Interview: Brazilian crisis exists, not to destroy trade with China: expert

by Bruna Gama, Marcelo Cajueiro

RIO DE JANEIRO, Mar.14 (Xinhua) -- Brazil is going through a political and economic crisis, but the turmoil will not place the trade with China and Chinese investments in the country at risk, a Brazilian expert told Xinhua.

According to Elias Jabbour, professor at the Rio de Janeiro State University's Economic Science College, Brazil has indeed been facing a difficult economic scenario in recent months.

First, a corruption scandal at state-controlled oil giant Petrobras made the company's stocksto plummet in late February.

The Brazilian currency accumulates some 20 percent devaluation against the U.S. dollar since the beginning of the year, and recent market surveys indicate the country's inflation rate may reach 7.5 percent this year, surpassing the 6.5 percent upper limit of the inflation target.

The basic interest rate reached 12.75 percent last week, the highest level since January 2009, when Brazil was under the worst effects of the international financial crisis.

However, Jabbour said that the crisis is not as large as one may think, and Chinese investments will not leave Brazil because of it. He agrees with President Dilma Rousseff, who said earlier this week that the crisis is not as "paralyzing" to the Brazilian economy as it has been advertised.

"President Rousseff knows the crisis has a deep political trait, not necessarily an economic one," Jabbour said. Her government has never appealed to the market, which placed all their bets in the opposition candidate, who was defeated in the election, he said.

In other words, though Jabbour admits that there is a crisis, he believes it is being made worse than it actually is by the political destabilization carried out by local media - who is in the hands of a few families who control the majority of news outlets - and the market.

"The markets try to create a political destabilization scenario in the country, supported by large media and by more conservative sectors of Brazilian society, which evidently affects the economy. The high inflation rate and negative growth perspectives are expressions of the coup-like political environment which reigns in Brazil," he said.

As for the economic indicators, Jabbour pondered that the high basic interest rate makes credit more expensive, which hinders investments in the short term. On the other hand, the devaluation of the Brazilian real against the U.S. dollar is positive to the industry and toexports.

"The great issue is that, the moment the international economy reaches a normality level, the tendency for the exchange rate will be a real appreciation, not devaluation," he said.

According to Jabbour, the Chinese investors operating in Brazil or interested in opportunities in the country will not be scared by the current scenario and will not balk at the negative economic perspectives loudly announced by the local media.

"China's strategic interest in Brazil goes beyond conjunctures," he said.

Besides stressing that China's interest in a market as large as Brazil would not be swayed so easily by short-term scenarios, Jabbour recalled that the two countries have solid relations,with Chinese companies already operating in Brazil's pre-salt oil market, and China relying on Brazil's grains and meat.