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from cnn everyone has been thinking it, but Guido Mantega, the Brazilian finance minister, has been one of the few policy-makers publicly to admit it. His assertion that there is a currency war going on follows a recent escalation of competitive intervention in the foreign exchange markets, with heavyweight powers armed with serious weaponry getting involved.

Although some argue that a generalised burst of foreign exchange intervention could act as a global monetary easing, a more widespread view is that such a round of competitive devaluation is more likely to inflame international -tensions.

It was a symbolic moment when Japan this month ended its six-year abstinence from intervening in the foreign exchange markets and sold an estimated \$20bn of yen. Japan is the only one of the large industrialised Group of Seven economies regularly to have used currency intervention over the past 20 years. But its traditional rationale -- that interest rates were so close to zero that conventional monetary policy was losing its strength -- now applies to many more -countries. Aside from China, whose intervention is one of the main causes of the global currency battle, several big economies have been intervening for some time. Switzerland started unilateral intervention against the Swiss franc last year for the first time since 2002 and did not sterilise it by buying back in the domestic money markets what it had sold across the foreign exchanges. In common with several east Asian countries, South Korea, host of the Group of 20 summit, has been intervening intermittently to hold down the won during the course of this year. Deliberately weakening a currency while running a strong current account surplus has raised eyebrows in Washington.

Recently it was revealed that Brazil itself, which has been expressing concern since last year about inflows of hot money pushing up the real and unbalancing the economy, had given authority to its sovereign wealth fund to sell the real on its behalf.

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