



# QUEEN'S GLOBAL MARKETS

A PREMIER UNDERGRADUATE THINK-TANK

[www.queensglobalmarkets.ca](http://www.queensglobalmarkets.ca)

NOVEMBER 2017

## Contributors

Dirong Wen

Grant Kavanagh

Gavrilo Randjelovic

Ethan Urbankiewicz

Simone Aria

***“Queen’s Global Markets (QGM) is a premier undergraduate think-tank dedicated to providing the Queen’s student body with knowledge of macroeconomics, capital markets and public policy. QGM aims to provide insights into the complex developments across the globe.”***

## Catalonia’s Troubled Relationship with Spain

In the last 18 months, Europe has seen many decisive political events, which started with last year’s British referendum to exit from the European Union. This year brought many general elections in core countries such as the Netherlands, France, and Germany, with varied results for centrist parties. Yet it is the recent Catalan independence referendum in Spain that once again triggered worldwide attention, as street violence erupted between protesters and military forces. Tensions have resurged to new heights in past years after a 2010 landmark court decision reversed several key articles in 2006’s Statute of Autonomy of Catalonia, which further lowered Catalonia’s autonomy as a “nation”.

Since then, tensions remained high, even after two referendums were held to resolve the issue of Catalan independence. Catalonia has their own language, culture, political views, and is the most highly industrialized region of Spain (Rodriguez, 2017). Spain could not be more against this movement – centre-right Prime Minister Mariano Rajoy has spoken harshly against it, and the government is doing everything they can to stop the secession.

## Region Profile

The autonomous administrative region of Catalonia has a population of approximately 7.5 million among 32,108km<sup>2</sup> of land, covering only 6.4% of Spain while having 16% of the nation's population. It is in the northeast corner of the country, bordering France. Catalonia has four provinces with the province of Barcelona being the largest, which also contains the same-name capital city. The region produces 25% of Spain's exports and more than one-fifth of GDP, with the automotive industry contributing significantly to their exports (Henley, 2017).

Catalan separatism has been a longstanding staple of Spanish politics. The first parties advocating for Catalan independence appeared in the late 19th and early 20th centuries, coinciding with a renaissance in Catalan cultural life. In 1922, Estat Català, the first pro-independence party in Catalonia, was established by Francesc Macià. Catalan leaders emphasized the uniqueness of the region's history, customs and language; during an era of widespread ethno-nationalism across Europe, Catalonia might have emerged as a new nation, birthed out of an unstable yet cosmopolitan Spain (Llobera, 2005).

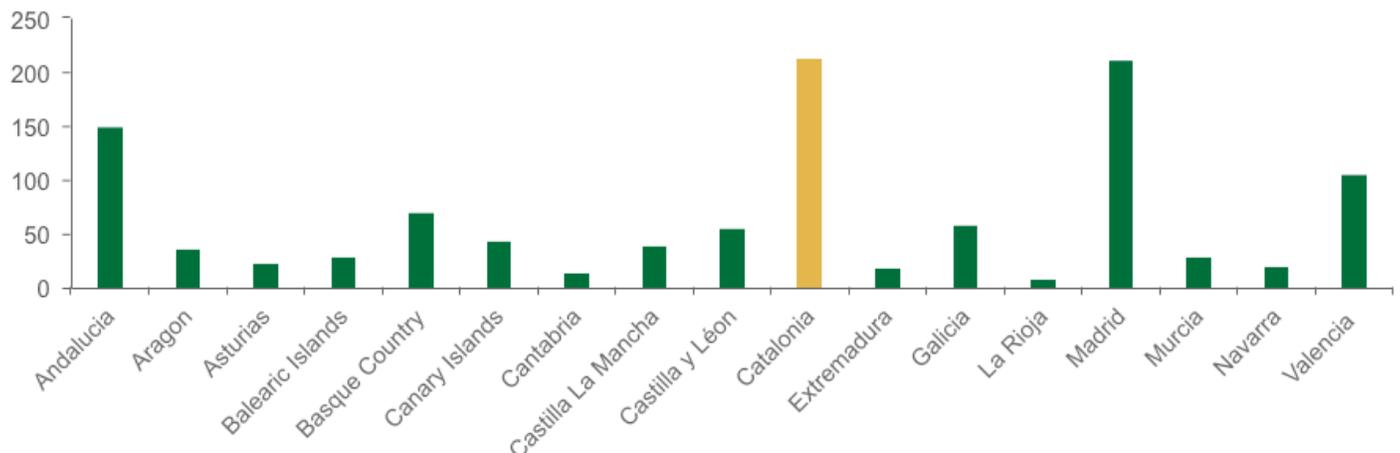
### Location of Catalonia (Orange)



Spain's political atmosphere at the time, however, was tumultuous – Catalan nationalism was overshadowed by the massive bloodshed of the Spanish Civil War. Francisco Franco, leader of the Spanish nationalist forces and the war's victor, ruled Spain as a dictatorship from 1936 to 1975; his regime brutally suppressed Catalan nationalism and the usage of the Catalan language (Llobera, 2005).

Following his death and Spain's subsequent political liberalization, voices calling for an independent Catalonia slowly began to re-emerge. Following a series of political devolutions, autonomy grants, and symbolic referendums on

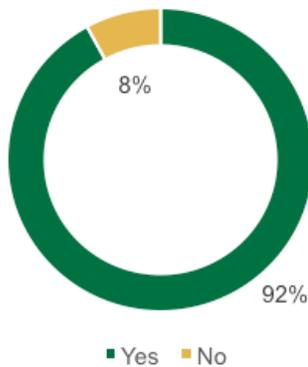
### GDP of Regions in 2016 (€ Billions)



independence, the Catalan government held a binding referendum on the region’s potential independence in October 2017.

## Election Results

**“Do you want Catalonia to become an independent state in the form of a republic?”**



Most voters - over 92% - voiced support for independence. Yet turnout remained very low, at only 42% (BBC, 2017). As a comparison, in the similarly monumental Brexit vote of June 2016, over 72% of eligible Britons cast a ballot (BBC, 2016).

Commentators have interpreted this as a boycott of the referendum by anti-independence Catalans; similar results had been previously observed in

Catalonia’s non-binding, ‘consultation’ referendums (Neumann, 2017).

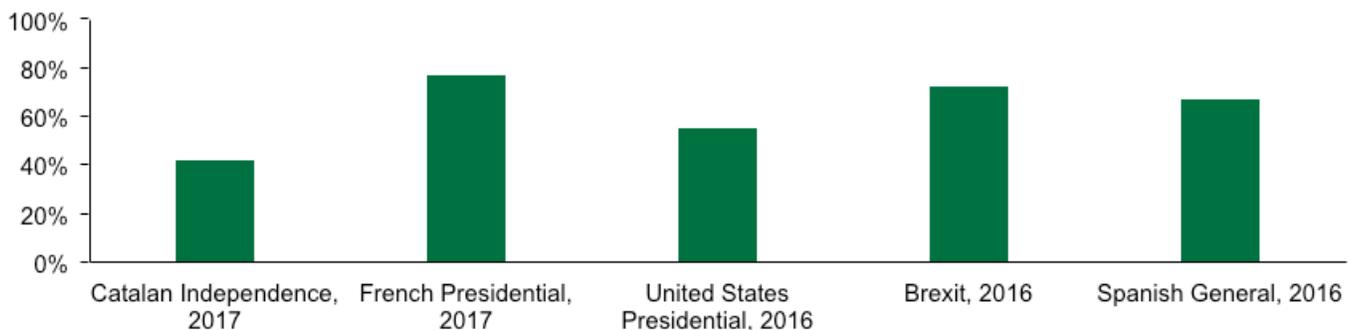
The Spanish government has echoed concerns regarding the referendum’s legitimacy, declaring it constitutionally illegal and forcibly shutting down polling stations. In November 2017, the Spanish government issued an arrest warrant for Carles Puigdemont, Catalonia’s president and the main organizer of the referendum (Bloomberg, 2017). He currently lives in exile in Belgium.

## Madrid’s Response

Minutes after Spain’s unity was dealt a terrible blow by the vote for Catalan independence, the Spanish senate voted to give Spanish Prime Minister Mariano Rajoy unprecedented powers to impose direct rule on Catalonia under Article 155 of the constitution. Never been implemented in the history of Spain, direct rule granted Rajoy the power to fire Puigdemont and to take control of the Catalan civil service, police, finances and public media.

The seizure was condoned because the Spanish senate ruled that the independence was unconstitutional as it violated the Spanish constitution, which gave wide autonomy to the regions, but affirmed “the indissoluble unity of the Spanish nation”. After taking power in the region, the Madrid-controlled police department attempted to squash pro-independence rallies, but

### Voter Turnout in Recent Elections



their violent tactics resulted in major international and Catalan backlash. President of the European council Donald Tusk was prompted to state, “I hope the Spanish government favours force of argument, not argument of force” (BBC, 2017).

While the international community has criticized Spain’s tactics, they have also remained in gridlock by siding with the Government of Spain and refusing to recognize the independence of Catalonia. This has been the response from the EU, UK, and US, along with the rest of the world. The independence was complicated by a multitude of factors, including economic and military ties with Spain, as well as the EU’s intentions to send the message that populist independence movements will not be tolerated.

Furthermore, many countries cite a lack of mandate, as popularity of independence has fallen, and many Catalans accuse the original referendum to be deeply flawed. The contributors of this report hold belief that without a clear majority and no legal basis, the original referendum has justly been declared illegal by the international

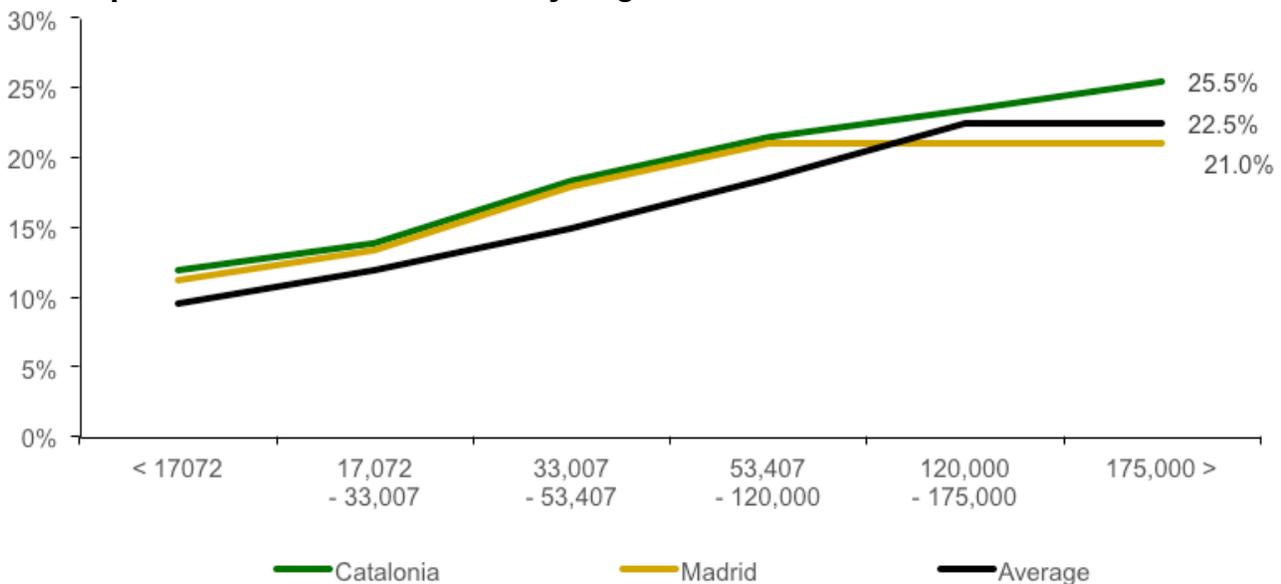
community, a diplomatically correct decision for the people of Catalonia.

## Do Catalans Really Want Independence?

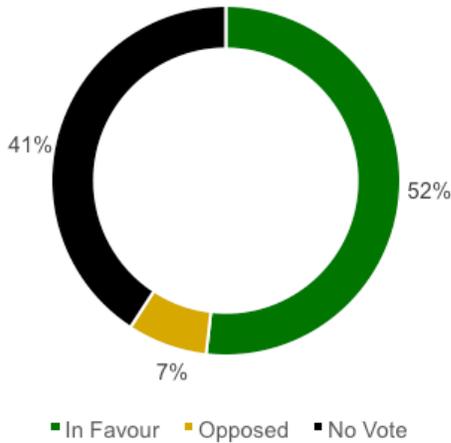
Catalonia’s declaration of independence this October re-examines the question of whether Catalans truly want secession from Spain. The referendum boasted that 92% of voters backed independence. Opponents of the movement however, point out that only 43% of eligible voters participated, making it unclear what the general population’s sentiment towards separatism is. An opinion poll, commissioned by the Catalan government this July, further challenged these results by revealing that just 41% of the population was in favour of the movement, compared to a 49% opposition (BBC, 2017).

Despite conflicting results, 2014 figures revealed that Catalonia pays €9.89bn more into Spain’s tax authorities than it receives in spending. Between 2003 to 2015, state investment in Catalonia also fell 6.5%, reinforcing feelings of the state taking more from the region than it gives

**Spanish General Income Tax by Region**



**“Do you want Catalonia to become an independent state in the form of a republic?”**



back (BBC, 2017). While it seems like regional resistance has been eroding over the past few years, hard-lined actions by Spanish authorities may have inadvertently emboldened the movement. Prime Minister Rajoy’s post-referendum removal of the Catalan government and head of the regional police force will likely exacerbate the anti-Spain sentiment (Henley, 2017). If Spain cannot find a way to reduce the economic strain it imposes on Catalonia, future attempts at secession may be expected.

Canada faced a similar conundrum in Quebec’s separatist movement, which culminated in a landmark 1998 judgment that unilateral secession was illegal (Powell, 2017). However, as laws and constitutions could be changed, a referendum that is held legally and found in favour of independence should prompt Spain to peacefully negotiate with Catalan leaders and define the terms under which Catalonia could gain independence. If Prime Minister Rajoy’s conservative government has learned from its ineffective, staunch stance, perhaps starting a constructive dialogue could mend the fragile relations.

## References

- BBC. (2016). "Results." BBC. Retrieved from [http://www.bbc.com/news/politics/eu\\_referendum/results](http://www.bbc.com/news/politics/eu_referendum/results)
- BBC. (2017). "Catalan referendum: Region's independence 'in matter of days.'" BBC. Retrieved from <http://www.bbc.com/news/world-europe-41493014>
- BBC. (2017). "Catalonia referendum: Does the region want to leave Spain?" Retrieved from <http://www.bbc.com/news/world-europe-29478415>
- Clarke & Co., S. (2016). "Tax Tables for Spain". Unpublished raw data.
- Government of Spain. (2016). "GDP of the Autonomous Communities." *Expansión*. Retrieved from <https://www.datosmacro.com/pib/espana-comunidades-autonomas>
- Henley, J. (2017). "How important is Catalonia to Spain?." *The Guardian*. Retrieved from <https://www.theguardian.com/world/2017/oct/02/catalonia-important-spain-economy-greater-role-size>
- Jones, S., Burgen, S., & Graham-Harrison, E. (2017). "Spain dissolves Catalan parliament and calls fresh elections." *The Guardian*. Retrieved from <https://www.theguardian.com/world/2017/oct/27/spanish-pm-mariano-rajoy-asks-senate-powers-dismiss-catalonia-president>
- Kottasová, I. (2017). "Spain loses 20% of its economy if Catalonia splits." *CNN Money*. Retrieved from <http://money.cnn.com/2017/09/29/news/economy/catalonia-independence-spain-economy/index.html>
- Llobera, Josep R. "Foundations of National Identity: From Catalonia to Europe (New Directions in Anthropology)." Berghahn Books, 2005.
- Neumann, J. (2017). "Catalans Support Secession From Spain in Vote Boycotted by Opponents." *The Wall Street Journal*. Retrieved from <https://www.wsj.com/articles/voters-turn-out-in-catalonia-for-independence-referendum-1506838287>
- Powell, J. (2017). "How to Solve the Catalan Crisis." *New York Review of Books*. Retrieved from <http://www.nybooks.com/daily/2017/11/03/how-to-solve-the-catalan-crisis/>
- Rodriguez, V. (2017). "Catalonia." *Encyclopedia Britannica*. Retrieved from <https://www.britannica.com/place/Catalonia>
- Smyth, S. (2017). "Ousted Catalan Leader Seeks Election Alliance as Deadline Nears." *Bloomberg*. Retrieved from <https://www.bloomberg.com/news/articles/2017-11-07/ousted-catalan-leader-seeks-election-alliance-as-deadline-nears>