

Non-institutionalized relations between the EU and Mercosur

Introduction

This chapter covers the first stage of EU–Mercosur policy relations by focusing on the period 1985 to 1990. At this stage, policy relations were not institutionalized. Policy relations began in 1985 for several reasons. Firstly, the EU signed the Treaty of Accession of Spain and Portugal which marked the beginning of a new direction in policy towards Latin America, including the Mercosur countries; this is a clear reflection of the creation of a ‘commitment’ towards Latin America, although at a very low level due to the low ‘ambition’ towards the region. Secondly, in 1985, Mercosur countries also started their own regional integration programme. This stage proved to be key in the development of EU–Mercosur relations because it established a new emphasis on EU policy towards Latin America by establishing channels for communication between the two regions, particularly through the development of the annual EU–Rio Group meetings; without this engagement, the EU and Mercosur would not have developed their relationship, and the fact that it came at this point helps to explain the events of the following stages. By the time Mercosur was officially launched in 1991, the EU was fully aware of the integration movement in South America thanks to these years of EU–Latin America relations. The outcome of the engagement of the EU towards Mercosur results from low ambition and commitment on the European side. This stage of the policy shows the lowest engagement of the three stages, but the level of engagement is certainly superior to the pre-Iberian membership era.

The accession of Spain and Portugal to the EU marked the emergence of a new EU attitude towards Latin America, creating a path which was followed until 2007. This was a critical juncture. A decision taken (an Iberian emphasis on Latin America) at a particular moment in the history (Iberian membership) of an institution (the EU) can be a factor that determines the future of the protagonists (EU, Iberian countries and Mercosur) and of those events (the policy). The Iberian countries already had an official

declaration in support of improving EU–Latin America relations. New cooperation guidelines for Latin America were discussed and elaborated as Felipe Gonzalez, president of Spain at that time, had demanded in 1986. The EP then held a series of meetings with the Rio Group in 1987, a regional group which at that time covered mainly South American countries, whereas now this group includes virtually the whole of Latin America. Created in Brazil in 1986, the Rio Group consisted of eight members: Argentina, Brazil, Colombia, Mexico, Panama, Peru, Uruguay and Venezuela. Today the Rio Group includes twenty-three Latin American countries, including Cuba. In 1990, the EU acceded to another set of Latin American demands which sought the institutionalization of the EU–Rio Group meetings. The ‘critical juncture’ is part of the historical institutionalism discussion, as is Europeanization, since the latter represents historical institutionalism in a very specific institution, the EU. The term ‘Europeanization’ relates to the influence of or in the EU. At this stage of the policy, the influence of the Iberian membership in the EU policy towards Mercosur is clear.

The already-mentioned path dependence created in 1986 is often overlooked by authors who study EU–Mercosur relations. Sewell explained the concept concisely when he claimed that ‘what happened at an earlier point in time will affect the possible outcomes of a sequence of events occurring at a later point in time’ (Sewell 1996: 262–263, cited in Pierson 2000). And continuing the analysis of Sewell’s work, Pierson claims that Sewell’s ‘definition involves no necessary suggestion that a particular path is difficult to exit. Rather, the claim is that we cannot understand the significance of a particular social variable without understanding “how it got there” – the path it took’ (Pierson 2000: 252). The explanations in the existing literature for this stage of EU–Latin America relations are quite poor and inconsistent in that the majority of studies tend to focus on the period after 1991. Few works focus on the new EU attitude towards Latin America as a result of the Iberian membership of the EU, the democratization of Latin American countries and the way that Latin America embraced open economies. This monograph argues that without the study of this stage of EU–Mercosur relations, many scholars have underplayed the influence of the Iberian countries in changing the EU’s mentality towards the region. Previous studies have also overlooked how Mercosur was initiated in 1985 and why this has had a profound effect on the policy from that point onwards; it is clear that Mercosur has undertaken a proactive role, whilst the EU has played a reactive role.

Finally, this chapter also explains how the EU finally developed a continued channel of communication with Latin America at this stage in the development of EU–Mercosur relations. This has proved to be critical in terms of the first stages of EU–Mercosur agreements. In this stage, the basis for the development of EU–Mercosur relations was established, and this ensured that the agreements in the second stage were achieved more quickly.

In other words, if this stage had never existed, it would have taken longer to develop these agreements because those trying to develop EU–Mercosur relations would have had to start from scratch.

This chapter is divided into different sections. The first section discusses the impact of Spain and Portugal becoming members of the EU and the consequences of this for both the EU and the new EU member states. It will be argued that policy development and developments in EU–Mercosur relations were very much a bottom-up process because it can be demonstrated that the Iberian countries were a progressive influence in the years that followed their membership. Finally, although the tendency in the literature is to suggest that Spain and Portugal have shown similar actions, influences and preferences towards Latin America, it has also been argued that it was Spain rather than Portugal that showed the most interest in developing relations and policies with Latin America (Gomez Saraiva 2004; Dykmann 2006). In other words, it was Spain rather than Portugal that wanted to continue the special relationship with the region. Even in the case of Brazil, a former colony of Portugal, the political and economic ties with Spain were much stronger than with Portugal (Wiarda 1989) – so much so that Spain also became a credit-lender for Brazil (Baklanoff 1985).

The relationship of the EU and Latin America before and after 1985

The central discussion in this section will focus on the change in the relations between the EU and Latin America after 1985 when the Iberian countries joined the EU. This is crucial for the discussion of the critical juncture created with the Spanish and Portuguese membership which will help in the analysis of the degree of Europeanization. In order to appreciate the degree of change it is crucial to compare EU relations with the region before 1985 with EU relations with the region after 1985 and see how deep (or not) the path created is.

There are different potential outcomes in this analysis. If it is the case that there was a high degree of change after the Iberian countries joined the EU, it will support the argument that Iberian countries were the main reason for the changes in the attitude within the EU. On the other hand, a low degree of change would support the argument which claims that the membership was just one of many reasons behind the EU's new policies towards Latin America and that there are also other more important factors such as access to the markets. An intermediate degree of change would support the argument that suggests that the Iberian countries' membership of the EU was crucial for the new policies but that policy development also needed something else in order to make this process possible. For example, these changes would not have been possible had Mercosur not had its own set of demands. This will be the central argument advanced in this monograph. However, none of these three outcomes denies the importance of the

Iberian membership, which can confirm the creation of the path at this point.

This section will also explain the degree of progress in the relationship between the EU and Latin America over time in order to assess the progress after the Iberian membership of the EU. In order to do so, EU–Latin American relations will be compared before and after 1985. The analysis below will also consider changes in terms of policy-makers, agreements and the outcomes of important areas of political dialogue, cooperation and trade which are the key dimensions of EU–Latin American relations and EU–Mercosur relations.

EU–Latin American relations before the Iberian membership

Throughout the course of this chapter there will be a discussion of why the EU did not display any sort of interest towards Latin America prior to 1985. The lack of interest in the region prior to the Iberian membership can be seen in the poor relations between the EU institutions and Latin America. The increase of Commission offices in Latin America after the membership (Aldecoa Luzarraga 1995) is just one of many examples of how basic logistic tools necessary for a fluent relationship were not yet in place. Another example was the fact that the EU documents relating to Latin America were either in English or French until 1986 (IRELA 1996) in an area where Spanish and Portuguese are the predominant languages. It is true that English and French are the official languages of the EU, and even today much information that is considered important for the relations between both regions is in French (Freres and Sanahuja 2005: 46), when this information could also be easily translated into Spanish and Portuguese now that the Iberian countries are members of the EU. Without overestimating the importance of these examples, they do suggest that there was an overall lack of real effort or interest in progressing relations with Latin America both before the membership in 1986, and to a certain extent after Spain and Portugal became members of the EU, although it changed to some extent after it.

The lack of interest in Latin America also comes from the asymmetrical relations of the EU and Latin America due to both regions having different interests and different geopolitical priorities, rather than because the EU showed differing degrees of preference in favour of Africa and Asia in the area of development (Grabendorff 1987; Hoste 1999). Moreover, the protectionism that the EU showed towards the European agricultural sector was also a serious component of political relations (Grabendorff 1987; Hoste 1999). In addition to this, the presence of the US did not help the potential EU–Latin American relations because an alliance with this North American country was also considered to be of more importance than developing a new policy towards Latin America (Grabendorff 1987).

Furthermore, developing EU–Latin America relations was hindered by a lack of the necessary resources to facilitate cooperation, and the limitations placed on imports into the EU (Hoste 1999). It has also been suggested that a lack of relations between both regions was a consequence of the complexity of the EU's internal institutional framework. For example, Grabendorff contends that 'When the Community uses the argument of lack of adequate Latin American intermediaries, the Latin Americans frequently respond by citing a lack of interest by the EC and the complexity of the latter's decision-making apparatus' (Grabendorff 1987: 78).

It is unclear whether the complexity of the EU's institutional framework, especially its policy-making and decision-making mechanisms, made it difficult for other regions such as Latin America and other countries to be able to get the most out of these relations. It could be argued that this is something of an exaggeration and that Latin American countries used it as way of defending themselves from the accusations of the EU. This could have affected the EU policy towards the regions.

With regard to political dialogue, the Commission's report to the Community Council on 'Relations with the Latin American countries' in July 1969 was its first significant action towards Latin America since its conception. This is important in the sense that this was the first time that 'relations' with Latin America were recognized at an official level. However, it should also be acknowledged that this report is purely a diplomatic document. Nevertheless, it did have an effect on the other EU institutions. For example, the first resolution from the EP came one month after the first Council of Ministers' Declaration about the region in November 1969, and six months after the Commission's original report to the Community Council (EP 1969). One year after the Commission's report to the Council, Latin America responded to these political statements through the Declaration of Buenos Aires. Exactly one year later the Council responded positively and as a consequence this was followed by regular contact between the Latin American ambassadors to the EU and officials from the Commission (Ribeiro Hoffmann 2004).

The EP is the EU institution that has traditionally shown the most political interest towards the region and has in fact produced many declarations in favour of collaboration with the region. The EP acknowledged that the EU did not consider Latin America to be particularly important in terms of the EU's interests in a resolution that was signed the day after Spain and Portugal signed their Act of Accession, 12 June 1985. This resolution said that the EP: 'Deplores the low priority that LA [Latin America] has been for the EU having in mind the necessities of the region and the traditional links with the continent' (EP 1985).

The first document from an EU institution related to Latin America was the maritime report from the EP in 1964. However, this can hardly be considered to be a significant political statement about the region, even

though it does prove that the EP was one of the first EU institutions to enter dialogue with the region. This argument is further supported by the EP's support for the region through the inter-parliamentary conferences between the EP and the Parliament Latino (Parlatin – Latin American Parliament). These conferences were first held in 1974 and have been held every two years since 1975. They were suspended during the Malvinas/Falklands conflict before being resumed a couple of years later. Ayuso (1996) claims that these conferences had little influence on the EU since the EP itself did not have much influence in those early days and in the 1980s had none. The resolutions of the EP–Parlatin meetings showed which topics were discussed and that the discussion was not very different from the resolutions the EP passed to the Council and the Commission in support of developing relations with Latin America. This is demonstrated in the following quotation: the EP 'Invites the Community to stimulate the efforts of regional integration and congratulate the creation of the Latin American Economic System (SELA) the 18th of October of 1975 with the purpose of creating economic and commercial cooperation among Latin-American and Caribbean countries' (EP 1976).

Nevertheless, integration in Latin America seems to have been a significant issue for the EU. As mentioned, the EU's lack of involvement in the region had been justified by the lack of appropriate intermediaries on the Latin American side (Grabendorff 1987). However, at this time there was at least one intermediary: there were discussions in the EP–Parlatin, which was a forum for biregional discussions (see Boxes 4.1 and 4.2). Therefore, it could be argued that the EP was the bridge between Latin America and the EU since no other EU institution had such permanent contact and discussion with the region.

In relation to aid, the first time that the EU created a programme for financial and technical cooperation with Asia and Latin America was on 15 March 1976 (Anacoreta Correia 1996; Ayuso 1996). This programme lasted for a period of four years and focused on non-associated developing countries and the distribution of funding, which was set around 75% for Asia, 20% for Latin America and 5% for African countries. When Denmark, the UK and Ireland became members of the EU in 1973, it prompted discussions about the EU's external relations which had previously been ignored due to French pressure (Ayuso 1996; De Pablo Valenciano and Carretero Gomez 1999). However, pressure from the UK blocked the decision on the budget for ACP countries until a programme for financial and technical cooperation with Asia and Latin America was decided (Ayuso 1996: 5). In many ways it was this move that led to the change in direction of EU policy towards Latin America (Ayuso 1996: 5). It will be demonstrated later in this section that this strategy was later copied by Spain. In 1981 this programme for financial and technical cooperation with Asia and Latin America was renewed. It was the first piece of legislation to be dedicated to

Box 4.1 The European Parliament's support for links with Mercosur at the political and economic level

At the political/diplomatic level

Support for the regular contacts started between the regions (EP 1976).

Support for the creation of institutions that will help the promotion and the provision of information about the potential of these countries (EP 1976). Support for the creation of an institute that promotes the relations between the regions with two headquarters, one in Latin America and one in the EU.

Support for cooperation between the two regions, keeping in mind the major economic, political and social differences among the Latin American countries; therefore a differentiated policy towards Latin America adjusted to the real needs of the different problems of the region will let the EU appreciate the Latin American reality (EP 1983, 1985).

At the economic level

Support for the generalized system preferences (GSP) for Latin America which would help the increase of exports from Latin America to Europe at the same time as regional integration (EP 1976, 1982). The EP points out the decreased participation in the GSP and asks for an improvement in the system for Latin American countries (EP 1983, 1985).

Support for help with external debt (EP 1983). Ask the Commission and IRELA to study the solutions to the external debt (EP 1985).

Source: EP (1976, 1983, 1985).

non-associated countries (Birochi 1999). 'The Council's guidelines prioritised agriculture sectors and humanitarian aid. However, this was not considered to be very innovative or even significant when looking at the amount of aid offered by the EU' (Hoste 1999).

It is crucial to look at the EU and individual countries in Latin America before Spain and Portugal joined the EU. The most important aspect of the relations between the EU and individual countries in Latin America was the creation of a few short-reaching trade agreements – the 'first generation agreement'. In addition to this, the inclusion of some Latin American countries into the generalized system of preferences (GSP) also helped the development of this relationship. The relationship between the EU and

Box 4.2 European Parliament resolutions supporting the relations between the EU and Latin America

Regionalism

Support for: a global EU policy towards Central America; the opening of an office in Central America; the use of the EIB in Central America; the acceptance of the international agreement on sugar (EP 1982).

Support for integration and intraregional cooperation in Central America as well as supporting the collaboration of Venezuela and Mexico with Central America in terms of funding for development, provision of energy and industrial cooperation (EP 1982). Support for regional integration and regional groups such as the Latin American Economic System, the Central American Common Market and the Andean Pact and favouring the creation of programmes or projects with those regions (EP 1985).

Cooperation agreements

Support for cooperation agreements with Mexico, Argentina, Brazil and Uruguay and the support for bigger agreements with those countries. Support for cooperation agreements with other Latin American countries that are interested (EP 1976).

Support for the continuation of the relations between Argentina and the EU and the conclusion of a cooperation agreement with that country (EP 1985).

Source: EP (1976, 1982 and 1985).

Brazil started rather sooner thanks to an agreement on the peaceful use of nuclear energy in 1961 (EEC 1961; Smith 2001). In 1973, Brazil achieved the status of 'most favoured nation' by the EU, which gave the South American country preferential treatment on the exports of cocoa butter and soluble coffee (EEC 1973a). 'Although the first cooperation agreement did not happen until 1980 as part of the so-called "first generation agreement", this agreement brought about cooperation between both parties, the EU and Brazil, on the trade and economic areas' (EEC 1980).

In relation to Argentina, a similar agreement to the one with Brazil was reached in 1971. However, when the Malvinas/Falklands conflict started in 1982, relations between the EU and Latin America were affected. Argentina was put under an economic embargo and the inter-parliamentary conferences were suspended for some years. This was the first time that there had been strong disagreement within the EU regarding Latin America but the

EU sided with the UK. It could be argued that this shows that relations with Latin America were not that important to the EU because, even though they disagreed with the behaviour of the UK, the EU did not dare to challenge the embargo. The same kind of agreement was secured with Uruguay in 1973 (EEC 1973b) and Mexico secured a cooperation agreement in 1975 (EEC 1975).

The relationship between the EU and Chile was based on EP resolutions regarding the *coup de état* (EP 1973), the anniversary of the coup, opposition to human rights abuses carried out by Pinochet's regime (EP 1983) and in relation to the political situation in the country in 1983 and 1984. Although the European Commission's declarations in opposition to Pinochet's regime were the first political statements made by the EU towards the region, they were nothing more than declarations and not a definitive policy against the Chilean coup (Dykman 2006). Furthermore, the few agreements with Brazil and Mexico had a minimum impact in the development of these countries (EP 1985).

The discussion so far has shown that there were biregional economic agreements reached with Latin American countries, such as Brazil, Argentina, Uruguay and Mexico, which were considered to be either more developed and/or politically stable. Since the three first countries were part of Mercosur, and Mexico achieved a bilateral agreement with the EU almost at the same time, it seems that over time the EU has shown preference towards developed and politically stable countries in Latin America. This undermines, to a certain extent, the normative view of EU actions towards Latin America.

In summary, prior to Spain and Portugal becoming members of the EU, the EU had virtually no relationship with Latin America. The EU institution involved in developing dialogue was mostly the EP, which in those years had very little power, even in the area of aid, where Latin America drew much attention for traditionally being the region receiving the lowest amount of aid from the EU compared to other regions in the world. It was not until the 1970s that the EU developed official links with Latin America. The EU had very narrow commerce agreements with some Mercosur countries, such as Brazil, which were not considered to be especially important. For most other developed countries in Latin America at this time, particularly in the area of aid, it was not until the 1970s that the EU developed a policy that covered Latin American countries as part of a general approach to the EU's external relations agenda by including Caribbean countries in the Lome Convention that was pursued by the UK when it became a member of the EU. From the creation of the EU until 1985, relations between the EU and Latin America were virtually non-existent.

A new scenario was created for EU–Latin America relations after Spain and Portugal joined the EU. The attempt by Spain and Portugal to influence in the EU in relation to Latin America and the acceptance of such behaviour

by the EU was clear even before they officially joined. For example, Spain and Portugal played an important role during the Central American crisis in the mid-1980s. Bilateral relations politicized the relationship, starting with EU actions during the crisis (Grabendorff 1987).

The first institution that showed a new interest in Latin America was the EP. One of the many pieces of evidence that show the creation of a new policy path regarding this region is the development of inter-parliamentary meetings. Grabendorff argues that 'Besides publishing a considerable series of really constructive reports regarding desirability of improving relations with Latin America it [the EP] clearly indicated a high degree of flexibility, at the inter-parliamentary meetings held in Brasilia in 1985 and in Lisbon in 1987, toward a more positive development of joint relations' (Grabendorff 1987: 78).

This does not, however, mean that the parliaments were powerful or influential in their respective homelands. Therefore, there was not a direct action–reaction relation during these biregional discussions and/or during the EU's actions to Latin America at this stage. Nevertheless, these inter-parliamentary conferences in 1985 and 1987 welcomed the presence of Spain and Portugal and declared that they expected that with this event the relations between the EU and Latin American would only get stronger. According to Grabendorff (1987), the EU had at least started to show movement towards improving relations between the two regions after the Iberian membership.

Leaving the EP aside for the moment, there are also other issues that showed that the EU was starting to develop a new approach towards Latin America. For example, the opening of the IRELA, funded by the Commission, was an indicator of EU intentions, since it created an instrument for cultural, political, economic and scientific cooperation between both regions. The IRELA was created in Madrid in 1984 with the aim of promoting and strengthening relations between the two regions. This is further evidence of an EU institution following the new path towards Latin America. The Commission was aware of how much change the historical event of the Iberian membership was likely to produce, therefore it developed an institution that would be a source of information on a region that had traditionally been ignored. The institute served as a forum for dialogue and a centre for contact. Its principal functions were: firstly, to provide advice and undertake specific consultancy activities, principally for regional institutions in Europe and Latin America; secondly, to organize conferences, seminars and workshops, and to arrange training programmes on issues of common interest, primarily for European and Latin American politicians, officials, diplomats, academics, journalist and businessmen; thirdly, to promote, coordinate and undertake specific research on relations between Europe and Latin America, and to make information and analysis available to the opinion-formers and decision-makers of both regions.

In the area of aid and cooperation, and on the issue of drugs, there was a change towards Latin America which can be attributed to the creation of this new path. The first credits to fund workshops and seminars in different places were given in 1987 (Blanco Garriga 1992). It seems obvious to say that funding workshops and seminars is not a particularly important policy nor part of a highly developed strategy towards the region. However, it should not be forgotten that in most areas EU–Latin American relations had been non-existent before Spain and Portugal became members of the EU. In other words, although these workshops and seminars do not appear to be very ambitious, these events played an important role in initiating EU policy towards Latin America. This had been an area where there was not much knowledge of either how these issues could potentially be developed or how basic problems could be overcome. In relation to the issue of aid, Dykman claims

It is evident that the peninsular authorities and their representatives are very present in institutions concerned with European policy towards Latin America as ‘l’Amerique latine occupe dans la politique espagnole de cooperation une place toute aussi centrale que celle occupée en France par l’Afrique’ [Latin America is of central importance for the Spanish policy of cooperation in the same way that Africa is for France]... Additionally, some critics say that Spain indeed determines the development cooperation of the EU with Latin America to a large extent, but does not provide proportional contributions to respective EU funds. (Dykman 2006: 92–93)

In relation to combating drugs, Spain was the leader within the EU. Abel Matutes, the Spanish commissioner in charge of relations with these regions, recognized the benefits of eliminating restrictions on the exports of Colombian goods, which was also extended to Bolivia and Peru (*El País* 13/10/1990). This plan was fully supported by all the governments of the EU apart from France. The president of Colombia considered Spain to be the leader at the EU level with the socio-economic measures proposed (*El País* 13/10/1990).

Another important piece of evidence supporting the argument that an interest had been created towards Latin America was the fact that even the European Council of Dublin Declarations of June 1990 discussed issues related to Latin America. These declarations brought the EU together to discuss environmental issues and to ask the Commission to develop plans for consultation with countries close to the Amazon, giving special attention to Brazil (Blanco Garriga 1992). To what extent these declarations and proposals had any real influence is a matter of debate. For example, when the new programme for cooperation with Latin America and Asia was approved for the period of 1991–1995, it was agreed that the amount of aid given to develop cooperation with Asia and Latin America would be doubled. On this occasion, Latin America would receive 30% of the €2,300 million (*El País* 9/5/1990). Abel Matutes pointed out that there was a fear

of 'Eurocentrism' concerning the high levels of attention dedicated to the Eastern European countries (*El País* 9/5/1990). This issue will be discussed in more detail in the following section.

In the area of political dialogue, the level of change has not been as impressive as it could have been, which supports the claims that the changes created with the Iberian membership were necessary but not sufficient: this is the central argument of this monograph. When EU political dialogue with Latin America did not properly take off, both regions tended to blame one another. On the one hand, Latin America criticized the EU for not showing interest in the region, as well as citing the difficulty the Community's institutional framework created for decision-making. On the other hand, the EU tended to cite Latin America's lack of intermediaries for the lack of development of inter-regional relations (Grabendorff 1987). It could be argued that the fact the EU cites the lack of Latin American intermediaries is an indication that the EU was expecting some kind of representation from the entire region. This is interesting because the Rio Group and Mercosur were being created at around the same time as Grabendorff was highlighting the issue. This gives support to the argument that Mercosur countries, and Latin American countries as a whole, tried to develop regional groups which could provide a forum where dialogue with the EU was possible. However, conversely, the EU was not trying as hard to deal with its failures in relation to Latin America. This issue has been developed more fully in more recent research.

In discussing to the interest in the region within the EU, Grabendorff highlights the differences in terms of the degree of interest (or lack of interest) the different institutions have shown. He explains how the EP is by far the most interested in the region, as well as being the most active and showing a great deal of flexibility during the course of the inter-parliamentary meetings. Other than the EP, it would appear that it was only the EU's Council of Ministers that showed any real interest in Latin America (Grabendorff 1987). This illustrates a problem that will affect EU policy towards Mercosur in the long term: the lack of interest of most EU states towards Mercosur.

The third area of EU–Mercosur relations is in trade, where the lack of significant change leads us to underestimate the importance of the Iberian membership in EU trade with Mercosur. Table 4.1 below suggests that levels of trade have, in relative terms, remained very much the same.

To summarize: the three areas of EU policy towards Mercosur show differing degrees of change which helps to explain the medium importance of the Iberian membership in relation to the policy towards Mercosur. As mentioned in the introduction to this chapter, Sewell (1996) claims that the importance of some event in the future is due to the path dependence that was created. In this case, the Iberian membership had an impact that would become apparent in the long-term, not so much immediately.

Table 4.1 EU¹ exports and imports with Mercosur countries, 1980–1990 (values in US\$ million)

	1980	1981 ²	1982	1983	1984	1985	1986 ³	1987	1988	1989	1990
EU exp to Arg	2,495.2	2,525.7	1,492.8	2,193.2	1,932.6	1,551.3	1,707.2	1,757.1	1,311.3	1,161.2	1,234.9
EU imp from Arg	2,017.9	2,073.9	2,152.7	2,345.8	3,206.5	3,282.1	2,309.1	1,888.6	2,623.9	2,787.0	3,472.1
EU exp to Braz	2,703.6	2,655.6	2,639.3	2,254.4	2,977.8	2,679.9	3,503.1	3,353.8	3,121.6	3,841.0	3,635.5
EU imp from Braz	4,777.8	5,740.7	6,593.7	7,641.2	9,546.6	10,473.3	7,371.3	7,273.5	9,329.5	10,445.6	9,196.3
EU exp to Par	n/a	n/a	n/a	n/a		92	171	181	160	130	223
EU imp from Par	195.7	127.8	196.4	336.7	323.1	319.9	167.7	252.0	366.5	426.7	445.4
EU exp to Uru	262.6	264.8	186.6	148.3	198.8	190.5	216.3	234.6	214.5	252.0	232.9
EU imp from Uru	205.5	333.5	309.0	263.3	284.8	249.3	299.6	367.7	883.7	658.6	567.2
Total EU exp to Mercosur countries	5,461.4	5,446.1	4,318.7	4,595.9	5,109.2	4,513.7	5,597.6	5,526.5	4,807.4	5,384.2	5,326.3

EU exp to world	753,835	697,195	670,490	654,260	673,050	708,810	871,875	1,050,355	1,166,000	1,243,625	1,508,795
EU exp to Mercosur as % of total	0.72%	0.78%	0.64%	0.70%	0.75%	0.63%	0.64%	0.52%	0.41%	0.43%	0.35%
Total EU imp from Mercosur countries	7,196.9	87,275.9	9,251.8	10587	13,361	14,324.6	10,147.7	9,781.8	13,203.6	14,317.9	13,681
EU imp from world	847,000	754,545	717,955	686,340	696,030	723,545	855,570	1,049,980	118,4730	1,280,750	1,558,035
EU imp from Mercosur as % of total	0.84%	1.15%	1.28%	1.54%	1.91%	1.97%	1.18%	0.93%	1.11%	1.11%	0.87%

Sources: The author's own elaboration with the data from IRELA (1994), WTO's statistics Database and Eurostat Database.

Notes: Figures in bold are percentages for Mercosur imports/exports. Figures in italics are for the years when the EU took on new members.

¹EU 15.

²Greece joined the EU.

³Spain and Portugal joined the EU.

So far the evidence has shown a low level of ambition and commitment on the EU's side, implying a low level of engagement. But the fact that there is some ambition, and some commitment – as has been seen with the aid part of the policy especially, and the political dialogue to some extent – means that it would not be accurate to say that there is no engagement. This engagement is critical to the central argument of this book; there was progress due to the Iberian membership and the interest on the part of Latin America in engaging with the EU.

It is important to discuss EU relations with other regional groups in Latin America to understand the position that Mercosur achieved. EU policy towards Mercosur developed out of the EU's more general policy towards Latin America as soon as it was materially possible. During the first stage of Mercosur (1985–1990) there was still very little development that was capable of meriting an individual relationship with the EU. Therefore, any dialogue that did take place tended to occur on an informal basis through the Rio Group. This was made possible thanks to the pressure that Spain exerted in order to get the EU more involved, first, in Central America and then in other areas at a later date. However, the dialogue covered most issues related to Latin America, and under that same umbrella were the dialogues between the EU and the Rio Group.

The hard experience of the Central American conflict of 1979–1985 and the complex redemocratization of the 1980s reshaped the principles of a Latin American politics of cooperation. The creation of the Rio Group and the links with the Contadora group (a group created by Colombia, Mexico, Panama and Venezuela to deal with the Central American crisis) helped the consolidation of the peace process in the region. Those groups created the necessary trust in the new political context which helped to develop a permanent political dialogue between the EU and Latin America and to improve the democratic credibility of the Central American countries (Duran 2009). The approach of Latin American and Caribbean countries to Europe is asymmetrical; the urgency of having access to bigger and more stable markets is on the Latin American and Caribbean side. For the Europeans, trade with Asia, Oceania and the special emphasis on the US is the priority. The fact that this region is not a priority for Europe does not mean that the EU does not accept a move towards Latin America and the Caribbean for strategic reasons (Duran 2009).

It is important to point out that EU–Mercosur dialogues did not officially take place until 1991, only a few years after the process of integration between Brazil and Argentina had started to emerge in 1985. The process was then later extended to Paraguay and Uruguay. Because these states formed the bulk of Mercosur's membership, these relations are referred to as EU–Mercosur dialogues. EU–Mercosur dialogues during this period continued to experience problems primarily as a result of the lack of integration between Mercosur countries. At the end of the 1980s Brazil was still

reluctant to advance on a sub-regional agreement with the EU (Bizzozero 1995). It seems that the EU's cooperation on regional integration and the consolidation of Mercosur enabled EU–Mercosur agreements to really take off in the early 1990s (Bizzozero 1995). According to Grabendorff (1987), the obstacles the EU encountered in South America compared with the other EU–Latin American sub-regional groups were not a surprise. They were caused by two main issues: firstly, relations between the EU and Argentina over the Malvinas/Falklands conflict continued to make EU–Mercosur relations difficult; secondly, there was still the long-standing competitive rivalry between Brazil and Argentina in terms of which would be Mercosur's external representative.

The highest profile dialogue between the EU and a regional group was the dialogue between the EU and Central America. The EU's peaceful intervention in the Central American crisis with the development of the San José process was an important step in terms of furthering Central American relations with the EU, but only to a limited extent. Hoste's (1999) argument that this was due to the lack of economic or political interest is understandable. However, what is more difficult to accept is Hoste's contention that the EU developed relations with Central America in order to gain access to Latin America more generally. These Central American countries had very little influence over Latin America and an unstable political situation that had been created by suffering several decades of civil wars, as in the case of El Salvador. Moreover, most of the EU intervention was done through the French, Spanish and German embassies in Central America. In addition to this, Spain and Portugal were part of the San José dialogue even though they were not members of the EU when the dialogues began. They were involved, nevertheless, because of both the interest and the pressure that was expressed in the EU by Spanish President Felipe Gonzalez. 'The cooperation between the EU and Latin America was already one of the most important precedents to understand the project of relations between regions, at the Latin American and Mercosur level' (Caetano et al. 2010: 200).

The more general lack of interest in Latin America did not suddenly change completely after the EU's initial contact with Central America, but the contact did mark the beginning of a sort of relationship between the EU and Latin America. It is more likely that the policy with Central America also happened due to the seriousness of the situation that was being created by the international conflict with the US, which had contributed to destabilizing the region. I would argue that what is also interesting is that the EU had found, quite accidentally, an interlocutor for the region in the shape of the Rio Group. Political dialogue with the Rio Group was then later extended to become political dialogue with the whole of Latin America:

Political dialogue was also established with the countries which organised to promote peace in the region and created the Contadora Group (in January 1983) and later became known as the Rio Group (in 1986). Those early

meetings were first designed to establish peace and had therefore an agenda focused on democracy, peace, conflict resolution. (Dykman 2006: 44)

The San José dialogue also brought into being a new set of institutionalized relationships between the EU and other regions (Smith 1995). However, the institutionalized dialogues with the Rio Group became the most successful. By 1989, the Rio Group covered approximately the same geographical territory as the former Latin American Association of Integration and, therefore, became a permanent political forum and the main interlocutor substituting for other broader regional integration groups (Ayuso 1996).

The dialogue between the EU and the Rio Group soon developed to cover more than just political issues. The meeting of March 1986 covered a discussion of the external debt, whilst the 1990 meeting of the Rio Group proposed cooperation between both regions at technological and commercial levels (Hoste 1999). As a consequence of this new dialogue there were now more delegations of the Commission in the region and there was a move from bilateral towards multilateral dialogue between the EU and Latin America (Aldecoa Luzarraga 1995). In the early 1990s, the number of delegations doubled from four to eight (Hoste 1999). There was still a limit to the dialogues between the two regions. According to Dykman: 'Since the Rio Group has no rigid institutionalised organisational structure, no organic dialogue with the EU evolved and no real negotiations took place' (Dykman 2006: 45).

At this point, we also need to consider the influence of the long-standing lack of relations between these regions, which affected the speed of the changes in the first stage. Dykman argues that the real goal of this forum at this particular time was 'to create an atmosphere of trust, which should lead to common positions and harmony between the regions and it strengthened the position of Latin American countries relative to third parties' (Dykman 2006: 45).

Another sign of the importance of Latin American demands to the EU in order to advance the EU–Latin American relationship was the behaviour of the ambassador of Chile in Brussels regarding the institutionalization of the dialogues with the EU. He played a key role in convincing the other ministers from Latin America to seek a common declaration from the EU. As a result of the Chilean ambassador's efforts, the Declaration of Rome institutionalized a dialogue which meant that the Rio Group would be formally recognized as the EU's main partner in Latin America (Dykman 2006: 45). This would not be the first time that the EU needed specific demands from Latin America in order to develop policies towards the latter. According to Dykman, the EU was satisfied with this dialogue because 'the European Union is especially happy about the Rio Group because it enables dialogue among four dozen entities but requires only two voices' (Dykman 2006: 45). In the following chapter the dialogue between the

EU and the Rio Group, particularly in terms of its importance in the development of EU policy and relations with Mercosur, will be further discussed in relation to the fact that: 'More weight has also been given to development of relations with Latin American regional associations such as the Andean Pact and Mercosur, relations which became autonomous after having been developed unofficially on the margin of the meetings with the Rio Group' (Hoste 1999: 4).

The main point of this section is how important an earlier event – such as the pressure Spain, among other actors, put on the EU to intervene in Central America – became to the blossoming of EU–Latin American regional groups' dialogue, as well as affecting that dialogue, the beginning of the EU policy towards Mercosur. This is absolutely crucial for the development of EU–Mercosur and therefore for the understanding of EU policy towards Mercosur. The link between EU involvement in Central America as a consequence of the Iberian membership which influenced the future EU–Latin American and EU–Mercosur relations has been ignored in the literature that focuses on the EU policy towards Mercosur of the late 1990s and early 2000s.

In terms of ambition and commitment, again this section shows a low degree of both, which produces a low level of engagement. This should not be confused with no engagement, since the EU did have a sort of ambition, as the institutionalization of the EU–Rio Group meetings shows, and a sort of commitment shown by the launching of several political dialogues with the region.

The Iberian countries' membership of the EU

On 1 January 1986, Spain and Portugal joined the EU. This event has proved to be crucial for the development of EU relations with Latin America, becoming a historical event which created a path. It also had effects for Spanish and Portuguese foreign policy towards Latin America. The degree of Europeanization from a bottom-up and top-down perspective happened at the same time as the EU membership of Spain and Portugal. This reinforces the central argument that explains that the membership of Iberian countries was necessary but not sufficient to create the policy, since they did not manage to get the EU uploading the policy. In relation to Spain more specifically, it was a turning point for Spain's own foreign policy from the very moment that Spain's membership of the EU was being considered. Spain was aware that it had to make a choice between belonging to the EU or Latin America, and in the end it chose the former, but that does not mean that it forgot about Latin America.

This section analyses to what extent the EU agreed to incorporate the Spanish foreign policy agenda in relation to Latin America, and to what extent Iberian countries sacrificed their national foreign policy objectives

towards Latin America as a result of becoming members of the EU. This analysis considers the work of Reuben Wong (2008) on Europeanization which has been discussed in Chapter 2. In this case, two aspects of Europeanization are considered.

First, 'adaptation and policy' which is considered the 'downloading' aspect: 'Harmonization and transformation of a member state to the needs and requirements of EU membership' (Wong 2008: 326). The most important indicator for the discussion here is: 'Internationalization of EU members and its integration process' (Wong 2008: 326). By looking at the way the EU has downloaded its views on Latin America to Spain and Portugal we can see how much the membership did not achieve in relation to Latin America.

And second, 'national projection' which is considered the uploading aspect: 'National foreign policy of a member state affects and contributes to the development of a common European FP [foreign policy]' (Wong 2008: 326). And the most important indicator for this is 'externalization of national FP positions onto the EU level'. By looking at the way the EU uploaded the views of Spain and Portugal it will be evidenced how much the membership achieved in relation to Latin America.

Reasons for membership

This section will focus on the reasons for membership to see which entity, the EU or Spain and Portugal was in an easier position when negotiating the issue of Latin America. It was clear that the UK was already a very powerful country when it joined the EU, which favoured its demands for its former colonies. The discussion below will consider whether the same can be said in the case of Spain and Portugal.

Spain and Portugal joined the EU for both economic and political reasons. The reasons behind Portugal's desire to join the EU were political. Portugal's aim was to include its former African colonies in the Lome Convention, as well as using the EU to adapt Portugal to the international changes and develop the country (Medeiros Ferreira 1993: 177). In relation to the Lome Convention, Portugal also aimed to have Portuguese recognized as an official language in the Convention, where up until now only English and French were the officially recognized languages (Medeiros Ferreira 1993). Medeiros Ferreira claims that in doing so 'The introduction of linguistic criteria for the promotion of regional cooperation could enable those African countries whose official language is Portuguese to take better advantage of financial assistance under the Lome Convention' (Medeiros Ferreira 1993: 177).

This would also enable Portugal to receive assistance for its former colonies in terms of generating stronger levels of cooperation at the regional level. As a consequence, it would also increase Portugal's influence in the Lome Convention due to Portugal's special relationship with the former

colonies. In a way, this made it possible for Portugal to acquire a more powerful position in one of the most developed areas of EU external relations. In other words, thanks to its EU membership and its special membership with the former colonies, Portugal would end up in a more powerful position than would have been possible had it not been a member of the EU. Economically, however, trading with Europe was the most important issue because Portugal, like Spain, had already started to move towards integrating its economy with the European market during the 1960s and 1970s (Wiarda 1989: 192).

Similarly, in terms of political issues, Spain was also pursuing EU membership for many reasons. It is undeniable that the EU provides a model of democracy, liberty and progress to Spain and Portugal and that the modernization of the Iberian countries had to be based on integrating their countries into the European club (Royo 2006: 211). However, this process was more difficult for Spain than for Portugal because Portugal had an easier time than Spain at an international level. Portugal was admitted to the United Nations (UN) earlier than Spain, and even became a NATO member while Spain was being treated as something of an outcast (Wiarda 1989: 192). This was most certainly a product of Spain's recent political history which had generated strong feelings against Spain within the EU (Wiarda 1989: 192). This strong dislike of Spanish politics in the twentieth century was generated by events such as the Spanish Civil War and Franco's alliance with Hitler. It could be argued that this put Spain in a relatively weak position when it was trying to become a member of the EU. The negotiations of Spanish membership with the EU will be discussed below, but the important point to make here is that at the international level Spain was looking to strengthen its historical links with Latin America, as well as its links with the Arab world (Holmes 1983: 165).

In terms of the EU's position in relation to Spain and Portugal becoming members, it is clear that the EU had developed a clear agenda. According to Wiarda (1989), the EU's political agenda was far more developed, although somewhat overblown at times:

The belief of the German Social Democrats, the French left, British Labour, and Benelux and Scandinavian Socialists that the continuing 'Fascist' regimes of Spain and Portugal were unacceptable in the European community of democratic and social democratic nations ... Much evidence shows that political leaders in France and Germany especially feared the potential for domestic upheaval in their own nations, which the Portuguese revolution seemed to inspire ... Fearing a repeat of the revolutionary events of 1968, or worse, the European leaders sought to moderate Portugal's revolution (and prevent one in Spain) by pushing for their entry into the EEC. Although the fear that France or Germany might explode as Portugal did seems ludicrous in retrospect, at the height of the Portuguese revolution in 1974–1975 the threat of upheaval elsewhere seemed real. (Wiarda 1989: 194)

Fear of political uprisings in other EU member states was not the only reason why EU member states were interested in integrating Spain and Portugal into the EU. For example, there was a belief that by bringing the Iberian countries into the EU, the EU would be able to prevent Spain and Portugal from going 'Communist', and 'who knows about Italy, Greece, and Turkey – perhaps the entire southern flank of Europe' (Wiarda 1989: 194). As the author explains, with even a little of knowledge of the Spanish and Portuguese systems of that time, these fears would seem ridiculous, nevertheless there was discussion of the possibility of a 'red Mediterranean' at many levels, including academic and government ones. The US was also very keen on the Iberian countries becoming members of the EU for similar reasons. This argument is supported by the fact the US transferred funds to European parties (Wiarda 1989: 194). Wiarda also claims that the Iberian membership was used as a mechanism to secure political changes at the national level such as democratization – a crucial point in relation to the issue of EU–Mercosur relations since this is also an indicator of the US's influence in European politics at the time, never mind US influence in its own backyard. This issue will be discussed in more detail later on.

Although there were general political and economic reasons for allowing the Iberian countries to become members of the EU, not all the EU countries were equally in favour of doing so. This is especially the case in relation to economic issues, particularly around the time that it seemed likely that Spain and Portugal would become members of the EU. For example, France was not very excited that the Iberian countries might become members of the EU, principally because of the effect this would have on France's agricultural sector. The focus of the discussion will now turn to examine the actual process of negotiating the Iberian countries' inclusion into the EU.

For both economic and political reasons, the negotiations lasted seven years. During the first years, the political obstacles were the main problem. Interestingly, some EU countries helped or desired concrete political outcomes during this time. Germany, for example, went as far as giving aid to Felipe Gonzalez's political party PSOE (Spanish Socialist Workers' Party) (Holmes 1983), which would go on to win Spanish national elections from 1982 to 1996. However, the EU demanded more than just political changes. Once some form of democracy had been put in place in both countries, Spain and Portugal were denied membership once again. This produced dismay in both countries, especially because it was France's idea to postpone and review their membership (Wiarda 1989: 198). The main problem was the potential effect that the Iberian countries would have on the Common Agricultural Policy (CAP) because both Spain and Portugal's economies were heavily weighted towards producing agricultural products. The UK's

rebate only served to further complicate the negotiations (Heywood 1995). The UK's rebate referred to the economic contribution that the UK was providing to the EU which the newly elected British prime minister, Margaret Thatcher, considered too big a contribution. It was linked to the CAP, which would make demands on a high percentage of the EU budget which the UK would not benefit from as much as other countries, such as France. In addition to this, Germany was also unwilling to spend money on olive oil when it could be spent on butter (Holmes 1983: 165). The entrance of Iberian countries would mean a percentage of funding from the CAP would go towards the production of olive oil, instead of subsidizing other agricultural products such as butter. Holmes suggests that other EU member states were cautious about allowing Spain and Portugal to become members of the EU because of its agricultural production. As a result, negotiations relating to the Iberian countries' membership were hard fought. According to Heywood (1995), this is an important issue that tends to be overlooked in the existing literature. Furthermore, he argues that in the end, Spain agreed to:

Opening its markets to EC competitors and bringing down external tariffs on industrial goods from third countries to the Community average within a period of seven years. In return, it would take ten years for the most competitive sectors of Spanish agricultural output –fresh fruit, vegetables and olive oil – to be phased into the CAP. (Heywood 1995: 270)

The French opposition was also linked to the CAP, particularly the effect that Spanish products would have in this area (Royo 2006). As Wiarda discusses, this event reminded the Iberian countries of the old complexes, prejudices and inferiorities, which made them reconsider being part of Europe and also question their future economic relations with third world countries such as Latin America and Africa (Wiarda 1989: 198). This 'Plan B' (stay with Latin America) was not so attractive, though, and it could be argued that Spain and Portugal were not in a strong enough position to defend their interests during the negotiations in many areas, particularly their special relationship with Latin America. However, Spain did use its relationship with Latin America as a way of exerting some pressure or at least positive influence when making its application to join the EU (Wiarda 1989). As highlighted by Dykmann (2006), though, it is difficult to accept the idea that the Iberian members were accepted into the EU because of their relationship with Latin America. More specifically, Spain had promoted the idea that it could act as a bridge between Europe and Latin America as far as possible. At the same time, Spain was unsuccessful in its attempts to ensure that its former colonies would be elevated to the same status as former British and French colonies (Baklanoff 2001; Dykmann 2006). Baklanoff (2001) claims that Spain was forced to sign a 'pre-nuptial

agreement' whereby Spain would enter into a new marriage with the EU, from which Latin America would be excluded. This supports the view of low (if any) uploading by the EU.

It has already been argued in this monograph that Spain had, from the beginning, chosen to prioritize its regional relations in Europe rather than develop inter-regional relations with Latin America. However, this does not mean that Spain completely abandoned developing relations with Latin America. It is even debatable whether Spain did not explore this issue for its own benefit.

Nevertheless, although Spain decided to prioritize its relationship with the EU over Latin America from the very beginning, it did not mean that Spain would give up on Latin America. Wiarda argues that 'While negotiating with the EEC Spain also tried strenuously to resurrect its special relationship with Latin America ... These ties are to be built not on the older bases of Hispanismo implying Spanish paternalism and superiority toward its former colonies but on the basis of a "partnership" whose precise dimensions have never been fully articulated' (Wiarda 1989: 200). Nevertheless, strategic attempts to use the EU to enable Spain to become more influential in Latin America and the other way around – Spain using Latin America to become stronger inside the EU – did not end with the negotiations for membership. In fact, it continues to be an important feature of Spanish foreign policy today. As this section will show, there were some small achievements which show a small but important influence of the Iberian countries, how much they achieved is at the centre of the discussion. The following section will examine just how much Spain and Portugal were, in the end, able to achieve in terms of developing relations and policies that would benefit Latin America. It could be argued that these were only crumbs from the table. Nevertheless, this does not mean that relations and policies with Latin America could not be developed over time. Paraphrasing Sewell one more time, the events at a particular time will affect the events later on.

Sustaining these views are the following examples: two months before the signature of the Act of Accession, Spain and Portugal tried to negotiate their contribution to Lome. One of the issues that Spain highlighted during the negotiations was keeping zero tariffs on some products from Latin America. In fact, Manuel Marin (the chief negotiator for the Spanish team) mentioned that this was an obstacle two months before the signature of the accession treaty (*El País* 27/4/1985). Spain suspended the issue of the tariffs from Latin America on the contribution of €3.6 million to the third Lome Convention (*El País* 23/7/1985).

The discussion below will examine whether Spain and Portugal were able to create enough pressure that there would eventually be improvements in relations between Latin America and the EU once they had become members of the EU.

The outcome of negotiations for Iberian membership

This section will show the low but important level of EU uploading towards Mercosur. Spain and Portugal signed the Treaty of Accession in Madrid on 12 June 1985. The same day, the 'Joint Declaration of Intent on the Development and Intensification of Relations with the Countries of Latin America' was also signed by the EU member states (see below Box 4.3). This joint declaration was the result of Spain and Portugal's attempts to raise the status of their former colonies to the same level as the former colonies of Britain and France, as stated in the Lome Convention (Dykman

Box 4.3 Final Act, Joint Declaration of Intent on the Development and Intensification of Relations with the Countries of Latin America

The Community:

- confirms the importance which it attaches to its traditional links with the countries of Latin America and to the close cooperation which it has developed with those countries;
- recalls in that context the recent ministerial meeting at San José in Costa Rica;
- on the occasion of the accession of Spain and Portugal, reaffirms its resolve to extend and strengthen its economic, commercial and cooperation relations with those countries;
- is determined to step up its activities to exploit all possible ways of achieving this goal, thus contributing, in particular, to the economic and social development of the Latin-American region, and to efforts aimed at the regional integration thereof;
- will endeavour, more specifically, to give concrete form to ways of strengthening the present links, of developing, extending and diversifying trade as far as possible and of implementing cooperation in the various fields of mutual interest on as wide a basis as possible, using the appropriate instruments and frameworks to increase the efficiency of the various forms of cooperation;
- is prepared in this context, in order to promote trade flows, to examine any problems which might arise in the field of trade with a view to finding appropriate solutions, taking into account, in particular, the scope of the generalized system of tariff preferences and the application of the economic cooperation agreements concluded or to be concluded with certain Latin American countries or groups of countries.

Source: EEC (1985).

2006: 87–88; Royo 2006: 45). In this declaration, the EU declared that it was keen to intensify its actions in order to help with the economic and social development of the Latin American region (EEC 1985). From the moment of the Iberian accession to the EU, it was already possible to see that there were problems with the GSP and the cooperation agreements that were created or about to be created in reference to this region. The declaration was strongly promoted by Spain (*El País* 20/2/1985; Dykmann 2006). The EP's resolution of the following day recognizes the fact that Spain's membership would help to consolidate relations with Latin America. Beyond this broad declaration, Spain also managed to keep 40,000 tons of cocoa and coffee under special treatment per year (*El País* 31/12/1986). A Final Act Declaration by Spain on Latin America was made on 15 November 1985 (see Box 4.4).

The emphasis that Spain placed on Latin America had a price; during the reorganization of the Commission, a Spanish official, Juan Prat, was given the job of coordinating relations with Latin America, Asia and the Mediterranean countries, but in the corridors of Berlaymount the president of the Commission Jacques Delors said, 'Prat's post is costly'. To gain this post, Spain lost other 'good positions' (*El País* 7/3/1990). However, Spain's interest in bringing Latin America closer to the European Community, according to the president of Spain at the time, was a product of national interests rather than moral reasons (*El País* 22/11/1985). It is not clear if Spain's position was taken because Spain wanted to become more important and more powerful within the EU by having strong connections with Latin America or whether Spain was trying to gain the benefits of having connections in Latin America by securing the support of the European Community.

Box 4.4 Final Act Declaration by the Kingdom of Spain on Latin America

In order to avoid sudden disturbances in its imports originating in Latin America, Spain has highlighted in the negotiations the problems which arise from the application of the 'acquis communautaire' to certain products. Partial and temporary solutions have been adopted for tobacco, cocoa and coffee.

Spain, in accordance with the principles and criteria set out in the joint declaration adopted by the Conference on Latin America, proposes finding permanent solutions in the context of the generalized system preferences, when next revised, or of other mechanisms existing within the Community.

Source: EEC (1985).

The declaration on EU relations with Latin America was a direct result of Spain and Portugal becoming members of the EU. Furthermore, this declaration provoked a series of chain reactions. On 2 December 1986, the commissioner in charge of Latin American affairs suggested to the Council of Ministers that they should improve Europe’s relationship with the region (Grabendorff 1987). In addition to this, a communication from the Commission to the Council on 27 January 1987 relating to the improvement of relations between the EU and Latin America was officially made. This communication talked of improving relations in the areas of macroeconomics, financial dialogue, and that this should be done by establishing relations with the institutions in charge of them (Blanco Garriga 1992). The fact that the intention was to begin by improving relations at an institutional level shows how little engagement there was in terms of developing long-term policies and strategies. The establishment of a dialogue at an economic level tends to be the first dialogue between two regions. That it was absent shows that there was a lack of dialogue in relation to political matters. The Luxembourg European Council in June 1987 approved a document that contained new guidelines for EU–Latin American relations (Blanco Garriga 1992; Gomez Saraiva 2004). It also encouraged further integration between the regions (Gomez Saraiva 2004).

The membership of Spain and Portugal is a crucial point, a critical juncture in the relations between the EU and Latin America. It could be argued that this historical moment created a sort of ‘bottom-up’ movement (see Figure 4.1). With the declaration, the EU proved that it intended to improve relations with Latin America. It is also clear that Spain expected to develop a greater degree of commitment, which in reality developed at such a slow speed that it often appears that the words were just pure rhetoric. This critical juncture also affected other EU external relations. Spain and Portugal, which were now members of the EU, could influence the future of the ACP by trying to favour Latin America over the latter, provoking a diversification of the EU resources. A path had been created and it would affect future negotiations of aid and GSP; Spain and Portugal would

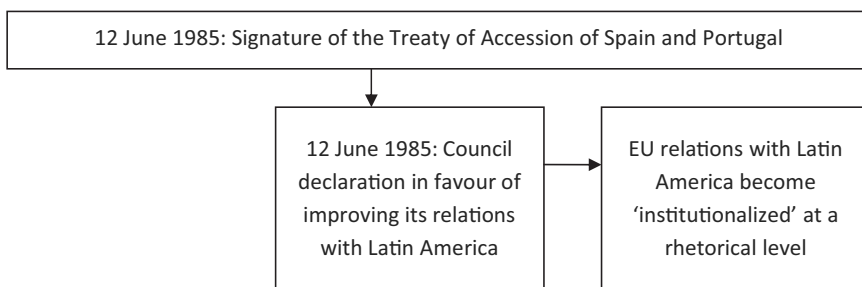


Figure 4.1 Spain and Portugal’s EU membership: bottom-up outcome

ask the EU to be more generous in terms of resources given to Latin America. This was very prominent in the Spanish media. For example, a month before Spain joined the EU, the Spanish president commented that the possibility of increasing collaboration between Latin America and Europe was linked to the relationship between Spain and Latin America (*El País* 22/11/1985). The media also pointed out views from Latin America in relation to the Iberian countries becoming members of the EU. For example, the president of the Chamber of Commerce of Bogota, Mario Suarez Melo, considered Spain and Portugal to be two advocates for Latin America at the EU, which would enable Latin America to gain better treatment from the EU (*El País* 1/11/1985). Within the EU there were also statements recognizing this critical juncture. Cheysson, the commissioner at that time, recognized that the membership of Spain and Portugal would increase the possibilities of intensifying the relations between the EU and Latin America (*El País* 23/6/1987). Furthermore, Helmut Kohl, the chancellor of West Germany, days before the accession of Spain to the EU, mentioned that Spain could be 'an intermediary of exceptional category between Europe and Latin America' (*El País* 28/12/1985).

There was, however, a major impediment to this bottom-up relationship – the lack of interest from the EU. The president of the Institute of Ibero-American Cooperation, Luis Yanez, was worried about the lack of interest the EU showed towards Latin America and the possibility that the EU would not want to give all that attention to Spain (*El País* 23/11/1985). Kramer (1980), for example, discusses the deep effects that Spain and Portugal had on other less developed countries that are not members of the EU and, in particular, the impact on EU development policy of the amount of money that would be transferred to the new members. However, Kramer's work was published so early that it was more predictive than factual. The existing literature is also ambiguous in relation to the effect of the Iberian membership for Latin America. Previous studies do, however, recognize that the Iberian membership did open a path but, initially in terms of trade, it had a negative impact on Latin America. For example, Wiarda contends:

There is still some possibility that the world's most powerful economic bloc (the EEC) and the world's most dynamic developing region (Latin America) will work out new arrangements or, alternatively, that Spain's historic and recently expanding ties with Latin America will enable Spain to act as a bridge between the EEC and Latin America. But at this point it seems likely that the enlargement of the EEC will prove detrimental to Latin America. (Wiarda 1989: 201)

The lack of interest in that region, and the EU's interest in other regions, such as those who were part of the Lome Convention, brought about a 'top-down' movement at the time of the Iberian membership. The lack of interest must be linked to the low EU ambition and commitment, which

shows a low EU engagement with Mercosur countries. In relation to ambition, the 12 June Council declaration in favour of improving its relations with Latin America shows a very low ambition, as it was vague and imprecise. In relation to commitment, these are no more than declarations of intent with the membership.

Figure 4.2 outlines this top-down movement in terms of trade. It shows that there are different elements to this top-down process. First is the EU External Common Tariff for the rest of the world, which means that trade with ACP countries (the former Lome group) is at a preferential rate and that Spain and Portugal would stop preferential trade with Latin America. The other effect would be related to the diversification of Spanish and Portuguese trade towards the EU.

Trade with ACP countries meant the acceptance that the: ‘preferential EC tariffs granted to Third World countries and especially those granted to the African, Caribbean and Pacific countries under the Lome Convention and to the Mediterranean countries under cooperation agreements, were to apply from accession except for certain temporarily exempt products’ (Nicholson and East 1987: 232). More specifically, ‘Typical tropical products (coffee, tea, cocoa, spices) will benefit from enlargement in that the

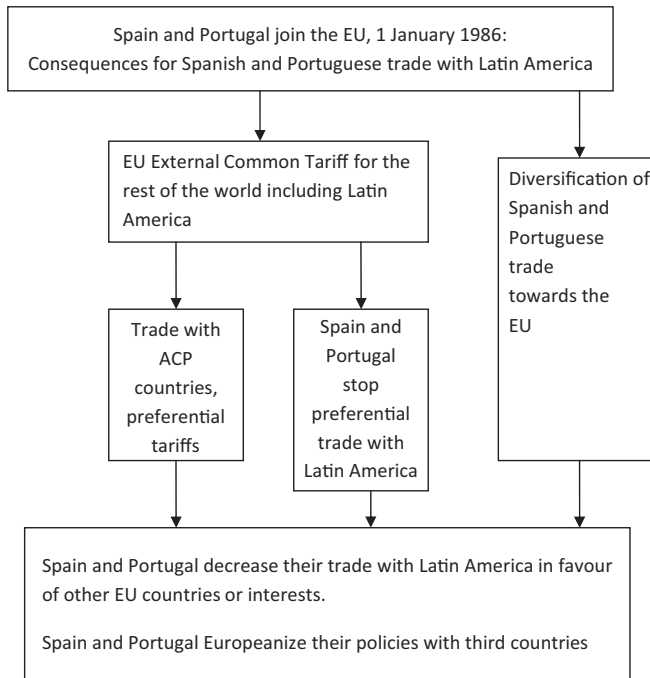


Figure 4.2 Spain and Portugal’s EU membership: ‘top-down’ in relation to trade

three applicant states still levy duties on them, and these will be abolished' (Von der Groeben 1979: 90).

Cocoa and coffee are very important products for Latin America in terms of trade. This change affected Latin America negatively due to the lack of protection these products were given compared with the ACP countries; this is one of the few third world areas that was not protected and one where Spanish products would partly substitute for Latin American products (Wiarda 1989: 201). Essentially, trade with the ACP countries had a negative impact on Latin American interests since they enjoyed a better trade agreement with the EU now that Spain and Portugal were members. The ACP countries are not the only countries that have some trade protection. It seems that Latin America is one of the few areas not protected. More specifically, Spanish imports of tropical products were bought from the ACP countries instead of Latin America because of the preferential agreements (Baklanoff 2001).

The EU External Common Tariff meant that the import of industrial goods from third world countries would be reduced by Spain and Portugal over the course of a seven-year period (Heywood 1995: 270). The new members also had to accept new commercial policies which had a negative impact on exports to Spain from Latin America (Baklanoff 2001). It also seems that the Iberian membership impacted on sensitive products for Latin America in that those products, which Latin America had exported to the EU, would now be provided to the EU by the new members. Von der Groeben writes, 'The Community has reduced or frozen its offers with regard to sensitive products, and there are precisely products where capacity in the Community of Twelve would be appreciably increased as a result of accession. This would further reduce the chances of improving the system of preferences' (Von der Groeben 1979: 90). The decision of the Council of Ministers that Spain had to remove all trade agreements with third world countries, including Latin America, was key (Baklanoff 2001).

To some extent Spain and Portugal would end up buying from the EU agricultural products that Spain would otherwise have bought from Latin America. This was due to the CAP, which made goods such as cereals cheaper than those from South America (Baklanoff 2001). Over time this change has been dramatic. Baklanoff argues that 'Spain's import share from the region collapsed; falling from over 11% in 1985, on the eve of its accession to the EU, to 4.4% in 1999' (Baklanoff 2001: 114). However, it should not be forgotten in comparative terms that neither Spain, Portugal nor the EU had massive levels of trade with Latin America. In fact, in 1985, Spain's trade turnover with Portugal was higher than its trade with Latin America (Baklanoff 2001). Without denying the existence of this 'top-down' movement in relation to trade, its impact should not be overestimated and an examination of other parts of the top-down process is required

before we can evaluate the full extent of the degree of the top-down movement.

Top-down in relation to aid

The existing literature discusses how much money would be added to the development budget following the Iberian membership. Kramer examines the opposite possibility but dismisses it:

It is sometimes feared that the total flows of development aid given by the EEC Member States will stagnate or even decrease. This could happen if the nine old EC countries regarded the net financial flows from the old Community towards the three new members as a form of development aid or at least as payments which could be counted in this category. Such view cannot be regarded as totally unfounded as at least Greece and Spain are still frequently treated as developing countries and Portugal with regard to per capita income ranges behind several other countries which are without question among the LDCs. (Kramer 1980: 96)

More importantly for this section, the existing literature also considers where this money is going to be spent. Kramer argues that:

This concerns the financial means of the European Development Fund (EDF). The sum to be distributed to the ACP states is laid down in the Agreement of Lome, and the share of the different Member States has been fixed by an internal agreement. It seems politically impossible that the EDF could be reduced on account of an enlargement of the Community. Rather, the increase of the number of Member States will be accompanied by an increase of the EDF, although the contribution of the new Members States might not be very big. (Kramer 1980: 96)

In fact, Kramer discusses how, although this aid might be small, the real effect is not going to be on the ACP countries which will continue to receive their share of the budget. Kramer contends that the real impact will be in other areas, for example where financial aid goes to Latin America (Kramer 1980: 96). Crucially, Kramer points out the idea of Spain reducing its aid to Latin America as a consequence of its contribution to the EDF, only to reject it because:

More likely is, however, that Spain (and for that matter Portugal) instead of reducing aid to Latin American countries will, on the contrary, try to increase it by way of reorientation of the Community, changing its interest from the heavy preoccupation with Africa a little towards more cooperation with South America. (Kramer 1980: 100)

According to Kramer, this would follow from the history of development aid in the EU in a way that is similar to what has happened with France and the UK in terms of their former colonies.

Top-down political relations

It appears that there have not been major top-down flows in political relations in terms of the development of policy towards Latin America. In fact, it can be said that the political part of the European foreign policy was not very advanced in the 1980s. Therefore the Spanish concessions were related to other areas and one-off events, such as the recognition of Israel (Heywood 1995: 270). It is difficult to say precisely how significant top-down relations were in terms of the Iberian membership, to the point that it is difficult to confirm whether the membership of Spain and Portugal was at this point good or bad for Latin America. This could be justified in relation to the weak position of the Iberian countries in their negotiations, and their strong desire to become members of the EU at any price. However, once they were inside the EU, the pro-Latin American policy increased. This is why the declaration added to the Treaty of Membership is so significant. The critical juncture was 12 June 1985 when it was signed, not so much for the instant changes that this would produce but what would happen in the long term, following the path that this created. It seems, as Wiarda explains, that Spain was not in an easy position when trying to explain its special relationship with Latin America:

The EEC has said that Spain failed to specify how its special relationship with Latin America will affect its relations with the European Community. The EEC insists that Spain, as a condition of its membership, define the nature of its relations with Latin America and also agree to accept the 'commitments' made by the EEC with the southern Mediterranean nations and with the ACP countries, that are signatories to the Lome treaty. The Europeans are concerned that will all its special Latin American relationships Spain may try to bring in its EEC wake a string of 'miniLomes'. (Wiarda 1989: 200–201)

Therefore, it seems that the EU was constrained somehow by the fear of 'mini-Lomes' and the Iberian membership could have been jeopardized (again) because of this, as well as not forgetting just how important agricultural issues were during these negotiations.

This section has shown how there has been both a top-down and a bottom-up process with the Spanish membership, and a low ambition and commitment which implies a low engagement at that specific point. As has been mentioned, it does not mean events that happened in the past affect the future, and this is the perfect example of how an event did not lay the basis for big and immediate changes, but for later and more moderate ones.

EU engagement with Mercosur

In order to assess the level of ambition at the different stages, it is necessary to contrast the presence of: offers of negotiation mandates or agreements, EU official policy pronouncements, promises to Mercosur, plans for a

potential relationship. In relation to ambition the different levels are shown in Figure 4.3.

The level of ambition is low as a consequence of three decades of complete ignorance of the economics and politics of Mercosur countries by the EU. The EU could not develop an ambitious agenda until it had a minimum of knowledge about Mercosur countries, which developed over time, and specifically after the membership of Spain and Portugal. Figure 4.4 shows that the level of commitment at this stage was low as well since nothing was officially agreed between the EU and Mercosur countries.

The EU's level of engagement with Mercosur countries was at its lowest point since all the talks were informal and under the umbrella of the EU–Rio Group annual meetings. The EU did not sign any agreement at this stage with Mercosur itself, or even with the Mercosur countries. As Table 4.2 shows, after measuring the dependent variable, this stage of the policy should be placed at the low/low point of the spectrum.

Although it is clear that there is low ambition and commitment, this should not be confused with ‘none’, since that would mean there is no involvement. If there is no involvement, there is no policy. To say that there is low involvement does not mean that this is the least important stage of

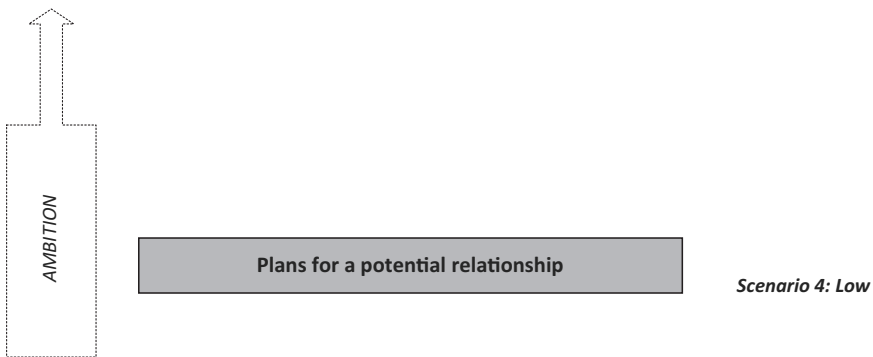


Figure 4.3 Level of ambition: first stage

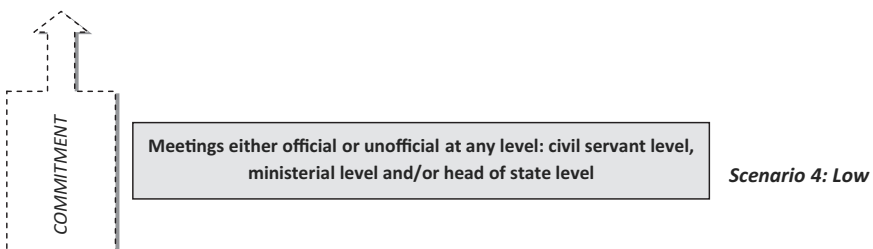


Figure 4.4 Level of commitment: first stage

Table 4.2 Measurement of the dependent variable, engagement: first stage

		<i>Ambition</i>				
		<i>Top</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>	<i>None</i>
<i>Commitment</i>	<i>Top</i>					
	<i>High</i>					
	<i>Medium</i>					
	<i>Low</i>				First stage: low/low	
	<i>None</i>					

the policy since, thanks to the membership of Spain and Portugal, it provoked a historic moment in EU policy towards Mercosur.

As the introduction to this chapter outlined, the explanations provided in the existing literature for EU–Mercosur relations during this period are almost non-existent. By assessing if the expectations established in Chapter 2 for each argument became a reality or not at this stage, we can uncover the real explanatory potential of each explanation.

Counterbalancing the US

The first explanation given in the literature relates to the US and the EU's aim to counterbalance the power and influence of the US. Here it is expected that the EU would become increasingly involved in Latin America if the US was to increase its own involvement in the region. At this stage of the policy, the EU did, very slowly, increase its involvement in Latin America. The US also continued its involvement in Latin America in different areas, such as external debt. Moreover, in 1988, the first talks regarding the creation of the FTAA also took place. However, to suggest that the EU was trying to counterbalance the US at this stage is an exaggeration. In fact, it seems that the US was influencing Europe at this point. For example, it has already been shown that the US was very keen on the Iberian membership, and this is supported by the fact that the US transferred funds to European parties (Wiarda 1989: 194). Wiarda goes as far as suggesting that the Iberian membership was used to secure political changes such as democracy at the domestic level in the Iberian countries. This shows the influence of the US at that time in Europe, never mind in its own backyard. Therefore the expectation that the EU would look to counterbalance the US is not applicable at this stage of EU–Mercosur relations.

Global aspirations

The global aspirations of the EU as an explanation for the EU's involvement in Latin America also fail to provide a satisfactory explanation of EU–Mercosur relations at this stage. These arguments would expect there to be an increase in EU involvement in Latin America if there was an increase in the EU's involvement in other regions. This, however, was not the case because the EU continued its high involvement in the ACP countries and, more importantly, from 1989, the priority for EU external relations for the next fifteen years was its policy towards Central and Eastern European countries.

External federator

With regard to the role of the EU as a promoter of regional integration abroad, it can be acknowledged that at this stage the expectations proved to be true. It was expected that if Latin America became more integrated, the EU would increase its involvement in the area. Mercosur countries started an integration process in 1985 and from this moment the EU started to increase its involvement in this area. It could also be argued that the EU was impressed by the integration movement in this region, particularly the decision to develop a more open market economy.

Affinity

It also seems that the proposal that an increase in shared values between the regions explains an increase in the EU's involvement does not fit at this stage. At this point, the EU shared more political, economic and cultural values with Latin America than with most of the regions in Asia and Africa. For example, the EU and Latin America share languages, religion and similar political systems. This is due to the large influence of Spain and Portugal over the course of three centuries, and even during the twentieth century. Franco in Spain and Salazar in Portugal were seen as examples of authoritarian regimes for Brazil, Chile, Argentina and Uruguay, which were, at the same time, capable of developing the economy in these countries without necessarily creating a degree of political openness (Wiarda 1989). Wiarda argues that 'Those who lived and worked in Spain and Portugal during the early 1970s were witness to a virtually continuous parade of Latin American heads of state, military officers, and civilian technocrats all eager to learn the Spanish system' (Wiarda 1989: 311). This is not to suggest that the whole of the EU shares dictatorships as a common value with Latin America, but that Latin American countries have continued to develop similar economic and political systems to those in Europe due to the influence of European countries in the Americas for centuries.

Interdependence

The argument based on the complex interdependence of development between both regions is also not applicable in terms of explaining EU–Latin American relations at this stage. This argument would expect the EU to increase its involvement in Latin America if there was an increase in the EU's investment in terms of trade between the EU and Latin America. As this chapter has already shown, the latter's investment in trade did not increase significantly at this time. For Latin America, trade with the EU is important, even if it is not important for the EU: EU trade with Latin America accounts for less than 2% of EU trade.

Iberian influence in the EU

Finally, the EU membership of Spain and Portugal has clearly been an important moment for the EU's relations with Latin America. It would be expected that the EU would increase its involvement in Latin America if Spain and Portugal's influence increased in the EU. In the discussion above, it has already been shown that this was very much the case. Therefore, this argument can indeed be applied in attempts to explain the development of the EU's involvement in Latin America.

This chapter has analysed in detail the historical moment of the membership of Spain and Portugal. It could be said that 'history matters' on this occasion and that the path created by Spain and Portugal, with their emphasis on Latin America, has been followed to some extent. The path dependence in relation to EU policies towards Latin America was also crucial over time, as will be seen in the future. The involvement of the EU in Mercosur will never be as low as it was before the Iberian membership, as will be shown in the following empirical chapters. The main characteristic of the institutionalization of EU policy towards Latin America is that it did not produce profound changes at once, but over time they became more obvious. However, due to the slow speed and power of the Europeanization process, this event alone was not sufficient for the development of an EU policy towards Mercosur. As the central argument of this monograph claims, the proactive behaviour of Mercosur countries was crucial for the development of any policy towards Latin America.

In essence, it could be argued that there has been a degree of Europeanization, with the EU slightly uploading Iberian policies to Latin America. As was explained in Chapter 2, following Reuben Wong (2008), there are several indicators that help to discuss the concept of Europeanization. In the case of the EU downloading policies, 'Internationalization of EU members and its integration process' (Wong 2008: 323) is the most relevant for this study. Spain and Portugal had to give up several agreements with Latin American countries that gave preferential treatment to Latin American products because of the common external tariff. Also, it seems that Spain

and Portugal had to accept the distribution of EU aid in a way that did not favour Latin American countries, which initially met resistance from Spain. In the case of the EU uploading policies, the 'Externalization of national foreign policies positions onto the EU level' is the crucial one. Spain and Portugal tried very hard to achieve foreign policy positions towards Latin America at the EU level, as the documents of 12 June 1985 show. They only had limited success.

As this chapter has shown, there is evidence that the changes in EU behaviour towards Mercosur were due to the Iberian countries' accession to the EU. In fact, the central argument of this monograph maintains that the EU developed a policy towards Mercosur thanks to the Iberian interests in the region, although it was not sufficient on its own – Mercosur's proactive behaviour was crucial. The EU locked in the development of a policy towards Mercosur after the Iberian membership. The path-dependence created was followed until the end of the period of time studied here.

The relation between the competing arguments for EU involvement in Mercosur can be seen in Table 4.3 by looking at the value of the independent variables and subsequently the expectation. The value assigned to each argument at this stage makes it easy to see if the argument was met/confronted. It is clear that only in two cases do the competing arguments meet the measure assigned at this stage of the policy.

Conclusion

This chapter has explained the developments in relations between the EU and Mercosur at the first stage of the policy. The central point is that the inclusion of the Iberian countries in the EU was extremely important for both this stage of the policy and the central argument of this monograph.

In addition, this chapter has explained that the first stage of policy development between the EU and Mercosur was not institutionalized. It has explained that at this stage different steps were taken in order to develop higher levels of interaction between the two regions. The desire to do so came from both sides of the Atlantic. On one side, the EU, influenced by Spain and Portugal, which were now members of the EU, took the first steps towards increasing its involvement in Latin America. On the other side, the creation of different groups in Latin America – for example, the Contadora Group, followed by the Rio Group – influenced the level of dialogue between the EU and Latin America. Mercosur countries were a key part of the Rio Group from its creation in 1986. Dialogue with the EU started the following year, becoming institutionalized in 1990, after Latin America demanded a greater degree of commitment from the EU.

This chapter has discussed broadly the level of Europeanization from two points of view, from an 'adaptation and policy' view and from a

Table 4.3 Competing arguments and the independent variables: first stage

<i>Independent variable</i>	<i>Expectation</i>	<i>Independent variable value</i>	<i>Expectation value</i>	<i>Met/ confronted</i>
Counterbalancing the US	If the US increases its involvement in LA, the EU should increase its involvement. $\uparrow\text{US} = \uparrow\text{EU in LA}$	None	None	No
Global aspirations	If the EU increases its presence in international affairs, the EU's involvement in LA should also increase. $\uparrow\text{EU in the world} = \uparrow\text{EU in LA}$	None	None	No
External federator	If LA becomes more integrated, the EU will increase its relations with LA. $\uparrow\text{LA integration} = \uparrow\text{EU in LA}$	Low	Low	Yes
Affinity	An increase of shared values between the regions should develop EU policy. $\uparrow\text{LA shared values} = \uparrow\text{EU in LA}$	High	High	No
Interdependence	If trade and investment between the EU and LA increase, EU policy should also increase. $\uparrow\text{LA trade} = \uparrow\text{EU in LA}$	Low	Low	Yes
Iberia	If the influence of Spain and Portugal increase within the EU, then the EU's involvement in LA should increase. $\uparrow\text{SP} + \text{PT influence} = \uparrow\text{EU in LA}$	Top	Top	No

Notes: LA = Latin America; PT = Portugal; SP = Spain.

‘national projection’ view. The historical event of the inclusion of the Iberian countries in the EU has been the starting point of the discussion since it started a path that has been followed by the subsequent development of EU policy towards Mercosur. This chapter has shown how, although Iberian countries were not in a strong position to defend their interest in Latin America – which meant the acceptance of the EU way of dealing with Latin America – they did manage to sow the seeds for a future blossoming of EU–Mercosur relations. Through the work of Pierson (2000) and Sewell (1996) this chapter has discussed the path created, and through the work of Reuben Wong (2008) the discussion continued on Europeanization. This discussion has explained how Europeanization is directly linked to historical institutionalism since the EU institutions are the ones that matter in this case; therefore, the discussion of path dependence fits here.

After discussing to what extent the EU had uploaded and downloaded its policies, this chapter has explained the low engagement shown in the EU policy towards Mercosur due to the low levels of ambition and commitment. In terms of ambition, there were some moves towards the development of new guidelines. The joint declaration of the EU and the Iberian countries independent from the Treaty of Accession – as Spain and Portugal wanted – from a legal standpoint, shows a low level of ambition too. The meetings of the EU with the Rio Group after the San José process are evidence of low but existent commitment, which should not be confused with an absence of commitment. The level of aid distributed is another example of the level of commitment. The final assessment of engagement is ‘low’.