

The Week in Review

On the Political Front

Datafolha Poll

A Datafolha survey published February 8th shows 23 percent of respondents rate President Dilma Rousseff's administration as "excellent or good" compared to 42 percent in a survey published in December. This comes just months after winning a narrow presidential race last October.

Over the same period, the percentage of people who rated President Rouseff's administration as "bad or terrible" rose to 44% from 24%. It was the first time since President Rouseff took office in 2011 that she has received more negative than positive ratings. The remainder of respondents, 33%, rated Rouseff's administration as average, which was unchanged since December.

Apex Brasil

David Barioni Neto was appointed president of the Brazilian Exports and Investment Agency (Apex) replacing Mauricio Antonio Rocha Borges. Barioni, who was previously president of TAM Airlines and vice president of Gol Airlines, has a degree in business administration and finance from the University of São Paulo (USP) and is also a captain, instructor, and flight security officer.

Task Forces

Innovation

Genetic Patrimony: On Tuesday, February 10th, the Chamber of Deputies approved bill 7735/14 (Projeto de Lei – PL), which would create a new legal framework for Brazilian genetic patrimony and modify the royalty collection system adopted as compensation for the use of national biodiversity. The bill has been under constitutional urgency since August 2014 and, therefore, has been halting the votes on other bills in the Chamber. This bill will now be sent to the Senate to be analyzed. Controversial issues regarding renegotiation of fines and rules for the allocation of resources to indigenous peoples, among other things, were not approved in the final version of the text. **Highlights of the approved text:**

- » Sharing of benefits that come from finished products of exploration of reproductive material from access to genetic resources of species *in situ* or associated traditional knowledge (establishing the National Fund for Benefit Sharing - FNRB).
 - The sharing of benefits can be done in a monetary or non-monetary form, such as technology transfer and biodiversity conservation projects.
 - The sharing of benefits will not apply to small businesses and the agriculture and food sectors;
- » Establishes rules on registering and obtaining prior authorization for exploration activities on biodiversity in Brazil or to be sent abroad, including economic development of the finished product.



Personal Data Draft Bill I Regulation of the Internet Framework Law: On Thursday, the Ministry of Justice extended the public comment periods of both the Draft Bill on Personal Data and the regulation of the Internet Framework Law, to April 30th, 2015 and March 28th, 2015, respectively:

Trade

Parliamentary Group With BRICS Countries: A Draft Resolution (PRC) 6/15 was introduced in the House, which would create a Parliamentary Group of Brazil and other BRICS countries (Brazil, Russia, India, China, and South Africa), for international cooperation service, in order to encourage and develop relations between the five countries and cooperate for the greater exchanges between their legislative branches. According to the resolution, the group's objective is to strengthen the relationship between the Brazilian parliament and the parliaments of BRICS' countries, in order to strengthen the development of exchanges and partnerships in the following sectors: economic, political, cultural, commercial, and tourism—in particular, the development of joint actions to improve the integration of these countries in the international arena. For the Group to be created, Congress must draw up a constitution to govern their activities, and to hold a meeting facility, to which all Members of the House are invited. Parliamentarians who attend will elect the board of directors of the group and sign the attendance list.

Ranking of Consumer Complaints: On Monday, the National Consumer Secretariat (*Secretaria Nacional do Consumidor – Senacon*), which is part of the Ministry of Justice, published the ranking of companies and economic sectors with the most consumer complaints. Referred to as the [Sindec Bulletin 2014](#), the bulletin presents a brief analysis of the consumption demands taken up by Procons, the municipal authority responsible for protecting and defending consumers, in 2014. Its main goals are to allow society to access information on companies with the highest number of complaints and the main problems presented in order to guide consumer choice on products and services. There were a total of 2,371,901 complaints in 2014, the majority of which concerned billing problems (35.6%). The service or product with the most complaints was landline phones.

Cosmetics Regulation Published: On Wednesday, Anvisa published Resolution (RDC) 7 in the Official Gazette, formally implementing the changes to RDC 4, which regulates the notification and registration of cosmetics in Brazil. Under the changed regulations, among other things, cosmetics products (except repellents, sunscreens, hair straighteners, hand sanitizers, and products aimed at children), will no longer have to be formally registered (approved and published in the Official Gazette), but only notified, which should speed products to market. The approved changes also ended the rate exemption for notification on cosmetic products (RDC 222/2006), which means firms must now cover the cost of product notification for all cosmetic products that no longer have to be registered. Companies will be given a short transition period to comply with the new rules.

Publicity on Alcoholic Beverages: On Wednesday, the House approved the urgency requirement on bill (PL 6869/10), which prohibits publicity for alcoholic beverages and requires labeling to contain images on the harmful effects of alcohol. The urgency requirement means that the bill will be submitted for a faster procedure in the House, it will likely have a select committee to prepare a report, and amendments may be presented only if subscribed by one fifth of the House (103 members) or by leaders representing this number. Even though it is a faster procedure, there is no forecast on when it will be voted on or of who will be its rapporteur in the select committee.

Bilateral Agreement Brazil – USA on Tax Information: On Thursday, the bilateral agreement between Brazil and United States to improve international tax compliance and to establish the ruling of the Foreign Account Tax Compliance Act (FATCA) was sent to Congress (Message 36/15). The agreement states that information on US taxpayers in Brazil be forwarded by financial institutions to the Federal Revenue of Brazil (RFB) and then passed on to the Internal Revenue Service (IRS) and vice versa. This exchange of information will be made respecting both countries confidentiality of information.

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Assessment: this agreement was signed in Brasília in 09/23/2014 by former Finance Minister Guido Mantega and United States' ambassador in Brazil, Liliana Ayalde. Now the Administration has sent it to the Congress for their analysis. All international agreements must be forwarded to the Congress to come into force.

Tax & Investment

Outsourcing: On Tuesday, the General Attorney's Office moved to position itself against the outsourcing of core activities,, in accordance with the understanding of both the Superior Court of Labor (*Tribunal Superior do Trabalho* – TST) and the General Prosecutor's Office. The issue is waiting to be discussed in the Supreme Court (*Supremo Tribunal Federal* – STF), and according to its rapporteur Minister Luiz Fux, this is the lawsuit with the biggest potential impact on companies currently before the Supreme Court.

Labor Adjustments to Aid Fiscal Adjustments: On Wednesday, Minister of Labor and Employment (MTE) Manoel Dias announced labor adjustments focused on increasing inspection on informal labor and the Worker's Guarantee Fund Tax (*Fundo de Garantia do Tempo de Serviço* – FGTS). These adjustments were made in 2014 but were not being properly checked in by the Ministry. Now, to help the Administration reach the fiscal adjustment, labor rules supervision will be more efficient and companies that do not follow them will be fined by labor auditors. The adjustments so far announced are: surveillance increase on companies and FGTS' electronic surveillance. The estimated revenue from these measures is BRL\$ 5.2 billion.

The Pulse

President Rousseff Approval Ratings Tumble, But Brazilians Persevere

The latest Datafolha public opinion poll, released last Sunday, highlighted several interesting trends in Brazil's current economic, political, and social environment. Its most compelling finding points to the abrupt fall of President Rousseff's approval rating, which has been the topic of extensive discussion over the past week. Among the unexpected results is the prominent rise in concern over corruption as one of the top national problems

Corruption is now in second place among those polled (21%) as the worst problem facing Brazil, surpassed only by health, which captured 26% of those polled. This outcome is significantly different from December 2014, when 43% of the respondents picked health as Brazil's worst problem, and only 9% chose corruption. In the longer historical series, corruption has never received such a high response rate for this question.

Other causes for concern in this latest poll are inflation and unemployment. Over the last 21 years, these two issues were rarely among Brazil's top worries, but now 81% fear rising inflation, and 62% said that they anticipate higher unemployment rates. Also for the first time since 1994, most Brazilians (57%) expect their domestic purchasing power to decrease in the coming months.

These findings indicate a rising negative mood, which could contribute to a self-reinforcing expectation of serious economic troubles ahead. However, the poll also shows that most Brazilians are determined to see through two of the most urgent problems that they may face: shortages of water and energy. Two-thirds of the respondents said they support immediate rationing in order to deal with the problems. As such, despite a basically negative outlook, Brazilians also appear to have adopted an attitude of perseverance.

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