

SOCIAL CLIMATE

HISTORY

In the 19th and early 20th centuries, there were few periods of political stability in Spain. In 1931, following the election of a Republican-Socialist popular front government, the King, Alfonso XIII, abdicated and left the country. A turbulent period ensued and in 1936 the Spanish Civil War broke out, lasting a bitter and bloody three years and ending with the defeat of the Second Republic. The nationalist leader, General Francisco Franco, subsequently ruled Spain until his death in 1975. Under Franco's rule one political party, the Falange (later known as the movement), was permitted, together with a state organised trade union system embracing workers and employers, the *sindicatos*; and a parliament, the Cortes, which was not elected by universal suffrage and enjoyed very limited powers.

POLITICS

Spain is a parliamentary monarchy, based on the principle of division of powers--legislative, executive and judiciary. The executive power comprises, apart from the King, a President, Vice-President and ministers. The legislative power is represented by the *Cortes*, which is divided between the Congress (lower house) and the *Senate* (upper house). Members of both houses are elected by universal suffrage, and the electoral unit is the province. The state is organized into municipalities, provinces and 17 autonomous communities (excluding the enclaves of Ceuta and Melilla). Each of these entities enjoys a defined degree of autonomy in the administration of its interests. Each community comprises one or more provinces and has a system of self-government with executive and legislative powers.

ECONOMY

Spain has a free market economy with less governmental ownership of principal industries than in most modern industrial countries. Certain key services are under direct governmental control, but generally those industries prone to nationalization are owned by private enterprises licensed by the state. Negotiations for Spain's accession to the EC opened formally in February 1979 and were concluded in March 1985. The treaty of accession was signed in June 1985 and Spain became a full member of the Community on January 1, 1986, at the same time as Portugal.

The Spanish government's economic clampdown since mid-1992 is having a pronounced impact. Spanish GDP growth has virtually come to a standstill and 1992 is likely to have seen the lowest level of growth since 1982. This is despite relatively healthy growth in the first half of 1992, demonstrating how the economic landscape has changed since mid-year. Tax increases and general economic pessimism have suppressed private consumption growth, so that this major component of GDP may have entered 1993 in a contractive phase. The other major stimulus to Spanish growth through the late 1980's, fixed investment, is also in decline.

Spain's merchandise trade deficit improved in late 1992, largely due to the weakening of domestic demand. Devaluation of the peseta did not have an immediate beneficial impact, but the effects of the weaker peseta will be more apparent through 1993. A pronounced slowdown had been expected following the Spanish government's tax increases in 1992 and the general deterioration in the economic climate did not immediately materialise. However, in October 1992 consumer goods imports grew by just 10% compared with October 1991, and the overall trade deficit actually narrowed by 15%.