

Brazilian minister threatens to quit MERCOSUR if Argentinean opposition wins elections



Brasilia, August 17 (RHC)-- Brazil will pull out of the MERCOSUR trade bloc, if the opposition party wins Argentina's presidential elections later this year and closes the economy with protectionist policies, Brazil's Economy Minister, Paulo Guedes, said on Thursday.

Guedes also questioned how dependent Brazil's economy is on its MERCOSUR partner, which lurched into political and financial market crisis after President Mauricio Macri suffered a mauling in the presidential primary election on Sunday.

"If Cristina Kirchner gets in and closes the economy, we will leave MERCOSUR," Guedes said at an event in Sao Paulo hosted by Santander bank, referring to Argentina's Peronist vice presidential candidate and former president.

"Foreign trade is a warning sign, but our main concern is internal. Brazil is a continental economy, and we need to recover our own growth momentum. We are not so dependent on others," Guedes said.

Brazil and Argentina, along with Uruguay and Paraguay, are the four countries in the MERCOSUR trade bloc, which recently signed one of the world's biggest trade deals with the European Union after 20 years of negotiations.

Guedes said Brazil should remain relatively insulated from the U.S.-China trade war, which is souring economic prospects and financial markets globally. On Brazil's growth prospects, Guedes struck a customarily bullish tone, insisting the government must press ahead with its economic reform agenda, which includes a large-scale privatization process and ambitious tax reform program.

Guedes said that President Jair Bolsonaro, who many see as instinctively skeptical of selling state assets, is becoming more supportive of the privatization drive and committed to speeding it up.

One of the government's main priorities in the second half of the year will be reforming the country's complex tax system, which Guedes said must be simplified. This will include simplifying income tax, he added.

Brazil's tax burden, currently around 33% of gross domestic product, will not be immediately altered by the government's proposals. But ideally, Guedes said he would like to see it reduced to 20% over the next 15 years.

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