



# Brazil's Presidential Election

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Brazil—the fifth most populous country and ninth-largest economy in the world—held general elections on October 7, 2018. Antiestablishment sentiment carried the day, as Brazilians replaced almost half of their congressional representatives and nearly elected a right-wing populist to the presidency. A presidential runoff election, scheduled for October 28, will have significant implications for the economic and foreign policies of this U.S. “strategic partner.”

## Domestic Context

Over the past several years, Brazil has struggled to emerge from a series of domestic crises. The country fell into a deep recession in 2014, due to a decline in global commodity prices and economic mismanagement under the center-left Workers Party (PT) government of President Dilma Rousseff (2011-2016). The unemployment rate more than doubled as real gross domestic product contracted by more than 8% from 2015 to 2016. Although economic growth returned in 2017, conditions remain difficult. More than 12% of the population is unemployed, and several million formerly middle-class Brazilians now live in poverty. Budget cuts have exacerbated the situation, limiting the capacity of Brazilian authorities to provide social services and address challenges such as escalating crime and violence.

Brazil also is contending with the repercussions of massive corruption scandals. Since 2014, investigators have uncovered arrangements throughout the public sector in which businesses provided bribes and illegal campaign donations to politicians in exchange for contracts or other favorable government treatment. The revelations discredited much of Brazil's political establishment and contributed to the controversial impeachment and removal from office of President Rousseff in August 2016. These repeated political crises have polarized Brazilian society and significantly eroded Brazilians' faith in democracy.

President Michel Temer, who succeeded Rousseff, is deeply unpopular. His center-right government has enacted several major economic reforms, including measures to freeze government spending for 20 years, weaken worker protections, and allow greater private sector participation in Brazil's oil sector. Temer also

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has worked with the Brazilian congress to shield himself from corruption charges. Although international investors have applauded Temer's economic policies, 89% of Brazilians disapprove of his administration.

## Election Results

The October 7 elections demonstrated widespread dissatisfaction with Brazil's political class. Voters ousted 75% of incumbents running for reelection to the federal senate and 43% of incumbents running for reelection to the chamber of deputies. Both houses of congress also grew more fragmented as small- and mid-sized parties won seats formerly held by the country's principal governing parties.

In the presidential election, Jair Bolsonaro, a right-wing congressman and former army captain backed by the Social Liberal Party, won 46% of the vote, falling just short of the absolute majority needed to avoid a runoff. He has served in Brazil's lower house since 1991 but is running as a political outsider. Bolsonaro is a longtime defender of the country's military dictatorship (1964-1985), and his running mate—a retired army general—has suggested the armed forces could intervene if the political system is unable to address corruption or lawlessness. In recent months, Bolsonaro has asserted that police officers should be free to kill suspected criminals and that land rights activists should be considered terrorists. Although his law-and-order message appeals to many Brazilians fed up with crime and corruption, others view him as a threat to democracy and human rights. On September 6, Bolsonaro was stabbed at a political rally in an apparent assassination attempt. He remained hospitalized until September 29 and did not return to the campaign trail until October 12.

Bolsonaro will face the PT's Fernando Haddad, who finished second with 29% of the valid vote. Haddad is a former education minister (2005-2012) and mayor of São Paulo (2013-2016). He did not formally enter the presidential race until mid-September, when electoral authorities ruled former President Luiz Inácio Lula da Silva (2003-2010)—who is currently serving a 12-year prison sentence for corruption—ineligible to run. Lula remains popular among many Brazilians whose standard of living improved significantly during his tenure, and his support was crucial in helping Haddad advance to the runoff. Anti-Lula and anti-PT sentiment is also widespread, however, since many Brazilians blame the former president and his party for the country's recent economic and political crises. Haddad has called on the country's "democratic forces" to unite against Bolsonaro for the runoff election, but most centrist and center-right parties have opted to remain neutral.

A poll released on October 15 found Bolsonaro leading Haddad 52%-37%. Another 2% are undecided, and 9% intend to cast protest votes. Other polls of the second round have found similar results.

## Potential Policy Shifts

Many economists argue that Brazil's economic recovery depends on the next president enacting extensive reforms, including measures to reduce pension costs, simplify the tax system, and liberalize trade flows. It remains unclear, however, whether either candidate would be willing or able to implement such changes. Bolsonaro expressed support for market-oriented reforms during the campaign but has advocated economic nationalism throughout his political career. Haddad has pledged to address the fiscal deficit, but he also intends to reverse most of the Temer Administration's reforms and to reassert a stronger role for the state in development. Even with presidential support, far-reaching reforms could run into opposition in Brazil's congress, where patronage-based parties will hold a crucial bloc of votes. Any deterioration in the Brazilian economy could weaken demand for U.S. exports, which totaled \$63.7 billion in 2017.

Preoccupied with domestic crises, Brazilian leaders have dedicated little attention to foreign affairs over the past five years. The next president could reassert Brazilian influence abroad, particularly if the domestic situation stabilizes. Bolsonaro has suggested he would pursue closer alignment with the United States. He would follow President Trump's lead in taking a more confrontational approach toward China and withdrawing from multilateral organizations and accords such as the Paris agreement on climate

change. Haddad is more likely to maintain an independent foreign policy and Brazil's long-standing commitments to multilateralism, peaceful dispute settlement, and nonintervention. Like previous PT presidents, he likely would prioritize ties with other developing countries while maintaining cordial relations with the United States.

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