# U.S. Department of State
# FY 2001 Country Commercial Guide: Paraguay

The Country Commercial Guide for Argentina was prepared by U.S. Embassy Asuncion and released by the Bureau of Economic and Business in July 2000 for Fiscal Year 2001.

***Chapter 1. Executive Summary***

The Country Commercial Guide (CCG) presents a comprehensive look at Paraguay’s commercial environment, using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. They are published annually at U.S. embassies through the combined efforts of several agencies.

Paraguay continues to consolidate its democracy, though political turmoil and ineffective government has hindered this effort. International observers considered the May 1998 general elections free and fair, but the elected government refused to dialogue with the opposition-controlled Congress and defied the Supreme Court. This lack of conciliation led President Cubas-Grau to resign following the assassination of Vice President Luis Maria Argaña and violent popular protests.

On March 28, 1999, the President of the Senate, Luis Gonzalez-Macchi, became President of the Republic through constitutional succession and formed a coalition government with Ministers named from each of the three principal parties.

The coalition fell apart after only a few months. One faction of the Liberal Party, Paraguay's second largest, pulled out of the government in mid 1999, and the rest of the Party followed in January of 2000. The Gonzalez-Macchi government, now dominated almost entirely by his own Colorado party, so far has failed to effectively address pressing social and economic problems.

Paraguay held national elections on August 13, 2000, to fill the Vice Presidency, vacant since the assassination of Argaña. Liberal Party candidate Julio Cesar "Yoyito" Franco, with support from dissatisfied Colorados, narrowly defeated the official Colorado Party candidate, Felix Argaña, son of the murdered Vice President.

Paraguay’s economy is currently in a prolonged recession, having seen minimal growth since 1995.  The GDP contracted 0.4 (point four) percent in 1998 and grew an anemic 0.5 (one half) percent in 1999.  Agricultural export growth has been mixed, with soybean harvests and exports tending to grow, but with inconsistent cotton production, largely the result of low world cotton prices and mismanagement of the government cotton reactivation program.  The agricultural sector accounts for 90 percent of Paraguay’s legitimate exports.  A significant portion of Paraguay’s economy is black and gray market activities, such as smuggling both legitimate and illicit goods to and from neighboring countries.  Such transactions are not completely captured in Central Bank statistics.

Paraguay’s membership in Mercosur offers important opportunities for investment and growth.  Efforts to improve poor infrastructure--especially in power transmission and distribution, basic telecommunications, road, port, and civil aviation systems, potable water, and sewage treatment--provide potential markets for U.S. goods and services.  Paraguay’s low cost inputs, low tax rates, and central location also make it an interesting prospect for assembly/distribution facilities for the 200 million-consumer Mercosur market.

The same infrastructure deficiencies that provide opportunities for U.S. companies to participate in improvements undermine Paraguay’s ability to attract investment in other areas. Institutional deficiencies, such as inadequate protection of property rights, both physical and intellectual, are also disincentives to foreign investment.  Judicial and legislative efforts are underway to address these issues, but their impact is uncertain.  Widespread institutionalized corruption is also a significant barrier to investment.

CCGs are available for U.S. exporters from the National Trade Data Bank’s CD-ROM or via the Internet.  Please contact STAT-USA at 1-800-STAT-USA for more information.  CCGs can be accessed via the World Wide Web at http://stat-usa.gov/; http://www.state.gov/; and http://www.mac.doc.gov.  Paraguay's CCG can be accessed on the embassy's web page at http://www.usembparaguay.gov.py.  Guides can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.  U.S. exporters seeking general export information/assistance and country specific commercial information should contact the U.S. Department of Commerce, Trade Information Center, by phone at 1-800-USA-TRADE or by fax at (202) 482-4473.

## ***Chapter 2. Economic Trends and Outlook***

### Major Trends and Outlook

The May 1998 general elections, which resulted in the August swearing in of Raul Cubas-Grau as President, marked a bright spot in the continuing consolidation of Paraguay’s nascent democracy. Barely seven months later, however, Cubas-Grau was impeached by the Lower House and resigned prior to being removed from office by the Senate. Cubas-Grau's defiance of the Supreme Court led to enormous tension with the opposition-controlled Congress. The assassination of Vice President Luis M. Argaña in March 1999, followed by violent street protests, convinced Cubas-Grau to resign.

The Cubas-Grau administration cut government expenditures and improved revenues, but was unable to move its economic plan through Congress. The general state of the economy continued to deteriorate during 1999 and the first three quarters of 2000. False starts and inaction by the new Gonzalez-Macchi government, especially to address government spending, revenue shortfalls and the size and scope of the informal economy, have weakened the confidence of both foreign and domestic investors. While Mercosur-oriented investment will continue, the general economic climate is guarded. The financial system is still affected by poor fiscal management, a weak credit market, high loan default rates and the effect of failures of financial institutions between 1995-1998.

The economy shrank by 0.4 (point four) percent in 1998 and grew an anemic 0.5 (one half) percent in 1999, due almost entirely to a strong soybean harvest. A devaluation of the Brazilian real that resulted in lower cost imports to Paraguay, coupled with an ongoing recession and minimal increases in utility prices, held inflation to 5.4 percent in 1999. Cotton production has been inconsistent, while soy production has been generally increasing. However, due to climatic factors, the soybean production for 1999/2000 is estimated at 2.8 million tons, an eight percent drop from the previous year's record harvest. The 2000 cotton harvest is expected to increase by 21 percent over 1999's, or roughly 244,500 metric tons. Paraguay exported 30,000 tons of beef products, a significant drop from 1998, due mostly to the impact of the drought. Chile and Brazil accounted for over 90 percent of beef exports. Currently, Paraguay is not certified to export meat products to the United States.

Other export crops, such as wheat, manioc root, and corn, represent only a small portion of total agricultural exports. Agro-industrial investments in processing of citrus fruit, grains, and manioc, could spur additional growth. The government has made little headway in bringing much of the country’s economic activity into the formal sector.

A Central Bank study pegged the Ciudad del Este re-export trade, excluding contraband, at 2.2 billion dollars in 1998, down from 4.2 billion in 1995. Businesses in Ciudad del Este report that sales dropped dramatically between 1998 and 1999, recovering slightly in the first three quarters of 2000. (The dynamic of the re-export trade is driven by Paraguay's low import taxes on specific categories of goods meant to be re-exported to neighboring countries and widespread under-invoicing on imported products. Buyers from neighboring countries purchase these goods in Paraguayan border towns and carry them back to their country, either in quantities small enough to avoid import taxes or by bypassing or making extra-official arrangements with border authorities in their country.)

A variant on the re-export trade is triangulation, a process by which domestically produced goods that have a high domestic tax, but a low export tax, (as was the case with Brazilian cigarettes until the implementation of a high export tax in January of 2000), are exported to Paraguay, only to be smuggled back into the exporting country to avoid the high domestic tax. The re-export trade was further reduced by the devaluation of the Brazilian real in January of 1999, the impact of which has lessened in 2000. The devaluation also lowered the relative cost of Brazilian products and initially spurred a flood of these products into Paraguay. It is estimated that half of all imports from Brazil are unregistered, thus avoiding duties, sanitary control, and labeling requirements.

Given the Government of Paraguay’s dependence on import duties for revenue, the collapse of the re-export trade has had serious macro-economic and fiscal consequences. The reduction in traffic through Ciudad del Este and the increase in informal, unregistered economic activities nationwide have spurred calls to broaden the tax base, but to little avail given the enormous distractions posed by the political climate over the past several years. By early 2001, the fiscal imbalance may force the Government of Paraguay to take unpopular measures to increase revenue and shrink spending.

Principal Growth Sectors

The principal areas for potential growth in the near future reflect the country’s immediate need to improve its infrastructure and become more competitive within Mercosur. Initiatives in energy, telecommunications, and road construction, all offer important opportunities. Some U.S. fast food franchises have experienced limited growth. Paraguay also offers an interesting alternative for assembly operations, with attractive investment incentives (tax breaks, duty free import of capital goods, unlimited repatriation of capital) and the lowest factor costs (especially energy) in the region. Implementing regulations for the 1997 maquila law were established in July of 2000. The first important maquila operation began exporting leather car seats to France. Paraguayan maquila operations for export within Mercosur still face opposition from Brazil.

Extremely low land values in the Chaco region of northwestern Paraguay make it an attractive area to develop carbon offset projects. Utility companies and other industries that emit greenhouse gases are increasingly interested in these projects. They are investing in forested land, or in land for reforesting, to capture carbon during photosynthesis and "offset" the undesirable gases. Under the 1997 Kyoto Framework Convention on Climate Change, steps have been taken to set up an international market for carbon offsets.

Government Role in the Economy

The Paraguayan government continues to be the primary actor in the economy. It is the largest employer and the budget represents almost 26 percent of GDP (although a little more than three-quarters of the budget was actually executed). According to the Central Bank, of the budget spent, 72 percent went to salaries and other current expenditures, eight percent for servicing foreign debt, and 15 percent for investment. The Gonzalez-Macchi government acted quickly to lower interest rates on Central Bank treasury certificates from 28.8 percent in April of 1999 to 9.5 percent in July of 2000 to increase the money supply. The Central Bank continues to intervene to maintain a stable guarani/dollar exchange rate, selling $184 million on the local foreign exchange market during the first two months of 2000.

Inflation ballooned to 14 percent in 1998, settling to 5.4 percent in 1999, due in part to cheap Brazilian imports; a delay in the annual rate increases for public utilities; an ongoing recession; and no across-the-board pay increases for government employees. Higher fuel prices and a growing budget deficit have pushed cumulative inflation in 2000 to 6.4 percent through August. Estimates for inflation in all of 2000 are from between 12 to 14 percent.

The local currency lost almost 30 percent against the dollar between June 1997 and May of 1998, then remained remarkably stable until June and July of 1999, when it again lost nearly 13 percent against the dollar. Except for a 4 percent loss in February of 2000, the exchange rate has been steady since August of 1999. The local currency will likely face exchange rate pressures at the end of 2000 and early 2001.

Reform efforts focus on privatization and President Gonzalez-Macchi lobbied for Congressional approval of a law to privatize the state-run rail, phone, and water companies. The law allows Congress to stop privatization if it finds irregularities in the process. To be truly effective, state reform must also tackle shrinking and decentralizing the central government, and shoring up state-managed pension funds. Both the Executive and the Congress acknowledge the need to address these issues, but as of yet neither is willing to take on the special interests that benefit from the status quo.

## Balance of Payments Situation

Preliminary 1999 figures show a current account deficit of $119.9 million and an increase in reserves of $122.6 million, which were offset by capital flows of $534.4 million and net errors and omissions of $291.9 million (reflecting among other things, the unregistered re-export trade). Foreign exchange reserves hovered near $880 million by August of 2000.

## Infrastructure

Paraguay’s poor infrastructure is a key obstacle to growth. There are two international airports, one in Asuncion and the other in Ciudad del Este, but neither has a completely functioning radar system. Paraguay has a road network of approximately 31,050 miles of which only 2,110 miles is paved, 250 miles cobble stoned, 125 miles gravel, and 28,565 miles graded dirt. Regional and multilateral development banks are financing over $240 million in new roadwork. In addition, Paraguay has a well-developed river network, and is working with its neighbors to improve the Paraguay-Parana waterway through physical improvements and more harmonized regulations.

Telecommunications is a key sector for investment in the country. Paraguay’s telecommunications has the greatest expansion potential in Mercosur. There are 5 phone lines per 100 inhabitants, and an estimated unmet demand of almost 1 million lines. A new telecommunications law has freed up much of the value added spectrum, but the regulatory agency charged with overseeing the sector, CONATEL, has not acted quickly or independently. The inefficiency of ANTELCO, the state-run telephone system, has been a bonanza for private mobile communications operators. Paraguay is the only country in Latin America with more than twice as many mobile phones as functioning fixed phone lines.

Paraguay and Brazil share the world's largest hydroelectric facility, Itaipu, with an installed capacity of 12,600 MW. A second dam, Yacyreta, a joint project with Argentina, currently produces below capacity. When fully functioning, Yacyreta will have an installed capacity of 3,200 MW. Paraguay is the lowest cost provider of electricity in South America. Electrical coverage has also improved in recent years and is now over 70 percent nationwide. Potable water coverage is estimated at 42 percent nationally, with only 12 percent coverage in rural areas.

## ***Chapter 3. Political Environment***

### Bilateral Relationship with the United States

Paraguay and the United States enjoy excellent bilateral relations. The United States strongly supports Paraguay's transition to full democracy and the consolidation of its democratic institutions. The United States also has an active development assistance program through the U.S. Agency for International Development, the Peace Corps, and the Inter-American Foundation. The United States funds a small military training program designed to professionalize the armed forces, and since 1989 has provided material and training to the Paraguayan anti-narcotics police under the terms of a bilateral agreement.

### Major Political Issues Affecting Business Climate

There are several key political issues that affect business interests. The most immediate is the tension within the Gonzalez-Macchi government between a statist, populist economic approach and economic reform and market oriented policies. Another important issue is the government's imbalance between revenue enhancement and spending, which creates a looming fiscal problem. Long-term issues include the continued reform of the judicial system and the adoption of new Civil and Agrarian Codes. The Government's success in combating corruption and in decentralizing government services will also be crucial.

## Brief Synopsis of Political System

Paraguay is a constitutional republic with a strong executive branch and an important bicameral legislature. The judicial branch is theoretically independent, but continues to be susceptible to bribery, corruption, and political influence. Paraguay is divided into seventeen departments, each with its own elected governor and departmental council. The capital city of Asuncion is a separate administrative area, independent of the department in which it is located. The municipalities have had elected mayors and city councils since 1991.

The Colorado Party has governed for the last half century. The Party is split into factions that respond to competing party leaders. There are two primary factions: the one now in power, formed by late Vice-President Argaña, and the one formed by loyalists of former Army Commander and failed coup leader Lino Oviedo, jailed in Brazil at this date (September 2000). The leading opposition parties, the Liberals (PLRA), and National Encounter (PEN), formed an electoral alliance for the 1998 general elections, but were defeated by the Colorado candidate in a landslide victory. They initially joined President Gonzalez-Macchi in a coalition government, but the PLRA left the coalition in January of 2000. The PEN continues to cooperate with the Gonzalez-Macchi government but holds few important positions within it.

In the August 13 national elections to fill the Vice Presidency left vacant after the March 2000 assassination of Jose Maria Argana, the Oviedista faction split with the mainstream of the Colorado Party and supported Liberal Party candidate Julio Cesar "Yoyito" Franco. This resulted in Franco's narrow defeat of Felix Argaña, the official Colorado Party candidate and son of the assassinated Vice President. It is not yet clear how Franco's victory may translate into Liberal Party participation in the Gonzalez-Macchi government.

## *Chapter 4. Marketing U.S. Products and Services*

### Distribution and Sales Channels

Paraguay does not have preferred or special marketing channels. Imported merchandise can be marketed through subsidiaries of foreign companies, or local importers, distributors, and/or dealers.

### How to Reach the Market

Foreign firms interested in establishing operations in Paraguay should hire experienced local attorneys and representatives to assist them in operating in a sometimes confusing and non-transparent business environment. The selection of an appropriate agent/distributor is a determining factor in success or failure. Many local companies offer specialized marketing skills to foreign companies interested in the Paraguayan market.

One significant drawback to selling in Paraguay is law 194/93, which establishes the legal relationship between foreign companies and their Paraguayan representatives. The law requires the foreign company to prove just cause in a Paraguayan court to end a contractual relation with a Paraguayan agent or distributor. If the relationship is ended without proving just cause, the foreign company must pay its representative an indemnity. The rights under this law cannot be waived as part of the contractual relationship between both parties. Foreign companies have paid large sums when ending distribution relationships in Paraguay to avoid lengthy court cases or have maintained ineffective representatives to avoid such payments. A case currently before the Supreme Court challenges the constitutionality of this law.

Because Paraguay is a relatively small market compared to its neighbors, some unscrupulous local representatives of foreign products have accepted side payments from smugglers in return for turning a blind eye to shipments of pirated or gray market versions of those products transiting Paraguay and destined to Brazil and Argentina. Other representatives have re-exported large volumes of luxury items to distant, third country markets in direct violation of their distribution agreements. These examples underscore the importance of independently monitoring the activities of representatives and licensees.

Franchising

Franchising operators are slowly penetrating the market. Several foreign companies have granted franchising rights to local firms in the areas of fast foods, laundry, clothing, and pest control. This could be a growth sector in the future once the economy recovers.

Joint Ventures/Licensing

Law 117/91, which guarantees national treatment to foreign firms, also regulates joint ventures. Under the law, the government recognizes joint ventures established through formal legal contracts between the interested parties. McDonald's, for example, operates as a joint venture in Paraguay.

Licensing agreements are widely used for the local production of international brands. Many foreign firms have licensing arrangements with local companies in the areas of apparel, toiletries and cosmetics, pharmaceuticals, processed foods, and video recordings. Trademark infringement, especially of internationally recognized brands, is a serious problem in Paraguay.

Steps to Establishing an Office

The government of Paraguay allows foreign companies to establish branches or subsidiaries. A legally authorized representative must head the branch office, andvoting board members must have Paraguayan residency. The documents listed below must be authenticated by a notary public and by the Paraguayan consul in the country of the head office, and must be filed and recorded at the *Registro Publico de Comercio* with the Ministry of Industry and Commerce in Asuncion. Within ten days of completing this step, the same documents must be registered with the Inspection Department of the Vice Ministry of Taxation in the Finance Ministry.

1. The documents of incorporation and the by-laws of the company;

2. A certificate from a duly authorized government official or the Chamber of Commerce in the headquarters country, certifying the legitimacy of the head office in the country of origin;

3. Minutes from a meeting of the Board of Directors which:

--Resolves to establish a branch office in the Republic of Paraguay,
--Assigns nominal capital to the branch office (a minimum of $10,000 if related to export activities),
--Establishes a domicile of the branch office in Paraguay,
--Designates the person or persons to manage the branch office, and
--Grants power to the person designated to manage the branch office; and

4. The legal instruments from the head office delegating management responsibilities in the subsidiary or branch office to the person or persons so designated.

Customer Service and Marketing

The importance of support and follow-up cannot be overstated. Even after products have gained acceptance in the market, suppliers should maintain close contact with their local representatives to keep apprised of problems, and to assess the market jointly. Periodic visits by officials from the exporting company are essential to help reinforce ties with customers.

Competitive prices and quality are important. Generally, the market is willing to pay a premium for higher quality products, given the easy availability of substandard or counterfeit items. However, most deals are made or lost on the terms of financing.

The greater Asuncion area is Paraguay's principal advertising center, with over one-third of the total population. Principal media for advertising are television and the press. Other widely used media include radio, billboards, signs, and direct mail. Radio is the most important media in rural areas. The following newspapers are widely used by local advertisers:

"Diario Abc Color"
Editorial Azeta S.A.
Director, Aldo Zuccolillo
Casilla Postal 1321
Calle Yegros 745
Asuncion, Paraguay
Ph: 595/21/491160
Fx: 595/21/493059
E-mail: azeta@abc.com.py
Web: www.abc.com.py, www.una.py/sitios/abc

"Diario Ultima Hora"

Editorial El Pais S.A.
Director, Demetrio Rojas-Cardoso
Calle Benjamin Constant 658
Asuncion, Paraguay
Ph: 595/21/496261 thru 496268
Fx: 595/21/447071
Email: uhora@supernet.com.py
Web: www.ultimahora.com

"Diario La Nacion"
Editorial y Grafica Intersudamericana S.A.
Exec. Director, Alejandro Dominguez
Av. Zavala Cue entre Segunda y Tercera (Zona Sur)
Fernando de la Mora, Paraguay
Ph: 595/21/512520
Fx: 595/21/512535
E-mail: lanacion@conexion.com.py
Web: www.lanacion.com.py

"El Diario Noticias"
Editorial Continental S.A.
Director, Cristian Torres
Casilla Postal 3017
Av. Artigas y Brasilia
Asuncion, Paraguay
Ph: 595/21/292721 thru 292724
Fx: 595/21/292840
E-mail: director@diarionoticias.com.py
Web: www.diarionoticias.com.py

## Selling to the Government

Government procurement requires a public bid if the purchase exceeds $75,000. (This sum represents 10,000 daily minimum wages, and so will vary with changes in the minimum wage and the exchange rates.) Foreign manufacturers/suppliers participating in government tenders must do so through their local legal agents or representatives. Local law grants Paraguayan companies a 15 percent price advantage over foreign competitors. Registered subsidiaries of foreign companies also qualify for this preference. U.S. firms participating in government tenders are strongly urged to contact the Embassy’s Economic and Commercial Section and submit an advocacy questionnaire once the decision to participate has been made. Embassy advocacy in government tenders has helped ensure a more transparent process.

## Protecting Your Product from IPR Infringement

Trademark infringement and counterfeiting are serious problems in Paraguay. A trademark court case can take up to ten years to resolve, with no assurance of regaining the trademark rights. Owners of patents, trademarks, and copyrighted materials are advised to register their products with the Industrial Property Office in the Ministry of Industry and Commerce. The application for registering products should be written to include the following:

--Name of the company, business address and name of the company’s owner(s), sponsor(s), and/or representative(s) in Paraguay;

--Name of the product and sample reproductions in various forms, such as graphic images;

--Specification of the products or services that will distinguish them from other brands, including physical characteristics; and

--Power of attorney or some form of legal representation when the owner/sponsor cannot appear in person for the registration of the product. The applicant or his/her in-country representative must maintain an office in Asuncion.

## ***Chapter 5. Leading Sectors for U.S. Exports and Investment***

A special regime for “re-export” goods will expire in 2006, but until that time the re-export trade to Brazilian and Argentine shopping tourists will continue to attract products from the United States. U.S. exports to Paraguay once soared as a result of strong demand for U.S. products by Argentine and Brazilian buyers, until a recent regional economic slowdown and Brazilian devaluation stalled demand. U.S. exports of office machines and equipment dropped by 55 percent between 1997 and 1999.

While imports have shifted somewhat towards inexpensive items from Asia (including counterfeit goods), buyers from the region coming to Paraguay are still drawn to shop for quality goods from the United States at much lower prices than in their home countries. It is estimated that half of Paraguay's imports are re-exported. High excise taxes and value added taxes in Brazil and Argentina, which are unaffected by Mercosur common tariffs, could continue to provide incentives to the import/re-export activities of Paraguayan merchants. Recent Brazilian and

Argentine government action to lower the per person limit on duty free imports from Paraguay, and the January 1999 Brazilian devaluation prompted a drop in sales, which have improved marginally in some sectors in the first half of 2000.

Ciudad del Este will continue to be seen as the "discount shopping center" of Mercosur. U.S. companies seeking to introduce their competitively priced or luxury products in Mercosur should consider a carefully vetted partner in Ciudad del Este. While this city is often recognized as a major center for illegitimate business activities, there are also serious businesspeople, successfully representing high quality, well-known products and introducing these products via "shopping tourists" into neighboring Argentina and Brazil.

## Best Prospects for Non-Agricultural Goods and Services

Given the informal nature of the re-export trade, there are no reliable estimates of the size of the market. The products listed below, however, continue to be best-sellers. Our projections for year 2000 are based on interviews with merchants and observed trends in U.S. exports to Paraguay. The value of imports is also based on data from the U.S. Census Bureau, as the official Paraguayan Central Bank figures underestimate U.S. exports by as much as 60 percent.

| Sector | 1997 | 1998 | 1999 | 2000 * |
|---|---|---|---|---|
| Computers & Components | 151 | 165 | 139 | 128 |
| Toys, Sports Equip. & Arcade Games | 42 | 32 | 23 | 60 |
| Audio/Video Equipment & Media | 89 | 72 | 40 | 53 |
| Office Machines & Equip | 228 | 181 | 103 | 44 |
| Communications Equipment | 91 | 68 | 63 | 23 |
| Tobacco Products | 43 | 51 | 23 | 12 |

*Estimates based on current trends

## Best Prospects for Agricultural Goods and Services

Paraguay’s attempts to improve agricultural and livestock production present opportunities for basic inputs, such as animal genetics. Farmers and ranchers are aware that using quality inputs is a key factor in their operations’ profitability, and have been adopting advanced production practices. Competition from other exporting countries is strong and U.S. exporters must provide good service to be successful.

Inputs and processes destined to support Paraguay’s increasing organic sugar production also would be well received.

Processed foods and high-value items, including processed fruits, vegetables, and beverages, show promise for U.S. exporters. Fresh fruits and vegetables have weaker demand, but frozen and canned products have gained wide acceptance for their convenience and uniform quality. While a 1998 tax has increased the cost of imported beers, U.S. brands are still very popular with consumers. Quality pet food is a small, but growing market in which U.S. products are considered superior.

Significant Investment Opportunities

Membership in Mercosur, competition with fellow Mercosur countries, and the e-commerce boom have highlighted the need for more efficient telecommunications. The 1996 telecommunications law opened up the sector, and CONATEL, the regulatory entity created by the law, is, at least on the books, charged with promoting open competition. Between 1995 and 2000 four mobile communications companies and over a dozen internet service providers entered the market. Paraguay is the only country in Latin America with more than twice as many mobile phones as operating fixed phones.

Other areas for investment are in road construction (financed by regional and multilateral development banks), water/sewage provision (the state company is open to joint ventures with the private sector), and power transmission and distribution (there is not yet a regulatory framework allowing private sector participation in the energy sector and no legislative action to develop a framework is expected soon). Paraguay’s strategic location and low cost factor inputs also make it an ideal candidate for assembly operations and regional distribution centers, although assembly for re-export within Mercosur faces opposition from Brazil.

Paraguay has agreements to operate free trade ports in Argentina, Brazil, Chile, and Uruguay. Currently, only the three free trade ports in Brazil and one in Uruguay are operating. Officials from the Ministry of Industry and Commerce have expressed interest in studying the possibility of providing private sector concession to operate free trade ports in the other two countries. Brazil has recently limited the products that can be imported to Paraguay through the free trade ports in Brazil.

The Government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complementary and necessary component of trade. For example, roughly 60 percent of U.S. exports are sold by U.S. firms that have operations abroad. Recognizing the benefits that U.S. overseas investment brings to the U.S. economy, the U.S. Government undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, investment treaty negotiations and business facilitation programs, that support U.S. investors. Prospective U.S. investors are encouraged to contact the Economic & Commercial Section of the U.S. Embassy in Paraguay (please see contact information in chapter 10, section E).

## ***Chapter 6. Trade Regulations and Standards***

### Tariffs and Import Taxes; Customs Valuation

Paraguay is a member of Mercosur (Common Market of the South), a common market and customs union comprised of Argentina, Brazil, Paraguay and Uruguay. Since 1995 Paraguay has increased many of its external tariffs on products from non-Mercosur countries in order to conform to the Mercosur Common External Tariff (CET) of 0-20 percent. The tariffs on the 399 items on Paraguay's list of exceptions will be increased annually until they reach parity with the CET in 2006. In December 1997, the ceiling on the Common External Tariff was increased from 20 to 23 percent, but Paraguay was granted over 300 additional exceptions to this increase. The CET ceiling is scheduled to revert to 20 percent at the end of the year 2000.

### Import Licenses; Export Controls

Paraguay has an open market and does not require import licenses, except for guns and ammunition (the United States prohibits the export of guns and ammunition from the United States to Paraguay). Paraguay has no export controls.

### Import/Export Documentation

Import and export operations must be both processed through authorized banks and supervised by the Central Bank of Paraguay. Documents required for general imports include a letter of credit issued by a local bank as well as the following documents provided by the merchandise vendor: certificate of origin, commercial invoice, packing list, and bill of lading. The last four documents must be certified by a Paraguayan Consulate in the country of origin.

Temporary Entry

Paraguay has a temporary entry system, which allows duty free admission of capital goods such as machinery, tools, equipment, and vehicles to carry out public and private construction work. The government also allows temporary entry of equipment for scientific research, exhibitions, training or testing, competitive sports, and traveler or tourist items. The following documents are required for temporary entry: a letter stating the reason for temporary entry; a detailed list of the equipment, including the purchase price of each item; and a local insurance policy covering the cost of the duties waived. For travelers and tourists, these documents can be processed prior to arrival by a local customs broker.

Merchandise introduced in the country under the temporary entry system may be nationalized in Paraguay by paying the requisite duties. The temporary admission system, to be phased out under Mercosur in 2006, allows entry of certain goods for subsequent re-export for a period of up to 12 months, which can be renewed once. Temporary entry for ten days for merchandise in transit is also permitted.

Labeling, Marking Requirements

Paraguayan regulations require that the country of origin be labeled on domestic and imported products. Expiration dates are required on medical products and some consumer goods. Health warnings on hazardous products, such as cigarettes, must be labeled in a visible place. As of January 1998 imported beer is required to display detailed manufacture and content information in Spanish, labeled at the point of packaging. A similar regulation was put in place for textile products and shoes. Negotiations for Mercosur-wide labeling requirements are underway.

Prohibited Imports/Standards

There are few import prohibitions, one of the most contentious being new regulations outlawing importation of used clothing. Standards are set by the National Standards and Technology Institute (INTN). INTN is currently working with the standards institutes of the other Mercosur countries to establish

Mercosur-wide standards. Only a handful of Paraguayan firms have ISO 900 and ISO 1400 certification.

Free Trade Zones, Ports and Warehouses

Paraguay is a landlocked country with no sea ports. However, it has been granted free trade ports and warehouses in neighboring countries' sea ports for the reception, storage, handling, trans-shipment, etc. of merchandise transported to and from Paraguay. The Paraguayan Port Authority manages its existing free trade ports and warehouses, but Paraguay has expressed interest in private sector concessions to develop and manage new free trade ports. Paraguayan free trade ports are located in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta); and Uruguay (Montevideo and Nueva Palmira). To date, only the Brazilian free trade ports and one in Nueva Palmira, Uruguay, are operating normally. In early 1995, the government approved a law permitting free trade zones in Paraguay, but its application depends on ongoing discussions within Mercosur.

Membership in Free Trade Arrangements

Paraguay is one of the four members of the Southern Cone Common Market, Mercosur. This organization is a customs union currently with a Common External Tariff of 0-23 percent. Mercosur signed a free trade agreement with Chile in July 1996, and Bolivia in December 1996. Similar arrangements are under negotiation with Mexico, Peru, and the European Union.

## ***Chapter 7. Investment Climate***

Openness to Foreign Investment

There are no formal restrictions to foreign investment in Paraguay. National treatment of foreign investors is guaranteed, as is full repatriation of capital and profits. Paraguay's tax burden is the lowest in Mercosur, with no personal income tax, a 30 percent earnings tax for businesses, and a 10 percent value added tax. Repatriated earnings are subject to an additional five percent tax (35 percent total). It is estimated that 70 percent of domestic investment in Paraguay is made in the construction sector.

Government efforts to attract foreign investment through privatization have progressed slowly because of residual political opposition. To date, four state-owned companies have been privatized: the airline in 1994 (which had gone bankrupt); a state-owned liquor producer, bought by its workers in 1995; the state merchant marine, split into five separate entities, three of which were sold in 1996; and the state steel company, sold in late 1997. The Senate passed a law to allow the privatization of the state-run water, rail, and phone companies. The Chamber of Deputies can modify the law by a two-thirds majority prior to October 14, 2000. If not modified, the Senate version of the law would go to the President for signature at that date.

Paraguay has a spotty track record on privatizations. The GOP refinanced the liquor producer after privatization and now the state is again the majority shareholder. The steel company is also seeking refinancing from the government. Political realities impede the process even further, as the large state-run companies most attractive to foreign buyers (such as telecommunications, water/sewage, and electrical companies) employ thousands of potential voters and are outlets for political patronage and sweetheart contracts.

## Conversion and Transfer Policies

There are no restrictions on conversion or transfer of foreign currency. In late 1994, the government permitted foreign currency contracts, legitimizing a long-standing practice. Law 60/90 permits the repatriation of capital and profits and provides guarantees against inconvertibility. Repatriated profits are subject to a five percent tax on the amount remitted. There are no controls on foreign exchange transactions, apart from reporting requirements to banking authorities for transactions in excess of $10,000. The free floating exchange rate on October 2, 2000, was 3,480 Guaranies to the dollar.

## Expropriation and Compensation

Increasing pressure by peasants for land has led to invasions of rural properties and expropriations by the government. The 1992 land reform law calls for market based compensation for expropriated land, but the financial condition of the government makes this difficult in practice. Congress must authorize each expropriation. Paraguayan authorities are sensitive to the potential fallout of expropriation of land owned by foreigners. The deference given to foreign owned property has led some Paraguayan landholders to set up foreign enterprises and to put their land in the name of the foreign enterprise to cloak their holdings. There have been no recent expropriations of U.S. citizen landholdings.

## Dispute Settlement

Law 117/91 guarantees national treatment for foreign investors. This law allows international arbitration for the resolution of disputes between foreign investors and the government. Paraguay became a member of the International Center for the Settlement of Investment Disputes (ICSID -- also known as the Washington Convention) on October 22, 1982 (law 944/82). The Interamerican Development Bank financed the creation of a center for alternative dispute resolution in Paraguay.

There is little confidence in the legal system because cases routinely take several years, even as long as a decade, to resolve and because accusations of undue influence on judges are widespread. However, the system is undergoing fundamental reform. A new Supreme Court assumed power in 1995, and a council of magistrates now appoints appellate and lower court justices. In addition, a new Criminal Procedures Code entered into effect in March 2000, and the new Criminal Code was fully implemented in November of 1998. They introduce radical changes, including oral arguments, more modern investigations, increased powers for public prosecutors, and a three year limit on judicial proceedings.

These reforms are expected to make the legal process more transparent, but their success depends greatly on training public prosecutors and judges to apply the new system and root out corruption. Judicial cases initiated prior to March 1, 2000, will be handled under the old system, but must be resolved by the courts by December 31, 2003. Both the commercial and civil codes cover bankruptcy. Under current law, employee claims are first attended to during a bankruptcy proceeding, followed by state claims, and finally private creditors.

## Performance Requirements/Incentives

A number of fiscal incentives (contained in law 60/90), including a 95 percent tax exemption for five years and duty free import of capital goods, are available to all investors. However, these provisions may be modified or repealed in an effort to close the budget deficit. Tax laws were simplified in 1991, and corporations now only pay a corporate earnings tax of 30 percent. For re-invested profits, the tax rate drops to 10 percent.

Voting board members of any company incorporated in Paraguay must be legal residents. This has posed some obstacles to potential foreign investors. Another potential roadblock is Paraguay's law protecting agents and distributors (law 194/93). The law features severe penalties for severing relations with a distributor/agent (a percentage of gross sales since the inception of the contract to be determined by a judge) that often lead to expensive out-of-court settlements. The constitutionality of this law is being challenged in a case before the Supreme Court.

## Right to Private Ownership and Establishment

Foreign and domestic private entities may establish and own business enterprises. Foreign businesses do not need to be associated with Paraguayan nationals for investment purposes. There is no restriction on repatriation of capital and profits. Private entities may freely establish, acquire, and dispose of interests in businesses. The following are presently state-owned monopolies: rail, petroleum, cement, electricity, water, postal system, basic and long distance telephone services, and river ports and airports. A law passed by the Congress would privatize rail, potable water, and long distance and basic telephone services.

## Property Rights

The 1992 constitution guarantees the right of private property ownership. However, a complicated and sometimes non-transparent legal system makes upholding property right claims difficult. While it is quite common to use property as security for loans, the lack of consistent property surveys and registers makes it often impossible to collect. A World Bank project aimed at rationalizing land registration in the department of Alto Parana concluded in mid 2000.

## Intellectual Property Rights

Paraguay is recognized as a regional distribution and manufacturing center for counterfeit merchandise. The re-export trade to Brazil, catering to consumer demand for electronics, audio tapes/CD's, designer clothing/footwear, and video game/computer software, among other items, is a back-drop for widespread piracy. According to the International Intellectual Property Alliance, losses to its member industries due to piracy were 219 million dollars in 1999. Based on the seriousness of industry concerns, Paraguay was designated as a priority foreign country in January 1998 by the U.S. Trade Representative. On November 17, 1998, Paraguay and the United States signed a memorandum of understanding detailing future actions to combat commerce in pirated goods and to protect intellectual property rights (IPR). On September 20, 2000, Paraguay and the United States signed a technical assistance agreement to strengthen Paraguay’s IPR protection regime.

Seizures and destruction of knock-off goods has increased the last few years, but pirates still operate with relative impunity and there is no overriding sentiment that “piracy is wrong” on the part of the populace. The Gonzalez-Macchi administration has publicly stated its intent to fight piracy. Some of the early successes of this administration include shutting down and destroying two high tech factories for pirated CD's and CD ROM's, signing a law to make copyright crimes public actions and thus open to prosecution by public prosecutors, and an agreement to legalize the software used on government computers.

By October 1998, modern, TRIPS consistent trademark and copyright laws had been enacted. The Senate passed a patent law in April 2000 and the government hopes that a modern TRIPS consistent patent law will be in place by the end of 2000. Paraguay ratified all the Uruguay Round Accords, including TRIPS in late 1994. In August of 2000, Paraguay ratified the World Intellectual Property Rights (WIPO) Copyright Treaty (LAW 1582) and the WIPO Performances and Phonograms Treaty (LAW 1583).

## Transparency of the Regulatory System

The Civil Code and Law 1,034/83 regulate business and industrial activities in the country. Under the existing framework, the Ministry of Industry and Commerce is charged with overall industrial policy coordination; tax and fiscal policy is handled by the Ministry of Finance; and the Central Bank is the principal coordinator of monetary policy. All businesses need to be registered in three places: the municipality for a business permit, the Ministry of Industry and Commerce unit at the Central Civil Registry, and the Finance Ministry for tax purposes. The multiple registration procedure often takes months to complete. The Ministry of Health and the Municipality of Asuncion both regulate food safety issues, which can include processed food imports and imports for fast food franchises.

Regulatory agencies for sectors such as telecommunications, energy and potable water are new or in the process of being established. Conatel, the telephone regulatory agency, is only nominally independent as the President of Paraguay chooses the President of Conatel, who is also subject to influence by the Minister of Public Works and Communications. A regulatory framework for potable water is currently being established, but the energy sector shows little indication of opening soon to private ownership.

Capital Markets

The Asuncion stock market opened in 1993 and by 2000 handled approximately $785,000 a month in transactions. There are currently 53 companies traded, and listings on the exchange are declining because of the prolonged recession. The high cost of capital makes the market an attractive alternative, but the fear of losing control of family enterprises has tempered the enthusiasm for public offerings. Because tax evasion is widespread in Paraguay, and to keep publicly traded companies from being at a competitive disadvantage, the government has reduced the corporate tax rate from 30 to 10 percent for companies that adopt transparent accounting practices and sell equity on the stock market. This tax benefit expires in the year 2008.

In July of 1999 a new comprehensive law governing the stock market came into effect. This law and subsequent amendments have eliminated mandatory public offering of instruments of monetary control, established a link between supervised entities and shareholders, and authorized brokers to freely determine commissions. Other important changes include introducing registered shares of capital stock for corporations, and stipulating that the Finance Ministry, not the Central Bank, will be the conduit for Executive Branch contacts with the National Securities Commission (CNV).

Credit is available through numerous sources. Significant collateral requirements are generally imposed and spreads are high. The banking system, though facing significant pressures, is generally sound, though susceptible to political influence and the effects of negative rumors.

Independent audits of financial statements are not legally mandatory. Paraguay’s institute of accountants has adopted the international audit guidelines issued by the federation of accountants.

As of August 2000 Paraguay was rated by Standard and Poor’s (B in long-term foreign currency, BB- in long-term domestic currency) -- both with a negative outlook, and by Moody’s (B2 long-term foreign currency credit, B3 long-term foreign currency deposits).

Political Violence

Paraguay has not traditionally been affected by political violence. The March 23, 1999, assassination of Vice President Argaña and political clashes between pro and anti government factions, which resulted in eight deaths in the March 1999 political crisis, were unprecedented. Continuing political instability, illustrated by the unsuccessful rebellion by cavalry officers in May 2000 has raised concern over the potential for further violence. Apart from land invasions and strikes by union employees of state-run utilities, there have not been any incidents reported over the past few years involving politically motivated damage to private or public projects and/or installations.

Corruption

One of the most serious problems facing Paraguay is the legacy of institutionalized corruption after decades of dictatorship. There have been mechanisms created to combat corruption, such as the National Inspector General’s Office, but investigations are often politically motivated and are seldom completed. Paraguay's first National Inspector General was jailed for corruption upon leaving office in August of 2000. The slow pace of judicial reform and the continued lack of transparency of the system serve as barriers to development. A law regulating government employment, which makes it impossible to fire public servants even in the case of blatant malfeasance, complicates things further. In 1998 Paraguay was ranked as the second most corrupt country of the 80 countries evaluated by Transparency International in its annual survey of public perceptions of corruption. In 1999 Paraguay was rated the fifth most corrupt of the 90 countries evaluated.

Bilateral Investment Agreements

The following countries have bilateral investment agreements or treaties with Paraguay:

| Country | Type of Agreement or Treaty |
|---|---|

| | |
|---|---|
| Argentina | Convention Covering Investment and Industrial Harmonization, October 22, 1968. |
| Brazil | Treaty of Friendship and Cooperation. |
| Chile | Convention Covering Investment and Industrial Harmonization. September 19, 1974.<br>Bilateral Investment Treaty. Law 897/96. |
| Uruguay | Convention Covering Commercial Interchange and Industrial Harmonization and Investments. |
| France | Convention Covering the Development and Protection of Investments. November 30, 1979. |
| South Africa | Convention on Economic Cooperation and Investment, August 9, 1974. |
| Taiwan | Convention Covering Investments. September 25, 1975. |
| United Kingdom | Accord on the Promotion and Protection of Investments, June 4, 1991. |
| United States | Agreement Relating to Investment Guaranties (OPIC), signed Oct. 28, 1955. Agreement relating to Investment Guarantees (OPIC), signed Sep. 24, 1992. Paraguay, along with Mercosur partners Argentina, Brazil, and Uruguay, signed the "Rose Garden Agreement," a framework agreement to encourage trade and investment. |

Paraguay has signed other investment agreements with Austria (1993), Netherlands (1992), Costa Rica (1998), Ecuador (1994), El Salvador (1998), Germany (1993), Hungary (1993), Korea (1992), Benelux (1992), Peru (1994), Romania (1994), Spain (1993), Switzerland (1992), Taiwan (1992), and Venezuela (1996).

OPIC Investment Insurance Program

In 1992, the United States and Paraguay signed an investment guaranty agreement which replaced the agreement signed in 1955. In addition, the Paraguayan government issued a decree on the same day delegating to the Ministry of Industry and Commerce the authority to approve cases. This allowed OPIC to begin full operations in Paraguay. OPIC has financed telecommunications and forestry projects.

Labor

The labor force is estimated at 2,300,000 and increases by approximately 100,000 new entrants annually. A 1999 government household survey pegged unemployment in urban areas at 17.1 percent. Disguised underemployment is estimated at 48 percent. With a population growth rate of just below three percent annually, a key challenge is the creation of enough jobs to meet increasing demand. It is estimated that only one-third of the work force is employed in the formal sector.

Foreign Investment

According to Paraguayan government figures, U.S. companies invested $102 million in Paraguay in 1999 -- nearly seventy percent of total foreign investments. U.S. companies invested $88 million in mobile communications and $13 million in river transportation infrastructure in 1999. Foreign investment laws are among the most liberal in Latin America. Despite the incentives, private investment has been insufficient to meet demands for new jobs.

Recent U.S. investments include over $200 million by Millicom, a mobile phone operator with shares listed on the NASDAQ exchange; Mastec invested $37 million to develop another wireless communication network, but has subsequently sold it to Hutchison Communications Ltd. of Hong Kong. Other investments include the $25 million purchase of a grain crushing facility by Cargill; approximately $60 million invested in a river transportation company; and several million dollars worth of investments by fast food companies (Pizza Hut, Burger King, McDonald’s and Subway).

## ***Chapter 8. Trade and Project Financing***

Banking System

The 1996 banking law strengthened supervision of the banking system after a crisis in 1995 caused the collapse of ten local institutions. The repercussions of the crisis continued, however, and in June 1997 the largest local bank, Banco Union, was closed by the Superintendent of Banks, and subsequently marked for liquidation. In September 1998, two of the largest public banks were also closed by the Superintendent of Banks. These banks held seven percent of all deposits and eleven percent of all outstanding loans. The government bail out of the banking system cost an estimated one billion dollars. The Gonzalez-Macchi government dusted off a plan by the Cubas-Grau administration to increase reserves, pay depositors in failed institutions, and increase public works through a US$ 395 million loan from Taiwan. This loan, thinly disguised as a bond offering, was completed in July of 1999.

While there have been numerous closings of local banks by the Superintendent of Banks, the Paraguayan operations of international banks, such as Citibank, are sound. As of July 31, 2000, 86 percent of deposits and 83 percent of loans are held in foreign owned banks or majority foreign owned banks.

The financial sector includes over 40 finance companies dedicated to smaller consumer operations off-limits to banks. Two banks are state-owned, nine are foreign and the remainder are owned by host nationals. The banking system operates mostly on short to medium term credit (12 months is the usual maximum for commercial transactions, although private finance of vehicles and homes is available on longer terms) in both local and foreign currency.

Banks and finance companies are regulated by the Banking Superintendent, which is housed within, and is under the direction of, the Central Bank. Deposits are guaranteed up to 30 million guaranies (approximately US$ 8,600). The Central Bank is regulated by a modern law, 489/96. While under this law the Central Bank is relatively free from political control, some articles do require executive branch approval to make final decisions. For example, the Central Bank requires a presidential decree to assign government funds to bailout a bank closed by the Superintendent of Banks. In practice the Central Bank follows Executive Branch policy and does not act independently.

## Foreign Exchange Controls Affecting Trading

Paraguay does not have foreign exchange controls. Importers and exporters can buy and sell foreign exchange freely at commercial banks, finance companies or exchange houses at the going market rate (3,480 guaranies to the dollar on October 2, 2000).

## Availability of Financing

Financing, including both import and export financing, is limited. Local banks provide revolving credit for up to 360 days, which may be renewable. High nominal and real interest rates (generating high spreads in both dollars and local currency) present a major obstacle to medium and long term financing. Nearly all banks have correspondent banking arrangements with U.S. banks primarily in New York and Miami.

Local commercial banks provide exporters direct financing, pre-financing of exports backed by a letter of credit, and discounting of letter of credits upon shipment of the merchandise. EXIMBANK financing can be obtained through Citibank, the only U.S. bank present in Paraguay. Local insurance companies offer importers and exporters a full range of services covering trade activities.

The World Bank, Interamerican Development Bank, and Andean Development Bank provide project financing for basic infrastructure projects, water systems, and roads. OPIC also has a financing and insurance program in place. The International Monetary Fund has offered to set up a Staff Monitored Program to monitor fiscal and monetary policy goals.

## *Chapter 9: Business Travel*

### Business Customs

There are no specific local business customs beyond the bounds of normal courtesy. Paraguayans are informal in observing appointment times, but foreign business visitors should not take such liberties when arriving for scheduled meetings. For social events, it is customary to arrive up to 30 minutes late. Persons are normally addressed by their academic or professional title, e.g. Doctor, Engineer, Architect, or Licenciado, in the case of university graduates.

### Travel Advisory and Visas

A passport is required. U.S. citizens do not need visas for stays up to three-months. For longer stays, a temporary residence visa, valid for one year and renewable, can be obtained once in Paraguay. Travelers can contact the Paraguayan embassy at 2400 Massachusetts Ave. NW, Washington, DC, 20008, phone: (202) 483-6960, or consulates in Los Angeles, Miami, Topeka, or New York.

### Holidays

The following are national holidays:

| | |
|---|---|
| January 1 | New Year |
| March 1 | Heroes' Day |
| March/April | Holy Thursday |
| | Good Friday |
| May 1 | Labor Day |
| May 15 | Independence Day |
| June 12 | Chaco Armistice |
| August 15 | Founding of Asuncion |
| September 29 | Victory at Boqueron |
| December 8 | Virgin of Caacupe Day |
| December 25 | Christmas Day |

Business Infrastructure

Asuncion's taxi network is well developed but the public transportation system is inadequate for business purposes. The poor telecommunications infrastructure represents an important obstacle for business. Internet access is commonly available. Mobile communication is also available and business travelers often obtain a mobile phone locally for extended stays. Hotels are comfortably furnished and prices are lower than in other Southern Cone capitals. No international hotel chains currently operate in Paraguay. Most types of foods are available at low prices by international standards. Asuncion has no particular health risks and no special precautions need be taken. However, in past years there have been reported cases of dengue fever in Asuncion and malaria and dengue in Caaguazu, Alto Parana, Canindeyu, and Guaira departments, approximately 160 kilometers to the East of Asuncion. Cases of dengue and malaria are two to three times more likely to occur in the warm months between January and May. Tap water is potable in the Asuncion area only. Sanitary conditions are generally adequate. There are competent doctors, dentists, and specialists in Asuncion.

Guides for Business Representatives are available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel: (202)512-1800; fax: (202)512-2250. Business travelers to Paraguay seeking appointments with U.S. Embassy - Asuncion officials should contact the Economic/Commercial Section in advance. The Economic/Commercial Section can be reached by telephone at 595/21/213715; fax: 595/21/215079.

## ***Chapter 10. Appendices***

## Appendix A: Country Data

--Population: Approximately 5.6 million, annual growth rate: 2.6 percent. Population density: 12 inhabitants per square kilometer (32 persons per square mile). 90 percent of the population is of European-Guarani descent; 50 percent is less than 19 years old. The vast majority of the population resides in the eastern region of the country, about half in urban areas.

--Religion: The new 1992 Paraguayan Constitution established freedom of worship, cult, and ideology. The majority of Paraguayans are Roman Catholics.

--Government System: Representative republic with three branches of government. The President, elected by direct vote for one five-year term, heads the executive branch. The legislative branch consists of two chambers, the Senate and Chamber of Deputies. The Chamber of Deputies has 80 members, apportioned among the seventeen departments and the capital. The Senate has 45 members with national representation. The judicial branch consists of the Supreme Court, made up of nine members, courts of appeal, and various district courts. The country is divided into 17 departments governed by elected governors, and into municipalities governed by around 200 elected mayors.

--Languages: Official: Spanish. National native language: Guarani. English, Portuguese, and German are also understood by many in the business community.

--Work Week: For those over 18, the work week is eight hours per day/48 hours per week. Night shifts must not exceed seven hours per day/42 hours per week. Overtime is permitted for special reasons, but must not exceed three hours daily, occur more than three times a week, nor, when added to normal work hours, exceed 56 hours a week. Commercial working hours are generally 8:00 AM to 12:00 noon and 3:00 PM to 7:00 PM Monday through Friday; and 8:00 AM to 12:00 noon Saturdays. Banking hours are 8:45 AM to 4:00 PM Monday through Friday, but in most banks the public is received only up to 12:15 PM.

## Appendix B: Domestic Economy

| | 1997 | 1998 | 1999 |
|---|---|---|---|
| --Nominal GDP ($ millions) | 9,607 | 8,594 | 7,741 |
| --GDP Growth Rate 1995 (Pct) | 2.6 | -0.4 | 0.5 |

| | | | |
|---|---|---|---|
| --GDP Per Capita ($US 1982) | 1,634 | 1,585 | 1,552 |
| --Govt. Spending as Pct of GDP | 24 | 23 | 26 |
| --Inflation (Pct) | 6.2 | 14.6 | 5.4 |
| --Unemployment (Pct) | 12 | 15 | 17 |
| --Foreign Exchange Reserves ($M) | 846 | 874 | 988 |

| | 1997 | 1998 | 1999 |
|---|---|---|---|
| --Year End Exchange Rate($1.00) | 2,294 | 2,840 | 3,300 |
| --Foreign Debt ($M) | 1,435 | 1,599 | 2,108 |
| --Debt Service Ratio (Ratio of Principal and Interest Payments on Foreign Debt to Foreign Income) | 1.15 | 1.15 | 0.75 |
| --U.S. Econ/Military Assist. ($M) | 6.0 | 7.0 | 8.0 |

## Appendix C: Trade

| ($ Millions) | 1997 | 1998 | 1999 |
|---|---|---|---|
| --Total Country Exports 1/ | 3,876 | 3,719 | 2,704 |
| --Total Country Imports 1/ | 4,192 | 3,941 | 3,039 |
| --U.S. Exports 2/ | 913 | 786 | 515 |
| --U.S. Exports 1/ | 320 | 261 | 236 |
| --U.S. Imports 2/ | 40 | 33 | 48 |
| --U.S. Imports 1/ | 45 | 36 | 51 |
| --U.S. % of Imports 1/ | 10 | 11 | 14 |
| Imports of Manufactured Goods: | | | |
| --Total 1/ | 2,770 | 2,216 | 1,409 |
| --From the U.S.1/ | 289 | 236 | 214 |
| --U.S. % of Manufactured Imports 1/ | 10 | 11 | 15 |
| --Manufactured Goods Trade Balance with the U.S. 1/ | -248 | -196 | -177 |

1/ Paraguayan Data
2/ U.S. Data

Principal U.S. Exports in 1999 (harmonized codes):
--H8471 ADP Machines, Magnetic Readers, Etc.
--H8473 Parts for Office Machines
--H8525 Telecom Transmission Equip.
--H8542 Integrated Circuits and Boards
--H8517 Fixed Telephony Equipment

Principal U.S. Imports in 1999(harmonized codes):
--H7118 Coins
--H4412 Veneer/Plywood

--H1701 Cane Sugar Raw
--H4409 Shaped Wood
--H0511 Raw Hides

## Appendix D: Investment Statistics

The Government of Paraguay indicates that several hundred million dollars in investment projects have been approved in the past few years, but these figures reflect the potential value of the projects, not the amount invested. According to Ministry of Industry and Commerce reports, foreign investments totaling $162 million qualified for tax exemptions in 1999. U.S. Companies accounted for $102 million of that total.

## Appendix E: U.S. and Country Contacts

1. U.S. Embassy Trade Related Contacts:

U.S. Embassy Asuncion
Ambassador David Greenlee
Mr. Richard Boly, Economic and Commercial Officer
Ms. Beatriz Schaerer, Commercial Specialist
Unit 4711
APO AA 34036-0001
USA
Ph: 595/21/213715 - Fx: 595/21/215079
E-mail: bolyrc@state.gov
Web: www.usembparaguay.gov.py

2. AmCham and/or Bilateral Business Councils:

Camara de Comercio Paraguayo-Americana, Asuncion
Ms. Graciela Narvaja, President
Mr. Gerald McCulloch, Executive Director
Edificio Internacional Faro, Piso 4
Calle General Diaz 521
Asuncion, Paraguay
Ph & Fx: 595/21/442135, 442136
E-mail: pamchamb@conexion.com.py
Web: www.conexion.com.py/amcham

Camara de Comercio Paraguayo-Americana, Ciudad del Este
Mr. Faisal Hammoud, Chairman
Mr. Jeffrey W. Hesler, General Manager
Av. Boqueron 803, Piso 2

Ciudad del Este, Paraguay
Ph: 595/61/512287, 512289 - Fx: 595/61/512308
E-mail: amcham@monalisa.com.py

3. Country Trade or Industry Associations in Key Sectors:

(National Business Council:)
FEPRINCO--Federacion de la Produccion,
la Industria y el Comercio
Calle Palma 751, Piso 3
Asuncion, Paraguay
Ph & Fx: 595/21/446638, 444963
E-mail: feprinco@quanta.com.py
Contact: Sra. Ana Cabrera, Gerente General

(Industrial Association:)
UIP--Union Industrial Paraguaya
Casilla Postal 782
Calle Cerro Cora 1038
Asuncion, Paraguay
Ph: 595/21/212556, 212558
Fx: 595/21/213360, 214137
E-mail: uip@uip.org.py
Web: www.uip.org.py
Contact: Lic. Jose Manuel Abreu, Coordinador General

(Importers Association:)
Centro de Importadores
Calle Montevideo 671
Asuncion, Paraguay
Ph: 595/21/490291
Fx: 595/21/441295
Contact: Sr. Julio Sanchez, Gerente General

(Custom house brokers Trade Association:)
Centro de Despachantes de Aduana
Edificio Boqueron, Piso 4
Calle Montevideo 173
Asuncion, Paraguay
Ph & Fx: 595/21/441829
Contact: Lic. Arsenio Marin, Gerente General

4. Key Government Offices:

(Ministry of Industry & Commerce:)
Ministerio de Industria y Comercio
Excmo. Señor Ministro, Dr. Euclides Acevedo

Casilla Postal 2151
Av. Espana 323
Asuncion, Paraguay
Ph: 595/21/204833
Fx: 595/21/213529
E-mail:  ministro@mic.gov.py

(Ministry of Agriculture & Livestock:)
Ministerio de Agricultura y Ganaderia
Excmo. Señor Ministro, Ing. Agr. Enrique Garcia de Zuniga
Calle Presidente Franco y 14 de Mayo
Asuncion, Paraguay
Ph & Fx: 595/21/449614
Fx: 595/21/447473

(Ministry of Public Works & Communications:)
Ministerio de Obras Publicas y Comunicaciones
Excmo. Señor Ministro, Esc. Walter Bower
Calle General Diaz y Alberdi
Asuncion, Paraguay
Ph: 595/21/496666
Fx: 595/21/473625
E-mail:  jestigarribia@mopc.gov.py

(Customs Bureau:)
Direccion General de Aduanas
Director General: (vacant as of September 20, 2000)
Calle Colon y Plazoleta del Puerto
Asuncion, Paraguay
Ph: 595/21/493891
Fx: 595/21/444433, 444433
E-mail:  dirgen@dga.gov.py

(Export and Investment Promotion Bureau:)
PROPARAGUAY--Direccion General de Promocion de las Exportaciones
  e Inversiones
Director General, Lic. Maria Guillermina Frizza
Casilla Postal 1772
Edificio Ayfra, Piso 12
Calle Presidente Franco y Ayolas
Asuncion, Paraguay
Ph: 595/21/444113, 493625
Fx: 595/21/493862
E-mail: dic@proparaguay.gov.py
Web: www.proparaguay.gov.py

(Standards & Technology Institute:)

INTN--Instituto Nacional de Tecnologia y Normalizacion
Director General, Dr. Jose Martino
Casilla Postal 967
Av. Artigas y Roa
Asuncion, Paraguay
Ph: 595/21/290266
Fx: 595/21/290873
E-mail: intn@mmail.com.py

5. Country Market Research Firms

PRICEWATERHOUSECOOPERS
Socio a Cargo, Daniel Elicetche
Edificio Internacional Faro, Piso 6
Calle General Diaz 521
Asuncion, Paraguay
Ph: 595/21/445003
Fx: 595/21/444893
E-mail: pwc@.conexion.com.py

KPMG
Socio/Gerente, Dr. Oscar Benitez-Codas
Edificio InterExpress, Piso 19
Calle Herrera 195
Asuncion, Paraguay
Ph: 595/21/498120, 490100
Fx: 595/21/442504
E-mail: kpmg@kpmg.com.py

CAM--Consultores Asociados de Marketing
Gerente General, Juan E. Cabala
Edificio Banco Exterior, Pisos 12/13
Calle Yegros 437
Asuncion, Paraguay
Ph: (595-21)441024
Fx: (595-21)441164
E-Mail: cam@pla.net.py

FRETES VENTRE Y ASOCIADOS
Socio/Gerente, Dr. Leonardo Fretes-Ventre
Casilla Postal 843
Calle Humaita 994
Asuncion, Paraguay
Ph & Fx: 595/21/491461, 448730
Fx: 595/21/493517
E-mail: fva@rieder.net.py

MONITOR S.A. CONSULTORA
Gerente General, Dr. Enrique Bendaña
Calle Mariscal Estigarribia 1731
Asuncion, Paraguay
Ph: 595/21/207391, 207394
Fx: 595/21/207395
E-mail: monitor@rieder.net.py

6. Commercial Banks (Selected List):

Citibank, N.A.
Vice Presidente y Gerente General, Sr. Felipe Cavalcanti
Casilla Postal 1174
Av. Mariscal Lopez 3794
Asuncion, Paraguay
Ph: 595/21/620-2100, 620-2000
Fx: 595/21/620-2101
E-mail: felipe.cavalcanti@citicorp.com
Web: www.citibank.com/py

ABN-AMRO Bank N.V.
Gerente General, Sr. Peter Baltussen
Casilla Postal 1180
Calle Alberdi y Estrella
Asuncion, Paraguay
Ph: 595/21/490001, 490002
Fx: 595/21/491734
E-mail: abnamro@conexion.com.py
Web: www://abnamro.com.py

Lloyd's TSB
Gerente Principal, Sr. Stuart Duncan
Casilla Postal 696
Calle Palma y O'Leary
Asuncion, Paraguay
Ph: 595/21/618-3000
Fx: 595/21/443569

Banco Sudameris Paraguay S.A.
Gerente General, Mauricio Venturini
Casilla Postal 1433
Calle Independencia Nacional 102
Asuncion, Paraguay
Ph: 595/21/494542
Fx: 595/21/448670
E-mail: sudameris@conexion.com.py

7. Multilateral Development Bank Offices in Paraguay:

IDB--Interamerican Development Bank
Representante, Raul Baginski
Edificio Aurora I, Piso 2
Calle Caballero 221
Asuncion, Paraguay
Ph: 595/21/492061/5
Fx: 595/21/446537
E-mail: cof/cpr@iadb.org
Web: www@iadb

The World Bank
Representante Residente, Peter Hansen
Edificio El Ciervo, Piso 3
Calle 14 de Mayo 535
Asuncion, Paraguay
Ph: 595/21/493755, 493756
Fx: 595/21/450305
E-mail: phansen1@worldbank.org

8. Other U.S. Government Resources:

- TPCC Trade Information Hotline: 1-800-USA-TRADE
- U.S. Department of State, Office of the Coordinator for Business Affairs: Ph: (202)647-1625/Fax: (202)647-3953.
- U.S. Department of Commerce Paraguay Desk: Valerie Dees, Ph: (202)482-0477/Fax: (202)482-4726.
- U.S. Department of Agriculture, Foreign Agricultural Service, Trade Assistance/Promotion Office: Phone: (202)720-7420.
- OPIC--Overseas Private Investment Corporation: Ph: (202)335-8799.

## Appendix F: Trade Event Schedule

-- TELEMATICA 2000. Asuncion. Telecom Trade Show. October 26-29, 2000.

-- EDUMATICA 2001. Asuncion. Education Trade Show. First quarter of 2001.

-- EXPO 2001--XX INTERNATIONAL LIVESTOCK, AGRICULTURE, INDUSTRY, COMMERCE, AND SERVICES EXPO/FAIR. Asuncion. July 14-29, 2001.

* * * * * *