Spain to keep distance if Italy picks fight with Brussels and markets

Spain after the end of Franco’s dictatorship in the 1970s. Ciudadanos, the upstart centrist party that is riding high in opinion polls, is distinctive for its pro-business policies and attacks on the traditional parties’ woeful record of corruption, but also for its unyielding defence of Spain’s unity. Yet Spain’s fragmented party landscape has not produced a phenomenon resembling Italy’s iconoclastic Five Star Movement, let alone a radical rightist, anti-immigrant party akin to the League. Nor is Euroscepticism a force in Spain. It is a measure of the pro-European consensus in Madrid that Mr Sánchez has promised to adhere to the cautious 2018 budget prepared by Mariano Rajoy, his conservative predecessor.

By contrast, Five Star and the League appear determined to tackle Italy’s troubles with spending programmes and tax cuts that would risk driving up the budget deficit. This in turn might put the new government on a collision course with its eurozone partners, the European Commission and the financial markets.

For the past 10 years, Spain has run high budget deficits — often far above the EU’s benchmark of 3 per cent of gross domestic product — but has largely escaped censure from Brussels and the markets. The tolerance shown to Spain testifies to the Rajoy government’s success in implementing structural economic reforms, cleaning up the banking sector and, above all, generating high levels of growth.

Here lies the crucial difference with Italy. Eurozone membership, though certainly not the primary cause of Italy’s troubles, has coincided with two decades of stagnant living standards and almost zero economic growth. This has fuelled support for populists who strike a chord with voters by blaming their hardships on a self-serving political establishment in Rome and EU-dictated fiscal rigour.

How far Five Star and the League will test the EU’s patience remains to be seen. However, should they really throw down the gauntlet to Brussels, nothing is more certain than that Spain will strive, as in the past, to keep a judicious distance from Italy.

Italy’s eurozone membership has coincided with two decades of stagnant living standards

n September 1996 Romano Prodi, Italy’s then prime minister, travelled to the eastern Spanish city of Valencia with a proposal for José María Aznar, his Spanish counterpart. Mr Prodi, worried that his country might not qualify for eurozone membership when the new currency was launched in 1999, suggested that Spain should delay its own entry until Italy was ready.

Mr Aznar rejected the proposal, telling Mr Prodi that Spain intended to be utterly punctual in meeting the qualification targets on public debt, budget deficits and inflation. In the history of European monetary union, Mr Aznar’s rebuff was a decisive indication that Spain had no desire to be bracketed with Italy as a laggard or weak link.

Now that new governments are installed in Madrid and Rome, the political and economic differences that separate the two Mediterranean countries continue to be more striking than the similarities. However, not all the differences expose Italy in a disadvantageous light.

The contrast between an economically dynamic northern Italy and a struggling south is a perennial problem for governments in Rome, but the unity of the state is not under threat. For Spain, on the other hand, the challenge of Catalan separatism shows no sign of fading away.

Only an hour after Pedro Sánchez, Spain’s Socialist party leader, was sworn in on Saturday as prime minister, a new government took office in Catalonia explicitly committed to secession. Hardline separatists will surely dig their heels in if the Spanish authorities proceed in October with a trial of nine imprisoned pro-independence politicians and activists. To convict them of rebellion and sentence them to long jail terms might satisfy the Spanish state’s implacable thirst for justice, but it would not represent a political solution.

The rise of Catalan separatism is one factor behind the disintegration of the two-party political system that marked
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