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TALKING POINTS

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Brazil began to stumble in 2012 after the start of the eurozone crisis. In the light of the weak global economy and US Federal Reserve's quantitative easing program, the Brazilian government began a campaign to reduce interest rates further. At the same time, the government resorted to unorthodox measures to curb inflation: reduced oil price, electricity tariffs, and transportation fares, following street protests last year. However, it has been pointed out that policy makers also introduced contradictory policies that stimulated inflation, such as supporting a weaker currency against the dollar, and stimulating industry and consumer demand through temporary tax breaks. The result was a situation of low growth and high inflation. According to the Financial Times, Brazil's economy this year is set to grow at about 2 per cent, one of its slowest rates of expansion since the 1990s. Meanwhile, inflation is expected to reach 6.3 per cent! The problem with Brazil is a lack of political will to address the country's entrenched structural problems: from high tax burden, high public expenditure to low industrial competitiveness.

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