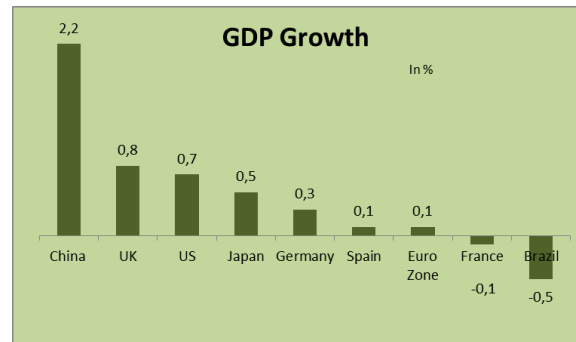


The Week in Review

ON THE ECONOMIC FRONT

GDP: GDP dropped 0.5% in the third quarter, according to the Brazilian Statistics Agency (IBGE). This contradicted Finance Minister Guido Mantega's statement of the previous day. Higher interest rates, scarce credit, and increasing distrust by the private sector are to blame for the drop in investments in the country. Agribusiness was the sector that saw the largest drop at 3.5%, whereas services and industry grew a slight 0.1%. Even so, GDP should grow at around 2.5% in 2013 following a positive second quarter.



Labor Reform: Newspaper *Estadão* has reported that the government is currently working on a Provisional Measure (MP) which will allow companies to bypass the strict package of labor laws, known as CLT, during the World Cup and Olympic Games events. Companies will be permitted to hire temporary workers without the necessity of officially signing the *carteira de trabalho* (work registration), according to the paper.

Industry Growth: According to IBGE, industry grew by 0.6% in October as compared to September, which grew by 0.5%. Sectors leading the growth were printing, machinery and equipment, oil and alcohol refinery, and extractive industry.

Pre-Salt: On Monday, President Rousseff and the winning consortium of the first pre-salt bidding round signed the contract for the production sharing exploration. The parties will have to present the governance model to be adopted within the consortium by December 18th.

Innovation: The Survey on Technological Innovation (PINTEC) 2009-2011 released this week by IBGE blamed high costs of doing business in Brazil (81.7% of interviewed companies) and the lack of high skilled workers (72.5%) as the main obstacles to technological innovation in the industrial sector.

ON THE POLITICAL FRONT

Political Reform: Political changes in the Executive Branch will be announced on January 30th, 2014, as many ministers leave to run for office in the 2014 elections. According to the Electoral Justice, ministers are required to leave their current posts until March. The Executive's main concern is ensuring the support of coalition political parties in President Rousseff's reelection. Some of the ministers who will be leaving are Gleisi Hoffmann, Chief of Staff of the Executive Office; Fernando Pimentel, Minister of Development, Industry and Foreign Trade (MDIC); Ideli Salvatti, Minister of Institutional Relations; Alexandre Padilha, Minister of Health; and Izabella Teixeira, Minister of Environment.

House Agenda: As the legislative year comes to an end on December 22nd, Speaker of the House, Henrique Eduardo Alves, is working to unblock the voting agenda through negotiations with Rousseff's Administration to remove the urgency request on some bills, such as the Internet Legal Framework. Alves' goal is to vote on a "positive agenda" which includes bills that establish corruption as a felony, allow the publication of unauthorized biographies of persons of public interest, broaden the labor rights of domestic workers, and other items.

Energy: Brazilian economist and expert on the electricity sector Fernando Cesar Ferreira was elected to the post of Executive Secretary of the Latin American Energy Organization (OLADE), a political and technical-support organization. OLADE was established in the 1970s to achieve regional energy integration, sustainable development, and energy security. Since 2011, Ferreira has worked as the OLADE's Director of Integration. The term of office will be three years with the possibility for reelection.



Government

Slave Labor

The Senate has concluded the last round of discussions on [bill 57/99](#) which establishes the forfeiture of rural and urban properties for those using slave labor. An amendment added to the bill requires a vote in the Committee on Constitution and Justice before the first round of votes on the floor.

Defense

Cyberspace

The Secretariat of Strategic Issues (SAE) established the [inter-ministerial working group](#) (GTI) with the intention of drafting a strategic plan to promote the improvement of security and defense policies on national cyberspace. The group's competencies include:

- ✓ Identify, research, collect, analyze, consolidate, and register information on internet governance, information technology, and communications based on strategic intelligence and scenario creation;
- ✓ Draft a strategic plan and contribute to the formulation of public policies towards the security and defense of national cyberspace.

The group has seven months to present its final report.

Aviation

The House Committee on Transportation (CVT) approved the report on [bill 5109/13](#) which stimulates the use of biofuels in Brazilian aviation by allowing Brazilian registered aircrafts to have their engines converted for biofuel use.

The bill must still be voted on in the Committee on Constitution and Justice. It does not require the floor's approval.

Tax & Investments

Counterfeits

On Tuesday, the Ministry of Justice established the [National Council to Combat Counterfeits](#) under the National Council to Combat Piracy and Crimes against Intellectual Property. The new council's objective is to facilitate contact between public authorities working to combat counterfeits and assist authorities in:

- ✓ Acquiring original documents and manuals;
- ✓ Drafting of reports on product authenticity;
- ✓ Supporting in the destruction and destination of counterfeited products apprehended;
- ✓ Decision-making on retention of goods.

Environment

Animal Testing

The House Committee on Environment and Sustainable Development (CMADS) approved [bill 4586/12](#) which creates the *Brazil without Mistreatment* stamp to be given to companies and institutions that do not use animals in scientific experiments of any nature. The rapporteur introduced the following change to the bill:

- ✓ Adds the non-use of raw materials of animal origins as a condition for the achievement of the stamp.

Companies will be evaluated every two years in order to maintain the stamp and must demonstrate the existence of initiatives for alternative research methods without the use of animals, concern for the defense of animal rights, and the existence of social practices to teach professionals about animal protection.



Plastic Bags

CMADS held a public hearing on Tuesday on the use of plastic bags. A representative from the Ministry of Environment, Mariana Meirelles, has affirmed that the reverse logistics committee will wrap up the sectorial agreement on packages in early 2014, including plastic bags. Camila Valverde from the Brazilian Association of Supermarkets (ABRAS) has defended that retail stores not distribute the product for free and suggested the creation of laws that reduce the indiscriminate distribution of plastic bags.

Health

Medicines

The National Agency of Health Surveillance published Public Consultation 52/2013 on the outsourcing of the production, analysis of quality control, and storage of medicines. Contributions can be sent to the agency until February 7th.

The Pulse

2012 PISA: Investments generate slow results in education

On Tuesday, the Organisation of Economic Co-operation and Development (OECD) released the latest data on PISA (Program for International Student Assessment). Unsurprisingly, Brazil lags behind on the 58th position of 65, losing to countries as Thailand, Mexico and Kazakhstan. Surprisingly, Brazil has invested more resources over time in comparison to GDP. However, also rarely any news, **the amount spent is still minimal if Brazil ever wishes to rise up to the developed countries club.**

In 2012, Brazil scored 391 in mathematics, 394 in reading, and 397 in science, below the OECD average of 494, 496, and 501 respectively, and far below the top-ranked country on the list, Shanghai-China, with 613, 570, and 580.

Nevertheless, since 2000 Brazil has improved in all three categories, most notably mathematics which saw a 17.1% rise in scores. In reading and science, improvements were more modest with a 3.5% and 8% rise respectively.

Expenditures on education have also risen since 2000. **From a meager 3.9% of education investment in relation to the GDP, the country disbursed 5.3% in 2012.** In dollar amounts, Brazil spends on average US\$26.765 per student. Luxembourg, the highest education spender, invested US\$197.59 per student, and the United States spent US\$115.96 per student. The OECD average is US\$83.38 per student.

That amount, however, is unevenly spent in Brazil. Whereas public resources towards higher education per student were around BRL\$20.690 in 2011, basic education only received around BRL\$4.267, according to data by the National Institute of Studies and Educational Research (INEP).

Furthermore, results from the national exam for university entrance, ENEM, last week showed that the top scorers were almost entirely dominated by private educational facilities. In the city of São Paulo, for example, **only one public school ranked among the 25 best exam scorers.**

Reading between the lines, there is an amazing discrepancy among data within the country. Whereas some private education institutions can be ranked alongside some of the world's best schools, some states rank even below the last country on the list, Peru. That is the case with the state of Alagoas which received a score of 342 in math, 355 in reading, and 346 in science, below the national average. The Federal District, on the other hand, scored 416, 433, and 428, above the national average.

Any sort of solution, therefore, must not only address the obvious fact that Brazil invests far less than a sufficient amount, but also the less obvious fact that resources are unevenly divided between the regions and states. Less obvious is also the fact that education is not only related to investments in teachers, but also in school infrastructure, neighborhood safety, and child's life at home. **Improvements have been made since 2000, but there is still a long way to go.**

