



## **Sustainability and taxation: the Manaus free trade zone as a development model green**

*Sustainability and taxation: the Manaus free trade zone as a model of green development*

**Dalton Henrique Melo Aguiar**

**Karen Rebeca Silva de Assis**

**Matheus Viana Dantas**

**Raphaella Bezerra Maia**

**Paulo Eduardo Queiroz da Costa**

### **Summary**

The Manaus Free Trade Zone is an example of a public policy that combines regional development and sustainability in Brazil. It promotes the economic transformation of the Amazon, creating jobs, attracting investment and preserving the Amazon rainforest. The new legislation strengthens the regional economic model, offering predictability to investors and consolidating the sustainability of the Amazon. The objective of this paper is to describe the difficulties related to the Manaus Free Trade Zone, as a model of green development and to identify the benefits that this economic development model implemented by the Brazilian government can provide to the economic base in the region.

**Keywords:** Green Free Zone, Sustainability, Preservation.

### **Abstract**

The Manaus Free Trade Zone is an example of public policy that combines regional development and sustainability in Brazil. It promotes the economic transformation of Amazonas, creating jobs, attracting investments and preserving the Amazon rainforest. The new legislation strengthens the regional economic model, offering predictability to investors and consolidating the sustainability of the Amazon. The objective of this work is to describe the difficulties related to the Manaus Free Trade Zone as a green development model and to identify the benefits that this economic development model implemented by the Brazilian government can enable the economic base in the region.

**Keywords:** Green Free Trade Zone, Sustainability, Conservation.

## **1. INTRODUCTION**

Development initially brings images of growth, evolution, progress, prosperity and improvements. The term "sustainable" encompasses concepts of the possibility of support and maintenance, continuity, permanence, among others

connotations linked to the provision or availability of resources and conditions for a being can continue carrying out activities that guarantee its survival.

The World Commission on Environment and Development (ECO/92) defined the sustainable development as that which meets the needs of the present without compromise the ability of future generations to meet their own needs.

The Manaus Free Trade Zone is an important economic center comprising three poles: commercial, industrial and agricultural. It generates billions in revenue and more than half a million direct and indirect jobs. The Manaus Free Trade Zone is an important center economic sector comprising three poles: commercial, industrial and agricultural. It generates billions in revenue and more than half a million direct and indirect jobs.

The superintendence of the Manaus Free Trade Zone states that, since the implementation of the Green Free Trade Zone (ZFV), industrialized products in LACs can benefit from exemption of the Tax on Industrialized Products (IPI) in the sale of the product, whether intended for internal consumption in LAC, or for sale anywhere else in the national territory.

The Manaus Free Trade Zone is the main economic base of the State, according to the Government of the State. The Green Free Zone is an incentive regulated by the Federal Government since 2016, which provides for exemption from the Tax on Industrialized Products (IPI) for industrial production in the Free Trade Areas of the Superintendence of the Manaus Free Trade Zone (Suframa). Therefore, it is important to verify how this model encourages and contributes in a sustainable and economical, with the aim of responsibly stimulating industrialization in the Amazon, in order to guarantee its preservation.

This article seeks to demonstrate the link between sustainability environmental and taxation, using the analysis of extra-fiscality as an instrument of protection and improvement of the human environment. With the aim of exposing the concepts regarding the Manaus Free Trade Zone as a model of Green development.

## 2. SUSTAINABILITY AND TAXATION:

One of the facets in which this conception of nature-object is present is in the idea of economic growth promoted at any cost, that is, without concerns about ecological and social order that for some time was mistakenly conceived as being synonymous with economic development (VEIGA, 2010).

When analyzing environmental protection as a duty of the Public Power, it is essential to reflection on the mechanisms through which the State is able to adopt to ensure compliance with the fundamental duty of protecting the environment, in accordance with defined by the Federal Constitution of 1988. In this context, the debate that deals with development and sustainability. The extra-fiscal purpose of taxes is advocated as a means of promoting sustainable development in all its forms dimensions. Finally, the means by which taxation can contribute to the promoting sustainable development from an environmental perspective.

According to Hable (2020), green taxation is an efficient way of protecting the environment environment, as it leads both individuals and legal entities to seek more sustainable means for the planet in combating pollution. It is a differentiated system in the general view of taxation through incentives, whether by reducing the tax burden or even transferring money, with an emphasis on ecological taxes that have characteristics that benefit from the use of this instrument.

## 3. SUSTAINABLE ECONOMIC DEVELOPMENT

The concept of development as synonymous with economic growth and protection environmental issue emerged in the mid-1960s. Based on the observation of the growth of environmental problems, a new vision was created, through mechanisms international, opting for the reform of development processes in response to the concept of sustainable development (SOUZA, 2000).

The industrialization process in Brazil had its development late, in the middle of the 20th century. According to Brum (1999), there were several attempts to implement the project of industrialization in the country, with the aim of removing it from backwardness and drive it towards progress and the construction of its greatness. Industrialization in the vision of those holding central power was seen as the key to development. Concomitant with strong agriculture, the implementation and expansion of a own industrial park, following the example of European nations and the United States.

The principle of sustainable development is currently a mandatory subject in discussions about development policies, as this is a theory that advocates the revitalizing global economic growth in order to reduce environmental degradation and poverty, since existing development models are not sustainable in the long term term, its assumption being the change in economic growth, to make it less intensive and more equitable in its impacts (CHERNI, 2002, p. 48-49).

Industrialization was primarily based on a national company, which should lead the process of accumulation and expansion of productive activities based on their own economic forces, supported by public authorities (BRUM, 1999 P. 205). These transformations economic are immediately captured for development that is more than the economic growth, that is, it is a set of determining factors for the economic and social development, which must go hand in hand in order to avoid inequalities that plague developing countries.

The 1988 Federal Constitution prescribes, in its article 170, that the economic order, founded on the valorization of human work and free initiative must observe the defense of environment, that is, the right to an ecologically balanced environment set out in Article 225 is present as a principle to be respected by economic activity in article 170, VI.

Economic development should not be confused with economic growth since the objectives of that are not restricted to the mere multiplication of material wealth which is a condition necessary but not sufficient to promote a better quality of life. The implementation of the three generations of fundamental rights and the expansion of material wealth is that translates the idea of development.

#### 4. DEMANAUS FREE ZONE

Created in 1967 by Decree-Law No. 288, during the government of President Castello Branco, the ZFM was conceived as a strategy to boost the economy of Northern region, overcoming challenges such as the distance from large consumer centers and the lack of infrastructure.

The Manaus Free Trade Zone is a Brazilian government initiative that aims to stimulate socioeconomic development in Manaus and the Western Amazon. It is the main development model and responsible for the increase in the trade balance Brazilian and attracting migrants to the region. The Zone encompasses three economic hubs: commercial, industrial and agricultural. It covers an area of 10 thousand square kilometers, and although a large part is located in the city of Manaus, in Amazonas, it also covers other Brazilian states: Acre, Rondônia, Roraima and Amapá.

Initially, the ZFM functioned as a free port for storage and processing of foreign products. However, over time, it evolved into a hub industrial, commercial and agricultural, consolidating itself as one of the models of most successful regional development in Brazil.

#### 5. THE MANAUS FREE TRADE ZONE AS A DEVELOPMENT MODEL GREEN

The name Green Free Zone is a new incentive, which provides for the exemption of Tax on Industrialized Products (IPI), granted by the Federal Government, for industrial production in Free Trade Areas (ALCs), with a preponderance of raw materials cousin of regional origin.

The incentives linked to ALCs have a defined term of validity. According to Law No. 13,023 of August 8, 2014, the term of tax incentives for Free Trade Areas was extended. Trade until December 31, 2050 (SUFRAMA, 2016). The continued validity of the tax incentives are in line with the Federal Government's strategy of implementing free areas trade in the Amazon.

Second edition of the World Sustainability Forum once again consecrates the Polo Manaus Industrial Zone (PIM) and the Manaus Free Trade Zone (ZFM) model as the main responsible for the preservation of 98% of the forest in the State of

Amazonas. The statement was made by Senator Eduardo Braga during the lecture “Sustainable Development of the Amazon Rainforest” presented by him on the last day of the event. The Forum took place from March 24 to 26, at the Tropical Hotel Manaus.

Implemented by the federal government to promote the productive and social integration of Western Amazon, the ZFM is a model of sustainable economic development well successful, which contributed positively to reducing deforestation in the state by 75%.

Regarding the perspective of environmental development of the Manaus Free Trade Zone, a recent study, resulting from the promotional activity of SUFRAMA, confirmed the essential nature of the Manaus Industrial Hub for the preservation of the city's green cover Amazon. In this sense, the ZFM presents itself as a model capable of developing sustainably the western Amazon region and, consequently, Brazil.

## 6. CONCLUSION

The ZFM is an economic development model that was established in the city of Manaus in 1957 by Decree-Law 288. Initially, the ZFM operated as a free port for the storage and processing of foreign products. However, over time, evolved into an industrial, commercial and agricultural hub, consolidating itself as one of the most successful regional development models in Brazil.

One of the most notable aspects of the ZFM is its role in environmental preservation. way, by concentrating industrial activity in a delimited area, the model avoided the disorderly exploitation of the forest. It is estimated that 98% of the native forest in the Amazon is preserved thanks to this strategy.

Despite its success, the ZFM faces challenges, such as the saturation of the Industrial District and the need to modernize local infrastructure. Furthermore, in the future, Suframa plans to invest in Industry 4.0, bioeconomy and information technology, in addition to strengthening partnerships with research and development institutes.

Therefore, it is clear that the tax incentives that make up the Manaus Free Trade Zone are not restricted to the mere economic growth of the region, as the

SUFRAMA has been making use of partnerships and resources from administrative service fees to foster and promote research that improves regional technology based on potential of the forest, which responds to criticism that the model would be flawed because observe external interests unrelated to local attributes.

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