

## POLICY MONITOR

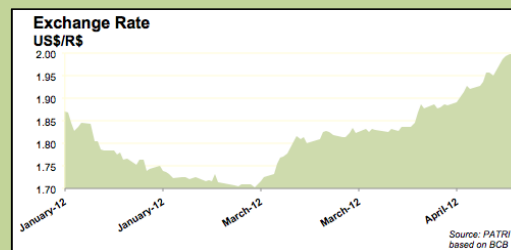
May 14 – 18, 2012

### THE WEEK IN REVIEW

The Real continued to drop this week amid the European crisis, closing at R\$1.99 to the dollar on May 17<sup>th</sup>. The decline of the Brazilian currency by over 6.8% in 2012 also reflects a 3.5% reduction in the Selic benchmark interest rate by the **Central Bank** over the last 8 months. Although a further devaluation of the Real could fuel inflation, the Central Bank is expected to cut the Selic again by 0.5% on May 30<sup>th</sup>. The Bovespa stock market index also dropped 6.5% since January 1<sup>st</sup>. Meanwhile, the Ministry of Labor reported that the economy added 217,000 new jobs in April, a 94% increase over March. However, the new figures also show a 20.3% year-on-year drop in job creation from January through April. A weekly poll conducted by the Central Bank to gauge market expectations indicates a 3.2% GDP growth in 2012, 0.03% lower than the previous week. For PATRI, although the country is not immune to international volatility, since it is especially vulnerable to China's ability to import mineral and agricultural commodities and the further deterioration of the European crisis, Brazil is favored by global low inflationary pressures. Brazil also has US\$ 374 billion in external reserves against external shocks. Given the 2.7% GDP growth in 2011, the Rousseff administration is trying to stimulate economic activity. In that effort, the government is expected to reduce electricity prices. It should also reduce taxes for automobiles. The government is also considering changing the primary surplus calculation to boost investment. Also, Petrobras, the state-controlled oil company, reported first-quarter net profits of R\$ 9.21 billion, a 16% drop as higher sales volumes were offset by lower foreign-exchange gains on overseas debt.

Finance Minister Guido Mantega, who presides over the company board, denied that Petrobras or the government are planning to raise fuel prices anytime soon.

On Wednesday, the Information Access Law was enacted, which established the constitutional right to public access to government data and documents. Meanwhile, President Dilma Rousseff inaugurated the **Comissão da Verdade** to examine human rights abuses during the military dictatorship (1964-1985) in a ceremony attended by former presidents José Sarney, Fernando Collor, Fernando Henrique Cardoso and Luiz Inácio Lula da Silva. "Brazil and the new generations deserve the truth," said Rousseff. The president also announced **Brasil Carinhoso**, a new social program that will provide low-income families that have children under the age of five with monthly stipends. According to the government, the initiative should benefit 18 million people. Finally, following the Administration's push, the hotel sector association in Rio agreed to slash hotel fares by 25 to 60% during the Rio+20 Conference in June.



*Below, key policies that were tracked by PATRI during the week.*

#### Extra - Transparency

##### Information Access Law

###### Overview

The [General Law on Access to Public Information](#) came into force this Wednesday (May 16<sup>th</sup>). The new law establishes the government's obligation to disclose information proactively and

respond to specific requests for information. While some of the information is already available online, it is often presented in a way that can be difficult to interpret. This type of legislation is also referred to as “open records” and is typically bound by a duty to publish and promote openness.

The country faces the challenge of implementing the law across 5,565 municipalities, 26 states, and one federal district. Unlike the US FOIA (Freedom of Information Act), the Brazilian law covers all branches of government at all levels. The first stage of the initiative includes a national campaign to raise awareness on the right to information and will include training programs for public servants. Enforcing the new law should be especially challenging at the municipal level in the legislative and judiciary branches.

Requests for information can be made by anyone via e-mail, fax, letter or phone call, and must provide basic contact information and specifics on the requested data. An explanation of why the information is being requested is not required. The information must be provided immediately, but if not, it has to be sent in no more than 20 business days. This period can be extended with an appropriate explanation by the responsible organization.

Public information can only be classified as confidential when considered vital to the security of society (life, safety or health of the population) or the State (national sovereignty, international relations, intelligence activities).

Classification	Duration of Confidentiality	Renewal?
Top Secret	25 years	Yes, for another 25 year period
Secret	15 years	No
Undisclosed	5 years	No

All government agencies will have to create SICs (Citizen Information Service). There will also be an authority responsible for monitoring and ensuring the law is being enforced.

## Central Bank – Mandatory Open Vote

### Overview

As a result of the Information Access Law, the Central Bank informed that the institution’s Board approved [Bill \(PLP\) 30/11](#), which establishes the mandatory open vote of the Board on decisions regarding Copom (Monetary Policy Committee). The Committee is responsible for setting the basic interest rate, the Selic.

The lack of vote disclosure was a way to avoid pressuring members of the Board. The Central Bank issued the following statement: "With the new legal framework on access to information and in view of the Monetary Policy Committee’s goal of making public the Central Bank’s decisions on monetary policy, the regulation was altered to provide disclosure of votes in both the Statement (which is sent after the meeting) and in the Minutes of the meeting."

### Next Step

The next COPOM meeting is scheduled to happen on May 29-30th and will be the first time the Committee will openly vote.

## Trade Facilitation

### ANVISA – Drug Samples

#### Overview

During ANVISA’s (National Health Surveillance Agency) 6th Board Meeting (Dicol), its president, Dirceu Barbano, talked about the proposed resolution that requires companies that hold a reference medicine to provide product samples to laboratories interested in manufacturing generic or similar products.

The [Public Consultation](#) for this issue ended on March 23<sup>rd</sup>. The proposal states that there will be a list of reference drugs determined by the Agency that are likely to have generic versions

produced. Companies interested in registering or renewing the registration of a medicine that is not yet in the list may petition to do so. The most controversial article states that companies that hold patents for reference drugs that are being sold in the country but not available in retail stores will be required to provide samples to those interested in developing a generic or similar version. According to Barbano, ANVISA's legal department still has to evaluate the text before it is voted on.

#### **Next Step**

The text will be voted at the Board's next meeting.

## **Tax & Investment**

### **Land Acquisition by Foreigners**

#### **Overview**

The Special House Subcommittee on land acquisition by foreigners was supposed to receive Rep. Beto Faro's report on the issue and put it to a vote. The meeting was postponed.

#### **Next Step**

The Subcommittee scheduled the next meeting for May 22<sup>nd</sup>. Several members of the Subcommittee expressed no intention in further delaying the activities and proceeding to a vote.

## **Innovation**

### **Green Patents**

#### **Overview**

[Bill \(PLS\) 158/12](#), which intends to accelerate the examination process for green patent applications, was presented in the Senate.

The project intends to add provisions to the current law ([Law 9.279/96](#)), such as:

- Definition of green technologies as those that promote the rational use of environmental resources or are aligned with the objectives of the National Climate Change Policy
- That the application for patents for green technologies have priority over others
- In addition to the conditions provided by INPI (National Institute of Industrial Property), application shall contain a request for preliminary technical examination
- The preliminary technical examination will be held within 30 days of the request

#### **Next Step:**

The bill will be analyzed by CMA (House Committee on the Environment).

## **Defense & Security**

### **Cybercrimes**

#### **Overview**

The House approved [Bill \(PL\) 2793/11](#), which provides for the classification of computer crimes. The vote was spurred by the escalated debate on the issue after the personal files of a Brazilian actress, Carolina Dieckman, were improperly disclosed on the Internet.

The bill classifies computer crimes as:

- **Invasion of computing devices.** Determines that the trespasser may be penalized with imprisonment of six months to a year. For such offenses, the proposal also states that:
  - The penalty may be increased by one-sixth to one-third in case of economic loss
  - When the invasion results in the access to sensitive content and trade secrets, the penalty shall be imprisonment for 6 months to 2 years and a fine. In the case of disclosure of such information, the penalty will be increased by one to two thirds

- The penalty will be increased by one-third if the crime is committed against authorities within the Executive, Legislative and Judiciary at federal, state or municipal level
- **Forgery of private documents.** Falsification of private documents, such as credit and debit cards

**Next Step:**

Senate will analyze the bill

## Cybercrimes II

**Overview**

The Rapporteur, Rep. Eduardo Azeredo (PSDB/MG) issued his formal position within CCTCI (House Committee on Science, Technology, Communication and Computing) on [Bill \(PL\) 84/99](#), which creates a criminal law for cybercrimes.

The bill provides that access and dissemination of information by unauthorized third parties will be liable to arrest and fine. It also determines that access to the data registered on network computers will require prior judicial authorization and that those responsible for the provision of access are required to retain records of at least three years.

**Next Step:**

The bill was included in the Committee's agenda.

## Ministry of Defense – Scheduling Procedure

**Overview**

The Ministry of Defense established the [procedures for scheduling hearings and private meetings](#) with authorities within the Ministry.

# THE PULSE

This week, the WTO released a [publication to celebrate the 15th anniversary of the Information Technology Agreement \(ITA\)](#), which encourages the elimination of duties on IT products. Currently, there are 74 participants representing 97% of the IT global trade. In the last 15 years, the sector's exports have tripled in value, reaching approximately US\$1.4 trillion in 2010, or 9% of global trade. Non-participants of the Agreement include: Brazil, Mexico, Argentina, Chile, South Africa and Russia. **Out of the non-participants, Brazil—the 6th largest economy in the world—is the 2nd largest IT importer and exporter, with an applied tariff of 11.7%.** Average tariffs by non-participating countries are 7%.

The WTO report indicates that participants have experienced a significant increase in innovation efforts in domestic IT-related sectors and that the three largest non-participants—Brazil, Mexico and Russia—

have remained significantly below their cross-industry average. However, despite not being a participating nation, **Brazil has presented a drop in applied tariffs in these last 15 years.** Nonetheless, like other emerging markets, Brazil has focused on strengthening the country's export platform, assuring future self-sufficiency in services and goods. The name of the game in Brazil is technology transfer and foreign investments. As numbers show, Brazil has been reducing its applied tariffs, but on its own terms.

