

**INSTITUTE OF APPLIED RESEARCH IN SUSTAINABLE ECONOMIC
DEVELOPMENT – IPADES**

**POLICY OF INCENTIVES FOR THE DEVELOPMENT OF THE AMAZON IN
THE PERIOD 1960 TO 1990**

Francisco Benedito da Costa Barbosa

Founding Partner – IPADES

The agrarian predominant character of the Brazilian economy until the beginning of the year 1950 not demanded of the Amazon, greater role than that of mere provider of some products of their extractive economy, but with low demand.

In the second half of the 1990s the Brazilian economic thinking of the developmentalist current nationalist trend, began to have an important role in the formulation of economic policy from the government of Juscelino Kubitschek (1956-1961).

One of his notable ideologues was the Economist Celso Furtado, which launched in 1957, the seeds of proposals that would transform in the Superintendence of the Development of the Northeast (SUDENE), with the support of President Juscelino Kubitschek.

The SUDENE served as a prototype for the transformation of the Superintendence of the Plan of Valorization of the Amazon (SPVEA), in Superintendence the Development of Amazonia (SUDAM), the creation of the Manaus Free Zone (ZFM), and the Superintendence of the Development of the Middle West (SUDECO).

With the opening of the Rodovia Belém-Brasília, in 1960, there was a ransom of the program March to the West, idealized by Getúlio Vargas, in 1938, with the aim of national economic integration, starting from the colonization of regions considered "distant and uninhabited", like the Amazon.

In the decades of 60 and 70 of the last century, the policies and programs of the Federal Government directed to this region had this goal, seeking to modify the profile of its economy, in line with the developmentalist economic thought.

The instruments adopted to support this transformation is based, essentially, on four essential points: i) Amazon Operation that synthesizes a set of actions of economic planning; ii) legislation, institutions and programs directed to the region; iii) logistics - opening of roads, and communications; iv) knowledge of the physical space - project RADAM-Brazil.

The strategic guidelines, in the field of economic policy, were laid down in the Plan of Economic Action from the Government - PAEG (1964-1967). Among their goals were to mitigate the sectoral and regional economic disparities, by investment policy, the opportunity of productive jobs to labor that continually came to the labor market.

For the Amazon, these goals, plus others with regional application, were outlined in the Amazon Operation , synthesis of the thought of the government for the region materialized through institutions, policies and programs. It was launched by President Humberto de Alencar Castello Branco, in speeches in the capitals of the region, in the period from 01/09/1966 to 03/12/1966.

The Amazon Operation is guided in the Plan of Economic Valorization of the Amazon inserted in the Constitution of 1946 and instituted by Law No. 1,806 of 06/01/1953, who also created the (SPVEA), predecessor of (SUDAM), in planning the development of the Amazon region. This same law established politically the Legal Amazon. The Amazon Operation logged changes in legislation and institutions in several areas in the region.

The SUDAM would lead the regional planning with government resources and tax incentives. As municipality had the autonomy to develop and manage the development plans and, even more importantly, to exert centralized control of the action of the Brazilian State in the context of the region.

The federal department existing in the region should necessarily conform to the general guidelines of the Plan Director of SUDAM and sectorial guidance in the preparation of their programs, in the same way as could the SUDAM suggest including the adaptation, transformation or extinction of these federal agencies with operations in the region. Thus, it was designed the Frist Plan of the SUDAM (1967-1971). He sought the implementation of the economic model of import substitution of the Amazon region *pari passu* to the geopolitical dictates of human occupation in the region.

To achieve these goals, private and public investments should be allocated to specific economic sectors, which would allow the regional economy to release its dependence on its extractive segment. In the First Plan of the SUDAM. The livestock segment had 16.4% of investment expenditure designed, leaving behind only the transport segment, with 40.5%.

However, the proposed goals were not achieved, due to the SUDAM does not have direct control of financial resources indispensable to the proper implementation of the Plan, and also by the fact that the greater part of the resources invested in the region has led to the implementation of basic infrastructure. This is because the autonomy of SUDAM was restricted, to be linked to the Ministry of the Interior, which came to represent the SUDAM in its dialog with the other ministries and with the Presidency of the Republic.

In addition, the institution has lost the power to decide independently about their plans and strategies of action, subordinating it to the determinations of the Ministry of the Interior in relation both to the standards for the preparation of regional planning as well as in relation to the results of the technical operations and other measures.

In this new institutional configuration had the elaboration for the triennium 1968-1970, the I SUDAM Director Plan. In him, so that there is compatibility between the national economic policy and the interests of the region, the Brazilian State should pass the SUDAM all taxes collected in the region itself for a period of three consecutive years. It had as its objective, public investment in the region, enabling the correction of existing distortions between federation units.

But, in practice, what occurred was the maintenance of the *status quo* regarding the financing of the member States, increasing the imbalance in the development of the region, since the States of Pará, Mato Grosso and Amazonas were with 87.3% of investments designed, respectively 39.5%, 27.6% and 20.2%.

The second loss of managerial capacity of SUDAM came with the First National Development Plan - I PND (1972-74), which refocused the national policy development for the country. Started to occur the subordination of the regional planning to national development planning; consequently, the plans designed by the institutions of regional planning began to be byproducts of national plans, which was the case of the plans for the Amazon Development Plan (PDAs) designed by the SUDAM. On account of this change, it had their financial resources subtracted and incorporated to the PIN and the PROTERRA, who were in programs of national interest.

The regional development carried out by the SUDAM prioritized the livestock segment, supported in tax incentives. Also important in this sector was the rural credit, through the Program of Land Redistribution and of Stimulus to the Agribusiness in the North and Northeast (PROTERRA), having as its purpose, promote the more easy access of man on land, create better conditions for employment of the workforce and promote agribusiness in the areas of activity of the SUDAM and SUDENE. Agents funders in the Legal Amazon were the BASA and Banco do Brasil S/A.

The geopolitics for the development of the Amazon, put into practice since the opening of the Rodovia Belém-Brasília (1960) and institutionalised by the Amazon Operation (1966), had in the decades of 1960 and 1970 peak of application. In the last decade, the growth of the Brazilian economy is due, mainly, to investments led by the State by means of the Second National Development Plan (II PND). But, the second half of this decade marks the exhaustion of a long cycle of prosperity of capitalism under the aegis of the order of Bretton Woods. This was due to the exhaustion of the wave of innovations, in whose dynamism sat if the growth of capitalist economies in the post-war period.

In the decade of 1980, the Brazilian economy showed significant contrasts with the previous decades, especially with the year 1970. The sharp fall in the rate of growth observed in this decade indicates the exhaustion of a pattern whose brand was the exceptional dynamism during the years of modern industrialization after 1930 and, particularly, since the middle of 1950 143 years. Three events contributed to this change. In addition to the reflections of Bretton Woods, two other events in the scenario of the world economy were determinants: i) the increases in the price of a barrel of crude oil in 1973 and 1979, known as the "oil shock"; ii) the increase in the international interest rate, after a long period of nominal and real interest rates too low. They have radically changed the landscape of the international economy, reflecting deeply on the Brazilian developmentalist project and its pattern of financing.

Oil prices have moved from the level of the post-war history, from \$3 a barrel, something close to \$12 in 1974. This last year to 1978 remained between \$12 and \$15 to grow back again in 1979, reaching a peak of \$37 in 1891. Brazil, at the end of the decade of 1970, importing 67% of the oil it consumed, and this important input represented approximately 1/3 of the import tariff.

This caused an imbalance in the agenda of the imported products, with the petroleum and its derivatives consuming more than half of which was spent on imports

by country, along the first half of the next decade, with a consequent reduction in the participation of other raw materials, consumer goods and capital goods.

The United States raises your interest rate to 20% per year, an attitude that resulted in the increase of interest in the international context. With this begins the emergence of a new standard of financing at global level that seem, in large part, derived from the flow of petrodollars, initiating the financial globalization.

This new standard of financing, which seem, the pillars of sustaining economic growth began to rely on investments made primarily by private company, mainly of foreign capital, i.e., the interests of transnational corporations in channelling to the country of their investments.

It gave rise to a series of developments on the international market, which in turn created a panorama unfavorable for the maintenance of the Brazilian developmentist model, preventing it, therefore, throughout the 1980s and leading the State to a fiscal crisis and unprecedented financial, which became known as the lost decade of the Brazilian economy, due to the decision of the economic policy established with the II PND.

This new economic scenario, the tax incentives became unviable as regional development policy descaracterizando the SUDAM as your carrier provider. Rural credit had a decrease in the allowance and the amount available. In this way, the developmentalist national standard that fomented the development model until early 1980, no longer justified, consequently, the planning of regional development was also affected.

Thus, compensatory policies adopted to address regional inequalities in the country, put into practice since the year of 1960, remained in the background, no longer having sense the traditional mechanisms for regional development. A new profile of economic policy based on the international situation arose in the global scenario, but that for Brazil, with its severe economic crisis was not a matter of priority, whose effect would be felt in the planning and conduct of regional development.

Although the developmentist model rests on tax incentives and subsidized rural credit had been exhausted, the continuation of the occupation of the region took a modus operandi own leveraging the initial impulse of previous decades, especially in livestock, which also featured with the dynamism of exports, and the favorable conditions of factors land and labor.

However, this expansion has continued to occur even with the use of the technologies of empirical knowledge, however, in a new context from the emergence of the pressures of the environmental movement against deforestation, and conducive to environmental preservation.

And more, the new political composition of the Legal Amazon, this was made with nine States, since 1988, increasing their political participation in the national scenario, continued to demands by the region's development, making this irreversible process, however, from then on, each time under the pressure to develop sustainable production systems.