

**URGENT AND TOP SECRET**

**TO:** Ian Shugart, Deputy Minister of Foreign Affairs, Global Affairs Canada

**FROM:** Matthew Levin, Ambassador to Spain

**DATE:** November 14, 2017

Here is an update on the rapidly evolving (and deteriorating) situation here.

A crowd has surrounded our consulate in Barcelona and is demanding that we immediately recognize an independent Catalonia. All 10 Canadian and local staff are safe inside, but cannot leave.

There have just been explosions at the Plaza Mayor and nearby Mercado San Miguel in downtown Madrid. As it is mid-day here, there will very likely be numerous casualties.

If the separatist movement in Catalonia turns to civil disobedience and possibly violence the consequences for the Spanish economy will be severe.

I have been told that the Spanish Government will attempt to raise funds by increasing taxation on Spanish overseas investment, such as Cintra Infraestructuras, the owner of Ontario’s Highway 407. This taxation could lead to sharp toll increases on the highway.

I have heard that ScotiaBank, the Canadian chartered bank with the highest profile in the Hispanic world, saw the recent decline in prices of Spanish government Euro-denominated debt as an opportunity, believing that the Catalonian separatist movement had lost public support. ScotiaBank now holds $3 billion worth of Spanish government debt, purchased at an average of 95 cents per dollar of face value. Just after the explosions, those bonds fell sharply in price, and are now trading at an average of 70 cents on the dollar. ScotiaBank will have to report large losses on this investment in its next quarterly report.

**Discussion Questions**

Assume you are Deputy Minister Shugart. To whom would you pass along this information and what would you recommend?

Global Affairs Canada has a small office of crisis management. As the Director of that office, develop and evaluate options for responding to the situation in Spain.