

## ANALYSIS

## Hollow victory

## Spain

A record turnout has given the Catalan parliament a separatist majority, but the chances of a referendum on independence from Spain have faded  
*By David Gardner*

Every year in Catalonia, there is a fiercely contested and passionately followed contest to build the highest human castle – *castells* of people piling up in giddy layers towards the sky, sustained by a mass of humanity bound tightly together underneath. It is an enterprise that requires extraordinary levels of collective confidence and common purpose and a mix of daring and derangement – qualities, perhaps, of a people determined to become the nation they feel they are.

That is what Catalans had to consider as they voted on Sunday in a historic election to decide on their new parliament and home-rule government, the first step on the road local nationalist leaders have been mapping towards secession from Spain – and a constitutional clash with the central government in Madrid.

In the event, though voters have returned a separatist majority to the Catalan parliament, both secessionists and unionists have done well enough to dig in further, and catch in their crossfire those, such as the Socialists, who are arguing for a federal outcome to a problem that may have abated but has in no sense been resolved.

Despite a surge in separatist sentiment in recent months, voters denied anything like an absolute majority to Artur Mas, president of the Generalitat and leader of *Convergència i Unió* (CiU), the centre-right ruling nationalists, instead propelling the secessionist *Esquerra Republicana de Catalunya* (ERC) into second place for the first time.

Mr Mas and the CiU won, despite losing 12 seats. But their attempt to secure an “indestructible majority” to legitimise a referendum on independence backfired – much to the glee of Mariano Rajoy, the Spanish prime minister, and his centre-right *Partido Popular*, whose partisans decried the Catalan leader had made a fool of himself and should now leave politics.

Things are unlikely to prove that simple.

The result has certainly taken the wind out of the Catalan leader's sails. After a huge rally of separatists all but occupied the Catalan capital of Barcelona in September, and Mr Rajoy rebuffed his demand for greater fiscal autonomy, Mr Mas sought and expected a “very clear majority in favour of sovereignty” to give him the legitimacy to convene a plebiscite on Catalonia's relationship with Spain. He, personally, did not get it.

Yet the mainstream nationalist CiU, along with the centre-left ERC and secessionist leftwing forces, amount to a “majority in favour of sovereignty”, on top of which parts of the Catalan Socialist party and the Left-Green alliance defend Catalans' right to decide their own future. The prospect of a referendum – which Mr Rajoy says he will use the full force of constitutional law to prevent – has receded, but not disappeared.

Looking grim but determined after the result, Mr Mas said “one thing is the right to decide, but another is [our] own state; to get that, with these



Common purpose: Catalans may not have given Artur Mas a majority, but they did vote overwhelmingly for secessionist parties

results, we will just have to keep working.” Mr Rajoy, who went out four times on the Catalan campaign trail, will rightly feel he can now confront the wrenching economic and financial crises engulfing Spain without immediate fear of a constitutional stand-off – an outcome his fellow EU leaders will welcome.

The question now is whether the prime minister and his party – which arrived in power a year ago with the ambition to reverse aspects of the devolution settlement that underpinned

**‘What the independence of Catalonia really means is the disappearance of Spain as a nation’**

the transition from the Franco dictatorship to democracy more than 30 years ago – will use this opportunity to seek solutions to old Catalan grievances.

If they gloat rather than negotiate, the pressure for Catalan independence will only build, as it will in the Basque Country, where the devolved parliament also has a majority in favour of independence following home rule elections last month.

The Catalan secessionist surge has awakened some in the *Partido Popular* to the real dangers of a break-up. “What the independence of Catalonia really means is the disappearance of Spain as a nation,” said Alberto Ruiz-Gallardón, Spain's justice minister and a leading figure in the party, in an interview this month. Alicia Sánchez-Camacho, PP leader in Catalonia, came out strongly in defence of devolution and against a call for the centralisation of power by José María Aznar, the former prime minister. Mr Aznar is still influential on the right of the party and through his FAES think-tank, which calls for a rollback of home rule.

José Ignacio Wert, the education minister who was formerly at FAES, touched raw nerves in October when he told parliament he intended to “Spanish-ise” Catalan pupils. He suggested they were being brainwashed into separatism by the Catalan language, which is taught alongside Spanish in local schools.

A starting point in shaping future policy towards Catalonia would be to examine why Mr Mas's gamble failed. The Catalan leader and the CiU, the party of the Catalan bourgeoisie, had long managed to maintain a posture of deliberate ambiguity on independence, and to operate in ambidextrous alliances with left and right in Madrid, the better to secure the devolution of more power to Barcelona.

But faced with the clamour for sovereignty, the mainstream nationalist chameleon started changing into bright separatist colours just as the traditional Catalan *senyera* flag flipped over into the now ubiquitous starred separatist pennant at October's football clash between FC Barcelona and Real Madrid.

The object was to ensure that the

CiU rather than the ERC – the republican party of the Catalan government of the 1936-39 civil war era – would lead the surge, even if many mainstream nationalists, notably the Christian Democrats inside the CiU, wondered whether independence was a leap in the dark. In the end, the secessionist republicans of the ERC have reaped the bigger harvest, doubling their seats.

Another reason Mr Mas did not get his way was that his CiU government presided over three packages of deep budgetary cuts and sought a €5.4bn fiscal bailout from Madrid. His government, furthermore, had relied on PP votes for 16 out of the 18 legislative measures it passed in two years.

The stated goal of making Catalonia a “new state in Europe” sounded less thrilling, moreover, once the penny started to drop that it would have to seek readmission to the EU after independence and that Spain would have a veto. A dossier of dubious provenance that appeared in the rightwing Madrid press in recent days, alleging that Mr Mas and his allies had secret Swiss bank accounts, may also have influenced voters.

But while all these factors may have blunted the Mas offensive for now, the question of how to accommodate Catalonia in a more plurinational Spain remains. The status quo is no longer tenable. The September demonstration in Barcelona, says a veteran Spanish statesman, was a “tsunami that has changed the contours of the country”. Though it was entirely peaceful, he adds, it was presented in Madrid as a “fascist rally” – a measure of the gulf to be bridged.

That abyss opened before the onset of the eurozone crisis, even though the fiscal row between Madrid and Barcelona has made the atmosphere much more toxic – and drawn Catalan business into the separatist camp.

The tipping point was the thwarted, socialist-led attempt to enhance Catalonia's statute of autonomy, launched in 2003 and endorsed by the parliaments in Barcelona and Madrid and voted through almost by acclamation in a Catalan referendum. But in 2010, the constitutional court in Madrid, despite having offered no previous guidance on the legality of the reform, eviscerated it after representations from the PP, then in opposition.

Mr Mas was then elected to secure a fiscal pact, a fairer share-out of taxes collected in Catalonia, in light of the Basque government's right to collect its own taxes – and remit to Madrid about eight times less per capita than the Catalans. Barcelona reckons that without a net transfer to the rest of Spain of about 8 per cent of its economic output, or €16bn, it would have a manageable budget deficit and public debt like the Basques, who have a better credit rating than the Kingdom of Spain while Catalonia's has been reduced to junk status.

The Basque Country, with fiscal autonomy, has resurrected its once moribund rustbelt economy into an engineering powerhouse, while Catalonia's relative wealth has slipped, even if it is far richer than most Span-

ish regions. In his abortive September meeting with Mr Rajoy to renegotiate terms, Mr Mas offered to continue a high level of budgetary transfers in exchange for fiscal autonomy. The prime minister refused even to discuss it, officials on both sides say.

The Catalan business community, though nervous of secession, backed Mr Mas on this, resentful at what it saw as deliberate attempts by Madrid to stifle competition from Barcelona by, for example, withholding investment in vital infrastructure. The scotching of a merger between Catalan utility Gas Natural and Endesa, now under control of Enel of Italy, also rankles. “I would hope to live in a world where the Spanish preferred Endesa's headquarters to be in Barcelona rather than Rome,” says Andreu Mas-Colell, the Catalan government's finance chief. A Spanish diplomat adds: “Madrid used to be the political capital and Barcelona the commercial capital, but now Madrid wants to be both and they resent it, and feel [Madrid] wants to make sure that Barcelona is always in second place.”

One Catalan business leader says local companies have lost faith that things can improve under present rules, especially now the PP has an absolute majority in Madrid. “Before, we got transfers [of power] and investment because the party in office in Madrid needed outside support, not because there was a dynamic concept of an evolving state.”

Dealing with this accumulation of grievances and resentment now requires leadership, on both sides. Mr Mas has left himself wiggle room, never using the word independence, preferring to say that Catalonia needs its “own state” – a formula that in theory fits inside a reformed constitution that offers Catalans more of what the Basques already have. But if Mr Rajoy refuses to budge from the status quo, the road to independence – lengthened by Sunday's election results – will stay open.

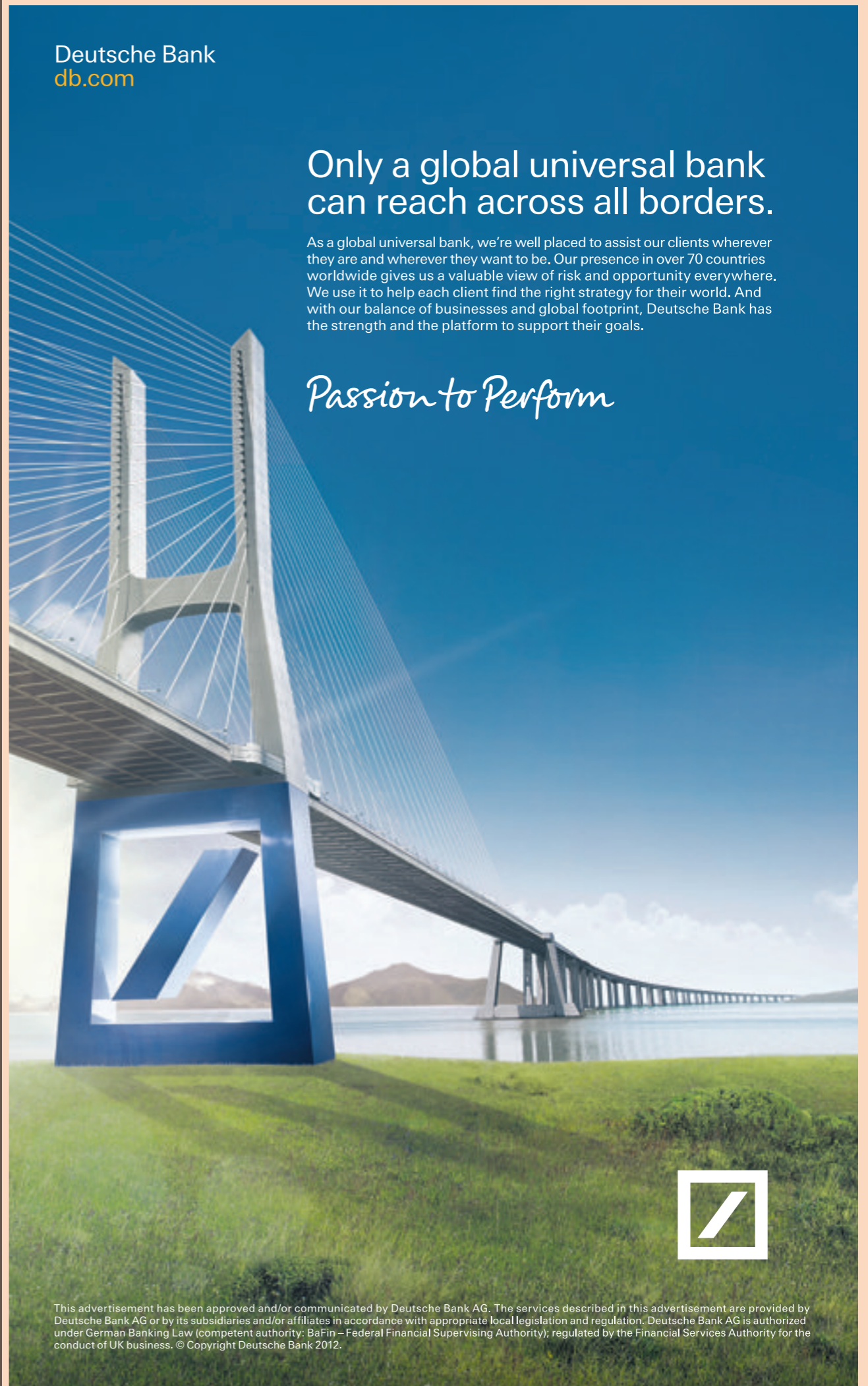
“Mas would do a deal, if only he could get one”, says a veteran politician with ties to Madrid and Barcelona. “What makes this unresolvable is not Catalonia, it's that there is no leadership.”

Deutsche Bank  
db.com

Only a global universal bank  
can reach across all borders.

As a global universal bank, we're well placed to assist our clients wherever they are and wherever they want to be. Our presence in over 70 countries worldwide gives us a valuable view of risk and opportunity everywhere. We use it to help each client find the right strategy for their world. And with our balance of businesses and global footprint, Deutsche Bank has the strength and the platform to support their goals.

Passion to Perform



This advertisement has been approved and/or communicated by Deutsche Bank AG. The services described in this advertisement are provided by Deutsche Bank AG or by its subsidiaries and/or affiliates in accordance with appropriate local legislation and regulation. Deutsche Bank AG is authorized under German Banking Law (competent authority: BaFin – Federal Financial Supervising Authority), regulated by the Financial Services Authority for the conduct of UK business. © Copyright Deutsche Bank 2012.

## Speed read

● **Continental relief** EU leaders will be relieved that Mariano Rajoy can finally confront the country's financial crisis.

● **The thrill has gone** Voters were less enthusiastic about independence once they realised Catalonia would have to seek readmission to the EU.

● **Untenable** Although Artur Mas did not secure an indestructible majority, the status quo is clearly no longer acceptable. A new plan is needed to accommodate Catalonia.

## On the web

For more news and analysis on Spain and its independence movements, go to [www.ft.com/europe](http://www.ft.com/europe)