



**-Paraguay-**  
last updated on 2002-01-15

## Table of Contents

### GENERAL FEATURES OF TRADE POLICY

#### TARIFFS AND DUTIES

#### NON TARIFF BARRIERS

#### IPR

## GENERAL FEATURES OF TRADE POLICY

More than half of the Paraguayan GDP is generated by its services sector. Commerce, particularly related to the shopping tourism, and financial services are the leading activities in the sector. Shopping tourism is a consequence of considerable differences in the indirect taxation with the neighboring countries. Manufacturing is largely based on the processing of agricultural commodities . Other important sectors are wood processing and textiles, clothing and leather production .

Paraguay remains highly dependent on its traditional export items :soybean, cotton, wood and meat ; while imports consists mainly of machinery, vehicles and parts, beverages and tobacco, fuels and lubricants, and food products.

Main sources of Paraguay's foreign investment were its Mercosur partners followed by the United States, the EU and Taiwan. Only 2% of total EU investment in Mercosur used to go to Paraguay, mainly due to the limited privatisation process.

The sectoral distribution of FDI has traditionally been directed towards agro-industry (agriculture and forestry, food, beverages and tobacco processing), although investment in other industrial sectors (e.g. chemicals, wood processing) and services have been increasing during the 1990's.

*The following table is an overview of the tradeflow between the European Union and Paraguay*

Section	Year	Import(Euro)	Export(Euro)
<b>Animals &amp; animal products</b>	1996	5,970,590	1,057,840
	1997	6,793,920	590,880
	1998	5,039,140	250,520
	1999	7,038,710	75,290
	2000	6,553,430	140,790
	2001	10,478,760	130,660
	2002	6,590,140	229,520
	2003	4,065,890	463,720
<b>Vegetable products</b>	1996	86,765,490	836,080
	1997	127,217,950	489,570
	1998	233,086,230	334,030
	1999	133,460,870	303,590
	2000	91,445,990	527,220
	2001	160,260,020	240,250
	2002	60,951,450	284,130
	2003	205,109,380	291,980

<b>Animal or vegetable fats</b>	1996	1,001,740	235,210
	1997	950,000	203,280
	1998	1,163,890	238,660
	1999	43,820	25,580
	2000	1,635,950	366,170
	2001	68,380	184,600
	2002	225,690	202,610
	2003	878,960	143,210
<b>Prepared foodstuffs</b>	1996	10,403,620	11,596,440
	1997	9,694,840	11,841,270
	1998	9,520,290	10,776,490
	1999	6,457,780	9,188,660
	2000	12,109,440	8,963,510
	2001	8,721,560	7,771,920
	2002	7,699,810	4,067,360
	2003	19,225,010	4,553,990
<b>Mineral products</b>	1996	450	552,830
	1997	0	572,620
	1998	0	3,534,600
	1999	0	296,360
	2000	568,640	580,270
	2001	0	614,760
	2002	0	270,620
	2003	19,730	272,390
<b>Chemical products</b>	1996	4,718,910	28,712,010
	1997	5,963,590	41,274,810
	1998	4,692,320	57,379,210
	1999	4,025,710	52,308,520
	2000	6,041,220	54,808,680
	2001	5,561,850	54,703,190
	2002	5,537,210	37,841,200
	2003	3,913,610	28,206,610
<b>Plastics &amp; rubber</b>	1996	0	4,788,670
	1997	50	5,373,550
	1998	6,900	6,127,360
	1999	1,950	4,705,810
	2000	22,520	4,675,970
	2001	1,790	4,545,680
	2002	1,580	2,782,030
	2003	40,390	2,991,370
<b>Hides &amp; skins</b>	1996	11,602,660	404,800
	1997	13,474,560	413,220
	1998	15,573,630	235,620
	1999	11,293,000	936,830
	2000	26,240,860	1,713,590
	2001	36,485,430	1,038,590
	2002	39,585,640	2,543,100
	2003	32,609,550	450,530
<b>Wood &amp; wood products</b>	1996	12,923,130	103,940
	1997	13,037,300	101,420
	1998	10,801,410	669,770
	1999	15,043,700	183,240
	2000	16,785,880	762,210
	2001	14,879,190	177,000
	2002	15,357,690	302,090
	2003	16,534,020	24,000
<b>Wood pulp products</b>	1996	12,180	6,131,210
	1997	57,530	8,886,660
	1998	86,980	11,229,530
	1999	84,480	5,579,760
	2000	37,180	8,694,020

	2001	25,320	12,549,660
	2002	31,860	11,406,130
	2003	34,050	10,101,750
<b>Textiles &amp; textile articles</b>	1996	7,977,120	4,847,970
	1997	2,542,180	4,369,850
	1998	2,549,120	4,940,120
	1999	4,697,630	2,588,500
	2000	5,638,960	3,082,500
	2001	11,825,340	6,700,360
	2002	10,862,060	3,243,240
	2003	3,091,010	3,570,680
<b>Footwear, headgear</b>	1996	9,030	630,000
	1997	23,660	642,170
	1998	17,290	351,800
	1999	306,930	284,660
	2000	4,710	132,310
	2001	6,610	311,110
	2002	4,670	233,200
	2003	135,980	106,810
<b>Articles of stone, plaster, cement, asbestos</b>	1996	24,720	5,380,900
	1997	830	4,364,420
	1998	9,010	3,368,970
	1999	9,320	1,757,270
	2000	5,780	1,726,910
	2001	4,790	1,685,400
	2002	45,790	1,109,040
	2003	7,000	646,950
<b>Pearls, (semi-)precious stones, metals</b>	1996	34,300	38,060,630
	1997	268,870	41,709,060
	1998	393,830	38,352,270
	1999	2,830	28,412,010
	2000	210,850	35,340,080
	2001	159,330	30,442,260
	2002	41,310	29,322,550
	2003	197,290	14,913,250
<b>Base metals &amp; articles thereof</b>	1996	275,540	7,961,690
	1997	140,300	6,107,120
	1998	22,900	5,430,690
	1999	83,450	3,170,090
	2000	29,350	4,294,090
	2001	17,230	4,540,620
	2002	185,860	2,830,000
	2003	141,120	1,952,850
<b>Machinery &amp; mechanical appliances</b>	1996	122,980	85,465,860
	1997	106,760	67,018,840
	1998	290,900	81,991,440
	1999	152,160	63,323,030
	2000	392,580	67,636,730
	2001	567,600	55,418,950
	2002	1,202,590	47,896,510
	2003	449,460	24,002,620
<b>Transportation equipment</b>	1996	14,410	15,675,970
	1997	33,580	16,809,020
	1998	152,910	11,447,200
	1999	87,960	13,251,270
	2000	77,740	14,262,450
	2001	398,790	12,586,320
	2002	141,230	8,670,110
	2003	29,390	6,720,080
	1996	15,080	6,717,120
	1997	131,260	17,512,290

<b>Instruments - measuring, musical</b>	1998	34,370	16,047,210
	1999	12,340	14,405,840
	2000	41,290	7,551,670
	2001	174,020	5,824,800
	2002	77,710	3,884,000
	2003	78,070	2,978,100
<b>Arms &amp; ammunition</b>	1996	0	1,095,690
	1997	1,510	749,150
	1998	0	941,650
	1999	0	1,377,590
	2000	0	435,330
	2001	3,100	292,960
	2002	0	370,090
<b>Miscellaneous</b>	2003	0	307,720
	1996	355,450	4,767,590
	1997	448,390	5,387,790
	1998	192,280	4,068,270
	1999	447,030	8,706,740
	2000	219,510	3,047,760
	2001	218,820	3,001,900
	2002	136,380	803,250
<b>Works of art</b>	2003	643,580	689,930
	1996	43,850	2,180
	1997	18,480	10,360
	1998	590	59,920
	1999	14,830	7,280
	2000	2,840	0
	2001	34,200	82,760
<b>Other</b>	2002	15,690	0
	2003	11,910	0
	1996	314,790	1,188,140
	1997	577,340	1,960,020
	1998	329,830	663,440
	1999	252,060	582,030
	2000	184,390	569,910
	2001	539,030	426,490
2002	343,790	937,880	
2003	431,600	1,028,100	

**Automotive**  
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Paraguay has signed in 2001 the Mercosur Common Automotive Agreement in view of the full liberalisation of the sector in year 2006. Automotive industry is mainly composed by assembly plants. No main EU industries are involved. Minimum Mercosur content is 60% and import tariff for passenger cars is 35%.

**Services - Communications & Audiovisual**  
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Regarding the situation on the telecommunications services, Paraguay has traditionally been underdeveloped. However, following the reforms made in the sector since '96, the telephone density started to increase.

The state-owned National Telecommunications Company, ANTELCO, has a monopoly in providing local, long distance, international and telex services. ANTELCO administers also the radioelectrical spectrum and distributes licenses, permits and concessions to operate television or radio stations.

Cellular and mobile telephone services are currently provided by two private companies.

**Services - Financial**  
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2001-10-25

The Paraguayan banking system has high administrative costs, low effective rates of payments of corporate taxes and is still carrying a large proportion of risky loans. Foreign investment in the banking sector, prior authorization from the Banco Central

del Paraguay , benefit from the national treatment.

**Services - Tourism and Travel**  
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Visitors come mainly from Brazil and Argentina for "shopping tourism" . This type of tourism is a consequence of a low tax burden in Paraguay, one among the lowest in Latin America.

**Services - Transport**  
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2001-10-25

Road transport play a key role in the Paraguayan transport system ( in particular for agriculture) accounting over 80% of all transport services. Paraguay's major river port is Asuncion, which is accessible via Buenos Aires or Montevideo. Port services are operated exclusively by the state owned National Navigation and Ports Authority (ANNP). Supply of air services is fully privatized.

**Telecommunications Equipment**  
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Paraguay is not a signatory to the Information Technology Agreement (ITA).

**Textiles and Leather**  
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Paraguay is an interesting market for the supply of raw hides as the production has considerably increased in the last decade. However, the country maintains certain export restrictions.

On textiles Paraguay is seen from its Mercosur partners as a possible location for investments since labour, land and energy are less expensive. As in the other Mercosur countries , tariff protection on textiles is above the average.

**Wood, Paper and Pulp**  
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Deforestation is a problem in Paraguay. In 1973 Paraguayan Government accepted new measures to fight against this problem including export restrictions on unprocessed wood, tax concessions and direct subsidies and re-location of processing plants. Since 1994, with a transitional period of five years, the installation and operation of wood processing plants near the Brazilian border (20 km) has been prohibited. Despite these measures illegal cutting and burning of forest as well as illegal exports to Brazil continue.

[back to top](#)

## TARIFFS AND DUTIES

Paraguay, as member of Mercosur, applies since 1995 its Common external tariff (CET). Paraguay, like Uruguay, is entitled to maintain some exceptions to sensitive products up to year 2006.

In April 2000, Mercosur and the EU started negotiations for a biregional cooperation agreement that will liberalize reciprocal trade in accordance with the World Trade Organization's (WTO) rules.

### Tariff Levels

#### 980078- *Tariff increases* [2002-12-17]

By decision of 12 November 1997 the four Mercosur countries agreed a 3 per cent increase in their Common External Tariff (CET). The increase is a temporary measure (in force until 2000) and took effect on 1 January 1998 in Paraguay. As regards other Mercosur countries the increase took effect in Brazil immediately, and in Argentina and Uruguay on 1 January 1998.

The increase was originally put in place until December 2000 but it was subsequently reduced to 2,5% in 2000

(D67/00) and to 1,5% in 2001 (D6/01).

The Mercosur Grupo do Mercado Comum (GMC), meeting in Brasilia on 27-28 November 2002, approved the proposal to extend the application of the 1.5 % temporary additional duty to Mercosur's Common External Tariff (CET) until 31 December 2003.

The GMC's decision has to be confirmed by the Conselho do Mercado Comum (CMC).

## Other Tariffs and Duties

### ● 030023-METI [2003-02-07]

The METI is a provisional tariff on certain imported products. It is a unilateral measure taken by Paraguay as a countermeasure to the devaluation of the Argentine peso and the Brazilian real, which damaged Paraguay's exports. The tax is applied to a closed list of products especially sensitive to domestic production.

By Decree No. 13835 dated 10 July 2001, the METI was established as an import duty of 10% until 31 December 2002 for a list of products given in annex to the Decree.

Decree No. 14.527 dated 4 September 2001 modified the previous Decree by indicating that:

- when the previous import duty is higher than the METI (10%), only this higher import duty will apply
- when the previous import duty is lower than the METI (10%), only the METI will apply.

Decree No. 16.031 dated 9 January 2002 modified the previous Decree in that a number of the products affected by the METI could be exempted upon request of the importers, following examination by an 'Interinstitutional Joint Committee'. It also modified the list of products affected by the METI to a list of 327 items.

By decree 20.242/03, circulated on 5 February 2003, the Paraguayan Government extended the validity period of Decree No. 13.835 of 10 July 2001 (as subsequently amended) and thereby extended the METI until 30 June 2003.

[back to top](#)

# NON TARIFF BARRIERS

## Registration, Documentation, Customs Procedures

### ● 030002-Consular stamping requirements [2003-01-09]

When goods are imported to Paraguay, the Paraguayan customs authorities demand that all the related documentation (i.e. Commercial invoice, certificate of origin, price list, shipping documents) has been stamped by the Paraguayan consulate in the country of origin or where there is no such consulate, in the consulate of the nearest country to the exporter.

As the time taken by some Paraguayan consulates to stamp the documents can be up to three weeks, this can result in extra costs at the port of destination, waiting for the stamped documents before the ship can unload or costly delays when sending goods by air.

When the documents have not been stamped by the appropriate consulate, the importer is subjected to a fine of up to 200% of the normal fee for stamping of the documents.

Although such a fee has been in place for some time, the law regulating it has only recently been modified making it more difficult and expensive to fulfil the required procedure.

## Other Non-Tariff Measures

### ● 030004-Representation Law [2003-01-09]

The Representation law (Law No. 194 of 6 July 1993), regulates relations between foreign importers and local

representatives/distributors in Paraguay.

Under this law, when foreign importers cancel, revoke, modify or do not renew their contract with a local representative/ distributor in Paraguay, without justifiable reason, compensation has to be paid to the representative. The amount of compensation will be fixed, via the judiciary or through arbitration, based on (1) the length of the agreement and (2) the gross earnings of the representative/distributor.

All foreign importers can cancel, revoke, modify or not renew their contract with the local representative/distributor without paying compensation provided there is a justified reason for it, notably one of the following:

- a. breach of the contract
- b. fraud or abuse of trust in the duties entrusted
- c. ineptitude or negligence
- d. any act imputable to the representative/distributor, which results in damage to the sales, distribution etc.
- e. conflict of interests

Before claiming any of the above the importer shall ask the representative/distributor to solve the problem within 120 days. Following this period, the importer can claim its rights straight away, except for b (i.e. fraud abuse of trust). The importer should make its claim before the judiciary or through arbitration, otherwise unjustified reasons will be assumed.

In the event of cancellation, independently of the compensation that may arise, the representative/distributor has the right to sell the existing stock to the importer at a market price (ie including profit).

The agreement between importer and representative/distributor can be demonstrated by one or more of the following:

- authorising letter to manage the local market
- bills that demonstrate trading deals between the parties
- payment for a commission to the rep/dist. for trading deals during at least the last two years before the entry into force of this law.
- Advertising and publicity expenses claiming the rep/dist.role, the importer being aware of it and not opposing it.
- Claims by rep./dist. of commissions for operations not done through him, which have been paid by the importer.

In addition, the law does not establish specific penalties, but instead gives broad criteria, which creates a situation of legal uncertainty for foreign firms, which have been faced by divergent compensation judgements.

## **Agriculture and Fisheries**

### **Quantitative Restrictions and Related Measures**

#### **030003-Prohibition of imports of bovine products [2003-01-09]**

Paraguay prohibits imports of bovine products, including bovine sperm, from countries that were affected by BSE.

## **Textiles and Leather**

### **Quantitative Restrictions and Related Measures**

#### **020109-Wet-blue leather import prohibition [2002-12-17]**

Paraguay allegedly prohibits imports of 'Wet Blue' leather on the basis of BSE transmission risk following law n° 12.126/01.

**[back to top](#)**

## **IPR**

Paraguay is a signatory to the following international agreements on intellectual property rights:

- The International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (Law 138/69)
- The Universal Copyright Convention
- The Geneva Phonogram Convention (Law 703/78)



- The Berne Convention for the Protection of Literary and Artistic Works (Law 12/91)
- The Paris Convention for the Protection of Industrial Property (Law 300/94).

Protection of Intellectual property rights in Paraguay is currently based on domestic legislation dating from 1951 and the international conventions cited earlier. Apart from the ratification of the Uruguay Agreement, Paraguay has not yet made any amendments to its national legislation to bring it in conformity with the TRIPS Agreement. New legislation on intellectual property rights, namely on patent, trademark and copyrights, is, however, under preparation.

## **Enforcement problems on IPR**

### **980080- IPR - Piracy [2003-01-10]**

The main areas of IPR violations in Paraguay are as follows:

1) Piracy: Audiocassettes, CDs, and software.

Piracy of international trademarks is a severe problem in Paraguay. Illegal production of sound recordings and entertainment software is carried out especially at the border zones with Argentina and Brazil.

2) Counterfeiting of trademarks: tobacco, spirits (whisky), clothes, footwear, domestic appliances, electronic devices, gas, and luxury items.

For tobacco, Paraguay is a centre for production of counterfeited goods.

3). Infringements of patents: pharmaceuticals.

Paraguay is also a centre of transit for pirated and counterfeited goods. Products which violate IPR are firstly destined for export (mainly Brazil and Argentina) and secondly, for the local market (which is already saturated with pirated and counterfeited goods).