

Chapter 16

Potentialities and Fragilities of Brazilian SEZs

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ABSTRACT

A Special Economic Zone (SEZ) is a geographically delineated area subject to different regulations and administration from the host country in which it resides to attract foreign direct investment in economic activity that could not otherwise be achieved. The Special Economic Zones have gained relevance considering this new scenario. From an estimated 500 in 1995, they have now grown to around 5,400 in over 130 countries. They do not have a single format and can constitute a free trade area, an export processing zone, trade and foreign investment agreements, tax exemptions, with different stages of development: Stages I, II, and III, respectively – take-off, upgrading, and innovation. In this chapter, the authors analyze the existing models in Brazil, the stages of development they are in, identify their main characteristics, their positive and negative aspects, and assess the development prospects and the challenges for the expansion.

MOTIVATING QUESTIONS AND METHODOLOGY

Methodologically, this study is characterized by a mixed approach, which integrates quantitative and qualitative methods, as it allows interpreting the data and establishing existing relationships, providing itself not exclusively for exploratory purposes, but also for verification and confirmation of hypotheses or not, as well as pre-established assumptions. This type of research is basically composed of three stages: a) the preliminary analysis, b) the exploration of the material, c) data treatment and interpretation, and the analysis that the qualitative analysis seeks to understand a group of people with a focus subjective, the quantitative uses exact sciences to measure more objective research (Vergara, 2010). We conducted a brief review of the literature to identify the main concepts used in order to achieve economic development in the period after the Second World War and more specifically in Brazil, as these comprise the bases for the formation of the Special Economic Zones installed in the country.

This study examines the SEZ experience in Brazil, notably the Manaus Free Trade Zone (MFTZ), which is the main success case. Several attempts were made to expand the model adopted to other regions of the country, but few managed to consolidate. Another question is identified what the potentialities and fragilities of the Brazilian SEZs as development enablers are.

We will introduce the topic, provide contextual background SEZ's, and summarize the historical progress in Brazil, seeking to identify the institutional, regulatory, fiscal, governance factors, among others that contributed to their strengthening or made the model unfeasible.

INTRODUCTION

The role of the State as an organizer and social actor played a central role between the post-World War II period and the 1970s. Government intervention in the economy came to be seen as indispensable in several areas, as active states would constitute key elements in any successful effort in the reconstruction of the main economies and also to create the foundations of modern market economies, contributing to rapid industrial growth.

More specifically, between 1950 and the 1970s, several theorists sought to explain the causes and the main means to trigger the process of economic development. Perroux (1967), Boudeville (1970), Myrdal (1967), Hirschman (1958) and North (1977), based their studies on the polarization of economic production in space and in external and agglomeration economies, showing the irregularity of the development process economic situation, which would justify state intervention in favor of regional development.

In several countries, policies were created based on the application of the growth pole theory to solve the problems related to intra and interregional disparities, given its repercussion in the geographical space and its comprehensive idea of development.

The proposals elaborated had the support of the State and reinforced public planning structures, giving rise to a particular model of action by the developmental State, whose main objective was to overcome underdevelopment through industrialization. In Latin America, guidelines for implementing the industrialization process to overcome underdevelopment were established by the Economic Commission for Latin America and the Caribbean (ECLAC).

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