

The View from Brasilia: A Conversation with Minister of the Economy Paulo Guedes

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00:05: Thank you. So I guess the place to begin, Minister, is you arrived in office with an extremely ambitious agenda, you were carrying the hopes of investors. And you, as a student of Milton Friedman, you were a champion of the liberalization of the Brazilian economy. And that would have been a very complicated job even in the best of circumstances, but you're seeking to remake vast swaths of the Brazilian economy and society in the shadow of a pandemic. And so, I think that's the place we need to begin our discussion, with the pandemic.

00:47: And as Anya described, the United States and Brazil have been cementing a special relationship over the course of the last couple of years, but one of the unfortunate commonalities between our countries is that we've been co-leaders in the virus and that our countries are two of the places where the virus has been rampaging. And CNBC did a survey of experts two weeks ago, public health experts, and it asked them to grade the Brazilian response to COVID. And the answers came on a scale of 1 to 10, and they graded Brazil's response a 3 out of 10. And so I wanted to ask you, since the virus is the context in which your economic program is taking place, and the virus is the context for any economic revival and improvement, is there any reason to believe that the federal response to the virus is going to improve?

01:57: Well, the health problem itself has been under coverage, which I think it's quite insufficient because they don't measure. That's per thousand of inhabitants, so they put Brazil... When you put Brazil on a scale of that's over 1000 of inhabitants, Brazil is 14, 15. So lots of advanced countries quite behind us, number one. But it's not my specialty. What I can say is what we did, and the US has lost, in the last 5-6 months, 30 million jobs in the formal markets. We preserved 11 million out of 33 million in the formal markets. And the US just launched two weeks ago a program that we launched three months ago, which is exactly to allow people to renegotiate wages instead of just firing people, you renegotiate wages and the government pays a supplement, the government pays part of the reduction in wage to preserve jobs.

03:11: So we preserved one third of the formal markets in the economy. We lost 1,200,000 in the last four months, revenues, it's just 5% below the same period of last year, consumption of energy is just 4% below consumption of last year. The first forecasts were that Brazil GDP would collapse by 10%; the last forecast is around 4%-4.5%. So I don't really believe on the assessments that are being made abroad about how did we react to the crisis. We switched immediately. Last year, we were in the structural reforms agenda, privatization, opening. We closed the deals that were for years, for instance, the economic... Opening the economy, we closed with MERCOSUR a deal that was for eight years suspended.

04:14: Then, the European Union, we closed a deal in eight months that the last round was the Doha round, 20 years ago. And we closed the deal in eight months. We closed the deal... Then we began negotiating with South Korea, with Japan, with European Free Trade Union, with Canada. So we were moving at a high speed when France could not... France had millions of people in the streets against the social security reform. And we had millions of people in the streets enforcing,

supporting the social security reform that we did last year. So when I went to Darfur at the beginning of this year, the assessment was that the world was in synchronized deceleration, the whole world economy was decelerating. Brazil was beginning to take off, we were growing already at 2%-2.5% when we were hit by the COVID.

05:14: Then, what was our answer? We immediately switched from structural reforms to emergency aid. And we spent twice as much as the average of emerging markets and 10% more than the average of the advanced countries. So we spent 10% of GDP, only the US spent more than Brazil. Our deficit came from 1% of GDP to 11%. We had a decentralized health system. So we decentralized money, we sent money to state and municipalities. We preserved jobs. We attended, we gave support, we digitalized 64 million Brazilians to give them aid, direct transfer, income transfers to help them to practice social distance. Without jobs, these guys were invisible. We found 38 million Brazilians that were not registered anywhere in formal markets.

06:21: So we gave direct income transfers to these 38 million Brazilians, plus 26 millions that were already in the social relief programs. So we paid 64 million people for six months in a row. And the data we have on the response economically, at least, we had several programs that are being very... Considered very good programs abroad. The health problem itself, I think we really don't... We still don't have a clear view of the thing. Be it in the US, be it in Brazil, because... Well, I don't wanna go into depth, but I just tell everybody, go and look for the data in terms of deaths, 4000 of inhabitants. Don't believe, because a lot of news where, even in Brazil, where something like, "Brazil beats Italy in number of deaths, Brazil beats Belgium in number of deaths." Well, just compare the populations.

07:32: But the evidence... Let's just pause here for a second because this is important, because this is the essential context for the emergency programs that you introduced, and the question is really the extent of the emergency and whether Brazil is going to be on the other side of it any time soon. Because we've seen in other countries in Europe, not in the United States, but where lockdowns and coordinated federal responses, national responses, have succeeded in squashing the virus enough that the economy could reopen. Are you saying that you're pleased with the government's response and that you think that the nation is on the brink of the other side of the virus? Because when I looked at... I look at all the numbers and the data, it doesn't seem like that's the case.

08:21: Listen, again, I tell you, health is not my specialty field. I'm quite pleased with the economic response of the Brazilian economy. We'll be out of the crisis before you, guys. This is what I'm saying. For several reasons; first, all the calculations were that the external shock, the external economic shock, would cause at least 30% of the impact. So the first forecast is, "Well, Brazil is gonna collapse... GDP is gonna collapse by 10%. 3.5% or a little bit more than that is gonna be for the foreign shock." Wrong, because what was a curse, Brazil stayed a closed economy for the last 20 years, it became a blessing. So we did not disrupt our production chain. We were not integrated to the global value chains. So it was a curse. Brazil was growing much less than the rest of the world because we were not integrated.

09:26: When we began opening the economy, the pandemics came to Brazil. So we were not hit by the foreign shock. Quite the contrary, exports are about the same of the first semester of last year. So the foreign shock did not come. And then, when you go to the internal social distancing thing,

what happened? Because our agriculture is in very wide open spaces, agricultural production kept being sent, not only to abroad... Just to give you an idea, China increased 30% their imports from Brazil. So every one dollar that we export to the US, we export \$3.40 to China. The Southeast Asia imports more from Brazil than Europe, even South America. If you get the Middle East, India, they import more from Brazil than South America. Brazil is a global player in commodities and raw materials and minerals. So, what happened to Brazil is that we were not shocked by the foreign break of the value added chains.

10:48: So what I'm telling you is Brazil preserved its vital signs. We keep producing. So one week ago, we just approved sewage, health, water, and sanitation regulatory legislation. Next week, we're gonna approve... The Congress is working full speed in Brazil. Next week, we are going to approve the breaking of monopoly in natural gas. Natural gas in Brazil, you buy... You buy one million BTUs, British thermal unit is in US. You buy a \$2.5 million BTUs in Europe or Japan, that they do not have. Natural gas, you could buy at \$7. And in Brazil, you used to buy at \$12. And we do have natural gas, because of monopolies in production, distribution, and transmission of natural gas. So we pursue removing the barriers to the investment... To the investment landscape. And so, I not only say that the shock in Brazil is much less than people have previously said, but more than that, we're gonna be one of the first economies to recover.

12:07: Again, I think some of the context here is whether the pandemic subsides, because surviving that initial shock is one thing, but the question is, where does it play out over the long run? And I wanna put this question to you in the context of, I think, one of the more interesting facets of your time in office and your response to the crisis, which is the introduction of the basic income program. And I know Milton Friedman, your mentor, was interested in basic income, but it does seem like maybe an irony of history that you, a staunch defender of classical liberalism, has introduced a program of this nature, which is quite a large expense for the state. And so the question I have is, is this program sustainable because it accounts for a very large chunk of government revenue?

13:05: Yes.

13:06: And I wanted to read just one of... The President's son Flávio Bolsonaro, yesterday asked... With an interview said that, "You will have to come up with a way to pay for the money is to save to increase spending." And I wanted to know...

13:22: Politicians will be always asking for additional money, no problem with that. Our role is exactly to do what has to be done. When we got the government, and the President Bolsonaro knows that. After 10 years of the last military regime, when they expanded public expenditures over GDP, and then it's quite natural after having a military government, politically closed system associated with the right, it was quite natural that we had 30 years with center-left political coalitions. But the problem is that the economic model was the same. It was based on state companies, so even as recently as Lula, you had all these scandals in politics, all the scandals of corruption. Everything was in state companies, the Postal Service, Petrobras, the cash economic, public banks. So, a lot of corruption.

14:24: So the expansion, the uncontrolled expansion of public expenditures, over the last 40, 4-0,

four decades. Forty years of expansion of public expenditures over GDP. The last two military government, and then the next eight, nine civil Social Democrat governments. So after 40 years expanding that, we went to hyperinflation, external moratorium, external debt moratorium, and eventually, we corrupted our economy and we stagnated our... We corrupted our democracy, and we stagnated our economy. So it's quite natural that there was a huge reaction to the election, of conservatives and liberals. Liberals in the continental sense, in the European sense. Economic liberals.

15:25: So it was a center-right political coalition that's spending less than a million dollars, won over the establishment. So there's a lot of noise abroad, a lot of misreading, a lot of misunderstanding. People are talking and questioning the Brazilian democracy. And since the beginning, I said "It's a big mistake. Don't bet against Brazilian democracy." Because when you elect a guy with less than a million dollars, it means something. There's a huge popular support and it's quite natural. A democracy has to have booklets, you don't wanna jump only on one leg. So, there is a natural reaction. A lot of these reaction went abroad and then people say, "Well, education is bad in Brazil."

16:13: Information, for the last 30 years, Social Democrats run education. Brazilian jungle is burning. Information, for the last 30 years, Social Democrats have been burning forests. So crimes, crime is going down in Brazil. For the last 30 years, was growing up. So please, get... Just get free of your prejudgments. Get free of these prejudgments. The same thing with the disease, the president is a man of bad manners. The president is a man of bad manners. He had great principles, he has bad manners. So he, unfortunately, when the thing came, he said, "Well, everybody is concerned about the health shock, but I'm also concerned about the economic shock." If people, poor people...

17:05: It's not like in the US, like us, that we can practice social distance one year, two years, three years, and we still have food, we still have savings, and we still have everything. You had 40 million people in the streets, so we had to build social programs. And then you talk about Chicago. Basic income is a proposal of Milton Friedman, and in Chicago, there was not only Milton Friedman. I got there, Thomas Sargent, Gary Becker, the guy, this James Heckman, that says, "Listen, the sooner you invest in human capital, the cognitive... The rate of return, social return on the earlier cognitive formation, it's much more productive for society." So the idea of investing in human capital, providing social assistance, in at no moment, this violates whatever I learned at Chicago.

18:10: Can I just... I just wanted to... Go ahead.

18:13: One thing, one thing is... And then, a good economist is never just a follower of anyone else. He learns a lot. I read Keynes in original, so I know about the Great Depression. I know how interest rates collapsed to zero, liquidity trap and all this thing. So I was there when... I heard Larry Summers was there earlier. Larry Summers was... Some two years ago, I read something that he was... He was saying, "I became an economist when my two uncles, two Nobel prizes, Samuelson and Arrow..." When they were discussing about Pontryagin's maximum principle, a Russian, a mathematician Russian... Well, my dissertation was, exactly in '74, '75, I was studying exactly this Russian Pontryagin, talking about optimal bets, optimal growth bets, fiscal policy and all this thing.

So, a good economist went through it all. We know all these things. We know how to move from one direction, which is a structural reforms, to emergency plans, designing basic income. We know how to go about these things.

19:24: Just on the basic income, is it then... Are you saying it is a short-term response and that it's going to go away with the virus?

19:32: It was first a social... It was first just a short-term response. But then when it was revealed to the world that we have 38 million people invisible, nobody knew these guys existed. When we offered the emergency aid, these guys showed up. They never asked of anything to the government. They were just prostrate elements. They were kept out of the formal markets because of the obsolete legislation, labor legislation. You start off having a minimum wage like you have in the US, per hour, and give some freedom of time, schedules, and things like that. In Brazil, that system is so cruel. And so, the tax on labor... To have 30 million employed, the cost is of 60 million, because the labor tax doubles the cost of labor in Brazil. So it's a very cruel tax.

20:36: When we learned that, when we saw that popping up, because the disease made it visible, people going to the streets without any assistance, we had to provide those assistance aids. And then, naturally, in a democratic system, the idea pops up, "Let's design a basic income mechanism to guarantee those people." No problem. We have to cut somewhere else. We have to focus the problems that we have already. We have lots of programs that are ineffective, so we should join these programs, ineffective programs, and face the fiscal challenge, without increasing taxes or expenditures.

21:23: How do you... I know that that's obviously the idea of creating something and then cutting in order to provide the revenue or the savings in order to fund it. It's something that is easy to say on paper but very hard to implement politically.

21:42: True. True.

21:43: And so where are the big cuts gonna come?

21:45: True. Listen, the good news about it is that Brazil's not only spent a lot of money, but spent very badly, unwisely. I'll give you three examples exactly where we cut. First, privileges and social security. So, people were retiring with 20 times, 30 times the average retirement for the rest of the population, public officers, so we went there and we are cutting that space. Number two, public wages themselves in the last 17 years with the center-left political coalitions. Wages in the public sector went 50% beyond inflation. So while in the public... In the private sector, you don't have a guarantee even of your own job, in the public sector, you guarantee your job, you have privilege and social security, and more than that, you have 50% increase in wages beyond inflation. If inflation was 20%-30%, you had wage increases of 80%, 90%.

22:55: So we froze... It's the first... It never happened before. Three years in a row without increases in public wages. And number three, I'll give you another example of bad policies. When we made our transition from a politically closed system under the military, to a politically open system with

re-democratization, what happened? Quite naturally, there's a lot of social expenditures that are the natural requirements of an emerging democracy. So it was quite natural that money begins flowing to education, health, sanitation. But we have to transform the state, and we did not transform. We kept the same state companies providing insufficient water, sewage, transportation. Beyond that, we went to spend in the social areas. So, what happened? We went to hyperinflation. It's pretty much what happened to Russia. Russia had the same problems like Brazil. That's why people sometimes get scared because they saw...

24:05: When Russia collapsed, they saw hyperinflation like us, they saw debt moratorium like us, they saw a strong president showing up like us. Because you had a centrally planned economy, a lot of concentration of power and money. Quite different from the US, where you have really a federation. Money is at the bottom, at the states. So, what happened in Brazil, like in Russia, we made our glasnost, but we did not make our perestroika. We did not transform our economic system. So Brazil became a corrupt democracy and a stagnated economy. Brazil was one of the fastest growing economies in the past century. We were, average growth rate for two, three, four decades was 7.3. Quite ahead of China, quite ahead of South Korea, quite ahead of Japan. And then we began losing speed at the end of the military... It was not democracy. It was not democracy that made bad things to Brazil.

25:11: It was the economic system, centrally planned. It failed, it began collapsing, and then we tried to over-expand. And then just finishing your first question, which is, "Where can we reduce expenditures to put more money into social area?" I'll give you the third example. The first one was wage bills in the public sector growing 50% above inflation. The second one was the social security privilege that we also cut. And now the third one. Do you know that Brazil spends one Marshall Plan a year just on internal debt service? \$100 billion. The money that was used to rebuild Europe over an eight-year period, \$100 billion. Brazil spends one Marshall Plan every year just... Brazil is the paradise of rentiers and the hell to entrepreneurs. Very high taxes, very high interest rates, very low... Well, it just suffices to tell you that Brazil is 136 in years of doing business. The eighth largest in the world.

26:38: Intimately connected to the question of rentiers is the question of corruption. And when Sérgio Moro, the Justice Minister resigned, he issued a broadside against the government for failing to earnestly and honestly embrace the war on corruption. He said, "The anti-corruption agenda has suffered setbacks since 2018, when Mr. Bolsonaro was elected. One of the reasons I left government because it wasn't doing much, they were using my presence as an excuse, so I left. I don't think it works to fight corruption when you don't respect the rule of law, and when you don't respect the autonomy of the law agencies to investigate and prosecute crimes." How do you respond to that?

27:22: Again, let me tell you one thing. I invited Sérgio Moro to come. I met Sérgio Moro one week before the election. I was a great admirer of Moro because, for years, I've been writing in the newspapers and magazines in Brazil, and we are all in favor of the Lava Jato, the operation against corruption. The basis of our problem was exactly, let's destatize the economy. These problems are very old problems. If you ask Tocqueville, a classical liberal, to speak of liberals, why didn't noble, very noble ideals of the French Revolution, why they became a Jacobin terror and then Napoleonic Wars, why those accidents, terrible accidents, derailed the history of France? And why at the same

time in 1776, the US was creating a great... Launching a great adventure with the constitution, with independency, and a great democracy and a great market economy being launched to the world.

28:37: And on the other side of the Atlantic, someone that helped the revolution, the French, were beginning their collapse. Why? How they derailed so unfortunately? Why Russia derailed so unfortunately? And then you go after the same historical tracts, and you find almost the same thing. It is happening all over. It's not just in North Korean and South Korea. It's not just in Western or Eastern Germany. It's here. It's Cuba or Chile. It's Venezuela, it's Bolivia. And then Brazil now, trying to go the other way, the road to prosperity, like Ludwig Erhard, the German that rebuilt Germany. So, we know where we have to go. And then you talk about Moro. Moro was a fighter against corruption, the corruption that the economic system, the sick economic system was causing to Brazil, exactly degenerating our democracy and exactly stagnating our economy. So, Moro came with great hopes.

29:42: I met him one week before the second term of election. He had no consequence on the election, nobody knew he was coming to the government. So you can't say that Bolsonaro was elected because of him. Bolsonaro was elected by himself. Moro came and joined us, and was a good friend of mine when we were here, and then there was a problem of interpretation. Amazing things were happening here. There was an establishment protecting itself in one hand, there was Moro coming with the Lava Jato guys in the other extreme, and Bolsonaro was just crossing that canyon. And people launching bombs from both sides and Bolsonaro trying to cross the canyon. You cannot govern if you don't relate yourself somehow to the establishment. You have a Supreme Court, you have the Congress, you have everything here, and the fighters against Moro were in all places. It was not Bolsonaro against Moro. There were fighters all over against Moro. Moro was a threat to a lot of...

31:02: But he... Sir, are you...

31:05: No. Let me just finish because this has a personal touch. I trust that President Bolsonaro is fighting corruption, and I trust that his judgment, pretty much like mine, it's not that people are born evil people. If you have a statized economy... The Russians were not born corrupt, or the Brazilians, or the French after the revolution. If you have a very... Look at what is happening now at Venezuela. They closed the Supreme Court, there are people who die, and nobody is so much concerned about Venezuela. Why are not so infuriated and indignant about what is going in Venezuela? So people, they choose their fights. And what happened in Brazil is that Bolsonaro is supporting a destatization program that we are doing.

32:13: He thinks, and I think, he and Moro did a nice job in the first year. They fought corruption together, corruption went down, but corruption will only disappear when you change the economic model. So he thinks he's giving me support to fight corruption. He thinks he's doing his job, but they had a problem of interpretation. Exactly like the President had the same problem of interpretation with the Health Minister. So sometimes, a President who has the votes, the President has the vote. In a democratic system, a minister like me or like Moro, is removable. So if you have a disagreement with the President, you are removed.

33:01: What Moro is saying is not... And even it seems like what you're conceding to a certain

extent is that there's a limit to what this government will do to challenge corruption when it comes to the specific things that Moro was looking into, and he was making a broader critique about the rule of law, and that gets me to... You said that the critique of Brazilian democracy is something that emanates from abroad, but in addition to Moro's...

33:29: No, no, it doesn't emanate from abroad, no. It doesn't emanate from abroad. It emanates from here, from the losers of the last election. For the ones that have been in power for 30 years, they statized the economy and the political calm. They travelled very calm waters, but these scandals show why they were traveling in such calm waters, because you could buy people, you could help... You could navigate calm waters because you could make political coalition... It's not me saying this, it's Sérgio Moro. Sérgio Moro says that Lula was navigating calm waters, shaking hands with Obama because there was a lot of corruption in Brazil. This is Sérgio Moro judgment. Now, so I have to choose now; do I go with the Moro that says, "There's a lot of corruption in Brazil and I jail the guy that was in corruption, all that." Or the Sérgio Moro that says now, "Well, I think I'm having some trouble to fight corruption." Well...

34:35: It was a little stronger than that, but... [chuckle]

34:37: Yeah, it's a little stronger than that, but it is weaker than what he did with the previous government.

34:43: Minister Guedes, thank you for those answers, and thank you so much, Frank, for the amazing interview. I realize that time is short and I wanna get to at least one audience question, so could I call on Cliff Sobel, who's in the audience. And then after Cliff has a chance, I just wanted to ask you very quickly about China, because we've... Maybe while Cliff unmutes himself, we will start that discussion. Cliff, are you there?

35:09: I'm unmuted.

35:10: Hello.

35:11: Hi.

35:12: Welcome, Ambassador Sobel.

35:14: Thank you. And I can't tell you how pleased I am to have the first question, maybe the only question, but first let me just point out to how remarkable the response was despite all the naysayers on the response to COVID in Brazil. And I think that Minister Guedes deserves a great credit for that. But I'd like to change the subject and discuss something concerning both of our two nations, and I'd like to ask the minister what Brazil's vision is for closer ties with the United States, how he anticipates achieving those goals. And I'm wondering if he has any comments on the UK's recent comments on perhaps a detente coming together of like-minded democracies, and I'm wondering if Brazil has any thoughts on such a thing? So, Minister Guedes?

36:13: Thank you, Cliff. Finally, we get to the economy. Looks like Foster is much concerned with

the disease, which I think it's very nice, but also concerned with problems that were not on my specialty field, which is these things... Well, that we talked about, the rule of law. I think I live in a very vibrant democracy, I think I live in a rule of law. I think Brazil is surprising the world, not only with the social security reform, but also opening the economy after 40 years of raising taxes, raising public expenditures, raising interest rates. Now we have a 2% interest rate, never happened in the last 50 years, never happened, so.

37:07: Minister Guedes, how do you... I just wanted to get to, since time is so short, to get to Cliff's question. How do you feel relations are with the United States right now?

37:15: Well, I think Brazil wants to integrate itself in the global economy, and a quite natural partner is the US. The relocation of US investments, now that you are having problems with the Chinese, because you've been dancing together cheek-to-cheek for the last 30, 40 years. China discovered that, not China, Eurasia... Eurasia, 3.7 billion people are getting out of misery in Eurasia, and then it goes Eastern Europe, it goes Russia, it goes China, it goes India, Indonesia, all of them, Vietnam. They finally understood that integrating global markets remove millions, and now billions, of people from poverty. Never so many people escaped from poverty, integrating themselves into global trade. It's pretty much what should happen 2000 years ago when the Mediterranean was integrated by the Romans, the first globalization around the Mediterranean, so...

38:27: Does that mean you're worried about the recent trade tensions between the US and China or has Brazil benefited?

38:31: Well, of course, of course, of course. Of course, of course, of course. The US has been over-expanding in the last 20, 30 years, financed by the "poor Chinese." Chinese have been popping up bubbles in the US with the Fannie Mae, Freddie Mac things. They build up \$4 trillion reserves over five... The poor Chinese financing over-consumption in the US, fantastic. And then you had a global... A financial crisis, and then a real estate bubble, amazing bubble. The US system, financial system was leveraged 36 times. Not even a Brazilian, drunk, would dare so much to leverage 36 times the financial system. So you guys have been daring a lot, but thanks to innovation, thanks to the fantastic, innovative power of a market economy, you always come back again.

39:37: And that is fantastic, we admire that a lot, and we would like to integrate our economies exactly on those lines, but we cannot afford not to because Brazil is feeding the world. So if you've been dancing with the Chinese for 20, 30 years, and now you are having a problem, of course, we should be concerned. We know who we are. We are geopolitically part of the western world, we are aligned with the democracies. We like democracies, quite contrary to what people may say, what the losers here in Brazil are saying abroad, the democracy's at risk. None whatsoever. I said that two years ago, one year ago, I'm saying that now. It's a very, very, very flexible, creative democracy. Vibrant. So we know who we are.

40:31: You said that you're aligned with the democracies, and of course, you are. But can I then just ask you, because I know that Brazil, of course, has benefited from the trade dispute between the US and China...

40:43: I don't think so. Listen, listen.

40:45: Do you think that's temporary? Or do you feel that Brazil is strategically closer to China as a result? Or it hasn't made a difference?

40:53: Listen, as of now, this is just another story that Brazil has benefited a lot after this fight. This is not true at all. What happened is that the US stopped importing, so imports from the US went down 20%. Imports from Argentina went down, and then imports from China went up. And then you say, "Did you benefit from China?" No. It's not that we benefited. We are exactly the way we were one year ago, exporting the same thing. The customers changed it. So, of course, geopolitically we know who we are, we know that democracies and markets, it's what the western world is all about. But we also know that if you have given yourselves the license to trade with them for 30, 40 years, let us trade for three or four, at least.

41:56: That seems fair to me. You've been very generous with your time, Minister Guedes, and especially doing this interview in English, which is your second language, I know that's incredibly difficult. One very last one for 30 seconds, 'cause I know there's been so much talk about the Amazon. And of course, I understand your government's position, that you're feeding the world, you have to feed your own people, and...

42:21: No, we are not feeding the world, that is not...

42:21: And what would you say to the world that's criticizing you about the deforestation in the Amazon? Is there something the world can do to help?

42:30: Again, a question that is not my field, but again, I'll go on it. And again, part of the story. Like I said, for 40 years, there should be a lot of people deforesting a lot of things here. So you just go there and see how much was the forest, it should be 1/40, so don't jump too fast. You know how the military greet each other here in Brazil? They say, "Jungle." There's not one of them, President Bolsonaro, Vice President Mourão, the Minister of Defense, all of them, their training is to go to Amazon and spend two, three, four, five years. They love the jungle. They just love to go. They're not just like General Custer that went to remove the Indians from the Black Hill and was killed at Little Bighorn. It didn't happen here. It's a gentle people. So big stories about how we kill all our Indians, fake. It happens, it happens. But it's not, again, the Indian.

43:35: If you see what is going on with the Indians, or with whites, or with poor, or with blacks all over Brazil, it's not... Brazil is a true melting pot. We mixed up. We really mixed up. In our families, we have people who came from slaves, Europeans, we have Indians. We have all. We receive waves of immigrants. Brazil is the second largest colony of Italians out of Italy, is the first largest colony of Japanese out of Japan, is the third largest colony of Germans out of Germany. So please, we understand all your concerns, because you've deforested your countries, you destroyed... Brazil has the cleanest energy matrix in the world today. Brazil, with the exception of Canada and Russia, Brazil is the country that has the most part of its region natural preserved. There's no case of extinction. There's no case of extinction, of wars, of extermination, like happening in many countries and the US.

44:52: We know the history of the US. We know you had Civil Wars about slaves and everything. So, the only thing, I just ask you to be kind because we are very kind, we understand your concern. Having lived everything you lived, you want to spare us from destroying our forest, like you destroyed yours. You want to spare us from persecuting Indians and natives. We understand that. So, don't ever mix up what the military say about sovereignty. Amazon is our territory, this is the nature of a military man. He says, "Listen, guys. We appreciate your concern but this is our land." And we are in agreement with the Paris Agreement. We are creditors of carbon. So we'll tax carbon in Brazil. We will preserve our forest. We don't need to go over the Amazon to produce agricultural goods.

45:55: Thank you, Minister Guedes.

45:55: It will not happen. We thank...

45:57: I actually spoke to one of your previous government officials and he had a very important point, which is that the world should actually pay Brazil for being the lungs of the world. So I really appreciate you sharing your views and support, but we're out of time.

46:12: I would never ask... I would just propose us to trade also on oxygen. Let's trade. We believe in franchises, in property rights. We believe in externalities. So we would like to trade on carbon dioxide, just trade on that.

46:41: That's an excellent idea.

46:41: We believe you can help us to preserve the forest on good terms, very western worldwide. With our layer of civilized contracts.

46:56: Yes, thank you. We look forward to it. Thank you so much for sharing your views. Again, as I said, especially in English as a second language, and for taking the time to be with us. And we look forward to welcoming you again.

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