

The Week in Review

On the Political Front

Latin America, Caribbean and European Union Summit

On Wednesday, President Dilma Rousseff arrived in Brussels for the second Summit of the Latin American, Caribbean, and European Union Community.

In two days of meetings, the heads of state will discuss multiple issues such as trade, human rights, migration, and climate change. MERCOSUR and the European Union are expected to present a commercial proposal that should include a list of products eventually to be given zero-tariff status in a trade agreement. Brazil's Minister of Foreign Affairs Mauro Vieira; Minister of Development, Industry, and Trade Armando Monteiro; and Minister of Agriculture, Livestock, and Food Supply Katia Abreu are part of the official delegation.

Government Opens Public Consultation Period In Order to Improve Legal and Administrative Proceedings Used To Fight Corruption

On Tuesday, the federal government launched a digital platform to receive public suggestions on ways to improve the legal and administrative proceedings used to fight corruption. According to Minister of Justice José Eduardo Cardozo, "The goal is to gather suggestions to elaborate measures aimed at preventing and tackling corruption and impunity in Brazil." Comments on the following six themes may be submitted online until July 8, 2015 at <http://participacao.mj.gov.br/>:

- » **Data, statistics, and monitoring** – How to best perform data collection? How should these results be analyzed? How can these data be used to improve legal and administrative procedures?
- » **Criminal and administrative proceedings** – What can be done to accelerate the administrative process? What procedural changes can be made to investigate criminal acts more efficiently? The idea is to identify bottlenecks and discuss the appeals system without diminishing entitlements or individual rights.
- » **Asset recovery** – What other measures can be adopted in order to recover lost assets?
- » **Integration and coordination between agencies** – How to coordinate the work of stakeholder agencies effectively? How to create a specialized lower court?
- » **Creation of new internal anticorruption structures** – Each agency should create internal structures to enhance the debate and improve the exchange of information with other agencies.
- » **Improvement of Administrative Misconduct Act** – How to administer the act more effectively?

During the launch of the consultation process, Minister of Justice José Eduardo Cardozo revealed that the idea of using constituent participation was considered because of the success of a similar process used for the Internet Framework Law (*Marco Civil da Internet*). He also stated that the feedback received during the public



consultation will influence the government's next steps. Beto Vasconcelos, the National Secretary of Justice, also spoke during the launch and explained that the idea is to bring society to the debate by creating a space where an individual presents a suggestion and others can improve on it or make a counterpoint.

2015 Logistics Program

On Tuesday, President Rousseff announced a new phase of the Logistics Investment Program (*Programa de Investimento em Logística* - PIL). The program seeks private investment for BRL\$ 198.4 billion of airports, highways, railways, and ports as part of another attempt by the president to modernize the country's aging infrastructure. The latest initiative was also motivated by Rousseff's fall in approval ratings, which is linked to a slowing economy and corruption allegations at oil giant Petrobras (for more, see *The Pulse*).

- » **Highways:** BRL\$66.1 billion to be invested in modernization (expansion and improvements) of federal highways. The government expects to hold auctions in 2015.
- » **Railroads:** The government anticipates investments of BRL\$ 86.4 billion in railways, including the North-South Railway between Palmas (TO) and Anapolis (GO) and between Barcarena (PA) and Açailândia (MA),
- » **Ports:** The government foresees investments of BRL\$37.4 billion.
- » **Airports:** Privatization of Porto Alegre, Salvador, Fortaleza, and Florianópolis airports were confirmed. The government estimates that it will receive a total of BRL\$ 8.5 billion in investments from auctions scheduled for the first quarter of 2016.

U.S. Global Entry Program

Experts from the Department of Homeland Security are scheduled to come to Brazil on June 17th to discuss with Brazilian authorities technical aspects for future deployment of the Global Entry Program. An announcement of the Global Entry Program is not expected during President Rousseff's visit to the United States at the end of the month, but officials accompanying the negotiations have indicated that the Global Entry Program may be part of the joint political declaration.

Task Forces

Tax & Investment

Provisional Measure Amendments: On Tuesday, 193 amendments were introduced to the provisional measure (*Medida Provisória* - MP) 675/15 that would increase the tax rate on financial institutions to 20% for the Social Contribution on Net Profits (*Contribuição Social Sobre Lucro Líquido* - CSLL).

Oil & Gas

Oil and Gas Bidding Round: On Tuesday, the National Council of Energy Policies authorized the 13th round of bidding for 266 oil and natural gas blocks. During the May Offshore Technology Conference in Houston, Texas, the Minister of Mines and Energy, Eduardo Braga, announced that the round would occur on October 7th. The National Petroleum Agency will open a comment period for the bidding process.

Defense & Security

International Treaties: On Monday, [Bill 62/15](#), which would ratify the text of the Treaty for the Establishment of the Quota Arrangement for BRICS Reserves (*Tratado para o Estabelecimento do Arranjo Contingente de Reservas dos BRICS*), and [Bill 63/15](#), which would approve the text of the agreement on the New Development Bank (*Novo Banco de Desenvolvimento* - NBD), were approved in the Congress and will now be sent to the President to be promulgated.



International Treaties, Continued: [Bill 57/15](#), which would ratify text of the Marrakesh Treaty (*Tratado de Marraqueche*), which flexibilizes copyright in order to facilitate access to works for people with disabilities, was approved in the House Committee on Culture (*Comissão de Cultura - CCULT*). The bill must now be analyzed in the House Committee on Constitution and Justice (*Comissão de Constituição, Justiça e Cidadania – CCJC*) and on the House floor, then in the Senate, before being sent to the president to be promulgated. However, to take effect, the treaty must be ratified by at least 20 countries.

Brazil–U.S. Bilateral Agreement on Tax Information: On Wednesday, [Message 36/15](#) was approved by the House Committee on Foreign Affairs (*Comissão de Relações Exteriores e Defesa Nacional - CREDN*). It would ratify the bilateral agreement between Brazil and United States to improve international tax compliance and to conform with the Foreign Account Tax Compliance Act (FATCA). The agreement states that information on U.S. taxpayers in Brazil will be forwarded by financial institutions to the Department of Federal Revenue of Brazil (RFB) and then passed on to the U.S. Internal Revenue Service (IRS), with reciprocal treatment by the United States. This exchange of information will be made respecting both countries' confidentiality of information. The agreement was signed in Brasília in September 2014 by former Finance Minister Guido Mantega and United States' Ambassador to Brazil Liliانا Ayalde and now must be approved in Congress, before being sent to the president to be promulgated.

The Pulse

New Infrastructure Initiative Holds Promise of Economic and Political Benefits

As part of President Dilma Rousseff's economic recovery plan, she announced a US\$ 65 billion infrastructure investment package that could put her administration on a positive footing again following a calamitous start to her second term in office. The decision has been widely applauded because investing in the critical transportation sector will provide a short-term boost to the economy, be a foundation for longer-term economic development, help improve Brazil's dismal ranking in global competitiveness, and serve as an important step for regaining the confidence of foreign investors, the business community, and Brazilian society.

The plan is ambitious in scope and cost, encompassing airport, rail, highway, and port projects with a value equal to 3.5% of GDP. Not all projects, however, are equally viable. The Atlantic-Pacific railway, supposedly to be co-financed by Chinese investors, raises questions not only about the Chinese' ability to fulfill such a commitment, but also the steep engineering challenges, environmental licenses, and other administrative requirements that often stall such projects.

The auction process for these projects is also in doubt given the Rousseff Administration's previous problems in setting highly restrictive and ultimately unattractive financial and operational guidelines on concessions. So far, formal announcements of the plan offer scarce details on the bidding process and terms, including whether they will meet concessionaires' demands for higher project rate of returns. Planning Minister Nelson Barbosa, however, has said that the model will be "perfected," perhaps giving a nod that the administration will finally incorporate a more business friendly approach.

If President Rousseff can move expeditiously toward awarding these major infrastructure concessions, it would provide both short- and long-term benefits to the economy, reinvigorate foreign interest in Brazil, and give the president a needed political boost. For these reasons, it appears as though she understands what is at stake and her need to woo foreign investors, which is one of the major reasons for her upcoming trip to the United States at the end of the month.

