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THE FREE ZONES AND THE REFLECTION ON THE ISONOMY OF THE FEDERATIVE PACT: a case study of the Manaus Free Trade Zone, State of Amazonas(BRAZIL)

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ABSTRACT

The present work has as scope the form of Brazilian federal state, its role as guarantor of the isonomy between the federated entities and the compensatory measures adopted to establish the balance of these, with emphasis on the establishment of the Manaus Free Trade Zone and Areas of Free Commerce. The theme is entitled "The Free Zones and the reflection on the isonomy of the federative pact: a case study of the Manaus Free Trade Zone". The objective is to provide an overview of the fiscal incentives instituted in the Manaus Free Trade Zone, in order to preserve the equality of the federated entities, so that an evaluation of the results of the measures, focusing on their effectiveness, can be carried out.



KEY-WORDS: Federal Pact. Isonomy. Free Trade Zone of Manaus.

1. INTRODUCTION

The federative pact is the instituting concept of the form of homeland state and consubstanciador of the relative autonomy of the federated entities. Such a concept states that the unitary sovereign state, through the movement of political decentralization, in this case in a centrifugal way, is internally divided into entities with administrative autonomy but interdependent within the sovereign state that they integrate.

The form of federative state aims to ensure the distribution of competences and the balance between the components of the federation. In the Federative Republic of Brazil, such a pact is governed, among others, by

the principle of isonomy, which protects equality of treatment and opportunity of federal entities. However, starting from this principle and its dimension of equalizing the unequal, compensatory measures are taken to properly achieve this desired equality.

The measures referred to here, with a constitutional basis, include tax and free trade incentive zones, which are set up to implement investments in the deficit region and to develop lines of industrial, agricultural and commercial activity.

It happens that the precautionary measures taken are not always measured and monitored in a way that justifies their permanence, which can create an indefensible disparity between regions and end up impeding the effective development aimed at. The following problem arises: Does the creation of free zones and the allocation of disparate fiscal incentives between regions of the federation deny the principle of equality or do they effectively implement it? How to measure, substantiate and evaluate these policies in the face of a practical situation?

From this questioning comes the theme developed in this article: "The Free Zones and the reflection on the isonomy of the federative pact: a case study of the Manaus Free Trade Zone".

The general objective of the research is to provide an overview of the relevant nuances of tax incentives and free zones in order to conserve the isonomy of the federated entities, so that an evaluation of the results of the measures, focusing on the Manaus Free Trade Zone and its Effectiveness, can be made.

The specific objectives are: to conceptualize the form of federative state; Conceptualize and justify the principle of isonomy, applied to the federation; To analyze the existing compensatory measures adopted to maintain isonomy among federated entities in Brazil, highlighting and examining the establishment of the Manaus Free Trade Zone as a measure of federative equilibrium; To evaluate the results, repercussions and effectiveness of the Manaus Free Zone in the context of regional development and federal isonomy.

For Alves-Mazzotti and Gewandsznajder (1999), the details of the methodological processes includes the indication and justification of the paradigm, the phases of research development, description of the context, selection of participants and data collection and analysis tools, with no correct methodologies, but rather methodologies that are appropriate or inadequate to address a particular problem.

The qualitative research, in the present study, relates and links the objective world and the subjectivity of the subject that can not be translated into numbers but through the interpretation of the phenomena and the attribution of meanings, having a descriptive character (Prodanov and Freitas, 2013).

Gil (2008) emphasizes that the research design is the planning of the research in its broadest dimension, involves a series of technical procedures that more thoroughly investigate theories and facts and what methods should be applied. As for the technical procedures, the research will be bibliographical, based on material already made up of books and scientific articles.

The present study is of scientific importance because it proposes to analyze in an impartial manner the legal and economic fundamentals and the effective application of the fiscal compensatory measures in question. The undertaking may assist in the evaluation of these policies and in the implementation of changes that are conducive and necessary to the correct preservation of isonomy.

2 .FEDERATIVE PACT

The federative pact, as the foundation of all division of state competences and an instrument of maintenance of isonomy and harmony between federated entities, deserves special attention and analysis, so that the measures to ensure the real proportion of resources and incentives taxation can be applied.

2.1 Concept, origin and grounds

The state, from the point of view of the division of political power, can be classified as unitary or compound. The unitary state is characterized by having only one central power, not being politically decentralized, but only in an administrative form (unitary state centralized or decentralized). The Compound State has more than one state entity and is politically decentralized, and may constitute a confederation or federation (MORAES, 2016).

The composite confederation State has a plurality of States which maintain their sovereignty, united in Confederation by the foundation of validity of an international Treaty. The federative state has a sovereignty unit, but a plurality of autonomies in the federated entities (MOARES, 2016).

Federation, from the Latin "foedus", simply means alliance (DALARI, 2013).

Some consider the federation of Attica of Athens founded by Theseus, according to Greek mythology as the cradle of federalismo (MORAES, 2016).

Dalari (2013) also considers as a remote antecedent the Helvetic Confederation in the region of the Alps, of 1291, whose alliance between cantons developed and evolved until being constituted in the federative state of Switzerland (denominated by historical attachment of "Swiss Confederation").

However, the earliest indications of use of the federative state form as it is today are traced back to American law, when the Thirteen Colonies broke the ties of domination with England and united in Confederation in the year 1777, in order to seek their independence through mutual protection (DALARI, 2013). At first independent and sovereign among themselves, the former colonies transformed into participating States of the Confederation coexisted in cooperation of little relevance, being the period marked by administrative and territorial discrepancies and relative indifference. It can be said, therefore, that American federalism arose in response to the non-compliance and failure of the established confederation model.

It was then in February 1787 that the Congress gathered in New York convened the Philadelphia Convention for May, already reported as "Foederal Convention", which consolidated the adoption of the model now considered federalism (DALARI, 2013).

Barroso (2003) states that federation is the form of state singled out for having at its core two kinds of legal orders: the federal, coming from the central power; and federates from regional and local authorities.

The federal pact, as defined by Pinto Ferreira (1991), is an organization based on a division of powers between the national government and the state governments, in which the Union has supremacy over the Member States and these have only constitutional autonomy before the Union.

Marcel Prelot (1957) asserts that the federal state has a plurality of constitutional organizations participating, being a major, to which subordinate other minor orders.

According to Peña de Moraes (2016), the federal state can be classified as symmetrical and asymmetrical, according to the scale of uniformity between the entities and the federal authority; centrifugal or centripetal, originated by the segregation of a unitary State or aggregation of a composite State; first-generation or second-generation, if influenced by American avant-garde federalism or by the later European-continental model.

Peña de Moares (2016) also adds, in the most practical aspect, the classification as dualistic (division of competence in the horizontal plane), cooperative (distribution of competences in the vertical plane in a coordinated way) or integration (predominance of the Union over the others).

Still in the propaedeutic core of the definitions, it is interesting to list the characteristics commonly present in the federative model.

Luiz Alberto David Araújo (1995), states that each federal state will have its own characteristics as to the distribution of its competencies and the degree of federalism adopted.

Meanwhile, Guilherme Peña de Moares (2016) argues that the constitution of a federation requires at least the indissoluble union between autonomous entities lined with self-government, self-administration and self-organization; bicameralism to enable the participation of entities in government; and the constitutional division of powers.

The use of this state organization is justified by the fact that it harmonizes the limitation and independence of the federated entities around a strong sovereign organization capable of securing the federal state.

2.2 Brazilian federation

In Brazil, the adoption of the form of federalist state was based in the US model, but in the opposite way, from centralization to decentralization. Originally a unitary state after achieving the independence of Portugal in 1822, it was decentralized politically in order to guarantee control over the extensive national territory and bring

the spheres of power to the regional and local society.

Barroso (1982) expresses that Brazilian federalism was originally adopted artificially, disregarding the reality of the country and simply adhering to American federalism. This fact ignored the social situation and served primarily to negotiate with conflicting political movements and meet the population's expectations for a political power closer to the people.

According to Saraiva(1995: 70) "Brazilian federalism was the fruit of a legislative technique," not of the social conjuncture of the time.

Decree No. 1 of 1889 declared the Federative Republic of the United States of Brazil as a form of state and government, and was corroborated by the Constitution of 1891. From then on, the federal form was developed, the distribution of powers and the balance between the components of the Federation.

It was through historical moments like the policy of the governors, the Old Republic, the policy of "coffee with milk," the international influence of the new federalism of the Weimar Constitution of 1919, and the emergence of the municipality as a new federative entity that consolidated the Republic Federative of Brazil as it is today.

In the context of the Federative Republic of Brazil, it is first necessary to set out the constitutional foundations that outline the form of federative state.

It is imperative that for the Democratic State of Law the Constitution is the basis for building federalism, being the only one able to define the spheres of the federated entities inserted into each other without compromising unity and harmony.

The Federal Constitution of 1988, already in its preamble, establishes the concept of the Federative Republic of Brazil. Article 1 quotes the constituent entities of the Federation (Union, States, Federal District and Municipalities) and the indissolubility of this union.

Proceeding to article 18, it states that the Federative Republic of Brazil comprises the Union (a sphere of power that also acts internationally, on behalf of the Republic, with sovereignty), the States (regional entities dismembered from previous unitary organization by political decentralization), the Federal District - DF (hybrid entity, capital of the Republic, which includes state and municipal competencies) and the Municipalities (local entity, novelty of Brazilian federalism), all of which are autonomous.

The powers defined in articles 21 to 24 (competences of the Union and common with the States and DF), 25 (States), 32 (Federal District) and 30 (Municipalities) of the Federal Constitution of 1988, constitute the federative form, insofar as share the powers and jurisdiction of entities to enable participation and balance.

The elevation of the municipality as a participant of the federation, although controversial and denied by some authors (because they do not have representatives in the federal legislative power nor a sphere of their own judiciary), is the greatest innovation in the Brazilian model of federalism. This measure aimed at adopting a more cooperative federalism and bringing the real holders of this closer to the center of power.

From these preliminary explanations about federalism and its configuration in Brazil, one must proceed to the analysis of federative isonomy and compensatory measures.

3 .FEDERATIVE PACT AND PRINCIPLE OF ISONOMY

It is necessary to relate federalism with its most important governing principles, isonomy, to measure compatibility and correct application of this form of state within the scope of the Brazilian tax system.

3.1 Isonomy: concept and legal grounds

The principle of isonomy is the foundation of the Democratic State of Law. Pereira (2010) states that such a foundation, also known as the principle of equality, is defined as a general principle of Law.

This principle is generally based on Article 5 of the Constitution of the Federative Republic of Brazil, which states that all are equal before the law, without distinction of any kind.

According to Pereira (2010), the law must treat equals equally and treat the unequals unequally in the measure of their inequalities. Through isonomy, for example, equal treatment is accorded to all taxpayers who are in an equivalent situation as regards the ability to pay taxes.

This principle is a notorious representative of the Democratic State of Law, being intrinsically related to

the notion of justice inherent in the rule of law.

3.2 Isonomy applied to federated entities

Once the importance of isonomy is specified, its applicability must be verified directly to the concept of federative pact under the light of the pertinent legislation.

The Federal Constitution in its article 60, paragraph 4, item I, enshrined the principle of federalism, elevating it to the condition of a stony clause (not subject to amendment tending to abolish it). It also defined the power of legislating, taxing and executing public services among the political people included in Articles 1 and 18 above.

Such competence to institute taxes is a corollary of the federative form, since it is one of the tools used to delimit the power of the federated entities and to provide their balance.

The principle of isonomy is also present in the tax field, provided for in article 150, item II, of the Federal Constitution of 1988, which establishes that it is prohibited for tax authorities to institute unequal treatment among taxpayers who are in an equivalent situation, professional occupation or function exercised by them.

Pereira (2010) asserts that tax isonomy is translated as one of the most comprehensive principles among those that regulate the tax system, because influences the political person and the federative entity.

When analyzing a tax jurisdiction and its relation with isonomy, one can measure an application of compensatory measures constitutionally allowed to level the members of the federation economically and socially.

3.3 Tax jurisdiction and federal isonomy

Tax competence is defined by Sabbag (2016), as the private and constitutional ability attributed to the political entity so that, based on the law, proceed to the tax exaction.

To the entities of Public Law (Union, States, Federal District and Municipalities), the Federal Constitution, in articles 153 to 156, attributes the tax jurisdiction.

For Conti (2004), such attribution is a fundamental problem in federations, since the political power granted to the Member States or provinces must be accompanied by a corresponding financial burden.

The resources raised through taxation serve to maintain the federative entity, but this is not its only function. Tax jurisdiction can act as aonus to level disparate revenues in the spheres (such as the necessary transfers made by the Union for certain taxes of its competence to other entities) and may constitute a tool for economic regulation or regional development.

In the latter case, it is worth highlighting the use of specially defined exemptions and tax reductions to promote the economic and social sectors of disadvantaged and needy regions. The Federal Constitution expressly states this possibility in its article 43 and article 151, item I. Particular measure is a form of compensation between the members of a federation in a situation of relevant socioeconomic inequality.

4. FREE TRADE ZONES: COMPENSATION MEASURE OR INADEQUATE INSTITUTIONAL PRIVILEGE?

Having concluded the analysis of tax jurisdiction and its impact on the federative pact, it is opportune to approach the compensation measure focused on the present study, which consists of the creation of zones with tax and credit tax benefits.

As explained, the Federal Constitution in its article 151, item I, grants the Federal Government the power to establish, in a uniform manner, federal taxes throughout the country, reaffirming the federal principles and the isonomy.

The principle of geographical uniformity, provided for in the mentioned article, prohibits the imposition of a tax that is not uniform throughout the national territory or that implies a distinction or preference with respect to State, Federal District or Municipality.

Luizetti (2012), states that the principle of geographical uniformity in addition to complying with the federative pact, obeys the principle of isonomy, requiring uniform treatment between federated entities.

However, it is important to emphasize that the exception to the principle of geographical uniformity is the concession of fiscal incentives, admitted by the Constitution, provided that its destination aims at promoting

the socioeconomic balance between the regions in Brazil.

For Luizetti (2012), the granting of tax incentives is a way of achieving social and economic equality among the regions of Brazil and not an exception to the principle of isonomy. Thus, the tax benefits for the north and northeast regions, especially for those areas that are difficult to access or for drought, are acts that are accepted by the legal system and are necessary to achieve the ideal of justice and real equality.

Therefore, one can begin with an analysis of one of the most notorious and fruitful examples of the establishment and maintenance of a free trade zone as a measure of federal adaptation between disparate regions: the Manaus Free Zone, created with the main purpose of developing and populating the northernmost region of Brazil.

4.1 Manaus Free Trade Zone: current representative

At first, the proposal to create a free port in the northern area and furthest from the national territory was conceived in 1951 by federal deputy Francisco Pereira da Silva, who sought economic alternatives for the region that already suffered due to its geographical disadvantages.

The north of the country had a severe demographic emptiness due to the lack of development caused by the great distance of the economic centers. In addition, their natural potentialities were underutilized or used in a predatory manner, leaving the region at the mercy of external invaders and illegal exploiters.

In 1957 a disposition was formed to supplant underdevelopment. It is sanctioned by the President Juscelino Kubitschek the Law No. 3,173, of July 6, which created in the city of Manaus, capital of the State of Amazonas, what would be a Free Zone for the purpose of storage, custody, conservation, processing and withdrawal of goods, articles and products of any nature, coming from abroad and destined to the domestic consumption of the Amazon.

Salazar, in his book "Amazon: Globalization and Sustainability", quotes in a practical way how the tax incentives policy to develop the Amazon was initiated with this measure:

The tax incentives policy for the Western Amazon began with the creation of the Manaus Free Trade Zone, through Law No. 3,173, of June 6, 1957, regulated by Decree No. 47.757 of February 2, 1960. The law was an initiative of the Amazonian parliamentarian Francisco Pereira da Silva and established a free trade area of import in a perimeter of 200 hectares in the city of Manaus. (SALAZAR, 2006: 233)

The government's development policy in the Amazon has also been changed by the military. With the advent of the military coup of 1964 and the establishment of the new military regime, the federal autarchies formally lost administrative autonomy, being linked directly to the President of the Republic (BERCOVICI, 2003).

Still in the military government, came the extinction of the Superintendency of the Plan for the Economic Valorization of the Amazon – SPVEA and the creation of the Superintendency of the Development of the Amazon – SUDAM, through Law 5173 of October 27, 1966, endowed with federal resources, whose purpose was to coordinate the actions of common interests of the Amazonian states, to promote development and decrease inequalities (BRUM, 2012).

In 1967, Decree-Law No. 288 of February 28, sanctioned by President Castello Branco, revoked Law No. 3,173 of June 6, 1957 and Decree No. 47.757 of February 2, 1960. Through this new legislation, it was established that tax incentives would be in effect for 30 years, and the Free Zone of Manaus - ZFM would be reformulated for a model based on the creation of industrial, commercial and agricultural centers in the interior of the Amazon.

In this same Decree, a Superintendence of the Free Zone of Manaus - SUFRAMA was created, an autarchic entity responsible for administering the fiscal incentives of that area of exception. This initiative aims to provide the region with economic conditions that allows its development, due to the local problems and the distances in which the consumer centers of its products are.

Another relevant historical point of this model was the internalization of the benefits with the purpose of encouraging development in the Western Amazon, whose area was delimited by Decree Law No. 291 of February 28, 1967, consisting of the states of Amazonas, Acre, Rondônia and Roraima. In 1968, Decree-Law No. 356 extended the benefits of Decree-Law No. 288/67 to goods and merchandise received, benefited or manufactured in the ZFM for use and domestic consumption in the Western Amazon.

Subsequently, from the end of the 1980s, these benefits were extended to the Free Trade Areas - ALC

created in border areas in other locations in the northern region.

This model became the motor of development of the region and its results would have motivated its extension in several moments. The original term of the incentives would have expired in 1997 but was extended for a further 10 years by Decree No. 92,560 of 19 April 1986, until 2007. As soon as the Constitution of the Republic of 1988 was promulgated, it had its benefits ratified in art. 40 of the Transitory Constitutional Provisions Act (ADCT), guaranteeing the existence of the model for 25 years from the promulgation of the Constitution, that is, until October 5, 2013.

In 2003, through Constitutional Amendment No. 42 of December 19, article 92 in the ADCT, adding 10 years to the previous deadline, that is, extending the model until October 5, 2023.

And finally, on August 5, 2014, the enactment of Constitutional Amendment No. 83 had taken place, extending the term of validity of the benefits of the Manaus Free Zone for another 50 years, that is, until 2073.

4.1.1 Attributes, purpose and incentives

The Free Trade Zone of Manaus - ZFM was created with the purpose of attracting investments, promoting regional occupation and integrating the Amazon to the national economy, starting to adopt a model of fiscal and extra-fiscal incentives policy.

It is intended to contextualize that in a scenario with a high tax burden such as it is in Brazil, the advantages of adopting an area or regime of tax exemption is a relevant differential for regional development.

ZFM's tax incentives consist of tax and extra-fiscal benefits, most of which are strictly tax-related. However, it is possible to find non-tax incentives - such as access to financing or infrastructure development, subsidies for land acquisition, purchase of machinery, diversification of activities - offered by the different public administration agencies, either by direct or indirect ones.

The exemption is established in the most traditional form of fiscal incentive, consisting of the release of the obligation of the taxpayer to collect the tax due, partially or totally. The deduction is the granting of the right to deduct a certain portion of the tax or its tax base on the condition that the corresponding resources have been or will be applied in events relevant to economic policy.

Below it is summarized the list of ZFM incentives offered by each of the federative entities. Emphasizing that under the competence of the Union there are two incentive groups: those administered by SUFRAMA and those offered by SUDAM, whose information covered in this article was obtained in the specific legislations and in the document published by SUFRAMA (2013) entitled "Regulatory Framework Of the Fiscal Incentives of the Free Zone of Manaus, Western Amazonia and Free Trade Areas".

According to the SUDAM Regulation, Ordinance No. 283/2013 of the Ministry of National Integration, the following tax incentives can be related: the fixed reduction of 75% of the income tax and additional non-refundable - IRPJ; the staggered reduction of income tax and additional non-refundable income (IRPJ) of 12.5% from 2009 to 2018; deposits for reinvestment; accelerated depreciation, encouraged for purposes of calculating income tax; the discount, within 12 (twelve) months, from the acquisition of the credits of the contribution to PIS/PASEP and COFINS; and, exemption from the Freight Additional for Renewal of the Merchant Navy - AFRMM.

The federal incentives administered by SUFRAMA are the exemption of Import Tax and IPI (Tax on industrialized product), and application of zero rate for PIS/PASEP and COFINS.

In the case of reducing to zero rate of the Contribution to PIS/PASEP and the Contribution to the Financing of Social Security - COFINS, this tax is levied on revenues from sales of goods destined for consumption or industrialization in the Manaus Free Trade Zone (ZFM) by a corporation established outside that area.

The IPI exemption is linked to the importation and national/nationalized products at the entrance of goods in the ZFM, destined to its internal consumption, industrialization to any degree, including processing, farming, fishing, installation and storage for re-export (except arms and ammunition, tobacco, alcoholic beverages, passenger cars and perfumery, toilet preparations and cosmetic preparations). This exemption is extended to the Western Amazon as a whole for industrial production carried out with agricultural raw materials and vegetable extractives.

The IPI exemption shall also apply to all goods produced in the ZFM, whether for domestic consumption

or for marketing in any part of the national territory, except arms and ammunition, tobacco, alcoholic beverages, passenger cars.

In general terms, the entry of foreign merchandise into the ZFM, intended for domestic consumption, industrialization to any degree, including processing (Decree No. 7212/2010) will be exempt from Import Tax – II, and the exit of industrialized products in the Free Trade Zone of Manaus (paragraph 4, article 7 of Decree-Law 288/1967) for any point in the national territory will have a reduction of the Import Tax at 88% of the tax rate. However, there are the cases that compute a reduction in the coefficient of the II, among which are computer goods (as established in paragraph 1, article 2 of Law 8,387 / 1991), and automobiles and tractors (paragraph 9, art. 7 of Decree-Law 288/1967).

In 1988, through the ICM Agreement No. 65, the consignments of industrialized products of national origin destined to the commercialization or industrialization in the ZFM became exempt from the “Tax on operations related to the Circulation of Goods and on the provision of Interstate and Intermunicipal Transportation Services and Of communication”-ICMS, and later, this benefit was extended to the Free Trade Areas – ALC.

In addition, we can mention the incentives that come under the jurisdiction of the Municipal Department of Finance and Internal Control - SEMEF, of the Municipality of Manaus, among which are the Land and Urban Tax of the city of Manaus - IPTU and Tax on Services Rendered of Any Nature - ISSQN.

4.1.2 Results and prospectives

The Manaus Free Trade Zone - ZFM, therefore, has several skillful tools to attract investment and development to the incentivized region. However, it is necessary to measure, through relevant data, whether this process has actually occurred and whether the need for this compensatory measure still exists.

Such analysis permeates sociological and economic factors, to be quantified below, although not absolutely, by the commonly used development indicators.

The Human Development Index (HDI) created in 1998 aims to generate information tools that succinctly appreciate the human development of countries, adopting three basic dimensions: income, education and health. The HDI is the counterpoint of another widely used indicator, the Gross Domestic Product (GDP) per capita, which considers only the economic dimension of development.

Between 1991 and 2000 the HDI shifted from 0.430 in 1991 to 0.515 in 2000 - a growth rate of 19.77%. During this time, the magnitude of absolute growth was education (with growth of 0.120), followed by longevity and income.

In the period 2000 and 2010 the HDI increased from 0.515 in 2000 to 0.674 in 2010 - a growth rate of 30.87%. During this time, the dimension with the highest growth rate in absolute terms remained Education (with growth of 0.237), followed by longevity and income.

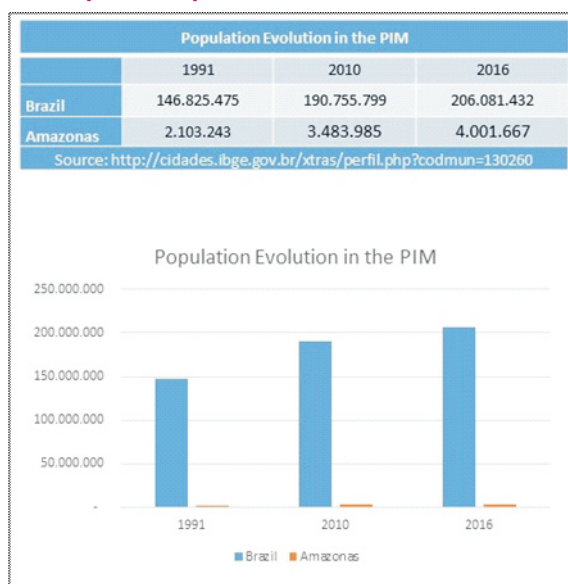
In 2010 Amazonas had a Human Development Index (HDI) of 0.674, which places this Federative Unit (UF) in the Human Development range (HDI between 0.600 and 0.699). The aspect that best favors the HDI of the UF is Longevity, with index of 0.805, followed by Income, with index of 0.677, and Education, with index of 0.561. Between 2010 and 2014, the HDI increased from 0.674 in 2010 to 0.709 in 2014 - a growth rate of 0.05% in four years.

The state of Amazonas occupies the 18th place among the other federal units according to the HDI. In this provision, Alagoas has the lowest HDI (0.631) and the Federal District has the highest human development index (0.824).

As for demographic density, the scarce population of the region, dissipated by an unfavorable territory and difficult to reach, challenges the State to perform the most basic public services such as health, education and public security.

The population structure of Amazonas is demonstrated below, showing a 65% increase of this federative unit - UF between 1991 and 2010 and a growth of 14% in the following six years. PIM being the portuguese initials for Industrial Pole of Manaus, wich is how is commonly is refered to the region.

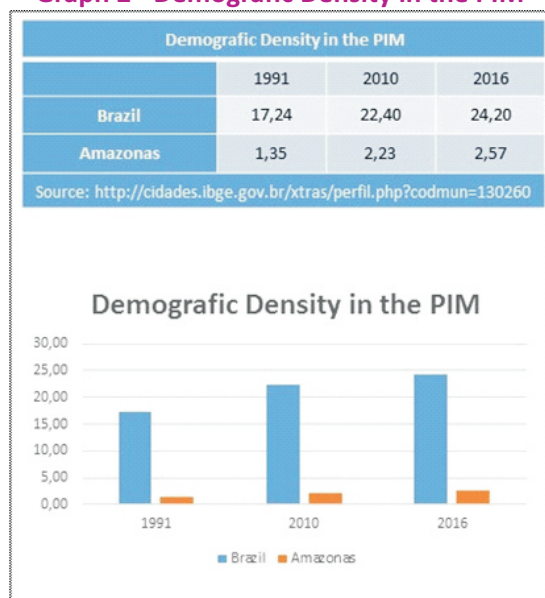
Graph 1 - Population Evolution in the PIM



Source: Developed by the author, (2017).

The population density allows us to measure the proportion between the number of inhabitants and the breadth of the UF territory. This measure increased by 29% in the period between 1991 and 2000, and relative population growth continued to intensify in the years 2010 to 2016 by 6%. However, the Amazonas continues to present a low demographic density in relation to the other Brazilian states.

Graph 2 - Demographic Density in the PIM

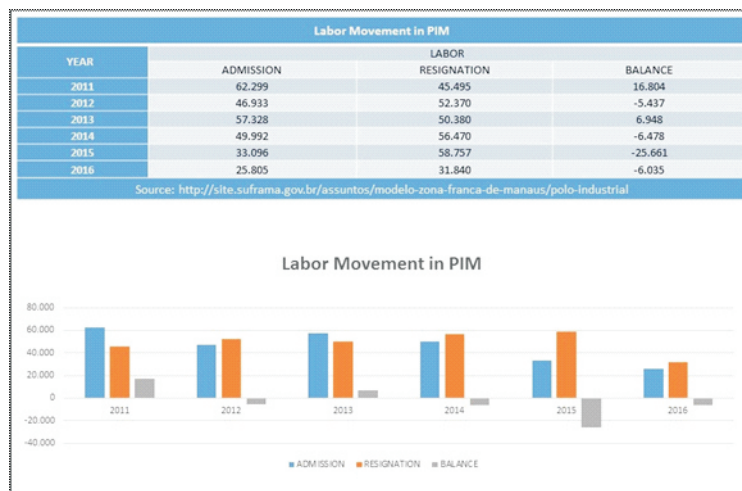


Source: Developed by the author, (2017).

With regard to labor movement, as of 2011 there was a significant drop in the difference between admissions and layoffs in the Manaus Free Trade Zone, intensified in 2015 by the highest number of vacancies in the period. The dismissal of workers occurs due to the seasonality of the market and a low economy activity that the country has been facing - rising interest rates, high inflation and rising taxes are some elements that hinder economic growth. More specifically the layoffs are attributed to the crisis of the sector in two wheels and

electronics.

Graph 3 - Labor Movement in PIM



Source: Developed by the author, (2017).

Another important indicator is the Gross Domestic Product - GDP, which measures in monetary values the final goods and services produced in a given locality and during a certain period of time. In the calculation of GDP, only final services (excluding intermediate consumer goods) are considered to prevent double counting.

Such value is one of the main indicators used to measure the economic growth of a region, being necessary to expose the results of fiscal and extra-fiscal incentives of the ZFM.

The insignificant growth of the Gross Domestic Product from 50,168,821 in 2010 to 67,572,523 in 2016 was due to the contained progress of the country's internal consumption and to the increase of taxes on fuels and credit, entailing a higher investment cost.

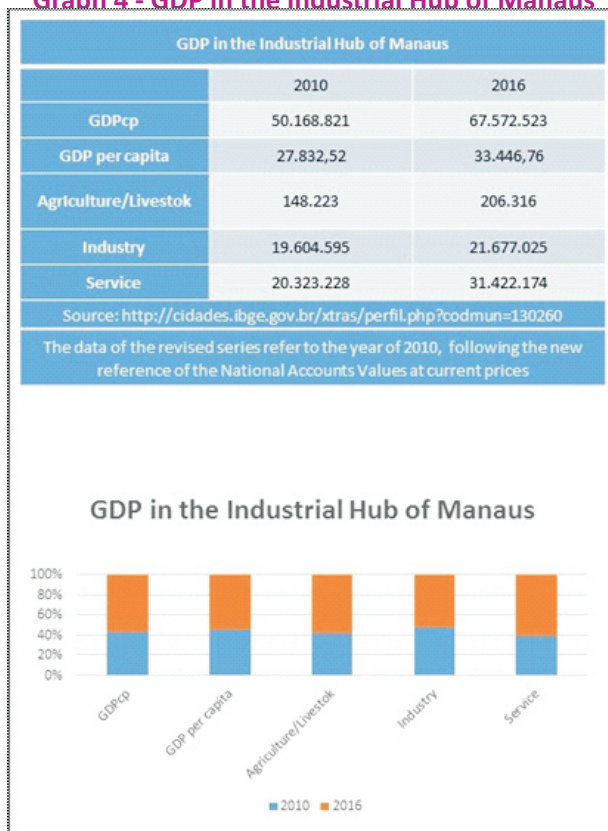
GDP per capita is the Gross Domestic Product divided by the number of inhabitants of a region, being understood that the richer a country is, the more its population benefits. In ZFM this amount was raised from R\$ 27,832.52 in 2010 to R\$ 33,446.76 in 2016.

Services GDP increased from 20,323,228 in 2010 to 31,422,174 in 2016, a 54% increase. The services sector accounts for more than 70% of the economy, due to the greater number of formal jobs. The consumption of services is very sensitive to income and to the performance of economic activity, and is therefore highly pro-cyclical.

The GDP of the Industry increased from R\$ 19,604,595 in 2010 to R\$ 21,677,025 in 2016, reaching a 10.5% increase. This insignificant increase was due to the economic crisis that has been affecting the Manaus Free Trade Zone harder, since its production is based on non-essential durable goods, the first that are no longer bought when there is a reduction of income or retraction Of credit.

Agricultural GDP increased from R\$ 148,223 in 2010 to R\$ 206,316 in 2016, an increase in the period of 39%. It is worth noting that this indicator does not only depend on the economic movement, since it is extremely sensitive to external factors such as climatic conditions, pests and diseases, among others.

Graph 4 - GDP in the industrial Hub of Manaus



Source: Developed by the author, (2017).

As can be seen from the data collected, the three economic aspects created by the regulation demonstrate the function of the model to implement the economic foundations necessary for the regional advance.

Trade, specifically in what concerns the city of Manaus, until the mid-1990s was a driving force for local development, as it allowed operations of imports of products destined for trade in the rest of the country. At the time Brazil adopted a closed economy system, since imports were not allowed in other areas of the country, which caused the increase of local tourism and the attraction of investment of great merchants that settled in the region.

The second aspect, the industrial pole, became a strong foundation for the model, generating thousands of direct and indirect jobs, mainly in the electronics, two-wheel and chemical segments.

The agricultural pole, not short, led to the internalization of regional development through projects aimed at the activities of agroindustry, fruit growing, fish farming, tourism, processing of regional raw materials, among others.

5.CONCLUSION

In Brazil, Federalism was instituted as a response to popular unrest, misunderstandings of political ideals and distance from the centers of power of society. The centrifugal movement of political decentralization of the prevailing unitary state, however, conceived an unrealistic and unbalanced federalist system.

Historically, the subsequent centralization of power within the Union by adhering to the more interventionist federal state model was intuited as a way to better organize society rationally, by planning decision-making centers and by taking unequal resources to reduce disparities between regions.

Barroso (1982) states that such an increase of power of the Union against the States was a direct consequence of the world context, where liberalism gave way to the state intervention required by social rights.

Transitioning to cooperative federalism, the role of common and competing competences was extended

to the other federative entities, in order to act in a more coordinated way and to implement the necessary reforms.

This systemic action can be seen in the ICMS Agreements, carried out between the States and that validated the attribution of the ICMS incentive in the ZFM. The purpose of the isonomic application of resources and the leveling of disadvantaged regions can be seen both by the federal direction of the Union and by the cooperativity of the Member States.

This, along with the data listed in the ZFM, demonstrates the implementation of the development of the northern region, whose growth was hampered by the historical and geographic contingent.

On the basis of the whole historical and legislative context set out above, there is no way of denying the proper application of the basic principles of tax law, including the principle of uniformity. A systematic analysis and interpretation of the constitutional articles makes it possible to clarify that its current regulations are supported by a larger objective, as required by the Brazilian federal pact: the cooperation between its members in order to reduce regional inequalities and achieve the country's balanced development.

The legal arguments and the economical indicators demonstrated corroborate the validity basis that the Manaus Free Trade Zone has shown to be an efficient alternative to regional development. In spite of the absence of perennial measures for advances, one can not deny its positive influence and effectiveness in the social context.

Bastos (1990) asserts that the federation has become the form of organization of the Democratic State by excellence, encouraging regional independence, participation of the people, and cooperation aimed at harmony and strengthening of the Federal State as a whole.

This is the reality that the Free Trade Zone of Manaus is the realization of the federative principle, priming for legally based cooperation and regional balance, being fundamental not only for those who live in the capital of the state of Amazonas, but for all Brazilians.

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