

# The Free Trade Zone of Manaus: a comparative and value-added approach

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## Some aspects of the State of Amazonas

AM is the Federal unit of Brazil

With the biggest territorial extension and

This State is the 2<sup>nd</sup> lesser in populational density

It has also the lesser ratio n<sup>o</sup> of municipalities (or cities as used in Brazil) / territorial extension

## Some aspects of the State of Amazonas

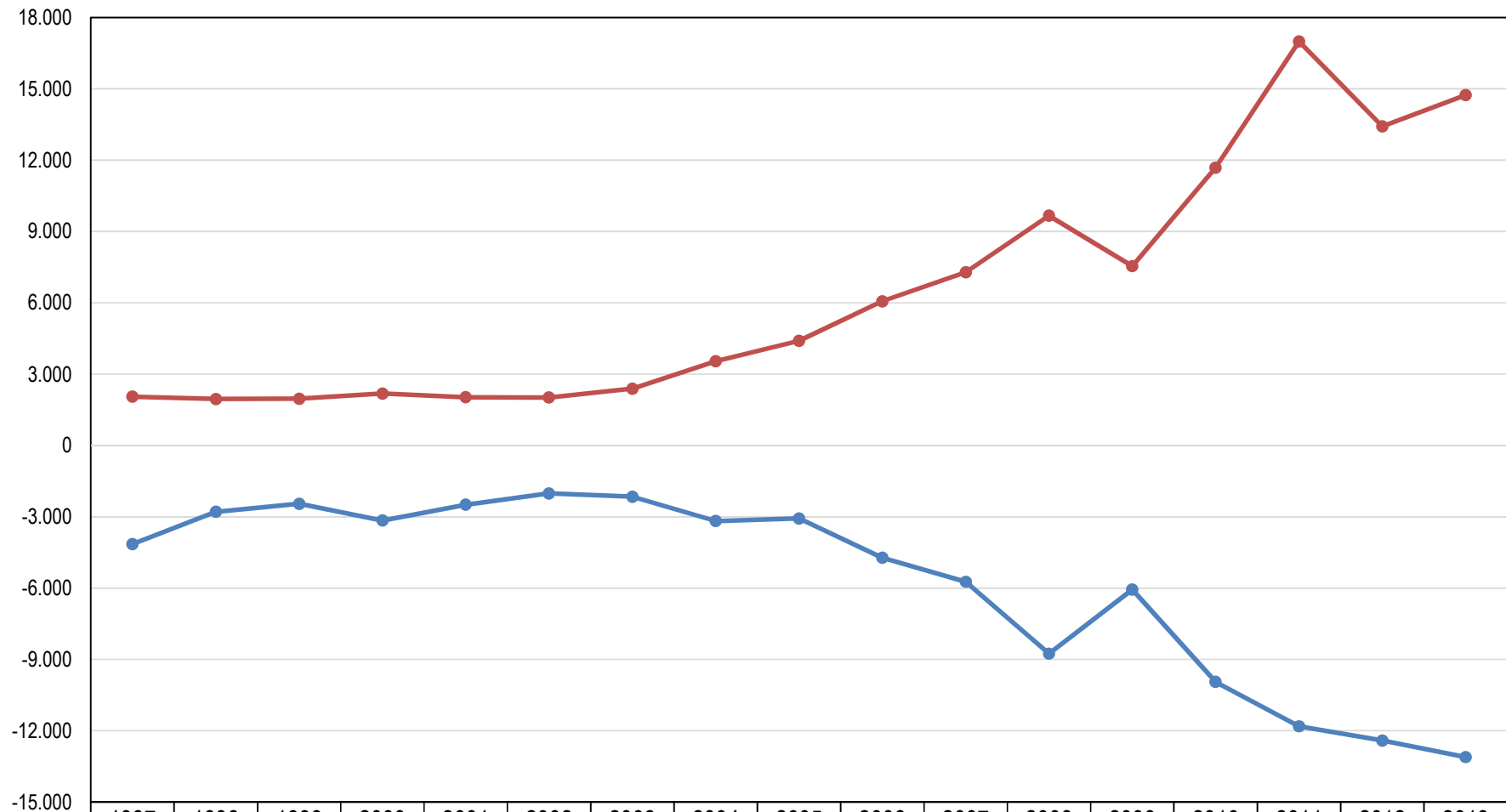
With the very special and strong contribution of Manaus Free Trade Zone,

AM is the Federal Unit that has the bigger participation of the manufacturing activity in the value added (VA) of its economy (and by consequence, in the GDP): In 2012, AM's manufacturing represented 24,1% of VA, while the Brazil indicator was 13,0% of VA

The State has also the capital that more concentrate the economy of its state in Brazil: 77,7% of GDP

# Amazonas' ZFM and The Natural Resources Exploration in Pará:

Amazonas and Pará - Trade Balance with other Countries (US\$ millions fob)  
It isn't Narcissus by Caravaggio

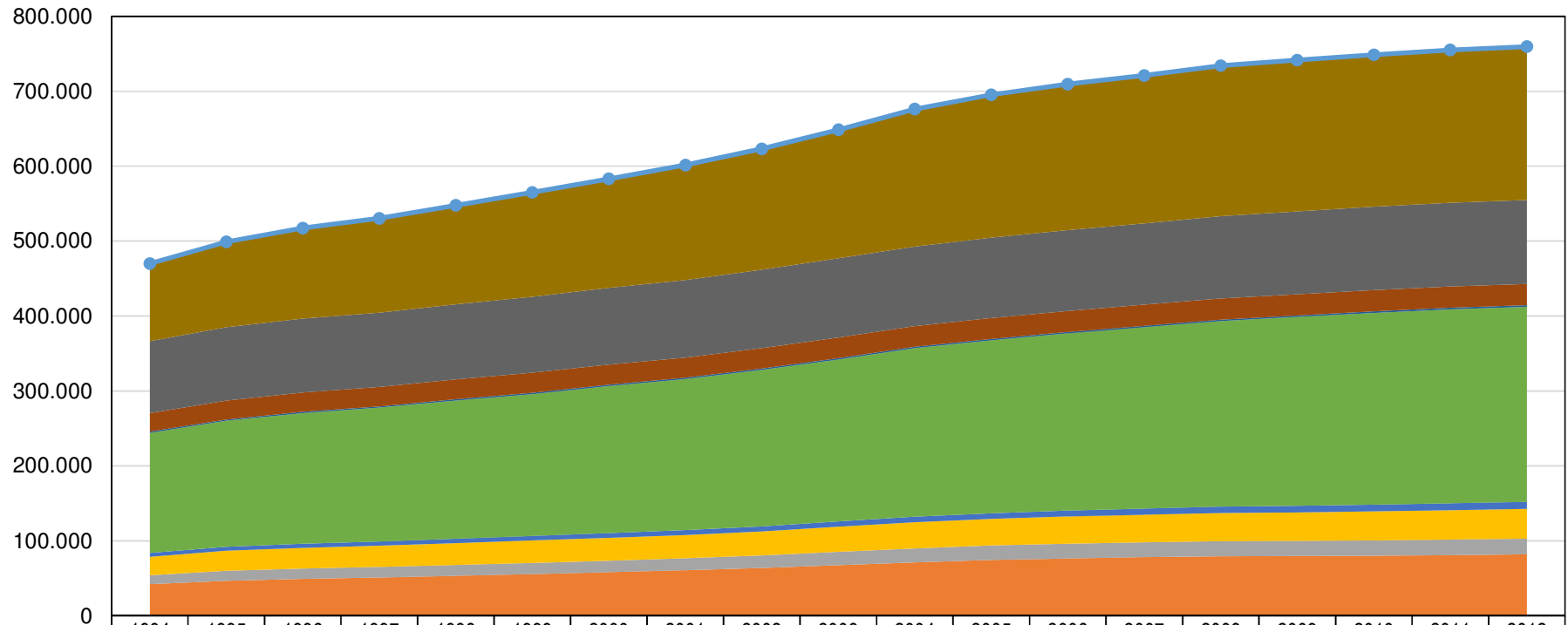


	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
—●— Amazonas	-4.150	-2.785	-2.446	-3.154	-2.496	-2.017	-2.155	-3.173	-3.069	-4.725	-5.733	-8.756	-6.055	-9.936	-11.816	-12.408	-13.104
—●— Pará	2.047	1.952	1.965	2.180	2.033	2.023	2.386	3.536	4.403	6.061	7.282	9.665	7.545	11.683	16.987	13.421	14.735

Source: SECEX/MDIC

# What a difference some policies make

Legal Amazon - Gross Accumulated Deforestation in ago 1<sup>st</sup> (km<sup>2</sup>)



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Mato Grosso	103.614	114.005	120.548	125.819	132.285	139.248	145.617	153.320	161.212	171.617	183.431	190.576	194.909	197.587	200.845	201.894	202.765	203.885	204.642
Maranhão	95.979	97.724	98.785	99.194	100.206	101.436	102.501	103.459	104.544	105.537	106.292	107.214	107.888	108.519	109.790	110.618	111.330	111.726	111.995
Tocantins	24.475	25.272	25.592	25.865	26.441	26.657	26.901	27.090	27.302	27.458	27.616	27.887	28.011	28.074	28.181	28.242	28.291	28.331	28.383
Amapá	1.736	1.745	1.745	1.763	1.793	1.793	1.793	1.800	1.800	1.825	1.871	1.904	1.934	1.973	2.073	2.143	2.196	2.262	2.289
Pará	160.355	168.200	174.335	178.474	184.303	189.414	196.085	201.322	208.832	215.977	224.847	230.746	236.405	241.931	247.538	251.819	255.589	258.597	260.338
Roraima	4.961	5.181	5.395	5.579	5.802	6.022	6.275	6.620	6.704	7.143	7.454	7.587	7.818	8.127	8.701	8.822	9.078	9.219	9.343
Amazonas	24.739	26.853	27.876	28.465	29.135	29.855	30.467	31.101	31.986	33.544	34.776	35.551	36.339	36.949	37.553	37.958	38.553	39.055	39.578
Acre	12.064	13.272	13.705	14.063	14.599	15.040	15.587	16.006	16.889	17.967	18.695	19.287	19.685	19.869	20.123	20.290	20.549	20.829	21.134
Rondônia	42.055	46.785	49.217	51.203	53.244	55.602	58.067	60.740	63.839	67.436	71.294	74.538	76.587	78.198	79.334	79.816	80.251	81.116	81.889
Total	469.978	499.037	517.198	530.425	547.808	565.067	583.293	601.458	623.108	648.504	676.276	695.290	709.576	721.227	734.138	741.602	748.602	755.020	759.591

Source: INPE.

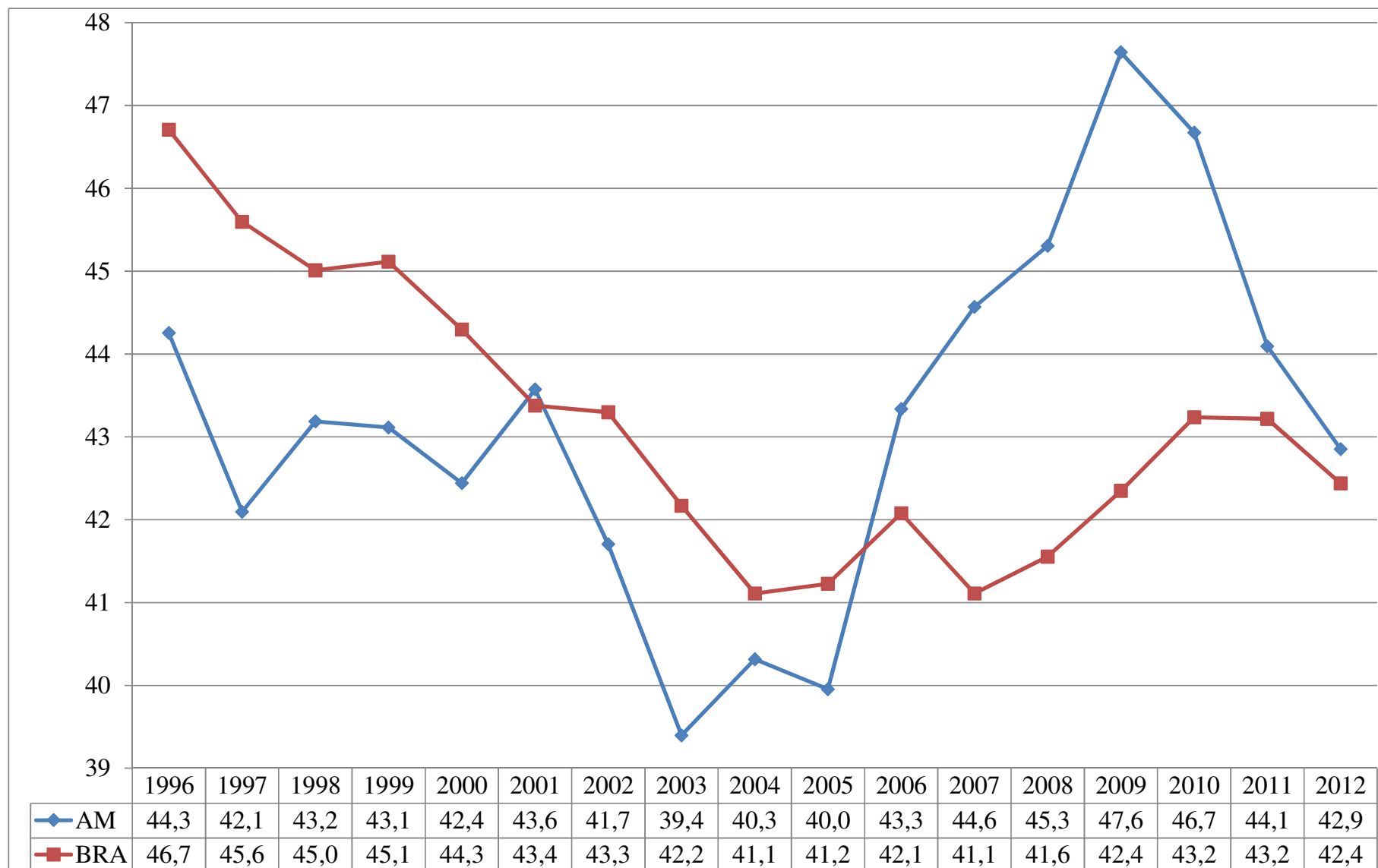
# Amazonas and ZFM's Manaus Industrial Pole Industrial Density

The ZFM's Manaus Industrial Pole (PIM) is usually seen as a kind of maquila, with little value-added to each R\$ 1,00 produced.

Applying the idea of industrial density, it's possible to compare Brazil and Amazonas' manufacturing activities with PIA/ IBGE data:

- Value of Gross Industrial Production (VGIP)
- Cost of Industrial Operations (CIO),  
and CIO is part of Intermediate Consumption
- Value of Industrial Transformation ( $VIT = VGIP - CIO$ ), a proxy of the value added
- Industrial Density Index:  $VIT / VGIP$

## Amazonas and Brasil – Manufacturing – VIT/ VGIP (%) - 1996-2012



Fonte: Elaborated with IBGE/PIA data.

# Amazonas and Brazil - Manufacturing, excluding Manufacture of Coke, Refined Petroleum Products and Nuclear Fuel VIT/ VGIP (%) - 1996-2012



Fonte: Elaborated with IBGE/PIA data.



# Amazonas – Industrial Density Index Notes and the 2003's inflexion

From 1996 to 2003, the Amazonas' index reduced and it increased since then.

In 2006, 2007, the Amazonas' manufacturing started to incorporate more value for each R\$ 1,00 produces than Brazil.

If the manufacture of refined petroleum products is excluded (it isn't an activity with ZFM's incentives), this result is maintained.

What happened with the ZFM in 2003?

The ZFM's expiration date was changed, from 2013 to 2023 (it was changed again in 2014, from 2023 to 2073).

The Federal Government adjusted the contributions PIS and COFINS – until that, an intermediate good enterprise payed less than one in ZFM when selling to a firm in ZFM

The tax incentives conceived by the State of Amazonas Government was improved, including the adoption of tax deferment to the ICMS (state level VAT) for intermediate goods

## A Deep Look at the Industry Density Index

The Three Bigger Manufacturing Activities are

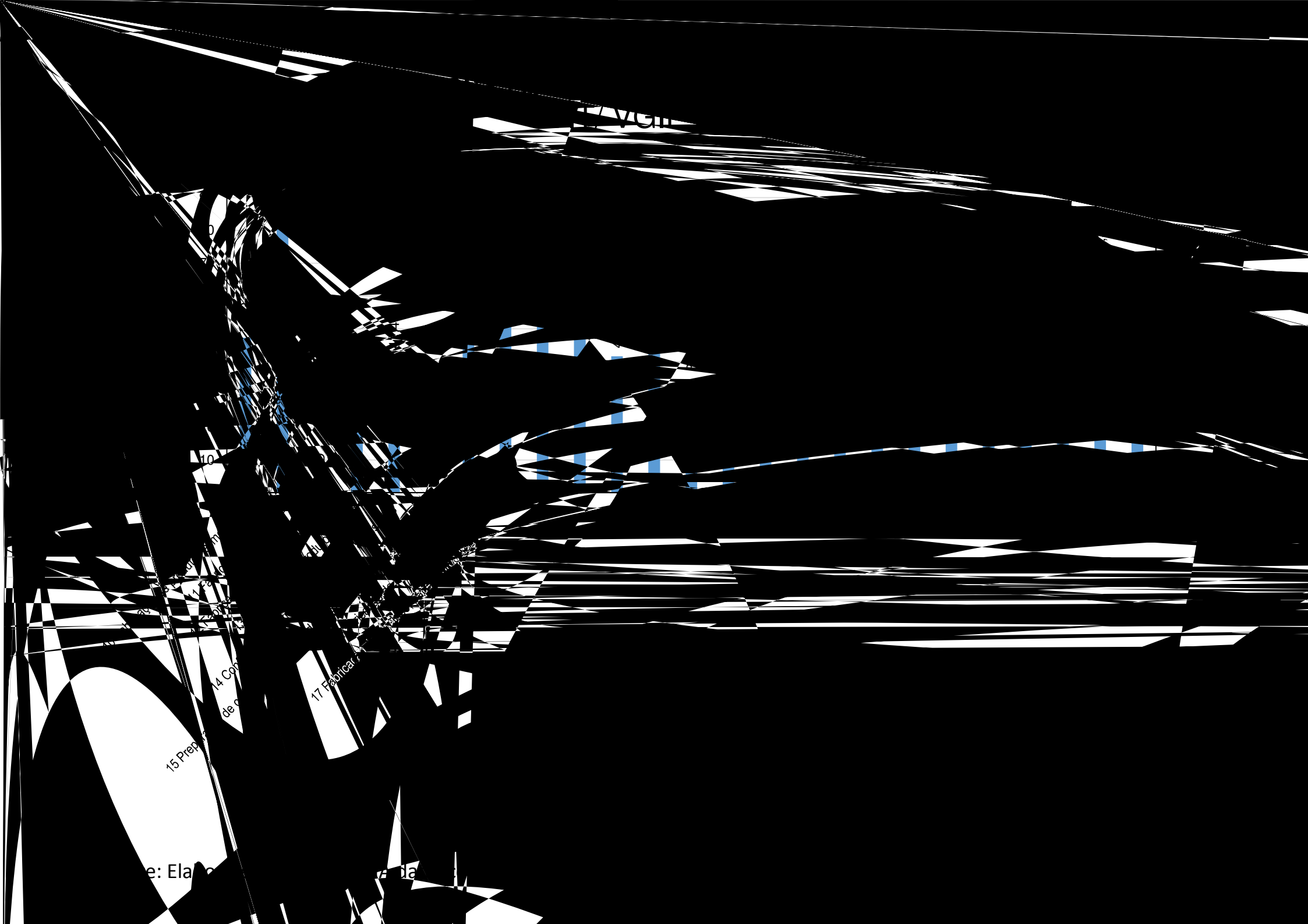
- Manufacture of beverage (pulled by extract of guaraná)
- Manufacture of computer, electronic and optical products (prominence of TV, video and sound equipments)
- Manufacture of other transport equipment (prominence of motorcycles)

They experienced more density until 2010, but the maintenance it's not clear since then

Amazonas – Manufacturing Profile - 2012

Activities	VGIP	VIT
C Indústrias de transformação	100,00	100,00
10 Fabricação de produtos alimentícios	1,21	1,34
<b>11 Fabricação de bebidas</b>	<b>11,60</b>	<b>23,59</b>
12 Fabricação de produtos do fumo	X	X
13 Fabricação de produtos têxteis	0,03	0,02
14 Confecção de artigos do vestuário e acessórios	0,14	0,13
15 Preparação de couros e fabricação de artefatos de couro, artigos para viagem	X	X
16 Fabricação de produtos de madeira	0,13	0,18
17 Fabricação de celulose, papel e produtos de papel	0,74	0,90
18 Impressão e reprodução de gravações	1,67	2,40
19 Fabricação de coque, de produtos derivados do petróleo e de biocombustíveis	5,02	9,91
20 Fabricação de produtos químicos	1,77	1,72
21 Fabricação de produtos farmoquímicos e farmacêuticos	0,06	0,09
22 Fabricação de produtos de borracha e de material plástico	3,81	3,08
23 Fabricação de produtos de minerais não-metálicos	0,98	1,24
24 Metalurgia	2,55	0,98
25 Fabricação de produtos de metal, exceto máquinas e equipamentos	4,22	4,91
<b>26 Fabricação de equipamentos de informática, produtos eletrônicos e ópticos</b>	<b>38,71</b>	<b>26,15</b>
27 Fabricação de máquinas, aparelhos e materiais elétricos	2,50	2,61
28 Fabricação de máquinas e equipamentos	2,87	1,58
29 Fabricação de veículos automotores, reboques e carrocerias	0,97	1,01
<b>30 Fabricação de outros equipamentos de transporte, exceto veículos automotores</b>	<b>17,73</b>	<b>13,07</b>
31 Fabricação de móveis	0,13	0,12
32 Fabricação de produtos diversos	2,81	4,41
33 Manutenção, reparação e instalação de máquinas e equipamentos	0,35	0,56

Fonte: Elaborated with IBGE/PIA data (codes are the same of ISIC, rev. 4).



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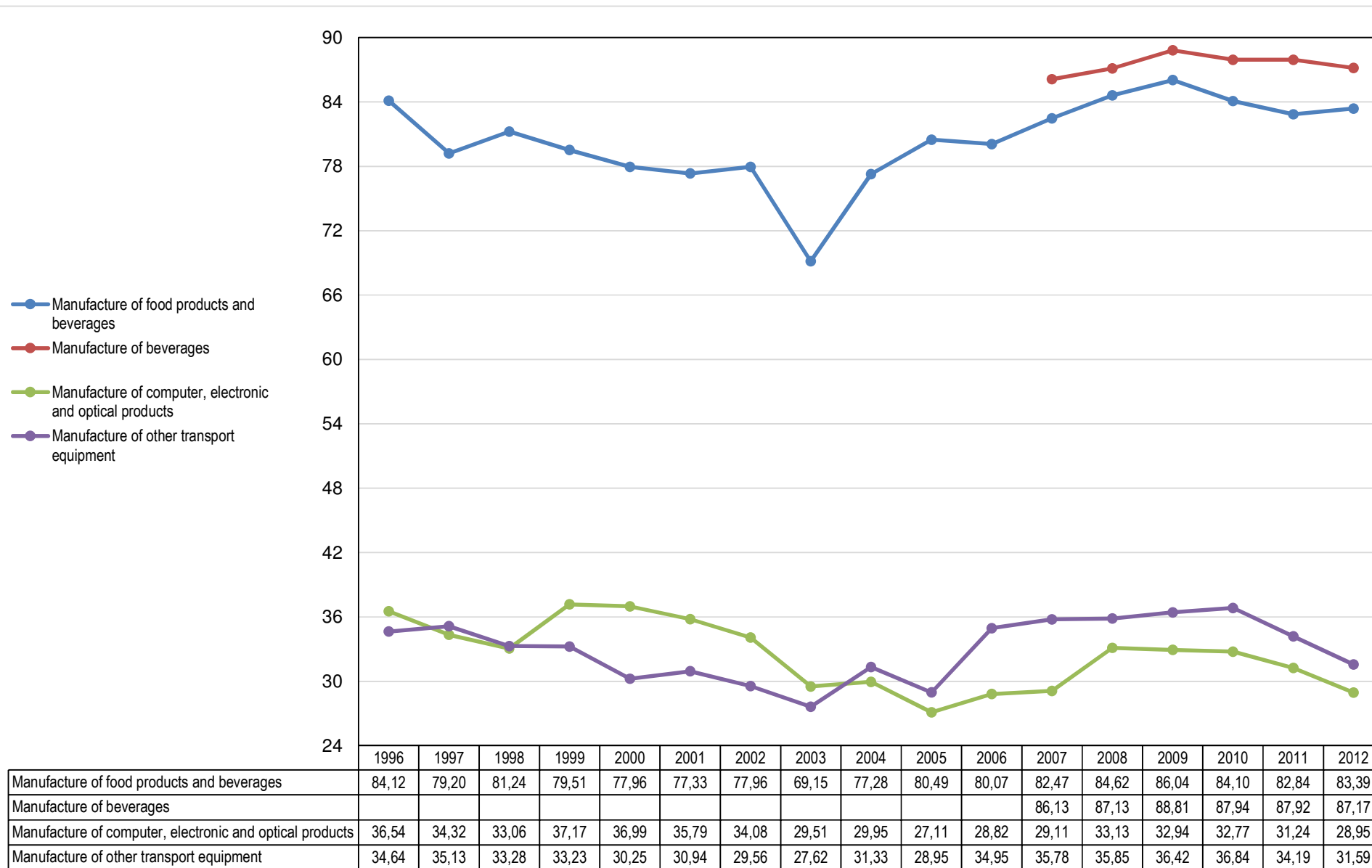
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# Amazonas and Brasil – Selected Manufacturing Activities VIT/ VGIP (%) - 1996-2012



Fonte: Elaborated with IBGE/PIA data.

**Amazonas and Selected Federal Units  
Selected Manufacturing Activities  
VIT/ VGIP (%) - 2012**

Position	Manufacture of beverages		Manufacture of computer, electronic and optical products		Manufacture of other transport equipment	
	Area	VIT/ VGIP	Area	VIT/ VGIP	Area	VIT/ VGIP
1	Amazonas	87,17	Goiás	67,81	Espírito Santo	73,52
2	Santa Catarina	62,83	Espírito Santo	64,73	Pernambuco	67,82
3	Minas Gerais	59,02	Santa Catarina	64,71	Mato Grosso	61,96
4	Rio de Janeiro	55,36	Rio de Janeiro	62,27	Rio de Janeiro	60,95
5	Brasil	55,29	Rio Grande do Sul	60,59	Rio Grande do Sul	51,83
6	Ceará	51,97	Pernambuco	46,19	Paraná	49,13
7	Rio Grande do Sul	51,22	Ceará	44,99	Goiás	43,38
8	Goiás	50,98	Mato Grosso	44,78	São Paulo	42,20
9	Mato Grosso	49,97	Bahia	40,40	Brasil	40,98
10	Pernambuco	49,12	Paraná	37,97	Ceará	38,72
11	Bahia	46,03	Minas Gerais	37,16	Bahia	36,73
12	São Paulo	45,14	Brasil	33,41	Minas Gerais	35,93
13	Pará	43,90	São Paulo	32,89	Santa Catarina	34,22
14	Paraná	37,60	Amazonas	28,95	Pará	31,93
15	Espírito Santo	24,07			Amazonas	31,59

Fonte: Elaborated with IBGE/PIA data.

# Conclusions

From the PIA/ IBGE data, the perception of PIM as a kind of maquila is incorrect.

Amazonas, mostly PIM, started to aggregate more than Brazil for each R\$ 1,00 produced.

The changes occurred in 2003 can explain the (VIT/ VGIP) inflexion, with more value-added

The industrial density index in Brazil reduced and didn't recover the 1996's level

The beverage industry contributed a lot to the result and it's a link between the special economic zone and regional activities

From 2003 to 2010, the electronic complex and the motorcycle industry also concurred to the index's improvement.

Merci!  
Thank you!  
Obrigado!

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