

# A YEAR OF PROMISE?

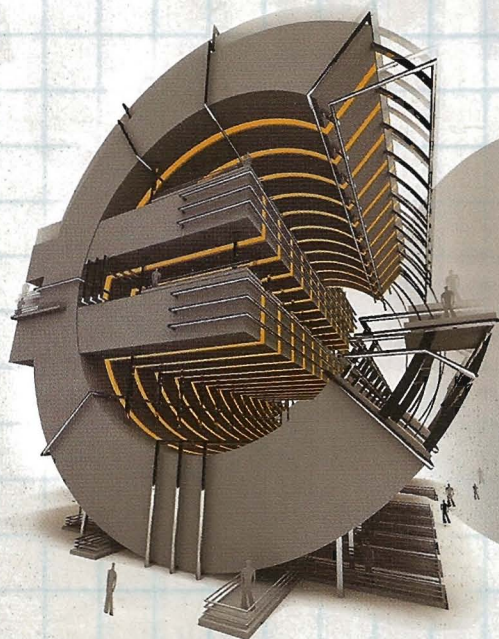
**2008** is set to be a volatile year for Spain. The stunning economic boom of the past 10 years may stall, immigration has become a major concern for the Spanish and the property market looks set to go through a period of crisis. In the background, there are worries about terrorism from both Al Qaeda and ETA. And, in March, there will be a general election to decide upon who governs Spain over the forthcoming, potentially difficult, years.

Of course, what occurs in Spain during 2008, for better or worse, will have a direct impact upon all of us, even those living securely on a pension in Anglicised areas. With an estimated one million Britons resident in Spain (roughly 2% of the population!), we have a vested interest in the future of our adopted country and the concerns of its native population.

In arguable priority, there are three areas of major daily pre-occupation for most Spanish people for the coming year: the economy (personal wealth), immigration (social and infrastructure pressures) and terrorism (personal safety) ...



2008



THE SPANISH ECONOMY has been the tiger of Europe, creating over half the new jobs in the EU over the five years preceding 2005. In particular, construction has boomed, so that it now represents some 18% of Spain's GDP and 12% of all employment. Tourism rose by 2.2% between January to September 2007 and an expected 60 million tourists will have come to Spain last year, making tourism a vital and stable industry that provides 12% of GDP. The economy grew in 2006 by a remarkable 3.4% (twice the Eurozone average) with Spain now boasting the fifth biggest economy in Europe and the ninth largest in the world.

Behind the facts, however, are some real concerns that may become overt in 2008. Certainly, there was evidence of a falling property market in 2007 and there are fears that this will accelerate during 2008. Furthermore, an analyst at Standard & Poor's has predicted that Spain's growth will drop to 2% until 2015. Set to exacerbate the economy is the decline in Spanish manufacturing (increasingly overwhelmed by Far Eastern imports), rising food costs and the consequences of record oil prices.

The most obvious problem for Spain relates to a potential collapse in property prices. In 2006 some 800,000 dwellings were built, with an estimated further 700,000 properties started in 2007. Obviously, the housing stock now available far exceeds demand. If that was not bad enough, the Euribor has nearly doubled over the past four years, squeezing highly geared Spanish property owners - who have seen the purchasing power of their salaries barely change since 1997.

2008 may be a worrying time for expat property owners who want to sell. However, concerns over earnings and employment for the Spanish will be at the forefront, should the economy slow markedly or the construction industry significantly contract.

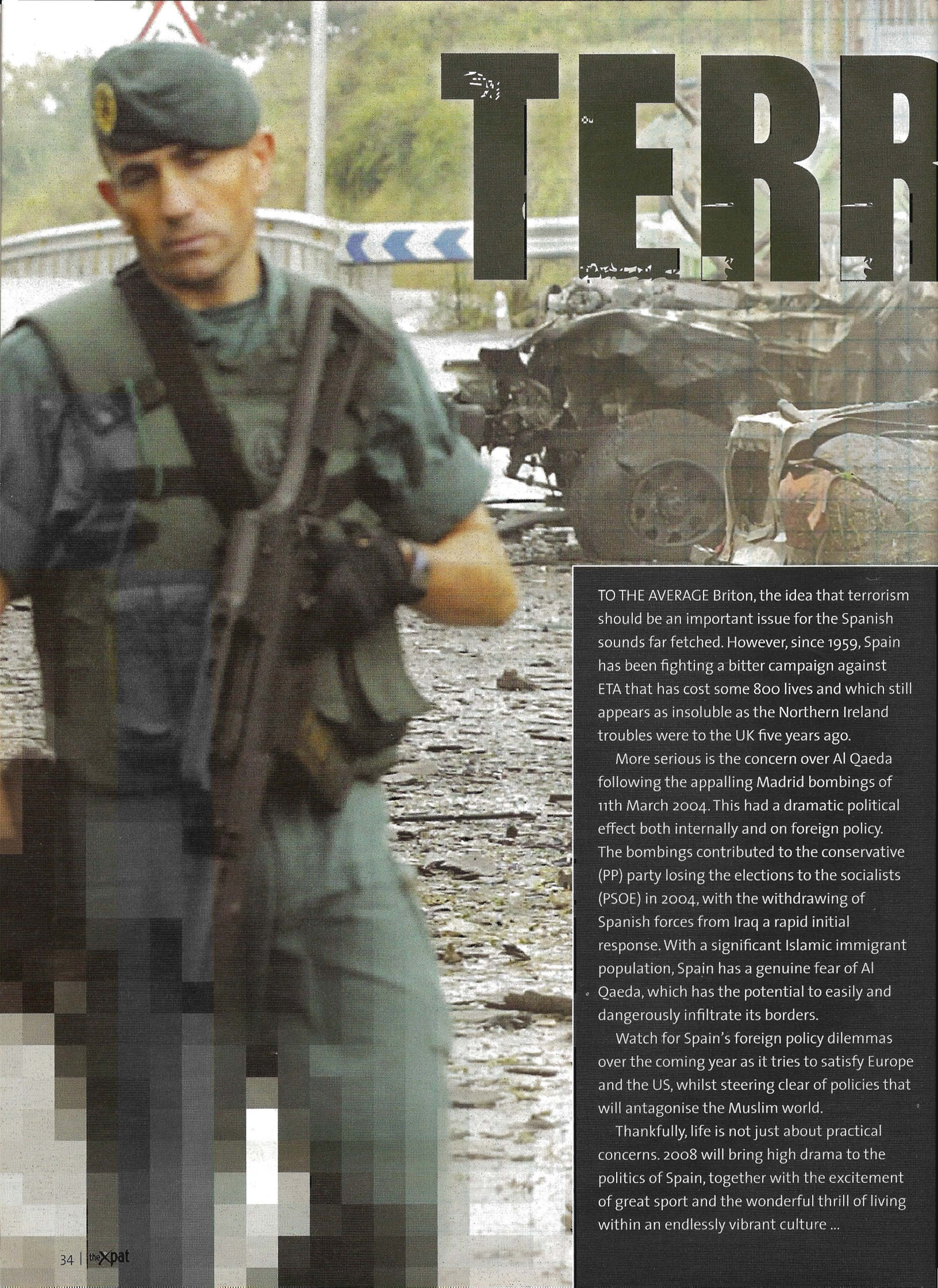
# IMMIGRATION

IMMIGRATION IS, understandably, one of the major concerns of the Spanish. Spain is the gateway to Europe for immigrants and has the second highest net migration in the world (after the USA). Spanish government figures for 2005 suggest that 700,000 immigrants came into the country and, in January 2007, it was estimated that there were over 4,000,000 immigrants living in Spain, representing around 10% of the population. This is likely to be a very conservative figure, with a Red Cross report in 2006 suggesting that immigration may now amount to 15% of the population.

Obviously, incoming migrant workers has benefited the Spanish economy greatly by providing cheap labour for the booming construction industry, whilst bolstering both agriculture and the tourist industry. Immigration is also critical in boosting Spain's population, which has the lowest birth rate in Europe (1.37 children per woman), with a serious danger that the Spanish pensions system will be bankrupted without a fresh 'labour bank'.

However, the enormous scale of current immigration is already causing increasing social friction, as well as overwhelming social services and schools. And, of course, should there be a recession, particularly in construction, immigrants will be the first to lose their jobs. With little or no welfare available, the consequences could be severe. Immigration will be a major concern during 2008 and a political and social 'hot potato'.





# TERROR

TO THE AVERAGE Briton, the idea that terrorism should be an important issue for the Spanish sounds far fetched. However, since 1959, Spain has been fighting a bitter campaign against ETA that has cost some 800 lives and which still appears as insoluble as the Northern Ireland troubles were to the UK five years ago.

More serious is the concern over Al Qaeda following the appalling Madrid bombings of 11th March 2004. This had a dramatic political effect both internally and on foreign policy. The bombings contributed to the conservative (PP) party losing the elections to the socialists (PSOE) in 2004, with the withdrawing of Spanish forces from Iraq a rapid initial response. With a significant Islamic immigrant population, Spain has a genuine fear of Al Qaeda, which has the potential to easily and dangerously infiltrate its borders.

Watch for Spain's foreign policy dilemmas over the coming year as it tries to satisfy Europe and the US, whilst steering clear of policies that will antagonise the Muslim world.

Thankfully, life is not just about practical concerns. 2008 will bring high drama to the politics of Spain, together with the excitement of great sport and the wonderful thrill of living within an endlessly vibrant culture ...



# ORISM

2008

# POLITICS



## ONES TO WATCH

### José Luis Rodríguez Zapatero

- Prime Minister
- Head of socialist party (PSOE)
- Promotes a vision of 'Nueva Via' - similar to Tony Blair's 'Third Way'



### Mariano Rajoy Brey

- Head of opposition conservative party (PP)
- Deputy Prime Minister 2000-2003
- Bright and hard working, but uncharismatic

A GENERAL ELECTION is due for March 2008 with the conservative (PP) party, led by Rajoy, hoping to overthrow the current socialist (PSOE) government of Zapatero. It is likely to be a closely fought contest, although a high electoral turnout is not expected.

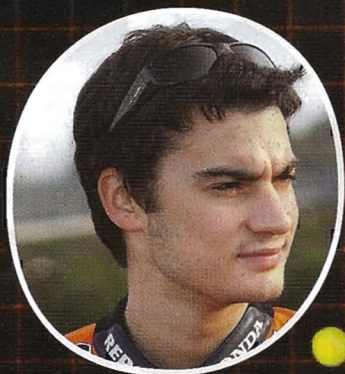
The two parties mimic the Labour and Conservative parties in the UK, with little real political substance to distinguish between them. Much will depend upon the state of the economy in March and, as always in the age of television, the personalities of the two

party leaders. José Luis Zapatero (the current prime minister) is a young and likeable 'Tony Blair' promoting a similar '3rd Way'. Mariano Rajoy Brey, on the other hand, is considered uncharismatic, whilst being bright, decent and hard-working.



2008

# SPORT



## ONES TO WATCH

### Rafael Nadal

- Mallorcan-born tennis prodigy
- No. 2 in the world
- Will he get to no. 1 in 2008?

### Daniel Pedrosa

- Youngest ever World Champion on 125cc and 250cc motorbikes
- 2nd Moto GP Championship 2007
- World Champion again in 2008?

### Fernando Alonso

- Formula 1 Double World Champion
- Youngest F1 champion ever
- Experienced a controversial 2007



SPAIN IS, of course, completely obsessed by football followed by motor bike racing, tennis, basketball and, due to Fernando Alonso, Formula 1.

As ever, all eyes will be on La Liga and the latter stages of the Champions League, with the undoubted favourites being Real Madrid, Barcelona and Sevilla. However, it will be worth keeping an eye out for a resurgent Villarreal and, perhaps, Valencia, who may respond positively to their new coach, Ronald Koeman. Finally, Real Zaragoza may yet surprise us all!

The big sporting news in 2008 will be that Valencia city is to host its first Grand Prix on a brand new street circuit. This should bring Fernando Alonso fanatics to fever pitch, be a fantastic spectacle and *de rigueur* for anyone living on the east coast of Spain!

Meanwhile, in tennis, Roger Federer is still the man to beat, with Spain's exciting Rafael Nadal the man to watch, as he tries to make it to world number 1 in 2008. In a similar position is the enormously talented Daniel Pedrosa who, after coming 2nd in the Moto GP championships in 2007, will be looking to secure the title for the first time this year.

