



**ENTREVISTA AL PRESIDENTE DE GOBIERNO, PEDRO SÁNCHEZ, EN CNBC EN
EL PROGRAMA SQUAWK BOX**

CNBC, Suiza, 22/01/2025. STEVE SEDGWICK

P.- Well, ladies and gentlemen. You notice I have taken my coat off, and that's because I can't sit here looking like a bear while the Spanish prime minister has turned up with just a shirt and a jacket. Pedro Sánchez, very nice to see you. Thank you very much indeed for joining us.

We have so many important issues to talk about, about Spain, about Europe. But I must start off, if I may, on events the other side of the Atlantic as well.

The gauntlet has been thrown down before he was elected, and now he has been elected, and now he is actually in his administration as well. What do you say to President Trump, who seems to be treating Europe as not so much an ally, but more of a foe at the moment and making a lot of threats towards Europe as well. Do we need to be robust in our response?

Presidente.- Well, thank you very much for this question.

I think that we need to highlight that Spain, of course, the European Union and the United States, we share a strong transatlantic bond rooted in common values, common interests and cultural history. So in a way, our economies are very interlinked. And I believe that a trade war is not in the interest for each other, neither for the US, neither for the European Union. The trade war is a kind of a zero-sum game, and I think that we need to focus on how do we strengthen our transatlantic relationship, which is nowadays more important than ever.

P.- Absolutely. But if Europe is going to be threatened with tariffs, with new tax, there's a tax code 891 in the US, which we're all learning about, which basically gives the opportunity to have higher tax rates on European companies and European citizens if they believe there is a discriminatory tax rate against American companies. He clearly believes that is the case as well. We have to be robust with our friends as well as our foes, don't we?

Presidente.- I think that, yes, we have like two dimensions.

The first one is that what we have seen over the past days is that the European Union is reaching different trade agreements with different regional blocs, or countries, such as Mexico, in the past Canada and Chile. Nowadays, we are expecting to close this very important trade agreement with Mercosur, which is a very important regional bloc of South America.

And on the other hand, what we need to do as Europeans is a stronger ownership of different sectors such as defense and technology.



So, yes, I think that we faced in the past different crises and the way that the European Union moves forward is responding to this different crisis.

I think that over the past year we have seen, especially in Spain, that the European way is worth in terms of economic development and job creation, reducing inequality, how do we face the transition, the green transition to respond to climate change effects. So I think that we need to be consistent on that and of course, to bridge that relationship with the US administration.

P.- You mentioned a lot of things here, and we will come to the Spanish economy, which is just performing so fantastically in 2024 and expected to do so again this year, outperforming the rest of Europe in many ways.

But one of the sores which President Trump has about the EU and about NATO, and I may say directly against Spain, is that you're not spending enough on defense.

Spain is doing fantastically and is a brilliant country in so many ways and in contributing in so many ways. But on defense, one could argue that you are not pulling your weight, sir. You are still stuck at between 1.3 and 1.5% of GDP. I know you have aspirations to get there by 2029, but between now and 2029, sir, a lot of terrible things could happen in Europe.

Presidente.- But rest assured that Spain is fulfilled and committed with, I mean, we are very committed with this goal to achieve a 2% of a of GDP on defense expenditure.

But let me also say that over the past ten years we have increased by 70% our total defense expenditure. And if we take those figures in absolute terms, what we can see is that Spain is the 10th top contributor to NATO.

And for example, in 2023, we spent more than 11 countries all together of NATO.

P.- But a country the size of Spain, sir, with the firepower that Spain could put into a common European defense, whether it be through NATO, whether it be through another body as well. You must understand that the pressure is not going to be to get to 2%. The pressure is going to get to some negotiated level, somewhere between 3 and 5%. And I'll have this conversation with Mr. Rutte later. But we all know it's coming.

Presidente.- Well, but we have to take into consideration the effort that we have made over the past ten years. 70% of increase.

This second in real, I mean, in absolute terms, we are the ten top contributor.

But third, the Wales Agreement also focused not only on the 2% of GDP, but also how do we contribute to the security of the NATO allies. And the participation of the Spanish Army in different operations is well above the average in NATO.



And last but not least, we have increased dramatically our investment in new equipment. One of the commitments in Wales for the NATO allies was to spend 20% of that defense expenditure in new equipment, in new investments. And we are investing more than 30%.

So, you know, we are a reliable partner. And I think that we have to look broadly to state if a country is committed or not with the security of our allies.

P.- Let me ask you another defense question. And I've already been speaking to Polish representatives. Would Spain provide troops on the ground in Ukraine to be peacekeepers?

Presidente.- Well, first of all, President Zelensky stated that what we need now is to see if we have a path for peace. And I think that this year, I believe 2025 could be this year, the year.

Our principles are very clear: no agreement on Ukraine without Ukraine and no agreement on European security without Europe.

And in this line, in this regard, of course, Spain is always committed to provide security for our allies and, of course, for our member states. We're doing so in Slovakia, in Romania, in Bulgaria, in Latvia, in Lithuania.

P.- Let me ask you the question again. Would you provide peacekeepers on the ground in Ukraine?

Presidente.- I think it's very soon to respond clearly to this question because...

P.- But isn't that what Mr. Zelensky is worried about? We're seeing fine words from Chancellor Schulz, we're seeing fine words from European leaders. But actually what he wants is greater real commitments to peacekeeping.

Presidente.- Actually, we are very committed. Not only Chancellor Schulz, but also the Spanish government.

We signed a bilateral security agreement between Spain and Ukraine to provide those means, those capabilities for our Ukrainian allies in order to respond effectively on the ground. And this is an agreement that will last at least ten years.

So, you know, we're committed. We are providing that those capabilities and we are now expecting to see how can we move forward in this peace process.

P.- Despite what seems to be squabbling between various ministers in your own government and a fragmented parliament as well... It's like the UK, but no, where should we...

Presidente.- Actually it's Europe. Across Europe you have a...

P.- Fragmentation.



Presidente.- Well, fragmentation... But this is not bad. I mean this is first what the people have chosen.

Second, one thing that I do believe that we are witnessing in Spain is that social peace is also due to this, a need to negotiate and dialogue with different...

P.- Sure, Prime Minister, but you also want to be able to pass a budget. Francois Bayrou wants to be able to pass a budget, but without cohesive government, we're going to have these large deficits, we're not going to have the resolution of medium to longer term investment plans as well.

Presidente.- Actually, in Spain, you know, we have we have ... our figures on public deficit in 2024 will be 3%. And we are expecting to end 2027 with public debt lower than 100%, which was, by the way, since the peak of the pandemic, a reduction of five points of our, you know, public debt.

P.- So you are not worried about not being able to pass a budget in the first quarter.

Presidente.- Well, first of all, the budget that we have now in Spain is from my administration. So I'm very comfortable with this budget.

Second, what I see is that Spain, in the coming years will have a strong economic development. And this is very important because we are witnessing a strong economic growth with a reduction of CO2 emissions, a strong employment generation with increased salaries, and of course, a strong investment in public services with sound fiscal policies.

So, I think that, you know, the economic policy that we have developed over the last years in Spain, a combination of employment contribution, structural reforms and fiscal consolidation is going in the best direction.

P.- And [inaudible] despite, as you said, the fragmented government and parliament that is democracy in action as well. And yet Spain, I would suggest, more than any other country in Europe, knows the dangers of fascism, knows the dangers of the right wing as well.

So, when I see comments from you talking about the international far right, that have been opposing Spain for years and led in this case by the richest man on the planet, openly attacking our institutions, inciting hatred, openly supporting the heirs of Nazism.

Do you want to expand on that for our viewers as well? Because the threats to democracy from international media moguls is not new. I was speaking to one of your peers, talking about Europe over the last century as well.

How concerned are you about rich international moguls, in this case, Elon Musk, actually denting democratic values and denting democracy?



Presidente.- Well, I think that all of us have to be worried because of the concentration of power in few hands.

Second, because, misinformation is one of the biggest risks and challenges in all our democracies.

And third, I would say that at least in Europe, we have put in place different acts, different laws in order to guarantee the pluralism, the transparency, the true information, the respect for debate that we have to have in social media.

We have the Digital Service Act under our Presidency of the European Council, second semester of 2023, we also passed this very important act, the first regulation on AI in Europe. So, what we need to do now is to fully implement all this act, all these laws.

P.- And is that how Europe needs to respond to Elon Musk specifically, and these attacks he's making on the British government or on other governments across Europe? And of course, we've seen it in his support for the AfD as well.

What's your message to Elon Musk, that we will be more robust if you carry on like this?

Presidente.- My answer will be that social media needs to move forward on a respectful debate to information and of course, a transparent and a pluralist space for debate. And this is not, apparently this is not the way he thinks that the Twitter or the social media, will be in the future, and of course, in the present, it is indeed.

P.- Does it worry you that the richest man in the world, and the most important technology investor in the world arguably at the moment is so close to the most important politician in the world, which is Donald Trump.

The combination of the richest man, who is making all these statements on Twitter or X being so close to the president, that's got to be concerning to you.

Presidente.- Well I think is weird this combination. But I would say that we have a European response to that. We have a European way on how we conceive and use these new technologies.

And I think, on the contrary to what we are seeing in the US, we need to regulate. We need good regulation, of course. We need a comprehensive regulation, but we need to regulate, because at the end of the day, the social media, this new technology, we have to put it in the hands and the interests of the people, not the techno oligarchs.

P.- The “community notes”, rather than proper independent moderation, it just doesn't wash for you.

Presidente.- Well, the fact checks, how do we fight against misinformation in social media and so on and so forth. So these are the debates nowadays.



And I think that from the public sector, from the Commission, which is, you know, the European government, we need also to react and to guarantee a democracy, and democracy means transparency, pluralism and of course, we need also fair information and true information at the end of the day.

P.- Prime Minister, we've talked about the Spanish success story, the huge amount of FDI which is going to Spain, the ecological transformation, which is a large part of that as well.

Can the rest of Europe, under a new Commission, with a new sense of vigor, post letter and Draghi report, can it finally actually fulfil its potential and grow as aggressively as we know it can, if we have the right tools in place?

Presidente.- I think that we don't have any other option, especially with this political momentum that we are facing in the global stage. And that means that we need to reduce that fragmentation. We need to scale up our single market. We need also to develop a full implement the single market.

And of course, I do believe that we need to conceive a different European public goods. And how do we finance commonly those European public goods, such as science, as Draghi said, technology, defence, security, climate change.

I think that we have a great experience with this next generation funds. Spain is a good example on how we deliver positively these kinds of reforms and investments. And I think that we need to be consistent in that path.

P.- Final question. Is now the right time, given everything we've been through this century with southern Europe, for Northern Europe to listen to Southern Europe, to change the relationship somewhat and actually have more willingness to combine institutions to go for capital markets union, to go for a meaningful banking union, to actually have common issuance of bonds, for instance, as well.

The change in economic dynamics is noticeable for all of us to see. But actually, is it the best opportunity we've had this century for Northern Europe to actually adapt and think, yes, okay, we need to have more cohesion and more alliance?

Presidente.- So you're right. I think that we need to implement the capital market union.

And secondly, I think I don't like to talk about different blocs within the European Union. But I may say that from the South we can also provide different answers, responses to common challenges.

Look, for instance, what happens with the energy crisis due to, this invasion, the invasion of Putin of Ukraine. Well, Spain has been, over the past years, the fifth largest recipient on greenfield projects. Spain has electricity, which is the price of our electricity is 30% cheaper than the European Union average.



So, I do believe that we have different assets, not only to provide that confidence to foreign investors, but also to show the rest of the European member states that if we invest in green transition, if we invest in a in renewables, we are also earning that energy autonomy that we must need to be less vulnerable.

P.- Prime Minister, in a lovely conversation. Thank you so much indeed. Thank you very much for your time.

Are you regretting your decision not to put a coat on yet?

Presidente.- I will put it definitely.

P.- Because I'm certainly looking forward to putting my coat back on.

Again, thank you so much indeed for your time, it was a real honor to speak to you, sir.