1st statement of Federal Republic of Brazil to the 1st draft of Forum of 21st Century on Global economic issues

In the time span of seven forthcoming years, the tariff restrictions on agricultural products import from the developing countries should be removed completely. Already benefiting from extensive subventions (doubled in the case of EU member countries), agricultural production in developed countries holds twice the advantage on the world markets. As the world food prices soar, Forum considers the suspension of subventions and removing tariff restrictions as one of the most reasonable ways to stop the steep increase in food price levels that endangers the already troublesome access to nutrition in the poorest regions of the world. Furthermore, it would provide developing countries vital incomes to spur their progress and at the same time cheaper food in developed countries.

Brazil as a part of the he Cairns Group recognizes the good progress that has been made in the agriculture negotiations. It is priority to build on that work to secure an outcome that meets the long-term objective of a fair and market oriented agricultural trading system through substantial improvements in market access, reductions in trade-distorting domestic support; and the long overdue elimination of all forms of export subsidies. At this critical time in the global economic downturn, it is essential to guard against increased pressures of protectionism in agriculture, which includes not only tariffs but also subsidies and other restrictive non-tariff measures. The recent reintroduction by the EU and US of export subsidies for one major commodity has deepened that risk. Trade is also fundamental in addressing food security, in supporting environmentally sustainable agricultural production and in achieving the Millennium Development Goals.

Of the main imbalances present in the world economy, Forum finds China's long-term trade surpluses and, on the other hand, US trade deficits the most pressing one. Yuan, China's national currency is considerably undervalued compared to US dollar. Taking this into consideration, it is apparent that China's exports hold unfair advantage in the world trade. Moreover, the amount of Chinese monetary reserves in US dollars creates the unprecedented situation when the exchange rate of the main world reserve currency, that US dollar still remains, could be significantly influenced by the economic policy of China. Therefore, Forum suggests that China, as well as some other Asian countries, namely Japan and South Korea; stop intervening in favour of keeping the exchange rates at artificially low levels.

Two years after the global financial and economic crisis a new economic configuration is shaping up. The artificially low exchange rates hold by the Asian countries notably China, Japan and South Korea, combined with the dollar's decline over the past year, has proven to be a major obstacle to recovery for the world's major developed economies. Low US interest rates force investors to look for bigger returns in emerging markets, the resulting capital inflows have driven up countries' currency values. Consequently, the goods have also become less competitive vis-à-vis Asian exports. This fact has forced some emerging economies, including Brazil, to tax or place restrictions on inflows in order to slow the currencies' appreciation towards the strong currencies

and maintain trade competitiveness against flood of cheap imports. At this point, the ambition is to keep the current surplus and hinder the further appreciation of the real even when applying necessary measure.

Forum for the 21st Century recommends that, in the global dispute over the sources of energy, greater space is given to scientists who oppose pessimistic scenarios concerning the depletion of conventional sources of energy. Existing scientific studies, which question the pessimistic scenario accepted worldwide without contradicting voices being heard, provide us with a different perspective regarding the future use of energy resources. Using financial resources and scientific capacities to further improve efficiency of already existing facilities is substantial. Funding the development of alternative sources of energy should be done based on both environmental and economic arguments. Forum regards reopening the debate on the use of nuclear energy highly essential. Thermal energy should be taken into consideration as a cheaper alternative to solar and wind energy, where possible, as well.

Brazil has received acclaim in recent decades as a country of clean energy, with sources like hydroelectric power and alcohol playing a major role in the country's energy mix. According to data from the Energy Research Company [Empresa de Pesquisa Energética] (EPE), 90% of the energy generated in Brazil in 2009 came from renewable sources, primarily water (83.7%), biomass (5.9%) and, nominally, wind (0.3%). Despite the predominant supply of renewable energy that Brazil offers, the country's heaviest consumption is still derived from petroleum-based sources. The solution to this situation lies in technological advances. Solar and wind energy is still relatively expensive, meaning an endeavor of this size is economically unviable. Despite Brazil's opting for renewable energies, heavy impact has already been felt by generating energy through bio fuels which appears to be cheaper option for a country with such an agriculture potential as Brazil.

With its value falling due to the long-term Federal Reserve Fund inflationary policy, the unique position of US dollar slowly but steadily deteriorates. Forum proposes that the use of the International Monetary Fund reserve currency shall be augmented. SDR currency basket should be composed of five currencies belonging to the countries with the highest share of the world trade, strictly in the proportion equal to their respective shares. The second alternative is the return to the gold standard where the new money could not be printed by central banks unless adequately covered by gold. This would stabilize exchange rates around their real values and stop the widely adopted countries' inflationary policies leading to losing control over their currencies.

Brazil, together with countries Russia, India and China, known as BRICs, have currently 42% share of global currency reserves. At the first formal summit of BRICs in Yekaterinburg, Russia, in June 2009, Russia, China and Brazil have expressed a desire to see the dollar one day replaced as the world's main trading currency. Brazilian Central Bank president Henrique Meirelles said the country was considering the gradual elimination of US dollar trade with China, Russia and India. Brazil is already trading in national currencies with Argentina and Uruguay, too. Regarding the currency reserves, Brazil recently announced shifting 10 billion dollars of reserves into multicurrency bonds issued by IMF. Although BRIC countries have the same opinion in position of

US Dollar as the main global currency, their projections of new financial system is different. Taking into consideration their rapid economic growth, one option is new currency basket, where in time their currencies could appear. But also the currency basket, or currencies fixed on prices of some commodities come into consideration.

According to Forum, the "brain drain" phenomenon is, amongst many other issues, one of the most common that hamper the progress of developing countries. Often, individuals benefiting from the free education in their home countries leave in pursue of better careers. However, countries have currently no means to recoup the funds spent on professional growth of such individuals. To counterbalance drawbacks caused by the brain drain phenomenon, Forum recommends the adoption of measures that would guarantee the return of funds invested in education of individuals who do not contribute to the gross domestic product. As a possible solution, Forum proposes legal precautions, which would ensure that either the individual or the country of destination would refund the money spent on the individual's education, to be taken.

Loss of intelligence in Brazil is currently at the level of 3,3% (percentage of university educated people left). In comparison to Mexico, India and China, where this percentage comes over 10% appears brain drain as a minor problem of Brazilian economics. Despite this, Brazilian government is aware of the danger in future. President Lula encourages professionals abroad to come back to Brazil emphasizing the improved conditions for studies and new job opportunities. To lower the "brain drain" rate, Brazilian government restricted the number of full financed PhD studies abroad and increased number of few month students stays at foreign universities. Anyways, it is important to mention, that emerging countries, like Brazil, for instance, have been recently experiencing the dual role of supplier and receiver of skilled labor. In current extent, Brazil marches to net-gain situation in the international exchange of skilled workers. Regarding the remittances, it is more beneficial to create decent opportunities for home students, improve the education system and create conditions for motivating job opportunities in home country as discovering new remittance refund system.