

Ciudad del Este: a Free-Market Spectacle

by John Cobin, Ph.D. for *The Times Examiner*
November 24, 2004

We can learn a lot from other people, even those who are not Americans or Europeans. Although we are rightly disgusted by the actions of many South American, African, and Asian *states*, and correctly believe that there is little virtue to be gleaned from their pernicious and egregious public policies, the same sentiment does not necessarily hold true regarding the *people* who live and toil within those states. Remember, there are many people in deplorable countries who are simply working hard, trying to get ahead, and trying to raise their families as we are doing. It is not their fault that they live under tyranny, and Providence has directed those who rule over them toward their sanctification or terrestrial judgment (Proverbs 21:1). Generally speaking, states are evil and repressive. It has been that way for all of recorded history and is unlikely to change until Jesus Christ returns and subdues the “kingdoms of this world”. But let’s observe the clear distinction between states and the people who are ensnared by them.

The truth of the matter is that there are some jewels of freedom in places like tyrannical Brazil and backwards Paraguay. Indeed, there are wealthy farmers and small business owners, and a thriving free market within these countries—despite the fact that such entrepreneurs are compelled to live under the authority of a corrupt and overbearing state. For example, consider Ciudad del Este (translation “City of the East” or “Eastern City”), Paraguay’s second largest city. I had an opportunity to visit this city twice in September 2004, and can recount something of the spectacle.

Ciudad del Este (est. pop. 140,000) is a border town in eastern Paraguay, situated above the western bank of the Paraná river that separates Brazil and Paraguay, and is very close to Argentina. Founded in 1957, the city grew in importance during the late 1970s and early 1980s, coinciding with the construction of the massive Itaipu Dam (1975-1982) on the Paraná river. Once that hydroelectric project was finished, some people left the city, although many remain to support the surrounding farms and bustling shops. And farming is evidently booming. There are now many rich Mennonite farmers in Paraguay, as a result of that country’s history of liberal immigration policies, no income taxes, and relatively hands-off government policies—not to mention the brilliant and hard work of the Mennonite immigrants. Agribusiness is good in Paraguay, witness the large farm equipment distributors and Mercedes-Benz dealers amidst a largely poorer collection of urbanites. In addition, Ciudad del Este’s main attraction is its enormous tax-free market, with over a thousand shops and roadside stands teeming with electronics, computers, music, cameras, trinkets, souvenirs, personal care products, shoes, clothing, and many other goods. Like farming, retailing is booming too.

The Puente de la Amistad (“Friendship Bridge”) across the Paraná links Ciudad del Este’s economy with that of neighboring, and relatively wealthier, Foz do Iguacu, Brazil—a city heavily dependent on the tourist industry associated with the spectacular Iguacu Falls nearby. Ciudad del Este is known for its shopping bargains that tempt tourists and many South American merchants. Some 30,000 people cross the Puente de la Amistad from Brazil to buy tax-free and sell for a profit at home—mainly in highly-taxed Brazil and Argentina. There is a huge traffic jam during the morning and evening rush hours crossing over to (or back from) Ciudad del Este, and there are virtually no border control checks on either side. Yes, the border between Brazil and Paraguay is wide open (unlike most Latin American borders)! Not surprisingly, chagrined government officials and nonplussed reporters claim that Ciudad del Este is plagued by illegal smuggling and narcotics trade. Maybe it is so plagued (who knows for sure?)—but probably not nearly as much as the major cities of Brazil and Argentina where many of these officials and reporters reside. What they deplore most, of course, is the loss of tax revenue and control (or power) over the lives of their constituents who prosper through Ciudad del Este.

Although Spanish is the language of Paraguay, and Portuguese is the language of Brazil, both languages are spoken in Ciudad del Este. In fact, Chinese and Arabic are also spoken in some shops. The immigrant population is impressive. Shop owners in Ciudad del Este come from all over the world, including Jews, Chinese, Arabs, Brazilians, Spaniards, and other nationalities. And setting up shop is cheap. New businesses are only required to pay a one-time Paraguay registration fee. Afterwards,

there are no other sales taxes, tariffs, or income taxes due. There is also a free market in money usage. Four currencies are widely accepted on the streets and in the shops: pesos from either Paraguay or Argentina, reales from Brazil, and good old dollars from America.

What can we learn from Ciudad del Este? We can learn that people want to be free of tyrannical government controls and confiscatory taxation—and that they are willing to take considerable pains accomplish this feat. Paraguayans, Brazilians and Argentines strive to enjoy a higher standard of living just like Americans do. Many of them travel to work in Ciudad del Este daily because business is better in Paraguay where there are far fewer regulations and taxes. They want liberty. They want prosperity. And, to the chagrin of the Leftists around them, they have obtained it to a large degree.

Most Americans have similar objectives. We want the prosperity that liberty facilitates. Let's work to unshackle the American economy from the socialist bonds which bind it through high marginal income tax rates, inflation, Social Security and Medicare taxes, private property "takings", sales taxes, obscene import tariffs, and the myriad of egregious environmental and business regulations that scourge and hamper our great nation.