Next up for Rousseff: Don’t copy India’s past decade

Stephan Richter

BRAZILIANS have quite genuinely been reminded about India at other times. But now that Dilma Rousseff has won re-election, however tightly the true challenge for Brazil’s near-term political future comes from India.

It was in India, where a left-of-centre government — under then prime minister Manmohan Singh — also won re-election in 2009, but ended up overspending its welcome. As it became ever more obvious that his Congress party was losing political steam, it desperately tried to hold on to power by ensuring its governing coalition, the United Progressive Alliance, with even more political parties.

In the end, the whole Congress self-destructed and Singh became a caretaker. Singh, who as finance minister from 1991 to 1996 had been the important architect of India’s econometric opening, became a mere shadow of himself. At best, the venerable Singh was a caretaker prime minister, but definitely not a leader who would get anything meaningful done. In hindsight, it is painfully clear that the two-term prime minister in 2004 was staying in office at least for one term longer than was either good for him or the country.

India, as a result, fell short of the economic progress it must make, not least to absorb the vast numbers of labour market migrants each year that must work – the flip side of its “demographic dividend”.

For all of the Congress party establishment’s best efforts, the mystique of the Gandhi family name, which has long enshrined voters, has finally run its course. In the 2004 election, Indian voters turned to the opposition conclusion, the BJP’s (Bharatiya Janata Party) Narendra Modi, in impressive numbers.

Equipped with an absolute majority in parliament, he is the first prime minister in India in 30 years able to govern without a coalition partner. That should help him make up for lost time with regard to a dynamic management of the economy.

Brazil can only hope to escape India’s fate. Under the Congress party’s Brazilian equivalent, the Workers’ Party (PT), the country has had an impressive run economically, boosted by a commodity boom. After the transformative Luiz da Silva, the PT’s deficit from 2003 to 2010, his handpicked successor, Dilma Rousseff, had another four-year run and has now gained re-election for a second term that will have her in power through 2018.

To be sure, the PT has achieved some very important transformations, mainly in the social sector by reducing poverty via such programmes as the Bolsa Família. But there is also no denying that the PT has run out of steam. Rousseff’s real failure – in addition to failing to rein in the corruption monster, which may yet fell her (even though she is now re-elected) – was on the reform side. Specifically, Rousseff failed to make good use of the good economic times – by implementing overdue labour market reform and political reform, as well as to provide for a more business-friendly environment in general.

In addition, Rousseff has had a hard time even with core voters groups, especially among the young. And she overplayed the card of boosting growth by relying on state enterprises such as Petrobras.

To put it charitably, Rousseff, much like Singh in India, has not had much luck during her first term in office. Reforms stagnated, and household indebtedness rose, which undermines the gains in expanding the middle class. The competitive stance of Brazil’s labour market also is not desired – and corruption remains rampant.

To buttress their winning political fortunes, Singh and his party have been compelled to make the same move as Congress in India – widening what is already a hard-to-crack coalition of some 39 (altogether) parties even more. Even with the best of intentions, it is a real question under those circumstances whether Rousseff’s PT is able to get things done – even if she personally were perfectly willing to do so. Brazilian voters have had real problems with an overweening party that thinks of itself as another sub-par performance over the next four years. The challenge for Rousseff then is to exercise more controls. The challenge — besides a different level of economic development — is very real.

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