PARAGUAY

TRADE SUMMARY

The U.S. goods trade surplus with Paraguay was $1.2 billion in 2007, an increase of $316 million from $853 million in 2006. U.S. goods exports in 2007 were $1.2 billion, up 35.8 percent from the previous year. Corresponding U.S. imports from Paraguay were $68 million, up 17.2 percent. Paraguay is currently the 69th largest export market for U.S. goods.

The stock of U.S. foreign direct investment in Paraguay in 2006 was not available, ($115 million in 2003).

IMPORT POLICIES

Tariffs

Paraguay's import tariffs range from 0 percent to 20 percent, with an average applied tariff rate of 10.7 percent in 2007. Paraguay is a member of MERCOSUR, a customs union formed in 1991 and comprised of Argentina, Brazil, Paraguay, and Uruguay. MERCOSUR's common external tariff (CET) averages 13.6 percent and ranges from 0 percent to 20 percent *ad valorem*, with a limited number of country-specific exceptions. Currently, Paraguay maintains 399 exceptions to the CET. Tariffs may be imposed by each MERCOSUR member on products imported from outside the region which transit at least one MERCOSUR member country before reaching their final destination. Full CET product coverage, which would result in duty free movement within MERCOSUR, was originally scheduled for implementation in 2006, but has been deferred until 2009.

Customs Procedures

Paraguay requires specific documentation, such as the commercial receipt, certificate of origin, and cargo manifest, regarding exports to be certified by the Paraguayan consulate in the country of origin. The United States is urging Paraguay to eliminate this consularization requirement.

Paraguay frequently makes changes in customs procedures. This makes it difficult for exporters to ensure they are following the most current procedures, which can delay shipments and lead to unexpected costs. The burden of compliance is most often borne by importers. Paraguay has recently announced its intention to simplify import procedures.

For virtually all imports of textile and apparel products and footwear, Paraguay requires that the name of the manufacturer and the name and fiscal number of the importer be included on the label. Industry reports that such information is difficult, if not impossible, to know during the construction process when permanent labels are attached. Re-labeling products upon entry to meet these requirements results in additional costs and delays. On another apparel issue, since 2000, Paraguay has explicitly prohibited the importation of used clothing.

GOVERNMENT PROCUREMENT

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

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Paraguay's president has declared the fight against piracy and counterfeiting and contraband a national priority. However, the U.S. Government continues to have serious concerns over the lack of effective border enforcement, most notably because Paraguay continues to be a transshipment point for pirated and counterfeit goods to Brazil and other neighboring markets. The International Intellectual Property Association estimated that losses to industry in Paraguay's domestic market due to the piracy of copyrighted material such as movies, music, books, and entertainment and business software totaled $134 million in 2007.

Paraguay's efforts to improve IPR performance are guided in part by a Memorandum of Understanding (MOU) with the United States, concluded following Paraguay's 1998 designation as a Priority Foreign Country under the Special 301 provisions of the Trade Act of 1974. Implementation of the MOU is subject to ongoing monitoring under U.S. trade law. The MOU details Paraguayan commitments to implement institutional and legal reforms and to strengthen intellectual property rights enforcement and prosecution. In addition, Paraguay agreed to ensure that its government ministries use only authorized software.

In December 2007, the U.S. and Paraguay agreed to revise and update the MOU and to extend the term of the revised MOU to the end of 2009.

While the Paraguayan government has made important efforts to implement the current MOU and has met regularly with U.S. Government officials to review and discuss the progress achieved in addressing IPR-related concerns, additional progress is needed in order to address significant challenges, particularly in the area of enforcement against the transshipment of pirated and counterfeit goods.

Under the terms of the current MOU, the United States will continue to work closely with Paraguay to address IPR-related concerns, particularly with regard to increasing the penalties for IPR infringement under Paraguay's new penal code, strengthening border enforcement measures, and increased enforcement activity with respect to market-places known for the prevalence of trafficking in pirated and counterfeit goods. The United States is also concerned about the protection of undisclosed pharmaceutical test data submitted for the drug marketing approval process.

INVESTMENT BARRIERS

Law 194 of 1993 established the legal framework that governs relationships between foreign companies and their Paraguayan representatives. The law requires that foreign companies prove just cause in a Paraguayan court to terminate, modify, or fail to renew contracts with Paraguayan distributors. Severe penalties and high fines may result if the court determines that the foreign company ended the relationship with its distributor without just cause, which often leads to expensive out-of-court settlements. In a few cases, the courts have upheld the rights of foreign companies to terminate representation agreements after just cause was established, mainly on the basis of lack of sales performance by local representatives. This law may discourage U.S. investment through concerns about potential lawsuits and interference with contractual relations.

Privatization

Paraguay has an uneven record on privatization. As part of its May 2006 Stand-By Arrangement with the International Monetary Fund, the government committed to undertake independent audits of state-owned firms and develop business plans for them with the aim of eventually increasing private sector involvement in the management and ownership of the companies. The audits were completed and the government moved to establish performance criteria for the companies in order to increase efficiency. The government suggested that some form of private sector participation, whether through management contracts or equity participation, would be considered in the future. However, all such efforts have stalled; with presidential elections now scheduled for April 20, 2008, there is no guarantee that President Duarte's successor will pursue these commitments to advance privatization.