



The Smuggle Road Across the Bridge of Friendship

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'Globalization insights' is a series of feature stories told by journalists from Africa, Asia and Latin America – stories that give an insight into the perceptions and experiences of people as globalization unfolds in their environs. This project is jointly organized by the Friedrich-Ebert-Stiftung and IPS EUROPA.

For millions of Brazilians, globalization has been entering the country via Paraguay. Thousands cross the Bridge of Friendship every day carrying wares to sell not only to vendors, but also to hundreds of shops in Brazilian cities, without having to pay taxes or face administrative hurdles.

This is plain smuggling, but authorities tolerate it. Even in the national capital Brasilia, a swarm of kiosks has sprung up under a name that does not feign to conceal the origin of its merchandise: 'Paraguay Market'.

Innovative electronic products, from information technology to telecommunications, enter Brazil en route the Bridge of Friendship.

Ángelo (not his real name) travels every week to Ciudad del Este, at the Paraguayan end of the bridge, to buy computer parts. It means more than 40 hours up and down by bus. But Ángelo finds it worthwhile. His customers are traders in the capital of a large Brazilian state. They select their products and sources on the Internet. All Ángelo has to do is to procure the goods in Paraguay

and transport the package. In return he gets a commission of 10 to 15 per cent.

He raises the commission up to 25 per cent for 'retail' jobs that may involve procuring a single DVD player for an individual client. But it is seldom that Ángelo takes up such jobs.

Until three years ago he used to procure a variety of goods – radio and TV sets, electronic games, microwaves and trinkets – for sale to end users. But now he is in the 'wholesale' business, which apparently gives him greater income stability.

Ángelo earns well, but the risk lies with him. There is a permanent threat of inspection by the Federal Revenue Agency, the Federal Police who guard the borders and the Federal Highway Police who control the roads.

In July this year everything he and his fellow passengers had bought in Paraguay was confiscated in a raid. He lost the equivalent of 8,000 dollars. Brazilian tourists visiting Paraguay are legally entitled to bring back purchases worth just 150 dollars.

"It was the only time in all these years," he consoles himself, emphasizing how lucky he has been all the time. In March he fell and fractured his knee, forcing him to have surgery and remain idle for two months. During that time, the bus he always travelled on overturned, killing three people.

"Without this source of income I couldn't maintain my standard of living or pay for my four children to attend private schools," says Ângelo. 90 percent of his pension goes to finance university studies of only one daughter. But he can rely on the support of his wife, herself an informal trader 'specialized in clothing' since 1986, when she abandoned her career as a schoolteacher to boost the family's plummeting income.

Thousands of Brazilians make their living like Ângelo. The bus with reclining seats always contains 24 informal importers, half of whom do the trip every week. "We're like a family, we keep each other entertained during the journey," he says.

His colleagues in São Paulo and the southern town of Porto Alegre decided to team up against the police. On Wednesday evenings they formed a convoy of 400 to 500 buses to cross the border between Brazil and Paraguay heading for Cascavel, 140 kilometres across the border, the route with the highest risk of inspection.

At times these 'informal importers' have blocked the roads into Foz de Iguazú, the border town on the Brazilian side, to protest against the enforcement measures and "defend the work they need to live from".

Shoppers' Tourism

In Ciudad del Este this 'shoppers' tourism' has expanded during the last two decades of economic stagnation in Brazil. Until the early nineties, it was the gateway for thousands of products on which Brazil had imposed an import ban. The idea was to kick-start Brazilian industry by substituting imports and rigidly protecting its market.

When the market opened up in 1990, smuggling increased. A restructured manufacturing sector, growing unemployment, expanded informal labour market and the country's technological lag all contributed to the phenomenon. Bank employees like Ângelo, who numbered over 800,000 at the start of the decade, saw their ranks halved. Privatization cost thousands of civil servants their job.

Contraband has thrived by offering prices much lower than those of legal imports, adapting constantly as liberalization takes hold of the economy. Smuggling has been kept alive because Brazil is slow to absorb innovations from abroad by legal means. Mobile phones lined the wallets of many of these travellers until industry and the network operators responded to exploding demand by cutting prices so drastically that smuggling no longer paid off.

And so it was with the games, the television sets and other electronic goods from Asia. Their place has now been taken by a new generation of products, such as digital cameras and DVD players, which cost over 150 U.S. dollars when traded legally, three times the price in Ciudad del Este. Constant innovations in the IT sector keep Ângelo's business going.

Severino, who also preferred not to give his real name for fear of reprisals, has discovered a different niche. For two years he has been selling remote controls that can handle up to seven devices, from televisions and DVD players to microwave ovens. They are made in Indonesia and he displays them on a box in a central street of Rio de Janeiro, ready at any moment to flee the police patrols reinforcing the ban on vendors. He sells for the equivalent of 7 to 8.50 dollars, half the price charged by specialist retailers.

The exchange rate is another decisive factor. The years from 1994 to 1998, when the Brazilian real was overvalued at around one dollar, were a halcyon days for imports and contraband in Brazil.

During that period Ângelo's wife took several trips to New York and made "fantastic gains", selling jewellery for ten times the purchase price, perfume for five times and clothing for three times as much. She was checked only once at customs and had to pay 2,500 dollars in duty, but she did not make a loss, "just less profit", as she was carrying products worth 12,000 dollars.

In Ciudad del Este this 'shoppers' tourism' resulted in business worth 10 billion dollars in 1995. This boom, combined with rural exodus, has made the population of Foz de Iguazú grow to six times in thirty years, and it is now estimated at 270,000. Many of its residents work in the Paraguayan town, others as *haranja*, crossing the frontier with goods purchased by the *sacoleiros*, named after their sacks full of shopping.

Activity has waned in recent years as currency devaluation in 1999, Brazil's increasingly international economy and anti-smuggling measures have taken their toll. The economic and social crisis has hit hard Ciudad del Este, where many shops have closed down, and Foz de Iguazú. Both also suffered from economic depression in Argentina in 2002.

Business is acquiring new formats. "Now people trade over the Internet, replacing the shop counter by the computer" and opting for other means of transport, says Aluizio Palmar, a former newspaper owner who has lived in Foz de Iguazú for 25 years.

"The *sacoleiros* are not poor unfortunates", they have distribution networks and resources to bribe the police, says Luiz Antônio de Medeiros, an MP who chaired a Parliamentary Commission of Inquiry on 'piracy'.

Piracy, which covers contraband, counterfeiting, freight robbery and other types of fraud, is widespread in Brazil, causing losses in state revenue amounting to 15 billion reales (5 billion dollars) a year and "the destruction of two million decent jobs", estimates the parliamentarian.

As a result of the parliamentary inquiry, a number of judges and police officials have been sent to prison since

last year for corruption or aiding and abetting. Medeiros played a leading role in sentencing Law Kim Chong, a naturalized Brazilian of Chinese origin believed to be the country's biggest smuggler. The MP pretended to accept a seven-digit bribe in a filmed encounter that was broadcast on television. But Chong's network of sales outlets is still functioning.

The smuggling phenomenon has been exacerbated by globalization, but it also has its roots in the country's poverty and in impunity, because society regards it as a

"trivial offence", says de Madeiros, even when it is linked to drug trafficking and organized crime.

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