



## Brazil's Rousseff eyeing familiar economic team

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\*Presidential hopeful seen choosing familiar economic team

\*Rousseff choices likely to reassure markets

\*Policy to show continuity; may see greater state role

By Natuza Nery

BRASILIA, Jan 7 (Reuters) - Dilma Rousseff is expected to assemble an economic team that is reassuringly familiar to investors if she is elected Brazil's president in October but which may place greater emphasis on an expansive state role.

Rousseff, President Luiz Inacio Lula da Silva's chief of staff, is widely expected to be confirmed as the center-left Workers' Party's presidential candidate in February. Although trailing in opinion polls, she is expected to narrow the gap on likely opposition candidate Jose Serra, the governor of Sao Paulo state, once campaigning gets under way.

According to several high-ranking government sources, including three government ministers, the former leftist activist plans to retain several key economic policymakers from Lula's government, which has been credited with steering Brazil through the global economic crisis.

Among those she regards highly and sees as potential members of her cabinet are current Finance Minister Guido Mantega, one of Lula's closest confidants; the president of state development bank BNDES Luciano Coutinho; and oil giant Petrobras's chief executive Jose Sergio Gabrielli.

Fernando Pimentel, an economist and former mayor of Belo Horizonte city who is a close advisor to Rousseff, and Nelson Barbosa, secretary of economic policy at the finance ministry, are also seen as on her short-list. The sources, who are all familiar with Rousseff's thinking, declined to be identified.

"These names show continuity of today's model, a mixture of economic pragmatism and state activism," said Murillo de Aragao, president of Arko Advice, a political consulting firm based in the capital Brasilia.

"...I don't see any risk to the Brazilian economy in these names."

All of the officials mentioned are comfortable with the so-called neo-developmental approach favored by Lula and Rousseff that emphasizes state-led investment and control over strategic sectors with a mix of targeted social spending.

Mantega, who has won praise for his handling of the financial crisis, supports lower interest rates, a reduction of public debt and tax breaks for strategic sectors such as the automotive industry.

### GREATER STATE ROLE

Many analysts believe that Rousseff, while continuing Lula's largely market-friendly policies, would usher in a more state-centered approach that could raise risks for investors.

Still, the sources stressed that Rousseff would not risk Brazil's credibility with investors by intervening indiscriminately in the economy.

She may take a more flexible fiscal stance by allowing a lower primary budget surplus to fund social and infrastructure programs. Investors monitor the surplus as a gauge of the country's ability to service its debt.

The state-centered approach has gained credibility worldwide as Brazil has emerged largely unscathed from the global financial crisis, partly helped by its strong state presence in the banking and other sectors.

"As the market was wrecked and Brazil survived, there is no longer a vision of following the market. The debate between the state and the market ended -- the state won," said Aragao.

Rousseff has taken a lead role in the Lula government's move to take greater control over the country's newfound oil wealth, and the sources said there are preliminary plans for similar moves in the mining sector.

Rousseff has also said she wants to streamline Brazil's unwieldy bureaucracy and she is expected to try to speed up processes such as the granting of environmental licenses for infrastructure projects.

Among the possible economic team members, BNDES head Coutinho is seen as a strong bet to take a key role in a Rousseff administration. Although the two are not close personally, Coutinho's profile has risen as the state bank has played a central role in supporting the economy through the crisis. He is an early favorite to be named finance minister, the sources said.

Pimentel, who has advocated more flexibility in the primary budget surplus, shares Rousseff's economic vision and is seen as likely to have a key role in her government if he decides not to run for the governorship of Minas Gerais state in October.

(For a Factbox on possible members of a Rousseff economic team, please click on [ID:nN07184412])

(Writing by Stuart Grudgings; editing by Todd Benson)

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