The debt crisis in the EC’ Institutions’ debate towards a political dialogue with Latin America

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Abstract

In 1987 the European Community (EC) started an informal political dialogue with the Rio Group, which was formalized in 1990 with the Roma Declaration. Despite one of the main issues dealt by the Latin American countries at the time was the debt crisis, its negotiation and solution was left to the multilateral (IMF, World Bank, Paris Group) or to the bilateral level (case to case). Why the Latin American debt crisis did not find an interregional solution in the political dialogue between the European Community and the Rio Group in the late 1980s? Why this debt was not negotiated during these meetings?

The objective of the paper is to understand why a debt negotiation was not included in the political dialogue between the EC and the Rio Group. In doing so, it will be possible to observe the different positions within the European Institutions towards the debt, the main ideas behind them, the actors (Parliamentarians, Council Delegations, etc.) involved in the decision making process, their interests and coalitions. As a consequence, to understand who was behind the decision.

1. Introduction

In 1987 the European Community (EC) started an informal dialogue with the Rio Group, framed in the context of establishing interregional relations between both regions. During these years, the Latin American region was going through a debt crisis, which affected their economies deeply and, therefore, was one of the most important subjects for the region. In despite of the Latin American interest to address the issue (one third of the debt came from European lenders), during the informal reunions with the EC, the subject was only mentioned, and the dialogue did not help to solve the problem. Why this topic was not discussed as a core subject in the dialogue? Why the Latin American debt crisis did not find an interregional solution in
the political dialogue between the EC and the Rio Group in the late 1980s? Why a dialogue on the subject was not open?

This paper will focus on the decision within the European Community in the late eighties not to include the Latin American debt in the dialogue with the region, and to “respect” the prerogative of the multilateral organizations to solve the crisis. Thus, the different views on the debt among the European Institutions and their attempt to include this topic in the dialogue with the region will be observed. In doing so, this paper will show how the decision was prompted by a group of delegations in the Council, which objected the intention of the European Parliament, the Commission and another group of Council’s delegations to introduce this subject in the interregional relations. As a consequence, the subject was left to be negotiated at the multilateral level (IMF, World Bank, Paris Group), on a case-by-case basis. The objective is to show how the EC internal structure influenced the decision making process and the actors’ positions, in a specific international and regional context. And, in that sense, to understand why a debt negotiation was not included.

The motivations of the political and institutional actors within the EC were diverse and were related to international and regional circumstances, and to institutional aspects. For instance, the interest of a group of Council’s delegations to not include the debt crisis in the dialogue was linked to their concern about the multilateral system (in the context of the Uruguay Round\(^3\)). Another example, is the performance of the European Parliament (EP). This institution showed interest to introduce the topic in the dialogue, due to their party-political dimension and their long-standing connection with the region.

The theory chosen to analyze this case is the New-institutionalism, which allows to establish links between the actors’ decision making process and the structural factors, in the European Community’s framework (power and administrative organization). Therefore, the paper approaches first the theoretical framework; then the regional and international context (circumstantial factors); and finally, the decision making process within the European Institutions and its actors; in other words, this section takes into account the EP, the European Commission and the Council’s delegations positions towards the topic. As a result, the papers shows in a general perspective the necessity to link the structural factors (circumstantial and institutional) with the actors’ positions to be able to comprehend the decision making
process; and in particular, in the debt crisis case, to understand who was behind the decision to not involve the debt in the dialogue, and which were the arguments used to defend the different views on the subject.

2. Conceptual tools and theoretical framework

The European Community (now the European Union) is a regional organization; namely, a formal institution composed of states which distinguish themselves as part of a region. Furthermore, the EC has developed relations with other regions, in a different hierarchy level in the international relations: the interregional level. These relations are below the multilateral and above the bilateral level. The interregionalism consists of the institutionalization of the relationship between regions and involves the deepening of their economic, political and social interactions. These regions are social processes in construction, and accordingly the interregionalism is not limited to formal relations, and hence covers different types of relations: pure interregionalism, with other regional organizations; and hybrid interregionalism, e.g. with regions, single countries or regional groups. In this case, the relations analyzed are hybrid, because the Latin American states did not constitute a regional organization.

In the process of establishment interregional relations with Latin America, represented as the Rio Group, the EC institutions had a debate about the convenience of introducing the topic of the debt crisis in the political dialogue with the region. To address this debate, the paper uses the New-institutional theory. This approach promotes the study of institutions and seeks the understanding of the agent-structure dynamic. In doing so, it relates the actors’ autonomy and underlines the institutions’ autonomy. In this way, this theory builds a bridge between the neofunctionalism and the intergovernmentalism approaches.

Moreover, the paper underlines three premises of this theory. First, the relevance of the institutional variable. Second, the institutions’ autonomy. And third, their structuring effect. As March and Olsen proposed, the institutions “(...) are also collections of standard operation procedures and structures that define and defend interests”. For that reason, this work is structured following the EC institutional divisions: EP, Commission, Council and European Council, and their internal bifurcations. To this end, the EC documents about the debt between 1986 and 1989
have been analyzed. These documents cover public archives and internal decision-making documents developed during the intra and inter institutional processes\textsuperscript{12}.

Hence, the institutional relevance in the process can be detected, as well as their autonomy and structuring effect, particularly in the case of the EP and the Council’s delegations. Taking into account this perspective, the decisions are not just the result of the negotiations between actors, but the result of a set of actors; and consequently, the belonging to a specific political structure (e.g. EP) has an impact on personal preferences\textsuperscript{13}. When these states created “(...) an International Organization with independent powers, they have brought to life a creature that is, because it possesses autonomy, not entirely under their control\textsuperscript{14}”. Thus, the EC behavior occurs in the context of its institutions, it can only be so comprehended\textsuperscript{15}. For that reason, it is necessary to understand the decision about the debt in the institutional framework of the EC, and to consider the circumstantial factors in the international and regional context. Nonetheless, the New-institutionalism reaffirms an intergovernmental thesis: the EC member States have a fundamental role in the development of the European political process.

3. The factors in the international and regional context

The institutions as well as the actors are constrained and affected by the circumstances. Ergo, it is necessary to consider the international and regional factors that played a role in the decision making process analyzed. The first factors to think about are the Latin American circumstances. First of all, the debt crisis, which became a topic frequently discussed within the EC institutions. The Latin American heavy indebtedness, the banks’ imprudent credit policy, the high increases in oil prices\textsuperscript{16}, the changes in the US interest rates, the increase in the exchange rate of the dollar (which raised the real value of the debt)\textsuperscript{17}, a significant price decrease of raw materials, the low growth of the industrialized countries\textsuperscript{18} led to a crisis in the Latin American region. In November 1982, the capital markets realized that these countries were not going to be able to pay their debts, after the Mexican government closed its banks, and therefore reverted the expansion of short-term capital flows\textsuperscript{19}, which led to the eruption of the crisis. This situation provoked that the Latin American countries lose their economic attractiveness among the European investors\textsuperscript{20}. In comparison,
this region was more appealing to the European flows of investment and trade during the seventies.

Before this situation, the majority of Latin American countries signed short-term agreements with the International Monetary Fund (IMF). These orthodox economic programmes focused on exports and economic downturn, in addition to more loans valued at market prices. Based on this logic, the debtor governments would obtain more resources to pay the debt. Nonetheless, the economic contraction hampered the debt payment; and in consequence, these structural adjustment and stabilization programmes caused disappointment because they did not stop the crisis. In this context, new heterodox programmes were proposed among Latin Americans. Furthermore, in 1984 the Latin American presidents got together at the Quito Conference and sent a letter to the EC to require the establishment of a dialogue between debtors and creditors. Moreover, they underlined the necessity to recognize the shared responsibilities in the crisis. During the G-7 Summit in London, which brought together France, the Federal Republic of Germany, Italy and the European Commission’s president, this requirement was denied.

Due to the failure of the first adjustment programmes, the Secretary of the Treasury of the United States of America, James A. Baker, launched a plan in 1985. This plan requested the banks to increase loans for 15 highly indebted countries, 10 of these were Latin Americans; and asked to the debtor countries to implement economic reforms: openness to trade and foreign investment, privatization, etc. Unsuccessfully, this plan did not reach its objectives and the crisis continued.

The next US proposal was the Plan Brady in 1989, made by the Secretary of the Treasury of the USA Nicholas Brady. This strategy tried to stimulate growth, stressing on structural adjustments, but opening the possibility to reduce the debt and to exchange it for bonds and recognizing the need to have flexible conditions. These new conditions led to agreements with 17 countries, including 10 Latin American states.

These structural adjustments were neoliberal economic reforms, which attracted the attention of the Europeans. In the context of the establishment of a political dialogue with the region, this became a factor to take into account together with other elements that were deepening the relations between both regions, such as the San José Dialogue, the democratization and the Latin American regional integration. In this frame, the Rio Group was founded in December 1986 by Argentina, Brazil,
Colombia, México, Panamá, Perú, Uruguay y Venezuela\textsuperscript{33}, and its first Summit was in November 1987\textsuperscript{34}. This Permanent Mechanism for Consultation and Political Coordination had the aim to deal with the crisis and the challenges of the re-democratization\textsuperscript{35}, and thus had a comprehensive agenda that included the external debt, the economic growth, the technological development, etc.\textsuperscript{36} In 1990 the Group was enlarged to include Bolivia, Chile, Ecuador, Paraguay, a Central American representative and a Caribbean representative; becoming the strongest representative of the Latin American region\textsuperscript{37}.

Secondly, it is fundamental to keep in mind the international context. On one hand, the US had always played a role in the relations between the EC and Latin America. During the Cold War it was an element that obstructed the relations. Nevertheless, in the eighties the transnational links between the EC and Latin America were closer than the ones between the EC and the USA and between Latin America and the USA. The reason behind this was the international political organizations, which consisted of European and Latin American political parties in almost 90%. In addition, the European non-government groups were quite active in the region\textsuperscript{38}. On the other hand, during those years started the Uruguay Round in order to negotiate the multilateral trading system. The EC gave a great importance to these multilateral negotiations\textsuperscript{39}.

Thirdly, the European factors which framed the debt discussion within the EC institutions were mainly three. The first one was the EP interest in the Latin American region, which already characterized the relations between the EC and the region during the sixties and seventies. For instance, this institution insisted in the formulation of a common policy towards Latin America since 1964\textsuperscript{40} and started the Interparliamentary Conferences since 1974. Additionally, there were two integration processes that had a direct impact in the discussion: The Iberian enlargement and the development of European Political Cooperation (EPC).

The Iberian enlargement represented an increase of the EC interest towards Latin America. On one hand, because their ex-colonies had a new status in the European External Policy. On the other hand, because Spain showed a special interest to deepen the relations with this region. In that frame, this state included two Annexes to the Treaty and the Act of Accession: The Declaration of the Kingdom of Spain about Latin America, focussed on trade relations\textsuperscript{41}, and the Joint Declaration of
Intentions\textsuperscript{42}, which was signed by the 10 Member States, Spain and Portugal and reaffirmed their willingness to strengthen the economic, trade and co-operation relations. On the other hand, the development of the EPC, through the Single European Act (SEA) represented a new step in the relations. The SEA integrated all the provisions regarding the EPC in one text\textsuperscript{43}, institutionalized the Cooperation, extended the cooperation objectives to all external policy affairs with a general interest, and formalized the participation of the European Commission in the EPC\textsuperscript{44}. With regard to the EP, the Presidency (Council) was in charge of taking in consideration the Parliament’s perspectives\textsuperscript{45} and to inform the Parliamentarians about its activities\textsuperscript{46}. Along these lines, the Presidency had to answer all the EP questions\textsuperscript{47}. Likewise, the SEA foresaw the convenience to reach common positions during international conferences, and included the organization of political dialogues with third countries and regional groups\textsuperscript{48}. In the Latin American case, the EPC development was of relevance because it provided a new platform to discuss relevant topics for both regions, such as the indebtedness.

4. The Latin American indebtedness: The debate within the EC Institutions

The discussion about the Latin American debt among the institutions was framed by the beginning of the informal dialogue between the EC and the Rio Group. While the Commission and the Council supported an informal dialogue\textsuperscript{49}, the EP pursued formal contacts and political coordination\textsuperscript{50}. In this context, the first informal reunion with the Group was in New York on 23 September 1987, during a United Nations (UN) meeting\textsuperscript{51}. The following reunions were parallel to the San José Dialogue\textsuperscript{52} or the UN meetings\textsuperscript{53}. The debate about the Latin American indebtedness among the EC institutions was framed by the beginning of the EC-Rio Group meetings. These reunions offered both regions a space where to discuss the subject. The debt was not only of relevance for Latin America, but also for Europe: a third of the Latin American debt was owed to European banks\textsuperscript{54}.

4.1. The EP debate about the debt

On several occasions, the EP discussed the Latin American crisis. For instance, one third of the parliamentarian questions addressed to the Commission, the Council or the EPC between 1987 and 1989 focused on this matter. This particular
interest was rooted in the links between this institution and Latin America, such as the Interparliamentary conferences, where the subject was already discussed. An important idea emphasized during these reunions was the effect of economic and social development on the political stability of the Latin American democracies, and therefore, the necessity to find a solution to the debt. In this line of thought, the socialist parliamentarian Colette Gadioux said that this region had to face two challenges: the political changes and the economic development, and that without the second one it was not possible to have a democratic success. Hence, the belonging to this specific political structure had an impact on the parliamentarians, which in general showed major interest in the region, compare to the Council. Accordingly, this institution showed an autonomous thought.

It is important to underline the concern of the socialist and communist deputies on the subject. These deputies had an ideological interest and, as the other parliamentarians, had connections with their Latin American colleagues (e.g. Interparliamentary Conferences and International political organizations). For example, the majority of the amendments introduced in a report made in the EP about the debt were suggested by them. These amendments critiqued the debt agreements made in 1983 and the banks’ responsibility in the crisis, among other proposals. This interest did not have a special nationality: the proposals were made by Frenchmen, Germans, Greeks, Italians, Spaniards and Portuguese. The specific political ideas in the Socialist and Communist groups had an impact on their deputies. The critical opinion towards the economic system were not shared by all the deputies in the EP. The European conservatives considered that a large share of external debt was the consequence of irresponsible lending and Latin American mismanagement.

In the same way that the socialist and communist deputies had a general interest on the subject, regardless of their nationality, the Spanish deputies had a constant interest on the matter, regardless of their political party. For instance, during the discussion mentioned, there were diverse amendments presented by Spaniards, such as the one included by Jorge Pegado Liz of the European Democratic Alliance. Other example, was the discussion about the relations with the USA, where the deputy Raúl Morodo, who did not belong to any group, presented an amendment. Even though both had the aim to mitigate the crisis in Latin America, their ideology made a difference. While the deputy Pegado required to achieve the liberalization the
in the General Agreement on Tariffs and Trade (GATT) negotiations, particularly for the debtor nations\textsuperscript{64}, among other proposals; the deputy Morodo asked for a reform of trade mechanisms that were having negative effects in the Third World\textsuperscript{65}. In some cases, the Spaniards and Portuguese presented amendments together. For example, during the elaboration of a report about the relations with Asia and Latin America, Portuguese and Spanish deputies from different political groups, presented among many proposals, the request to consider a programme to solve the indebtedness in the poorest countries, such as the one implemented in Sub-Saharan Africa\textsuperscript{66}. As observed, although the majority of Spaniards who participated in the debate were socialists, the interest was not exclusive to this political Group.

The general position of the EP about the debt, noted in the report on the subject, was that the debt represented an economic imbalance of the monetary and economic international system; and it brought to light the interdependence of trade relationships between the North and the South\textsuperscript{67}. Moreover, the EP concluded that the strategy implemented since 1983 had only partial success, because it led to recession and disruption of the debtors’ development, among other negative effects\textsuperscript{68}. Furthermore, the EP noted the effects of the interest rates and the exchange rates (US dollars) in the crisis\textsuperscript{69}. In that regard, during the debate about the relations with the USA, two amendments included in the final text, made by socialists and communist deputies, stressed the importance of the price stabilization of raw materials\textsuperscript{70} and the impact of the exchange rates in the Third World and in Europe; and added that the USA had to assume its responsibility due its economic position in the world\textsuperscript{71}. Furthermore, the EP appointed the developed countries’ responsibility on this matter: the protectionism, the lending policies and the inadequate control over banking practices\textsuperscript{72}.

Not only the USA, the developed countries and the banks were held responsible by the EP. This institution addressed as well the developing countries’ responsibilities: the inadequate finance and resources management, the substantial outflow of capital, the structural inflexibility of their national economies and the decrease in commodity prices. In summary addressed the over-indebtedness and the economically unviable production model\textsuperscript{73}. In this sense, the EP criticized as well the Latin American region, but taking into account the shared responsibility, as asked by the Latin American presidents in the Quito Conference in 1984. In addition, the EP
included in its report the possibility to reduce the debt, position supported by Latin Americans\textsuperscript{74}, and therefore it urged the Member States to contribute in the multilateral financial institutions to decrease the external debt burden\textsuperscript{75}.

It is important to mention that the amendments which directly criticized the European role in the crisis were not included. For instance, the Morodo’s amendment previous mentioned, was not included\textsuperscript{76}; nor the proposal presented by Heinrich and States, who belonged to the Rainbow Group\textsuperscript{77}, which noted that the development aid policy followed for many years the expansive European interests. Furthermore, they required to the Member States not to grant loans depending on the acquisition of certain goods (as a consequence the developing countries payed for those goods more than the international price); moreover, they argued that the EC had the responsibility to offer alternatives to the IMF\textsuperscript{78}.

As it will be presented in the next section, the respect of the multilateral prerogatives was a crucial point for many EC actors. In that sense, the EP had always mention the importance of the multilateral organizations, although during 1987 this view was complemented by the necessity to establish European solutions as well. For example, the Pegado’s amendment was included (GATT negotiations)\textsuperscript{79} and the report on the debt included the Member States role in the financial institutions\textsuperscript{80}. As observed in the report about the relations with Latin America and Asia, the deputy Margaret Daly\textsuperscript{81}, did not included the debt as a subject in the report, arguing that this matter should be addressed elsewhere\textsuperscript{82}. This institution kept asking the Member States and the EC to readjust the debt payments during the international meetings\textsuperscript{83}. Nonetheless, the EP position suffered a relevant change. It stopped requiring a political solution to the problem, forgetting the interregional option, and it put greater emphasis on neoliberal recipes, asking the debtor nations to have an economic and financial policy that encourages the investments and decreases the outflow of capital\textsuperscript{84}.

4.2. The views about the dialogue on debt and the disagreement among Council’s delegations

The relevance of the EP report was its argumentation about the importance to not leave the subject only to banking operators, public and private\textsuperscript{85}. As a consequence, the EP called on the EC, and particularly the Council, to take initiative,
to allow a global analysis on the matter and to prepare political solutions. The EP considered that the debt was not only a question of technique, but a political matter.

This requirement was made in parallel to the beginning of the informal dialogue with the Rio Group, and accordingly, both debates were related. The dialogue with the Rio Group gave a political space to address this subject.

The Commission, despite its supranational status, had a particular view on the debt. As a consequence, it started a dialogue with the Cartagena Consensus in 1985, a year after the Latin American presidents required a dialogue. These conversations showed the Commission’s relative autonomy within the EC institutions. Despite its interest to dialogue, after a few meetings, the Commission declared that this matter exceeded its powers. In that regard, the Commissioner Claude Cheysson said that the Council of Ministers never supported this initiative. The Commission argued that the debt was negative not only for the debtors, but also for the EC. The global funds were invested in the financial speculative markets, instead of using them in the industry. Furthermore, the Commissioner Cheysson added that a fundamental problem was the raising of interest rates: it was not possible to the Third World countries to pay the debt. For the Commission the debt was a priority issue and had to be discussed in informal meetings between the EC and the Latin American region. For this institution the crisis was a real political problem and accepted that the democracy was in danger due to the budget cuts. As a consequence, the Commissioner attempted to draw attention of Member States and Council to take a joint decision, and pointed out the Latin American attempt to have a common voice.

In this context, eight Latin American countries got together in the Acapulco Summit and requested the EC to receive them as a group. Nevertheless, as the Commissioner Cheysson argued, the Finance Ministers were the ones to make the decision, and they -“egocentric by nature”- wanted to address the subject with their own methods.

Despite the Commission and the EP had a similar view on the matter, the issue did not find a political solution in the interregional dialogue. The decision depended on the Council due to the EC structure and power division. The Commission’s Conclusions were the base to start the debate and negotiations within the Council in order to prepare the Council Conclusions, which have to be adopted by consensus and are the ones containing the political position towards a particular issue. In this case the EC relations with Latin America. And therefore among the subjects debated was
the debt. Mainly, this negotiation focused on the respect for the international organizations and their prerogatives. At the beginning, the Commission’s proposal was to dialogue with the Latin American region on the occasion of international economic meetings\textsuperscript{102}; nevertheless, after the internal negotiation in the Council, this part was deleted. Without this paragraph, it just remained the reference to respect the international organizations’ prerogatives\textsuperscript{103}. Furthermore, in the ‘verbal process’\textsuperscript{104} it was emphasized that the proposal to open informal meetings should not affect the multilateral financial institutions’ jurisdictions, such as the IMF or the World Bank\textsuperscript{105}. This “small” change in the text meant that the subject had to be dealt with by the international organizations, and not by the EC.

In spite of the EP and the Commission wishes for a political solution to the crisis, and hence a dialogue, they did not have the power to achieve it\textsuperscript{106}. The decision depended on the Council. The EC Member States played (and still play) a fundamental part in the decision making process and thus the decision about the debt was structured by their main role in the EC external relations. However, it has to be stressed that within the Council, the delegations had different views about the subject, and the final text was the result of an internal negotiation. The debate took place within the Permanent Representative Committee of the Council (COREPER)\textsuperscript{107}. The major restraint during the review of the draft was the difference of opinion about the inclusion of the debt in the dialogue. On one hand, the British, the German and the Dutch delegations disagreed with this inclusion because it did not respect the multilateral organizations’ jurisdiction. They refused to open a dialogue about the debt. And thus they did not want to maintain the first draft, which mentioned the possibility of a dialogue. This position may have been related to the situation of the German and British banks in the crisis\textsuperscript{108} and their commitment to the multilateral system. On the other hand, the majority of delegations and the Commission agreed on the importance of this possibility. The Spanish and Italian delegations stated that finding a suitable solution was crucial to approve the text\textsuperscript{109}. Both delegations characterized for their close relationship with the region\textsuperscript{110}.

Notwithstanding the interest showed by the majority of delegations, the Commission and the EP, the final text deleted the reference to the dialogue. Nevertheless, it did not deny directly this possibility, as the majority of delegations were in favour of the dialogue. Before this situation, the British-Dutch-German
Concern about the multilateral jurisdiction was again mentioned in the ‘verbal process’. In 1988, the decision took in 1987 was reconfirmed. The deputy Robles Piquer asked the Council about a political initiative on the matter. The Secretary General answered saying that this subject had to be addressed by the World Bank, the IMF or the Paris Club, the informal forum of main lender countries. Finally, a dialogue on the matter was not agreed. Nonetheless, during the EC-Rio Group meetings the issue was covered. Although the EPC is related to the Council, it had the space to deal with a wider range of subjects.

4.3. The debt in the EC-Rio Group dialogue and the Common Position

The EC-Rio Group meetings were carried out in September 1987 in New York, in March 1988 in Hamburg, in September 1988 in New York, and in April 1989 in Granada. In addition, there was a meeting between the European participants of the world’s richest economies (France, Germany, Italy and the United Kingdom) and the Rio Group Foreign Ministers in March 1988. The topics covered during the meetings were the Central American crisis, the foreign investments, the democracy, the general relations between both regions, and the external debt, among other subjects.

In general, expectations were asymmetric. The Rio Group tried to discuss difficult economical topics, as the debt. At the same time, the Europeans put more emphasis on political matters. As a consequence, the subject was addressed at the general level and the ECP did not make concrete compromises. This stage of the dialogue suited the European interests to a greater extent than the Latin American interests. The debt was the most difficult subject in the dialogue, which was exacerbated by lack of an uniform standpoint among the Rio Group members, showing the ECP limitations. Over time, the economic matters became more important to the Europeans. During those meetings, they pushed the Latin Americans to adjust their economies.

The informal meeting in Granada was especially relevant because during this session the EC decided to adopt a common position on external debt in the course of the European Council in Madrid, on 26-27 June 1989. The European Council and its Member States “stressed the willingness of the Member States to consider solutions involving voluntary reductions in debt and debt servicing, case-by-case,
with the participation of the IMF and the World Bank. Moreover, the European Council called upon debtor countries and commercial banks to develop the practical mechanisms needed for a solution. Hence the solution was left to the multilateral level, case by case, and between commercial banks and debtors. These ideas confirmed the conclusions reached by the Economic and Financial Affairs Council (ECOFIN) in March, where the Ministers considered with interest the propositions formulated by the US Secretary of Treasury Brady and stated that:

The key to the resumption of durable growth in the debtor countries, which is essential to the resolution of debt problems, is the implementation of policies in those countries of deep economic reform. Efforts to reverse capital flight must be strengthened. Both targets will include and be buttressed by increased openness of markets. Industrial countries should similarly ensure open and growing markets especially in the context of the Uruguay round, to which the Community is fully committed.

The common position mentioned was prompted not only by the Río Group during the informal meeting in March, but also by Spain, who had the Presidency during the ECOFIN and presented a proposal to set up an European Guarantee Fund to ensure an European contribution to the balance and strengthening of the effort on this matter. Additionally, in the bilateral level, Spain and Argentina signed a Cooperation Agreement already in February 1988, which had the aim to recover the economy and support reforms. In addition, proposals were made at the interregional level, such as the expansion of the European Investment Bank operations, which was later implemented, and the Programme applied in the Sub-Saharan Africa, which was not implemented.

Furthermore, the EC Member States participated in the multilateral level supporting the international debt strategy: adjustment programmes, financial support for the reforms and improvement of the international economic environment. For them it was crucial that the debtors have a comprehensive economic reform process, which implied open markets and avoid the flight of capital. In this framework, the EC Member States voted together with the USA and Japan, against integral reforms of the international financial system, avoided a significant debt negotiation and were in favour of voting the political and economic problems separately. Additionally, within the framework of the Uruguay Round (in which the Member States were engaged), the EC was in favour that the industrialized countries offered open and
growing markets. In general, the argument was to promote open markets in a global basis. In this regard, the EC and its Member States congratulated the Plan Brady and aligned with the USA. Finally, in 1989 and 1990 the debts were rescheduled in Latin America, as part of the Plan Brady or the Paris Club, and the Europeans were part of the process. In this way, they redirected the problem without solving it.

5. Conclusions

Why the Latin American debt crisis did not find an interregional solution in the political dialogue between the EC and the Rio Group in the late 1980s? Why a dialogue on the subject was not open? Even though a third of the Latin American debt was held by European banks, an interregional dialogue on the matter was not achieved. Despite the interests of a group of Council’s delegations, who had the Commission and the EP support, a dialogue on debt with the Latin American region was not hold. Why? A group of delegations refused it: Germany, the Netherlands and the UK. They argued that a dialogue would affect the international organizations’ jurisdiction. As a consequence, this disagreement did not allow to include a political dialogue on the matter. In order to achieve it, a consensus between all Member States was needed. For this reason, after the internal negotiation, the text referred to the dialogue was deleted and it was emphasized that the meetings should not affect the multilateral financial institutions’ jurisdictions. This decision was related to the EC commitment to the multilateral level, in the framework of the Uruguay Round.

The first conclusion it can be drawn from this is the fundamental role the EC Member States have in the development of the European political process. In addition, the second conclusion is that the EC structure and its decision making procedures (e.g. Consensus vote) determine the final result of the process. Despite the majority supported one course of action, it was not enough. This structuring effect was also observed within the EP, where the political structure had an impact on the deputies, mainly on the socialist and Spaniards. Nevertheless, this was not the only factors which influenced the deputies’ proposals. Their ideologies and their national interests were also of great relevance.

The third conclusion drawn is that the international and regional circumstances play an important role and affect the actors’ argumentation and preferences. For example, the ECP development and the Iberian integration. The final
Conclusion is that these circumstances and the actors’ behavior are not enough to comprehend the EC decision making process: the institutional variable has to be taken into account. This case shows how the EC structure is decisive to understand the EC decision making. Besides, it underlines that the Community has to be conceived as a complex composition of diverse actors and views, where there is a negotiation within each institution, leading to a common standpoint and determining its particularity and thus its autonomy.

Finally, this case study allows to deepen in the EC complexity and to go further in the comprehension of the EC and the Latin America relationship. This region can find within the European Community/Union more than one perspective depending on the subject, the context, the actors and the preferences.

1 Latin American Permanent Mechanism for Consultation and Political Coordination created in 1987.
3 Within the framework of the General Agreement on Tariffs and Trade (GATT), the Uruguay Round was the 8th round of multilateral trade negotiations, which lasted from 1986 to 1994.
10 Ibid., 14.
12 Intra-institutional decision-making processes are processes within each institution and inter-institutional decision-making processes are the ones between institutions.
17 Ibid.
23 Ibid., 65.
25 These attempted to tackle the inflation without recession and to minimize the social impact. In: Ibid., 202.
27 The G-7 is an informal forum of the heads of state and government of seven industrialized countries: Canada, France, Italy, Germany, Japan, the United Kingdom and the United States of America.

31 The Secretary of Treasure, Nicholas Brady, adopted the principal elements of the Japanese “Miyazawa” Plan, which was previously rejected by the USA. In: Ibid., 64–65.

32 Ibid., 71.


45 Ibid., 471.
47 Ibid., 471.
59 Ibid.


Parlamento Europeo, ‘Resolución sobre el problema del endeudamiento de los países en desarrollo A2-0201/86’ (Diario oficial de las Comunidades Europeas, 18 Febrero 1987).

Ibid. And Lord Nichola Bethell, ‘Resolución sobre las relaciones políticas entre la Comunidad Europea y los Estados Unidos de América PE2 AP RP/POLI.1984 A2-0105/87’.


Parlamento Europeo, ‘Resolución sobre el problema del endeudamiento de los países en desarrollo A2-0201/86’.

Parlamento Europeo, ‘Resolución sobre el problema del endeudamiento de los países en desarrollo A2-0201/86’.

Parlamento Europeo, ‘Resolución sobre el problema del endeudamiento de los países en desarrollo A2-0201/86’.


Ibid., 26.

Parlamento Europeo, ‘Resolución sobre el problema del endeudamiento de los países en desarrollo A2-0201/86’.


Parlamento Europeo, ‘Resolución sobre el problema del endeudamiento de los países en desarrollo A2-0201/86’.

Ibid.

Ibid.

The Cartagena was a group of eleven Latin American indebted countries, which sought a political solution to the debt.

Claude Cheysson was the Member of the Commission with special responsibility for relations between the EC and Latin America.

Claude Cheysson, ‘Réponse: Dette extérieure de l’Amérique latine.’

Claude Cheysson, ‘Réponse: Dette extérieure de l’Amérique latine.’

Ibid.

Ibid.


Claude Cheysson, ‘Réponse: Dette extérieure de l’Amérique latine.’

Ibid.

The Acapulco Summit was the meeting which led afterwards to the creation of the Rio Group.

Claude Cheysson, ‘Réponse: Dette extérieure de l’Amérique latine.’

Ibid.


Consejo Europeo and Consejo de la Unión Europea, ‘Conclusiones y Resoluciones del Consejo - Consilium’.


The ‘verbal process’ appears next to the Conclusions and introduces explanations and comments.


The author Anna Ayuso stated that the EP and the Commission failed because they did not have the Community competence to do it, and because the Member States did not want to negotiate outside the international organizations. IRELA, ‘Informe de Conferencia N° 3/89, América Latina y Europa en los 90: ¿Hacia Una Nueva Relación?’, 18. Nevertheless, as observed, just three countries did not agree on it.


During the 60s and 70s, Italy was the Member State interested in Latin America. After the Iberian integration, Spain took this place.


Alberto van Klaveren, ‘Las relaciones entre Europa Occidental y América Latina: Una profundización esquiva’.


Ibid., 212–216.

Ibid., 212.

Ibid., 215–216.

Ibid., 214.


Ibid.


País, ‘La CE adoptara una posición común sobre la deuda’,


Parlamento Europeo, ‘Resolución sobre el problema del endeudamiento de los países en desarrollo A2-0201/86’. and Parlement Européen, ‘Débat: Relations


135 At the beginning, Germany, the Netherlands and the United Kingdom were not in favour of the Plan Brady; however, after debating, the Plan was supported. In: Dilcia Figueroa and J. Javier Fernández, El Parlamento Europeo y América Latina: Relaciones institucionales y principales puntos de vista.

136 Ibid.