



Latin American Spotlight - Special Municipal elections in Brazil, September 2004



Dresdner Bank Lateinamerika AG
formerly Deutsch-Südamerikanische Bank AG



Introduction

On October 3, nationwide municipal elections will be held in Brazil. Around 121 mn voters will elect mayors and town assemblies in 5,563 communities for the next four years. More than 15,600 candidates are competing for the 5,563 mayoral offices and 346,000 candidates for the 52,000 assembly mandates. The elections are traditionally driven by local issues, but they also have significance for federal policy. They do not just serve as an opinion survey for the present government but also set the course for the upcoming presidential elections in 2006.

Significance of the Municipal Elections for the Government of President Luis Ignácio Lula da Silva

President Lula's Worker's Party (PT) hopes for a consolidation of its political power in Brazil. The government needs the communities, and the capital cities in particular, to support their current politics as well as the project "Reelection Lula" in 2006. The PT mainly concentrates on the 91 largest cities. In the 2000 municipal elections the Worker's Party placed 65 own candidates and supported 26 candidates of other parties and won 23 mayoral posts. The elections were a cornerstone for President Lula's triumph in the 2002 presidential elections. Most important for the PT has been the victory of Marta Suplicy in São Paulo. In this year's elections, the party nominates 79 candidates and supports 12 candidates of coalition partners.

2004 Municipal Election Forecast

Currently President Lula's Worker's Party holds mayoral offices in eight capital cities: São Paulo, Salvador, Belo Horizonte, Porto Alegre, Belém, Recife, Goiânia and Aracaju. The present polls show mixed results. The PT is likely to hold its leading positions in Porto Alegre, Belo Horizonte, Recife and Aracaju. In Palmas, capital city of the state of Tocantins, surveys indicate Raul Filho of the Worker's Party will win against his PL opponent. PT and PSDB candidates in Curitiba are in a neck-and-neck race each with 26% of the votes. The outcome is open, as the percentage of indecisive voters is high.

The Worker's Party will lose its mandate in Salvador. Current mayor Pelegrino gets only a meager 12% in the polls. Also in Belém and Goiânia the elections will probably result in a PT loss. Present mayors are going to lose their mandates against PTB and PMDB candidates. Rio de Janeiro remains in strong hands of PFL candidate Mayor Cesar Maia. Surveys show that his position is unchallenged by his opponents Crivello (PL) and Conde (PMDB). PT candidate Bittar will not get more than 5% of the votes. All in all the PT will probably manage to increase its share of votes, but will lose significance in the state capitals.

São Paulo

The election in São Paulo (7,780,000 voters) has special significance. The city is also considered as the political cradle and the stronghold of the government party of President Lula. A reelection is of extreme importance for the consolidation of the Worker's Party's political power in Brazil. Even if it gains mandates in other cities and communities the loss of São Paulo would be painful.

In the year 2000 PT candidate Marta Suplicy won the municipal elections in the second round. This year Mrs. Suplicy faces no easy challenge. The opposition party PSDB nominated José Serra, a widely popular candidate who has good chances to win. Mr. Serra lost to Lula da Silva in the 2002 presidential elections.

Marta Suplicy's chances are further reduced by the fact that no coalition with the PMDB, one of the most important coalition partners in Congress, was achieved. The PT refused to leave the seat for the vice mayor to the PMDB candidate. As a result, the party lost valuable

fee-free time on TV, which is hard-fought during the electoral campaign. Moreover, a substantial number of the voters in São Paulo claim that they do not want to support Marta Suplicy as mayoral candidate. Polls indicate a rejection of around 30%, whereas only 10% reject José Serra. In case of a second round on October 31 Serra would win the elections by a 12% margin against Marta Suplicy. (Note: A second round is possible only in cities with a population of over 200.000, if no candidate wins more than 50% of the votes. In all other cities the candidate with the relative majority of votes wins.)

PPB candidate Paulo Maluf and PSB candidate Luiza Erundina keep losing significance. Until July the controversial chairman of the conservative PPB, Paulo Maluf, was an opponent to be reckoned with. Yet latest surveys indicate that he has no chances.

Conclusion

The government's party is likely to gain more votes than in the elections in 2000. This will mainly be due to the economic boost and its effect on the labor market. But looking more closely, a qualitative shift is to be expected. With regard to the 26 capital cities, there will probably be a reduction in the number of PT councils from the current 8 to 6. The potential loss of São Paulo to the opposing PSDB would hit the government of President Lula most seriously. The PSDB is likely to consolidate itself as the main opposition party. A victory in São Paulo would strengthen the party as an alternative in the presidential elections in 2006.

Katharina Zinck

Dr. Cyrus de la Rubia +49 40 3595 3889

REGIONAL CAPITAL	CANDIDATES	POLL RESULTS, %	RESULT OF A POSSIBLE SECOND BALLOT, %	POPULATION	RULING PARTY
São Paulo	José Serra (PSDB) Marta Suplicy (PT)	36 34	51 39	10,677,019	PT
Rio de Janeiro	César Maia (PFL) Crivella (PL) Conde (PMDB)	48 14 11	56 25	5,974,081	PFL
Salvador	João Henrique (PDT) Cesar Borges (PFL) Pelegrino (PT)	33 25 12	54 32	2,556,429	PT
Belo Horizonte	Pimentel (PT) João Leite (PSB)	54 25	66 24	2,305,812	PT
Fortaleza	Cambräia (PSDB) Maroni (PFL) Arruda (PCdoB)	26 26 18	39 49	2,256,233	PMDB
Curitiba	Vanhoni (PT) Beto Richa (PSDB)	27 28	42 44	1,671,194	PFL
Manaus	Amazonino (PFL) Serafim Corrêa (PSB)	55 14	58 29	1,527,314	PFL
Recife	João Paulo (PT) Cadoca (PMDB)	44 26	56 35	1,461,320	PT
Porto Alegre	Raul Pont (PT) José Fogaça (PPS) Onyx (PFL)	34 20 10	45 42	1,394,085	PT
Belém	Duciomar (PTB) Ana Júlia (PT)	51 24	61 31	1,342,202	PT
Goiânia	Iris Rezende (PMDB) Pedro Wilson (PT)	38 15	52 31	1,146,106	PT
Maceió	Cícero Almeida (PDT) Wanderley (PMDB)	40 17	51 32	849,734	PSB
Teresina	Silvio Mendes (PSDB) Adalgisa (PMDB)	43 32	50 29	751,464	PSDB
Natal	Carlos Eduardo (PSB) Luiz Almir (PSDB) Fatima Bezerra (PT)	36 27 7	48 34	744,794	PSB
Cuiabá	Wilson Santos (PSDB) Sérgio Ricardo (PPS)	35 23	46 34	508,156	PSDB
Aracaju	Déda (PT) Susana (PPS)	53 20	67 22	479,767	PT
Florianópolis	Dário Berger (PSDB) Sérgio Grando (PPS)	34 19	52 28	369,102	PPB
Porto Velho	Mauro Nazif (PSB) Everton Leoni (PSDB)	33 23	45 15	353,961	PDT
Macapá	Janete Capiberibe (PSB) Sebastião Rocha (PDT) João Henrique Pimentel (PT)	42 23 21	56 31	318,761	PSB
Vitória	Cesar Colnago (PSDB) Dr. Nilton Baiano (PP) João Coser (PT)	33 24 22	40 35	302,633	PSDB
Rio Branco	Márcio Bittar (PPS) Raimundo Angelim (PT)	38 40	45 45	274,555	PMDB
Boa Vista	Teresa Jucá (PPS) Neudo Campos (PP)	59 13	62 18	221,027	PPS
Palmas	Raul Filho (PT) Nilmar (PL)	53 31	56 32	172,176	PFL

Quelle: IBOPE, Eleições 2004; IBGE, August/September

PUBLISHED BY:

Dresdner Bank Lateinamerika AG
Neuer Jungfernstieg 16
20354 Hamburg
Economics/Public Relations Dept.
Chief economist: Dr. Heinz Mewes
Editing: Dr. Cyrus de la Rubia, Thorsten Rülle (Miami), Walter Schäfer
Tel.: (+49 40) 3595 3494
Fax: (+49 40) 3595 3497
E-Mail: economics@dbla.com
<http://www.dbla.com>

Coordination: Thomas Pohl

Data sources among others: Thomson Financial Datastream and Bloomberg

Layout: Friederike Niemeyer, Hamburg

Closing date: September 30, 2004

"Latin American Spotlight - Special" is published in supplementation of our publications "Latin American Spotlight", "Latin American Spotlight Update", and "Latin American Weekly Spotlight". All are published in German and English. Annual subscriptions are available for the full series of publications (195,- euros). Should you have any further questions about our publications or our distribution service, please do not hesitate to call (+49 40 3595 3496) or send us an e-mail (publications@dbla.com).

Without any liability on our part. Reprints - in part or in whole - only with permission of the publisher.

The information contained in this issue has been carefully researched and examined by Dresdner Bank Lateinamerika AG or reliable third parties. But neither Dresdner Bank Lateinamerika AG nor such third parties can assume any liability for the accuracy, completeness and up-to-datedness of this information. The authors' opinions are not necessarily those of Dresdner Bank Lateinamerika. Statements do not constitute any offer or recommendation of certain investments, even if individual issuers and securities are mentioned. Information given in this issue is no substitute for specific investment advice based on the situation of the individual investor. For personalized investment advice please contact your Dresdner Bank Lateinamerika branch.