

## Brazil's Finance Minister on US Debt: 'Not Finding a Solution Is Madness'

Written by Daniel Lima

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While participating at the 38th assembly of the Economic and Social Development Council ("CDES"), the Brazilian minister of Finance, Guido Mantega, said: "We are going through a delicate moment." On one hand, he pointed out, advanced countries have huge debts, significant deficits and sluggish growth. On the other, emerging nations are growing at rates above 4%.

And, according to the minister, it is a situation that is not going to change anytime in the near future. "Slow growth [in industrialized nations] will create problems for emerging countries, but not enough to hold back their growth," he declared.

Mantega warned that the financial crisis is not over, it just changed its address, moving out of the private sector into the public sector with a negative impact on country debt. "This is not a simple situation and it will linger for years, affecting emerging nation economies," Mantega said.

With regard to the debt ceiling crisis in the United States, Mantega said he hoped to see a solution before the August 2 deadline. Otherwise, he said, it will be harmful to economies worldwide. "Not finding a solution is madness. I must confess that I am deeply concerned with the way things are going,"

Mantega said the other big problem, the euro zone crisis, is also hard to deal with, difficult to resolve, because even with bailouts, for example for Greece, the problem was going to be around for years. "We cannot expect a recovery in Europe in the near future," the minister declared.

Mantega concluded his remarks by saying that Brazil was very well prepared to face the present crisis. It had solid economic fundamentals and a strong domestic market - exactly what developed nation economies did not have at this moment.

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And the minister went on to say that Brazil would not accept defeat in dealing with the exchange rate or engage in trade wars. According to the minister, the Brazilian economy has emerged victoriously from the international financial crisis and is strengthening its fiscal situation.

"We have had very satisfactory primary surplus results for 12 consecutive years enabling us to reduce our nominal deficit," declared Mantega.

Mantega also declared that the government is implementing measures to ensure that inflation targets will be met. Mantega recalled that since 2005 the government has met inflation targets, always coming in below the ceiling. Last year official inflation was slightly above the target ceiling.

He said that in 2011 inflation will be below the official target of 4.5%, plus or minus two percentage points.

In other comments the minister denied the existence of a real estate bubble in Brazil, calling it an issue some market analysts were using to drum up "controversy and boost readership."

Mantega admitted that prices have risen, but he pointed out that the rise, partly stimulated by government subsidies, was absolutely normal in a market that has been stagnant for around two decades.

**ABr**