PARAGUAY

TRADE SUMMARY

U.S. goods exports in 2014 were $2.1 billion, up 8.5 percent from the previous year. Paraguay is currently the 62nd largest export market for U.S. goods. Corresponding U.S. imports from Paraguay were $196 million, down 29.2 percent. The U.S. goods trade surplus with Paraguay was $1.9 billion in 2014, an increase of $245 million from 2013.

TECHNICAL BARRIERS TO TRADE / SANITARY AND PHYTOSANITARY BARRIERS

Sanitary and Phytosanitary Barriers

Paraguay has banned all U.S. live cattle, beef, and beef products since 2003 due to the detection of a case of bovine spongiform encephalopathy (BSE) in the United States. In October 2014, the U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service sent a letter to Paraguay's National Animal Health and Quality Service (SENACSA) requesting that SENACSA work with USDA to remove the remaining BSE trade restrictions on imports of these products from the United States. The United States will continue to engage with SENACSA to open the Paraguayan market to U.S. exports of these products, taking into account the World Organization for Animal Health (OIE) guidelines and the negligible risk status of the United States.

IMPORT POLICIES

Tariffs

Paraguay is a founding member of the MERCOSUR common market, formed in 1991. MERCOSUR's full members are Argentina, Brazil, Paraguay, Uruguay, and Venezuela. MERCOSUR suspended Paraguay from participating in MERCOSUR meetings following the June 2012 impeachment of Paraguayan President Fernando Lugo. MERCOSUR lifted Paraguay's suspension after President Horacio Cartes took office in August 2013.

MERCOSUR's Common External Tariff (CET) averages 11.5 percent and ranges from 0 percent to 35 percent *ad valorem*, with a limited number of country-specific exceptions. Paraguay's average bound tariff rate in the WTO is significantly higher at 33.5 percent. Paraguay's applied import tariffs tend to be much lower than the CET, ranging from 0 percent to 30 percent, with an average applied tariff rate of 10 percent in 2013. Paraguay is permitted to maintain a list of 649 exceptions to the CET until December 31, 2019.

According to current MERCOSUR procedures, any good imported into any member country must pay the CET to that country's customs authorities. If the product is re-exported to any other MERCOSUR country, the CET must be paid again to the second country upon importation there. Thus, for any U.S. good imported into landlocked Paraguay via any other MERCOSUR country, all of which have ocean ports, the CET is effectively doubled.

The MERCOSUR Common Market Council moved toward the establishment of a Customs Union with its approval of a Common Customs Code (CCC) in August 2010 and its Decision 5610 in December 2010 to adopt a plan to eliminate the double application of the CET within MERCOSUR. The plan was to take effect in three stages, with the first phase to have been implemented no later than January 1, 2012, but the deadline was not met. In November 2012, Argentina became the first MERCOSUR member to ratify the CCC. The CCC still must be ratified by the other MERCOSUR member countries, including Paraguay.

Nontariff Barriers

Paraguay requires non-automatic import licenses on personal hygiene products, cosmetics, perfumes and toiletries, textiles and clothing, shoes, insecticides, agrochemicals, poultry, barbed wire, wire rods, and steel and iron bars. Obtaining a license requires review by the Ministry of Industry and Commerce. Imports of personal hygiene products, cosmetics, and perfumes and toiletries also require a health certification and therefore must undergo a review by the Ministry of Health. The import license process usually takes 10 days, but for goods that require a health certification, it can take up to 30 days. Once issued, the health certifications are valid for 30 days.

Paraguay prohibits the importation of used cars over 10 years old and used clothing. Also, seasonal restrictions on some vegetables (*e.g.*, tomatoes, bell peppers, and onions) are sometimes implemented to protect local producers.

Customs Procedures

Paraguay requires that specific documentation for each import shipment (*e.g.*, commercial receipt, certificate of origin, and cargo manifest) be certified by either the Paraguayan consulate in the country of origin or, subject to payment of a fee, at the Ministry of Foreign Affairs in Paraguay.

Paraguay requires all companies operating in the country to contract the services of a customs broker. Customs broker fees are standardized by Paraguayan law.

GOVERNMENT PROCUREMENT

Paraguay's Public Contracting Law stipulates that all public contracting at the national and local levels with a value in excess of approximately $6,000 must be done via the National Directorate for Public Contracts. Foreign firms can bid on tenders deemed "international" and on "national" tenders through the foreign firms' local legal agents or representatives. Paraguayan law gives preference to locally produced goods in public procurements open to foreign suppliers, even if the domestic good is up to 20 percent more expensive than the imported good. Paraguay's public procurements have historically involved widespread corruption, although the government is making efforts to enhance transparency and accountability.

In October 2013, the Paraguayan Congress passed a law to promote Public-Private Partnerships (PPPs) in public infrastructure and allow for private sector entities to participate in the provision of basic services such as water and sanitation. Implementing regulations for the PPP law were signed in March 2014. As a result, the Executive Branch can now enter into agreements directly with the private sector without the need for Congressional approval. To date, there have been no PPPs in public infrastructure.

Paraguay is not a signatory to the WTO Agreement on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

Paraguay remained on the Special 301 Watch List in 2014, and the United States continues to monitor Paraguay under Section 306. The United States is encouraged by the work of the National Directorate of Intellectual Property and the enhanced administrative and border enforcement activity occurring in Paraguay. Issues that affect market access for U.S. firms and require Paraguay's attention include: the level of enforcement against rampant piracy and counterfeiting, particularly under the criminal laws, in areas such as Ciudad del Este (which has been named to USTR's Notorious Markets List for several years); judicial inefficiency in intellectual property rights (IPR) cases; lack of protection against unfair commercial use of undisclosed test or other data submitted to the government by agrochemical or pharmaceutical companies; and the use of unlicensed software by the government. The United States will continue to engage Paraguay on these issues, including through the Special 301 process and the renegotiation of our bilateral IPR Memorandum of Understanding in 2015.

INVESTMENT BARRIERS

Under Paraguayan law, foreign companies must demonstrate "just cause" to terminate, modify, or decide not to renew contracts with Paraguayan distributors. Severe penalties and fines may result if a court determines that the foreign company ended the relationship with its distributor without first having established that such "just cause" exists. This requirement often leads to expensive out-of-court settlements. The law has effectively discouraged foreign investment, given concerns about potential lawsuits and contractual interference.

Judicial uncertainty and corruption mar Paraguay's investment climate. Many investors find it difficult to adequately enforce contracts, and are frustrated by lengthy bureaucratic procedures. The government of Paraguay took steps in 2014 to increase transparency and accountability, but corruption and impunity continue to affect the investment climate.

A plaintiff pursuing a lawsuit may seek reimbursement from the defendant of legal costs, calculated as a percentage of claimed damages. In larger suits, the amount of reimbursed legal costs often far exceeds the actual legal costs incurred. Such measures can serve as a disincentive to foreign investment in Paraguay.