

## ***Palavras por ocasião do jantar inaugural da Americas Society***

New York (USA), 7<sup>th</sup> October 2004.

My first words are of gratitude. I would like to thank the Americas Society and the Council of the Americas for their kind invitation to be here tonight. It is my honor to be awarded with your Gold Medal, which I take as another gesture of the friendship you have always shown toward Brazil and its people.

I have long admired the Americas Society and the Council of the Americas. There is no doubt you have lived up to the objectives set by your founding father, David Rockefeller. One just needs to look at your rich calendar of events to confirm that you are as committed as ever to the promotion of a more prosperous and democratic hemisphere. Most importantly, you spare no effort to show that such a goal can best be achieved through mutual knowledge and understanding.

But the success of the Society and of the Council is not simply due to the fact that your mission and methods were properly define. No less relevant is the fact that you have been working under the best possible leadership. Bill Rhodes is not only a personality of great experience and charisma. He also excels in his understanding of the current challenges and needs of the hemisphere.

May I acknowledge in public the strong impression Rhodes caused me as representative of private creditors in the renegotiation of Brazilian foreign debt in the early nineties. He understood that what was under discussion was not a mere rescheduling of our financial commitments, but an important step of a broader project of economic stability and sustainable growth. History has proved us right.

This is not the occasion to go over in detail what the Real Plan meant for Brazil. I will just single out two gains which seem to be beyond dispute. Firstly, the Plan paved the way for fiscal responsibility. Budgetary balance has become a rule in all levels of the Federation.

Secondly, monetary stability has allowed for a regular planning and funding of public policies. As a result, social indicators increased on a constant pace across the board, from basic education to life expectancy. Poverty was reduced to unprecedented levels and social inequality decreased. Scholars took a long time to understand the importance of financial and monetary stability for the uplifting of social welfare in Brazil.

Let me recall that a couple of weeks ago I was invited to address, together with Paul Krugman, the annual meeting of the American Sociological Association in San Francisco. I was asked about the future of

neoliberalism in Brazil. My answer was that I doubt neoliberalism has any future in Brazil as it has no past. I explained that the reforms we undertook were not meant to substitute a minimal state for bankrupt welfare states. Brazil and Latin America, in general, never had welfare states. What we have had is a tradition of ill-fare states.

Hence the historical importance of the conditions created during the nineties for the delivery by the Public Administration of social goods. This entailed the adoption of some criteria to guide public expenditures. Social spending was focused on the neediest among the needy, rather than channeled to privileged groups. Funds were ensured to effectively reach those they were meant to, which meant breaking with the long imbedded vices of clientelism and money-squandering. Services and resources were decentralized while families were given direct access to benefits, without intermediaries, bureaucracy or exchange of favors.

In short, a couple of principles was set in place to redress the quality of social spending. The new Brazilian Administration was elected under the assumption it would further improve public spending. But it came instead with old assistencialist practices, which do not enable the poor to improve its lot. But it looks as if social pressure is leading the Administration to resume inherited programs, much to the benefit, I hope, of low-income strata.

With regard to economic policies, the new Administration was sensible enough to keep our commitment to sound money and fiscal responsibility. One may argue that it went too far in its primary surplus goals, depriving the state of funds that could otherwise serve to finance social programs. But, all in all, economic macro-indicators have been kept under control and the country is apparently poised for continued growth.

It goes without saying that the prospects of Brazil, like those of any other country, are contingent upon the evolution of the international economy. Some uncertainties are still haunting the world at large. Though Brazil is approaching self-sufficiency in oil, price rises tend to affect the value of imports and, consequently, our costs of production.

The announced ralentissement of the Chinese economy is another variable to be taken into account. Even considering that Brazil is a global trader and, as such, is not dependent on a single partner, a drastic fall in Chinese imports would significantly reduce the country's trade surplus. No less disturbing are doubts about the evolution of US trade and public deficits. How sustainable is the symbiotic relationship between China and the United States, in which the former finances with its export revenues the deficits of the latter? Will this equation survive increasing American deficits or a sharp drop in China's growth rates?

Should we bet on a gradual solution of this imbroglio or are we doomed to a serious impasse, with unpredictable consequences on the world economy? I only wished such a challenge was brought more often to the floor in the current US electoral debate. Now under the direction of Rodrigo Rato, the International Monetary Fund could perhaps concentrate attention on this subject and come forward with recommendations that are acceptable to those concerned.

Anyway, let us hope for the better. What I know for certain is that global interdependence has made the paths of our nations forcefully interconnected. Hence the importance of mutual knowledge and understanding. Hence the relevance of the spirit which has always animated the Americas Society and the Council of the Americas.

Let me close my remarks by expressing once again my gratitude for this most enjoyable evening.

Thank you very much.