

**AmChamSpain Communiqué: Priorities
Leading Up to the General Elections on
April 28**

The Board of Directors of AmChamSpain has approved the following statement in order to inform public opinion in the lead up to the General Elections on April 28.

In the context of a global economic slowdown, Spain is showing moderately positive prospects in economic growth as a whole—2.1% GDP growth for 2019 and 1.9% expected for 2020 against a Eurozone average of 1% and 1.2% respectively—and, particularly in job creation.

Spain's economic recovery since 2012 has been based on specific factors, some endogenous—structural reforms and painful internal devaluation amongst families and companies that have improved their global competitiveness—and others exogenous—expansive monetary policy by the ECB and low oil prices.

Despite the risks at present in the international arena (Brexit, crisis in important Eurozone countries, global trade tensions), it seems that the key exogenous factors for Spain (low interest rates and low oil prices) are going to stay positive for the time being.

Thus, **we believe that the Spanish economy could continue to have an important growth margin as a result of job creation, which improves family consumption rates and government revenues for the Administration.** By our accounts, this growth could be even higher than official predictions depending on how the priorities we outline in this communiqué are addressed.

Without a doubt, Spain has great potential: **ever more competitive companies, enviable transportation infrastructure, exponential growth in the entrepreneurial class and an important tourist attraction.**

So that the Government that comes away successfully from the upcoming elections may take advantage of this great potential, we relay—with all the due humility of an apolitical organization like ours—what we consider to be some of the principal priorities.

1. **Create massive high quality jobs that can adapt to technological disruptions.** Spain still has an unemployment rate of 14%, higher than all other OECD countries, especially amongst youngsters. The advances in robotics and Artificial Intelligence are going to continue to dominate manual labor in the production process. On the other hand, **the lack of employment is the gravest injustice and creates the largest inequalities.** Therefore, we believe that **the main objective of the new Government should be to reduce unemployment to at least 10% in the next four years, preparing the labor market for upcoming disruptions and focusing especially on reducing youth unemployment.** A growing employment rate will help sustain the pension system and improve the prospects for the economy thanks to a boost of internal consumption. In this sense, **we advocate for a greater labor market flexibility and active job creation policies** together with a **national effort** on the part of public administrations and societal actors **for a real contingency plan for job re-training or the National Plan for Retraining the labor market** in a way

that adaptation over the next few years to a new technological landscape is swift and as undisruptive as possible.

2. **Reduce public and foreign debt.** Spain has one of the bulkiest net debts in the OECD, approximately 77% of the GDP, and a public debt that reaches 100% of the GDP and has not stop growing in the past several years. This double indebtedness keeps Spain in a position of extreme weakness leading up to the next crisis, and supposes a loss of sovereignty which jeopardizes future generations. The new Government should prioritize fiscal consolidation and the reduction of production costs associated with exports. Our members, especially multinationals with foreign headquarters, complain that fiscal insecurity (with dozens of annual reforms to the corporate tax code) and, in general, the expansion of regulations and ineffective administrative interference in economic activity are constant. The redundancy of administrative forms from different government agencies and the division of a small market between 17 autonomous administrations generate a burden for the economy and its productive capacity. In this sense, we suggest a **thorough revision of the efficiency of public expenses, a fight to reduce the informal economy, improvements to tax codes (especially to corporate taxes), greater harmonization between autonomous legislatures and the oversight and suppression, if necessary, of administrative obstacles.**
3. **Improve Education and its Adaptability to Technological Changes.** Spain has an improvable education system, as much in schools (especially in reading comprehension

and mathematics) as in universities (there are no Spanish universities in the top 150 in the World according to the two main rankings). On the other hand, Spanish education can be too highly focused on memorization with little academic flexibility, deficient in its treatment of ICT. Soft skills (public speaking, negotiations, languages, etc.) tend to shine in the absence of more technical ones. A country needs to prepare its youth for excellence, especially in times of high technological disruptions and global competition; and it is condemned for failure to secure these. We believe that the new legislature must prioritize widely agreed upon education reform that is pragmatic, attracts and retains productive talent and is sustainable over time. Amongst other measures, **we advocate for introducing a stronger meritocracy in the education system so that teachers are attracted from all around the globe and retained and incentivized according to their periodically and objectively evaluated merits.** Furthermore, we believe it necessary to **deeply reform the entire education system,** especially the university and vocational systems, which, **with the consensus of the new Government, agents for social change, business associations, companies and university, can continue to provide young people the skills they need to adapt to technological changes in the workplace.**

4. **Betting on Innovation.** The investment in R & D in Spain (1.19% of GDP) is clearly inferior to the developed country average. As such, Spain enjoys a solid scientific production but one that does not correspond to the

number of registered patents. **The new Government should try to increase public and private investments in research and development (through an increase in fiscal incentives and improved legal security) with the EU goal of 3% of GDP. Similarly, it should strengthen the link between the research community and the productive sector, and a stronger commitment to intellectual property rights.**

5. **Institutional quality.** The neutrality of institutions is fundamental for the stability of the entire system. In Spain, many are used as political tools—partisan broadcasting, school and university education and support offices for foreign trade for some regions, to name a few. This politicization has taken place in many examples outside the frame of the law. A country cannot allow such a destabilizing system to continue to abuse public institutions. Therefore, the Chamber **proposes the establishment of systems of good governance and monitoring *ex ante*, improving the supervisory mechanisms of the legal system.**
6. **Spain's image around the world.** Another important challenge is better international recognition for Spain's economic importance and for some of our country's major achievements over the past decades (one of the countries with the best health systems, high safety and security, strong companies, etc.). The heads of Spanish multinational companies face many questions that suggest a lack of information on the part of investors. For their part, the directors of multinationals with affiliates in Spain face many of the same challenges

when asking for more resources. Even though there has been great improvement and Spain has dedicated many resources, the country continues to appear as a footnote for international press, except when we produce negative news. **We believe that it is fundamental for attracting greater international investment that the new Government has as one of its priorities the improvement in representation of Spanish businesses and institutions at international forums and the constant duty to Public Relations with the foreign press, particularly in the English speaking world.**

7. Finally, Spain has been in a state of limbo since the 2015 General Elections, which hurts businesses interested in long-term investments and impedes politicians to make lasting, impactful decisions for the improvement of investment and family wellbeing. Because of this situation, we believe it is necessary that political parties reach maximum consensus to govern for the totality of their mandate and reach widely-shared agreements on the main themes that will dictate the future of Spain in the next few decade. Amongst those themes are the points highlighted above.