

High Stakes in Brazil's Election

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The **second round of the Brazilian Presidential election** coming on October 26 will be decided **between incumbent Dilma Rousseff from the left leaning PT (Workers Party) and the challenger Aécio Neves from the centrist PSDB (Brazilian Social Democracy Party)**. The stakes are huge for the country and for companies doing business in Brazil.

Not so long ago, Brazil was held up as a paragon for the developing world. Its economy was booming. Those days are over. The IMF recently stated on its [World Economic Outlook](#) published in October of this year that lower potential growth in emerging market economies is a dominating factor and that "Uncertain prospects and low investment are also weighing on growth in Brazil." The IMF has also cut its growth forecast for Brazil for 2014 by a percentage point to 0.3%. And, according to the Brazilian Central Bank, inflation for the last twelve months is around 6.7%.

Mr. Neves, a former state governor, has the support of the private sector, and has been an avid advocate for the improvement of the relationship with the United States and the EU. He has vowed to cut government spending, control inflation and jumpstart growth. Whether he will be able to do that remains to be seen. But before he gets there, he will have to prevail in the election.

Recent polls show the two candidates running neck and neck. By getting to this point, Neves has shown a vote garnering strength that has surprised many. In the first round, it appeared likely that Neves would lose out to Marina Silva, the candidate of the Brazilian Socialist Party. Last week, Ms. Silva announced her support for Mr. Neves causing a blow for Dilma Rousseff.

As this election campaign goes down to the wire, it is likely to become increasingly hard fought. The result is very much in doubt, and is likely to remain that way until October 26.

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