

Caiado, Aurílio Sérgio Costa

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## Regional Industrial Deconcentration In Brazil (1985 – 1998)

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## **REGIONAL INDUSTRIAL DE-CONCENTRATION IN BRAZIL (1985 – 1998)**

*Aurilio Sergio Costa Caiado* – [ascaiado@seade.gov.br](mailto:ascaiado@seade.gov.br)  
University of Sorocaba and Seade Foundation, Sao Paulo, Brazil

### **INTRODUCTION**

The paper is based on the statement that in the process of productive de-concentration in Brazil –especially of the industrial one, between 1970 and 1985 – the State actions were structuring and, not only intensified the productive integration of the national market (1962/1985), but also made possible a larger “soldering” between the movement of the different regional economies and the general movement of the national economy accumulation dynamics.

The abandonment of the “developmental State” since mid 80s and, above all, the implantation of the neo-liberal procedures in the 90s, have altered the localization patterns of the most dynamic activities. The “Fiscal War”, as a mechanism of (mistaken) defense of regions and settlements, became aggravated.

The end of the “tripod” and the supremacy of the private investment turned the regional localization strongly selective. The de-concentration process was stopped and had even resulted in some concrete manifestations of productive re-concentration. Thus, the decision of investment of the private capital - national or international - started depending on a kind of localization “auction”, that was responsible for the liquid transferring of public resources to private companies, imposing strong selectivity to the regional development.

The dynamics of the post-1989 regional economy was no longer a stage of productive integration because, while the integration corresponded to a process of "opening of the regional frontiers" for accumulation, the commercial opening and the national market deregulation had the same meaning in international terms. The growth motor was no longer the domestic market but the “integration” to the international economy, what weakened the regional solidarity links and reduced the growth propelling effects.

In spite of the effects are different on regions and sectors, the dominance became increasingly commanded by the great world oligopolies. The incentive effects on the national productive structure became weaker resulting in an enlargement of the blockage or inhibition effects and even of the destruction ones.

## **THE BRAZILIAN ECONOMY BETWEEN 1930 AND 1970: INTEGRATION OF THE NATIONAL MARKET AND CONCENTRATION OF THE INDUSTRIAL PRODUCTION IN SAO PAULO**

Brazil is a Federative Republic composed by 26 states and a Federal District, integrating five regions (Map 1). Industry became the principal factor of the economical growth after the Great Depression (1933). Before the 30s, the expansion of the domestic demand depended on the export sector, especially the coffee complex (production structure, financing, commercialization and exportation), with great concentration in the state of Sao Paulo.

From 1929 on, a new situation in the Brazilian economy takes place: the international crisis and the public policies for the economy recovery transformed the internal market in the dynamic center of the economy, creating a new pattern of capital accumulation in favor of industry: the export sector is no longer the main determinant of income and employment (Furtado 1961a). It resulted in great industrial expansion in the post-1933 period, especially intense between 1949 and 1955, based on the measures of economical politics adopted by the federal government from the decade of 1930 on.

After 1930, the National State - committed with both the industrialization process and the development that stimulated the substitution of imports and the integration of the national market - started to be structured. Thus, the crisis that took place in the export regions, the integration of the national market and the conditions for the sustainability of the industrialization process, consolidated a commercial articulation among the Brazilian regions and enlarged the industrial concentration in Sao Paulo. The State converted some regional problems in national ones, as well as the industrialization became national priority.

From the execution of the Plan of Goals on, that is a Federal plan for the 1956-1960 period, the heavy industrialization era began, bringing structural transformations in the industrial sector. There was an acceleration of the industrial expansion with the implantation of the consumer goods sector and of the heavy industry, directly articulated by the State. The industrial investment was structured in a tripod formed by the international private capital, the national public capital and, as a smaller partner, the national private capital, with high participation of the international oligopoly capital. The difference from the previous period was the manner of mobilization of the capital to afford the heavy inversions of the Plan of Goals.

The extensive program of investments modified the pattern of industrial growth of the country and reinforced the economical concentration in Sao Paulo. But, besides, this process demanded larger degree of complementation between the natural resources basis and the industry, and created incentives to the development of the remaining economical places in the country, enlarging the **productive integration**.

Between 1962 and 1967, the economy experienced a serious crisis of its increasing accumulation potential, due to the narrow industrial technical base; the disconnection between supply and demand of industry, vis-à-vis the level and the distribution of the income; and the deficiency of the financial system.

However, the military dictatorship, established from 1964 on, implemented a group of economical reforms through a temporary outlining of problems of public financing that constituted important basis for the economical growth retaking.

Thus, the recovery of the economy, started in 1967, was an important expansive cycle, consequence of the implementation of the economical reforms; the more flexible fiscal and monetary policies under the second military government mandate; as well as the favorable conditions created by the international economy.

The process of integration of the national market, up to 1970, had two stages. The first, from the crisis of 1929 to the end of the 50s, was essentially mercantile and was managed by the capital headquartered in Sao Paulo. It was marked both by policies of reduction and elimination of the interstate taxes, as well as by the construction of highways and by the political conversion of old “regional problems” in “national subjects”, in the federal political agenda. The enlargement of the inter-regional flow of goods sanctioned the leadership of the industry headquartered in Sao Paulo. It was benefited by the Second War's embarrassment and by the exchange unbalance and, so, made the integration of the national market possible.

The creation of the Superintendence of Development of the Northeast Region (*Sudene*) and the institution of the fiscal incentives system for that region, in 1962, marked the beginning of the second stage, through the institutionalized action of the regional development policies. Thus, from the 60s on, the inter-regional competitiveness increased, enlarging the destruction effects on part of the industry placed in the periphery. This period doesn't exclude the first dominance form and was characterized by the movement of

inversions in the periphery of part of the surplus generated in the pole - especially the industrial ones. It made easy the dominance of the national market via capital accumulation. In despite of the industrial concentration in Sao Paulo, the integration resulted in an important expansion in all the regions.

Cano (1998) demonstrated that the process of integration of the national market, since the 30s, caused three effects in the regional economies: incentive, inhibition or blockage and destruction. The **incentive effects** were felt mainly by the industrial capital headquartered in Sao Paulo, but also in other regions by the expansion of the demand and, especially, by the supply of complementary products to the ones produced in the pole. The **inhibition or blockage effects** reached industrial goods produced to supply the regional demand and that were intended to be sold to the remaining national market. They had either “barriers to the entrance”, due to the preexistence of productive units headquartered mainly in the pole, or were influenced by decisions of investing of the entrepreneurs located in the pole. The **destruction effects** acted differently in the three periods considered by Cano, in the process of national integration. So, between 1930 and 1950, the lack of regional integration of the systems of transportation constituted a natural barrier to competition. In the second period (1950 to 1962) the inter-regional competition was enlarged, but it was mainly in the third, from 1962 on – when the dominance of the national market was also based on the capital accumulation – that the integration was completed and the survival of capitals, so far “protected”, started to experience the destruction effects more strongly.

In synthesis, the growing capacity of capital accumulation in Sao Paulo, with remarkable introduction of technical progress and diversification of its productive structure, consolidated the leadership of the capitalist development obtained pre-1930, and led to a process of regional concentration of the production, only reverted after 1970, especially by investments accomplished by the federal government.

The participation of Sao Paulo in the value of the industrial transformation (VTI) of Brazil was 33,7%, in 1919; it was enlarged to 40,7%, in 1939 and to 48,9%, in 1949. In the period of implantation of the heavy industrialization, Sao Paulo kept enlarging its participation in the national production, increasing from 55,5%, in 1959, to 58,1%, in 1970. There was a great concentration in the Metropolitan Region of Sao Paulo: 74,7% of the state VTI, in 1970.

In synthesis, since 1930, the National State became committed with both the industrialization and the import substitution, through direct public investments in productive sectors, and through the implantation of infrastructure and integration of the domestic market. After 1956 there was larger commitment of the National State with the international private capital. The flow of foreign direct investment was enlarged and the financing of development started to be structured on a tripod formed by the international private capital, the national public capital and, as a smaller partner, the national private capital.

The policy of industrialization of the country was successful. The gross domestic product (GDP) grew, in the postwar period, at an average rate higher than 7% a year, increasing more than 10 times between 1945 and 1980, a better performance to the group of capitalist economies. The fast growth of GDP was conducted by the industrial production, whose expansion was of 9% a year, with deep transformations in the social and economical structure of the country.

The country became urban industrial, but the income persisted concentrated. Per capita GDP increased, but the regional concentration of the income was enlarged in Sao Paulo, up to 1970. The concentration of the personal income in the whole period has also enlarged. The poorer 50%, that took 17,4% of the income in 1960, had their participation reduced to 12,3%, in 1980. The richer 1% enlarged their participation from 11,9% to 16,9%, in the same period (Serra, 1982).

### **THE PERIOD OF PRODUCTIVE DE-CONCENTRATION BETWEEN 1970 AND 1985**

In 1970 began the second moment of the period of strong economical growth, known as “Brazilian miracle”, that took place between 1967 and 1973. In 1974, the expansive cycle seemed to have reached the top and, in 1975, the deceleration began and the product growth rate reduced.

However, the government opted to continue the industrialization process through a new program of investments, in spite of the fragility of the trade balance and of the inflation. Believing that the international crisis, provoked by the first “oil impact”, would not interrupt the flow of external investments and evaluating that the structural fragility of the Brazilian economy was in the reduced dimension of the production goods industry, the

government planned a new block of investments to substitute imports, to reduce the main pressures on the balance of payments and to make possible the continuity of the high economical growth. In order to put it in practice, the Second National Plan of Development (II PND) was formulated and executed between 1975 and 1979.

One of the main objectives of the plan was the establishment of a new industrialization pattern, with the economical dynamics centered in the key industry, and consequent re-definitions of the support infrastructure and of the national integration process (Lessa, 1978). The strategy of integration of the whole country territory privileged the location of productive investments out of the pole (Sao Paulo), with a deliberate policy of industrial de-concentration, supported by direct public investments, by the active policy of incentives to the de-concentration and by the public policies of transportation, communications, energy generation and programs of colonization, among others.

The growth of the production goods industry, that conducted the expansion of the economy up to 1976, contributed to the objective of internalizing the industrial production of the leader sectors in the dynamics of capital accumulation and introduction of technical progress. However, the retraction of the private national and international investments and the failure of the economical policies resulted in a revisal of the goals of the public investments, from 1976 on.

II PND was successful in the substitution of imports of intermediate products and in the incentive to the domestic production of the capital goods industry. However, the elevation of the unprecedented commercial deficit and of the external indebtedness in the period, shows that there was exacerbation of the development financing pattern, in which the external indebtedness was a strong component.

In the decade of 80, the weight of the foreign debt became a serious structural obstacle to the economical development. Since the postwar period, the strongest retraction in GDP took place between 1981 and 1983, followed by a brief recovery due to the export sector. The growth rates were not worse due to the operation of some projects originated from the II PND, whose schedule was late due to budget restrictions, what enlarged the installed capacity and the possibility of exports.

Brazil entered in the eighties with a much more complex, diversified and integrated industrial structure. Between 1970 and 1980 the participation of the non durable consumer

goods industry decreased from 40,4% to 30,0%, while the durable and capital goods participation increased from 22,5% to 28,1% and the one of intermediate goods, from 37,1% to 41,9%. These structural changes were the end of the Brazilian trajectory of “late” consolidation of the technological paradigm of the Second Industrial Revolution. Between 1970 and 1980, the chemical and metal-mechanic industrial complexes (the most representatives of that paradigm) enlarged their participation in the industrial production of the country from 47,5% to 58,8%, a similar score of the most industrialized nations profile. It represented around two thirds of the total, in 1980.

The effects of the incentive policies to the regional development - that promoted regional investments in light industries and in input industries, and also promoted the expansion of the agricultural frontier added to the projects of wide extent (hydroelectric, non ferrous, metallurgical, chemical, oil, etc.), great part of them implanted in the periphery - accelerated the economical growth and fostered remarkable regional productive de-concentration. However, the growth rate of Sao Paulo was also high, intensifying its relationship with the remaining of the country.

Between 1970 and 1985, the states of Sao Paulo, Rio de Janeiro and Pernambuco had relative loss of their participation in GDP, decreasing from 58,2% to 51,9%, from 15,5% to 9,5% and from 2,2% to 2,0%, respectively. The exuberance of the economical growth and the change in its profile demanded larger periphery productive effort, especially in the more intense use of its natural resources basis, inducing it to high growth rates.

The Southeast Region reduced its participation in GDP, from 65,5% to 59,1%, while the other regions enlarged theirs: the North Region, from 2,2% to 4,1%; the Middle West, except DF, from 2,6% to 3,8%; the Northeast from 11,7% to 13,6% and the South Region, from 16,7% to 17,1% (Table 1).

The decreasing of Sao Paulo participation was due to the implantation of new investments in other states. In the state of Rio de Janeiro the relative setback, that started in previous decades, continued. Pernambuco suffered direct impact of the productive integration, reducing its commercial influence area and reducing the destructive effects on part of its old productive industrial park, besides not having received great projects in the period.



In synthesis, the productive integration resulted in strong “soldering” of the regional economies, in such a way that the cyclical movement of the national economy resulted expressive all over the country, in spite of the different characteristics and accumulation rhythms. The investments accomplished in the periphery, since having high complement degree with the structure installed in the pole, **soldered the solidarity** that already resulted in dynamic effects on the periphery growth, generated by the center growth.

Important to highlight that, in spite of the decisive factors of the process of de-concentration of the economical activities are multiple and complex, the action of the State was structuring, especially through the policies of regional development, either in the infrastructure implantation or in the concession of fiscal and credit incentives or, mainly, through the great direct productive investments in the period.

Important to remember that, in Brazil, the productive integration took place in a scenario of deep structural heterogeneity, both in the rural areas and in the cities, characteristic of late and periphery capitalist experiences (Egler, 1993). Such heterogeneity assumed important dimensions with the crisis of eighties and with the commercial opening of the nineties, exposing frailties and points of restriction of the national productive structure and making difficult the growth retaking.

Even in the short period of de-concentration of the productive activity, the process of homogenization of the national space was stopped by the structural and space heterogeneity of the national economy. The negligence of the central problems that generate underdevelopment was mitigated by the industrialization process and by the regional development policies, that took great part of the industrial investments to the less developed regions and states, without altering what Tavares (2000) called “sacred alliance” among the land owners, the State and the money owners, which sustains the dominance pact since our “bourgeois revolution” started, at least, 150 years ago.

The factors that contribute to the homogenization of the national space were linked to the creation of objective conditions for the capital reproduction, nearly always implemented by the National State, either through regional development policies (implantation of the infrastructure for the location of productive activities, concession of fiscal and credit incentives, etc.) or, mainly, through the direct accomplishment of productive investments in periphery areas.

Thus, while the public investment plays the role of enlarging the available spaces to the enlarged reproduction of the capital, this capital tries to be placed where those conditions guarantee gains of competitiveness. In synthesis, in countries with heterogeneous productive structure and strong regional and personal income concentration, the strategy of location of private investments is almost always a concentrator one, reinforcing the heterogeneity and enlarging the regional disparities.

#### **THE AGONY OF THE NATIONAL DEVELOPMENT POLICIES - 1985 TO 1989**

In the decade of 1980 there were two periods concerning to the productive de-concentration: i) up to 1985, the industrial de-concentration continued, impelled by the operation of investments managed during the II PND, and had their schedules prolonged and their operation postponed by the economical crisis; ii) after 1985, in the absence of new investments, the de-concentrating effects were interrupted, and the annual data presented very small positive and negatives variations.

Great part of the dynamic effects of the II PND's investments finished around 1985. In spite of having reduced their margins of performance, the government still tried to continue its development policy and to reduce the regional disparities. But the crisis has made the government much weaker, with insignificant performance, stopping the process of space economical de-concentration.

Between 1985 and 1989, the movement of the regional economy was conducted by the crisis of the National State. It stopped the de-concentration process, by reducing and almost abandoning not only the development policies, but also and the policies of reduction of the regional inequalities.

The low dynamism of the period resulted in a critical and unstable macroeconomic scenario: retraction of the domestic demand, exchange depreciation, compression of the internal market and fiscal and credit incentives to exportation.

The individual search of the federated states for specific opportunities of international insertion in the exportation market – especially the newly implanted ones - made them increase their participation and preserve their profitability, allowing some continuity to the de-concentration process. This movement exposed the sectors linked to the domestic market to an economical crisis and, as a result, enlarged the structural heterogeneity of the

national economy and reduced the technical interdependence that guaranteed a solidary growth of the several regional industries.

The dynamic activities were enlarged, mainly through the agricultural frontier expansion and through urbanization. However, the productive de-concentration was stopped. Statistic data shows that there were some economic re-concentration and weak de-concentration of the manufacturing industry in Sao Paulo.

The National State continued its developmental speech but, once weakened by the economical crisis, it acted very precariously in the regional development policies. Without its central axis of formulation and performance of development policies, the process of space de-concentration of the economical activity was stopped. Therefore, it is known as the **agony period of the development policies**.

In synthesis, the movement of the regional economy **stopped** not only the process of productive de-concentration, but also the regional income convergence. In the manufacturing industry the de-concentration process was strongly reduced.

#### **REGIONAL DYNAMICS POST-1989 - ABANDONMENT OF THE NATIONAL DEVELOPMENT POLICY AND NEO LIBERALISM**

After 1989 the State performance in regional development policies was greatly reduced, until its almost abandonment. The performance of the public power was based on the great concession of fiscal incentives and credit benefits among the states, the so-called “fiscal war”, and on the incentive to new foreign investment flows.

With the interruption of the public investment directly to the productive sector, the fiscal war - in the absence of a regional development project - was the main factor to change the local advantages existent in the pole and in other areas and to influence, according to the profile of the investment, the local decision.

There were two moments in the regional economy until the end of the decade of 90, with different impacts on the regions. Between 1989 and 1994, the economical crisis and the unbalance in the public accounts continued. The economical de-concentration started in Sao Paulo. This state lost its participation in GDP (from 37,8% to 34,1%). The economical stability and the growth-retaking marked the beginning of the second period, from 1994 on. The process of regional productive concentration was retaken with larger solicitation of the

Sao Paulo economy, that increased its participation in GDP, from 34,1% to 35,5%. It was a period of effective productive re-concentration, because it was based on new investments and on the reduction of the idle productive capacity. However, in the 1989-98 period, data point out a small de-concentration with reduction of the participation of Sao Paulo in national GDP from 37,8% to 35,5%.

There were great changes in industry, basically due to the increasing of the outsourcing process; new productive processes; introduction of new products on the market; and increasing participation of imported products. However, the physic industrial production increased only 3,5% between 1989 and 1998. It should mean that the value of production grew much less or even decreased.

The hypothesis is that it was not a new stage of productive integration but a new process, with reduction of integration in the industrial structure and exhaustion of important factors that conditions the de-concentrated location that - with the commercial opening and the absence of national development policies - had reduced impacts.

The dynamics of the regional economy post-1989 may not be treated as one else stage of the process of productive integration. While it was a process of “opening of regional frontiers” for capital accumulation - creating opportunities of investments that did not exist in the more industrialized areas - the commercial opening and the deregulation of the national market, from 1990 on, had the same impact, at an international scale, because it opened the national frontiers to the international accumulation. That meant the creation of “new” opportunities of “businesses” to the great companies that act in global scale. Besides, the national economical space was simply transformed in “market”

That doesn't mean that the process of integration of the national market is finished. There are still many regional differences to be reduced, even in the strict sense of the productive conditions. In thesis, the integration could continue with the reduction of the structural and regional heterogeneity and with larger dispersion in the location of the dynamic compartments. However, as demonstrated, the integration stopped due to the high exposure of the national economy, the low technological development and the absence of development policies.

The national economic statistics were interrupted after 1985 and only retaken in the decade of 90, what makes difficult the analysis of the 90's. So, to understand the deep changes in the national industry structure I will analyze the period between 1985 and 1998.

### **The Brazilian Industry between 1985 and 1998**

The VTI (Industrial Transformation Value) of industry in Brazil decreased 4,8%, and the VTI of the manufacturing industry decreased 5,5%, between 1985 and 1998. Only the mineral extractive industry increased (17,4%), due to the strong expansion of the non-metallic minerals extraction (221,0%) and due to the extraction of metallic minerals (188,8%).

Table 4 shows that the intermediate goods industry decreased 16,4% in the period. The capital goods and durable consumption industries, decreased 2,6%. The non-durable consumption goods industry increased 9,2%. These averages hide different expansion and retraction rates. So, it is necessary to analyze the results according to the industry sectors.

Considering 23 sectors of the manufacturing industry (IT), only 7 expanded: tobacco products (156,8%); edition, printing and recording (150,9%); food and beverage (42,6%); production and assembly of vehicles (37,5%); health instrumental equipment (17,4%); chemistry (6,4%); and paper and cellulose (5,3%). The largest decreases happened in the textile sector (-54,1%), recycling (-46,1%), oil refinery and fuels production (-40,4%), metallurgy (-37,5%), office and computer equipment (-35,9), clothes and accessories (-34,8) and machines and equipment (-19,7%).

The average reduction of 2,6% in the industries of Group III (capital goods and consumer durable goods) hides strong retraction in the capital goods, partly compensated by the expansion of some durable goods (vehicles and precision instruments assembly). In synthesis, the expansion occurred predominantly in sectors that produce consumption goods (8,4%) and the retraction happened in the production goods (16,9%).

The machines and equipment industry reduced 19,7%, what shows that the changes in the Brazilian economy, in the nineties, reinforced a pattern of international work division in which the country became an importer of technology-intensive and capital-intensive goods and an exporter of labor-intensive goods and, mainly, of natural resources.

The retraction of the production goods sector certainly resulted from a process of strong reduction of the long run dynamic growth factors of the Brazilian economy. These

effects were regionally differentiated and impacted the whole industry, because, in the specific accumulation dynamics, the consumer goods sector assumed the dominance but suffered problems of dynamic feedback. Due to its own nature, the consumption industry was unable to maintain a self-generated growth, as happened in the production goods one.

The strong exposure of the industry, the dominance of the consumption sector goods and the retraction of the production goods sector resulted in depressive effects in the Brazilian industry. Important to remark that, since the main growth dynamic factors were captured from the production goods and they had their participation in the industrial production reduced (due to the crisis and the amplification of their imports), this fact has weakened yet more the industry.

It is important to highlight that between 1996 and 1998, when GDP accumulated more than 6% of growth, the manufacturing industry increased only 1,8% and several sectors decreased: production goods increased 2,0%; consumer goods 1,7% (non durable goods increased 1,9%); intermediate goods had the largest growth (2,9%) and consumer and capital goods decreased (-0,1%).

In this context, the discussion about de-concentration or re-concentration of the productive activities must be relative.

Many states enlarged their participation in the industrial production. However, Sao Paulo has maintained it, as shows Table 3. On the other hand, the capital of state of Sao Paulo, that has the largest industrial concentration of Latin America, has enlarged the **circular duality** in the industrial location because of less participation (and even exit) of the labor-intensive sectors and because of greater participation and new implantation in technologically more complex sectors.

The changes in the regional structure of the industry, between 1985 and 1998, were significant and different from the ones that happened between 1970 and 1985. The main difference was the reduction of participation of Northeast Region. The de-concentration that started in Sao Paulo had practically stopped, but the Southeast Region continued reducing it, mainly due to the reduction in Rio de Janeiro. The North, Middle West and especially the South Regions enlarged their participation.

In the 1970-85 period, the states of Sao Paulo, Rio de Janeiro and Pernambuco decreased their participation in national IT. Between 1985 and 1998, also Bahia, Rio

Grande do Norte and Sergipe reduced their participation. Rio de Janeiro had the largest reduction (from 10,3% to 7,6%) and, like Pernambuco, didn't revert the loss of its industry competitiveness (see Table 3).

It is important to remark that the analysis of the 1985-98 period should not be done with the same analytical matrix of the previous period. The movement was dichotomous and occurred industrial concentration and de-concentration. From 1985 on, the movement became more uncertain. In Sao Paulo, for instance, if observing the IT movement, occurred small participation reduction (from 51,9% to 51,2%), stopping the de-concentration process. In the general industry, however, some re-concentration took place (from 47,8% to 49,4%), based on the mineral-extractive industry, whose Sao Paulo production expanded from 1,5% to 5,0% of the total of Brazil.

Therefore, the word that best expresses the regional dynamics of the period is **selectivity**, because there was not exclusion, or emptiness, but each region has been privileged according to strict market determinants, almost always accompanied of great and generous prizes granted by the Fiscal War.

Actually the component of space homogenization (mercantilism universalizing) in the process of historical or recent development has been very tenuous. The location of the more dynamic and technologically more complex sectors - capable of creating larger regional growth - has been strongly **selective** in the regional location. This, however, is not a recent process. It is a characteristic of the late industrialization process in the absence of policies of regional development.

If the national State doesn't reduce the regional disparities and the income concentration, but puts aside structuring policies, and reduces the protection barriers to the national capital and also simply considers the national territory as "market", the final effects are: larger exposure of the national economy; industrial retraction in some segments; and stopping of the processes of inter-regional convergence of income and industrial de-concentration. The regional development became restricted to the "fiscal war" and to the logic of the industrial location, that is a concentrator one. So, the decision of investment of the private capital - national or international - depended on a kind of location "auction", that was responsible for the liquid transferring of public resources to private companies, imposing strong selectivity to the regional development.

This is the unequal and combined form with which the capital has been articulated in the Brazilian space, in the last years. Any region that was not chosen to settle more technologic complex sectors of the industry, may become attractive for other sectors of mature technology , in which the reduction of costs, through payment of smaller salaries, can still contribute to enlarge or to maintain the “competitiveness.”

Thus, the search for microeconomic efficiency – in the absence of industrial and of clear regional development policies, in a conjuncture of deregulation, privatization, commercial opening and new priorities of foreign capital application – has been contributing to re-concentrate more dynamic activities. On the other hand, the improvement of the ways of global *sourcing* has created some problems to the regional linkage and to the dissemination of innovations and has weakened the productive links and the solidarity connections between the several productive chains and the regional productive structures, **creating problems for the dispersion of the industrial production and reducing, yet more, the integration.**

#### CONCLUSION

Until the end of the 80s, the diversified and regionally integrated productive structure propitiated solidary growth of regions and states. After the commercial opening, facts like the national market deregulation and the State exit of the development arena, meant the opening of the national frontiers for the international accumulation. **From the moment in which the motor of the growth stopped being “formation of the internal market” to become “integration with the international economy”, the synergy effects generated by the interdependence of the different areas of the country tended to decrease, weakening the solidarity linkages among them.**

In spite of the differences in the effects on sectors and regions, the dominance became increasingly commanded by the great world oligopolies, because the “accumulation logic” is global. The **incentive** effects on the national productive structure became weaker, enlarging the blockage or inhibition effects and even the destructive ones.

The largest incentive effects are mainly concentrated on the great international oligopolies and may be experienced in their matrixes, in which the re-inversions of the accumulated capital in Brazil are decided. There are different sector incentives for each of



some national compartments that managed to stay in the stable net of suppliers. However, their number is decreasing due to the threatening of substitution for imported products. The **blockage or inhibition effects** are evident in the industry of components, that has been permanently under the competition of the world net of great oligopolies suppliers. The destruction effects are mainly due to low prices, facilities to import and reduction of some exports.

In synthesis, not only the abandonment of the “development State” model, from the end of 80s on, but also, and above all, the implantation of the neo-liberal regime, in the decade of 90, **have interrupted the process of integration** of the national market and have turned **more selective** the location of the most dynamic activities, from the sector and space point of view. Those facts reduced yet more the inter-regional productive solidarity; contributed to the de-concentration stopping and its reversion into industrial sectors technologically more complex; and also generated few incentive effects, strong blockage effects and destruction of the Brazilian regional productive structure.

Undoubtedly, the State intervention – that was structuring, not only in the productive integration of the national market and in the “soldering” of the regional economies to the movement of the national economy, but also in the de-concentration of production – continues being important for the articulation of a new project of national development, equity orientated.

We hope that the new government retakes the conduction of Brazil destiny and formulates new national development strategy and reduces of the regional disparities.

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**Map1**  
**Administrative Division of the Federative Republic of Brazil**  
**Great Regions and Federated States**



TABLES

**TABLE 1**  
**Gross Domestic Product of Brazil—Regional Distribution and per capita Regional Index**  
**1970 - 1988**

Regions of Brazil and States of the Federation	Regional participation in National GDP													per capita Regional gross domestic product Indexes						
	1970	1975	1980	1985	1989	1990	1995	1998	1970	1975	1980	1985	1989	1990	1995	1998				
	Base: Brazil = 100																			
<b>BRAZIL</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100	100	100	100	100.0	100.0	100.0	100.0				
<b>North Region</b>	2.2	2.0	3.3	4.1	4.9	4.9	4.6	4.5	56	47	68	72	74.2	73.4	65.0	61.0				
Acre	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	55	31	46	52	46.0	49.1	50.6	50.0				
Amapá	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	91	44	55	64	94.9	83.4	81.6	63.1				
Amazonas	0.7	0.7	1.1	1.3	1.8	1.8	1.7	1.7	67	66	93	98	126.5	128.6	112.9	106.1				
Pará	1.1	1.0	1.6	1.8	2.1	2.1	1.9	1.7	47	39	54	57	62.8	61.8	53.6	47.8				
Rondônia	0.1	0.1	0.3	0.5	0.5	0.5	0.5	0.5	87	50	65	84	74.4	66.0	58.6	63.9				
Roraima	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	75	58	62	62	77.6	79.2	46.6	50.7				
Tocantins	--	--	0.2	0.1	0.1	0.2	0.2	0.2	--	--	--	--	23.4	25.3	28.7	31.0				
<b>Northeast Region</b>	11.7	11.1	12.0	13.6	12.3	12.9	12.8	13.1	39	37	41	47	42.4	44.4	44.7	46.1				
Alagoas	0.7	0.6	0.7	0.7	0.6	0.7	0.6	0.7	40	37	40	42	33.9	41.4	37.1	40.4				
Bahia	3.8	3.7	4.3	5.1	4.5	4.5	4.1	4.2	47	46	55	64	56.0	55.7	51.8	53.4				
Ceará	1.4	1.3	1.5	1.7	1.5	1.6	1.9	2.1	31	28	35	39	35.4	37.3	44.6	47.5				
Maranhão	0.8	0.7	0.8	1.0	0.8	0.8	0.8	0.8	27	22	26	30	23.1	23.8	23.5	23.9				
Pernambuco	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	28	29	28	30	31.6	38.6	38.9	38.3				
Piauí	2.9	2.7	2.5	2.4	2.5	2.7	2.7	2.7	53	50	49	48	51.5	54.5	57.1	58.4				
Rio Grande do Norte	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	20	20	21	23	21.2	25.4	28.8	28.8				
Sergipe	0.5	0.6	0.6	0.9	0.8	0.7	0.7	0.7	32	36	40	53	46.0	43.8	44.8	46.2				
<b>Sudeast Region</b>	65.5	64.9	62.3	59.1	59.4	58.8	58.7	58.2	153	150	143	137	138.5	137.5	137.6	136.4				
Minas Gerais	8.3	8.4	9.4	9.8	9.6	9.3	9.7	9.8	67	72	84	89	88.6	86.3	91.7	92.6				
Espirito Santo	1.2	1.0	1.5	1.7	1.7	1.7	2.0	1.9	68	61	86	95	96.6	93.9	111.7	106.2				
Rio de Janeiro	16.7	15.3	13.7	12.3	10.3	10.9	11.5	11.0	173	160	145	135	116.7	123.6	134.4	130.2				
São Paulo	39.4	40.1	37.7	35.4	37.8	37.0	35.5	35.5	207	199	179	166	176.1	172.4	163.5	162.6				
<b>South Region</b>	16.7	17.9	17.0	17.1	18.6	18.2	17.9	17.5	94	107	106	110	122.5	120.2	119.4	117.1				
Paraná	5.4	6.6	5.8	6.1	6.3	6.5	5.9	6.2	73	96	90	100	107.1	109.3	103.5	108.6				
Santa Catarina	2.7	2.8	3.3	3.2	4.2	3.7	3.6	3.5	86	92	108	104	135.8	120.8	117.6	114.1				
Rio Grande do Sul	8.7	8.5	7.9	7.9	8.2	8.1	8.3	7.7	120	125	121	123	130.5	130.2	135.0	126.5				
<b>Middle-West Region</b>	3.9	4.1	5.4	6.0	4.8	5.2	6.0	6.8	71	69	85	93	75.5	81.1	90.0	100.6				
Distrito Federal	1.3	1.4	2.0	2.2	1.5	1.6	2.0	2.7	219	177	202	207	143.2	148.9	178.3	231.1				
Goiás(1)	1.5	1.5	1.7	2.0	1.5	1.8	1.8	1.9	48	48	52	66	64.2	64.2	64.2	65.0				
Mato Grosso(2)	1.1	0.8	1.1	1.0	0.8	0.8	1.0	1.1	63	63	80	78	64.0	62.0	71.1	75.1				
Mato Grosso do Sul	--	0.4	0.6	0.8	0.9	1.0	1.1	1.1	--	65	79	82	77.7	79.5	88.4	89.1				

Source: Foundation IBGE.

- 1- between 1970 and 1985 it includes the municipal districts that integrate the State of Tocantins;  
2- in 1970 it includes the municipal districts that integrate Mato Grosso of the South

**Table 2**  
Regional distribution of the manufacturing industry (%)

Selected Regions and States	1970	1975	1980	1985
<b>Brazil</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>
North Region	0,8	1,3	2,4	2,5
North-east Region	5,7	6,6	8,1	8,6
Bahia	1,5	2,1	3,5	3,8
Pernambuco	2,2	2,2	2,0	2,0
Nordeste (menos BA e PE)	2,0	2,3	2,6	2,8
<b>Sudeast Region</b>	<b>80,7</b>	<b>76,3</b>	<b>72,6</b>	<b>70,8</b>
Minas Gerais	6,5	6,3	7,7	8,2
Espirito Santo	0,5	0,6	0,9	1,2
Rio de Janeiro	15,5	13,5	10,6	9,5
São Paulo	58,2	55,9	53,4	51,9
RMSP	43,5	38,8	33,6	29,4
Restante do Estado	14,7	17,1	19,8	22,5
<b>South Region</b>	<b>12,0</b>	<b>14,8</b>	<b>15,9</b>	<b>16,7</b>
Paraná	3,1	4,0	4,4	4,9
Santa Catarina	2,6	3,3	4,1	3,9
Rio Grande do Sul	6,3	7,5	7,3	7,9
<b>Middle-West Region (1)</b>	<b>0,8</b>	<b>1,0</b>	<b>1,1</b>	<b>1,4</b>

Fonte: IBGE. Industrial censuses of 1970, 1975, 1980 and 1985.  
(1) it includes the State of Tocantins.

**Table 3**  
Regional Industry distribution of Brazil—1985–1998 (%)

Regions of Brazil and States	1985			1998		
	Mineral Extractive industry	Manufacturing Industry	General industry	Mineral Extractive industry	Manufacturing Industry	General industry
<b>BRAZIL</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>
North Region	6,1	2,5	2,8	14,4	3,5	4,0
Acre	0,0	0,0	0,0	0,0	0,0	0,0
Amapá	0,1	0,0	0,0	0,0	0,0	0,0
Amazonas	2,9	1,7	1,8	2,1	2,6	2,6
Pará	2,4	0,6	0,7	12,3	0,7	1,2
Rondônia	0,8	0,1	0,2	0,0	0,1	0,1
Roraima	0,0	0,0	0,0	0,0	0,0	0,0
Tocantins	0,0	0,0	0,0	0,0	0,0	0,0
<b>North-east Region</b>	<b>28,0</b>	<b>8,4</b>	<b>10,0</b>	<b>13,6</b>	<b>6,9</b>	<b>7,1</b>
Alagoas	0,0	0,4	0,4	0,1	0,5	0,5
Bahia	12,3	3,7	4,4	5,3	2,5	2,6
Ceará	0,1	1,0	0,9	0,2	1,2	1,2
Maranhão	0,1	0,3	0,3	0,2	0,3	0,3
Paraíba	0,1	0,4	0,4	0,2	0,4	0,4
Pernambuco	0,1	1,9	1,8	0,0	1,4	1,3
Piauí	0,0	0,1	0,1	0,0	0,1	0,1
Rio Grande do Norte	7,8	0,4	1,0	5,0	0,2	0,4
Sergipe	7,4	0,3	0,9	2,6	0,2	0,3
<b>Sudeast Region</b>	<b>62,1</b>	<b>71,8</b>	<b>71,1</b>	<b>64,3</b>	<b>68,7</b>	<b>68,5</b>
Minas Gerais	10,2	8,4	8,6	25,4	8,7	9,4
Espirito Santo	4,7	1,2	1,5	10,2	1,2	1,5
Rio de Janeiro	45,7	10,3	13,2	23,6	7,6	8,2
São Paulo	1,5	51,9	47,8	5,0	51,2	49,4
RMSP	0,6	29,2	26,8	2,0	26,0	25,0
Município de S. Paulo	0,1	15,0	13,8	0,9	11,6	11,2
RMSP exclusive Capital	0,5	14,1	13,0	1,1	14,4	13,8
Restante do Estado	0,9	22,7	21,0	3,0	25,2	24,4
<b>South Region</b>	<b>2,6</b>	<b>16,0</b>	<b>14,9</b>	<b>4,6</b>	<b>18,4</b>	<b>17,9</b>
Paraná	0,4	4,6	4,3	1,0	5,3	5,2
Santa Catarina	1,6	3,9	3,7	2,4	4,7	4,6
Rio Grande do Sul	0,7	7,4	6,9	1,2	8,4	8,1
<b>Middle-West Region</b>	<b>1,1</b>	<b>1,2</b>	<b>1,2</b>	<b>3,1</b>	<b>2,5</b>	<b>2,5</b>
Distrito Federal	0,0	0,2	0,2	0,0	0,3	0,3
Goiás	0,8	0,7	0,7	2,3	1,2	1,3
Mato Grosso	0,2	0,2	0,2	0,2	0,5	0,5
Mato Grosso do Sul	0,1	0,2	0,2	0,6	0,5	0,5

Fonte: IBGE/DEIND - Special Tabulations of the Industrial Census of 1985 and Annual Industrial Researches 1998.

**Table 4**  
Regional Industry distribution of Brazil–1985-1998 (%)

Divisões e Categorias de Uso	1985=100			1996=100
	1996	1997	1998	1998
<b>Total da Indústria Geral</b>	<b>93,2</b>	<b>96,8</b>	<b>95,2</b>	<b>102,1</b>
<b>Indústrias Extrativas</b>	<b>107,2</b>	<b>101,7</b>	<b>117,4</b>	<b>109,5</b>
Extração de Carvão Mineral	104,9	130,0	129,4	123,3
Extração de Petróleo e Serviços Correlatos	49,6	42,3	53,1	107,0
Extração de Minerais Metálicos	254,3	252,8	288,8	113,6
Extração de Minerais Não-Metálicos	308,9	303,7	321,0	103,9
<b>Indústrias de Transformação</b>	<b>92,8</b>	<b>96,7</b>	<b>94,5</b>	<b>101,8</b>
Fabricação de Produtos Alimentícios e Bebidas	136,2	148,8	142,6	104,7
Fabricação de Produtos do Fumo	291,2	278,9	256,8	88,2
Fabricação de Produtos Têxteis	49,0	44,5	45,9	93,8
Confecção de Artigos do Vestuário e Acessórios	68,5	65,7	65,2	95,2
Preparação de Couros e Fabricação de Artefatos de Couro, Artigos de Viagem e Calçados	88,7	77,4	74,5	83,9
Fabricação de Produtos de Madeira	70,1	75,6	69,8	99,6
Fabricação de Celulose, Papel e Produtos de Papel	115,5	106,4	105,3	91,1
Edição, Impressão e Reprodução de Gravações	229,3	254,4	250,9	109,4
Fabricação de Coque, Refino de Petróleo, Elaboração de Combustíveis Nucleares e	64,7	55,5	59,6	92,0
Fabricação de Produtos Químicos	100,8	104,8	106,3	105,5
Fabricação de Artigos de Borracha e Plástico	93,2	99,8	98,4	105,6
Fabricação de Produtos de Minerais Não-Metálicos	64,5	73,1	79,0	122,5
Metalurgia Básica	59,4	66,6	62,5	105,1
Fabricação de Produtos de Metal - Exclusive Máquinas e Equipamentos	91,2	90,5	91,3	100,2
Fabricação de Máquinas e Equipamentos	82,8	88,5	80,3	97,0
Fabricação de Máquinas para Escritório e Equipamentos de Informática	66,1	65,0	64,1	97,1
Fabricação de Máquinas, Aparelhos e Materiais Elétricos	81,3	87,1	91,4	112,4
Fabricação de Material Eletrônico e de Aparelhos e Equipamentos de Comunicações	122,3	122,1	96,2	78,6
Fabricação de Equipamentos de Instrumentação Médico-Hospitalares, Instrumentos de	104,2	106,9	117,4	112,7
Fabricação e Montagem de Veículos Automotores, Reboques e Carrocerias	134,5	148,8	137,5	102,3
Fabricação de Outros Equipamentos de Transporte	48,5	62,8	65,7	135,6
Fabricação de Móveis e Indústrias Diversas	67,5	68,7	72,5	107,5
<b>Reciclagem</b>	<b>41,1</b>	<b>56,0</b>	<b>53,9</b>	<b>131,1</b>
<b>Categorias de Uso da Indústria de Transformação</b>				
Indústria Predominantemente Produtora de Bens de Consumo Não-Duráveis	107,2	111,9	109,2	101,9
Indústria Predominantemente Produtora de Bens Intermediários	81,3	83,0	83,6	102,9
Indústria Predominantemente Produtora de Bens de Consumo Duráveis e Bens de Capital	97,5	104,9	97,4	99,9
Predominantemente Produtora de Bens de Consumo	106,6	112,5	108,4	101,7
Predominantemente Produtora de Bens de Produção	81,5	83,8	83,1	102,0

**Fonte:** Fundação IBGE/DEIND – Tabulações Especiais do Censo Industrial de 1985 e PIAs 1996, 1997 e 1998.

(1) Deflator Utilizado: IPA-OG (FGV) da Indústria Extrativa e da Indústria de Transformação, médias anuais.