The
BRAZILIAN
ECONOMY

Economy, politics, and policy issues
A publication of the Brazilian Institute of Economics. The views expressed in the articles are those of the authors and do not necessarily represent those of the IBRE. Reproduction of the content is permitted with editors' authorization.

Chief Editor
Luiz Guilherme Schymura de Oliveira

Executive Editor
Claudio Roberto Gomes Conceição

Editors
Anne Grant
Pinheiro Ronci
Bertholdo de Castro

Portuguese-English Translator
Maria Angela Ferrari

Art Editors
Ana Elisa Galvão
Sonia Goulart

Administrative Secretary
Ana Elisa Galvão
Rosamaria Lima da Silva
Antônio Baptista do Nascimento Filho

Contributors to this issue
Klaus Kleber
Sebastião do Rego Barros
Walter Russell Mead
Marcos Villa
Amado Luis Cervo
Victor Bulmer-Thomas
Aloisio Campelo
Salomão Quadros



Claudio Conceição

Executive Editor
claudioconceicao@fgv.br

Finance Minister Guido Mantega, in an exclusive interview with *The Brazilian Economy*, affirms confidently that Brazil will emerge from the global crisis stronger owing to its large domestic market, low inflation, and large international reserves. An optimist, he believes that the country's GDP will increase by 4.5%-5% next year. He reaffirms his criticism of private banks that charge high interest spreads and increase their provisioning for nonperforming borrowers: "The institution that charges higher interest rates also increases its risks. Down the line, default becomes an excuse to further raise interest rates." The appreciation of the real, in his opinion, is a consequence of the virtues of the Brazilian economy. And he guarantees: the government will neither relinquish the floating exchange rate nor resort to control of capital.

The relations of Brazil with the United States and the countries of South America resemble a cautious and complex political game of chess. Today, thanks to its large and vibrant economy, market-oriented policies, and stable democracy, Brazil is seen as a respected interlocutor, skilled negotiator and independent mediator, able to find shortcuts in search of collaborative solutions among countries of diverse political persuasion and social background. But Brazil's new role has nevertheless been challenged in South America by other competing political currents such as the more radical Venezuelan-born Bolivarianism. To strengthen its role, Brazil counts on the change of views in Washington, as the Obama Administration is searching for a reliable partner at the negotiating table in a region marked by contrasts and challenges.