

## **Brazil will fight back against the currency manipulators**

We are living in turbulent days. The financial crisis of 2008 is not over, especially in advanced economies. With growth still weak, these countries have been adopting extremely expansionary monetary policies, rather than a more balanced mix of monetary and fiscal stimulus. Emerging economies are sustaining the pace of growth, but cannot assume the role of global powerhouses unaided.

Economies that issue reserve currencies are managing international liquidity without a sense of the collective good. They are resorting to undervalued exchange rates to ensure their share of global markets. This wave of unilateral, competitive devaluations creates a vicious cycle that leads to trade and exchange rate protectionism. This has devastating effects for all but especially for developing countries.

The great challenge for the coming years is to address sovereign debt and fiscal imbalances in some countries, without stopping – or reversing – the global recovery.

Only economic growth, based on income distribution and social inclusion, can generate resources to pay the public debt and cut deficits. The experience of Latin America in past decades shows what recession brings in loss of output, rising social inequalities and unemployment.

If they are to overcome the crisis, the world's major economies should give clear signs of political cohesion and macroeconomic co-ordination. There will be no recovery of confidence or growth without greater co-ordination among the Group of 20 countries. It is vital – for Europe in particular – that they regain the spirit of co-operation and solidarity shown at the height of the crisis.

That is why Brazil supports the G20 Framework for Strong, Sustainable and Balanced Growth, which must be managed by all and for all, without exception.

Other initiatives are needed in the international field: further regulation of the financial system, to minimise the possibility of new crises; reduced levels of leverage. We must proceed with the reform of multilateral financial institutions, increasing participation of emerging countries that now bear primary responsibility for global economic growth.

It is urgent to combat protectionism and all forms of currency manipulation, which give spurious competitiveness at the expense of trading partners. The G20 can offer a co-ordinated response, in which all big economies can adjust fiscal, monetary and/or exchange-rate policies, without fear of acting alone. An open global trade system requires this sense of mutual confidence.

Meanwhile, threatened by large speculative capital flows as well as by a rapid and unsustainable currency appreciation, developing countries that adopt a floating exchange rate regime, such as Brazil, are forced to take

prudential measures to protect their economies and their national currencies. We will not succumb to inflationary pressures coming from outside. With firmness and serenity we will keep inflation under control, without having to give up the economic growth that is essential if we are to promote social inclusion. Our commitment to sustainable development with price stability is not negotiable and the economic policy fine-tuning will always work towards this goal.

As to long-term policies, Brazil has regained planning capacity in fields such as energy, transport, housing and sanitation by redefining the role of the state with a focus on developing social infrastructure.

The discovery of large offshore oil reserves will open a new cycle of industrialisation, especially in the naval, petrochemical and capital goods sectors: it will also enable Brazil to create a special fund to invest in social, scientific, technological and cultural policies.

The country has strengthened state-controlled companies such as Petrobras, Eletrobras and the public banks, to induce development. Through active trade defence mechanisms, supported by WTO rules, it will not allow its industry to be jeopardised by unfair competition.

Brazil is also committed to fight deforestation, especially in the Amazon; to promote sustainable agriculture; and to strengthen its energy mix. I am convinced of the need to consolidate these achievements, just as I am sure that we all bear responsibility for rebalancing the world economy. It's time for global leaders to act with determination and boldness. This is what the world expects from us.