

Joint Statement of the first High Level Brazil-EU Macroeconomic and Financial Dialogue

Brasilia, 16 July, 2009

The first meeting of the High Level Brazil-EU Macroeconomic and Financial Dialogue was held in Brasilia on 16 July 2009. The Dialogue is the implementation of a political agreement at the EU-Brazil Summit of December 2008 and aims at enhancing mutual understanding and strengthening the cooperation in the area of economic policies between EU and Brazil, two of the world's most important economies. The first meeting focused on discussing the impact of, and policy reactions to, the global economic and financial crisis and the G-20 reform agenda.

The Dialogue was co-chaired by Nelson Henrique Barbosa Filho, Secretary for Economic Policy of the Ministry of Finance of Brazil, Ambassador Pedro Luiz Carneiro de Mendonça, Undersecretary General for Economic Affairs of the Ministry of External Relations of Brazil, and Marco Buti, Director-General for Economic and Financial Affairs of the European Commission. Philippe Moutot, Deputy Director General of the Economics Department of the European Central Bank also participated in the meeting.

Participants from both sides discussed in depth the current global economic situation and likely future developments, exchanged views on the impact of the crisis on the Brazilian and EU economies and each side's policies in stimulating economic growth and promoting sustainable development. Regarding the Brazilian economy, it was noted that the sound macroeconomic and regulatory policies implemented by the authorities in the years preceding the crisis and the carefully designed policy responses to the crisis had increased the resilience of the Brazilian economy to the external shocks produced by the crisis. Regarding the EU economy, it was noted that a comprehensive package of policies, encompassing substantial fiscal and monetary stimulus, support for the financial sector, sectoral measures and measures to protect the most vulnerable social groups were being implemented. Both parties recognized however, that it would be important to continue to implement structural reform measures in order to increase sustainable growth, not least because the crisis could have a negative impact on potential growth and because of demographic challenges.

While both parties agreed that it was important to maintain the stimulative stance of macroeconomic and financial policies for the time being, they also underlined the need to start designing appropriate exit strategies to withdraw stimulus and ensure medium-term fiscal sustainability. Such strategies should take due account of country-specific circumstances.

The G-20 agenda on regulatory reform in the area of financial services was discussed and both sides reported on reforms planned or already undertaken. There was agreement on most issues, such as the need for a linkage of executive compensation with risk, the need for transparency in the use of derivative products, and the importance of finding a solution for the problem of pro-cyclicality and for addressing systemic risk.

Both sides agreed that further discussions would be useful in the context of a high-level Brazil-EU regulatory dialogue on financial services, with a first meeting to take place in Brazil in October 2009.

Both parties also discussed the G-20 reform agenda for the international financial institutions, encompassing the strengthening of their resources, the review of its lending facilities and surveillance instruments, and governance reform. They agreed that the G-20 was an adequate forum for discussing these reforms. They noted the substantial contributions pledged by both parties to the increase in IMF resources and underlined the importance of fully implementing the London Summit agreements on the matter to strengthen the IMF's capacity to assist countries in difficulties.

Both parties emphasized the need to make IMF surveillance more even-handed for all member countries and to increase its policy traction. They stressed the need to implement the policy recommendations made in the context of the Early Warning System jointly conducted by the IMF and the Financial Stability Board.

They exchanged views on IMF and World Bank governance reform, which they agreed was necessary to increase the legitimacy and effectiveness of these institutions. That entailed aligning representation with relative weights in the world economy and strengthening the voice of developing countries in these institutions.

Both parties considered that the exchanges had been fruitful and constructive and declared that they were willing to continue to cooperate closely on macroeconomic and financial issues also in the future. In line with the mutual agreement, the next Dialogue will be held in 2010 in Brussels.