The new president's challenges



Photo: Wilson Dias (agencia Brasil)

President-elect Dilma Rousseff

In the end Dilma Rousseff, 62, won 12 million more votes than her opponent, Jose Serra (PSDB), backed by a highly popular president and a robust economy. She is the first female president of Brazil and the 11th in Latin America. The president-elect was little known to her fellow citizens until President Lula promoted her as his successor, after a number of high-profile candidates were forced out by corruption scandals during his administration.

Born in December 1947 in Belo Horizonte, in the coffee-growing state of Minas Gerais, Rousseff had a middle-class upbringing. Her Bulgarian immigrant father was a lawyer and entrepreneur and her Brazilian mother was a teacher. As a student she became interested in left-wing politics and was deeply involved in the underground resistance to the country´s military rulers, who held power from 1964 until 1985. Early in 1970 she was captured and jailed. After her release at the end of 1972 she studied economics and went on to become a career civil servant. She served as energy minister and then after 2005 as President Lula's chief of staff until stepping down earlier this year to run as the Workers' Party candidate.

Rousseff is expected to continue the market-friendly economic policies of her predecessors Fernando Henrique Cardoso and Luiz Inácio Lula da Silva that are credited with helping Brazil's economy to record rapid growth in recent years and expanding the social programs that have lifted millions out of poverty. But some analysts also believe that in some areas she favors a large role for government in the economy.

She will need to resist the populist appeal that other Latin American leaders have fallen for. Despite recent success, Brazil has a long history of populism, and social inequality remains extremely high. According to sociologist Alain Touraine, "There is danger of a backlash, because the history of the

PT is far from perfect. Lula was not authoritarian, but segments of the PT are" (O Globo newspaper, November 14). The PT has tried to limit the media, supporting or proposing projects of "social control" — a euphemism for censorship. "She may have populist tendencies or make a great government, we do not know," says Touraine. Although José Serra was no match for President Lula's popularity, he is highly respected, competent, honest, and earnest. As opposition, he will be a valuable asset for Brazil against the risks of irresponsibility and populism.

The president will need great fortitude and determination if she is to control and improve public spending. She will inherit public accounts that are in worrying condition, which was barely disguised this year by accounting gimmicks. Her first test will be negotiating a new minimum wage, during which she must keep in mind the consequences for government finances. She will be pressed hard by the demands of the PMDB and PT governing coalition for more spending and large investments for the World Cup. She also will face a rapidly growing current account deficit and appreciation of the exchange rate, which both have potentially negative effects on manufacturing. Finally, she has the daunting task of improving the business climate: The World Bank ranks Brazil at the bottom in terms of easy of doing business index (127).

If Antonio Palocci becomes the president's chief of staff and Henrique Meirelles continues as central bank governor, their influence will certainly be a force for government moderation and common sense.

Ms. Rousseff will need to combine expertise, austerity, and courage to make politically difficult decisions. Her choice of ministers will be critical. If as rumored Antonio Palocci, the former finance minister, becomes the president's chief of staff and Henrique Meirelles continues as central bank governor (at least for a transition period), their influence will certainly be a force for government moderation and common sense.



Photo: Ana Nascimento (Agencia Brasil)

Henrique Meireles, Central Bank Governor



Photo: Vtor Soares (Radiobras)

Antonio Palocci, former Finance Minister