

How countries pursue economic development and justice? Brazil decides on the Free Trade Agreement of the Americas

*Robin Trangsrud
December 7, 2003*

Introduction

The case is set in Sao Paulo, Brazil's main city and economic engine, in January 2005. The negotiations towards the agreements for the FTAA are nearing a close, and the international community, especially the United States, is pressuring the Brazilian government to decide if Brazil is in or out of the FTAA. While his foreign economic policymakers have advised the President of Brazil, Luiz Inacio Lula da Silva, in the negotiations with the United States, he has chosen to hold a conference to hear varying public concerns about the advantages and disadvantages to the policies of the FTAA. Present at the meeting is the Landless Workers' Movement (MST). Although this decision will ultimately affect Brazilians the most, the United States Trade Representatives have insisted on attending the conference as an international presence.

The discussion will include many of the political, economic, and social benefits and consequences of the FTAA as different arenas will vary in significance according to what is prioritized as the most pressing issues for the different groups. At the end of the discussion, Lula will weigh the arguments and projected consequences of the opposing viewpoints and make a decision about which elements of the FTAA to adopt and which to reject. Since the initial discussions of the FTAA, the three groups involved have discussed their distinct and conflicting views about what is most important to Brazil, and thus, have each proposed a course of action about how Lula is to proceed with the FTAA decision. The different options the groups have presented are as follows: The US Trade Representatives advocates Brazil's acceptance of the FTAA in its entirety; Brazil's Cabinet Advisors support a different FTAA or no FTAA at all; the Brazilian Trade Representative supports the expansion of MERCOSUR and acceptance of a limited FTAA; and the MST opposes both MERCOSUR and the FTAA. Lula must decide from the options presented by the different groups, as there is no time for the negotiating processes to continue on any further.

In the past negotiations of the FTAA, the process to unite the economies of the Americas into a single free trade area has been slowed over the last ten years by the inflexible stance of the two largest players.¹ While the two countries, and co-presidents of the FTAA negotiations, have made progress over the years, Brazil and the United States, with the two largest economies of the FTAA zone, are still staunchly torn on the following issues: agricultural subsidies, new investment rules, intellectual property, and government procurement and social services.² International disagreements on these

¹The Official FTAA website. http://www.ftaa-alca.org/View_e.asp

² Bussey, Jane. *Brazil, U.S. split FTAA talks in Miami*. The Miami Herald. Herald.com. September 30, 2003.

<http://www.miami.com/mld/miamiherald/business/6892801.htm?template=contentModules/printstory.jsp>

issues are not the only pressures that are preventing the implementation of the trade bloc. On the domestic level, the increasingly political and violent MST are pressuring the government to reject the plan altogether. The MST is becoming more of a threat as it is the strongest political voice for the eleven million Brazilians that are opposed to the FTAA.³ While there are a significant number of Brazilians that fear the MST's radical agenda, they continue to support them to combine forces opposing the FTAA. Brazilian government considers the group a potential threat to democracy, as the masses appear to support them. Given that Brazil's market is dominated by an elite minority, Lula must consider a mobilized MST a threat to democracy. If the MST is able to join the poverty-stricken, ethnically diverse masses, their violent protests could transform into civil war. Although the process has been slowed, the significance of the negotiations has not diminished. The United State's officials remind Brazil that over thirty other countries are a part of the FTAA, including those on Brazil's borders, and they are awaiting Brazil's decision.

The present case requires students to address the same paradox that many leaders of developing nations, and Lula, must confront: how to create a growing economy that is competitive in the global market, while simultaneously ensuring that Brazil retains economic sovereignty and that Brazil can distribute the economic benefits to the majority of Brazilians. The scenario is fictitious as it is a projection into the future. Even though their viewpoints may be exaggerated, the facts and players of the case are real, as are the issues concerning Brazil and the FTAA.

The Setting in Brazil

As a densely populated city of over 15 million with pollution, crime, traffic, and poverty, Sao Paulo may not be the optimal place to hold a conference. Yet, it may be a representative result of some of the political and economic turmoil that Brazil has been facing for decades. Brazil has felt authoritarian rule and military dictatorships including various military coups for much of the twentieth century. Thus, Brazil is a young democracy, as it slowly began to transform into a democracy in 1974. During this same era, Brazil's economy grew at a rate that is comparable to the Asian economic miracle. Although their growth may have been smaller than some Asian countries, it was larger than Singapore and Hong Kong, especially in Sao Paulo.⁴ By the early 1980s, Brazil's economy was the tenth largest in the world based on GDP, but this growth did not bring wealth to all. In 1980, the wealthiest 10 % held nearly 50 % of the total income, while the poorest 20 % held only 3.2 %.⁵ Shortly following Brazil's boom, the oil crisis sent Brazil's inflation rates soaring along with their foreign

³Petras, James. *Brazil and the FTAA*. Rebelión. September 29, 2003.
<http://www.rebelion.org/petras/english/031003ftaa.htm>

⁴Maddison, Angus. *The Political Economy of Poverty, Equity, and Growth: Brazil and Mexico*. A World Bank Comparative Study. Oxford University Press. New York, NY. 1992. p 4-5.

⁵ Chaffee, Wilber Albert. *Desenvolvimento: Politics and Economy in Brazil*. Lynne Rienner Publishers, Inc. 1998. p. 55.

indebtedness.⁶ A stabilization plan, the Cruzado Plan, was implemented in the late 1980s, but it failed and inflation rates were not controlled until President Cardoso implemented the Real Plan including a new currency in 1994.⁷ Overall, Brazil's economy has continued to improve, despite another crisis in 1998, but the country's economy is not at a state that is praiseworthy. Lula will have to provide solutions to unemployment, poverty and inequality, Brazil's biggest problems.⁸ Brazil is third only to Russia and India in unemployment with nearly 8 million people without jobs.⁹ Approximately 40 million Brazilians live in poverty,¹⁰ and the World Bank estimates that there is an 82% poverty level in urban areas.¹¹ Only 10 % of the population owns nearly half of the nation's wealth, while 40 % receives less than a tenth of the total.¹² Perhaps the UN's findings are most exemplary, "On average a Brazilian is worse off than those who live in Colombia, a country which has had armed conflict for 30 years."¹³

(For each of the roles below, you should say a lot more about what position they take on the different major FTAA sticking points between the U.S. and Brazil. You need not go into depth, but you should make their position clear about privatized services, intellectual property....)

MST

The Brazilian Landless Workers Movement (MST) is the largest social movement in Latin America and one of the most successful grassroots movements in the world. They are a group of peasants that formed in 1985 in response to the unjust land distribution in Brazil where less than 3% owns more than two-thirds of the arable land.¹⁴ The injustice created by the inequitable distribution has historical roots that stem back to the colonization of Brazil. Rich Portuguese bureaucrats were granted ownership of the 11 states of Brazil, and the land has remained in the hands of the wealthy since the 16th century.¹⁵ The MST wants justice and seeks land reform by pressuring the government through land invasions, where they occupy the idle land of wealthy landowners. Over the past 5 years, there have been over a thousand invasions,

⁶ Maddison, Angus. *The Political Economy of Poverty, Equity, and Growth: Brazil and Mexico*. A World Bank Comparative Study. Oxford University Press. New York, NY. 1992. p. 7-8.

⁷ "Brazil." *Encyclopædia Britannica*. 2003. Encyclopædia Britannica Online.

10 Dec, 2003 <<http://search.eb.com/eb/article?eu=108679>>.

⁸ Cardoso, Fernando Henrique. *Charting a New Course: The Politics of Globalization and Social Transformation*. Rowman and Littlefield Publishers, Inc. 2001. p. 17.

⁹ Souza, Hamilton Octavio de. *It's War*. Published in Revista Sem Terra. February 2001.

<http://www.brazzil.com/p20feb01.htm>

¹⁰ Ibid.

¹¹ Brazil-Poverty Assessment. The World Bank Group 2001.

<http://poverty.worldbank.org/library/view/8638/>

¹² "Brazil." *Encyclopædia Britannica*. 2003. Encyclopædia Britannica Online.

10 Dec, 2003 <<http://search.eb.com/eb/article?eu=108679>>.

¹³ Souza, Hamilton Octavio de. *It's War*. Published in Revista Sem Terra. February 2001.

<http://www.brazzil.com/p20feb01.htm>

¹⁴ The Official Website of Landless Workers Movement. 2003. <http://www.mstbrazil.org/index.html>

¹⁵ Ferreira, Alcides Lula and Brazil's Land Battles: Leading By Dangerous Example... InfoBrazil. June 28-July 04, 2003. <http://www.infobrazil.com/conteudo/front%5Fpage/analysis/af4195.htm>

some of which included destruction of crops and property. Since their creation, the MST has been fairly successful with their protests. By just last year, more than 250,000 families have won land titles to over 15 million acres after MST land takeovers.¹⁶ Currently, there are tens of thousands of families that occupy unproductive land, and there are nearly 100,000 families in encampments waiting for government recognition.

Recently, the efforts that the MST has made, however, stretch beyond land reform and are becoming increasingly political and violent. As journalist Adhemar Altieri explains,

“In the past, land invasions were hinged on the fact that the invaded property was unproductive, usually held by speculators who had no intention of harvesting anything but a profit at some future date. But recently, a growing number of invasions are being staged against productive farms, often with violence.”¹⁷

Just 5 years ago, thousands of MST members, led by the MST national coordinator João Pedro Stédile, marched not for land reforms, but on the Central Bank Headquarters in the “Popular March for Brazil” chanting anti-government slogans and destroying tollbooths to protest the IMF and the privatization of highways.¹⁸

Despite the increasingly violent and political acts by the MST, the government has not taken a strong stance against the MST’s disregard for the law. The MST has gained political power through the government’s inactivity, and their political agenda can be described as “extreme left-wing, often anti-democratic and disrespectful of any dissenting view,”¹⁹ The MST used to be somewhat dependent on the Brazilian left for a political voice, but as they gain political power, and their views become more extreme, their allies on the left have begun to distance themselves from the MST.

The MST national coordinator, João Pedro Stédile, is at the conference to be the voice of the MST and of most Brazilians, representing the main opposition to the FTAA. The MST is staunchly opposed to neoliberalism and unfair trade with the United States, however, is not as threatened by trade with MERCOSUR because more modest liberalization policies could be implemented. Trade through MERCOSUR would also allow Brazil to keep the intellectual property laws that allow many Brazilians to get prescription medication at a lower cost. The FTAA proposal would alter the relaxed

¹⁶ Ferreira, Alcides *Lula and Brazil’s Land Battles: Leading By Dangerous Example...* InfoBrazil. June 28-July 04, 2003. <http://www.infobrazil.com/conteudo/front%5Fpage/analysis/af4195.htm>

¹⁷ Altieri, Adhemar. *The Brazilian Left: Democratic When Convenient.* InfoBrazil October 08-14, 1999. <http://www.infobrazil.com/conteudo/front%5Fpage/analysis/aa0113.htm>

¹⁸ Ibid.

¹⁹ Altieri, Adhemar. *Economy Gains Momentum, Popularity Remains Elusive.* InfoBrazil May 05-11, 2000. <http://www.infobrazil.com/conteudo/front%5Fpage/analysis/aa0143.htm>

patent laws, and thus, the majority of Brazilians would suffer from the more-expensive medicine. In addition, because only a few elites own the majority of land in Brazil, only those elites benefit from trade outside of Brazil. The fear that any new investment laws will hurt the domestic workers as the laws will attract more foreign investors. Until the land is more equitably distributed, and more Brazilians can enjoy the wealth from trade, they are opposed to the increasing the amount of imports and exports to and from Brazil. Brazil is a land crisis, and the MST threatens to make the government and elites feel that crisis if their needs are not met. They feel that through the redistribution of the land, the root of nearly all of Brazil's economic problems can be tackled, with the help of some social programs.

The MST has not, however, offered any solutions of how to fairly redistribute the land, something for which they are highly criticized. Nonetheless, their efforts seem to be more effective than the government's former plans. As an example, they site that when working with the World Bank in 1997, the government set up a 150 million dollar plan, 'Cedula da Terra,' to allow 15,000 families to take out loans to buy plots of agricultural land. The loans were, however, inadequate because of the high cost of the land and the interest rates did not appropriately account for inflation. Only the most degraded plots of land were available to buy, but because they were ill suited for productive use, they were sold for cash and the landless farm workers were still left without land.²⁰ They believe that Brazil can create economic growth without relying on other countries and involvement in the international market can only be harmful if other countries have stronger economies. The MST is opposed to privatization as the services being privatized are not accessible as public goods.

Foreign Economic Policymakers

This group consists of Lula's cabinet members and the FTAA coordinator. The negotiators have a close relationship with Lula and are strong supporters of the FTAA. They are in favor of free trade, but on the condition that it is "real and complete."²¹ As one of the negotiators, Nunes, has explained,

"We're starting from the supposition that all negotiations have to bring a balanced and positive result for all sides involved. A negotiator can only become involved in... negotiations if he believes there can be a positive result."²²

They believe Brazil could benefit from the FTAA, but only if it is different to the current one that the United States is pushing. Lula's negotiators are critical of the

²⁰ Aslam, Abid. *Landless Brazilians Challenge World Bank*. The Progress Report. March 24, 2003. <http://www.progress.org/archive/brazil08.htm>

²¹ Petras, James. *Brazil and the FTAA*. Rebelión. September 29, 2003. <http://www.rebellion.org/petras/english/031003ftaa.htm>

²² Jeffris, Gerald. *Changing Tack, Brazil Pitches Flexible FTAA Approach*. Dow Jones Newswires. Nov. 03, 2003. <http://www.globalpolicy.org/globaliz/econ/2003/1103ftaabrazil.htm>

United States for trying to gain an unfair advantage through the negotiations, opposing any issues that they are vulnerable. They claim that under the current FTAA plan, the US will be able to dominate Latin American industry, finance, and services while protecting its own uncompetitive markets, most notably, their agricultural market, which is the arena that Brazil would benefit from trade the most. By promoting its competitive agro-export producers, Brazil could benefit even more from the multi-billion dollar business of citrus products and soybeans.²³ On the other hand, the Policymakers are weary of United States involvement in their markets because of Brazil's delicate intellectual property laws. The Brazilian Government adamantly defends Article 68 as part of their plans to combat the spread of HIV/AIDS, but the United States sees it as an attempt to limit trade. Signing onto the FTAA would inevitably change the patent laws that allow many Brazilians, especially the high number of AIDS patients, affordable medical treatment. They also fear the consequences of the new investment rules that could expose some of the markets that are still in their infancy. The high competition of foreign investors may crush local markets, however, they are hopeful that the benefits from other markets will outweigh the losses.

The foreign economic policy makers have guided Brazil's fragile economy towards greater macroeconomic stability. Since 2003, inflation had been expected to continue to rise, but by securing high interest rates, inflation rates were limited and controllable. This strategy was so effective, in fact, that Brazil managed to create a budget surplus of 4 % of its GDP in 2003. A surplus that pleased the IMF as it exceeded the promise Brazil made to them.²⁴ The Brazilian government claims they are seeking long-term growth through "the performance of modern agricultural sectors."²⁵ In the avid pursuit for more foreign direct investment and job creation, the policy makers are changing the restrictions that make it costly to do business in Brazil.²⁶ One way the policy makers have sought to attract investors is through privatization. Currently, the highways and power generation have been privatized, and they recently proposed a law to privatize the water and sewer sector.²⁷ Their privatization initiative, which they call PPP for "Public-Private Partnership," protects the investors by guaranteeing them the minimum that they agreed upon.²⁸ Thus, if a market does not perform as well as expected, the Brazilian government, and therefore taxpayers, pick up the slack. Signing onto the FTAA would expand the PPP plan, create a more investment-friendly environment, and therefore create more wealth for Brazil through increased exports and more jobs.

²³ Petras, James. *Brazil and the FTAA*. Rebelión. September 29, 2003.

<http://www.rebelion.org/petras/english/031003ftaa.htm>

²⁴ Nogueira, Mario Roberto. *Doing Business in Brazil: Gradual Improvement Under Lula...* InfoBrazil. Nov. 29-Dec. 05

http://www.infobrazil.com/Conteudo/Front_Page/Opinion/Conteudo.asp?ID_Noticias=837&ID_Area=2&ID_Grupo=9

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

²⁸ Ibid.

To the dismay of the MST, the economic advisors have essentially urged Lula to ignore any domestic land reform. The regime previous to Lula, under President Fernando Henrique Cardoso, settled more families than all Presidents before him combined.²⁹ The advisors are trying to float on Cardoso's strides and pay little attention to settling families. During Lula's regime, he has settled only 2,000 families, which is less than a tenth of what he promised and less than a tenth of previous regimes.³⁰ They insist that as the PPP plan expands, the competitive market will create more jobs for the landless workers. Despite the MST's high demands that are becoming harder to ignore as they become more violent, the economic policy makers have urged their co-workers within the government to not be too hard on the MST legally. While they are becoming increasingly fearful of their presence politically, they are allowing their illegal acts to slide in an attempt to not instigate their anger any further.

While the foreign economic policy makers are united on their view of the United States and the MST, there is conflict within the group about whether a limited FTAA should be pursued. The Brazilian Cabinet thinks a limited FTAA would lose its weight and purpose, while Brazil's FTAA Coordinator believes a limited FTAA could still be beneficial to Brazil. Although this conflict is very apparent among the foreign economic policy makers, both sides are aware that they must not appear to disagree too strongly in the presence of the MST. If the MST catches onto any fractures in the government, they will see the weakness as an inlet to insert pressure and gain power.

The Brazilian Cabinet

Foreign Minister Celso Amorim, Agricultural Minister Roberto Rodriguez, Minister of Finance Antonio Palocci, and Trade Minister Luiz Furlan combined create an influential force who see Brazil's best economic future in the FTAA, but not if the United States isn't willing to cooperate with Brazil's demands. They think that the current FTAA is unfair to Brazil, and they do not want to be pushed around by the United States. They are rigid in their stance on protection of Brazil's intellectual property, but might be more flexible if they had access to the United States agricultural market. The cabinet members think the United States' push to put the negotiations of their agricultural market under the WTO is a way to pass an FTAA that unfairly benefits the United States. These cabinet members want the United States to consider Brazil as a legitimate power, as Brazil is the co-president of the negotiations, and do not want to settle for a United States agenda. The Foreign Minister is adamant about coming to an agreement that does not allow the United States to neither impose a pact or convince or persuade Brazil to accept it.³¹ Thus, if the FTAA does not include access to the United States' agricultural market, they will urge Lula to reject it, and

²⁹Altieri, Adhemar. *Impunity and The Trickle-Down Effect*. InfoBrazil. July 30-August 05, 1999. <http://www.infobrazil.com/conteudo/front%5Fpage/analysis/aa0103.htm>

³⁰Petras, James. *Brazil and the FTAA*. Rebelión. September 29, 2003. <http://www.rebelion.org/petras/english/031003ftaa.htm>

³¹Petras, James. *Brazil and the FTAA*. Rebelión. September 29, 2003. <http://www.rebelion.org/petras/english/031003ftaa.htm>

continue to pursue trade within Latin America. As Furlan coined the phrase, “A fair FTAA or none at all.”

Their strong pursuit of United States agricultural markets as the most advantageous way to promote Brazil’s economy has been criticized by the MST because of the cabinet members’ personal incentives. Of all the cabinet members, one of them has close ties to Wall Street, another is a millionaire owner of an agro-business enterprise, and another collaborates closely with Monsanto, the United States Corporation that deals with genetically modified crops.³² The benefits that come from expanding the agro-export industry clearly will be felt by these members, and the few elites that own the land, but there is little chance the wealth will be distributed to the masses. It is necessary for these cabinet members to please the elite who support them in order to maintain their political power. While they argue the wealth will trickle down, the MST is not convinced.

Brazil’s FTAA Coordinator

The optimistic Brazilian FTAA Coordinator, Tovar da Silva Nunes, has suggested a more flexible model of the FTAA that would allow countries to sign on to the FTAA while avoiding the sensitive areas of the proposal. Nunes thinks the most effective way to follow through with the FTAA negotiations is to concentrate on the areas that all the countries agree on and leave the “stickier” issues to the WTO. A limited FTAA would include the areas the countries agree on: conflict resolution mechanisms; rules of product origins; customs procedures for facilitating commerce; special treatment for developing countries; market access for agricultural and nonagricultural goods, services and investments; treatment of export subsidies; and rules for applying antidumping sanctions.³³ The countries that do not agree on these areas could sign on to parts of the FTAA, and let the WTO negotiate the areas that they hold an inflexible stance on. Thus, countries that disagree on intellectual property or agricultural subsidies, such as Brazil and the United States, respectively, could benefit from the other elements of the FTAA and leave the WTO to handle those issues. The other cabinet members, however, think that leaving issues to the WTO will not advance the free trade policies they feel are necessary to growth.

The model he has proposed has the support of Canada and includes another element, MERCOSUR. The Common Market of the South, known as MERCOSUR, is a trade alliance made up of Brazil, Argentina, Paraguay, and Uruguay. It is a struggling trade bloc, but Nunes sees it as an intermediary to getting what Brazil and other developing nations really want, access to the United States agricultural market. If MERCOSUR can hold bilateral agreements with the United States, they could have a chance to gain enough power to pressure the United States to lower their agricultural subsidies. This would be a way to continue the FTAA negotiations, as the United States has taken a

³² Ibid.

³³ Jeffris, Gerald. *Changing Tack, Brazil Pitches Flexible FTAA Approach*. Dow Jones Newswires. Nov. 03, 2003. <http://www.globalpolicy.org/globaliz/econ/2003/1103ftaabrazil.htm>

hard stance to protect its agricultural market has been a controversial topic, while Brazil has hope of access to them in the future.

US Trade Representative

The United States Trade Representative, Robert Zoellick, has attended the conference to represent the interest of the United States. He will try to convince Lula to sign on, but also wants to reform Brazil's intellectual property laws. Zoellick argues that Article 68 of Brazil's Industrial Property Law, which allows for local production for those that have exclusive patent rights over it, is a "protectionist measure," one that violates the rights of US Patent holders.³⁴ The United States sees this as an unfair trade barrier but will try to persuade Brazil that the benefits from trade will allow enough money to more than compensate for the loss in they will suffer from changing their patent laws.

The United States recognizes Brazil's desire to get expand their agro-export business through the FTAA, but does not think that their position defending their agricultural subsidies, (they currently have devoted \$180 billion to farm supports) as their stance is typical to that of Europe.³⁵ In addition, their commitment to a "Tariff Free World" by 2015 shows their support for a free-trade western hemisphere.³⁶ In an attempt to persuade Brazil to commit to the FTAA, the United States emphasizes the other areas from which Brazil will be able to benefit. Relative to other Latin American countries, Brazil has a significant manufacturing base of consumer electronics, cars, and software. Expanding this area can create more jobs for the landless workers and can produce for the local market.³⁷ The resources in Brazil, Zoellick argues, are not unlimited. He cites the research that explains,

"According to [Brazilian] government data, there are just 16.4 million hectares of unproductive land in Brazil, or 4.7 percent of the total area dedicated to agriculture. In the 1980s, in order to inflate figures for available land, NGOs often announced much more impressive numbers, which included forested areas."³⁸

³⁴ *The US-Brazil War of Words Over Pharmaceuticals and Intellectual Property*. ICTSD Bridges Weekly Trade News Digest. Volume 5. Number 17, May 8, 2001. <http://www.ictsd.org/html/weekly/08-05-01/story5.htm>

³⁵ DeJuana, Carlos A. *Confident after Cancun, Brazil trips up FTAA Talks*. Forbes Magazine. Nov. 12, 2003. <http://www.forbes.com/business/newswire/2003/10/12/rtr1106515.html>

³⁶ The Official FTAA website. http://www.ftaa-alca.org/View_e.asp

³⁷ Hemlock, Doreen. *FTAA: Brazil, whose clout pales against U.S. might, wants balance*. The Broward Sun Sentinel. FreeRepublic.com. <http://209.157.64.200/focus/f-news/1018174/posts>

³⁸ Ferreira, Alcides. *Lula and Brazil's Land Battles: Leading By Dangerous Example...* InfoBrazil. June 28-July 04, 2003. <http://www.infobrazil.com/conteudo/front%5Fpage/analysis/af4195.htm>

Thus, Zoellick suggests Brazil is placing unrealistic hopes for their agricultural market. He insists that creating incentives for manufacturing companies to produce locally, which the new investment rules of the FTAA would promote, will increase international investment while Brazil benefits locally. Similarly, Zoellick is in favor of privatizing services in Brazil that have traditionally been public services as the United States would have the best opportunity to invest in the privatization.

The United States, surprisingly, is supportive of sub-regional trade liberalization through MERCOSUR. As long as the negotiations create trade and follow with WTO regulations, the United States is in favor of any trade that will open the hemisphere.³⁹ The United States primarily wants the FTAA to be passed, but bilateral trade agreements will not coerce the United States. Their economy is ten times the size of Brazil's and trades twenty times as much.⁴⁰

The Meeting

Lula begins the meeting by welcoming everyone and thanking them for helping him come to a decision on the FTAA. He asks that everyone peacefully respect the arguments of others, passing a longer glance on João Pedro Stédile and the MST. All in the room understand the irony as the protests outside are becoming louder. He tries to look poised, but his face cannot hide the distress he feels as he ponders what is best for Brazil. He cannot alleviate every group's needs, so whose concerns are most important to Brazil? Which will best stimulate economic growth, focusing on domestic markets first or creating growth on a macroeconomic scale first? Is there a way to do both simultaneously, and is it through the FTAA? Surely there are advantages and disadvantages to signing on to or off to the FTAA, but how does he prioritize the benefits over the costs? All of these groups are self-interested, so whose opinion can he trust? Will his decision jeopardize democracy?

³⁹ Harrington, Anthony. *Brazil-U.S.: "Closer Partners", Trade Tiffs Notwithstanding...* InfoBrazil. November 2000. <http://www.infobrazil.com/conteudo/front%5Fpage/twenty%5Fquestions/iv2010.htm>

⁴⁰ Hemlock, Doreen. *FTAA: Brazil, whose clout pales against U.S. might, wants balance*. The Broward Sun Sentinel. FreeRepublic.com. <http://209.157.64.200/focus/f-news/1018174/posts>