

The Week in Review

ON THE ECONOMIC FRONT

Bankers Strike: The bank workers strike demanding better wages reached its third week and is impacting loan concessions--already down for the year. In September, the amount of loans granted dropped by 11% compared to August.

Trade Balance: The export of an oil rig worth US\$ 1.9 billion - which, ironically, will be used in Brazil - positively affected the trade balance in the first week of October, with a surplus of US\$ 1.85 billion. The 2013 trade balance also shifted from a US\$ 1.6 billion deficit to a US\$ 246 million surplus as a result of the sale.

Inflation: According to Brazilian Statistics Agency (IBGE), inflation rose by 0.36% in September—0.11% higher than August. Even so, in the last year, inflation stood below 6% at 5.86%. In 2013, inflation already totals 3.79%. For the month, the drivers of inflation were education, housing and airfares. Food and beverage prices remained basically the same.

Interest Rate: The Monetary Committee of the Central Bank (COPOM) decided to raise interest rates by 0.5% to 9.5%, a move that was anticipated by the market and aims to control inflation in electoral year 2014. This is the fifth hike in a row. The measure, according to the committee, strengthens the downward trajectory of inflation. COPOM meets again in the end of November and might raise it to a two digit rate.

GDP Growth: The International Monetary Fund (IMF) has maintained its Brazil growth projection of 2.5% for 2013. The Fund also reduced India's growth rate from 5.6% to 3.8% and the world economy growth rate from 3.2% to 2.9%. For 2014, the Fund reduced the expected growth rate of Brazil from 3.2% to 2.5%, India from 6.2% to 5.1%, and the world economy from 3.8% to 3.6%. According to the IMF, Brazil will have the lowest growth in 2014 among the emerging countries due to bottlenecks in infrastructure.

Non-Conventional Gas: The [study](#) "World Shale Gas and Shale Oil Resource Assessment," sponsored by the U.S. Energy Information Administration (EIA), ranked Brazil tenth among the most promising countries in non-conventional gas reserves. According to the study, country potential resources are estimated at seven trillion m³.

ON THE POLITICAL FRONT

Espionage: On Sunday, the TV program *Fantastico* aired allegations that the Canadian government had also been spying on Brazil. The piece, fueled by information from *The Guardian's* journalist Glenn Greenwald, stated that Canada had access to information regarding the Ministry of Mines and Energy. The Ministry of Foreign Relations Luis Figueireido has requested an explanation from the Canadian Ambassador to Brazil.

Internet Governance: On Wednesday, President Rousseff held a meeting with the president and CEO of the Internet Corporation for Assigned Names and Numbers (Icann) Fadi Chehadé and agreed to host an international event next year in Brazil to discuss Internet governance. According to media outlets, the youth population's reaction to the President speaking on new rules on the internet is positive, as most of them believe that only the government can bring order to the internet.

2014 Presidential Elections: Following the Superior Electoral Court's (TSE) rejection of the creation of her political party, former Environment Minister Marina da Silva decided to join the PSB party. The party is headed by the two-time governor of Pernambuco, Eduardo Campos. The move was viewed positively by political analysts as da Silva leads the 2014 presidential election polls only behind incumbent Dilma Rousseff. Campos lags behind in fourth place with less than 10% of voters intention. Thus far, neither has announced who will be the party's presidential candidate next year, but the alliance certainly presents a threat to President Rousseff and the PT party. The strongest opposition party PSDB, which ranks third in the polls, might potentially suffer from the new da Silva-Campos partnership.

Party Switching: As many as 70 House representatives have already switched parties in order to run in next year's general elections, totaling 13% of the House. The final list of politicians who have switched parties by the October 5th deadline will be confirmed next week.

Espionage II: After *The Guardian* journalist Glenn Greenwald refused to hand in all the documents in his possession regarding the U.S. espionage practices in Brazil during a meeting of the Senate's Commission on Parliamentary Inquiry (CPI), rapporteur Ricardo Ferraço threatened to request a judicial order to obtain all the documents.



Government

FGTS

The National Confederation of Financial Institutions (CNF) and the National Federation of Insurance companies (Fenaseg) filed a joint action of unconstitutionality with the Supreme Court (STF) to withdraw the additional mandatory fine of 10% paid by companies to the Guarantee Fund (FGTS) in the case of firing without just cause. Filing separate actions, the National Confederation of Industry (CNI) and of Commerce (CNC) will also claim the unconstitutionality in front of the Court.

President Rousseff vetoed the provision that put an end to this additional fine, created in 2001, and the veto was maintained by Congress last month. Industries have been against this provision, as it creates an additional burden to the hiring and firing of personnel.

Mobile Payment

Provisional Measure (MP) 615/2013 was signed into Law 12.865/2013 by President Rousseff on Thursday. Among the main provisions of the MP are:

- » Regulation of mobile payments which are now part of the Brazilian System of Payments (SPB);
- » Postponement of the deadline until December 31st for companies with debts overdue until December 30, 2008, with the Secretariat of Federal Revenue to adhere to the Tax Recovery Program (REFIS);
- » Granting of extraordinary subvention to ethanol and sugarcane producers in the Northeast due to attenuating climate circumstances.

Debts Payment Relief

Law 12.865/2013 gives Brazilian multinational companies which have been fined by the Secretariat of Federal Revenue (RFB) for non-payment of taxes of its related and controlled companies abroad benefits to pay off their debts. Companies that pay with cash will have discounted fines and interest rates. The Administration will also allow companies to make use of their tax credits to pay off the debts.

New Parties

After the deadline for the creation of new parties and affiliations to run in the 2014 general elections, the floor of the Senate approved bill 4470/2012 which restricts the access of new parties to resources of the Party Fund and free time of election propaganda on television and radio. The bill now goes to the President for approval or veto. The new rules will not be valid for next year's elections.

Third Party Hiring

Earlier this week, the rapporteur of the third party hiring bill 4330/04, Rep. Arthur Maia, was replaced by Rep. Ricardo Berzoini who has a completely different position on the issue. Berzoini is against Maia's report that extends third party hiring for others activities beyond services and establishes subsidiary responsibility on labor and social security obligations, among others provisions. The reason behind the change was that Maia left the PMDB party for the new party Solidariedade which does not have a seat on the Committee on Constitution, Justice, and Citizenship. The president of the committee later returned the rapporteurship to Maia due to differences between the two members on the bill. Other bills in other committees might also undergo similar procedures with the numerous party switching among members.

Energy

12th Bidding Round

Foreign oil companies will not be allowed to head consortiums for 20 of the 240 blocks in the 12th bidding round scheduled for November due to their location at the border (Law 6.634/79). These 20 blocks are at the basins of Acre and Paraná and cover less than 150km of the Brazilian border.

In these areas, foreign oil companies have to partner with Brazilian companies and cannot have a participation greater than 49% in consortiums. Furthermore, at least two-thirds of the employees have to be Brazilian, and the consortiums administration has to be managed by Brazilians. Before contracts can be

Did you know?

Brazil is the Guest of Honor at the 2013 Frankfurt Book Fair.

The country portrays its rich cultural and literary production during the Fair which takes place October 9-13. The participation comprises the Brazilian Pavilion, the Publishing Companies' Collective Exhibit, and the Parallel Cultural Program.

Over 70 writers and more than 150 publishing companies will represent the national book market.



signed, the consortiums will have to be approved by the Secretary-General of the Council on National Defense, a consulting body of the Presidency. The bidding round is scheduled for November 28th and 29th.

Pre-Salt

The Federal Budget Court (TCU) approved, with restrictions, a study for the pre-salt bidding round to be held on October 21. The Court suggested that the National Agency of Oil & Gas (ANP) get the approval of the Energetic Policy National Council (CNPE) on the issue of cost of oil as a method of ensuring the legal security of the bid. The suggestion would not alter the date of the round.

Health

Cosmetics Products for Children

The National Agency of Health Surveillance (ANVISA) established a 180-day deadline for the conclusion of the Working Group on the Registration of Cosmetics Products for Children ([Ordinance 1029/2011](#)). The Group is looking to identify safety and efficacy criteria for the registration of those products.

Innovation

Patents

The House of Representatives launched a book entitled "The review of the Law of Patents: Innovation to Boost National Competitiveness". The book originated from several hearings headed by Rep. Newton Lima over technology innovation and patents. The book is under heated debate due to its position on reducing the duration of patent protection, following the model of India, as well as the end of the renewal time for intellectual property rights (now at 20 years). Industry associations and national laboratories are extremely concerned.

Bill [5402/2013](#), currently under analysis, proposes that:

- » Limit of 20 years for the duration of the patent term
- » Prohibit the patenting of the "second use" of a drug, when the active principle can be used to fight other diseases besides the original
- » Promote innovation by increasing the rigor of the inventive step, and
- » Indicate to the Executive Branch the creation of Intellectual Property Rights

The bill is in the beginning of its legislative process. It awaits a report from the rapporteur, Rep Félix Mendonça, a member of the Committee on Constitution, Justice, and Citizenship in the House of Representatives.

Technology

Internet Framework

On Thursday, an inter-ministerial meeting discussed the Internet framework bill that will probably be put on vote by the end of the month. The deadline, due to the constitutional urgency requirement, expires on October 28th when the bill will block the agenda. On Monday, the President will meet with the leaders of Congress to set a final date for the vote in the House. Afterwards, the bill must still undergo analysis by the Senate. There have been speculations that the text will include broad language on the mandatory housing of data centers in Brazil.

On another note, the President of the House Committee on Culture stated during a conference on Tuesday that the bill altering Law 9610/08 on copyrights will be sent to Congress soon. This week, numerous artists have publicly criticized lobbying against non-authorized biographies.

"Network Diaspora Brazil"

On Friday, the Brazilian Agency for Industrial Development (ABDI) launched the "Brazil Diaspora Network" at the Massachusetts Institute of Technology (MIT) to connect Brazilian professionals living abroad. The U.S. region of New England will be the first laboratory of learning. The goal is to map out opportunities of transference of knowledge, technologies, and know-how.

The Network aims to stimulate business and cooperation in areas intensive in knowledge and technology, to support the internationalization of companies, promote and disseminate new forms and possibilities of innovation for competitiveness, and give subsidies to the formulation of public policy.



The Pulse

October: Women's Month

For the first time in President Rousseff's Administration, the President met for three hours with 52 businesswomen who hold CEO, manager, and board positions to discuss issues related to actions of empowerment, autonomy, leadership, women's health, entrepreneurship, and combating violence. The proximity to the 2014 presidential elections and the international "Pink October" breast cancer movement made October the perfect time to meet and get closer to businesswomen.

At the request of Gleisi Hoffmann, Chief of Staff to the President, the meeting was organized by Luiza Trajano, owner and CEO of Magazine Luiza, one of the largest retail companies in Brazil. Trajano has good relations with the Administration, and her name has been on the short-list to head the recently-created Secretariat of Small and Medium Enterprises (SME).

On the Administration side, President Rousseff was accompanied by Gleisi Hoffmann; Guilherme Afif, Minister of SME; Fernando Pimentel, Minister of Development, Industry and Foreign Trade; and Eleonora Menicucci, Minister of the Secretariat of Women.

Among the 52 businesswomen in attendance were Luiza Trajano of Magazine Luiza; Adriana Machado of GE; Andrea Alvares of Pepsico Brazil; Chieko Aoki of Blue Tree Hotels; Claudia Sender of TAM; Donna Hrinak of Boeing; Eunice Carvalho of Chevron; Daniela de Fiori of Walmart; Renata Moraes Vichi of CRM-Kopenhagen; Gabriela Onofre of Procter & Gamble Brasil; Erika Jereissati of Group Iguatemi; and Maria Eduarda Kertész of Johnson & Johnson Brazil.

President Rousseff took the opportunity to highlight the macroeconomic scenario, affirming that inflation is under control and will be within the expected range, and that the dollar will fluctuate -without government intervention. The businesswomen also complained about the lack of a skilled laborforce and showed concern about the situation of small and medium enterprises. According to Trajano, from this first meeting, working groups will be created to propose solutions for the development of each sector.

On another note, during an event on Monday in São Paulo to discuss the role of women in today's society, Trajano had a heated debate with Edemir Pinto, President of BM&F Bovespa, over a Senate bill that establishes quotas for women on boards of administration. Trajano is in favor of the bill as a transitory measure to speed up the process, while Pinto, with the support of Sandra Guerra, president of the Brazilian Institute of Corporate Governance (IBGC), positioned himself clearly against it.

According to Getúlio Vargas Foundation (FGV) research, in the last 4 years, the participation of women on councils and boards of publicly traded companies has been frozen at 7.7%. Another report from McKinsey&Company, "Women matter: a 2013 Latin American Perspective," shows that companies with female representation on executive councils have net profits and better performance.

The refereed Senate Bill ([112/2010](#)) has been under analysis by the rapporteur, Senator João Vicente, at the Social Affairs Committee, since March 2013.

Also this week, the women's caucus within the House presented a list of bills considered high-priority which include:

- » Support and protection for women
- » Stronger punishment for crimes related to discrimination based on race, color, and sexual orientation
- » Protection of people with disability, children, and elderly
- » Incorporation of women into national politics

