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# Spain and Its Relations with the United States: In Brief

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## Summary

The United States and Spain have extensive cultural ties and a mutually beneficial economic relationship, and the two countries cooperate closely on numerous diplomatic and security issues. Spain has been a member of the North Atlantic Treaty Organization (NATO) since 1982 and a member of the European Union (EU) since 1986.

Given its role as a close U.S. ally and partner, developments in Spain and its relations with the United States are of continuing interest to the U.S. Congress. This report provides an overview and assessment of some of the main dimensions of these topics.

### **Domestic Political and Economic Issues**

The government of Spain is led by Prime Minister Mariano Rajoy of the center-right Popular Party (PP). The PP won an absolute majority in the general election of November 2011. From 2004 to 2011, the government of Spain was led by José Luis Rodríguez Zapatero of the center-left Socialist Workers' Party (PSOE).

The next election is scheduled for December 20, 2015. Economic conditions, austerity policies, and corruption scandals have fueled public backlash against Spain's political establishment in recent years. Two new parties, *Ciudadanos* and *Podemos*, are challenging the PP and PSOE for votes. Polls indicate that the election is likely to result in Spain's first coalition government since the current constitution was adopted in 1978.

The global financial crisis of 2008-2009 ended a decade of strong economic growth and plunged Spain into a prolonged recession. The government budget deficit and debt increased, and unemployment rose dramatically. Intervention in 2012 by Spain's Eurozone partners and the European Central Bank helped restore confidence in the country's economy and stabilize the banking sector. Although economic conditions remain difficult and unemployment remains above 20%, there are signs of improvement, including forecasts for sustained economic growth over the next several years.

### **Regional Issues**

The Spanish government is firmly opposed to a long-standing independence movement in Catalonia, a region of northeast Spain that includes Barcelona. In November 2015, Spain's constitutional court blocked an attempt by the regional Catalan parliament to begin the process of forming an independent state. Catalonia held a non-binding referendum in November 2014 that returned a large majority for independence, but such a referendum would only be legally binding under the country's constitution if convened by the central government.

### **Counterterrorism**

The United States and Spain cooperate closely on counterterrorism issues. An estimated 50 to 100 Spanish citizens and approximately 1,200 Moroccan nationals with Spanish residency cards are thought to have joined jihadist groups fighting in Syria and Iraq. Spanish authorities have dismantled numerous recruiting networks over the past several years, many of them based in Ceuta and Melilla, Spanish enclaves on the coast of Morocco. In March 2015, the Spanish Parliament adopted new legislation to strengthen counterterrorism laws and police powers in response to the foreign fighter threat.

### **U.S.-Spain Defense Relations**

Spain plays an important role in U.S. defense strategy for Europe and Africa. Four U.S. destroyers equipped with the Aegis Ballistic Missile Defense system are stationed at the Rota

naval base as part of the European Phased Adaptive Approach for missile defense in Europe. Additionally, Morón air base is the headquarters for a rapid reaction force of 2,200 U.S. Marines that protects U.S. interests and personnel in North Africa.

Spanish armed forces participate in numerous international peacekeeping and security operations, including in Afghanistan, Lebanon, Mali, and Somalia. In the context of longstanding U.S. concerns about low European defense spending, Spain's budget austerity has included considerable cuts to the defense budget in recent years.

### **U.S.-Spain Economic Relations**

Investment flows between the United States and Spain totaled nearly \$80 billion in 2013, and the trade relationship totaled nearly \$25 billion in 2014. Approximately 1,200 U.S. firms operate subsidiaries and branches in Spain. Affiliates of Spanish companies account for approximately 73,000 jobs in the United States. Spanish officials have supported the proposed Transatlantic Trade and Investment Partnership under negotiation between the United States and the EU.

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## Introduction and Issues for Congress

Many U.S. officials and Members of Congress consider Spain to be an important U.S. ally and one of the closest U.S. partners in Europe. Political developments in Spain, cooperation between the United States and Spain on security issues and counterterrorism, and U.S.-Spain economic ties are possible topics of continuing interest during the 114<sup>th</sup> Congress. Members of Congress may have an interest in considering the dimensions and dynamics of current issues in U.S.-Spanish or U.S.-European relations, or with regard to NATO, in the course of oversight or legislative activities, or in the context of direct interactions with Spanish legislators and officials.

The Congressional Friends of Spain Caucus is a bipartisan group of Members of Congress who seek to enhance U.S.-Spain relations and promote political, economic, and social ties between the two countries.<sup>1</sup> The U.S.-Spain Council brings together U.S. and Spanish leaders to promote economic, educational, and cultural ties. Since the council was founded in 1996, five of the six chairmen have been Members of the United States Senate.<sup>2</sup>

## Domestic Overview

### Political Dynamics

The government of Spain is led by Prime Minister Mariano Rajoy of the center-right Popular Party (PP).<sup>3</sup> The PP won an absolute majority in the general election of November 2011, taking 187 of the 350 seats in the Congress of Deputies. From 2004 to 2011, the Prime Minister of Spain was José Luis Rodríguez Zapatero of the center-left Socialist Workers' Party (PSOE).

The next general election is expected to take place on December 20, 2015. Although economic indicators have shown signs of considerable improvement, the economic difficulties faced by Spain since 2008 have led to a shift in the country's political dynamics. In a political system long dominated by the PP and PSOE, two new parties have emerged as contenders in the 2015 election.

*Podemos* ("we can"), an anti-establishment, left-wing party that grew out of Spain's anti-austerity protest movement, experienced a dramatic surge in popularity starting in 2014. After support for *Podemos* rose to as high as 28% in late 2014 and early 2015, putting it in first place in polls surveying voter intentions, improvements in the economy appear to be contributing to a decline in support for the party in recent months. At the same time, *Ciudadanos* ("citizens"), a new centrist party that has made anti-corruption one of its main campaign themes, has gained substantial support in 2015 and moved into third place in preelection polls.

One poll conducted in mid-November 2015 indicated support for the PP at 26.4%, the PSOE at 24.0%, *Ciudadanos* at 21.1%, and *Podemos* at 10.8%.<sup>4</sup> Analysts expect that a coalition

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<sup>1</sup> For the 114<sup>th</sup> Congress, the co-chairs of the Congressional Friends of Spain Caucus are Representative Mario Diaz-Balart and Representative Pedro Pierluisi.

<sup>2</sup> The current Honorary Chairman of the Council is Senator Tim Kaine. See <http://usspaincouncil.org/>.

<sup>3</sup> The prime minister (head of government) is the leader of the largest party in the Congress of Deputies (lower house). The Senate (upper house) has 266 members and is structured in large part to voice the interests of Spain's regional governments.

<sup>4</sup> The Spain Report, <https://www.thespainreport.com/newsitems/325-151112104119-update-celeste-tell-poll-shows-ciudadanos-rising-podemos-on-10>.

government is likely to emerge from the December election. The leading possibility is that the winner between the PP and PSOE would seek a coalition with *Ciudadanos*. A PP-PSOE “grand coalition” or a PSOE-*Podemos* coalition are considered possible but less likely. Since the current constitution was adopted in 1978, Spain has had five single-party majority governments and six single-party minority governments that relied on smaller parties for various degrees of support, but never a formal coalition government.

**Table I. Spain**  
Map and Basic Facts



**Area:** Land area is about 195,124 sq. mi.; approximately twice the size of Oregon.

**Population:** approximately 48.15 million.

**Languages:** Castilian Spanish (official language), 74%; Catalan, 17%; Galician, 7%; Basque, 2%.

**Religion:** 94% Roman Catholic.

**Gross Domestic Product (PPP):** \$1.566 trillion; per capita GDP is \$33,700.

**Currency:** euro(€), €1=approx. \$1.07

**Political Leaders:** *Head of State:* King Felipe VI; *Prime Minister (Head of Government):* Mariano Rajoy; *Foreign Minister:* José Manuel García-Margallo; *Defense Minister:* Pedro Morenés.

**Sources:** Graphic created by CRS. Map boundaries and information generated by (name redacted) using data from the Department of State (2015), Esri (2014), DeLorme (2014), ArcWorld (2014), and the National Geospatial Intelligence Agency (2015). Fact information from CIA, *The World Factbook*, as of November 2015.

**Table 2. Results of 2011 Spanish Election**

Party	# of Seats	Net # of Seats +/-	% of Vote
Popular Party (PP)	186	+33	45.2
Socialist Workers' Party (PSOE)	110	-59	29.1
Convergence and Union (CiU)	16	+5	4.2
United Left/The Greens	11	+9	7.0
All Others	27	+12	—

**Source:** Inter-Parliamentary Union, [http://www.ipu.org/parline-e/reports/2293\\_e.htm](http://www.ipu.org/parline-e/reports/2293_e.htm).

**Notes:** Turnout was 71.7%. Comprising "All Others," nine smaller/regional parties won between one and seven seats each.

Over the past several years, widespread public discontent in Spain has been driven by economic conditions and austerity policies, and many observers are deeply concerned about the social impacts of high unemployment, including youth unemployment over 50%, as well as cuts to health and education spending (see below). Over the past several years, large public demonstrations and protest movements have conveyed an angry backlash against the financial sector and politicians' management of the economy. The public view of the country's politicians has been further soured by corruption allegations, including a scandal over campaign finance violations by leading figures in the PP.

## Economy

Spain is the world's 14<sup>th</sup> largest economy, and the fourth largest economy in the Eurozone.<sup>5</sup> Economic difficulties have been the dominant issue in Spain for the past seven years. The global financial crisis and recession of 2008-2009 hit Spain especially hard, and the crisis has had a lasting impact on the Spanish economy. Prior to 2008, Spain experienced more than a decade of strong economic growth relying largely on a housing and construction boom and fueled by private sector access to cheap credit. The credit and real estate bubbles collapsed in 2009, however, and the Spanish economy contracted sharply. Spain subsequently experienced a prolonged recession as the economy shrank 0.6% in 2011, 2.1% in 2012, and 1.2% in 2013, before a return to modest growth in 2014.

The government budget deficit jumped from 4.5% of gross domestic product (GDP) in 2008 to 10.3% in 2012, and public debt has increased from about 40% of GDP in 2008 to nearly 100% of GDP in 2015. Unemployment has increased dramatically since 2008, estimated to be 22.4% this year after reaching 26.1% in 2013.<sup>6</sup>

Spain became a focal point of the wider Eurozone crisis in 2012, facing heavy market pressure in the form of high borrowing costs. Pressure eased considerably after the September 2012 announcement of a European Central Bank (ECB) bond-buying program restored market confidence. Spain also received approximately €41 billion (approximately \$45 billion) in emergency loans from its Eurozone partners to stabilize and recapitalize Spanish banks after a banking crisis emerged in 2012. The PP took office at the end of 2011 with an emphasis on maintaining austerity, while implementing structural reforms to increase competitiveness and

<sup>5</sup> Germany is the largest economy in the Eurozone, followed by France and Italy. The European Union has a total of 28 member countries; 19 EU countries have adopted the euro as their currency.

<sup>6</sup> Economic statistics from the Economist Intelligence Unit, *Spain Country Report*, November 2015.

make the labor market more flexible. The Rajoy government has remained committed to austerity as necessary to reduce the country's deficit and regain the confidence of financial markets, and has taken measures including cutting spending on education and health care, reducing unemployment benefits and pensions, selling off state-owned properties, and increasing the value-added tax.

Overall, Spain has broadly supported closer European Union integration as a way of resolving some of the underlying causes of the Eurozone crisis, including steps such as establishing centralized European Union (EU) fiscal and banking authorities and expanding ECB intervention in the form of bond purchases or low-cost loans to banks. Spanish officials have also argued that EU stability funds should be able to aid banks directly.

Although Spain's economic conditions remain difficult, there are signs of improvement. The economy appears to be in a relatively strong recovery, with growth expected to be 3.2% in 2015 and forecast to average nearly 2% per year over the period 2016-2019. Analysts assert that Spain's austerity and reform efforts have been relatively effective in that the country's budget deficit is forecast to decrease over the next several years and the country's borrowing costs appear to have stabilized at a manageable level. Conditions in the banking sector stabilized to the extent that Spain was no longer receiving Eurozone assistance as of 2014. With unemployment declining but expected to remain above 20% for the next several years, however, Spain will continue to face considerable economic challenges.

### **The Monarchy of Spain**

Spain is a parliamentary monarchy regulated by its constitution. The 1978 constitution establishes the king of Spain as the country's head of state, the symbol of its "unity and permanence." The king is commander-in-chief of the armed forces, and has a formal role in the nomination and appointment process of members of the government, Supreme Court judges, and other high officials. The king also has a formal role in the legislative process, sanctioning (by royal assent) and publishing legislation passed by Parliament or adopted at the EU level. The king summons and dissolves Parliament, and makes the official call for elections. As the highest representative of the state in international relations, the king is responsible for accrediting ambassadors and other diplomatic representatives, declaring war, and expressing the state's assent to treaties. In practice, the king exercises limited political power, generally acting on the advice of the president of the government (i.e., the prime minister) and refraining from interference in political matters.

King Felipe VI succeeded to the throne in June 2014 following the abdication of his father, King Juan Carlos I. Juan Carlos became king in 1975 after the death of long-time dictator Francisco Franco, and initiated reforms transitioning Spain into a democracy. After decades of strong popularity, several scandals tainted the last years of Juan Carlos' 39-year reign. The scandals, combined with concerns about health and age, and accusations that he had grown "out of touch" with the Spanish people in the context of the economic crisis, were key factors behind his decision to step down. Opinion surveys show that the transition to the 47-year-old King Felipe, alongside his 43-year-old wife, Queen Letizia, and their two young daughters, has greatly improved public perceptions of the monarchy, with one August 2015 poll showing 61.5% support for the system of constitutional monarchy.

King Felipe has sought to distance the monarchy from the scandals of the royal family and has actively reached out to meet with and address a wide range of civil society and social groups in Spain. He has spoken out forcefully against corruption, cut his own salary, and expressed deep concerns about unemployment and economic conditions in Spain. King Felipe has addressed the country's regional secessionist movements by calling for unity and describing regional cultures and languages as an important part of Spain's social fabric. Abroad, he has been active in promoting Spain's economic and commercial interests and promoting Spanish language and culture.



## **Response to the Migration Crisis<sup>7</sup>**

In 2014, Spain experienced a surge in the number of sub-Saharan and North African migrants and refugees attempting to reach Spanish territory, either by gaining entry to the Spanish enclaves Ceuta and Melilla on the Moroccan coast or crossing the Strait of Gibraltar from Morocco to the Spanish mainland. The Spanish government opposed the initial proposal by the European Commission (the EU's executive) in May 2015 to relocate from Greece and Italy a limited number of asylum-seekers throughout the rest of the EU under a mandatory quota system.

As the flows of migrants and refugees into Europe climbed significantly higher over the summer, however, the government reversed course and announced in September 2015 that it would support a mandatory relocation strategy and accept its share of the 160,000 refugees included in the plan. Spanish officials indicated that the change came about because the main pressure of the migration crisis appears to have shifted definitively eastward, now focusing largely on Hungary, Greece, and Italy as entry and transit countries for migrants and refugees hoping to reach Germany or Sweden.

## **Regional Issues**

The Spanish state consists of 19 provincial territories referred to as “self-governing communities” or “autonomous communities.”<sup>8</sup> Two Spanish regions in particular, Catalonia and the Basque region, maintain a distinctive cultural identity, and politics in these regions features the strong presence of nationalist independence movements. Catalonia is in northeast Spain, on the Mediterranean Sea and the border with France, and includes Barcelona, Spain's second largest city. The Basque region is in north-central Spain, on the Bay of Biscay near the border with France.

In Catalonia, the independence movement has been additionally fueled by an economic argument that Catalans unfairly support the country's other regions because they pay far more in taxes than they receive back in state spending. Catalonia is one of Spain's wealthiest regions, accounting for approximately one-fifth of the country's economy, but it is also one of the most indebted regions.

Catalan political parties organized a referendum on independence in November 2014, with 80% of voters (about 1.6 million people) answering that they wanted Catalonia to be an independent state. According to the Spanish Constitution, however, such a referendum would only be legally binding if convened by the central government, and officials in Madrid have been consistent in their strong opposition to the idea. With the referendum non-binding in nature and no coherent campaign waged against independence, analysts note that turnout was below 40%, suggesting that many of those opposed to independence likely did not participate.

The issue resurfaced following the election for the regional Catalan parliament that was held on September 27, 2015, in which a coalition of separatist parties plus a far-left pro-independence party won a combined majority of seats (72 out of 135), despite falling below 50% of the popular vote. Separatist leaders declared the result an endorsement of plans to proclaim independence within 18 months, and the Catalan parliament adopted a resolution on November 9, 2015, to begin the process of creating an independent Catalan state by 2017. On November 11, 2015,

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<sup>7</sup> For additional information on the migration crisis, see CRS In Focus IF10259, *Europe's Migration and Refugee Crisis*, by (name redacted) and (name redacted) .

<sup>8</sup> There are 17 autonomous regions and two autonomous cities (Ceuta and Melilla).

however, Spain's constitutional court suspended the resolution and warned that Catalan leaders could face criminal prosecution if they attempt to implement it. Some analysts maintain that the long-term goal of separatist leaders is to convince Madrid to agree to a legally binding referendum on Catalan independence.

The separatist terrorist group Basque Fatherland and Liberty (ETA) waged a violent campaign against the central government starting in the late 1960s, killing approximately 800 people. In recent years, ETA was weakened by arrests of key leaders, and it declared a ceasefire in 2011. All Basque nationalist political parties now appear to have renounced violence in favor of pursuing independence through politics.

## Counterterrorism<sup>9</sup>

Cooperation between Spain and the United States on counterterrorism issues is strong. In past years, Spain has been a base for Islamist extremists, including some of those involved in the 9/11 attacks. In March 2004, terrorists inspired by al-Qaeda killed 191 people in a series of bombings on the Madrid train system just three days before national elections.

The International Centre for the Study of Radicalisation and Political Violence has estimated that 50 to 100 Spanish citizens have joined jihadist groups fighting in Syria and Iraq.<sup>10</sup> Additionally, Moroccan authorities have estimated that at least 1,200 Moroccan nationals with Spanish residency cards have joined the Islamic State group.<sup>11</sup> At least 100 fighters from France and Morocco are thought to have transited through Spain in order to reach Turkey and travel on to Syria. About 70% of the over 1 million Muslims living in Spain have their origins in Morocco.

Over the past two years, Spanish police have conducted raids to dismantle jihadist recruiting networks active in Ceuta and Melilla, Spanish enclaves located on the coast of Morocco, as well as in Madrid. In December 2014, a joint Spanish-Moroccan operation dismantled a network active in recruiting women to travel and join the Islamic State terrorist organization. Spanish authorities have arrested approximately 90 people so far in 2015 for connections to Islamist terrorism; Spanish courts are investigating approximately 300 individuals for alleged ties to jihadist organizations, and the national prosecutor's office is handling approximately 160 cases related to jihadist terrorism.<sup>12</sup>

In March 2015, the Spanish Parliament adopted legislation backed by the PP and PSOE to strengthen counterterrorism laws and police powers in response to the foreign fighter threat.<sup>13</sup> The new legislation makes it a criminal offense to receive terrorist training (past reforms criminalized providing training only) or to participate in an armed conflict abroad; allows the government to revoke the citizenship of those participating in terrorist activity; allows for passport seizures,

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<sup>9</sup> For additional information see CRS Report RS22030, *U.S.-EU Cooperation Against Terrorism*, by (name redacted)

<sup>10</sup> Peter R. Neumann, *Foreign Fighter Total in Syria/Iraq Now Exceeds 20,000*, International Centre for the Study of Radicalisation, January 26, 2015.

<sup>11</sup> Jorge A. Rodriguez, "Dozens of Jihadists with Spanish Links Thought to Be Fighting in Syria," *El País*, August 25, 2014.

<sup>12</sup> Fernando J. Perez and Jorge A. Rodriguez, "Spain Investigating 301 People over Links to Jihadist Terrorism," *El País*, November 18, 2015.

<sup>13</sup> For additional information see CRS Report R44003, *European Fighters in Syria and Iraq: Assessments, Responses, and Issues for the United States*, coordinated by (name redacted) and CRS Insight IN10209, *European Security, Islamist Terrorism, and Returning Fighters*, by (name redacted) and (name redacted). Also see Graciela Rodriguez-Ferrand, *Spain: Criminal Sanctions for Foreign Fighters and Anti-Terrorism Measures Under Consideration*, Law Library of Congress, October 16, 2014.

accelerated expulsion orders, and reentry bans of identified extremists; and introduces streamlined search and capture warrants for police to arrest fighters attempting to travel to conflict zones. The government also indicated planned reforms to the regulation of evidence collection and standards for witness protection, in order to improve the success rate of terrorism-related prosecutions.

In the aftermath of the November 2015 terrorist attacks in Paris, the Spanish government is reportedly considering a plan to increase the contribution of Spanish troops to ongoing missions in a number of African countries, in order to free up French forces for the campaign against the Islamic State in Syria.<sup>14</sup>

## **Relations with the United States**

The United States and Spain have close links in many areas, including extensive cultural ties. The U.S.-Spain political relationship rests on a foundation of cooperation on a number of important diplomatic and security issues. Spain has been a member of NATO since 1982.

The Rajoy government has taken a relatively low profile in international affairs, while continuing the main tenets of past Spanish foreign policy: support for European integration, friendly and cooperative relations with the United States, and strong ties with Central and South America. The PP has traditionally promoted a strongly “Atlanticist” foreign policy that emphasizes close security ties with the United States. The PP-led government of Prime Minister José María Aznar (1996-2004) supported the U.S.-led invasion of Iraq in 2003 and contributed forces to the coalition. During the Socialist-led government of Prime Minister Zapatero, U.S.-Spain tensions arose over differences in approach to several international issues, including Iraq, the Middle East peace process, and Spain’s engagement with Cuba and Venezuela.

In 2013, allegations about surveillance and data collection activities by the U.S. National Security Agency (NSA) generated some tensions in the relationship—Spanish media reported that the NSA recorded information on approximately 60 million Spanish phone calls over the course of a month during 2012-2013, and that the communications of Spanish officials and politicians may have been monitored.<sup>15</sup> Analysts observed, however, that the initial instinct of the Rajoy government was to play down the revelations in order to preserve relations with the United States. According to subsequent press reports, leaked documents also indicate that Spain’s intelligence service was aware of and cooperated with many of the NSA’s surveillance activities.<sup>16</sup>

## **Defense Relations**

Spain plays an important role in U.S. defense strategy with regard to Europe and Africa. Under the terms of a bilateral Agreement on Defense Cooperation, the United States has access to several Spanish military bases, including a naval base at Rota and an airbase at Morón that has been a key transportation link to U.S. forces in the Middle East.

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<sup>14</sup> Miguel Gonzalez and Javier Casqueiro, “Spain Ready to Support France by Taking over Africa Operations,” *El Pais*, November 20, 2015.

<sup>15</sup> Raphael Minder, “Spain Summons American Ambassador on New Reports of N.S.A Spying,” *New York Times*, October 28, 2013.

<sup>16</sup> Paul Hamilos, “Spain Colluded in NSA Spying on Its Citizens, Spanish Newspaper Reports,” *Guardian*, October 30, 2013.

In 2011, the United States, Spain, and NATO announced that four U.S. Aegis BMD-capable ships (destroyers equipped with the Aegis Ballistic Missile Defense system) would be based at Rota as part of the European Phased Adaptive Approach (EPAA) for missile defense in Europe. The ships began forward deploying to Rota in 2014, and the fourth arrived on station in September 2015.

In 2013, the United States deployed 500 U.S. Marines to Morón to serve as a rapid reaction force protecting U.S. interests and personnel in North Africa. The unit was increased to 850 Marines in 2014. In May 2015, the Spanish government granted a U.S. request to upgrade the basing agreement, making Morón the permanent task force headquarters for 2,200 Marines, 500 civilian staff, and 26 aircraft, with capacity for a temporary deployment of an additional 800 Marines and 14 aircraft. The Spanish Senate finalized approval of the agreement on September 1, 2015. These actions reversed a decade-long downsizing of the U.S. presence in Spain.

Spain is an active participant in international security and peacekeeping operations. Spain maintained a significant decade-long deployment as part of the NATO-led International Security Assistance Force (ISAF) in Afghanistan, and has 326 personnel deployed to NATO's follow-on Resolute Support training and assistance mission as of October 2015.<sup>17</sup> Spain took part in NATO Operation Unified Protector against the forces of Muammar al Qadhafi in Libya in 2011, and Spanish forces also participate in international security operations, such as the United Nations peacekeeping mission in Lebanon, the EU maritime anti-piracy mission off the Somali coast, the EU stabilization mission in Bosnia-Herzegovina, and EU training missions for the security forces of Mali and Somalia.<sup>18</sup>

In the context of U.S. concerns about a long-standing downward trend in European defense spending, analysts note that Spain's defense budget has been affected by the country's economic difficulties. Although Spain enacted modest increases to the defense budget in 2014 and 2015, and has announced a 0.4% increase for 2016, overall defense spending was cut considerably between 2009 and 2013. The Spanish navy withdrew its only aircraft carrier from service in 2013, and the air force withdrew Mirage F-1 fighter aircraft from service and put some of its newly-delivered Typhoon combat aircraft in storage.<sup>19</sup> According to NATO, Spain's defense expenditures for 2015 are expected to be €9.666 billion (approximately \$10.3 billion).<sup>20</sup> At 0.9% of the country's GDP, this figure is well below the 2% of GDP set by NATO as the minimum defense spending target for its member states.

## **Economic Ties**

The U.S.-Spain economic relationship is large and mutually beneficial. Recession and austerity in Spain had a negative impact on foreign direct investment (FDI) flows in both directions in 2012, but the investment relationship has subsequently rebounded. In 2013 (most recent complete data available), U.S. FDI in Spain totaled \$31.4 billion and U.S. corporate assets in Spain totaled over \$144 billion. Spanish FDI in the United States totaled \$48.5 billion in 2013, and total Spanish corporate assets in the United States exceeded \$315 billion.<sup>21</sup> Spain's FDI in the United States has

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<sup>17</sup> NATO, *Resolute Support Mission (RSM): Key Facts and Figures*, [http://www.nato.int/nato\\_static\\_fl2014/assets/pdf/pdf\\_2015\\_10/20151007\\_2015-10-rsm-placemat.pdf](http://www.nato.int/nato_static_fl2014/assets/pdf/pdf_2015_10/20151007_2015-10-rsm-placemat.pdf).

<sup>18</sup> Government of Spain - Ministry of Defense, [http://www.defensa.gob.es/misiones/en\\_exterior/](http://www.defensa.gob.es/misiones/en_exterior/).

<sup>19</sup> International Institute for Strategic Studies, *The Military Balance 2015*.

<sup>20</sup> NATO Public Diplomacy Division, *Financial and Economic Data Relating to NATO Defense*, June 22, 2015.

<sup>21</sup> Daniel S. Hamilton and Joseph P. Quinlan, *The Transatlantic Economy 2015*, Center for Transatlantic Relations, Johns Hopkins University School of Advanced International Studies, p. 91.

increased every year since 2002, and the value of Spanish assets invested in the United States has increased 10-fold over the past decade.

Over 1,190 U.S. firms operate subsidiaries and branches in Spain (including, for example, Apple, General Electric, General Motors, Ford, and AT&T). More than 80 Spanish firms operate affiliates in the United States (including, for example, BBVA, OHL, and Banco Santander).<sup>22</sup> In 2013, U.S. affiliates employed over 172,000 people in Spain and Spanish affiliates accounted for nearly 73,000 jobs in the United States.

The U.S.-Spain trade relationship is relatively modest in size. In 2014, U.S. exports to Spain totaled about \$10.2 billion, and U.S. imports from Spain totaled about \$14.4 billion.<sup>23</sup> Spanish officials have strongly supported the proposed Transatlantic Trade and Investment Partnership (TTIP) under negotiation between the United States and the EU.

In January 2013, the U.S. Treasury Department announced the signing of a new protocol amending the U.S.-Spain bilateral tax treaty of 1990. Analysts assert that the protocol will modernize the agreement and make it more similar to U.S. treaties with other European countries in terms of avoiding double taxation and preventing tax evasion. Ratification of the protocol is awaiting the advice and consent of the Senate.

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<sup>22</sup> Information obtained from *Uniworld* database.

<sup>23</sup> U.S. Department of Commerce, United States Census Bureau, *Balance by Partner Country – Trade in Goods with Spain*.

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