

Conflict in taxation: the “goods (de)tour” in Rondônia and the struggle over tax relief at the borderland

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Resumo

Regimes tributários diferenciados têm-se constituído como instrumento de política de redução das desigualdades regionais no Brasil. A Amazônia e as áreas de fronteira internacional vem sendo beneficiadas por este mecanismo há pelo menos meio século. Neste artigo analisa-se a Área de Livre Comércio (ALC) de Guajará Mirim-RO, na fronteira com a Bolívia e os benefícios fiscais concedidos pela Superintendência da Zona Franca de Manaus – SUFRAMA, tomando como referência o Federalismo como um pacto territorial; o papel das agências de fomento; e os artifícios criados que distorcem os objetivos da política de desenvolvimento regional. Para fins metodológicos, a pesquisa foi estruturada em três partes que consistem em levantamento bibliográfico, trabalho em campo e entrevistas nas instituições fiscalizadoras da circulação de mercadorias.

Palavras-chave: Amazônia, fronteira, federalismo, circulação, mercadorias

Abstract

In terms of regional inequalities, the Brazilian tax regime has been a key policy instrument that helps bridge the gap between regions. The State of Amazonas and its international borderlands has benefited from this very mechanism for at least half a century. In this paper, we sought to analyze the Free Trade Area of Guajará Mirim, which stays in one section of the Bolivia-Brazil border, at the State of Rondônia. We also pored over the tax relief granted by the Manaus Free Trade Zone Superintendence. To achieve this, we take a careful look at federalism as a territorial pact, also paying attention to funding agencies' role, as well as to the distortions in regional development goals as a consequence of a reckless policy. The research was methodologically structured in literature review and fieldwork in the city of Guajará-Mirim.

Keywords: Amazon, border, federalism, circulation process, goods.

I. INTRODUCTION

The Brazillian portion of the Amazonia biome is the biggest, with no less than five million square kilometers and over ten thousand kilometers border. Since the 1960s, the Brazilian state has been acting more effectively in this territorial domain, acting more effectively to incorporate it into the national dynamics. Highways, military platoons, colonization projects, energy and communication networks, interlinked federal institutions, and so on are being implemented at a steady pace. Besides all these physical apparatus, materialized in several territorial bands, it is important to highlight the existing laws, thereby encouraging productive activities, as a path to ensure territorial occupation. The Brazilian Amazon then was partitioned into two parts: first, the Legal Amazon (1953); second the Western Amazon (1967), each with specific legislation. By using Milton Santos's (1996) terminology, it is about an "espaço normado", a particular geographic space that has been targeted for normative policies or when the territorial setting has certain rules or laws behind it. Special taxation regimes were created for the Legal Amazon as low-interest financing; tax-free policy for income and import tax for Western Amazon; tax exemption and deduction for the "Free Economic Zone of Manaus"; and yet other tax reliefs targeting so-called "Free Trade Areas", implemented along the border¹. All this ongoing state intervention is translated as the institution of a genuine "territorial policy". Instead of benefiting specific productive sectors with "tax incentives", the territory is organized and the benefits established and distributed, creating geographical criteria.

The Brazillian federalist government does not differentiate subnational entities. This implies diverse flows of people, goods, and information along its enormous border. National policies then, perhaps to not accentuate regionalism among its inner political entities, in most cases enforce equally effective laws throughout the territory. There is a need to act by drawing up isonomic and ubiquitous legislation. The federalist political system itself establishes in its core principles the non-hierarchy of its domestic political units, and all must be treated respecting equidistance parameters. However, the Brazilian case brings new prospects for this mode of government. Each part of its very-long border has specificities and differences to be carefully considered, be they social, economic, or historical. Because legislation can be seen in so many country's locations, there is a need to force legal norms to adapt to each distinct strata. Still, establishing the same legislation can lead to paroxysms and it would not be efficient in different geographical spaces. The more autonomous the political entities are the more inequality would be generated. The same legislation, despite it

¹ For a broader picture of the Brazilian boundaries, see Brasil (2005).

theoretically not differentiate political spaces, ends up indirectly arrive at making them different for several reasons, one of which is the tax structure.

The municipality's tax collection capacity and the roots of the occupation processes make this tax regime questioned and waived sometimes. This is related to attempts to turn economic performance into a more “egalitarian” one. This process occurs even if legal rules bring some sort of territory equality, which would be incompatible with this practice. Yes, there is confusion: it is the federation principles of equality and isonomy that disfavor themselves, transforming equal conditions of production in an even more intensive regional inequality.

All these Brazilian state interferences on the Amazon region demonstrate how significant it is to understand territory beyond its natural or social evidence. In the same way, it must be captured those concealed processes that promote a number of challenges. On one hand, the Brazilian state enacts specific laws for each part of the national territory, aiming to boost productive activities and generate employment and income (NASCIMENTO, 2004; SERÁFICO, 2011). On the other hand, we see the emergence of all kinds of fraud, swindle, misuse of purpose, malice and dishonesty, misappropriation, tax evasion etc., occurring in those places with a special tax regime assignment (OLIVEIRA, 1989; LYRA, 1995; TCU, 2018). Deviations from the stipulated-by-law taxes agreed roles, end up serving secondary purposes, which are different from what the constituent power originally thought. Amazônia's long-standing history of frauds regarding tax incentives policies targeting the region, needs to be written. In this article, we highlight the case of Guajará-Mirim's free-trade area, on the Brazilian-bolivia border.

Our primary goal is to elucidate the territoriality and internal fiscal conflicts in this border region, emphasizing federal and state tax mechanisms created to boost productive activities in the municipality concerned.

We have based this research on three steps: first, a bibliographic survey on border formation and the states' performance in the territorial frame of the present study, within the political geography framework was made; second, we conducted indispensable fieldwork in the city of Guajará-Mirim, State of Rondônia (Brazil), and Guayaramerín, in Beni's department (Bolivia); finally, a second bibliographic survey had to be done to understand, in its dynamics, the Brazilian fiscal regime and federalism.

At fieldwork, between July 22 and 28 of 2019, we identified some benefits and harms whereby that the federal union, states, and municipalities, through enforcement, form their revenue collection to provide

regional development with (or not) the private entities aid, represented by conveyors and the wholesaler market. All these flows, the (non) fixed elements, and the social agents involved will be detailed.

Looking at the taxation regime in Guajará-Mirim, we found on the Brazilian side of the border incentives and support to make this city-region be named "Free Economic Zone of Rondônia", in an allusion to the famous Amazonian economic hub. The major reason for this informal title can be traced to the goods's return first in this border area and after throughout the State of Rondônia.

Guajará-Mirim is distinguished from other tax incentive areas by the so-called "bateção de nota", a similar practice than infamous rubber stamping². This economic maneuver takes place at this border city, influencing the entire Rondônia and reflecting on product cheapening throughout the state. As well, it provides tax evasion for state finances and major profits for companies in or next to the city. The Brazilian Institute of Geography and Statistics - IBGE (2020), estimates the total population of the municipality to be 41,656 inhabitants³ and we found 478 companies registered in the SUFRAMA system⁴. Nevertheless, these numbers do not reflect the circulation or consumption of goods.

To explain the particular elements of this border, the tax issue, and its consequences, this text was divided into two parts: we first highlight the relationship between the current model of Brazilian fiscal federalism, the Brazilian political performance in its frontiers, and the role played by SUFRAMA, emphasizing the site of Guajará-Mirim; in the second part, we structured in three different items the discussion of free-trade area status, cargo transport stimulated, via tax incentives, by trade, and in the misuse of this incentive - what proves to be the particularity of this border area.

2 The so-called "bateção de nota" means the act of legitimizing the entry of ilegal goods in the benefited area. However, the misuse occurs because the goods entering Guajará Free Trade Area immediately return to other non-incentivized areas of the State of Rondônia. That is why we called of "good's (de)tour". In short: the goods enter and guarantee tax reduction, despite that it is not consumed in this area but in other points of Rondônia (OLIVEIRA NETO, *et al*, 2020).

3 Data reported by SUFRAMA servers in Guajará-Mirim. There are established companies in the municipality just to make tax fraud feasible.

4 Superintendência do Desenvolvimento da Zona Franca De Manaus, a federal public administration body, based in the city of Manaus, which concede tax deductons to the Western Amazon area.

Fiscal federalism and regional inequality

One of the major principles of federalism is the assurance of certain autonomy of its federated entities⁵, in order to create unity among its components. In this political pact, the autonomy feature of each component is maintained. Cooperation and solidarity among their entities are sought through federation principles.

Regional differences in countries with large territorial dimensions, such as Brazil, make this a feasible model. Each federated entity is autonomous to define state tax rates on the circulation of goods and services. Ensuring tax autonomy of each of these political entities, by defining the rates, they stems from the particular needs of each unity. Complete tax structure, duly separate and assigned by 1966's national tax code, ensures this fiscal autonomy.

The federal union results from this pact between federal entities (municipalities and states). This political-territorial structure defines taxes to be collected and uses it to encourage regions with minor physical articulation with national productive dynamics. Indeed, taxes and their rates form an important instrument to face regional inequality. Due to the distribution across the national territory, each political unity has its particular central and dynamic systems, and other marginal and peripheral, all made up of specific flows of goods and people. On Ribeiro's account (2001, p. 35) "spatial organization is understandable, on the one hand, from those fixed objects that result out of social work. And, on the other hand, through flows that guarantee spatial interactions among these fixed elements. The fixed and the flows originate networks". These fixed objects are crucial for public policies to both soften and encourage national-territorial networks to be homogenized.

The Brazilian state promotes the discretionary nature of taxes, defining which entity will receive and how much should be collected through taxes. This central state operates through instruments and the support addressed to the productive sector, thereby trying to balance the region vis-à-vis the others, which for political-historical reasons have benefited from fixed objects and densely established flows⁶. This more assertive endeavor to reduce regional inequality was gradually implemented in the country after the 1950s. Regional differences together with a federalist fiscal pattern enact a battleground between federated entities. As Diniz (2000) warned us, fiscal war erodes public finances, threatens future revenues, and diverts relative prices. "Wins this war the better located and more developed states, those with greater financial and political power. Consequently, regional inequalities certainly will increase"(DINIZ, 2000, p. 343).

5 In Brazil, the 1988's Federal Constitution held that "municipality" is a federated entity, which can be found in its very first article.

6 In a classic work, well-known Brazilian sociologist Francisco de Oliveira (1981) addresses the necessity to understand political disputes and regional inequalities in Brazil.

Constantly, the Brazilian state interferes in its internal political units seeking to ensure the principle of equity and greater territorial control. Federalism, it is important to note, is a territorial-based agreement (CASTRO, 2014). Groups in different sections of the territory organize themselves trying to balance their own demands and general interests. Hence, by intervening in the territory the federal union endeavors to rule the federation creating mechanisms to reduce regional imbalances.

SUFRAMA's performance and its borderland intervention

Since the 1960s, the Brazilian state has instituted mechanisms to promote economic dynamism in border cities. Brazilian borders have indeed always been understood by classical geopolitics and the military as a sensitive issue of the state (MIYAMOTO, 1993; COSTA, 2008). Within this context, some actions were taken to stimulate the borderland. The first was better border access conditions for troops, which allowed the opening of communication routes, the second was the expansion of economic activity via territorial policies (COSTA, 1989).

We can also point out the military units transferred to the cities in a clear attempt to demonstrate state presence on the border. Taking the city of Tabatinga as an example, this maneuver ended up boosting the border economy Nogueira *et al.* (2018). But other institutions, with different federal importance, also contribute to this aspect.

The creation of areas of tax reduction and the exemption for purchasing goods was another mechanism used to boost the frontier economy in the Amazon from the 1990s on. Such action should favor border inhabitants with low purchasing power. This sought to generate flows in these areas to foster the local economy.

To promote equity and lessening disparities throughout national territory, chiefly between the more economically dynamic Southeast region and the North and Northeast regions, the federal government established regional development agencies. Besides the development superintendencies for Northeast, Amazon, Central-West, and South regions (SUDENE, SUDAM, SUDECO, and SUDESUL, respectively), a private agency with major tax exemptions was created by the federal government to manage the “Manaus Free Trade Zone”, coining the SUFRAMA autarchy (which means Manaus Free Trade Zone Superintendence)⁷. In practice, its operation area goes well beyond Manaus. Including states (Amapá, Roraima, and Rondônia), border cities

⁷ The Manaus Free Trade Zone, in the metropolitan region of Manaus, State of Amazonas, comprises a total area of ten thousand square kilometers. However, the benefits of this economic model have been extended to 2023 (Constitucional Amendment no 42), and covers Western Amazon (states of Amazonas, Acre, Rondônia, and Roraima (Decree-Law no 356/1968) - also the cities of Macapá and Santana, in the State of Amapá (Law no 8,397/1991).

and encounter areas such as Tabatinga and Guajará-Mirim (Figure 01). Even portions of Eastern Amazon are encompassed (they are specified in the next topics). Some northern states were not selected as SUFRAMA's tax relief area.

The Western Amazon context follows the same pattern to get assistance from the Superintendence, also encompassing Macapá and Santana, two municipalities belonging to Eastern Amazon. The recent promotion of Amapá's territory to a federative state, in 1988, and the BR-156 highway given restraints (it is not connected to the rest of Brazil) have meant that this metropolitan region⁸ (Macapá and Santana, excluding Mazagão) was assisted by a SUFRAMA regional coordination⁹.

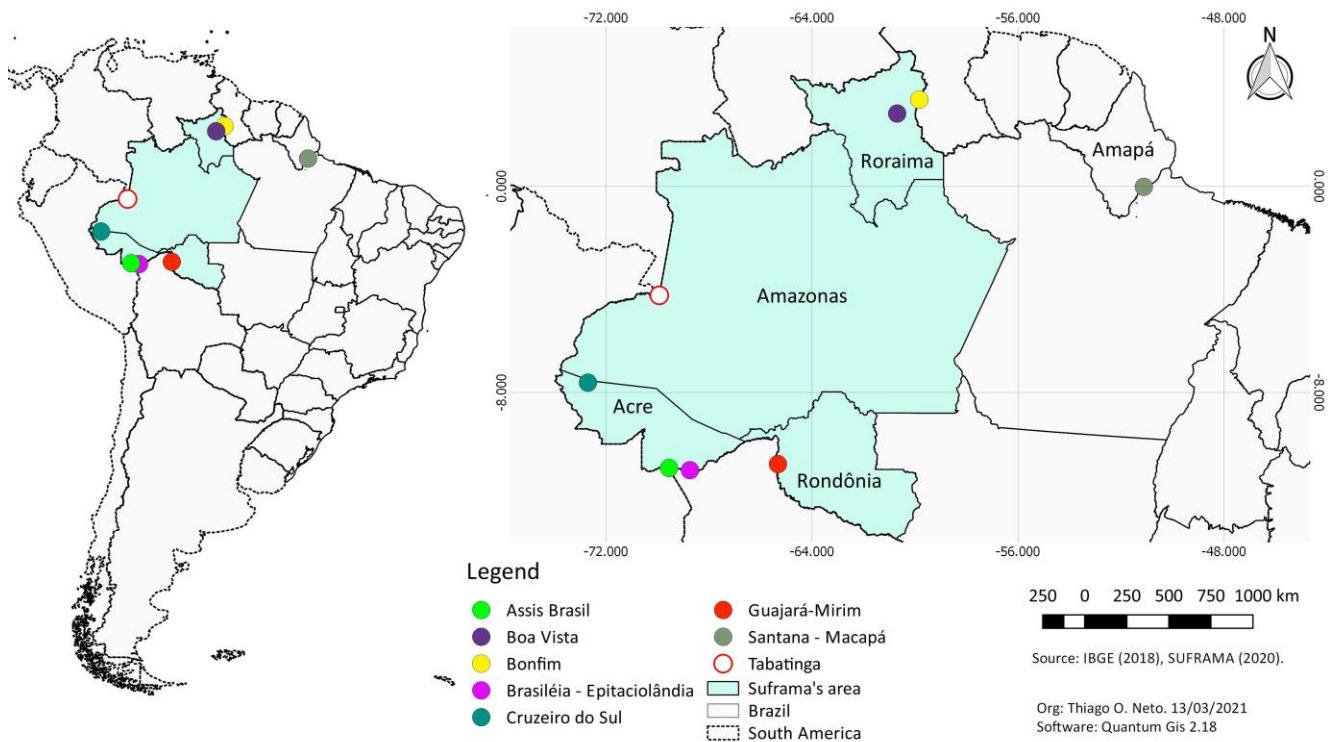


Figure 1. SUFRAMA's range and Free Trade Areas.

Three poles - commercial, industrial, and agricultural - were planned by SUFRAMA to compose the Manaus Free Trade Zone. Only the latter did not prosper. The primary characteristic of this policy is the widening of its scope to encompass all other federation states, even if it mostly targets the Amazon region. Business

8 The State Complementary Law No. 21 of February 26, 2003, covers all the municipalities of Macapá, Santana, and Mazagão.
9 Law No. 8,397/1991 and Decree No. 517, of 8 May 1992.

opportunities and new investments thus arise, touching other branches of the economy, just like a cascade effect.

This structure, defined under capitalist relations, is the growth poles that Egler (1995) points out. In the Amazon region, some of these poles were conceived based on Perroux's ideas¹⁰. Favoring the expansion of capitalist forms of production in the Amazon, this conception helped formalize some activities and discourage others, such as the extractive ones. Interpreted also as an ideology, this growth pole theory actually proved to be "the better-suited model to organize territory in the authoritarian state context, as it involved the creation of privileged locations capable of interconnecting national and international circuits of goods and financial flows" (EGLER, 1995, p. 214). Under Brazilian military dictatorship aegis, between 1964 to 1985, this institution became a reality following that polarizing idea of a region.

In Guajará-Mirim, for instance, SUFRAMA acts as a consultancy, mediating production issues and the supply of goods running through the municipality. Two other border-acting political entities, the Special Department of Federal Revenue (loosely translated) and the Federal Police, handle the international circulation of goods in this borderland. The first manage the *quantity* and the second the *type* of goods circulating between Brazil and Bolivia.

The tax benefits of the Guajará-Mirim free trade area helps to reduce IPI¹¹, PIS,¹² and COFINS taxes¹³ and the responsible to monitor national and imported goods entering the municipality is liable SUFRAMA. The latter, still, aims to constitute a regional development model for natural resources sustainable use, ensuring economic viability and better quality of life of locals (SUFRAMA, 2020).

The establishment of a federal and state agency to control the entry of goods into the city of Guajará-Mirim is of greater importance. This organ would be assigned to make invoice inspections and undertake the task to verify the number of goods assisted by tax incentives. In other words, the purpose of it would face routine frauds in this branch of domestic commercial activity.

Controlling the circulation of goods in Guajará-Mirim

10 The "growth pole theory" was developed by the French economist Francois Perroux, in 1955.

11 Brazilian's federal tax on industrialized products, similar to Excise Tax.

12 PIS and COFINS are federal social contributions levied on gross revenue. They have the purpose to finance health, welfare, and social assistance policies in Brazil.

13 COFINS, for instance, is one of the largest sources of tax collection in the country.

A free-trade area is, first and foremost, a territory, a place where power relations are exercised. In this case, we are dealing with a territory conceived and defined by the state. By framing and distinguishing this area, the state apparatus creates a particular attribute to it. The general feature of spatial delimitation and its attributes can be read empirically from the particularities of different territories. For example, an environmental policy can delimit areas with fauna and flora to be conserved; a port area can change its political-economical status with some regulations aiming at new exporting companies; the creation of tourist resorts can likewise rely on state assistance etc. Surveillance is often the primary state's incurring on borderlands domains. In our case, this first demand arises from the building of a more stimulate commercial zone with a special tax regime area. In all the situations above depict, the state runs organs and public employees to control and inspect the beneficiaries' activity.

In Guajará-Mirim's free trade area, the consenting body SUFRAMA certificates entries of goods targeting the market. These goods are purchased within or outside the State of Rondônia, enter the free trade area via road transportation, finally reaching the superintendence yard where the cargo can be inspected to get tax relief. But one problem was reported by superintendence employees regarding the return of cargo. These returned goods, they claim, bypass their own purpose, which should therefore remain in the city¹⁴. Another pointed out issues by public employees concern SUFRAMA's inspect limitations, which only monitors the entry of cargo into Guajará-Mirim. The "great problem", however, is the exit of these goods from the municipality (OLIVEIRA NETO, *et al*, 2020), that falls within the competence of SEFIN, a name for the Rondônian secretariat of finance. Still, there are deductions on ICMS state tax¹⁵ that applies to the movement of goods, transportation, communication services) and the Federal Revenue inspection of PIS and COFINS taxes. Even with several taxes levied on a product, federal and state agencies fail to build an integrated inspection structure to face this "escaping goods".

According to a report from the Federal Audit Court (TCU, 2018, pp. 15-16) SUFRAMA's operational capacity is affected by the "lack of prioritization of the computerized public policy management system" and "hardship related to the shortage of staff" to carry out the activities.

¹⁴ COFINS, for instance, is one of the largest sources of tax collection in the country.

¹⁵ Silva and Diniz (2020, p. 159) recall that "the tax relief enjoyed by Guajará-Mirim's free trade area entrepreneurs, both in the importation and admission of national goods destined for wholesale and retail consumption, demand that goods need to be placed on the market within municipal limits".

But other weak spots were remedied from 2010 on. Suffice to mention the slow-paced inspection and verification of cargo trucks (SUFRAMA, 2014a) or the faster bureaucracy dealing with, examples that highlight past conditions which used to cause serious traffic jams (MPF, 2011).

Aiming at the proper application of tax relief foreseen in existing legislation, SUFRAMA tries to control the entry of goods in the Western Amazon states and the free trade area, receiving, making conferences, and inspect to curb illegal practices related to that process of sending goods to a special area to get tax breaks and while most of the sales take place outside the respective area in stores located in other cities of Rondônia's state (TJ-RO, 2017). In theory, as pointed out by Silva and Diniz (2020, p. 158), “goods could not be sent outside the limits of the municipality”, “the shipment [of goods] to another region [has] being prohibited for a period of no less than 5 years, an obstacle that has been called of “goods admission” (TJ-RO, 2017, p. 2).

Despite the existence of regulatory mechanisms within the free trade area that restrict the re-admission of goods over a period of five years, according to estimates by the Brazilian Federal Revenue Office (RFB, 2019) irregular withdrawals of R\$ 2 billion in goods from the area took place, and approximately R\$ 300 million between 2009 and 2016 of taxes was not collected.

Effective control should be made on invoice transfer, something that affects mostly the municipality. Ordinary and heavy-duty trucks reach Guajará-Mirim and the invoices are stamped¹⁶, and then to follow different routes through the State of Rondônia (fig. 2). This practice increases traffic in road transport in the city, affecting its inexpressive ISS collection¹⁷. In other words, a large share of taxation gets lost. The products that leave the city do not influence the increase of work, but it incurs on disabling the collection of municipalities' taxes.

¹⁶ In practice, there is no stamp for documents, invoices are inspected and electronically released. The “stamping” procedure is actually a colloquial form to refer to a decades-old practice, of companies and public employees, of validating electronic invoices by stamping the agency's signature.

¹⁷ This is a tax applied to services provided to a third party by a company or professional and is paid by the service provider. Is regulated by Complementary Law no. 116/2003.

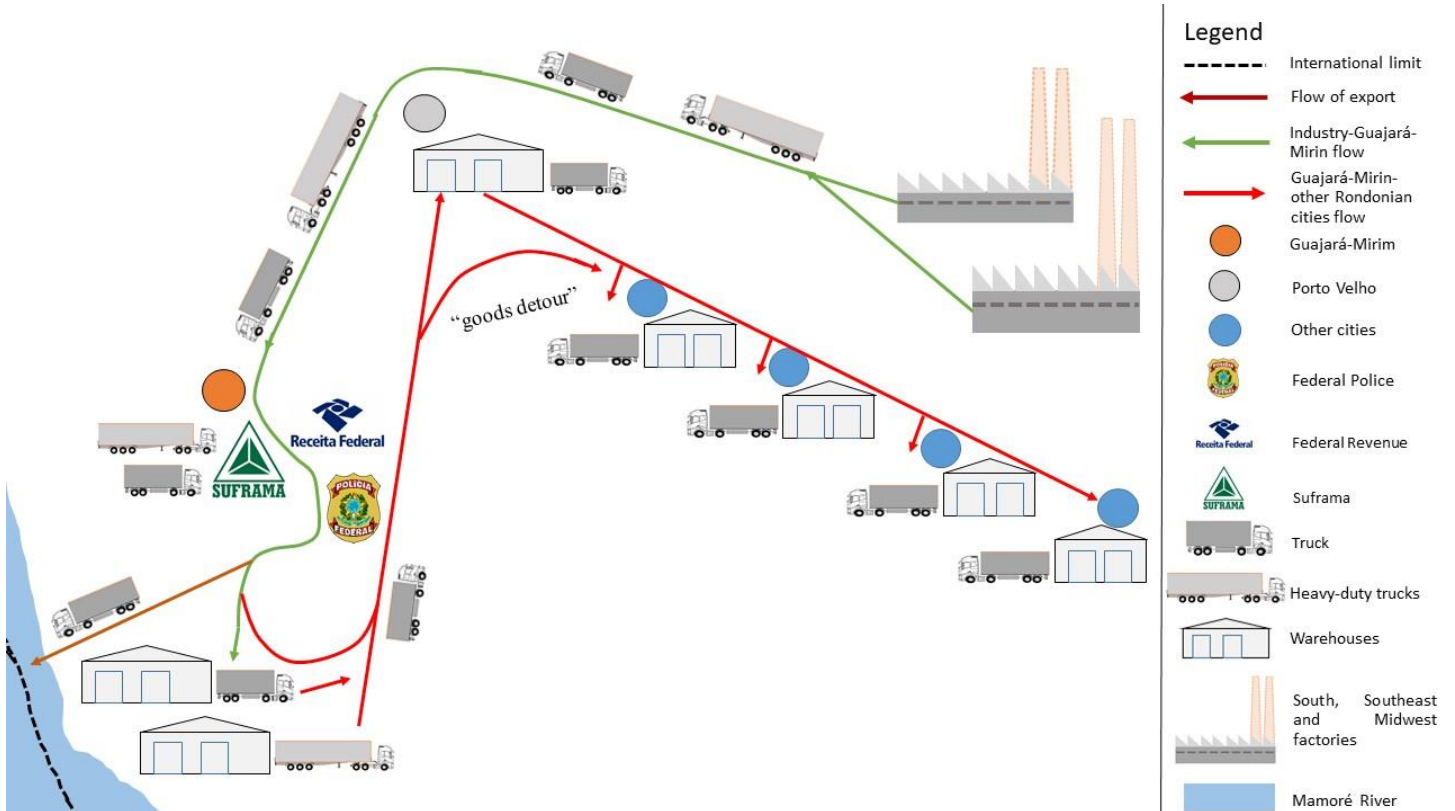


Figure 2. Diagram representing the cargo flow and the so-called “good's (de)tour”. Org. Authors.

ISS's available data from Guajar-Mirim city administration sources present a previous tax collection, between May 1th of 2020 to May 19th of 2021, informing the amount approximately USD 430 thousand dollars (on August 2021 quotation) to be collected. However, it was actually collected nearly 150 thousand dollars or just over 35% of the estimated total (GUAJAR-MIRIM, 2020). This example portrays the country's weaknesses in the tax structure for small municipalities. They become completely dependent on government-directed funds, namely from FUNDEB (national fund for the development of basic education); FPM (municipality fund); BPC (directed to elders and disabled persons); and the Bolsa Famlia federal program (school attendance-dependent social assistance program) (CIGOLINI, 2013; DENES, *et al*, 2016).

Guajar-Mirim Free Trade Area and the “good's (de)tour”

In Brazil, borderlands were rated as free trade areas, which is aimed at “strengthen the commercial sector, the opening of new companies, and job creation”, and reinforce inspection of goods entering and leaving (GALLO, 2017, S/P). In Amazon region, tax incentives and exemptions were designed to promote the border city's economic and social development, especially those in Western Amazonia and Macap and Santana. These

areas have deductions on the before-mentioned taxes such as IPI, ICMS¹⁸, PIS, and CONFINS, differentiating from other regions of the country. And with the reduction of rates and exemptions, goods addressed to border cities often make retail prices cheaper, implying close competition to products from other border countries.

Set up "different legal-political regimes for each national territories", based on international law legal concept of borders, "has the fundamental role of delimiting the sphere of activity of subjects of law" (CATAIA, 2011, p. 20). Some national legal aspects inserted on Guajará-Mirim border to establishing a regional development, directly resulted in a misuse of taxes by wholesale companies from other cities. These companies already benefit from the free-trade area exemptions and reduced rates.

The free trade area aims at first the wholesale trade for the local and foreign population, making the product offered in Brazil more competitive. Besides that, it avoids purchases across the border and strengthens domestic trade. However, there is a problem when tax-incentive goods leave the free trade area to then returning to Rondônia, showing how easy it to make road displacements by ordinary and duty heavy trucks. This same is not true at Macapá-Santana and Tabatinga's free economic zones due to the time taken by goods to displacement, which mostly occurs by riverway ferry transportation of roll-on roll-off ("rô-rô caboclo") (NOGUEIRA, 1994).¹⁹

According to a 1991 federal law, the free trade area is territorially delimited: "The federal executive power will mark, on the right bank of Mamoré River, a continuous area with a base area of 82.50 km², including Guajará-Mirim's urban perimeter, where the free trade zone was installed (...)" (BRASIL, 1991). The Federal Government, to grasp the weaknesses on border cities economy, establish free trade areas to equilibrate the trade balance between the two border cities neighbors and even to boost those places economy.

18 A value-added tax on sales and services and applies to the movement of goods, transportation, and communication services, and the supplying of any goods.

19 The name of road-fluvial displacement is given to ordinary and heavy-duty trucks displacement by ferries (NOGUEIRA, 1994). It is a regional adaptation of the international coastal shipping cargo, the so-called *roll-on roll-off* (or "cabotagem" in Brazil, meaning this national waterway transportation) for quick loading-unloading of cargo.

Cargo Transport in Guajará-Mirim: trucks's "back -and-forth" duty

There are three primary destinations for Guajará-Mirim's transported cargoes (fig. 3): Guajará-Mirim goods supplying; the exportation to Bolivia, crossing through the city of Guayaramerín; and the substantial part of the cargo spreading through other cities of Rondonia.

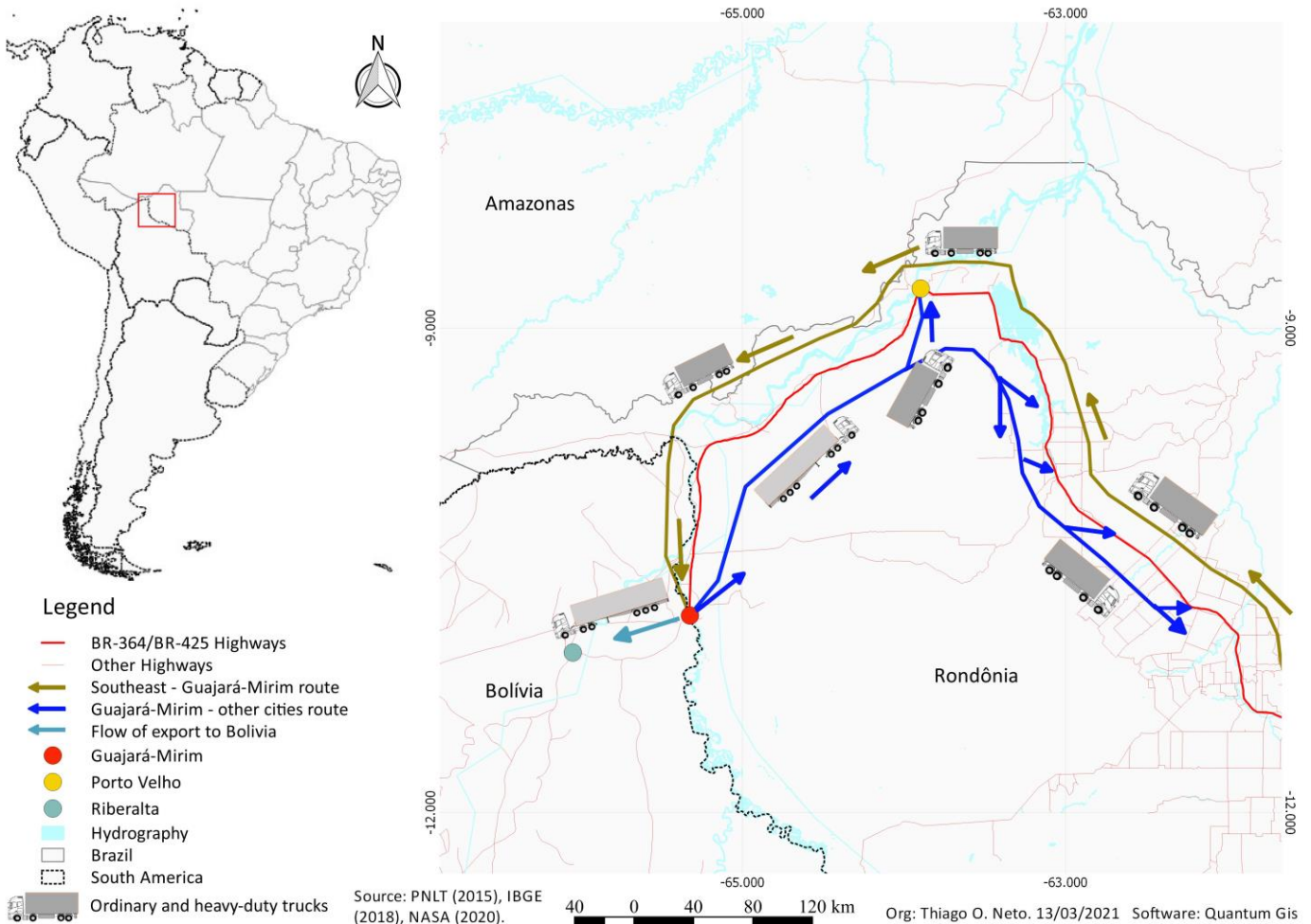


Figure 3. Access map to the city of Guajará-Mirim through BR-364 and BR-425 highways.

The goods acquired in the national market and destined to Guajará-Mirim has tax rates exemption or deduction if proved the success in state implementing and the admission of goods in the free trade area. This goods' "comeback", drew us attention as a research object²⁰.

20 A particular financial flow, coming from Bolivian businessmen, was identified in the year 2001 (Machado, 2005). They used to cross the border to deposit money in Guajará-Mirim's local banks, mainly because of the "more secure" business environment, more organized financial market, and better investments opportunity. The same author also points out that "it is also certain that 'security' can also be translated by escape from the tax authorities and the control of foreign exchange output by the Bolivian government, as

This taxation relief, as highlighted by Palitot (2016, p. 33), generates a new flow of several loaded trucks within the city²¹ aiming at stamping “invoices that come together with exemptions” and that “do not cause real local economic development as proposed” by the creation of Guarajá-Mirim free-trade area. According to the Integrated Border Development Plan of Rondônia “tax reliefs that theoretically would bring improvements for citizens and the entire region, however, in practice, brings not, and the results are not positive”, as it generates a collection for the autarchy instead of the municipality (RONDÔNIA, 2012, p. 49).

Guajará-Mirim, due to its effortless land access to other states through BR-364 and BR-425 highways, becomes a nodal city²² where outside companies can use the tax incentives context to provide sales and supply policies.

Guajará-Mirim also is the only legal free trade area in the State of Rondônia. To develop cities on the border, legal systems are planned as a tax-incentive area of interest to companies. A comparison could be made picking up Tabatinga's free trade area, in the State of Amazonas, in the Brazil-Colombia border context. Are few elements that show some differences from the situations depicted above. In this particular case, we have Colombia's controlling of imported products; the relevant point that Leticia, a border-city on the Colombian side, proximity to Colombian's capital Bogotá; and the air traffic of goods is more efficient and easy-access that is through river transport. With these location conditions, this Amazonas' free trade area has never get balanced competition with products sold in Letícia, making this Tabatinga's economic zone unfeasible. According to Nogueira (2004, p. 18), “the Colombian border law ensures such a spur that it nullifies any public operation by the Brazilian government for Tabatinga. Even the creation of a free trade zone in that place, in 1991, did not produce favorable outcomes”.

SUFRAMA contemplates the whole State of Rondônia. The municipality of Guajará-Mirim, in particular, has its free trade area, with differentiated features like some federal and state tax relief (IPI, PIS, COFINS e ICMS). For the city, undoubtedly this will be translated in retail market prices to decrease. But this “comparative advantage”, forged to stimulate local development, not beneficiate border residents. In there, retail product prices are not affected by these tax reliefs as regional trade does (MP-RO, 2021).

well as money laundering operations” and the same author points out that *the border area benefits little (...) from this type of capital flow* (emphasis added).

21 Because SUFRAMA's facilities is located within city's urban territory and the passage of several trucks every day, “it generates (...) traffic disruption both in the urban perimeter and on the BR-425 [highway]” (RONDÔNIA, 2012, p. 49).

22 Silva and Diniz (2020, p. 48) affirm that Guajará-Mirim plays “an important territorialization role of the national space, as they constitute themselves as important nodes of national and transnational networks”.

This problem occurs because a number of companies go to Guajará-Mirim only to circumventing fiscal benefits. By building and spreading warehouses, these companies simulate goods unloading in the city. The trucks travel around 700 kilometers (a round trip between Porto Velho and Guajará-Mirim) just to prove that the correct destination has been taken, that is, they go to the benefited area to then return to its starting point and distributing these goods throughout the entire state (OLIVEIRA NETO, et al, 2020). This is the real good's (de)tour. In other words, this is not about the classic issue of borderlands targeted for tax incentives from the national state aiming at protecting the area from traditional smuggling or competition with bordering countries, preventing the local resources from flowing outside. It is actually a scam in which these border-areas-granted-benefits are misappropriated by non-local national traders, who manipulates goods' routes and creates front companies just to “stamp” invoices for tax relief; it is a completely fraudulent operation to ensure lower taxes (TJ-RO, 2017, p.7).

To get the tax benefits granted by SUFRAMA, companies must be headquartered in Guajará-Mirim. They work with small offices with few employees, as a matter of protocol. The received goods will not be in the city anyway. In this practice, companies take advantage of tax incentives and increase the profit margin (CARMO, 2019). It is unfair competition with “small traders unable to [buy] large volumes” of goods, inflicting legislation with goods evasion (SILVA, DINIZ, 2020, p. 114).

According to Silva (2014, pp. 4-7), the main reason for setting up companies in the free trade area is the tax relief through the “tax exemption for goods consumed, resold or industrialized in Guajará-Mirim”. This round-trip of goods implies in a route of:

(...) over 700 kilometers and in some cases loads are landed in warehouses and later fill trucks, or even unloading is not carried out. Companies take advantage of this law environment to profit from goods resale, spreading the municipality's free trade area to the entire state. This is proven by this circulation of goods entering the municipality to then return to other cities of Rondônia. These returned goods are nothing less than capitalists' “opportunism”, as they strongly take advantage of free trade area legislation, promulgated in 1991, for importation and exportation (Law No. 8.210, July 19). This is made up to fomenting regional development although it does not generate capital fixation in the municipality, but only makes goods to circulate by ordinary and duty heavy trucks entering and leaving Guajará-Mirim (OLIVEIRA NETO, et al., 2020, pp. 360-361).

One major ongoing change, which foresees reducing this cargo displacement to get stamped invoices, occurred after the ICMS agreement (no 134 of July 5, 2019) was signed, a new state tax law prohibiting the exit of industrialized products and those goods circulating under the name of “transfer” (CARMO, 2019, S/P). These changes, moreover, aim to reduce this flow of cargo to obtain those targeted stamps, preventing goods' escaping to other Rondonian towns.

Silva (2014, p. 15) points out the standardization decrees for tax exemptions and reduction of tax rates, highlighting: the free trade area (law No. 8,210, of July 19, 1991), which allowed tax exemption for goods consumed, resold, or processed in Guajará-Mirim; “ICMS agreement and a federal tax (16,411/2011, the ICMS 65/88 agreement, law 10,996/2004 and the federal decree 7,212/2010), which make goods destined for the Free Trade Area of Guajará-Mirim - RO to circulate easily”; “(Law 10,996, 2004), a federal law that stops contribution rates for financing social security (COFINS) and the social integration program (PIS), when the goods are for consuming or to be sold, not being withdrawn from this area”.

Problems in promoting SUFRAMA's productive activity in Guajará-Mirim

We identified, during fieldwork, many regional companies seeking to acquire and commercialize goods with tax benefits. Meanwhile, the superintendence allocates grants and support for goods transformation and production projects on the border. The local industrial production, in turn, is restricted to consumer goods for Guajará-Mirim and Nova Mamoré internal market (SUFRAMA, 2014b).

According to city officials, Guajará-Mirim's foreign trade coordination holds a close contact with SUFRAMA's local headquarters, aiming to gather the largest number of industrial sectors interested in establishing themselves in the municipality. The solar panel industry shows powerful interest, as well as styrofoam-based material manufacturing and polyvinyl chloride (tubes, connections, and ceilings) production.

In Guajará-Mirim, there are only eight companies of local production - making dairy products (cheese), bovine meat (meat-packing company), folded products (napkins), “extra strong” coffee”, soft drinks, and mineral water. This low number of companies is not included in the subsidy structure established by SUFRAMA.

The existing industries are not linked to SUFRAMA in the production sector but as a service. The companies have made use of a wide range of possibilities given by the free trade area (SUFRAMA, 2014b, p. 17) in the field of importation of inputs to local production. The free-trade area legislation contemplates incentives for importation and exportation of goods, as well the industrial production of processing fish, mineral resources, and agricultural or forestal raw materials (BRASIL, 1991). Besides, “local businessman [...] are ignorant about the market providers operating in the Free Economic Zone of Manaus”, and the possibilities of trade with Manaus (SUFRAMA, 2014b, p. 37).

The spatial concentration of SUFRAMA's administrative operations is settled in Manaus, another issue that also helps lag industrial production of all sectors offered, namely: agricultural projects; analysis and monitoring of industrial projects; export and import control; technological management; budget planning and

programming; regional development; logistical resources; foreign trade; social communication; Economic and Business studies; modernization and Informatics; human resources; budgetary and financial Execution; budget planning and programming; technological management; import and export control; analysis of industry projects. In this context, the productive forces are assisted when trying to settle down and, if spatially concentrated is this service, is inclined to be condensed in Manaus' productive structure. This translates into the concentration of technical resources in the capital of the State of Amazonas, which makes it difficult to access consultancy offices in favor of companies interested in setting up in this border region. Based on a profit motive, it is easier to get established a company in Manaus than in Guajará-Mirim, considering all the mentioned elements.

While Manaus has eight coordinating bodies of SUFRAMA, Guajará-Mirim holds only the free-trade area main coordination (SUFRAMA, 2018) and this low-level federal involvement results from these territorial actions in the Amazon (SUFRAMA, 2018). It is crystal clear that institutional apparatus enabling forms of development also needs to create coordinations fixed assets. It is not doable to increase the scale of Manaus Free Trade Zone and free-trade areas operations without SUFRAMA also providing specialized coordination for others but Manaus. In this sense, the lack of access results from the current “institutional density”, regarding the distribution and institutional-locational differences combination in the territory, as stated by Amim and Thrift (1999). In this context, the number and diversity of institutions and their interactions, structured power relations, and the group of actors involved in a common enterprise are questioned.

II. CONCLUDING REMARKS

The federation stands for cooperation requirements and equality to be accomplished in the federative entities' relationship and action. In Brazil, the state performance was based on territorial policies aimed to decrease asymmetries within the country, mainly at border areas. To boost these borders and to stimulate capitalist expansion over the territory, the Brazilian state promoted emphatic initiatives to deconcentrate the administrative power. These actions are now materialized in space.

On the one hand, these practices expose the state's role in aiming to reduce regional inequalities; on the other, additional problems, such as the tax infrastructure weaknesses of municipalities, have become evident. The case of Guajará-Mirim typifies the contradictions of the local fiscal policy model. An intense flow of cargo from the country's most industrialized regions is intercepted by wholesale companies and sent to this city to validate the entry of goods in the benefited area, the so-called “bateção de nota” depicted above. These same goods are then forwarded sent to other cities in the State of Rondônia, a practice that we name *goods (de)tour*, in which

there is almost no transshipment during cargo trucks-to-warehouse displacement. The trucks enter and leave the municipality with the same load, carrying only one more stamp on the invoice, as pointed out by Paliot (2016) e Oliveira Neto *et al* (2020).

We conclude that Brazil's efforts to dynamize the Amazonian border areas and to reduce regional inequalities, in this very specific case, resolutely distort the purpose of free-trade areas.

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