

The Week in Review

On the Political Front

Anti-corruption Measures

On Tuesday, the Comptroller General (*Controladoria-Geral da União - CGU*) and *Instituto Ethos* launched its new *Pró-Ética* program, which underwent a restructuring due to changes brought about by the anti-corruption law (Law n° 12,846/13). The initiative seeks to recognize companies committed to compliance, transparency, and combating corruption in the corporate sector. Companies can register on the [Comptroller General website](#) until July 31st. Applications will be assessed by a steering committee, chaired alternately by CGU and the *Instituto Ethos*. Any corporation, regardless of size and branch of activity, can sign up to join the *Pró-Ética* list. Membership is voluntary. Today, sixteen companies are part of the list. Questions can be sent to proetica@cgu.gov.br.

New Supreme Court Minister

On Monday, the Senate Committee on Justice and the Constitution (Comissão de Constituição, Justiça e Cidadania) approved President Rousseff's appointment of Luiz Edson Fachin as the 11th minister of the Federal Supreme Court (*Supremo Tribunal Federal – STF*). The Senate Committee confirmation hearing took more than twelve hours. The committee also approved an emergency regime vote on the Senate floor, which means that final confirmation is likely to happen next week. Luiz Fachin is a lawyer and university professor and has broad support from the legal community. However, several controversies were raised by the Senate over his nomination, including a video in which he asks for votes for then-candidate for president Dilma Rousseff in 2010 and published texts in which he takes controversial positions on the social function of property.

Internet Copyrights

On Wednesday, the Federal Supreme Court (*Supremo Tribunal Federal – STF*) determined that Internet service providers can not be held liable for damage to copyright infringement occurring on host pages.

According to Minister Luís Felipe Salomão, rapporteur of the case, the Internet Service Provider does not provide, directly or indirectly, any infringement of copyright and therefore cannot be held responsible. Moreover, to blame the provider would be like blaming the post office for crimes practiced in private correspondence. With respect to the withdrawal of network content, the Supreme Court Ministers decided that the provider's only responsibility will be to withdraw the electronic address specified in the records, which are the specific addresses of the pages on which a copyright violation may have occurred.

Chinese Official Visit

Next week, the Chinese Prime Minister Li Keqiang, along with 150 Chinese entrepreneurs, come to an official visit to Brazil, less than a year after Chinese President Xi Jinping, who, during his visit to Brazil, signed more than 50 bilateral agreements. Once again, the goal is to deepen cooperation and trade relations between the two countries. The signing of agreements in the areas of financial, infrastructure, and energy between the two



countries is expected. Next Tuesday, May 19th, the prime minister will meet with President Dilma Rousseff while Chinese business people will meet with Brazilian private sector companies for the Brazil-China Business Summit at the Ministry of Foreign Affairs.

Task Forces

Defense & Security

International treaties: On Thursday, two bills were introduced in the House of Representatives to ratify international treaties:

- » [Bill 62/15](#) would ratify text of the Treaty for the Establishment of the Quota Arrangement of BRICS Reserves (*Tratado para o Estabelecimento do Arranjo Contingente de Reservas dos BRICS*), signed in Fortaleza on July 15, 2014.
- » [Bill 63/15](#) would approve the text of the agreement on the New Development Bank Development (*Novo Banco de Desenvolvimento - NBD*), also signed in Fortaleza, on July 15, 2014.

The bills will be considered under an “urgency regime.” They will be taken up simultaneously by the House Committee on Finance and Taxation (*Comissão de Finanças e Tributação - CFT*) and the House Committee on the Constitution, Justice, and Citizenship (*Comissão de Constituição, Justiça e de Cidadania – CCJC*), then sent to the House floor and afterward to the Senate.

The federal constitution establishes that the ability to maintain international relations and sign treaties is the responsibility of the executive branch, subject to ratification by Congress.

Tax & Investment

Sickness and death pension changes: On Wednesday, the full House approved Provisional Measure (*Medida Provisória – MP*) 664, which provides changes to social security pension payments in Brazil. The MP now requires two years of marriage or stable union before a surviving spouse is entitled to death benefits, with at least 24 months earned towards a prior contribution period. The MP also established new standards limiting the time under which a survivor is eligible to receive a pension, with younger survivors receiving less time for pension eligibility. The MP stated that in disability and sickness payments, the employer would have to pay for up to 30 days, instead of 15 days as is the case today, but Congress has not approved it yet.

The Provisional Measure is part of fiscal adjustment measures proposed by the Rousseff Administration, and aims to reduce public spending on social welfare.

The Pulse

Signs of Crisis Containment, but Political Clashes and Austerity Far from Over

The first quarter of 2015 left many in business and political circles in a near state of panic over Brazil’s future, but there now appears to be at least some small sense of relief. The stock market has rebounded, as has Brazil’s currency, and inflation expectations appear to have stabilized, albeit at an uncomfortable level. In addition, Congress has approved the budget and is making some progress on passing bills needed for Brazil to reach its new fiscal targets. Crisis containment appears to be happening, at least for the moment.

There is no illusion, however, that the challenges have all been met. In fact, the economic situation is likely to worsen before it improves. The adjustment will be long and painful. Congress is struggling with some of the fiscal austerity legislation, and Minister Levy is talking about a second round of fiscal measures to increase revenue. Any new or increased tax will hurt business even more deeply. Consumption has fallen disproportionately in the “new middle class,” and unemployment and poverty rates have simultaneously increased, putting at risk a decade of social progress and perhaps sparking further undesirable social consequences.



Politically, it has become clearer that the remaining years of the Rousseff Administration may be similar to what was seen during the Sarney era, when the president was a permanent hostage to the PMDB and then-Speaker of the House Ulysses Guimarães. Rousseff may become a president with little decision-making power, limited by the political priorities and maneuvering of her nominal allies in Congress. However, she has another problem: the pressure exerted by her predecessor, President Lula, who has increasingly criticized her policies with the aim of trying to ensure the political survival of their Workers' Party (PT).

By September, it may be possible to assess with more accuracy what the real chances of success are for the Levy adjustment plan, but it could take longer before there is a clear indication of its effectiveness, perhaps not until 2016. Stable economic growth is not likely to return until 2017, or later, if some predictions are correct. Regardless of when a turnaround may be identified, it will take time, patience, and discipline to see it through, which will be particularly difficult for a president facing so many challenges.

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