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BRAZIL INSTITUTE SPECIAL REPORT

JACQUES WAGNER ON BRAZILIAN POLITICS, DEMOCRACY AND ECONOMIC DEVELOPMENT

EXECUTIVE SUMMARY

Jaques Wagner, a former union leader, congressman, cabinet member and a co-founder of the Workers Party (PT), is one of the most respected and influential governors in Brazil today. His election as chief executive of the state of Bahia last October was seen as the end of an era in a state historically dominated by the entrenched political oligarchy led by Senator Antonio Carlos Magalhães, who died in July 2007 at the age of 79. Wagner's first round victory in Bahia—the fourth largest electoral college in the country—made him an instant contender for the Worker's Party bid for the presidential election of 2010. On September 11, 2007, the Brazil Institute convened a high-level breakfast discussion with Governor Wagner to assess the domestic challenges and opportunities the Brazilian government faces in transforming the immense and unshaken popularity of President Lula into an effective political instrument to advance a stalled policy agenda with three years left in his presidency. The dialogue focused on issues of economic development, democratic governance and social justice in Bahia and Brazil at-large.

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ECONOMIC OPPORTUNITIES

Not only is Bahia an important electoral base in Brazil, but also an economic force, accounting for roughly 35 percent of the Northeast's regional GDP and nearly 60 percent of the region's exports¹ (Brazil's Northeast is a region comprised of nine states and about 2.5 times the size of Texas). The state's economy is surprisingly diverse, with competitive agricultural, manufacturing, petrochemical and mining sectors, as well as an attractive tourism industry. While these sectors are Bahia's dominant economic drivers, Governor Wagner seeks to further diversify his state's economy by emulating the success of its fastest growing agricultural crop—cotton.²



Jaques Wagner, Governor of Bahia

1. 2005 data obtained from IBGE, Brazil's Center of Research, Department of National Accounts, and Regional Accounts of Brazil 1985–2000, available through SEI Bahia (http://www.sei.ba.gov.br/pib/index_pib_nacional.php)
2. IBGE 2006 State Statistics (<http://www.ibge.gov.br/estadosat>)

FACTS ABOUT BAHIA:



- Capital: Salvador, the third largest city in the country
- 4th most populous state in Brazil and 5th largest in terms of size
- Total population (2007): 14.08 million
- Area: 564,000 Km².
- GDP (2005): US\$48.2 billion, 5% of Brazil's total GDP
- GDP per capita: \$3,493.80
- Main exports: Chemicals and petro-chemicals (20%), automobiles (13.6%) Petroleum derivatives (16.2%) Metallurgy (15.2%), others (35.1%).
- Inequality rate (Gini coefficient, 2006): 0.56
- Ethnic demographic (2000): White: 25.2%, Pardo (brown) 60.1%, Black 13% Asian 0.2%, Indigenous 0.5% and non-declared 1%

Sources: IBGE, SEI, SITM

Bahia is one of Brazil's largest cotton producing states, second only to Mato Grosso.³ Even though Bahian farmers only began experimenting with cotton in the early 1990s, favorable climate conditions, fertile soil and capital investments have spurred an impressive cotton industry—cotton now generates more value per hectare than the state's two leading agricultural commodities, corn and soya.⁴ Even more remarkable is the productivity of the crop in the state; with yields of approximately 3,345 kilograms per hectare, cotton production in Bahia has helped boost Brazil's national average to 1,204 kilograms per hectare, making the country the most efficient of the world's ten largest cotton producers (China, the next most efficient producer, yields 1,168 kg/hectare of the crop).⁵

The Bahian government, Wagner stated, is actively involved in the development of the cotton industry by implementing fiscal and financial incentives; the state reduced its tax on services and goods to cotton producers by 50 percent. He hopes to use this experience and the growing interest in Brazil's biofuels industry to turn Bahia into a hub for bio-energy. Governor Wagner's administration seeks to expand the number of hectares of land dedicated to sugarcane cultivation—currently 100,000—to 970,000 hectares by 2015.⁶

The governor also aims to expand Bahia's tourism industry. Current government statistics show that tourism in the state is growing at about 5 to 8 percent a year and generating approximately US\$1.1 billion in revenue for the state.⁷ Part of his plan is to attract

3. Bahia Invest, 2005 IBGE/SEI statistics (<http://www.bahiainvest.com.br>)

4. IBGE 2006 State Statistics (<http://www.ibge.gov.br/estadosat>)

5. Based on 2005/2006 data from the Foreign Agricultural Service of the USDA (<http://www.fas.usda.gov/psdonline>) and IBGE (<http://www.ibge.gov.br/estadosat>)

6. According to a presentation by Bahia's Secretary of Agriculture, Geraldo Simões de Oliveira at a November 6, 2007, event at FIESP (<http://www.protefer.com/noticias.php?ver=111>)

7. "Tourism in Bahia." Secretary of Tourism and Culture of Bahia (<http://www.sct.ba.gov.br/opinv/InvestorInformation.pdf>)

more investment in the industry includes convincing American commercial airlines to establish non-stop flights from the United States to the northeast of Brazil—primarily to the city of Salvador, Bahia’s capital. Governor Wagner noted that Bahia is a well-established tourism destination, offering a variety of leisure options from an array of beaches and festivals throughout the year to historical monuments, ecological reserves, churches and museums. In fact, Salvador’s historic downtown district, a top tourist destination known as “Pelourinho”, is listed as one of UNESCO’s World Heritage Sites.

Wagner stressed the important role the state must play in the country’s economic development, citing Bahia’s “Desenvolve” Program (Industrial Development and Economic Integration Program) as an example of one such government initiative. The program targets agro-industry and energy firms, as well as metallurgical, chemical and beverage companies and seeks to balance economic and social development with environmental preservation. It aims to attract new industries and expand existing enterprises by offering business investors financial incentives, tax reductions and loan subsidies. For example, certain industries receive local tax breaks of up to 81 percent, for a period of up to 12 years.⁸ Moreover, Governor Wagner affirmed that the government must do more to alleviate Brazil’s daunting bureaucratic burden and high cost of business—one of the country’s biggest inhibitors to growth—by reforming its tax code. (According to data from the IFC’s *Doing Business Report*, in Brazil it takes 152 days to start a business and over 2600 hours a year for firms to pay taxes, compared to an average of 60 days and 382 hours for other middle-income countries.)

Another area where the state can be a force for positive change is in addressing the lack of economic opportunities available for Afro-Brazilians.

Part of his plan to address the state’s pervasive social inequalities involves partnering public and private sectors in order to effectively improve water sanitation and develop infrastructure in poor areas throughout the state. While the government can do more to advance economic opportunities for its citizens by promoting business development, Wagner stressed that entrepreneurs also “bear a responsibility” to channel more revenues back into social programs. He said business leaders are gradually understanding that economic development is hindered by inequality; the country’s growth depends on improving social conditions—and businesses, not only government, must shoulder this obligation.

Moreover, Wagner believes the country is indebted to Afro-Brazilians because of Brazil’s legacy of slavery. This is especially true for Bahia, a state where nearly 75 percent of the population is pardo or black (see box, p.2) and so much of its collective identity is based on Afro-Brazilian culture. A Jewish Brazilian, Wagner made clear the importance he attributes to recognizing past atrocities by reflecting on his recent visit to the



Governor Jaques Wagner and Ambassador Antonio Patrioto with Brazilian officials

8. “Bahia. A Land for All.” Atlas, Secretary of Industry, Trade and Mining.

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Holocaust Memorial Museum in Washington, DC. “It occurred to me that in Brazil we don’t have a memorial for slaves,” he said, addressing the need for Brazil to confront this legacy. Unfortunately, he contemplated, “in general, history is told by the winners.”

A NEW PHASE IN DEMOCRACY

Wagner also discussed Brazil’s maturing democracy, reflecting on his involvement in the country’s long struggle toward democratic governance. From 1964 to 1985, Brazil was ruled by a military dictatorship that persecuted political opponents, including a student movement led by Wagner at the Catholic

University School of Engineering in Rio de Janeiro. His persecution forced him to drop out of college and move to Bahia in the early 1970s, where he worked as a technician for the state’s petrochemical complex. His past organizing experience steered him to become director of the Petrochemical Industry Workers Union (Sindiquímica). It was in this capacity that Wagner first met current President Luiz Inácio Lula da Silva in 1980, a meeting which ultimately led to the formation of the Worker’s Party (PT).

The emergence of the PT as a political power has been good for Brazilian democracy, Wagner asserted. The PT, like its counter-part the PSDB (Social Democratic Party of Brazil), is a strong party, dedicated to social justice, democratic institutions, as well as the modernization of life. And such parties, which are responsive and accountable to their constituents, have been essential for the consolidation of democracy in Brazil, Wagner affirmed.

Looking more broadly at Brazil’s political process, Wagner criticized politicians who often embrace their party’s platform without taking into account the interest of the people they represent. He disparaged parties and politicians that allow opinion polls to dictate their policies, which distracts the public from legitimate policy concerns. Instead, he believes governments are most effective when focused on advancing principled issues relevant to the broader electorate.

REGIONAL DEMOCRATIC TRENDS AND LULA’S POLITICAL LEGACY

The outcome of recent elections that have ushered in leaders of the “New Left” throughout Latin America have also led many analysts to question whether the region will shift away from the market reforms of the 1990’s towards more populist economic policies.⁹

9. The Latin America Program of the Woodrow Wilson Center, recently published a report, “The ‘New Left’ and Democratic Governance in Latin America,” that analyzes the complexity and significance of this trend. An electronic version is accessible through the Program’s website, www.wilsoncenter.org/lap.

LULA'S PRAGMATIC SHIFT IS A SIGN OF A BROADER IDEOLOGICAL TRANSITION IN THE PT, WHICH ENTERED POLITICS AS A "RADICAL" FACTION SOON AFTER THE COLLAPSE OF THE MILITARY REGIME BUT HAS NOW "MATURED AS A POLITICAL PARTY," BASING ITS VISION ON CURRENT REALITIES.

To adequately respond to these concerns, Governor Wagner argues that the region should not be assessed as one collective unit, as if no nuances or country-specific factors affect this general trend. Instead, considering all the region's leaders were elected through legitimate democratic processes, the underlying dynamics that influenced the electoral outcomes must be understood before rash generalizations are made about Latin America's "New Left".

Despite the frequency with which political scandals have gripped the country—one involving Lula's former chief of staff—Brazil's "Teflon" president remains unshakably popular. Wagner averred that Lula's popularity and the resurgence of the PT is a "phenomenon" that reflects the success of their socially inclusive agenda. Furthermore, he has "no doubts" Lula will leave office with a strong legacy behind him, having been a critical player in strengthening the nation's democracy.

Moreover, Governor Wagner dismissed concerns that Lula is a populist president by referencing the minimum wage hike the President implemented

during his first year in office, arguing that if he were a populist, Lula would have increased the wage much more. "I know how much it took for Lula to not act on certain policies that he wanted to implement (such as a higher minimum wage)," Wagner noted, "but that's why I think Lula was a surprise." This pragmatic shift is a sign of a broader ideological transition in the PT, which entered politics as a "radical" faction soon after the collapse of the military regime but has now "matured as a political party, basing its vision on current realities."

Looking forward to Brazil's next presidential elections in 2010, Wagner did nothing to quell speculation about his potential candidacy. With the Brazilian Congress contemplating a legislative petition that would allow Lula to run for a third consecutive term (the constitution allows a president to serve only two consecutive terms), Wagner claimed that "if the economy continues to grow like this," many would consider Lula a front-runner—a decision Lula recently declared to have no intention of pursuing.

BRAZIL INSTITUTE

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The Institute honors this history and attempts to further bilateral cooperation by promoting informed dialogue between these two diverse and vibrant multiracial societies. Our activities include: convening policy forums to stimulate nonpartisan reflection and debate on critical issues related to Brazil; promoting, sponsoring, and disseminating research; participating in the broader effort to inform Americans about Brazil through lectures and interviews given by its director; appointing leading Brazilian and Brazilianist academics, journalists, and policy makers as Wilson Center Public Policy Scholars; and maintaining a comprehensive website devoted to news, analysis, research, and reference materials on Brazil.

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