

Relying on Basque nationalists, but still in power: Where next for Spain's 'weak' government?



Since being returned to power following elections last year, Mariano Rajoy's Spanish government has had to rely on the support of smaller parties, such as Ciudadanos and the Basque Nationalist Party, to pass key legislation, including the 2017 national budget. [Caroline Gray](#) assesses what this fragile political situation has meant for the country, noting that while Rajoy has so far managed to gain the alliances needed to implement core policies, this has only been achievable by granting significant concessions to the Basque Country.



Mariano Rajoy, Credit: [Michel Temer](#) (CC BY SA 2.0)

Spain was thrown into uncharted waters last year when conservative Prime Minister Mariano Rajoy formed the [weakest minority government](#) since Spain transitioned to democracy. Yet, despite predictions at the time that the Popular Party (PP) government would not last, the Basque Nationalist Party (PNV) has spared it from an early death. With their five seats in the Spanish parliament, the Basque nationalists' crucial decision to support the PP's [2017 budget](#) – backed also by the centre-right Ciudadanos – transformed the outlook. In some ways, it's back to business as usual then. Except what's 'usual' in Spanish politics has fundamentally changed, and clinging onto power by striking traditional bilateral deals with the Basques does not resolve the many issues now requiring broader consensus and compromise.

Minority governments are nothing new for Spain – both the traditional conservative and socialist parties have frequently fallen short of an absolute majority in Spain's 350-seat parliament and relied on regionally-based parties to make up the numbers. And yet on this occasion, the record low number of seats secured by the winning party, combined with the lack of scope for deals with Catalan nationalist parties due to their pro-independence agenda, put the Basque nationalists in the position of kingmaker. With the PP's 137 seats, combined with 32 from Ciudadanos, the government just managed to reach the 176-seat majority needed to approve the 2017 budget in May thanks to the PNV's 5 votes plus one each from two regional parties based in the Canary Islands. The PNV has also saved the government's skin by supporting other bills too, such as Spain's new stowage law.

Nothing the PNV does is for free, so its support has come with hefty price tags. The tradeoffs agreed so far include, for example, funds and a clear timeline to progress long-awaited Basque routes for Spain's high speed train network. Arguably the most significant deal made has been in relation to the Basque economic agreement (*concierto económico*), which governs fiscal and financial relations between the region and Madrid, and provides the fundamental basis for Basque regional autonomy. Since 2007, the PNV had been in disagreement with successive Spanish governments over key aspects of the economic agreement. And yet all the relevant disputes have now been resolved, largely in favour of the Basque position.

For historical reasons, the Basque Country is one of only two Spanish regions that have bilateral economic agreements with Madrid (the other being Navarre), granting it far more substantial revenue-raising powers than other regions in Spain. Under the arrangement, the Basque authorities collect almost all taxes in the Basque region. They keep most of these to pay for devolved policy competences and pay a much smaller annual 'quota' (*cupo*) to the Spanish government to contribute to the few remaining centralised competences.

The quota is calculated according to five-yearly quota laws, under a complex (and often disputed) methodology agreed upon bilaterally between the Basque and Spanish authorities, which takes into account factors such as the valuation of devolved competences. For the past decade, Spanish-Basque fiscal and financial relations had been beset by disagreements over the figures. The details of the new quota law for 2017-21, fleshed out in the draft legislation approved by both the Basque and Spanish sides on 19 July following the political collaboration over the budget in May, show that it is not just the numbers that have now been agreed. Further revenue-raising powers are also being devolved to the Basques in areas where there is still scope to do so.

The deal demonstrates the PNV's longstanding politically savvy pragmatism, which is facilitated by the scope for bilateral deals that the Basque economic agreement offers. Since former Basque regional president Juan José Ibarretxe's attempt to push through a self-determination plan for the Basque Country a decade ago somewhat backfired, the PNV has returned to a slower, more incremental pathway towards the sovereignty it seeks for the Basque Country under the regional premiership of Inigo Urkullu and the party leadership of Andoni Ortuzar (in the PNV, the regional president and party leader are two distinct roles). In the meantime, it is not hesitating to use the party's leverage in the new more fragmented parliamentary reality of Madrid to ensure more practical Basque demands are met.

Of course, to be seen to be upholding the government of the PP – which is highly unpopular in the Basque Country – is not without potential political costs for the PNV. Its left-wing opponents have seized on this, accusing it of keeping a corrupt right-wing party in power. Certainly, Ortuzar was not about to have his photo snapped shaking hands with Rajoy in the same style as the famous [Arzalluz-Aznar photo](#) from two decades ago. Then, Basque PNV party leader Xabier Arzalluz struck a deal with Spanish PP Prime Minister José María Aznar which has remained firmly etched in Basque and Spanish political memory and bears close parallels to the new PP-PNV deal reached this year.

In Catalonia, such historical relationships between the once leading nationalist party *Convergència* and the Spanish PP ultimately proved too cosy for Catalan voters' liking, pushing many to switch to other left-wing pro-independence alternatives. This might serve as a warning to the PNV, which is struggling to appeal to younger generations. But it perhaps has the advantage of being more practised in shifting alliances as needed than *Convergència* was – whereas the latter at times ended up reliant upon PP support in the Catalan parliament too, the PNV's preferred ally in the Basque parliament has almost always been, and continues to be, the Basque Socialists. And securing extra money for the Basque Country inevitably helps to sweeten the bitter pill of propping up the PP in Madrid in return for the moment, at a time when there is no clear left-wing majority alternative on offer.

For the PP's part, the deal is a much harder sell to its Spanish electorate. Spanish treasury minister Cristóbal Montoro made a statement to the effect that only the financial crisis had prevented the PP from reaching such a deal with the Basques before, but in reality it was also because it was so politically unpalatable. A reform of the common financing system for the rest of Spain's regions has been repeatedly postponed in recent years as cash-strapped regional governments clamour for more funding, and the refusal of a better financial deal for Catalonia is one of the many factors that have contributed to the burgeoning of pro-independence sentiment in that region. In this climate, giving back money to the Basques – who are already perceived to have a better deal than other regions – was not on the cards until the PP became so desperate for allies in parliament.

Thus, the PP may have secured its survival for now via a traditional '[mutual backscratching](#)' arrangement with the Basque nationalists, but the real test of its strength or weakness in government will be whether it can make any headway toward addressing the serious issues on the agenda that require more complex cross-party and inter-regional negotiations and compromise. In that regard, the prognosis remains bleak.

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