The Socio-Economic Importance and Interdependence of the Metropolitan Regions of Belém and Manaus in Brazil: An Input-Output Analysis

Topic: Public Policy Examinations
Author: Gisalda C. FILGUEIRAS
Co-Authors: Joaquim J.M. GUILHOTO, Carlos R Azzoni

Of the seven states of the North Region, Belém, the State capital of Pará, and Manaus, the State capital of Amazonas, are those with greater economic, social and environmental dynamics. These two cities account for a resident population of 3.2 million inhabitants, with an average Human Development Index (HDI) of 0.714, but with major differences in their per capita GDP. While Manaus per-capita GDP is R$ 26,760; Belém per-capita GDP is almost half of it, i.e., R$ 14,575 (IBGE, 2014). They are also two different economies, while Belém is essentially an exporter of primary goods (minerals and forest products); Manaus is a major importer of industrial inputs, from the rest of the world and from the rest of the country, given that since the 1960s the city hosts the Industrial Pole of Manaus - IPM (Decree-Law 288/1967). In this context, analyzing the dynamics that these two cities have among themselves, with their states, and with the rest of Brazil, is the focus of this study. The basic hypothesis is that - despite its structural economic differences, these two cities are poorly differentiated with regard to local economic and social development, that is, although they receive several tax incentives trough public policy, they are not able to extrapolate the effects of their positive dynamic linkages to their own states and to the rest of Brazil. This relates to the fact that Pará state being a net exporter of primary products is not able to add value to their products; this problem is accentuated by: a) the high share of informal jobs in the primary sector; and b) the introduction of Environmental Laws restricting various activities of the agricultural sector. In its turn, Manaus, as a major importer of industrial inputs: a) ultimately lead to major leak of income abroad, since the jobs generated in the city aggregate low value added to the final goods being produced; and b) this directly influence the need for the City to increase imports, including raw and processed food products. Thus, to better understand these interconnections among the regions, it is used an inter-regional input-output (I-O) model, considering 5 regions (Belém, Rest of Pará State, Manaus, Rest of Amazonas State, and Rest of Brazil) for the year 2009. Using this I-O model, it is possible to compare the economic structure of these cities, with regard to its main indicators (employment, production and income), to better understand their strengths and weaknesses, as well as the spillover effects of the two economies, in such way that better public policies could be defined for these regions.