

Time for a Gentler Economic Policy in Brazil

Contributed by Alexandre Rocha
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Brazilian Economist Walter Brasil Mundell believes that the Brazilian economy will grow more in 2006 than in 2005. "Next year Brazil will be one of the few emerging economies in the world to grow more than in 2005," he said.

Mundell made his opinion known during a talk at the Arab Chamber Space, in São Paulo, the Arab Brazilian Chamber of Commerce event space, Tuesday, October 25.

To him, the country has done its homework, with the government maintenance of the primary surplus at elevated levels, avoiding the growth of public debt, the fluctuating exchange rate, and the control of inflation by the Central Bank.

In his opinion, these are advances that accompany the institutional strengthening of the country. Mundell stated that Brazil is no longer as vulnerable to crises as it was in the past. "Brazil has improved very much," he declared.

Among the favorable figures, which contribute to corroboration of this thought, he mentioned the falling inflation over the last three years, the balance of payments surplus after years of deficit, the strong trade balance growth, and the greater opening of the Brazilian economy to the world.

"Today, almost 25% of industrial production is exported and foreign trade answers to approximately 30% of the country GDP," he declared.

Now, to Mundell, there is space for a blander economic policy, with reduction of the benchmark interest rate (Selic), expansion of investment in the productive sector and accommodation of exchange rates, as it is currently considered that the Brazilian real is too appreciated when compared to the United States dollar.

In Mundell's point of view, globalization "was the best thing" to happen to developing countries. "Since 1993, emerging nations have grown more than the world average. The more economies become integrated, the more they grow," he stated.

Unparalleled

According to him, developing countries are taking advantage of the increase in the price of commodities on the foreign market, pushed by the good performance of the world economy. "We are living a golden age for the world economy, unparalleled in history," he declared.

With annual growth of over 4%, the world economy has as its main powerhouses, according to him, the United States and China. The first grows at an average of 3.5% to 4% a year, and the second grows over 9%. "The entry of China into the market economy was one of the events of greatest impact on economic history," he stated.

The economist pointed out, however, that the international economy has delicate dynamics, which may be affected mainly by a reduction of income for the North American consumer, which currently has a great appetite. This, in his evaluation, may be triggered by continuing increases in the prices of oil. "This is the main threat to the world economy," he said.

Mundell pointed out, however, that he does not expect the value of the commodity to continue rising next year. This, however, seems inevitable in the long term. "Oil is the great international topic. Not only now, but over the next 10, 20 or 50 years," he said. "But in 2006 I believe that the price will be lower than today," he added.

Mundell, who has 25 years experience in the finance market, addressed a crowded auditorium. At the Arab Brazilian Chamber he was met by the organization's president, Antonio Sarkis Jr., by the chairman of the board, Walid Yazigi, and by the foreign trade vice president, Mario Rizkallah. The event is part of the "Arab Chamber Meetings" program, which the organization has been promoting for six years.

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