RECENT DEVELOPMENTS IN WESTERN AMAZONIA: THE EMERGENCE OF AN INDUSTRIAL COMPLEX IN MANAUS

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Virtually everyone who has a sixth grade geography class, or lacking that, an introductory geography course at a more advanced level, is familiar with the story of the rapid rise, glowing prosperity, and precipitous decline of the rubber boom which developed in Amazonia in the last quarter of the nineteenth century and the first decade of the twentieth century. One of the focal points of this rubber boom was the city of Manaus, Amazonas, located some one thousand miles up river from the mouth of the Rio Amazonas. In most cases, one is left with the impression that Manaus was a boom town that turned into a veritable ghost town.

At a time when individuals and even nations are concerned about their image in the world, a rehabilitation, or at least an updating, of the image of the city seems overdue. The Manaus of 1970 greatly belies the popular image of that city as a former boom town with only a deteriorating Opera House and pleasant memories to remind the inhabitants of what once was the splendor of Manaus, Amazonas. It is presently a city of some 225,000 inhabitants, a regional trade center of increasing importance, and the focus for small scale industrial development within the region. (Figure 1).

The purpose of this paper then, is to trace some of the recent developments in Western Amazonia which have resulted in the emergence of an industrial complex centered in Manaus. (Figure 2).

While it is true that Amazonia and Manaus suffered a severe economic crisis with the collapse of the rubber boom in 1912, it did not prove to be fatal. The Second World War and the resulting demand for natural rubber stimulated a minor economic revival in Amazonia. More important, in terms of present economic activity, was the successful acclimatization of jute in Amazonia. Initially introduced by a Japanese colonist in 1934, jute has assumed an increasingly important position in the economies of the states of Amazonas and Pará. In 1947, the total production of jute in this area was only 6,287 tons; by 1960 it had increased to 50,828. Production has since leveled off at approximately 40,000 tons per year.

Although jute production in Amazonia is insignificant in terms of total world production, it has been an important stimulus to the local economy. Until the mid-1950's all of the local jute was baled and shipped to southern Brazil for processing. In 1954 the first jute mill began spinning and weaving the fiber in Manaus; by 1968 five jute mills were operating in the city, employing some 2100 workers. The three largest mills operate on a year round, six days a week, twenty four hours a day basis. In addition, an estimated 8,000 agriculturalists are cultivating jute in Amazonia to supply the local mills. In 1968 sixty percent of Amazonian jute was being processed within the region, the industry was the major employer in Manaus and jute was the single most important export item for the state of Amazonas—accounting for twenty-five percent of the state's total export value that year.

Another major move toward diversification of the traditionally small, consumer-oriented industries located in Manaus came with the construction of an oil refinery. In a country where the national government maintains a strict monopoly on the petro-
Figure 2
leum industry, the Manaus refinery, which is privately owned, is obviously somewhat of an anomaly. Although it is a small plant, initially limited to 5,000 barrels per day, the refinery began processing in 1956 and quickly became the principal source of petroleum products for Amazonia.

After the refinery began functioning, the local production and guaranteed supply reduced the regional price of diesel oil by 50 percent. Diesel engines quickly replaced the old steam engines as a source of power for regional shipping. Wood-burning ships, which were common in Amazonia in the 1950's are a rarity today. In addition, the generating plants for electricity in the cities of Belém and Manaus, both of which were still dependent upon wood-burning steam generators in the 1950's, were converted to modern thermoelectric plants. The availability of bottled gas from the local refinery has been responsible for charcoal being largely replaced as a cooking fuel in the homes of Manaus. In 1966, seventy-eight percent of the homes in the city were reported to be using gas stoves.

Although local production is relatively insignificant nationally, the refinery is one of the most important industries within the region. In 1967, the crude oil for the refinery was coming from Peru (20 percent), Venezuela (27.6 percent), and Nigeria (52.4 percent). The refined products supplied virtually all of the needs of Western Amazonia and a good portion of Eastern Amazonia.

The rapid increase in motor vehicles in Amazonia has increased demands on the Manaus refinery, particularly for diesel oil and gasoline. In response to repeated requests to expand local production, in order to keep pace with increasing regional consumption, the National Petroleum Council finally authorized the Manaus refinery to increase its daily production to 7,000 barrels per day, in September 1968.

The location of new industry in Manaus, which began in the 1950's, continued into the 1960's. In 1961 a plywood factory began production. By 1968, logwood, to supply the plant, was being drawn from all over the interior of Amazonia, the entire production of first grade plywood being exported to Great Britain. The plant employed 508 people on a permanent basis.

In 1964 a flour mill capable of producing 120 tons of flour per day began operating. Before the mill was established in Manaus all the flour for the city and region was being imported from São Paulo. Now the local mill supplies all of Western Amazonia with flour.

In addition to the newer types of industry, Manaus continues to be a center for the processing of the traditional raw materials coming from the surrounding area: wood, rubber, Brazil nuts, and animal skins. The numerous streams which dissect the city provide natural locations for the fifteen sawmills located in and around Manaus. These mills provide employment for approximately 660 workers. Logwood arriving from the interior is floated to the sawmills, which are advantageously located to market their products locally or export them. A large percentage of the wood is destined for the local market or for marketing within the state.

Although rubber no longer dominates the economy of the state of Amazonas, it continues to be a significant regional export. In 1967, rubber accounted for twenty-one percent of the total export value of regional products and fifteen percent of the state's total exports. Five plants in Manaus carry out the initial processing of the rubber be-
fore it is exported to southern Brazil. The processing involves cutting and classifying the balls of rubber and then mechanically flattening the pieces into thin sheets of rubber which are washed, dried and compressed into bales for exporting.

The most impressive new industrial enterprise presently being developed in the Manaus area is a steel mill under construction on a bluff overlooking the juncture of the Rio Negro and Rio Amazonas. Construction was well advanced on the plant in 1968 and it was scheduled to begin limited production by 1970, with the entire complex being completed in 1972. Initial capacity will be 25,000 tons per year with long range plans of eventually expanding production to 100,000 tons. As steel mills go, the Manaus plant will be small and its output will be primarily designed to satisfy regional demands. Initially it will be producing reinforcing rods, light beams for construction, and wire which can be used to manufacture nails. The principal market area will consist of all of northern Brazil and part of the Northeast.

All of the raw materials required to supply the plant will be coming from within the Amazon Valley. A source of relatively high grade iron ore is located about 250 miles from the city. Limestone is coming from the neighboring state of Pará. And, instead of importing coke, the plant will rely on locally produced charcoal. When it is fully operational, the plant is scheduled to employ 330 workers, with another 300 employed in auxiliary services: supplying the charcoal and iron ore and transporting them to the plant.

During the early 1960’s the Brazilian government developed two plans to promote development within Amazonia. The first of these was the reorganization and revitalization of an existing regional development agency which was then renamed SUDAM, an acronym for the Superintendency for the Development of Amazonia. The second plan, which was implemented in August, 1967, was the creation of the Free Trade Zone, or Zona Franca of Manaus, as it is commonly known.

This new Zona Franca is a 10,000 square kilometer zone of free commerce for imports and exports which includes the city of Manaus and surrounding area. In addition, special fiscal incentives were also incorporated into the new law which aimed to create in the interior of Amazonia an industrial, commercial, and agricultural center endowed of economic conditions which will permit its development, in view of the local factors and the great distance that consumer centers are located from their products. Fiscal incentives authorized by the federal government include an exemption from import, export, and sales tax for most merchandises destined for the Zona Franca. The only exceptions are imports of firearms and munitions, perfumes, tobacco products, alcoholic beverages, and passenger automobiles.

In addition, the state of Amazonas adopted special fiscal incentives for new industrial or agricultural enterprises willing to locate in the city. The combined federal and state exemptions provide industry locating in the Zona Franca of Manaus with an attractive twenty-five percent reduction in the initial selling price of their product in comparison with similar products produced elsewhere in Brazil.

The creation of the Zona Franca of Manaus is potentially the most important new development in Western Amazonia since the discovery of rubber. Although it is too soon to evaluate the effect of the Zona Franca, it is already attracting new industry to Manaus, stimulating the city’s economy, and encouraging development. The city is cur-
rently experiencing the greatest building boom since the height of the rubber period at the turn of the century. By mid-1969, firm commitments were completed for the construction of several new industrial plants, including a cement factory, a petrochemical complex to tie in with the existing refinery, a jewelry fabricating plant, and a shipyard.

Today, some fifty-five years after the collapse of the rubber boom, the Manaus Opera House is still standing, but instead of being a symbol of a decadent community looking to the past, it is really nothing more than a relic, a monument to that past. Stimulated by a growing industrial complex that began in the early 1950’s, a rapidly increasing urban population, and the creation of a Zona Franca, the city's former regional function as an entrepot is slowly but surely being replaced by that of a metropolitan center resting on a developing industrial base.

REFERENCES

1In Brazil Amazonia is commonly differentiated into Eastern and Western Amazonia. Western Amazonia includes the states of Amazonas and Acre, and the territories of Rondonia and Roraima; Eastern Amazonia consists of the state of Pará and the territory of Amapá.


4Unpublished census data provided by Amazonas State Secretary of Health, June, 1968.


7Ministerio da Fazenda, op. cit.

8Ibid.