONFIDENCE TO ASSESS THE CHALLENGES AND OPPORTUNITIES OF A NEW TIME. WE CANNOT BE COMPLACENT; THE CRISIS HAS LEFT SEVERAL DEEP WOUNDS, IN THE SOCIAL AND THE INSTITUTIONAL FABRIC OF THE COUNTRY.

AND OF COURSE I WILL START WITH JOBS.

HIGH UNEMPLOYMENT IS THE HEAVIEST BURDEN WE HAVE INHERITED FROM THE CRISIS I HAVE JUST MENTIONED. CREATING JOBS IS THEREFORE THE OVERARCHING AND MOST PRESSING OBJECTIVE OF THE SPANISH GOVERNMENT.

IMPROVED FINANCES WOULD MEAN NOTHING IF THEY DON'T TRANSLATE INTO A TURNAROUND IN THE REAL SIDE OF THE ECONOMY, ESPECIALLY WHEN OUR UNEMPLOYMENT RATE IS STILL AROUND 25%. THE GOVERNMENT IS IN THE PROCESS OF TAKING ADDITIONAL MEASURES TO MAKE OUR LABOUR MARKET MORE FLEXIBLE AND EFFICIENT, AIMING ESPECIALLY AT THE YOUTH. BUT THERE IS AN ENCOURAGING TAKEAWAY OF

THIS RECENT RECOVERY, AND THAT IS THE DECREASE IN THE GROWTH THRESHOLD THAT WE NEED TO CREATE JOBS. TRADITIONALLY, THE SPANISH ECONOMY NEEDED TO ACHIEVE GDP GROWTH RATES OF ABOUT 2% TO START ADDING JOBS IN NET; BECAUSE OF THE EFFECTS OF THE MAJOR LABOUR REFORM OF 2012 AND OTHER STRUCTURAL CHANGES, IT SEEMS THAT THE THRESHOLD WOULD NOW BE CLOSER TO 1-1,25%. THIS IS NOT A MINOR TECHNICAL POINT, FOR IT WILL DETERMINE HOW FAST ARE WE ABLE TO PROVIDE JOBS FOR THOSE WHO LOST THEM DURING THE CRISIS.

EUROPE. THE TEST OF THE LAST FOUR YEARS HAS BEEN TOUGH FOR THE EURO AREA; AT TIMES IT SEEMED AS THE WHOLE BUILDING OF EUROPEAN INTEGRATION WAS ABOUT TO COLLAPSE. IT HAS PREVAILED, BUT IT WILL NEVER BE THE SAME. THE COUNTRIES THAT BELONG TO THE EURO HAVE GIVEN A CRUCIAL STEP FORWARD IN SETTING UP A STRONGER POLITICAL AND INSTITUTIONAL FOUNDATION FOR THEIR MONETARY INTEGRATION. THE BANKING UNION, WHICH IS ON TRACK IN SPITE OF MANY DIFFICULTIES AND A FEW SHORTCOMINGS, IS A CASE IN POINT. WE NOW NEED TO MAKE THE EFFORTS OF THE LAST FEW YEARS BEAR FRUIT IN THE FORM OF GROWTH AND EMPLOYMENT. OTHERWISE THE SUPPORT FOR THE PROJECT COULD BE FURTHER ERODED. WE ALSO NEED TO FIND A SMART WAY OF MAKING THE EU AND THE STRENGTHENED EURO AREA COMPATIBLE AND PRODUCTIVE.

IN TIMES OF ECONOMIC PREDICAMENT, AND YOU HAVE SEEN IT IN THE RECENT ELECTIONS TO THE EUROPEAN PARLIAMENT, MANY EUROPEANS TEND TO BLAME THE EUROPEAN UNION FOR THEIR WOES. THEY TURN TO POPULIST POLITICIANS THAT PROMISE TO REGAIN SOVEREIGNTY BY DRIFTING AWAY FROM THEIR NEIGHBOURS AND THE COMMON PROJECT. THIS IS A THREAT TO WHAT WE HAVE ACHIEVED IN MORE THAN FIFTY YEARS OF INTEGRATION EFFORTS. SPANIARDS ARE VERY WELL AWARE OF THE BENEFITS OF BELONGING TO A COMMUNITY AS THE EUROPEAN UNION. THEY KNOW IT IS NOT A PANACEA THAT CURES ALL OUR ILLS OR MAKES OUR HOME-MADE PROBLEMS DISAPPEAR. YET, THEY ARE CONVINCED THAT IS OUR NATURAL POLITICAL PLACE TO BE AND THAT IS THE ONLY WAY TO BE PART OF A GLOBAL ACTOR IN THE COMPLEX WORLD OF TODAY.

THE PROCESS OF FURTHERING ECONOMIC AND POLITICAL INTEGRATION IN EUROPE MUST ALSO SERVE AS AN INSPIRATION FOR DEALING WITH SOME OF THE HOT TOPICS IN THE CURRENT SPANISH POLITICAL DEBATE.

I AM THINKING OF COURSE ABOUT CATALONIA AND THE RECENT SURGE OF PRO-INDEPENDENCE FEELINGS THERE. THE WORKINGS OF THE SPANISH HIGHLY DECENTRALISED STATE CAN OF COURSE BE IMPROVED...THEY MUST BE IMPROVED; YET, FOR FORTY YEARS, MODERN SPAIN HAS BEEN ABLE TO RECONCILE EFFECTIVE GOVERNMENT WITH LEGITIMATE RIGHTS FOR AUTONOMY AND DIVERSITY...IN CONDITIONS MUCH MORE CHALLENGING THAN TODAY'S. AND WE ALL HAVE A HIGH STAKE IN CONTINUING TO LIVE TOGETHER WITHIN A PROSPEROUS AND MORE INTEGRATED EURO AREA AND EU.

PERHAPS OUR BIGGEST CHALLENGE IS TO ACT FAST TO OFFER A PROSPECT OF OPPORTUNITY TO THE CURRENT GENERATION OF YOUNG SPANIARDS. WE NEED TO CREATE JOBS IN SUFFICIENT NUMBER AND TO RAISE THE QUALITY OF EDUCATION, PARTICULARLY OF COLLEGE EDUCATION, TO CONVINCE OUR YOUNG POPULATION THAT IF THEY WORK HARD THEY HAD A FUTURE IN THEIR COUNTRY. A LOT HAS ALREADY BEEN DONE BUT WE HAVE TO STAND READY TO MAKE ADDITIONAL CHANGES, BOTH IN THE LABOUR MARKET AND IN THE CLASSROOMS.

IN ORDER TO ADDRESS THESE CHALLENGES SUCCESSFULLY, WE HAVE TO BUILD ON OUR STRENGTHS. VERY OFTEN THROUGH THE LAST FEW YEARS MANY, PESSIMISM HAS OVERCOME MANY OF MY FELLOW CITIZENS AND THEY HAVE LOST SIGHT OF SOME OF THESE STRENGTHS.

WE HAVE A UNIVERSAL HEALTH CARE SYSTEM; ONE THAT DELIVERS HIGH QUALITY CARE TO ALL WITH A COST THAT IS BELOW 10% OF GDP INCLUDING ALSO PRIVATE INSURANCE (TOTAL US SPENDING ON HEALTH CARE IS OVER 17% OF GDP). IN A VERY SHORT SPAN, SPAIN RECEIVED MASSIVE INFLOWS OF IMMIGRATION IN THE EARLY 2000S, TAKING THE TOTAL SHARE ON OUR POPULATION ABOVE 10%. IN SPITE OF THE WORST JOBS MARKETS THAT YOU CAN IMAGINE, IMMIGRATION HAS NOT BEEN AN ISSUE (AS IT IS IN SOME OTHER EUROPEAN COUNTRIES), WHICH I THINK SPEAKS WELL OF THE SOLIDARITY AND CIVILITY OF THE SPANISH SOCIETY. FURTHERMORE, IT SEEMS THAT POLITICAL EXTREMISTS HAVE NOT MUCH SUPPORT AMONG VOTERS, EVEN AFTER A HIGHLY DISRUPTIVE ECONOMIC PERIOD.

OUR LANGUAGE IS SPOKEN BY 500 MILLION PEOPLE IN THE WORLD (RANKED SECOND BY NUMBER OF SPEAKERS), WHICH MAKE US PART OF A LARGE AND RICH CULTURAL UNIVERSE. AS YOU PROBABLY KNOW, IN 2050 THE US COULD BE THE COUNTRY IN THE WORLD WITH THE LARGEST NUMBER OF SPANISH SPEAKERS.

OUR STRENGTHS ARE NOT JUST SOCIAL OR CULTURAL, THEY ARE ALSO ECONOMIC, EVEN THOUGH THEY HAVE NOT RECEIVED A LOT OF PRESS COVERAGE IN THE MIDST OF THE CRISIS. FOR YEARS, SPANISH COMPANIES HAVE ENDEAVOURED TO ADAPT TO THE GLOBAL ECONOMY IN ORDER TO REAP THE BENEFITS FOR THOSE THAT SUCCEEDED.

OUR STOCK OF FDI IS AROUND HALF OF OUR GDP, WITH STRONG PRESENCE IN LATIN AMERICA, THE UK AND, INCREASINGLY, IN THE US. THE INVESTMENT OF SPANISH COMPANIES IN THE US MARKET HAS BEEN INCREASING, EVEN THROUGH THE CRISIS, TO REACH NEARLY 50 BILLION DOLLARS TODAY.

THEY KNOW THERE ARE GREAT OPPORTUNITIES FOR COMPANIES TO THRIVE HERE, PROVIDED THEY OFFER TOP QUALITY PRODUCTS AND SERVICES AND ARE READY TO COMPETE.

AND FOREIGN INVESTMENT IS COMING BACK STRONGLY TO SPAIN, A PROCESS THAT WE ARE WHOLEHEARTEDLY ENCOURAGING, AS IT WILL HELP US CREATE JOBS AND RAISE PRODUCTIVITY. US INVESTORS ARE AGAIN LOOKING POSITIVELY TO SPANISH ASSETS WHILE WE ARE WORKING TO IMPROVE THE BUSINESS CLIMATE AND MAKE OUR COUNTRY EVEN MORE ATTRACTIVE FOR FOREIGN INVESTMENT.

OUR EXPORTS OF GOODS AND SERVICES HAVE BEEN GROWING BRISKLY, OPENING NEW MARKETS AND EXPLOITING NEW COMPETITIVE ADVANTAGES. WE EXPORT CARS, CHEMICAL PRODUCTS, EQUIPMENT, FOOD, ENGINEERING AND OTHER CONSULTANCY SERVICES, PHARMACEUTICALS... IN 2007 OUR EXTERNAL DEFICIT HOVERED AROUND 10% OF GDP; IN 2013 SPAIN POSTED AN EXTERNAL SURPLUS THAT IS HELPING US REDUCE OUR FOREIGN DEBT. WE HAVE A TRADE SURPLUS WITH THE EU AND THE EURO AREA AND WE HAVE MADE PROGRESS IN DIVERSIFYING OUR EXPORT MARKETS, GAINING SHARE IN AMERICA, AFRICA, ASIA AND THE MIDDLE EAST.

7THE SPANISH ECONOMY HAS UNDERGONE A MAJOR PROCESS OF OPENNESS SINCE THE MID-80S. AND IN HINDSIGHT, IT HAS BEEN BENEFICIAL BECAUSE IT HAS FORCED OUR COMPANIES TO LEARN, TO INNOVATE AND TO LOOK FOR NEW MARKETS. THIS IS WHY WE STAND IN THE FOREFRONT OF EFFORTS TO PUSH FOR RAPID PROGRESS ON THE NEGOTIATIONS OF A TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP. THIS IS A STRATEGIC OPPORTUNITY FOR THE US AND THE EU AND WE IN SPAIN WILL DO OUR BEST TO MAKE IT HAPPEN. NEGOTIATORS ARE DEALING WITH ISSUES SUCH AS REGULATORY CO-OPERATION OR PUBLIC PROCUREMENT, WHICH ARE HARDER TO HANDLE THAN TRADITIONAL TARIFFS OR TECHNICAL BARRIERS TO TRADE. A LOT OF POLITICAL WILL AND HARD WORK WILL BE NEEDED.

A STRENGTHENED TRANSATLANTIC BOND WILL SURELY HELP US IN THE TASK THAT STILL LIE AHEAD OF US.

LADIES AND GENTLEMEN.

I WOULD NOT WANT TO BORE YOU MUCH LONGER, BUT I WANT TO EXPRESS ONCE MORE MY DEEPEST SATISFACTION TO SPEAK AT ONE OF THE MOST PRESTIGIOUS ~~PUBLIC~~ UNIVERSITIES IN THE COUNTRY WHICH I KNOW IS PARTICULARLY DEVOTED TO THE STUDY OF SOCIAL SCIENCES AND CURRENT AFFAIRS. I HOPE YOU ALL HAVE ENJOYED MY LECTURE. I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE. THANK YOU VERY MUCH . (SAN DIEGO, CALIFORNIA, US)