

## Concerns in Argentina, Paraguay and Uruguay about impact of new duty free border stores in Brazil

By **Ronnie Lovler** on July, 3 2018 | Industry News



Border cities in Argentina, Uruguay, and Paraguay, which have long had their own duty free stores, are becoming increasingly concerned by the potential impact of competing stores that are set to open on the Brazilian side of the border.

Argentina has a duty free zone in Puerto Iguazú, near the Iguazú waterfalls on the border separating the two countries. Merchants there are troubled about the upcoming opening of what the Brazilians are calling “lojas francas” in Foz de Iguazú.

El Territorio, a newspaper published in the provincial capital of Posadas, reported that a meeting was held recently in Foz de Iguazú to address the issues with representatives from both cities.

Duty free border stores could open in Brazil as soon as the next few months.

The country’s Department of Federal Revenue approved the project in early 2018, after years of delaying a decision.

"We are very concerned with the installation of the ‘lojas francas’ because today part of the local economy already buys in Foz de Iguazú, and this will undoubtedly affect us," said Jorge Florentín, Vice President of the Foreign and Allied Chamber of Commerce of Iguazú in a recent news report.

Florentin also said the business community fears the changes could also generate "higher unemployment."

At the same time, both Uruguay and Paraguay are taking steps to lessen the impact of the new Brazilian duty free border stores. Uruguayan officials made their case recently at a meeting of economic officials in June prior to a Southern Cone Common Market (Mercosur) presidential summit.

"In Uruguay we are very worried because they can cause negative economic, social and political effects in these areas," Uruguayan Minister of Economics and Finance Danilo Astori told local media that covered the meeting.

Astori said the Brazilians are establishing what he called "negative lists," or lists of products that cannot be sold at the duty free shops. On the other hand, he said, Uruguay's lists are "positive," detailing which goods can be sold. Astori said Uruguay is "very worried" about this.

Still pending is the implementation of software systems that the Brazilian government is developing to track consumer purchases to make sure shoppers don't exceed monthly duty free limits of US\$300. The stores operating along the Brazilian border are expected to put their own software systems into place.

In a recent interview, Paraguayan economic analyst Amílcar Ferraira suggested that Paraguay consider public-private partnerships to better promote tourism.

In particular he suggested that Paraguay might consider establishing "almost free zones," in cities like Ciudad del Este, "with areas destined exclusively for sales (of merchandise) with differentiated taxes."

"They should beautify streets, reconvert facades of buildings, enhance the hotels, and establish shops of supreme quality and variety, all monitored by a tourist police. In this way, trade will remain in force, which will not only be based on a tariff difference as it has been up to now," he said.