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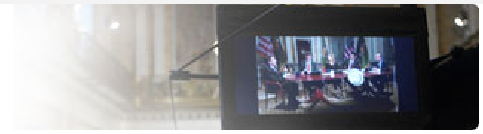

Statement of Treasury Secretary Tim Geithner

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Fundação Getulio Vargas
Sao Paulo, Brazil

As Prepared for Delivery

Next month President Obama will travel to Brazil, and I'm delighted to be here to help lay the foundation for a stronger relationship between our two countries.

Brazil is a major economic and financial power on the global stage. Our economies have similar strengths and face similar challenges. We recognize that economic growth requires a strong, dynamic private sector, a commitment to open and fair trade, and investments in innovation, education and infrastructure. We recognize the imperative of providing greater opportunity to all our citizens.

Our economic ties are expanding. Two-way trade between our countries has almost doubled since the turn of the century. Investment and capital flow in both directions. Today Brazilian entrepreneurs are investing in the United States, opening up plants and creating jobs, just as American companies are doing in Brazil.

Our economic interests are fundamentally aligned. When the global financial crisis hit, we worked side by side to support a coordinated international strategy to restart economic growth. We mobilized finance to restore confidence and to restart trade flows. We embraced a common framework for reform of the global financial system to reduce the risk of future crises.

The United States has successfully pushed for Brazil to have a greater role at the multilateral table. We advocated strongly for the G-20 to become the premier forum for global economic and financial cooperation. We moved aggressively to enhance the role of critical emerging market countries such as Brazil in the governance of the IMF and World Bank. Now, your country is one of the largest shareholders of the IMF. We also fought to bring countries such as Brazil into the Financial Stability Board, which helps set the rules for global finance. And we have joined forces to build a G-20 framework that brings surplus and deficit countries together to review and act on the risks confronting the global economy and the policies needed to address them.

Brazil has benefited from exceptionally capable economic leadership, which has delivered rapid growth and huge gains in living standards, bringing millions out of extreme poverty. Economic growth has been balanced, led by domestic demand, consumption and investment. For that balance to be sustainable, Brazil, like the United States, needs balance in the global economy.

Brazil is seeing a surge in capital inflows. This is happening for two reasons. First, investors around the world see Brazil growing at a faster pace and offering higher rates of return relative to other major economies. But these flows have been magnified by the policies of other emerging economies that are trying to sustain undervalued currencies, with tightly controlled exchange rate regimes. Brazil and other emerging economies with flexible exchange rates and open capital markets have born a disproportionate share of both the benefits and burdens of these capital flows.

Managing capital flows in such circumstances is not an easy task. The fact is it's very hard to use monetary policy tools alone to curtail inflation without putting more upward pressure on the exchange rate. Countries facing an outsized burden of adjustment and overvalued flexible exchange rates may need to adopt carefully designed macro-prudential measures, as a complement to fiscal reforms.

But Brazil and other emerging markets cannot address these challenges by their own policy choices alone. They need—just as we do—the support from the policy choices of other major economies. As countries with large surpluses act to strengthen domestic demand in their economies, open their capital markets and allow their currencies to reflect fundamentals, we will see more balance in the flow of capital, less upward pressure on Brazil's currency, and more robust growth in Brazil's exports, especially manufacturing exports.

We recognize that the world looks to the United States to be a source of stability and strength for the global economy. President Obama moved aggressively when he came into office to repair our financial system, to lay the foundation for a more sustainable expansion, and to address the failures in financial oversight that caused so much damage to our economy and to the world economy.

These policies and those of the Federal Reserve have now produced six quarters of positive economic growth and more than a million private sector jobs. Growth has been led by private investment. Private savings have increased, and our current account deficit has fallen. Productivity growth has been very strong, relative to the experience of other major economies.

But we have more work to do. We have to continue to invest in innovation, improve education, strengthen public infrastructure, and encourage private investment. And we have to restore fiscal sustainability, with growth-friendly reforms to reduce our long-term deficits. The United States recognizes that we bear a special responsibility for the sound functioning of the international economic and monetary system.

Our two economies are in a much stronger position than we were two years ago. We are bound by shared economic challenges and common interests. And it's now more important than ever that we work together as partners so that our people, our businesses and our economies both drive and benefit from global economic growth.

Thank you.