

## CHINA'S COMMODITY HUNGER: LESSONS FOR BRAZIL, AUSTRALIA?

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HONG KONG - Both Australia and Brazil have been increasing the concentration of their commodities exports to meet China's insatiable demand - in Australia, commodities have reached 77% of total exports, in Brazil, 64%, says Alicia Garcia Herrero, Chief Economist for Emerging Markets at BBVA Bank. The perception of the situation and the economic policy response adopted in Australia and Brazil is, however, quite different, she says. "In Brazil - after the terrible experience of the '80s - the current sharp improvement of terms of trade is seen as temporary more as a "Dutch disease". This explains the array of measures taken by the Brazilian Government to ease the effects of the boom. Several measures have been geared towards avoiding an excessive appreciation of the Real through the introduction of capital controls and strong foreign exchange intervention. Others measures target ailing industries, and step up trade protectionism to prevent further deterioration of the current account deficit. Australia, on the other hand,- seems to interpret the boom in commodity prices as a more structural phenomenon stemming from the urbanization and industrialization of the emerging world. Consequently, the Australian dollar has appreciated even more than the Brazilian Real in nominal effective terms, and many industries are disappearing because they are not competitive any more. It seems clear that Australia is more optimistic about its future, but also more liberal. Time will tell who is right."

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