

SPAIN: Why Puigdemont still matters

- Former First Minister Carles Puigdemont's de facto takeover of the leadership of the main center-right, pro-independence Catalan Democratic Party (PDeCAT) last weekend reduces the chances of normalization of Catalan politics.
- The hardening of PDeCAT's stance could jeopardize the approval of some of the key reform initiatives of the ruling Socialist Party (PSOE), including the introduction of a new banking tax.

PDeCAT held a party conference last weekend, in which the candidate supported by Puigdemont (David Bonvehí) defeated former leader Marta Pascal. Under Pascal's leadership, the party had started to adopt a much more conciliatory approach towards Madrid. An example is the decision of PDeCAT MPs in Spain's Congress of Deputies to support the no-confidence motion put forward by the Socialist Party (PSOE) to oust former conservative Prime Minister Mariano Rajoy (PP). The change in tone by the new government in Madrid towards the Catalan issue had also been welcomed by the Republican Left of Catalonia (ERC), which favors a strategy of reengagement rather than immediate unilateral confrontation.

However, Puigdemont wants to maintain a combative stance towards the Spanish government for two reasons. The first one is that he still wants to continue fighting for the hegemony of the separatist movement. In this regard, the latest polls show ERC well ahead of Together for Catalonia (the electoral coalition that includes the PDeCAT). PDeCAT would lose between five and seven seats compared to the last regional election held in December 2017. The second reason is that an antagonistic approach might be the only way for the former first minister to remain relevant politically given that he is unlikely to come back to Spain anytime soon. The recent decision by a German court to only extradite him to Spain on a charge of misuse of public funds, and not under the more serious charge

of rebellion, has further emboldened the former first minister. The German judges' decision led Spain's Supreme Court on 20 July to reject the extradition and drop the European arrest warrant against Puigdemont and five other politicians who exited Spain after last year's secessionist crisis.

As a result, it is likely that the change at the helm of PdeCAT will lead to a more combative stance towards Madrid. This has two immediate implications. The first one is that the relationship between the Catalan government and Madrid is unlikely to improve significantly despite the ongoing rhetoric of dialogue. In fact, the risk of renewed tensions after the summer remains high, especially given the pending decisions by the judiciary on the Catalan politicians currently in prison. Recall also that hard-line separatists will probably try to turn the demonstrations on 11 September (Catalonia's Day) and 1 October (the one-year anniversary of last year's illegal referendum) into a show of force.

The second implication is that PdeCAT might display a much less cooperative stance in the Spanish parliament. Given the weakness of PSOE in the Congress of Deputies (88 MPs in the 350-seat chamber), PM Pedro Sanchez might not be able to obtain the necessary votes to pass his tax reform, including the upcoming new banking tax. A good signpost of PDeCAT's strategy will be the vote taking place in parliament this Friday, 27 July, to approve the expenditure ceiling underpinning next year's budget. While not a formal requirement for the government to present a draft budget, a negative vote by the PdeCAT would signal limited interest in cooperating with PSOE going forward.

[Client Portal >>](#)

Antonio Barroso

Deputy Director of Research
+44 20 7186 8895
antonio.barroso@teneointel.com

© 2018 Teneo Holdings. All rights reserved. This material was produced by Teneo Intelligence for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo Intelligence.