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RESEARCH

Tourists, Shoppers, and Smugglers: Brazilian Re-configurations of Circuits of Imported Goods

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In many countries, imported products resold in stores, fairs, and digital platforms arrive in tourists' suitcases and carry-on luggage. The categories of accompanied baggage and exception quota for travelers are central to understanding contemporary forms of mobility and commerce, providing the script through which many irregular practices take place. This article analyzes two ongoing processes at Brazilian land borders that represent efforts to regulate the flow of commercial mobilities by recalibrating the relationship between tourism and shopping: the creation of a specific micro-import regime for Ciudad del Este and Foz do Iguaçu on the border between Paraguay and Brazil and the authorization of free-shops in Brazilian border cities. In the first case, trying to regulate the activity that for years attracted thousands of buyers to the Paraguayan city. In the second case, internalizing in the Brazilian territory the exceptional spaces that attracted Brazilian buyers abroad or in free-shops at airports for decades.

Keywords: travel; tourism; smuggling; border; free-shop; Brazil

Ciudad del Este, Paraguay. The Brazilian border. 2001. A bus with a Brazilian license plate from São Paulo will leave the city with its passengers and their purchases: imported products from all over the world. The passengers are Brazilians from different cities returning home. Some of them will resell what they purchased in their shops and street stalls or hand them over to their bosses. A sign on its front indicates that it is a tourist bus. On one of its sides we see the colours of the Brazilian flag in its registration number at the Ministry of Tourism, on the other, a sign with the registration number of the National Land Transport Agency (ANTT). In theory, the passengers are tourists returning from Ciudad del Este with merchandise that does not exceed the value of US \$ 300—their exemption quota—or, if it does, they are willing to pay the requisite import taxes. Many are merchants resupplying in Ciudad del Este, hoping to pass through the customs checkpoint in Foz do Iguaçu, in Brazilian territory, without being searched (**Figure 1**).



Figure 1: Tourist bus going to the Friendship Bridge. Ahead, a mototaxi stop. Ciudad del Este, Paraguay, 2001. Photo by the author.



Figure 2: Queuing to check baggage, Miami Airport, 2012. Photo: Roberta Prescott. Reproduced with permission of the photographer.

Miami, United States. International Airport. 2012. LATAM flight LA8195 will soon depart for Guarulhos airport, in São Paulo. The flight is full. Many passengers have suitcases filled with products they bought in the city shops, products imported from different parts of the world as well as from the United States of America. Some of them will resell these products at home, mainly through social networks but also in their shops. In theory, the passengers are tourists returning from Miami with merchandise that does not exceed the value of US \$ 500—their exemption quota—or, if it does, they are willing to pay the requisite import taxes. To do this, they must go through the customs checkpoint located in the entrance to Brazilian territory at the Guarulhos airport, São Paulo State (**Figure 2**).

Ciudad del Este, Paraguay, 2001. Miami, United States, 2012. Different places. Different moments. Different actors. However, they share several elements in common: Brazilians buying products that are not available in their country or that are cheaper abroad. Many buy and sell these products to make a living or to complement their incomes. Transportation companies make the movement of people and goods possible, and these are controlled by migration and customs officers at entrance checkpoints in Brazil. These are places where the rules that regulate the entry of merchandise can be applied, rules that most travelers are aware of, whether they abide by or try to circumvent them.

These similarities do not override a fundamental difference: the presence of a land border in the first case and traffic through airports in the second one. The means of transportation imposes certain restrictions and makes certain specificities visible. We tend to see more families and ‘real’ tourists among the travelers from Miami than we see among the ones that go to Ciudad del Este. To the best of my knowledge, there are as yet no systematic comparisons taking into account numbers of visitors, their profiles, and the amounts spent in each case. But planes in which families and traders intermingle are almost the only means of transportation between Miami and Brazil.¹ In the case of Ciudad del Este, we tend to associate the typical buyer in that city with traders traveling in the sort of bus pictured above. There are, however, plenty of families and individuals that travel with their own vehicles to buy products for personal consumption. The difference between land/air-sea borders is also established by law. Until recently, the exemption quota—the amount that a traveler could bring into Brazil without paying import taxes—was different in each case. Those traveling overland can

¹ It corresponds to what Claus Lassen describe as ‘corridors of travel’ produced by ‘aeromobility’ (Lassen 2006).

bring merchandise worth up to US\$300 and those returning by air or by sea can bring merchandise worth up to US\$500. Entering through an airport or a maritime port, they can also buy merchandise for the same amount in the duty-free shops.

As we will see, these figures and the rules that regulate them are changing in Brazil. It is my contention that these transformations are best understood when considered in light of the previous comparison. What equates these circulations is a common regime, built around the category of the traveler, that oversees legitimate mobilities internationally. Both the traveler that visits a place or the one without a stated purpose for traveling are generally considered to be tourists. In fact, it is through this figure that an important part of non-tourist mobility occurs.² Rather than being manipulated by organized crime—the structuring narrative for the justification of the militarized inflation of border controls—a significant part of so-called illegal immigrants are people who arrive as tourists in countries where they will overstay their lawful admittance. Something similar happens with the entry of merchandise: a significant part of imported products resold in many countries arrive in tourists' suitcases and carry-ons. The importance of accompanied baggage and the exception quota for travelers are central to understanding contemporary forms of mobility and commerce.

There are a number of studies that describe cross-border commercial circuits, the smuggling of legal and prohibited products, as well as the political, social, and cultural dynamics involved in their operationalization.³ Robert Pallitto and Josiah Heyman (2008) and Brenda Chalfin (2008) analyze the forms of identification and control of transnational mobility that are fundamental to an understanding of contemporary cross-border mobility. Seen from the commercial circuits of imported products in Brazil, the comparison between Ciudad del Este and Miami can foreground an understanding of the categories and mechanisms that ensure or restrict the existence of these circuits and the varied attempts at regulating them. These are the themes of this article.

In the following pages I will explore three questions. First, I will discuss the categories and definitions that regulate legitimate mobilities, which can assist in our understanding of the embeddedness of irregular practices in legal definitions. Second, I will describe and analyze two ongoing processes in Brazilian land borders that represent efforts to regulate the flux of illegal mobilities: the creation of a specific micro-importation regime for Ciudad del Este/Foz do Iguaçu on the border with Paraguay and the authorization of free-shops in Brazilian border cities. Finally, comparing these efforts, I will discuss the re-calibration between tourism and shopping that these regulations entail.

In recent decades, the social sciences have studied in a more subtle way the relationships between laws and illegal practices, transcending normative and state-centered visions to analyze their interrelationships (Heyman 1999), the productivity of the law (de Genova 2002), and the distinctions and articulations between the illegal, the illicit, and the legitimate (van Schendel & Abraham 2005). In Brazil, a tradition of studies on illegal markets and regulations has generated a set of innovative approaches, such as the idea of 'political merchandises' (Misse 2002, 2006), illegalisms and power games in urban dynamics (Telles & Hirata 2007), and the feedback between the state and criminal security regimes (Feltran 2012), among others.

Following these studies, I privilege the structuring elements of legal systems in the workings of irregular and illegal practices and observe how they are redefined, subverted, and updated by means of disputes. Starting from the legal figures that regulate legitimate mobility and moving on to consider irregular forms of circulation of goods is an approach that converges on the growing interest in processes of illegalization and legalization (Heyman 2013; Thomas & Galemba 2013), as well as on previous work where I addressed the processes of the formalization of informal workers (Rabossi 2011) and the normative referents that guide the discussions, demands, and policies that target informality (Hirata & Rabossi 2017). Observing how generic categories such as tourist or accompanied baggage operate in different contexts—land-border crossings or airports—allows us to understand the structuring of differences and how states perform differently according to the nature of the border.

The article is based on research that articulates fieldwork and the analysis of historical and media archives and government records. I carried out fieldwork for almost a year, between 1999 and 2001, on the border between Brazil and Paraguay. During this time, I lived mainly in Ciudad del Este, to which I returned for

² For visa overstays in the USA, see Warren and Kerwin (2017).

³ Among the vast literature on these topics, see MacGaffey and Bazenguissa-Ganga (2000); Chalfin (2001); Sandoval (2012); Andreas (2013); Sasunkevich (2015); Galemba (2018).

different periods in 2006, 2008, and 2016. In 2007, I analyzed a circuit of buyers from Caruarú, Pernambuco, who sold clothes in Ciudad del Este and bought imported products there, which they then took back home for resale. In 2013, I participated in the project *Segurança Pública nas Fronteiras*, coordinated by Michel Misse, which allowed me to do fieldwork in other cities on the border with Paraguay and Argentina. The legal transformations analyzed in this article were discussed in interviews and inquiries throughout these periods of fieldwork and monitored through official documents, parliamentary debates, legal registers, and the media. Following Brenda Chalfin's (2006: 245) research on custom regimes, I would also characterize this article as 'anthropological rather than explicitly ethnographic'.

Legitimate mobilities

'I am a border businessman' was the ironic self-description of a regular traveler to Ciudad del Este who resold imported goods in his hometown of Rio de Janeiro. Carlos's motto made his companions on the bus laugh out loud. Carlos knew that what he did was defined as smuggling. But the irony challenged that definition using a legitimate formula. He did not think what he was doing was immoral—after all, he bought and sold legal merchandise like any businessman—but he took advantage of the price differentials between Brazil and Paraguay to ensure a higher profit. He knew he was taking a risk. He could lose his merchandise and even be prosecuted. In 2001, when I met him, Carlos thought it was worth it.

Business and travel are constituent parts of the commercial mobility that I have been researching for a long time. When they involve international borders, as in the cases with which I began this article, we are confronted with definitions that do not necessarily have to do with ironies or self-perceptions but with regulatory frameworks and legal categorizations.

Why does tourism permeate these descriptions of commerce in Ciudad del Este and Miami? One answer could be that both are cities for shopping tourism: places that, due to the products available and the prices practiced in their stores, attract buyers from different parts of the world. In fact, this characterization has been used by local and international organizations for both places. Shopping tourism cities attract tourists, but they also attract importers from other countries. In theory, what differentiates tourists from importers is motivation and scale: the former buy for personal consumption, the latter buy in quantity for resale.

Importers play a particular game, the rules of which are defined by foreign trade. It is noteworthy that, paying import duties and conforming to import rules, importers are allowed to sell these products in their country of operation. If you are a tourist, you have to adapt to the rules that regulate what is considered accompanied baggage, which includes an exemption quota of products that you can buy without paying taxes or else pay taxes on products that exceed that quota. You will do that at the customs checkpoint of your destination, but even after you have done so, you cannot resell products that are defined as being for personal consumption.

The exemption quota includes objects up to a certain value that can enter the country without paying taxes. Some merchandise is measured in units or pieces (alcoholic beverages, cigarettes and tobacco, etc.). The history of what one can bring back home takes into account a series of interrelated issues and their respective regulations: transportation, taxes, controls, migration, markets, and so on.

Government practices can impact these issues in different ways. Some governments encourage the development of markets for foreign buyers and importers through investment in legal, urban, transport, and communication infrastructure. Cities for shopping tourism, re-export markets, and other free economic zones are part of these strategies, which generally create territories of exemption of import duties and taxes. We can call them exemption strategies of territorial inscription.⁴ In the following pages, we are going to see them operating in the constitution of Ciudad del Este and in the contemporary creation of free-shops in Brazilian border-cities. At the same time, the quotas, quantities, and kinds of merchandise that buyers are allowed to bring back home can be modified. We can call them consumption definitional strategies. We are going to see how these strategies are being implemented in Brazil.

Incentives for consumption based on strategies of these types run parallel to the recrudescence of criminalizing discourse on smuggling and informal forms of commercialization.⁵ However, the number of individual

⁴ Saskia Sassen (1996, 2006) early explored the new geographies of globalization and the reconstitution of sovereignty. Ahiwa Ong (2006) analyzed these territorial arrangements in the case of China (1999, particularly chapter 8) and what she calls 'graduated sovereignty'.

⁵ On the criminalizing discourse on smuggling, see Rabossi (2018).

actors using their travelers' exemption quota to bring into Brazil imported products to supply their stocks continues to rise. The interesting thing to note is that buyers entering their home countries with goods intended for commercial purposes tend to go by the same playbook, adjusting their moves to the rules governing legitimate mobilities. People try to conform their purchases to the permitted quota, making the trip profitable by multiplying the individual quotas that they have—traveling with the family or contracting someone to carry merchandise for them. They adapt to make it seem as if their purchases are not for commercial purposes. They tailor their travel agenda to ensure that they do not overstep their monthly permits. We might say that the irregular practices of travelers that intend to take advantage of differential prices for commercial purposes are embedded in legal definitions.

This reformulation of the category of embeddedness is not meant to be a clever appropriation of Karl Polanyi's formulation. Rather, it seeks to shift the discussion on the circulation of goods across international borders away from a criminalizing framework. On the other hand, following from the above, it forces us to consider forms of regulation as one of the fundamental elements in understanding the economic and social dynamics under analysis. That is the reason for presenting efforts at regulating the flow of imported merchandise at the Brazilian land borders.

Tourists, *sacoleiros*, and micro-importers in Ciudad del Este

Between the end of the 1980s and the first decade of this millennium, Ciudad del Este in Paraguay became one of the main Brazilian markets for imported goods. Thousands of buyers from different parts of the country bought there what they would resell in their home cities or cities of business (Rabossi 2012). Conflicts generated by the repression of border trade led the Brazilian and Paraguayan governments to try to formalize it.⁶ In order to understand the creation of a specific regime for small importers that could operate on the border with Paraguay, we need to know something of its history.

From its conception, the Paraguayan city has been a part of the circuits of products and merchandise. Founded as Puerto Presidente Stroessner in 1957, it is located where the route that would connect Paranaguá with Asunción crossed the border over a bridge from Foz do Iguaçu.⁷ Paranaguá is the Brazilian port on the Atlantic Ocean where the Paraguayan government obtained port facilities to ship its exports and to receive its imports. Foz do Iguaçu is the Brazilian city on the Paraná River, opposite Ciudad del Este. Not by chance, the first public building of importance built in the Paraguayan city was the Customs Building, inaugurated in 1962. The connection with an Atlantic port overcame Paraguay's landlocked condition and brought the country closer to Brazil.

During the 1960s, the Paraguayan government encouraged the importation of goods to be resold to tourists. The Special Tourism Regime, as the set of rules that organized border trade is known, was focused on the reduction of taxes for re-export trade and its liquidation before entering the country (Penner 2006). Imported products and the casino—banned in Brazil since 1946—were encouraged by the Paraguayan government to attract Brazilians and Argentinians to the city.⁸ While local commerce pandered to the tourists arriving in the city, large-scale smuggling circuits supplied Brazilian hubs. These circuits were operated by important figures of Stroessner's government in collusion with their partners in Brazil.

This picture was altered in the 1970s. A sequence of transformations deeply modified the region: the construction of the Itaipú dam a few kilometers north of the city and the colonization of eastern Paraguay by Brazilian migrants.⁹ At the same time, the Brazilian government implemented a compulsory deposit for all who wanted to travel abroad, which, as a result, encouraged the purchase of imported goods in Puerto Presidente Stroessner. A decree signed by President Ernesto Geisel in 1976 established that those who wanted to travel abroad had to pay a deposit to obtain a passport.¹⁰ The deposit had an important impact on shopping trips abroad, but it was not required for those who traveled to neighboring countries.

⁶ On conflicts and protests, see Rabossi (2008: 203–243); Cardin (2016); Paro (2016).

⁷ It is the Friendship Bridge, which was fully inaugurated in 1965.

⁸ The attraction that buying and gambling in Puerto Presidente Stroessner started to have can be measured in the favorable position of the mayor of Foz do Iguaçu toward opening a casino in his city. According to Colonel Julio Werner, in 1969 a casino in Foz do Iguaçu would '...prevent Brazilians from spending a million Cruzados Novos per month on the Paraguayan side, gambling and buying' (Estado de São Paulo 03/27/1969), equivalent to US\$250,000.

⁹ On Itaipú, see Folch (2019). On the Brazilian occupation of eastern Paraguay, see Albuquerque (2010).

¹⁰ This measure of the Geisel government (1974–1979), implemented in 1976, tried to contain the evasion of foreign currency and thus to reverse the signs of stagnation of the Brazilian economy in the context of a strong world crisis. The demand for a police certificate favoured the control of those who wanted to travel abroad, something in tune with the military dictatorship. An analysis of the impact of the deposit on travel to Europe carried out at the time is Neves and Franco (1978).

In force until 1979, the compulsory deposit boosted domestic tourism in Brazil, fostering the growth of local tourism companies, the proliferation of domestic flights, and the boom in bus tourism.¹¹ Given its privileged position in terms of connections and infrastructure, and its steady supply of imported products, Puerto Presidente Stroessner became the city of reference for Brazilians to purchase goods from the rest of the world. All these measures were to produce a profound change in the commerce of the Paraguayan city, multiplying the actors who were starting to live off the border trade.¹²

Stroessner's fall in 1989 modified the control on imported products and altered the large smuggling schemes, which until then were partly operated by air. In the following decade, border trade grew exponentially. The *sacoleiros*—so called because of their *sacolas*, large bags packed with merchandise—went to the city to make their purchases, mainly in buses rented for that purpose. In 1995, the peak year of border trade, some 65,600 buyers arrived weekly. In addition to the varied strategies to adapt to customs controls, one way of hindering the systematic surveillance of the vehicles in which they traveled was the organization of bus caravans, reaching lines of up to 350 buses waiting to pass through the checkpoints. Hundreds of buses challenged the oversight capacities of customs inspectors (**Figure 3**).

Despite the heavy presence of *sacoleiros*, the general term used in Ciudad del Este to refer to buyers was tourist. During my fieldwork, my Paraguayans interlocutors used to distinguish between *turistas-turistas* and *compristas* (buyers). The first are real tourists who, besides visiting the region—the Iguazú waterfalls being the main attraction—visit Ciudad del Este to do some shopping. The *compristas*, also called *turistas-compristas* by the media, are clearly recognized as merchants. There are certain continuities that make sense of these equations. Both arrive from the other side of the border on a transit pass through the city in order to carry out shopping. The purpose of these purchases matters—whether they are for consumption or for resale—and marks differences that are expressed in prices and deals. However, the reason to go to Ciudad del Este is the same (to buy), as are the mobile practices involved (crossing the border through the Friendship bridge, picking up the products, buying, crossing the border back again).



Figure 3: Sacoleiro's Convoy, State of Paraná, 2001. Photo: Roger Meireles. Reproduced with permission of the photographer.

¹¹ For Foz do Iguaçu, see Rabossi (2008: 75–6 and 180ss). For the impact of the deposit in the tourism to the city of Vitória, for example, see Cicatelli (1976).

¹² Changes that involved new supply centres, the proliferation of products of unknown or copied brands, new forms of sales (self-service businesses), and new immigrant groups dedicated to commerce. For a detailed analysis of these transformations from the point of view of city vendors, see Rabossi (2008: 180–213).

The repression of the trade circuits from Paraguay, both at the border and beyond, takes place in several stages. Since the implementation of MERCOSUR in the mid-1990s, the equalization of taxes for imported goods among its member states has enabled São Paulo to become the provision hub of imported products for Brazilian buyers. The control of the border trade in Ciudad del Este was essential to reorienting the *sacoleiros* circuits to the Brazilian city.

The decline of the *sacoleiro* circuits to Paraguay began when the buses—the privileged means of circulation—started to be monitored and apprehended. Since 2003, the national prosecutor's office—the *Ministerio Público*—and the federal inspection and investigation bodies began to request the apprehension of tourist buses that traveled regularly to Foz de Iguaçu. In June 2005, the *Combóio Nacional* operation, organized by the Federal Public Ministry, the Federal Revenue Service, the Federal Police, and the Federal Road Police, issued 364 orders to search and seize buses in 6 Brazilian states, affecting 81 tourist bus companies.¹³ In addition to these operations, tight control of the routes used by *sacoleiros* restricted the movement of buyers to Paraguay.

The words of the interim federal judge Murilo Brião da Silva, who welcomed the request of the prosecution for mandates on tourist buses transporting *sacoleiros*, encapsulates the reactions of state agents in charge of supervising the border.

Buses are mainly used for this transportation [smuggling], buses pimped up as tourist buses, but which have nothing to do with tourism as they are instruments in aiding the execution and consummation of crimes, the practice of which guarantees illicit advantages even for their actual owners (in Serra Azul et al. 2014: 145).

'Pimped up' expresses something more than merely dressed or customized; it reveals the indignation of someone who feels cheated by performances in which something is presented as being different from what it is or should be.

The process was long, marked by conflicts and mobilizations: buses were burnt, roads were blocked, and there were demonstrations on roads and at checkpoints. Alongside the protests in Brazil, there were complaints and pressure by Ciudad del Este merchants, which were transmitted through diplomatic channels.¹⁴ The mobilizations led to the elaboration of a differentiated regime targeting small importers (Tucker 2020). The *Regime de Tributação Unificada* – RTU (Unified Taxation Regime) was sanctioned as a Provisional Measure in 2007, modified after numerous debates, and sanctioned as law in 2009 (Law 11898/2009). Its implementation, however, was only possible in 2012, after Paraguay approved an equivalent regime, the *Régimen Fronterizo de Comercialización* – RCF (Border Marketing Regime). The RCF responded to a demand of the Federal Revenue Service to register Paraguayan businesses that could sell to Brazilian importers and the transporters that could carry them back to Brazil, as well as implementing the software provided by the Brazilian office for on-line control of the purchases of micro-importers.¹⁵

According to Law 11.898, popularly known as *Lei dos Sacoleiros*, only the micro-companies that were part of the simplified tax collection system for small companies (*Simples Nacional*) could operate in the RTU.¹⁶ They could make purchases of up to a maximum of R\$ 110,000 per year (the equivalent of US\$60,800 in 2009), paying 25% of the value of the merchandise in federal taxes plus 8% in municipal taxes. The merchandise acquired under the RTU regime was meant for direct sale to the final consumer. A list regulates what type of products can be imported: mainly electronics, cell phones, and computer products.

¹³ Operation *Combóio Nacional* was retrospectively considered a milestone in border control, relying on investigation and cooperation between various institutions. A documentary film was produced by the Federal Revenue Service (Receita Federal 2013), and a publication of the national prosecutor's office details their participation (Azul 2014). Denise Paro's (2016) book provides a good description of the period.

¹⁴ According to João Luis Pereira Pinto, director of the South American Section of the Ministry of Foreign Affairs, "The origin of this proposal arose out of a meeting that took place in Asunción, on April 1, 2005. At that moment, the situation in Ciudad del Este and Foz do Iguaçu was extremely tense and there was a request from the Paraguayan to the Brazilian government asking for calm in the region and to find other ways of returning to trade in a more stable way, disengaging it from the system of commercial triangulation. Several measures came from that meeting: the reform of the Ponte da Amizade, both on the Brazilian and the Paraguayan side, the increase in the quota of \$ 100 dollars to \$ 300 dollars and a very clear commitment of the Paraguayan government to formalize the economy of Ciudad del Este." (Senado Federal 2008: 10).

¹⁵ The Sub-secretariat for Taxation of the Paraguayan State carried out the registration and granted the password to access the Harpia software, which would generate appropriate tax receipts and upload the import information directly to the Brazilian Federal Revenue registry. For a description of the system as seen from Paraguay, see Caceres and Zapata (2012).

¹⁶ *Simples Nacional* is a tax collection and inspection regime applicable to micro and small enterprises, implemented by Law No. 9,317 (12/5/1996) and Complementary Law No. 123 (12/14/2006). Since 2012, a microenterprise is considered to be a company with revenues up to US\$ 181,000, while small enterprises are the ones with revenues between US\$ 181,000 and US\$ 1,810,000.

In 2013, one year after the implementation of the RTU, there were 769 Brazilian micro-companies registered in the system and 30 Paraguayan exporters registered on the Paraguayan side, according to data from the monitoring commission. In 2017, according to the head of the custom service at the Friendship Bridge, there were more micro-companies registered in the system than in 2013, but only 10 of them were using the system on a regular basis (Baumgratz 2017: 17). The *sacoleiros* that I know complained that the list of permitted products was far too restrictive.

In 2017, the Brazilian government terminated the joint-management system with Paraguay. In addition, individual micro-entrepreneurs were allowed to operate within the system and the registration requirements were simplified.¹⁷ In 2018, the list of products that could be brought into Brazil under the RTU regime was significantly expanded. Apparently, the monitoring commission has been inactive since.

The project of regularization of the border trade, the argument mobilized by representatives of both governments: faced the limits imposed by profitability and by the commitment of succeeding governments. For most of the *sacoleiros*, the RTU was not an economically attractive alternative. At the same time, the government of Michel Temer, who took office after the impeachment of President Dilma Rousseff, did not show the same commitment to the project. In 2017, the decision to switch off the software that connected Paraguayan businesses to the Federal Revenue was justified by the savings it would bring: an annual saving of R\$7 million (equivalent to US\$2,200,000 at that time). Arguing for a purportedly easier and quicker movement of merchandise, the Temer government dismantled the structure set up by the previous one so as to re-configure border trade as regular trade.

The Unified Taxation Regime represented the attempt to create a legal mechanism that would recognize cross-border merchants as small importers who make a living by buying and selling imported products. This regime stems from an array of demands, ranging from the tense situation of the *sacoleiros* in Brazil to the demands of the Paraguayan government to create conditions for maintaining Ciudad del Este commerce. Re-framing these actors as micro-importers would overcome the contested nature of *sacoleiros* on both sides of the border, whether as smugglers pretending to be tourists according to the agents of Brazilian security and justice or as tourists-shoppers, as *sacoleiros* are often called in Paraguay.

Sacoleiros emerge within a configuration where tourists are the legitimate consumers of the differential prices offered on the Paraguayan side of the border. Ciudad del Este became a node for 'the transshipment of goods from third countries through Paraguay to Argentina and Brazil to avoid trade taxes in their countries of destination' (Connolly et al. 1995: 975). Instead of developing as a re-exportation market like Miami and other cities, it relied on tourists as a retail strategy of commercialization or on smuggling as a wholesale one.

During the 1980s, in particular, we can map the emergence of tourists who started to make a living out of their purchases. This movement became a problem for wholesale circuits, as clearly stated in a local newspaper:

According to some businessmen linked to commerce and tourism, there are pressures to end this shopping movement in Ciudad Presidente Stroessner. The movement would be in the service of the interests of the big smugglers who consider themselves impaired by buyers. The wholesale businesses supply centers for the purchase of foreign products, such as Galeria Page in São Paulo, and various other points of sale throughout the country. Currently, buyers compete with wholesalers, who are fed by the great contraband. (Nosso Tempo 06/11/1987).

The fall of Stroessner and modifications on the control of the wholesale circuits allowed for the consolidation of *sacoleiro* circuits in a dimension that was previously inconceivable. For local authorities and businessmen of both cities, they were tourists, as they came from other places for a temporary visit. In the case of Foz do Iguaçu, they benefit from the hotel infrastructure and related services: *sacoleiros* used to stay one night in Foz do Iguaçu. In the case of Ciudad del Este, the distinction between tourist-tourists or buyers is simply a matter of motivation and scale, not of nature.

If the numbers of the *sacoleiros* establish a practical limit to monitoring, the caravans of buses make the visibility of the problem something intolerable to the State. The RTU represented an attempt to guarantee the possibility of operating legally by redefining the identity of the actors involved in border trade. Its failure reveals the difficulties of transcending the references that structured it.

¹⁷ Popularly known as MEI, individual micro-entrepreneurs are individual entrepreneurs that can operate as a company (inscribed in the National Registry of Legal Entities – CNPJ), paying a monthly bill that ensures access to social security benefits. For an analysis and evaluation of the Individual MicroEntrepreneur policy, see Campanha et al. (2017).

Bringing duty-free shops to this side of the border

Another ongoing change in Brazilian borders is the installation of duty-free shops in the so-called *ciudades gêmeas* (twin cities): cities that have an urban counterpart on the other side of the international border and that have more than 2000 inhabitants.¹⁸ At the beginning of 2021 there were nine duty-free shops operating in Rio Grande do Sul, two in the city of Barra de Quaraí, one in Jaguarão, five in Uruguaiana and one in Porto Maua, and one in Paraná, in the city of Foz do Iguaçu.

The bill authorizing the installation of duty-free shops in border cities was presented in 2009 by a congressman from Rio Grande do Sul and it was approved in 2012 as Law No. 12,723.¹⁹ In fact, the law is a modification of the one that regulates the entry of accompanied baggage and the installation of duty-free shops in ports and airports. One of the justifications for the bill was, precisely, the inequality resulting from the fact that, unlike ports and airports, border cities were excluded from hosting duty-free shops.

In the years that have passed since the law was sanctioned and regulated, discussions have focused on which municipalities should be recognized as twin cities and which are therefore able to receive free shops, what products could be sold in these shops, and which mechanisms should be implemented for their sales. Once these issues were decided upon, each municipality would have to enact specific municipal regulations regarding the location area of the free shops, the hours of operation, and the requirements for obtaining installation permits.

There has long been demand for a law that would allow duty-free shops in Brazilian border cities. The earliest record I could find was in Foz de Iguaçu at the beginning of the 1980s, framed as an alternative to Ciudad del Este's development as a market for imported products. With the authorization of duty-free shops in Uruguayan border cities in 1986 (Muller 2017), the demand for free-shops on the Brazilian side took off in the state of Rio Grande do Sul. It was a representative of that state, affiliated to the Workers' Party, the ruling party at that time, that proposed the law. The drive to apply and expand the law during the current government of President Bolsonaro came from his chief of staff, Onyx Lorenzoni, also hailing from Rio Grande do Sul.

Both foreigners and Brazilians can shop in the duty-free shops in Brazilian border cities. Sales are meant for individual persons, not companies. Besides imported goods, it is possible to buy Brazilian merchandise without federal taxes. Once a month, each person can buy US\$300-worth of merchandise, which cannot be acquired for commercial purposes. The transaction can be in national or foreign currency.

A duty-free shop can be opened by companies registered in Brazil, that are fiscally transparent, have no debts with the state, that have a net worth equal to or greater than R\$2,000,000 (in January 2021, approximately equivalent to US\$365,000), and that have the computerized management system required by the Federal Revenue Service.²⁰

In addition to meeting a demand from the cities and border states of Brazil, the duty-free shops law was sanctioned in a context of government concern with the increase in spending by Brazilians abroad. The figures are surprising. If in 2003, 3,229,000 Brazilians traveled abroad, in 2014 that number tripled, rising to 9,616,000 travelers (WTO 2019: 123). The growth of expenditures abroad occurred at an even faster rate. According to the Brazilian Central Bank, in 2008, US\$10,962,000,000 were spent abroad, while in 2014 that figure rose to US\$25,500,000,000.²¹

Despite having always faced enormous resistance by the Federal Revenue Services and national business sectors, the creation of duty-free shops on land borders established itself as a viable and feasible alternative in light of a confluence of diverse interests and objectives. Its slow implementation, however, reveals the frictions through which it has progressed since it was sanctioned as law.

¹⁸ This is the legal definition of *cidade gêmea* (see DOU 2014). The conceptual formulation from which this definition derives was developed by the geographer Lia Osorio Machado (2005, 2006). In 2014, 29 border cities were recognized as twin cities and could receive duty-free shops. Today there are 33.

¹⁹ For an analysis of the legislative process that resulted in the Law N° 12.723/12, see Lima (2017).

²⁰ For international duty-free operators and whiskey companies, the possibility of landing in the Brazilian market was considered a great opportunity. In 2013, I participated in a meeting at the Commercial Chamber of Ponta Porã, a Brazilian city of Mato Grosso del Sul located at the border with Paraguay. A representative of the Federal Revenue Services presented to the audience the progress of the regulation of the Law N° 12.723. On that occasion, several merchants that had their businesses on the street where the international border is located reported having been contacted by international companies (whiskey companies and duty-free operators) proposing partnerships. According to the representative of the Federal Revenue Service, the large duty-free shops operators were pressing for a regulation that favored their interests.

²¹ Central Bank Data, External Sector Notes, 2008 and 2014. The values of Brazilian foreign spending recorded by the Central Bank include elements that are not incorporated into the calculations of the World Tourism Organization to determine the spending of tourists abroad. A detailed and comparative analysis of these forms of quantification remains to be done.

The current Brazilian administration of Jair Bolsonaro took a proactive stance in relation to duty-free shops, accelerating their implementation and significantly expanding the products that they could sell. The incorporation of products of Brazilian origin, including basic foodstuffs, white-good appliances, weapons, agricultural machines, construction materials, and tires, among others, has created a diplomatic crisis within Mercosur.²²

The US\$300 that can be spent monthly in free shops at the border does not add up to the US\$500 that a Brazilian citizen can bring into the country by land. Like the air traveler, to the merchandise bought at the free-shop she can add the amount of goods she bought abroad. Like before, the air traveler can acquire more merchandise than her counterpart who travels by land: in addition to the US\$500 that plane travelers can bring from abroad, today they can buy up to US\$1000 merchandise in an airport free-shop.²³

One issue that deserves attention is that Brazilians can buy in free-shops because, by law, they are considered international travelers. Every free-shop buyer at the border is a traveler, either because he or she is a foreigner or because he or she becomes one in the act of buying, even when resident in the same city. In section III of the normative instruction that regulates the law, the section on the acquisition of merchandise in free-shops, it is established that 'The traveler who enters the country and is identified with a valid document for that entry may acquire merchandise in the free-shop of the land border' (DOU 2018). After describing the documents that a foreigner can present, it notes that 'When the identity document has been issued in the country, the Brazilian taxpayer registry identification must also be verified' (DOU 2018). The Brazilian taxpayer number turns you into a traveler that can take advantage of the tax exemption of the free-shop.

What will happen with border free-shops? Will they become the new supply centers for resellers in Brazil, both of national products and imported ones? Will they make the *sacoleiros* merge with the luxury-*sacoleiros*, like the ones who bring products from the United States for resale are called? How will custom inspection operate with free-shops within the national territory and with travelers that do not go through customs to be controlled? These are some questions that time will help us answer. Observing the reactions of the middle and upper classes on social networks, however, the happiness of being able to buy their luxury goods abroad or in free-shops plays a role that is not negligible in the construction of the current government's legitimacy. Goods that, as some of them point out, they have the right to have without being extorted by the imposing voracity of the Brazilian state.

Calibrating tourists and shopping

I began this work with a comparison between Brazilian travelers to Ciudad del Este and Miami to highlight the categories of tourism, travel, exemption quota, and accompanied baggage to understand certain commercial mobilities. In the following discussion, I will return to these elements and categories considering the policies already analyzed and I will reflect on the rationalities behind them.

Both policies sought to re-calibrate the relationship between tourists and shopping. In the case of the Unified Taxation Regime by opening the possibility for *sacoleiros* to operate as small importers without having to resort to the fiction of being tourists to be able to make their purchases on the Paraguayan side. In the case of border free-shops by allowing shops with tax benefits to operate in Brazilian territory, businesses that until recently could only operate inside a customs zone.²⁴ By this innovation, Brazilians will not need to be travelers to buy products without taxes or, at least, they will not need to cross international borders. They can just arrive near them at the border cities.

In the first case, a great diplomatic and regulatory effort was made to organize the activity of buyers under the prism of what it was understood they were doing: importing. Trying to depressurize the tension produced by the repression of irregular border trade, the Brazilian government implemented a formalization policy based on the registration of all the actors that would participate in the process: micro-importers from

²² At the ordinary meeting of the Common Market Group held on September 12 and 13, 2019, the delegations of Argentina, Paraguay, and Uruguay recorded their concerns about these measures. See https://calendario.mercosur.int/simfiles/docreuniones/74443_ATTZGFV4.doc.

²³ According to Ordinance No. 559/19 of the Ministry of Economy (DOU 2020), since January 1, 2020, travelers arriving from abroad can buy merchandise up to US\$1000 monthly in duty-free shops at ports and airports (previously, it was US\$500). The same Ordinance establish that those who enter Brazil by land can bring goods equivalent to US\$500 (previously, it was US\$300). In addition to this amount, they can buy the equivalent of US\$300 in land duty-free stores (Ministerio de Economia 2019).

²⁴ In customs geography, the Primary Zone corresponds to fenced places where imported goods can be declared and where the corresponding taxes can be paid at Custom. Until the incorporation of border free-shops, this type of commerce could operate exclusively in the Primary Zone. The rest of the national territory is considered a Secondary Zone where not-declared merchandise at the Primary Zone become smuggled goods.

Brazil and sellers and transporters from Paraguay. The Federal Revenue Service designed a software used by Paraguayan sellers that transmitted on-line the purchases made by micro-importers directly to Brazil. An integrated system of controls in both countries allowed for an accelerated clearance of cargo. Trying to overcome the resistance of Brazilian companies, the government placed a limit on purchases distributed throughout the year and restricted the kind of goods that could be imported: mainly electronic, computer, and telephone items. The time between the first draft of the law in 2007 and the first importation carried out within the system in 2012 reflects the time necessary for the discussion, accommodation of interests, legal modifications in both countries, and the construction of the necessary infrastructure for the system to work. Yet, the regime did not have time to consolidate itself and the system was being progressively dismantled. Despite continuing to operate, very few micro-importers use this regime.

In the second case, meeting the demand of some border actors and trying to curb the expenses of Brazilians abroad, the government approved the installation of duty free-shops in border cities, where buyers from abroad and from Brazil can buy imported and domestic goods without federal taxes. Tensions with the national industrial sector were eased by allowing Brazilian products to be sold in the free-shops. It remains to be seen what will happen to business that sell the same Brazilian products with taxes in border cities. The COVID-19 pandemic, which was declared when the first free-shops began to operate, left these tensions on stand-by.

There is a political paradox in both cases. The Unified Taxation Regime and the border free-shop law were proposed during social-democratic governments and formulated by members of the ruling party.²⁵ Gradually, the actors who assumed the agenda of both proposals at the Congress and at the Federal government are defenders of the free market, tax reductions, and access to imported goods, demands generally associated with neo-liberal agendas in Latin America.

The differences between these interventions can give us some clues to understand the contrasting fate that they have had. The border free-shop uses tax exemptions for promoting markets, redefining the articulation of rules, and space in a particular place. More formalized than the Paraguayan experiment implemented during Stroessner's government, the border duty free-shop model uses similar tools to attract travelers and buyers.²⁶ We can say that it articulates market technologies coupled with legitimate forms of circulation: duty free-shops represent the proliferation of markets for a public that consumes regardless of the collective benefits as taxes derived from transactions.

The *Unified Taxation Regime*, on the other hand, creates an opportunity for a particular actor that can operate in exclusively one place: a micro-importer who buys in Ciudad del Este, Paraguay. As a formalization technology, its fate depends on the profitability that has for the importers and its permanency as a form of operation recognized and institutionalized. The permanency of any policy of formalization—being on vending, transport, or money changing, for example—is crucial to signal certain ways of doing business, independent of variation in profits. The dismantling of the regime turns the effort of formalization into a failure.

The commercial circuits articulated by free shops and those established in Ciudad del Este are not the same. The large free-shop chains are related to other markets and actors than those articulated by the trade networks in San Pablo or Ciudad de Este or, at least, they structure their businesses in a different way: more hierarchical and standardized. The entry of local free-shop operators in Brazilian border cities may indicate a more plural dynamic in which the articulation with Brazilian producers can create a more diversified commercial universe.

The construction of a legal and commercial infrastructure to regularize and normalize access to imported and national products without taxes reveals a market strategy that builds exemption spaces that circumvent issues of citizenship, sovereignty, and development. The importance that the figure of tourist acquires in fictions, actions, and regulations of governments and governed reveals the consolidation of a market that expands between different regulatory spaces and that rest in the traveler-tourist as its main consumer.

²⁵ They correspond to Eduardo Gudynas' '...“progressive regimes” – post-neoliberal regimes formed in what has been described as a “progressive cycle” in Latin American politics' (Gudynas 2018: 61).

²⁶ Stroessner's economic policy can be described as neo-liberal *avant la lettre*. Since the stabilization plan agreed with the International Monetary Fund in 1956, the Paraguayan government eliminated external export tariffs, reduced taxes on imports, and never implemented an industrial development policy based on an import substitution model (Hanratty & Meditz 1988; IMF 1956: 84). Instead, it promoted investments reducing taxes and other incentives. The Promotion Law for Social and Economic Development (550/75) enacted in 1975 aimed at the development of industries and priority areas like the Paraguayan Chaco was based in these kind of incentives. The same kind of logic operated in the commercial development of Puerto Presidente Stroessner. The favourable description of the US Department of Commerce in its Overseas Business Report is telling: '...the economic policies of the Government, which came to power in 1954, favor private initiative and a free market. Public investment limited to basic infrastructure and services not provided by the private sector, will increase with GNP growth. (2) The outlook for foreign investment is highly favorable in Paraguay's laissez-faire and increasingly prosperous economy' (US Department of Commerce 1980: 3).

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