

The Week in Review

ON THE ECONOMIC FRONT

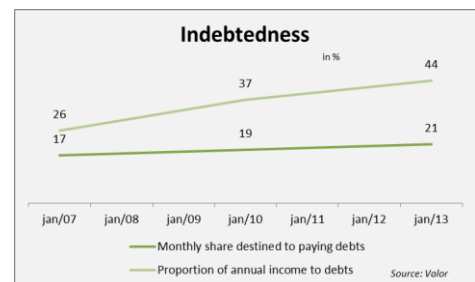
Internet Framework: President Rousseff has requested that the new Internet Legal Framework (*Marco Civil da Internet*) be analyzed with a constitutional urgency. *See more below.*

Foreign Exchange: Following two months of downward pressure, the Brazilian real appreciated to BRL\$ 2.27 to the dollar this week. In the final weeks of August, the exchange rate reached BRL\$ 2.45.

Import Tax: The Foreign Trade Board (CAMEX) withdrew the debate of the renewal of Decision 39/11, which increases import taxes for a list of 100 products to protect the domestic industry, from Tuesday's agenda. The tax hike for those products including paper and pulp, textiles, shoes and others, expires on October 1st. Minister of Finance Guido Mantega stated in August that the hike will not be renewed. In a press release, however, the Board announced that there is a possibility of adding the products in different tariff mechanism in the event that the list is not renewed.

Senate Hearing: During a hearing of the Senate Committee on Economic Affairs, the chief-economists of banks Itaú Unibanco, Bradesco and Credit Suisse stated that there is no real concern or crisis on the fiscal commitments of the country. Nonetheless, all three requested more transparency of the government in the formulation and execution of the fiscal policy, most notably the primary surplus.

Indebtedness: The National Confederation of Commerce (CNC) presented data demonstrating a slight drop in the percentage of indebtedness of Brazilian families. According to the survey, 63% of all families carry some sort of debt—a two percent drop from last month.



ON THE POLITICAL FRONT

Espionage: The newly appointed Minister of Foreign Relations Luiz Figueiredo met with U.S. National Security Advisor Susan Rice on Wednesday and Thursday to discuss espionage allegations by the N.S.A. in Brazil. Nothing conclusive has come out of the meeting, and Rousseff's trip to Washington is still on hold.

Approval Rating: President Rousseff is slowly recovering from the 30 point drop suffered during the June protests. In the latest poll conducted by the National Confederation of Transportation (CNT), the Rousseff Administration is considered good or great by 38% of the population in comparison to 31% in July. Interestingly, the poll showed that one of the drivers of the President's approval rating has been the controversial More Doctors Programs which has brought foreign doctors to address failures in the current health system. In polls analyzing next year's presidential election, Rousseff continues to lead, followed by former Environment Minister Marina Silva.

Public Prosecutor: The Senate approved the nomination of Rodrigo Janot to the post of Federal Public Prosecutor. He took office on Thursday. He has solid experience fighting crime and corruption, as well as investigating public and private institutions that receive public resources.

N.S.A.: Allegations that the N.S.A. has access to internal documents of Brazilian oil company Petrobras have come to light due to an interview by *The Guardian* journalist Glenn Greenwald. The House Committee on Foreign Relations approved a mission by House Members and Senators to Russia to meet with former intelligence analyst Edward Snowden in order to acquire comprehensive information on N.S.A. espionage activities in Brazil.

Mandates: The Senate approved a constitutional amendment mandating that members of Congress convicted of administrative misconduct or acts against the public administration automatically lose their seats. The vote followed last week's controversy over a House member currently in prison that did not lose his seat because of a negative vote by Congress. The bill must still be approved by the House.

Protests: Despite overwhelming convocations, protests held throughout the country on Saturday gathered less people than expected. Scheduled for Brazil's Independence Day, September 7, protesters continue to defend the agenda put forth by the June demonstrations, however, with much less popular appeal and more violence. Overall, the quantity and intensity of protests have significantly simmered down.



Government

Internet Framework

Allegations of U.S. having access to private data on Rousseff and Petrobras brought back to the agenda the vote of the new Internet Legal Framework bill. Rousseff requested on Wednesday a constitutional urgency on the vote of the framework ([Bill 2126/11](#)). The request mandates that the bill be analyzed and voted on within 45 days before it blocks the votes of other matters. As three other constitutional urgencies, including the Mining Code, must be voted on before the Framework, the best case scenario is a vote at the end of the year if Congress' current procedures are maintained.

The most concerning points to Information Technology (IT) companies are requirements on users' privacy, the creation of data centers in Brazil, and internet neutrality, which does not allow control of connection speed by telecommunications companies based on consumer profile. The final issue is among the most controversial because of conflicting interests between telecom and companies that store content. Rousseff reaffirmed she stands firm to include these issues in the text of the bill.

Housing, Invoices and Culture

On Tuesday, the House approved Provisional Measure ([MP](#)) [620/13](#). Among other issues, the MP creates the program My Better House (*Minha Casa Melhor*) which provides BRL\$ 5,000 funding to beneficiary families of the My House, My Life program (*Minha Casa, Minha Vida*) to buy household appliances.

The MP also extends the Culture Voucher to companies that operate in the presumed profit regime. Finally, the MP establishes a 12-month adaptation period for establishments and service providers to begin detailing in invoices and receipts the total amount of taxes being paid. After the deadline, companies are subject to sanctions and penalties, according to [Law 12741/12](#).

The MP goes to the floor of the Senate and is valid until October 9th.

New MP Rules

After debates with party leaders, the House of Representatives defined new rules on Tuesday for the appreciation of Provisional Measures. Two stand out. First, MPs must wait a minimum of seven days after being given entrance in the House to be voted on. Second, no amendments can be added to issues unrelated to the original content of the MP. The rules address two main problems in the analysis of MPs: the short-term chambers are given to vote before the MP expires, and the inclusion of numerous non-germane amendments (issues that are entirely unrelated to the original topic). The rules will be applied for incoming MPs.

Energy

Ethanol

President Rousseff signed into [Law 12859/2013](#) the Provisional Measure 613/13 with only one veto.

Among the main provisions, the new law:

- » Establishes tax credits for producers or importers of ethanol for sales made until December 31, 2016;
- » Reduces the PIS/PASEP and COFINS taxes on the import and revenue of the domestic chemical sector;
- » Extends to January 1, 2024 the elimination of fiscal benefits to the Duty Free Zone of Manaus and for priority products for the SUDENE and SUDAM regions.

Oil Royalties

President Rousseff signed into [Law 12858/2013](#) a bill which directs oil royalties to investments in education and health. The lack of vetoes signals the President's effort to improve her relations with the legislative branch as the final text approved by Congress defeated her original proposal, which directed 100% of royalties to education.

Royalty revenues are distributed to the Federal government, state and municipalities and to a social fund. According to the new Law, 75% of the royalties to the Federal government will be directed exclusively to public education and 25% to health. In addition, 50% of the social fund will be directed to health and education until the goals established by the National Plan on Education are met.

Innovation

Patents

The Supreme Court decided that the pipeline patents for foreign products are in effect for 20 years even after changes made in the country of origin. The clock starts with the first registration of the product in



Brazil. Discussions arose because of an appeal to the Supreme Court by a biotechnology firm that began counting the duration of the patent based on changes made abroad.

Brazil-U.S. Innovation

This week, Brazil hosted the 3rd Brazil-U.S. Conference on Innovation in Rio de Janeiro, which aims to promote bilateral projects and create new business opportunities in the areas of health, energy, information and communication technology, natural resources sustainability, transportation, and education. The Conference was hosted by the Brazilian Agency for Industrial Development (ABDI), the National Economic and Social Development Bank (BNDES), and the U.S. Council on Competitiveness (CoC).

Health

Commercial Names

The National Health Surveillance Agency (ANVISA) held a public consultation on September 24 to debate a draft resolution that establishes the criteria for acceptability of trade names of medicines in order to mitigate or eliminate the possibility of misinterpretation of the name of a medicinal product.

The draft resolution also includes the possibility that drugs with similar composition may share a common trade name adopting additional differentials to distinguish them. The text, when approved, will apply to all medicinal products subject to inspection except generic and immunotherapy drugs.

Price Adjustment

The Drugs Market Regulation Chamber (CMED), an inter-ministerial institution responsible for regulating the market and establishing criteria to define and adjust drugs prices, published a [list](#) of products subjected to the Coefficient of Price Adjustment (CAP).

Trade

Antidumping

The Ministry of Development, Industry, and Foreign Trade (MDIC) published on Wednesday [Ordinance 34/2013](#) regulating the submission of documents to the Trade Defense Department during administrative process to investigate and apply antidumping measures. The Ordinance enters into force on October 1st.

Export Processing Zones (ZPE)

The Council on Export Processing Zones (ZPE) launched last Friday a [comparative tax study](#) on the ZPE incentives to companies established in these zones to promote exports such as drawback, the Industrial Warehouse under Computerized Customs Control Regime (Recof), the Special Regime for the Acquisition of Capital Goods (Recap), and others.

ZPE are industrial districts where exporters benefit from fiscal and currency exchange incentives, as well as reduced bureaucratic procedures. The basic requirement for companies in ZPE to enjoy the tax incentives is that at least 80% of their gross revenues directly results from exports.

Consumer safety

On Wednesday, the National Institute of Metrology, Quality and Technology (Inmetro) launched a [system](#) to monitor consumer accidents. The products are classified by type and classes, including: cosmetics, electric-electronic, food, medicine, and health equipment.

Inmetro is looking to identify products which offer higher risks to consumers' health and safety which will be later targeted in future technical regulations and conformity assessment programs.

Quotes of the week

"We will maintain the fiscal balance, stimulus on investments, expansion of domestic market and international reserves guarantees to stabilize the fluctuations of the exchange market." President Rousseff in her Independence Day celebration speech

"We are going through the bill one more time. We can change the text to improve it, but there is no possibility of concession in these principles regarding the internet neutrality, privacy, protection of user's privacy and freedom of speech". Alessandro Molon, rapporteur of the bill on internet framework



The Pulse

Ministerial Reform and the 2014 Electoral Calendar

With the end of 2013 approaching, talks about ministerial reform have arisen. Unlike previous reform efforts, however, the early 2014 ministerial reform will be centered on the fact that numerous ministers have to leave the government in order to run for other posts, such as governors, representatives or senators.

Although not set in stone, a couple of Ministers have already expressed both publicly and privately their desire to run for governor. Some of these include ministers very close to President Rousseff such as Gleisi Hoffman, Presidential Chief of Staff, who plans to run for the governorship of the state of Paraná. The Minister of Development, Industry, and Commerce Fernando Pimentel, another important player in the current administration, is likely to run for governor in the state of Minas Gerais, home of one of the most important presidential contenders, Aécio Neves. Finally, Minister of Health Alexandre Padilha has already had his candidacy announced by former President Lula to face off incumbent Geraldo Alckmin in the state of São Paulo. Minister of Sports Aldo Rebelo is another important player that might be leaving soon. Rebelo was a member of the House of Representatives from 1991 until October of 2011 when he left Congress to take over his current ministerial position. The media has reported that he will run again for the House. The ministry Rebelo might be leaving will be in the spotlight in 2014 with the World Cup taking place in June.

Expectations are that at least 12 of the 39 ministers will leave by May of next year—the deadline for resignation in order to run in the October election. Other possible losses include ministers of Tourism, Cities, Institutional Relations, Agriculture, Ports, Transportation, Fishing, and Human Rights.

President Rousseff has been occupied and preoccupied with more urgent matters recently which include the straining of bilateral relations with the U.S. because of N.S.A. spying allegations, an increasingly difficult relationship with Congress, and popular uprisings. No official announcement has been made on possible substitutes for the outgoing group, but a strong ministerial team next year, especially in her inner circle, will be key to ensuring a successful World Cup and a smoother presidential reelection.

	2014
Early 2014	Ministerial reform (Turn over of around 1/3)
04/05	Deadline for public servants to resign from public offices in order to campaign for elections
06/10	Partisan conventions begin
06/13	World Cup Opening Game
06/30	Partisan conventions end
07/13	World Cup Finale
08/19	Electoral propaganda begins (1st round)
10/04	Electoral propaganda ends (1st round)
10/05	General elections 1st round
10/06	Electoral propaganda begins (2nd round)
10/26	General elections 2nd round

