

S P O T L I G H T**Brazil**
ELECTIONS 

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How will the Brazilian presidential election unfold? By Ricardo Sennes

Brazilians go to the polls on October 5 in the first round of voting for presidential, congressional, and state elections. If no presidential candidate secures 50 percent of the vote, a runoff election will be held on October 26. The upcoming elections are likely to bring major changes at the national level—though incumbent governors are largely poised to claim victory at the state level—that could significantly alter the course of Brazil’s domestic and international policies.

After five presidential election cycles, the see-saw rivalry between the coalition led by the Workers’ Party (PT) and the Brazilian Social Democracy Party (PSDB) seems to have come to an end. Following the tragic death of Brazilian Socialist Party (PSB) presidential candidate Eduardo Campos on August 13, his running mate, Marina Silva, now heads the ballot, with a stunning turnaround in voters’ intentions. Aécio Neves, the PSDB candidate, seems poised to take third place.

In just two weeks, the PSB ticket saw first-round support increase from 9 percent before Eduardo Campos’ death to 34 percent. As of September 23, IBOPE polls indicate Marina and President Dilma Rousseff (PT) are neck and neck in the second round with 41 percent each. As former President Luiz Inácio Lula da Silva (PT) summed up, the death of Eduardo Campos ended one election and the entrance of Marina Silva marked the start of a new one.

The latest polls show a likely October 26 runoff between Dilma and Marina. How will the Brazilian presidential election unfold? Three possible scenarios to consider:

- 1 Dilma wins the second round by a significant margin.**
- 2 Marina secures an overwhelming victory in the second round.**
- 3 The winner squeaks out a second-round win by a very slim margin.**



How will the Brazilian presidential election unfold?

Three scenarios to consider:

1 **Dilma wins the second round by a significant margin.**



A comfortable victory for Dilma could give increased momentum to her economic policy.

If Dilma wins the election by a significant margin, the political cycle that began with Lula assuming office in 2003 will continue for another four years. This cycle is based on an alliance between the PT and the Brazilian Democratic Movement Party (PMDB), which controls a substantial part of the Congress, and a range of smaller parties. But after twelve years, the political alliance is becoming more strained with a loss of coalition cohesion throughout Dilma's first term. A sizable victory could allow Rousseff to regain some influence over the legislature. Still, she would continue to face an uphill battle maintaining a stable majority in Congress.

A comfortable victory for Dilma could give increased momentum to her economic policy. Rousseff governs with a heterodox macroeconomic policy (in contrast to Lula's orthodox model) and has increased the level of state intervention in various sectors of the economy. The results are visibly negative: economic growth rates have fallen (from 7.5 percent in 2010 to a projected 0.5 percent in 2014), investment has decreased (from 20 percent of GDP in 2011 to about 18 percent this year), and inflation has exceeded the target ceiling of 6.5 percent, reaching 6.6 percent in September. Markets continue to react negatively to the potential of a Dilma victory.¹

The president's economic campaign proposals reflect her current policies. Dilma has implied that she would replace Minister of the Economy Guido Mantega, but there is no indication that she would choose a less heterodox successor. A broad Dilma victory could well reinforce this economic policy trend.

For example, Dilma's tendency would be to choose a minister from the current economic team rather than looking at notable figures in the private sector or considering recommendations by Lula da Silva. Her policies on infrastructure, energy, and oil and gas would also follow current standards, focusing on the business model of state-owned enterprises to govern banks and other important industries. This model of providing the state with greater control—already in place in key sectors such as airports, oil, and gas—would

¹ Anthony Boadle, "Rousseff Gains in Brazil Presidential Race as Silva Slips," Reuters, September 23, 2014, <http://af.reuters.com/article/worldNews/idAFKCN0HI2P620140924>.



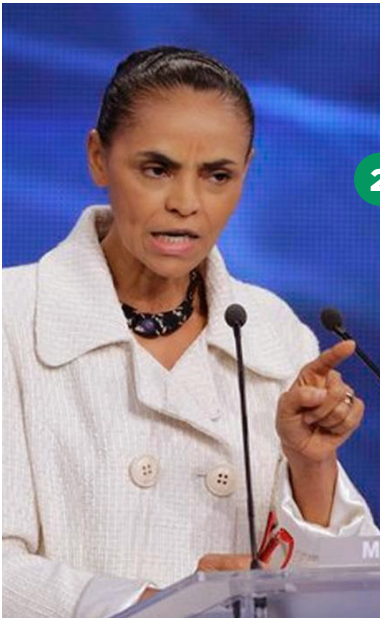


How will the Brazilian presidential election unfold?

First Scenario (continued)

also be adopted in the railway sector and continue as a fundamental part of Dilma's government.

Dilma would have little incentive to change Brazil's foreign policy or even the current minister of foreign affairs. There are signs that she would seek to reengage in closer relations with the United States after the elections, resuming conversations that were discontinued after disagreements over the National Security Agency's spying last year. No big changes would be expected on other foreign policy issues, including those within South America.



2

Marina secures an overwhelming victory in the second round.

Marina could win the election by a large margin if the 19 percent of likely first-round votes for Aécio Neves (PSDB, party of former President Fernando Henrique Cardoso) migrate *en masse* to her candidacy. As a recent convert to the PSB—a small party with only 5 percent of the seats in Congress—Marina would find her biggest challenge in constructing a congressional majority. Though unlikely, a sizable victory would allow her to begin the presidency with the necessary popular backing to push Congress to pass key legislation.

Politically, Marina would seek to shift the president's relationship with Congress from one that relies on a broad, reasonably cohesive base (the model of the last twenty years) to one that forms majority support based on individual issues. She contends that the current model leads to cronyism and corruption, and has been more of a pitfall than a solution for working with Congress. She would have to work with a Congress expected to be even more fragmented than today, where four of the twenty-three political parties represent 50 percent of congressional seats. Both the number of parties and the degree of fragmentation is expected to grow after the election, making it more difficult to create and maintain stable majorities.

Economically, unlike the PSDB strategy of the last two elections, Marina is not campaigning in direct opposition to PT positions. She has positioned her candidacy as a "Third Way" among the more leftist and rightist options, with a government that would base its policies on the best solutions from across the

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How will the Brazilian presidential election unfold?

Second Scenario (continued)

political spectrum. Marina roundly criticizes the government’s macroeconomic policy, high inflation rates, low growth, and its high degree of state intervention in the credit and energy markets.

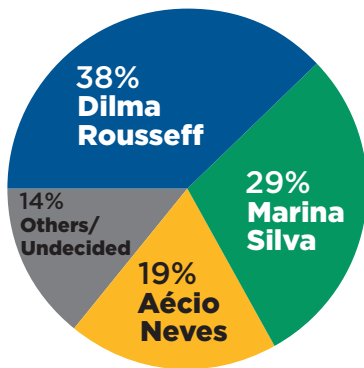
While Marina’s social policies are similar to those of PT leaders (she did serve as environment minister under Lula), her economic plan approaches that of the Fernando Henrique Cardoso (PSDB) government. To reinforce her belief in orthodox macroeconomic management, Marina has included a plan to turn the Central Bank into an independent agency.

Marina’s platform on industrial policy follows the basic concepts of the PSB. That means she would promote policies to foster investment in strategic sectors such as information technology and biotechnology, among others.

Marina has indicated a basic vision for energy policy, though it has not been the main focus of her agenda. She has committed to providing strong support for renewable energy investments. As an environmentalist, she has been very critical of new hydropower plant projects in the Amazon region. This would be a very hot issue in the case of a Marina victory, as she would change several of the policies currently in place.

Marina has given little indication that she would promote substantial changes in Brazil’s foreign policy, with the exception of trade policy. Marina has said publicly that she would seek trade deals with the United States and the European Union if elected. Relationships with neighbors in South America favored under the PT administration as well as Brazil, Russia, India, and China (BRIC) engagement may no longer be top priorities.

First-Round Voters’ Intentions



Source: IBOPE, data released September 23, 2014 for polling conducted September 20-22, 2014.

3 The winner squeaks out a second-round win by a very slim margin.

This is the most likely scenario. A small PSB victory could be quite negative for Marina and for the country as it would diminish her political negotiating power. The scenario of a narrow Dilma victory, however, could bring about some much-needed change to the country.

Given that Marina would need great legitimacy and political force to govern with a reduced caucus in Congress, a win by narrow margins could undermine her political latitude and paralyze her government from the beginning. This



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Third Scenario (continued)

scenario would result in Marina's administration having a profile similar to that of the José Sarney (1985-1990) and Itamar Franco (1992-1995) governments. In both cases, the inability to build majorities in Congress left the two presidents without political muscle or the ability to attract relevant political leadership to join their governments. At the end of their terms, both presidents named personal friends or politically insignificant persons to the ministries.

This scenario would reinforce Marina's motivation to mobilize civil society as compensation for lacking political support in Congress. The goal would be for civil society to pressure Congress and traditional political parties to adopt Marina's reforms, including political reform.

In Dilma's case, the effect of a narrow victory would likely be the opposite. It would potentially force her to reconfigure government policies or even consider responding to some of the main opposition criticisms, particularly around macroeconomic management. Lula has argued in favor of Dilma reviewing some of her policies, but so far without much success. A slim victory scenario could strengthen the push to reform. The appointment of Nelson Barbosa—a figure close to Lula—as new minister of finance would be a strong signal in this direction.

A narrow Dilma victory would also increase allied parties' bargaining power, especially for the PMDB. This would likely result in these allied parties' increased presence and control of political appointments in ministries and state-owned companies.

Whether it's a Marina or a Dilma victory under this last scenario, Brazil is likely to see a break from the last four years.

About the Author

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