

**POLICY
MONITOR**

August 5 – 9, 2013

The Week in Review

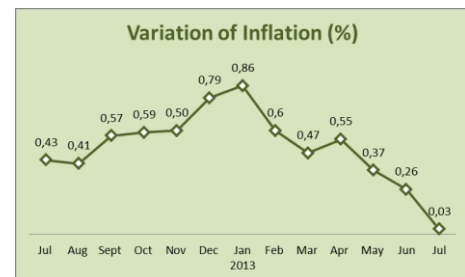
ON THE ECONOMIC**FRONT**

Cotton: U.S. Secretary of Agriculture Tom Vilsack announced on Wednesday in Brazil that the U.S. would not continue monthly payments to Brazil accrued from the World Trade Organization (WTO) dispute on cotton. Payments of around US\$147 million a year were agreed to between the two countries in 2010 to compensate Brazilian claims that U.S. grants subsidies to its cotton producers. Vilsack stated that payments would be discontinued in October as they are not in the administration's budget. The lack of consensus on the sequester and a new farm bill in Congress are to blame, according to the Secretary. Antonio Patriota, Minister of Foreign Relations, has stated that retaliatory measures have not been discarded yet.

Foreign Trade: The Secretary of Foreign Trade of the Ministry of Development, Industry and Foreign Trade Tatiana Prazeres left her position. Daniel Marteleto Godinho, Director of International Negotiations of the Ministry, replaced her.

Inflation: The Inter-Union Statistics and Socioeconomic Department (DIEESE) released the national research of staple good prices demonstrating an 18% drop. Tomato and oil drove the reduction in prices, both of which had been important players in the price hike in April.

Increases in the price of food items have been the driver of growing inflation. Inflation for the month of July rose slightly by 0.03%, according to the Brazilian Statistics Institute (IBGE). The drop is significant if compared to June 2013 (0.26%) and July 2012 (0.43%). Total inflation for the year has accumulated to 3.18%.



Pessimism: A survey done during the 13th forum of CEOs held by the Brazilian Association of Human Resources (ABRH) with 114 business people revealed that pessimism about the macroeconomic condition has worsened. According to the survey, only 3% of respondents believe the macroeconomic scenario will improve significantly. Sixty-six percent and 24% of the people surveyed respectively believe it will improve slightly or stay as is. On the other hand, less than 7% believe the situation is likely to deteriorate. Also, 35% of companies' representatives expect exceptional performance over the next five years, whereas 63% expect average performance.

ON THE POLITICAL FRONT

NSA: The House's public hearing on weaknesses in data protection system and the flow of personal information, with the participation of the ministers of Telecommunications, Defense and Foreign Relations, the U.S. Ambassador to Brazil and the presidents of Google, Facebook, Microsoft and Twitter, was rescheduled for next Wednesday, August 14. The meeting is a response to the NSA spying allegations in Brazil.

São Paulo: Expectations are high that former President Lula will announce the candidacy of Minister of Health, Alexandra Padilha (PT) to the government of the state of São Paulo. Current governor Geraldo Alckmin (PSDB) is also likely to run in next year's state elections and has suffered recently from an important loss in popularity due to street protests and recent allegations of PSDB involvement in cartel schemes within the São Paulo metro.

Cartel: The Brazilian Antitrust Body (CADE) is investigating a possible cartel scheme in the bids of the São Paulo metro system from 2000 to 2007. The case began when German company Siemens presented itself to CADE as one of the companies involved in the cartel. Claims include the engagement of rail companies Alstom, Bombardier, CAF and Mitsui. The government of São Paulo has stated that CADE is pursuing the investigation due to political reasons.

Political Reform: An Ibope poll showed that 85% of the population is in favor of political reforms. Discussions on the reform have simmered down during the congressional recess, especially due to disagreements within the President's support base. Seventy-eight percent of respondents are in favor of private funding for campaigns, and 80% of interviewees believe there should be a limit to the use of public money in campaigns.

"Mensalão": Appeals by those convicted by the Mensalão trial will start being debated by the Supreme Court next week, on August 14. Former Chief of Staff José Dirceu, convicted for 10 years, is among those defending the reevaluation of penalties.

Government

Anti-Corruption

Last Friday, President Rousseff signed the Anti-Corruption bill into law having vetoed three portions of the bill approved by Congress. PLC 39/13 establishes corporate liability for companies accused of corruption within the public administration. The bill is an important step towards the implementation of the OECD Anti-Bribery Convention that Brazil ratified in 2000.

The new law establishes corporate, not individual, liability for national or foreign companies operating in Brazil engaged in acts of corruption. Acts of corruption include promising, offering or giving undue advantage to a public agent, including frauds in public bids. The main novelty is that companies are responsible for the acts of its employees regardless of proof of the company's approval to conduct those acts. Penalties include fines of up to 20% of the company's gross revenue or between BRL\$6,000 to BRL\$60,000,000 and the inclusion in a black list.

Rousseff vetoed three portions of the bill including the:

- » Limitation of penalties to the value of the contract
- » The necessity of proof intent to deceive
- » Public servant's contribution to the act

The vetoes were considered positive by organizations engaged in the defense of stricter anti-corruption norms; however, members of Congress have already declared their discontent with the vetoes claiming that President Rousseff has violated agreements made with Congress. The vetoes can still be overridden by Congress.

Copyright

On Wednesday, the Senate Committee on Education, Culture and Sports approved a public hearing to debate [Bill 465/12](#) which alters [Law 9610/98](#) (the Copyright Law).

The bill establishes, among other issues, the following:

- » Violations of copyright can entail fines between 3% and 20% of the original value, as well as a five-year Statute of Limitations on civil action
- » Authorizes the organizer to use collective works without the approval of individual participants

Internet Legal Framework

The House's Committee on Science and Technology held a public hearing on Wednesday to debate the new internet legal framework (*Marco Civil da Internet*). The bill's rapporteur, Alessandro Molon (PT), reemphasized the three pillars in which the new framework should be based on: I) network neutrality; II) data privacy; and III) freedom of expression. Although the vote was not scheduled yet, Molon believes it will be within 15 days.

Energy

New Director

President Rousseff nominated Waldyr Martins Barroso to the post of Director of the National Oil, Biofuels & Gas Agency (ANP). Barroso is already at the Agency as Superintendent of Refining, Gas Processing and Biofuels Production. Previously, the nominee worked at the National Institute of Quality (Inmetro) as a quality control specialist and at Petrobras. Barroso's name must still be approved by the Senate.

Who is Liliana Ayalde?

The U.S. Senate confirmed the nomination of Liliana Ayalde for the post of U.S. Ambassador to Brazil replacing current ambassador Thomas Shannon.



Ambassador Liliana Ayalde

Amb. Ayalde was nominated by President Obama to take over the Brasília Embassy in June 2013, and in a speedy approval process, was confirmed by the Senate.

The Brazilian Foreign Service still must hand over her credentials for her to take office.

In 2009, Shannon's nomination was blocked by the U.S. Senate for nine months.



Latest posts in the U.S. Foreign Service:

2005-2008: Mission Director for USAID/Colombia
2008-2011: Ambassador to Paraguay
2012 – Current: Deputy Assistant Secretary, Bureau of Western Hemisphere, State Department.

Ambassador Ayalde is 57. She is married, with two daughters. She has a B.A. from American University and a master's degree from Tulane University.

The Pulse

Lobbying: How does the norm under discussion in Brazil compare to the U.S.?

	 PLC 1202/2007 Awaiting vote in the House	 LDA and HLOGA
Registration of lobbyists	<ul style="list-style-type: none"> » Previous registration is mandatory in each branch of government. Bodies have autonomy to decide registration rules » Information on registrants must be available online 	<ul style="list-style-type: none"> » Online registration, up to 45 days after lobbying began, at the Secretary of the Senate and the Clerk of the House
Who does not need to register?	<ul style="list-style-type: none"> » Unpaid individuals and organizations working on <i>ad hoc</i> basis to influence legislation due to personal interest » Individuals and organizations that only track the legislative process » Invitees of Congressional hearings » Merely informative activities » Public officials (which must follow internal rules on registration) 	<ul style="list-style-type: none"> » Entities receiving less than US\$5,000 per client » Entities not exceeding US\$20,000 in expenditures from lobbying (per semester)
Who cannot lobby?	<ul style="list-style-type: none"> » Public servants » Members of the three branches of power » Those condemned for acts of corruption and misconduct in office 	
Obligations	<ul style="list-style-type: none"> » Yearly report to be presented to each branch of government, by January 31, with a list of: <ul style="list-style-type: none"> ✓ Activities ✓ Issues of interest ✓ Expenses used on lobbying exceeding BRL\$ 1,000 ✓ Expenses from advertising, books, consulting, events, others » Companies must also report: <ul style="list-style-type: none"> ✓ Data on the company's structure (partners, affiliates, etc) ✓ List of full-time and part-time employees ✓ Sources of revenue, including all donations above BRL\$ 1,000 	<ul style="list-style-type: none"> » Quarterly reports with: <ul style="list-style-type: none"> ✓ Identification of lobbyists and client ✓ General and specific issues ✓ Bodies of government contacted ✓ Good faith estimate of income and expenses » Semiannual reports with: <ul style="list-style-type: none"> ✓ Political contributions exceeding US\$200
Cooling off Period	<ul style="list-style-type: none"> » Six months 	<ul style="list-style-type: none"> » One or two years, depending on the position held
Sanctions	<ul style="list-style-type: none"> » The omission or falsification of information, as well as the refusal to present it, will factor into the non-renewal of authorization » Other willful violations will be punishable with a warning. Recidivist offenses will entail the suspension of registration for up to three years and possible criminal responsibility 	<ul style="list-style-type: none"> » Fines of US\$ 50,000 to US\$ 200,000 » Penal sanction of up to 5 years