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# BPC Monitor

2014: Year of Elections in  
Emerging Economies...  
Focus on Brazil and South Africa



BRICS Policy Center Centro de Estudos e Pesquisas - BRICS



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## Focus on Brazil and South Africa

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## Executive Summary

The hosting of elections in many emerging economies brings great significance to the year of 2014. India, Brazil and South Africa are going through general elections this year but, while a leadership change was expected in India, the prospects for Brazil and South Africa were of political continuity. Therefore, this monitor aims to discuss political, social and economic aspects of Brazil and South Africa and how they can affect the elections in both countries.

## Sumário Executivo

A realização de eleições em diversas economias emergentes traz uma importância significativa para o ano de 2014. Índia, Brasil e África do Sul passam por eleições gerais no ano corrente mas, ao passo que uma mudança de liderança era esperada na Índia, as perspectivas para o Brasil e a África do Sul eram de continuidade política. Nesse sentido, esse monitor tem como objetivo discutir aspectos políticos, sociais e econômicos do Brasil e da África do Sul e como eles podem afetar as eleições em ambos os países.

# 2014: Year of Elections in Emerging Economies...

## Focus on Brazil and South Africa\*

Eth Ludmila Rodrigues, Matshaba Mothiane and Carlo Patti

## Introduction

With approximately a month to go to the IBSA Summit between India, Brazil and South Africa, it is useful to reflect on the significance of 2014 for the IBSA members as well as some other emerging economies. India, Brazil and South Africa are holding elections this year, while facing major economic challenges and domestic unrest.

In India voting began on 7 April and will run until 12 May 2014. About 814 million voters are expected to vote in the world's largest (and most protracted) election. The major contestants in the parliamentary election are the Congress Party, led by Rahul Gandhi, and the main opposition Bharatiya Janata Party (BJP), led by Narendra Modi – widely expected to win the elections.

South Africa in turn is about to hold national and provincial elections on 7 May 2014 and Brazil is scheduled to hold elections for a new president, national congress, state governors and legislature in October this year.

## 1. Brasil and South Africa

It is important to look at the electoral landscape in Brazil and South Africa. The countries, like India, wield significant political and economic influence in their own regions, as well as globally through their participation in world forums like the BRICS and the G-20. Elections in South Africa and Brazil are therefore important not just for their domestic affairs. Unlike some other emerging economies including India, the two are unlikely to see a change in government, even though the incumbents face major challenges in balancing the need for economic reform and addressing rising social discontent. South Africa has just fallen behind Nigeria as the second largest economy in Africa. Brazil, Latin America's largest economy, has seen its economic growth fall from its 2010 peak of 7.5% (GDP), to 2.3% in 2013, and to a projected 1.63% in 2014<sup>1</sup>.

<sup>1</sup> <http://www.bcb.gov.br/pec/GCI/PORT/readout/R20140417.pdf>



## 2. Electoral Landscape

For South Africans, 2014 marks the country's 20th year of freedom and democracy. It is an opportunity to reflect on past challenges, achievements and for the electorate to determine who will lead them for the next five years. Recent polls have shown that while the support of the African National Congress (ANC), which came in to power in the first democratic elections in 1994, may decrease, it will continue to hold power under the leadership of President Jacob Zuma after this year's election.

Nonetheless, in a report entitled *Two Decades of Freedom*<sup>2</sup>, Goldman Sachs highlights important challenges that the country continues to face. The concerns raised will also be important for the electorate. Firstly, in recent years, the country has seen major labour unrest, particularly in the crucial mining sector. The unrest has not abated even after the killing of 36 striking platinum miners at Marikana in August 2012. Secondly a rising unemployment rate which currently rests at 25.2%, with the largest group affected being the youth. Thirdly, there has been a marked increase in protests over the government's weak delivery of basic services. Lastly there have been renewed concerns about government corruption in the wake of a report which found that the President benefitted financially from upgrades at his Nkandla residence. Confidence in the ANC has further decreased.

Malusi Gigaba (ANC national executive committee member) in a recent article<sup>3</sup> stated that to address these and similar challenges the "ANC has identified radical socioeconomic transformation as the next phase of our democratic transition, and the most critical task before us. This requires us [the ANC] to restructure our economy into a more labour-absorbing one that is characterised by deracialised and widespread ownership, and employment equity".

Current Brazilian President Dilma Rousseff, of the Workers Party (PT), is also expected to win another term as head of state. Brazil has, in the last decade, achieved considerable socio-economic growth, significantly decreased its poverty rates and reached the current official unemployment rate of 5%. However, there continue to be many challenges that have decreased the party's popularity since its first 2003 victory. For Brazil, the 2014 elections also take place amid the hosting of the 2014 FIFA World Cup, as well as preparations for the 2016 Olympic Games and Brazil, like South Africa has faced significant social unrest and demands for a better life by the electorate. Since the beginning of 2013 there have been thousands of people who have taken to the streets in protest against the high cost of living. Inflation has been ranging around 6%<sup>4</sup> and, according to the Brazilian Institute of Planning and Taxation (IBPT), Brazil is amongst countries with the heaviest tax burdens in the world, but continues to lag in terms of quality of public services.

Other pressing concerns are over government corruption and poor social service delivery (especially in education, health, transportation), which have in part been attributed to the massive spending on the World Cup and the Olympics. A recent article in NYTimes cites the discontent over the costly new stadiums. Director Gil Castello Branco of Contas Abertas, a Brazilian watchdog group that scrutinizes public budgets, says "We're waking up to the reality that immense resources have been wasted on extravagant projects when our public schools are still a mess and raw sewage is still in our streets". Recent drops in popularity ahead of the elections will require President Rousseff to take decisive actions to address concerns raised in protests but also to address the current economic challenges.

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2 <http://www.goldmansachs.com/our-thinking/focus-on/growth-markets/south-africa-report.html>

3 <http://mg.co.za/article/2014-04-23-soapbox-radical-economic-change-should-be-the-focus-of-this-election>

4 <http://www.economist.com/blogs/americasview/2014/01/inflation-brazil>

### 3. Economic Landscape

South Africa and Brazil, like other emerging economies are battling to maintain steady growth in the face of significant global economic volatility. Gill Marcus the governor of the South African Reserve Bank expressed her concerns recently by saying that a “new phase of the global financial crisis was piling the pressure on emerging market economies”<sup>5</sup>. South Africa and Brazil have been placed in a grouping that Morgan Stanley has called the “Fragile Five”<sup>6</sup>, alongside India, Indonesia and Turkey. This group comprises countries that have in the past decade achieved very high levels of economic growth but are now facing major challenges with large current account deficits, considerably lower growth rates and weak currencies. Coincidentally, all of the “Fragile Five” are holding elections this year.

Declines in growth in emerging economies, while largely attributed to internal structural problems, also come on the back of the US Federal Reserve’s 2013 decision to slow its quantitative easing programme. For investors, elections present considerable risk but may be an opportunity to change economic policy in favor of a faster recovery. Ronak Gopaldas in an article in the Business Day<sup>7</sup> newspaper explained that investors are interested in whether the governments pursue populist or pragmatic policy approaches. A pragmatic approach, he explains, would mean the SA government taking some unpopular actions to mitigate inflation and revitalize the stagnating economy and regain the trust of investors. These changes will not always be what the electorate desire. For these countries the current elections will present an opportunity to reassess past victories and failures. More importantly, the elections bring with them the need to balance the kinds of measures required to satisfy the hearts of the electorate while also taking some very calculated and perhaps conservative measures to revitalize their economies.

For the political incumbents of both Brazil and South Africa, this election therefore may prove to be the last predictable one.

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5 <http://www.theguardian.com/business/2014/feb/02/emerging-markets-brazil-indonesia-south-africa>

6 [https://www.morganstanley.com/public/Tales\\_from\\_the\\_Emerging\\_World\\_Fragile\\_Five.pdf](https://www.morganstanley.com/public/Tales_from_the_Emerging_World_Fragile_Five.pdf)

7 <http://www.iol.co.za/business/opinion/sa-brazil-and-india-face-key-elections-to-restart-growth-1.1675962#.U1akSfldVgG>

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