

## First land duty free shops on Brazilian side set to open in coming days

By **Ronnie Lovler** on July, 23 2019 | Industry News



Two new duty free stores, the first to begin operations under the new Brazilian law allowing land duty free stores at the border there, are set to open for business in the coming days.

While in Brazil there is excitement about the new ventures, in Uruguay, some fear the competition from Brazil may heighten the crisis in that country's duty free sector, where sales are reported to be down by 30% since 2018.

A report in the Uruguayan newspaper *El Pais* said these first land duty free stores will both be located in the southern Brazilian state of Rio Grande do Sul. One will be in Yaguarón, along the Jaguarão River, bordering Uruguay and the other in Uruguayana, on the shore of the Uruguay River at the border with Argentina.

Marcos Lemos, who owns the store that will operate in Yaguarón is working to open his store in early August. He says it will complement the duty free shops on the Uruguayan side of the border, calling it "healthy competition".

"We are going to have Brazilian products with excellent prices because we don't pay taxes. Customers will find cheaper cooking utensils than in common stores," he said. Lemos hopes his store will help make Yaguarón a shopping destination for tourists from Uruguay, Argentina and other South American nations. He told *El Pais* he is already working with an international transport company in Brazil that he hopes will bring shoppers to his store.

But indications are that the store in Uruguayana may open as early as July 31, according to *El Pais*, which reports that the store will get its merchandise from Dufry, a global giant in tax-free sales, which owns several of these store Brazilian airports.

However, as the fervor grows in Brazil, in Uruguay there are concerns. In Rivera, Maria Lina Varela, President of the Free Shops Association that covers that locality confirms that sales are down by 30% and says it is a "difficult" time for the sector.

Rivera has long been a major city of land duty free shopping on the Uruguayan side of the border and home to some of the largest stores.

Some of the concern in Uruguay stems from discrepancies over what can be sold in the land duty free stores. Traditional merchants worried that if standard products like flour, milk and eggs could be sold duty free they would be priced out of competition. Standards were set following Mercosur meetings in Uruguay earlier this year and a list of products prohibited for duty free sale were prepared, including elements of the "basic (food) basket" as well as large household appliances, weapons, cars, and vehicle parts.

Another concern for Uruguay is the need to level out the playing field. Brazilians will be able to shop in their duty free stores and spend up to US\$300 a month. But in Uruguay, that country's nationals are not allowed to shop in their own duty free stores.

Carlos Loaiza, Secretary of the Chamber of Entrepreneurs of Free Shops in Uruguay, says that provision does "threaten" the stores in Uruguay, although he is hopeful the Uruguayan government will take timely action.

It is a sensitive issue, but if the other side is going to be sold to compatriots, the government is going to have to see where it wants that sale to go. It is a subject that falls by its own weight," he told *El Pais*.

Alejandro Coutto, a member of the Chuy Free Shops Association, agrees that the situation "is critical," but emphasizes that it is possible to generate "fair competition". For him, it would be necessary to match working conditions on both sides of the border.

He told *El Pais* that one of the biggest stumbling blocks for the Uruguayan free shop sector is that Uruguayan shops pay fees of 10 to 15% depending on the product, but that Brazilian stores will only be a charged a tax of 3 to 6%, which makes it possible for the Brazilian stores to offer lower prices.