

COVID makes land duty free business a struggle in the Southern Cone

The Southern Cone's land duty free business continues to prepare for tough days ahead due to the global pandemic, with borders closed in some countries and others ready for cautious reopening.

That was the word from ASUTIL (Association of South American Free Shops) and CEFSU (the Chamber of Entrepreneurs of Free Shops in Uruguay) as the two organizations wrapped up their two-day virtual gathering of key players in the land duty free business in Uruguay and Brazil.

Tough year

In an exclusive interview with *Americas Duty Free & Travel Retailing*, ASUTIL Secretary-General Jose Luis Donagaray said 2020 has been a tough year for the industry, with no immediate relief in sight. "There has been more than a 50 percent drop in business," he said. "Borders are closed, so that has hurt.

"Stores that are opening are doing so for reduced hours and with fewer employees to try to sell what they can," he said. "One or two small shops have shuttered, but they were very small and having a lot of problems before. It is tough for everyone."

Differing border rules

Some countries still have no plans to reopen their borders for at least the next few months. "Uruguay will continue to keep all its borders closed," he said. "Uruguay has no date for reopening its border and will not open during the summer season." In the Southern Cone, summer runs from December to March.

Argentina expects to open in December with a December 8 date set for the Brazil-Argentina border and December 15 for other border points, he said. Brazil's borders are universally open.

"Chile will open to those who enter the country with negative COVID test results. To enter Brazil you don't need to present anything. And if you are entering Uruguay you need a negative test plus time in quarantine, if you have traveled," he said.

"It is difficult to predict the future because every day changes. So this is day by day. Look at what is happening in Europe," he said. "There are different situations for each country."

Donagaray means different situations vis-à-vis border policies, but there are also different situations in LATAM with laws for border shopping from country to country. Brazilians can buy domestically at their own duty free shops, for example, while Uruguayan law prevents its nationals from buying from Uruguayan duty free shops.

Brazil border legislation brought meeting about

This week's virtual meeting was a follow-up to ASUTIL and CEFSU's conference last year when Brazil first started to engage in the land duty free business. Donagaray said the original plan was to have annual meetings, and both ASUTIL and CEFSU wanted to stick with that program. "This year we wanted to update our membership on how COVID has impacted us, and that is basically what we've done."

The meeting of 2019 was held in Porto Alegre in southeastern Brazil. At that time, there was much fervor about anticipated business as Brazilian border cities began opening their own duty free stores. Brazil had approved long-sought legislation that allowed land duty free businesses to begin operation on the Brazilian side of the border last year, before COVID hit. Until then, the land duty free business had been dominated by Uruguay, Paraguay and Argentina for decades, with Brazilians traveling to stores in those countries to do their shopping. While it may seem counterintuitive to think Brazil's border stores were looked forward to by duty free operators in other countries, in fact they anticipated spillover and looked forward to expanding their own businesses. But then came COVID and their high expectations went bust.

Brazil stores have opened

Still, although things are still pretty dark in Uruguay with borders closed and Uruguayan nationals prevented from doing duty free shopping at home, on the Brazilian side of the border, there is some good news with a number of stores open are getting ready to do so.

There are six stores in Rio Grande Do Sul: New York Free Shop with two stores in Uruguaiana; Brasil Free Shop in São Borja; Brasil Free Shop in Quaraí; and three shops in Barra Do Quaraí, operated by Brasil Free Shop, New York Free Shop and Da Barra Free Shop. Parana has two stores in Foz Do Iguaçu: Liberty and DFA, while in Rondônia, Top International has a store in Guajará-Mirim.

Continued efforts with Uruguay government

During a question-and-answer session Wednesday, CEFSU Secretary General Carlos Loaiza said his chamber is continuing efforts to convince the Uruguayan government to allow its nationals to shop duty free at home, to make up some of the economic gap from the border closings.

"Specifically, we are asking to sell to Uruguayans nationally because the exceptional situation justifies this. We think it is urgent that while the borders are closed," Loaiza said.

According to Loaiza, CEFSU is also talking to the government about permitting digital shopping, particularly now during these COVID times but potentially into the future as well.

Hope for the future

Despite these troubling times, Donagaray closed the meeting with hope for the future and that next year's meeting will be held post-COVID and in person. "We are facing a situation that changes every day. The only thing we know is that things will not be the same," he said. "Together let's begin to think about tomorrow and the days that are to come."