



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

PARAGUAY

This report, prepared for the Fourth Trade Policy Review of Paraguay, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Paraguay on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mr Angelo Silvy (022 739 5249), Ms Martha Lara (022 739 6033) and Ms Katie Waters (022 739 5067).

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SUMMARY

1. Since the last review of Paraguay in 2011, the country's economy has performed robustly. Real gross domestic product (GDP) grew at an average annual rate of 4.7% between 2011 and 2016, underpinned by a stable macroeconomic environment which not only favoured growth and held down inflation expectations, but also made it easier for Paraguay to access international financing at a moderate cost. The most vigorous economic sectors during 2011-2016 were financial services, construction, general government and the agricultural sector, which is the main source of exports. The unemployment rate remained moderate during the review period, generally fluctuating between 5% and 6%.

2. Paraguay continued to strengthen its public finances during the review period by implementing prudent fiscal policies and improving its management of taxation. New legislation was introduced, establishing rules aimed at ensuring the stability and sustainability of public finances. The Fiscal Responsibility Law of 2013 sets annual percentage caps on increases in expenditure (year-on-year inflation rate plus 4%) as well as limits on the central government deficit, which must not exceed 1.5% of GDP. This policy of fiscal consolidation has led to an improvement in tax collection and an increase in the share of tax revenue in GDP. The central government posted an operating surplus every year during the 2011-2016 period, although with the exception of 2011, the overall balance continued to show small deficits.

3. Since 2013, Paraguay has been issuing public debt bonds on the international market with a maturity of 10 to 30 years. Up to May 2017, Paraguay had made four issuances of sovereign bonds. Total central government debt increased as a proportion of GDP from 10.9% in 2011 to 23.1%, or a total of US\$6,294.3 million, in December 2016, although the levels remain moderate. Some 76.5% of the total public debt in 2016 was held externally.

4. Since May 2011, the Central Bank of Paraguay (BCP) has been implementing an inflation-targeting framework under which inflation, measured by the year-on-year variation in the Consumer Price Index (CPI), must not exceed a certain limit. That limit was set at 4% in 2017, with a tolerance range of +/- 2 percentage points. The BCP uses the monetary policy rate (MPR) as the instrument for implementing this framework. The MPR acts on interest rates and market liquidity. The level of the MPR was 5.5% annually in April 2017. Since the formal implementation of the inflation-targeting framework, the BCP has managed to reduce inflation levels and volatility. During the period under review, the year-on-year movement of the CPI has been kept within, or slightly below, the target range: average inflation from May 2011 to December 2016 stood at around 4.2% annually. In 2016, inflation stood at 3.9%.

5. During the review period, Paraguay's balance of payments current account has been in surplus every year with the exception of 2012 and 2015, reflecting the large surpluses on the goods trade balance recorded during the period owing to strong soya bean and meat exports. The services balance was continually in deficit. Through most of the review period Paraguay added substantially to its stock of international reserves. At the end of 2016, the net balance of international reserves amounted to US\$7,144 million, or the equivalent of 26% of GDP.

6. Exports and imports of goods and non-factor services amounted to the equivalent of 83.7% of GDP in 2016. That year, recorded merchandise exports reached US\$8,494 million (excluding re-exports), while recorded imports totalled US\$9,753 million. The structure of Paraguay's merchandise exports remained stable during 2011-2016. Agriculture and food products accounted for over 60% of these exports in 2016. Soya beans and soya products (seed cake and oil) were the main export product, followed by beef and cereals. The export share of manufactures was below 10%; the main export items were chemical products, leather articles, and textiles and clothing. The main imports were machinery and transport equipment, chemical products and mineral products. Paraguay's exports to its MERCOSUR partners accounted for more than 45% of the total in 2016, compared to a little over 40% in 2011. Brazil was the leading destination market for Paraguayan exports in 2016, with 35.4% of the total, followed by Argentina (10.7%) and Chile (6.1%). In that same year, imports mainly originated from China, Brazil and Argentina.

7. Paraguay is a founding Member of the WTO and plays an active part in the work of the Organization, especially in negotiating groups such as the Cairns Group and the G-20 in the realm

of agriculture. During the negotiation of the Trade Facilitation Agreement, Paraguay coordinated the Group of Landlocked Developing Countries. It has bound 100% of its tariffs and accords at least MFN treatment to all of its trading partners. Paraguay has never been involved in WTO dispute settlement as a complainant or as a respondent, but it has participated as a third party in six disputes. During the period under review, Paraguay submitted a number of notifications to the various WTO committees. Some notifications are nonetheless still outstanding in fields such as domestic support in agriculture, import licensing procedures, customs valuation, subsidies, and state trading enterprises.

8. Paraguay is a member of the Southern Common Market (MERCOSUR). In September 2014, it ratified the MERCOSUR Protocol of Montevideo on Trade in Services. Through its participation in MERCOSUR, Paraguay currently has free trade agreements with the Plurinational State of Bolivia, Chile, Cuba, Colombia, Ecuador and the Bolivarian Republic of Venezuela, India, Israel, Mexico, Peru and the Southern African Customs Union (SACU). Paraguay is a member of the Latin American Integration Association (LAIA), within which it has several partial scope agreements with Argentina, Brazil, Chile, Colombia, Ecuador, the Plurinational State of Bolivia, Mexico, the Bolivarian Republic of Venezuela, and Uruguay, among other countries.

9. Paraguay has an investment regime that is open to foreign direct investment. The law guarantees national treatment of foreign investors, the only exception being land ownership in border areas. Paraguayan laws offer tax rebates to investors and permit the full repatriation of capital and profits. During the period under review, Paraguay passed new laws to enhance the investment climate: the Law on public-private partnership of 2013, the Law on public works of 2013 involving financing or turnkey contracts, and the Investment Protection Law of 2015. The Investment Protection Law protects the repatriation of capital and profits, provides guarantees against administrative and judicial practices that may be deemed discriminatory, and provides for fiscal incentives for up to 20 years.

10. Paraguay ratified the WTO Agreement on Trade Facilitation on 1 March 2016. During the review period, it continued its reform process with a view to making customs administration more efficient and transparent and facilitating trade. These reforms include the adoption of a computerized risk management system, the implementation of an approved economic operator programme, the introduction of the express consignment procedure, electronic transmission of air manifests, and the digitalization of customs documents. But in spite of these achievements, there is still room to improve and simplify the procedures for registration of importers and their products and to revise and streamline the import licensing regime. Since its last review, Paraguay has introduced new registration and prior licensing requirements for the importation of products such as footwear, salt, articles of iron and steel, cement and mobile telephones, chiefly for reasons of quality and security and, in certain cases, for statistical monitoring purposes.

11. Paraguay's applied tariff in 2017 (HS 2017) comprises 10,226 eight-digit lines and 24 tariff levels ranging from 0% to 30%. Paraguay applies only *ad valorem* rates based on the c.i.f. value of the import. The simple average of the applied MFN tariff in 2017 was 8.4%. The average MFN tariff applied to agricultural products (WTO definition) was 9.9%, and to non-agricultural products, 8.2%. The weighted average of applied import duties was 3.2% in 2017. The groups of products subject to the highest average tariffs were arms and ammunition (20%), footwear (18.6%), and textiles and made-up articles (16.8%). Although Paraguay has applied the MERCOSUR common external tariff (CET) since 1995, it also has a large number of exceptions. These correspond to around 26% of tariff lines, and are usually subject to rates lower than the CET, so that Paraguay's average tariff was some three percentage points lower than the CET in 2017. The exceptions to the CET, listed in the National List of Exceptions (LNE) and in the lists of capital goods (BK) and informatics and telecommunications goods (BIT) are authorized until 31 December 2023.

12. Paraguay has bound all its tariff lines at rates that range from 10% to 35%. Its national tariff has some 80 lines for which the applied rate exceeds the bound rate and 27 lines corresponding to chemicals, bound at two levels (15% and 10%) depending on use, for which the applied level exceeds the lower of these levels. However, in the context of this review, the Paraguayan authorities have indicated that in all these cases the WTO bound rate is applied. As a MERCOSUR member, Paraguay gives duty-free access to the majority of imports from Argentina, Brazil and Uruguay. It also grants preferences through agreements concluded in the framework of the LAIA to the Plurinational State of Bolivia, Chile, Cuba and Peru, as well as Colombia, Ecuador

and the Bolivarian Republic of Venezuela. Finally, it grants preferences to Mexico, Israel, India and the SACU countries.

13. In addition to tariffs, imports are subject to the payment of various charges generally applied to the taxable value. These include: a valuation tax for the supply of customs services; a consular fee for endorsing documents; a tax to finance the Paraguayan Indigenous Institute; a tax for the use of the Customs computer system; a variable tax on imports entering by air; and a tax on magnetic and optical media. The value added tax, which applies to both domestic and imported goods, is generally 10%, though there are a few exceptions. A selective consumption tax is levied on certain products (tobacco, cigars, alcohol, petroleum-based fuels, etc.), whether imported or produced locally, at rates ranging from 1% to 38%.

14. Although Paraguay has a comprehensive legal framework for anti-dumping, countervailing and safeguard measures, it did not apply any such measures during the review period.

15. There are bans or restrictions on the exportation of certain products, generally for environmental or public health reasons, or to comply with international agreements. For certain products (for example Petit Grain essential oil and articles of iron and steel), the purpose of the restrictions is to increase the domestic value added or to ensure the supply of raw materials for the domestic industry.

16. For the purpose of promoting exports, Paraguay maintains special customs regimes such as the free zones and the maquila. Companies established in the free zones engaged solely in export to third countries pay a flat rate tax (IZF) of 0.5% on gross income earned from their exports. These companies may sell finished goods and services in Paraguayan customs territory up to a maximum of 10% of their gross sales revenue, without paying any additional tax. Imports into the customs territory from companies established in the free zones are subject to the tariffs and other taxes applied to imports. Companies under the maquila regime pay a single tax of 1% of national value added or the value of the invoice, whichever is higher. While the maquila companies must export the goods and services resulting from their activities, they can sell up to 10% of the volume exported the preceding year on the domestic market subject to prior authorization, to the payment of domestic taxes on inputs and goods for production imported on a temporary basis, and to payment of the income tax on the percentage sold on the domestic market.

17. Paraguay has a number of different types of incentives that it accords to both Paraguayan and foreign investors in order to promote domestic production, including those granted under Law No. 60/90 and amendments thereto. The benefits provided under this Law include exemption from the payment of VAT on the purchase of imported and Paraguayan capital goods, and exemption from payment of duty on imports of capital goods, raw materials and inputs for use in investment projects for the manufacture of capital goods. The manufacturing sector is the main beneficiary of Law No. 60/90, accounting for 59% of investments in 2015, followed by the services sector (18%), agriculture (16%), and mining and quarrying (7%). There is also a special regime that allows the application of a 0% tariff on imports of raw materials and inputs to be used by agricultural and industrial enterprises in their own production processes. The Law establishing the National Automotive Policy (2012) provides for tax incentives to encourage the manufacture and/or assembly of vehicles, auto parts and spare parts. In 2012, incentives were also introduced for the production, development and/or assembly of high-technology goods in the form of an exemption from the payment of duty and a reduction in the VAT on the importation of raw materials, components, assemblies, parts and spare parts. 2013 saw the adoption of the Law on industrial parks, providing specific incentives in addition to those determined in Law No. 60/90.

18. Although Paraguay does not have any centralized agency responsible for drafting technical regulations, there are certain general guidelines that all institutions must follow. The procedure for drafting a technical regulation usually begins with the identification of Paraguay's need to protect a legitimate objective. Technical regulations are generally based on international standards. Draft regulations must be notified, and a period of 60 to 90 days is given in which to receive comments. All technical regulations are published in the Official Journal and on the website of the National Information and Notification System (SNIN). Over the period from 2011 to May 2017, Paraguay submitted 73 notifications to the WTO Committee on Technical Barriers to Trade.

19. The period under review saw the adoption of a number of laws and standards relating, *inter alia*, to sanitary and phytosanitary activities, plant health, dairy products, biodiversity, and traceability. Paraguay has notified the WTO that the National Plant and Seed Quality Health Service (SENAVE), the National Animal Quality and Health Service (SENACSA) and the Ministry of Agriculture and Livestock (MAG) are the national enquiry points for sanitary and phytosanitary matters. Between 2011 and 2017, Paraguay notified only five sanitary and phytosanitary measures to the WTO.

20. Among the important developments during the review period was the enactment of the Law on the protection of competition (Law No. 4.956/13) and its implementing Regulations in 2013, and the establishment of the National Competition Commission (CONACOM). Law No. 4.956/13 regulates practices and agreements which restrict competition, abuse of a dominant position, and concentrations. Its scope includes the private sector, central government agencies and the decentralized agencies. It incorporates the rule of reason in examining anti-competitive behaviour and establishes control regime for mergers and acquisitions as well as procedures for the application of penalties. Since its creation, CONACOM has analysed a number of merges and concluded other investigations. In the government procurement area, Paraguay has continued to modernize its legislative framework in order to make the corresponding procedures more flexible and transparent, although it continues to use government procurement as an instrument to support domestic production and employment. Paraguay has not signed the WTO Plurilateral Agreement on Government Procurement (GPA), nor is it an observer in the GPA Committee. At the regional level, Paraguay is party to the MERCOSUR Protocol on Government Procurement, under which it has made commitments on transparency. Paraguay maintains a margin of preference of 20% for products and services of domestic origin in national government procurement procedures.

21. Paraguay's intellectual property legislation underwent a number of changes during the review period involving the decrees implementing the laws governing patents, copyright and related rights, and trademarks. The National Intellectual Property Directorate (DINAPI) was also created, partly for the purpose of improving the enforcement of intellectual property rights – identified as a problem in Paraguay – through its Directorate-General for Enforcement. This Directorate takes preventive and investigative action to punish piracy and counterfeiting, and may intervene *ex officio* at Customs as well as in commercial premises or warehouses. Another change consisted in the adoption, in 2013, of the Law on geographical indications and designations of origin, which provides a term of protection of ten years as from registration, indefinitely renewable for further ten year periods.

22. Agriculture and livestock are important activities for Paraguay, which is the world's sixth largest producer and its fourth largest exporter of soya beans and soya by-products. In addition, it is an important producer and exporter of bovine meat. The average MFN tariff applied by Paraguay to agricultural products (WTO definition) was 9.9% in 2016. The product categories with the highest tariffs are sugar and confectionary (18.8%); alcoholic beverages and tobacco (16.5%); and dairy products (14.9%). Spending on domestic support reached its peak in 2012, decreasing thereafter. In 2015, domestic support notified to the WTO totalled US\$79.7 million, equivalent to barely 0.3% of GDP. All the domestic support notified either fell within the green box or was a measure exempt from reduction commitments. Paraguay also provides government support to farmers by granting tax concessions, by offering advantageous government procurement procedures and by authorizing lines of credit.

23. Paraguay is one of the world's leading producers and exporters of hydro-electric energy, generated chiefly by the Itaipú and Yacyreta hydro-electric power stations, which Paraguay co-owns with Brazil and Argentina. In 2015, 74% of Paraguay's total energy production was exported, largely to Argentina and Brazil under the bilateral agreements. The State continues to play a preponderant role in the management of the energy sector through two State-owned enterprises, the National Electricity Authority (ANDE) and Petróleos Paraguayos (PETROPAR).

24. To engage in activities in Paraguay, banks, finance companies and other credit institutions must obtain express authorization from the Central Bank, and must be set up as public limited companies. There are no limits on participation of foreign capital or nationality requirements for the members of the board of directors or the shareholders, nor are there any restrictions on the number of banks that can operate in the country. Branches of foreign banks may transact the same business as other banks. There is no law on financial conglomerates at consolidated level. Foreign-owned banks have a significant presence in Paraguay: in February 2017, they held 55.5%

of bank assets and 52.2% of deposits. For a company to be able to obtain authorization to provide insurance services, it must be legally established in Paraguay as a public limited company and exclusively devoted to providing insurance. There are no restrictions on the participation of foreign capital, the number of companies or subsidiaries, or the type of insurance services that the foreign insurance companies established in the country may offer.

25. In the telecommunications sector a number of new rules have been approved since the last review in connection with the procedure for obtaining licences and authorizations for the supply of Internet access and data transmission services, satellite transmission of occasional signals and cable service. The requirements for obtaining licences and authorizations are the same for domestic and foreign companies. However, to provide or operate a telecommunications service, foreign companies must establish domicile in Paraguay or appoint a legal representative in the country. Only natural persons of Paraguayan nationality or legal persons established and domiciled in Paraguay may hold a radio or television broadcasting licence. Moreover, certain telecommunications services continue to be reserved for the State.

26. River transport plays an important role in Paraguay's economy. The river transport network consists of 3,100 km of navigable waterways, mainly along the Paraná and Paraguay rivers. Some 80% by volume of Paraguay's import and export trade is transported via the Paraguay-Paraná Waterway. National river transport cabotage is reserved for Paraguayan flag vessels. To provide services in waters under Paraguayan jurisdiction, foreign vessels must obtain a special government permit and use the services of a pilot of Paraguayan nationality when entering or leaving port.

27. For an airline to be certified and designated by Paraguay, it must be established and have its principle place of business in the country. Airlines may be up to 100% foreign-owned. To be registered under the Paraguayan flag, aircraft must be owned by natural or legal persons of Paraguayan nationality or foreigners domiciled in Paraguay, or have been leased by them.

1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. Paraguay's economy performed robustly over the period 2011-2017 (except in 2012). There was no significant sectoral recomposition of GDP: the services sector as a whole remained the main component of GDP, as illustrated by the fact that in 2016 it accounted for 55.4% of current gross value added (excluding indirect taxes and the product of the binational hydroelectric power stations). After services, the most important sectors in terms of contribution to gross value added are manufacturing (12.9% of value added in 2016), agriculture (11.9%), construction (10.8%) and livestock (7.2%). Within services, the most important categories are commerce (15.6% of value added) and general government (13.7%) (Table 1.1). Although there were no significant changes in GDP shares, the authorities have stressed that this period was marked by greater diversification of activities in services, construction and manufacturing, with a shift towards products with higher value added.

1.2. The most vigorous sectors during 2011-2016 in terms of average real growth were financial services (10.1%), construction (7.5%) and general government (6.9%), while the agricultural sector as a whole recorded average real growth of 6.6%.

Table 1.1 Structure of GDP and employment, 2011-2016

(% and billions of current ₡)

	2011	2012	2013	2014	2015	2016
Structure of GDP (%)						
Agriculture	15.9	12.0	15.9	13.9	12.1	11.9
Livestock	6.7	6.0	5.8	6.6	7.1	7.2
Forestry	1.6	1.8	1.6	1.5	1.6	1.6
Fisheries	0.1	0.1	0.0	0.0	0.0	0.0
Mining	0.2	0.2	0.2	0.2	0.2	0.2
Manufacturing	13.2	13.4	12.6	12.9	13.0	12.9
Construction	8.1	8.6	8.3	9.0	9.1	10.8
All services	54.2	58.0	55.6	55.7	56.8	55.4
Electricity and water	1.4	1.4	1.3	1.3	1.3	1.2
Transport	3.5	3.7	3.5	3.6	3.6	3.3
Communications	3.1	3.4	3.4	3.4	3.5	3.4
Commerce	18.3	17.2	16.6	16.7	15.9	15.6
Finance	5.0	5.8	5.7	5.9	6.5	6.3
Housing	1.0	1.1	1.0	1.0	1.0	1.0
Business services	2.7	2.8	2.5	2.5	2.6	2.8
Hotels and restaurants	1.2	1.3	1.2	1.5	1.6	1.5
Household services	6.0	6.3	6.0	6.2	6.3	6.5
General government	11.9	15.0	14.4	13.7	14.5	13.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
Gross value added	87,083	89,387	104,862	115,501	118,135	127,001
Product taxes	10,285	10,696	11,540	13,464	13,734	14,811
GDP at market prices	97,368	100,083	116,403	128,966	131,869	141,813
Binationals	7,835	8,749	8,749	8,832	10,134	12,228
GDP including binationals	105,203	108,832	125,152	137,798	142,003	154,040
GDP growth rate (%) at constant prices	4.3	-1.2	14.0	4.7	3.0	4.0
Agriculture	7.0	-28.3	57.5	2.2	6.5	2.5
Livestock	-7.1	7.2	9.6	14.4	0.2	4.5
Forestry	3.0	2.3	-1.2	3.5	7.9	7.0
Mining	5.3	1.5	8.9	9.5	0.4	8.0
Manufacturing	-1.6	4.6	7.9	9.5	3.1	3.9
Construction	1.5	1.0	9.6	13.8	2.5	18.0
All services	5.9	6.1	8.6	6.0	2.5	1.4
Electricity and water	8.7	7.0	7.1	8.0	5.0	4.0
Transport	2.5	1.1	20.0	7.5	2.4	0.5
Communications	15.0	13.1	7.5	3.2	0.8	-0.2
Commerce	3.0	-2.6	10.5	5.8	-0.8	1.2
Finance	17.3	13.0	9.6	10.6	10.2	0.5
Housing	2.2	2.5	2.5	2.5	2.3	3.6
Business services	4.0	2.8	2.8	4.4	4.3	9.3
Hotels and restaurants	6.0	4.5	8.0	6.9	5.9	-1.0
Household services	6.5	2.3	7.8	7.9	4.1	6.1
General government	6.0	25.5	4.9	5.0	4.3	-2.5
Structure of employment by branch of economic activity (%)						
Employed population						

	2011	2012	2013	2014	2015	2016
Agriculture, livestock, hunting and fishing	26.4	27.2	23.4	22.8	20.1	n.a.
Manufacturing, mining and quarrying	10.5	10.5	10.0	11.3	12.3	n.a.
Electricity, gas and water	0.5	0.6	0.7	0.5	0.5	n.a.
Construction	6.6	5.5	6.5	7.1	6.7	n.a.
Commerce, restaurants and hotels	25.3	25.5	25.7	26.2	26.6	n.a.
Transport, storage and communications	4.2	4.2	4.2	3.8	3.9	n.a.
Finance, insurance, real estate	4.5	4.8	5.1	5.5	5.4	n.a.
Community, social and personal services	21.8	21.7	24.3	22.7	24.5	n.a.

n.a. Not available.

Source: Central Bank of Paraguay (BCP).

1.3. The importance of the broad agricultural sector (agriculture, livestock, hunting and fishing) in terms of employment by branch of economic activity declined during the period under review, although it continues to be one of the most important. In contrast, the commerce, restaurants and hotels branch has steadily established its leading position, with 26.6% of total employment in 2015 (last year for which information is available). In that year, other major sources of employment were community, social and personal services (24.5%) and manufacturing, mining and quarrying (12.3%). It is worth noting that services as a whole increased in importance throughout this period, reaching 60.4% of employment in 2015.

1.2 Recent economic developments

1.2.1 Real sector

1.4. Paraguay was one of the fastest growing countries of the region during the review period, despite the backdrop of international and regional uncertainty. Macroeconomic stability continued to underpin growth and hold down inflation expectations, and made it easier for Paraguay to access international financing at a moderate cost. The GDP figures for the period reflect the contribution of the binational hydroelectric power stations, which was not the case in the previous report.

1.5. Real GDP grew at an average annual rate of 4.7% between 2011 and 2016 (Table 1.2). In 2012, a severe drought and the continuing global crisis caused GDP to shrink by 1.2%. It then soared by 14% in 2013, boosted by a sharp upswing in agricultural production. Broadly speaking, growth stemmed from the buoyancy of agricultural production and the upturn in domestic demand, especially investment, which, after contracting in 2012, grew strongly in 2013 and 2014 in particular.

1.6. In general, private consumption grew more slowly than GDP during the period, with an average annual rate of 3.2% in real terms between 2011 and 2016. Public sector consumption grew at an average annual rate of 5.6%, above the GDP growth rate for the period. This high growth rate partly reflects the rise in spending in 2012, when the Ministry of Finance adopted an anticyclical fiscal stance to address the drop in production and stimulate domestic demand, resulting in a 24.5% rise in government expenditure over the previous year.¹ Thereafter the expansion of public sector consumption slowed significantly and even shrank by 3% in 2016.

Table 1.2 Key macroeconomic indicators, 2011-2016

	2011	2012	2013	2014 ^a	2015 ^a	2016 ^a
GDP at market prices (billions of current ₡)	97,368	100,083	116,403	128,966	131,869	141,813
GDP including binational enterprises ^b (billions of current ₡)	105,203	108,832	125,152	137,798	142,003	154,040
GDP including binational enterprises ^b (millions of current US\$)	25,149	24,691	28,915	30,657	27,374	27,384
Real GDP including binational enterprises ^b (annual percentage change)	4.3	-1.2	14.0	4.7	3.0	4.0
Per capita GDP ^c (current US\$)	3,952	3,821	4,408	4,605	4,052	3,995

¹ BCP (2013), *Informe de Política Monetaria II 2012*, December 2012. Viewed at: https://www.bcp.gov.py/userfiles/files/Informe_Politica_Monetaria_II_2012_quereemplaza.pdf.

	2011	2012	2013	2014 ^a	2015 ^a	2016 ^a
GDP by type of expenditure (real growth rate)						
Total consumption	5.5	4.8	4.5	3.8	1.9	0.7
Private consumption	5.6	2.8	4.6	3.7	1.5	1.3
Public sector consumption	5.3	21.0	3.5	4.2	4.3	-3.0
Gross capital formation	10.8	-13.5	20.2	11.0	1.2	2.5
Gross fixed capital formation	11.0	-7.7	11.9	8.8	2.2	5.0
Changes in inventories	7.5	-110.4	-1,207.2	43.7	-9.4	-30.1
Exports of goods and services	6.2	-6.7	18.4	4.3	-1.3	3.0
Imports of goods and services	10.4	-3.5	6.8	5.3	-4.0	-2.5
Gross Domestic Product	4.3	-1.2	14.0	4.7	3.0	4.0
Employment						
Open unemployment rate ^d (%)	5.6	4.9	5.0	6.0	5.3	n.a.
Employed population (million)	3.04	3.24	3.27	3.25	3.31	n.a.
Agriculture, livestock, hunting and fishing	26.4	27.2	23.4	22.8	20.1	n.a.
Manufacturing, mining and quarrying	10.5	10.5	10.0	11.3	12.3	n.a.
Electricity, gas and water	0.5	0.6	0.7	0.5	0.5	n.a.
Construction	6.6	5.5	6.5	7.1	6.7	n.a.
Commerce, restaurants and hotels	25.3	25.5	25.7	26.2	26.6	n.a.
Transport, storage and communications	4.2	4.2	4.2	3.8	3.9	n.a.
Finance, insurance, real estate	4.5	4.8	5.1	5.5	5.4	n.a.
Community, social and personal services	21.8	21.7	24.3	22.7	24.5	n.a.
Other economic indicators						n.a.
Current account balance (% of GDP)	0.8	-1.2	2.1	0.1	-1.0	1.7
Total public debt (% of GDP)	10.9	14.6	14.4	17.6	19.7	22.4
Total external debt (US\$ million)	2,285	2,241	2,677	3,680	3,993	4,823
Total external debt (% of GDP)	9.1	9.1	9.3	12.0	14.6	17.6
Net international reserves (US\$ million, end of period)	4,984	4,994	5,871	6,891	6,200	7,144
Population (million) ^e	6.36	6.46	6.56	6.66	6.76	6.86

n.a. Not available.

a Preliminary figures.

b Paraguay's National Accounts include the production of binational enterprises since the year 2012 (production of Itaipú since 1985 and Yacretá since 1994).

c Includes binational enterprises.

d Does not include the departments of Boquerón and Alto Paraguay.

e Estimates and projections based on the 2012 Population and Housing Census.

Source: Central Bank of Paraguay and Directorate-General of Statistics, Surveys and Censuses (DGEEC), *Encuesta Permanente de Hogares* (various years).

1.7. The share of exports in GDP varied over the review period, reflecting their dependence on external trends and world raw material prices, in particular for soya beans. Although the annual growth rate of exports over 2011-2016 was 3.7%, this figure hides large fluctuations ranging from a fall of 6.7% in 2012 to an increase of 18.4% in 2013. Imports likewise show volatility, with growth rates over the period ranging from a fall of 4% to a rise of 10.4%.

1.8. Real GDP growth in 2016 is estimated at 4%, and the forecasts for 2017 in the draft 2017 budget are for real GDP growth in the order of 3.8%, a rise in the Consumer Price Index (CPI, end of period) of 3.5% and a 2.7% depreciation in the nominal exchange rate. The forecast for 2018 is for the same growth rates for real GDP and the CPI as in 2017, but a smaller nominal depreciation of about 1.9%.² The IMF forecast is for real GDP growth of 3.6% in 2017, with a 4.1% rise in the CPI.³

1.9. The unemployment rate remained moderate and relatively stable during the review period, generally fluctuating between 5% and 6%. The latest available figure is for 2015, indicating an unemployment rate of 5.3%.

² Ministry of Finance (2016), *Informe de las Finanzas Públicas de la República del Paraguay. Proyecto de Presupuesto General de la Nación 2017*, p. 71. Viewed at: <http://www.hacienda.gov.py/web-presupuesto/archivo.php?a=c5c5c8ced9d2d8d3d793cdcad49694959b92d4c8cac5064&x=17170b5&y=22220c0>.

³ Online information from the IMF, viewed at: <http://www.imf.org/external/country/PRY/index.htm>.

1.2.2 Fiscal policy

1.10. During the review period, Paraguay continued to strengthen its public finances through the implementation of prudent fiscal policies and improved management of taxation. It also adopted legislation to this end, and specifically Law No. 5.098/2013 on Fiscal Responsibility, which sets annual percentage caps on increases in expenditure as well as limits for the deficit. The purpose of the Law is to establish general rules of fiscal behaviour aimed at ensuring the stability and sustainability of the public finances. At the same time, the goal is to ensure that fiscal results do not have negative effects on macroeconomic stability, maintaining a balance between government revenue and spending.

1.11. Pursuant to Article 7.1 of the Fiscal Responsibility Law, the central government deficit cannot exceed 1.5% of GDP.⁴ This cap must be taken into account in the preparation and adoption of the budget. Likewise, the annual increase in primary current expenditure of the public sector cannot exceed the year-on-year inflation rate plus 4%.⁵ Other provisions of the Law include: (a) wages and salaries cannot be increased except when there is an increase in the index-linked minimum wage, in which case the maximum increase is in the same proportion; (b) in general and municipal election years, the central government's primary current expenditure between the months of January and July cannot be more than 60% of the budget adopted for the year, but this restriction does not apply to the Judiciary; (c) a consolidated multiannual (three-year) fiscal programme must be adopted establishing that the central government's fiscal position over the medium term cannot show an average deficit in excess of 1% of GDP.

1.12. Over the period 2011-2016 the central government posted an operating surplus every year, ranging from 3.9% of GDP in 2011 to 1.1% in 2013 (Table 1.3). During this period tax collection continued to improve and the share of tax revenue in GDP rose from 13% in 2009, as stated in the previous TPR Report, to 13.7% in 2015. Despite this improvement, the tax burden in Paraguay remains low compared with other countries of the region. Tax rates are relatively low and the tax base remains narrow, especially in some sectors. Thus the share of tax revenue from the agricultural sector remains small, but is expected to increase with the entry into force of the IRAGRO⁶ and the agricultural VAT.

1.13. After recording a surplus in 2011, the central government's overall balance has regularly shown a small deficit. Since the introduction of the deficit cap in 2013, the actual result exceeded this limit in 2013 and 2015 but stayed below it in 2014 and 2016. In 2012 a deficit was created by a sharp rise in wage expenditure that was not accompanied by a commensurate increase in revenue. In 2013, the deficit overshot the target owing to a smaller operating surplus since revenue increased less than expenditure. In 2015, the rise in the deficit stemmed from lower tax revenue than initially forecast, owing to a slowdown in the economy in the second half of the year and a delay in the transfer to the central government of US\$30 million by the Yacyretá binational enterprise and US\$60 million from the National Telecommunications Commission (CONATEL) 4G tender process (see section 4). These transfers, which finally entered in 2016, represented 0.4% of GDP and had they occurred in 2015 would have led to a deficit of less than 1.5% of GDP, thus under the cap.⁷ However, in order to comply with the Fiscal Responsibility Law, pursuant to Article 241 of the Law on the General Budget of the Nation 2015 expenditure financed by sovereign bonds was excluded from the calculation of the fiscal deficit for 2015.

⁴ Article 11 of the Law provides that in cases of national emergency or international crisis that may seriously affect the national economy or in the event of a fall in domestic economic activity, at the request of the Executive the Congress may suspend the application of this limit and of the cap on expenditure for the corresponding fiscal year. However, the deficit may in no case exceed 3% of GDP.

⁵ Article 7.2 of the Law defines primary current expenditure as total current expenditure excluding interest payments.

⁶ The IRAGRO is a tax on earnings from agricultural activities such as: raising or fattening of cattle, sheep, goats, buffalos and horses; production of wool, hides and skins, animal hair, semen and embryos; crop, fruit, vegetable and fish farming production; dairy production; and earnings from the sales of agricultural assets. Tax is also levied on income from the raising of pigs, rabbits and poultry, flower production, silkworms, honey and forestry when carried out by the producer and not exceeding 30% of the total income of the rural establishment.

⁷ Ministry of Finance (2016), *Informe de las Finanzas Públicas de la República del Paraguay. Proyecto de Presupuesto General de la Nación 2017*, p. 2. Viewed at: <http://www.hacienda.gov.py/web-presupuesto/archivo.php?a=c5c5c8ced9d2d8d3d793cdcad49694959b92d4c8cac5064&x=17170b5&y=22220c0>.

1.14. Total central government expenditure represented 18% of GDP in 2015, higher than the 14.7% recorded in 2011; however, in 2016 an effort was made to contain current expenditure, which caused it to fall to 16.8% of GDP. Income amounted to 18.7% of GDP in 2015 and 18.3% in 2016, as a result of higher revenues from value added tax (VAT) and higher non-tax income. Foreign trade taxes as a percentage of total income decreased during the review period, to just 1.2% of GDP in 2015 and 1.1% in 2016, compared to 1.6% in 2011. The central government's primary balance swung from a surplus of 1.3% of GDP in 2011 to a deficit of 1.2% of GDP in 2015, thereafter narrowing to 0.7% of GDP in 2016.

1.15. Since 2013 Paraguay has been issuing public debt bonds on the international market and their share in the composition of the debt has been increasing. Up to May 2017, Paraguay had made four issuances of sovereign bonds. The first international sale was launched in 2013 for an amount of US\$500 million with a ten-year maturity date. In 2014 a second issuance was launched for US\$1 billion 30-year bonds, and in 2015 the 2013 bond issuance was reopened for an amount of US\$280 million. In 2016 and 2017 Paraguay again tapped the international bond market with issuances of US\$600 and 500 million, ten-year bonds (Box 1.1). Since issuance the sovereign bonds have performed well on the secondary market, with yields of about 4% on the 2023 bond and 2026 bond, and of 5.7% on the 2044 bond.⁸ At the end of 2015, 68% of Paraguay's public debt was denominated in foreign currency.⁹

Box 1.1 Issuance of sovereign bonds in Paraguay

Paraguay launched its first sale of sovereign bonds on the international market on 25 January 2013. This issuance presented by the Ministry of Finance was authorized by Congress through the adoption of Law No. 4.848/12 on the General Budget of the Nation 2013. The sale was highly successful, with demand several times higher than the offer. The purchasers were foreign investors who submitted bids for an amount of over US\$3.5 billion.

The issuance was for US\$500 million ten-year bonds at an interest rate of 4.625%, with maturity of the principal in 2023 and semi-annual interest payments. This bond was reopened in 2015 for an amount of US\$280 million on similar terms but with a lower rate of interest of only 4.15%.

The second issuance of sovereign bonds on the international market took place on 4 August 2014, authorized by Congress through the adoption of the Law on the General Budget of the Nation for fiscal year 2014; the amount was increased under Law No. 5.251/2014. Market demand was again several times higher than the initial offer presented by the Ministry of Finance. This strong demand meant that the amount offered was increased to US\$1 billion, with a term to maturity of 30 years, so that this sovereign bond will fall due in 2044. The interest rate was 6.10%.

The third issuance, authorized by Congress through the adoption of the Law on the General Budget of the Nation for fiscal year 2016, Law No. 5.554/16, was launched on 31 March 2016. The issuance was for US\$600 million ten-year bonds with an interest rate of 5%.

The fourth issuance of sovereign bonds on the international market took place on 22 March 2017, for an amount of US\$500 million with a term to maturity of ten years and a 4.7% interest rate.

Source: Ministry of Finance.

1.16. In the period under review, total central government debt increased as a proportion of GDP from 10.9% in 2011 to 23.1%, or a total of US\$6,294.3 million, in December 2016 (Table 1.2), with 76.5% held externally. With the sale of bonds on the international market, as of 2013 the composition of the main creditors changed considerably. Until 2012, multilateral and bilateral creditors accounted for almost three quarters of total public debt, whereas since 2013 this category of creditors has steadily lost ground: in 2016 they accounted for only 37.7% of total debt, while sovereign bond debt represented 38.6%.

1.17. Paraguay's public debt service is relatively low: in 2016, total external debt service including interest, principal and commissions, represented only 1.4% of GDP, while domestic debt service amounted to 0.9% of GDP, for a total public debt service of 2.3% of GDP. Central government public debt service in 2016 represented 10.9% of its total revenue.

⁸ Ibid.

⁹ Ibid.

Table 1.3 Public finances, central government budget implementation, 2011-2016

(% of current GDP at market prices)

	2011	2012	2013	2014	2015	2016
Total revenue collected	18.0	19.0	17.1	17.9	18.7	18.3
Tax revenue	12.6	12.7	11.8	12.7	12.7	12.5
Income and profits tax	2.5	2.7	2.5	2.7	2.8	2.8
Selective goods tax	1.9	2.0	1.6	1.8	1.7	1.7
Value added tax (VAT)	6.5	6.5	6.3	6.8	6.9	6.7
Foreign trade tax	1.6	1.5	1.3	1.3	1.2	1.1
Other tax income	0.1	0.1	0.1	0.1	0.2	0.2
Non-tax income	5.5	6.2	5.3	5.2	6.0	5.8
Total obligated expenditure	14.7	18.0	16.5	16.6	17.8	16.8
Personal services	7.5	9.4	9.1	8.8	9.3	8.5
Goods and services	1.6	1.6	1.2	1.5	1.6	1.6
Interest	0.3	0.2	0.3	0.4	0.6	0.7
Social benefits	1.7	2.1	2.1	2.1	2.7	2.6
Other expenditure	3.6	4.6	3.7	3.8	3.6	3.4
Operating balance	3.3	1.0	0.7	1.3	0.9	1.5
Net acquisition of non-financial assets	2.3	2.6	2.3	2.4	2.6	2.9
Net lending/borrowing	1.0	-1.7	-1.7	-1.1	-1.8	-1.4
Memorandum items						
Primary operating balance	3.6	1.2	1.0	1.7	1.5	2.2
Primary lending/borrowing	1.3	-1.4	-1.4	-0.7	-1.1	-0.7

Source: Ministry of Finance.

1.18. For 2017, the draft budget forecast is for a fiscal deficit in the order of 1.5% of GDP, in line with the established limit, resulting from an operating surplus of 1.8% of GDP and a net acquisition of non-financial assets equivalent to 3.4% of GDP. This deficit should gradually narrow in subsequent years owing to a slight decline in the net acquisition of non-financial assets, to reach 0.3% of GDP in 2019.¹⁰

1.2.3 Monetary policy

1.19. The Central Bank of Paraguay (BCP) is the authority responsible for designing and implementing monetary policy. In accordance with its organic law (Law No. 489/95 "Organic Law of the Central Bank of Paraguay"), its fundamental objectives are to maintain and safeguard the stability of the value of the currency and promote an effective and stable financial system.¹¹

1.20. Since May 2011, the Central Bank has conducted monetary policy within an inflation-targeting framework.¹² The current inflation target, measured by the year-on-year variation in the CPI, is 4% with a tolerance range of +/- 2 percentage points as from 24 February 2017.¹³ The authorities consider that this range allows sufficient fluctuation around the target, bearing in mind the high exposure of the Paraguayan economy to exogenous shocks as a small and open economy.¹⁴ When the inflation-targeting framework was introduced, the BCP established a target of 5% with a margin of variation of +/- 2.5%, which was then reduced to 5% +/- 2% in January 2014, to 4.5% +/- 2% in December 2014, and remaining at 4.5% +/- 2% in February 2017.

1.21. The BCP uses the monetary policy rate (MPR) as the instrument for implementing the inflation-targeting framework. The MPR acts initially on interest rates and market liquidity, so as subsequently to influence inflation. The monetary policy horizon is estimated at between 18 and 24 months. The Open Market Operations Executive Committee (CEOMA) is responsible for setting

¹⁰ Ibid., p. 73.

¹¹ Online information from the BCP, viewed at:
<https://www.bcp.gov.py/politica-monetaria-en-el-paraguay-i356>.

¹² BCP (2017), *Informe de Política Monetaria II 2016*, December 2016. Viewed at:
https://www.bcp.gov.py/userfiles/files/IPoM_dicim_2016_28_12_16.pdf. Between January 2004 and April 2011, monetary policy was conducted in the framework of an "experimental inflation-targeting scheme".

¹³ Resolution No. 2, Act No. 12 of 24 February 2017. Viewed at:
https://www.bcp.gov.py/userfiles/files/Resoluci%C3%B3n_N_2_Acta_N_12_Fecha_24_02_2017.pdf.

¹⁴ BCP (2017), *Informe de Política Monetaria*, December 2016, viewed at:
https://www.bcp.gov.py/userfiles/files/IPoM_dicim_2016_28_12_16.pdf; and at:
https://www.bcp.gov.py/userfiles/files/Informe_IPC_Diciem_2016_29_12_16_per_cent281_per_cent29.pdf.

the level of the MPR, which was 5.5% annually in April 2017. The BCP has actively used the MPR to ensure price stability during the review period.

1.22. Since the formal implementation of the inflation-targeting framework, the BCP has managed to reduce inflation levels and volatility. During the period under review the year-on-year movement of the CPI has been kept within, or slightly below, the target range: average inflation from May 2011 to December 2016 stood at around 4.2% annually, and in 2016 was 3.9%, above the 3.1% recorded in 2015.¹⁵ Low inflation has made it possible to narrow the tolerance range and subsequently the target twice. In view of the low inflationary pressure, the BCP has maintained a relatively expansionary profile in monetary policy so as to spur economic growth. Inflation expectations have adjusted to the target, as a result of the BCP's policies and the credibility it has acquired as the inflation-targeting framework has become more solidly rooted.

1.23. The strong economic performance, together with an increase in the degree of financial intermediation, have been reflected in a significant rise in credit to the private sector during the review period, with a growth of 163.1% between 2011 and 2016, equivalent to 133.9% growth in real terms.

1.24. During the same period, commercial bank interest rates on deposits followed a downward trend, although with considerable fluctuations, while lending rates remained relatively stable (Table 1.4).

1.25. Paraguay has a flexible exchange rate system, and the BCP only occasionally intervenes on the foreign exchange market to dampen sharp rate swings that do not correspond to market fundamentals. During the review period, the multilateral real exchange rate appreciated by about 4%, although fluctuating considerably over the period.

Table 1.4 Monetary indicators, 2011-2016

	2011	2012	2013	2014	2015	2016
Money supply and credit (annual variation)						
M1	11.6	9.7	14.8	9.2	10.1	10.1
M2	17.5	12.6	17.5	17.8	5.8	8.1
M3	13.5	12.2	21.7	13.9	15.1	5.0
Credit to the private sector	24.8	12.6	23.9	21.1	22.9	0.5
Prices and interest rates						
Consumer Price Index (annual average, December 2007=100)	122.2	126.7	130.1	136.6	140.9	146.7
Inflation (percentage change)	8.3	3.7	2.7	5.0	3.1	3.9
Central Bank interest rate	7.25	5.50	6.00	6.75	5.75	5.50
Commercial bank interest rates for foreign currency (annual average)						
Deposit interest rate	2.92	2.00	3.70	2.16	3.58	2.91
CD interest rate	5.59	6.44	5.96	5.11	4.79	4.56
Lending rate	7.98	9.30	8.47	8.18	8.71	9.36
Exchange rate						
\$/US\$ (annual average)	4,156	4,405	4,314	4,447	5,246	5,649
Real exchange rate, annual average (January 1995=100)	107.9	106.8	99.9	94.7	91.5	92.6
Real exchange rate, end of period (January 2015=100)	108.1	100.9	99.5	88.9	93.4	93.1
Real exchange rate, end of period (annual variation)	-6.0	-6.6	-1.4	-10.6	5.0	-0.2

Source: Central Bank of Paraguay.

1.26. In the International Monetary Fund's Article IV consultation with Paraguay in April 2016, the IMF Executive Directors "concurred that the moderately accommodative monetary policy stance remains appropriate given the uncertain international context and contained inflationary pressures". They also considered that "limiting discretionary foreign exchange market

¹⁵ BCP (2016), *Informe Mensual de Inflación*, December 2016. Viewed at: https://www.bcp.gov.py/userfiles/files/Informe_IPC_Diciem_2016_29_12_16_per_cent281_per_cent29.pdf.

interventions to exceptional circumstances of disorderly market conditions would reinforce the inflation-targeting regime".¹⁶

1.2.4 Balance of payments

1.27. During the period under review, Paraguay's balance of payments current account has been in surplus every year with the exception of 2012 and 2015 (Table 1.5). This reflects in particular the large surpluses on the goods trade balance recorded during the period stemming from soya bean and meat exports. The services balance was continuously in deficit, in contrast with the situation described in the previous report. This is the result of the changes made by Paraguay in its statistics, specifically as regards accounting for income from royalties in connection with sales of hydroelectric power by the binational enterprises, which was previously included in the balance of services.¹⁷

Table 1.5 Balance of payments, 2011-2016^a
(US\$ million)

	2011	2012 ^b	2013 ^b	2014 ^b	2015 ^b	2016 ^b
I.- Current account	200	-286	612	27	-287	460
A. Goods ^c	854.2	570.8	1,662.3	1,026.0	581.0	1,367
1. Exports (credit)	12,638.6	11,653.6	13,604.7	13,105.2	10,897.8	11,155
2. Imports (debit)	-11,784.5	-11,082.8	-11,942.4	-12,079.2	-10,316.8	-9,789
B. Services	-180.6	-170.2	-219.4	-222.3	-244.0	-221
1. Transport	-309.4	-295.9	-275.9	-310.9	-341.0	-306
2. Travel	67.0	57.7	29.7	32.7	36.9	26
3. Other services ^d	61.8	68.0	26.8	55.8	60.2	59
C. Income	-1,187.5	-1,445.5	-1,550.8	-1,383.3	-1,296.5	-1,461
1. Remuneration of employees	0.0	0.0	0.0	0.0	0.0	0.0
2. Investment income	-1,187.5	-1,445.5	-1,550.8	-1,383.3	-1,296.5	-1,461
2.1 Foreign direct investment	-550.3	-854.0	-949.5	-811.5	-696.2	-821
2.2 Portfolio investment	0.0	-9.8	-59.4	-71.0	-138.4	-176
2.3 Other investment	-637.2	-581.7	-542.0	-500.8	-461.9	-464
D. Current transfers	713.6	758.7	719.9	606.2	672.2	775
1. General government	26.6	14.6	6.6	4.6	8.6	9
2. Other sectors	687.0	744.1	713.3	601.6	663.6	767
II. Capital and financial account	493.2	882.6	270.3	1,636.2	-651.7	-40
A. Capital account	40.0	51.0	61.2	141.0	154.0	163
1. Capital transfer	40.0	51.0	61.2	141.0	154.0	163
B. Financial account	453.2	831.6	209.1	1,495.2	-805.7	-203
1. Direct investment	581.2	697.1	252.2	382.1	260.3	274
2. Portfolio investment	100.0	500.0	500.0	1,300.0	280.0	500
3. Other investment	-228.0	-365.4	-543.1	-186.9	-1,345.9	-976
3.1 Assets	248.5	-126.7	-64.7	322.4	-712.8	-289
3.1.1 Commercial credits	-44.9	-47.1	-34.8	-46.9	-33.6	-34
3.1.2 Loans	162.1	-86.1	187.1	9.3	-54.7	-7
3.1.3 Currency and deposits	157.2	-22.3	-99.5	348.6	-638.7	-221
3.1.4 Other assets	-25.9	28.8	-117.5	11.4	14.2	-27
3.2 Liabilities	-476.6	-238.7	-478.4	-509.3	-633.1	-687
3.2.1 Commercial credits	-25.9	203.7	-252.7	-9.1	-34.2	-26
3.2.2 Loans	-355.3	-512.1	-670.5	-604.2	-591.1	-445
3.2.3 Currency and deposits	-140.0	-22.3	-64.0	11.4	-18.3	13
3.2.4 Other liabilities	44.6	92.0	508.8	92.6	10.5	-230
III. Errors and omissions	91.2	-621.0	153.4	-531.8	379.3	538
IV. Reserve assets	-784.1	24.5	-1,035.7	-1,131.1	559.6	-957

a Standardized presentation in line with the fifth edition of the IMF Balance of Payments Manual. The Itaipú and Yacyretá binational hydroelectric enterprises are considered as residents.

b Preliminary figures.

c Includes exports of electricity of the binational entities, re-exports, foreign trade recorded in customs and others.

d Variation in net international reserves; increase (-) and loss (+).

Source: Central Bank of Paraguay, Economic Studies, Department of Foreign Trade Statistics.

¹⁶ IMF (2016), *Paraguay. 2016 Article IV Consultation – Press Release; and Staff Report; and Informational Annex*. Country Report No. 16/116, May 2016. Viewed at: <https://www.imf.org/external/pubs/ft/scr/2016/cr16116.pdf>.

¹⁷ Prior to 2013, for accounting purposes in the balance of payments the binational hydroelectric enterprises Itaipú (jointly owned by Brazil and Paraguay) and Yacyretá (jointly owned by Argentina and Paraguay) were considered "non-resident" enterprises, so that electricity consumption in Paraguay was counted as an import in the trade balance. Royalties, compensation for energy transfer and related services of the binational enterprises were counted in the services balance, while investment was recorded as part of the contribution of the National Electricity Authority to the share capital of the two binational enterprises. The change was made because the fact that the binational enterprises were considered "non-resident" resulted in an undervaluation of Paraguay's GDP.

1.28. The income account balance widened considerably for the entire period under review, reflecting the investment earnings of foreign investment firms. Current transfers showed a surplus in each of the years of the review period owing to the rise in family remittances.

1.29. The capital and financial account (excluding reserve assets and exceptional financing) was in surplus between 2011 and 2014, but moved into deficit in 2015 and 2016, reflecting the rise in financial assets abroad of financial and non-financial economic agents in those last two years. The authorities have pointed out that external financing through the acquisition of liabilities remained stable during the period under review, during which the Government issued external bonds on favourable terms. Foreign direct investment, which grew steadily in 2011 and 2012, began to decline in 2013. Through most of the review period Paraguay added substantially to its stock of international reserves. At the end of 2016, the net balance of international reserves amounted to US\$7,144 million, or the equivalent of 26% of GDP, as against US\$4,984 million in 2011.

1.3 Trade performance: goods and services

1.3.1 Composition of merchandise trade

1.30. Paraguay's foreign trade in goods and non-factor services (exports and imports) was equivalent to 83.7% of GDP in 2016. This percentage is lower than the figure given in the previous report for 2009 (97.2%). In 2016, recorded merchandise exports amounted to US\$8,494 million (excluding re-exports), while recorded imports totalled US\$9,753 million (Chart 1.1 and Tables A1.1 and A1.2).

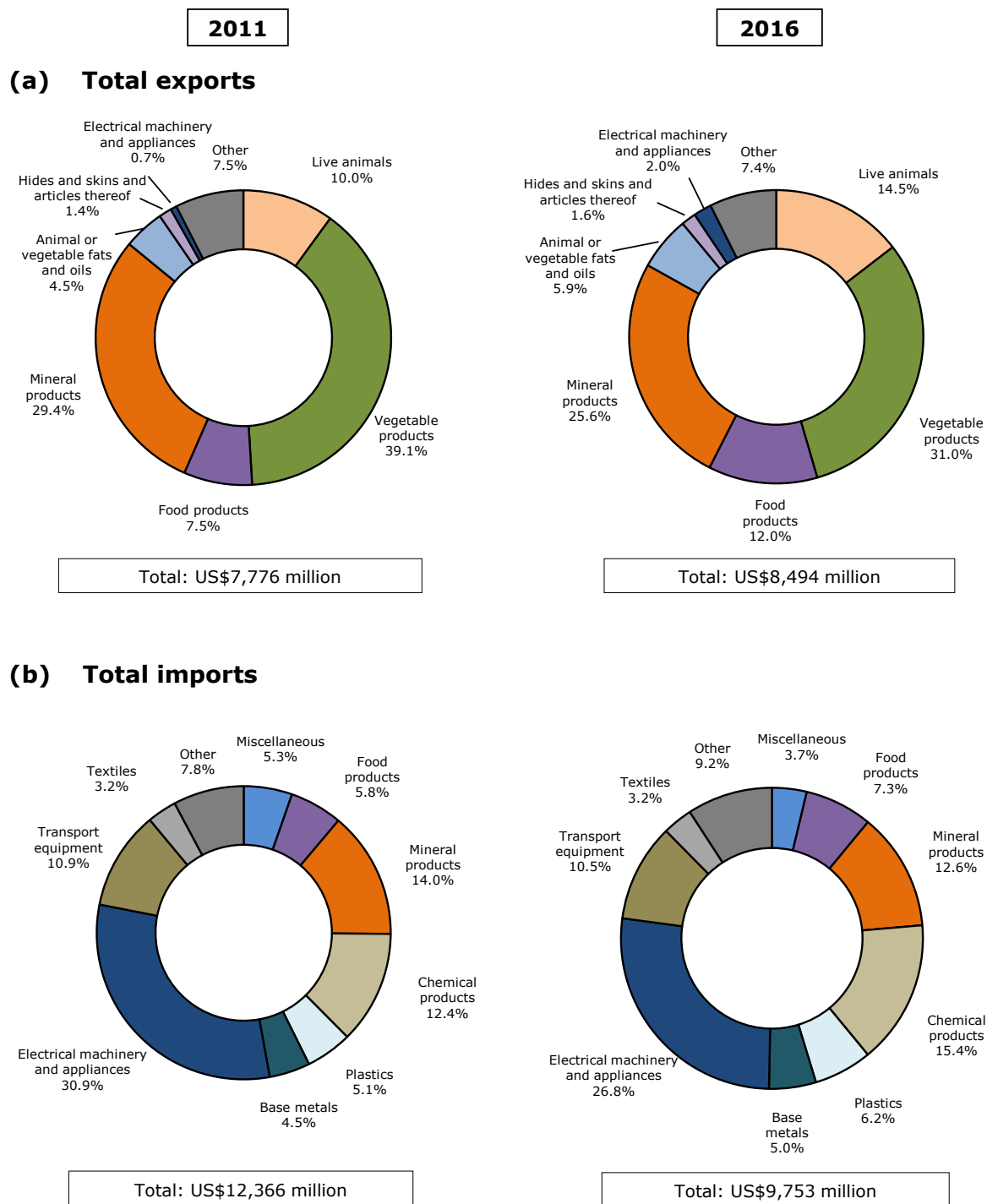
1.31. The structure of Paraguay's exports remained stable during 2011-2016. Commodities, the vast majority of which are agriculture products, represented almost 90% of merchandise exports in both 2011 and 2016 (Table A.1.1). Agriculture and food products accounted for over 60% of goods exports in 2016. Soya beans and soya by-products (seed cake and oil) remained the main export product (36.9% of the total in 2016), followed by beef (fresh, chilled or frozen), representing 13.6%, and cereals (8.1%). The export share of manufactures was below 10%; the main export items were chemical products (especially medicines), leather articles, and textiles and clothing.

1.32. The main imports were machinery and transport equipment, representing 38.5% of the total in 2016, followed by chemical products, with 15.4%. Mineral products accounted for 12.6% of imports (Chart 1.1 and Table A1.2).

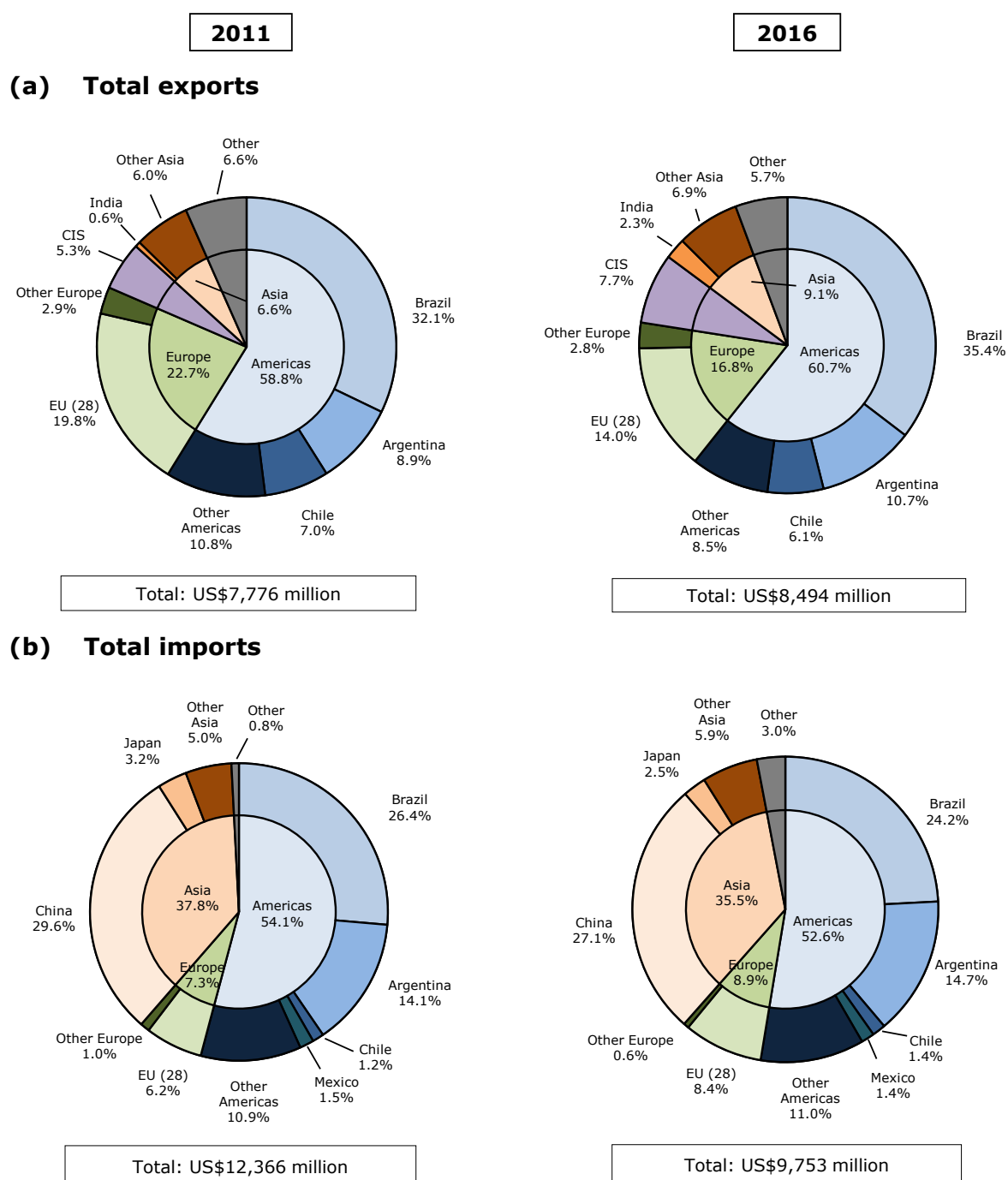
1.3.2 Geographical distribution of merchandise trade

1.33. According to the figures obtained from the COMTRADE database, Paraguay's exports to other countries in the Americas rose moderately, from 58.8% in 2011 to 60.7% in 2016 (Chart 1.2 and Table A1.3). There was also an increase in the share of exports going to its MERCOSUR partners, which accounted for 45% of the total in 2016, compared to a little over 40% in 2011. Brazil was the leading destination market for Paraguayan products in 2016, with 35.4% of the total, followed by Argentina (10.7%) and Chile (6.1%).

1.34. On the import side, the share of countries in the Americas fell from 54.1% in 2011 to 52.6% in 2016 (Chart 1.2 and Table A1.4). This reflects a slight contraction in the share of imports from MERCOSUR, which represented 40% of the total in 2016. In that same year, imports mainly originated from China, Brazil and Argentina. Imports from Europe increased their share in the total, while those from Japan declined.

Chart 1.1 Merchandise trade by main HS sections, 2011 and 2016

Source: WTO Secretariat estimates, based on data provided by the authorities.

Chart 1.2 Merchandise trade by trading partner, 2011 and 2016

Source: WTO Secretariat estimates, based on data provided by the authorities.

1.3.3 Trade in services

1.35. As shown in Table 1.6, Paraguay's foreign trade in services recorded deficits throughout the period 2011-2016, amounting to US\$244 million in 2015 and US\$221 million in 2016. The biggest deficits are in transport, insurance, financial services and royalties. Paraguay has a small surplus in the travel category.

Table 1.6 Trade in services, 2011–2016

(US\$ million)

	2011	2012	2013	2014	2015	2016 ^a
Exports	722.3	756.3	848.6	891.6	859.9	871.1
Transport	283.1	293.0	380.3	388.4	322.9	334.0
Travel	240.7	264.5	272.7	288.2	317.9	314.0
Communications	16.0	13.0	13.0	15.0	16.0	16.0
Construction	0.0	0.0	0.0	0.0	0.0	0.0
Insurance	24.0	20.0	20.0	21.0	20.0	20.0
Financial services	5.4	2.7	3.2	9.4	8.5	8.5
Information technology and information	0.4	0.4	0.4	0.4	0.4	0.4
Royalties and licence fees	0.0	0.0	0.0	0.0	0.0	0.0
Other business services	2.7	2.7	2.7	2.7	2.7	2.7
Government services	150.0	160.0	156.3	166.5	171.5	175.5
Imports	902.9	926.5	1,067.9	1,113.9	1,103.8	-1,092.2
Transport	592.5	588.9	656.2	699.3	663.9	-640.4
Travel	173.7	206.8	243.0	255.5	281.0	-287.7
Communications	4.0	4.0	4.0	4.0	4.0	-4.0
Construction	0.0	0.0	0.0	0.0	0.0	0.0
Insurance services	47.1	47.1	47.1	47.6	47.1	-47.1
Financial services	34.4	47.5	50.6	48.4	47.3	-49.6
Information technology and information	2.1	2.1	2.1	2.1	2.1	-2.1
Royalties and licence fees	2.5	2.5	37.3	18.1	18.5	-19.3
Other business services	6.6	6.6	6.6	9.0	6.6	-6.6
Government services	40.0	21.0	21.0	30.0	33.3	-35.4
Balance of services	-180.6	-170.2	-219.4	-222.3	-244.0	-221.1

a Preliminary figures.

Source: Central Bank of Paraguay, Economic Studies, Department of Foreign Trade Statistics

1.4 Foreign direct investment

1.36. Foreign direct investment (FDI) flows totalled US\$4,410 million in 2015, compared with US\$3,906 million in 2011. The United States holds the largest stock of FDI in Paraguay, with US\$1,169 million in 2015, followed by Brazil with US\$827 million and Spain with US\$385 million (Table 1.7).

Table 1.7 FDI balances by investor country of residence, 2011–2015 (end of period)

(US\$ thousand)

	2011	2012	2013	2014 ^a	2015 ^a
Total balances	3,905,781	4,956,340	4,915,784	5,438,539	4,410,944
United States	1,682,156	1,726,974	1,546,938	1,587,081	1,168,741
Brazil	643,570	710,020	731,032	916,326	826,619
Spain	317,635	460,591	458,030	480,919	384,275
Netherlands	37,688	291,036	234,639	306,462	340,260
Panama	123,353	144,471	154,392	177,369	272,901
Argentina	229,207	305,310	334,133	311,810	228,854
Luxembourg	323,311	331,936	296,251	388,963	201,011
United Kingdom	133,519	212,961	164,402	309,048	161,917
Chile	6,436	111,088	136,238	156,929	131,440
Switzerland	85,211	171,636	171,076	149,944	124,492
Colombia	8,473	9,710	74,049	91,445	92,748
Uruguay	66,654	68,150	70,266	69,036	90,916
Guatemala	26,697	29,527	31,241	75,703	87,107
Mexico	38,944	108,362	110,852	106,956	72,456
Germany	35,140	54,719	61,517	45,424	62,971
France	30,701	36,000	43,704	50,649	48,582
Japan	-1,856	22,702	49,672	95,157	42,521
Hong Kong, China	0	5,951	14,833	14,243	16,552
Sweden	8,873	8,709	8,441	9,321	11,434
Italy	9,187	10,717	90,207	7,118	10,678
El Salvador	0	0	0	0	9,278
Canada	0	16,357	12,513	8,947	7,143
China	2,615	5,702	5,829	6,059	6,390
Australia	10,592	11,253	8,382	4,834	3,859

	2011	2012	2013	2014 ^a	2015 ^a
Korea, Rep. of	0	5,186	4,790	5,649	3,828
Portugal	85,973	95,089	99,927	60,716	1,771
Peru	1,340	1,658	1,675	1,785	1,531
Bolivia	-18	160	410	495	547
Ecuador	381	364	346	153	122

a Preliminary figures.

Source: Central Bank of Paraguay, Foreign Investment Division.

1.37. The sectoral composition of FDI balances is heavily concentrated in the services sector, particularly financial intermediation, and in the production of vegetable oils, which together accounted for almost half the volume of FDI in 2015. Other activities that received major FDI flows are commerce, transport, the chemical industry and meat production (Table 1.8).

Table 1.8 FDI balances by national classification of activities (CNAP) category, 2011-2015 (end of period)

(US\$ thousand)

	2011	2012	2013	2014	2015 ^a
Total balances	3,905,781	4,956,340	4,915,784	5,438,539	4,410,944
Agriculture	125,208	161,173	165,076	263,990	184,756
Livestock	0	0	0	0	0
Forestry	56,590	65,910	69,284	76,000	66,405
Fishing	0	0	0	0	0
Mining	0	22,574	35,676	36,779	14,775
Meat production	39,947	106,323	114,462	179,478	188,843
Production of oils	1,012,285	1,318,809	1,066,259	1,051,963	924,391
Dairy products	4,131	5,014	5,752	5,353	4,533
Milling and baking	6,561	2,132	0	0	0
Sugar	0	0	17,016	19,552	6,761
Other foods	17,191	14,317	13,564	7,809	6,706
Beverages and tobacco	290,960	339,248	344,980	288,775	243,243
Textiles and clothing	33,912	51,555	54,500	57,718	51,889
Leather and footwear	30,505	44,290	47,783	47,728	50,036
Wood industry	5,780	5,645	3,994	12,541	19,899
Paper and paper products	27,860	46,280	50,157	51,119	63,463
Petroleum refining	0	0	0	0	0
Chemical products	163,950	221,623	250,413	239,699	234,038
Non-metallic manufactures	34,207	46,097	42,585	61,550	35,304
Base metal manufactures	0	0	0	0	631
Machinery and equipment	6,931	25,318	62,747	127,909	77,018
Other manufactures	0	0	0	0	4,861
Electricity and water	0	0	0	0	0
Construction	2,545	2,818	3,266	3,640	5,480
Commerce	310,669	402,458	430,919	459,367	429,000
Transport	517,253	472,834	493,752	527,985	508,480
Communications	329,274	439,563	420,874	413,505	233,566
Financial intermediation	832,627	1,088,171	1,140,850	1,371,184	930,602
Housing rental	15,026	30,717	38,782	39,538	31,932
Business services	2,269	3,413	3,463	9,706	-826
Restaurants and hotels	36,569	38,402	37,955	83,867	93,625
Household services	3,529	1,658	1,675	1,785	1,531

a Preliminary figures.

Notes: Data obtained from surveys and balance sheets provided by firms. Data from the Banking Supervisory Authority. Data from the Insurance Supervisory Authority.

Source: Central Bank of Paraguay, Foreign Investment Division.

2 TRADE AND INVESTMENT REGIME

2.1 General framework

2.1. Paraguay's basic institutional and legal framework has not undergone any major changes since the preceding trade policy review in 2011. The Constitution of the Republic of Paraguay, which dates from 1992, establishes the fundamental rights, structure and powers of the Executive, Legislative and Judicial Branches. The territory of the Republic of Paraguay is divided into departments, municipalities and districts.¹ Executive power rests with the President of the Republic, who appoints the Council of Ministers, which in turn advises the President. The presidential term of office is five years. The next legislative and presidential elections are set for April 2018. The Judiciary consists of the Supreme Court of Justice, courts of appeal and lower courts, which are courts of first instance and include criminal, civil, commercial, labour, and child and adolescent courts.²

2.2. Legislative power is exercised by the National Congress, which comprises the Senate Chamber and the Chamber of Deputies, and has a five-year term of office. Draft laws may originate from either of the Chambers of Congress, the Executive, popular initiative, or the Supreme Court. The National Congress is empowered to amend or reject draft laws. International treaties must be approved by the National Congress, before being enacted by the President of the Republic. All enacted legislation, including decrees and some resolutions, must be published in the Official Journal.³

2.3. The institutions and entities that participate in trade policy formulation in Paraguay include the Economic Cabinet, the Ministry of Industry and Trade (MIC), the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Agriculture and Livestock and the Ministry of Public Works and Communications. The Economic Cabinet advises the National Government on economic policy.⁴ Its advisory function covers public investment programmes, projects that involve economic and financial measures, and measures to support and diversify industrial development and exports. In the economic and commercial realm, the functions of the Ministry of Foreign Affairs are to conduct negotiations on international economic matters, foreign trade, integration and international cooperation processes and binational and multinational ventures, where appropriate in coordination with other State entities.⁵

2.4. The MIC is responsible for promoting, regulating, protecting and fostering industrial activity and trade in goods and services within Paraguay and for integrating them in international markets. The MIC also promotes industrial production, and regulates, facilitates and encourages the distribution, circulation and consumption of goods and services of domestic and foreign origin that are not regulated by special laws.⁶

2.5. The MIC is subdivided into three Vice-Ministries, namely the Vice-Ministry of Industry, the Vice-Ministry of Trade and the Vice-Ministry of Micro, Small and Medium-sized Enterprises (MSMEs). The Vice-Ministry of Industry is responsible for devising strategies for the application of the country's industrial policy instruments, through measures aimed at stimulating domestic and foreign investment and boosting the country's competitiveness.⁷

¹ Constitution of the Republic of Paraguay, Article 156.

² WTO document WT/TPR/S/245/Rev.1 of 16 May 2011.

³ All laws, decrees and resolutions are easily accessible online at: <http://www.gacetaoficial.gov.py>.

⁴ The Economic Cabinet comprises the Minister for Finance (who chairs it), the Minister for Industry and Trade, the Minister for Agriculture and Livestock, the Minister for Public Works and Communications, the Executive Secretary of the Technical Secretariat for Economic and Social Development Planning, and the Minister/Secretary-General of the Office of the President of the Republic.

⁵ The functions of the Ministry of Foreign Affairs are set out in its Organic Law No. 1635/00.

⁶ The functions of MIC are laid down in Law No. 904/36 and amendments thereto. During the period under review, the MIC issued Resolution No. 48 of 30 January 2015 establishing the summary procedure for administrative proceedings instituted by the MIC in respect of matters such as industrial parks, electronic commerce, the maquila export industry, technical standards, registration and certificates, fines and monetary penalties.

⁷ Online information from the MIC, viewed at: http://www.mic.gov.py/mic/site/industria/institucional_objetivos.php.

2.6. The Vice-Ministry of Trade is tasked with advising, assisting and supporting public and private sector activities relating to Paraguay's commercial and foreign trade policy. Its remit also includes the overall management of the single window for exports (VUE). It is also responsible, *inter alia*, for planning activities relating to trade policy, international trade negotiations, the issuance of certificates of origin and of export/import licences, and for the management of tariff quotas. In addition, it advises producers, exporters and importers in commercial negotiation processes regarding their products.⁸ Managed by the Vice-Ministry of Industry, the Investment and Export Network (REDIEX) is in charge of trade and investment promotion (section 3.2.5.1).

2.7. The Vice-Ministry of MSMEs was established under Law No. 4.457 of 16 May 2012 and its principal functions encompass the coordination and management of the National MSME System, which involves implementing the single integrated MSME registration, certification and information system; coordinating and implementing support policies for strengthening and developing MSMEs; and promoting the operation of the guarantee fund and other instruments that facilitate access to credit.⁹

2.8. The private sector is involved in trade policy formulation in Paraguay through its participation in councils and forums that discuss public policy.¹⁰ Especially noteworthy is the Advisory Business Council on Foreign Trade (CEACE) coordinated by the Ministry of Foreign Affairs, in which private sector positions and concerns regarding Paraguay's foreign trade policy are aired and discussed.¹¹

2.9. New trade-related legislation was introduced and existing legislation amended during the review period in the fields of investment and incentives; transparency; electronic commerce; public-private partnerships; value added tax; the in-bond processing (maquila) system; protection of competition; government procurement; and mining (Table 2.1).

Table 2.1 Main trade-related laws and decrees

Topic	Main laws
Investment and incentives	<ul style="list-style-type: none"> • Law No. 60/90 on investment incentives (as amended by Law No. 2.421/2004) • Law No. 117/91 on investment • Law No. 4.838/12 establishing the national automotive policy • Law No. 4.427/12 providing incentives for the production, development or assembly of high-technology goods • Law No. 5.074/13 amending and supplementing Law No. 1.302/98 laying down procedures and special and complementary criteria for Law No. 1.045/83 establishing the public works regime • Law No. 5.102/13 on the promotion of investment in public infrastructure and the expansion and upgrading of goods and services provided by the State • Law No. 4.903/14 on industrial parks; Law No. 5.542/15 on investment guarantees, the promotion of job creation, and economic and social development • Decree No. 11.771/00 on the raw materials regime (as amended by Decree No. 2.884/14 and Resolution No. 1/01 of the Ministry of Finance) • Decree No. 6.495/16 supplementing and adapting the regulatory framework for the national public investment system
Transparency	<ul style="list-style-type: none"> • Law No. 5.189/14 on the provision of information in the use of public resources • Law No. 5.282/14 on access to public information

⁸ Online information from the MIC, viewed at: <http://www.mic.gov.py/mic/site/comercio/dgce/funciones.php>.

⁹ Law No. 4.457 of 16 May 2012. Viewed at: <http://mipymes.mic.gov.py/index.php/marco-legal>.

¹⁰ The following were established to this end: the National Country Strategy Team, the Municipal Development Council, the Private Council for the Reduction of Extreme Poverty, Open Government, and the National Financial Inclusion Strategy. *Tercer Informe del Presidente Horacio Cartes al Congreso y a la Nación* (2016), July (p. 116). Viewed at: <http://www.informepresidencial.gov.py/documents/14304/0/infomre+presidencial+2016+web.pdf/b7ced2a7-61fc-42d6-b9d4-c9ff832e5b4e>.

¹¹ Regular participants in CEACE meetings include representatives of various private-sector institutions such as: the Centre for River Shipowners of Paraguay; Paraguayan Chamber of Exporters (CAPEX); Paraguayan Meat Chamber; Importers' Centre of Paraguay; Paraguayan Chamber of Cereal and Oilseed Exporters; Paraguayan Industrial Union; Shipbuilding Industry Chamber; Paraguayan Chamber of Oilseed Processors; Chamber of Advertisers of Paraguay; Rural Association of Paraguay; Chamber of Automotive and Machinery Distributors; and Chamber of the Chemical-Pharmaceutical Industry of Paraguay.

Topic	Main laws
Electronic commerce	<ul style="list-style-type: none"> • Law No. 4017/10 on the legal validity of electronic signatures, digital signatures, data messages and electronic files • Law No. 4.610/12 partially amending and supplementing Law No. 4.017/10 • Law No. 4.868/13 on electronic commerce • Decree No. 7.369/11 adopting the General Regulations implementing Law No. 4.017/10 • Decree No. 1.165/14 implementing Law No. 4.868/13 on electronic commerce
Public-private partnership	<ul style="list-style-type: none"> • Law No. 5.102/2013 on public-private partnership • Decree No. 1.165/14 implementing Law No. 5.102/2013
MSMEs	<ul style="list-style-type: none"> • Law No. 4.457/12 on micro, small and medium-sized enterprises • Decree No. 9.261/12 on micro, small and medium-sized enterprises
Customs procedures	<ul style="list-style-type: none"> • Law No. 2.422/04 on the Customs Code • Decree No. 4.672/05 implementing Law No. 2.422/04 on the Customs Code
Taxes	<ul style="list-style-type: none"> • Law No. 2.421/04 (as amended by Law No. 5061/2013) - VAT • Law No. 2.421/04 (as amended by Law No. 4.045/2010) - Selective consumption tax (ISC)
Anti-dumping, countervailing and safeguard measures	<ul style="list-style-type: none"> • Law No. 444/94 ratifying the Final Act of the GATT Uruguay Round • Decree No. 15.286/96 - Procedure for the application of anti-dumping and countervailing measures • Decree No. 1.827/99 - Regulations on the application of safeguard measures • Decree No. 7.105/00 - Regulations on the application of safeguard measures to non-Southern Common Market (MERCOSUR) countries • Decree No. 10.363/00 - Form for submitting a request for the application of a safeguard measure
Free zones	<ul style="list-style-type: none"> • Law No. 523/95 authorizing and establishing the free zone regime (as amended by Law No. 2.421/04) and its implementing decrees • Decree No. 15.554/96 implementing Law No. 523/95
In-bond processing (maquila)	<ul style="list-style-type: none"> • Law No. 1.064/97 on the maquila export industry (as amended by Law No. 5.408/15)
Standards and technical regulations	<ul style="list-style-type: none"> • Law No. 2.575/05 revising the Charter of the National Institute of Technology and Standardization
Sanitary and phytosanitary requirements	<ul style="list-style-type: none"> • Law No. 672/24 on the Agricultural Protection and Plant Health Inspection Directorate • Law No. 836/80 on the Health Code • Law No. 123/91 adopting new standards of phytosanitary protection • Law No. 385/94 on seeds and the protection of cultivars • Law No. 2.426/04 establishing the National Animal Quality and Health Service (SENACSA) • Law No. 2.459/04 establishing the National Plant and Seed Quality and Health Service (SENAVE), as amended by Law No. 4.866/13 • Law No. 3.742/09 on the control of phytosanitary products for agricultural sanitary use
Protection of competition	<ul style="list-style-type: none"> • Law No. 4.956/13 on the protection of competition - Decree No. 1.490/14 regulating Law No. 4.956/13 on the protection of competition
Government procurement	<ul style="list-style-type: none"> • Law No. 2.051/03 on government procurement • Law No. 4.558/11 establishing mechanisms to support domestic production and employment through government procurement
Intellectual property	<ul style="list-style-type: none"> • Law No. 868/81 on industrial designs • Law No. 1.294/98 on trademarks • Law No. 1.328/98 on copyright and related rights • Law No. 2.593/05 on patents
Forestry	<ul style="list-style-type: none"> • Law No. 422/73 - Forestry Law
Fisheries	<ul style="list-style-type: none"> • Law No. 3556/98 on fisheries and aquaculture
Mining	<ul style="list-style-type: none"> • Law No. 3.180/07 on mining as amended in 2011 (Law No. 4.296) and 2013 (Law No. 4.935)
Energy	<ul style="list-style-type: none"> • Law No. 966/64 establishing the National Electricity Authority • Law No. 799/95 on hydrocarbons • Law No. 2.748/05 on the promotion of biofuel • Law No. 3009/06 on independent electricity generation and transport
Financial services	<ul style="list-style-type: none"> • Law No. 861/96 - General law on banks, finance companies and other credit institutions • Law No. 827/96 on insurance
Telecommunications	<ul style="list-style-type: none"> • Law No. 642/95 on telecommunications and amendments thereto
Transport	<ul style="list-style-type: none"> • Law No. 476/57 establishing the River and Maritime Navigation Code • Law No. 295/71 on cargo reservation • Law No. 1.860/02 on the Aviation Code
Tourism	<ul style="list-style-type: none"> • Law No. 2.828/05 - General law on tourism

Source: Online information from the Government of Paraguay, viewed at: www.gacetaoficial.gov.py.

2.2 Trade policy objectives

2.2.1 General trade objectives

2.10. Paraguay's trade strategy is framed by the guidelines of its National Development Plan (PND) 2014-2030, and is influenced by the country's participation in MERCOSUR. Historically, Paraguay's economic model and pattern of integration in the global environment has been based on three key pillars: the traditional export of agricultural, livestock and forestry products; the export of hydroelectric power to neighbouring countries; and commercial intermediation.¹² Paraguay advocates special and differential treatment for landlocked developing countries with small and vulnerable economies, as it believes that these features render them vulnerable to external shocks and generate high costs in international trade. Paraguay also views informality in some sectors, such as fuel and food, as well as smuggling, as obstacles to its economic development.¹³

2.11. Mindful of these features and to promote diversification of the economy, the Paraguayan Government drew up the PND 2014-2030.¹⁴ The Technical Secretariat for Economic and Social Development Planning (STP) and the Ministry of Finance are empowered to design, manage and coordinate national development plans and programmes for implementing the PND¹⁵, which consists of three main thrusts: (i) poverty reduction and social development; (ii) achieving inclusive economic growth; and (iii) Paraguay's presence on the global scene. Each thrust embodies strategies for action and practical steps to implement the PND.

2.12. The objectives pursued under *inclusive economic growth* include infrastructure upgrades, support for production, designing an agricultural and industrial policy, encouraging competition and formalization of the economy, and promoting open and transparent government machinery. The practical steps contemplated in the PND involve stimulating and diversifying production, attracting investment and boosting agricultural activity. The industrial policy envisaged under the PND emphasizes development of the agro-industrial sector and of industries based on technological innovation and services exports. The section addressing *Paraguay's presence on the global scene* encompasses activities to attract investment and promote economic and regional integration as well as sustainability of the global habitat. The aim is to position Paraguay among the world's leading food exporters. As regards international trade, the goal is to strengthen bilateral ties and Paraguay's diplomatic presence abroad.¹⁶

2.13. Presented in 2016, the President's Third Report to Congress and the Nation highlights some of the advances made under the PND, among which are increased foreign investment, especially in the maquila industries, and the development of agricultural technology. The Report also mentions improvements made in quality control and the protection of animal health in line with international standards, and in the implementation of infrastructure projects.¹⁷

2.2.2 Electronic commerce

2.14. During the review period Paraguay adopted a range of measures to regulate and foster electronic commerce. Law No. 4.017/10 on digital signature gives legal validity to electronic signatures, digital signatures, data messages and electronic files, and also regulates their use, the basic requirements and obligations of certifying enterprises or those providing certification services

¹² Online information from the Technical Secretariat for Economic and Social Development Planning, viewed at: <http://www.stp.gov.py/pnd/ejes-estrategicos/diagnosticos/apertura-de-mercados-y-presencia-internacional>.

¹³ *Tercer Informe del Presidente Horacio Cartes al Congreso y a la Nación* (2016), July (p. 100). Viewed at: <http://www.informepresidencial.gov.py/documents/14304/0/infomre+presidencial+2016+web.pdf/b7ced2a7-61fc-42d6-b9d4-c9ff832e5b4e>.

¹⁴ *Plan Nacional de Desarrollo 2014-2030*. Viewed at: <http://www.stp.gov.py/pnd>.

¹⁵ Online information from the STP, viewed at: http://www.stp.gov.py/v1/wp-content/uploads/2016/08/Plan_Estrat%C3%A9gico_Institucional_STP_2015-2018.pdf.

¹⁶ *Plan Nacional de Desarrollo 2014-2030* (p. 36). Viewed at: <http://www.stp.gov.py/pnd>.

¹⁷ *Tercer Informe del Presidente Horacio Cartes al Congreso y a la Nación* (2016), July (pp. 91-111). Viewed at: <http://www.informepresidencial.gov.py/documents/14304/0/infomre+presidencial+2016+web.pdf/b7ced2a7-61fc-42d6-b9d4-c9ff832e5b4e>.

and the procedure for their approval and inspection.¹⁸ The Law was implemented by Executive Decree No. 7.369/11 and partially amended and expanded by Law No. 4.610/12, under which the MIC, through the Vice-Ministry of Trade, was designated as the implementing authority.¹⁹ Law No. 4.868/13 on electronic commerce was subsequently enacted in 2013 in order to regulate trade and procurement by electronic means or their technological equivalent. This Law governs: (a) electronic and remote suppliers of goods and services established in Paraguay or abroad when the recipient of the products or services is domiciled in Paraguay; (b) intermediaries in the transmission of content via telecommunications networks; (c) electronic commercial communications; and (d) consumers or users. It does not prescribe registration requirements for remote suppliers of goods and services.

2.15. The Law on electronic commerce protects consumers or users by laying down obligations and responsibilities for suppliers of goods and services and for intermediaries. It establishes restrictions on the commercial activity of suppliers, who may not jeopardize public order, public health, national security, or the protection and confidentiality of personal, financial and banking data, or infringe intellectual property rights. Suppliers are also subject to requirements such as transparency, security and the provision of information in a manner that is continuous, easy, direct and free of cost. The Law recognizes the validity and effectiveness of contracts entered into electronically or remotely, as well as the validity of electronic invoices for accounting and tax purposes. It provides for penalties in cases of infringement.

2.16. As the implementing authority under the Law on electronic commerce, the MIC is empowered to issue regulations to ensure the effective interpretation, application, monitoring, evaluation and enforcement of its provisions. The MIC was invested with these powers under Executive Decree No. 1.165/14, designating as the technical body the Directorate-General of Digital Signature and Electronic Commerce, an administrative unit attached to the Vice-Ministry of Trade.²⁰ Through this Directorate-General, the MIC is empowered to facilitate and promote e-commerce in Paraguay and to ensure full compliance of the above provisions of the Law. It is also competent to decide on remote and in-person inspections of the suppliers, to impose penalties following summary proceedings, and to receive and process queries, complaints and claims.

2.3 Trade agreements and arrangements

2.3.1 WTO

2.17. Paraguay is a founding member of the WTO and plays an active part in the work of the Organization, especially in negotiating groups such as the Cairns Group and the G-20 in the realm of agriculture. During the negotiations on the Trade Facilitation Agreement, Paraguay coordinated the Group of Landlocked Developing Countries.²¹ Paraguay is neither a party nor an observer to the plurilateral Agreements on Trade in Civil Aircraft or Government Procurement; nor does it participate in the Information Technology Agreement. Paraguay ratified the Trade Facilitation Agreement on 1 March 2016 (section 3.1.1). Paraguay's trade policies have been reviewed three times; the latest review took place in 2011.

2.18. Paraguay has bound 100% of its tariffs and accords at least MFN treatment to all its trading partners. It also grants tariff preferences to more than 15 countries through various preferential agreements (section 3.1.3). Trade negotiations are conducted in conjunction with MERCOSUR. Paraguay has never been involved in WTO dispute settlement as a complainant or as a respondent. During the period under review, it participated six times as a third party in disputes concerning: horticultural products and animal products (DS455, 477, 478); chicken meat and chicken products (DS484); domestic support for agricultural producers (DS511); and measures concerning traffic in transit (DS512). Paraguay submitted notifications to the various WTO committees (Table A2.1) during the review period. Some notifications are nonetheless still

¹⁸ Law No. 4017/10 on the legal validity of electronic signatures, digital signatures, data messages and electronic files.

¹⁹ The amendment is contained in Law No. 4.610/12 and Decree No. 7.369/11 contains the implementing Regulations.

²⁰ Decree No. 1.165/14 of 27 January 2014 adopting the Regulations implementing Law No. 4.868/13 on electronic commerce.

²¹ Online information from the Ministry of Foreign Affairs, viewed at: <http://www.mre.gov.py/v1/cromc/economias-pequenas.html>; and the WTO, viewed at: https://www.wto.org/english/thewto_e/countries_e/paraguay_e.html.

outstanding in fields such as domestic support in agriculture, import licensing procedures, customs valuation, subsidies and State trading enterprises. According to the authorities, Paraguay is currently updating the notifications of its agreements in the MERCOSUR and LAIA frameworks.

2.19. During the review period, Paraguay received technical assistance from the WTO and other intergovernmental agencies in the fields of trade in services, trade facilitation, intellectual property and sanitary and phytosanitary measures.²² In the course of this review, trade facilitation and network and transport infrastructure were identified as priorities.

2.3.2 Regional and preferential agreements

2.20. Paraguay is a member of the Southern Common Market (MERCOSUR). It applies the MERCOSUR CET albeit with many exceptions, with the result that in 2017, the average tariff is about three percentage points below the CET (section 3.1.3). In September 2014, Paraguay ratified the MERCOSUR Protocol of Montevideo on Trade in Services.²³

2.21. Through its participation in MERCOSUR, Paraguay currently has free trade agreements with Chile (effective date: 1996), the Plurinational State of Bolivia (1997), Colombia, Ecuador and the Bolivarian Republic of Venezuela (2005), Peru (2006), India (2009), Cuba (2009), Israel (2010), Mexico (2011) and the Southern African Customs Union (SACU) (2016).²⁴ MERCOSUR signed an agreement with Palestine in December 2011 and another with Egypt in 2016, but they were not yet in force in June. The review period saw the end of the transition periods for tariff reductions under the regional trade agreements with Chile, the Plurinational State of Bolivia, Cuba (all three in 2011) and Peru (in 2017).

2.22. The new agreement between MERCOSUR and SACU is a Fixed Preferences Agreement with rates of 10%, 25%, 50% or 100% for a set number of products (about 951 tariff headings on either side). It covers goods but not services. It contains neither a transition period for tariff liberalization nor a tariff reduction timetable, as the preferences are fixed except for products for which preference margins of 100% (431 items) were accorded when the agreement was signed.²⁵

2.23. At May 2017, MERCOSUR was engaged in negotiations with the European Union, EFTA and India. It was also negotiating the extension of the Fixed Preferences Agreement with SACU. Furthermore, it was engaged in exploratory talks with Australia and New Zealand, Canada, the Republic of Korea, Guyana, Japan, Lebanon, Suriname and Tunisia.

2.24. Paraguay is a member of the Latin American Integration Association (LAIA), within which it has several partial scope agreements with Argentina, the Plurinational State of Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, the Bolivarian Republic of Venezuela, and Uruguay, among other countries. In 2013, Paraguay and Mexico agreed to negotiate a new economic complementarity agreement that will replace Partial Scope Agreement No. 38.

2.25. Paraguay is a signatory to the Protocol on Trade Negotiations, along with Bangladesh, Brazil, Chile, Egypt, Israel, Republic of Korea, Mexico, Pakistan, Peru, Philippines, Serbia, Tunisia, Turkey and Uruguay. This Protocol is a partial scope agreement on goods and took effect in 1973.

2.3.3 Other agreements and arrangements

2.26. Paraguay is a beneficiary of the Generalized System of Preferences (GSP) schemes of Australia, Canada, the European Union, Japan, Kazakhstan, New Zealand, Norway, the Russian

²² Online information from the WTO, viewed at: http://gtad.wto.org/ben_country.aspx?entityID=159.

²³ Law No. 5.268/14 of 24 September 2014, available at: <http://digesto.senado.gov.py/ups/leyes/8964.pdf>. The text of the MERCOSUR Protocol of Montevideo on Trade in Services is available at: http://www.sice.oas.org/Trade/MRCSR/montevideo/pmontevideo_s.asp.

²⁴ The SACU comprises Botswana, Lesotho, Namibia, South Africa and Swaziland.

²⁵ These tariff headings are: birds' eggs; potatoes; head (cabbage) lettuce; sweet potatoes; bananas; animal fats; *foie gras*; extract and essences of tea or mate concentrate; vinegar; sweetener; medicines; mastics; solutions for contact lenses; chemicals; plastics; towers and lattice masts; containers, tanks, vats and similar containers for any material; aluminium plates and strip; aluminium foil; other elevators or conveyors for goods; electric heaters; and medical, surgical, dental or veterinary furniture.

Federation, Switzerland, Turkey and the United States.²⁶ The main categories of Paraguayan products to have benefitted from preferential access under the GSP are bovine meat and offal; essential oils; vegetable oils; hides, skins and saddlery; cane sugar; wood charcoal; wood and wood products; oil-cake (soybean pellets); peanut; oilseeds; tobacco and beverages; and garments. The principal destinations are the European Union; the United States; Canada; Japan; Australia and New Zealand.

2.27. MERCOSUR, as a group, acceded to the Global System of Trade Preferences (GSTP) Among Developing Countries in 2006.

2.28. Paraguay recently joined the OECD Development Centre.²⁷

2.4 Investment regime

2.29. Paraguay has an open investment regime that encourages foreign direct investment. The law guarantees national treatment of foreign investment, the only exception being land ownership in border areas.²⁸ Paraguayan laws offer tax rebates to investors and permit the full repatriation of capital and profits.

2.30. The main legislation governing foreign investment in Paraguay is the 1991 Law on investment (Law No. 117/91), which guarantees equal treatment of foreign investors and the right to own real estate. This Law allows for recourse to international arbitration to settle disputes between foreign investors and the Government of Paraguay. The Law on investment incentives (Law No. 60/90) allows for full repatriation of capital and profits. Law No. 60/90 also accords investors a series of tax exemptions, including exemptions from corporation tax and VAT.²⁹ There are no restrictions on the conversion or transfer of foreign currency, apart from the requirement that banks report transactions worth more than US\$10,000.

2.31. To supplement the Law on investment and enhance the investment climate, Paraguay passed three new laws during the period under review: (a) the Law on public-private partnership (Law No. 5.102/13); (b) the Investment Protection Law (Law No. 5.542/15); and (c) the Law on public works involving financing or turnkey contracts (Law No. 5.074/13).

2.32. The Law on public-private partnership aims to promote investment in public infrastructure funded through partnerships between public and private entities. It further aims to promote investment in the production and delivery of public goods and services.³⁰ The Law establishes the contractual basis for public-private partnerships, creates a liquidity and guarantee fund, regulates the use of trust funds with State participation, establishes auditing and transparency mechanisms and the institutional framework for project coordination, and sets up a dispute settlement system.³¹

2.33. The Investment Protection Law (Law No. 5.542/15) seeks to promote investment in capital-intensive industries. It protects the repatriation of capital and profits, provides guarantees against administrative and judicial practices that may be deemed discriminatory, and provides for

²⁶ Online information from the WTO, viewed at: <http://ptadb.wto.org/Country.aspx?code=600>; and UNCTAD (2015), *Generalized System of Preferences – List of Beneficiaries*, 1 February, viewed at: http://unctad.org/en/PublicationsLibrary/itcdtsbmisc62rev6_en.pdf.

²⁷ Online information from the Office of the President of Paraguay, viewed at: <http://www.presidencia.gov.py/articulo/24564paraguayoficializasuingresoalaocde.html#.WLMXuG8rIdU>.

²⁸ Law No. 5.232/05.

²⁹ Online information from the United States Department of State, viewed at: <https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm#wrapper>.

³⁰ The Law was amended by Law No. 5.567/16 modifying Article 52 of Law No. 5.102/13 on the promotion of investment in public infrastructure and the expansion and upgrading of goods and services provided by the State. The Law's implementing Regulations are contained in Decree No. 1.350/14 implementing Law No. 5.102/13. As a result of the amendment, the Executive may now enter into agreements directly with the private sector, without congressional approval. In 2015, the Government of Paraguay awarded its first contracts under the new law.

³¹ Online information from the National Public Investment System, viewed at: http://www.stp.gov.py/v1/proyectos-de-participacion-publico-privada/#Marco_legal.

fiscal incentives for up to 20 years (section 3.3.1). There is no prescribed investment minimum, and projects must be authorized through a joint Ministry of Finance/MIC resolution.³²

2.34. The purpose of Law 5.074/13 is to authorize procedures and special and complementary criteria for Law No. 1.045/83 establishing the public works regime, which may be used for the purposes of national and/or international open calls for tender and the award of contracts for the preparation of feasibility studies and works, the supervision and execution of public works and the provision of services. The regime covers construction projects, the expansion or upgrading of roads, railways, bridges and ports that do not have pre-approved funding, and the special conditions set serve to encourage public investment.

2.35. During the period under review, Paraguay continued to promote domestic and foreign investment by providing tax incentives, support for industrial sites as well as investment incentives under the relevant investment legislation.³³ One of the Government's main concerns is narrowing infrastructure gaps and improving public governance by focusing on the development of specific sectors and activities such as transport and connectivity, the financial and energy sectors, as well as improving access to drinking water and public sanitation and boosting agricultural productivity.³⁴ Efforts are also under way to make the incentives programme more effective. Encouraging public-private partnerships and creating a quality management system for industrial sector incentives, for example, are in line with this approach.³⁵

2.36. The presidential report submitted in July 2016 stated that investment under Law No. 60/90 on investment incentives amounted to \$2,497,568 million (roughly US\$450 million) in 2015, with 455 companies being established. More than 50 international instruments were signed, which will lead to investment in infrastructure and connectivity projects, the development of the Paraguay-Paraná waterway, as well as energy integration.³⁶

2.37. Paraguay has signed 27 bilateral investment treaties (BITs) and seven double taxation agreements. During the review period, new double taxation agreements were signed with Argentina and the United Arab Emirates (Table 2.2). The review period witnessed the entry into force of BITs between Paraguay and Italy and Paraguay and the United Arab Emirates, as well as a Trade and Investment Framework Agreement (TIFA) with the United States. This Agreement led to the establishment of the United States-Paraguay Bilateral Council on Trade and Investment, which will monitor trade and investment relations between the two countries, work to improve the investment climate and diversify their bilateral trade in goods and services.

2.38. In 2017, the MERCOSUR member States signed a Protocol on intra-MERCOSUR cooperation and investment facilitation. This Protocol was still pending ratification by the National Congress in May 2017. The agreement contains provisions on investment facilitation, as well as certain exclusions. The provisions on expropriation, for example, do not cover indirect expropriation.

Table 2.2 Investment regime framework, 2016

Institution/agreement	
International arbitration institutions	Paraguayan Arbitration and Mediation Centre; International Centre for Settlement of Investment Disputes (ICSID)

³² Online information from the Senate of Paraguay, available at: <http://digesto.senado.gov.py/ups/leyes/9084.pdf>. Online information from the National Public Investment System, viewed at: http://www.stp.gov.py/v1/proyectos-de-participacion-publico-privada/#Marco_legal.

³³ Paraguay accords investors a series of tax rebates under Law No. 60/90, including corporation tax and VAT exemptions. The temporary admission procedure, for example, permits duty-free entry of capital goods for public and private construction works.

³⁴ *Plan Nacional de Desarrollo 2014-2030*. Viewed at: <http://www.stp.gov.py/pnd>.

³⁵ *Plan Nacional de Desarrollo 2014-2030* (p. 42), viewed at: <http://www.stp.gov.py/pnd>; and online information from the MIC, available at: <http://www.mic.gov.py/mic/site/contenido.php?pagina=1&id=693>.

³⁶ *Tercer Informe del Presidente Horacio Cartes al Congreso y a la Nación* (2016), July (pp. 26 and 29). Viewed at: <http://www.informepresidencial.gov.py/documents/14304/0/infomre+presidencial+2016+web.pdf/b7ced2a7-61fc-42d6-b9d4-c9ff832e5b4e>.

Institution/agreement	
Free trade agreements containing provisions on investment (date of entry into force)	MERCOSUR-Peru (2006); MERCOSUR-Colombia/Ecuador/Venezuela (2005); MERCOSUR-Egypt (not yet in force); MERCOSUR-India (2009); MERCOSUR-Mexico (2006); Canada-MERCOSUR Cooperation Agreement (1998); MERCOSUR-Andean Community (1998); MERCOSUR Services Protocol (2005); MERCOSUR-Bolivia (1997); MERCOSUR-Chile (1996); MERCOSUR-European Community Cooperation Agreement (1999); Mercosur Investment Protocol (not yet in force); Paraguay-European Community Cooperation Agreement (1992); LAIA (1980)
Bilateral investment treaties	Argentina (1969); Austria (2000); Belgium and Luxembourg (2004); Bolivia (2003); Chile (1997); Costa Rica (2001); Cuba (2002); Czech Republic (2000); El Salvador (1998); France (1980); Germany (1998); Hungary (1995); Italy (2013); Korea, Rep. of (1993); Netherlands (1994); Peru (1994); Portugal (2001); Romania (1995); South Africa (1974); Spain (1996); Switzerland (1992); Chinese Taipei (1992); United Arab Emirates (2016); United Kingdom (1992); and Venezuela (1997).
Other	Multilateral Investment Guarantee Agency (MIGA); and Overseas Private Investment Corporation of the United States of America
Double taxation agreements (date of entry into force)	Argentina (air, river, land and road transport, 2012); Belgium (air transport, 1987); Chile (air, river and road transport, 1995, and income and wealth tax, 2004); China (income tax, 2010); Germany (air transport, 1985); United Arab Emirates (2016), and Uruguay (air transport, 1993).

Sources: Online information from the United States Department of State, viewed at: <https://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm#wrapper>; and Organization of American States (OAS), viewed at: http://www.sice.oas.org/ctyindex/PRY/PRYBITS_s.asp. For more information, see WTO document WT/TPR/S/245/Rev.1 of 16 May 2011. Online information from UNCTAD, viewed at: <http://investmentpolicyhub.unctad.org/IIA/CountryBits/164#iiaInnerMenu>; and Alianza Consultores, viewed at: <http://www.leyes.com.py/disposiciones/categoria/4/46/convenios-para-evitar-doble-imposicion.html>.

2.39. Under Paraguayan legislation (Law No. 117/91, Article 9), domestic and foreign investors as well as State entities that enter into contracts with foreign investors may submit their disputes to national or international arbitral tribunals. Paraguay is a member of the International Centre for Settlement of Investment Disputes (ICSID) and is a signatory to conventions that provide investors with *ad hoc* arbitration mechanisms established under the rules of the United Nations Commission on International Trade Law (UNCITRAL) and the Inter-American Commercial Arbitration Commission. The review period saw the conclusion of three arbitration cases involving Paraguay, which had been pending at the ICSID at the time of the preceding review.³⁷

2.40. Investing State entities must submit their project profiles via the Single Window for Public Investment (VUIP) in the Technical Planning Secretariat (STP) for assessment and eventual registration.³⁸ The STP's Public-Private Partnership Unit is responsible for registering public-private partnership (PPP) projects.³⁹ Private investment generally does not require authorization prior to registration.⁴⁰ In keeping with the requirements of the maquila programme, investments under the Maquila Law must be registered under the unified system for setting up enterprises (SUAE).

2.41. According to the World Bank's 2017 *Doing Business* report, Paraguay ranked 106th among 190 countries in terms of ease of doing business, down six places over 2016. Paraguay improved its ranking as regards the use and introduction of electronic processing of export documents, protection of small investors, cross-border trade, and observance and performance of contracts. Nevertheless, its rating worsened as regards access to electricity, access to credit and tax collection. The report of the World Economic Forum ranks Paraguay 117th among 138 countries in the Global Competitiveness Index. Paraguay occupies a relatively good position when it comes to its macroeconomic environment (60/138) and financial market development (72/138).⁴¹ Similarly,

³⁷ Online information from the ICSID, viewed at: <https://icsid.worldbank.org/en/Pages/cases/AdvancedSearch.aspx>.

³⁸ Online information from the STP, viewed at: http://www.stp.gov.py/v1/sistema-nacional-de-inversion-publica/#PREGUNTAS_FRECUENTES.

³⁹ The STP carries out the relevant evaluation to determine the admissibility of investment projects, using a standard process that is applied according to the type of investment project.

⁴⁰ Law No. 117/91 (Article 3).

⁴¹ Online information from the World Economic Forum, viewed at: <https://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1>.

according to the latest information from the Getulio Vargas Foundation, Paraguay ranks first in the region in terms of its business climate.⁴²

2.42. Paraguay became a signatory to the United Nations Convention against Corruption in June 2005. According to the World Bank, Paraguay's investment climate would benefit from greater transparency and less administrative discretion.⁴³ In this regard, Paraguay introduced the Law on access to public information (Law No. 5.282/14) in 2014 and set up the anti-corruption whistleblowing portal for reporting alleged acts of corruption affecting public institutions, committed by government officials, representatives of private companies, or individuals.⁴⁴

⁴² Economia.com, viewed at: <http://www.economia.com.py/negocios/en-la-region-paraguay-lidera-con-el-mejor-clima-para-los-negocios-11553.html>.

⁴³ Online information from the World Bank, viewed at: <http://info.worldbank.org/governance/wqi/index.aspx#reports>.

⁴⁴ Online information from the Government of Paraguay, viewed at: <http://www.denuncias.gov.py/ssps>; and International Monetary Fund, viewed at: <http://www.imf.org/external/pubs/ft/scr/2016/cr16116.pdf>.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures and trade facilitation

3.1. Paraguay's customs procedures are mainly governed by the Customs Code (Law No. 2.422/04 of 5 July 2004) and its implementing Regulations (Decree No. 4.672/05 of 6 January 2005).¹ The National Customs Directorate (DNA), an autonomous body with its own legal status, is responsible for administering and supervising foreign trade procedures.² Numerous executive decrees were issued during the period under review, together with resolutions and other DNA instruments regulating specific aspects of customs procedures in areas such as that of approved economic operators (Decree No. 11.362/13), the simplified clearance procedure for minor imports (Decree No. 2.430/14), the simplified clearance procedure for cross-border imports (Decree No. 2.431/14) and the single window for imports (Decree No. 3.002/15).³

3.2. Paraguay ratified the Protocol Amending Annex 1A to the Agreement Establishing the WTO to include the Agreement on Trade Facilitation and deposited its instrument of acceptance on 1 March 2016. Paraguay's commitments on category A measures under the Trade Facilitation Agreement include the following (Articles within brackets): advance rulings (3); appeal procedures (4); detention (5.2); electronic payment (7.2); risk management (7.4); movement of goods intended for import under customs control (9); acceptance of copies (10.2); use of international standards (10.3); single window (10.4); preshipment inspection (10.5); use of customs brokers (10.6); rejected goods (10.8); temporary admission of goods/inward and outward processing (10.9); freedom of transit (11); and customs cooperation (12).⁴

3.3. The Customs Code (Article 18) requires that all importers be registered with the DNA. For this purpose, they must first be listed in the Single Register of Taxpayers (RUC) and, if they are legal persons, in the Public Commercial Register as well and must possess a traders registration number.⁵ Importers whose companies have been registered in the Tax Regulations for Customs Tax Scheme (SOFIA) already meet the requirement to register with the DNA.⁶ Simplified registration procedures apply to importers whose goods enter under the free zones regime or other special customs procedures.

3.4. Moreover, those who import products subject to special rules must be registered with authorities other than the DNA, for example, the Ministry of Public Health and Social Welfare (MSPBS), the Ministry of Industry and Trade (MIC) or the Ministry of Agriculture and Livestock (MAG) (Table 3.1). Such registration mostly concerns products such as foodstuffs and beverages, products of animal or plant origin and medicines. Since the previous review, new registration requirements have been introduced for footwear; articles of iron and steel; articles of wire, iron and/or steel bars, towers and lattice masts; washed and centrifuged salt; aerosol-type extinguishers; "gourmet"-type food and beverages; mobile telephones; plastic and biodegradable bags; and incandescent lamps. The purpose of such registration is usually to enforce specific regulations, although in some instances they have been introduced to prevent the entry of under-invoiced or smuggled goods.

¹ Amended by Decree No. 3.994/10 of 25 February 2010.

² Decision CMC No. 27/10 "on the MERCOSUR Customs Code" has not yet been transposed by Paraguay and has not entered into force within the MERCOSUR framework.

³ Paraguay's legislation and other customs regulations may be viewed on the DNA's website at: <http://www.aduana.gov.py/normativas>.

⁴ WTO document WT/PCTF/N/PRY/1 of 25 June 2014.

⁵ The requirements for registering importers are listed in Article 19 of Decree No. 4.672 (Regulations implementing the Customs Code). The registration form for importers can be found at: http://www.aduana.gov.py/uploads/archivos/SolicituddeRegistroiddeFirmaenCarcterdeImportador-1_1.pdf.

⁶ DNA Resolution No. 1/02 of 7 January 2002.

Table 3.1 Registration requirements for importers and their products, 2017

Product	Authority	Period/ duration	Legal basis
Sugar (HS 1701)	MIC	Quarterly	Resolution No. 251/02 of 9 January 2002 and Resolution No. 631 of 8 August 2008
Cement	MIC	Annual	Decree No. 18.352/02 of 26 August 2002 and Resolution No. 962/06 of 28 December 2006
Meat and offal of fowls (NCM 0207.11.00; 0207.12.00; 0207.13.00; and 0207.14.00)	MIC	Annual	Decree No. 1.443/09 of 9 February 2009 and Resolution No. 74/09 of 17 February 2009
Beef	MIC	Annual	Resolution No. 538/06 of 12 September 2006
Aerosol-type extinguishers containing extinguishing foam with a maximum capacity of 250 ml	MIC	Annual	Resolution No. 1.023/15 of 4 October 2015
Wheat flour (NCM1101.00.00)	MIC	Annual	Resolution No. 807/07 of 12 October 2007
Mate (<i>Yerba mate</i>)	MIC	Annual	Decree No. 17.595/02 of 17 June 2002
Made-up articles (NCM chapters 61, 62 and 63)	MIC	Annual	Decree No. 1.421/09 of 5 February 2009, Resolution No. 129/15 of 16 February 2015
Footwear	MIC	Annual	Decree No. 10.350/12 of 21 December 2012 and Resolution No. 150/2015 of 24 February 2015
Wiring insulated with polyvinyl chloride (PVC) for rated voltages not exceeding 450/750 V	MIC	Annual	Resolution No. 553/09 of 26 August 2009 and Resolution No. 181/10 of 22 March 2010
Power cables with extruded insulation for rated voltages of 1.0 kV and 3.0kV	MIC	Annual	Resolution No. 1.014/14 of 10 October 2014
Ordinary primary cells and batteries of zinc carbon and alkaline manganese	MIC	Annual	Decree No. 4.926/10 of 18 August 2010 and Resolution No. 970/10 of 22 December 2010
Articles of iron and steel	MIC	Annual	Decree No. 897/08 of 20 November 2008, Resolution No. 892/11 of 13 October 2011, Resolution No. 173/11 of 25 March 2011 and Resolution No. 781/11 of 15 September 2011
Articles of wire, iron and/or steel bars, towers and lattice masts	MIC	Annual	Resolution No. 1.043/14 of 21 October 2014 and Resolution No. 14/15 of 9 January 2015
Lubricant oils and greases for automotive and industrial uses	MIC	Annual	Resolution No. 741/13 of 1 August 2013
Petroleum-based products	MIC	For each import	Decree No. 10.911/00 of 25 October 2000, Decree No. 10.397/07 of 27 May 2007 and Decree No. 11.833/08 of 8 February 2008
Cellular mobile telephone devices and their parts; only motherboards	MIC	Annual	Decree No. 6.832 of 28 February 2017
Plastic bags and biodegradable bags	MIC	Annual	Resolution No. 353 of 27 March 2017
Incandescent and fluorescent lamps	MIC	Annual	Decree No. 7.103/17 of 27 April 2017
Magnetic and optical media and raw materials for their manufacture (RISMOMPP)	DINAPI	Annual	Decree No. 603/2003 of 20 October 2003
"Gourmet"-type food products, beverages and additives	MIC INAN	Annual	Resolution No. 1.053/12 of 5 October 2012; Resolution S.G. No. 643/2012 (INAN)
Washed and centrifuged salt	INAN	3 years	Decree No. 10.114/12 of 23 November 2012; Resolution No. 59/14 of 5 February 2014
Salt for animal consumption	SENACSA	5 years (importers) 10 years (products)	Law No. 2.426 of 28 July 2004; Decree No. 10.114/12 of 23 November 2012; Resolution No. 599/14 of 12 October 2014; Resolution No. 59/14 of 5 February 2014; Law No. 667 of 18 September 1995
Food products and beverages	MSPBS MAG	5 years	Law No. 836 of 15 December 1980; Decree No. 16.611/02 of 7 March 2002; Resolution No. 361/11 of 12 May 2011; Resolution No. 385/11 of 19 May 2011
Medicines, proprietary pharmaceuticals (phytotherapeutic and homeopathic)	MSPBS	5 years	Law No. 1.119/97 of 21 August 1997; Decree No. 10.262/12 of 17 December 2012
Hygiene products for domestic use and cosmetics	MSPBS	5 years	Law No. 836/80 of 15 December 1980; Law No. 1.119/97 of 21 August 1997; Decree No. 6.474/16 of 13 December 2016
Medical, odontological and laboratory apparatus, instruments, equipment and devices	MSPBS	5 years	Law No. 1.119/97 of 21 August 1997; Resolution S.G. No. 669/16 of 19 October 2016
Toxic or dangerous substances of the type used in household sanitary products (risk category 1)	MAG MSPBS	Once	Law No. 836/80 of 15 December 1980, amended by Law No. 115/90 of 4 January 1991
Phytosanitary products for agricultural use	SENAVE	5 years	Law No. 2.459/04 of 4 October 2004; Law No. 123/91; Law No. 3.742/09 of 10 December 2009; Resolution No. 446/06 of 29 December 2006; Resolution No. 564/10 of 14 October 2010 and Resolution No. 107/12 of 1 August 2012
Plant products and by-products	SENAVE	5 years	Law No. 2.459/04 of 4 October 2004; Decree No. 139/93 of 3 September 1993; Resolution No. 202/10 of 10 July 2010
Seeds	SENAVE	5 years	Law No. 385/94 of 11 August 1994

Product	Authority	Period/ duration	Legal basis
Products and by-products of animal origin	SENACSA	Annual	Law No. 2.426/04 of 28 July 2004; Decree No. 1.635/99 of 12 January 1999
Products for veterinary use (pharmaceutical and biological products, animal feed)	SENACSA	10 years	Law No. 2.426 of 28 July 2004; Law No. 667 de 18 September 1995
Live animals and genetic material	SENACSA	Annual	Law No. 2.426/04 of 28 July 2004
Live animals and genetic material of cattle, sheep and goats	SENACSA	Annual	Law No. 2.426/04 of 28 July 2004
Products for recycling and non-hazardous waste	SEAM	Once	Resolution No. 374/07 of 13 April 2007
Ozone-depleting substances (ODS)	SEAM	Annual	Decree No. 12.685/08 of 11 August 2008; Resolution SEAM No. 255/15 of 1 July 2015
Tyres	SEAM	Once	Resolution No. 627/16 of 21 October 2016
Firearms, ammunition, explosives and the like	DIMABEL	Once	Law No. 4.036/10 of 11 August 2010

Note: DINAPI – National Intellectual Property Directorate; DIMABEL – Armaments Directorate; INAN – National Food and Nutrition Institute; MAG – Ministry of Agriculture and Livestock; MIC – Ministry of Industry and Trade; MSPBS – Ministry of Public Health and Social Welfare; SEAM – Environment Secretariat; SENACSA – National Animal Quality and Health Service; SENAVE – National Plant and Seed Quality and Health Service; SENAD – National Anti-Drug Secretariat.

Source: WTO Secretariat, on the basis of information provided by the Paraguayan authorities.

3.5. The Customs Code (Article 22) makes it mandatory to use the services of a customs broker, approved and registered with the DNA, for all customs transactions, except in cases specified in the legislation.⁷ In order to be registered as a customs broker, in addition to other requirements, a candidate must be a Paraguayan national or a foreigner permanently resident and with proven roots in Paraguay. Brokers are jointly liable with the declarants and responsible for payment of any fines owing as a result of customs errors or violations committed as a result of their actions.

3.6. The documents required to clear imports include the bill of entry; the commercial invoice; the bill of lading; the air waybill or consignment note; and the certificate of origin where necessary, for example, in order to take advantage of tariff preferences. Depending on the nature of the goods, authorizations, permits, prior licences or sanitary, phytosanitary or health certificates may also be required (section 3.1.6). A sworn declaration of value has to be submitted if the value of the imports exceeds US\$500.

3.7. Customs clearance is through the SOFIA computer system, which has been operating for almost two decades. It permits direct interaction among the various users of customs services: customs brokers, transport companies, warehouse managers, customs officials and foreign trade-related bodies. With this system, both customs brokers and carriers can forward their import (or export) declarations or cargo manifests electronically. The system also permits customs duty and other import taxes to be paid by means of deposits in interlinked banks.

3.8. A simplified clearance procedure is available for "minor imports", i.e. those of a value not exceeding US\$2,500 per import transaction, which can be cumulated up to a maximum of US\$10,000 each month per importer. Under this procedure, a document called *Despacho de Importaciones Menores* (minor imports clearance) is submitted to the Customs, accompanied solely by the commercial invoice or equivalent document. This procedure does not, however, waive the obligation to submit authorizations, prior licences, permits or certificates for goods which, by their nature, require these before they can be imported.⁸ The import of agricultural products or garden produce is not eligible for the simplified procedure.⁹

3.9. Decree No. 2.431/14 of 17 October 2014 determines the requirements and criteria for applying the simplified customs procedure for cross-border imports. Under this procedure, natural persons resident in the border area may clear goods not exceeding US\$150 per calendar month for personal or family use or consumption, provided that the goods are consumed in the border

⁷ Cases where the services of a customs broker are optional are set out in Article 29 of the Customs Code.

⁸ Decree No. 2.430/14 determining the requirements and criteria for applying the simplified customs procedure for minor imports, of 17 October 2014, which repealed Decree No. 13.749/01 of 6 June 2001.

⁹ Listed in Annex I to DNA Resolution No. 670/14 of 17 December 2014.

area.¹⁰ A document entitled *Tráfico Vecinal Fronterizo* (Border Traffic) must be submitted to the Customs, together with the commercial invoice, *Nota Fiscal* (Tax Note) or equivalent document. Goods which by their nature must comply with specific provisions in order to enter Paraguayan territory must abide strictly by the respective rules.¹¹ Products of plant origin in their natural state are not eligible for this procedure.¹²

3.10. Paraguay has had a single window for imports (VUI) in operation since 2010, allowing institutions involved in import procedures to interact with the DNA for the processing of import authorizations, permits and certificates. Pursuant to Decree No. 3.002 of 29 January 2015, the simplified electronic issuing system for import permits and licences was incorporated into the VUI and is managed and regulated at the operational level by the DNA. This Decree also lays down the obligation on all institutions issuing import authorizations and licences to use the VUI as the sole medium for this purpose and specifies a time-limit to allow such institutions to adapt to the system. DNA Resolution No. 722/15 regulated the relevant operational procedures. By early 2017, 17 institutions had been incorporated into the VUI, of which eight had incorporated all their procedures, six had done so in part and three were starting the incorporation process (Table 3.2). Three of the institutions incorporated were already using digital signatures. Two banks have also been incorporated in order to allow for electronic payment of tariffs and taxes applied by the authorities.

Table 3.2 Institutions incorporated into the single window for imports (VUI)

No. in order	Institution	Level of integration		
		Full	Partial	Initial
1	Central Laboratory of the Ministry of Public Health and Social Welfare	X		
2	National Health Monitoring Directorate (DINAVISA)	X		
3	National Food and Nutrition Institute (INAN)	X		
4	National Forestry Institute (INFONA)	X		
5	National Plant and Seed Quality and Health Service (SENAVE)	X		
6	National Intellectual Property Directorate (DINAPI)	X		
7	National Institute of Technology, Standardization and Metrology (INTN)	X		
8	National Anti-Drug Secretariat (SENAD)	X		
9	Environment Secretariat (SEAM)	X		
10	National Customs Directorate (DNA): On-board supplies and declaration of value		X	
11	Ministry of Industry and Trade (MIC)		X	
12	National Animal Quality and Health Service (SENACSA)	X		
13	Ministry of Foreign Affairs (MRE)			X
14	Directorate-General of the Merchant Marine			X
15	Ministry of Finance – Under-Secretariat of State for Taxation			X
16	Municipality of Asunción		X	
17	Armaments Directorate (DIMABEL)		X	

Source: National Customs Directorate.

3.11. Customs legislation provides for three channels for clearing goods: green channel (automatic clearance without any controls); orange channel (documentary checks); and red channel (documentary checks, physical inspection and verification of customs value). The channels are attributed using a risk-based selection system (SBR), formally introduced in July 2015 and already being applied in some 30 customs offices in Paraguay. The SBR determines the channels for selection on the basis of previously determined risk parameters and profiles, taking into account, *inter alia*, information on the type of goods, the tariff classification, the origin and destination, the importer, the exporter and the carrier. Declarations concerning goods selected for verification of customs value are automatically directed to the red channel.

¹⁰ Goods for personal or family use or consumption are listed in Annex I to DNA Resolution No. 671/14 of 17 December 2014.

¹¹ Decree No. 2.431/14 of 17 October 2014.

¹² DNA Resolution No. 444/16 of 13 September 2016.

3.12. An average of 30 minutes is required to clear imports through the green channel; for the orange channel, it is 45 minutes; and for the red channel eight hours.¹³ Although the percentage has gradually fallen since 2011, half of all import transactions still go through the red channel, while the percentage of imports cleared through the green channel has risen and in 2016 accounted for 22% (Table 3.3).

Table 3.3 Percentage of import clearance by selection channel, 2011-2016

	2011	2012	2013	2014	2015	2016
Orange	14.49	16.07	20.52	25.24	25.83	28.35
Red	76.20	70.63	66.50	61.01	58.19	49.63
Green	9.31	13.30	12.98	13.76	15.98	22.02

Source: Information provided by the National Customs Directorate.

3.13. Pursuant to the Customs Code (Article 128), claims or disagreements by importers as to quantity, quality or damage have to be addressed to the customs administrator before the goods leave the customs warehouse and within three working days from the date of notification of the action taken by the Customs. Once the goods have been released and left the customs warehouse, importers may only claim formal errors (arithmetical errors, differences in the rate of a customs tariff or customs valuation) indicated in the text of the customs clearance documents, other documents or other evidentiary material. Appeals against decisions taken by the customs administrator in open summary proceedings for customs violations may be made to the National Director of Customs within five working days from the date of the relevant notification. The National Director of Customs is required to take a decision within a period of 20 working days, which in justified circumstances may be extended for a further 20 days. Appeals against decisions by the National Director of Customs may be made to the Audit Tribunal.¹⁴

3.14. During the review period, Paraguay continued the reform process with a view to making customs administration more efficient and transparent and facilitating trade. In addition to the SBR and the VUI, other measures adopted include implementation of the approved economic operator programme, the express consignment procedure, electronic transmission of air manifests, use of electronic seals, purchase of non-intrusive inspection equipment, digitalization of customs documents and training of human resources.¹⁵

3.15. The approved economic operators (OEC) programme was created in 2013 and provides for streamlined customs procedures for approved natural or legal persons participating in the international trade logistics chain and meeting the requirements prescribed by the DNA. Participation in the programme is voluntary.¹⁶ Participants enjoy advantages such as priority in inspection procedures, reduced physical inspections and the possibility of clearing imported goods in their own premises without having to complete the customs procedure at the port of entry. In early 2017, eight firms had been approved for streamlined import procedures under a pilot programme. The component on approval of security in the logistics chain (based on the WCO's SAFE framework) has not yet been implemented, but it is hoped that the programme will be ready during 2017. In 2016, for OEC firms, customs clearance through the green channel was immediate on average and 2 hours and 32 minutes through the red channel. Some 92.5% of declarations by OEC firms went through the green channel that year.

3.16. The express consignment procedure is covered in the Customs Code. Until 2014, procedures were entirely manual, but computerized procedures have been introduced since adoption of DNA Resolution No. 448/14 of 8 September 2014. The procedure applies to dispatches of correspondence, documents or goods which enter or leave customs territory carried by express delivery firms authorized for this purpose.¹⁷ The consignments are registered in advance, giving these firms priority for speedy clearance, without jeopardizing the necessary checks determined according to automated risk management. The authorities have indicated that, with the current express consignment procedure, it only takes one hour to clear consignments, which is entirely

¹³ Information provided by the National Customs Directorate.

¹⁴ Articles 374 to 376 of the Customs Code.

¹⁵ Paraguayan Customs. *Rendición de Cuentas*. National Customs Directorate, 2013-2015. Viewed at: http://www.aduana.gov.py/uploads/archivos/RENDICION_DE_CUENTAS_2013_2015.pdf.

¹⁶ Decree No. 11.362/13 of 11 July 2013.

¹⁷ For further information, see: <http://www.aduana.gov.py/3276-22-remesa-expresa.html>.

electronic and uses digital signatures. According to information from the DNA, express consignments processed rose from 230,000 in 2014 to 547,229 in 2016.

3.17. In June 2016, computerized implementation of the national customs transit system for controlling or annulling goods transit operations was approved.¹⁸ The system allows the transport agent to submit the transit application and receive the corresponding authorization electronically; it also allows the cargo to be traced from the Customs at the entry point to the Customs at destination using a single consultation mechanism. In conjunction with electronic seals¹⁹, the system allows computerized routes to be established and controls the time taken for transit. At the regional level, Paraguay has signed the International Land Transport Agreement²⁰ and takes part in the work of the International Customs Transit Computerized System (SINTIA). Paraguay has also adopted Resolution MERCOSUR/GMC/RES. 17/04 on computerization of international cargo manifests, customs transit declarations and monitoring of operations between MERCOSUR States Parties and participates in the Paraguay-Paraná waterway River Transit Scheme, which involves the use of electronic seals and online monitoring of cargo.

3.18. Improvements in customs procedures and controls have made foreign trade transactions easier and have reinforced the DNA's revenue-collection capacity, which, according to information it provided, accounted for 42% of tax revenue in 2016.

3.1.2 Customs valuation

3.19. Paraguay has been applying the WTO's Customs Valuation Agreement since 2001 and has entered a reservation regarding the use of minimum values. At the internal legislative level, the Customs Valuation Agreement is applied by means of Decree No. 13.721/01 of 3 July 2001, which was notified to the WTO in 2004.²¹ The Customs Code (Article 261) provides that the customs value of imported goods is the tax base for imposing customs duty, as determined in the international agreements in force. By means of Decree No. 8.665 of 29 March 2012, Paraguay incorporated into its domestic legislation Decision CMC No. 13/07 (Rules on the application of customs valuation of goods) of the MERCOSUR Common Market Council.

3.20. The DNA alone is responsible for controlling and verifying the value of imported goods²², a responsibility which it fulfilled through the Valuation Department and other competent technical units. A valuation fee amounting to 0.5% of the customs tax base has to be paid on all imported goods.

3.21. Paraguay is still using reference values as a tool for detecting and combating unfair trade practices. They are of a preventive nature and apply on an exceptional and temporary basis, although they do tend to be renewed frequently. During the period under review, the DNA issued various resolutions to determine and update reference values for imports of clothing (NCM chapters 61, 62 and 63) of Asian origin and/or source.²³ Resolution No. 323 of 23 June 2016 established the reference values for these goods, which came into effect in July 2016.

3.22. Reference values act as selectivity filters to determine cases where a detailed analysis of the declared customs value is required. If the declared value is lower than the reference value, although the importer may clear the goods, he must provide the DNA with a cash bond covering the difference between the duty payable on the basis of the declared value and that which may be due on the basis of the reference value. The bond is refunded if the importer can provide documents justifying the price actually paid or payable within a period of 30 days; if not, the bond is encashed at the end of this period. The DNA may hold hearings *a posteriori* for firms which have

¹⁸ DNA Resolution No. 293 of 3 June 2016.

¹⁹ Electronic seals are security devices used as locks on freight transport units, which transmit satellite and mobile telephone signals, enabling the transport units to be tracked by means of digitalized mapping. Decree No. 998/13 implemented the system.

²⁰ Concluded within the LAIA ambit among Argentina, the Plurinational State of Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay.

²¹ WTO document G/VAL/N/1/PRY/1 of 21 September 2004.

²² Article 262 of the Customs Code.

²³ Resolution No. 89/10 of 12 February 2010; Resolution No. 262/12 of 11 June 2012; Resolution No. 426/12 of 25 August 2012; Resolution No. 323/16 of 23 June 2016; and Resolution No. 460/16 of 22 September 2016.

decided to post a bond, in order to verify the authenticity of the documents used to justify the price.

3.23. DNA Resolution No. 436/09 of 8 July 2009 provides for the adoption of criteria for examining and justifying the data used to determine the transaction value for used motor vehicles. DNA Resolution No. 436 repealed DNA Resolution No. 194/07.

3.1.3 Rules of origin

3.24. Paraguay does not have any non-preferential rules of origin²⁴ and only applies preferential rules of origin in the context of LAIA and MERCOSUR, as well as under trade agreements it has ratified as a MERCOSUR State Party (Table 3.4).²⁵

Table 3.4 Criteria for preferential origin

(% of f.o.b. value unless otherwise indicated)

Agreement	General criteria				Specific origin criteria	Cumulation of origin
	Inputs from third countries used in production		Maximum value of inputs from third countries used in assembly and mounting (%)	Maximum value of inputs from third countries in kits or assortments of goods (%)		
	Change in tariff classification	Maximum value (%)				
LAIA	X	50	50-60 ^a		X	
Regional economic complementarity partial scope agreement (AAP.CE)						
MERCOSUR (AAP.CE No. 18)	X	40	40		X	X
MERCOSUR-Chile (AAP.CE No. 35)	X	40	40		X	X
MERCOSUR-Plurinational State of Bolivia (AAP.CE No. 36)	X	40	40		X	X
MERCOSUR-Mexico (AAP.CE No. 55)	X	40-50		7		X
MERCOSUR-Peru (AAP.CE No. 58)	X	40 ^d	40 ^d		X	X
MERCOSUR-Andean Community ^b (AAP.CE No. 59)	X	40	40	6	X	X ^c
MERCOSUR-Cuba (AAP.CE No. 62)	X	50	50	10		X
Bilateral AAP.CE						
Argentina (AAP.CE No. 13)	X	50	50-60 ^a		X	
Venezuela (AAP.CE No. 64)	X	50	60 ^a		X	
Agricultural partial scope agreement						
MERCOSUR ^e -Cuba (AAP.A12TM No. 2)	X	50	50-60 ^a		X	
Regional tariff agreement agreement (AR.PAR)						
MERCOSUR ^e -Cuba-Mexico (AR.PAR No. 4)	X	50	50-60 ^a		X	
Preferential trade agreement						
MERCOSUR-India	X	40		15		X
MERCOSUR-Southern African Customs Union (SACU) ^f	X	40		15	X	X
Free trade agreement						
MERCOSUR-Egypt (% of ex-factory price) ^g	X	45		15	X	X
MERCOSUR-Israel (% of ex-factory price)	X	50		15		X
MERCOSUR-State of Palestine ^g	X	50		15		

a The figure of 60% applies to countries with a relatively lower level of development such as Paraguay.

b Only Colombia, Ecuador and the Bolivarian Republic of Venezuela.

c For the purposes of cumulation of origin, materials originating in the Plurinational State of Bolivia and Peru are also considered as originating from the exporting signatory party.

d 50% from 2005-2008; 45% from 2008-2011 and 40% as of 2012.

e States Parties (Argentina, Brazil, Paraguay and Uruguay) and Associated States (Plurinational State of Bolivia, Chile, Colombia, Ecuador and Peru).

f The agreement came into force in April 2016.

g Agreements pending ratification by Paraguay (at March 2017).

Source: Online information from LAIA, *Consultas de Régimen de Origen por País*, viewed at: <http://www.aladi.org/nsfaladi/r%C3%A9gimengorizontext.nsf/vpaísesR/paraguay>; SICE, *Información sobre Paraguay: Acuerdos comerciales en vigor*, viewed at: http://www.sice.oas.org/ctyindex/PRY/PRYagreements_s.asp; and MERCOSUR Secretariat, *Tratados, Protocolos y Acuerdos*, viewed at: http://www.mercosur.int/t_generic.jsp?contentid=2639&site=1&channel=secretaria.

²⁴ WTO document G/RO/N/21 of 20 July 1998.

²⁵ Paraguay has notified the WTO of the MERCOSUR and LAIA rules of origin. WTO document G/RO/N/12 of 1 October 1996.

3.25. In the economic complementarity partial scope agreements (AAP.CE) that Paraguay has signed as a MERCOSUR State Party and the bilateral agreements (with Argentina and the Bolivarian Republic of Venezuela, respectively), the LAIA general regime of origin applies in cases where the agreements do not contain any specific provisions or requirements on origin, which take precedence over the general criteria. LAIA's general provisions on origin can be found in the consolidated and coordinated text of Resolution No. 78/87 of the Committee of Representatives of 24 November 1987, adopted by Resolution No. 252/99 of 4 August 1999.²⁶ In the case of Paraguay, considered to be a country with a relatively lower level of economic development within LAIA, the percentage of inputs from third countries is 60%.²⁷

3.26. MERCOSUR has general and specific rules of origin. In 2015, Decision No. 01/09 of the Common Market Council of 24 July 2009 entered into force, consolidating in a single text all the rules concerning MERCOSUR's regime of origin. Paraguay incorporated this Decision into its domestic legislation by means of Decree No. 7.057/11 of 1 August 2011. According to the provisions in Decision No. 01/09, the following are considered as originating: (a) products wholly obtained from animals or plants, hunting or fishing, minerals, natural resources, *inter alia*, from one of the Parties; (b) products wholly processed in the territory of one of the Parties when materials originating in Parties have been solely and exclusively used for their processing; (c) products processed using materials not originating in the Parties and resulting in a change in tariff heading from that of the materials in question; (d) where the processing does not call for a change in tariff heading but the c.i.f. value of inputs from third countries does not exceed 40% of the f.o.b. value of the goods concerned; (e) goods resulting from assembly or mounting in the territory of a Party, using materials originating in third countries, when the c.i.f. value of these materials does not exceed 40% of the f.o.b. value of the goods; or (f) capital goods with at least 60% of regional value added.

3.27. In Paraguay's case, Decision No. 01/09 grants the country differential treatment until 31 December 2022 under which it suffices for the c.i.f. value port of destination or c.i.f. sea port of the inputs from third countries not to exceed 60% of the f.o.b. value of the goods in question.²⁸ Decision No. 01/09 also updates MERCOSUR's specific requirements of origin, compliance with which takes precedence over the general rules. The following are some of the products subject to specific origin requirements: milk, butter, oil, cotton, made-up articles, garden produce, yeast, ethyl alcohol, insecticides, fabrics, yarns, other carpets and floor covering, sports footwear, steel wire, profiles, milking machines and transformers.

3.28. Apart from Decision No. 01/09, the only other new agreement containing preferential rules of origin ratified by Paraguay during the review period as a member of MERCOSUR was the Agreement between MERCOSUR and Southern African Customs Union, incorporated into domestic legislation by means of Law No. 4.560/12 of 23 January 2012.

3.29. Paraguay has applied the system for electronic management of the issue of certificates of origin since 2006, implemented pursuant to MIC Resolution No. 556/06 of 15 September 2006, and in mandatory use since January 2007. This Resolution was amended by Resolution No. 742/11 of 13 September 2011 and supplemented by Resolution No. 912/15 of 20 August 2015.

3.30. The authorities empowered to issue certificates of origin are the MIC, its authorized regional offices (in the cities of Concepción and Pedro Juan Caballero) and the bodies authorized by decree.²⁹ The MIC's Directorate of Foreign Trade Operations is responsible for analysing the data in forms and, when appropriate, endorsing the application electronically, giving the body authorized the power to issue the corresponding certificate of origin (Article 3 of Resolution No. 556/06). Resolution No. 18/82 of 8 January 1982, as amended by Resolution No. 138/06 of 20 March 2006, in turn amended by Resolution No. 1.048/15 of 16 September 2015, regulates the procedures for

²⁶ Consolidated and coordinated text on the LAIA General Regime of Origin. Viewed at: [http://www.aladi.org/nsfaladi/Juridica.nsf/vresolucionescomite/D207FACADE7AF87B032567CC00555F7F/\\$FILE/252.pdf](http://www.aladi.org/nsfaladi/Juridica.nsf/vresolucionescomite/D207FACADE7AF87B032567CC00555F7F/$FILE/252.pdf).

²⁷ Third article of the consolidated and coordinated text of Resolution No. 78/87 of the LAIA Committee of Representatives, 24 November 1987.

²⁸ Article 5 of the Annex to Decision No. 01/09 of the Common Market Council of 24 July 2009.

²⁹ Decree No. 13.960/96 of 28 June 1996 designating the bodies authorized to issue certificates of origin for domestic products for export, as amended by Decree No. 1.512/14 and supplemented by Decree No. 2.827/14 of 22 December 2014.

issuing certificates of origin. The authorities have indicated that they are working on digital certification of origin.

3.1.4 Tariffs

3.1.4.1 Structure

3.31. Paraguay's tariff is based on MERCOSUR's common external tariff (CET), with some exceptions (see below), and is expressed in the MERCOSUR Common Nomenclature (NCM), which follows the Harmonized Commodity Description and Coding System (HS). Paraguay's applied tariff in 2017 (HS 2017) comprises 10,226 eight-digit lines and 24 tariff levels ranging from 0% to 30%.³⁰ Paraguay applies only *ad valorem* rates based on the c.i.f. value of the import. It had no temporary or variable levies on imports during the period under review.

3.32. The simple average of the MFN (most-favoured-nation) tariff applied in 2017 was 8.4%, slightly below the 8.5% recorded in 2010. The average MFN tariff on agricultural products (WTO definition) is 9.9%; for non-agricultural products, the average is 8.2% (Table 3.5). The weighted average of applied import duties was 3.2% in 2017, lower than the 3.5% recorded in 2011. Paraguay grants at least MFN treatment to all its trading partners.

Table 3.5 Structure of MFN tariffs, 2010, 2015 and 2017

(%)

		2010 (HS02)	2015 (HS12)	2017 (HS12)
1.	Total number of lines	9,806	10,031	10,226
2.	Non- <i>ad valorem</i> tariffs (% of all tariff lines)	0.0	0.0	0.0
3.	Non- <i>ad valorem</i> tariffs with no <i>ad valorem</i> equivalent (% of all tariff lines)	0.0	0.0	0.0
4.	Tariff quotas (% of all tariff lines)	0.0	0.0	0.0
5.	Duty-free tariff lines (% of all tariff lines)	16.7	16.0	16.0
6.	Average dutiable lines (%)	10.2	9.9	10.0
7.	Simple average	8.5	8.3	8.4
8.	Agricultural products (WTO definition)	10.0	9.8	9.9
9.	Non-agricultural products (including petroleum) (WTO definition)	8.3	8.2	8.2
10.	Agriculture, hunting, forestry, fishing (ISIC 1)	7.2	7.3	7.2
11.	Mining and quarrying (ISIC 2)	3.1	3.1	3.1
12.	Manufacturing (ISIC 3)	8.6	8.4	8.5
13.	Raw materials	6.8	7.1	6.9
14.	Semi-finished products	8.3	8.3	8.4
15.	Finished products	8.9	8.6	8.6
16.	National tariff peaks (% of all tariff lines) ^a	0.2	0.7	0.2
17.	International tariff peaks (% of all tariff lines) ^b	21.6	20.0	19.9
18.	Overall standard deviation of applied rates	6.9	6.8	6.8
19.	"Nuisance" applied rates (% of all tariff lines) ^c	23.0	23.1	22.7
20.	Bound tariff lines (% of all tariff lines)	100.0	100.0	100.0

a National tariff peaks are duties exceeding three times the overall simple average applied rate.

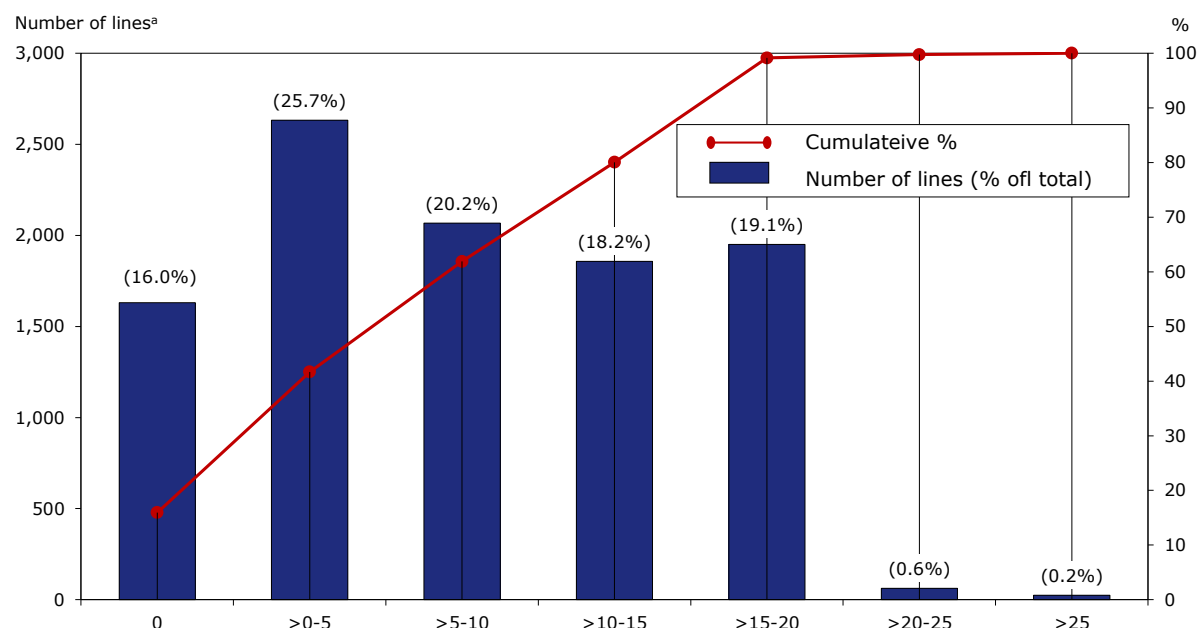
b International tariff peaks are duties that exceed 15%.

c Nuisance rates are those greater than zero, but less than or equal to 2%.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.33. As already indicated in the previous review, the structure of the tariff applied by Paraguay shows relatively little tariff dispersion, with a coefficient of variation of 0.8. In 2017, 16.0% of all tariff lines were duty free (Chart 3.1), while lines with a tariff greater than zero but less than 5% accounted for 25.7% of the total. A tariff exceeding 20% applied to only 0.8% of all tariff lines.

³⁰ Paraguay's applied tariff rates are: 0; 2; 4; 5; 6; 7; 8; 9; 10; 11; 12; 13; 14; 15; 16; 17; 18; 19; 20; 22; 25; 26; 28; and 30%.

Chart 3.1 Frequency distribution of MFN tariff rates, 2017

a The total number of lines is 10,226.

Source: WTO Secretariat calculations, based on data provided by the Paraguayan authorities.

3.34. Only five HS headings (170112, 170113, 170114, 170191 and 170199) are subject to the maximum rate of 30%, while 22 headings (mostly of Chapter 52, cotton fabrics), and one heading of Chapter 87 (vehicles) attract a tariff of 25% to 28%.³¹ In 2017, the groups of products subject to the highest average tariffs were arms and ammunition (20%), footwear (18.6%) and textiles and made-up articles (16.8%) (Table 3.6).

Table 3.6. Summary analysis of the MFN tariff, 2017

Product description	MFN				Bound tariff range ^a (%)
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
Total	10,226	8.4	0 - 35	0.8	10 - 35
HS 01-24	1,304	10.1	0 - 30	0.5	10 - 35
HS 25-97	8,922	8.1	0 - 35	0.9	10 - 35
By WTO category					
Agricultural products	1,047	9.9	0 - 30	0.5	10 - 35
- Animals and products of animal origin	133	7.9	0 - 16	0.6	10 - 35
- Dairy produce	37	14.9	12 - 16	0.1	20 - 35
- Fruit, vegetables and garden produce	280	9.4	0 - 25	0.5	10 - 35
- Coffee and tea	30	12.2	6 - 20	0.3	15 - 35
- Cereals and cereal preparations	140	11.2	0 - 20	0.5	10 - 35
- Oilseeds, fats and oils and their by-products	125	7.6	0 - 14	0.5	10 - 35
- Sugar and confectionery	23	18.8	6 - 30	0.3	30 - 35
- Beverages, alcoholic liquids and tobacco	73	16.5	0 - 20	0.2	10 - 35
- Cotton	7	6.3	6 - 8	0.1	35 - 35
- Other agricultural products n.e.s.	199	7.8	0 - 14	0.6	10 - 35
Non-agricultural products (including petroleum)	9,179	8.2	0 - 35	0.8	10 - 35
- Non-agricultural products (excluding petroleum)	9,152	8.2	0 - 35	0.8	10 - 35
- - Fish and fish products	366	10.1	0 - 16	0.3	15 - 35
- - Mineral products and metals	1,218	9.4	0 - 22	0.6	10 - 35
- - Chemicals and photographic products	3,212	6.6	0 - 35	0.8	10 - 35

³¹ Decision MERCOSUR/CMC/DEC No. 17/09 increased the CET on a group of dairy products (HS 0402, 0404 and 0406) to 28%. Paraguay was, however, authorized to continue applying the tariffs on these products at the previous rates, ranging from 14% to 16%.

Product description	MFN				Bound tariff range ^a (%)
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
- - Wood, wood pulp, paper and furniture	406	9.9	0 - 18	0.6	10 - 35
- - Textiles	832	15.9	0 - 26	0.3	10 - 35
- - Clothing	251	20.5	20 - 25	0.1	20 - 35
- - Leather, rubber, footwear and travel articles	234	12.4	0 - 25	0.4	10 - 35
- - Non-electrical machinery	1,132	2.1	0 - 20	2.2	10 - 35
- - Electrical machinery	606	5.9	0 - 22	1.1	10 - 35
- - Transport equipment	216	6.3	0 - 28	1.1	10 - 35
- - Non-agricultural products n.e.s.	679	9.1	0 - 20	0.9	10 - 35
- Petroleum	27	0.4	0 - 6	3.6	35 - 35
By ISIC sector^b					
Agriculture and fishing	527	7.2	0 - 25	0.6	10 - 35
Mining and quarrying	127	3.1	0 - 10	0.6	10 - 35
Manufacturing	9,571	8.5	0 - 35	0.8	10 - 35
By HS section					
01 Live animals and products of animal origin	515	9.1	0 - 16	0.4	10 - 35
02 Products of plant origin	404	7.9	0 - 25	0.5	10 - 35
03 Fats and oils	74	9.5	4 - 12	0.2	15 - 35
04 Food preparations, etc.	311	14.6	0 - 30	0.3	10 - 35
05 Mineral products	207	2.4	0 - 6	0.8	10 - 35
06 Products of the chemical and related industries	3,020	6.4	0 - 35	0.8	10 - 35
07 Plastic and rubber	424	9.9	0 - 18	0.6	10 - 35
08 Hides and skins	113	10.5	2 - 20	0.5	35 - 35
09 Wood and articles of wood	157	7.9	2 - 14	0.5	20 - 35
10 Wood pulp, paper, etc.	222	10.4	0 - 16	0.5	10 - 35
11 Textiles and their manufactures	1,055	16.8	0 - 26	0.3	10 - 35
12 Footwear and headgear	70	18.6	6 - 25	0.2	35 - 35
13 Articles of stone	217	9.6	0 - 20	0.4	20 - 35
14 Precious stones, etc.	64	9.3	0 - 18	0.6	10 - 35
15 Base metals and articles of base metal	739	11.4	0 - 22	0.5	10 - 35
16 Machinery and appliances	1,765	3.6	0 - 22	1.6	10 - 35
17 Transport equipment	229	6.1	0 - 28	1.1	10 - 35
18 Precision instruments	450	7.0	0 - 20	1.1	15 - 35
19 Arms and ammunition	18	20.0	20 - 20	0.0	30 - 35
20 Miscellaneous manufactures	165	14.7	0 - 20	0.4	20 - 35
21 Works of art, etc.	7	4.0	4 - 4	0.0	25 - 35
By stage of processing					
First stage of processing	1,046	6.9	0 - 25	0.6	10 - 35
Semi-processed products	3,879	8.4	0 - 35	0.7	10 - 35
Fully processed products	5,301	8.6	0 - 28	0.9	10 - 35

a The bindings are shown in the HS2002 classification and the applied rates in the HS2017 classification, so there may be differences between the number of lines in the analysis.

b ISIC (Rev.2), excluding electricity (one line).

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.35. Although Paraguay has applied the MERCOSUR CET since 1995, it also has a large number of exceptions. These correspond to around 26% of tariff lines and can in principle result in tariffs higher or lower than the CET. In Paraguay's case, the exceptions are usually subject to rates lower than the CET. Paraguay's average applied tariff (8.4%) is, therefore, lower than the MERCOSUR CET (11.5%).

3.36. The exceptions to the CET are covered by Decisions CMC No. 7/94, No. 68/00 and No. 31/03 and amendments thereto, which allowed Paraguay to maintain lists of 399, 100 and 150 NCM tariff lines with levels distinct from those in the CET. Decision CMC No. 58/16 of 16 December 2010 grouped these lists into a single one, called the National List of Exceptions (LNE), which contains 649 NCM headings and can be revised by up to 20% twice yearly. In 2015, the LNE listed 709 tariff codes. Decision CMC No. 26/15 extended the time-limit for the LNE up to 31 December 2023. Decree No. 6.655/16 of 30 December 2016 incorporated Resolution GMC No. 26/16 approving the CET adjusted to HS2017 into Paraguay's legislation. The annex to this Decree identifies the LNE in force.

3.37. Paraguay and the other members of MERCOSUR also benefit from lists of exceptions to the CET identified as *capital goods* (BK) and *informatics and telecommunications goods* (BIT). Decision CMC No. 25/15 allows Paraguay to apply a 0% tariff until 31 December 2021 and 2% until 31 December 2023 on goods in the BK list. In 2016 (the latest information available), the BK list included 1,207 eight-digit tariff lines. Decision CMC No. 25/15 also allows Paraguay to apply tariffs of 2% and 0% on goods identified as BIT until 31 December 2023. At the time of drafting this report, this list included 395 headings. Both lists (BK and BIT) appear in the annex to Decree No. 6.655/16.

3.38. Decision MERCOSUR/CMC/DEC No. 18/09 authorizes any member country to apply a tariff other than the CET for a period of up to two years, in line with its WTO obligations. Resolutions GMC 69/00 and 08/08 allow States Parties to apply temporary reductions in import duty for certain CET tariff headings, with defined terms of validity and limited to quotas in order to remedy problems caused by any unexpected imbalance in supply and demand when supplies are short in MERCOSUR. This measure may be applied to a maximum of 45 tariff headings.

3.39. Decision CMC No. 28/15 authorizes States Parties to apply rates other than the CET up to the maximum tariff bound in the WTO until 31 December 2021 for a list of NCM tariff headings corresponding to the toys category. Paraguay maintains the rates previously applied. Decision CMC No. 29/15 increased the CET on peaches in syrup (HS 200870) to 35% up to 31 December 2023. Paraguay was, however, authorized to continue applying the rate of 14%. Decision CMC No. 30/15 increased the CET on a group of dairy products (HS 0402, 0404 and 0406) to 28% until 31 December 2023. Paraguay, however, continues to apply tariffs on these products at rates of 14% to 16%.

3.40. The sugar and automotive sectors have not yet been incorporated into the MERCOSUR Customs Union, so in each State Party they are subject to the national tax regime until the respective community policy is adopted. The rates applied by Paraguay are shown in Table 3.7.

Table 3.7. Paraguay's tariff exceptions to the CET, 2015

		No. of NCM tariff headings	Minimum tariff level (%)	Maximum level (%)	Average national tariff	Average CET	Tariff Decree in force	MERCOSUR exception
National List of Exceptions	LNE	709	0	25	8.1	17	8103/11	Up to 1 January 2024
Sectoral List Telecommunications	BIT	395	0	2	1.2	7.9	8103/11	1 January 2024
Sectoral List Capital goods	BK	1,207	0	14	0.4	10	8103/11	1 January 2024
Non-harmonized sectors	Motor vehicles outside the area	264	0	28	7.8	16.59	8104/11	
	Motor vehicles inside the area	251	2	22	5.7	16.59	8104/11	
	Sugar	5	30	30	30	30	8104/11	

Source: Information provided by the authorities.

3.1.4.2 Tariff bindings

3.41. Paraguay has bound all its tariff lines at rates that range from 10% to 35%. The bindings are currently expressed in the HS 2002 classification and all lines are *ad valorem* (Schedule XCI Paraguay – WT/Let/574).

3.42. Paraguay's national tariff has some 80 lines on which the applied rate exceeds the bound rate. The Paraguayan authorities have indicated, however, that in all these cases the WTO bound rate is applied. Likewise, the bound rate is applied to 27 lines corresponding to chemicals, which were bound at two levels depending on use (15% and 10%), even if the applied tariff appears at a single level (14%) which exceeds one of the bound rates.

3.1.4.3 Tariff concessions

3.43. Tariff concessions and exceptions apply under the various customs procedures which grant special treatment for exports, the investment regime and the raw materials regime. Tariff concessions are also given under the national automotive regime, established in 1998, which provides tariff exemptions for various inputs used in the automotive industry and also grants tariff reductions for a range of automotive products. Tariff concessions are also used to boost tourism. Tariffs are waived on the import of new or used vehicles with flex fuel technology (Article 9 of Decree No. 3.667/09 of 17 December 2009) and new hybrid and electric vehicles (Law No. 5.183 of 22 May 2014, amending Law No. 4.601/12).

3.44. Paraguay grants tariff concessions under the raw materials regime, which is governed by Decree No. 11.771/00 on the import of raw materials and inputs duty free if it is shown that these raw materials and inputs are to be used as such in the production process, there is no domestic production of the raw materials or inputs in question and the import value is at least US\$1,500. The purpose is to promote investment and boost existing industries by freeing tariffs, improving the industries' terms of competitiveness as a source of jobs and value added and, especially, to foster the creation and growth of SMEs.³² Any industry in Paraguay registered as such with the MIC is eligible for these concessions.

3.45. Under the regime to promote and develop high-tech products, covered by Decree No. 11.961/08 of 25 March 2008, tariff concessions are granted for the import of raw materials and inputs intended for use in high-tech goods. This regime is not operating, however, because it has not yet been regulated.

3.1.4.4 Tariff preferences

3.46. As a member of MERCOSUR, Paraguay gives tariff-free access to the majority of imports from Argentina, Brazil and Uruguay. It also grants preferences as a participant in LAIA, either through the regional preferential tariff (PAR) scheme or through economic complementarity agreements (ACE). Paraguay has ACEs with Chile, the Plurinational State of Bolivia, Peru and Cuba (ACE Nos. 35, 36, 58 and 62, respectively), as well as with Colombia, Ecuador and the Bolivarian Republic of Venezuela (ACE No. 59). Mexico also receives preferences under Partial Scope Agreement No. 38 on renegotiating the historical heritage. In addition, preferences are granted to Israel under the Free Trade Agreement (FTA) endorsed by MERCOSUR, to India under the Preferential Trade Agreement (PTA) and to countries belonging to the Southern African Customs Union under the MERCOSUR-SACU PTA.

3.47. Members of the LAIA regional preferential tariff (PAR) scheme grant a preferential tariff reduction of 20% on imports from other members at the same level of development, a lesser reduction on imports from countries with a relatively higher level of development, and a greater reduction on imports from countries with a relatively lower level of development.³³ As a member with a relatively lower level of development, Paraguay gives reductions of 20%, 12% and 8% to other LAIA members, according to their economic development, although there is a list of exceptions to the granting of preferences. For countries such as Paraguay, this list may contain up to 1,920 LAIA nomenclature (NALADI) tariff headings, mostly products such as organic chemicals, wood, charcoal and articles of wood, inorganic chemicals, animal or plant fats and oils, articles of apparel and clothing accessories.³⁴

3.48. Paraguay grants tariff-free entry in respect of almost all tariff lines for imports from Chile and the Plurinational State of Bolivia (Table 3.8).

³² Online information from the MIC, viewed at: <http://www.mic.gov.py/v1/node/106>.

³³ Within the LAIA framework, Paraguay, the Plurinational State of Bolivia and Ecuador are considered to be countries with a lower level of economic development.

³⁴ Regional Agreement No. 4, Second Amending Protocol.

Table 3.8 Summary analysis of preferential tariffs, 2015

	Total		WTO categories			
			Agricultural products		Non-agricultural products (excluding petroleum)	
	Average (%)	Duty-free lines (%)	Average (%)	Duty-free lines (%)	Average (%)	Duty-free lines (%)
Plurinational State of Bolivia	0.0	99.9	0.0	99.8	0.0	99.9
Chile	0.0	99.9	0.0	99.8	0.0	99.9
Colombia	0.5	85.1	0.9	84.5	0.5	85.2
Cuba	5.7	36.1	7.0	27.9	5.6	36.9
Ecuador	0.8	89.5	1.7	77.7	0.7	90.8
India	8.5	16.4	9.9	8.8	8.4	17.0
Israel	2.7	42.5	2.0	44.5	2.8	42.1
Mexico	7.5	18.4	8.9	16.0	7.4	18.5
Panama	7.7	16.6	9.4	8.8	7.6	17.2
Peru	0.2	95.6	0.5	88.7	0.1	96.4
Bolivarian Republic of Venezuela	0.5	86.0	0.6	86.1	0.4	86.0
MERCOSUR	0.1	99.1	0.2	99.3	0.1	99.1

Source: WTO Secretariat estimates, based on data provided by the authorities.

3.49. As regards MERCOSUR's agreements with other Andean countries, in 2015 Paraguay granted an average preferential tariff of 0.2% for imports from Peru, 0.5% for those from the Bolivarian Republic of Venezuela, 0.5% for those from Colombia and 0.8% for those from Ecuador. The preferences in the agreement with Peru will cease to apply at the end of 2017; those in the agreement with other Andean Community countries (except for the Plurinational State of Bolivia, which have already ended) will terminate in 2018.

3.50. As a member of MERCOSUR, Paraguay approved MERCOSUR's Protocol of Accession to the Agreement on the Global System of Trade Preferences Among Developing Countries (GSTP). As at December 2016, however, Paraguay was not granting GSTP preferences.

3.1.5 Other charges affecting imports

3.51. Value added tax (VAT) applies to the sale of both imported and domestic goods.³⁵ Pursuant to Law No. 5.061 of 4 October 2013, the VAT rate generally applied is 10%, while a reduced rate of 5% applies to specific products, as indicated in Table 3.9. The Executive is authorized to increase, and to determine, different rates ranging from 5% to 10%. VAT applied to interest, commission and charges on loans granted by intermediation institutions regulated by Law No. 861/96 was increased from 5% to 10% in 2013.

Table 3.9 Rates of value added tax, 2017

Products	Rates %
General VAT	10
Leasing and sale of real estate	5
Basic products (rice, beans, edible oils, mate, milk, eggs, raw meat, flour and iodized salt); virgin vegetable oil	5
Agricultural products, fruit, garden produce in the natural state and live animals; goods derived from hunting and fishing whether or not live	5
Pharmaceuticals	5
VAT on tourism	1.5

Source: Law No. 125/91, Law No. 5.061/13 and Decree No. 6.406/05.

3.52. The following are exempt from VAT: import and domestic sale of foreign currency and public and private securities, including the sale of stocks and shares in companies; inherited estate;

³⁵ Law No. 125/91 (Book III, Title I) of 9 January 1992, as amended by: Law No. 2.421/04 of 5 July 2004, Law No. 5.061/13 of 4 October 2013, Law No. 5.143/13, Decree No. 1.030/13 of 27 December 2013 and Decree No. 1.440/14.

assignment of receivables; capital goods produced by domestic manufacturers for direct use in industrial or agricultural production cycles carried out by investors covered by Law No. 60/90 of 26 March 1991; books and periodicals in hard copy or on electronic media; reviews of educational, cultural or scientific interest; goods of artistic or popular value produced by craftsmen; portable computers and their accessories to be donated to children and adolescents; goods donated to non-profit-making foundations recognized as such by the competent government authorities; petroleum-based fuels; and tickets and slips used for gaming or betting.³⁶ The sale of medicines covered by Law No. 77/92 of 27 November 1992 for the treatment of cancer, diabetes and organ transplants is also exempt from VAT.

3.53. For imported goods, the tax base for VAT is the customs value (c.i.f.) expressed in foreign currency, plus customs taxes (even if their application has been suspended) and the other taxes payable before goods can be withdrawn from the Customs, as well as internal taxes. For occasional importers, the tax base is increased by 30%.³⁷ In 2016, the total VAT collected accounted for 53.7% of all tax revenue; VAT collected by the Customs amounted to 19.9% of tax revenue that year.³⁸

3.54. The selective consumption tax (ISC) is imposed on the first sale of domestic products and on the import of goods not deemed to be essential, such as tobacco, alcoholic beverages, perfume, jewellery, etc., and environmentally harmful products such as petroleum-based fuels. Law No. 2.421/04 (as amended by Law No. 4.045/10) determines the maximum rates for products subject to the ISC and empowers the Executive to determine different rates for different types of product within each heading (Table 3.10). During the review period, the rates applied to cigarettes and other tobacco products were raised from 13% to 16%.³⁹

3.55. For imported goods, the tax base for the ISC consists of the customs value expressed in foreign currency, plus customs duty and the other taxes payable prior to customs clearance, excluding VAT. For fuel (except for certain types of diesel fuel⁴⁰), the tax base is the selling price to the public. ISC accounted for some 13.6% of total tax revenue in 2016.

Table 3.10 Selective consumption tax (ISC), 2017

Product	Rate (%)
Petroleum-based fuels	
Naphtha	20 to 38
Gas oil	18
Kerosene, fuel oil, liquefied gas	10
Turbo fuel	0
Tobacco, cigarettes and cigars	16
Beverages (including alcoholic beverages)	5 to 13
Alcohol (absolute, spirit or fuel alcohol)	10
Perfumes and beauty preparations	5
Precious metals and watches	5
Arms, ammunition, parts and accessories therefor	5
Machinery and appliances	1
Toys and musical instruments	0

Source: Decree No. 4.344/04, Decree No. 5.158/10, Decree No. 4.694/15 and Decree No. 4.693/15.

3.56. Other charges have to be paid on imports in addition to the taxes indicated: valuation tax; consular fee; INDI tax; IT tax; National Intellectual Property Directorate (DINAPI) tax; and the tax of the National Civil Aviation Directorate (DINAC) tax (Table 3.11). DINAC also applies import taxes at different rates for keeping, receiving and storing cargo entering Paraguay (Table A3.1).

³⁶ This list is not exhaustive, see Article 3 of Law No. 5.061/13.

³⁷ Article 12 of Decree No. 1.030/13.

³⁸ Information provided by the Ministry of Finance.

³⁹ Decree No. 4.694/15 of 29 December 2015.

⁴⁰ For type 3 gas oil/diesel fuel and marine diesel, the tax base is determined according to a presumed value, which was increased to \$3,777.78/litre by Decree No. 5.057/16 of 18 March 2016.

Table 3.11 Other charges on imports, 2017

Charge	Amount	Legal basis
Valuation tax: applied to all import transactions for the supply of customs services	0.5% of the taxable c.i.f. value	Law No. 2.422 (Art. 263)
Consular fee: compulsory endorsement of documents required for importation (commercial invoice, cargo manifest, bill of lading, etc.)	Amount in dollars according to the transaction	Law No. 4.033/10 (Chapter 5)
INDI (National Indigenous Institute) tax: to finance the Paraguayan Indigenous Institute	7% of the consular fee	Law No. 904/81 (Art. 58)
IT tax: for use of the SOFIA system	For formalizing import or export clearance: <US\$2,500 = 0.5/daily wage ^a <US\$5,000 = 1/daily wage >US\$5,000 = 2.5/daily wages	DNA Resolution No. 549/14
DINAC (National Civil Aviation Directorate) tax: for imports entering by air irrespective of the customs admission procedure	General = 1.3% of taxable value Dangerous goods = 2.5%	Decree No. 8.701/12 Decree No. 4.333/15
DINAPI (National Intellectual Property Directorate) tax: right to remuneration for private copies	General = 0.5% of taxable value for magnetic and optical media	Decree No. 4.212/15

a Minimum daily wage 2017: \$75,558.

Source: WTO Secretariat, on the basis of information provided by the Ministry of Finance.

3.1.6 Import prohibitions, restrictions and licensing

3.57. Pursuant to Law No. 1.095/84, Paraguay bans the import of articles that might affect national security, public order, public health, animal or plant health, morals or decency (Table 3.12). This Law also empowers the Executive to ban imports temporarily in order to protect and promote Paraguay's economic and social development, maintain the trade and payments balances, or counteract unfair competition from foreign products.⁴¹

Table 3.12 Prohibited imports, 2017

Product	Reason invoked	Legal basis
African bees (<i>Apis mellifera adansonii</i>)	Protection of health and the environment	Law No. 2.426/04 of 28 July 2004; Law No. 667/77 and its implementing Decree No. 25.045/87 of 19 October 1987
Swine, products, by-products and derivatives of domestic or wild pigs originating in areas where there is African swine fever and vesicular swine disease	Human and animal health	SENACSA Resolution No. 2.141/04 of 9 June 2014; MAG Resolution No. 175/78 of 21 June 1978
Live animals, genetic material of cattle, sheep and goats, products and by-products from countries affected by bovine spongiform encephalitis (BSE) ^a	Protection of human and animal health	SENACSA Resolution No. 5.992/12 of 28 February 2012; Decree No. 12.126/01 of 7 February 2001; Resolution No. 2/01 of 19 January 2001; Decree No. 21.517/03 of 21 July 2003
Live birds, products, by-products and genetic material	Protection of human and animal health	Resolution No. 23/04 of 19 May 2004; Resolution of the Vice-Ministry of Livestock No. 08/04 of 3 February 2004
Used footwear	Sanitary protection	Decree No. 6.432/05 of 26 September 2005
Chloramphenicol ^a	Protection of human health	MAG Resolution No. 21/89 of 24 January 1989
Hydrolysates of ruminant origin	Protection of human and animal health	MAG Resolution No. 07/02 of 22 July 2002
Organochlorine-based insecticides ^a	Protection of human health and the environment	MAG Resolution No. 447/93 of 24 May 1993

⁴¹ Articles 6 and 9 of Law No. 1.095/84 of 14 December 1984.

Product	Reason invoked	Legal basis
Tyres not remanufactured for direct sale	Protection of human health and the environment	SEAM Resolution No. 627/16 of 21 October 2016
Nitrofuranes	Protection of human and animal health	MAG Resolution No. 3.078/98 of 26 June 1998
Olaquinox	Protection of human and animal health	SENACSA Resolution No. 278/08 of 3 March 2008
Ordinary primary cells and batteries of zinc carbon and alkaline manganese exceeding the percentage determined in the Law	Protection of human health and the environment	Law No. 3.107/06 of 20 December 2006
Used articles of apparel and clothing accessories; articles of headings 6309 0010 to 6309 0090, and 6310 1000 to 6310 9000 (MERCOSUR Nomenclature)	Health protection	Decree No. 7.084/00 of 11 January 2000
Methyl and ethyl parathion-based products ^a	Protection of human health and the environment	MAG Resolution No. 488/03 of 16 June 2003
Metamidophos-based products in all concentrations	Protection of human health and the environment	MAG Resolution No. 493/03 of 17 June 2003; SENAVE Resolution No. 68/06
Monocrotophos- and phosphamide-based substances in all concentrations	Protection of human health and the environment	MAG Resolution No. 493/03 of 17 June 2003; SENAVE Resolution No. 69/06
Sodium tripolyphosphate-based products	Protection of health and the environment	Law No. 4.397/11 of 18 August 2011; Decree No. 7.505/11 of 18 October 2011; Resolution No. 1.219/11 of 3 November 2011
Proteins of ruminant origin	Protection of human and animal health	MAG Resolution No. 15/04 of 8 March 2004
Dangerous industrial residues or toxic waste ^b	Protection of health and the environment	Law No. 42/90 of 18 September 1990
Hormonal substances for the fattening of animals for human consumption	Protection of human health	Decree No. 3.255/89 of 19 October 1989
Active substances derived from the compound 5-Nitroimidazole	Protection of human and animal health	SENACSA Resolution No. 3.845/12 of 27 December 2012
Beta-agonist substances	Protection of human health	SENACSA Resolution No. 1.015/12 of 19 April 2012
Used motor vehicles and trucks of a capacity not exceeding 20 tons and more than 10 years old (calculated from the year of production)	Protection of consumers	Law No. 2.018/02 of 8 November 2002; Law No. 2.153/03 of 4 July 2003
Carbadox	Protection of human health	SENACSA Resolution No. 953/09 of 4 June 2009

a For the purposes of the Rotterdam Convention pursuant to Law No. 2.135/03.

b Products prohibited under the Basel Convention on the Transboundary Movements of Hazardous Wastes and their Disposal.

Source: WTO Secretariat.

3.58. An authorization or prior licence (the two terms are synonymous), which may be automatic or non-automatic, is required for the import of a number of products (Table 3.13). Products that are subject to sanitary, phytosanitary, animal health, environmental, security or other types of control require prior authorization from the competent government authority. A prior licence is also required for the import of various types of product such as sugar, mate, wheat flour, cement, petroleum-based products, beef, poultry meat and offal, hygiene and toiletry products, and live animals (birds, cattle, swine). In some cases, import licences are required for the purposes of statistical monitoring, as is the case for made-up articles and footwear. The authorities have indicated that import licences for these two types of product are automatic, as is the case for the majority of products subject to prior licensing.

Table 3.13 Prior import licences, 2017

Product	Issuing authority	Reason invoked	Legal basis
Firearms, ammunition, explosives and the like ^a	DIMABEL	National security	Law No. 4.036/10 of 11 August 2010; Decree No. 3.625/2004
Narcotic substances and dangerous drugs ^b	SENAD MSPBS	Health	Law No. 1.340 of 22 November 1988, as amended by Law No. 68/92 of 16 November 1992; Decree-Law No. 9/92 of 17 February 1992; Law No. 1.881/02 of 24 June 2002; Decree No. 4.817 of 15 February 1990; Decree No. 5.213/05 of 6 May 2005; and Decree No. 12.064/08 of 18 April 2008
Hypodermic syringes and needles ^b	MSPBS	Health	Law No. 1.340 of 22 November 1988, as amended by Law No. 68/92 of 16 November 1992; Decree-Law No. 9/92 of 17 February 1992; and Law No. 1.881/02 of 24 June 2002
Food products ^a	INAN	Health	Law No. 836/80 of 15 December 1980; Decree No. 1.635/99 of 12 January 1999; and Resolution No. 94/14 of 26 March 2014
Non-marketable food products ^a	INAN MAG	Health	Decree No. 5.254/10 of 15 October 2010; Law No. 3.742/09; Decree No. 1.635/99 of 12 January 1999; and Resolution No. 110/12 of 24 February 2012
Plant products and by-products (phytosanitary accreditation for imported plant products (AFIDI)) ^a	SENAVE	Phytosanitary protection	Decree No. 139/93 of 3 September 1993; and Resolution No. 202/09 of 10 July 2009
Sanitary products for agricultural use ^a	SENAVE	Phytosanitary protection	Law No. 2.459/04 of 4 October 2004; Law No. 123/91 of 9 January 1991; Law No. 3.742/09 of 10 December 2009; Resolution No. 446/06 of 29 December 2006; Resolution No. 564/10 of 14 October 2010; and Resolution No. 107/12 of 1 August 2012
Seeds for research purposes ^b	SENAVE	Phytosanitary protection	Law No. 385/94 of 11 August 1994; Resolution No. 393/10 of 1 September 2010; Resolution No. 500/10 of 27 September 2010; Resolution No. 241/12 of 3 September 2012; and Resolution No. 242/12 of 3 September 2012
Magnetic and optical media and raw materials for their manufacture ^a	DINAPI	Prevention of piracy and counterfeiting	Decree No. 603/03 of 20 October 2003; and Decree No. 4.212/15 of 12 October 2015
Medicines ^b	DINAVISIA	Health	Law No. 836/80 of 15 December 1980, as amended by Law No. 115/91 of 4 January 1991; and Law No. 1.119/97 of 21 August 1997
Aerosol-type extinguishers containing extinguishing foam with a maximum capacity of 250 ml ^a	MIC	Environment	Resolution No. 1.023/15 of 4 October 2015
Washed and centrifuged salt ^a	MIC	Health	Decree No. 10.114/12 of 23 November 2012; Resolution No. 59/14 of 5 February 2014; Resolution No. 599/14 of 12 October 2014; and Law No. 667 of 18 September 1995
Sugar ^b	MIC	Quality and health	Resolution No. 251/02 of 9 January 2002; and Resolution No. 631/08 of 8 August 2008
Boneless beef ^a	MIC	Administrative procedures	Resolution No. 538/06 of 12 September 2006; and Resolution No. 607/06 of 3 October 2006
Meat and offal of fowls ^a	MIC	Health and statistical monitoring	Decree No. 1.443/09 of 9 February 2009; Decree No. 11.277/13 of 21 June 2013; and Resolution No. 74/09 of 17 February 2009
Cement ^b	MIC	Quality and safety	Decree No. 18.352/02 of 26 August 2002; Decree No. 6.533/16 of 21 December 2016; and Resolution No. 09/2017 of 16 January 2017
Made-up articles (NCM chapters 61, 62 and 63)	MIC	Statistical monitoring	Decree No. 1.421/09 of 5 February 2009; and MIC Resolution No. 129/15 of 16 February 2015
Footwear (25 headings of NCM chapter 64) ^a	MIC	Statistical monitoring	Decree No. 10.350/12 of 21 December 2012; and MIC Resolution No. 150/2015 of 24 February 2015
Wheat flour ^a	MIC	Registration	Resolution No. 807/07 of 12 October 2007
Household insecticides ^a	MIC	Health	Resolution No. 171/08 of 14 April 2008
Ordinary primary cells and batteries of zinc carbon and alkaline manganese ^a	MIC	Health and protection of the environment	Decree No. 4.926/10 of 18 August 2010; and MIC Resolution No. 970/10 of 22 December 2010

Product	Issuing authority	Reason invoked	Legal basis
Petroleum-based products ^c	MIC	Protection of the environment	Decree No. 10.397/07 of 21 May 2007; Decree No. 960/13 of 18 December 2013; Decree No. 2.999/15 of 27 January 2015; Decree No. 7.149/17 of 19 May 2017; Resolution No. 741/13 of 1 August 2013; Resolution No. 1.310/16 of 21 October 2016; and Resolution No. 246/17 of 8 March 2017
Hygiene, toiletry and beauty products and household sanitary products (risk categories 1 and 2) ^a	MIC SEAM	Health and protection of the environment	Law No. 4.397/11 of 18 August 2011; Decree No. 7.505/11 of 18 October 2011; Resolution No. 12.197/11 of 3 November 2011; and Decree No. 3.214/09 of 21 October 2009
Articles of wire, rods and bars, iron rods, towers and lattice masts ^c	MIC	Quality and safety	Resolutions No. 1.043/14 of 21 October 2014; No. 14/15 of 9 January 2015; No. 531/15 of 3 June 2015; No. 980/15 of 1 September 2015; and No. 939/16 of 25 June 2016
Articles of iron and steel ^a	MIC	Quality and safety	Decree No. 897/08 of 20 November 2008, Resolution No. 892/11 of 13 October 2011; and Resolution No. 173/11 of 25 March 2011
Yerba mate canchada ^a	MIC	Quality	Resolution No. 201/06 of 21 April 2006
Cellular mobile telephone devices and their parts; only motherboards ^c	MIC	Quality	Decree No. 6.832 of 28 February 2017; and Resolution No. 410/17 of 10 April 2017
Plastic bags and biodegradable bags ^a	MIC	Protection of the environment	Resolution No. 353/17 of 27 March 2017
Incandescent and fluorescent lamps ^a	MIC	Quality	Decree No. 7.103/17 of 27 April 2017
Animals, products and by-products of animal origin ^d	SENACSA	Health	Law No. 2.426/04 of 28 July 2004; and Decree No. 1.635/99 of 12 January 1999
Bovine or other animals for breeding susceptible to tuberculosis ^d	SENACSA	Protection of animal health	Decree No. 18.613/97 of 6 October 1997; and MAG Resolution No. 475/04
Swine ^d	SENACSA	Protection of animal health	MAG Decree No. 21.946/98 of 17 July 1998; and Decree No. 15.000/96
Cattle and sheep from Argentina, Brazil and Uruguay ^d	SENACSA	Protection of animal health	MAG Resolution No. 475/04
Frozen semen and embryos of animal origin ^d	SENACSA	Protection of animal health	SENACSA Resolution No. 1.026/08; and Decree No. 15.000/96 of 4 October 1996
Ozone-depleting substances ^b	SEAM	Protection of the environment	Decree No. 3.980/99 of 6 July 1999; Decree No. 1.685/08 of 11 August 2008; Resolution No. 581/10 of 12 April 2010; and Resolution No. 255/15 of 1 July 2015
Endangered species of wild fauna and flora ^b	SEAM	Protection of the environment	Law No. 583/76 of 24 August 1976; Law No. 96/92 of 24 December 1992; and Decree No. 9.701/12 of 19 September 2012
Used tyres with prior remanufacturing ^a	SEAM	Health	Resolution No. 627/16 of 21 October 2016
Recyclable articles (paperboard, aluminium, plastic, glass, copper, etc.) ^a	SEAM	Certificate of innocuity	Resolution No. 374/07 of 13 April 2007

a Automatic licence.

b Non-automatic licence.

c Automatic or non-automatic licence, depending on the tariff heading in accordance with the applicable regulations.

d It was not possible to obtain information.

Note: MAG: Ministry of Agriculture and Livestock; MIC: Ministry of Industry and Trade; MSPBS: Ministry of Public Health and Social Welfare; INAN: National Food and Nutrition Institute; SENAD: National Anti-Drug Secretariat; SENAVE: National Plant and Seed Quality and Health Service; SENACSA: National Animal Quality and Health Service; DIMABEL: Armaments Directorate; SEAM: Environment Secretariat.

Source: WTO Secretariat, on the basis of notifications from Paraguay in WTO documents G/LIC/N/1/PRY/2 to G/LIC/N/1/PRY/7, of various dates; and information provided by the Paraguayan authorities.

3.59. During the period under review, new prior import licensing requirements were introduced for the following products: footwear; washed and centrifuged salt; articles of wire, rods and bars, iron rods, towers and lattice masts; articles of iron and steel (NCM 7306.30.00 and 7306.61.00); cement; cellular telephones, parts therefor and motherboards; plastic and biodegradable bags; and incandescent and fluorescent lamps. On the other hand, the prior licensing requirement for

importing soya beans (Resolution No. 1.583/13) was abolished. Some of these measures have been notified to the WTO, together with the domestic legislation on import licensing.⁴²

3.60. MIC Resolution No. 103/09 requires that applications for prior import licences be accompanied by an authenticated copy of the commercial invoice for the export of the product to Paraguay. In normal cases, the procedure for obtaining a prior import licence at the MIC takes around ten days, but for products necessitating a health, sanitary or other type of certificate from a government authority, it may last for up to one month. In general, licences are valid for 30 working days as of the date of issue, which may be extended in certain cases.

3.1.7 Anti-dumping, countervailing and safeguard measures

3.61. Paraguay incorporated the WTO Agreement on Implementation of Article VI of the GATT 1994, the Agreement on Subsidies and Countervailing Measures and the Agreement on Safeguards into its domestic legislation by means of Law No. 444/94, which ratified the Final Act of the Uruguay Round of multilateral trade negotiations. The domestic legislation governing the application of anti-dumping, countervailing and safeguard measures has been notified to the WTO and examined by the competent Committees.⁴³ Since Paraguay's previous review, the legal framework governing application of such measures has not changed, although in 2015 and 2016 two Handbooks were approved: one on submitting requests to investigate subsidies and countervailing measures, and the other on dumping investigations (Table 3.14).

Table 3.14 Legal framework for trade defence measures, 2017

Instrument	Scope
Law No. 444/94 of 11 October 1994	Ratifies the Final Act of the results of the Uruguay Round
Decree No. 15.286/96 of 28 October 1996	Regulates the procedure for the application of anti-dumping and countervailing measures
Decree No. 1.827/99 of 3 February 1999	Regulates the procedure for the application of safeguard measures
Decree No. 7.105/00 of 13 January 2000	Provides for the implementation in Paraguay of the Regulations on the application of safeguard measures to imports from non-MERCOSUR countries
Decree No. 10.360/00 of 11 September 2000	Approves the form for submitting requests for the application of safeguard measures by MERCOSUR as a single entity and on behalf of a State Party
Resolution No. 1.418/15 of 1 December 2015	Approves the Handbook for submitting requests for subsidies investigations and the application of countervailing duties
Resolution No. 374/16 of 6 April 2016	Approves the Handbook for submitting requests for dumping investigations

Source: Directorate of Trade Regulations and Negotiations in the MIC.

3.62. Pursuant to Decrees No. 15.286/96 and No. 1.827/99, the MIC and the Ministry of Finance are responsible for enforcing the relevant WTO Agreements. These two Decrees established the Trade Defence and Safeguards Commission, which is responsible for making recommendations to the Ministers of Industry and Trade and Finance on whether or not provisional or definitive anti-dumping, countervailing or safeguard measures should be applied, and their annulment, extension or modification. The Commission is composed of representatives of the MIC, the Ministry of Finance, the MRE, and the MAG. It is the MIC's responsibility to decide whether to initiate administrative procedures and to conduct the corresponding investigation, through the Directorate of Trade Regulations and Negotiations (DNNC), part of the Under-Secretariat of State for Trade (SSEC-MIC). The MRE is in charge of notifying the WTO of decisions on preliminary or definitive determinations.

3.1.7.1 Anti-dumping and countervailing measures

3.63. Paraguay did not initiate any investigations or apply anti-dumping or countervailing measures during the period 2011-2015, as can be seen from the notifications submitted to the

⁴² WTO documents G/LIC/N/1/PRY/2 of 14 September 2010; G/LIC/N/1/PRY/3 of 18 February 2014; G/LIC/N/1/PRY/4 of 18 February 2014; G/LIC/N/1/PRY/5 of 18 February 2014; G/LIC/N/1/PRY/6 of 6 July 2015; and G/LIC/N/1/PRY/7 of 10 August 2016.

⁴³ The notifications can be found in WTO documents G/ADP/N/1/PRY/2, G/SCM/N/1/PRY/2 of 3 March 1997, and G/SG/N/1/PRY/2 of 20 August 1999.

WTO Committee on Anti-Dumping Practices⁴⁴ and the WTO Committee on Subsidies and Countervailing Measures.⁴⁵ Paraguay did not maintain this type of measure during the period, after notifying the WTO in February 2010 of the termination of the only anti-dumping duty it applied on imports of cement from Brazil.⁴⁶ In 2016, an investigation was initiated into alleged dumping of imports of aluminium profiles from the People's Republic of China (Resolution No. 1.223/16 of 28 September 2016) and in February 2017 it was decided not to apply provisional measures (Joint Ministerial Resolution No. 1/17 of 8 February 2017). The investigation was ongoing at the time of drafting this report (March 2017).

3.64. Administrative procedures for the application of anti-dumping or countervailing measures are regulated by Decree No. 15.286/96.⁴⁷ An investigation is initiated upon a written application to the MIC by or on behalf of the domestic industry or *ex officio*. The domestic producers specifically supporting the request must represent at least 25% of total domestic output of the like product. Once it has received the application, the MIC has a maximum of 30 working days in which to consider the request and, if it decides to accept it, must issue a resolution ordering the initiation of an investigation, which is published in the Official Journal. The MIC may recommend the imposition of provisional measures within 90 days as of the date of initiation of the investigation, which may be extended by a further 30 days. The Ministers of Industry and Trade and Finance decide whether to impose provisional measures by means of a joint ministerial resolution published in the Official Journal, which is only possible if a preliminary determination has already been made that the increased imports or the dumping or subsidization have caused injury to the domestic industry and that at least 60 days have elapsed since the resolution initiating the investigation was published.

3.65. The MIC must convene the Trade Defence and Safeguards Commission to submit the conclusions and recommendations of the investigation within 90 days (which may be extended by 30 days), following the issuing of the resolution containing the preliminary determination. The MIC must submit the definitive recommendation within one calendar month of the date on which the Commission was convened. On the basis of this recommendation, within 30 days, the Ministers of Industry and Trade and Finance must decide whether to impose definitive measures by means of a joint ministerial resolution to be published in the Official Journal. Investigations must be concluded within 12 months (which may be extended up to 18 months) from the date of the resolution ordering the initiation of the investigation.

3.66. Anti-dumping or countervailing duties must be applied in amounts equal to or less than the margin of dumping or subsidization and must be terminated within a maximum period of five years, unless it is determined that termination would lead to continuation or recurrence of the injury and of dumping or subsidization. After one year has elapsed since the duties were imposed, the MIC may initiate a review procedure to examine the need for continued imposition of the definitive duty, either at the request of an interested party or *ex officio*.

3.67. In December 2015, the Minister of Industry and Trade approved the Handbook for submitting requests for subsidies investigations and the application of countervailing duties, which includes instructions concerning the type of information and documents to be submitted together with the request in relation to the standing of the applicant, the product to be investigated, the domestic industry, and elements for determining the margin of subsidization, the injury and the causal link. In April 2016, a Handbook for submitting requests for dumping investigations was also approved.

⁴⁴ WTO documents G/ADP/N/280/Add.1 of 22 April 2016; G/ADP/N/265/Add.1 of 24 April 2015; G/ADP/N/252/Add.1 of 15 April 2014; G/ADP/N/244/Add.1 of 17 October 2013; G/ADP/N/237/Add.1 of 10 April 2013; G/ADP/N/230/Add.1 of 12 October 2012; G/ADP/N/223/Add.1 of 20 April 2012; and G/ADP/N/216/Add.1 of 19 October 2011.

⁴⁵ WTO documents G/SCM/N/298/Add.1 of 22 April 2016; G/SCM/N/281/Add.1 of 24 April 2015; G/SCM/N/267/Add.1 of 15 April 2014; G/SCM/N/259/Add.1 of 18 October 2013; G/SCM/N/250/Add.1 of 10 April 2013; G/SCM/N/242/Add.1 of 12 October 2012; and G/SCM/N/235/Add.1/Rev.1 of 12 October 2012.

⁴⁶ WTO document G/ADP/N/202/PRY of 4 October 2010.

⁴⁷ An explanation of these procedures and a flow chart showing investigations can be found in: MIC (2013), *Procedimientos de Defensa Comercial en Paraguay. Documento Explicativo 2013*. Viewed at: http://www.mic.gov.py/v1/sites/172.30.9.105/files/PROCEDIMIENTOS%20DEFENSA%20COMERCIAL_0.pdf.

3.1.7.2 Safeguard measures

3.68. Paraguay did not initiate any investigations or adopt any safeguard measures during the period of this review.

3.69. The MIC and the Ministry of Finance are responsible for applying safeguard measures in conformity with the administrative procedures laid down in Decree No. 1.827/99.⁴⁸ A request for the application of a safeguard measure must be submitted to the MIC in writing, accompanied by sufficiently probative evidence of increased imports, serious injury or threat of serious injury and a causal link between the two, as well as an adjustment plan to enhance the domestic industry's ability to compete with imports. The MIC must examine the admissibility of the request within a maximum period of 20 days from its receipt. If it is accepted, within a period not exceeding 40 days, the SSEC-MIC must draw up and forward to the Minister of Industry and Trade a report on whether or not to initiate an investigation. Within 20 days of receiving the report, the Minister must decide whether to initiate the investigation, issuing a ministerial resolution published in the Official Journal.

3.70. The SSEC-MIC is responsible for conducting the investigation, which must be concluded within nine months (which may be extended by a further two months) or, if provisional measures are applied, 200 days from the date of application of such measures. In order to determine whether increased imports are threatening to cause serious injury to a domestic industry, in addition to the relevant factors defined in the WTO Agreement on Safeguards, the price of imports and the trend in domestic prices of like products may be taken into account.⁴⁹

3.71. The Ministers of Industry and Trade and Finance may decide to apply provisional safeguard measures by means of a joint ministerial resolution published in the Official Journal. The decision must be based on a ruling from the Trade Defence and Safeguards Commission and a report from the SSEC-MIC containing a preliminary determination of serious injury or threat of serious injury to the domestic industry caused by the imports, as well as evidence of critical circumstances such as increased imports within a relatively short period or any delay in applying the measures that would result in serious injury or threat thereof being difficult to repair. Provisional safeguard measures must take the form of an increase in import duty, additional to the CET, and may be *ad valorem* duties, specific duties, or a combination of the two.

3.72. The imposition of definitive safeguard measures also requires a joint ministerial resolution published in the Official Journal and may only be ordered to the extent necessary to prevent or repair the serious injury and facilitate adjustment of the domestic industry. Definitive safeguard measures may take the same form as provisional measures, as well as the form of quantitative restrictions.

3.73. Paraguay did not reserve the right to apply the special safeguard measures provided in the WTO Agreement on Agriculture.

3.74. At the MERCOSUR level, the only common trade defence rules are to be found in the Regulations on the application of safeguard measures to imports from non-Southern Common Market countries⁵⁰, in force in Paraguay pursuant to Decree No. 7.105/00 of 13 January 2000. The Regulations provide procedures for applying safeguard measures under Article XIX of the GATT 1994 by MERCOSUR as a single entity or on behalf of a State Party. The procedures are based on the WTO Agreement on Safeguards. When the measures are applied by MERCOSUR on behalf of a State Party, the products concerned are subject to the MERCOSUR regime of origin for trade among States Parties.⁵¹

⁴⁸ For a detailed explanation of these procedures, see: MIC (2013), *Procedimientos de Defensa Comercial en Paraguay. Documento Explicativo 2013*. Viewed at: http://www.mic.gov.py/v1/sites/172.30.9.105/files/PROCEDIMIENTOS%20DEFENSA%20COMERCIAL_0.pdf.

⁴⁹ Articles 6 and 7 of Decree No. 1.827/99.

⁵⁰ Decision No. 17/96 of the MERCOSUR Council.

⁵¹ Article 82 of Decision No. 17/96.

3.2 Measures directly affecting exports

3.2.1 Export procedures and requirements

3.75. For exports, customs procedures are governed by the Customs Code (Law No. 2.422/04 of 5 July 2004) and its implementing Regulations (Decree No. 4.672/05 of 6 January 2005). Any natural or legal persons seeking to engage in export transactions must be registered in the National Register of Exporter Documentation through the single window for exports (VUE), administered by the MIC. This Register is governed by Decree No. 3.358/04 of 14 September 2004, MIC Resolution No. 821/04 of 11 November 2004 and MIC Resolution No. 969/10 of 22 December 2010.

3.76. There is also a National Register of Exporters, created by General Resolution No. 13/14 of 28 January 2014 of the Under-Secretariat of State for Taxation (SET) in the Ministry of Finance. The Register's purpose is to administer tax credits for exporters, and all taxpayers engaged in export transactions (including the supply of international export freight services) must be listed in the Register. Registration is through the SET's website and is valid until 31 December each year, irrespective of the date of registration.

3.77. All exports are through the VUE, which was authorized by Resolution No. 7.290/06 and is a computer system to facilitate export procedures, allowing interconnection of export-related operators and entities: exporters, customs agents, certifying entities, the MIC and other government institutions, banks and private institutions (trade unions, chambers, carriers, etc.). Its services include the completion of electronic formalities, electronic collection of payments, and providing users with information. Its purpose is to optimize procedures, thus lessening costs and time, facilitate flows of information and gather statistical data on export transactions. In addition to keeping the National Register of Exporter Documentation, the VUE allows registration of industrial firms and completion of other authorization or certification formalities for export. The following institutions have been incorporated into the VUE: MIC, MAG, SENACSA, SENAVE, MSPBS, DNA, the Ministry of Finance, SENAD, DNVS, the Merchant Marine, INFONA, and bodies which issue certificates of origin, *inter alia*.

3.78. Export declarations are submitted using the SOFIA electronic system and must be accompanied by the commercial invoice and the land or waterway bill of lading or air waybill. Depending on the type of goods to be exported, various types of certificate or registration are also required, for example, a sanitary, phytosanitary or animal health certificate. An eligibility certificate (C.Q.E.) issued by the MIC is required for exports of sugar to the United States, in accordance with the quota allocated to Paraguay. A certificate of origin also has to be issued for goods eligible for tariff preferences under trade agreements signed by Paraguay. Certificates of origin are issued by government and private bodies authorized by the MIC through an online procedure in the VUE.

3.79. Listing in a register is required for the export of some products, imposed by the MIC or by other institutions (INFONA, DNVS, etc.) and is linked to the requirement to obtain a prior licence for exports. In the case of the MIC, registration is required for the following products: Petit Grain essential oil; aluminium, copper and bronze; and articles of iron and steel (Table 3.15).

3.2.2 Export taxes, charges and levies

3.80. Paraguay does not apply any export taxes. A draft law went before the Senate in 2016 proposing the application of a tax on the export of grain but it did not pass. A tax on the export of agricultural products in their natural state was imposed in the past but was repealed on 1 January 2005 by Decree No. 2.939/04 of 26 July 2004.

3.81. A tax applies to the endorsement of export documents and other commercial documents requiring action by the MIC's Directorate-General of Foreign Trade. MRE Resolution No. 869/14 of 11 September 2014 set this tax at 0.5 daily wages, which at the time of drafting this report (May 2017) amounted to around G\$37,779.

3.82. In addition, DINAC applies taxes on export cargo. When cargo for export is loaded directly on to the aircraft, a tax corresponding to US\$0.007/kg is imposed on the taxable value indicated

on the clearance document or the completed customs documentation. If the goods are stored, the figure for general export cargo is US\$0.005/kg or US\$0.007/kg if special storage is required. The tax for all export cargo whose value has not been determined by the customs authority is US\$0.005 per gross kg of cargo to be loaded and US\$0.007 per gross kg if it is special cargo.⁵²

3.2.3 Export prohibitions, restrictions and licensing

3.83. Paraguay bans or restricts the export of certain products, generally in order to protect the environment or public health or to comply with its commitments under international agreements such as the Basel Convention and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). For example, the export of wild animals is banned without express authorization from the Environment Secretariat, as are traffic, marketing and preparation of dangerous drugs and narcotics (Table 3.15).

3.84. In some cases, the reason for the restrictions concerns the promotion of domestic industry or efforts to increase value added or ensure domestic supplies of raw materials. For example, it is prohibited to export wood of any species in the rough or semi-processed, or sawn wood of the species *Cedrela spp.* (cedar), *Tabebuia spp.* (lapacho), *Myrocarpus spp.* (incense) and *Cordia trichotoma* (petereby), including planed wood, unless it has been treated in kilns and shaped on all four surfaces. Furthermore, Law No. 515/94 bans the export of or international traffic in round wood, wood blocks and beams of any species, quantity, weight or volume. As far as Petit Grain essential oil is concerned, the legislation requires that part of domestic production be processed and only allows export of up to 60% of unprocessed production. This restriction is applied through export licences issued by the MIC.

3.85. Since 2003, a prior licence from the MIC has been required to export aluminium, copper and bronze waste and, since 2008, articles of iron and steel, in addition to the requirement to be listed in the corresponding exporters' registers (section 3.2.1 above). In both cases, the aim is to guarantee the supply of raw materials for domestic industry. Export licences are processed online through the VUE.

3.86. A phytosanitary export licence issued by SENAVE is required to export plant products and by-products if their nature or preparation entails a potential risk of introducing regulated diseases pursuant to ISPM No. 12 and Law No. 123/91. Agricultural inputs (fertilizers, pesticides, etc.) require an export certificate issued by SENAVE through the VUE. The export of pharmaceuticals requires a sanitary certificate issued by the MSPBS.

Table 3.15 Export prohibitions and restrictions, 2017

Product	Restriction/ Authority responsible	Reason invoked	Legal basis
Wild animals	Export prohibited without express authorization (SEAM)	Protection of biodiversity	Law No. 96/92 of 24 December 1992
Species in danger of extinction	Prior authorization (SEAM)	Protection of the environment	Law No. 583/76 of 24 August 1976; Law No. 96/92 of 24 December 1992; Decree No. 9.701/12 of 19 September 2012
Ozone-depleting substances (ODS)	Export licence (SEAM)	Protection of the environment	Decree No. 12.685/08 of 11 August 2008; Resolution No. 255/15 of 1 July 2015
Narcotics and dangerous drugs	Prohibition (SENAD)	Public health	Law No. 1.340 of 22 November 1988, updated by Decree No. 18.425/02
Wood in the rough or semi-processed (round wood, blocks or beams)	Prohibition (INFONA)	Environment and higher domestic value added	Law No. 515/94 of 9 December 1994, as amended by Law No. 2.848/05

⁵² Decree No. 8.701/12 of 4 April 2012, as amended by Decree No. 4.333/15 of 2 November 2015.

Product	Restriction/ Authority responsible	Reason invoked	Legal basis
Sawn wood, including planed wood, of the species cedar, lapacho, incense and petereby, unless treated in kilns and shaped on all four surfaces	Prohibition (INFONA)	Environment and higher domestic value added	Decree No. 8.463/91 of 28 January 1991, as amended by Decree No. 8.574/06 of 5 December 2006; Resolution No. 498/08
Wood articles of the species Bulnesia Sarmientoi (Palo Santo)	Prior authorization and physical inspection (INFONA)	Protection of the environment	Resolution No. 1616/12 of 27 December 2012; Resolutions Nos. 752/2016 and 753/2016, both of 25 August 2016; Resolution No. 779/2016 of 6 September 2016
Petit Grain essential oil	Export licence (MIC)	Higher domestic value added	Law No. 268/71 of 30 July 1971; Decree No. 26.067/72
Aluminium, copper and bronze	Export licence (MIC)	Supply of raw materials for domestic industry	Decree No. 21.003/2003 of 2 May 2003; Resolution No. 219/2003 of 26 May 2003; Resolution No. 729/2009
Articles of iron and steel	Export licence (MIC)	Supply of raw materials for domestic industry	Decree No. 897/08 of 20 November 2008; Resolution No. 173/11; Resolution No. 1.023/13 of 17 October 2013
Biofuels (ethanol)	Export licence (MIC)	Protection of the environment	Resolution No. 681/09 of 20 October 2009
Hazardous waste	Prohibition or prior authorization (SEAM, MAG or DIMABEL)	Compliance with the Basel Convention	Law No. 567/95 of 1 June 1995
Semi-processed products of plant origin not presenting any risk of disease	Phytosanitary certificate (SENAVE)	Phytosanitary protection	Law No. 123/91 of 9 January 1991; Law No. 2.459/04 of 4 October 2004
Pharmaceuticals	Sanitary registration MSPBS	Public health	Law No. 1.119/97 of 21 August 1997; Decree No. 10.262/12 of 17 December 2012

Note: MAG: Ministry of Agriculture and Livestock; MIC: Ministry of Industry and Trade; MSPBS: Ministry of Public Health and Social Welfare; INFONA: National Forestry Institute; SENAD: National Anti-Drug Secretariat; SENAVE: National Plant and Seed Quality and Health Service; SENACSA: National Animal Quality and Health Service; DIMABEL: Armaments Directorate; SEAM: Environment Secretariat.

Source: WTO Secretariat, on the basis of information provided by the Paraguayan authorities.

3.2.4 Export support

3.2.4.1 Exemption from internal taxes

3.87. Pursuant to Law No. 125/91 of 9 January 1992 and amendments thereto, exported goods are not subject to payment of VAT or the ISC.

3.2.4.2 Drawback (refund of customs duty) and temporary admission for inward processing procedure

3.88. Article 177 (Drawback) of the Customs Code gives exporters the opportunity to obtain total or partial refund of customs taxes paid upon import for the goods exported or for products contained therein or consumed in the course of production. This procedure has not been applied, however, as it has not been regulated.

3.89. According to the temporary admission for inward processing procedure (Article 178 of the Customs Code), foreign goods may enter with total or partial suspension of customs duty in order to be processed (transformation, preparation, repair, restoration and finishing, conditioning, packing or packaging), provided that the final product is exported. This procedure has been used regularly; in 2016, temporary imports for transformation amounted to US\$85.9 million, whereas temporary imports without transformation amounted to US\$18.7 million.

3.90. In 2015, the MERCOSUR Common Market Council approved extension of the application of the drawback and temporary admission procedures for intra-zone trade until 31 December 2023.⁵³ As Paraguay and Uruguay do not use these procedures, they were allowed to apply a zero rate on imports of agricultural inputs, which have to be notified to the MERCOSUR Trade Commission. At the time of drafting this report, Paraguay had not incorporated this Decision into its domestic legislation and it was therefore not in force.

3.2.4.3 Tax credits for exporters

3.91. VAT and the ISC paid on goods and service intended directly or indirectly for the production of goods for export may be refunded by means of tax credits for exporters.

3.92. Law No. 5.061/13 of 4 October 2013 (which amends Law No. 2.421/04) provides that for export transactions in "agricultural products in their natural state" and export transactions in "agricultural products in their natural state and their by-products which have been subject to basic, primary or incipient industrialization processes" the tax credit refund is 50% of the tax paid on the goods and services directly or indirectly used for these transactions.⁵⁴ The tax credit is 100% for the purchase of goods and services related to export transactions in goods fully industrialized in Paraguay; goods which have entered under the temporary admission for inward processing procedure and then been re-exported; and capital goods produced by domestic manufacturers, used directly in the industrial or agricultural production cycle and purchased by subjects covered by Law No. 60/1990.⁵⁵

3.2.4.4 Free zones

3.93. Paraguay continues to apply a free zone (FZ) regime. Its main legal basis is Law No. 523/95, and its implementing Regulations (Decree No. 15.554), together with other provisions, are shown non-exhaustively in Table 3.16.

Table 3.16 Principal legal instruments on the free zone regime

Legal instrument	Subject
Law No. 523/95 of 16 January 1995	Authorizes and establishes the free zone regime
Law No. 2.421/04 of 5 July 2004	Administrative reorganization and fiscal adjustment partly amending Law No. 523/95
Decree No. 15.554/96 of 29 November 1996	Implements Law No. 523/95 of 16 January 1995 authorizing and establishing the free zone regime
Decree No. 15.006/01 of 15 October 2001	Approves the Manual on the organization and functions of the National Free Zones Council and its dependent bodies
Decree No. 19.461/02 of 22 November 2002	Approves the regulations on the functioning and operation of free zones
Decree No. 20.395/13 of 18 February 2013	Establishes administrative measures designed to broaden the scope of the regulations on imports from free zones
Decree No. 21.309/03 of 10 June 2003	Partly amends Decrees Nos. 15.554/96, 19.461/2002 and 20.395/2003 (facilitating transit in free zones)
Decree No. 7.068/06 of 6 January 2006	Determines measures for the import of goods from free zones authorized in Paraguay and originating in MERCOSUR
Decision MERCOSUR/CMC/DEC No. 8/94	Free zones, export processing zones and special customs areas
Decree No. 4.718/15 of 29 December 2015	Amends Article 1 of Decree No. 2.701/09 of 14 August 2009, declaring goods under tariff headings of chapters 61 to 63 of the NCM affected by unfair trade practices as goods contrary to the country's interest, in the terms of Law No. 523/95 authorizing and establishing the free zone regime
DNA Resolution No. 295/16 of 7 June 2016	Establishes provisions on production of clothing in authorized free zones (chapters 61 to 63 of the NCM) for export and the application of the relevant control mechanisms

Source: WTO Secretariat. Online information viewed at: <http://www.hacienda.gov.py/web-hacienda/index.php?c=545>.

⁵³ Decision CM No. 24/15 of 16 June 2015.

⁵⁴ Article 14 of Decree No. 1.029/13 of 27 December 2013 defines what is meant by "agricultural products in their natural state" and "agricultural products in their natural state and their by-products which have been subject to basic, primary or incipient industrialization processes".

⁵⁵ Article 13 of Decree No. 1.029/13 of 27 December 2013.

3.94. Pursuant to Law No. 523/95, free zones are areas set up in Paraguayan territory, clearly delimited and separate from customs territory, whose installation and exploitation may only be of a private nature. The National Free Zones Council (CNZF) is responsible for regulating and controlling free zones; it is composed of representatives of the Ministry of Finance, the MIC and the Ministry of Public Works and Communications (MOPC), together with a representative of users and another of concessionaires of free zones.

3.95. Three types of activity can be carried on in free zones: (a) commercial activities, consisting of the introduction of goods for intermediation without any transformation (including storage, selection, classification, handling, mixing of goods and raw materials); (b) industrial activities, consisting of manufacturing or assembling goods for export by transforming raw materials and/or semi-processed products of domestic origin or imported; and (c) repair and maintenance services for equipment and machinery, and other services that may be authorized by the Executive.

3.96. There are two types of economic actor in free zones: the concessionaire and the user. The concessionaire is the private legal person who, under a contract with the Executive, acquires the right to equip, manage and operate a free zone. Investment projects to equip a free zone have to be submitted to the CNZF, which examines the project and forwards its recommendation to the Executive for a decision. Concessions are given for a term of 30 years, which may be extended for a further 30 years. The user is the Paraguayan or foreign natural or legal person of private status who acquires the right to conduct commercial, industrial or services activities in a free zone under a contract signed with its concessionaire; such a contract must be entered in the register kept by the CNZF.

3.97. Concessionaires and users of free zones are subject to different tax regimes. Concessionaires may be given the investment incentives granted by Law No. 60/90 and are exempt from VAT on services provided to users in free zones (including port facilities); nevertheless, they are not eligible for the tax exemptions given to users under Law No. 523/95 (Table 3.17).

Table 3.17 Tax concessions under the free zone regime

Concessionaires	Users
Incentives under Law No. 60/90 for investment of capital of national or foreign origin	Exemption from all national, departmental or municipal taxes on earnings from activities in the FZ
Exemption from all taxes on the import of capital goods intended for infrastructure in the FZ	Exemption from all taxes on the import of capital goods (machinery and equipment, including goods leased with a purchase option) entering FZ
Exemption from VAT on services provided to users of FZ	Exemption from taxes on the payment of royalties, commission, fees, interest or any other remuneration for services, technical assistance, transfer of technology, loans or financing, rental of equipment or any other service provided from third countries to users of FZ
Exemption from all taxes on port facilities provided to users of FZ	Exemption from taxes on the incorporation of companies users of FZ and on remittances of profits/dividends to third countries

Source: WTO Secretariat, on the basis of Law No. 60/90, Law No. 523/95 and Decree No. 15.554/96.

3.98. Users of free zones solely engaged in export to third countries pay a flat rate tax (free zone tax) of 0.5% on gross income earned from their exports. Companies engaged in business, industrial or services activities in free zones may sell finished goods and services in Paraguayan customs territory up to a maximum of 10% of the company's gross sales revenue, paying only the free zone tax. If a company in a free zone engages in sales in Paraguayan customs territory exceeding 10% of its gross sales revenue, it is liable for income tax on the share of its sales in the customs territory in its total gross income, in addition to paying the free zone tax on exports to third countries.⁵⁶

3.99. Imports into Paraguayan customs territory from companies established in free zones have to pay tariffs and any other import tax applicable. As regards goods of MERCOSUR origin, Decree No. 7.068/06 provides that goods which are imported into customs territory from free zones authorized in Paraguay and which can prove that they are of MERCOSUR origin at the time of entry

⁵⁶ Article 17 of Law No. 523/95, as amended by Article 36, paragraph 10, of Law No. 2421/04.

may be eligible for the tariff concessions given in the customs union. Decision MERCOSUR/CMC/DEC No. 8/94 provides that States Party apply the CET or, for products subject to an exception, the domestic tariff applicable to goods from commercial or industrial free zones, export processing zones and special customs areas at the time they enter the country concerned.

3.100. Sales by one free zone user to another are exempt from all taxes. Sales from customs territory to free zones receive the same tax treatment as exports.

3.101. In order to allow textile firms to set up in free zones and to help create jobs, Decree No. 4.718/15 of 29 December 2015 (published on 14 January 2016) was signed, amending Article 1 of Decree No. 2.701/2009. This amendment authorized production of goods under tariff headings of chapters 61 to 63 of the NCM in free zones, provided that they are solely intended for international export; it is not allowed, however, to introduce them into free zones. Decree No. 4.718/15 provides that this measure is to be evaluated one year after its entry into force.

3.102. The DNA issued Resolution No. 295/16 of 7 June 2016 establishing regulatory provisions for the production of clothing in free zones (NCM chapters 61 to 63) in order to apply stricter controls and ensure that the clothing manufactured is intended for export and is not introduced into national customs territory. Companies using free zones are obliged to be registered as "clothing manufacturers", provide the Customs with data prior to import, link their import declarations to their production and export plans, and make sure that the data on the commercial invoice for the clothing exported corresponds to the data in the plan. Only one textile firm has started up in a free zone so far.

3.103. As of May 2017, two free zones had been authorized in Paraguay: the Zona Franca Internacional Trans Trade S.A. & Asociados (which groups 104 commercial firms and four industrial firms) and the Zona Franca Global del Paraguay S.A.C.S. (37 commercial firms and nine industrial firms). Decree No. 17.003/02 of 24 April 2002 gave both zones a concession for 30 years and they started to operate in 2003.⁵⁷ Industrial firms established in free zones manufacture articles such as automotive parts, aluminium conductors, electronic test boards, TV cables, furniture, textiles, cosmetics, LED lights and bicycle tyres. Around 2,500 people work in the two free zones, either directly or in outsourced services, and their main market is Brazil.

3.104. Gross turnover from exports by free zone firms almost doubled during the period under review, reaching a high of US\$56.7 million in 2014. This was reflected in an increase in revenue from the free zone tax. In 2016, exports from free zones amounted to US\$49.2 million, close to 0.5% of Paraguay's total exports of goods (Table 3.18).

Table 3.18 Free zone indicators, 2011-2016

(US\$)

Year	Gross turnover of exports from free zones	Revenue from the free zone tax
2011	26,134,648	130,673
2012	36,913,054	184,565
2013	26,894,212	134,471
2014	56,767,286	283,836
2015	45,651,346	228,257
2016	49,271,254	246,356

Source: National Free Zones Council.

3.105. According to the authorities, free zones need to be sustained as poles of industrial, commercial and services development in order to create jobs, generate foreign exchange and transfer of technology. The regulations governing this sector, therefore, need to be adapted, particularly those on services, in order to facilitate the establishment of service firms such as call centres.

⁵⁷ Decrees Nos. 21.981/2003 and 6.645/2005 extended free zones to industrial activities.

3.2.4.5 Maquila

3.106. The maquila regime has been operating in Paraguay since 2001. It operates on the basis of a contract under which a foreign company supplies goods and services to a company located in Paraguay (maquiladora) so that it can carry out processes that add value (transformation, preparation, repair or assembly) and re-export the finished product. Maquiladoras may operate in various forms such as "maquila pura" solely engaged in maquila operations; "idle capacity maquila" and "submaquila".

3.107. The legal framework governing the maquila regime mainly consists of Law No. 1.064/97 of 13 May 1997 (and amendments thereto) and its implementing Regulations, Decree No. 9.585/00 of 17 July 2000. These texts have not been notified to the WTO.

3.108. During the review period, Law No. 5.408 of 30 March 2015 was adopted, increasing the time during which raw materials and inputs temporarily imported may remain in Paraguay from six to 12 months, together with Decree No. 6.118 of 11 February 2011, which regulates the transfer of goods for virtual export-import between maquila companies.

3.109. The National Council of Maquila Export Industries (CNIME), created by Law No. 1.064/97, is responsible for promoting and regulating maquila activities; it is chaired by the MIC and includes representatives of the Ministry of Finance, the Central Bank, the Technical Secretariat for Economic and Social Development Planning, and the MRE.

3.110. Maquila companies are organized as Production Cost Centres, a legal concept to which special tax treatment applies. The main benefits of this regime include the application of a single maquila tax of 1% on the national value added or the amount invoiced, whichever is higher; suspension of tariffs and other import taxes on raw materials, inputs and machinery; refund of VAT through tax credits; and exemption from all other national, departmental or municipal taxes. Companies solely engaged in maquila operations ("maquila pura") are eligible for additional exemptions (Table 3.19).

3.111. The benefits of the maquila regime are available to Paraguayan or foreign natural or legal persons, provided that they are domiciled in Paraguay and are authorized to engage in trade. Interested companies must be registered and submit a "maquila programme" to the CNIME, which evaluates it and forwards it to the MIC and the Ministry of Finance for final approval, given by means of a joint ministerial resolution.

Table 3.19 Tax benefits under the maquila regime

Type of tax	Benefit
For all companies	
Single maquila tax	A single tax of 1% of national value added or the value of the invoice issued by the foreign company, whichever is higher. This benefit also applies to "submaquila" activities.
Import tariffs	Temporary import of raw materials, inputs and machinery, suspending tariffs and other taxes, subject to the posting of security covering the amount of any taxes that may apply.
Other import charges and taxes	Exemption from: customs valuation service tax; consular fees; INDI tax; port and airport taxes; IT tax; any other tax or charge on the entry/exit of goods covered by the maquila regime; taxes or charges on guarantees given by firms and relating to maquila activities; taxes or charges on loans to finance maquila operations.
Value added tax	Exports by maquiladoras are exempt from VAT. Refund of the VAT paid on domestic purchases of goods and services in the form of tax credits.
Additional benefits for companies solely engaged in maquila operations	
Exemption from the tax on permits for trade, industry, professions and crafts.	
Exemption from the building tax on industrial and/or services facilities approved under the maquila programme.	
Exemption from taxes directly applied to the maquila process.	
Exemption from VAT on rental or leasing of machinery and equipment under the maquila programme.	
Exemption from any other national or departmental tax, charge or contribution in effect or to be adopted in the future.	

Source: WTO Secretariat, on the basis of Law No. 1.064/97 and Decree No. 9.585/00.

3.112. Maquiladoras may be set up in one of the following forms: public limited companies, partnerships, limited liability companies, subsidiaries of foreign companies, or as an individual enterprise with limited liability. There are no restrictions as to the percentage of foreign capital in maquila firms. Maquila companies may be set up anywhere in Paraguay, the only limitations being imposed by national development plans or environmental criteria. There are no restrictions either on the type of product or service to be offered in the programmes of maquila firms.

3.113. Maquila firms must export the goods or services resulting from their transformation, preparation or assembly activities. They may, however, sell up to 10% of the volume exported the preceding year on the domestic market, provided that they have obtained authorization from the CNIME beforehand and paid the applicable domestic tariffs and taxes in order to clear the inputs and goods for production imported on a temporary basis. They must also pay income tax on the percentage sold on the domestic market on the basis of a profitability coefficient determined by the tax authorities.

3.114. As of May 2017, 131 firms (125 industrial firms and six service firms) covered by the maquila regime were in operation.⁵⁸ Overall, these firms employed 11,593 people and represented investment of over US\$300 million. The average value of exports by maquila firms was US\$197 million annually from 2011 to 2015. In 2016, exports under the maquila regime amounted to US\$313.9 million; the authorities attribute this growth to implementation of government policies to attract foreign investment. The principal export items under the maquila regime are: automotive parts (39%); made-up articles and textiles (23.9%); plastics and articles of plastic (10.4%); leather and articles of leather (10.1%); followed by pharmaceuticals (3.8%); wood and articles of wood (3.2%); footwear and parts therefor (2.8%); intangible services (1.6%); pigments, paints and dyes (1.1%); food products (0.9%); and others (1.2%).⁵⁹

3.2.4.6 Export subsidies

3.115. In its most recent notification (2010) pursuant to Article 25.2 of the Agreement on Subsidies and Countervailing Measures (SCM) and paragraph 1 of Article XVI of the GATT 1994, Paraguay indicated that it did not maintain any subsidy within the meaning of Article 1.1 of the SCM Agreement.⁶⁰ It did not request an extension of the time-limit for eliminating export subsidies, granted to developing countries which so request pursuant to the Doha Ministerial Declaration.

3.116. As regards subsidies for the export of agricultural products, Paraguay has notified the WTO that it did not apply such measures from 2010 to 2015.⁶¹

3.2.4.7 Export promotion and financing

3.2.4.7.1 Export promotion

3.117. In Paraguay, export promotion is the responsibility of the Investment and Export Network (REDIEX), part of the MIC. REDIEX was created by Executive Decree No. 4.328/05 to implement the National Export Plan 2004-2008. The Plan remains a reference text for determining the MIC's export policy goals, namely, diversification of products and markets, expanding the supply of exportable goods, intersectoral work and boosting the international competitiveness of Paraguay's economy.

3.118. REDIEX's role is to support Paraguay's exports and attract investment through interactive efforts by all government actors, as well as those in the business sector, universities and civil society organizations. It is based on four main approaches: (i) sectoral round tables, bringing together relevant actors from production sectors with the greatest export potential; (ii) attracting Paraguayan and foreign investment in order to catalyse production for export; (iii) improving the business climate; and (iv) international promotion, consisting of exploring business opportunities abroad, both for exports and for attracting investment.

⁵⁸ Information provided by the CNIME.

⁵⁹ Information provided by the MIC's Maquila Directorate.

⁶⁰ WTO document G/SCM/N/186/PRY of 18 February 2010.

⁶¹ WTO documents G/AG/N/PRY/18 of 9 June 2011, G/AG/N/PRY/20 of 14 December 2012, G/AG/N/PRY/22 of 10 February 2015 and G/AG/N/PRY/25 of 11 August 2016.

3.119. The public-private sectoral round tables cover the following production sectors: meat and leather; fruit and vegetables; forestry products; textiles and made-up articles; biofuels; stevia (a sweetener); pharmaceuticals; mate; tourism; information technology; and a round table on the development of new sectors (for example, medicinal herbs, metal working, automotive parts). There are also three interinstitutional round tables with the aim of improving the investment climate; logistics infrastructure, streamlining formalities and incentives for investment and export.

3.120. REDIEX's services include support for trade promotion (exhibitions and international fairs, negotiating rounds and trade missions); trade intelligence (technical studies, market surveys, statistics, etc.); and financing of investment projects intended to boost exports. For individual companies, financing may cover up to 65% of the cost of the project and up to 75% for groups of companies. The resources may be used to pay a number of costs, mostly those for trade promotion and market surveys and research, but may not be used to acquire capital goods. There are also projects to finance activities that help to increase exports by an entire production sector ("structuring projects"), in which case companies belonging to the corresponding sectoral round table may receive financing for up to 85% of the amount of the project.

3.121. From 2010 to 2016, REDIEX managed the "Export Support" programme financed by a loan from the Inter-American Development Bank (IDB) for a total of US\$10 million and by local resources. At 30 June 2016, the total amount disbursed was US\$10.14 million (US\$9.02 million from the IDB and US\$1.2 million from local sources), and had financed 240 projects, benefiting some 400 companies. From January to June 2016, the sectors corresponding to the sectoral round tables exported goods worth US\$873 million.⁶² REDIEX's authorities are working with the IDB on fixing the terms for a new loan, which it is hoped will become available in 2018.

3.2.4.7.2 Export financing, insurance and guarantees

3.122. The National Development Bank (BNF) is a first-tier development bank offering banking and financial services for production activities, including foreign trade transactions, from own resources and those of international organizations. Pursuant to its organic law, Decree-Law No. 281/61 of 14 March 1961 (and amendments thereto⁶³), the BNF is an autonomous institution with its own legal status, whose resources are legally separate from those of the State. During the review period, Law No. 281/61 was amended twice in order to update the maximum limits on loans. The BNF must comply with the limits set and with the prudential rules applicable to financial system institutions in general, and the loans it grants are at market interest rates.

3.123. The BNF grants loans to exporting firms for investment projects in the agricultural, industrial, trade and services sectors for the production of goods and services for export, as well as investment under the maquila regime. Loans may not exceed US\$2 million or its equivalent in local currency, per person and per company⁶⁴; their term is up to ten years (including a two-year grace period) and a 7.95% annual interest rate in guaranies applies.⁶⁵ According to data from the BCP, at the end of December 2016, the BNF's loan portfolio amounted to ₡2,562,829 million, broken down as follows: consumption (45.2%), agriculture (18.9%), livestock (15.8%), industry (9%), services (7.5%), commerce (3.5%) and the financial sector (0.1%).⁶⁶ No loans for export as such were recorded, as was already the case over the period 2011-2015.

3.124. Two other government financing institutions, the Agricultural Equipment Bank (CAH) and the Livestock Fund (FG) also provide competitive financing for rural producers engaged in agriculture or raising livestock on a small scale, mostly intended for the domestic market but also for export.⁶⁷ Between January and October 2016, the CAH granted loans to 33,685 producers amounting to a total of ₡197,867 million.⁶⁸ The FG, for its part, approved 246 loans for a total

⁶² Information provided by REDIEX.

⁶³ Law No. 281/61 was amended by Laws Nos. 2100/03, 2501/04, 4340/11 and 4843/12.

⁶⁴ Law No. 4843/12 of 11 December 2012.

⁶⁵ Online information from the BNF, viewed at: <http://www.bnf.gov.py>.

⁶⁶ Information provided by the BCP.

⁶⁷ The financial products offered by the FG may be viewed at:

<http://www.fondogan.gov.py/index.php/tipos-creditos>; and those of the CAH at:

<http://www.cah.gov.py/productos>.

⁶⁸ Online information from the CAH, viewed at: <http://www.cah.gov.py>.

amount of \$31,349 million in 2015 and 100 loans for a total of \$6,835 million in 2016.⁶⁹ The authorities have indicated that an upturn in the placement of loans by the FG is expected in 2017.

3.125. No government financing institution or programme offers insurance or guarantee services for exports; such services are provided by private firms.

3.3 Measures affecting production and trade

3.3.1 Incentives

3.3.1.1 Overview

3.126. Paraguay has public aid programmes aimed at specific activities, as well as investment incentives applicable to Paraguayan and foreign investors. These investment incentives are regulated mainly by Law No. 60/90 of 20 December 1990 and its implementing Regulations, and by Laws No. 5.102/13 on the promotion of investment in public infrastructure and the expansion and upgrading of goods and services provided by the State, regulated by Decree No. 1.350/14, and Law No. 5.542/15 of 11 December 2015 on investment guarantees, the promotion of job creation, and economic and social development, both of which were adopted during the review period.

3.127. The regime for the import of raw materials is regulated by Decree No. 11.771/00 of 29 December 2000, amended by Decree No. 2.884/14 and by Ministry of Finance Resolution No. 1/01.

3.128. In 2012, a new national automotive policy (PAN) was introduced by Law No. 4.838.12 of 4 December 2012, to replace Decree No. 21.944/98 of 16 July 1998, which established Paraguay's national automotive regime (RAN). Also during the review period, Law No. 4.427/12 of 12 April 2012 introduced incentives for the production, development or assembly of high-technology goods; and Law No. 4.903/14 of 22 April 2013 on industrial parks was adopted.

3.129. In February 2010, Paraguay notified the WTO SCM Committee that it did not grant or maintain within its territory any subsidy, as defined in Article 1.1 of the Agreement on Subsidies and Countervailing Measures, which is specific within the meaning of Article 2 of that Agreement.⁷⁰ By June 2017, this was the most recent notification submitted by Paraguay to the SCM Committee.

3.3.1.2 Investment incentives

3.3.1.2.1 Overview

3.130. In Paraguay, investment incentives are governed by Law No. 60/90 of 20 December 1990⁷¹, implemented by Decrees Nos. 15.657/92 of 30 November 1992, 7.692/00 of 23 February 2000, and 22.031/03 of 14 August 2003; and amended by Law No. 2.421/04 of 25 June 2004. This investment incentives regime was reaffirmed by the enactment of Law No. 5.061/13 of 4 October 2013.⁷² Moreover, during the review period, Law No. 5.102/13 of 1 November 2013 on the promotion of investment in public infrastructure and the expansion and upgrading of goods and services provided by the State was adopted⁷³, implemented by Decree No. 1.350/14 of 12 May 2014⁷⁴, and Law No. 5.542/15 of 11 December 2015 on investment guarantees, the promotion of job creation, and economic and social development.⁷⁵

⁶⁹ Information provided by the BCP. See also Livestock Fund (2015), *Memoria 2015*, viewed at: <http://www.fondogan.gov.py/application/files/9814/7853/9912/Memoria2015.pdf>.

⁷⁰ WTO document G/SCM/N/186/PRY of 18 February 2010.

⁷¹ Online information viewed at: http://www.sice.oas.org/investment/NatLeg/Par/L60_90_s.pdf.

⁷² Amending the provisions in Law No. 125/92 of 9 January 1992 establishing the new tax regime and other tax measures. Viewed at: <http://www.bacn.gov.py/NDczOA==&ley-n-5061>.

⁷³ Online information viewed at: <http://digesto.senado.gov.py/ups/leyes/8386.pdf>.

⁷⁴ Online information viewed at: http://snip.hacienda.gov.py/normativas/decreto_1350.pdf.

⁷⁵ Online information viewed at: <http://digesto.senado.gov.py/ups/leyes/9084.pdf>.

3.3.1.2.2 Law No. 60/90

3.131. Law No. 60/90, as amended by Law No. 2.421/04 on fiscal adjustment, gives Paraguayan and foreign investors tax incentives provided that the purpose of their investment is to produce more goods and services, create permanent jobs, boost exports and substitute imports, incorporate technology and reinvest profits in capital goods. Exemptions apply to investment in financing, capital goods, trademarks, designs and transfer of technology in general, specialized technical assistance, mining, hotels and restaurants, leasing of capital goods, supply of air freight and passenger services, waterway transport, land transport of freight in general, public passenger transport, health, radio, television, the press, rural and urban fixed telephony, mobile telephony, scientific research, silos, storage, and data transmission services. The aims of Law No. 60/90 are: to boost the production of goods and services; to create permanent jobs; to promote exports; and to incorporate technology to make production more efficient and make more and better use of raw materials, labour and national energy resources.

3.132. The specific incentives provided by Law No. 60/90 include the following: (a) exemption from the payment of VAT on the purchase of imported or Paraguayan capital goods for direct use in the industrial or agricultural production cycle by investors⁷⁶; (b) exemption from the payment of all taxes levied on the incorporation, listing or registration of companies and enterprises; (c) exemption from the payment of duty and internal taxes on imports of capital goods, raw materials and inputs for use in investment projects for the manufacture of capital goods; (d) exemption from taxes or other levies on remittances and payments abroad in the form of interest, commission and capital, with no specific time-limit, where the investment is financed from abroad and amounts to at least US\$5 million; and (e) exemption from the payment of taxes on dividends and profits generated over a period of ten years, where the project entails investment of at least US\$5 million. If a project is US\$5 million or higher, it must be drawn up by experts and/or consulting firms in Paraguay.

3.133. The manufacturing sector is the main beneficiary of Law No. 60/90 as it accounted for 59% of investment in 2015, followed by the services sector (18%), agriculture (16%), and mining and quarrying (7%).

3.3.1.2.3 Promotion of investment in public infrastructure and the expansion and upgrading of goods and services provided by the State

3.134. The objective of Law No. 5.102/13 on the promotion of investment in public infrastructure and the expansion and upgrading of goods and services provided by the State is to lay down rules and mechanisms to promote investment in public infrastructure, through public-private partnerships, and in the supply of services for which such investment is earmarked or ancillary services. The new Law also aims to promote investment in the production of goods and the supply of services consonant with the objectives of government organizations, institutions, State-owned enterprises and companies in which the State has a holding. Public-private partnership agreements may cover different types of project: infrastructure and service management, including projects for highways, railways, ports, airports, waterways, dredging and maintaining navigability on rivers; social infrastructure; electricity infrastructure; urban improvement, upgrading and development; and supply of drinking water and sanitation, in addition to other investment projects of public interest in infrastructure and services.

3.3.1.2.4 Investment guarantees, the promotion of job creation, and economic and social development

3.135. The objective of Law No. 5.542/15 on investment guarantees, the promotion of job creation, and economic and social development is to protect capital investment in the creation of industries or other production activities established in Paraguay which contribute to job creation and economic and social development, mainly by incorporating value added into Paraguayan or imported raw materials. The incentives provided by the Law are available to Paraguayan or foreign natural or legal persons who invest capital in creating industries or other production activities

⁷⁶ Law No. 2.421/04 on fiscal adjustment amended Law No. 60/90 in order to extend the incentives to the use of Paraguayan products at any stage of the production process (previously it only applied to the first stage of production).

which contribute to job creation and economic and social development. The resources may be in the form of money, physical assets or any type of technology, if this can be capitalized.

3.136. In order to be eligible for the incentives under Law No. 5.542/15, investors must set up a public limited company and sign a contract with the State. The contract determines the time-limit within which the company must fully integrate this capital, which may not be more than five years for investment exceeding US\$5 million and two years for lesser sums.

3.137. The beneficiaries of Law No. 5.542/15 may transfer capital and net profits abroad. Capital may be transferred two years after the company in question started up, while there is no time-limit for profits. Beneficiaries also enjoy an invariable rate of income tax on the beneficiary company's activities for a period of up to ten years as of its start-up date at the same rate as that in effect when the respective contract was signed. For investment of US\$50 to US\$100 million, the period of ten years for the invariable income tax rate may be extended to up to 15 years, depending on the specific features of the investment. For investment of US\$100 million or more with the aim of developing industrial projects, the companies involved in such projects may, exceptionally, be given an invariable tax rate for a maximum period of up to 20 years.⁷⁷

3.138. Law No. 5.542/15 also provides a special regime for exports: if projects involve export of some or all of the goods produced, the company concerned may retain a percentage of foreign exchange abroad when this is necessary to pay legally authorized commitments or to cover the remittance of net profits from the investment.⁷⁸

3.139. The Law determines further incentives for industries with a high social impact, for example, exemption from the additional 5% tax on income when distributing profits. Moreover, the dividends and profits earned by shareholders or partners in the beneficiary enterprises receive a reduction in the tax on the remittance of profits abroad amounting to 1% for every 100 direct jobs created, up to a maximum of 50% of the total tax applicable. Industries have to meet the following requirements before investment is considered as having a high social impact and benefiting from these incentives: (a) be located in zones with a relatively lower level of development and few jobs for the population, but with high demand for work; (b) require a large labour force and promote the training of middle management; (c) have as their purpose the incorporation of value added into raw materials through industrialization; and (d) not degrade the environment to any significant or irreversible degree.⁷⁹

3.3.1.2.5 Raw materials import regime

3.140. Raw materials can be imported under a special regime, established by Decree No. 11.771/00 of 29 December 2000, as amended by Decree No. 2.884/14 of 30 December 2014 and Ministry of Finance Resolution No. 1/01. Decree No. 11.771/00 allows application of a 0% tariff on the import of raw materials and inputs to be used by agricultural or industrial enterprises in their own production processes. The MIC's Special Regimes Directorate (DRE) is responsible for administering special regimes. The aim of this particular regime is to boost investment and to promote existing industrial enterprises by means of tariff exemptions.

3.141. To be eligible for this regime, industries must obtain a tariff exemption certificate and be entered in the MIC's Industrial Register, following an application approved by the Interinstitutional Technical Commission (CTI). The following are the certification requirements: (a) have an approved annual production plan; (b) the raw materials or inputs requested must not be produced in Paraguay; and (c) the value of the imports f.o.b. must not be less than US\$1,500. Formalities are completed online. Every two months, the beneficiary industry must provide the DRE with a report on the use and purpose of the raw materials and inputs imported under this special regime, as prescribed by Article 9 of Ministry of Finance Resolution No. 1/01.

3.3.1.2.6 Automotive regime

3.142. The review period saw the adoption of Law No. 4.838/12 of 4 December 2012, which establishes the national automotive policy (PAN), implemented by Decree No. 10.769/13 of

⁷⁷ Article 12 of Law No. 5.542/15.

⁷⁸ Ibid., Article 13.

⁷⁹ Ibid., Article 21.

12 March 2013. The PAN's objective is to promote investment and domestic industry, increase competitiveness, create jobs, train the work force, facilitate the transfer of technology and boost research and innovation in the sector. Law No. 4.838/12 therefore grants tax incentives to Paraguayan and foreign investors, as well as tax benefits to encourage the manufacture and/or assembly of motorized and non-motorized vehicles, auto parts and spare parts in general. This new regulation grants incentives to the sector on a permanent basis and replaces the regime created by Decree No. 21.994/98 of 16 July 1998, which introduced the RAN. The exemptions provided by Law No. 4.838/12 were confirmed by the enactment of Law No. 5.061/13 of 4 October 2013 amending the provisions of Law No. 125 of 9 January 1992 establishing the new tax regime and containing other tax-related measures.

3.143. The incentives regime in Law No. 4.838/12 applies to the production and/or assembly of the goods of chapter 87 of the NCM ("Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof").⁸⁰ Paraguayan or foreign natural or legal persons legally registered in Paraguayan national territory are eligible, provided that they make investment intended to produce and/or assemble such goods.

3.144. The fiscal incentives available under this regime include exemption from payment of all customs tariffs on the import of capital goods, raw materials, components, kits, parts, spare parts and manufacturing inputs to be used to produce motorized or non-motorized vehicles, auto parts and spare parts in general. In addition, the VAT payable on imports of capital goods, raw materials, components, kits, parts, spare parts and manufacturing inputs to be used to produce and/or assemble the goods concerned is calculated on a tax base corresponding to 20% of the customs value expressed in foreign currency (40% of the customs value in the case of heading NCM 87.11). It is also stipulated that VAT must be paid when the goods are disposed of, using as the tax base 20% of the selling price (40% in the case of goods in heading NCM 87.11).⁸¹

3.145. The following are some of the requirements to be eligible for the incentives offered under the automotive regime: (a) production and/or assembly of the goods must be covered by the scope of the Law; (b) the creation of permanent jobs employing a minimum of 50% of Paraguayan nationals; (c) incorporation of technology that increases production efficiency, makes more and better use of raw materials, labour and national energy resources; (d) promotion of exports and/or import substitution; (e) submission of an investment project for plants producing and/or assembling goods coming within the scope of the Law, which must include an assembly line, trial infrastructure and equipment for marking vehicle identification numbers (VIN); and (f) for investment already made in the sector, submission of the latest ministerial resolutions for each sphere of activity, investment projects and annual production plans previously approved under Law No. 60/90 and the regime in Decree No. 21.944/98⁸², which can prove that there has been investment in capital goods and that the goods covered by the scope of the Law are being produced and/or assembled.⁸³

3.146. Investment in the automotive sector has increased in recent years: in 2015, it amounted to US\$71.5 million, 62.5% more than in 2011.

3.3.2 Other regimes and benefits

3.147. Law No. 4.427/12 of 12 April 2012⁸⁴ provides incentives for Paraguayan or foreign natural or legal persons who invest in capital goods, raw materials, components, kits, parts and spare parts for the production, development and/or assembly of high-technology goods. Beneficiaries of this regime are exempt from payment of all customs tariffs on the import of raw materials, components, kits, parts and spare parts. In addition, they pay VAT at a rate of 10% on 15% of the customs value and the tax base for determining the ISC is 10% of the factory selling price. The requirements for benefiting from the incentives provided under Law No. 4.427/12 include the following in particular: the creation of permanent jobs employing a minimum of 50% of Paraguayan nationals; preparation of plans for the transfer of technology and training of the work force; and development of programmes in support of social sectors.

⁸⁰ Article 2 of Law No. 4.838/12.

⁸¹ Ibid., Articles 6, 7 and 8.

⁸² Decree No. 21.944/98 of 16 July 1998 establishing Paraguay's automotive regime (RAN).

⁸³ Article 5 of Law No. 4.838/12.

⁸⁴ Online information viewed at: <http://digesto.senado.gov.py/ups/leyes/7746.pdf>.

3.148. During the review period, Law No. 4.903/14 of 22 April 2013 on industrial parks was also adopted, determining incentives for such parks, whether owned by Paraguayan nationals or by foreigners. The MIC is responsible for authorizations to create, establish and build industrial parks.⁸⁵ The incentives include the following: lower municipal taxes, a 50% reduction in the industrial permit fee to be paid to the municipal authorities and 100% exemption from VAT for leasing of plots or industrial plants situated in the parks. These incentives are in addition those determined in Law No. 60/90 and other relevant incentives.

3.149. Paraguay's authorities also support domestic companies through government procurement procedures by giving a 20% preference margin for products or services of Paraguayan origin.

3.3.3 Standards and other technical requirements

3.3.3.1 Technical regulations

3.150. In Paraguay, there is no centralized agency for drafting technical regulations. These are prepared and implemented by several authorities, including the MIC, the MSPBS, the MAG and other ministries and regulatory agencies. Although each follows its own procedures, they usually follow those determined in Decree No. 1.765/09 on the format for technical regulations and conformity assessment procedures drawn up within their respective areas of competence. Furthermore, the MIC is responsible for drafting and coordinating policies on technical regulations, which it coordinates with the National Technical Committee on Technical Barriers to Trade, created by Decree No. 1.766/09. This Committee constitutes the forum in which technical regulations are examined and Paraguay's position on technical barriers to trade (TBTs) is decided for the negotiations in which Paraguay takes part at the regional level (LAIA), bi-regional level (MERCOSUR-EU) and MERCOSUR's other external relations. The Committee may convene the private sector when an international notification might have an impact on Paraguay's trade.

3.151. The procedure for drafting a technical regulation (RT) usually commences by identifying Paraguay's need to protect a legitimate objective. It may stem from a request by an interested third party or be elaborated *ex officio*. Pursuant to Decree No. 1.765/09, international standards must be used as the basis for developing RTs unless they are ineffective for achieving the legitimate objectives. Accordingly, most RTs are based on international standards, which may be adopted directly or adapted. In the latter case, Paraguay, through the corresponding government authority, draws up its own RT based on regional or international standards. A draft RT may also be prepared by making an INTN Paraguayan standard mandatory (see below). Whenever an RT is drafted, it must be accompanied by the establishment of a conformity assessment procedure for the product. Once the RT has been prepared, interested parties are consulted. If the measure might affect trade, the draft is notified to the WTO. When an INTN national standard becomes an RT, it is declared mandatory, either by decree or by means of a resolution. With the exception of this case, the INTN does not draft RTs directly, but is usually consulted by government authorities when they are preparing RTs. There is also a (voluntary) guide of good practice for regulation and a risk assessment (ER) and impact (EIR) methodology for RTs. The institutions belonging to the TBT Committee are aware of this guide.

3.152. According to Paraguay's legislation, all draft RTs must be notified. Once they have been notified and published, a period of 60 to 90 days is given in which to receive comments, unless it is essential to approve the RT urgently. The National Information and Notification System (SNIN)⁸⁶ deals with the comments received at the international level. Once comments have been received, either internally or from other WTO Members, the draft regulation is reviewed and the competent ministry or body decides whether to adopt the technical regulation, with or without amendment. RTs are adopted in the form of laws, decrees or resolutions, as applicable, and published on SNIN's

⁸⁵ Article 9 of Law No. 4.903/14.

⁸⁶ The SNIN, created by Decree No. 6.499/05, is the national enquiry and notification system for RTs, standards and conformity assessment procedures. The private sector and the following government institutions participate in the SNIN: MIC, MRE, INTN, MSPBS, MOPC, the National Accreditation Agency (ONA), SENAVE, SENACSA, INAN, DNVS, National Transport Directorate (DINATRA) and SEAM. Decree No. 1.765/2009 approved the regulations and determined the strategy for the SNIN, whose goal is to ensure compliance with Paraguay's commitments in international agreements and systems relating to RTs, standardization and conformity assessment that affect foreign trade. Its specific objective is to enforce commitments on notification, transparency and information under the WTO TBT Agreement and other international trade agreements in which Paraguay participates.

website and in the Official Journal. For imports, conformity with an RT is checked at the border in accordance with internationally recognized procedures. Domestic products are inspected *in situ*. Products subject to Paraguayan RTs must be certified by approved and accredited bodies (see below).

3.153. Paraguay has notified the WTO of two contact points for enquiries relating to RTs. For questions regarding RTs, standards and conformity assessment procedures, the contact point is the SNIN Coordinating Unit, while for notifications to the WTO, information or formal questions from Members regarding TBTs, coordination is through the WTO Reference Centre within the Directorate of Multilateral Economic Organizations in the MRE's Under-Secretariat for Economic Relations and Integration.⁸⁷ In 2003, Paraguay notified the WTO that it had accepted the Code of Good Practice annexed to the WTO Agreement on Technical Barriers to Trade.⁸⁸

3.154. Over the period 2011 to May 2017, Paraguay submitted 73 new notifications on draft RTs, addendums and corrigendums to the WTO Committee on Technical Barriers to Trade. Since it sent in its first notification on RTs in September 2006, Paraguay has submitted 92 new notifications to the WTO.⁸⁹ Table 3.20 shows the new RTs adopted over the period 2011 to May 2017.

Table 3.20 Principal technical regulations adopted over the period 2011 to May 2017

Regulation
Resolution No. 327/13 – Implementing Decree No. 10.598 of 31 January 2013 – Household sanitary products
Decree No. 11.278/13 – Extending the time-limit in various Articles on cement imports
Resolution No. 1.336/13 – Technical specifications for the import and sale of fuel
Decree No. 960/13 – Partly amending Articles 7 and 10 of Decree No. 10.397/07 determining the minimum levels of quality for fuel, supplementing Decree No. 10.911/00 regulating the refining, import, distribution and sale of petroleum-based fuel and repealing Resolution No. 435/2001
Resolution No. 1.478/13 – Decanters – amending and supplementing Articles in Resolution No. 741 – Company registration
Decree No. 2.363/14 – Mechanism for the import of cement
Resolution No. 1.014/14 – Power cables, manufacture, import and sale of power cables
Resolution No. 821/14 – Amending Articles 3, 4, 7, 9 and the annex to Resolution No. 553/09 of 26 August 2009 regulating the manufacture, import and sale of cables (PVC)
Decree No. 1.836/14 – Extension of the time-limit specified in Article 3 of Decree No. 5.515 – Mechanism for the import of cement
Resolution No. 367/15 – Procedures for quality control and certification, determining the price of biodiesel fuel Type I and gas oil Types II and III
Decree No. 3.324/15 – Amending and supplementing Decree No. 2.999 of 27 January 2015, determining the selling price to the public of naphtha not exceeding 85 octane and gas oil/diesel fuel Type III (Type C)
Decree No. 2.999/15 – Selling price to the public of naphtha not exceeding 85 octane and gas oil/diesel fuel Type III (Type C) and restriction on the import of virgin naphtha and naphtha not exceeding 85 octane
Decree No. 4.562/15 – Determining new technical specifications for petroleum-based fuel for import and sale in Paraguay and repealing Resolution No. 1336 of 22 November 2013
Decree No. 4.711/15 – Determining the procedure for controlling the use of sugar-cane based alcohol mixed with gasoline under 97 octane
Resolution No. 905/15 – Supplementing Article 1 and amending Article 36 of Resolution No. 916/10 of 13 December 2010 declaring mandatory application of Paraguayan standards for portable fire extinguishers and determining requirements for the operation of companies manufacturing containers for portable fire extinguishers, assembling portable first extinguishers, services for inspecting, maintaining and recharging portable fire extinguishers and inspecting containers for portable fire extinguishers
Resolution No. 13/16 – Labelling of lubricants for automotive or industrial use for sale in Paraguay, whether of domestic or foreign manufacture
Resolution No. 370/16 – Extending the validity of Resolution No. 13/16 of 6 January 2016 until 15 July 2016, determining the labelling of lubricants for automotive or industrial use for sale in Paraguay
Resolution No. 502/16 – Amending technical specifications for some parameters of naphtha, Annexes I and II to Decree No. 4.562/15; and repealing Resolution No. 1.336/13

⁸⁷ WTO document G/TBT/ENQ/38 of 30 May 2011.

⁸⁸ WTO document G/TBT/CS/N/151 of 25 April 2003.

⁸⁹ The latest notification is contained in WTO document G/TBT/N/PRY/89 of 20 September 2016.

Regulation
Resolution No. 1.224/16 - Amending technical specifications for some parameters of gas oil Type A/Type I and Type C/Type III, Annexes I and II to Resolution No. 434/16 amending technical specifications for some parameters of gas oil Type I and Type III, Annexes I and II to Decree No. 4.562/15; and repealing Resolution No. 434/16.
Decree No. 2.881/14 - Implementing Article 39 of Law No. 1.119/97 on health and other products and determining standards for obtaining and renewing sanitary registration and for the approval and functioning of companies manufacturing, fractioning, exporting, acting as representatives for or importing personal hygiene, cosmetic and perfumery products; and repealing Decrees Nos. 8.830/06 of 29 December 2006, 8.844/12 of 3 May 2012, and 9.129/12 of 20 June 2012
Decree No. 2.882/14 - Implementing Article 40 of Law No. 1.119/97 on health and other products and determining standards for obtaining and renewing sanitary registration of Risk 1 and Risk 2 household sanitary products; and repealing Decree No. 8.843/12 of 3 May 2012
Decree No. 8.465/12 - Amending Article 1 of Decree No. 25.513/72 and declaring mandatory the application of Paraguayan standards NP 10 012 11 and NP 10 013 11 throughout the Republic
Resolution No. 353/17 - Implementing Article 2 of Decree No. 5.537/16 implementing Law No. 5.414/15 on promotion of a reduction in the use of polyethylene plastic and determining the prior import licence procedure for plastic and biodegradable bags
Decree No. 6.832/17 - Introducing registration of importers of mobile cellular telephone devices, registration of importers of parts for mobile cellular telephone devices, and registration of importers of motherboards (electronic boards or basic boards) alone (those not incorporated into finished mobile cellular telephone devices), establishing mandatory certification by the National Telecommunications Commission (CONATEL) of mobile cellular telephone devices, the prior import licensing procedure for mobile cellular telephone devices, the non-automatic prior import licensing procedure for parts for mobile cellular telephone devices, and the non-automatic prior import licensing procedure for motherboards (electronic boards or basic boards) alone (those not incorporated into finished mobile cellular telephone devices)
Decree No. 7.103/17 - Introducing registration of manufacturers or importers of incandescent or fluorescent lamps, under the MIC, establishing prior import licensing and mandatory certification of energy efficiency.

Source: Information provided by the authorities.

3.155. The SNIN makes Paraguay's regulations and notifications from other WTO Members in relation to RTs and TBTs available to exporters and the public. SNIN users can participate by sending in their comments on Paraguayan preliminary draft RTs or international notifications pending approval. In order to do this, they must register with the "exporters' early warning service".⁹⁰ By May 2017, the SNIN's website reported 124 RTs, including conformity assessment procedures, within Paraguay's regulatory framework.⁹¹ The RTs adopted since the previous review in 2011 concern products such as seeds, cotton, chemicals, service providers, food, meat, automobiles, made-up articles, footwear, fuel, wire, iron bars, soya beans, live animals, household sanitary products, cables, and salt. The SNIN had over 5,562 international notifications in its database on the same date.

3.156. A large number of RTs adopted by Paraguay are regulations adopted at regional level by the Common Market Group (GMC), MERCOSUR's main executive body, which enacts MERCOSUR technical regulations in the form of resolutions. Within the GMC, Sub-Working Group No. 3 (SGT No. 3, Technical Regulations and Conformity Assessment), made up of various commissions, prepares draft technical regulations, incorporates comments resulting from the internal consultation process, and submits the final draft to the GMC for approval.⁹² The draft regulation is notified to the WTO TBT Committee before adoption by MERCOSUR or incorporation into the internal legal system of member countries.⁹³ Following approval, the MERCOSUR RT (RTM) has to be incorporated into domestic legislation. During the period 2011-2016, nine RTMs were harmonized, eight on food and one on metrology.

3.157. The MERCOSUR ECONORMAS project (support for deepening MERCOSUR's economic integration process and sustainable development), carried out between 2010 and 2015 enabled

⁹⁰ Online information from the SNIN, viewed at: <http://www.snin.gov.py/publico/Default.aspx>.

⁹¹ Online information from the SNIN, *Normativa Paraguaya Relacionada al Comercio*, viewed at: <http://www.snin.gov.py/publico/normapy.aspx>.

⁹² The various commissions belonging to SGT N° 3 include: Food; Conformity Assessment; Gas; Automotive Industry; Toys and Safety of Bicycles for Adult Use; Metrology; and Safety of Electrical Goods. The commissions are organized in the form of sub-working groups made up of specialists from States Parties, who draw up the draft RTs.

⁹³ Online information from the MERCOSUR Secretariat, viewed at: <http://www.mercosur.int>.

Paraguay to equip three testing laboratories for the metalworking (steel bars (INTN)), electrical goods (especially transformers (Engineering Faculty/National University of Asunción (FIUNA))) and wood/furniture (parquet and multilaminate flooring) (Faculty of Agricultural Sciences/National University of Asunción (FCA/UNA)) sectors.

3.3.3.2 Standards and metrology

3.158. The drafting and adoption of standards in Paraguay is the responsibility of the INTN, a public, autonomous and decentralized entity with its own legal status and jurisdiction throughout Paraguay. It was set up by Law No. 862/63 and reorganized by Law No. 2.575/05. Relations between the INTN and the Executive are through the MIC, the INTN being the body responsible for improving quality, productivity and certification of the conformity of domestic products with technical standards through its technical bodies: the National Certification Agency (ONC), the National Metrology Agency (ONM), the National Standardization Agency (ONN), the National Inspection Agency (ONI), the Research and Technological Assistance Agency (OIAT) and the Directorate of Regulation.⁹⁴ Pursuant to Decree No. 15.552/96, the INTN also acts as the ONC, certifying products, systems and services.

3.159. Paraguayan standards are prepared, adopted or harmonized by the INTN upon request by the private or public sector. The INTN prepares and approves Paraguayan standards through its technical standardization committees (CTN). At May 2017, 64 CTNs had been set up. The procedures followed during this process are based on international guidelines and standards (ISO/IEC). Work is under way to adopt, harmonize and draft standards.

3.160. Requests to draft a standard have to be forwarded to the INTN, which designates the technical committee competent to prepare a draft standard. Once prepared, the draft is put up for public consultation for a period of 60 days, after which it is approved by means of an INTN resolution. As the INTN is a participant in ISONET, standards drawn up are sent to the ISO/IEC Information Centre in Geneva. At May 2017, 804 Paraguayan standards were in force. Since the previous review in 2011, 263 standards have been prepared (198 new standards and 65 revised standards). The majority of INTN standards concern the construction, electricity, dairy produce, wood and textiles sectors.

3.161. The INTN is a member of the MERCOSUR Standardization Association (AMN), the regional non-governmental institution responsible for harmonizing standards and composed of each member country's standardization agency.⁹⁵ Relations between the GMC and the AMN are through SGT No. 3, to which the AMN submits its annual work plan and twice-yearly progress report, attaching the standards approved. The AMN's activities are conducted through sectoral committees, which represent industry segments in each country. Adoption of MERCOSUR standards as national standards or RTs by each member country is optional. At May 2017, the AMN had adopted 620 MERCOSUR standards.⁹⁶

3.162. The National Council for Science and Technology (CONACYT) is responsible for framing Paraguay's domestic policies and strategies for science, technology, innovation and quality and also has the task of coordinating the national quality system, which has the following components: standardization, metrology and accreditation, as well as information and notification of technical regulations.

3.163. The Paraguayan National Codex Alimentarius Committee (CONACAP), created by Decree No. 17.487 of 11 June 1997, is composed of representatives of the government and private sectors and analyses, evaluates and makes recommendations to the Government concerning food-related standards. It advises the Government on harmonizing domestic legislation and regulations on foodstuffs with the standards, guidelines and codes of practice drawn up by the Codex Alimentarius Committee. The INTN acts as the permanent executive secretariat of the CONACAP.

3.164. The INTN, through the ONM, is responsible for the implementation and operation of the national metrology system, pursuant to Law No. 937/82 on metrology and its implementing

⁹⁴ Online information from the INTN, viewed at: http://www.intn.gov.py/main_menus/verMenu/34.

⁹⁵ Online information from the AMN, viewed at: <http://www.amn.org.br/es>.

⁹⁶ Online information from the AMN, viewed at: <http://www.amn.org.br/br>.

Decree No. 1.988/99. The ONM is responsible for the implementation and functioning of the National Metrology Laboratory, for keeping national measurement standards, and for drawing up RTs in each specific area of metrology. It also provides the services for controlling measuring instruments used in business, industry and in health services, as well as for monitoring the content of packaged goods. It has the following laboratories accredited by the ONA: mass; calibration of scales; volume and density; pressure; power; dimensions; time and frequency; electricity; and temperature.⁹⁷ Paraguay is a member of the International Organization of Legal Metrology (OILM), through the INTN, and of the Inter-American Metrology System (SIM).

3.3.3.3 Conformity assessment

3.165. The INTN is the national certification agency pursuant to Decree No. 15.552 of 26 November 1996. It has testing/calibration and certification laboratories accredited by the National Accreditation Agency (ONA/CONACYT) and the German Accreditation Agency Deutsche Akkreditierungsstelle-DAkkS.

3.166. The mechanism and the steps to be taken for the adoption of conformity assessment procedures are similar to those for the adoption of RTs, including a period for public consultation and publication in the Official Journal. A number of government or private bodies are responsible for carrying out these procedures, which are part of technical regulation.

3.167. For the purposes of assessing conformity, certification, inspection at the port of entry and in retail outlets may be used, as well as sampling. Certification is for the most part voluntary and is usually provided by accredited third parties. Products subject to RTs constitute an exception as certification is mandatory. At May 2017, the products subject to mandatory certification included: measuring equipment and instruments; steel bars; electric cables; cement; some fuels (unleaded petrol, aviation fuel, kerosene, gas oil, fuel oil); containers for liquefied petroleum gas (LPG); fire extinguishers; matches; mate⁹⁸; reusable polyethylene plastic bags⁹⁹; cellular devices; incandescent and fluorescent lamps; toys, tyres; and steel rods and bars. Paraguay does not automatically recognize the certification of products or the systems of foreign certification agencies, except in special cases and on a temporary basis.

3.168. Special labelling requirements apply to certain products, for example, wire; packaged foodstuffs; sugar in bags; iron bars; cement; footwear; made-up articles and textiles; household sanitary products; toys; lubricants; and incandescent and fluorescent lamps. During the review period, a new regulation on labelling the following products was introduced: sugar in bags (Ministerial Resolution No. 46/2016); lubricants (Ministerial Resolution No. 13/16) and household sanitary products (Ministerial Resolution No. 327/13 and Decree No. 10.598/13).

3.169. Paraguay does not in principle accept as equivalent the technical regulations adopted or the tests conducted by its trading partners. By May 2017, it had not signed any agreement on mutual recognition and had not notified the WTO of any multilateral recognition agreement on conformity assessment.

3.3.3.4 Accreditation

3.170. Paraguay has an accreditation body, the National Accreditation Agency (ONA), set up in 1998 by Decree No. 20.660 of 20 April 1998. It is currently governed by Law No. 2.279/03 of 26 June 2003 and is part of CONACYT. As an integral part of the national quality system, ONA is the body responsible for directing and managing the national accreditation system and for granting accreditation at the national level to testing and calibration laboratories and agencies that certify products, quality management or environmental management systems, and individuals, as well as other agencies or bodies requiring accreditation or assessment of the competence of their services,

⁹⁷ Online information from INTN, viewed at: <http://www.intn.gov.py/metrologia-intn.php>.

⁹⁸ Decree No. 17.595/02.

⁹⁹ Resolution No. 353 of 27 March 2017.

according to internationally recognized systems.¹⁰⁰ Accreditation by ONA authorizes these entities to carry out activities in the mandatory as well as the voluntary sphere.

3.171. The ONA keeps a register of institutions, bodies and agencies accredited in Paraguay, as well as a register of assessors and technical experts. In 2011, it became a signatory to the Multilateral Recognition Arrangement of Inter-American Accreditation Cooperation (IAAC) in respect of testing laboratories, product certification agencies and inspection agencies, and has signed the Mutual Recognition Arrangement with International Laboratory Accreditation Cooperation (ILAC).¹⁰¹ The ONA represents Paraguay at regional and international accreditation forums and is empowered to sign bilateral or multilateral accreditation recognition agreements.

3.172. Pursuant to Law No. 2.279/03, the Permanent Technical Committee on Accreditation (CTPA), under CONACYT, is responsible for issuing technical rulings which constitute the decision on the concession, extension, reduction, suspension or annulment of accreditation or re-accreditation.

3.173. According to the provisions in Decree No. 3.900/2010 of 5 February 2010, all conformity assessment bodies providing services to the Government must be accredited by ONA, which has the following accreditation programmes: testing and calibration laboratories (based on NP-ISO/IEC 17025); product certification (NP guideline ISO/IEC 65); and inspection/verification (NP-ISO/IEC 17020). Resolution No. 339/2016 established new requirements for the registration of natural and/or legal persons providing sampling services for plant products and by-products and laboratory testing services. This Resolution also approved the procedure for registration, approval and recognition of Paraguayan and international laboratories.

3.174. Accreditation requires an application to be submitted to ONA, accompanied by supporting documents. An assessment is carried out on the basis of the application, as well as an assessment *in situ*. To be accredited, applicants must also comply with the reference standard for the sector in which they wish to be accredited, as well as with ONA's policies, regulations and criteria. Once accreditation has been given, the accredited body must undergo periodic evaluations in order to keep it. Laboratories and other entities are accredited in accordance with international standards, notably ISO/IEC 17011, and with the guidelines laid down by ILAC, IAAC, and the International Accreditation Forum (IAF).

3.175. By May 2017, 48 conformity assessment agencies had been accredited for quality systems; five for product certification; one for certification of persons; as well as 27 testing laboratories, six calibration laboratories and nine inspection agencies, all established in Paraguay.¹⁰²

3.3.4 Sanitary and phytosanitary regulations

3.3.4.1 Legal and institutional framework

3.176. Paraguay's legislation on the application of sanitary and phytosanitary (SPS) measures comprises several domestic laws and the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement). Pursuant to the SPS Agreement, Paraguay has notified the WTO that SENAVE, SENACSA and the MAG are the national enquiry points for sanitary and phytosanitary matters.¹⁰³

3.177. The following are among the principal regulations governing SPS measures: Law No. 672/24 or Organic Law of the Agricultural Protection and Plant Health Inspection Directorate; Law No. 836/80 on the Health Code; Law No. 123/91 adopting new standards of phytosanitary protection; Law No. 385/94 on seeds and the protection of cultivars and its implementing Regulations; Law No. 2.426/04 establishing SENACSA and its implementing Regulations; Law No. 2.459/04 establishing SENAVE; Law No. 3.742/09 on the control of phytosanitary products for

¹⁰⁰ The national quality system is composed of: the National Quality Commission (CNC); the National Accreditation Agency (ONA); the National Standardization Agency (ONN); the National Metrology Agency (ONM); and the National Information and Notification System (SNIN).

¹⁰¹ Online information from the ONA, viewed at: <http://www.conacyt.gov.py/ona>.

¹⁰² *Idem*.

¹⁰³ WTO document G/SPS/ENQ/26 of 11 March 2011.

agricultural sanitary use; and Decree No. 6.626/05 establishing the National Technical Committee on Sanitary and Phytosanitary Measures (Table 3.21).

3.178. Also forming part of Paraguay's regulatory framework for sanitary and phytosanitary matters are the international treaties and conventions signed and ratified, in particular the Convention on the establishment of the Southern Cone Plant Health Committee (COSAVE)¹⁰⁴, the International Convention for the Protection of New Varieties of Plants and the International Plant Protection Convention. Pursuant to COSAVE's recommendations, Paraguay adopted the system for the phytosanitary accreditation of imported plant products (AFIDI).¹⁰⁵

3.179. During the review period, a number of laws and standards relating to sanitary and phytosanitary activities were adopted. These include Law No. 4.866/13 amending and supplementing Law No. 2.459/04 establishing SENAVE; Law No. 5.264/14 on promotion of the dairy chain, boosting domestic production and promoting the consumption of dairy products; Decree No. 9.699/12 establishing the National Commission on Agricultural and Forest Biodiversity (CONBIO); Decree No. 1.244/14 establishing the national system for the traceability of plant products and by-products (SITRAVE); and Decree No. 3.966/15 amending and supplementing Decree No. 17.487/97 creating Paraguay's National Codex Alimentarius Committee (CONACAP).

Table 3.21 Principal regulatory instruments composing Paraguay's legal framework for sanitary and phytosanitary measures

Number and date	Title
Laws	
Law No. 672/24 of 7 October 1924	Organic law of the Agricultural Protection and Plant Health Inspection Directorate
Law No. 836/80 of 15 December 1980	Paraguay's Health Code
Law No. 21/90 of 9 August 1990	Approving and ratifying the Convention on the establishment of the Southern Cone Plant Health Committee (COSAVE)
Law No. 123/91 of 9 January 1991	Adopting new standards of phytosanitary protection
Law No. 385/94 of 11 August 1994	Seeds and protection of cultivars
Law No. 988/96 of 14 November 1996	Approving the International Convention for the Protection of New Varieties of Plants
Law No. 2.135/03 of 30 January 2003	Approving the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade
Law No. 2.309/03 of 3 December 2003	Approving the Cartagena Protocol on Biosafety to the Convention on Biological Diversity
Law No. 2.426/04 of 28 July 2004	Establishing the National Animal Quality and Health Service (SENACSA)
Law No. 2.459/04 of 4 October 2004, supplemented and amended by Law No. 4.866/13 of 8 January 2013	Establishing the National Plant and Seed Quality and Health Service (SENAVE)
Law No. 2.721/05 of 3 October 2005	Approving the International Plant Protection Convention (IPPC)
Law No. 3.481/08 of 6 June 2008	Promotion and control of organic production
Law No. 3.519/08 of 25 June 2008	Protection of test data requested by the health authority for the approval of phytosanitary products
Law No. 3.556/08 of 9 July 2008	Fishing and aquaculture
Law No. 3.742/09 of 10 December 2009	Control of phytosanitary products for agricultural sanitary use
Law No. 5.264/14 of 25 June 2014	Promotion of the dairy chain, boosting domestic production and promoting the consumption of dairy products
Decrees	
Decree No. 3.255/89 of 19 October 1989	Banning the production, import, marketing and use of hormonal substances for the fattening of animals whose meat and products are intended for human consumption and regulating the use of hormones in animal breeding
Decree No. 139/93 of 3 September 1993	Adopting a system of phytosanitary accreditation of imported plant products (AFIDI)

¹⁰⁴ This Convention was adopted in the context of Paraguay's commitments as a signatory to the International Plant Protection Convention, approved by Law No. 2.721/05 of 3 October 2005. Viewed at: <http://www.senave.gov.py/docs/leyes/Ley2721-05.pdf>. COSAVE is composed of Argentina, Brazil, Chile, Paraguay and Uruguay and its main aim is to coordinate and build regional capacity to prevent, reduce and avoid the impact and risks of problems affecting the production and marketing of the region's agricultural and forestry resources.

¹⁰⁵ Decree No. 139/93 of 3 September 1993. Viewed at: <http://www.senave.gov.py/docs/decretos/Dto139-93.pdf>.

Number and date	Title
Decree No. 17.487/97 of 11 June 1997 As amended and supplemented by Decree No. 3.966/15 of 20 August 2015	Establishing Paraguay's National Codex Alimentarius Committee (CONACAP)
Decree No. 1.635/99 of 12 January 1999	Implementing Article 175 of Law No. 836/80 on the Health Code
Decree No. 7.797/00 of 7 March 2000	Implementing Law No. 385/94 on seeds and the protection of cultivars
Decree No. 6.626/05 of 18 November 2005	Establishing the National Technical Committee on Sanitary and Phytosanitary Measures
Decree No. 6.419/05 of 22 September 2005	Implementing Law No. 2.426/04 establishing the National Animal Quality and Health Service (SENACSA)
Decree No. 4.577/10 of 17 June 2010	Implementing Law No. 3.481/08 on promotion and control of organic production
Decree No. 9.699/12 of 19 September 2012	Establishing the National Commission for Agricultural and Forest Biodiversity (CONBIO)
Decree No. 6.385/16 of 25 November 2016	Amending Articles 2, 4 and Annex I and supplementing Decree No. 2.504/04 of 5 May 2014 establishing the system for the traceability of cattle in Paraguay (SITRAP)

Source: WTO Secretariat, SENAIVE (www.senave.gov.py), SENACSA (www.senacsa.gov.py) and INAN (www.inan.gov.py).

3.180. The principal authorities for sanitary and phytosanitary matters are SENAIVE and SENACSA; relations between them and the Executive are through the MAG.

3.181. SENAIVE was set up by Law No. 2.459/04¹⁰⁶, as amended and supplemented by Law No. 4.866/13¹⁰⁷, and started to operate in 2005 as the authority responsible for implementing Law No. 123/91, which adopted new standards of phytosanitary protection, and Law No. 385/94 on seeds and the protection of cultivars, among other legal provisions. SENAIVE is also responsible for administering international conventions and agreements signed by Paraguay on plant quality and health, seeds and the protection of new plant varieties and plant species derived from biotechnology.

3.182. SENAIVE's responsibilities cover the following areas: (a) plant health: action on plant quarantine, phytosanitary monitoring and protection of agriculture; (b) seeds: keeping the national registers, dealing with the certification and protection of the rights of breeders of new plant varieties; (c) pesticides, fertilizer, soil nutrients and related products: monitor their quality and safety, mainly by controlling inputs and registering companies; (d) quality and safety: ensuring the quality and safety of plant products and by-products, either for export, imported or for domestic consumption, bearing in mind the guidelines and standards of international and national organizations governing the sector. To carry out this task, it verifies the quality and safety of such products and by-products, mostly by certifying quality.

3.183. By drafting what are called "technical regulations" SENAIVE develops technical measures to guarantee the quality of plant products and by-products. These regulations lay down the requirements as to quality, packaging and presentation of fresh plant products, including their handling and preparation for appropriate sale on the domestic market and for export. By June 2017, 13 "technical regulations" had been issued, 11 of them during the review period, concerning the following products: potatoes (Resolution No. 468/12); onions (Resolution No. 469/12); bananas (Resolution No. 414/13); bell peppers (Resolution No. 601/13); oranges (Resolution No. 86/14); carrots (Resolution No. 173/14); garlic (Resolution No. 973/14); melons (Resolution No. 1.006/15); pineapples (Resolution No. 507/15); watermelons (Resolution No. 167/15); and strawberries (Resolution No. 167/15).

¹⁰⁶ Online information viewed at: <http://www.senave.gov.py/docs/leyes/Ley2459-04.pdf> and <http://www.senave.gov.py/docs/leyes/Ley4866-13.pdf>.

¹⁰⁷ The supplement consisted of adding the following to SENAIVE's objectives: to establish preventive programmes and action; to develop regulations to control the impact of the final disposal of agricultural residues; and to develop regulations on the use of the final resources of the National Plant and Seed Health and Quality Fund, established by the Law which created SENAIVE. Text viewed at: <http://www.senave.gov.py/docs/leyes/Ley4866-13.pdf>.

3.184. SENACSA was established by Law No. 2.426/04¹⁰⁸ and started to operate in 2005. It is responsible for drafting, regulating, coordinating, implementing and monitoring national animal quality and health policy and administration. Its functions include the following: implementing programmes for the sanitary control, prevention and eradication of animal diseases; diagnosing animal diseases; verifying the quality of vaccines; controlling the safety of products and by-products of animal origin; registering and approving companies selling veterinary products and animal feed; controlling residues of veterinary medicines, environmental contaminants and pesticides in food of animal origin; and issuing animal health and quality certificates for the import and export of animals, genetic material, products and by-products of animal origin, products and inputs for veterinary use, *inter alia*. SENACSA and MAG are the authorities implementing the National Plan for Sustainable Development of the Dairy Chain, pursuant to Law No. 5.264/14 on promotion of the dairy chain, boosting of domestic production and promoting the consumption of dairy products.

3.185. The following are some of the legal provisions adopted during the review period in connection with SENACSA and its functions: Resolution No. 2.764/15 authorizing the implementation of the VUI in SENACSA at national level; Resolution No. 3.130/15 amending Articles of Resolution No. 1.290/09 approving good manufacturing practices for veterinary products; Resolution No. 3.845/12 banning the import, distribution, preparation, use or possession of certain active substances; and Resolution No. 1.050/12 banning the import, distribution, preparation, use or possession of clenbuterol, salbutamol, cimaterol or albuterol and other beta-agonists throughout Paraguay.

3.186. Another institution with responsibility for regulating human health is the MSPBS, through the National Health Monitoring Directorate, INAN¹⁰⁹ and the Directorate of Health Establishments, Related Facilities and Healthcare Technology. The National Health Monitoring Directorate regulates everything to do with medicines for human use, chemicals and reagents for the pharmaceutical and non-pharmaceutical industry, cosmetics and products for household use, as well syringes and needles for human use. INAN's responsibilities concern the regulation of food products and beverages.¹¹⁰ The Directorate of Health Establishments, Related Facilities and Healthcare Technology has responsibilities with regard to medical, odontological and laboratory appliances, instruments, equipment and devices.

3.187. The National Technical Committee on Sanitary and Phytosanitary Measures¹¹¹ and the National Codex Alimentarius Committee (CONACAP)¹¹² are forums for coordinating and harmonizing the activities of the institutions involved in SPS-related matters. The MSPBS, through INAN, MIC, MAG, MRE, INTN, SENAIVE, SENACSA and representatives of the private sector participates in the National Technical Committee on Sanitary and Phytosanitary Measures and in CONACAP.

3.188. Law No. 123/91 adopts new standards of phytosanitary protection and is implemented by SENAIVE. It determines phytosanitary responsibilities and obligations concerning disease control and general conditions for the production, transfer, storage and control of entry and exit. On the basis of this Law, SENAIVE is required to give authorization for the import, temporary admission, storage in free zones or transit of plant products. Authorization to import leads to the issuing of an AFIDI. For exports, SENAIVE issues a phytosanitary certificate for the export of products and by-products of plant origin.

3.189. SENAIVE is responsible for administering Law No. 385/94 on seeds and the protection of cultivars¹¹³ and its implementing Regulations¹¹⁴, which regulate the production, movement,

¹⁰⁸ Online information viewed at: <http://www.proyectouniversa.net/proyector/biblioteca/LEY/PRY-LEY-2426-2004.pdf>.

¹⁰⁹ Established by MSPBS Resolution S.G. No. 246 of 7 May 1996. Viewed at: http://www.inan.gov.py/site/?page_id=64.

¹¹⁰ Sanitary registration of food products, beverages and additives for human consumption is mandatory.

¹¹¹ Established by Decree No. 6.626/05. The text may be viewed at: <http://www.senave.gov.py/docs/decretos/Dto6626-05CNT-MSF.pdf>.

¹¹² Established by Decree No. 17.487/97, as amended and supplemented by Decree No. 3.966/15. Viewed at: [http://www.intn.gov.py/app/webroot/archivos/804DECRETO3966%20CONACAP%20\(2\).pdf](http://www.intn.gov.py/app/webroot/archivos/804DECRETO3966%20CONACAP%20(2).pdf).

¹¹³ The text may be viewed at: <http://www.senave.gov.py/docs/leyes/Ley385-1994.pdf>.

marketing and quality control of seeds. The purpose of the Law is to guarantee to farmers and users in general the identity and quality of the seed they purchase and to protect the rights of breeders of new cultivars. The Law established the National Register of Commercial Cultivars, the National Register of Protected Cultivars, the National Register of Seed Traders, the National Register of Seed Producers and the National Register of Seed Laboratories. Those seeking to export seeds to Paraguay must have a permanent legal representative listed in the National Register of Seed Traders in Paraguay to act as an importer. Farmers in a personal capacity or in associations may also import seeds in the same way as seed traders listed in the Register.

3.190. SENAVE is responsible for implementing Law No. 3.742/09 on the control of phytosanitary products for agricultural sanitary use¹¹⁵, which establishes the legal regime for the registration and control of all phytosanitary products for agricultural use as of their entry into Paraguayan territory. The Law also regulates the synthesis, formulation, fractioning, transport, storage, labelling, marketing, advertising, application and elimination of residues and final disposal of empty packages and expired pesticides. Four registration categories have been developed and established for the purpose of implementing the Law: (a) commercial entities, which may be either natural or legal persons engaged in various related activities; (b) professionals, for agronomists, chemists and other professionals who provide advice and/or are responsible for the technical or testing activities of the commercial entities; (c) laboratories, for competent laboratories which analyse, test and/or generate information on phytosanitary products and have been accredited in Paraguay by the ONA; and (d) phytosanitary products, for pesticides.

3.191. Registration of commercial entities, professionals and laboratories is valid for five years and may be renewed. The validity of registration of phytosanitary products depends on their classification, whether experimental, definitive or for export. For a product classified as experimental, registration is for two years, renewable for a further two years, during which it must undergo testing of its efficiency in the field and may not be sold. For products classified as definitive or for export, registration is indefinite, subject to payment of an annual fee.

3.192. During the review period, Decree No. 3.966/15 amending and supplementing Decree No. 17.487/97 was approved, creating the CONACAP.

3.193. Pursuant to Law No. 836/80 on the Health Code, manufacturers, representatives or importers of food products or beverages for sale must first register their products with the MSPBS, which determines whether or not they are fit for consumption and the period of validity of their registration. It is also mandatory to register containers for foodstuffs. Resolution No. 380/11 lays down the criteria and requirements for obtaining and renewing national registration of containers in contact with foodstuffs, which is controlled by INAN.

3.3.4.1.1 Activities and products regulated because of sanitary risk

3.194. Activities involving genetically modified organisms (GMO) are governed by Decree No. 9.699/12, which established CONBIO.¹¹⁶ This Decree repealed Decree No. 18.481/97 creating the Biosafety Commission (COMBIO), and Decree No. 12.706/08 supplementing and amending Decree No. 18.481/97. The MAG is responsible for starting up CONBIO's operations and for granting authorization for controlled testing, pre-sale release, release for sale and other proposed uses of GMOs for incorporation into agricultural or forestry production, on the basis of the decision taken by CONBIO. The MAG authorizes release for sale of GMOs on the basis of a decision by CONBIO.

3.195. According to the authorities, the new Law meets the need to update the integration, organization and functions of the Commission by incorporating forestry. The main changes are the creation of INFONA and the Paraguayan Agricultural Technology Institute (IPTA) among the institutions composing CONBIO, together with the MAG, MSPBS, MIC, SENACSA, SENAVE, SEAM and the National University of Asunción (UNA). Another change introduced is the creation of a technical secretariat for the forestry sector, for which INFONA is responsible. Prior to this, there

¹¹⁴ Decree No. 7.797/00 of 7 March 2000. Viewed at: <http://www.senave.gov.py/docs/decretos/Dto7797-00.pdf>.

¹¹⁵ Text viewed at: <http://www.senave.gov.py/docs/leyes/LEY3742-2009.pdf>.

¹¹⁶ Text viewed at: <http://faolex.fao.org/docs/pdf/par130178.pdf>.

were only two technical secretariats, one for plants (SENAVE) and another for livestock (SENACSA).

3.196. CONBIO has the following tasks: (a) to evaluate GMOs used in the agricultural and forestry sectors or which it is sought to introduce into Paraguay, and to recommend, where applicable, authorization for their use in Paraguay for the purpose proposed; (b) to advise and decide on matters relating to the introduction, field testing, pre-sale release, release for sale and other proposed uses of GMOs; (c) to help to ensure that natural and legal persons working with GMOs comply with biosafety measures; and (d) to propose biosafety standards, contingency plans in case of accidental release, and biosafety measures in cases of failure to comply with the standards, as well as to give opinions on matters within its competence.

3.197. Paraguay bans the production, import, marketing and use of hormonal substances for the fattening of cattle whose meat and products are for human consumption, and regulates the use of hormones in animal breeding pursuant to Decree No. 3.255/89. SENACSA verifies compliance with this ban, determines the special criteria for registration, sale, use and application of authorized veterinary products and imposes the sanctions applicable for non-compliance with the Decree.

3.198. Promotion and control of organic products are governed by Law No. 3.481/08 on the promotion and control of organic production¹¹⁷ and its implementing Regulations (Decree No. 4.577/10).¹¹⁸ The texts designate the authorities for promotion (MAG); accreditation (ONA); and registration, monitoring and control (SENACSA and SENAVE) for this purpose. They also define the procedure for certification and control and the sanctions applicable in cases of failure to comply with the obligations in the Law.

3.3.4.1.2 Notifications to the WTO

3.199. The MRE is the national authority responsible for notifying sanitary and phytosanitary measures to the WTO¹¹⁹; it is a member of CONACAP and the National Technical Committee on Sanitary and Phytosanitary Measures.¹²⁰ One of the latter's activities is to make the ENP for notifications to the WTO SPS Committee more efficient.

3.200. During the review period, Paraguay notified only five sanitary and phytosanitary measures to the WTO (four concerning plant health and one animal health), of which two were notifications of emergency measures and three regular measures.¹²¹ Four of these measures affected all Paraguay's trading partners, whereas one of the emergency measures was directed at Brazil in relation to Black Sigatoka disease of bananas.¹²² The second emergency notification concerned the presence of the citrus disease (Huanglongbing (HLB)) in Paraguay.¹²³ The regular notifications concerned: (a) a draft resolution determining the phytosanitary requirements for importing *Nicotiana tabacum* (tobacco) from countries outside MERCOSUR; (b) a draft resolution determining the phytosanitary requirements for the entry of kiln-dried sawn timber, sawn timber and logs originating in countries within or outside the region; and (c) the animal health requirements for importing queen bees and apiculture products. The 11 measures adopted by SENAVE in relation to the packaging of vegetables and fruit were notified to the WTO as technical regulations.¹²⁴

3.201. Although there was only a limited number of notifications to the WTO during the review period, Paraguay has shown progress in their presentation, inasmuch as the previous review

¹¹⁷ Text viewed at:

<http://www.senave.gov.py/docs/leyes/Ley3841FomentoControlProduccionOrganica.pdf>.

¹¹⁸ Text viewed at: <http://www.senave.gov.py/docs/decretos/Dto4577-10.pdf>.

¹¹⁹ WTO document G/SPS/NNA/16 of 11 March 2011.

¹²⁰ Established by Decree No. 6.626/05. Viewed at: <http://www.senave.gov.py/docs/decretos/Dto6626-05CNT-MSF.pdf>.

¹²¹ Online information from the WTO database, viewed at: <http://spsims.wto.org>.

¹²² WTO document G/SPS/N/PRY/25 of 6 March 2013.

¹²³ WTO document G/SPS/N/PRY/24 of 18 February 2013.

¹²⁴ WTO documents G/TBT/N/PRY/56 of 20 April 2012 (potatoes); G/TBT/N/PRY/64 of 17 July 2012 (onions); G/TBT/N/PRY/66 of 29 January 2013 (bananas); G/TBT/N/PRY/67 of 12 March 2013 (carrots); G/TBT/N/PRY/68 of 12 March 2013 (bell peppers); G/TBT/N/PRY/70 of 16 August 2013 (oranges); G/TBT/N/PRY/71 of 22 November 2013 (watermelons); G/TBT/N/PRY/74 of 17 February 2014 (garlic); G/TBT/N/PRY/81 of 19 June 2015 (pineapples); G/TBT/N/PRY/82 of 19 June 2015 (melons); and G/TBT/N/PRY/83 of 19 June 2015 (strawberries).

showed that the vast majority of measures had been notified after being adopted, whereas during this review period, draft measures were notified, thus giving WTO Members an opportunity to forward comments on the SPS measures planned.

3.3.4.1.3 MERCOSUR standards

3.202. At the MERCOSUR level, the process of harmonizing SPS measures is taking place through Sub-Working Group No. 8 – Agriculture (SGT No. 8) on the basis of the principles, guidelines, criteria and parameters for agreements on the equivalence of sanitary and phytosanitary control systems determined in document RES/GMC/60/99.¹²⁵ SGT No. 8 is composed of representatives of each country's regulatory body. During the review period, Paraguay continued to adopt MERCOSUR's harmonized SPS measures.

3.3.5 Competition policy and price controls

3.3.5.1 Competition policy

3.203. One of the most important changes to Paraguay's economic legal framework during the review period was the enactment of Law No. 4.956/13 on the protection of competition (hereinafter the "LDC") of 21 June 2013, which came into force in December of the same year, and its implementing Regulations, Decree No. 1.490/14 of 14 April 2014. The adoption of the LDC represents the culmination of a series of legislative measures that enabled Paraguay to move closer to the standards in the relevant international rules.

3.204. Paraguay's Constitution (Article 107) guarantees free competition in the market and prohibits the creation of monopolies or artificial increases or decreases in prices which distort free competition. Other regulations (for example, Law No. 561/58, which lays down legal provisions to protect the domestic economy¹²⁶; the Traders' Law and the Law on Consumer Protection¹²⁷; and the Trademark Law) regulate some aspects concerning trade competition and consumer protection. Nevertheless, up until 2013 there was no unified legislation specifically dedicated to competition in the market so enactment of the LDC marks an important step forward.

3.205. At regional level, Paraguay has signed the MERCOSUR Agreement on Protection of Competition, which governs competition between companies domiciled in the States Party.¹²⁸ Paraguay is currently in process of incorporating this Agreement into its legislation.

3.206. The purpose of the LDC is to protect and promote free competition in the market, and to prohibit and penalize acts contrary to it. It has broad scope and applies to all acts, practices or agreements between Paraguayan or foreign natural or legal persons with their legal domicile in Paraguay or abroad, whether under public or private law, that affect competition throughout or in part of the national territory, except for limitations determined by law and duly justified for reasons of general interest.¹²⁹ Legal persons include central government bodies and decentralized entities which have a government monopoly, provided that exercise of a special right or prerogative determined by law is not considered to be an anti-competitive practice or abuse of a dominant position.¹³⁰ Those carrying out economic activities outside the country are also subject to the LDC if their action has an effect in the domestic market. The LDC also covers natural persons representing legal persons subject to the Law who take part in carrying out the acts punished under its provisions. Legal persons controlling those who violate the law are jointly liable.

3.207. The provisions in the LDC regulate practices and agreements which restrict competition, abuse of a dominant position and concentrations.¹³¹ Article 8 of the Law prohibits any agreement,

¹²⁵ Incorporated into Paraguay's domestic legislation by Decree No. 10.846/00.

¹²⁶ Law No. 561/58 empowers the MIC to adopt measures to prevent agreements aimed at cornering the market in consumer goods or artificial increases or decreases in product prices to the detriment of the national economy and the cost of living.

¹²⁷ These Laws are described in the WTO Secretariat's previous report (2011), third *Trade Policy Review - Paraguay*, Geneva.

¹²⁸ MERCOSUR Agreement on Protection of Competition, adopted by CMC Decision No. 43/10.

¹²⁹ Article 3 of Law No. 4.956/13.

¹³⁰ Ibid., Article 2, paragraph 4.

¹³¹ Unfair trade practices are governed by the Trademark Law and the Traders' Law.

decision or concerted or deliberately parallel practice, irrespective of whether it is written or verbal, formal or informal, if its purpose has or may have the effect of preventing, restricting or distorting competition in all or part of the domestic market. An illustrative list of prohibited conduct has been drawn up for this purpose and includes price agreements between competitors, dividing up markets, applying unequal terms for equivalent services to third contractors, tied sales of products or services, collusive tendering, restrictions on production or sale and concerted refusal to purchase.

3.208. The Law incorporates the "rule of reason", i.e. when examining the aforementioned types of conduct, the authority responsible for applying the law must take into account whether such practices generate gains in economic efficiency for the companies concerned, whether they could be obtained in some other way and whether the benefit is passed on to consumers.

3.209. The fact that one or more companies are in a dominant position in a particular market is not considered to be unlawful as such; what the LDC prohibits and punishes is the abuse of a dominant position through any of the activities prohibited by the Law in order to obtain undue advantages and cause prejudice to others. Article 9 lists some of the types of conduct deemed to be abusive. Abuse must be proven by means of administrative procedures. Special provisions apply to cases of abuse of a dominant position through predatory pricing.

3.210. The LDC introduces a control regime for mergers and buy-outs of companies so as to assess whether such operations do or do not comply with the Law. Concentrations must be notified and registered with the implementing authority within ten days of their completion if: (i) the result of the operation leads to participation of 45% or more in the market concerned; or (ii) gross annual invoicing in Paraguay by all the companies involved in the operation exceeds 100,000 monthly minimum wage units (around US\$30 million). Within a maximum period of 90 days of receiving the notification, the implementing authority must decide by means of a reasoned resolution whether or not it authorizes the operation, imposes compliance with certain conditions, or refuses authorization. If the operation is not compatible with the market but it can be proved that it will produce gains in economic efficiency which offset the restriction of competition, the operation will be authorized. The burden of proving such gains lies with the persons making the notification. If the implementing authority does not take any decision within the allotted time-limit, the concentration shall be understood to have been authorized tacitly.

3.211. Summary proceedings for imposing sanctions for failure to comply with the LDC may be initiated *ex officio* or following a complaint by interested parties. The penalties consist of: (i) a warning and notification of the acts contrary to the Law; (ii) declaration of nullity; and (iii) imposition of fines. The maximum amount of fines is the equivalent of 150% of the profit obtained from the illegal practice or up to 20% of gross invoicing for the sale of products subject to the illegal practice in the relevant market within the previous 12 months, excluding tax. Fines may not be less than the advantage gained, where this can be quantified. The amount of fines is determined having regard to the significance of the violation, taking into account a series of factors indicated in the Law, including the scope of the restriction on competition, the size of the market affected, the impact and duration of the restriction and the degree of intention, *inter alia*.¹³² One relevant aspect is that, in addition to the sanctions imposed on legal persons who engage in prohibited conduct, directors, managers or administrators who have actively participated in the unlawful conduct may also be fined.

3.212. The National Competition Commission (CONACOM) is the implementing authority created by the LDC. It is a decentralized agency, with its own legal status and assets and is fully independent. Its relations with the Executive are through the MIC. It is composed of a Governing Board, comprising three members appointed by the Executive, who remain in office for a period of six years; and an Investigation Directorate, which is the executive arm. The Governing Board was set up in 2015 and the Investigation Directorate in September 2016. Since it commenced operations in May 2017, CONACOM has issued two resolutions on concentration in the non-alcoholic beverages and agro-industrial products sectors, and has responded to questions on restrictions on competition in draft legislation.

3.213. CONACOM has broad powers to ensure that the Law is applied and these include: prohibiting and punishing conduct that restricts competition; commencing investigations into

¹³² Article 63 of Law No. 4.956/2013.

punishable conduct; issuing preventive measures and economic sanctions for failure to comply with the obligations in the Law and in international treaties to which Paraguay is party; controlling concentrations in accordance with the Law; proposing guidelines for competition protection policies; issuing opinions on preliminary draft rules affecting competition; and coordinating its tasks with other sectoral regulators.

3.214. CONACOM may request technical collaboration from other government institutions or regulatory bodies, which by law must provide the information requested. The officials responsible and the head of the government institution or regulatory body in question may be liable to sanctions for failure to comply. Other administrative or judicial authorities may request a non-binding ruling from CONACOM on aspects that may have a significant impact on competition in a particular market. In any event, CONACOM is the sole authority competent to evaluate restrictions on free competition and to investigate and decide on proceedings regulated by the LDC.

3.3.5.2 Price controls

3.215. Paraguay does not apply price controls on goods or services, except for a maximum selling price to the public for a certain type of diesel fuel (gas oil Type III). There is also a social (preferential) rate for electricity for low-income households.

3.3.6 State trading, State-owned enterprises and privatization

3.216. In 1998, Paraguay notified the WTO that the BCP and the Tourism Directorate were State-trading enterprises within the meaning of Article XVII of the GATT 1994.¹³³ That same year, it notified that there were no State-trading enterprises promoting or marketing agricultural products.¹³⁴ Paraguay has not made any more notifications on State-trading enterprises since then.

3.217. Currently, nine State-owned enterprises are operating in Paraguay, defined as such by law.¹³⁵ Six are services companies and three production companies. The former are: the National Electricity Authority (ANDE), National Shipping and Ports Authority (ANNP), Compañía Paraguaya de Comunicaciones S.A. (COPACO), National Civil Aviation Directorate (DINAC), Empresa de Servicios Sanitarios del Paraguay (ESSAP S.A.) and Ferrocarriles del Paraguay S.A. (Paraguayan Railways (FEPASA)). The production companies are: Cañas Paraguayas S.A. (CAPASA), Industria Nacional del Cemento (INC) and Petróleos Paraguayos (PETROPAR).

3.218. State-owned enterprises play an important role in the nation's economy: in 2016, their aggregate annual budget represented 23% of the nation's total budget; total income was US\$1,458 million (5.5% of GDP); and employees numbered 16,916 (11% of public sector jobs). The enterprises which make the largest contribution to job creation are ANDE (31% of total jobs in State-owned enterprises) and COPACO (25%), followed by ESSAP (11.7%) and DINAC (11.4%).¹³⁶

3.219. ANDE has the exclusive right to transmit and distribute electric power and public lighting. COPACO S.A. has a *de facto* monopoly on fixed telephony and PETROPAR has the right to import up to 50% of gas oil Type III, naphtha of up to 85 octanes and virgin naphtha. On the other hand, since 2015, the INC has ceased to have a monopoly on the import and distribution of cement. COPACO S.A., ESSAP, ANDE, DINAC and PETROPAR are subject to some form of price control. The rates for COPACO and ESSAP services have to be approved by their respective regulatory authorities, while those of ANDE, DINAC and PETROPAR, which act as *de facto* regulators, are approved by the Executive. All State-owned enterprises must comply with the Law on government procurement (section 3.3.7).

3.220. During the review period, one important step was the enactment of Law No. 5.058 of 20 September 2013, and its implementing Regulations, Decree No. 1.143 of 21 January 2014. Likewise, Decree No. 6.381/16 of 23 November 2016 approved the Arandú Code: commitments

¹³³ WTO documents G/STR/N/4/PRY and G/STR/N/4/PRY/Suppl.1 of 5 October 1998 and 26 October 1998, respectively.

¹³⁴ WTO document G/STR/N/4/PRY/Suppl.2 of 26 November 1998.

¹³⁵ Law No. 5.058/13 of 20 September 2013.

¹³⁶ Information provided by the Directorate-General of State-owned Enterprises.

and good practice in corporate governance for Paraguay's State-owned enterprises, which is in process of being implemented.

3.221. Law No. 5.058 established the National Council for State-owned Enterprises (CNEP)¹³⁷, which is responsible for determining and coordinating national policy for the administration of State-owned enterprises, including strategies for their modernization and supervision, in order to promote efficiency, probity and transparency in their management.¹³⁸ It is composed of the Minister for Public Works and Communications, the Minister for Industry and Trade, the Attorney-General of the Republic and the Minister for Finance, who chairs the Council. The CNEP has a technical arm, the Directorate-General of State-owned Enterprises (DGEP), which operates within the organic structure of the Ministry of Finance. The Director-General of the DGEP, appointed by the President of the Republic, is in charge of overseeing, implementing and coordinating the CNEP's decisions through the Executive Secretariat.

3.222. Through the CNEP and the DGEP, the State fulfils its role as owner of the State-owned enterprises and reinforces its capacity to monitor and oversee their performance. The enterprises are evaluated by means of a "performance-based management contract" between the CNEP and each enterprise, which includes quantitative and qualitative goals which the enterprise's board and senior management must undertake to achieve. Contracts have a term of three years, during which the enterprises must submit monthly, quarterly and annual reports to the CNEP on achievement of the goals agreed, including financial, economic and technical information. The enterprises also undertake to have external audits of their management.

3.223. Seven State-owned enterprises have signed a performance-based management contract, namely, ANDE, INC, ANNP, DINAC, PETROPAR, COPACO S.A. and ESSAP S.A. Although CAPASA and FEPASA do not have performance-based management contracts, they have undertaken commitments on submitting information to the CNEP twice a year. According to the authorities, experience with the monitoring scheme has been positive and has achieved results such as the publication and dissemination of the annual audited financial statements on the CNEP's and the enterprises' websites; the preparation of new rules and procedures for employing external auditors; measures to regularize delayed payment of basic services by the Central Administration; participation in the review of the enterprises' budgets and establishment of a more flexible mechanism for the procurement of strategic goods by State-owned enterprises pursuant to Decree No. 5.520/16 of 27 June 2016. There remain challenges, however, such as increasing the efficiency and accountability of State-owned enterprises, the need to strengthen their governance framework and the reaffirmation of the CNEP as owner of these enterprises.

3.224. The CNEP, therefore, approved a strategic plan (2014-2018), whose main objective is to lay down the conditions for ensuring efficient and transparent management of State-owned enterprises by defining guidelines for government policy on their modernization. Currently, the CNEP is applying these guidelines and has also concluded the review of a preliminary draft of the Law on State-owned Enterprises, which will shortly be sent to the National Congress for consideration.

3.3.7 Government procurement

3.225. In 2016, Paraguay's government procurement amounted to US\$2,466 million, or around 9% of GDP. Of the total amount of government procurement over the period 2010-2016, 54% was for goods, 28% for public works, and 18% for services (including consultancy services). On average, 17,824 contracts are awarded each year.

3.226. State-owned enterprises are the principal contracting entities, accounting for 88.7% of the total value of government procurement between 2010 and 2016, followed by the Executive (8%), public social security agencies (1.1%), local governments (1%), municipal authorities (0.6%), autonomous decentralized entities (0.5%), the Judiciary (0.4%) and joint ventures (0.2%). Among

¹³⁷ The CNEP replaced the State-owned Enterprises Council created by Decree No. 163/08.

¹³⁸ Articles 1 and 2 of Law No. 5.058/2013 and Article 2 of Decree No. 1.143/14.

these State-owned enterprises, the major contracting agencies in terms of value are PETROPAR, ANDE and INC.¹³⁹

3.227. Paraguay has not signed the WTO Plurilateral Agreement on Government Procurement and is not an observer at the competent Committee. At regional level, Paraguay is party to the MERCOSUR Protocol on Government Procurement¹⁴⁰, under which it has undertaken transparency commitments.¹⁴¹ In recent years, Paraguay has continued to work with international organizations to modernize and improve the efficiency of its government procurement regime. In June 2014, it signed an agreement with the IDB under which the Bank uses Paraguay's national procurement system for Bank-financed projects, notably the electronic reverse auction and offer bidding methods.

3.228. The government procurement regime is mainly governed by Law No. 2.051/03 on government procurement (LCP), as amended by Law No. 3.439/07 and its implementing Regulations, Decree No. 21.909/03, which was amended by Decrees Nos. 5.174/05 and 3.719/15.¹⁴² There is also special legislation on public works, including Law No. 1.533/99¹⁴³, Law No. 5.074/13, which incorporates the State's sovereign guarantee for procurement financed by the supplier, and Law No. 4.678/13, which lays down criteria for incorporating formulas for readjustment of prices in public works contracts.

3.229. During the review period, several regulations on various aspects of government procurement were adopted, generally in order to make the corresponding procedures more flexible and transparent and, in some cases, to establish mechanisms to support domestic production and employment through government procurement. Table 3.22 lists the laws and decrees on government procurement adopted since 2011.

Table 3.22 Laws and decrees on government procurement adopted since 2011

Number and year	Title
Laws	
Law No. 4.558/11	Establishing mechanisms to support domestic production and employment through government procurement
Law No. 4.678/13	Regulating the application of formulas for readjustment of prices in public works contracts
Law No. 5.074/13	Amending and supplementing Law No. 1.302/98 laying down procedures and special and complementary criteria for Law No. 1.045/83 establishing the public works regime
Decrees	
Decree No. 7.434/11	Establishing certain regulations for proceedings in the Directorate of Legal Affairs in the National Government Procurement Directorate
Decree No. 9.649/12	Implementing Law No. 4.558/11 establishing mechanisms to support domestic production and employment through government procurement
Decree No. 11.015/13	Creating the new system for registering payment to government suppliers and repealing Articles 100 and 132 of Decree No. 21.909/2003 and Decree No. 12.318/2008
Decree No. 1.107/14	Establishing the procedure for electronic reverse auctions and repealing Decrees Nos. 12.453/08 and 5.517/10
Decree No. 1.315/14	Implementing the framework agreement procedure to be applied by the National Government Procurement Directorate for organizations, entities and municipal authorities subject to the government procurement regime, established by Law No. 2.051/03 on government procurement
Decree No. 3.000/15	Establishing the complementary method called streamlined procedure for procuring agricultural products from family farms and determining criteria for the contracting and selection procedures applicable to such procurement

¹³⁹ Information provided by the National Government Procurement Directorate.

¹⁴⁰ Decision CMC No. 27/04, whose Annex was replaced by Decision CMC No. 23/06.

¹⁴¹ Paraguay does not grant access to its government procurement market to the Republic of Argentina or the Federative Republic of Brazil until the state and provincial governments bordering Paraguay open up their markets. Annex A to the Protocol. Reservations to Article 2.1.

¹⁴² The following are some of the most important amendments introduced by Decree No. 3.719/15: publication of reference prices (previously these were confidential); rules on prequalification, allowing the contracting entity to decide whether or not to use this procedure; and incorporation of the double-envelope method (technical bid and economic bid) in ordinary procurement procedures.

¹⁴³ Law No. 1.533/99 on public works was repealed by the LCP, except for its provisions on liability, evaluation, inspection and certification of works (Articles 41 to 46).

Number and year	Title
Decree No. 3.719/15	Amending Articles 13, 14, 17, 21, 26, 42, 52, 54, 60, 61 and 64 of Decree No. 21.909/03 implementing Law No. 2.051/03 on government procurement and Articles 56 and 92, as amended by Decree No. 5.174/05, amending Articles 18, 19, 24, 25, 26, 35, 44, 45, 47, 48, 49, 51, 53, 56, 62, 75, 78, 81, 83, 84, 92, 112, 118 and 125 of Decree No. 21.909/2003
Decree No. 4.929/16	Establishing the obligation to purchase domestic products under the system of awarding contracts by item

Source: WTO Secretariat, with information provided by the National Government Procurement Directorate.

3.230. Created by Law No. 3.439/07 as an autonomous and decentralized entity, the National Government Procurement Directorate (DNCP) regulates and supervises government procurement. Its main responsibilities are to develop general policies and issue decisions on government procurement; publicize, control and verify contracting procedures at each stage of their execution; conduct investigations *ex officio* or following a complaint regarding such procedures; and deal with complaints and impose sanctions for violating the Law.¹⁴⁴ It is also in charge of administering the Government Procurement Information System (SICP).

3.231. The SICP is an interactive electronic platform introduced in 2003 and updated in 2010 on which all procurement by the Government is published, from the planning stage up to the award of the contract. The system also includes the register of suppliers, information on contracting entities, the legal framework, statistical data and a mechanism for dealing with complaints that gives the plaintiff protection; it receives complaints of corruption regarding any stage of the contracting procedure.¹⁴⁵ Access to the SICP is public and free of charge. Currently, procedures for the reverse auction method at the price comparison stage and the system for complaints have been computerized; work is continuing on automating the other stages in the procedure. All contracting entities (351) subject to the LCP must publish their invitations to tender and government procurement procedures through the SICP.

3.232. The State Suppliers Scheme (SIPE), introduced in 2007, consists of prior registration through which suppliers download a certificate (proof) electronically to replace all the documents which they have uploaded onto the system and which are needed in order to take part in government procurement. In other words, when submitting a bid, the certificate replaces the physical submission of the documents, provided that these have been uploaded. The certificate may also be used to challenge decisions. Registration is part of the SICP, it is free of charge and is not mandatory in order to take part in procurement, although suppliers must be registered if they are awarded a contract in order to receive payment. At May 2017, 21,514 suppliers were registered in the SIPE, of which only 0.4% were micro, small or medium-sized enterprises (MSMEs).¹⁴⁶

3.233. During the review period, efforts continued to make the government procurement system more efficient and transparent, with the adoption of measures such as: improvements to the electronic reverse auction system; introduction of the framework agreements scheme; implementation of a new registration scheme for paying suppliers¹⁴⁷; implementation of the business intelligence scheme to make it easier to obtain global data and to monitor government procurement procedures carried out through the SICP; and introduction of a pilot project for the contract management scheme with some contracting entities (currently, four).¹⁴⁸

3.234. On the other hand, with a view to promoting production and employment, Paraguay still gives preferences for goods and services of national origin in government procurement. Law No. 4.558/11 of 14 December 2011, implemented by Decree No. 9.649/12 of 7 September 2012, determines a 20% preference margin for products and services of national origin in national government procurement procedures. The following are considered products and services of national origin for this purpose: (a) mineral, animal and plant products extracted, harvested, collected or born in Paraguay and goods produced from such raw materials; (b) products processed in Paraguay from imported raw materials if their transformation results in a change in

¹⁴⁴ Article 3 of Law No. 3.439/07.

¹⁴⁵ The website is available at: <https://www.contrataciones.gov.py>.

¹⁴⁶ Information provided by the DNCP.

¹⁴⁷ The new scheme enables all payments made to suppliers by the Government under agreements signed within the LCP framework to be consulted. Decree No. 11.015/13 of 30 April 2013.

¹⁴⁸ Information provided by the DNCP.

tariff heading or, alternatively, if the labour, raw materials and inputs from Paraguay make up more than 40% of the selling price of the good from the Paraguayan factory; and (c) in road works, construction, maintenance, transport, insurance, consultancy and other services in general, when over 70% of the service supplier's personnel is Paraguayan. Bidders must submit a certificate of origin issued by the MIC in order to be eligible for this preference.¹⁴⁹

3.235. With regard to the execution of public works and services commissioned under Law No. 1.535/99 on government financial administration and the LCP, Law No. 5.074/13 of 23 October 2013 provides that Paraguay's actual share in "turnkey" transactions must not be less than 25%.¹⁵⁰ Pursuant to Decree No. 5.151/16 implementing Law No. 5.074/13, Paraguay's actual share of 25% in each undertaking refers to participation by the Paraguayan company in executing the contract, meaning that it includes work provided as a subcontractor. For the purposes of proving such a share, at the time bids are submitted, bidders must attach documents showing their commitment to subcontract Paraguayan enterprises. A company is considered to be Paraguayan when its head office is in Paraguay. The procedures carried out under Law No. 5.074 are disseminated through the SICP, but the MOPC issues the tender.

3.236. Decree No. 4.929/16 of 16 February 2016 lays down the obligation to purchase domestic products under the "by item" contracting method for all invitations to tender issued by contracting agencies governed by the LCP. A list of 20 domestic products was drawn up for this purpose, mostly agricultural products and by-products, which must be purchased in accordance with these terms. The Decree also empowers the MIC to update the list of products, taking into account a series of requirements which mainly concern the local content of the products, the fact that they are of sectoral interest and promote jobs and production by small and medium-sized enterprises.¹⁵¹

3.237. There are also special provisions to boost participation in government procurement by MSMEs. Decree No. 1.434/09 of 6 February 2009 provides that in government procurement procedures carried out according to the electronic reverse auction method, if the bids are technically equivalent, MSMEs have the opportunity of making a second bid after the final bids have been submitted, subject to the following conditions: the second-best bid is up to 5% higher than the first-best bid; and the second-best bid is by a smaller enterprise than the first bid, which must not be from an MSME. The aforementioned margin is 10% in the case of direct procurement. MSMEs' share of the annual total of contracts awarded has risen gradually but is still very low (0.8% in 2016, compared to 0.1% in 2011).

3.238. In order to promote the automotive industry, Law No. 4.838/12, determining the national automotive policy, provides that in all bidding procedures and the procurement of goods by government organizations and authorities, a 20% preference margin of the prices offered must be given for the incorporation of goods produced and/or assembled under this Law, in accordance with the methodology for calculating national value added, established by the competent authority¹⁵² (section 3.3.1.1.6).

3.239. The LCP's scope covers procurement of goods, works and services (including consultancy services) by all agencies belonging to the three arms of the State, autonomous and decentralized entities, local governments and municipal authorities and State-owned enterprises, except for the binational enterprises of Itaipú and Yacyretá. Procurement on the basis of international treaties to which Paraguay is party and that are financed by funds from multilateral credit agencies are excluded from the scope of the LCP.¹⁵³

3.240. The LCP establishes four procedures for government procurement depending on the estimated cost: (i) public invitation to tender, used for procurement exceeding the equivalent of 10,000 minimum "daily" wage units¹⁵⁴; (ii) offer bidding, used for procurement involving amounts ranging from 2,000 to 10,000 minimum daily wage units; (iii) direct contracting when the estimated cost is less than 2,000 minimum daily wage units; and (iv) "fixed price" procurement for

¹⁴⁹ Article 3 of Law No. 4.558/11 and Article 4 of Decree No. 9.649/12.

¹⁵⁰ Article 2 of Law No. 5.074/13.

¹⁵¹ Article 2 of Decree No. 4.929/16.

¹⁵² Article 9 of Law No. 4.838/12.

¹⁵³ Articles 1 and 2 of Law No. 2.051/03.

¹⁵⁴ In early 2017, the minimum daily wage unit was ₡75,558 (around US\$14/day).

contracting amounting to less than 20 minimum daily wage units.¹⁵⁵ The first two methods entail publication of the notification of procurement in a local newspaper and on the SICP; "direct contracting" is by means of a written invitation and is also published on the SICP; "fixed price" contracting (petty cash) is used to purchase small amounts of basic goods and services and is agreed directly with the supplier in order to speed up the administrative process.¹⁵⁶ It is not allowed to divide up the amount of contracts or the execution of a project in order to avoid the contracting methods prescribed in the Law.

3.241. Public invitations to tender are either national or international. Only natural and legal persons domiciled in Paraguay may participate in the former, while the latter is open to participation by natural and legal persons not domiciled in Paraguay. An international public invitation to tender is only allowed exceptionally when: (i) this is required by the terms of an international treaty; (ii) it is stipulated in loan agreements with international organizations; (iii) there are no bids from Paraguayan suppliers or contractors for the goods, services or works in the quantity or quality required or a bid is not acceptable in terms of price; or (iv) no bid whatsoever has been submitted in a national public invitation to tender. A natural or legal person not domiciled in Paraguay may be barred from participating in international invitations if that person's country of domicile does not grant reciprocal treatment to Paraguayan suppliers, goods or services.

3.242. In international public invitations to tender, where terms are equivalent, contracting entities must employ Paraguayan human resources and purchase goods produced in Paraguay with more than 50% local content. When making an economic comparison of bids, therefore, they have to apply a preference margin of up to 10% to the price of the goods with local content compared to the price of imported goods.¹⁵⁷

3.243. The LCP (Article 33) defines the exemptions where it is possible to proceed with government procurement without going through a public invitation to tender or offer bidding because of special circumstances. These exceptions concern, *inter alia*: where the contract may only be concluded with a particular person because it concerns a work of art, ownership of patents, copyright or other exclusive rights; in cases of natural disaster; for reasons of national security; where two bidding procedures have been declared fruitless; in situations of *force majeure*, emergency or for technical reasons justifying direct contracting.

3.244. Table 3.23 shows that national and international public invitations to tender jointly accounted for an average of 72% of the value of contracts awarded each year from 2010 to 2016. National invitations alone, however, represented the highest percentage, with an average of 48% of the value of contracts awarded each year.

Table 3.23 Amounts of contracts awarded by contracting procedure followed, 2010-2016

(%, unless otherwise indicated)

Method	2010	2011	2012	2013	2014	2015	2016
National public invitation to tender	46	43	59	36	48	55	46
International public invitation to tender	18	26	18	44	27	16	19
Offer bidding	6	5	4	5	5	5	5
Direct contracting	3	2	3	3	2	3	4
Exceptional contracting	8	11	8	6	6	5	6
Other ^a	19	13	8	6	11	16	20
Total	100	100	100	100	100	100	100
Total (€ million)	9,385,408	12,778,295	15,222,224	11,072,557	15,808,423	13,299,173	13,852,432
Total (US\$ million) ^b	1,670	2,274	2,710	1,971	2,814	2,367	2,466

a Including rental of real estate, contracting of training and contracting as a result of national or international agreements.

b Exchange rate at 21 February 2017: US\$1 = €5,617.

Source: WTO Secretariat, with data provided by the National Government Procurement Directorate.

¹⁵⁵ Article 16 of Law No. 2.051/03.

¹⁵⁶ Ibid., Article 35, and Article 75 of Decree No. 21.909/03.

¹⁵⁷ Article 18 of Law No. 2.051/03 and Article 62 of Decree No. 21.909/03, as amended by Decree No. 5.174/05 and by Articles 3 and 4 of Decree No. 6.225/11.

3.245. In terms of the number of contracts awarded (Table 3.24), national or international public invitations to tender represented an average of 18.5% annually during the review period and the share of international public invitations to tender averaged only 0.5%. On the other hand, offer bidding and direct contracting (following an invitation to three suppliers) accounted for 71% of contracts awarded during this period but less than 8% of the value, thus reflecting the low level of procurement using these methods, as well as their frequent use by contracting entities. As regards exceptional contracting (with no competition), although its share of the number of contracts and their value has tended to decrease in recent years, it remains more (6% in 2016) than participation in offer bidding (5%) or direct contracting (4%) in terms of the value of contracts awarded.

Table 3.24 Contracts awarded by contracting procedure followed, 2010-2016

(%, unless otherwise indicated)

Method	2010	2011	2012	2013	2014	2015	2016
National public invitation to tender	16	18	18	17.7	19	19.8	17
International public invitation to tender	1	0.4	0.5	0.3	1	0.3	0.4
Offer bidding	18	17	18	20	20	21	20
Direct contracting	51	52	54	54	49	50	54
Exceptional contracting	6	5.6	4.6	4	8	4	3.6
Other ^a	8	7	5	4	3	4.9	5
Total	100	100	100	100	100	100	100
Total number of contracts	20,866	21,322	20,873	14,541	17,492	14,551	15,120

a Including rental of real estate, contracting of training and contracting as a result of national or international agreements.

Source: WTO Secretariat, with data provided by the National Government Procurement Directorate.

3.246. The Law also provides for the introduction of additional methods of contracting which enable the Government to obtain better terms, for example, prequalification, bidding in two or more stages, electronic reverse auction or framework agreements. In 2008, for example, the electronic reverse auction system (SBE) was introduced, allowing suppliers registered in the SIPE to submit bids for contracts for goods, services (including consultancy services) and public works openly on the Internet and bid at auctions in real time. The winning bid is that which offers the lowest price. There is no ceiling on the amount of the contract or the method of contracting. In 2016, the share of the SBE in terms of the value of total contracts awarded was 38% and 8% in terms of the number of contracts awarded (15% and 8%, respectively, in 2011). The authorities consider that the SBE has helped to facilitate contracting procedures and improve transparency and has generated savings for the Government. Decree No. 1.107/14 of 13 January 2014 establishes a single regulatory structure for contracting through the SBE.¹⁵⁸

3.247. In 2014, the contracting procedure called "framework agreement" was introduced by Decree No. 1.315/14. This consists of drawing up an online catalogue of mass consumption goods, which are offered by suppliers with the approval of the DNCP. Purchasing entities thus have a virtual shop on which they can purchase the goods they need at a time that suits them without having to issue a public invitation to tender. The number of contracts awarded using the framework agreement procedure rose from 89 in 2014 to 1,021 in 2016.

3.248. The LCP requires that all public invitations to tender be published on the SICP and in at least one national newspaper for a minimum of three days. The specifications of terms and conditions are available to those interested on the SICP without charge. The type of information to be included in the call for bids and the conditions are specified in the Law. The minimum periods for submitting and opening bids is 20 days for national invitations to tender and 40 for international invitations, calculated as of the date of the last publication of the invitation. The offer bidding procedure is similar to a public invitation to tender, except that it is not mandatory to publish the invitation in the press, rather it is issued through written invitations to potential suppliers, without any limit on participation; the time-limits set may also be halved provided that

¹⁵⁸ The new Decree repeals Decrees Nos. 12.453/08 and 5.517/10.

the purpose is not to limit the number of potential bidders or to confer an advantage on a particular bidder.

3.249. According to the LCP (Article 26) and Decree No. 21.909 (section IV), the criteria for awarding a contract are: the bid must meet the legal and technical criteria in the specifications of terms and conditions; the bidder must possess the qualifications and capacity needed to fulfil the contract; and the price is deemed to be the lowest. As has already been indicated, however, in international public invitations to tender, when comparing the economic aspect of bids, contracting entities must apply a preference margin of up to 10% to the price of goods with local content compared to the price of imported products.

3.250. The LCP institutes an appeals (complaints) procedure under which any bidder who considers that his rights have been prejudiced at any stage of the contracting procedure may appeal to the DNCP against the administrative action taken by the contracting entity. The DNCP is empowered to review such action, annul acts, contracts or agreements on the part of the contracting entity provided that, in the course of administrative summary proceedings, it is shown that they violate the LCP. The time-limits for issuing decisions are specified in the rules. Appeals against decisions by the DNCP may be made to the Court of Auditors. Complaints must be submitted in writing or using the electronic complaint form on the SICP, authorized by Resolution No. 2.076/15 of 21 July 2015. This form allows any appeal procedure to be dealt with electronically, without any hard copy. The number of contracting procedures contested gradually rose during the review period: 402 in 2011; 530 in 2012; 537 in 2013; 756 in 2014; 797 in 2015; 920 in 2016; and 341 by the end of May 2017.¹⁵⁹ According to the authorities, this increase is linked to greater transparency in contracting inasmuch as the public has access to information on invitations to bid and can detect any anomalies such as below average prices, biased technical specifications and corruption.

3.251. In a recent evaluation of Paraguay's government procurement system¹⁶⁰ by the DNCP, with support from the IDB, it was found that from 2006 to 2013, the system had been reinforced exponentially, particularly as regards transparency and integrity, market operation and practices, even though these are the areas requiring further strengthening. It was found that the legal framework and the institutional structure were the strongest areas in the system, while the areas that showed shortcomings included: definition of the terms and specifications in prequalification procedures; restriction on participation by international companies in procedures as a result of making national public bidding the rule; the time taken to respond in budgetary and financial procedures as regards payment of suppliers; and the efficacy of review by the jurisdictional body because of the lack of expertise in government procurement on the part of judges responsible for administrative litigation proceedings.

3.3.8 Intellectual property rights

3.3.8.1 Legal and institutional framework

3.252. Article 110 of Paraguay's Constitution of 1992 guarantees intellectual property rights (IPRs) and copyright. Article 184 of its Penal Code contains provisions on infringement of copyright and related rights and industrial property rights. IPRs are protected more specifically by several other laws, including Law No. 1.630/00 of 29 November 2000 on patents and amendments thereto; Law No. 1.328/98 of 27 August 1998 on copyright and related rights and amendments thereto; and Law No. 1.294/98 of 6 August 1998 on trademarks and amendments thereto (Table 3.25). A Law on geographical indications and designations of origin was adopted during the review period.

3.253. In addition to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), Paraguay's regulatory framework for intellectual property includes the international agreements and conventions concluded and ratified within the framework of the World Intellectual Property Organization (WIPO). Paraguay is also party to the Buenos Aires Protocol on the

¹⁵⁹ Information provided by the DNCP.

¹⁶⁰ DNCP (2013), *Evaluación 2013 del Sistema Nacional de Contrataciones Públicas del Paraguay. Con base en la Metodología de la OCDE/DAC*. Viewed at: <https://www.contrataciones.gov.py/sicp/download/getFile?cid>.

Harmonization of Intellectual Property Rules within MERCOSUR with regard to trademarks, indications of origin and designations of origin.

3.254. During the review period, Paraguay ratified the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled, adopted on 27 June 2013, which came into force on 30 September 2016.

3.255. Paraguay's intellectual property legislation underwent several changes during the review period (Table 3.25). In 2011, for example, amendments were made to the decrees implementing the laws on patents, copyright and related rights, and trademarks.

3.256. There were also institutional changes during the review period. Pursuant to Law No. 4.798/12 of 31 December 2012, implemented by Decree No. 460/2013 of 10 October 2013, the National Intellectual Property Directorate (DINAPI) was created¹⁶¹, composed of the Directorate-General of Industrial Property, the Directorate-General of Copyright and Related Rights, and the Directorate-General of Enforcement.¹⁶² DINAPI is responsible for carrying out national policy on intellectual property and for administrative application of the regulations for the protection of IPRs, as provided in the Constitution, the legislation and international treaties and conventions concluded and ratified by Paraguay.¹⁶³

3.257. Another change during the review period was the adoption of Law No. 4.923/13 of 20 June 2013 on geographical indications and designations of origin. Previously, these were governed by Articles 57 to 60 of Law No. 1.294/98 on trademarks, which were repealed. The Law on geographical indications and designations of origin provides a term of protection for geographical indications and indications of origin lasting ten years as of registration, which may be renewed indefinitely for equal periods, provided that renewal is requested within the year preceding expiry and subject to completion of the same formalities as those required for registration.

Table 3.25 Overview of the protection of intellectual property rights in Paraguay, February 2017

Subject/legislation	Coverage	Term	Observations, limitations and exclusions
Copyright and related rights Law No. 1.328/98 of 27 August 1998 on copyright and related rights, as amended by Law No. 4.798/12 of 31 December 2012 creating DINAPI Decree No. 5.159/99 of 13 September 1999 implementing Law No. 1.328/98 Decree No. 6.780/11 of 21 June 2011 implementing Chapter IV, "Right to compensatory remuneration" of Law No. 1.328/98	Copyright includes moral and economic rights. Any original literary, scientific or artistic product capable of being disclosed or published by any means or process, regardless of its type, form of expression, the nationality or domicile of its author or right holder, or the place of publication. Related rights include the moral and economic rights of performers, and the economic rights of producers of phonograms and broadcasting organizations.	Economic rights: lifetime of the author (or last co-author) plus 70 years. For collective, anonymous, pseudonymous, audiovisual and broadcast works, and computer programs: 60 years from the date of disclosure or first publication. The economic rights of performers last for 50 years as of the year following the performance. The rights of producers of phonograms last for 50 years as of 1 January of the year following the first publication of the phonogram.	Registration is not a condition of protection. The use of works without gainful intent in the cases specifically provided in the Law in the chapter on exceptions and limitations (or for educational or research purposes) is not considered to be infringement of copyright. Ideas, procedures, official texts, news and data are not protected.
Patents Law No. 1.630/00 of 29 November on patents, as amended by Law	Any invention, whether product or process, that is new, involves an inventive step and is industrially	20 years from the date of filing the application, non-renewable.	The following may not be patented: plants and animals, with the exception of microorganisms, and

¹⁶¹ Pursuant to Decree No. 5.762/16 of 16 August 2016, DINAPI was authorized to adopt the classification of products and services for the registration of trademarks.

¹⁶² Law No. 4.798/12 may be viewed at: <http://www.pj.gov.py/images/contenido/ddpi/leyes/ley-4798-13-crea-la-direccion-nacional-de-proiedad-intelectual.pdf>.

¹⁶³ DINAPI is the implementing authority for Law No. 1.294/98 on trademarks; Law No. 1.630/00 on patents; Law No. 868/81 on industrial designs; Law No. 1.328/98 on copyright and related rights; and Law No. 4.923/13 on geographical indications and designations of origin.

Subject/legislation	Coverage	Term	Observations, limitations and exclusions
<p>No. 4.798/12 of 31 December 2012 creating DINAPI, Law No. 2.047/02 of 10 December 2002 and Law No. 2.593/05 of 17 June 2005 Decree No. 14.201/01 of 2 August 2001 implementing Law No. 1.630/00; supplemented and partially amended by Decree No. 8.069/11 of 23 December 2011</p>	<p>applicable; pharmaceutical products since January 2005.</p>		<p>essentially biological processes for the production of plants and animals that are not non-biological or microbiological processes; products or processes that are included in the state of the art; and inventions whose commercial exploitation must be prevented in order to protect public order, morality, human, animal or plant life or health and the environment. Compulsory licences may be granted three years after the grant of the patent or four years after the filing of the application if the invention has not been exploited or "no serious and effective preparations have been made to do so", or if exploitation has been suspended for a period of more than one year, provided that the non-use is not attributable to <i>force majeure</i> (difficulties of a technical or legal nature outside the control of the patent holder, which render the working of the patent impossible, or lack of resources or economic viability).</p>
<p>Trademarks Law No. 1.294/98 of 6 August 1998 on trademarks, as amended by Law No. 4.798/12 of 31 December 2012, creating DINAPI Articles 57 to 60 of Law No. 1.294/98 on trademarks were repealed by Law No. 4.923/13 of 20 June 2013 on geographical indications and designations of origin Decree No. 22.365/98 of 14 August implementing Law No. 1.294/98; supplemented by Decree No. 6.329/11 of 23 March 2011 and by Decree No. 5.762/16 of 16 August 2016 repealing its Article 5</p>	<p>Upon registration, any sign serving to distinguish products or services in the market, including names, commercial slogans, certification marks and collective marks. Prior use is not a condition for registration. Includes protection against the use and registration of well-known distinctive signs.</p>	<p>Ten years from the date of granting, renewable indefinitely for further ten-year periods.</p>	<p>The following may not be registered as trademarks: (a) signs or distinguishing devices that are contrary to the law, public order, morality or proper behaviour; (b) armorial bearings, distinguishing marks, emblems, names whose use is reserved to the State, other legal persons under public law or international organizations; (c) the usual shape of a product or its container, or the shape required for the product or service to which they refer; (d) signs which constitute, <i>inter alia</i>, reproduction, imitation, translation, transliteration or transcription in full or in part of an identical or similar distinctive sign well-known to the public in the corresponding sector and belonging to a third party.</p>
<p>Industrial designs Law No. 868/81 of 2 November 1981 on industrial designs, as amended by Law</p>	<p>Upon registration, new designs. Industrial designs must be intended to give a special appearance to an industrial or craft product</p>	<p>Five years from the date of filing the application. Renewable for two consecutive periods of the same duration.</p>	<p>Industrial designs may not be registered if they are not new, are used solely for technical purposes, or are contrary to public order,</p>

Subject/legislation	Coverage	Term	Observations, limitations and exclusions
No. 4.798/12 of 31 December 2012 creating DINAPI Decree No. 30.007/82 of 5 January 1982 implementing Law No. 868/81	and be used as a model for its manufacture.		morality or proper behaviour.
New plant varieties Law No. 988/96 of 15 October 1996 approving the International Convention for the Protection of New Varieties of Plants Law No. 385/94 of 5 July 1994 on seeds and the protection of cultivars, amended by Law No. 2.459/04 of 4 October 2004 creating SENAVE Decree No. 7.797/00 of 7 March 2000 implementing Law No. 385/94	New, uniform, distinct and stable plant varieties.	15 to 20 years depending on the species: currently 15 years for agricultural species; 18 years for forest species, vines and fruit trees.	Protection by means of breeders' certificates. Plant breeders' certificates do not confer on the holder the right to prevent third parties from using the protected variety, when such use is made for experimental purposes, or to obtain and exploit a new variety, or when it is used by a farmer who sows it and keeps seed from the protected cultivar for his own use.
Geographical indications and designations of origin Law No. 4.923/13 of 20 June 2013 on geographical indications and designations of origin	Designation of origin: the name of a country, region, district or locality, or of a specific place, which serves to designate a product originating therein, the quality or characteristics of which are due essentially or exclusively to the geographical environment in which it is produced, including natural and human factors. Geographical indication: the name of a country, region, department, district or locality, or of a specific place, which serves to designate a product originating therein, when the quality, reputation or other characteristic are basically due or attributable to its geographical origin.	Ten years, which may be renewed indefinitely for further ten-year periods, provided that renewal is requested within the year preceding expiry and subject to completion of the same formalities as those required for registration.	The following may not be registered as geographical indications or designations of origin: (a) generic names of products which, although they refer to the place or region in which they are produced, through usage have become common names for the products identified by the public in the Republic of Paraguay; (b) trademarks in force registered in good faith or if the rights in a trademark have been acquired as a result of its use in good faith before the geographical indication and/or designation of origin was protected in the country of origin; (c) products that are identical or similar to others already registered as designations of origin when this is likely to mislead consumers; (d) names whose use may mislead with regard to the qualities or characteristics of the product concerned; (e) use of any means which, in designating or presenting the product, indicates or suggests that the product comes from a geographical region other than the actual geographical origin and may mislead the public as to the actual place of origin; and (f) the product conflicts with the name of a plant variety or animal breed and may mislead the consumer.
Utility models	Provisions on the form,	Ten years from the date of	Protection conferred by a

Subject/legislation	Coverage	Term	Observations, limitations and exclusions
Law No. 1.630/00 of 29 November 2000 on patents, as amended by Law No. 4.798/12 of 31 December 2012 creating DINAPI Decree No. 14.201/01 of 2 August 2001 implementing Law No. 1.630/00, supplemented and partly amended by Decree No. 8.069/11 of 23 December 2011	configuration or arrangement of an object that enables it to function better or differently, or that gives it a usage or technical effect that it did not previously have. Utility models must be industrially applicable and novel.	filing the application, non-renewable.	utility model patent. The following are not considered to be utility models: processes, substances and compositions, including those of a chemical and metallurgic or other nature, and materials excluded from patent protection.
Layout-designs of integrated circuits TRIPS (there is no domestic legislation)	Protection upon registration. The layout-designs must be original.	Ten years from the date of filing the application.	Layouts in commercial use for over two years in any part of the world may not be registered. Rights may only be claimed against acts carried out for industrial or commercial purposes.

Source: WTO Secretariat, based on information provided by the authorities and WIPO.

3.3.8.2 Copyright and related rights

3.258. Copyright and related rights are protected by Article 110 of Paraguay's Constitution, and by Law No. 1.328/98 of 27 August 1998 on copyright and related rights, implemented by Decree No. 5.159/99 of 13 September 1999 and Decree No. 6.780/11, which implements its Chapter IV.

3.259. The Directorate-General of Copyright and Related Rights is responsible for administering and implementing policies decided by DINAPI in relation to copyright and related rights.

3.260. The term of economic rights is the lifetime of the author plus 70 years following his death. For collective, anonymous, pseudonymous, audiovisual, broadcast works or computer programs, protection is for 60 years from the date of their disclosure or first publication. The economic rights of performers last for 50 years from the year following the performance. The rights of phonogram producers last for 50 years, from 1 January of the year following the first publication of the phonogram.

3.261. A work does not have to be registered in order to receive protection. Registration is simply declaratory and not constitutive of rights, therefore, failure to register it does not prejudice either the enjoyment or exercise of the rights recognized by the Law (Articles 152 and 153 of Law No. 1.328/98). Nonetheless, entry in the National Register of Copyright and Related Rights at DINAPI's Directorate-General of Copyright and Related Rights enables the right holder to have valid proof of his rights.

3.262. Applications for registration by interested parties or their attorneys must be in writing (Article 14 of Decree No. 5.159/99). Once the requirements have been fulfilled, the application is examined as to form and, once it has been approved, an order is given for its publication in a national newspaper for three consecutive days (Article 33 of Decree No. 5.159/99). Following publication, a period of 30 working days is given for the presentation of opposition and if there is none, a substantive examination is undertaken for the subsequent issue of the registration certificate (Article 34 of Decree No. 5.159/99).

3.3.8.3 Patents and utility models

3.263. The legal framework for the protection of patents and utility models comprises : (a) Law No. 1.630/00 of 29 November 2000 on patents, as amended by Law No. 2.047/02 of 10 December 2002, enabling pharmaceuticals to be patented as of 1 January 2005; Law No. 2.593/05 of 17 June 2005, amending various Articles on the procedure for patent application and repealing Article 75 on penal action for infringement of patent rights; Law No. 4.798/12 of

31 December 2012 creating DINAPI; and (b) Decree No. 14.201/01 of 2 August 2001 implementing Law No. 1.630/00, as amended and supplemented by Decree No. 8.069/11 of 23 December 2011.

3.264. In order to be protected, patents must relate to new inventions of products or processes involving an inventive step and be industrially applicable (Article 3 of Law No. 1.630/00). Since January 2005, it has also been possible to patent pharmaceuticals, pursuant to Law No. 2.047/02. The following may not be patented: plants and animals, with the exception of microorganisms, and essentially biological processes for the production of plants or animals that are not non-biological or microbiological processes; products or processes that are included in the state of the art; and inventions whose commercial exploitation must be prevented in order to protect public order, morality, human, animal or plant life or health and the environment (Article 5 of Law No. 1.630/00).

3.265. In order to be protected by a patent, utility models must be industrially applicable and novel (Article 53 of Law No. 1.630/00). Processes, substances and compositions, including those of a chemical and metallurgic or other nature, and materials excluded from patent protection are not considered to be utility models.

3.266. DINAPI is the authority responsible for decisions on granting patents, through its Directorate-General of Industrial Property. A patent has a non-renewable term of 20 years from the date of filing the application (Article 29 of Law No. 1.630/00) and patents for utility models have a non-renewable term of ten years from the date of filing the application.

3.267. The granting of a patent (for an invention or a utility model) involves an examination as to form in order to see whether it complies with the requirements laid down in the Law; a period of up to 60 working days is given in which to correct any omission or lacuna. A patent application remains secret for 18 months after filing or after the priority in the case of a foreign patent. Following this period, the application is published for a period of five days in two national newspapers at the applicant's expense, although he may request that it be published before expiry of the period indicated (Article 23 of Law No. 1.630/00). The next step is to carry out a substantive examination of the application, but prior to this any interested party may send in comments (Article 24 of Law No. 1.630/00). The substantive examination of the application takes place in order to determine whether the invention meets the requirement of novelty and the other patentability requirements laid down in the Law for granting a patent, as well as the requirement of unity of the invention (Article 25 of Law No. 1.630/00). Once these requirements have been met, a decision on granting the patent is issued and a corresponding certificate is sent to the owner. The applicant must publish the grant of the patent for a period of five days in two national newspapers (Article 28 of Law No. 1.630/00).

3.268. The Law also provides for the granting of compulsory licences. Three years after the patent has been granted or four years after the date of filing the application (whichever is the most recent), any interested party may request DINAPI for a compulsory licence if the invention has not been exploited or no serious and effective preparations have been made to exploit it, or if exploitation has been suspended for a period of more than one year, provided that the non-use is not attributable to *force majeure*. Compulsory licences may also be granted for reasons of anti-competitive practices, abuse of the rights conferred by the patent or abuse of a dominant position in the market. It is also provided that the Executive, by means of a decree, may grant compulsory licences for reasons of public interest (Articles 43, 44 and 45 of Law No. 1.630/00).

3.269. In 2011, DINAPI received 356 applications for patents or utility models, 388 in 2012, 451 in 2013, 406 in 2014, 365 in 2015 and 317 in 2016. Of the applications received in 2016, 95% were from non-residents (93.4% in 2015). Paraguay granted five patents in 2011, four in 2012, eight in 2013, ten in 2015 and 13 in 2016.

3.3.8.4 Trademarks

3.270. Trademarks are protected by Law No. 1.294/98 of 6 August 1998 on trademarks, implemented by Decree No. 22.365/98 of 14 August 1998, which was supplemented during the review period by Decree No. 6.329/11 of 23 March 2011. The supplement consisted of creating a

section on geographical indications, but this provision no longer applied following the enactment of Law No. 4.923/13 of 20 June 2013 on geographical indications and designations of origin.¹⁶⁴

3.271. DINAPI is responsible for receiving applications to register trademarks, through the Directorate-General of Industrial Property. Formalities for registering a trademark take a minimum of six months from the date of filing the application. The Directorate-General of Industrial Property issues a registration certificate. The registered trademark has a term of ten years from the date on which it is granted and may be renewed indefinitely for further ten-year periods (Article 16 of Law No. 1.294/98).

3.272. Owners of trademarks for products or services registered abroad enjoy the guarantees provided after the marks have been registered in Paraguay (Article 18 of Law No. 1.294/98). Use of the trademark is compulsory and its registration will be cancelled if it has not started to be used within five years immediately following its registration or if its use has been suspended for more than five consecutive years.

3.273. Pursuant to Article 2 of Law No. 1.294/98, the following may not be registered as trademarks: (a) signs or distinguishing devices that are contrary to the law, public order, morality or proper behaviour; (b) armorial bearings, distinguishing marks, emblems, names whose use is reserved to the State, other legal persons under public law or international organizations; (c) the usual shape of a product or its container, or the shape required for the product or service to which they refer; (d) signs which constitute, *inter alia*, reproduction, imitation, translation, transliteration or transcription in full or in part of an identical or similar distinctive sign well-known to the public in the corresponding sector and belonging to a third party.

3.274. Between September 2013 and September 2016, 54,330 trademarks were granted, 50% of them to foreigners. Over the same period, a total of 88,432 applications were filed.

3.3.8.5 Industrial designs

3.275. Industrial designs are protected by Law No. 868/81 of 2 November 1981 on industrial designs, implemented by Decree No. 30.007/82 of 5 January 1982. Registration is with DINAPI, which may grant protection for five years from the date of filing the application, renewable for two consecutive periods of the same duration. Industrial designs that are new, not used exclusively to obtain a technical effect and are not contrary to public order, morality or proper behaviour may be registered (Article 2 of Law No. 868/81).

3.3.8.6 New varieties of plants

3.276. New plant varieties are protected in Paraguay by Law No. 385/94 of 5 July 1994 on seeds and the protection of cultivars, as amended by Law No. 2.459/04 of 4 October 2004, which created SENAPE, and was in turn supplemented and amended by Law No. 4.866/13 of 8 January 2013 and Decree No. 7.797/00 of 7 March 2000 implementing Law No. 385/94. Paraguay also approved the International Convention for the Protection of New Varieties of Plants (UPOV) by means of Law No. 988/96 of 15 October 1996. Paraguay is party to the UPOV 78 Act.

3.277. Applications to register plant varieties in the National Register of Protected Cultivars, created by Law No. 385/94, are filed with SENAPE, which is the authority for implementation of international conventions and agreements on plant quality and health, seeds and the protection of new plant varieties and plant species derived from biotechnology of which Paraguay is a member or State party.

3.278. Varieties which meet the requirements of distinctness, homogeneity, stability, novelty and denomination (Articles 12, 25 and 26 of Law No. 385/94) may be entered in the National Register. Recognition as a breeder of a new variety or line may be given jointly to more than one natural and/or legal person. A breeder's title may be marketed, assigned and transmitted and the successor may use, benefit from or dispose of the title for the period remaining to its owner in the

¹⁶⁴ Law No. 1.294/98 on trademarks protected geographical indications. The corresponding provisions were repealed with the enactment of Law No. 4.923/13 of 20 June 2013 on geographical indications and designations of origin.

same way and on the same terms as the owner (Article 32 of Law No. 385/94). If the requirements are met, SENAVE grants the breeder's title, which is valid for 15 to 20 years depending on the species; it is currently 15 years for agricultural species and 18 years for forest species, vines and fruit trees.

3.279. A plant breeder's certificate does not confer on the holder the right to prevent third parties from using the protected variety if such use is for experimental purposes to obtain and exploit a new variety, or is used by a farmer who sows it and keeps seed from the protected cultivar for his own use (Articles 34 and 35 of Law No. 385/94).

3.3.8.7 Geographical indications and designations of origin

3.280. The review period saw the adoption of Law No. 4.923/13 of 20 June 2013 on geographical indications and designations of origin. Prior to this there was no specific law on the protection of geographical indications or designations of origin, and they were protected under Articles 57 to 60 of Law No. 1.294/98 on trademarks, which were repealed when the new Law was adopted. In May 2017, DINAPI was preparing draft implementing regulations for Law No. 4.923/13.

3.281. The registration of geographical indications and designations of origin is the responsibility of DINAPI. Geographical indications may be recognized and registered *ex officio* or may be requested by persons who can prove a legitimate interest, meaning natural or legal persons directly involved in extracting, producing or processing the product or products it is sought to protect, as well as their associations. Registration is valid for ten years and may be renewed indefinitely for further ten-year periods, provided that renewal is requested during the year preceding the expiry of registration (Article 16 of Law No. 4.923/13).

3.282. Applications for registration are filed with a regulatory committee, which presents them within 30 working days of having been legally established. The contents of the application are published in the Official Journal and in a national newspaper for one day, at the expense of the applicant. After publication, a period of 30 working days following the date of publication is given for opposition to registration. Once these requirements have been met, a decision is taken on registration, which is published in the Official Journal and in a national newspaper for one day (Articles 18 to 22 of Law No. 4.923/13).

3.283. If a geographical indication or designation of origin has been registered abroad, the MRE may deal with it according to the terms of the relevant international treaties (Article 2 of Law No. 4.923/13). Law No. 4.923/13 also recognizes registration of foreign geographical indications or designations of origin already registered in the country of origin which offers reciprocal treatment for registration granted in Paraguay. The registration procedure is governed by the registration provisions in the Law and submission of the certificate of recognition issued by the country of origin in the name of the applicant is an essential requirement (Article 23 of Law No. 4.923/13).

3.3.8.8 Other intellectual property rights

3.284. There is no domestic legislation on the protection of layout-designs (topographies) of integrated circuits in Paraguay, but they are protected under the TRIPS Agreement. Protection is given through registration for a period of ten years from the date of filing the application.

3.285. Undisclosed information is protected in Paraguay by Law No. 3.519/08 of 25 June 2008 on the protection of test data requested by the health authority for the approval of phytosanitary products, and Law No. 3.283/07 of 3 September 2007 on protection of undisclosed information and test data for the registration of pharmaceuticals, which governs undisclosed information.

3.3.8.9 Parallel imports

3.286. Paraguay recognizes international exhaustion of industrial property rights by means of Law No. 1.630/00 on patents, and for rights in trademarks by means of Law No. 1.294/98 on trademarks, so parallel imports are permitted. The relevant provisions in these two Laws specify that a right holder in Paraguay may not prevent parallel imports from another country in which the products to be imported have been placed on the market by the right holder or with his authorization.

3.287. Pursuant to Law No. 1.328/98 on copyright and related rights, parallel imports are not permitted in the case of copyright, as the right holder has the exclusive right to authorize or refuse import into Paraguay, irrespective of whether he has or has not authorized such copies in the country of origin. Importation rights also include the electronic transmission of works. This right suspends the free movement of such copies at the border, but does not cover a single copy for individual use (Article 29 of Law No. 1.328/98).

3.3.8.10 Enforcement

3.288. Law No. 4.798/12 created the Directorate-General for Enforcement, under the authority of DINAPI, to be responsible for promoting and protecting all forms of IPRs. This Directorate also has to take preventive and investigative action to punish piracy and counterfeiting and is therefore empowered to take administrative action with a view to preventing infringement of IPRs. Intervention may be *ex officio* or following a direct complaint from right holders or their representatives; it may take place at customs offices anywhere in the country, in commercial premises, warehouses or other public or private premises.¹⁶⁵ This is intended to respond to the problem caused by inadequate enforcement of IPRs in Paraguay, which results in high levels of piracy. The Directorate-General for Enforcement is carrying out awareness-raising activities and strategic campaigns to promote observance of IPRs.

3.289. In 2015, Paraguay was removed from the Special 301 Watch List of the Office of the United States Trade Representative (USTR) as a result of an out-of-cycle review. Paraguay was first identified as a priority country in 1998 in the context of a "Special 301" investigation¹⁶⁶ and afterwards continued to appear on the list. Following this progress, the United States and Paraguay signed a Memorandum of Understanding on Intellectual Property Rights in June 2015, under which Paraguay undertook to take specific steps to improve its IPR protection and enforcement environment. The United States gives positive recognition in the "Special 301" Report to the efforts made by DINAPI to improve interinstitutional cooperation.¹⁶⁷

3.290. The authorities have determined the main difficulties in enforcing IPRs as exchange of information among various government agencies and the correct use of information. Another challenge mentioned is the creation of a National Intellectual Property Coordination Centre to combat counterfeiting.¹⁶⁸

3.291. According to information provided by the Directorate-General for Enforcement, between 2013 and 2016 goods worth US\$245.5 million were seized. Among the principal products seized were electronic and telephony goods, perfumes, clothing, footwear, sunglasses, accessories, toys and phonograms. DINAPI has investigated the activities of three copyright collective management associations (Autores Paraguayos Asociados (APA), Entidad Paraguaya de Artistas, Intérpretes y Ejecutantes (AIE), and Sociedad de Gestión de Productores Fonográficos del Paraguay (SGP)) for alleged irregularities.

¹⁶⁵ WIPO document WIPO/ACE/11/6 of 14 July 2016, submitted at the Eleventh Session of WIPO's Advisory Committee on Enforcement, available at: http://www.wipo.int/edocs/mdocs/enforcement/en/wipo_ace_11/wipo_ace_11_6.pdf.

¹⁶⁶ "Special 301" investigations identify countries which the United States authorities consider infringe IPRs. Countries whose policies are considered to have the most or more cost effects for United States right holders or products are classified as priority countries.

¹⁶⁷ Report available online at: <https://ustr.gov/sites/default/files/USTR-2016-Special-301-Report.pdf>.

¹⁶⁸ Online information from DINAPI, viewed at: <http://www.dinapi.gov.py/index.php/noticias/exponen-en-mexico-sobre-retos-de-la-observancia-de-la-propiedad-intelectual-en-paraguay>.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, forestry and fishing

4.1.1 Agriculture and livestock

4.1.1.1 General features

4.1. Crop farming and livestock continue to be important for Paraguay and in 2016 they accounted for 15.7% of total GDP. In 2015, crop farming, livestock, hunting and fishing provided employment for 20% of the active population, somewhat less than in previous years, and there were 200,000 families engaged in family farming. Paraguay is the world's sixth largest producer and its fourth largest exporter of soya and soya products. In addition, it is the world's fourteenth largest producer of fresh and chilled meat and its seventh largest exporter of frozen bovine meat. Farm lands account for 55% of the country's total area.¹ Agricultural production is concentrated in the eastern region of the country, although livestock and dairy farming goes on in the north and west.

4.2. The Ministry of Agriculture and Livestock (MAG) is the department responsible for formulating and coordinating Paraguay's agricultural policy.² Several agencies with related functions are attached to the MAG, such as the National Animal Quality and Health Service (SENACSA); the National Plant and Seed Quality and Health Service (SENAVE); the National Cooperative Institute (INCOOP); the National Forestry Institute (INFONA); the Paraguayan Technology Institute (IPTA); the National Rural Development and Land Institute (INDERT); the Agricultural Equipment Bank (CAH); and the Livestock Fund (FG). The MAG's current programmes and projects are listed in Table A4.1.

4.3. During the review period, there were various changes in Paraguay's institutional framework for agriculture and forestry, such as the establishment of the Paraguayan Agricultural Technology Institute (IPTA) in 2010 and the National Agricultural and Forest Biosecurity Commission (COMBIO) in 2012. The IPTA's main objective is the generation, reclamation, adaptation, validation, dissemination and transfer of agricultural technology and the management of agricultural and forest genetic resources. It is also responsible for developing research programmes and technologies for increasing productivity and competitiveness.³ Moreover, since 2011 the MAG has had an agro-energy department in the Agricultural Outreach Directorate, whose main task is certifying domestic raw materials for producing biofuel, biomass and biogas.

4.4. The principal policies that currently govern the agricultural sector can be found in various documents, namely: the Paraguayan National Development Plan 2014-2030 (section 2), the Agricultural Strategic Framework (2014-2018) and the Institutional Strategic Plan 2014-2018. Table 4.1 summarizes the main features of these policies.

Table 4.1 Plans and policy instruments relating to the agricultural sector, 2016

Plan	Main features
Paraguayan National Development Plan (PND) 2014-2030	Broad development plan, which, in its section 2, specifies as its objectives: increasing agricultural production; strengthening family farming and its linkage with value chains, and positioning Paraguay among the world's leading food exporters.
Agricultural Strategic Framework 2014-2018	Roadmap for agricultural and rural development. Based on six main pillars: (i) agricultural competitiveness; (ii) development of family farming and food security; (iii) sustainable development of forestry and provision of environmental services; (iv) livestock and farming development; (v) risk management associated with variability and climate change; and (vi) social integration, employability and rural entrepreneurship. Contains general and specific programmes under each heading.

¹ Online information from the FAO, viewed at: <http://www.fao.org/countryprofiles/index/en/?iso3=PRY>.

² The MAG was established by Law No. 81/92 on establishing the organizational and operational structure of the Ministry of Agriculture and Livestock.

³ The IPTA was created by Law No. 3.788/10 of 21 June 2010. Online information from the IPTA, viewed at: <http://www.ipta.gov.py/index.php/marco-legal>.

Plan	Main features
Institutional Strategic Plan 2014-2018	The MAG's principal medium-term management tool. Has four strategic objectives: to promote agricultural competitiveness; to strengthen family farming (both of these for the purpose of introducing agricultural products into the domestic and international market); strengthening the MAG; and the sustainable management of productive natural resources such as forests, soil and water.
Other plans, programmes and projects	Implementation through subordinate entities: Vice-Ministry of Agriculture, Vice-Ministry of Livestock, Marketing Directorate.

Source: MAG (<http://www.mag.gov.py/3.%20Plan%20Estrategico%20Institucional%202014-2018.pdf> and http://www.mag.gov.py/sigest_actas/Marco%20Ampliado.pdf), <http://www.gacetaoficial.gov.py/index/getDocumento/7461>.

4.5. There are two taxes that exclusively affect the agricultural sector: the Rural Property Tax (1% of the assessed value of the land, in accordance with Law No. 125/91) and the Agricultural Income Tax (IRAGRO). Up until 2013, the agricultural sector was almost exempt from taxes. Law No. 5.061/2013, which amended certain provisions of Law No. 125 of 9 January 1992 establishing the new tax regime and introduced other tax measures, was used to implement the decision to equate the IRAGRO with the Commercial, Industrial and Services Income Tax (IRACIS) and apply the general 10% rate to it. Moreover, VAT was imposed at the rate of 5% on all products of the agricultural and fisheries subsectors in their natural state. Products which have undergone some form of processing were already being taxed. In its present form, the IRAGRO is a tax on earnings from agricultural activities within the national territory. There are simplified regimes for taxpayers with incomes of less than ₡1,000 million. In addition, natural persons whose annual incomes do not exceed 36 times the minimum wage (₡65 million) are exempt from the IRAGRO and VAT.

4.6. The legal changes introduced during the review period include the enactment of Law No. 5.264/14 on the development of the dairy chain, the strengthening of domestic production and the promotion of dairy product consumption.⁴ The purpose of this law, which establishes an Inter-Institutional Dairy Competitiveness Commission, is to implement the strategies contained in the National Plan for the Sustainable Development of the Dairy Chain, boost domestic production and ensure access to and the consumption of safe high-quality dairy products. The MAG is the executive agency for the Law, working through the Vice-Ministry of Livestock and the SENACSA, which are charged with coordinating and guaranteeing the effective implementation of the Plan, by establishing strategies and activities jointly with the private sector. These strategies and activities are grouped under four headings: organization and management of the primary sector; organization of the industrial sector, marketing and markets; family farming; and food security and sectoral information. The Law provides the financing needed to implement the Plan by imposing a 0.25% levy on the import value or first sale (in the case of domestic production) of anti-brucellosis and tuberculosis vaccines, together with a 0.10% tax on milk sales by manufacturers and a tax of 0.10% of the assessed value of every bovine animal marketed at national level.⁵ It also stipulates that, as far as possible, State and municipal bodies and entities should purchase milk of Paraguayan origin.

4.1.1.2 Production

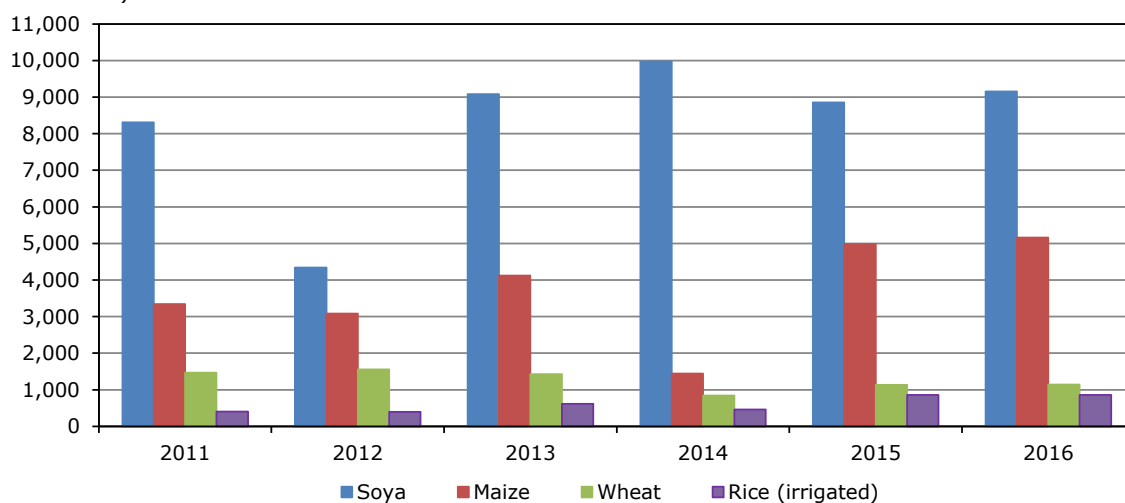
4.7. During the review period, production of the principal crops varied significantly from year to year. In volume terms, soya is the main crop, followed by maize, wheat and rice. Although soya and maize are, with a large difference between them, the most important crops, it is worth noting the good performance of rice during the review period: in 2015 the irrigated rice harvest was twice as large as in 2011 (Chart 4.1).

⁴ Law No. 5.264/14. Viewed at: <http://www.bacn.gov.py/MzAwMg==&ley-n-5264>.

⁵ The assessed value is the basis for determining the payment of the transfer tax on bovine and equine animals and buffaloes. The assessed value applied in 2017, on the basis of Resolution No. 91/2015, is as follows: cows and heifers, ₡1.65 million; bulls and bullocks, ₡2.5 million; calves, ₡1 million. A tax of 1% of the assessed value is applied for bovine species and 1.1% for buffaloes. Online information from SENACSA, viewed at: <http://www.senacsa.gov.py/index.php/comision-interinstitucional/valor-aforo>.

Chart 4.1 Production of the principal agricultural crops, 2011-2016

(1,000 tonnes)

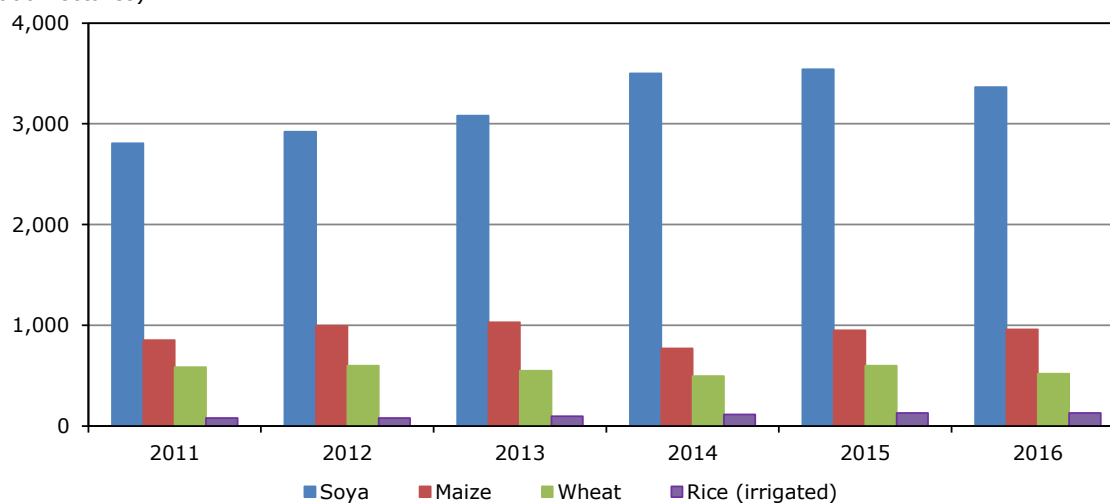


Source: Directorate of Agro-Economic Studies (DEA).

4.8. Chart 4.2 shows the trend in cultivated area for the various crops. It should be noted that, since 2011, there has been a significant increase in the area devoted to the production of soya and irrigated rice.

Chart 4.2 Area planted with the principal agricultural crops, 2011-2016

(1,000 hectares)



Source: Directorate of Agro-Economic Studies (DEA).

4.9. The other agricultural activity of great importance for Paraguay is bovine meat production. According to the latest data available at the time of compiling this report, in 2014 the bovine herd in Paraguay numbered 14.47 million head, as compared with 9.88 million in 2008. Pig meat production has increased since 2014, whereas the production of poultry products fluctuated during the period.

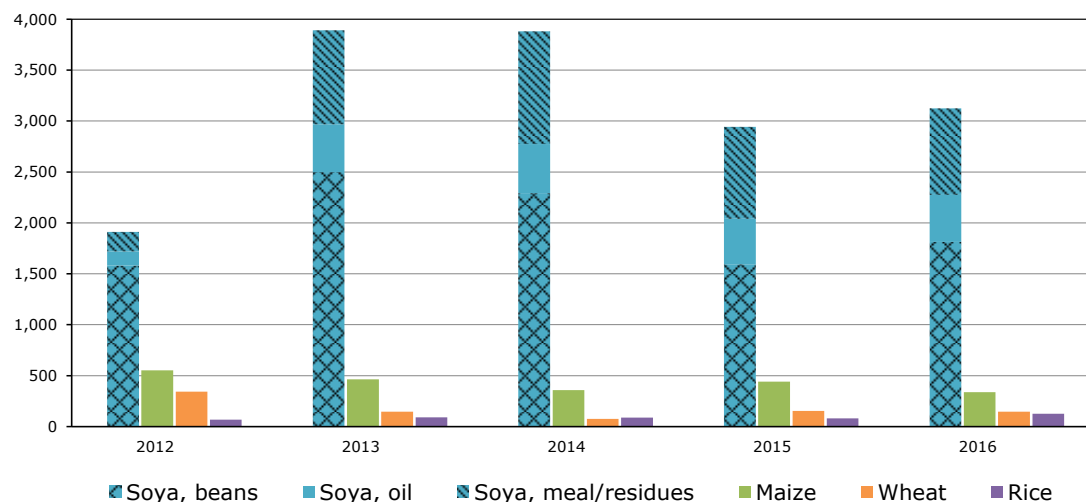
4.1.1.3 Trade in agricultural products

4.1.1.3.1 Exports

4.10. In 2016, exports of agricultural products accounted for 63.4% of total goods exports. In value terms, soya (in the form of beans, oil and meal/residues) is Paraguay's principal export crop, followed by maize and wheat (Chart 4.3).

Chart 4.3 Cereals exports, 2012-2016

(US\$ million)

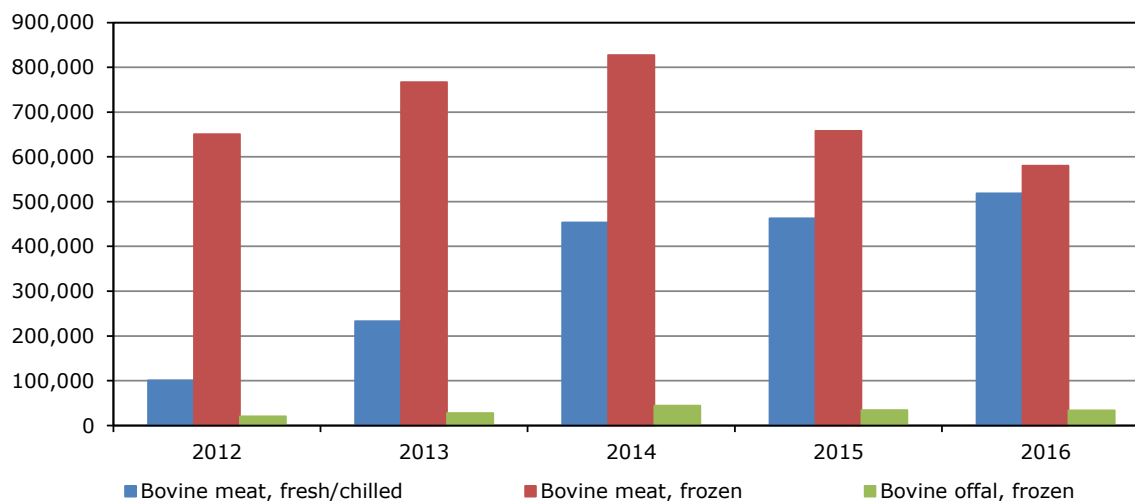


Source: WTO Secretariat estimates, based on Comtrade data.

4.11. With respect to livestock, bovine meat continues to be by far the most important export item (Chart 4.4). In 2016, some 89% of bovine meat production was exported. Exports of pig products have increased significantly in recent years; thus, whereas in 2012 only 1% of pig production was exported, in 2016 exports accounted for 37%.

Chart 4.4 Bovine meat exports, 2012-2016

(US\$ thousand)



Source: WTO Secretariat estimates, based on Comtrade data.

4.1.1.4 Imports

4.12. Paraguay's agricultural imports accounted for 9.6% of total goods imports in 2016. Notable among the principal imported items are beverages, tobacco, food preparations, and cereal-based preparations. The main markets of origin are Brazil and Argentina.

4.1.1.5 Trade measures and other policy instruments

4.1.1.5.1 Border measures

4.13. The average MFN tariff applied to agricultural products (WTO definition) by Paraguay in 2017 was 9.9% (Table 3.6), which is higher than the 8.2% applied to non-agricultural products

and the general average of 8.4%. The product categories with the highest tariffs are sugar and confectionery, with an average tariff of 18.8% in 2017, alcoholic beverages and liquids, and tobacco, with 16.5%, and dairy products, with 14.9%. The average bound tariff for agricultural products (WTO definition) is 32.8%. Paraguay has not reserved the right to use the special safeguards for which the WTO Agreement on Agriculture provides (section 3.1.8).

4.14. Paraguay applies the MERCOSUR common external tariff to agricultural products, with some exceptions.⁶ Within MERCOSUR, trade in these products attracts a zero tariff, except in the case of sugar.

4.1.1.5.2 Domestic support

4.15. During the review period, spending on domestic support varied considerably, increasing between 2010 and 2012, the year in which it peaked, and decreasing thereafter. In 2015, domestic support notified to the WTO totalled US\$79.7 million, equivalent to barely 0.3% of GDP. All the domestic support notified either fell within the green box or was a measure exempt from reduction commitments (special and differential treatment, development programmes) (Table 4.2).

4.16. The green box support notified to the WTO related to general services (research, pest and disease control, diseases, agricultural extension services, agricultural training, and marketing); domestic food aid; assistance with restructuring through investment aids; and environmental programmes. The measures notified as being exempt from reduction commitments included investment subsidies generally available for agriculture and subsidies for agricultural inputs generally available for low-income or resource-poor producers (Table 4.2).

Table 4.2 Domestic support, 2010-2013, 2015

(US\$ 1,000)

	2010	2011	2012	2013	2015
Total Domestic Support (I+II)	80,378	93,382	127,962	101,923	79,676
I. "Green box"					
Agricultural research and technology generation and transfer	2,968	6,623	8,329	8,310	6,672
Study for the purpose of integrated rural development targeted at the small producer	n/a	16	n/a	n/a	n/a
Livestock research	1,509	n/a	n/a	n/a	n/a
National Plant and Seed Quality and Health Service (SENAVE)	11,146	14,507	15,151	17,260	7,228
FOCEM – Strategic Plan for the Eradication of Foot-and-Mouth Disease from MERCOSUR	n/a	876	933	220	n/a
FOCEM – Biosecurity Laboratory and Strengthening of the Food Testing Laboratory	n/a	95	72	108	30
National Animal Health Service (SENACSA)	18,475	22,361	21,369	29,139	27,538
Technical assistance for agricultural producers	9,083	15,883	7,499	692	7,494
National Livestock Development Programme	n/a	4,506	1,190	1,169	611
Agricultural and Economic Programme for Indigenous Communities	n/a	725	640	404	-
Extension Services for Rural Innovation	n/a	340	n/a	n/a	n/a
Training for Agricultural Technicians	7,795	12,802	8,786	7,917	5,005
Assistance for Agricultural Producers throughout the Marketing Chain	1,451	2,044	n/a	1,355	1,023
Promotion of Food Production through Family Farming	n/a	5,313	11,626	9,317	5,891
Agricultural Diversification	n/a	141	97	81	n/a
Sustainable Rural Development (PRODERS)	n/a	3,477	8,618	9,759	11,441
Strengthening of Family Farming "Ñamombarete Ñemity Jopara"	n/a	1,550	395	n/a	n/a
Sustainable Development of the Western Region	n/a	1,357	1,947	n/a	n/a
Agricultural Development of the Eastern Region	n/a	159	1,630	411	427
National Biofuel Programme	n/a	101	65	69	n/a
Procurement of Equipment for Paraguayan Agricultural Production	n/a	n/a	n/a	n/a	1,254
Soil Management, Conservation and Reclamation	n/a	506	2,646	558	997
II. Measures exempt from reduction commitments. Special and differential treatment, "development programmes"					
Investment subsidies generally available to agriculture (Support for Family Farming)	15,043	n/a	21,478	12,594	1,553

⁶ The exceptions include flowers, chocolates, some cereal-based preparations, some organic chemical products, lactose, glucose, plant extracts, cocoa powder, canned vegetables, alcoholic beverages (wines, grain alcohol), unmanufactured tobacco and cigars.

	2010	2011	2012	2013	2015
Agricultural input subsidies generally available to low-income or resource-poor producers:					
- Procurement of agricultural inputs to strengthen the position of small-scale agricultural producers	12,908	n/a	262	261	n/a
- Procurement of agricultural inputs for the sustainable management of natural resources	n/a	n/a	1,033	350	n/a
- Project for the Inclusion of Family Farming in Value Chains (Inclusive Paraguay Project)	n/a	n/a	n/a	n/a	2,500
- Encouragement for the Development of Competitiveness in Agricultural Production	n/a	n/a	14,196	1,949	12

n/a Not applicable.

Note: In May 2017, the authorities indicated that the notifications for 2014 and 2016 were in the course of being prepared.

Source: WTO documents G/AG/N/PRY/24, of 11 August 2016; G/AG/N/PRY/23, of 4 March 2015; G/AG/N/PRY/21, of 9 January 2013; G/AG/N/PRY/19, of 5 December 2011.

4.17. The MAG also has a series of direct and indirect support programmes for the sector (Table A4.1)

4.1.1.5.3 Export subsidies

4.18. Paraguay has notified the WTO that it did not grant any subsidies for exports of agricultural products during the period between 2011 and 2015.⁷ The authorities have indicated that Paraguay has not granted any export subsidies since its last notification.

4.1.1.5.4 Other measures

4.19. Paraguay provides certain other forms of government support for farmers by granting tax concessions, by offering advantageous government procurement procedures and by authorizing lines of credit.

4.20. The tax concessions are primarily intended to provide support for family farming through exemption from the IRAGRO and the non-application of VAT for micro-producers, defined as natural persons whose annual income does not exceed the equivalent of 36 minimum living wages.⁸ There are also tax concessions aimed at small rural producers, defined as those whose incomes did not exceed \$200 million in the previous tax year. In this case, the VAT withheld is 0.5% of the total value of the sale, VAT excluded.⁹ Moreover, capital goods produced by domestic manufacturers for direct use in the agricultural production cycle are exempt from VAT (section 3.1.4).

4.21. Where the advantages provided through government procurement are concerned, milk purchased by government entities must be of domestic origin. Moreover, in 2015 the Government introduced a simplified process for purchasing agricultural products produced by family farming.¹⁰ Finally, both the Development Finance Agency (AFD) and the Livestock Fund (FG), the Agricultural Equipment Bank (CAH) and the National Development Bank (BNF) authorize lines of credit for agricultural products and livestock (section 3.2.5.2).

4.1.2 Forestry

4.22. Forests account for 47% of the country's total area. In 2016, forestry contributed 1.3% of GDP and it is estimated that, directly or indirectly, the subsector employs around 100,000 people.

⁷ WTO documents G/AG/N/PRY/20, G/AG/N/PRY/22, and G/AG/N/PRY/25 of 14 December 2012, 10 February 2015 and 11 August 2016, respectively.

⁸ Law No. 125/91 (Article 34), as amended by Law No. 5.061/13 and Article 27 of General Resolution No. 24/14. Decree No. 4.565/15 of 11 December 2015 provides a definition of family farming.

⁹ Decree No. 4.565/15 of 11 December 2015. Viewed at: <http://www.gacetaoficial.gov.py/index/getDocumento/31609>.

¹⁰ Decree No. 3.000 of 27 January 2015 establishing the supplementary procurement procedure called the simplified process for the purchase of agricultural products produced by family farming and laying down criteria for implementing the procurement and selection processes used for these purchases. Viewed at: http://www.gacetaoficial.gov.py/index/detalle_publicacion/24858.

In 2016, timber exports accounted for 0.8% of total exports. Paraguay is the world's fourth largest exporter of charcoal.¹¹ The main export destinations for wood and wood charcoal (HS Chapters 44 and 47) are the United States, the United Kingdom and Germany.

4.23. The responsibilities of the National Forestry Institute (INFONA) include the formulation and implementation of forestry policy; the promotion of forestry development; the monitoring and inspection of the extraction, processing and marketing of forestry products; and the promotion of public and private investment.¹² All private properties that contain forest areas must comply with the forestry regulations in force.

4.24. As stated in Decree No. 7.031/17, which regulates Article 42 of the Forestry Law No. 422/73, there are three types of natural forest/land areas in Paraguay: (a) productive, by managing which it is possible to obtain an annual or periodic income; (b) protective (of watercourses, soils and some species of flora and fauna); and (c) special (for reasons of a scientific, educational, historical, touristic, experimental or recreational nature).¹³ In addition, there are the State-owned forest assets consisting of public forest lands, public forests and public nurseries.

4.25. The forests are exploited mainly to supply the domestic market with round wood, firewood and charcoal. In 2015, biomass accounted for 31.6% of the energy generated in Paraguay and 42.6% of the energy consumed. Firewood and charcoal constitute a significant proportion of the biomass produced and consumed in Paraguay. Firewood accounted for 55.7% of the biomass consumed and charcoal for 10.7%.¹⁴

4.26. The export of some forestry products is prohibited in order to increase the value added at domestic level and protect the domestic supply of raw materials. The prohibited export products include round wood, wood blocks and beams and sawn wood (with some exceptions) (section 3.2.3). Decree No. 7.636/11 of 7 November 2011 set up, for a period of five years, a special regime for the exploitation, transport and marketing of timber and other products from forest plantations established with fast-growing exotic or introduced species. Decree No. 4.443/15 of 19 November 2015 extended this regime for a further five years.

4.27. Paraguay has been promoting a reforestation policy, in accordance with Law No. 4.241/2010 on the re-establishment of watercourse-protecting forests within the national territory and its implementing Regulations.¹⁵ The importance of promoting reforestation and sustainable forestry development is also stressed in several of Paraguay's strategies.¹⁶ However, according to the authorities, the efforts made in this respect have produced disappointing results due to factors such as deficiencies in institutional capacity, inadequate financial resources and a lack of incentives for forestation and reforestation. For example, reference is made to a shortage of forestry products for use in the domestic wood industry and as sources of energy.¹⁷ In dealing with this situation, it has been considered appropriate to protect the forests by extending the ban on converting those in the eastern region to other uses up until December 2018.¹⁸ In addition, a

¹¹ Online information from the MIC, viewed at: <http://www.mic.gov.py/mic/site/mic/ppt/Paraguay2.ppt>.

¹² The INFONA's responsibilities are explained in Law No. 3.464/2008 establishing the National Forestry Institute. Online information from the INFONA, viewed at: http://www.infona.gov.py/application/files/8214/2902/5333/Ley_N_3464_-_INFONA.pdf.

¹³ Law No. 422/73 (Forestry Law). Online information viewed at: http://www.infona.gov.py/application/files/8414/2893/9388/Ley_N_422_Forestal.pdf.

¹⁴ Vice-Ministry for Mines and Energy (2016), *Balance Energético Nacional 2015*, Asunción, September. Viewed at: <http://www.ssme.gov.py/vmme/pdf/balance2015/Balance%20Energetico%20Nacional%202015.pdf>.

¹⁵ The implementing Regulations of Law No. 4.241/10 may be viewed at: http://www.infona.gov.py/application/files/7214/2670/5616/Decreto_N_9824_Reglamentala_Ley_N_4241.pdf.

¹⁶ For example, the objective of Strategy 3.4 (Sustainability of the Global Habitat) of Paraguay's National Development Plan 2030 is to "increase the coverage of forest areas and protected biomass". Likewise, the Agricultural Strategic Framework (Chapter 3) has "promoting and accelerating the renewal, expansion, management and sustainable development of the forests ..." as a general objective.

¹⁷ Online information from INFONA, viewed at: <http://www.infona.gov.py/index.php?cID=309>.

¹⁸ Law No. 5.045/13 amending certain articles of Law No. 2.524/04. Online information from INFONA, viewed at: <http://www.infona.gov.py/index.php?cID=309>.

special regime has been established for exploiting, transporting and marketing timber and other products from forest plantations established with fast-growing exotic or introduced species.¹⁹

4.28. The authorities have also considered it appropriate to bolster the financing of commercial reforestation projects, provided by several financial institutions that operate with the AFD. Loans are granted for up to a maximum of US\$1 million for projects already begun and US\$500,000 for new projects. The whole of the project can be financed and the terms are for up to 12 years, with a 12-year grace period. The final interest rate is the AFD rate plus the margin of the corresponding financial intermediary.²⁰ In addition, the BNF has a credit facility with own funds for reforestation for commercial purposes, which offers loans of up to 80% of the total cost of the investment project, with ceilings of US\$500,000 for start-up forestry projects and US\$1 million for projects already under way. The terms are for up to 12 years for projects for producing timber and up to seven years for projects for producing biomass and/or raw materials for agro-industry.

4.1.3 Fishing

4.29. In 2016, fishing accounted for barely 0.1% of GDP. Fishing and aquaculture were established as priority activities within the framework of the rural development strategies in Paraguay's National Plan for the Development of a Sustainable Agriculture, which forms part of the Strategic Economic and Social Plan 2008-2013. The general objective is to develop aquaculture in the country by making sustainable use of its natural resources and integrating economic and productive activities so as to optimize the utilization of the factors of production. The main guiding principles of the national policy for the development of sustainable aquaculture in Paraguay are economic improvement, environmental and social responsibility and joint institutional responsibility.

4.30. The main pieces of legislation governing the fishing and aquaculture sector are Law No. 3.556/08 on fisheries and aquaculture and its implementing Regulations (Decree No. 6.523/11).²¹ The Law applies to catching, administration, transport, processing, marketing, preservation, regeneration of water resources, aquaculture and related activities and in each case establishes the registration and licensing requirements. The SEAM, MAG and SENACSA are the bodies responsible for its application. The SENACSA is tasked with authorizing imports and certifying exports of fishery products. In addition, Decree No. 6.523/11 established the National Fishing and Aquaculture Council as an advisory body composed of representatives of the SEAM, the MAG, the SENACSA, the Office of the Attorney-General, the Naval Prefecture-General, the Commercial Fishermen's Association and public universities.

4.31. The Law on fisheries prohibits the export of fishery products and their by-products, although the competent authority may permit it in exceptional circumstances and provided that an environmental impact study is carried out and not more than 10% of the population of the species affected is exported. This prohibition does not apply to aquaculture products. Imports and exports of fish and fish products are low in value. In 2016, the value of fish exports was US\$117,733. In the same year, the value of imports was US\$7.86 million, which is equivalent to 0.1% of the total value of goods imports.

4.2 Mining and energy

4.2.1 Mining

4.32. Paraguay has a small mining sector, with a 0.1% share of GDP in 2016, which employs 0.1% of the occupied labour force. The legal framework governing the mining sector is established by the Law No. 3.180/07 on mining of 2007, as amended by Law No. 4.296/11 and Law No. 4.935/13. The main intention of the changes introduced into the Law on mining was to grant

¹⁹ Decree No. 7.636/11 imposes documentary and information requirements and the obligation to transport the timber through specific control points. The decree does not apply either to plantations established under Law No. 356/95 or to the transport and marketing of charcoal. Online information from the Senate. Viewed at: <http://digesto.senado.gov.py/ups/leyes/7794.pdf>. The period for which this Law remains in force was extended by Decree No. 4433/2015.

²⁰ Online information from the AFD, viewed at: <https://afd.gov.py/proforestal-p10>.

²¹ Official Journal, online information viewed at: <http://www.gacetaoficial.gov.py/index/getDocumento/15440>.

the investing companies greater concessions, such as a reduction in the minimum investment percentage required for each phase of the mining activity and an increase in the area authorized for prospection, exploration or exploitation.

4.33. The Law on mining stipulates that all mineral resources in the natural state, with the exception of rocky, earthy and calcareous substances, are the property of the State. The Ministry of Public Works (MOPC) is given the authority to regulate mining prospection, exploration and exploitation activities. In general, mining is open to foreign investment. Foreign natural persons must establish domicile in Paraguay or appoint a resident representative in order to become holders of mining rights, while foreign companies must comply with the provisions of the Civil Code and other domestic laws. Small-scale mining to exploit gold, minerals and precious stones is reserved for Paraguayan nationals, the right to exploit is granted for a maximum period of ten years and mining activities are restricted to a physical area of ten hectares. Prospection and exploration permits are granted by the MOPC²² and exploitation concessions are authorized by the National Congress. The Law also provides for the possible granting of prospection, exploration and exploitation or exploration and exploitation concessions.

4.34. The royalties and taxes payable for engaging in mining are laid down in the Law on mining. The annual income from these sources during the period 2011-2016 fluctuated between \$2,387 million and \$9,670 million. The State is not the owner, in part or in whole, of any of the mining companies with a prospection, exploration or exploitation permit or concession. In 2017, three companies were engaged in exploitation activities under a concession: Transandes Paraguay S.A., a Paraguayan company with a concession to explore for and exploit uranium; Latin American Minerals S.A., a Canadian company with a concession to explore for and exploit gold; and Darmatal S.A., a Chilean company, which has a concession to explore for and exploit iron.

4.35. In 2016, the total value of mining exports was US\$63.74 million (0.8% of total Paraguayan goods exports), 95% of which corresponded to exports of gold. Gold exports have almost doubled since 2012. The total value of mining imports in 2016 was US\$61.62 million (0.6% of the total value of Paraguayan goods imports). The principal import product was salt.

4.2.2 Energy sector

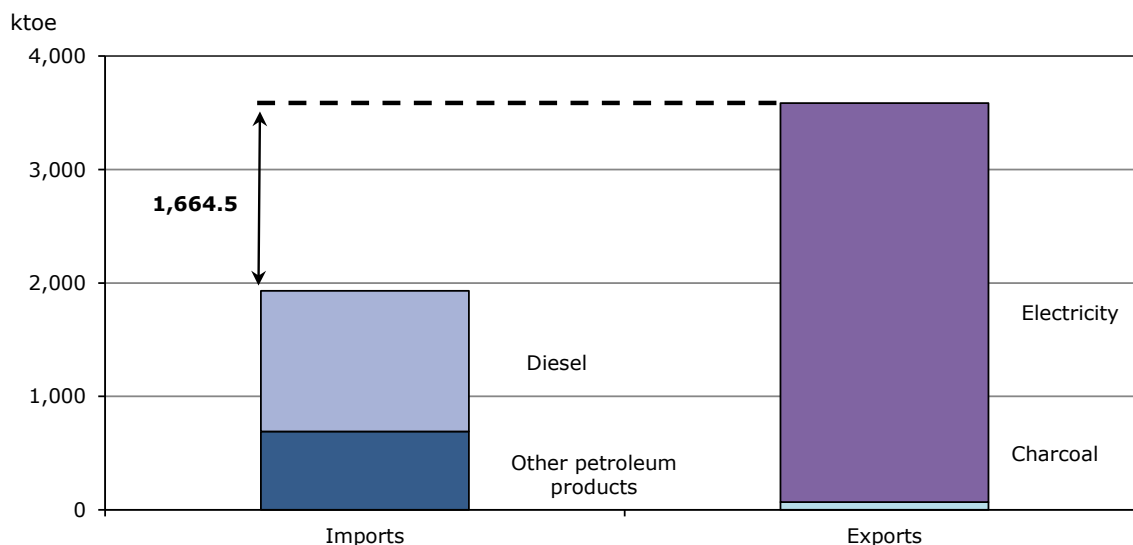
4.2.2.1 General features

4.36. Electricity and water supplies accounted for 4% of GDP in 2016. In the same year, the electricity, gas and water sectors employed 0.5% of the active population. Paraguay is one of the world's largest producers and exporters of hydro-electric energy. In 2015, electricity production was 55,744.2 GWh, mainly generated by the Itaipú and Yacyretá hydro-electric power stations, which Paraguay co-owns with Brazil and Argentina, respectively. Under the agreements concluded with these countries, which date back to 1973, the energy generated by the power stations is divided equally between the parties.

4.37. In 2015, hydro-electricity accounted for 68.4% of total energy production, and biomass for 31.6%. That same year, 74% (41,126.7 GWh) of Paraguay's total energy production was exported, mainly to Argentina and Brazil under the bilateral agreements. Paraguay imports all its petroleum products (Chart 4.5). In 2015, hydrocarbons accounted for 39% of the country's energy consumption. Other sources of energy for domestic consumption are biomass (42.6%) and electricity (18.4%).²³ In 2017, some 98.9% of the country's population had access to electricity.

²² Prospection permits are granted for one year (with the possibility of a six-month extension) and each permit can cover a maximum area of 100,000 hectares. Exploration permits are granted for two years (with a one-year extension) and can be obtained for a maximum area of 50,000 hectares.

²³ Vice-Ministry of Mines and Energy (2016), *Balance Energético Nacional 2015*, Asunción, September. Viewed at: <http://www.ssme.gov.py/vmme/pdf/balance2015/Balance%20Energetico%20Nacional%202015.pdf>.

Chart 4.5 Energy imports and exports compared, 2015

Source: Vice-Ministry of Mines and Energy (2016), *Balance Energético Nacional 2015*, Asunción, September. Viewed at: <http://www.ssme.gov.py/vmme/pdf/balance2015/Balance%20Energetico%20Nacional%202015.pdf>.

4.38. The Vice-Ministry of Mines and Energy (VMME) and the MOPC are responsible for formulating policy relating to energy resources and overseeing their appropriate use, as well as for acting as the regulatory authority for the natural gas subsector. The Ministry of Foreign Affairs and the MOPC coordinate their action in implementation of the Paraguayan Government's international and energy policy with respect to the Treaties of Itaipú and Yacyretá and the binational entities established by the respective treaties, in conformity with Article 1 of Decree No. 10.093/12 of 21 November 2012. The importing, distribution, transport and marketing of petroleum products are regulated by the MIC.

4.39. The State continues to play a preponderant role in the management of the energy sector through two State-owned enterprises the National Electricity Authority (ANDE) and Petróleos Paraguayos (PETROPAR). During the review period, two institutional changes were made in the energy sector: the creation of a National Energy Efficiency Committee (CNEE) in 2011 and of a Radiological and Nuclear Regulatory Authority (ARRN) in 2014.

4.40. The purpose of the CNEE, as stipulated in Decree No. 6.377/11, is to concentrate efforts to support projects or initiatives aimed at making rational and efficient use of energy. The CNEE is composed of representatives of 11 different institutions²⁴, is coordinated by the Vice-Ministry of Mines and Energy and reports on its work to the Government. The CNEE is responsible for preparing and implementing the National Energy Efficiency Plan of the Republic of Paraguay presented in July 2015. This Plan lays down five strategic priorities to be pursued by means of specific measures and programmes depending on the sector: political measures; education, awareness-raising and training; implementation programmes for the efficient and rational use of energy; energy-related diagnostic studies and audits; and maintainability and sustainability measures.²⁵

4.41. The Radiological and Nuclear Regulatory Authority (ARRN) was established by Decree No. 5.169/2014, which permits the peaceful and beneficial use of ionizing radiation and provides for the establishment of an appropriate regulatory control system. The ARRN is responsible, among other things, for establishing standards in the field, regulating and monitoring the relevant activities and practices in the national territory, as well as measures relating to the safety of radioactive sources, and for ensuring the safe management of radioactive waste. In 2015, the

²⁴ These institutions are: the MOPC, the Ministry of Education and Culture (MEC), the MIC, the ANDE, PETROPAR, the INTN, the Yacyretá Binational Entity (EBY), Itaipú Binational, the CONACYT, the National University of Asunción (UNA), the SEAM and the INFONA.

²⁵ MOPC (2014), *Plan Nacional de Eficiencia Energética de la República de Paraguay*. Viewed at: http://www.ssme.gov.py/vmme/index.php?option=com_content&view=article&id=1733.

ARRN ratified the Amendment to the Convention on the Physical Protection of Nuclear Materials. The authorities have confirmed that Paraguay does not have any nuclear installations and that there are no plans to build any such installations in the future.

4.42. The objectives of the energy sector are set out in the National Plan Paraguay 2030 (section 2), which aims to increase renewable energy consumption by 60% and reduce fossil fuel consumption by 20%. The Energy Policy of the Republic of Paraguay, as approved by Decree No. 6.092/2016, establishes five higher strategic objectives (Box 4.1), together with other specific objectives and an action plan.

Box 4.1 National energy sector – principal objectives

- (1) To guarantee energy security, on the basis of criteria of self-sufficiency, efficiency and minimum cost, together with socio-environmental responsibility, that contributes to the country's productive development.
- (2) To ensure that the entire population has access to high-quality energy, taking account of consumer rights.
- (3) To use domestic energy sources, such as hydro-electricity, bio-energies and other alternative sources, and to encourage the production of hydrocarbons as strategic resources for reducing external dependence and increasing the generation of greater domestic value added.
- (4) To strengthen Paraguay as a pole for regional energy integration on the basis of the sustainable development of its natural resources and its strategic geographical location.
- (5) To promote among the population an understanding of the importance of energy and its sustainable use as a factor in overall development.

Note: The Decree refers to "higher objectives".

Source: Energy Policy of the Republic of Paraguay. Viewed at: <http://www.ssme.gov.py>.

4.2.2.2 Electricity

4.43. Less than 16% of Paraguay's electricity generating capacity (some 60,000 GWh/year) is used in the domestic electricity market. Electricity, almost exclusively hydro-electrically generated, is an important export to the countries that are partners in the binational hydroelectric power stations of Itaipú (14,000 MW, shared equally between Paraguay and Brazil) and Yacyretá (3,200 MW, again shared equally between Paraguay and Argentina).

4.44. In addition to the binational power stations, the ANDE owns the hydro-electric power station of Acaray, situated in the east of Paraguay, with a capacity of 210 MW, as well as small thermal generating capacities, which altogether total 6.1 MW.

4.45. The main domestic electricity company is the ANDE, a vertically integrated State-owned enterprise that participates in the generation, transmission, distribution and marketing of electricity in Paraguay. The sector's other two State-owned enterprises are legally binational, since they operate the hydro-electric power stations of Itaipú (Paraguay/Brazil) and Yacyretá (Paraguay/Argentina), in both of which Paraguay holds 50% of the share capital, through the ANDE. Private sector participation is limited and restricted to the private company CLYFSA (Compañía de Luz y Fuerza S.A.), a distributor operating in Villarrica, which purchases electricity in bulk from the ANDE and has a relatively insignificant share of the domestic electricity market, and the Cooperativa Menonita del Chaco.²⁶

4.46. The principal legal instrument governing the electricity sector is Law No. 966/64, which established the ANDE as an autonomous entity and granted it exclusive control of electricity transmission, distribution and marketing. The main objectives of electricity subsector policy established in the National Energy Efficiency Plan are focused on the quality of the service, the security of the supply, electricity's participation in the generation of value added, and universal access.

4.47. Law No. 3.009/06 on independent electricity generation and transport (PTIEE) (as implemented by Decree No. 9.829/12) defines the national policies in the area. Under the Law, the co-generation and self-generation and/or transport of electricity are activities which may be engaged in by natural persons domiciled in the country or by legal persons established under

²⁶ Online information from the MOPC. Viewed at: http://www.ssme.gov.py/vmme/index.php?option=com_content&view=article&id=1216&.

Paraguayan law. The National Board for Independent Power Generation and Transport (CONAPTIE) is the body responsible for granting licences and approving and monitoring projects, as well as for the administrative settlement of disputes. Licences may be granted for all the activities covered by the Law, except for water-powered generation in excess of 2 MW. The Law guarantees free and non-discriminatory access to the ANDE's transport facilities and/or those of the independent transporter, as appropriate, subject to the payment of a toll. The Law provides for disputes that cannot be resolved by CONAPTIE to be submitted to international arbitration. There are no restrictions on foreign capital in power generation and transport. According to the authorities, several private companies have expressed interest in electricity generation, but as of June 2017 that interest had not yet led to any concrete results.

4.48. In 2013, a draft Law on the regulatory framework for electricity was indefinitely postponed by Parliament, which wanted to make a closer study of its implications. The draft Law sought to promote modernization and competition in the sector through the participation of private investment in the generation, transport and distribution of electricity by means of a system of concessions. In addition, it envisaged the establishment of a wholesale market and a new regulatory body for the sector, independent of the ANDE. In 2017, a new draft proposing the establishment of a regulatory framework for the electricity sector that would promote competition in the market was being studied. The draft envisages the creation of a regulatory agency responsible for overseeing the activities of the electricity sector, granting licences, enforcing the regulations and protecting the interests of the users by regulating the quality standards of the electricity supply service.²⁷

4.49. Paraguay ranks 102nd out of 190 economies in the "getting electricity" subcategory of the World Bank's *Doing Business* Report (2017), which suggests that there is room to reduce costs and improve procedures and supply.²⁸ As indicated in Paraguay's last TPR, technical and non-technical losses are significant: in 2015, they amounted to 25% of production.²⁹ Within the context of the National Energy Efficiency Plan, a series of measures for dealing with this problem have been identified, such as the preparation of loss reduction plans.³⁰ The possibility of encouraging infrastructure development by setting up an institution (the National Economic and Social Infrastructure Bank) to channel resources into the sector has also been envisaged. In addition, the ANDE has drawn up plans for managing demand and promoting the use of electricity on the basis of energy security.

4.50. Under Law No. 966/64, the ANDE must determine the tariffs for the supply of electricity to the end user in such a way that the resulting income enables it to cover its operating costs and make a reasonable profit, in order to be able to pay its debts and expand its services. The tariffs must ensure that the company's net annual income is not less than 8% and not more than 10% of the value of the physical and intangible property and the working capital needed to operate. The tariffs must be approved by the Government through the MOPC, on the advice of the National Economic Team. There was no change in the average tariffs between 2011 and 2016; industrial activities benefit from the lowest tariffs (Table 4.3). According to the Paraguayan authorities, the cost of electricity is one of the lowest in the region.³¹

Table 4.3 Average electricity tariffs, 2010-2016

(G/kWh)

	2010	2011-2016
Residential	352.9	362.0
Commercial	339.1	343.2
Industrial	229.9	241.1

²⁷ Online information viewed at: <https://www.competitionpolicyinternational.com/paraguay-nuevo-marco-regulatorio-para-electricidad-evitar-oligopolio-privado-la-meta>.

²⁸ World Bank (2017), *Doing Business 2017, Equal Opportunity for All*, Washington. Online information viewed at: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf>.

²⁹ Vice-Ministry of Mines and Energy (2016), *Balance Energético Nacional 2015*, Asunción, September. Viewed at: <http://www.ssme.gov.py/vmme/pdf/balance2015/Balance%20Energetico%20Nacional%202015.pdf>.

³⁰ The objectives are to reduce the equivalent frequency of the interruptions to 11% and total losses in the distribution network to 12% over the medium term, and to reduce non-technical losses by 10% in the short term and 25% in the long term.

³¹ Online information from the MIC, viewed at: <http://www.mic.gov.py/mic/site/mic/ppt/Paraguay2.ppt>.

	2010	2011-2016
General	290.1	273.7
Governmental	202.6	262.2
Street lighting	401.0	376.9

Source: ANDE. Viewed at: <http://www.ande.gov.py>; and information provided by the authorities.

4.51. The ANDE applies preferential tariffs for supplying electricity to electro-intensive industries (EIIs) and low-income residential users ("social tariff"). The tariff structure for supplying EIIs, for modulations of up to 50% of the total contracted power³² at peak load hours of the National Interconnected System (SIN), includes: (a) the price of the energy associated with the contracted power in US\$/MWh-month; and (b) the price of the energy associated with the excess contracted power in US\$/MWh. For modulations greater than 50%, the tariff is associated with the contracted power in accordance with a monthly load factor of 60%, with the number of hours in the month taken into account. With regard to the social tariff, in 2011, a Permanent Inter-Institutional Commission for the Social Tariff (CIPTS) was established to ensure that the subsidy exclusively serves the public purpose (Decree No. 6.474/11).³³

4.2.3 Hydrocarbons and biofuels

4.52. Law No. 799/95 on hydrocarbons establishes, *inter alia*, the procedures and requirements for prospecting, exploring and exploiting hydrocarbons and the related income taxes, royalties and fees. Law No. 3.257/07 establishes a regulatory framework for natural gas which regulates the transport, distribution, trading and marketing of natural and other combustible gases. Law No. 2.748/05 on the promotion of biofuel and its implementing Regulations (Decree No. 3.667/09) establish tax incentives for promoting the production of biofuels. The MIC is the agency responsible for regulating the import, distribution, transport and marketing of petroleum products.

4.53. The main objectives of the hydrocarbons subsector, as established by the National Energy Efficiency Plan, are to guarantee supplies and promote domestic production. With respect to the bioenergy subsector, the priorities are to help to promote the use of bioenergy and other alternative sources, in the interests of energy security, and to promote the development and diversification of domestic sources.

4.54. PETROPAR, a company established by Decree No. 22.165/81 of 8 January 1981 and owned by the Paraguayan State, continues to play an important role in the hydrocarbons sector. It imports and markets hydrocarbons and their derivatives and also operates the country's only refinery and an absolute-alcohol production plant. In 2016, PETROPAR took a 35% share of the diesel imports market and a 17% share in the case of gasoline imports.

4.55. PETROPAR's mission is to supply hydrocarbons and biofuels in order to satisfy the requirements of the domestic market, while also prioritizing concern for the environment. Its main activities include: the production of petroleum and its products; the marketing, transport and distribution of hydrocarbons and their derivatives; the prospection and exploitation of petroleum deposits; and retail sales.³⁴ PETROPAR does not have a monopoly on these activities. The hydrocarbons supplied by PETROPAR come from wholesale purchases abroad and biofuel (ethanol) from the sugarcane extraction process in its Mauricio José Troche (Guairá) plant. PETROPAR obtains supplies of petroleum products under supply contracts with companies that operate on the international market, via direct purchases or reverse auctions conducted electronically through the Directorate-General of Government Procurement.³⁵

4.56. Private direct investment, both domestic and foreign, is permitted in all the phases of hydrocarbon prospection, exploration and exploitation. To engage in exploitation, foreign

³² The energy to be dispatched is classified in five modulation bands: from 0% to 25%; from 26% to 50%; from 51% to 60%; from 61% to 80%; and from 81% to 100% of the total contracted power for EIIs, for a three-hour period, in the peak load hours of the National Interconnected System (SIN).

³³ Decree No. 6.747/11 of 20 April 2011. Online information viewed at: www.ande.gov.py/informacion/documentos/16/decreto_6474_2011_tarifa_social.pdf.

³⁴ Online information from PETROPAR, viewed at: <http://www.petropar.gov.py/index.php/about-joomla/mision>.

³⁵ Online information from PETROPAR, viewed at: <http://www.petropar.gov.py/index.php/about-joomla/como-funciona>.

companies must be domiciled in Paraguay and appoint a legal representative in the country. Concession-holders must sell a proportion of their production to the State, as determined annually by the MOPC and the MIC.³⁶ The rest of their production can be refined, stored, transported or exported.

4.57. Public or private fuel distributors authorized by the MIC may import and market fuels derived from petroleum. Companies that import some types of gasoline must obtain a licence from the MIC and are subject to import quotas (see below). The price at which gasoline is sold to the public can be freely set.³⁷ Two types of diesel, type I and type III, are marketed and a reference price is set for type III. In 2015, the importing and marketing of type II diesel was prohibited, in order to standardize the product and improve the quality of the fuel by reducing the sulphur content.³⁸

4.58. During the review period, Paraguay intensified its efforts to promote the use of absolute-alcohol and fuel-alcohol vehicles with a view to encouraging the production of traditional agricultural crops such as sugarcane, while reducing greenhouse gases that contribute to climate change.³⁹ Law No. 5.444/15 requires companies that sell gasoline to offer access within the national territory to pumps supplying at least 85-octane Flex fuel, consisting of 85% absolute alcohol and 15% gasoline.⁴⁰ Moreover, less than 97-octane gasolines will have to be mixed with a maximum of 25% anhydrous ethanol. The Law states that the Government must implement tariff measures that incentivize the import of Flex-type vehicles. In this connection, Decree No. 3.667/09 (zero tariff on imported Flex-fuel vehicles) and Customs Resolution No. 82/16 (to access the customs duty established in Decree No. 3.667/09) were implemented. Moreover, vehicle and motorcycle assembly companies established in Paraguay must equip production lines for units with Flex-fuel engines and State agencies and entities that purchase light and utility vehicles must include a minimum of 30% of vehicles that use Flex-fuel.⁴¹

4.59. In 2015, in order to promote the use of biofuels, a reference price for marketing type I biodiesel (€5,000 per litre) was established.⁴² In the same year, it was made compulsory for biodiesel to be mixed with gas oil types II and III.⁴³ In 2016, a maximum retail price was fixed for gas oil/diesel type III (€4,290 as from 1 February 2016).⁴⁴ PETROPAR's invoice price (ex-plant sales price) for gas-oil/diesel type III is fixed by government authorization.⁴⁵ In 2016, the retail price was reduced to €4,290.⁴⁶ Later, in the same year, the price was further reduced to €4,190.⁴⁷

4.60. In 2015, a licensing system was established for importers of gas oil C (Type III), virgin naphtha and gasoline up to 85 octane. Provision was made for PETROPAR to be exclusively responsible for a minimum of 50% of imports of these products (Decree No. 2.999/15, as amended by Decree No. 3.324/15)⁴⁸, with quantification based on the average total imports of

³⁶ WTO document WT/TPR/S/245/Rev.1 of 16 May 2011.

³⁷ Decree No. 10.183/00 authorizing Petr leos Paraguayos (PETROPAR) and authorized fuel distributors to freely market all types of gasoline.

³⁸ MIC Decree No. 2.999/15. Viewed at: <http://www.gacetaoficial.gov.py/index/getDocumento/24772>; as amended by MIC Decree No. 3324/15. Viewed at: <http://www.gacetaoficial.gov.py/index/getDocumento/26701>.

³⁹ MIC Resolution No. 425/08 establishes the percentage mix (24%) of absolute ethanol with leadless gasolines RON 85 and RON 95.

⁴⁰ The Law stipulates that the companies must have at least two pumps for every ten authorized service stations.

⁴¹ Law No. 5.444/15 on Promotion of the Consumption of Absolute Alcohol and Fuel Alcohol. Viewed at: <http://www.mic.gov.py/mic/site/mic/pdf/Ley5444-15.pdf>.

⁴² MIC Resolution No. 833/15. Viewed at: http://www.mic.gov.py/mic/site/mic/pdf/NOTA_DGCN402-2015.pdf.

⁴³ MIC Resolution No. 367/15.

⁴⁴ Decree No. 4.823/16 of 28 January 2016. Online information viewed at: <http://www.gacetaoficial.gov.py/index/getDocumento/32346>.

⁴⁵ Decree No. 10.724/13. Online information viewed at: <http://www.gacetaoficial.gov.py/index/getDocumento/3585>.

⁴⁶ Decree No. 4.823/16 of 28 January 2016 amending Article 1 of Decree No. 4.692/15 fixing the retail price of gas oil/diesel type III (Type C).

⁴⁷ Decree No. 6.128/16 of 21 October 2016.

⁴⁸ Decree No. 2.999/15 and MIC Resolution No. 1.067/15 of 17 September 2015. Viewed at: http://www.mic.gov.py/mic/site/mic/informes_decretos.php.

these products over the previous three years.⁴⁹ The reason for this measure was to guarantee domestic stocks of gas oil type III (which is PETROPAR's responsibility) and facilitate access to 85 octane gasolines.

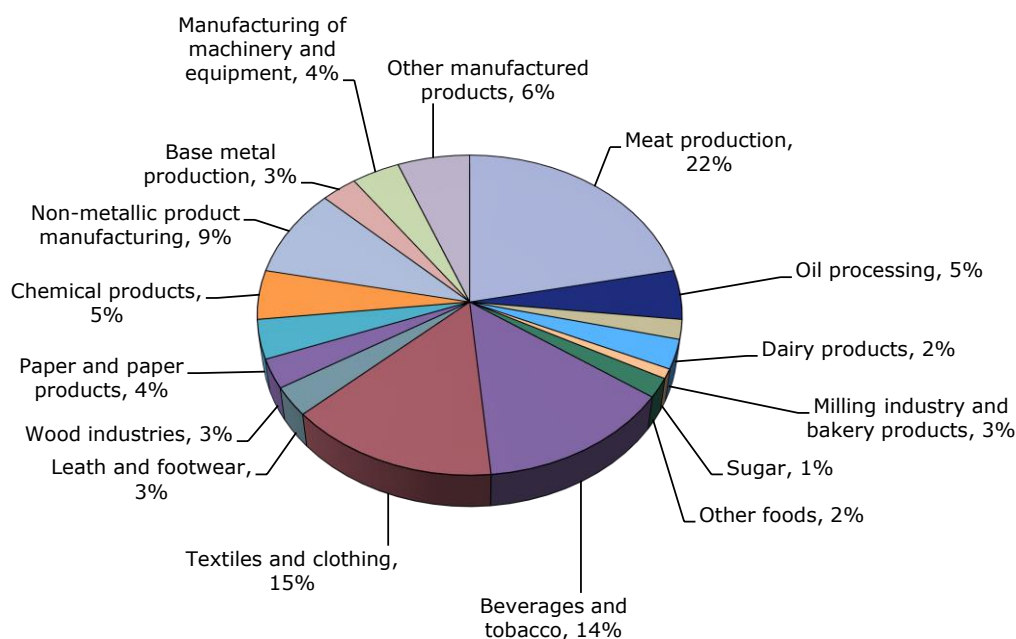
4.3 Manufacturing sector

4.61. Paraguay's manufacturing sector is relatively small, its share of GDP being 10.6% in 2016 and its contribution to employment (together with mining and quarrying) 12.3% in 2015. There was no change in the structure of manufacturing GDP during the review period⁵⁰ and it continues to be dominated by the processing of agricultural raw materials (Chart 4.6).

4.62. According to the National Development Plan 2030, the challenges facing the sector include the narrowness of the local market, the greater competitiveness of manufactured products imported from abroad and the illegal entry of manufactured goods. The Plan lists the priorities for the sector, such as: diversification, with emphasis on the technological and industrial aspects; support for the emergence of new manufacturing hubs in each region; the development of a national innovation system; the expansion of the agro-industrial base; the development of a policy of industrial integration and complementarity within MERCOSUR; the establishment of long-term financing facilities for the development of the sector; support for micro, small and medium-sized enterprises; and the establishment of industrial parks.

Chart 4.6 Structure of manufacturing sector GDP, 2015

(%)



Source: Information provided by the Paraguayan authorities.

4.63. In May 2017, the MIC was preparing an industrial development plan to exploit comparative advantages which should enable Paraguay to diversify industrially in the medium and long term. According to the authorities, the specific objectives of the Plan will be to identify Paraguay's latent comparative advantages, to develop value chain integration policies and to identify educational policies aimed at supplementing the industrial policies suggested.

4.64. The average MFN tariff applied to non-agricultural products (WTO definition) in 2017 was 8.2%, as compared with a general average of 8.4%. The manufactured products with

⁴⁹ MIC Resolution No. 499/15 of 27 May 2015. Viewed at: <http://www.mic.gov.py/mic/site/mic/pdf/resolucion499.pdf>; and MIC Resolution No. 430, of 13 April 2016.

⁵⁰ The only changes in the share of GDP for the respective product categories were an increase in textiles and clothing (from 14% in 2011 to 15% in 2015) and oil processing (from 4% in 2011 to 5% in 2015), and a decrease in the share of beverages and tobacco (from 17% in 2011 to 14% in 2015) and the manufacturing of machinery and equipment (from 5% in 2011 to 4% in 2015).

above-average MFN tariffs include: clothing (20.5%); textiles (15.9%); leather and rubber articles, footwear and travel articles (12.4%); fish and fish products (10.1%); wood, wood pulp, paper and furniture (9.9%); and mineral products and metals (9.4%) (Table 3.6). In terms of the ISIC classification, the average manufacturing sector MFN tariff in 2017 was 8.5%.

4.65. The manufacturing industries, like other sectors, are eligible for the tax and other incentives available under the following regimes: (a) the free zone regime (section 3.2.4.4); (b) the maquila regime (section 3.2.4.5); (c) Law No. 60/90 (section 3.3.1.2.2); (d) the Law on investment guarantees, the promotion of job creation, and economic and social development (section 3.3.1.2.4); (e) the raw materials import regime (section 3.3.1.2.5); (f) the automotive regime (section 3.3.1.2.6) and the regime for promoting the production and development of high-technology goods (section 3.3.1.2.7); and (g) the Law on industrial parks (section 3.3.1.2.7).

4.4 Services

4.4.1 Financial services

4.66. In 2016, the financial services sector accounted for 6.3% of domestic value added, as compared with 5% in 2011, and employed 4.5% of the total labour force (Table 1.1). In real terms, the sector grew at an annual average rate of 10.1% between 2011 and 2016, much faster than GDP.

4.67. In May 2017, the financial sector consisted of 16 commercial banks, 2 development banks (the National Development Bank and the Development Finance Agency, which is a second-tier bank), 9 finance companies, 30 exchange brokers, 4 public bonded warehouses⁵¹, 3 sectoral financial entities⁵² and 36 insurance companies.⁵³ There were also 58 cooperative societies and 11 pension fund managers (8 public and 3 private).

4.4.1.1 Banking services and other financial institutions

4.4.1.1.1 Market structure

4.68. At the end of December 2016, the assets of the banks operating in Paraguay amounted to ₡109,306,498 million (US\$19,873 million)⁵⁴, equivalent to 72.6% of GDP. Since 2011, when they represented 51.3% of GDP, bank assets have expanded by more than 100%. In February 2017, bank deposits amounted to ₡78,773,083 (US\$14,322 million), some 52% of GDP. On the same date, loans amounted to ₡68,326,968 million (US\$12,430 million or 45% of GDP).⁵⁵ For their part, also on the same date, the finance companies held ₡4,576,562 million in assets and ₡3,289,469 million in deposits (US\$832 million and US\$598 million, respectively).⁵⁶

4.69. Three types of banks operate in Paraguay, classified according to the origin of their capital as follows: (a) majority locally-owned, i.e. with Paraguayan majority participation⁵⁷; (b) direct foreign branches, which are fully foreign-owned⁵⁸; and (c) subsidiaries with majority foreign

⁵¹ Public bonded warehouses are entities whose purpose is to store, preserve, manage and control goods for the account of third parties and to issue certificates and warrants.

⁵² The Bank Employees Retirement and Pensions Fund, the Livestock Fund and the Agricultural Equipment Bank.

⁵³ Information from the Central Bank of Paraguay. Viewed at: <https://www.bcp.gov.py/boletines-estadisticos-i62>.

⁵⁴ At the exchange rate on 30 April 2017 (₡5,500 = US\$1).

⁵⁵ Central Bank of Paraguay (2017), *Boletines Estadísticos, Bancos*, February 2017. Viewed at: https://www.bcp.gov.py/userfiles/files/1_BOLB%20022017.xls.

⁵⁶ Central Bank of Paraguay (2017), *Boletines Estadísticos, Financieras*, February 2017. Viewed at: https://www.bcp.gov.py/userfiles/files/2_BOLF%20022017.xls.

⁵⁷ In February 2017, nine majority locally owned banks were operating: Banco Regional S.A., Banco Amambay S.A., Banco Continental S.A.E.C.A., Visión Banco S.A.E.C.A., Banco Itapúa S.A.E.C.A., Banco Familiar S.A.E.C.A., Banco Atlas S.A., Banco para la Comercialización y Producción S.A. (Bancop S.A.), and Grupo Internacional de Finanzas S.A.E.C.A. (INTERFISA BANCO).

⁵⁸ In February 2017, three wholly foreign-owned banks were operating: Citibank N.A., Banco Do Brasil S.A. and Banco de la Nación Argentina.

participation, in which a majority of the capital is foreign-owned.⁵⁹ In addition to these entities, the National Development Bank (BNF), with State participation, also forms part of the banking system. Foreign capital continues to maintain a substantial presence in the Paraguayan banking sector. In February 2017, direct foreign branches and majority foreign-owned banks held 55.5% of bank assets and 52.2% of deposits, while the majority locally-owned banks held 37.7% of assets and 40.4% of deposits.⁶⁰

4.70. In February 2017, the four largest banks (two of them majority foreign-owned) controlled 57.8% of total bank assets. These banks were: Banco Continental; Banco Itaú Paraguay; Banco Regional S.A.; and Banco Bilbao Vizcaya Argentaria Paraguay S.A. Also in February 2017, the Paraguayan banking system had 546 branches, 1,156 ATMs, 2,095 non-banking correspondents, and 267 self-service terminals, employing a total of 10,338 people.⁶¹

4.71. Paraguay's macroeconomic stability continued to contribute to the increase in private sector deposits and loans during the review period. Deposits, in both domestic and foreign currency, recorded sustained growth, doubling between 2011 and 2016. In February 2017, the banks' loan portfolio amounted to \$68,326,968 million made up as follows: agriculture (18.5%), trade (21.9%), financial sector (1.6%), housing (3.5%), services (3.8%), livestock (11.7%), construction (2.4%), consumption (13.1%), and industry (7.7%).⁶²

4.72. Bank deposits still reveal a certain degree of dollarization of the Paraguayan banking system. The share of domestic-currency bank deposits in the private banks amounted to 52.3% in February 2017, while foreign-currency deposits accounted for 47.7% of the total. In the case of the BNF, these percentages were 67.1% and 32.9%, respectively. For the banking system as a whole, the proportions are 53.5% and 46.5%, respectively.

4.73. The authorities have stressed that the Paraguayan banking system has appropriate solvency and financial soundness indicators and that the banks have a good level of capitalization. In February 2017, the banking system had a solvency ratio, defined as net worth/total assets and contingency reserves (Basel pillar I), of 10.59%, which is higher than the regulatory 8%, as well as liquid assets equivalent to 35.89% of the total. Similarly, the banking system as a whole had an ROA profitability ratio (income/total assets) of 1.95% and an ROE financial profitability ratio (net income before tax/shareholders' equity) of 17.48%. The delinquency rate of the banks' loan portfolio has remained low at 3.25%.

4.74. Deposits in banks and financial entities are insured up to a certain limit through the Deposit Guarantee Fund (FGD), established by Law No. 2.334/03 of 12 December 2003. The FGD is a mandatory regime, set up with public and private financing, for partially protecting the public's savings in private financial entities authorized to operate by the BCP. The guarantee of up to 75 minimum wages, i.e. up to \$147,338,025 in May 2017 (US\$26,790), applies per natural or legal person per financial entity. The FGD is administered and recorded separately by the BCP and does not form part of its assets. It covers current accounts, together with demand savings deposits and certificates of deposit in domestic or foreign currency, made by any natural or legal person, whether Paraguayan or foreign, held by entities supervised by the BCP's Banking Supervisory Authority. Where several kinds of accounts are held in the same entity, the different deposits are added together.⁶³

4.75. During the review period, the banking spread, i.e. the difference between deposit rates and lending rates in local and foreign currency, continued to decrease. In February 2017, the difference between the average main deposit and lending rates in local currency was

⁵⁹ In February 2017, four partially foreign-owned banks were operating: Sudameris Bank S.A.E.C.A., Banco Bilbao Vizcaya Argentaria Paraguay S.A., Banco Itaú Paraguay S.A., and Banco GNB Paraguay S.A.

⁶⁰ Central Bank of Paraguay (2017), *Boletines Estadísticos, Bancos*, February 2017. Viewed at: https://www.bcp.gov.py/userfiles/files/1_BOLB%20022017.xls.

⁶¹ Idem.

⁶² Idem.

⁶³ Online information from the BCP, viewed at: <https://www.bcp.gov.py/informacion-institucional-i92>.

12.8 percentage points.⁶⁴ On the same date, the foreign currency spread was 8.85 percentage points.⁶⁵

4.76. The BNF is a first-tier development bank that provides banking services and conducts banking operations, including foreign trade operations, nationwide. The authorities have pointed out that, although State-owned, the BNF competes on equal terms with commercial banking, is regulated in the same way and subject to the same prudential rules as the private banks, and grants loans at market rates.

4.77. The Financial Development Agency (AFD) operates as a second-tier public bank, channelling long-term loans from multilateral international financial institutions to local banks and other financial entities, particularly in the areas of mortgage lending and loans for SMEs and the agricultural sector. At the end of June 2016, the AFD's performing loan portfolio amounted to ₡2,655 million (US\$475 million).⁶⁶

4.78. In addition to the financial entities already mentioned, the cooperative societies offer services such as micro-loans and small-business financing. The cooperatives are authorized to grant producer and consumer loans, as well as to take savings deposited by the public. The regulatory framework for the cooperatives is established by Resolution No. 15.743/16 approving the regulatory framework for cooperative associations. In May 2017, the main type A cooperatives, i.e. those with assets in excess of ₡50,000 million, which represent around 90% of the total, were holding assets worth nearly ₡24.33 billion (some US\$4,218 million). Out of this group of cooperatives, 38 belong to the savings and loan sector and the other 20 to the production sector. In May 2017, the savings and loan cooperatives held 54% of total assets, while the production cooperatives held 46%.⁶⁷ The principal source of financing for the savings and loan cooperatives is the savings of their members, which account for some 90% of the total, whereas for the production cooperatives the sources of financing are divided between the savings of their members (39%), debts with financial entities and other cooperatives (36%) and non-financial debts (25%).

4.79. The National Cooperative Institute (INCOOP), established by Law No. 2.157/03 which establishes its charter and regulates the way in which it operates, is the authority that applies the cooperative legislation and the regulatory authority for cooperative entities. Currently, there are 1,024 cooperatives of different classes and types (specialized and multipurpose). According to INCOOP, the cooperative sector has a 17% share of the loans issued by the financial system as a whole and, at the end of 2016, had 1.5 million members.

4.4.1.2 Regulatory framework

4.80. The BCP is responsible for establishing the regulatory framework for the financial sector and for overseeing its stability. The Banking Supervisory Authority (SB), under the BCP, supervises the financial entities that make up the sector (banks and finance companies), with the exception of the cooperatives, which are overseen by INCOOP.

4.81. The main legal instrument governing the financial sector is still Law No. 861/96 or the General Law on Banks, Finance Companies and Other Credit Institutions and its recent amendment, Law No. 5787/16. The General Law on Banks contains rules on licences and for the management, operation and closing down of financial entities, as well as for the protection of the financial system as a whole. Law No. 861/96 and its amendments incorporate the Basel provisions on the supervision of banks and minimum capital requirements. During the review period, the Paraguayan banking legislation was supplemented by three new laws: Law No. 4.595/12 of

⁶⁴ In February 2017, the main lending rates in local currency averaged 17.7%. This group includes the rates for commercial loans (for terms less than and greater than one year), development loans (for terms less than and greater than one year), personal consumer loans (for terms less than and greater than one year), and credit card loans. Borrowing rates averaged 4.9% and included the rates on demand deposits, 180-day savings certificates, savings certificates for terms of less than 365 days and savings certificates for more than 365 days. Online information from the BCP, viewed at: https://www.bcp.gov.py/userfiles/files/tasas_interes_Promedios_02_2017_per_cent282_per_cent29.pdf.

⁶⁵ Calculated as the difference between an average lending rate of 9.2% and a borrowing rate of 2.35%. Online information from the BCP, viewed at: https://www.bcp.gov.py/userfiles/files/tasas_interes_Promedios_02_2017_per_cent282_per_cent29.pdf.

⁶⁶ Online information from the AFD, viewed at: <https://www.afd.gov.py/home>.

⁶⁷ Information provided by INCOOP.

16 May 2012 on the system of payments and settlement of securities; Law No. 5.476/15 of 22 September 2015 establishing rules on transparency and protection of users in the use of credit and debit cards; and Law No. 5.787/16 of 19 December 2016 on the modernization and strengthening of the rules governing the operation of the Paraguayan financial system. In addition to the above, various resolutions were issued.⁶⁸

4.82. To engage in activities in Paraguay, banks, finance companies and other credit institutions must obtain the express authorization of the BCP, subject to a favourable opinion on the part of the SB. In accordance with the provisions of the Law on Banks, financial system entities must be set up as public limited companies and their capital must be represented by registered shares, except in the case of those established under a special law or as branches of foreign banks. Banks will be authorized to purchase, keep and sell shares and bonds issued by public limited companies established in Paraguay. There are no limits on the participation of foreign capital in financial entities or requirements with respect to the nationality of the members of the board of directors or the shareholders. Law No. 861/96 provides for foreign investment in financial entities to receive the same treatment as domestic capital, without specified limits. There are no restrictions on the number of banks that can operate in the country. Moreover, under the Law on Banks, public banks must compete on equal terms with private banks and may not receive preferential treatment from the BCP.⁶⁹ Branches of foreign banks may transact the same business as other banks, including deposit taking. On the other hand, representative offices of banks established abroad may not enter into banking or financial transactions with natural or legal persons resident in Paraguay.⁷⁰

4.83. There is no law on financial conglomerates at consolidated level. A bank may purchase shares of other companies subject to certain quantitative and time-limits. Moreover, Law No. 861/96 (Article 23) establishes limits on cross participation in the banking system, since it stipulates that owners of shares in a bank that allow them to exercise shareholder control or decisively influence the corporate will of the bank, may not hold more than 20% of the shares of another bank, finance company or credit institution.

4.84. Financial institutions must satisfy a series of requirements in order to become incorporated or established in Paraguay; these include: submitting draft articles of association and an investment plan, having internal control and audit systems, providing a list of shareholders indicating their participation in the registered capital, and supplying information concerning the integrity and financial standing of the members of the board of directors and administrative bodies. The Law on Banks and its amendment authorize the BCP to determine or change these requirements. In addition, branches of foreign banks must provide corresponding authorizations from the parent company and from the supervisory body of the country of origin, which must comply with international standards of supervision.

4.85. Law No. 861/96 and its amendment stipulate the minimum paid-up capital to be maintained by any financial entity established in Paraguay. Branches of foreign banks and financial entities are required to maintain the same amount of minimum paid-up capital as banks and financial entities incorporated in Paraguay. This capital is adjusted annually on the basis of the Consumer Price Index (CPI). For 2017, it has been established as follows: banks, \$50 billion; finance companies, \$25 billion; public bonded warehouses, \$12,693 million; foreign exchange brokers, \$3,892 million; and trust companies, \$25 billion.⁷¹

4.86. Law No. 5.787/16 contains provisions relating to bank solvency and stipulates, for example, that the ratio of core capital (level 1) to risk-weighted assets and contingency reserves must not be less than 8% and the ratio of regulatory capital (net worth) to risk-weighted assets and contingency reserves not less than 12%.⁷² In practice, the Paraguayan banks amply exceed these requirements: the average across the banking system for the second of these two indicators was

⁶⁸ These resolutions, which relate, among other things, to the regulation of fiduciary operations, tax havens, risk management, non-banking correspondents, basic savings accounts, electronic means of payment, credit and debit cards, financial leasing operations and the rating of foreign financial entities, can be viewed on the BCP website.

⁶⁹ Articles 7 and 8 of Law No. 861/96.

⁷⁰ BCP Resolution No. 3, Record of Acts No. 86 of 12 December 2007.

⁷¹ Circular of the Banking Supervisory Authority No. 00005/2017 of 4 January 2017. Viewed at: https://www.bcp.gov.py/userfiles/files/CIRCULAR_005_2017_CAPITAL_2017.pdf.

⁷² Resolution No. 1, Record of Acts No. 44, of 21 July 2011 and Resolution No. 3, Record of Acts No. 4, of 2 February 2012.

18.1% in June 2016.⁷³ All financial entities must, by law, maintain a legal reserve equivalent to 100% of their capital, built up through annual allocations of at least 20% of net profits. They must also forward updated information with regard to their risk levels to the Risk Register administered by the SB.

4.87. The regulations in force allow residents to make deposits in institutions established abroad through financial advisory departments (Resolution No. 4, Record of Acts No. 86, of 12 December 2007) set up by local banks.

4.88. The regulatory framework for cooperatives is established by INCOOP Resolution No. 499/04 regulating the constitution, organization and operation of cooperatives and the cooperative sector, INCOOP Resolution No. 15.156/16 approving the regulatory framework for cooperatives in the savings and loan sector, INCOOP Resolution No. 15.017/16 approving the regulatory framework for cooperatives in the production sector and INCOOP Resolution No. 15.743/16 approving the regulatory framework for cooperative associations.

4.89. VAT is levied on loans and financing in accordance with Law No. 2.421/04. There are no specific taxes on transfers into foreign accounts.

4.4.1.3 Insurance services

4.4.1.3.1 Market structure

4.90. In 2016, the insurance subsector contributed 1.4% of GDP. On 30 June 2016, direct premiums amounted to ₡2,119.8 billion (US\$378.4 million), more than twice the amount recorded on the same date in 2010 (₡893.6 billion). Direct premiums per capita amounted to ₡298,034 (US\$53.3). On 30 June 2016 a total of 512,390 policies had been issued.

4.91. At the close of financial year 2016 (30 June), the motor vehicle branch was accounting for 47.7% of the total value of premiums, followed by the short-term coverage life (13.5%) and fire (8.3%) branches. Long-term coverage life insurance accounted for 0.23% of total premiums.

4.92. In February 2017, there were 36 companies providing insurance services in Paraguay, of which three were majority foreign-owned. All the insurance companies were authorized to sell property and casualty insurance and eight of them were also authorized to sell life insurance. At that time, the largest insurers in terms of direct premiums were Mapfre Paraguay Compañía de Seguros S.A. (18%), Aseguradora del Este S.A. de Seguros y Reaseguros (11%) and La Consolidada S.A. de Seguros (9.8%). In February 2017, the total net worth of the 36 insurance companies amounted to ₡1,100.2 billion (some US\$201.3 million).

4.93. There are no reinsurance companies established in Paraguay. In February 2017, there were 124 reinsurance companies operating from abroad which were authorized to provide these services and registered with the supervisory authority for that purpose. At the same time, 1,071 insurance and reinsurance auxiliaries (including 997 insurance agents, 51 brokers and 23 loss adjusters) were also operating.⁷⁴

4.4.1.3.2 Regulatory framework

4.94. The principal legal instrument governing insurance activity is Law No. 827/96 of 12 February 1996. This Law contains the general rules for the subsector, the procedures for establishing, operating and winding up insurance companies, and the responsibilities and obligations of the supervisory authority. The Law provides for insurance to be divided into two branches: life insurance and property insurance, each requiring separate authorization. The Law is supplemented by a series of resolutions.⁷⁵

⁷³ Central Bank of Paraguay (2016), *Informe de Estabilidad Financiera, octubre de 2016*. Viewed at: https://www.bcp.gov.py/userfiles/files/Informe_Estabilidad_Financiera_28_10_16.pdf.

⁷⁴ Online information from the BCP, viewed at: <https://www.bcp.gov.py/entidades-supervisadas-registros-i325>.

⁷⁵ The resolutions implemented deal, among other things, with the technical reserves coverage regime, the investment of investable funds and corporate governance, the transmission of information from insurers to

4.95. The entity responsible for supervising the insurance and reinsurance companies and insurance market agents is the Insurance Supervisory Authority (SS), which reports to the BCP's Board of Directors but has operational and administrative autonomy in performing its functions. Its main objective is to ensure the financial and technical capacity of the market operators and the proper administration of the subsector's risks and resources. The SS is authorized to frame sectoral policy and regulate, supervise and ensure compliance with the corresponding legal provisions, and to intervene in those companies in which serious irregularities are detected.

4.96. Through the Insurance Advisory Council, established by Law No. 827/96 and composed of insurance company associations, insurance brokers and loss adjusters, the latter can inform the SS of their views on draft laws, accounting system standards and general issues of concern to the insurance sector.

4.97. Under Law No. 3.899/09, which regulates rating agencies, insurance company solvency margins have to be calculated by the rating agencies. The SS publishes the results on its web page once every two months.⁷⁶ In February 2017, there were three rating agencies operating under the supervision of the National Securities Commission.

4.98. Under Law No. 827/96, for a company to be able to obtain authorization to provide insurance services it must satisfy the following conditions: (i) be legally established in Paraguay in accordance with the general laws and the specific provisions of the Law on Insurance; (ii) be exclusively devoted to providing insurance, including furnishing bonds and guaranteeing third-party operations; (iii) meet the minimum capital requirement (see below); (iv) its organizers and authorities must not be legally disqualified; (v) the insurance plans must meet the technical requirements laid down in the Law itself; and (vi) where foreign companies are concerned, the balance sheets for the previous five years must show solvency margins at least equal to those required of domestic insurance companies. Once these requirements have been met, the supervisory authority will rule within 90 days; at the end of this period, if the authority has not raised any objections, the company will be automatically authorized.

4.99. There are no restrictions on the participation of foreign capital, the number of companies or the number of subsidiaries, nor with respect to the type of insurance services that can be offered by foreign insurance companies established in the country. Neither are there any nationality requirements with respect to the members of the board of directors of an insurance company.

4.100. Insurance firms must be set up and operated as public limited companies or as branches of foreign companies, a term taken to mean administrative units of a foreign insurance company that possess autonomy of management and differentiated assets and are separately registered in accordance with Paraguayan insurance regulations. Branches may engage in insurance activities under the same conditions as public limited companies set up in Paraguay. Reinsurance services may be supplied by reinsurance companies operating from abroad, provided that they are registered with the SS. Authorized foreign reinsurers may provide services directly without the need either to set up a representative office in Paraguay or to operate through an agent or broker.

4.101. The minimum capital required for insurance companies is the equivalent in guaraní of US\$500,000 in cash for each branch of insurance. If a company's minimum capital falls below the level laid down while it is operating, it will be required to make up the shortfall within 180 days of the event. Otherwise its authorization to operate will be revoked.

4.102. Although there are no such companies active, Law No. 827/96 allows reinsurance companies to be established in Paraguay to engage in both branches of insurance. Reinsurers wishing to set up in the domestic market must constitute and maintain assets equal to not less than the equivalent of US\$2.5 million for each branch of insurance in which they operate and register with the SS. To be authorized to operate in Paraguay, reinsurers operating from abroad must demonstrate their international standing or produce a valid authorization certificate issued by the supervisory body of the country in which they are established.

the supervisory authority, the calculation of the solvency margin, the regulation of surety bond insurance, intermediation commissions, the regulation of the charging of commissions, and rules of conduct for intermediaries.

⁷⁶ For example, the results for February 2017 may be viewed at:
https://www.bcp.gov.py/userfiles/files/FEBRERO_2017_INDICAD_FINANC_CON_RIESGOS_25_04_17.pdf.

4.103. In addition, locally established insurance and reinsurance companies must demonstrate and maintain as a solvency margin a minimum technical capital (or uncommitted equity capital) in accordance with the amounts that result from the parameters established by the SS, as well as a guarantee fund equivalent to at least 30% of the uncommitted equity capital.⁷⁷

4.104. There is free pricing: insurance entities may freely establish the premiums and commissions for the services they offer. For life insurance the technical terms and conditions applicable must be registered before premiums and commissions can be set.

4.105. The composition of the insurance companies' investment portfolio must fit within certain parameters which indicate the maximum limits where the representative assets (eligible assets that support the technical reserves) are concerned. For example, it is possible to invest: (a) up to 80% of the technical reserves in securities issued by the National Treasury or by the BCP, or guaranteed by them until totally extinguished; (b) up to 75% of the technical reserves in instruments issued by banks and financial entities; and (c) up to 30% of the technical reserves in: bonds and notes issued by municipalities, State-owned enterprises or private companies enrolled in the Securities Market Register; shares of public limited companies listed in the Securities Market Register; holdings in investment funds and mutual funds; and performing loans granted to the insured (provided that they do not exceed 60% of the total balances in favour of the company, net of interest). They may also invest up to 35% of the technical reserves in Paraguayan real estate and up to 10% in first-rank mortgages on properties situated in the country.

4.106. Law No. 827/96 also regulates the occupation of insurance auxiliary. The SS supervises this activity and maintains a register of insurance and reinsurance intermediaries, loss adjusters and external auditors. Only persons entered in the register can engage in these activities legally in Paraguay.

4.4.1.4 Securities market

4.107. The National Securities Commission (CNV) is the regulator for Paraguay's securities market. The CNV is a public, self-governing and autonomous entity with, *inter alia*, the following functions: to monitor and supervise compliance with the provisions of Law No. 1.284/98 and its regulations; to make operative, by means of general rules, the laws relating to the securities market; to promote and preserve a competitive, orderly and transparent securities market; to ensure correct market price formation; to supervise the securities market and its operators; and to maintain the Public Securities Market Register.⁷⁸

4.108. The main laws and regulations in force include: Law No. 1.284/98 on the securities market, Resolution CNV No. 763/04 implementing the provisions of Law No. 1.284/98; Law No. 5.452/15 regulating investment funds; Law No. 5.067/13 amending Articles 2 and 31 of Law No. 1.163/97 regulating the establishment of commodity exchanges; Law No. 3.899/09 regulating rating agencies; and Law No. 1.036/97 creating and regulating securitization companies. The rules and regulations also include the Resolutions of the Stock and Commodity Exchange of Asunción S.A. (BVPASA) validated by the CNV.

4.109. The securities available for trading on the Paraguayan market include: (a) fixed-income securities (FIC) such as corporate bonds (with and without collateral); subordinated bonds; financial bonds; investment bonds; short-term stock-market bonds; treasury bonds; municipal bonds; negotiable securities issued under trust developments; (b) variable-income securities: common and preferred stock; and (c) repos.

4.110. In February 2017, there were 143 brokers registered with the CNV: 41 open-capital issuers; 35 issuers (bonds only); six rating agencies; one stock exchange (BVPASA); one mutual fund manager; nine brokerage firms; 12 stock traders; and 38 external auditors.⁷⁹ The right to trade on the stock exchange is non-transferable and exclusive to the brokerage firms which, in

⁷⁷ Resolution SS.SG No. 239 of 21 September 2007, as amended by Resolution SS.SG No. 020 of 2 March 2010.

⁷⁸ Law No. 1.284/98 (Article 165).

⁷⁹ Online information from the CNV, viewed at:

http://www.cnv.gov.py/publicaciones/folletos/informe_mensual_febrero_17.pdf.

order to pursue their activities, must register with the CNV, after meeting the requirements set out in the Law and those established by the CNV.⁸⁰

4.111. The BVPASA was established in 1977. Law No. 94/91 created the legal framework necessary to initiate stock market operations and the market regulator, the CNV. The BVPASA's first trading session was held in 1993, with the participation of nine issuing companies, marking the start of securities market operations in Paraguay.⁸¹ In 2016, stock-market turnover totalled \$4 billion, or some US\$591 million, 23% more than the volume traded in 2015. Out of this total, 48% was traded on the primary market and 52% on the secondary market. Fixed-income instruments accounted for 90.9% of the volume traded, with variable-income instruments accounting for 2.5% and repos for 6.6%.⁸² Some 60% of trades were in guaraníes and 40% in US dollars.⁸³

4.4.2 Telecommunications

4.112. In Paraguay, the communications sector includes telecommunications and postal services. In 2016, its share of GDP was 3.4% (Table 1.1). Together with transport and storage, in 2015, the sector generated 3.9% of total employment. All telecommunications services are supplied under a legal regime of free competition. The basic service, which includes local fixed telephony and trunk and international services, is provided solely by the State-owned Compañía Paraguaya de Comunicaciones S.A. (COPACO S.A.).⁸⁴ The sector's activities are governed by the rules laid down in the National Telecommunications Plan (PNT) 2016-2020.

4.113. The density levels for fixed telephony and fixed broadband access are still among the lowest in Latin America. In 2016, fixed line density was five lines per 100 inhabitants, below the levels in 2011 (6.1 lines per 100 inhabitants). However, fixed broadband penetration improved during the review period, although it was still low, at 3.5 per 100 inhabitants in 2016. The authorities have indicated that the reasons for the low penetration rate may include the high cost of fixed broadband access and the lack of dissemination of information and communication technology (ICT). Broadband service is unaffordable for a substantial segment of the Paraguayan population, since on average the monthly tariff for a basic 1 Mbps fixed broadband Internet access connection amounts to about 7.5% of an individual's monthly income.⁸⁵ With respect to the poor dissemination of ICT, the authorities consider that the meagre adoption of fixed broadband is partly due to the lack of an educational system based on its dissemination, as well as the scant use of ICT within the work environment and by industry. As might be expected given the low level of access to fixed broadband, the provision of fixed Internet services in Paraguay is characterized by a speed which, on average, is lower than in other Latin American countries (1.4 Mbps).⁸⁶

4.114. In contrast to the low fixed-line penetration, the level of mobile telephony penetration is high: 105.4 cellphone subscriptions per 100 inhabitants in 2015, as compared with

⁸⁰ Law No. 1.284/98 (Articles 104 and 106)

⁸¹ Online information from the BVPASA, viewed at: <http://www.bvpasa.com.py/page.php?page=22&titulo=resenahistorica>.

⁸² 34.2% were subordinated bonds, 32.9% public bonds, 22% corporate bonds, 6.7% financial bonds, 2.5% shares, 1.3% credit instruments and 0.5% other bonds.

⁸³ Online information from the BVPASA, viewed at: http://www.bvpasa.com.py/upload_file/BOLETIN%20TRIMESTRAL%20N%2014%20per%20cent284%20per%20cent29.pdf.

⁸⁴ COPACO also offers wireless fixed telephony, Internet and mobile telephony services. Online information from COPACO. Viewed at: <https://www.copaco.com.py/portal/index.php/sobre-copaco.html>. Although COPACO might appear to be a *de facto* monopoly, the authorities have noted that despite its being the only concessionaire in these markets, it is not the only provider of domestic call services since it faces direct competition from services provided by mobile operators at the national level. They have also pointed out that at the national and international levels competition has been affected by new "over the top" (free transmission) technologies such as WhatsApp, Snapchat, Facebook, Skype and the like. At present, there are no plans to privatize COPACO.

⁸⁵ According to the United Nations Broadband Commission, to be affordable the average monthly tariff should not exceed 5% of average income.

⁸⁶ National Telecommunications Plan (pp. 61-75). Viewed at: https://www.conatel.gov.py/images/iprincipal/PNT%202016_2020/RD.244.2016%20-%20PNT%202016_2020.pdf.

87.1 subscriptions per 100 inhabitants in 2010.⁸⁷ To this must be added the somewhat over 40% of the population with access to mobile broadband services, a percentage much higher than that for fixed broadband access. According to the authorities, this is due to the fact that mobile broadband costs are lower than those for fixed broadband. Moreover, financial services provided digitally have contributed to the expanded use of ICT in commercial activities, which in turn has made a positive contribution to the expansion of mobile broadband subscriptions.

4.115. As indicated in the previous review, Paraguay has four providers of mobile telephone services: Telcel S.A. (Tigo), Núcleo S.A. (Personal), Hola Paraguay S.A. (owned by COPACO) (Claro) and AMEX Paraguay S.A. (Vox). Tigo is still the main provider, with a market share of 48% in 2016. During the review period, Vox's market share decreased, while Claro's increased considerably (Table 4.4).

Table 4.4 Mobile telephone users by licensee, 2011-2016

Licensee	Investor	2011	2012	2013	2014	2015	2016
Tigo	Millicom International	3,613,754	3,788,640	3,816,835	3,823,924	3,893,508	3,610,321
Personal	Telecom Argentina	2,050,811	2,162,754	2,262,067	2,346,670	2,429,922	2,471,257
Vox	COPACO S.A.	462,612	402,742	465,795	522,054	219,293	246,438
Claro	América Móvil	401,876	439,567	508,600	612,629	869,263	1,161,458
Total		6,529,053	6,793,703	7,053,297	7,305,277	7,411,986	7,489,474

Source: CONATEL.

4.116. During the review period, there was a broadening of access to GSM, 3G and 4G/LTE technologies, which, as indicated, generated an increase in mobile Internet penetration. Also during the review period, number portability was implemented for mobile telephony. It is estimated that, between 2012 and 2016, around 556,726 mobile telephone subscribers in Paraguay retained their telephone number when switching to a new operator.⁸⁸

4.117. Paraguay signed memoranda of understanding with Brazil and Argentina for projects to improve connectivity in 2016 and 2017, respectively. The work proposals for the project with Brazil are in their initial stage. With regard to the project with Argentina, the work proposals have not yet been drawn up. The authorities have indicated that cross-border fibre-optic connectivity projects are just being implemented on the initiative of companies that hold data transmission and Internet access licences.

4.118. The MOPC is the government department responsible for framing policy for the communications sector in Paraguay. The National Telecommunications Commission (CONATEL), a self-governing entity linked with the Executive through the MOPC, is the sector's regulatory body. CONATEL's responsibilities include: administering the electromagnetic frequency spectrum, issuing regulations, approving technical standards, regulating and overseeing the granting of concessions, licences and authorizations, proposing tariff regimes to the Executive, establishing the terms and conditions governing interconnection contracts, approving telecommunications equipment, supervising the introduction of new technologies, and preventing anti-competitive and discriminatory behaviour in the sector.⁸⁹ The authorities have confirmed that COPACO is subject both to the Law on the Protection of Competition (Law No. 4.956/13) and the Government Procurement Law.

4.119. During the review period, CONATEL updated and developed the new National Telecommunications Plan (PNT) 2016-2020, which has three main themes: "towards a more connected society", "digital inclusion" and "regulatory efficiency".⁹⁰ These themes each comprise six programmes divided, in their turn, into 14 projects and more than 50 actions to be carried out

⁸⁷ Online information from the International Telecommunication Union, viewed at: <http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>.

⁸⁸ Online information from CONATEL, viewed at: <https://www.conatel.gov.py/images/iprincipal/PORTABILIDAD/ESTADISTICA%20GENERAL%20DE%20NUMERO%20PORTADOS%20A%20ENERO%202017.pdf>.

⁸⁹ WTO document WT/TPR/S/245/Rev.1 of 16 May 2011.

⁹⁰ In Paraguay telecommunications policy is incorporated in the National Telecommunications Plan (PNT), which lists and develops the objectives and actions, as well as the methodology of all the sector's activities. With respect to the PNT 2011-2015, the main successes and advances achieved were the auction of the 1700-2100 MHz frequency band for the deployment of the 4G network, the increase in mobile telephony coverage, and the progress with broadband trunk expansion.

over the next five years to achieve the Plan's main objectives, which are, *inter alia*: (a) to increase broadband connectivity from 10% to 40% of the population; (b) to achieve 70% connectivity for the country's enterprises; (c) to reduce the unit cost of data transmission by 80%; and (d) to expand the provision of fixed and mobile telephone services for the entire population.⁹¹

4.120. The PNT identifies an increasing demand for telecommunications services in Paraguay, which it attributes to four factors: (i) an increase in the average contracted bandwidth, (ii) the increase in the population by a million people in ten years, (iii) increased business demand, and (iv) the strong growth of demand from public institutions such as schools, hospitals and administrations. Moreover, the PNT identifies a series of shortcomings in the area of telecommunications with which Paraguay is currently confronted, such as inadequate infrastructure and the lack of direct access to submarine cables. In this latter respect, the PNT points out that the telecommunications operators only have access to maritime cables via land links through bordering or transit countries (for example, Brazil and Argentina), which considerably increases communication costs.⁹²

4.121. The PNT also identifies investment opportunities, mainly in the areas of expansion of the network infrastructure, the offer and management of terminal equipment, and the virtual services offered to businesses, the government and the population. It is expected that the PNT will bring benefits by ensuring regulatory predictability, transparency and an improved environment for investment, while at the same time generating social benefits.⁹³

4.122. The legal framework for the telecommunications sector has remained almost unchanged since Paraguay's last TPR. The main legislation includes the provisions of the National Constitution (1992), the Law No. 642/95 on telecommunications and CONATEL's various regulations (Table 4.5). During the review period, CONATEL issued a number of technical regulations, for example, those concerning the television service with analogue and digital technology (Resolution No. 1.223/11), the Internet protocol (Resolution No. 1.436/11) and online payments and credits relating to telephony services (Resolution No. 934/14). New rules were also approved in connection with the procedure for obtaining licences and authorizations for the supply of Internet access and data transmission services (Resolutions No. 1.995/11 and No. 1.086/14), satellite transmission of occasional signals (Resolution No. 767/15) and cable service (Resolution No. 2.278/14).

Table 4.5 Principal laws and regulations governing the telecommunications sector

Legislation	Description
Law No. 642/95 and its amendments	Establishes general rules for the various ways of supplying telecommunications services, the tariff regime and interconnection, among other aspects
Resolution No. 871/02	Regulates interconnection
Resolution No. 190/09	Regulates Internet access and data transmission services
Resolution No. 1.601/10	Regulates number portability
and Resolution No. 222/11	
Resolution No. 196/14	Universal Services Fund
Resolution No. 197/14	Regulates the registration of the satellite capacity provider
Resolution No. 871/14	Regulates telecommunications user protection and number portability
Law No. 5.629/16	On the blocking of stolen or lost cell phones
Resolution No. 1.401/16	Regulates the validity and expiry of credits relating to cellular mobile telephony, PCS, Internet access and data transmission services
Decree No. 6.999/17	General Regulations on Telecommunications Service Tariffs

Source: Online information from CONATEL, viewed at: <https://www.conatel.gov.py/index.php/2015-02-17-18-58-32>; y <https://www.conatel.gov.py/index.php/2015-02-17-19-32-25/2015-02-25-12-56-22>.

⁹¹ Third Report of President Horacio Cartes to Congress and the Nation (2016), July (p. 98). Viewed at: <http://www.informepresidencial.gov.py/documents/14304/0/infomre+presidencial+2016+web.pdf/b7ced2a7-61fc-42d6-b9d4-c9ff832e5b4e>.

⁹² National Telecommunications Plan 2016-2020 (p. 99). Viewed at: https://www.conatel.gov.py/images/iplprincipal/PNT%202016_2020/RD.244.2016%20-%20PNT%202016_2020.pdf.

⁹³ Ibid., p. 15.

4.123. There were no changes in the rules and procedures relating to concessions, licences or authorizations for the provision of various types of services during the review period.⁹⁴ The requirements for obtaining licences and authorizations are the same for domestic and foreign companies. However, to provide or operate a telecommunications service, foreign companies must establish domicile in Paraguay or appoint a legal representative in the country. Only natural persons of Paraguayan nationality or legal persons established and domiciled in Paraguay may hold a radio or television broadcasting licence. Moreover, some telecommunications services continue to be reserved for the State.⁹⁵

4.124. The interconnection rules are also the same as those described in the Secretariat report prepared for the 2011 TPR.⁹⁶ During the review period, CONATEL issued various resolutions for establishing the ceilings on interconnection charges.

4.125. The Universal Services Fund (FSU), administered by CONATEL, promotes the expansion of public telecommunications services in rural areas and zones of public and social interest by granting subsidies to service providers and promoting access to public telecommunications services at reasonable prices.⁹⁷ The FSU is resourced by 20% of the receipts from the commercial operating fees paid by the operating companies. The telecommunications sector is able to access some of the financing facilities offered by the BNF.⁹⁸

4.126. Law No. 642/95 (Article 92) and the General regulations on telecommunications service tariffs (Decree No. 6.999/17) authorize CONATEL to establish the structure and tariff levels of telecommunications services. There are two tariff regimes: maximum prices and control of reasonableness. Public services (local telephony and trunk and international calls) are subject to the maximum prices regime, in which CONATEL sets ceilings for the different types of services; these prices are determined in the concession contract and reviewed every six months. In 2017, the tariff for a commercial-category basic monthly subscription to the basic telephony service (VAT included) was \$32,200 and the residential-category subscription \$26,700, while the national calls tariff was \$145 per minute.⁹⁹ For other telecommunications services, including mobile telephony, the "control of reasonableness" system is used; in this case tariffs are fixed freely, as a function of supply and demand, unless CONATEL can show the absence of competition in the telecommunications services markets or the existence of anti-competitive practices, in which case it may take remedial action. The authorities have noted that there have been no situations requiring the implementation of price controls. In the context of this review, CONATEL has indicated that it has sometimes intervened in a precautionary way, for example, to verify that when services are being promoted the public is not receiving erroneous information

4.4.3 Transport

4.4.3.1 General features

4.127. In 2016, the transport sector accounted for 3.3% of GDP and, together with storage and communications, 4.2% of employment (Table 1.1). Paraguay's transport network consists of 3,100 km of navigable waterways, mainly along the rivers Paraná and Paraguay, together with a 2,250 m operable rail link for the transport of goods, and a 60,000-km-long national road network, 4,068 km of which are paved. Due to its land-locked situation, Paraguay does not have a maritime infrastructure, but continues to maintain warehouses and free ports in certain seaports belonging

⁹⁴ The provision of telecommunications services requires a concession, licence or authorization, depending on the service concerned. Concessions are granted for basic services, while licences are granted for broadcasting services and value-added services (mobile telephony and Internet). Other services (for example, local and emergency radio) require an authorization.

⁹⁵ These are: meteorological broadcasting services, air, river, maritime and aerospace navigation, and emergency and safety. Any other service can be reserved for the State for reasons of public interest.

⁹⁶ WTO document WT/TPR/S/245/Rev.1 of 16 May 2011.

⁹⁷ Online information from CONATEL, viewed at: <https://www.conatel.gov.py/index.php/2015-02-17-19-32-56/2015-02-25-12-57-51>.

⁹⁸ National Telecommunications Plan 2016-2020 (p. 84). Viewed at: https://www.conatel.gov.py/images/iprincipal/PNT%202016_2020/RD.244.2016%20-%20PNT%202016_2020.pdf.

⁹⁹ Online information from COPACO S.A., viewed at: www.copaco.gov.py.

to neighbouring countries, for loading and unloading its exports and imports.¹⁰⁰ As explained in Paraguay's previous TPR, the distance from the commercial centres to the seaports is significant (for example, Asunción, the capital, is 1,325 km away from the nearest seaport). This contributes to the high transport costs and has an impact on the costs of imports and exports.

4.128. In July 2012, the Government presented an updated version of the master plan for Paraguay's infrastructure and transport services, containing several MOPC projects for improving the transport infrastructure. Likewise, in 2013, Paraguay's national logistics plan was published; this is intended to promote the development of logistics, its services and the infrastructure needed for the various kinds of loads to be transported to their destinations efficiently, as part of the country's production chains, thereby improving Paraguay's competitiveness.

4.129. The Investment and Export Network (REDIEX) has a logistical platform, the purpose of which is to coordinate the logistical activities of the principal providers and users. The platform is divided into three working groups: (a) air connectivity; (b) land transport; and (c) river transport.

4.130. River transport continues to play an important role in the Paraguayan economy. Some 80% by volume of Paraguay's import and export trade uses the river transport service via the Paraguay-Paraná Waterway (Puerto Cáceres/Nueva Palmira), and this route is also used for transporting 100% of the fuel coming from abroad. Air transport is more significant where high-value articles are concerned. According to data from the National Shipping and Ports Authority (ANNP), the cost of river transport to the points of access to the international markets averages US\$26 per tonne, and the cost of multimodal land transport is US\$30 per tonne.

4.4.3.2 Air transport

4.131. Paraguay's airport infrastructure consists of 12 public airports, of which six are international (Silvio Pettirossi de Asunción, Guaraní de Ciudad del Este, Augusto Fuster de Pedro Juan Caballero, Dr Luis María Magaña de Mariscal Estigarribia, Tte. Amín Ayub González de Encarnación, and Tte. Coronel Carmelo Peralta de Concepción) and six are domestic public airports authorized for general aviation. There is also a private airport (Aeropuerto de Itaipú), which is for the entity's own requirements and is not operated commercially. In 2016, a total of 1,033,168 passengers travelled by air (946,471 international passengers and 56,697 domestic passengers). In that same year, 17,984,157 kg of freight was imported by air and 2,632,627 kg exported.

4.132. The National Civil Aviation Directorate (DINAC), an autonomous body linked to the Executive through the Ministry of Defence, is responsible for regulating civil aviation, as well as for proposing policies for the sector and representing Paraguay in international forums and negotiations. DINAC is also charged with operating and administering all the country's airports. However, in practice, this is limited to all the international airports and the domestic public airports. Other functions include managing and maintaining the air traffic control services, assisting air navigation and communications, and establishing safety systems.

4.133. The principal legal instruments that govern air transport are the National Constitution of 1992, the Paraguayan Aviation Code, DINAC's Charter, the aviation regulations and the bilateral and multilateral air transport agreements. Since 2011, DINAC has issued various resolutions and decrees.¹⁰¹

4.134. Airlines certified in accordance with the national regulations may be up to 100% foreign-owned, provided that they are in a position to fulfil the obligations laid down in the laws and regulations for the operation of domestic and international air services. One of the conditions for an airline to be certified and designated by Paraguay is for it to be established and have its

¹⁰⁰ These are located in Argentina (Buenos Aires and Rosario), Brazil (Rio Grande do Sul, Paranaguá and Santos), Chile (Antofagasta and Iquique) and Uruguay (Montevideo and Nueva Palmira). Decrees No. 16.217/02 and No. 8.125/06 introduced the collection of an administrative expenses recovery charge fixed at US\$50 for each bill of lading or shipping document relating to goods destined for Paraguay. In 2016, the proceeds of this charge amounted to 10.83% of the total collected by the National Shipping and Ports Authority (ANNP).

¹⁰¹ Executive Decrees No. 8.701/12, No. 10.034/12, Decrees No. 10.035/12, No. 654/13, No. 2581/14 and No. 4.333/15.

principal place of business in Paraguayan territory and be effectively and continuously regulated by DINAC. For the purpose of setting up the board of directors of a domestic company, at least those who represent it legally must be located in Paraguay and the chairman, general manager and two thirds of the board of the owning company must be Paraguayan nationals.

4.135. To be registered under the Paraguayan flag, aircraft must be owned by natural or legal persons domiciled in Paraguay or have been leased by them. Only Paraguayan aircraft and foreign aircraft leased by domestic companies can provide cabotage services, unless the bilateral agreements to which Paraguay is party stipulate otherwise. At present the provision of cabotage services is permitted under the bilateral air services agreements with the following countries: Chile, El Salvador, Iceland, New Zealand, Qatar, Singapore and Uruguay and six of the member countries of the Open Skies Agreement (Table A4.2). However, as of June 2017, no foreign airline had asked to provide such services.

4.136. The domestic airlines that own Paraguayan-registered aircraft are Amaszonas del Paraguay, which is 100% foreign-owned (50% of the capital is Bolivian through Amaszonas Bolivia and 50% Spanish through Inversiones Líneas Aéreas Internacionales S.L.) and Solsa S.A. The company LATAM Airlines Paraguay, in which the State has a 5% holding, has an aircraft exchange contract. Amaszonas del Paraguay operates cabotage flights on the Asunción/Ciudad del Este route, and Solsa S.A. on the Asunción/Encarnación and Asunción/Pedro Juan Caballero routes.¹⁰² In June 2017, there were 12 airlines operating scheduled international and/or domestic passenger flights to, from or within Paraguay. The largest operators, in terms of market share, are: LATAM Airlines Paraguay (26%); Copa Airlines (17.5%); Aerolíneas Argentinas (11.9%); LATAM Airlines Brasil (11.3%), and GOL (11%).¹⁰³ The main international destinations are Argentina, the Plurinational State of Bolivia, Brazil, Chile, Spain, Panama, Peru and Uruguay.

4.137. To increase Paraguay's connectivity, since 2008 DINAC has offered concessions on the charges for the services that it offers to airlines wishing to operate new routes with scheduled flights. The condition is that the routes are not already served by any airline with origin and/or destination at an international airport administered by DINAC.¹⁰⁴ Decree No. 8.701/12 provided for two years' exemption from the payment of four airport service charges (flight protection, operations, aircraft parking, and ground handling and support) for companies that will be carrying out exploratory flights. Decree No. 2.581/14 extended the period for which the exemptions are granted to a maximum of three years. In this connection, the authorities have indicated that since 2011 they have granted incentives to five airline companies for certain routes.¹⁰⁵ Another incentive granted for the same purpose is exemption from the selective consumption tax on aviation fuel (Decree No. 10.034/12).

4.138. Paraguay is party to the Chicago Convention¹⁰⁶ and all its annexes, as well as to various multilateral instruments such as: the Agreement on Subregional Air Services (Fortaleza Agreement) between the MERCOSUR member countries, the Plurinational State of Bolivia, and Peru; the Horizontal Agreement with the European Union on certain aspects of air services; and the Multilateral Open Skies Agreement for the Member States of the Latin American Civil Aviation Commission (CLAC). During the review period, Paraguay signed new air services agreements with 28 countries or economies. The authorities have indicated that the majority of these agreements are being provisionally applied on an administrative basis pending the completion of each party's statutory ratification processes. In total, in May 2017, Paraguay had signed 47 bilateral air services agreements. The air traffic rights granted under each of these agreements are listed in Table A4.2.

¹⁰² Moreover, the airline LATAM Airlines Paraguay operates the routes from Asunción to Buenos Aires, Santiago de Chile, Lima, San Pablo and Río de Janeiro. The company Amaszonas del Paraguay has commenced scheduled international services from Asunción to Buenos Aires, Iquique and Salta.

¹⁰³ The other airlines, with their respective market shares, were: Avianca Taca (5.4%); Air Europa (5%); Amaszonas del Paraguay (5%); Amaszonas Bolivia (3.2%); Buquebus (1.4%); Alas Uruguay (1.3%); Sol del Paraguay (0.7%); and Iberia (0.1%).

¹⁰⁴ Decree No. 8.701/12 and Decree No. 2.581/14. Viewed at: <http://www.gacetaoficial.gov.py>.

¹⁰⁵ COPA Airlines for the route Panamá/Asunción and vice versa; BQB for the route Montevideo/Asunción and vice versa; Air Europa for the route Madrid/Asunción/Córdoba; Amaszonas Paraguay for the route Asunción/Iquique and vice versa; and Sola S.A. for its cabotage routes Asunción/Pedro Juan Caballero and vice versa; and the route Asunción/Encarnación and vice versa.

¹⁰⁶ Ratified by Decree-Law No. 10.818/45 and Law No. 9/48.

4.139. DINAC provides ground handling services at Paraguay's public airports; airlines, both domestic and foreign, may also provide these services. Restaurant and catering, fuel supply, cleaning, rubbish handling and disposal and bird risk control services are outsourced. Providers of aircraft and component maintenance, inspection and repair services must be authorized by DINAC, which supervises and monitors their work.

4.140. The Government, through the MOPC, is trying to attract private investment for the purpose of modernizing Silvio Pettirossi international airport, under Law No. 5102/13 on the promotion of investment in public infrastructure and the expansion and upgrading of goods and services provided by the State.¹⁰⁷ The authorities have indicated that the draft Law is being evaluated.

4.4.3.3 River transport

4.141. The Directorate-General of the Merchant Marine (DMM) is responsible for supervising and coordinating river and maritime transport activities and the associated sectors. The DMM processes applications for the construction and equipment of private port terminals, as well as for the flagging, registration, equipping and inspection of merchant vessels, and grants permits to foreign vessels for domestic cabotage. The National Shipping and Ports Authority (ANNP) operates the public river ports and the warehouses and free ports abroad. Moreover, it is responsible for matters relating to the navigability of the rivers. The Naval Prefecture-General, part of the Navy, is responsible for the safety of navigation and port facilities and the river police service.

4.142. During the review period, some changes were made in the legislative framework governing river transport, such as, for example, the incorporation of 11 regulations of the Santa Cruz de la Sierra Paraguay-Paraná River Waterway Agreement (Puerto Cáceres-Puerto de Nueva Palmira).¹⁰⁸ There were no changes in the conditions that vessels must satisfy in order to obtain Paraguayan registration, which include the requirement that the master or owners and at least two thirds of the crew (except for seamen and mechanics) be Paraguayan nationals.¹⁰⁹ In addition, the owners or builders must be domiciled or permanently represented in Paraguay. The leasing of foreign vessels by Paraguayan ship-owners may be authorized by executive decree if there is insufficient national capacity. Decree No. 4.787/16, of 19 January 2016, stipulates that leased vessels may obtain Paraguayan registration for a period of three years, renewable for a further period of the same duration.¹¹⁰

4.143. In the course of the present review, the authorities have pointed out that Paraguay has the largest river fleet in the region and ranks third at world level. The country has a national river fleet totalling 2,977 vessels (2017), of which 1,782 are authorized for international river transport; to a large extent, these vessels are bulk-carrier barges.

4.144. National cabotage is reserved for Paraguayan flag vessels. To provide services in waters under Paraguayan jurisdiction, foreign vessels must obtain a special government permit and use the services of a pilot of Paraguayan nationality when entering or leaving port. All maritime and river transport of imports and exports is reserved for Paraguayan flag vessels. If the cargo is coming from or bound for a LAIA member country, provided that the capacity exists, the requirement for maritime transport is up to 50% and for river transport at least 50%. The Paraguay-Paraná River Waterway Agreement, which facilitates navigation and river transport

¹⁰⁷ Online information viewed at: <http://www.mopc.gov.py/modernizacion-del-aeropuerto-internacional-silvio-pettirossi-bajo-la-modalidad-de-alianza-publico-privada-p27>.

¹⁰⁸ The main laws are: Law No. 476/57 establishing the River and Maritime Navigation Code (as amended by Law No. 1.448/99) and its Decree No. 6.984/59; Law No. 928/27 establishing the Harbour Regulations (as amplified by Law No. 1.158/85; Law No. 295/71 on Reserved Cargo and its Decree No. 27.371/81; Law No. 419/94 governing the construction and operation of private ports; Law No. 160/93 establishing rates and/or authorization for shipping-related services; and Law No. 269/93 ratifying the River Transport Agreement on the Paraguay-Paraná Waterway and its additional protocols. During the review period new decrees were issued in relation to: requirements and procedures for the registration and flagging of ships and floating structures (Decree No. 1.357/14); and the incorporation of vessels in the national fleet (Decree No. 1.994/14, as amended by Decree No. 2.115/14).

¹⁰⁹ Professionals with a foreign qualification working in the merchant marine must revalidate their qualifications in accordance with the reciprocity criteria laid down in international agreements and in Law No. 1.158/85.

¹¹⁰ Decree No. 4.787/16, of 19 January 2016. Viewed at: <http://www.gacetaoficial.gov.py/index/getDocumento/32275>.

between the signatories¹¹¹, abolished the flag reservation in river transport via the Paraguay river for Paraguayan vessels in favour of a regional reservation for cargo transported by vessels of the signatory countries, but did not remove the restrictions on cargo transported via other inland waterways or by sea.¹¹² The cargo restriction provisions are enforced by means of import and export certificates issued by the DMM through the Single Window for Exports and the Single Window for Imports, respectively.¹¹³

4.145. Paraguay has several bilateral navigation and cross border river transport agreements with Argentina.¹¹⁴ Within MERCOSUR, Paraguay is participating in the negotiation of a maritime transport agreement. At multilateral level, Paraguay is a signatory to the International Maritime Organization Convention, the SOLAS Convention (*Safety of Life at Sea*) and its Protocol, as well as to the Inter-American Convention on Facilitation of International Waterborne Transportation.

4.146. Paraguay has a total of 49 ports (private and public). In terms of trade, the most important ports are Caacupemí, Fenix and Terport for containers, and ADM and TROCIUK for grain. Most of the terminals are managed by the private sector (see below). The ANNP manages and operates 13 port terminals and more than 30 State-owned smaller ports, but altogether they account for less than 10% of the annual volume of goods handled. According to the authorities, problems stemming from the lack of timely investment and obsolete tariff systems in face of the dynamic growth of the service have meant the loss of a large proportion of the ANNP's customers. Operational alliances have been formed with private sector companies. These agreements are being applied in the port terminals of Villeta, Concepción (pending execution of the contract) and San Juan del Paraná. The ANNP is currently implementing projects contained in its strategic plan including, in particular, the redevelopment of the Port of Asunción, the relocation of the Port of Ciudad del Este and the reactivation of the New Port of Concepción. In May 2017, details for the construction of a modern terminal at the Port of Pilar were being finalized.

4.147. There are 49 private port terminals and approximately 95% of river trade passes through them. The private ports may freely determine the tariffs for the provision of their services.¹¹⁵ Authorizations to build and operate port terminals are granted only to companies incorporated in Paraguay. Projects for building and operating private ports are eligible for the benefits available under Law No. 117/92, which guarantees the same rights and obligations for both Paraguayan and foreign investors. According to the authorities, the private sector has made major investments in the last ten years (around US\$1.2 billion). There are no precise data on foreign investment in port terminals.

4.148. A decree issued in 2014 established the port terminal of Villeta as the only river entry point for agrochemical products.¹¹⁶ Other products are not subject to border entry point restrictions.

¹¹¹ The Paraguay-Paraná River Waterway Agreement (and its six additional protocols) was concluded between the Plurinational State of Bolivia, Brazil, Paraguay and Uruguay. This legal instrument establishes provisions for navigation, trade and the transport of persons and goods involving the use of the Waterway, as well as a regional flag reservation. The Agreement was incorporated into the Paraguayan legislation by means of Law No. 269/93. The regulations of the Paraguay-Paraná Waterway were incorporated into the domestic legal system by Decree No. 2.611/14.

¹¹² The cargo restrictions for maritime transport are not being applied in practice, since Paraguay does not operate in this sector.

¹¹³ Law No. 160/93 establishes that the charge for issuing an import or export certificate is 0.50% of the minimum daily wage.

¹¹⁴ The bilateral agreements signed with Argentina are as follows: Navigation Treaty (1967), the Convention on Cross-Border River Transport of Passengers, Vehicles and Cargo (1972) and the Convention for the Avoidance of Double Taxation in relation to Air, River and Land Transport (1996).

¹¹⁵ Law No. 419/94 provides for the creation of private ports and Decree No. 14.402/2001 designates the DMM as the agency responsible for applying the Law.

¹¹⁶ Decree No. 1195/14 (repealing Decrees No. 11.583/13 and No. 10.250/07 and its amending Decree No. 10.485/13).

4.4.4 Tourism

4.4.4.1 Characteristics of the sector

4.149. The importance of Paraguay's tourism sector increased during the review period. Hotels and restaurants contributed 1.5% of value added in 2016, a 50% increase as compared with 2011 (Table 1.1). In 2015, the sector was employing 16,240 people, which is equivalent to 0.4% of total employment. In the same year, the income generated by tourists and excursionists represented 1.7% of GDP.¹¹⁷ Likewise in 2015, there were 1.2 million international tourist arrivals and 2.9 million excursionist arrivals. The principal markets of origin of the tourists were Argentina (31%), Brazil (29%), United States (3%) and the Plurinational State of Bolivia (2%).¹¹⁸ According to the authorities, the recent increase in the number of foreign tourist arrivals is due to various factors, such as an increase in events, congresses and meetings.

4.150. Foreign direct investment in restaurants and hotels almost tripled during the review period (Table 1.8). Much of the investment in this field has involved large foreign companies allied with local investors. The investment projects have not been limited to the capital, Asunción, but have also extended to Ciudad del Este and Encarnación, and the participants have included United States and Spanish investors.¹¹⁹

4.4.4.2 Policies and institutions

4.151. In Paraguay, tourism policy and activities are the responsibility of the National Tourism Department (SENATUR), which has ministerial rank and reports to the Office of the President of the Republic. SENATUR is charged with implementing national tourism policy, promoting domestic and international tourism, and planning, directing, supervising and administering all of the sector's enterprises and professionals. The Law provides for the establishment of a National Tourism System composed of a number of bodies, including SENATUR, the National Tourism Advisory Council, central government agencies and the departmental tourism councils, and of natural and legal persons enrolled in the National Tourism Register.¹²⁰ The National Tourism Advisory Council, which includes participants from both the private and the public sector, advises SENATUR on tourism-related activities.¹²¹

4.152. SENATUR is responsible for formulating the National Tourism Plan, which contains strategies and tactics for the sustainable development of tourism.¹²² In addition, SENATUR is implementing other measures for promoting and developing the sector, such as the master plan for the sustainable development of Paraguay's tourism sector. The specific objectives of this programme envisage the strengthening and decentralization of tourism administration in the country, the generation of local capacity for the planning and sustainable management of tourism and the creation of the conditions necessary to promote a competitive and exportable supply of tourist destinations and products.¹²³ In addition to this plan, SENATUR is implementing the National Tourist Inns Programme, the National Youth Tourism Programme, the Meetings and Events Tourism Programme, the National Women's Empowerment Programme, the National Tourist Quarters Programme, and the National Rural Tourism Plan. Moreover, campaigns to promote domestic and international tourism are being carried out, together with others such as the

¹¹⁷ According to official sources, in 2015, the income generated by tourists amounted to US\$426.3 million, while the income generated by excursionists amounted to US\$57.3 million.

¹¹⁸ Online information from the National Tourism Observatory, viewed at: http://www.observatorionacionaldeturismo.gov.py/application/files/3714/6841/9606/RANKING_DE_VISITANTE_S_A_PARAGUAY_POR_NACIONALIDAD_PERIODO_2010_A_2015_-_copia_2.pdf.

¹¹⁹ Online information from the Paraguayan Information Agency, viewed at: <http://www.ip.gov.py/ip/?p=98583>.

¹²⁰ Law No. 2.828/2005 (Article 10).

¹²¹ As established by Decree No. 8.111/06, the National Tourism Advisory Council is composed of: a representative of SENATUR; a representative of the MOPC; a representative of the MIC; a representative of the Ministry of Foreign Affairs; a representative of the Ministry of Finance; a representative of the Ministry of Education and Culture; a representative of the SEAM; and a representative of the tourism trade associations.

¹²² Decree No. 8.111/06 (Articles 29 and 30). The National Tourism Plan contains various strategies for developing the tourism sector (accessibility and facilitation; business sector; human resources; tourist products and promotion of tourism), each with its related programmes.

¹²³ Online information from SENATUR, viewed at: http://www.senatur.gov.py/application/files/9314/7920/7840/Plan_Maestro_de_Turismo_-_Paraguay_2012-min.pdf.

good host, responsible tourism and child tourist campaigns.¹²⁴ Moreover, Paraguay has set up a National Tourism Observatory and Tourism Facilitation Services. The first of these is designed as an information tool for monitoring the dynamics, growth and variations of the Paraguayan tourism sector, in order to disseminate knowledge for decision-making and planning purposes. The role of the second is to deal with immigration formalities and facilitation for tourists and visitors in general, from entry to departure.¹²⁵

4.4.4.3 Regulatory framework

4.153. The general regulatory framework for tourism is composed of the Law on Tourism (No. 2.828/05) and its implementing Decree No. 8.111/05, together with Law No. 1.388/98 establishing SENATUR, the entity responsible for regulating the sector through resolutions. During the review period, SENATUR approved several resolutions for the purpose of implementing and updating the tourism legislation in accordance with the latest types of provision of tourism services. The principal resolutions relating to the sector regulate the activities of nature, camping, rural, fishing, river and lake tourism.¹²⁶ Likewise, Resolution No. 332/10 regulates enrolment in the National Tourism Register, while Resolution No. 925/11 is one of those that regulate the exercise of the profession of tourist guide.¹²⁷ The regulatory framework also establishes penalties in the event of infringement of the sector's laws and regulations or the illegal exercise of the profession. The penalties may vary from the imposition of fines to a ban on the exercise of the profession or the supply of tourism services.¹²⁸

4.154. To supply tourism services in Paraguay, tourism service providers, whether they be natural or legal persons, must be enrolled in the National Tourism Register, and any change relating to corporate composition, capital and/or management of the office in Paraguay or abroad must be reported to SENATUR.¹²⁹ The provision of hotel and restaurant services is open to foreign participation in the cross-border supply, consumption abroad and commercial presence modes. The provision of travel agency and tour operator services is authorized for businesses that offer tourist services for foreign travellers in Paraguay. The presence of foreign natural persons providing tourism services is bound in Paraguay's schedule of specific commitments with the WTO in the case of senior managers and tourist guides.¹³⁰

4.4.4.4 Domestic support

4.155. Providers of tourism services in Paraguay duly registered and authorized by SENATUR are eligible for certain benefits. These include, for example: facilitated participation in national and international trade fairs; access to training; access to BNF credit facilities for the tourism sector for loans of more than \$20 million; and access to tax incentives for investment under Law No. 60/1990 (section 3.3.1.2).¹³¹ Similarly, activities linked with rural tourism, especially tourist inns, may be eligible for financing via a CAH credit facility, through which it is possible to obtain loans of between \$3 million and \$12 million for youth tourism projects and loans of between \$12 million and \$50 million for tourist inns.¹³²

¹²⁴ Online information from SENATUR, viewed at: <http://www.senatur.gov.py/index.php/campanas>; <http://www.senatur.gov.py/index.php/programa-campa%C3%per%centB1as>; <http://visitparaguay.travel>.

¹²⁵ Online information from SENATUR, viewed at: <http://www.senatur.gov.py/index.php/servicios/facilitacion-turistica>; <http://www.senatur.gov.py/index.php/servicios/observatorio-turistico-nacional>.

¹²⁶ Online information from SENATUR, viewed at: <http://www.senatur.gov.py/index.php/institucion/marco-legal>.

¹²⁷ Online information from SENATUR, viewed at: www.senatur.gov.py.

¹²⁸ Decree No. 8.111/06 (Articles 44-65).

¹²⁹ SENATUR Resolution No. 332/10. Viewed at: http://www.senatur.gov.py/application/files/5414/7921/9109/Resolucion_332-2010.pdf; <http://www.registurparaguay.gov.py>.

¹³⁰ WTO document GATS/SC/68; Resolution No. 925 (Articles 30-34). Viewed at: http://www.senatur.gov.py/application/files/5114/7921/9118/RESOLUCION_N_925_Reglamento_Guia_de_Turismo.pdf.

¹³¹ Online information from SENATUR, viewed at: <http://www.registurparaguay.gov.py/index.aspx>.

¹³² Online information from SENATUR, viewed at: <http://www.senatur.gov.py/index.php/producto-financiero-enfocado-al-fortalecimiento-del-turismo-rural>; <http://www.senatur.gov.py/index.php/programa-campa%C3%per%centB1as/turismo-joven>; and <http://www.senatur.gov.py/index.php/programa-campa%C3%per%centB1as/posadas-turisticas>.

5 APPENDIX TABLES

Table A1. 1 Merchandise exports by HS section, 2011-2016

Description	2011	2012	2013	2014	2015	2016
	(US\$ million)					
Exports	7,764	7,283	9,456	9,636	8,328	8,494
	(% of exports)					
1 - Live animals; animal products	10.0	11.5	12.0	15.1	15.0	14.5
02. Meat and edible meat offal	9.7	10.9	11.2	14.2	14.2	13.6
05. Products of animal origin, not elsewhere specified or included	0.3	0.5	0.6	0.8	0.7	0.8
2 - Vegetable products	39.0	37.6	36.7	32.2	29.5	31.0
12. Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants	30.7	22.9	27.7	25.4	20.4	22.3
10. Cereals	7.7	14.1	8.2	6.4	8.7	8.1
11. Products of the milling industry; malt; starches; inulin; wheat gluten	0.4	0.4	0.7	0.3	0.2	0.4
3 - Animal or vegetable fats and oils	4.5	2.7	5.6	5.6	5.8	5.9
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	7.5	5.7	12.0	13.6	12.8	12.0
23. Residues and waste from the food industries	5.2	3.0	10.1	11.8	11.3	10.4
17. Sugars and sugar confectionery	1.2	1.1	0.8	0.8	0.8	0.9
5 - Mineral products	29.5	31.1	24.0	22.7	25.1	25.6
27. Mineral fuels, mineral oils and products of their distillation	29.4	31.0	24.0	22.7	25.1	25.6
6 - Products of the chemical or allied industries	1.0	1.5	1.4	1.1	1.3	1.4
30. Pharmaceutical products	0.5	0.6	0.6	0.5	0.7	0.5
7 - Plastics and articles thereof	1.5	1.3	0.9	1.2	1.1	1.0
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	1.4	1.6	1.8	2.2	2.0	1.6
41. Raw hides and skins (other than furskins) and leather	1.3	1.5	1.6	2.0	1.8	1.4
9 - Wood and articles of wood; wood charcoal	1.3	1.2	0.9	0.8	0.9	0.8
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	0.2	0.2	0.2	0.2	0.3	0.3
11 - Textiles and textile articles	1.7	2.1	1.5	1.6	1.7	1.5
63. Other made up textile articles; sets; worn clothing and worn textile articles; rags	0.3	0.3	0.4	0.6	0.6	0.5
62. Articles of apparel and clothing accessories, not knitted or crocheted	0.4	0.4	0.3	0.3	0.3	0.3
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.2	0.5	0.4	0.3	0.2	0.1
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.1	0.2	0.2	0.2	0.2	0.2
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.1	0.4	0.4	0.3	0.5	0.7
15 - Base metals and articles of base metal	1.0	0.9	0.8	0.8	0.7	0.5
76. Aluminium and articles thereof	0.1	0.1	0.1	0.2	0.2	0.2
74. Copper and articles thereof	0.5	0.3	0.3	0.3	0.2	0.2
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	0.7	1.0	0.7	1.3	1.8	2.0
85. Electrical machinery and equipment and parts thereof; sound recorders and reproducers	0.4	0.4	0.5	1.2	1.6	1.9
17 - Vehicles, aircraft, vessels and associated transport equipment	0.0	0.1	0.3	0.4	0.7	0.5
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments	0.1	0.1	0.2	0.2	0.1	0.1
20 - Miscellaneous manufactured articles	0.3	0.3	0.2	0.2	0.3	0.2
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.2	0.0	0.0	0.0	0.0

Note: The year 2011 is based on the HS07 nomenclature; the years 2012-2016 are based on the HS12 nomenclature.

Source: WTO Secretariat estimates based on data from the Comtrade database.

Table A1. 2 Merchandise imports by HS section, 2011-2016

	2011	2012	2013	2014	2015	2016
	(US\$ million)					
Imports	12,366	11,555	12,142	12,169	10,291	9,753
	(% of imports)					
1 - Live animals; animal products	0.5	0.5	0.5	0.6	0.6	0.6
04. Dairy produce; birds' eggs; natural honey; edible products of animal origin	0.2	0.2	0.2	0.3	0.3	0.3
05. Products of animal origin, not elsewhere specified or included	0.1	0.1	0.1	0.1	0.2	0.2
01. Live animals	0.1	0.1	0.1	0.1	0.1	0.1
02. Meat and edible meat offal	0.0	0.1	0.0	0.0	0.0	0.1
03. Fish and crustaceans, molluscs and other aquatic invertebrates	0.0	0.0	0.0	0.0	0.0	0.0
2 - Vegetable products	1.2	1.3	1.6	1.1	1.3	1.4
10. Cereals	0.5	0.6	0.9	0.5	0.4	0.5
07. Edible vegetables and certain roots and tubers	0.1	0.1	0.1	0.1	0.2	0.2
11. Products of the milling industry; malt; starches; inulin; wheat gluten	0.1	0.1	0.1	0.2	0.2	0.2
12. Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants	0.3	0.3	0.3	0.2	0.2	0.2
3 - Animal or vegetable fats and oils	0.2	0.2	0.2	0.2	0.2	0.2
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	5.8	6.2	5.9	6.6	6.9	7.3
22. Beverages, spirits and vinegar	1.6	1.7	1.5	1.8	1.9	2.1
24. Tobacco and manufactured tobacco substitutes	1.4	1.6	1.5	1.6	1.6	1.6
21. Miscellaneous edible preparations	0.8	0.9	1.0	1.0	1.1	1.2
19. Preparations of cereals, flour, starch or milk	0.6	0.6	0.6	0.7	0.7	0.7
5 - Mineral products	14.0	16.7	14.9	16.1	14.3	12.6
27. Mineral fuels, mineral oils and products of their distillation	13.3	16.0	14.3	15.4	13.7	12.0
25. Salt; sulphur; earths and stone; plastering materials, lime and cement	0.6	0.7	0.7	0.7	0.6	0.6
6 - Products of the chemical or allied industries	12.4	13.1	13.9	14.3	15.8	15.4
31. Fertilisers	4.5	4.3	4.5	4.6	4.6	4.0
38. Miscellaneous chemical products	2.5	2.6	3.0	3.2	3.9	3.6
30. Pharmaceutical products	1.3	1.4	1.5	1.6	2.0	2.4
33. Essential oils and resinoids; perfumery, cosmetic or toilet preparations	1.6	1.9	1.7	1.8	1.6	1.8
29. Organic chemicals	1.2	1.3	1.6	1.5	1.7	1.5
7 - Plastics and articles thereof	5.1	4.9	5.2	5.3	6.1	6.2
39. Plastics and articles thereof	2.8	2.9	3.0	3.2	4.1	4.0
40. Rubber and articles thereof	2.3	2.0	2.1	2.0	2.0	2.3
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.3	0.4	0.3	0.4	0.3	0.3
9 - Wood and articles of wood; wood charcoal	0.1	0.1	0.2	0.2	0.2	0.2
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	2.2	1.9	1.9	2.0	2.4	2.3
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard	2.0	1.7	1.7	1.8	2.2	2.1
11 - Textiles and textile articles	3.2	3.1	2.9	3.0	3.2	3.2
61. Articles of apparel and clothing accessories, knitted or crocheted	0.6	0.6	0.6	0.6	0.5	0.6
55. Man-made staple fibres	0.5	0.5	0.5	0.6	0.6	0.6
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	1.0	1.0	1.0	1.1	1.1	1.1
64. Footwear, gaiters and the like; parts of such articles	0.9	0.9	0.9	1.0	1.0	1.0
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	1.2	1.2	1.3	1.3	1.5	1.5
69. Ceramic products	0.6	0.6	0.6	0.6	0.7	0.7
70. Glass and glassware	0.3	0.4	0.4	0.4	0.5	0.5

	2011	2012	2013	2014	2015	2016
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.0	0.0	0.0	0.0	0.0	0.0
15 - Base metals and articles of base metal	4.5	5.1	5.0	5.7	5.5	5.0
72. Iron and steel	2.1	2.2	2.4	2.8	2.4	2.0
73. Articles of iron or steel	1.0	1.3	1.1	1.2	1.1	1.1
76. Aluminium and articles thereof	0.4	0.7	0.6	0.8	0.9	0.9
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	30.9	28.1	29.0	26.1	24.2	26.8
85. Electrical machinery and equipment and parts thereof; sound recorders and reproducers	16.5	15.2	15.4	13.4	12.7	15.5
84. Nuclear reactors, boilers, machinery and mechanical appliances	14.4	12.9	13.6	12.7	11.5	11.3
17 - Vehicles, aircraft, vessels and associated transport equipment	10.9	10.0	10.5	10.6	11.1	10.5
87. Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	10.0	9.2	9.7	10.0	10.3	9.5
89. Ships, boats and floating structures	0.7	0.6	0.6	0.4	0.6	0.8
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments	1.0	1.1	1.3	1.2	1.3	1.4
90. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus	0.8	0.9	1.1	1.0	1.1	1.3
19 - Arms and ammunition; parts and accessories thereof	0.1	0.1	0.1	0.1	0.1	0.1
20 - Miscellaneous manufactured articles	5.3	4.8	4.1	4.1	3.8	3.7
95. Toys, games and sports requisites; parts and accessories thereof	4.4	3.5	2.8	2.8	2.2	2.0
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.1	0.0	0.0	0.0	0.0

Note: The year 2011 is based on the HS07 nomenclature; the years 2012-2016 are based on the HS12 nomenclature.

Source: WTO Secretariat estimates based on data from the Comtrade database.

Table A1. 3 Merchandise exports by trading partner, 2011-2016

Description	2011	2012	2013	2014	2015	2016
Exports	7,776	7,283	9,456	9,636	8,328	8,494
	(US\$ million)					
	(% of exports)					
America	58.8	61.4	56.1	54.5	55.0	60.7
United States	1.4	2.1	2.7	2.2	1.8	1.7
Other America	57.4	59.3	53.4	52.3	53.2	59.0
Brazil	32.1	39.5	30.1	30.7	31.5	35.4
Argentina	8.9	7.5	7.3	6.8	6.9	10.7
Chile	7.0	2.6	5.6	7.0	7.1	6.1
Uruguay	1.1	1.5	2.0	1.9	1.8	2.5
Mexico	1.2	1.2	2.9	1.4	1.3	1.3
Peru	2.8	2.2	2.0	1.3	2.1	1.1
Bolivia, Plurinational State of	0.7	1.2	0.8	1.1	0.8	0.6
Venezuela, Bolivarian Republic of	1.4	0.8	0.6	0.4	0.4	0.3
Ecuador	0.4	0.2	0.2	0.4	0.6	0.3
Europe	22.7	16.1	18.4	18.0	18.7	16.8
EU(28)	19.8	14.5	15.0	14.8	17.2	14.0
Italy	4.3	3.2	3.6	4.0	3.7	3.5
Germany	7.4	6.0	3.5	1.1	3.5	2.3
Spain	3.1	2.5	2.3	0.8	1.9	2.1
Poland	0.1	0.1	0.5	1.3	1.6	1.8
United Kingdom	0.1	0.1	0.3	0.5	1.2	1.3
EFTA	0.2	0.1	0.4	0.1	0.1	0.2
Switzerland	0.2	0.1	0.4	0.1	0.1	0.2
Other Europe	2.7	1.5	3.0	3.1	1.4	2.6
Turkey	2.7	1.4	2.9	3.0	1.3	2.5
Commonwealth of Independent States (CIS)^a	5.3	10.0	10.4	11.0	9.3	7.7
Russian Federation	5.2	9.7	10.0	10.8	9.1	7.6
Africa	2.9	3.6	3.9	3.3	4.2	2.5
South Africa	0.1	0.1	0.1	0.0	0.5	1.2
Egypt	0.5	0.0	0.8	1.1	1.2	0.4
Tunisia	0.6	0.8	0.6	0.6	0.6	0.3
Algeria	0.3	0.3	0.9	0.3	0.5	0.2
Middle East	3.7	3.4	3.3	2.4	3.8	3.2
Israel	1.9	2.0	1.9	1.4	1.9	1.9
United Arab Emirates	0.2	1.1	0.9	0.3	0.4	0.3
Lebanon	0.0	0.2	0.1	0.1	0.2	0.3
Asia	6.6	5.3	7.9	10.9	9.0	9.1
China	0.4	0.6	0.6	0.5	0.4	0.2
Japan	0.7	0.4	0.9	1.1	0.9	0.5
Other Asia	5.6	4.4	6.4	9.3	7.7	8.4
India	0.6	0.3	0.6	2.3	2.5	2.3
Viet Nam	1.0	0.8	0.4	0.7	0.9	1.8
Bangladesh	0.6	0.6	1.2	1.2	1.1	1.4
Thailand	0.3	0.2	0.4	1.5	0.3	0.7
Korea, Republic of	1.4	0.4	0.5	0.6	0.4	0.7
Other	0.0	0.0	0.0	0.0	0.0	0.0
<i>Memorandum</i>						
Andean Community	4.9	4.3	3.4	3.3	3.6	2.3
Southern Common Market	43.5	49.3	40.0	39.7	40.6	48.8

a The Commonwealth of Independent States (CIS) includes Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, the Republic of Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

Source: WTO Secretariat estimates based on data from the Comtrade database.

Table A1. 4 Merchandise imports by trading partner, 2011-2016

Description	2011	2012	2013	2014	2015	2016
	(US\$ million)					
Imports	12,366	11,555	12,142	12,169	10,291	9,753
	(% of imports)					
America	54.1	53.9	51.6	55.9	53.9	52.6
United States	5.3	8.1	6.5	8.0	7.9	7.2
Other America	48.8	45.9	45.1	47.9	46.0	45.4
Brazil	26.4	23.5	26.4	27.8	25.0	24.2
Argentina	14.1	16.1	13.7	14.0	14.9	14.7
Chile	1.2	1.3	1.2	1.3	1.6	1.4
Mexico	1.5	1.5	1.4	1.8	1.5	1.4
Uruguay	1.6	1.4	1.2	1.1	1.0	1.2
Panama	0.1	0.1	0.1	0.7	0.8	0.9
Colombia	0.2	0.2	0.2	0.2	0.2	0.6
Bolivia, Plurinational State of	0.2	0.3	0.4	0.6	0.4	0.5
Europe	7.3	7.3	9.3	9.0	9.3	8.9
EU(28)	6.2	6.6	8.5	8.4	8.5	8.4
Germany	1.8	1.8	1.9	2.3	2.2	2.3
France	0.7	0.8	0.9	1.0	1.2	1.2
Spain	0.7	0.8	0.9	1.0	1.0	1.1
Netherlands	0.4	0.5	0.8	1.1	1.0	0.9
Italy	0.6	0.6	0.7	0.7	0.8	0.8
EFTA	0.8	0.6	0.7	0.2	0.6	0.3
Switzerland	0.8	0.6	0.6	0.2	0.5	0.3
Other Europe	0.3	0.2	0.2	0.4	0.2	0.3
Turkey	0.3	0.2	0.2	0.4	0.2	0.3
Commonwealth of Independent States (CIS)^a	0.4	1.6	1.9	1.0	2.3	1.2
Russian Federation	0.1	1.4	1.8	0.8	2.1	1.0
Belarus	0.2	0.0	0.1	0.2	0.1	0.2
Africa	0.2	0.2	0.3	0.3	0.2	0.3
Morocco	0.1	0.1	0.2	0.2	0.0	0.1
Zimbabwe	0.0	0.0	0.0	0.0	0.1	0.1
Middle East	0.2	0.2	0.3	0.2	0.9	0.9
United Arab Emirates	0.1	0.0	0.0	0.0	0.2	0.4
Oman	0.0	0.0	0.0	0.0	0.1	0.2
Israel	0.1	0.2	0.2	0.0	0.2	0.1
Asia	37.8	36.3	36.1	33.0	32.8	35.5
China	29.6	27.6	28.3	25.3	23.5	27.1
Japan	3.2	2.7	2.3	2.2	2.3	2.5
Other Asia	5.0	6.0	5.5	5.5	7.0	5.9
Korea, Republic of	1.8	2.4	2.0	2.2	2.7	2.1
India	0.6	0.7	0.8	1.0	1.5	1.5
Hong Kong, China	0.3	0.3	0.3	0.3	0.5	0.5
Thailand	0.6	0.6	0.6	0.4	0.4	0.4
Other	0.0	0.5	0.6	0.6	0.6	0.6
<i>Memorandum</i>						
Andean Community	0.5	0.6	0.6	0.9	0.8	1.2
Southern Common Market	45.2	42.0	41.3	42.9	41.0	40.0

a The Commonwealth of Independent States (CIS) includes Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, the Republic of Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

Source: WTO Secretariat estimates based on data from the Comtrade database.

Table A2. 1 Notifications to the WTO, 1 January 2011 to 31 March 2017

Agreement and Article	Requirement	Frequency	Document (most recent only if submitted regularly)	Date
Agreement on Trade Facilitation				
Article 15, Section II	Category A commitments	Once only	WT/PCTF/N/PRY/1	25/06/2014
Agreement on Agriculture				
Articles 10 and 18.2, ES:1	Export subsidies	On an annual basis	G/AG/N/PRY/25 G/AG/N/PRY/22 G/AG/N/PRY/20 G/AG/N/PRY/18	11/08/2016 10/02/2015 14/12/2012 09/06/2011
Article 18.2, DS:1	Domestic support	On an annual basis	G/AG/N/PRY/24 G/AG/N/PRY/23 G/AG/N/PRY/21 G/AG/N/PRY/19	11/08/2016 04/03/2015 09/01/2013 05/12/2011
General Agreement on Trade in Services				
Article III:3	Laws/regulations (transparency; new, or any changes to, existing laws, regulations or administrative guidelines which affect trade in services)	Ad hoc	S/C/N/838 S/C/N/837 S/C/N/836	05/11/2015 04/11/2015 05/11/2015
Article III:4 and/or Article IV:2	Enquiry points and contact points	Ad hoc	S/ENQ/78/Rev.16	22/04/2016
Agreement on Implementation of Article VI of the GATT 1994 (Anti-Dumping Agreement)				
Article 16.4	Anti-dumping actions (preliminary and final)	Ad hoc	G/ADP/N/293	13/12/2016
Article 16.4	Anti-dumping actions (semi-annual reports)	Semi-annual	G/ADP/N/294/Add.1 G/ADP/N/294/PRY G/ADP/N/286 G/ADP/N/280 G/ADP/N/265 G/ADP/N/252 G/ADP/N/244 G/ADP/N/237 G/ADP/N/230 G/ADP/N/223 G/ADP/N/216 G/ADP/N/209	21/04/2017 10/03/2017 15/06/2016 18/12/2015 12/12/2014 16/12/2013 13/06/2013 20/12/2012 14/06/2012 21/12/2011 29/06/2011 05/01/2011
Anti-Dumping Agreement, Article 16.5; SCM Agreement, Article 25.12	Competent authorities	Ad Hoc	G/ADP/N/14/Add.40- G/SCM/N/18/Add.40	26/10/2015
GATT 1994				
Article XXVIII:5	Right to modify Schedule XCI	On a triennial basis	G/MA/309 G/MA/247	03/12/2014 12/09/2011
Agreement on the Application of Sanitary and Phytosanitary Measures				
Article 7, Annex B	Sanitary/phytosanitary regulations	Ad hoc	G/SPS/N/PRY/23 – G/SPS/N/PRY/27	15/07/2011 5/08/2013
Agreement on Technical Barriers to Trade				
Article 2.10	Technical regulations (urgent)	Ad hoc	G/TBT/N/PRY/45 G/TBT/N/PRY/37 G/TBT/N/PRY/36	21/12/2011 21/11/2011 25/10/2011
Articles 2.10 and 5.7	Technical regulations and conformity assessment procedures (urgent)	Ad hoc	G/TBT/N/PRY/35	25/10/2011
Article 2.9	Technical regulations	Ad hoc	G/TBT/N/PRY/86 – G/TBT/N/PRY/40	04/02/2016- 07/12/2011
Articles 2.9 and 5.6	Technical regulations and conformity assessment procedures	Ad hoc	G/TBT/N/PRY/89 G/TBT/N/PRY/88 G/TBT/N/PRY/87 G/TBT/N/PRY/84 G/TBT/N/PRY/83 G/TBT/N/PRY/82 G/TBT/N/PRY/81 G/TBT/N/PRY/34 G/TBT/N/PRY/33/Add.1 G/TBT/N/PRY/28/Add.1	13/12/2016 28/10/2016 15/02/2016 10/08/2015 19/06/2015 19/06/2015 27/03/2015 14/10/2011 25/03/2012 21/01/2011
Article 5.6	Conformity assessment procedures	Ad hoc	G/TBT/N/PRY/46 G/TBT/N/PRY/32/Add.1	21/12/2011 25/03/2011
Agreement on Subsidies and Countervailing Measures				
Article 25.11	Countervailing duty actions (taken within the preceding six months)	Semi-annual	G/SCM/N/305 G/SCM/N/305/Add.1 G/SCM/N/298 G/SCM/N/298/Add.1 G/SCM/N/281 G/SCM/N/281/Add.1 G/SCM/N/267 G/SCM/N/267/Add.1 G/SCM/N/259	15/06/2016 21/10/2016 18/12/2015 22/04/2016 12/12/2014 24/04/2015 16/12/2013 15/04/2014 13/06/2013

Agreement and Article	Requirement	Frequency	Document (most recent only if submitted regularly)	Date
			G/SCM/N/259/Add.1	18/10/2013
			G/SCM/N/250	20/12/2012
			G/SCM/N/250/Add.1	10/04/2013
			G/SCM/N/242	14/06/2012
			G/SCM/N/242/Add.1	12/10/2012
			G/SCM/N/235	20/12/2011
			G/SCM/N/235/Add.1/Rev.1	12/10/2012
			G/SCM/N/228	29/06/2011
			G/SCM/N/228/Add.1/Rev.2	26/07/2012
			G/SCM/N/219	05/01/2011
			G/SCM/N/219/Add.1/Rev.2	26/07/2012
			G/SCM/N/212	01/07/2010
G/SCM/N/212/Add.1/Rev.2	26/07/2012			
Agreement on Import Licensing Procedures				
Article 1.4(a)	Publications	Ad hoc	G/LIC/N/1/PRY/5	18/02/2014
			G/LIC/N/1/PRY/4	18/02/2014
Article 5.1, 5.2 and 5.3	Import licensing procedures or changes thereto	Ad hoc	G/LIC/N/2/PRY/6	10/08/2016
			G/LIC/N/2/PRY/5	06/07/2015
			G/LIC/N/2/PRY/4	20/01/2015
			G/LIC/N/2/PRY/3	18/02/2014
			G/LIC/N/2/PRY/2	29/11/2013
			G/LIC/N/2/PRY/1	14/07/2011
Article 7.3	Replies to questionnaire	On an annual basis	G/LIC/N/3/PRY/4	05/02/2015
			G/LIC/N/3/PRY/3	15/04/2014
			G/LIC/N/3/PRY/2	29/11/2013
			G/LIC/N/3/PRY/1	05/10/2012
Article 8.2(b)	Legal texts	Once only/ Ad hoc	G/LIC/N/1/PRY/7	10/08/2016
			G/LIC/N/1/PRY/6	06/07/2015
			G/LIC/N/1/PRY/3	18/02/2014
			G/LIC/N/1/PRY/4	18/02/2014
			G/LIC/N/1/PRY/5	18/02/2014

Source: WTO Secretariat.

Table A3. 1 Taxes applicable to imported cargo entering by air

Air cargo services	Taxes	Legal basis
General cargo received and collected before storage	Fixed fee amounting to 1.3% of the taxable value indicated on the customs document.	Decree No. 4.333/15
Keeping, receiving and storing cargo	Percentage of the taxable value according to storage time, plus an additional US\$1 per m ³ or fraction thereof occupied: Initial period (first 10 days): 1.3% Second period (subsequent 12 days): 2.6% Third period (30 calendar days or fraction thereof): 4% Subsequent period (30 days or fraction thereof): 5%	Decree No. 8.701/12
Cargo of undetermined value (whether or not in storage)	The fee most beneficial to DINAC, either: (a) a fixed fee of US\$1.30 plus VAT per gross kg or fraction thereof (in all cases, this amount is payable in advance); or (b) 1.30% plus VAT on the taxable value established by the customs technical valuation unit in the detailed declaration (import clearance document) processed at the customs point where the inward clearance of the goods took place.	Decree No. 4.333/15
Cargo of undetermined value in cold storage or special cargo	Cargo in cold storage or identified as special cargo: US\$1.70 per gross kg or fraction thereof, plus an additional US\$1 per m ³ or fraction thereof occupied.	Decree No. 4.333/15
Private cargo regime (<i>pacotilla</i>)	3% of the taxable value determined by the customs authority.	Decree No. 8.701/12
Private cargo (<i>pacotilla</i>) in storage	Fixed fee amounting to 1.3% of the taxable value indicated on the customs document.	Decree No. 8.701/12

Source: Information provided by the National Civil Aviation Directorate (DINAC).

Table A4. 1 Current MAG programmes, 2016

Programme/project	Description
National Biofuels Programme (PNBIO)	Seeks to increase the participation of biofuels in Paraguay's energy matrix. MAG provides technical assistance to sugar cane producers with a view to ethanol production.
Sustainable Rural Development Project (PRODERS)	Technical assistance in the areas of planning, production and marketing for producers and members of indigenous communities.
Project for the Integration of Family Farming in Value Chains (PPI)	Seeks to ensure the sustainable integration of family farming into value chains through representative social organizations, while taking into account gender-sensitive and environmental concerns.
Modernization of Public Agricultural Support Management (PAGRO)	Payments to assist producers in implementing certain techniques: liming, subsoiling, green manure, direct sowing, bio-fertilizer, seed selection, grain conservation, and citrus tree planting. Action to combat leaf-cutter ants. Introduction of irrigation systems with a view to improving soil fertility.
Programme to Promote Food Production through Family Farming (PPA)	Seeks to ensure the sustainable integration of family farming into value chains through family farming organizations.
Project on Food Security for Resource-Poor Farmers (2KR)	Improvement of production in the agricultural, livestock, fishery and forestry sectors. Funding of projects in these areas.
National Livestock Development Programme (PRONAFOPE)	Implementation of livestock production and aquaculture programmes.
Family Farming Support Directorate (DAAF)	Allocation of financial resources to transform family farms into competitive and self-sustaining productive units.
Equipment for Agricultural Production in Paraguay Project (PEPAP)	Modernization of agricultural production.

Source: Information provided by MAG.

Table A4. 2 Level of openness of commercial air routes by air transport agreement, 2017

Partner	Year of signature	Between territories of the parties 3 rd and 4 th freedoms	Between counterparty territory and third countries 5 th and 6 th freedoms	From counterparty territory to third countries 7 th freedom	Within counterparty territory Cabotage
Germany	1974	One flight/week	Without rights	Without rights	Without rights
Saudi Arabia	2013	No restrictions (point in Dammam, open skies)	5 th freedom – subject to agreement between the parties (point in Dammam, open skies)	No restrictions (point in Dammam)	Without rights
Argentina	2006	28 flights/week (en route: points in Latin America, points in Paraguay, points in Argentina: Buenos Aires, Mendoza)	28 flights/week. Non-regular and all-cargo operations are authorized on a reciprocal basis (en route: other points in Latin America, Miami, points in Europe and points in Canada)	Without rights	Without rights
Australia	2012	With code-sharing arrangement only	5 th freedom – with code-sharing arrangement only	Without rights	Without rights
Austria	2012	No restrictions	6 th freedom – without rights	Without rights	Without rights
Belgium	1972	No restrictions	5 th freedom – subject to agreement between the parties	Without rights	Without rights
Bolivia	1958 y 2010	No restrictions	6 th freedom – without rights	Without rights	Without rights
Brazil	2015	No restrictions	5 th freedom – no restrictions	Without rights	Without rights
Canada	2012	No restrictions	6 th freedom – without rights	Without rights	Without rights
Chile	2005	Open skies	5 th freedom – with code-sharing arrangement	Open skies	Open skies
Colombia	2010	No restrictions	6 th freedom – without rights	Without rights	Without rights
South Korea	2012	No restrictions	5 th freedom – no restrictions on American continent, cargo only	Without rights	Without rights
Costa Rica	2001	No restrictions	6 th freedom – without rights	Without rights	Without rights
Cuba	1998	No restrictions subject to agreement between the parties	5 th freedom – to be determined by agreement between the parties	Without rights	Without rights
Curaçao	2013	No restrictions	6 th freedom – without rights	Without rights	Without rights
Denmark, Norway, Sweden	2013	No restrictions	No restrictions	No restrictions, cargo only	Without rights
Ecuador	1994	Seven flights/week	5 th freedom – no restrictions	Without rights	Without rights
United Arab Emirates	2006	Open skies	6 th freedom – without rights	Without rights	Without rights
Spain	2015	Two flights/week	Open skies	Open skies	Without rights
United States	2005	Open skies	5 th freedom – seven flights/week	Without rights	Without rights
France	2013	Without rights	6 th freedom – without rights	Open skies	Without rights
Iceland	2011	No restrictions	5 th freedom – with code-sharing arrangement	Without rights	Without rights
Italy	1985	No restrictions	6 th freedom – without rights	No restrictions	No restrictions
Jamaica	2011	No restrictions	No restrictions	Without rights	Without rights
Jordan	2011	No restrictions	No restrictions	No restrictions for all-cargo services	Without rights
Kuwait	2011	No restrictions	5 th freedom – no restrictions	Without rights	Without rights
Luxembourg	2013	No restrictions	6 th freedom – without rights	No restrictions	Without rights
Malaysia	2013	No restrictions	No restrictions	7 th freedom subject to agreement between the parties	Without rights
Mexico	2014	14 flight/week	5 th freedom – with administrative permit	Without rights	Without rights
New Zealand	2012	No restrictions	6 th freedom – without rights	No restrictions	No restrictions

Partner	Year of signature	Between territories of the parties 3 rd and 4 th freedoms	Between counterparty territory and third countries 5 th and 6 th freedoms	From counterparty territory to third countries 7 th freedom	Within counterparty territory Cabotage
Netherlands	2013	14 flights/week	5 th freedom - 14 flights/week 6 th freedom - without rights	Without rights	Without rights
Panama	2005	No restrictions	No restrictions	7 th freedom limited to all-cargo services	Without rights
Peru	2001	Seven flights/week	5 th freedom - with administrative permit 6 th freedom - without rights	Without rights	Without rights
Qatar	2011	Open skies	Open skies	Open skies	Open skies
United Kingdom	2012	No restrictions	5 th freedom - subject to agreement between the parties 6 th freedom - without rights	Without rights	Without rights
Czech Republic	2012	No restrictions	No restrictions	Subject to agreement between the parties	Without rights
Dominican Republic	2010	No restrictions	No restrictions	Cargo services only	Without rights
Senegal	1988	No restrictions	5 th freedom - subject to agreement between the parties 6 th freedom - without rights	Without rights	Without rights
Singapore	2011	Open skies	Open skies	Open skies	Open skies
South Africa	2013	Seven flights/week	5 th freedom - subject to agreement between the parties 6 th freedom - without rights	Without rights	Without rights
Sudan	2013	No restrictions	5 th freedom - subject to agreement between the parties 6 th freedom - without rights	Without rights	Without rights
Switzerland	2006	No restrictions	5 th freedom - subject to agreement between the parties 6 th freedom - without rights	Without rights	Without rights
Chinese Taipei	1997	No restrictions	5 th freedom - no restrictions 6 th freedom - without rights	Without rights	Without rights
Turkey	2011	14 flights/week	5 th freedom - subject to agreement between the parties 6 th freedom - without rights	Without rights	Without rights
Uruguay	2014	Open skies	Open skies	Open skies	Open skies
Venezuela	1992	Four flights/week	5 th freedom - two flights/week 6 th freedom - without rights	Without rights	Without rights

Source: Information provided by DINAC.