

## POLICY MONITOR

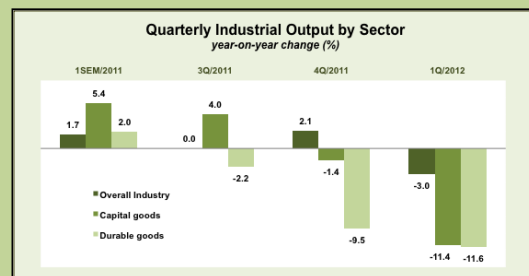
April 30 – May 4, 2012

### THE WEEK IN REVIEW

The week was marked by a bold and pragmatic move: the Rousseff administration announced changes to the *Caderneta de Poupança* – a traditional savings account – to lower returns to sustain the interest rates reduction policy. The government issued a provisional decree that determines that returns on new savings accounts will amount to 70% of the benchmark Selic rate if it falls to 8.5%, plus a fluctuating Reference Rate. Congress has 120 days to vote on the measure on savings account, which is set by law and it has been not subject to taxation for the last 48 years. For PATRI, Rousseff’s measure is long due – dismantling a powerful dogma – and reflects a more stable macroeconomic environment in which less risky investments get lower yields. Interestingly, the week began with the president’s Labor Day address urging Brazilians to join her in pressuring private banks to lower rates. “It is inadmissible that Brazil, which has one of the most solid and profitable financial systems, continues to have some of the highest interest rates in the world. Such levels cannot persist,” said Rousseff. Her goal is to gradually reduce real interest rates, today in the range of 5-6% to 2-3% until December 2014. Rousseff, who enjoys high approval rates, also acknowledged the need to reduce the Brazilian tax burden, signaling tax cuts over bonus payments.

May started with the Real dropping to its lowest level since February, trading at 1.90 to the dollar. The devaluation was caused by the

Selic cut from 12.5% to 9%, since September 2011. The reduction follows the administration’s complaint against the so-called “currency war” and should benefit the Brazilian struggling industry. IBGE (the Brazilian statistics agency) announced industrial output dropped 0.5% in March. A weaker real could fuel inflation and cause accounting losses to Brazilian companies with dollar-denominated debts. According to monetary authorities, growth was sluggish in the first quarter: ICB-BR (the bank’s economic activity index) indicates a 0.23% drop in February. Given the 2011 2.7% “chicken flight” GDP and incoming local elections in October, the government is trying to boost economic input. In that effort, Anatel (the Brazilian telecom regulator) published the rules for 4G technology auctions to be held in June, stipulating 60% of local content in equipment used for infrastructure rollout. US and EU authorities are expected to question such rules in the WTO.



**Below, key policies that were tracked by PATRI during the week.**

## Energy & Environment

### Forest Code

#### Overview

Following the House approval of the Forest Code, President Dilma has to endorse the bill. She will receive the document this week and will have 15 business days to present to Congress possible objections.

Given resistance within the government, there is a high possibility of a veto. However, the essence of the text should be maintained: legal reserves and APPs (Areas of Permanent Preservation) will no longer be untouchable topics. Provisional Decrees, known as MPs or *Medidas Provisórias (MP)*, is a possible instrument to adjust the new law on specific aspects.

#### Next Step

The bill should be vetoed or approved by the President.

### Rio+20 Conference

#### Overview

There are still several issues to be discussed before the Rio+20 Conference. However, based on the results of the first round of informal negotiations there is a draft roadmap until the final document emerges.

The negotiations for the conference are defined by the following groups: G77 + China; European Union; JUSCANZ (Japan, United States, Australia and New Zealand); and Independent Countries (such as Mexico and Switzerland). The final report should not be extensive and politically oriented. There are several conflicting interests, but the major points are well outlined. The main topics and Brazil's position follows below:

1. **Green Economy in the Context of Sustainable Development and Poverty Eradication**
  - a. **Sustainable economic growth** – Brazil is against the OECD concept. For Rio+20, Brazil has tried to remove it from the final document, making “green economy” as one of the tools for achieving sustainable development, since it is the principle of common, but differentiated, responsibilities
  - b. **Unsustainable Production and Consumption Patterns** – the Brazilian government believes that arrangements, such as the “compendium of voluntary commitments”, should be adopted by sectors of the civil society and corporations. These could positively influence unsustainable patterns of production
  - c. **Complementary Methodologies to Measure Wealth (the “new GDP”)** – Brazil has promoted, within the G77, a consensus on the recovery, and not pricing, of environmental services and their possible inclusion in the calculation of a country's wealth
  - d. **Access to Finance and Technology** – Brazil understands that not only advanced technologies, but also technically simple ones (e.g., social) could be essential for sustainable development. The country has supported proposals of increased financing for developing countries
2. **Institutional Structure of Sustainable Development**
  - a. **Creation of a Forum or Council on Sustainable Development** – Brazil defends its creation
  - b. **Coherence of the United Nations System on Sustainable Development** – Brazil advocates for a final Rio+20 declaration that reinforces the necessity of greater transparency of the Chief Executives Board for Coordination (CEB), attributing sustainable development the status of priority by the System
  - c. **Strengthening of the Environmental Pillar in International Governance** - Brazil backs the strengthening of the UNEP (UN Environmental Program), but in the context of the creation of a new body

### Next Step

**May 20<sup>th</sup>:** Deadline for registration of NGOs and other groups for the Rio+20 Conference

**June 1<sup>st</sup>:** Parliamentary meeting in Rio de Janeiro

**June 11-12<sup>th</sup>:** [Forum on Science, Technology and Innovation for Sustainable Development](#) by the International Council for Science (Rio de Janeiro)

**June 13-15<sup>th</sup>:** [3<sup>rd</sup> Preparatory Committee Meeting for the UN Conference on Sustainable Development](#) (Rio de Janeiro)

**June 13-20<sup>th</sup>:** [Rio+20 Global Town Hall](#) organized by ICLEI – Local Governments for Sustainability (Rio de Janeiro)

**June 14-18<sup>th</sup>:** [ICLEI World Congress 2012](#) (Belo Horizonte)

**June 16-19<sup>th</sup>:** Meetings with the civil society (Rio de Janeiro)

**June 20-22<sup>nd</sup>:** [Rio+20 Conference](#) (Rio de Janeiro)

## Trade Facilitation

### Public Consultation on Foreign Trade Rules

#### Overview

Secex (Foreign Trade Secretariat) opens two Public Consultations. The first, edits the current rules on [imports and exports and the drawback concession regime](#). Comments can be sent until May 19<sup>th</sup> to [denoc.cgnf@mdic.gov.br](mailto:denoc.cgnf@mdic.gov.br). The second consultation is on [certificates of origin](#). Comments can be sent until May 19<sup>th</sup> to [deint@mdic.gov.br](mailto:deint@mdic.gov.br). Both consultations alter Ordinance [SECEX 23/2011](#) on foreign trade.

## Innovation

### Cloud Computing

#### Overview

A Public Hearing on the technological, economic and strategic relevance of cloud computing in Brazil was held in the last week of April at the House Committee on Science and Technology (CCTCI). The representative of MCT (Ministry of Science, Technology and Innovation) mentioned that some of the challenges for the country include:

- Standardization, creation of opportunities and search for technology neutrality
- Regulatory framework for the sector: data protection law and creation of international agreements on data traffic
- Security
- Development of research, development and innovation projects in partnership with the education sector
- Creation of an inter-ministerial committee on cloud computing, with the participation of the government, private sector, academia and civil society

For the presentations, [click here](#) with the following login information:

**Login:** computacao

**Password:** nuvem

## Extra – Ministry of Labor

#### Overview

The Representative from Rio de Janeiro, Carlos Daudt Brizola, was appointed as the new [Minister of Labor and Employment](#). This was a personal choice of President Rousseff and a clear opposition to former Labor Minister Carlos Lupi, which left the position 5 months ago due to allegation of irregularities.

# THE PULSE

Every week, “The Pulse” will bring numbers on Brazil that help to understand the state of the country that is the world’s six largest economy. We begin with data on the complex lawmaking process, marked by what we call “the atomization of the legislative action” – the proliferation of draft bills. A young democracy, Brazil currently has 19,051 draft bills, while the United States has a number significantly lower, 3,769. An exclusive PATRI outlook indicates that until the end of 2012, there will be **21,214 draft bills** in the Brazilian Congress.

Beyond the numbers, the subject matters with the most legislative production are a good thermometer for political risk assessment. In the United States, energy has a total of 467 bills, followed by environment with 369, and foreign policy, with 344. As for Brazil, there are 3 themes that are the top of the country’s legislative agenda: consumer rights, labor and employment, and energy.

A more clinical look at these bills, presents the following: Consumer rights draft legislation focuses mainly on abusive tariffs, quality of service and complaints regarding airlines and airports. As for labor, proposals on minimum salary by sector, labor safety

and decent work conditions drive the production. Energy, on the other hand, addresses concessions for the generation and distribution of electric energy, creation of a free market for electricity and all aspects regarding pre-salt. Lastly, a popular topic for the country, agriculture, does not present a significant amount of measures. However, this also tells an interesting story. In Brazil, the rural lobby works as a strong coalition, proposing laws collectively. The few bills that go beyond agribusiness revolve around incentives for family-owned farms and decent work conditions, but that is not the bulk of the legislative production.

