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FEATURED Q&A

What Can Brazilians Expect From Rousseff's Second Term?

Q On Sunday, Dilma Rousseff was re-elected president of Brazil. To what do you attribute her victory? What are the main policies that Brazilians can expect in her second term? Will Rousseff be able to form the political alliances necessary to advance her agenda? What do the election results say about Brazilians' view of the country's direction?

A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue: "Dilma Rousseff was re-elected because she ran a more effective campaign than her opponent, Aécio Neves. It was a negative campaign with a large volume of personal attacks—although not shocking to an American observer. The president's approval ratings were low. A stagnant economy, rising prices and a high-profile corruption scandal made her vulnerable. So did her lack of anything new or dramatic to offer voters. Her path to victory was to undermine her opponents and try to divert attention from the country's mediocre performance under her leadership. Former President Lula da Silva, Brazil's most popular politician ever, was a great help as was the Workers' Party political machinery. Dilma's message was simple and persuasive: 'You are better off today because of us. Don't put your future at risk. Trust it to us.' Dilma hammered home that Aécio would be a return to the past, meaning cuts in social welfare and salaries, with

Brazil's wealth flowing back to the rich. Like Dilma, Aécio did not offer strong, concrete proposals, but his accusations of corruption and incompetence didn't quite stick to Dilma. Yes, growth had slipped to almost zero, but it was higher in the country's poorest areas. Unemployment was at a record low, with inflation not much above target. In the end, the poor stuck with Dilma and the upper income groups with Aécio. The middle was divided between the two. Dilma won because the very poor in Brazil still outnumber the better off by

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Brazil's Rousseff Re-elected in Closest Race in Decades

Brazilian President Dilma Rousseff eked out a re-election victory Sunday against her opponent, Senator Aécio Neves. In her victory speech, Rousseff pledged to "be a much better president" in her second term, which begins Jan. 1. See story on page 2.

Photo: Rousseff Campaign.

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NEWS BRIEFS

Sweden's Saab Signs \$5.4 Billion Fighter Jet Contract With Brazil

Swedish aerospace company Saab has signed a 39.3 billion kroner (\$5.4 billion) contract with Brazil to develop and produce 36 Gripen NG fighter planes, which are scheduled to begin being delivered to Brazil's air force in 2019, the company said in a statement today, Bloomberg News reported. The two also signed an industrial cooperation contract that will allow "substantial technology transfer" from Saab to Brazilian industry.

Guerrero Lawmakers Name Ortega Interim Governor

Lawmakers in the Mexican state of Guerrero said Sunday that Rogelio Ortega, the former head of the local Autonomous University of Guerrero, has been appointed the state's interim governor to replace Ángel Aguirre, who resigned last week over the handling of the disappearance of 43 students a month ago, BBC News reported. Ortega will be in the position through next year.

Judge Delays Hearing on Citi's Processing of Argentina Payment

A U.S. federal judge on Friday delayed by one week a hearing to consider whether Citigroup should be allowed to process an interest payment Argentina is scheduled to make on some of its restructured bonds issued under Argentine law, Reuters reported. District Judge Thomas Griesa said the hearing will occur on Dec. 9 instead of Dec. 2. Griesa has barred Argentina from paying bondholders who accepted debt restructurings unless it also pays "holdouts" who are demanding full repayment. Citi has argued it faces sanctions by Argentina if it does not process the payment due Dec. 31.

Political News

Brazil's Rousseff Re-elected in Closest Race in Decades

Brazilian President Dilma Rousseff was re-elected Sunday, defeating her opponent, Senator Aécio Neves, 51.6 percent to 48.4 percent, BBC News reported. The result was the narrowest margin in a Brazilian presidential election since at least 1945, according to Bloomberg News.

“Sometimes in history, narrow results produce much stronger and faster changes than very wide victories.”

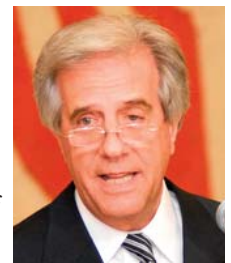
— *Dilma Rousseff*

"Sometimes in history, narrow results produce much stronger and faster changes than very wide victories," Rousseff said Sunday night in her victory speech. She added, "I will and I want to be a much better president than I have been up to now." Rousseff also thanked her supporters, including her predecessor and mentor, Luiz Inácio Lula da Silva. "I thank from the bottom of my heart our number-one militant, President Lula," said Rousseff, BBC News reported. In his concession speech, Neves thanked the "more than 50 million Brazilians who voted for the path to change." He added that now, the "overriding priority is to unite Brazil around an honorable program worthy of all Brazilians." Rousseff said she would seek to bridge the country's divisions in her second term. "It is my hope, or even better, my certainty that the clash of ideas can create room for consensus, and my first words are going to be a call for peace and unity," Rousseff told supporters in Brasília. In re-electing Rousseff, Brazilians kept in power the Workers' Party, which has governed Brazil since the beginning of

Lula's first term in 2003. Since then, the country's economy has grown and the party's welfare programs have helped to lift tens of millions of Brazilians out of poverty. The economy has recently struggled, however, and Neves campaigned on pledges to bring stronger economic growth. In her victory speech Sunday night, Rousseff vowed to "continue to fight inflation and make improvements in the field of fiscal responsibility." During the campaign, financial markets favored Neves, who is seen as more business-friendly than Rousseff. This morning, exchange-traded funds tracking Brazilian stocks slid. The iShares MSCI Brazil Capped ETF declined 8.8 percent to \$37.90 as of 7:10 a.m. Eastern Time in New York. Brazil's real also declined 2.5 percent against the dollar, Ibovespa futures dropped 6.6 percent and shares of Brazilian state oil company Petrobras slid 9.6 percent in Frankfurt.

Uruguay's Presidential Election Heads to Second Round

Former Uruguayan President Tabaré Vázquez won the most votes in the first round of the country's presidential election on Sunday, but he did not win enough votes to avoid a Nov. 30 runoff with the second-place finisher, Luis Alberto Lacalle Pou, the Associated Press reported. Vázquez, of the Broad Front coalition, won 44-45 percent of the vote and Lacalle Pou, of the National Party, garnered 31-33 percent, according to three exit polls. The final results are expected today.



Pedro Bordaberry of the Colorado Party finished a distant third on Sunday, with 13-14 percent of the vote. "This political force has been voted by the majority, but we'll have to go into a runoff," Vázquez told supporters Sunday night. "It's a huge recognition to the nine years of the Broad Front's government. ... Uruguay will now have to decide between five more years of progressivism, or another type of govern-

File Photo: Uruguayan Government.

ment." Vázquez has campaigned on promises to increase education standards and also lower taxes, Bloomberg News reported. Lacalle Pou has vowed to reduce government spending and slash the fiscal deficit while also cutting taxes. On Sunday night, Lacalle Pou expressed confidence ahead of the second round. "Some time ago we said we were coming to govern," he said. "That vision remain intact. The percentages will tell us what our strategy should be" for the runoff. In the election, voters also cast ballots for legislators. According to exit polls, the Broad Front lost its legislative majority, though Vázquez expressed hopes Sunday night that the coalition would keep it, the AP reported. Bordaberry quickly endorsed Lacalle Pou in the second round, according to Reuters. "I will work every hour of the next 34 days to make sure Lacalle Pou wins the runoff," he said. Uruguay's government has forecast lower growth, of 3 percent, this year. Since 2005, the South American country's \$55 billion economy has experienced annual average growth of 5.7 percent. Also, since 2006, the number of Uruguayans living in poverty has declined from more than a third of the country's population to 11.5 percent, Reuters reported. Current President José Mujica, whose party is part of the Broad Front coalition, was constitutionally barred from running for a second consecutive term. He has remained popular amid Uruguay's economic growth and has attracted worldwide attention for social reforms, including legalization of marijuana and same-sex marriage.

Company News

Venezuela's Government Scraps Plans to Sell Citgo

The government of Venezuelan President Nicolás Maduro has scrapped its plan to sell **Citgo**, its U.S. refining unit, the country's finance minister said in an interview published Sunday in local daily newspaper *El Universal*. The country has suffered severe shortages of dollars and other economic problems, and officials indicated earlier this year that they were planning to sell Citgo for as much as \$10 billion,

Featured Q&A

Continued from page 1

about 10 million voters. Dilma's second-term policy course is still to be defined. The naming of a new finance minister will offer the first signal of whether she will stick to her current economic policy directions or pursue a more orthodox, market-driven approach. A whole new team is likely to take charge of foreign policy. Dilma's re-election will not bring Brazil to its economic knees nor is it likely to herald a quick return to solid growth."

A **Gilberto Rodrigues, professor at the Federal University of ABC in São Paulo and member of Coordinadora Regional de Investigaciones Económicas y Sociales in Buenos Aires:** "President Dilma Rousseff was re-elected with a very narrow margin of votes, but still 3 million more than Aécio Neves. From an electoral perspective, Rousseff's victory in

“The re-elected president will have difficult challenges ahead.”

— *Gilberto Rodrigues*

Minas Gerais, Neves' home state, was ideologically emblematic (many of Neves' proposals were based on his years in government) and mathematically crucial to guarantee Rousseff's victory, along with positive results in Rio de Janeiro. From a conceptual view, despite political scandals and low economic growth, which favored Neves' campaign, millions of Brazilians perceived the

The Wall Street Journal reported. However, Maduro said last month that the government would "fortify" its investment in the refiner, which state-owned oil company **PDVSA** owns. "The sale of Citgo is discarded and the president already asserted it," Finance Minister

Workers' Party to be in a better position to continue fostering public policies to address inequality and favor social inclusion. Nevertheless, this victory was far from being a *carte blanche* for Rousseff, nor was it a simple ratification of her government. The re-elected president will have difficult challenges ahead. Among those challenges are dialogue with the new Congress, rebuilding the relationship with the private sector (especially in São Paulo) and continuing to open channels of participatory democracy for civil society. The link between sustainable economic growth and foreign trade is a special issue that will demand prompt decisions, from deepening ties with the BRICS nations to reconnecting politically with the United States. The fact that South America and South-South cooperation will continue to be keystones in foreign policy is also important for many other countries, neighbors or not, that perceive Brazil, and count on it, as a leader of the developing world in multilateral forums in a multipolar scenario."

A **Henrique Rzezinski, member of the executive committee and former president of the board of the Council of Foreign Relations of Brazil (CEBRI):** "Political analysts will now try to explain how it was possible for a president to be re-elected amid the poor economic performance of the last years on the top of an ocean of corruption episodes. One possible explanation is the political alienation of the poorest Brazilians combined with the successful message of Dilma's campaign that Aécio would eliminate the social programs that bene-

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Rodolfo Marco told *El Universal*. "Venezuela continues with Citgo and will continue making investments in the refineries." Houston-based Citgo has three oil refineries that have a total processing capacity of more than 750,000 barrels daily.

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fit these groups. Debate during the campaign was basically focused on these topics. It is also important to note that Aécio was defeated in his home state where the

“There is a strong fear that Dilma will interpret her victory as support for the government's current economic policies.”

— *Henrique Rzezinski*

difference of some 3 million votes would have changed the overall election result. There is a strong fear that Dilma will interpret her victory as support for the government's current economic policies and political practices, and we can anticipate that the consequences of this weak economic and political framework will begin to appear soon in the unemployment rate and in private investment. In the oil and gas sector, there are no indica-

tions that there will be any regulatory liberalization, and it is still a big question mark on how Rousseff will handle the Petrobras scandals. On the other hand, pre-salt production will dramatically increase over the next years, giving the president new opportunities to leverage these results into economic and social investments. We can anticipate very difficult years ahead, and we must hope that President Dilma will be able to substantially change her political and economic policies in order to achieve greater rates of economic growth and change present political practices that have resulted in so many scandals. The country leaves this election very divided, and only the future will tell if President Dilma will be able to reunite Brazilian society in order to have a positive agenda for growth and political reforms.”

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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