



**Address of His Excellency Luiz Inácio Lula da Silva, President of the
Federative Republic of Brazil**

Monday, March 16, 2009 - New York

My friends,

The world is today going through its most serious crisis since 1929. It is a very different crisis from those of past decades.

A crisis that first appeared neither in an emerging country nor in the far reaches of the international system. A crisis that was born and later exploded in the heart of the developed world. It came about largely through lack of oversight of financial systems in rich countries.

Instead of playing their rightful role in financing production, banks spun out of control and gave themselves over to speculation. They transformed themselves into one great casino.

Many financial institutions went bust, a great number of businesses floundered and millions of workers lost their homes, their jobs and their social security. Very quickly, the greed of a few gave way to mass panic. A profound crisis of confidence gripped the economy of the richest countries.

Brazil has not been overrun by such a crisis. Our banks – both private and public – were not infected by the recklessness of international speculators. We have solid government-controlled banks, which today represents 40% of the country's credit pool that cushioned the worst impact of the financial meltdown.



When the crisis first broke, at the time of the collapse of Lehman Brothers, our economy was in good shape. We were growing at a brisk pace, the highest in over 30 years.

Over the last six years, the Brazilian economy has generated over 11 millions new formal jobs together with a significant increase in blue-collar income. The consumer goods market grew considerably as a result of our income distribution policies, above all the Family Stipend Program (Bolsa Familia).

Real wage hikes, land reform that benefits family agriculture and the unprecedented increase in working class access to low-cost credit have helped enlarge the consumer market. Over twenty million people, previously below the poverty line, joined the ranks of the middle class.

Contrary to commonly held prejudices and forecasts, we have demonstrated that the domestic market can be broadened while at the same time increasing exports. These have risen almost four-fold in the last six years. Exports are now shipped to a wider range of countries. They are no longer geared to any one major market. Exports of added-value goods have increased.

Inflation has been tamed. Our vulnerabilities to overseas turbulence have been slashed. Brazil has become a net international creditor nation. We have accrued over US\$ 200 billion in foreign reserves.

Thanks to stringent expenditure controls, the domestic public debt has fallen from 58% of GDP, in 2003, to just 35% of GDP today – low by world standards.

At the outset of my second term in office, the Growth Acceleration Plan was launched with a view to developing energy, transport, urban and social



infrastructure. This plan initially called for investments in the order of US\$ 250 billion at the then prevailing exchange rate. In answer to the present crisis, US\$ 30 billion in additional investments has been earmarked to accommodate expanded exploration activity by Petrobrás in the large-scale “pre-salt” deposits off the Brazilian coast.

These changes have brought a breath of fresh air to Brazil. The economy had begun to move into fast gear. More consumption, more production, new investments - all benefiting the Brazilian people. In 2008, foreign direct investment rose to US\$ 45 billion, 2.8% of GDP. In the first two months of this year there has been significant capital inflow – going against the global tide.

My friends,

The international turmoil has forced us to face a period of uncertainty not of our doing. Yet, because we had put our house in order and boosted the economy beforehand, we are now in a position to ride it out faster.

The Mexico, Russian and Asian crises were less severe than this one, yet at the time Brazil was quickly forced to default. There was no option but to seek help from the IMF.

This time round, Brazil has not defaulted, nor will it. We are dealing with the present difficulties with all the tools at hand. While the majority of rich countries is plunging into recession, Brazil will continue to grow. We will grow less than expected in 2009, less than we could have were it not for overseas crisis. But grow we will.

My friends,



Brazilian society has made hard-earned strides over recent years. The economic policy decisions made by my Government essentially put into practice the strongly held convictions of the vast majority of Brazilians. Thirty years of stalled or mediocre growth rates simply had to come to an end.

This required dealing simultaneously with the age-old questions of poverty, inequality and disenfranchisement of tens of millions of Brazilians. My country's history is clear proof that economic growth of itself will not do away with extreme poverty.

By electing me its President, a message was sent that Brazil would be taking a new path. Income distribution would be the guiding principle of a new, more inclusive and humane form of development, at the same time more sustainable and lasting.

Over decades – possibly centuries – our ruling classes governed with the interests of no more than a third or a fourth of their countrymen's interests at heart. It seemed as if tens of millions of men and women, both young and old, had no place in the Brazilian Nation. It was as if they were no more than a burden or a stumbling block holding back the country's progress. As if they were not an immense heirloom, and asset of incalculable value.

Brazil has overcome this egoistic mindset, fundamentally small-minded and absurd. It has now become clear that it was and is possible to build a Nation with opportunities for all citizens. What is more: Brazil is stronger and has a brighter future when room is made for all Brazilians.



This crucial path was chosen amid rich and wide-ranging public debate and in an atmosphere of renewed commitment to democracy. In our country, over 130 million citizens vote every two years to elect their representatives and government officials. Our institutions, with the National Congress and the Judiciary at the fore, have displayed vigor and independence. Freedom of the press is cherished as a cornerstone. Unions, political parties and professional associations operate in full freedom.

Ours is a democracy of continental proportions. It boasts a multi-ethnic population drawing on rich and varied cultural heritages, but sharing a strong sense of national identity.

Not only are we a people of mixed ancestry, but we like it that way. We live in peace at home and with neighboring countries. And this is something we will not surrender.

Brazil boasts enormous resources: land, water, sunshine, energy and population. Thanks to our achievements in researching tropical agriculture, we have become a world-class breadbasket.

Yet we are equally a country with cutting-edge industries in the field of biotechnology and aerospace, to mention just a few. Renowned universities as well as scientific and technological research institutions are increasingly linked up to production centers. We have made great strides in developing renewable fuels and in deep-water oil and gas exploration.

Let me here pause, my dear friends, to refer specifically to renewable energy sources. For over 30 years now, Brazil has been developing biofuels technology. For 30 years, we have sought to convince the world that global



warming will only be overcome if we take it upon ourselves to develop an alternative energy matrix for the world.

For many decades and with extraordinary success, Brazil has added 25% ethanol to gasoline. 90% of our cars are flex-fuel, which means that they can run on gasoline, ethanol or any mix of the two.

I am perplexed that the developed world insists that we adopt environmentally-friendly policies meant to reduce global warming, while at the same time refusing to sign on to the Kyoto Protocol, refusing to tax highly pollutant fuels and imposing an absurd surtax on ethanol imports.

That is something I cannot comprehend. It may make sense from a purely economic point of view, but certainly not if we seek a new energy solution... Both here in the USA and in the European Union, Brazil has challenged businessmen and governments to join hands in building a truly global partnership to transform our energy sources.

Maybe I should not be saying any of this. After all we have just struck oil in the “pre-salt” layers off the Brazilian coast. On March 1st, if Petrobrás stands by its timetable – José Gabrielli, head of Petrobrás, is here next to me – we will extract the first barrel of oil from a depth of over 6 thousand meters.

Why then am I going on about biofuels? I do so because it affords not only a chance to clean up our energy lifestyle, but it also represents an extraordinary opportunity to provide an answer to the challenge of helping poor countries, specially in Africa, to develop.



Many would fault Brazilian ethanol for the hikes in food prices last June. We made it very clear that this was not true, but quite possibly a strategy on the part of oil companies to avoid having illiterate African farmers producing energy. Everyone knows how to extract oil, everyone knows the cost of an oilrig, the cost of hiring engineers and rig equipment, and of doing research. Yet to produce biodiesel all one needs is to dig a small hole, plant a sugarcane seedling and, soon enough, you will have clean fuel, abundant jobs and an answer to global warming.

I sometimes feel frustrated. I tried many times to explain this to President Bush and I will most certainly speak repeatedly to President Obama on this issue. But without your help I know it will be very difficult to change this country's attitudes toward energy. And neither do we want to get in a tussle with US corn-growers. What we do want is to raise more chicken that will then eat US corn so that we can, in return, sell sugarcane-based ethanol to countries in Central America and in Africa through Brazilian-American business partnerships.

I have told European businessmen that I do not wish to interfere with how Europe does things. I do not want to meddle with the well-run German, Swedish or Swiss farms. What I do desire is a partnership to produce the biofuels that they require. This will come not from beetroots, but rather from a source that helps create jobs and develop the African continent. A continent that in 20 years will have 700 million consumers in need of food, education and jobs. This is our responsibility: to share with them all that we have learnt.

The USA cannot afford to get into trouble with Hispanics. After all they are more than 40 million individuals who have helped and continue to help build this enormous nation, the greatest and richest on earth.



There is only one way to avoid problems: by working together so that the poor are less poor and the rich slightly less rich; so that income distribution is fairer and helps strengthen peace.

If I were the President of Petrobrás or head of the ethanol industry in Brazil, I would post Brazilian flex-fuel cars in our airports. This would ensure that any American or European entrepreneur arriving in Brazil would inevitably ride flex-fuel cars and realize that this fuel not only smells better but is also less harmful to our health.

My friends,

Right from the outset, my Government has sought to mobilize the country to deal with fallout from the crisis. I will not tire you with an exhaustive description of the measures already undertaken and further action under consideration.

We are well positioned to use part of our foreign reserves to help finance exports. Bank reserve requirements have been reduced as an antidote to the credit crunch. To the same end we have encouraged the buying out of a number of private or local public banks by financial institutions under Federal Government control.

We have set up a stimulus package for the auto industry that will help shore up this sector. And we will offer financing to build one million houses over the next two years.

We will not hesitate to make use of all the tools at the State's disposal to cushion the impact of the crisis. The very State – that some would have to be



minimal and hamstrung – and at whose door so many now knock in search of relief. Yesterday’s demon has become today’s “savior”.

The Brazilian State – under the rule of law - requires that it fulfill its responsibilities. It will not shirk away from its regulatory role. And, whenever necessary, it will intervene to avoid market failures from generating economic and social chaos.

We will not cower vis-à-vis the crisis. I will not cut a single penny from social programs nor from infrastructure projects. We will continue to responsibly encourage Brazilian consumers. This will ensure a speedy recovery of production levels and, as a result, help preserve jobs and create new ones.

Yet I am fully aware that our national endeavors alone will not suffice. This is a global and systemic phenomenon. It can only be fully overcome through equally global and systemic solutions.

While our exports represent only 14% of GDP, we will continue to strive for higher overseas sales in response to the crisis. This is why I have championed a speedy conclusion to the Doha Round of the WTO.

Protectionism is a drug that provides temporary relief, but in the end leads to major crises. Twentieth century history is our witness. It is crucial that multilateral organizations help unblock the flow of credit required to jumpstart world trade, especially in developing countries.

I am aware of the importance of preserving banks, insurance companies and financial institutions. The savings, homes and social security of tens of millions



of men and women depend on them. It is equally important however – surely more important – to save jobs.

I know from my own experience what it means to be out of a job. To be unemployed is to lose more than just a source of income. One loses a sense of purpose, of personal dignity and hope, especially given the overwhelming dimensions of the present crisis.

Each country will deal with this critical moment in its own way, according to its specific circumstances. Yet it is no less clear that a coordinated response is required.

Present circumstances point to a failure in the mechanisms of global governance, which include economic and financial multilateral organizations, in particular the IMF and the World Bank. It is for this very reason that the G-20 has gained political stature and clout.

It is imperative that the recent reform of the G-20 be lasting. After all, the developing countries that it has now taken onboard – while bearing no responsibility for the crisis - will no doubt contribute to its overcoming. Brazil will submit concrete proposals to the London Summit.

Many of them aim to make the IMF more democratic. Others have to do with increasing the Fund's ability to help restart inter-bank flows and commercial credit. It is imperative that the Fund apply the same oversight over developed economies as it has exercised over poor and developing countries. It might also refrain from the show of arrogance that it often displayed in the past.



Our proposals, which I brought up with President Obama the day before yesterday, are being discussed with other friendly countries. They will include recommendations for abolishing tax havens. These havens are major allies of all forms of international organized crime, ranging from drug trafficking to corruption and terrorism. Effectively fighting these scourges requires combating the financial support that they have always enjoyed.

My friends,

Mine is not a rash optimism. I know the Brazilian people.

We will overcome this crisis earlier than many others. We wish to do so together with our South American neighbors and the whole of Latin America. Yet even if we are successful, in the medium term, in redressing the most perverse aspects of the present turmoil, there will still be long-lasting consequences.

The present crisis is not simply economic or financial. It is a crisis at the heart of our civilization. It points to absurd production and consumption patterns that destroy nature, and that put in jeopardy not just the future of humanity but even its present-day chances of survival. It brings to light the irrationality of economic concepts that were thought to be timeless, but that in fact encouraged reckless speculation. It therefore has an ethical and moral dimension.

The present crisis threatens the very core of democracy by revealing that humanity's destiny has escaped human control. To fully overcome this crisis will require setting up new paradigms:

- For organizing production and work regimes;
- For preserving the environment;



- For fostering a culture of peace that sparks a new and democratic global governance;
- For enshrining politics as a superior form of action through which men and women freely write and refine new social contracts.

As I said, here in New York, during the last UN General Assembly, “it is time for politics”. This is the message I will be taking to the London G-20 Summit.

Complex economic challenges are before us. Technicalities will arise that must be dealt with. Yet effective solutions will only be possible if we provide political answers, political will. In many countries it is not just the economy that is being challenged. The risk of social unraveling and political chaos is the greater threat.

Therefore the economic decisions that will be required must be governed by highly precise and courageous political reasoning. This is what is expected of leaders. That is what we were elected for. We must honor the mandate bestowed on us.

In the dark hours of history, political will must not be confused with the childish voluntarism of those that ignore realities. When economic irrationality prevails, the democratic State takes up, with renewed vigor, the tasks it should never have lost.

The tasks of fostering and regulating economic activity, promoting social equality, guaranteeing liberty and encouraging solidarity. We are only transiently at the head of our States. Yet our responsibilities stretch far beyond the present. The future of humankind will hinge on our actions or omissions.



My friends,

Last Saturday, I met with President Obama. You no doubt heard my friends speak about our relationship with Latin America. The present crisis affords an opportunity for people like President Obama and for people like myself, who after six years in office, just might be tiring. This crisis has challenged me to continue to strive, to seek to achieve more.

Yesterday, in El Salvador, a new president was elected, a great friend, whom I have known for years. Latin America and South America have been undergoing unprecedented political renewal. The Cold War is over, as is the time for armed struggle. This is a time for democracy to be exercised in all its fullness, even when it at times may appear confused, distorted and abrasive.

The United States of North America has the obligation and the extraordinary chance to renew its relationship with Latin America. Not the Alliance for Progress of the sixties, but through a true partnership geared to helping poor countries to prosper; by joining in building what remains unfinished.

I know Latin America like the back of my hand. It is a blessing that I am friends with almost all its Presidents, ranging from Michelle Bachelet to Calderón, in Mexico. Each in his own way wishes to work in partnership with the USA; all have hopes that the USA will foster a new more constructive relationship, rather than a policy of political interference and conflict.

I speak frequently with Evo Morales, with Chávez, I talk with Rafael Correa, with Uribe, with Cristina Kirchner and Michelle Bachelet. All, without exception, seek to reengage constructively with the United States.



I hope God will illuminate President Obama, since we will all soon be meeting in Trinidad and Tobago. It will be his very first meeting with all the Presidents of Latin America. Hopefully we will grasp this chance to launch a policy of democratic coexistence, one that fosters prosperity for all. We will all have different approaches and specific proposals according to our national needs, but in the understanding that only by standing united will we build peace.

A last word: please excuse me, those of you who are anxious to get to lunch. Cuba: I do not know what the Cuban want, because they did not ask me to bring up the issue. But the fact is that there is no longer any reason, be it political, sociological or rationally human terms, for Cuba and the USA not the reestablish relations. It is unacceptable that in the 21st century we are still driven by a 20th century mindset. Let us think politics in 21st century terms, rather than being under the spell of what happened in the 20th or 19th centuries. Only thus will we learn from our mistakes and improve on our achievements.

Therefore as I leave the USA I take with me the conviction that the election of President Obama may possibly be an opportunity for the USA to do things differently. To do more and better. After all the best way to fight terrorism and to foster peace is to make more friends and less enemies.

Have a good lunch and thank you.

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