

CRS Insights

Brazil's October 2014 Presidential Election

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Brazil, the fifth most populous country and seventh largest economy in the world, held presidential, legislative, and state office elections on October 5, 2014. President Dilma Rousseff of the center-left Workers Party (PT) won a plurality of the presidential vote with [41.6%](#). Since she failed to win an absolute majority, however, she must contest a second round runoff on October 26, 2014. She will face Aécio Neves of the centrist Brazilian Social Democracy Party (PSDB), who finished second with 33.6% of the vote. The race appears to be headed to a close finish, and could lead to changes in the economic and foreign policies of a nation that the Obama Administration considers to be an [emerging center of influence](#).

Presidential Race

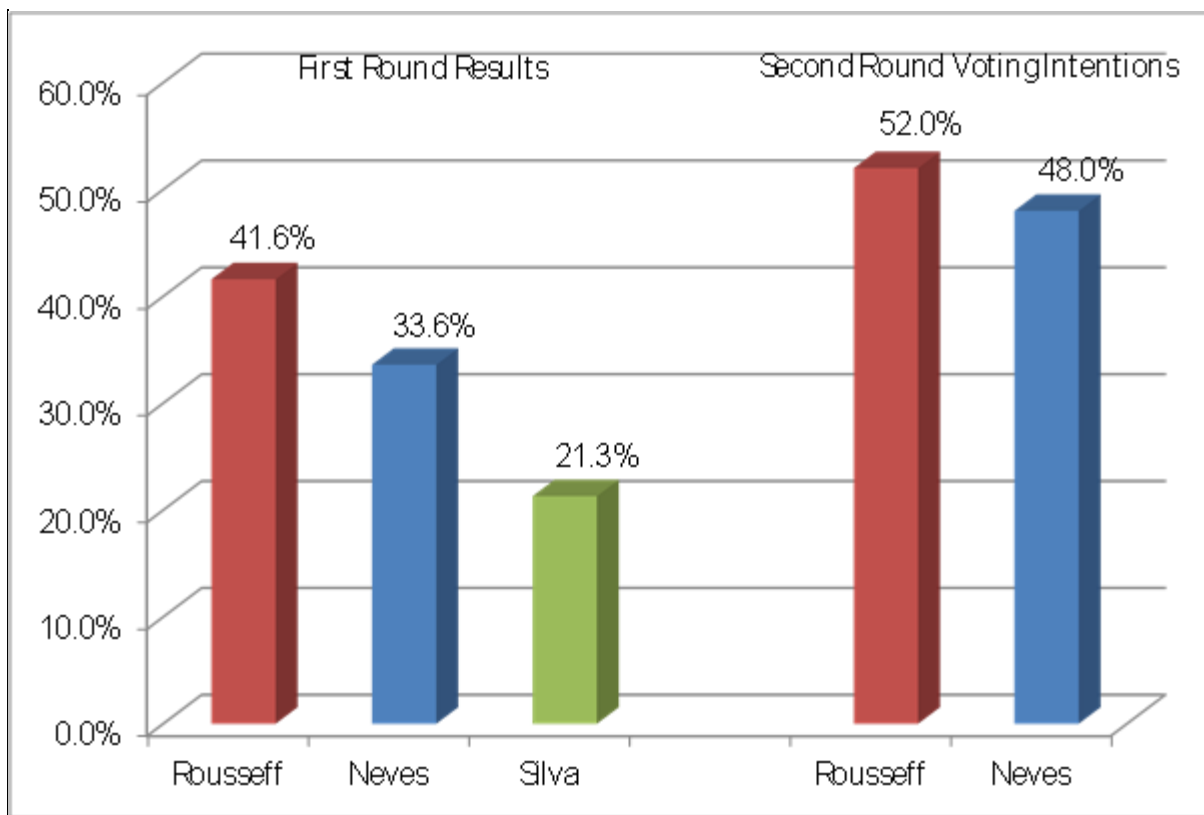
President Rousseff was originally elected to a four-year term in 2010 after promising to maintain the popular policies of President Luis Inácio Lula da Silva (2003-2010), during whose administration the Brazilian economy expanded by an average of [4% per year](#), poverty and inequality were [reduced significantly](#), and nearly 40 million Brazilians joined the middle class. The economy has slowed since Rousseff took office, however, and inflation has increased; the Brazilian government [expects](#) growth to fall to 0.9% and inflation to reach 6.2% this year. While unemployment has remained near record lows, many Brazilians [are frustrated](#) by the stagnation in their [living standards](#). Mass demonstrations took place across the country in June 2013, with citizens taking to the streets to denounce corruption and call for better quality public services.

The political opposition has sought to capitalize on Rousseff's failure to meet citizens' rising expectations by promising a change in direction. Neves, a senator and former governor of the state of Minas Gerais, has [promised](#) to improve the efficiency and effectiveness of the Brazilian government and implement business-friendly economic policies. He also has [criticized](#) Rousseff and the PT for presiding over a series of corruption scandals and has accused them of politicizing state-owned enterprises and government ministries.

Rousseff and the PT have responded by [alleging](#) that the political opposition would end popular social welfare programs and threaten the socioeconomic gains made in Brazil over the past 12 years. Those accusations were successful in eroding support for Marina Silva, who campaigned under the banner of the center-left Brazilian Socialist Party (PSB) and appeared to be the biggest threat to Rousseff until the final days of the first round election; she finished with 21.3% of the vote. Neves is also vulnerable to such charges since many Brazilians view the PSDB as the party of Brazil's privileged elite and associate it with the [Fernando Henrique Cardoso Administration](#) (1995-2002), which successfully reduced inflation but presided over weak economic growth and high unemployment.

Rousseff's campaign tactics appear to be working as polling indicates she holds a slight lead heading into the second round vote. While early polls of the second round election gave Neves the edge, an [October 20 poll](#) found that Rousseff now leads 52%-48%. Over the past two weeks, Neves' rejection rate has risen from 34% to 40%. During the same time period, the percentage of Brazilians rating the Rousseff Administration as "good" or "great" has risen from 39% to 42%—giving the president her highest approval rating since the June 2013 protests.

Figure 1. First Round Results and Second Round Voting Intentions



Source: CRS presentation of data from the [Tribunal Superior Eleitoral](#) and [Datafolha](#).

Notes: The second round poll reported a margin of error of +/- 2%.

Potential Policy Shifts

Regardless of who wins the presidential election, some economic policy shifts are likely. [Many analysts](#) argue that in order to boost growth, Brazil must address a number of supply-side constraints and thereby improve productivity and stimulate investment. Rousseff has acknowledged that Brazil's economy is not performing as well as it should, and analysts [suggest](#) she would adopt some small-scale changes if reelected, such as appointing a new finance minister with a better relationship with investors and attempting to reduce the complexity of the tax system. Neves would seek more extensive [policy changes](#). These include enacting a fiscal adjustment to reduce spending and inflation, gradually rolling back price controls on gasoline, and expanding public-private partnerships to improve infrastructure. Neves has also pledged to lower taxes on businesses and reduce the role of public banks in the Brazilian economy. Whoever is elected may struggle to move legislation through the Brazilian Congress, which is [extremely fragmented](#). In the legislative elections held concurrently with the first round presidential vote, 28 parties won seats in the Chamber of Deputies and 16 parties won seats in the Brazilian Senate.

Foreign policy has not been a major focus of Rousseff's first term and while some analysts [argue](#) that Brazil's next government should reassert the country's global role, others [maintain](#) that whoever is elected is likely to concentrate primarily on domestic challenges. Regardless of the election results, Brazil is likely to maintain an independent foreign policy that adheres to the principles of multilateralism, peaceful dispute settlement, and non-intervention. Additionally, both candidates would likely try to improve relations with the United States, which have been strained for more than a year as a result of press reports that the National Security Agency (NSA) spied on Rousseff and other Brazilians, and Rousseff's subsequent decision to postpone indefinitely a state visit to Washington, DC. While Rousseff would likely build on [recent efforts](#) to improve relations with the United States, Neves would likely focus on strengthening bilateral trade and investment ties. Despite these similarities, analysts [maintain](#) that the candidates may emphasize different aspects of their foreign policies. Rousseff would likely continue prioritizing Brazil's ties to its South American neighbors and the BRICS (Brazil, Russia, India, China,

South Africa) group, and Neves would likely prioritize relations with the United States and the European Union.

For more information on Brazil and its relationship with the United States, see CRS Report RL33456, [*Brazil: Political and Economic Situation and U.S. Relations*](#).