

Ключевые вызовы развития современной Испании: политические и экономические аспекты

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Аннотация: Статья посвящена анализу основных политических и экономических вызовов, стоящих перед сформированным в 2023 г. коалиционным правительством левых сил ИСРП-Сумар. В работе охарактеризованы позиции правящего блока и дана оценка влиянию националистических партий Каталонии и Страны Басков на механизм выработки решений в испанском парламенте. В частности, отмечены появившиеся для центральных властей риски, связанные с принятием в 2024 г. закона об амнистии каталонских политиков. Помимо этого, выявлены внешнеполитические факторы, влияющие на развитие Испании. Отдельное внимание уделено группе социально-экономических вызовов на повестке дня королевства. Показана характеристика основных макроэкономических показателей Испании за 2023 г., выделены проблемные области и отмечены возможные направления для улучшения ситуации в кризисных зонах. В тексте также сопоставлены правовые основы территориального устройства Испании и Украины в части взаимодействия по линии центр-регионы. Автором подчеркнута ограниченность возможностей украинских областей по защите своих интересов в политическом процессе страны. В заключительной части работы приведена оценка среднесрочных перспектив устойчивости и успешности коалиционного правительства Педро Санчеса.

Ключевые слова: Испания, Европейский союз, Каталония, Страна Басков, парламент, партия, политика, экономика

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Key challenges to the development of modern Spain: political and economic aspects

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Abstract: The article analyzes the main political and economic challenges to the left-wing PSOE-Sumar coalition government formed in 2023. The paper characterizes the positions of the ruling bloc and assesses the influence the Catalan and Basque nationalist parties have on the decision-making process in the Spanish Parliament. In particular, the risks for the central authorities after the adoption of the amnesty law for Catalan separatists in 2024 are highlighted. Additionally, foreign policy factors influencing the development of Spain are revealed. Special attention is paid to the group of socio-economic challenges on the agenda of the Kingdom. The article gives an overview of the main macroeconomic indicators of the country in 2023, underscores problem areas and presents possible directions for improving the economic policy. The research also compares the legal basis of the Spanish and Ukrainian territorial structure in terms of interaction between the center and regions. The author emphasizes the limited capacity of the Ukrainian regions to protect their interests in the political process of the country. The paper concludes with an assessment of the medium-term prospects for Pedro Sanchez's coalition government.

Keywords: Spain, European Union, Catalonia, Basque Country, parliament, party, politics, economy

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INTRODUCTION

Problems in the interaction between the center and the regional authorities, culturally and linguistically distinct, are a significant domestic political challenge for a number of unitary states, including Spain and Ukraine. During their state-building process in the final quarter of the 20th century, the governments in Madrid and Kiev faced the task of creating a stable territorial structure that would consider

the interests of all regions. Both states adopted different strategies to meet this challenge. While in Ukraine, the contradictions between the center and the south-eastern regions have escalated into an armed conflict, in Spain regional issues are resolved within the framework of the national Parliament.

The establishment of the second consecutive minority coalition government in November

2023, comprising the Spanish Socialist Workers' Party (span. PSOE) and the Sumar alliance, two left-wing forces, confirmed the need for Spain's central authorities to maintain sustained engagement with the nationalist parties in Catalonia and the Basque Country. In the 350-seat Congress of Deputies, the lower chamber of the Spanish Parliament, the ruling coalition has only 152 mandates and 176 votes are needed for a majority. In this context, the Republican Left of Catalonia (RLC, 7 seats) and the party Together for Catalonia (7 seats), as well as the Basque movement EH Bildu (6 seats) and the Basque Nationalist Party (BNP, 5 seats) could together provide a majority for a government led by Pedro Sanchez, head of the PSOE¹.

While the center is dependent on two large regions with traditionally strong nationalist groups, Madrid faces a number of political and economic challenges. Among the political ones, it is worth highlighting the following: 1) the ongoing crisis in relations with Catalonia, where the goals of holding a new referendum on the region's status remain on the agenda; 2) the existence of public discontent over the center's concessions in favor of Catalan nationalists; 3) the unstable geopolitical situation. As far as economic challenges are concerned, it is necessary to pay attention to three areas: 1) the unemployment rate not falling below 10%; 2) high public debt exceeding 10% of GDP; 3) inflation negatively affecting the real disposable income of the population.

Amid various types of crises in the European area, aggravated in connection with the approval of numerous packages of anti-Russian sanctions, it seems relevant to reveal the challenges in the political and economic spheres for one of the largest states of the European

Union. The identification of problems, along with the highlighting of prospects for their solution, will make it possible to characterize the degree of stability of the current coalition government of Pedro Sanchez and assess the future direction of the Kingdom's domestic political development.

TERRITORIAL SPECIFICS OF SPAIN AND UKRAINE

The presence of crisis tendencies in relations between the center and the regions is a characteristic element of internal political development for a number of other unitary states. One of such countries in Europe is Spain, where the Catalan problem has persisted throughout the XX-XXI centuries. Among the states of the post-Soviet area it is worth mentioning Ukraine, whose authorities in the 2010s failed to prevent the growing contradictions between Kiev on the one hand, and the Autonomous Republic of Crimea, the regions of Donetsk and Lugansk on the other.

In order to determine the reasons for the existing challenges in the relations between the center and the regions in both Spain and Ukraine, it is necessary to compare the legislative principles that laid down the basis of the territorial structure of the two states.

The formation of the modern political and legal systems of Spain and Ukraine took place in the final quarter of the 20th century. In the Iberian state it began after the death of Francisco Franco in 1975. The country embarked on the path of democratic transformation. It meant a transition from the Franco dictatorship, which lasted from 1939 to 1975, to parliamentary democracy in the form of a constitutional monarchy. At the center of this process was the adoption of the Constitution

¹ Elecciones generales en España, 23 de julio de 2023. Resultados // El País, 24.07.2023. URL: <https://elpais.com/espana/elecciones/generales/> (accessed: 02.10.2024)

in 1978², which laid the foundations for the current format of interaction between the central government and the regions. Spain became a unitary state and a parliamentary monarchy was proclaimed as the form of government.

At the same time, the process of creating a new state system in Ukraine began more than 10 years later – after the disintegration of the USSR in 1991. Its legal foundation was enshrined in the Constitution, which was approved by the country's Parliament in 1996³. The state was also declared unitary.

A common element of the territorial structure of both countries was the presence of regions with historical and linguistic peculiarities remote from the center. In Spain, these were Catalonia and the Basque Country, while in Ukraine such territories were the Autonomous Republic of Crimea, the regions of Donetsk and Lugansk with large Russian-speaking population. It is important to note that the two unitary states had fundamentally different legal bases for their constituent regions, which predetermined a higher level of breakaway aspirations in Ukraine.

Firstly, in Spain, the Constitution established a bicameral Parliament – the Cortes, consisting of the Congress of Deputies and the Senate, which is not typical for unitary countries. In turn, Ukraine has a unicameral Parliament – the Supreme Council. Therefore, opportunities for regional representation in law-making bodies are more developed in the Iberian state than in Ukraine.

Secondly, the relevant articles of the Constitutions defined the position of regions in the political system of the two countries differently. Thus, article 143 of the Spanish Constitution proclaimed that neighboring provinces, distinguished by «common historical, cultural and economic features, representing a single historical area, may obtain self-government and form autonomous communities»⁴. Using this mechanism, 17 autonomies were formed in the Kingdom. Each of them has its own legislative, executive and judicial authorities with varying degrees of autonomy. In contrast, the Ukrainian Constitution of 1996 did not grant regions the right to form autonomies. Article 132 enshrined the principle of «combination of centralization and decentralization» in the territorial structure of the country⁵.

Thirdly, the model of center-region interaction in Spain is more flexible than in Ukraine. The Iberian state created the legal mechanism of the statutes of autonomy. In particular, Catalonia and the Basque Country approved such documents in 1979, becoming the first regions to take this step. During the 1980s and 1990s, 15 other regions elaborated similar autonomy statutes. In Ukraine, the only territory that had its own legislative framework was Crimea, where in 1998 the Supreme Council of the region approved the Constitution of the Autonomous Republic of Crimea⁶.

The statutes of autonomy of the Spanish regions define the areas that may be under the exclusive competence of the region, the state or be under joint jurisdiction. The three

² La Constitución Española // The Government of Spain, 1978. URL: http://www.lamoncloa.gob.es/documents/constitucion_es1.pdf (accessed: 30.09.2024)

³ The Constitution of Ukraine // The Council of Europe, 1996. URL: <https://rm.coe.int/constitution-of-ukraine/168071f58b> (accessed: 30.09.2024)

⁴ La Constitución Española // The Government of Spain, 1978. URL: http://www.lamoncloa.gob.es/documents/constitucion_es1.pdf (accessed: 30.09.2024)

⁵ The Constitution of Ukraine // The Council of Europe, 1996. URL: <https://rm.coe.int/constitution-of-ukraine/168071f58b> (accessed: 30.09.2024)

⁶ The Constitution of the Autonomous Republic of Crimea // Legislature of the CIS countries, 1996. URL: https://base.spininform.ru/show_doc.fwx?rgn=17752 (accessed: 01.10.2024)

«historical autonomies» – Catalonia, the Basque Country and Galicia – are endowed with the highest level of self-government. The documents also enshrine the possibility of transferring new competences to the regions, making the format flexible and evolving.

Thus, Ukraine failed to establish a balanced system of territorial organization with good conditions for the harmonious development of Russian-speaking regions in the south-east of the country. The social unrest in Kiev in 2013–2014, provoked by the Western countries, was not supported by the Autonomous Republic of Crimea and the regions of Donetsk and Lugansk.

In March 2014 Crimea became part of Russia, which increased security of the peninsula. However, with regard to the other two regions, Ukrainian President Petr Poroshenko chose the path of an armed struggle instead of a peace settlement and the application of the Spanish experience. In 2019 Vladimir Zelensky came to power. The Ukrainian population had «hopes that he would solve key problems in foreign and domestic policy» [1]. Zelensky failed to achieve success, the shelling of civilians in the Donetsk People's Republic and the Lugansk People's Republic continued. This situation led Russia to launch the Special Military Operation in February 2022 aimed at demilitarizing and denazifying Ukraine.

At the same time, in Spain, despite its unitary structure, a more developed system of interaction with the regions has been formed. It has elements of a federation. Nevertheless, the established mechanisms did not find a complete solution to the regional crises. Catalan and Basque nationalists remain dissatisfied with the existing territorial organization of the Kingdom. However, both regions seek to reach their goals within the legal mechanisms without resorting to aggressive methods. Due to the increased role of the parties that represent both communities in the Congress of Deputies,

the authorities of the two regions have gained additional opportunities to influence the center in order to expand their self-governance.

POLITICAL CHALLENGES OF SPANISH COALITIONAL GOVERNMENT

One of the main characteristics of the ruling PSOE-Sumar bloc is the existence of a wide network of agreements with parties of different ideologies. In addition to cooperation with the nationalist forces of Catalonia (RLC and Together for Catalonia) and the Basque Country (BNP and EH Bildu), the Socialists have formed a partnership with the Canary Coalition movement representing the Canary Islands. This ideological diversity could give the Government an advantage over the right-wing forces. The coalition includes five regional parties, while the two opposition forces – the conservative People's Party (PP) and the right Vox – take a hardline stance on decentralized governance and oppose the empowerment of autonomies. In this regard, none of the ruling coalition partners of the left will be willing to side with the right-wing bloc in Parliament.

The Pedro Sanchez government formed in 2023 faces a number of structural challenges in two key areas: relations with the regions and geopolitical instability in the European area.

Starting to analyze the domestic political challenges, it is worth highlighting the persistent tensions with the autonomies, especially Catalonia and the Basque Country. Catalonia is at the forefront of territorial debates. The dynamics of its interaction with the center affects the internal political stability and the efficiency of the Spanish government. It is explained by the dependence of the PSOE-Sumar bloc on the nationalist parties of the region in the Congress of Deputies.

The two most pressing Catalan issues are the region's tax powers and amnesty for Catalan politicians involved in the 2017

unconstitutional referendum on the status of the autonomy. Catalonia seeks to gain control over its own finances and tax collection [2]. Giving the region such competence would weaken the national system of taxes, pensions and benefits. It would be an additional incentive for the growth of anti-Catalan and possibly anti-government sentiment in the rest of Spain.

In terms of amnesty for Catalan politicians, the regional authorities have managed to achieve some success. In May 2024 the Congress of Deputies approved an amnesty law⁷ allowing pro-independence leaders, that are hiding abroad, to return to Spain. Nevertheless, this concession to the nationalists is causing resentment among residents of other regions of the Kingdom. These actions could be perceived as an attempt by the PSOE-Sumar coalition to hold on to power. In this regard, the further dynamics in relations with Catalonia and the implementation of the amnesty law will determine the public discourse in the medium term. In the long term, success or failure in this direction may become a factor in the election campaign, which is scheduled for 2027.

In addition, the Basque forces also have leverage over the activities of the central government. Thus, the BNP and the more radical EH Bildu can also use their position in the Congress of Deputies to obtain privileges while witnessing how the Catalan authorities are getting broad concessions from the government [3].

It is important to underscore that in both Catalonia and the Basque Country, inter-party competition persists between the RLC and Together for Catalonia, and between the BNP and EH Bildu respectively. The lack of unified approaches among nationalist parties

may complicate the development of a common strategy of relations with the center.

In the current situation, the P. Sanchez government has to focus on building trust of the electorate. Obviously, the fight against corruption and modernization of public administration will also be on the agenda, but the main internal political task of the PSOE-Sumar bloc will be to create national harmony in the context of the Catalan crisis while maintaining the support of nationalists in Parliament.

The internal challenges of the Socialist coalition are accompanied by a complicated geopolitical environment that also requires resources. At the level of the European Union, Spain missed an opportunity to give stimulus to the EU's relations with Latin America. In particular, during its presidency of the Council of the European Union from July 1 to December 31, 2023, Madrid's actions did not lead to progress in finalizing and approving the EU agreement with the Mercosur trade bloc. The parties reached an agreement in principle in 2019.

Spain has a traditionally positive diplomatic influence in the Ibero-American area, as well as in North African countries and in the Mediterranean. In this context, the Socialist government aims to gain a stronger role in shaping European foreign policy and move closer to the dominant positions of France and Germany in determining the course of the EU.

The external environment is also a constraint on domestic development. For example, the growing number of unilateral anti-Russian restrictions by Brussels, which are damaging the economies of European countries, and the need for the EU states to follow «Euro-Atlantic solidarity» with the United States in terms of allocating funds to support Ukraine make it difficult for Spain to solve its own

⁷ Ley de Amnistía: cuándo y cómo entra en vigor en España y qué delitos se eliminan // La Razón, 30.05.2024. URL: https://www.larazon.es/espana/ley-amnistia-cuando-como-que-entra-vigor-espana_20240530665835dce73ed6000142bd17.html (accessed: 27.09.2024)

socio-economic problems left in the wake of the coronavirus pandemic.

SOCIO-ECONOMIC CHALLENGES ON THE AGENDA IN SPAIN

In 2023 the Spanish economy showed significant growth relative to the performance of other EU countries. For example, the Kingdom's GDP grew by 2.5% compared to the 0.4% average for the eurozone. Moreover, there are positive forecasts for the expansion of the Iberian economy. According to the Bank of Spain, the GDP increase could be around 1.9% in 2024⁸ and 2025. Nevertheless, it is important to distinguish that in a broader context, the Spanish economy faces structural challenges.

The European Commission experts estimate that the high GDP growth in 2023 was achieved through a strong labor market, exports and government spending. With interest rates being high, overall investment growth was low, especially in the second half of the year. This primarily affected equipment as well as housing construction. In the first quarter of 2024, real GDP grew by 0.7% compared with the same three-month period of the previous year, mainly due to exports⁹.

The Bank of Spain's 2023 report¹⁰ published in April 2024 underscored that the main challenges for the Kingdom's economy are low labor productivity and low employment. Labor productivity per hour in Spain since 2008 remains 10-15% lower than in the eurozone. The Central Bank named human capital as one of

the main constraints to productivity, as the level of education of the Spanish population remains below the European average. Raising the quality of human capital requires a restructuring of the education system. Madrid will need to spend additional funding on skills development, adapting course offerings to market demand and expanding the dual vocational training programs.

In addition, there is a lack of innovative firms in the country, whereas spending on research, development and innovation is low. Therefore, there is a need to boost corporate innovation by increasing the effectiveness of tax incentives for R&D. The quality of public institutions and the confidence of economic agents in them are also important determinants of long-term growth. Indicators of quality and trust in governmental institutions in Spain have declined since the 2007-2008 financial crisis.

The Kingdom continues to face the problem of high unemployment. According to the Bank of Spain, at the end of 2023, 65.9% of the working-age population was officially employed, 4.5% below the eurozone level. At the same time, the unemployment rate is around 12%. It is important to note that despite the decrease of this indicator in recent years, it is still twice as high as in the European Union (5.9%)¹¹.

As emphasized by the experts of the European Commission, in 2023, employment in the Kingdom grew by 3.2%, helped by continued high migration flows. The unemployment rate,

⁸ The main challenges facing the Spanish economy and how to tackle them // Bank of Spain, 30.04.2024. URL: <https://www.bde.es/wbe/en/noticias-eventos/blog/cuales-son-los-principales-retos-de-la-economia-espanola-y-como-hacerles-frente-.html> (accessed: 25.09.2024).

⁹ Economic forecast for Spain. The latest macroeconomic forecast for Spain // European Commission, 15.05.2024. URL: https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/spain/economic-forecast-spain_en (accessed: 26.09.2024)

¹⁰ The Bank of Spain annual report 2023 // The Bank of Spain. URL: https://www.bde.es/f/webbe/SES/Secciones/Publicaciones/PublicacionesAnuales/InformesAnuales/23/Files/InfAnual_2023_En.pdf (accessed: 27.09.2024)

¹¹ The Bank of Spain annual report 2023 // The Bank of Spain, 2024. URL: https://www.bde.es/f/webbe/SES/Secciones/Publicaciones/PublicacionesAnuales/InformesAnuales/23/Files/InfAnual_2023_En.pdf (accessed: 27.09.2024)

according to forecasts, will continue to decline, reaching 11.6% in 2024 and 11.1% in 2025¹².

The problem of high unemployment, typical of the Spanish labor market, exists alongside other challenges faced by developed economies. The first of them is technological progress associated with the growth of robotics and artificial intelligence. The Spanish Central Bank estimates that these factors will change the organization of labor. They will give a boost to its productivity, but may negatively affect employment in some sectors. The second challenge is the ageing of the population, which will have a negative impact on employment, activity and productivity levels. The issue of ageing is a consequence of declining birth rates and rising life expectancy. Over the past century, the average age of workers in Spain has increased by six years, from 37.5 to 43.5¹³.

In the long term, the ageing population will affect public finances, especially as pension costs increase. A new reform of the pension system in Spain was implemented between 2021 and 2023. Nevertheless, the estimates presented in the CB report show that the larger long-term spending commitments will not be fully offset by the revenues generated.

In response to these issues, priority should be given to revising labor market policies. The country needs measures to improve employment opportunities. They are a tool to overcome the challenges from technological

change and to support ageing workers. In turn, unemployment benefits should provide adequate protection for the unemployed and stimulate labor mobility. In particular, job contracts should give a certain degree of flexibility so that employment conditions (including working hours) can be adapted to the individual needs of companies.

The Central Bank's report also analyzes the fiscal imbalance and high public debt of the Kingdom. These parameters, according to the authors of the report, are «the most vulnerable aspects of the Spanish economy». Thus, at the end of 2023, public debt to GDP was at a historically high level of 108%, which is about 10% higher than the level before the coronavirus pandemic and more than 30% higher than the eurozone average¹⁴.

In addition, the fiscal deficit has continued to grow since COVID-19, rising from 3.1% of GDP in 2019 to 3.7% in 2023. The International Monetary Fund estimated that the ratio will decline to 3.0% in 2024 as measures related to support the population due to rising energy prices will be almost completely phased out to near 0.9% of GDP¹⁵.

The government budget deficit is expected to fall to 2.8% in 2025 if the same policies are maintained. The reduction will be supported by savings from the phasing out of the remaining energy price controls. However, these savings will be partially offset by higher spending on social benefits¹⁶.

¹² Economic forecast for Spain. The latest macroeconomic forecast for Spain // European Commission, 15.05.2024. URL: https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/spain/economic-forecast-spain_en (accessed: 26.09.2024)

¹³ The main challenges facing the Spanish economy and how to tackle them // The Bank of Spain, 30.04.2024. URL: <https://www.bde.es/wbe/en/noticias-eventos/blog/cuales-son-los-principales-retos-de-la-economia-espanola-y-como-hacerles-frente-.html> (accessed: 25.09.2024)

¹⁴ The Bank of Spain annual report 2023 // The Bank of Spain. URL: https://www.bde.es/f/webbe/SES/Secciones/Publicaciones/PublicacionesAnuales/InformesAnuales/23/Files/InfAnual_2023_En.pdf (accessed: 27.09.2024)

¹⁵ IMF Executive Board Concludes 2024 Article IV Consultation with Spain // International Monetary Fund, 06.06.2024. URL: <https://www.imf.org/en/News/Articles/2024/06/05/pr-24207-spain-imf-executive-board-concludes-2024-article-iv-consultation> (accessed: 02.10.2024)

¹⁶ The Bank of Spain annual report 2023 // The Bank of Spain. URL: https://www.bde.es/f/webbe/SES/Secciones/Publicaciones/PublicacionesAnuales/InformesAnuales/23/Files/InfAnual_2023_En.pdf (accessed: 27.09.2024)

As noted by experts at Banco Santander, one of the largest financial and credit groups in the country, the current socio-economic situation in the Kingdom emphasizes the need for a «fiscal consolidation plan to strengthen the sustainability of public finances» in the medium term. It should be based on economic, political and social consensus. The efficiency and allocation of public spending should be improved and optimized in order to promote sustainable and balanced economic growth. The plan should also be backed by a comprehensive overhaul of the tax system. To ensure that fiscal consolidation does not hinder economic growth, investment projects, including those financed by the NextGenerationEU Fund, should be segmented¹⁷.

According to analysts at BBVA, one of Spain's largest banking companies, an equally important problem is the existence of pockets of vulnerability among certain segments of the population. They are caused by difficulties in housing affordability. In particular, the cost of housing (especially rent) puts young people and immigrants in an economically weakened position. Spain is a country with a high percentage of renters at risk of «poverty or social exclusion»¹⁸.

Measures taken to address this problem should involve different levels of government and aim to stimulate the housing supply market, especially in the rental segment. Some

short-term steps, such as price controls, may have a negative impact on supply in the medium term.

Another urgent challenge for the Spanish economy is the fight against climate change and the implementation of green transition. Experts of the Central Bank of the Kingdom call for the adoption of a «mitigation strategy that should be ambitious, orderly and predictable»¹⁹.

The regulator's report also notes that in 2021–2023 the banking sector has demonstrated resilience to all kinds of instabilities. It is emphasized that banks should take advantage of their high profitability to enhance solvency²⁰. This will help preserve their intermediation capacity in case of new shocks. Banks should also continue to address many medium- and long-term challenges they face, not only those related to technological transformation and climate change.

Regarding indicators that show the rise in the general price level, it is important to note that core inflation fell to 3.4% in 2023, helped by a sustained slowdown in energy price rises. Inflation is projected to reach 3.1% in 2024, with continued easing of price pressures from non-energy and food sectors²¹. At the same time, the gradual abolition of most government measures to mitigate the effects of high energy prices is expected to accelerate inflation. In turn, the European Commission

¹⁷ Main risks and vulnerabilities of the Spanish economy // Banco Santander, January 2024. URL: <https://www.santander.com/en/press-room/insights/main-risks-and-vulnerabilities-of-the-spanish-economy> (accessed: 05.10.2024)

¹⁸ BBVA Research raises its growth forecast for Spain to 2.4 percent in 2023 while lowering its 2024 forecast to 2.1 percent // Banco Bilbao Vizcaya Argentaria, May 2024. URL: <https://www.bbva.com/en/economy-and-finance/bbva-research-raises-its-growth-forecast-for-spain-to-2-4-percent-in-2023-while-lowering-its-2024-forecast-to-2-1-percent/> (accessed: 06.10.2024)

¹⁹ The main challenges facing the Spanish economy and how to tackle them // The Bank of Spain, 30.04.2024. URL: <https://www.bde.es/wbe/en/noticias-eventos/blog/cuales-son-los-principales-retos-de-la-economia-espanola-y-como-hacerles-frente.html> (accessed: 25.09.2024)

²⁰ The Bank of Spain annual report 2023 // The Bank of Spain. URL: https://www.bde.es/f/webbe/SES/Secciones/Publicaciones/PublicacionesAnuales/InformesAnuales/23/Files/InfAnual_2023_En.pdf (accessed: 27.09.2024)

²¹ The Bank of Spain annual report 2023 // The Bank of Spain. URL: https://www.bde.es/f/webbe/SES/Secciones/Publicaciones/PublicacionesAnuales/InformesAnuales/23/Files/InfAnual_2023_En.pdf (accessed: 27.09.2024)

analysts expect a further decline in core inflation to 2.3% in 2025²².

The solution to the set of economic problems faced by the European Union and Spain requires serious political agreements. According to analysts at CaixaBank, one of the country's leading banking groups, the program of necessary economic reforms will have a greater effect if it is accompanied by further economic integration within the EU²³. The modern world is «more complex and interconnected than at the time of the creation of the single European market». In the current environment global economic and geopolitical competition is intensifying. According to the report by the Spanish Central Bank, the EU needs increased integration through the single market and via a broader economic and monetary union²⁴.

CONCLUSION

The PSOE-Sumar government formed in 2023 faces a combination of external and internal challenges, both economic and political. P. Sanchez's broad coalition of partners, which includes Catalan and Basque nationalist parties whose votes are essential for the success of governmental initiatives in the Congress of Deputies, is characterized by instability. Regional forces, especially those representing Catalonia, are demanding concessions on the empowerment of their autonomies in exchange for support.

The adoption in May 2024 of an amnesty law for Catalan politicians involved in the preparation of the 2017 referendum was the reason for growing public discontent in other areas of the Kingdom and a wave of criticism from the opposition. The key to medium-term success for the Socialist government will be maintaining a balance between flexible engagement with the autonomies and maintaining trust of the electorate in the rest of Spain. Despite the unstable position of the PSOE-Sumar bloc, the presence of parties from Catalonia and the Basque Country in the list of partners creates the potential for the development of balanced solutions that will also satisfy the interests of the two regions, where separatist sentiments traditionally persist. The direct participation of Catalans and Basques in the formation of the Kingdom's state policy may help weaken the ideas about secession from Spain.

The success of the state's foreign policy also depends on the stability of the ruling coalition and the predictable behavior of its partners in Parliament. Almost two years after its presidency of the Council of the EU in July-December 2023, Spain has opportunities to strengthen its historical position as an agent of European diplomacy in Latin America. In addition, Madrid can act as a mediator in resolving regional crises, particularly in the Middle East.

²² Economic forecast for Spain. The latest macroeconomic forecast for Spain // European Commission, 15.05.2024. URL: https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/spain/economic-forecast-spain_en (accessed: 26.09.2024)

²³ The Spanish economy closes 2023 with a better rating than expected // CaixaBank Research, 17.01.2024. URL: <https://www.caixabankresearch.com/en/economics-markets/recent-developments/spanish-economy-closes-2023-better-rating-expected> (accessed: 07.10.2024)

²⁴ The Bank of Spain annual report 2023 // The Bank of Spain. URL: https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesAnuales/InformesAnuales/23/Files/InfAnual_2023_En.pdf (accessed: 27.09.2024)

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