THE FTAA AND THE CONTESTATION OF NEOLIBERALISM IN LATIN AMERICA

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The failure to reach agreement on the Free Trade Area of the Americas (FTAA) in 2005 signaled a turning point in inter-American relations. The FTAA was part of a project that sought to integrate the Americas politically through common liberal democratic values and political structures, and economically through the liberalization of economic policies. This latest effort to integrate the Americas came at the end of the Cold War, which had presented the United States with the opportunity to remake its relationship with the Caribbean and Latin America. In the absence of an immediate threat in the hemisphere, the United States was given a window to ensure its hegemony in the Americas on the basis of common political and economic values without recourse to coercive methods. It is a project that Carlos Oliva Campos calls Neopanamericanism in reference to past efforts made by the United States to integrate the hemisphere under its leadership.[1]

On the heels of George H. W. Bush's Enterprise of the Americas Initiative (EAI), which was composed of several agreements with individual countries and subregional groups pertaining to issues such as trade liberalization and debt restructuring, the Clinton administration convened the first Summit of the Americas in Miami in 1994. The resulting Miami Declaration called for a comprehensive hemispheric trade area, with much of the impetus for the project actually coming from Latin American countries. In fact, the United States originally planned to open up markets in Latin America by extending the terms of the North American Free Trade Agreement (NAFTA) piecemeal through multiple bilateral and multilateral agreements.[2] However, support for the FTAA in the Americas evaporated as the 1990s progressed to a point where, in the subsequent decade, several Latin American countries were openly questioning the desirability of the entire project. This paper will investigate this shift in the attitudes of participating countries as well as the reasons why there was no final agreement.

At this time, the predominant explanation for the failure to reach a final agreement before the 2005 deadline has been to emphasize the incongruence of state interests in a context of geopolitical and economic rivalry. This approach is problematic as it focuses on the relationship between states without examining the deeper structural interrelationships that link the state, society, and the international capitalist economy. Furthermore, it does not explain why there was a fundamental shift in attitude away from the FTAA during its negotiation. The second most common explanation for the failure of the FTAA has been to emphasize the role played by the United States' Congress in obstructing trade agreements. Though the role of the American Congress is important in relation explaining certain junctures of FTAA negotiations, it fails to explain the shift in position towards trade that took place throughout the hemisphere.

This paper will argue that the failure of the FTAA needs to be examined as part of a broader phenomenon, one that Susanne Soederberg calls the "crisis of authority" in the South.[3] This crisis of authority in the Americas involves the delegitimization of neoliberal policies that were promoted by the United States since the early 1980s, policies

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[1] Carlos Oliva Campos, "The United States, Latin America, and the Carribean: From Panamericanism to Neopanamericanism," *Neoliberalism and Neopanamericanism: The View from Latin America*, eds. Carlos Oliva Campos and Gary Prevost (New York: Palgrave Macmillan, 2002) 4

[2] Antoni Etevadeordal et al., "Introduction," *Integrating the Americas : FTAA and Beyond*, eds. Antoni Estevadeordal et. al. (Cambridge: Harvard University Press, 2004) 5

[3] Susanne Soederberg, *The Politics of the New International Financial Architecture: Reimposing Neoliberal Domination in the Global South* (Zed Books: New York, 2004) 18

that would have been entrenched by the FTAA. More specifically, the delegitimization of neoliberal policies led to the election of leaders in Latin America and the Caribbean that questioned the desirability of the FTAA and sought alternatives to it. In order to properly capture this crisis of authority, it is necessary to conceptualize American hegemony and its contestation as a dynamic that bridges diverse social contexts; but, at the same time, diverges in each context because of very different social dynamics. Hence, opposition to the FTAA based on the *remise en question* of neoliberalism manifested itself in Latin America and the Caribbean in different negotiating positions, degrees of opposition, and proposed alternatives to the FTAA.

The first section of this paper will review the different approaches that have been used to explain the failure of the FTAA. The second section will outline the Gramscian concept of hegemony and apply it to international neoliberalism. The third section will examine the relationship between the crisis of authority in Latin America and the Caribbean, and the FTAA. The fourth section will outline the evolution of the FTAA negotiations.

Explanations of the Current Impasse

As previously mentioned, the predominant narrative for the failure of the FTAA is to emphasize the incompatibility of economic state interests in a climate of inter-state and inter-regional rivalry. There is no doubt that the difficulty in overcoming divergent state interests regarding issues such as agricultural subsidies played an important role in the failure to reach an agreement for the FTAA. However, such a narrow focus obscures the links between a state's foreign policy and domestic, regional, and global dynamics. Most of the articles that adopt this dominant approach tend to conceptualize the state as a unitary actor when operating in the international context. A second important narrative focuses on the role of the United States' institutional framework in discouraging trade agreements. This approach presents an important variable in explaining the varying degree of priority given to the FTAA by the American executive and the longstanding difficulty in American foreign policy of getting international treaties ratified. However, it does not explain why the United States had difficulty in negotiating the FTAA once the executive received fast-track authority from Congress. In other words, it neglects the roles played by countries other than the United States in the failure of the FTAA. Furthermore, these articles tend to be inspired by neo-institutional theory. Thus, they have limited ability to make a link between social processes in specific locations and wider social systems, and explaining the behaviour of agents beyond their interaction with institutions.[4] The rest of this section will first examine the inter-state rivalry approach and then review the approach that focuses on American institutions.

In her article entitled "Hemispheric Integration and Subregionalism in the Americas", Nicola Phillips speaks of the relationship between the FTAA as a regional integration project and the multiple subregional trade agreements of the hemisphere.[5] She

[4] Greg Albo, "Contesting the 'New Capitalism'," *Varieties of Capitalism, Varieties of* Approaches, ed. David Coates (Palgrave Macmillan: London, 2004) 74-75

[5] Nicola Phillips, "Hemispheric Integration and Subregionalism in the Americas," *International Affairs* 79.2 (2003)

begins by exploring the relationship between the neoliberal ideological roots of the FTAA as a form of open regionalism and American hegemony in the hemisphere. Open regionalism, as an economic strategy, emphasizes the attraction of foreign direct investment (FDI) and adherence to the requirements of the export-led development model. The FTAA was to render permanent neoliberal economic structures favourable to American financial interests. Initially, the United States conceptualized the FTAA as being a simple of expansion of NAFTA onto the rest of the hemisphere. However, as a result of political pressure from other countries, the United States in 1998 gave up its NAFTA-plus approach and accepted that negotiations take the form of bloc negotiations that acknowledged the existing subregional agreements including the Southern Common Market (Mercosur) and the Caribbean Community (CARICOM). Central to her argument, Phillips argues that the difficulty in integrating these different subregional agreements is a result of the fact that these subregional agreements represent distinct projects and interests as a result of disparate relationships to the global economy. Furthermore, she argues that countries accede to these subregional agreements for different reasons, be it for market access or, indeed, market protection. For example, Brazil promoted Mercosur over the FTAA for fear that integrating economically with the more developed countries of North America would wipe out its industrial base. Therefore, integrating different agreements is difficult as they represent very different projects and interests. Phillips' analysis does shed light on geopolitical dynamics that made the FTAA difficult to negotiate; however, it does not go far enough in emphasizing the importance of social forces in determining foreign policy. Consequently, it does not provide a satisfactory theoretical framework that can account for changes in foreign policy and the conception of state interests.

Paolo Vinzentini's and Marianne Wiesbron *Free Trade for the Americas? The United States' Push for the FTAA Agreement* contains a series of essays examining the different circumstances affecting the course of FTAA negotiations.[6] The main thrust of the book is that the FTAA was part of a strategy by the United States to maintain its hegemony vis-à-vis other regional economic blocs. More specifically, the FTAA is portrayed as an effort by the United States to ensure its hegemonic dominance and economic strength in view of the rise of the European Union (EU) and Asian economies. The opening up of markets in the Latin America and the Caribbean would enable the United States to reduce, perhaps even overcome, its financial and trade deficits.[7] What is hindering this effort, according to the authors, are countries in Latin America, particularly Brazil, that wished to maintain, or even increase, their autonomy in relation to the United States. In order to do so, these countries have sought to promote subregional trade agreements, such as Mercosur, and to strengthen ties with other regional trade blocs, such as with the EU.[8] The emphasis on rivalry between regional blocs is useful in understanding the possible motivations of the United States in attempting to negotiate the

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[6] Paolo Vizentini and Marianne Wiesbron, eds., *Free Trade for the Americas? The United States' Push for the FTAA Agreement* (Zed Books: New York, 2004)

[7] Paolo Vizentini and Marianne Wiesbron, "Introduction," *Free Trade for the Americas? The United States' Push for the FTAA Agreement*, eds. Paolo Vizentini and Marianne Wiesbron (Zed Books: New York, 2004) 3

[8] Jan van Rompay, "Brazil's Strategy towards the FTAA," *Free Trade for the Americas? The United States' Push for the FTAA Agreement*, eds. Paolo Vizentini and Marianne Wiesbron (Zed Books: New York, 2004) 130

FTAA and the strategies pursued by Latin American countries to resist the project. However, it is unable to explain why several Latin American countries that first supported the FTAA during the 1990s and why several of them eventually turned away from it as the decade progressed.

A final example of this first approach is Jorge Mario Sanchez-Egozcue and Lourdes Regueiro Bello's chapter entitled *Latin America vis-a-vis the FTAA: Between Relaunching and Alternatives*.[9] They explain the failure to reach an agreement for the FTAA by emphasizing the differing degrees of dependence upon market access. Smaller countries, such as those found in the Caribbean and Central America, with a high dependence on access to the American market were much more willing to proceed with the negotiation of the FTAA according to the terms of the United States. Larger countries with more diversified economies, such as Brazil and Argentina, were more prepared to oppose the United States with regard to certain aspects of the FTAA. The degree of dependence on access on the American market is indeed an important variable in relation to the negotiating positions of different countries and the eventual path taken by the negotiations. However, as with the other articles, it does not explain why many of these countries actually changed their positions mid-negotiations. It seems as though they only focus on the difficulties facing the FTAA in the 2000s without considering the enthusiasm for the FTAA during the 1990s. This is largely the result of focusing on objective interests of the states in foreign policy without taking into consideration political dynamics that may modify the interpretation of objective dynamics.

An example of the second approach to explaining the failure of the FTAA is I.M. Destler's chapter entitled *The United States and a Free Trade Area of the Americas*, which emphasizes the importance of Congress in passing trade agreements.[10] Historically, Congress has tended to be more protectionist than the executive branch because of electoral sensitivity to regional economic interests. Destler explains that the economic sectors most important for Latin America, such as agriculture and textiles, are those that are the most protected and consequently the most difficult sectors for which to gather support for liberalization in Congress. Furthermore, he argues that the FTAA did not have the solid political base that NAFTA had, which makes it difficult for free trade proponents in Congress to gain momentum and counter protectionist interests. Destler concludes that support for the FTAA has declined throughout the Americas as a result of the failure of liberal economic policies to bring about welfare gains, but does not explore the concept further. Destler's approach is interesting, particularly regarding the role of interest groups and Congress in the negotiation of trade agreements. He points to the fact that there had been a renewed emphasis on protectionism in the House of Representatives, which suggests a delegitimization of liberal economic policies in the United States, but, again does not elaborate the point. Though Destler touches upon discontent with trade liberalization in both the United States and Latin America, he does not explore possible links between both phenomena.

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[9] Jorge Mario Sanchez-Egozcue and Lourdes Regueiro Bello, "Latin America vis-a-vis the FTAA: Between Relaunching and Alternatives," *The Bush Doctrine and Latin America*., eds. Gary Prevost and Carlos Olivia Campos (New York: Palgrave Macmillan, 2007)

[10] I.M. Destler, "The United States and a Free Trade Area of the Americas," *Integrating the Americas: FTAA and Beyond*, eds. Antoni Estevadeordal et al. (Cambridge: Harvard University Press, 2004)

In a review of the different issues affecting the FTAA, Gary Prevost and Robert Weber emphasize the centrality of obtaining fast-track authority.[11] Fast-track authority allows the executive to negotiate trade agreements, and forces Congress to vote in an "up or down" manner, without recourse to amendments within a period of sixty days. This reduces the ability of members of Congress, who are more sensitive to protectionist pressures than the executive, to tack on amendments after an agreement has been reached. The authors argue that the difficulty in reaching an agreement on the FTAA can largely be explained by examining the difficulty of obtaining fast-track legislation in the 1990s. Furthermore, they argue that, despite the fact that fast-track authority had been obtained by George W. Bush, it would have been difficult to pursue expanded trade in the following decade as a result of partisan divisions over the issue. In his review of foreign policy towards Latin America, Scott Palmer makes a similar argument.[12] Palmer explains that the negotiation of the FTAA was delayed during the Clinton presidency as a result of the absence of fast-track legislation. He argues that the lack of fast-track authority was largely due to the fact that Clinton had exhausted his political capital in terms of trade with NAFTA earlier in the decade, and that he had turned his attention away from Latin America and towards Europe. The issue of fast-track authority is important for any discussion of trade agreements involving the United States. However, it is important to go beyond the institutional framework of the United States, in order to look at dynamics that may change the positions taken by agents situated within the state and at deeper processes affecting the position of the United States vis-à-vis the FTAA.

Hegemony and Neoliberal Reforms

The neoliberal reforms promoted by international financial institutions (IFIs) in developing countries do not occur in a political vacuum. As David Harvey explains, their successful implementation requires the support of some of the fractions of the ruling class in those countries. Furthermore, the content and the manner in which neoliberal reforms are implemented varies according to the structure of class forces and the degree to which they mesh with popular "common sense."[13] The concept of hegemony can help to elucidate the relationship between economic policies that may benefit certain classes while disadvantaging others and "common sense." Hegemony, according to Antonio Gramsci, can be defined as the manner in which the ruling class tries to gain the consent of the other classes by articulating their interests as those of its own. A hegemonic ruling class will, therefore, exercise moral and intellectual leadership over the other classes. When the ruling class fails to govern through consent, in an instance or in a general crisis, it falls back on coercion to ensure its interests.[14] What is of interest for this paper is the link between hegemony and the relationship between classes in different social contexts.

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[11] Gary Prevost and Robert Weber, "The Prospects for the Free Trade Area of the Americas in the Bush Administration," *Neoliberalism and Neopanamericanism: The View from Latin America*, eds. Carlos Oliva Campos and Gary Prevost (New York: Palgrave Macmillan, 2002)

[12] Scott Palmer, *U.S. Relations with Latin America during the Clinton Years: Opportunities Lost or Opportunities Squandered?* (Gainesville: University Press of Florida, 2006)

[13] David Harvey, *A Brief History of Neoliberalism,* (Oxford: Oxford University Press, 2005) 116-117

[14] Antonio Gramsci, *Selections from the Prison Notebooks*, eds. Quintin Hoare and Geoffrey Nowell Smith (New York: International Publishers, 2003) 12-13

Robert Cox examines this relationship in his article entitled "Gramsci, Hegemony and International Relations: An Essay in Method." Cox explains that Gramsci theorized that the economic and political structures of subordinated states were intertwined with those of powerful states.[15] Therefore, in discussing the application of hegemony in an international context, he theorizes that its establishment at that level originates from particular states. When powerful states go through fundamental changes to their economic and political structures, these changes radiate outward and impact the structures of other countries. The hegemony of the class leading this transformation also emanates beyond the state. Subsequently, there is an attempt by class fractions within weaker countries to replicate the pattern of hegemony found in powerful countries. However, it is often incomplete and fraught with contradictions because these countries did not go through the same fundamental transformations, or the same economic development, which means that they find themselves in a state of passive revolution. Accordingly, Cox states that in "the world-hegemonic model, hegemony is more intense and consistent at the core and more laden with contradictions at the periphery."[16]

Gérard Duménil and Dominique Lévy describe neoliberalism as a political project carried out by capital holders to reassert their interests and power. The roots of this project originated with a structural crisis within capitalism that was engendered by the declining rate of profitability of productive capital, which was compounded by the petroleum crisis of the 1970s. The financial fraction of capital became hegemonic in core countries as it was able to present policies favourable to its interests as the solution to the crisis. In other words it was able to universalize its particular interests and exercise leadership across different social classes. This crisis and the subsequent rise of the neoliberal alternative led to the dismantlement of the Keynesian economic structure that had been established in the developed world during the postwar period.[17] The United States, whose predominant position in the world came to be linked with the fortunes of Wall Street, began to seek the international financial and trade liberalization necessary for the valorization of financial capital.[18]

Just as economic policies favourable to financial capital were presented as the solution to the crisis of capital in the core, they were presented as the solution to the debt crisis that was occurring in the developing world. These policies were often implemented as part of structural adjustment programs negotiated with IFIs like the International Monetary Fund (IMF). Latin American elites throughout the 1980s and 1990s, desperate for debt relief and a solution to their economic woes, were receptive to the neoliberal ideology that was being promoted by IFIs. This was compounded by the fact that the Import Substitution Industrialization (ISI) development strategy that was dominant throughout Latin America was perceived as the source of the debt crisis and that the Soviet model of development was no longer seen as a legitimate alternative. Furthermore, American economic interests in the hemisphere grew exponentially during the 1980s and

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[15] Robert Cox, "Gramsci, Hegemony and International Relation: An Essay on Method," *Gramsci, Historical Materialism and International Relations*, ed. Stephen Gill (Cambridge University Press: Cambridge, 1993) 59

[16] Cox 61

[17] Gérard Duménil and Dominique Lévy, *Capital Resurgent : Roots of the Neoliberal Revolution* (Cambridge: Harvard University Press, 2004) 21

[18] Soederberg 9

1990s, which allowed it to further distribute financial rewards.[19] However, as previously mentioned, the degree to which the ruling classes in these countries actually adhered to neoliberal ideology, or were able to render it hegemonic, was uneven.

The FTAA should be conceptualized as an effort to institutionalize the neoliberal policies promoted by the financial fraction of capital in the core, as well as by certain fractions of the ruling class in the periphery. It was, in fact, the last of a series of regional agreements promoted by the United States, which included the Canada-US Free Trade Agreement (CUSFTA) and NAFTA, that sought to homogenize the financial infrastructure of the hemisphere. The FTAA would have facilitated the achievement of two interrelated goals. First, the liberalization of trade and the financial sectors of the Americas would have ensured the continued access to Latin American market for American goods and the valorization of American financial capital and access to Latin American markets for American goods.[20] Though trade was an important aspect of the FTAA, financial liberalization was central to it. This is illustrated by the fact that market access was the concern of only one of the eight working groups contributing to the negotiations. Second, American policy-makers believed that the FTAA would have led to financial stability and continued debt repayment in the Americas. In other words, it would have prevented the return to the economic policies that policy-makers believed led to the debt crises of the hemisphere.[21] Therefore, the FTAA can be seen as an effort to freeze into place a particular institutional framework at the level of the state that would have enshrined the austerity measures of the 1980s and ensured the continued valorization of financial capital.

The Crisis of Authority and the FTAA

Negotiations for the FTAA occurred both while neoliberal policies were being implemented in Latin America and the consequences of these policies were being felt. For leaders like Hugo Chavez Frias of Venezuela, one of a wave of leaders in Latin America who had been elected on a platform hostile to neoliberalism, the FTAA came to be associated with the continuation of the neoliberal policies.[22] This did not bode well for the FTAA as neoliberalism was in many cases continually contested in a manner that prevented it from ever being truly hegemonic. In fact, the states often had to rely on coercive mechanisms or outright deception to implement neoliberal policies. Furthermore, in many cases, the legitimacy of neoliberal policies was being contested, even among sectors of society that had originally supported it, as a result of an increasing

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[19] Paul Drake, "The Hegemony of U.S. Economic Doctrines in Latin America," *Latin America after Neoliberalism: Turning the Tide in the 21st Century?*, eds. Eric Hershberg and Fred Rosen (New York: The New Press, 2006) 34-38

[20] Willy Stevens, "The FTAA versus the EU Association Agreements," *Free Trade for the Americas? The United States' Push for the FTAA Agreement*, eds. Paolo Vizentini and Marianne Wiesbron (Zed Books: New York, 2004) 165

[21] Robert Devlin and Paolo Giordano, "The Old and New Regionalism: Benefits, Costs and Implications for the FTAA," *Integrating the Americas: FTAA and Beyond.*, eds. Antoni Estevadeordal et. al. (Cambridge: Harvard University Press, 2004) 145-146

[22] Hugo Chavez Frias, Chavez, *Venezuela and the New Latin America: An Interview with Hugo Chavez by Aleida Guevara* (New York: Ocean, 2005) 101

number of crises and disappointing economic growth. Soederbergh explains that this has led to a crisis of authority of the structural power of the United States and financial capital in the South as ruling classes there find it increasingly difficult to promote and pursue neoliberal policies.[23]

The implementation of austerity measures as a result of the debt crisis did not go uncontested in Latin America. In fact, the frequency and intensity of protests in countries such as Peru, Bolivia, Chile, Argentina and Venezuela demonstrated the precariousness of the legitimacy of neoliberal policies. In fact, from 1976 until the height of the implementation of austerity measures in late 1992, those countries recorded 146 massive protest movements that brought thousands of citizens into the streets. However, the consequences of these policies did not automatically create political opposition to IFIs, foreign capital or neoliberal ideology per se. Initial opposition to austerity measures typically manifested itself through spontaneous protests, often targeting state institutions, usually as the result of an increase of the cost of a certain staple. These protests brought together disparate social groups that were being adversely affected by the reforms, which led to a further polarization of societies in Latin America between those who benefited from reforms and those who lost out.[24] The state often had to utilize coercive means to hem in these popular mobilizations. Furthermore, several governments, including that of Rafael Caldera (1994-1998) in Venezuela, were elected on platforms that promised alternative policies to neoliberalism only to implement further austerity measures once in government.[25] The repressive and deceptive manner in which neoliberal reforms were often implemented, demonstrated the shaky legitimacy of neoliberal ideology.

The benefits that were promised by elites promoting neoliberal policies, which included solving the debt crisis and reducing social polarization, were not delivered. In terms of economic growth, for example, Eric Hershberg and Fred Rosen explain that though inflation was put under control, "during the period from 1950 to 1980 annual growth rates were steady at well over 5 percent, these figures dropped to 1.0 and 3.2 percent during the 1980s and 1990s, respectively."[26] Sectors of the economy that benefited from the reforms were those that were export-oriented, while few benefits accrued to domestic industry. In countries such as Mexico, this was manifested with the expansion of export-processing zones, which had few forward and backward linkages with domestic firms.[27] Increased integration in the global economy and dependence on foreign investment and markets has also made these economies vulnerable to external shocks. The liberalization of capital accounts rendered their economies more volatile, as

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[23] Soederbergh 18

[24] Paul Almeida and Hank Johnston, "Neoliberal Globalization and Popular Movements in Latin America," *Latin American Social Movements : Globalization, Democratization, and Transnational Networks*, eds. Paul Almeida and Hank Johnston (Lanham: Rowman & Littlefield, 2006) 6-7

[25] James Petras and Henry Veltmeyer, *The Dynamics of Social Change in Latin America* (New York: St. Martin's Press, 1999) 87

[26] Eric Hershberg and Fred Rosen, "Turning the Tide?," *Latin America after Neoliberalism: Turning the Tide in the 21st Century?*, eds. Eric Hershberg and Fred Rosen (New York: The New Press, 2006) 10

[27] Oscar Contreras, "Industrial Development and Technology Policy: The Case of Maquiladoras," *Changing Structure of Mexico: Political, Social, and Economic Prospect,* ed. Laura Randall , (London: M. E. Sharpe, 2006) 268

any measure of uncertainty could trigger capital flight.[28] The adverse effects of the 1997 Asian financial crisis on Latin American economies contributed to increased pessimism concerning liberalization in countries such as Brazil.[29] These diverse factors led to increasing disenchantment with neoliberal policies as they failed to deliver on their promises beyond controlling inflation.

As a result of these developments, it has become increasingly difficult for the ruling classes of Latin America to continue to adhere to neoliberal policies. Socio-economic inequality, instability, and increased limits on policy autonomy have rendered governing according to neoliberal ideology even more difficult.[30] Another consequence of the crisis of authority in Latin America has been the election of a series of leftist governments or governments that are at least nominally at odds with neoliberal policies in countries like Venezuela, Argentina, Ecuador and Brazil. This has heightened contradictions regarding the dominance of the financial fraction of capital and the United States in Latin America.

Growing opposition to neoliberal policies in general and the FTAA specifically, flourished in a specific historical juncture. It occurred after renewed attention was paid to the hemisphere as a result of the election of George W. Bush. Bush even went as far as to say that that Bill Clinton had "dropped the ball" on FTAA negotiations.[31] However, the events of September 11th, 2001 turned that administration's attention away from Latin America and towards the Middle East. Not only did the War on Terror turn the United States' attention away from Latin America, but the perception that the United States' actions in Iraq were illegitimate also contributed to a growing questioning of American foreign policy in general.[32] This was the situation in which an increasing number of Latin American governments began to question the FTAA project and explore alternatives.

The delegitimization of neoliberalism in Latin America has not necessarily produced a unified counter-hegemony to supplant it. Rather there are currently two very different subregional projects which are framed as alternatives to the FTAA. The first project is Mercosur, which is a regional trade agreement that includes countries from the Southern Cone.[33] Though Mercosur was presented as an alternative to the FTAA, and, therefore, a challenge to American economic and political power, it has attempted to maintain a non-antagonistic relationship with the United States.[34] Furthermore, it does not represent a rupture with neoliberal ideology as capital accumulation remains at the center of the project.[35] An expansion of Mercosur is being negotiated with the Union of South American States (UNASUR), which seeks to integrate the other countries of South

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[28] Maria de Lourdes Rollemburg Mello and Alfred Saad-Filho, "Neoliberal Economic Policy in Brazil (1993-2005): Cardoso, Lula, and the Need for a Democratic Alternative," *New Political Economy* 11.1 (2006): 102

[29] Jawdat Abu-El-Haj, "From Interdependence to Neo-mercantilism: Brazilian Capitalism in the Age of Globalization," *Latin American Perspectives* 34.5 (2007) 93

[30] Soederbergh 17-18

[31] Alan McPherson, *Intimate Ties, Bitter Struggles: The United States and Latin America since 1945* (Washington: Potomac Books, 2006) 119

[32] Hershberg and Rosen 14

[33] Member states of Mercosur include Brazil, Argentina, Uruguay, Paraguay and more recently Venezuela.

[34] Hershberg and Rosen

[35] Paul Kellogg, "Regional Integration in Latin America: Dawn of an Alternative to Neoliberalism," *New Political Science,* 29.2 (2007): 189

America.[36] The second project, the Bolivarian Alternative for the Americas (ALBA), was initiated at the 2001 Caribbean Summit during discussions between Hugo Chavez and Fidel Castro.[37] ALBA aims to further integrate the people of the America's and to reduce the economic and social asymmetries between the participating countries. As part of ALBA, agreements have been signed with Caribbean countries to provide them with credit at low interest rates to purchase Venezuelan petroleum in exchange for other commodities such as medical services from Cuba. ALBA operates according to the concept of compensated trade, according to which exchange occurs outside of existing financial markets. Paul Kellogg explains that not only does ALBA present a regional alternative to the FTAA, but it also presents a challenge to the logic of neoliberalism.[38] It remains to be seen how effectively these two projects can coexist and are able to allow South American states to pursue independent economic and foreign policies vis-à-vis the United States.

The Negotiation of the FTAA

On the heels of George H. W. Bush's Enterprise for the Americas Initiative, Bill Clinton initiated the first Summit of the Americas held in Miami in 1994. The main areas of negotiation included a political component to further consolidate democracy in the Americas, a social component to lessen inequality, and an economic component to create a hemispheric free trade zone. It was apparent that in 1994, most Latin American states decidedly supported the FTAA and were willing to reach an agreement sooner rather than later.[39] For example, at this point, Venezuela was firmly in the camp of countries willing to consider the possibility of the FTAA and was pursuing a policy of trade liberalization with other countries.[40] A draft was elaborated in Miami and at a subsequent meeting in Denver the next year. However, the progress of the negotiations was slowed down when Congress refused to renew fast-track authority in 1997.

The 1998 Summit of the Americas that took place in Santiago was important because it established 2005 as the final deadline for the signature of the FTAA. No final agreement was reached, largely as a result of the fact that leaders were cognizant that the United States' negotiating team did not have fast-track authority. Nonetheless, eight working groups pertaining to different issues that would be addressed by the FTAA were established at that Summit. The eight working groups included market access; agriculture; government procurement; investment; competition policy; intellectual property rights; services; dispute settlement and subsidies, antidumping and countervailing duties.[41]

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[36] These countries include Bolivia, Peru, Colombia, Ecuador, Guyana, Suriname and Chile. Panama and Mexico are currently observer states.
[37] Countries that attended the 6th ALBA Summit included Venezuela, Bolivia, Cuba, Nicaragua, Cuba, Antigua and Barbuda, St. Vincent and the Grenadines, Ecuador, San Cristóbal and Nieves, Honduras, Haití, and Uruguay
[38] Kellogg 201-205
[39] Palmer 57-58
[40] Prevost and Webber 98-99
[41] Heinz Preusse, *The New American Regionalism* (Northampton: Edward Elgar, 2004) 105

The 2001 Summit of the Americas was supposed to represent a turning point for the FTAA with a renewed commitment from the American delegation. However, opposition to the process both outside in the streets of Quebec City, and inside, at the negotiating table became increasingly apparent. Venezuela emerged as a critic not only of specific clauses of the potential agreement, but also of the neoliberal ideology underlying the whole process. It also criticized the fact that Cuba had been excluded from talks because its political system did not conform to liberal democratic norms.[42] Brazil also became more vocal of the United States' refusal to put its agricultural subsidies or its anti-dumping laws on the table for negotiation.[43] Disagreement had become so pervasive that dissention was recorded in the Summit's final declaration.

The fissures that appeared in 2001 became all the more acute at the 2003 Ministerial Meeting in Miami. Divergences between the United States and Brazil regarding the degree of liberalization and the deadlines regarding a final agreement grew following the election of the leftist government of Luis Inácio Lula da Silva. Brazil began to limit the scope of a possible final agreement as it began to dispute the degree to which the agreement would be binding. Fear that across the board liberalization would take its toll on domestic industry led Brazil to push the idea that signatory countries could opt out of whatever clauses they wanted. This dealt a significant blow to the American position that hemispheric integration be comprehensive and permanent. However, the American negotiating team accepted this position as it was under pressure from the executive to reach some sort of agreement in the wake of significant difficulties with the Doha Round of World Trade Organization (WTO) negotiations.[44] It was clear that FTAA negotiations were starting to fall apart at this point as a result of disagreements pertaining to the scope and underlying ideology of the FTAA.

At the 2004 Extraordinary Summit of the Americas that took place in Monterrey, it was noted by the American delegation that there was a significant number of new actors at the table that signaled political change in Latin America. These new leaders that, at a minimum, expressed unease with increased liberalization through the FTAA included Lula from Brazil, Hugo Chavez from Venezuela, Nestor Kirchner from Argentina and Tabare Vazquez from Uruguay. A speech made by the American delegation acknowledged that economic crises had led to a de-legitimization of neoliberal policies among the majority of the population of Latin America and the Caribbean. The concept of differential adherence to the FTAA elaborated at the Miami Ministerial Meeting was recognized at the Monterrey Summit.[45] There was a last-ditch effort to save the FTAA by the United States, with the support of Canada and Mexico, at the Mar del Plata Summit of the Americas in 2005. However, the Mercosur countries and Venezuela attempted to prevent even the inclusion of the FTAA in the negotiation deadlines. The refusal to conclude an agreement by those countries effectively put an end to FTAA negotiations.[46]

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[42] Edgardo Lander, "Venezuelan Social Conflict in a Global Context," *Latin American Perspectives*, 32.2 (2005): 32

[43] Van Rompay 142

[44] Joel Wainwright and Rafael Ortiz, "The Battles in Miami: The Fall of the FTAA and the Promise of Transnational Movements," *Environment and Planning D: Society and Space*, 26 (2006): 351

[45] Luis Fernando Ayerbe, "The Summits of the Americas: Continuities and Changes in the Hemispheric Agenda of William Clinton and George W. Bush," *The Bush Doctrine and Latin America.*, eds. Gary Prevost and Carlos Olivia Campos (New York: Palgrave Macmillan, 2007) 76-77

[46] Ayerbe 78

Increased hostility to the FTAA by important Latin American countries, as a result of growing unease with liberalization stemming from the loss of credibility of neoliberal policies, led to the inability to reach a final agreement by 2005. This failure occurred despite significant concessions made by the United States concerning the potential scope of the final agreement.

Conclusion

The growing contestation of neoliberal policies in Latin America and the Caribbean contributed to the failure to reach agreement on the FTAA in 2005. Despite efforts made by IFIs and the ruling classes of those countries, neoliberal ideology had never become entirely hegemonic in those countries. Furthermore, the unfulfilled promises of neoliberal policies also contributed to the crisis of authority of the United States in Latin America and the Caribbean. The election of an increasing number of leftist presidents that, at least nominally, questioned the desirability of neoliberal policies generally, and the FTAA specifically, transformed the dynamic and evolution of negotiations. The delegitimization of the economic policies promoted by the United States, as well as its role in the world because of the war in Iraq, created a space that allowed greater criticism of the FTAA and the pursuit of alternative regional projects.

This explanation of the failure to negotiate the FTAA goes beyond previous explanations for the failure. The predominant explanation focuses upon the incongruence of the economic interests of the different states participating in the FTAA. This approach does not go far enough in linking the incongruence of state interests with deeper structural dynamics that were affecting societies throughout the Americas. Furthermore, it does not fully account for changes in the negotiating position of various countries. The second approach, which focuses on the institutional structure of the American state, is useful in accounting for the behaviour of the United States at certain junctures of the negotiations. However, it does not address the change that occurred throughout the hemisphere that made negotiating increasingly difficult even when fast-track authority was granted to the executive. Utilizing the Gramscian concept of hegemony helps to account for the evolution of the FTAA negotiations as it links the relationship between power dynamics within specific social contexts and between states.

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