Rousseff Is Re-Elected Brazil’s President

Bitter Race Exposed Nation’s Social and Economic Fault Lines

Following her win on Sunday, Dilma Rousseff blows kisses flanked by her vice president Michel Temer, left, and former Brazilian President Luiz Inácio Lula da Silva. EVARISTO SA/AGENCE FRANCE-PRESSE/GETTY IMAGES

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SÃO PAULO, Brazil—President Dilma Rousseff won a second term on Sunday, defeating the conservative Aécio Neves in an acrimonious race that inflamed social and economic divisions in an emerging giant humbled by falling commodity prices.

With 99.7% of the ballots in, Ms. Rousseff had 51.6% of the vote, compared with 48.4% for Mr. Neves.

The victory was a testament to the endurance of Ms. Rousseff’s left-wing Workers’ Party, which came to power in 2003 and engineered a come-from-behind win against difficult odds. Ms. Rousseff ran as an incumbent in a country with a stagnant economy and a large population clamoring for change. Barely a year ago, protests over the poor quality of government services made her seem vulnerable.

But Brazil’s first female president won four more years by nurturing deep support among Brazil’s poor, who have benefited under a major expansion of the welfare system, and with a late surge in female voters. To do it, the Rousseff campaign painted the two-time governor Mr. Neves as an uncaring snob who would endanger benefits for the poor.
Supporters of President Dilma Rousseff celebrate her victory in Brasilia on Sunday. Ms. Rousseff called the election race a battle of ideas. REUTERS

On stage before a boisterous crowd in Brasilia, Ms. Rousseff sought a conciliatory tone, promising dialogue with the opposition after a contentious election. “My first words are to call for peace and unity,” she said, flanked onstage by political allies. “The heat of the debate can be turned into energy for a new moment in Brazil.”

In a country where nearly half the voters cast ballots for change, Ms. Rousseff promised to restore growth, crack down on corruption and hold a national vote on overhauling the political system, which has been increasingly criticized as producing legislators unresponsive to constituents.

For the U.S., Ms. Rousseff’s re-election will likely prolong a period of stagnant relations with Latin America’s biggest economy, a prominent player in a region where leftist leaders with ambivalent views of the U.S. have won elections in recent years.

Brazil helped organize a regional defense forum that excludes the U.S., for example. U.S. President Barack Obama visited Brazil in 2011 to try to improve ties. The effort crumbled last year when Ms. Rousseff canceled a White House visit following revelations that the National Security Agency had spied on her and other heads of state.

The election also revived questions about the depth of corruption in Brazil, long seen as an obstacle to development. A Federal Police investigation into allegations of widespread embezzlement by Rousseff allies at the state oil firm Petroleo Brasileiro SA became a feature of campaign debates. Shares of the firm have fallen by more than half since Ms. Rousseff took office.

The election returns the 66-year-old Marxist rebel-turned-economist to power at a precarious moment for the resource-rich nation.

With commodity prices falling, economists’ pessimism has surged. They are worried that four more years of her administration’s policies, including subsidizing gasoline prices, capping electricity rates and boosting government spending to juice the economy, may deepen Brazil’s downturn.

Brazil’s economy slid into recession this year after four years of tepid growth, a scenario aggravated by rising inflation, which is hovering around 6.75%. With its debt load rising, economists are now speculating whether the country is on track to

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lose its coveted investment grade rating.

Brazil’s currency has lost around a third of its value against the U.S. dollar since Ms. Rousseff took office in January 2011. The stock market is down 25% in that period, and investors dumped Brazilian shares in recent weeks as Ms. Rousseff climbed in the polls.

“Brazil cannot maintain the current status quo of policies,” said Jorge Mariscal, emerging-markets chief investment officer at UBS Wealth Management in New York. “Brazil is at a crossroads.”

And after a rancorous campaign, Brazilians are now more bitterly divided over the way forward.

Ms. Rousseff was boosted by support among Brazil’s poor, mainly concentrated in the hardscrabble northeastern states, and working-class voters who have benefited from poverty eradication initiatives such as cheap mortgages. Brazil’s Bolsa Família program pays some 14 million families to keep children in school. It is credited with boosting some 36 million from deep poverty.

Better-off voters in key Brazilian cities such as São Paulo blame Ms. Rousseff’s interventionist economics for undermining the business climate and allowing inflation and debt to climb. These voters turned out in heavy numbers for Mr. Neves, the business-suit-wearing grandson of Brazil’s first president elected after the dictatorship ended in 1985.

The result was a harsh us-against-them campaign that appeared to hit a low on Thursday when the Jewish rights group the Simon Wiesenthal Center called on former Brazilian President Luiz Inácio Lula da Silva, founder of the Workers Party, to apologize for likening Mr. Neves’s party to the Nazis while campaigning for Ms. Rousseff.

Mr. Neves also referenced the Nazis, comparing a Workers’ Party political consultant to Nazi propagandist Joseph Goebbels on Oct. 16.

“I think both sides are just as much to blame. I’m worried things will get worse and no one will be able to get anything done in the government,” said Haroldo Barros Ribeiro, 38, who cuts hair in a working-class neighborhood of São Paulo.

Even senior Workers’ Party officials now acknowledge that polarization became so stark it could complicate Ms. Rousseff’s second term.

“Dilma will need to unite the country, she can’t govern just for half,” said José
Guimarães, an influential Workers Party congressman from the state of Ceará.

Presidential candidate Aécio Neves speaks during a news conference Oct. 2, 2014. BLOOMBERG

To defuse tension, many observers said Ms. Rousseff may seek a conciliatory tone in the coming days and potentially seek to win over Brazilian business leaders, unveiling measures such as a corporate tax break.

But the president could view the victory as a repudiation of her economic critics, and a green light to continue strategies such as using state banks to pump subsidized loans into the economy.

“Her reading may be she now has a mandate for keeping things on the current course, and that is problematic for a country with very serious economic challenges,” said Michael Shifter, president of the Washington-based Inter-American Dialogue think tank. “Take the unhappiness and discontent in the street protests, none of those concerns have been addressed.”

On election day, evidence of Brazil’s polarization was easy to see. Jose Raimundo Pereira, 54, who grew up in the poor northeast and now works as a building superintendent in São Paulo, said he was voting for Ms. Rousseff in part because Mr. Neves’ party seems “arrogant.” Meanwhile, he is grateful for the programs that have helped his friends and family in the northeast.

“Where I grew up they helped people a lot,” he said. “More people have jobs.”

Election day in Brazil is a big deal, in part because voting is mandatory. Ahead of the presidential election, WSJ’s Loretta Chao spoke about the voting laws with São Paulo residents.

The polarization reflects one of the most volatile elections since Brazil returned to democracy in 1985—upended by the August death of a candidate in a plane crash. Marina Silva, a popular environmentalist, joined the race after the crash and led it for weeks. But she faded, and Ms. Rousseff and Mr. Neves won the most votes in an Oct. 5 first-round election. That set up Sunday’s runoff.

Mr. Neves went into the second round with a narrow lead in major polls. But he was caught flat-footed by Ms. Rousseff’s attacks, and ultimately failed to make his message of back-to-basics economics resonate down the economic ladder.

“There was a failure to explain the risks to the economy,” said Emanuel Fernades, a congressman in Mr. Neves’ Brazilian Social Democratic Party. “It never became
clear that there is an active bomb in the economy, and just a matter of time before it explodes.”

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