POLITICS

Marina Silva leaves the Green Party



Photo: Jose Cruz/Agencia Brasil

Former Senator Marina Silva

The ground continues shifting for opposition parties. Former Senator Marina Silva, who last year gave an impressive performance as a presidential candidate (20% of the votes), has left the Green Party. Although she avoided harsh criticism of the party, she left because, among other reasons, she failed to convince José Luiz Penna, party president for 12 years, to call a convention to choose a new direction. Silva said, "We can achieve the democracy we want if we are willing to continue the walk, which is why I and many others are leaving." (July 8)

Transport minister resigns



Photo: Renato Araujo/Agencia Brasil



Photo: Macello Casal Jr/Agencia Brasil

Transport Minister Alfredo Nascimento (left) steps down, and new minister Paulo Sergio Passos (right) takes over the task of overhauling transport infrastructure.

Brazil's transport minister has resigned over a corruption scandal. Alfredo Nascimento stepped down over allegations that staff at his ministry were skimming off money from federal infrastructure contracts. So far 20 staff members have left the ministry. President Rousseff named Paulo Sergio Passos as Nascimento's replacement. Passos has the daunting task of overhauling Brazil's transport infrastructure to support Brazil's economic growth and prepare the country for the 2014 World Cup. Nascimento was the second senior official to resign since Rousseff took office in January. Her chief of staff, Antonio Palocci, left on June 6 amid charges of corruption. (July 12)

NATIONAL SECURITY

Brazil and Colombia work together to combat crime

Brazil and Colombia are preparing a joint operation to combat trafficking in drugs, people, and weapons in the Amazon, where Mexican drug cartels trying to take advantage of the weakening of the Revolutionary Armed Forces of Colombia (FARC) to control the sale of drugs have settled near Brazil's northwestern border. It is expected that operations will begin in August as soon as a border security agreement is signed. (July 14)

ECONOMY

Industrial production falls in June

In June industrial production declined 1.6% compared to May, reported the Brazilian Institute of Geography and Statistics, and registered a second-quarter decline of 0.7% compared with the first quarter. The Monthly Industrial Survey shows that there was decreased production in 20 of 27 companies surveyed in June compared to the previous month. (August 1)

FOREIGN POLICY

Brazil and Argentina celebrate 20 years of nuclear agreement

Foreign Minister Antonio Patriota said the Brazil-Argentina nuclear treaty is considered an example for the world and can serve as a model for other regions like the Middle East, the Korean Peninsula, and South Asia. Rivals in the 1970s, Brazil and Argentina in 1991 created a single binational safeguard agency, the Brazilian-Argentine Agency for Accounting and Control of Nuclear Materials (ABACC), to ensure that all nuclear material is used for peaceful purposes. Also in 1991, Brazil, Argentina, the ABACC, and the International Atomic Energy Agency signed an agreement for reciprocal inspections. (July 8)

Brazil and U.S. launch international anti-corruption initiative

On July 12 in Washington U.S. Secretary of State Hillary Clinton and Brazilian foreign minister Antonio Patriota presented an international initiative to share experiences on government transparency and fighting corruption. The Open Government Partnership (OGP) is to be "a support network for those leaders and citizens working to build greater transparency," Clinton said at an event held at the State Department. Patriota added, "The idea is to reconcile a commitment to transparency and good governance with innovative methods and the full use of new technologies for an open government that gives guarantees that democracy is being shared by everyone." For the first year the OGP will be co-chaired by Brazil and the United States; other members are Mexico, the United Kingdom, Norway, the Philippines, Indonesia, and South Africa. (July 12)

EDUCATION

President Rousseff launches 100,000-scholarship program

"Science Without Borders" by 2014 will provide 100,000 scholarships for Brazilian students abroad. The government will fund 75,000 scholarships, and the private sector is expected to fund another 25,000. The president pointed out that grants are directed to sciences and engineering because these are areas where highly trained people are needed. The scholarships will be offered primarily for engineering, basic sciences (mathematics, physics, and chemistry), computer science, agriculture, aerospace, and oil, gas, and other technology areas. (July 26)



Photo: Antonio Cruz/Agencia Brasil

President Rousseff at the meeting of the Council of Economic and Social Development.

ECONOMIC POLICY

Higher interest rate, but perhaps less tightening

Confirming market expectations, the central bank monetary policy committee (COPOM) unanimously raised the benchmark interest rate by 25 basis points to 12.50%, the fifth consecutive hike. However, the COPOM statement no longer cited the need to adjust monetary conditions for a "sufficiently prolonged period," suggesting that the central bank may pause the tightening cycle in view of recent price softening, particularly in food prices. (July 20)

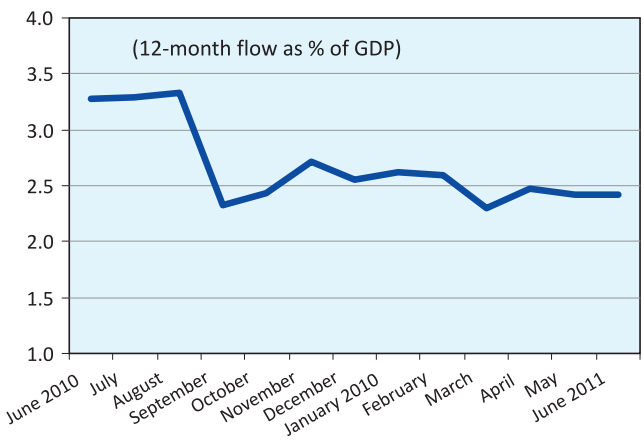
Higher taxes on dollar short positions in financial derivatives

In yet another government attempt to curb appreciation of the exchange rate, Brazil imposed an additional financial transaction tax (IOF) of 1.0% on increases in dollar short positions in derivatives. The announcement initially resulted in a steep plunge in the volume of operations in the dollar futures market and the over-the-counter market because of uncertainties about how the new tax would be implemented. The market expectation is that the increase in the IOFwill affect the exchange rate in the short term but will not eliminate appreciation due to the international outlook. (July 27)

Fiscal outturn in June

The June public sector deficit (federal, state, and municipal governments and social security) was R$5.6 billion. As accumulated so far this year, the nominal deficit reached R$42 billion (2.1% of GDP), which is 0.75 percentage points of GDP less than in the same period of 2010. The result is partly due to a slowdown in public investment and deferral of a large increase in the minimum wage to 2012. Debt in the entire public sector reached R$2.2 trillion (56% of GDP) in June, rising 0.2 percentage points of GDP compared to May. (July 29)

Consolidated public sector deficit



Source: Central Bank of Brazil.