Written by [Raven Clabough](#) on June 6, 2012

Spain's Treasury Secretary Calls for Help

According to Spain's Treasury Minister, Spain is struggling with an economic crisis that is being exacerbated by its inability to access credit. Treasury Minister Cristobal Montoro's [statements](#) have been dubbed Spain's "clearest call for help yet," by the *Washington Post*.

"The risk premium says Spain doesn't have the market door open," Montoro said on Onda Cero radio. "The risk premium says that as a state we have a problem in accessing markets, when we need to refinance our debt."

A line of credit to Spain would give it the opportunity to raise funds on its own in order to recapitalize its banks and possibly obtain European aid if it was unable to raise enough funds. But government officials in Spain continue to assert that Spain does not need a line of credit from the European Financial Stability Facility or the International Monetary Fund.

Montoro, however, has said that the banks in Spain should be recapitalized through European sources.

Emilio Botin, chairman of the nation's biggest bank, Banco Santander, said Spanish banks needed about 40 billion euros in additional capital, adding that "there is no financial crisis in Spain."

Montoro said those numbers were "perfectly accessible."

Spain has done its best to avoid receiving an international bailout, aware of all the difficult conditions that accompany the bailouts. Thus far three eurozone countries — Portugal, Ireland, and Greece — have taken an international bailout and have struggled with the consequences of the bailouts, including a virtual loss of sovereignty.

Europe is still in the process of discussing ideas to shore up heavily indebted countries, such as providing European-wide deposit insurance, creating a regional banking regulator who could override the decision of national governments, and pooling a portion of the debt of all 17 nations that use the euro. But such proposals involve handing "unprecedented control over sovereign decisions about borrowing and spending to the European Union," [notes](#) the *Washington Post*.

German Chancellor Angela Merkel has already indicated support for a European banking union that would shift regulatory control of major banks away from nations and hand them over to the European Union. She called for "more Europe, not less Europe."

Adding to that, European Commission President José Manuel Barroso said Europe-wide deposit insurance should be adopted as well.

Meanwhile, financial analysts indicate that German news reports reveal options are being considered to help Spain bail out its banks, which include a loan from the European Financial Stability Facility to Spain's bank restructuring fund. That loan would be conditional on the premise that Spain would close or merge banks that are considered to be problematic.

"This would get around Spain's fear of signing up to additional austerity and reforms," said the analysts in a research note. "From the perspective of Germany and the rest of Northern Europe, recapitalizing Spain's banks in this way would definitely be much cheaper than a full bailout of Spain, notwithstanding their reservations."

Germany remains the only nation capable of helping to push down Spain's high borrowing costs and guarantee investments. And Germany has revealed an interest in doing so.

But as noted by the *Washington Post*, Germany's proposed plan comes too slowly to provide Spain with any short-term help.

The *Washington Post* writes, "Germany has steadfastly opposed any attempt to channel the bailout funds straight to Spanish banks, saying that if Spain needs the funds, it should follow in the footsteps of the other troubled euro-zone economies that have needed to request national-level bailouts with all the strings attached."

Spain will test its ability to access capital markets on Thursday by attempting to auction long-term bonds, even as many experts are expressing increasing doubts that the nation will be able to avoid a bailout.

Market Watch reports, "The government will auction 2-, 4- and 10-year paper, though analysts said it isn't sticking its neck out too far by aiming to raise just 1 billion to 2 billion euros ($1.24 to $2.48 billion). The 2 and 10-year bonds were last auctioned April 19, while the 4-year bond was last auctioned April 4."

But Spain's economic conditions have deteriorated since previous auctions, with borrowing costs having increased and the country experiencing a decrease of industrial production.

"If Spain can't get €1 billion to €2 billion of debt out the door with an even heftier concession, then it's game over as far as its auctions are concerned," said Nicholas Spiro, managing director of Spiro Sovereign Strategy, a London advisory firm.

And according to Spiro, Montoro's statements about Spain being shut out of the markets cannot have a positive impact on the bonds auction. "Announcing that Spain no longer has market access 48 hours before a crucial bond auction hardly inspires confidence. The government should be trying to talk up Spanish debt, not talk it down," Spiro said. "It beggars belief that such statements are being made in the first place at such a critical juncture."

Meanwhile, euroskeptics like Nigel Farage and Daniel Hannen contend the best approach to the European sovereign-debt crisis is to abandon the euro. "As long as Europe's elites remain determined to keep the euro, the economic situation will deteriorate. And the worse things get, the likelier people are to demand the high-tax, high-spend policies which caused the mess. The eurozone is now in a vicious circle," Daniel Hannen told the *Telegraph* last month.

Nigel Farage, the MEP and leader of the UK Independence Party, claimed the "'game is up' for the euro."

Despite evidence to the contrary, world leaders are still asserting that the euro can be saved.