

Brazil approves opening of first two border duty free shops

Brazilian authorities have approved the opening of two land duty free stores along the Brazilian border, kicking off a new wave of entrepreneurial activity that is expected to bring new economic life to the border area.

Brazil's Federal Revenue Service or Receita Federal announced in the *State Gazette* that it had approved the applications of Duty Free Store TM Importação y Exportação in Uruguaiana and Caraballat Free Shop in Jaguarão. Both shops should open their doors in the coming weeks.

In a conversation with *Americas Duty Free*, José Luis Donagaray Secretary-General of The South American Association of Duty-Free Stores (ASUTIL) called the development "very good news. Now the wheel has started and we expect in the next weeks more approvals in Uruguaiana and other cities.

"Also they will start selling all types of products (except planes, cars, boats, motorcycles, petrol and oil), we are all very excited about this news, Donagaray said.

A law permitting the Brazilian shops to operate was approved six years ago, but it got caught up in Brazilian bureaucracy as well political upheaval. Under the new government of free market advocate President Jair Bolsonaro things have moved along.

In a separate interview, Carlos Loaiza Keel, Secretary-General of the Chamber of Commerce of Free Shops of Uruguay, also applauded the move.

"Long awaited, we celebrate that this long process has a first milestone in the facts, although we are waiting for the store to start operating and for MERCOSUR governments to agree on a common framework of competition," Loaiza Keel said.

It had long been anticipated that the first authorizations would go to Brazilian-owned business in smaller border towns. Uruguaiana is in the Brazilian state of Rio Grande do Sul, and shares a border with Paso de los Libres, in Argentina. Jaguarão is a twin city with the Uruguayan town of Rio Branco, in the same state.

At the moment, more attention is on Uruguaiana, a place where Dufry and DFA plan to open stores, according to Loaiza Keel. "It is a good point as a pilot or test. it is already an important dry port and an important city of Rio Grande do Sul, close to other important cities," he said.

Foreign travelers as well as Brazilians will be able to shop in the Brazilian stores. Brazilian shoppers will be permitted to spend the equivalent of US\$300 each month, with their purchases tracked by a special software.

That is not the case in Uruguay or Paraguay, which limits the spending of their nationals, and a move is expected to those countries to allow their nationals to shop duty free at their border stores.

Also still pending is the need to reach a consensus among Brazil, Uruguay, Paraguay and Argentina over what products can make up the duty free offerings in the respective stores.

The land duty free business in Latin America has been dominated by Uruguay, Paraguay, and Argentina for decades, with Brazilians traveling to stores in those countries to do their shopping.

Many have attributed the delays to government bureaucracies and the lack of consensus among Brazil and neighboring Uruguay, Paraguay, and Argentina over what products can make up the duty free offerings in their respective stores.

An attempt to reach an agreement under the auspices of MERCOSUR was attempted, but failed. But now, Brazil has moved forward.

Suppliers and even other operators in neighboring countries are anxious to see the Brazil stores take off in hopes of expanding their businesses. The worsening economic crisis in Argentina has the Southern Cone duty free and travel retail business anxiously seeking other opportunities.

Under the new guidelines, land duty-free stores can be established in any of the 32 border twin cities in Brazil. The main activity is expected to occur in Argentina, Paraguay, and Uruguay, with some possible spillover into Colombia, Bolivia and Peru.