

Spain, the European Union and Latin America: Governance and Identity in the Making of 'New' Inter-Regionalism (WP)

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Contemporary forms of European inter-regionalist relations with developing countries have their origins in the 1970s. The emergence of the so-called 'new regionalism' in the 1990s in response to the transformation of the global order contributed in turn to a transformation of inter-regionalism. Hanggi (2000) argues that, far from being superseded by new regionalism, multi-layered inter-regional arrangements should be understood as its corollary. Nevertheless, the 'new' inter-regionalism has so far gone relatively unexamined. For the European Union (EU), 'new' inter-regionalism provides the opportunity to strengthen political and economic ties beyond Europe, to counter US hegemony and to promote a distinctively European mode of governance for the developing world. The different sub-regions of Latin America (Central America, the Andean countries and the Southern Cone) and some of the larger countries themselves such as Mexico, constituted a traditional terrain for European inter-regionalism, as a number of important European diplomatic, political, peace-building and developmental initiatives show. Not surprisingly, then, they are now becoming an important space for the building of 'new' inter-regionalism. The emergence of the Common Market of the South (MERCOSUR), grouping together the Southern Cone countries of Brazil, Argentina, Paraguay and Uruguay, with Bolivia and Chile enjoying associate status, in particular, has opened fresh possibilities for inter-regional collaboration. The EU has singled out the Southern Cone for a novel form of co-operation, initially outlined in Framework Co-operation documents in 1995 and 1996. The first strand of my argument, then, is that EU-Latin American relations have to be understood primarily as a manifestation of a new form of inter-regionalism that crosses the North-South divide. It takes place within, and constrained by, the global political economy. Moreover, EU-Southern Cone inter-regionalism should be understood as an attempt to a distinctive form of post-Cold War governance. This suggests that the interests of the EU, in the Southern Cone at least, go beyond simply the stabilisation of 'borders and the commercial environment in which it operates' (Forster 2000: 789) suggested by the 'negotiated order' (Smith 1998).

The Framework documents opened a phase of difficult negotiations between the EU and MERCOSUR and Chile and progress was slow. Agreement was always going to be difficult in view of the agricultural protectionism embedded within the EU. It was further hindered by the internal crisis within MERCOSUR provoked by Argentina's precipitous economic collapse in 2001. Nevertheless, considerable expectations were generated within MERCOSUR -and indeed beyond, within European civil society and development groups- that the Madrid summit between Latin American and European Heads of Government scheduled for the end of the Spanish presidency of the EU in June 2002, the second such meeting, would be the opportunity to push the deal significantly forward or even to close it. In view of the evident obstacles to the deal, this optimism demands an explanation.

I suggest that an exploration of the nature of identity claims, within both the Southern Cone and Europe, can furnish at least a part of that explanation. The second part of this paper, then, discusses the place of identity in EU-Southern Cone relations. The importance of identity in explaining EU-Latin American relations has generally been under-stated. Yet Europe and Latin America -especially the Southern Cone- belong in many ways to the same cultural universe (see Rouquie 1989). This is especially marked in so far as the world of political elites is concerned. Moreover, the complex web of identity linkages between Spain, in particular, and Latin America -which mean, in effect that it is impossible to untangle fully EU-Southern Cone inter-regionalism without an analysis of this 'special relationship'- serves as a cement for the relationship between Europe, as a whole, and Latin America. Spanish policy in Latin America has consistently been built on the foundations of identity politics and this has spilled over and reinforced the frame of EU-Latin American relations in general. Nevertheless, interpreting what the Madrid summit means for identity politics in EU/Spanish-Latin American inter-regionalism is not easy. Madrid created expectations and led to social mobilisation that can partly be explained through the concept of identity. But it also points up the limitations of inter-regionalist strategies build on identity politics. I conclude that, for Spain, the Madrid conference put in evidence the difficulty of combining 'Latin-ness' with 'European-ness'. In so far as the EU's relationship with the Southern Cone is concerned, it made plain how deeply European civil society actors, as well as parts of the European political elite, 'identify' the Southern Cone as part of their own cultural, political and moral universe, while at the same time underlining the difficulty of sustaining identity ties between Europe and the Southern Cone in the present global political economy.

The EU and the Southern Cone: Towards 'New' Inter-Regionalism

Despite European colonisation of Latin America, waves of immigration through the late nineteenth and twentieth centuries and cultural and ideological symmetries, formal political ties between Europe and Latin America date only from the 1980s. The Central American wars and the debt crisis, which impact spread across the entire macro-region, contributed to the emergence of a dense network of social and political relations between Europe and Latin America. This was followed by aid programmes and regimes of development co-operation and later, in the 1990s especially, by a strong European investment presence, most notably in the processes of privatisation in the larger Latin American economies. By the millennium, the EU, European states, firms and civil society actors had become established actors in Latin America, with more than twenty years of aid, trade and political ties in the region (Freres 2000). A complex inter-regional relationship, or more properly sets of inter-regional regimes and institutions, had come into being, underpinned by the normative principles of democratisation, respect for human rights and the rule of law (Grugel 1996).

The formal markers of deepening inter-regional relations between Europe and Latin America include the signing of three 'generations' of agreements between the EU and the various Latin American sub-regions (Mexico, Central America, the Andean Group) between the 1980s and the mid 1990s, an official framework for inter-regional political dialogue through the EU-Rio Group dialogue and, since 1999, the creation of a formal regular meeting between EU and Latin America and Caribbean Heads of Government. The EU has used Latin America to demonstrate variously its 'civilian power' status, as a platform of market expansion, and to strengthen its role

as an international actor. At the same time, Latin America has offered European political elites and non-state actors an important terrain on which they have been able to demonstrate their solidarity with democratic movements and their commitment to peace and development. From the perspective of Latin America, relations with Europe were part of the project of peripheral autonomy in the 1980s, giving way in the 1990s to a search for new markets, foreign investment, global insertion and external backing for weak democracies.

By the 1990s, it became clear that the EU's attention was increasingly centred on the larger of the Latin American countries -the Southern Cone states grouped together in MERCOSUR, Mexico and Chile, the latter geographically small but an important exporter to Europe and a significant source of European foreign direct investment-. The so-called Third Generation agreements allowed for an expanded budget for economic cooperation -the fostering of business contacts, technology transfer, co-operation of services, and industrial co-operation- in the larger Latin American economies of the Southern Cone and Mexico, and thus attracted larger budgets. Consequently, more than fifty per cent of the EU funding to Argentina between 1990 and 1998, for example, consisted of forms of economic co-operation that were designed to increase Europe's investment presence there (IDB 2002). Schemes such as the European Community Investment Partners (ECIP), which provides grants and support for European companies setting up joint ventures and AL-INVEST, which promotes direct investment and business contacts by sector, established funds and new policy instruments to deepen the relationship. By 2000, around fifty per cent of all investment in the Southern Cone came from Europe. As a result, the EU's relationship with the Southern Cone came to rest on economic co-operation, investment and business ties as well as political dialogue and support for integration.

EU-Latin American relations were transformed by the post-Cold War bloc-building processes that led the US to strengthen its ties with the Americas and the Pacific and the EU to work out news strategies for dealing with post-communist East and Central Europe. Within Latin America, the post-Cold War agenda stimulated the proliferation of regionalist associations ranging from NAFTA to a series of bilateral trade deals linking the US and Mexican economies in particular with those further south. Although enthusiasm waned in Washington for formal deals Latin America and, officially, the free trade process is on hold, Latin American economies and societies are still moving towards a form of integration in an Americas premised on US leadership. This is held up by financial trends (dollarisation, notably) and the highly aggressive business strategies adopted by US companies in Latin America in the 1990s. Meanwhile, the diplomatic arena created by the Summit of the Americas has served to maintain contact between the US and Latin American governing elites and to provide a space to encourage and support the expansion of US business in the area.

From the perspective of Latin America, faced with the challenge of global integration under conditions of intense competition, regionalism appeared to offer a set of flexible options for dealing with the insecurities and challenges of globalisation. Regionalism became at one and at the same time 'a contingency plan ... [an] intermediary between the global and the national, and ...[a] market strategy' (Phillips 1999: 77). Janus-faced, regionalist deals looked outward to bind Latin American states into formal international agreements and inward to discipline the domestic political economy in a liberal mould. MERCOSUR, however, created in 1991, took a modified approach to open regionalism. Retaining much of the classic defensive customs union, MERCOSUR brought together the Southern Cone states of Brazil, Argentina, Paraguay and Uruguay, in an attempt to control the process of global opening through staggered tariff reductions and the creation of an initially bounded free market. Its origins can be traced back to 1985 and the view by the Argentina and Brazilian governments that democracy would be strengthened, in both countries and in the region more generally, by processes of convergence and co-operation. MERCOSUR was thus marked out by a conscious political, as well as economic, logic in contrast to the market-driven integration process under the aegis of the US. MERCOSUR acted as a 'powerful coordinating mechanism for the member countries in WTO bodies and in discussion on the free trade area of the Americas' (Almeida 2000), and, until the Argentine crisis after 2001 at least, it was able to push the member states towards a gradual lowering of internal tariffs and the creation of a regional market. In other words, it was functioning as a reasonably effective embryonic institution of regional governance (Grugel 2000; Phillips 2001). Such was its initial success that Chile, despite its commitment to global trading, and Bolivia were soon granted associate status. Nevertheless, region-building in the Southern Cone remains weak. It does not draw upon established and strong trade and investment links: all the member states are reliant on investment from outside; MERCOSUR lacks a state with sufficient authority to offer uncontested leadership or provide public goods; and regional institutions are weak. MERCOSUR requires constant presidential attention in order to move forward.

The result, as Almeida (2000: 5) sees it, is that: the key to understanding not only MERCOSUR's place in the political and economical structure of Latin American Southern Cone politics, but also its role in the international relations of the region, is to realise that it is a result of a political decision made at the highest level, which is dependent more upon political will than economic realities.

The relationship between the EU and Latin America, then, must be placed within the context of both 'new regionalism' (Gamble and Payne 1996) and the renewal of inter-regionalist alliances between cores of the global economy and developing areas.

It is important to note that new regionalism has not led to the emergence of tightly policed and bounded blocs. The emergence of forms of new regionalism in Latin America - NAFTA and MERCOSUR - has not replaced older forms of inter-regionalism. Inter-regional relations, in other words, remain a dynamic level of inter-action. Indeed, Hanggi (2000) argues that the intensification of new (open) regionalism with the core centres of production of the global economy (North America, Western Europe and East Asia) has created a need to manage and balance relations between the cores themselves and, therefore, contributed to an intensification of relations between regions.

While interregional relations in the past had been limited to the EU's group-to-group dialogues with other regional organizations, inter-regionalism in the context of 'new regionalism' took different forms of loose, informal and multi-layered arrangements with more diffuse membership (Hanggi 2000: 12).

One of the most important manifestations of new inter-regionalism is the renewed commitment to co-operation between the EU and MERCOSUR. Stimulated in part by fear of exclusion from Latin markets in the wake of US initiatives and in recognition of how regionalism had transformed the political landscape of the Latin America, the EU offered Fourth Generation agreements, initially to the larger Latin countries or blocs. Three 'pillars' of future co-operation, in typical EU parlance, are identified:

1. the institutionalisation of political dialogue;
2. the intensification of cooperation; and
3. the promotion of trade and investment and the reciprocal liberalisation of trade in conformity with the WTO rules.

The first two pillars represent continuity from the previous agreements. The trade issue, however, is something new. The Frameworks also heralded the introduction of wider opportunities for European investment. Potentially, then, the opportunities for greater co-operation are considerable. The fields of agriculture, food, industrial production and customs standards as well as intellectual property, government contracts, environmental protection, science and technology, energy, and information exchange systems are all flagged up. That the new relationships would be qualitatively different from the earlier agreements was signalled by the fact that they would be up-graded to the status of an 'association'.

The EU signed Framework Co-operation Agreements with MERCOSUR in 1995 and Chile in 1996. In broad terms, both Frameworks are the same. The documents promise 'to create an inter-regional association of a political and economic nature based on enhanced political co-operation and progressive reciprocal liberalisation of all trade' (Framework Co-operation Agreement between the EU and MERCOSUR, 1995). They thus echo the Commission's policy for Latin America as a whole which recognises that greater access to European markets is necessary since European protectionism, in finished goods as well as agriculture, has traditionally been the primary obstacle to a more intense and equal economic relationship (European Commission 1996). The biggest obstacles to moving from Framework document to Association status, especially for MERCOSUR, were always going to be how to negotiate market access. Disputes over access to EU markets for the Southern Cone's temperate agricultural exports is problematic because they are bound to compete with the EU's agricultural production protected under the Common Agricultural Policy. It is worthy of note that, even in the Framework Agreements, the EU insisted upon a standard let-out clause; the Frameworks recognise that liberalisation will only proceed with 'due allowance for the sensitivity of certain products' (Framework Co-operation Agreement between the EU and Chile, 1996). Initially, the EU proposed staggering tariff reduction in five stages. This meant that some products would immediately be tariff-free, with remaining goods staggered over four, seven, or ten years and a final category where the time frame was not determined. Many goods were still to be subject to quotas or specific side-agreements. Little wonder that a report by the Interamerican Development Bank (IDB) called it a 'modest' offer (IDB 2001: x). MERCOSUR, meanwhile, has consistently found it difficult to insist on the talks on liberalisation of the European market in agriculture since the EU will only accept discussion of agriculture in a multilateral framework of WTO-led negotiations. Because of its established position in MERCOSUR markets, moreover, the EU has been able to avoid having to offer 'asymmetrical tariff reciprocity', which would have been in the interests of the Southern Cone, as it did with its agreement with Mexico and South Africa. At the same time there is, as yet, no sense that MERCOSUR is necessarily going to be much more successful in pushing for the removal of discriminatory legislation such as phytosanitary measures in the EU which effectively operates as non-tariff barriers to Latin American agricultural exports.

The Framework documents are also an indication of the importance of business co-operation, already flagged up through ECIP and AL-INVEST. This figures far more prominently than in previous agreements. The Framework agreements require government and public procurement contracting to be open and transparent. The possibility of annual consultations about public contracts was raised, signalling the importance the EU assigns to this issue. Indeed, it is hardly an exaggeration to say that the opportunity to expand investment in the Southern Cone represents the principal economic draw for the EU. Finally, in so far as the political and social aspects of the Frameworks are concerned, they mandate consultation with civil society groups, as well as the formal institutional channels of government, and emphasise the importance of political dialogue between governments, parliaments and civil society actors, respect for human rights and the importance of democracy.

The Framework Agreements as Instruments of Governance

Progress on the Framework Agreements was held up initially by concerns within Europe about the costs of opening markets. A mandate for negotiation was only approved by the European Council in 1999. As a result, serious debate on tariff barriers only began in 2001. Since then, negotiations have been delayed by a range of trade-related issues, including agricultural protection, uncertainty as to the future of a WTO-led global round of trade negotiations and divergent interests within MERCOSUR which have meant that the member states have been unable to agree upon common proposals to put to the EU. Nevertheless, what is important about the Framework Agreements is that they reveal both the kind of development and the model of co-operation envisaged by the EU for Latin America. As such, they are instruments of governance and tools through which the EU contributes to the regulation of the Southern Cone. This challenges the idea that the EU external action can be explained simply through the notion that it is a conservative external political actor, as public policy approaches to EU external policy making assume (Forster 2000). This argument assumes that the EU is severely constrained in its relations with other regional bodies by the policy making difficulties that are inherent within the EU. In the Framework documents for the co-operation with the Southern Cone, however, there is a clear attempt at moving beyond simply guaranteeing stable commercial relations for the EU towards outlining a project of order and development through institutionalised market governance, described aptly by Phillips (2001) as 'the notion in Latin America (and particularly in South America) of a basic market vision "softened" by government action in a variety of policy areas'.

The governance project embodied in the Framework documents is as yet embryonic. Much is

yet to be worked out. Moreover, it combines potentially contradictory elements. For the project of institutionalised market governance, especially when it is embedded in discourses of democratisation and the rule of law, actually brings together two competing agendas, one of which could be termed 'governance with a human face' and the other 'disciplinary governance'.

The 'governance with a human face' agenda can be summed up as a combination of support for the processes of economic transformation and state minimisation in the Southern Cone that insertion in the contemporary global political economy demands within the context of the introduction of key elements of reform that addressing issues of social inequity -the introduction of anti-poverty strategies for example-. At the same time, the EU applauds -and its policies underpin- strategies of sub-regional integration which are perceived as a way of managing social and political conflict and a device for spreading the cost of regional public goods. The EU takes a long-established view that development and democracy require some minimum level of social and political reform and its policies are based on a recognition of cultural pluralism and a culture of rights. It endorses the view that markets should be socially embedded and requires state regulation. The EU is committed to the principle of political sovereignty for the developing world. State-to-state or inter-regional negotiations are viewed as institutional mechanisms that support, not undermine, sovereignty.

'Governance with a human face' typified EU interventions in Latin America in the 1980s, through for example conflict negotiations and peace-building initiatives in Central America. 'Disciplinary governance', in contrast, emphasises the importance of market-led development, the inevitability of globalisation as a factor forcing economic homogeneity on the developing world and accepts North-South stratification. The role of co-operation in this context is to force insertion into this stratified global political economy.

The Framework documents between the EU and the Southern Cone contain clear elements of both agendas. 'Governance with a human face' is apparently uppermost. The three pillar approach consciously distinguishes EU approaches from the purely trade and investment approach to regionalism typical of the US. According to the World Bank, the EU-MERCOSUR/Chile agreements are 'part of a comprehensive approach aiming at sustainable development, macro-economic stability, poverty alleviation and the consolidation of democracy and good governance'. Key elements of the Framework agreements include European backing for integration in the Southern Cone and a view that measures of economic co-operation (business promotion, investment regimes, trade etc.) should be contained within an overall model of social welfare. So, for example, the European Economic and Social Council of the EU praises the Framework agreement, concluding that claims that the European approach to economic co-operation 'must be based on sharing the core values of the European Union, especially the concept of the European social model, which combines free market aspects with social dialogue and public participation through civil society and is of more ambitious scope than simple trade agreements' (ECS 2002). Moreover, the Agreements promise regular political dialogue and measures to support the deepening of democracy. They aim to strengthen inter-regionalism across a variety of fronts. Attention is balanced, discursively at least, between political and economic elements of the relationship. This was reflected in the declaration by the EU and Chile that followed the signing of Association status in Madrid in June 2002. Despite the fact that the most innovative features of the agreement lie in the areas of trade and investment, the document re-asserted commitments to democracy, human rights and the rule of law; the importance of co-ordinating common positions in international fora; the centrality of political dialogue and the institutionalisation of relations between the Chilean National Congress and the European Parliament; and the process of consultation with civil society organisations.

But the question to be asked is how far Framework Agreements that are cemented through liberalised trade and opening investment opportunities constitute an appropriate vehicle for the promotion of humane governance. Can the commitment to social justice and development adequately be balanced in an agreement that also pushes forward a development model of marketisation and reflects a search for investment terrain and new markets? Straddling the EU's 'traditional' agenda alongside demands for marketisation, trade and investment is certainly proving difficult. European civil society groups are unsure of how far to endorse the agreements. And the Agreements have also provoked debate within the more traditional representatives of the European left. So, for example, at the EU-Latin American and Caribbean Summit in Madrid, Romano Prodi, the President of the Commission, claimed that the Agreements must 'be of benefit to everyone' and argued that they would help ensure that 'the weak [do] not pay the price of globalisation' (EFE press release 17/May/2002). The Spanish Socialist Party, itself one of the architects of the bi-regional relationship in the 1980s and 1990s, has more recently distanced itself from the Framework agreements, arguing that they are moving too far towards prioritising investment opportunities. The leader of the Spanish Socialist Party, Jose Luis Zapatero, claimed that the agreements 'invested more trust in economic forces, in companies and markets, than in politics.

Instead of governing globalisation, we have been governed by it under the auspices of the neoliberal ideology' (Drago and Fraeman 2002).

The European left, broadly understood, thus inclines towards viewing the Agreements, in their present form, ultimately as instruments of disciplinary governance. In the first place, it is argued that they serve to bind the MERCOSUR countries into liberalisation and market opening in a way that is essentially similar to other forms of open regionalism. They uphold MERCOSUR as an institutional support for liberalisation and, in the case of Chile, provide further stimulus to an established open economy. In this sense, the EU could be said to be using leverage gained as a result of its dominant market position in the Southern Cone to ground an established form of asymmetric North-South co-operation in a formal and binding legal framework. Moreover, inter-regionalism in MERCOSUR and the EU is increasingly socially embedded in the EU and MERCOSUR through the development of business fora. Two well-attended EU-MERCOSUR Business Fora have so far been held and feed issues through into the negotiating process. The view that disciplinary governance ultimately triumphs in the agreements is sustained by the role the EU is playing in the Argentine crisis and the fact that it is bringing considerable pressure to bear on the Argentine government to come to terms with the IMF. Indeed the whole future of the Agreements has been linked to the question of economic stability. In sum, then the EU-Southern Cone Agreements are thought to uphold and deepen an asymmetric power relationship and ensure the replication of North-South inequity within the global economy. As such, it is not surprising that all estimates indicate that the material gain from the agreements will primarily accrue to actors within the EU (IRELA 1999; IDB 2002).

In fact, however, the reality is complex. The Framework Agreements contain important elements of both a social democratic approach to governance - 'governance with a human face' - in which political agreement, democratisation, civil society participation, anti-poverty programmes combine with a bounded role for the market, alongside a tendency to push asymmetric power relations and to promote a disciplinary integration of the Southern Cone into the global economy through subordination to European capital. The fact that elements of both modes of governance are reflected in the Framework/Association agreements have contributed to confusion within Europe about their value. European pro-Latin American civil society groups are, on the whole, unsure where they stand. Interpreting the Agreements was the source of considerable debate in Madrid, at the Summit itself and beyond, within the wider discussions among mobilised activist groups.

On the left and within civil society groups, debates on the value and meaning of the Agreements centre largely on notions of identity and, by implication, European responsibility to Latin America. While this is always the case to some extent, it was reinforced by the fact that the Summit was taking place on Spanish-speaking territory, in Madrid. How Europe conceptualises Latin America and views its own relationship with the 'New World' was thus particularly charged. The conflicts between the identity and the governance agendas appeared in more stark relief than would normally be the case. Before examining the events of the Summit itself, therefore, it is worth be sensible now to explore more fully the role of identity politics in EU-Southern Cone politics and the place of Spain in particular in sustaining it.

Spain and Latin America: Identity Politics and the 'Special Relationship'

Understanding Spanish approaches to and understanding of Latin America requires moving beyond tradition approaches to foreign policy which emphasise principally material considerations of a commercial or defensive nature. Cultural relations have received little attention since they are perceived as the 'soft' component of international relations (Serbin 1997: 119). Constructivism suggests that the dominant international relations paradigm, realism, always underplayed the identify component within international relations (Wendt 1999); certainly the changing dynamics within the international order due to the end of bipolarity have brought to the fore the importance of understanding the centrality of history, ethnicity and identity for foreign and national policy making. Brysk, Parsons and Sandholtz (2002), meanwhile, suggest that identity formation draws on and structures itself around familiar objects and situations. This accounts, they suggest, for the pervasiveness of identity politics within situations of colonialism and post-colonialism. Colonial and post-colonial relationships frequently draw on an extended and complex notion of the family as an explanatory and justificatory tool. The family metaphor, over time, structures and shapes how the colonies, as well as the empire, are positioned.

Through the family metaphor, colonies are located 'inside' the imperial nation and thus far beyond the reach of more usual foreign policy principles.

The importance of the family and a sense of common belonging structures EU relations with the Southern Cone (more even than other areas of Latin America) and in particular helps explain the Spanish fixation with the 'representing' Latin America in Europe. According to Serbin (1997: 120).

The 'special relationship' developed in the last two decades between Spain and Latin America might almost be considered a paradigmatic case, the study of which could shed light on the relevance of cultural relations in the international scene and their importance for the rapprochement and deepening of other aspects of international relations, on their articulation with specific ethnic and national references in the perception of elites associated with the formulation and implementation of foreign policies and on their utilisation by national actors in the context of today's complex international dynamic.

The importance of the Latin 'family', then, has come to form a central part of Spanish national identity and has shaped perceptions of how Spain fits in the world. The significance of Latin America grew as Spain declined in the nineteenth century. The notion of the Latin family gave way to 'hispanidad', the idea that of a coherent Spanish-speaking world universe, culturally distinct from and morally superior to, the Anglo-Saxon world. Francoism, especially in its early years, relied heavily on a discourse of 'hispanidad', with Spain as the Madre Patria, and assumed 'the pre-eminence of Spain [reflected] in its vanguard role in the process of achieving the common destiny of the Hispanic peoples' (Gomez-Escalonilla 1992: 8). But the notion travelled badly into Spain's post-democratisation politics. In the immediate period of the Spanish transition, the notion that culture provided a link between Spain and Latin America was fatally associated with Falangism and Francoism. The idea that a link existed went unquestioned, however, and alternative images (the 'bridge' or the 'echo', for example) were sought. New policies were also designed to modernise the relationship and to give it a more policy-oriented underpinning. In particular, support for democratisation, the promotion of human rights and the search for new economic ties, including the mobilisation of private sector investment alongside public funds, came gradually to replace culture as the cornerstones of Spain's Latin American policies in the 1980s. But the notion of belonging to some familial relationship has never quite gone away and it resurfaces continually when Spanish people speak of Latin America. As one executive of the Spanish telephone company, explaining the investment programme in Latin America in the 1990s, noted: 'For any Spaniard, Latin America is the prolongation of our land' (Baklanoff 1996: 117).

There were two persistent problems for post-democratisation Spanish governments in terms of their Latin American policies, namely (a) what to do vis à vis Latin America in view of its declining economic significance within Spain (between 1980s and 1986 the value of Spanish-Latin American trade fell by a third and by 1986 Latin America represented only 3.6 per cent of Spanish exports and 2.6 per cent of its imports) and indeed the global political economy, alongside its cyclical political and developmental crises; and (b) how to 'fit' Latin America into an overall foreign policy strategy dominated by multilateralism, Atlanticism and Europeanisation. Entering the EU in 1986 inevitably constituted a moment of transformation in the positioning of Latin America within national and foreign policy discourses. Where Latin America was to fit within this new paradigm was a source of debate, within foreign policy making circles and within Spanish society more broadly. The task was to forge an identity that allowed for the articulation of components of both a 'Latin' identity (rooted in the historic encounter between Spain and the Americas and its complex transformation subsequently as

power diffused away from the Spanish crown into the hands of Latin American elites) and a European one. At the same time, Spain saw its mission as pushing Europe towards accepting that a common culture linked it inexorably with Latin America.

Spain and Latin America after 1986: From Identity to Policy

Initially it was hoped that Spain could achieve its aims through the exercising of some kind of leadership on Latin American issues within Europe. As Felipe González put it during his presidency, 'the only role (...) that we can and should play is that of keeping on the European Community's table the enormous importance that political and economic developments in Latin America have for the Community' (González 1989). The presence of Spain and Portugal in the European Community after 1986 undoubtedly contributed to the new phase of EU activism in Latin America. Nevertheless, the difficulties of claiming ownership over Community or EU policies, combined with an acknowledgment that, cultural linkages aside, for most European states interest in Latin America is confined principally to aid issues and is contingent on events within the region and elsewhere, led to the gradual emergence of a new post-democratisation foreign policy for Latin America. Elements of continuity and change from the cultural policies that dominated Spanish discourse before 1982 by no means disappeared. For the Spanish diplomat Juan Antonio March Pujol (1997: 9), 'Spanish policy towards Latin America combined a 'remodelled bilateral relationship' and a new diplomatic framework through the Ibero-American summits with a continued emphasis on the importance of strengthening European-Latin American ties. But a stronger emphasis on underpinning identity politics through economic ties was also in evidence.

As a result, Spain now enjoys close bilateral ties with Latin American countries through linkages in three distinct but over-lapping sets of policy arenas: development aid, investment programmes and diplomatic co-operation. Spain's aid budget expanded throughout the 1990s and more than half is now directed towards Latin America. Aid to Latin America is currently worth around \$1.5 billion annually. State support for private and public investments in Latin America mean that Spanish capital dominate sectors of Latin American industry. Spanish investment was estimated at more than \$40 billion between 1986 and 2000. Spanish capital invested heavily in Latin American privatisation programmes with the result that it dominates telecommunications networks, banking, insurance and airlines, especially in the Southern Cone. Spanish companies are also important in tourism and the hotel industry, which are now strategic sectors of Latin American economies, utilities and energy. This has been accompanied by the establishment in 1991 of a diplomatic initiative, the Ibero-American Summit process which has established a formal heads of government annual meeting between Spain and Portugal and the Latin American countries.

In the 1990s, the Southern Cone became a principal focus of Spanish attention. The large-scale privatisation process begun in Argentina under the Menem government provided a range of unprecedented opportunities for foreign investors and Spanish firms, led by major companies such as Endesa, Iberdrola, Dragados, Repsol, the Telefónica Group, Banco Santander Central Hispano (BSCH) and the Banco Bilbao Vizcaya Argentaria (BBVA), poured in. Later, this extended to Brazil where, for example, BSCH has recently bought the previously state-owned Banespa bank for \$3.6 billion. The scale of the investments in Latin America meant, for example, that in the case of Endesa, Spain's largest electricity company, 44 per cent of its business is now in Latin America. Inevitably, this scale of investment has brought risks. This has become evident with the economic crisis in MERCOSUR that began with the Argentine economic collapse which has clouded Spain's own recent economic performance, as companies with significant exposure in the Southern Cone have dramatically fallen in value. It has been estimated that the devaluation of the Argentine peso in 2001 lost Spanish companies at least \$2,600 million. Spain's two principal banks in the region, BSCH and BBVA, have both announced that they may have to confront at least two years without profit in the region (www.elpais.es/dossiers/Argentina/claves.html).

The significance of the crisis in the Southern Cone for Spanish capital, then, should not be under-estimated. It has contributed, for example, to the climate of uncertainty that has developed, for the first time since the mid-1980s, regarding the future of Spanish investments in the region. Some analysts have gone so far as to predict that Spanish capital will try and unravel its commitment in Latin America and re-concentrate investments within the national economy (see Encarna Perez 'Saneamientos gigantescos' *La Vanguardia* 4/8/2002). But this will prove extraordinarily difficult to carry through. For not only are national markets not sufficiently profitable -accounting for the expansion into Latin America in the first place- but selling up will be a difficult, if not impossible operation to carry through in the short to medium term. For this reason, large Spanish companies have so far opted to try and calm markets and to insist that they are prepared to weather the storm. Emilio Botín, President of BSCH, for example, has insisted that BSCH has no intentions of withdrawing from MERCOSUR countries and expressly declared his confidence in the Brazilian economy, independent of the results of the October 2002 presidential elections where the left-wing candidate, Luiz Inacio da Silva ('Lula'), is expected to win (*La Vanguardia* 23/8/2002).

Behind the political and economic offensive in Latin America was a mix of the logic of the family coupled with material interest. This was nicely captured by Miguel Moltó, the director of the European Commission's representative office in Madrid. When explaining the influx of Spanish investment in Latin America, he said: 'Spanish multinationals have the lead [in European investment in Latin America] because, apart from the favourable business conditions in Latin America, there are shared historical, cultural and linguistic roots' (www.eurunion.org/magazine/0108/p15.htm). Nevertheless, the nature of the post-1986 policies has not been without controversy and criticism inside Spain. In particular, the increasingly organised development NGOs has criticised aspects of Spain's Latin American policies which they see as motivated by profit rather than solidarity. Criticisms have ranged from the relatively small aid budget compared with support for investment, to the fact that much of it has been concentrated in the larger (and more developed) Latin American countries, disregarding the urgent development needs of small and poorer societies. Some NGOs have also suggested that the Spanish government has assumed development simply to mean integration into the (liberal) global political economy rather than as a holistic process of human realisation. These kind of criticisms are typically part of the civil society response in Europe to European notions of development (Grugel 2000b). What is perhaps more pertinent here is that the crisis in the Southern Cone, and the Spanish government's response to it, also unleashed

criticism from Spanish political elites who had themselves been instrumental in the creation of the framework of Spanish-Latin American relations in the 1980s and 1990s. Ex-President González, for example, criticised the Spanish government for not helping Argentina more in its discussions with the IMF (El País 6/7/2002), while the present leader of the Spanish Socialist José Luis Rodríguez Zapatero, has criticised the 'neoliberal logic' that lies behind Spain's present policies in the Southern Cone (Drago and Fraeman 2002).

In sum, deepening identity linkages between Spain and the EU and Latin America through trade, aid and economic investment, however, has neither been easy nor without controversy. To some extent, the ways in which the economic agenda has developed weakens and conflicts with the notions of 'family' responsibility. At the same time, to suggest that the strong cultural ties that undoubtedly exist between Europe and Latin America should somehow mean that the latter is privileged in terms of development aid or solidarity contradicts the established basis of aid policies. The identity question, to put it bluntly, has only limited policy purchase in Europe.

The Madrid Summit

Disputes about the significance of identity claims for policy making, inside Spain and beyond, coalesced over the Framework Agreements. These disputes intensified with the economic collapse in Argentina. The need to find an appropriate response to the crisis within MERCOSUR thus constituted the background to the Spanish presidency of the EU. The Madrid summit was the second formal meeting between the EU and Latin American Heads of Government and followed on from the Rio summit in 1999. Rio represented an attempt at the creation of a 'biregional constituency' on issues of genuinely global importance - drugs, the environment, security- as well as dealing with purely inter-regional matters such as trade (Crawley 2000). It was an effort to create a Western axis of states that, uniquely, was not dominated by either questions of US power or US-defined notions of security. Despite very evident shared understanding of core global problems, there were few concrete agreements made at the summit. Indeed the decision to launch negotiations with Chile and MERCOSUR was almost the sole concrete achievement to come out of Rio. As a result, then, the credibility of the EU-Latin American Summit process rested to an important degree on the outcome of the negotiation processes that were to culminate in Madrid. While the summit officially had four main themes, then, -democracy and security; multilateralism and integration; social equity and sustainable development; and cultural diversity and modernisation- it was in reality dominated almost exclusively by debates concerning inter-regionalism.

From the perspective of Spain, the aim was to facilitate and showcase an EU deal with both MERCOSUR and Chile, and confirm Spain's own status as vital link within the inter-regional relationship. At the same time, of course, the agreement would satisfy the proponents of closer ties with Latin America and boost and underline the pre-eminent position of Spanish investors within the Southern Cone. Aznar thus hoped to preside over the most significant and tangible symbol of EU commitment to Latin America and expected to gain credit and applause from Spanish and European political and economic elites. At the same time, Spain would bolster its pretensions to leadership with the 'Ibero-American space' constituted by the Ibero-American Summit. Yet, in the event, the Spanish government found itself caught between the need to deliver an agreement and the difficulties of persuading EU member states, the EU Commission and indeed Spanish investors that negotiations were even worth pursuing, in the light of the failure of the Argentine government to reach an agreement with the IMF and the threatened break-up of MERCOSUR itself as political and economic instability reached Brazil and Uruguay.

Rodrigo Rato, Spain's Minister of the Economy, claimed in the early months of the presidency that a free trade deal could be signed in 2002 (www.glamericas.com/country/spain). This optimism is difficult to explain, however, unless it was simply a way to keep the issue on the negotiating table. For, looked at coolly, it is clear that Spanish aspirations were always far too ambitious. The assumption that a deal would be signed in Madrid was always questionable and the notion that it was scuppered simply by Argentina's collapse is far too simplistic. In this sense, it would be wrong to attribute the failure to deliver a deal between the EU and MERCOSUR to a failure of Spanish diplomacy or, indeed, to conclude that the absence of a deal with MERCOSUR implies that the EU had simply lost interest in the Southern Cone: the EU remains interested in regulating the Southern Cone as the agreement with Chile, and the continuing negotiations with MERCOSUR reveals.

Moreover, the summit was not, in this sense, a complete failure: association status was achieved for Chile. Indeed, partly in order to compensate for the failure with MERCOSUR, the deal with Chile was talked up considerably. This now had to stand, both for Spain and for the EU more broadly, as a symbol of European commitment to the region as a whole. In fact, however, progress on the EU-Chile agreement always promised to be easier partly because, as a single country, there were fewer bureaucratic difficulties, as a smaller country with a less developed industrial base and a non-traditional agricultural profile, trade issues were on the whole less conflictive, though not without their difficulties over wine in particular, and, as an established open economy, conflicts over the role of the market and international investment were inevitably less politically charged. As a result, the negotiations were easier. The final difficulties had been eliminated in May, weeks before the Madrid summit took place, when an agreement on free trade in wine was agreed, with the proviso that the Chileans drop descriptions of their wine (such as 'reserva' or 'chateau') that might be confused with European production. Chilean wine was to be clearly marketed as New World wine, so as not to compete directly with European production. In the event, then, from promising to being almost a coda to the bigger deal with MERCOSUR, the Agreement between the EU and Chile became the showpiece of the entire summit. In the Joint Declaration by the President of the European Council, the Chilean President and the President of the European Commission that followed the official signing, the Agreement was described as 'the most ambitious and innovative...ever for a bilateral Agreement of this kind by the European Union as well as Chile' (Joint Declaration).

The deal between Chile and the EU reflects core elements of the governance agenda identified above. The imprint of identity politics is, in the end, rather less clear, however. Indeed, Latin American claims on Europe through identity and responsibility found stronger expression at the 'outsider' alternative summit of civil society-based actors that took place in Madrid at the same time than at the official summit (see Korzeniewicz and Smith 2001). The Trans-Atlantic Social Forum, or the People's Summit as it became known, drew representatives from 70 civil society organisations from Latin America and Europe. Dependent largely on the participation and specialist knowledge of activists and mobilisation through the internet, the alternative summit

organised several prominent events in Madrid. Attention focused principally (though not exclusively) on the position of MERCOSUR and Chile in relation to the EU. The Framework documents/association agreements were roundly condemned as excessively trade-led and governance focused. The negotiating mechanisms were also criticised for controlling and limiting civil society access. The EU was targeted for failing to promote fair and just trading patterns with Latin America and, indirectly, propping up regimes of injustice and corruption. It would perhaps be too much to suggest directly that identity and the family claims were abandoned in favour of governance and the demands of the global political economy, but views like this bubbled not too far under the surface. They were strengthened by the fact that civil society groups had always claimed that they were excluded from the formal negotiations despite the existence of an institutionalised dialogue with civil society groups with the EU. Despite two meetings between EU and civil society representatives in October 2000 and February 2002 it was indeed difficult for civil society to participate in any meaningful way. Despite the open access, the format of the conferences was such that their role was limited to offering either praise or criticism of EU initiatives. Presentations, for example, were required in advance of the meeting and the format, a one-day event with a large number of diverse participants, meant that no serious involvement was possible. The meetings tended to serve as an exercise in information sharing by the Commission, then, rather than a genuine consultation. The best that can be said is that groups critical of the trade/governance-led emphasis of the negotiations were able to air their views.

Conclusion: Interpreting the Madrid Summit

What can the Madrid summit tell us about the nature of the governance projects endorsed by the EU and the relative weight of governance and identity in the new inter-regionalism between the EU and the Southern Cone? Moreover, can it shed any light on the issue of whether identity ties have been deepened between the EU and MERCOSUR in particular through the diplomacy of Spain, the key player in the promotion of this relationship?

To an important degree, the Madrid summit confirms the difficulties, which were clear as early as 1990-1992, for Spain of assuming that too much follows on in policy terms from identity. The EU, unlike Spain, is not subject to strong internal pressure to make the transition from cultural proximity to binding policy, as far as Latin America is concerned. Moreover, within the EU there are interests that conflict in terms of pursuing deeper and more formal ties with Latin America. EU politics is simply very different from how politics is played out in national arenas such as Spain's. Moreover, little was gained, in the end, for the Southern Cone from Spain's advocacy within the EU. Delivering deals that go against the grain of EU interests generally, that require bold new programmes of investment or, moreover, that challenge embedded and institutionalised protectionist interests are always going to be difficult, if not impossible, to deliver. My assumption is that this was known in Madrid before the summit, and indeed before assuming the Presidency. But the Spanish government was caught on the horns of identity claims and put in the difficult position of having to be seen to push Latin American interests and, moreover, to assume that they could be delivered. National identity, long-established foreign policy goals and the desire to offer leadership within the Ibero-American system meant that the difficulties of the deal could not be fully acknowledged. At the same, enough domestic groups within Spain simply assume automatically that the Spanish government will push for Latin American interests - the 'family' metaphor is a part of Spanish national identity - that it was impossible for Aznar to offer, publicly at least, a realistic appraisal of the situation. In this sense, the Argentine debacle and the deal with Chile actually saved him from the threat of a far greater embarrassment. In sum, Latin America presented to the Spanish presidency - again - a challenge in terms of how the country presented itself to Latin America and, more importantly, to its own citizens. The 'Latin American question' was no longer one of how to turn identity into policy but rather of finessing the difficulties of concluding a deal.

What can the Madrid summit tell us about the EU-Latin American relationship as a form of governance? In my view, three significant conclusions can be drawn. The first is that the Association Agreement with Chile confirms the peculiar - some would say schizophrenic - mix of governance strategies that characterise EU policy towards the developing world. It combines policies of dialogue between two supposedly equal partners, with support for democracy, human rights and a role of the state, alongside an assumption that freeing markets, increasing exports and deepening integration into the global political economy mark the path to development. Essentially, then, there is nothing new here. Secondly, despite EU rhetorical commitment to the Framework agreements they are not especially high on the EU agenda. Striking a deal was always more important for MERCOSUR and for Chile. This puts the EU in the unusual position of not having to 'sell' its governance model strongly. It is there almost on a take-it-or-leave-it basis. This stands in sharp contrast to US-promoted governance agendas within the Americas which are backed up by a much stronger regime of punishments and rewards.

The third conclusion is rather different and, on the face of it, the view that Europe is not strongly committed to Latin America. The importance of Latin America and the weight of identity rather depend on which 'Europe' we are talking about. Madrid marked the confirmation of EU-Latin American inter-regionalism as an important site of social conflict, not only within MERCOSUR, but also within Europe. For many European civil society groups, the mode of governance embodied within the Framework Agreement with MERCOSUR and the Association with Chile was inappropriate and they have generated both organised dissent - mainly against the disciplinary nature of the agreement and the locking in of export promotion - and applause. A range of civil society actors, from within Europe especially, welcomed closer political links with the Southern Cone and organised in Madrid to throw their weight behind what might be termed loosely a 'socially responsible mode of inter-regionalism', though the precise meaning of this varied from social democratic projects to radical or Marxist projects of global transformation. Some organisations were critical of the processes of economic liberalisation in toto (and therefore of open regionalism) and others argue that a 'social agenda' or rights-based demands can, and should, be grafted onto the free trade negotiations and the formal processes of political dialogue. In this sense, then, inter-regionalist politics moved out of the formal arena of elite negotiations and was caught up in the wider struggles of the anti-globalisation or social justice movements. So, even if the Association deal is off the agenda, even if the EU interest in Latin America goes into a period of relative decline, the identity issue will guarantee continued social activism in Europe Latin American issues. For, perhaps, the main point to make about the Madrid Summit, in the end, is that it shows how Latin America matters in Europe, and for

whom, not because of (or simply because of) the scale of material interests but because it acts as a lodestone for debates about European identity and Europe's place in the world. It reveals both the strength, and the limitations, of identity as a basis for international politics.

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