

## **Interview transcript: Jose Luís Rodríguez Zapatero**

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*Leslie Crawford interviewed Jose Luís Rodríguez Zapatero, Spanish Prime Minister, on June 4. This is a translated transcript of the interview*

**FT: In this change of economic cycle, Spain appears to be more vulnerable than other countries, given that foreign investment flows have financed about one-third of growth. What can your government do to soften the blow and encourage continued investment?**

Jose Luís Rodríguez Zapatero (JL): We are very good at growing. And we are also good at overcoming difficulties. Spain continues to generate confidence in the global economic system. Proof of this is the fact that in 2007 we saw €45bn in investment, that we have become the third biggest investor in the world, behind the US and France. All the rating agencies continue awarding Spain their highest solvency ratings. We are going to see an important adjustment in the property sector that is going to involve some pretty big numbers. However, we have the strength, more so than in many other countries, to overcome this.

First, the public accounts are healthy, with a (fiscal) surplus and a level of debt, of 35 per cent of GDP (gross domestic product), that would be the envy of many. Second, we have a solid financial system: our banks have not had any problems during the financial crisis. We have a bank – Santander – that recently announced the strongest first-quarter profits in the world. Third, there is a prevailing climate of social harmony, with agreements between business and labour unions. Fourth, and thanks to the budget surplus, we are seeing heavy investment in infrastructure and in productive investment generally. By 2010 we will have more high-speed train links than in any country in the world. And there is strength in our ability to use technological innovation to improve productivity, which is the big challenge for the Spanish economy.

We are also very strong socially, as shown by the incorporation of women into economic activity and employment. This has been a big change in Spain and one that we have to keep working on. It is interesting to note that while unemployment is rising, employment among women continues to rise.

We have the will to push ahead with further reforms. These reforms are going to give Spain a greater role in sectors such as logistics, energy and telecommunications. One of the other good things about Spain is that there is no fat in the public sector. There is no dead weight in the economy because basically everything has been privatised.

**FT: Could I just ask you about the reform process? Are we going to see labour reforms in this legislature? Because business leaders are now asking for greater flexibility in the collective bargaining processes, specifically because of the difficult operating environment. They want more freedom to set wage levels.**

We have a very good labour model, based on pacts between businessmen and unions. I therefore intend to keep this model intact. Our economy has to become more competitive by being more open and more able to compete in sectors such as transport and services and by improving productivity. This is how we bring value-added to the Spanish economy. In my government, workers' rights will not be eroded.

**FT: So there are no plans to dismantle the collective bargaining system?**

JL: No. The parameters of collective bargaining will only change as business and unions agree them.

**FT: So the people involved will decide?**

JL: Exactly. This is the best route to take.

**FT: So, what role will the government have in this reform process?**

JL: To promote, to support and to accompany the process. This is the best role of any government in a modern, dynamic economy.

**FT: Do you believe that the investment rate will fall a little this year, given all the difficulties both in Spain and in the global economy?**

JL: It probably will fall a bit. First-quarter data showed that within growth of 2.6 per cent, the rhythm of investment held at healthy levels. Investment in capital goods, for example, was an encouraging 6.5 per cent. Productive sectors remain strong. The automotive sector, which is very important in Spain, grew by about 4 per cent.

**FT: You touched on the energy sector earlier. It seems Spain is at a crossroads in this area. On the one side, it has its commitments to meeting emission targets under the Kyoto Protocol, while on the other there is this government's commitment to a moratorium on new nuclear generation facilities. How do you square this circle? Will your government have to rethink the whole question of nuclear energy?**

JL: A bet on nuclear energy would be an easy option but not the best long-term bet. Backing the nuclear option would erode interest in renewables, which add more value and which provide great impetus to research and development. Our position is very clear: we will maintain our calendar for nuclear plant closures, save for exceptional circumstances. However, we are not about to encourage new investment in nuclear energy.

**FT: Is this all about your own principles, because of the question of security and waste and so on, or is it because of Spain's commitment to developing a renewable energy industry?**

JL: In politics, principles should go hand in hand with practical options. I've never understood how, once in power, someone can abandon his or her principles or sacrifice a practical option because they go against principles. The world has an energy option that it has exploited little, which it has studied little and that is renewable energy. In Spain we've been very single-minded about this, and this has to be the way forward. While it is true that renewable energy is expensive and can't be done without public sector support, it is an important investment in the future.

**FT: Spain is working on an interconnection with the French electricity grid. If I could be a little impertinent, is there any difference between a nuclear kilowatt imported from France and a nuclear kilowatt produced in Spain?**

JL: No there isn't, except for the future cost of producing a Spanish nuclear kilowatt. However, the point is that the interconnection will also allow Spain to send energy to France, and this may well be electricity produced by renewable sources. Every country has its options. France has bet heavily on nuclear power but it has a lot of water, which is an important component in the process. Spain, unfortunately, does not have that sort of availability of water.

**FT: What sort of energy policy does Europe need at the moment? Will Spain have a strong voice in this debate?**

JL: There are two principles around which European energy policy has to be built: security of supply and co-operation. The first has a lot to do with the relationship with Russia and, in the case of southern Europe, with Algeria. When we talk about co-operation, it has to be co-operation in the area of research and development, at the corporate level. Not every country can aspire to have national champions, with a short-term view about their biggest companies and their global ambitions.

**FT: And how should Europe's relationship with Russia be?**

JL: Well, it has to be a positive relationship, for geopolitical reasons, to assure stability and equilibrium, and because the European Union has to win relevance in the world. And having a good partner in Russia is a valuable asset to have in terms of world order.

**FT: When it comes to southern Europe, it appears Spain has a lot to offer the European Union. Its policies on co-operation and assistance for Africa, for example, have been well received. What can Spain do to refocus European Union policy on the Mahgreb and sub-Saharan Africa?**

JL: Everything we've done in the last few years is a response to the same idea. We need a Europe that is more relevant in the world and this relevance is achieved through ambition and co-operation. I always say that we don't need a policy on Africa but rather a policy with Africa. It is the continent of most need in the world, where one has to offer hope.

**FT: Spain was criticised by its EU colleagues for its (liberal) immigration policies. More recently, we've seen Italy criticise it, while, on the other hand, Silvio Berlusconi himself has been under fire for his (tough) immigration initiatives. First, was Spain's approach misunderstood and, second, is a common European policy on immigration possible, given the differences of opinion?**

JL: With the benefit of experience and dialogue, I think we've advanced. I'd say that over the next four to six years we are going to be able to consolidate a common policy on immigration.

**FT: Starting from where? What would be the main points of consensus?**

JL: You have to start from the point of legality. Which is to say that one must be on European soil legally. However, at the same time, Europe must always respect human rights. This is the seal of identity of the European Union.

**FT: Mr Berlusconi's proposal of jail sentences for illegal immigrants – would that have violated human rights?**

JL: Europe cannot afford to lose its greatness for the sake of a few measures whose efficacy was questionable. What we have to do is be effective in the fight against illegal immigration. And the most effective weapon is co-operation, dialogue with the countries of origin. We are not going to resolve the problems of immigration here (in Europe). We have to do it there (in Africa). Once the problem is here, it is difficult to resolve. How can we be impassive before a continent where 30 per cent of the population live in absolute misery? How can we be blind to the fact that we face an enormous migratory pressure if we do not change the reality of Africa? If African governments see an effort by Europe to help in the development of the region, then they will co-operate by cracking down on emigration and human trafficking.

**FT: If we can look for a moment at immigration in Spain, do you believe that there are now too many foreign workers in the country?**

JL: Immigration is traditionally driven by hopes of improving one's economic situation. Spain has seen a lot of employment growth thanks largely to the incorporation of immigrants who became part of the country's economic development. As economic growth slows, obviously the need for immigrant labour eases. Even so, and even though unemployment is starting to rise, there are still certain sectors of the Spanish economy that can only employ immigrant workers, such as agriculture. Having said this, the best way to ease migratory pressures is to help create jobs in the countries of origin.

**FT: During the recent election campaign, you promised to create 2m jobs over the next four years. Given the severity of the downturn, do you think that this is still a realistic goal?**

JL: Well, there are still four years to go. Spain doesn't shrink against adversity. I still have a great deal of confidence in the country.

**FT: Some of the (more populist) measures introduced as a palliative against the downturn were being talked about during the election campaign. If it hadn't been for the**

**elections, might your government have thought of better ways to spend money than, for instance, offering a one-off €400 tax rebate?**

JL: We actually have the luxury of being able to use both types of measures. We are going to return a total €5bn to Spanish households to help fight rising food costs and so on. But we are also going to accelerate investment in infrastructure to help offset the downturn in house construction. We have the money to do this because of sound fiscal management.

**FT: It is very likely that the construction sector will lose a lot of weight in the economy as result of this slowdown. What sectors do you see replacing it as an engine of growth?**

JL: We have two areas that are working well, and those are industry and services. In the first we have to improve competitiveness and productivity through innovation and, in services, by improving efficiency. We also plan to improve the business environment by cutting red tape. Spain is one of those countries with lots of rules and regulations. We have to reduce administrative demands on companies, for example.

**FT: Second mandates are typically a time for prime ministers to concentrate more on foreign policy and less on domestic issues. We've already spoken about Europe. How do you see Spain's relationship with a US led by either Mr McCain or Mr Obama?**

JL: Until the US presidential elections in November, the world is on hold when it comes to dealing head-on with the big issues such as global security, climate change and the food crisis. I hope that November brings a new dawn for dealing with the challenges that the world faces. The world wants a co-operative US in such matters as Kyoto, geopolitical stability and dialogue between civilisations. Spain's foreign policy will always reflect the values of its society – one built on equality of opportunity. This is the sort of world that we should all try to work towards.

**FT: So, you would like to see Barack Obama in the White House?**

JL: Well, I like him, yes.

**FT: A Democratic president means a closer relationship between Europe and the US?**

JL: Europe and the US are allies but they could share more their objectives.

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