



TETĀ MBA'E'ĀPOPY
Ministerio de
INDUSTRIA
Y COMERCIO

PARAGUAY

LAND OF OPPORTUNITIES



*Paraguay
de la gente*



PARAGUAY IN THE CENTER OF SOUTH AMERICA





COUNTRY PROFILE

(DEMOGRAPHY AND GEOGRAPHY)

OFFICIAL NAME	Republic of Paraguay
CAPITAL	Asunción
POLITICAL DIVISION	17 Departments and Capital District
SURFACE	406,752 km ²
OFFICIAL LANGUAGES	Spanish and Guaraní
CURRENCY	Guaraní (PYG)
POPULATION (2020)	7,252,672
GOVERNMENT SYSTEM	Presidential Republic
PRESIDENT	Mario Abdo Benítez (2018-2023)
LITERACY RATE	94.3%
UNEMPLOYMENT RATE (2018)	5.8%



SOURCES: BCP, DGEEC



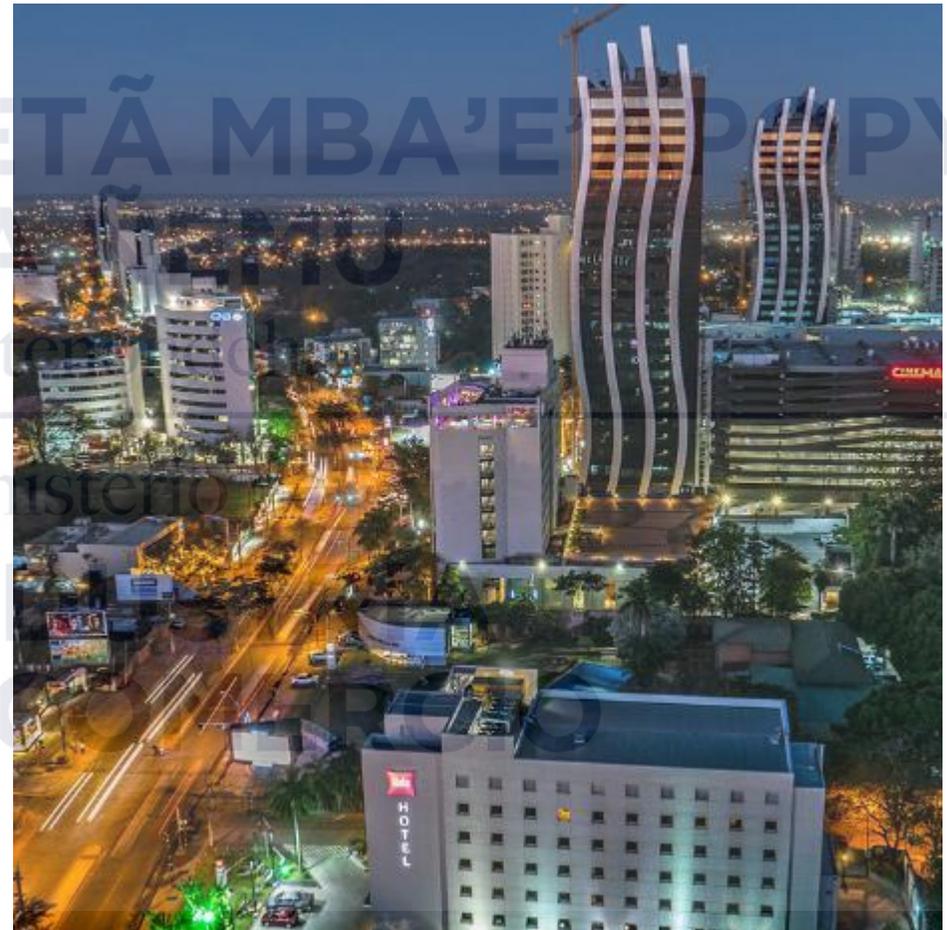
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MAIN ECONOMIC INDICATORS

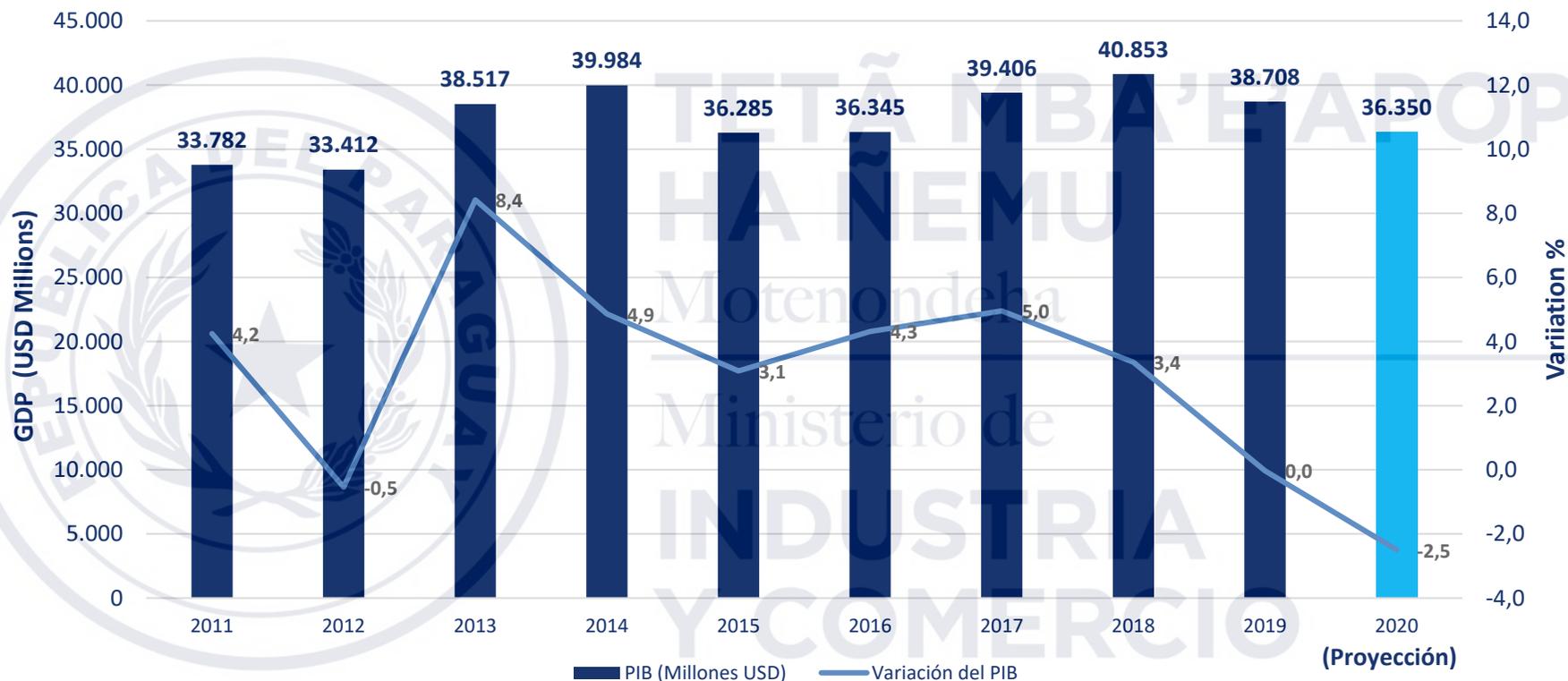
GROSS DOMESTIC PRODUCT - GDP (2019)	USD 38.6 bn
GROSS DOMESTIC PRODUCT PER CAPITA (2019)	USD 5,513
GDP GROWTH (2019)	0.0%
GDP GROWTH for 2020 (BCP projection)	-3.5%
INFLATION (2019)	2.8%
FOREIGN CURRENCY RESERVES (August 2020)	USD 9 bn
EXCHANGE RATE (May 2020)	6,518 (Gs./USD)
PUBLIC EXTERNAL DEBT (July 2020)	USD 9 bn (25.5% of GDP)
ECONOMICALLY ACTIVE POPULATION (2019)	3,659,982 (51.2% of total Population)



SOURCES: BCP / DGEEC



GROWTH OF PARAGUAYAN GDP



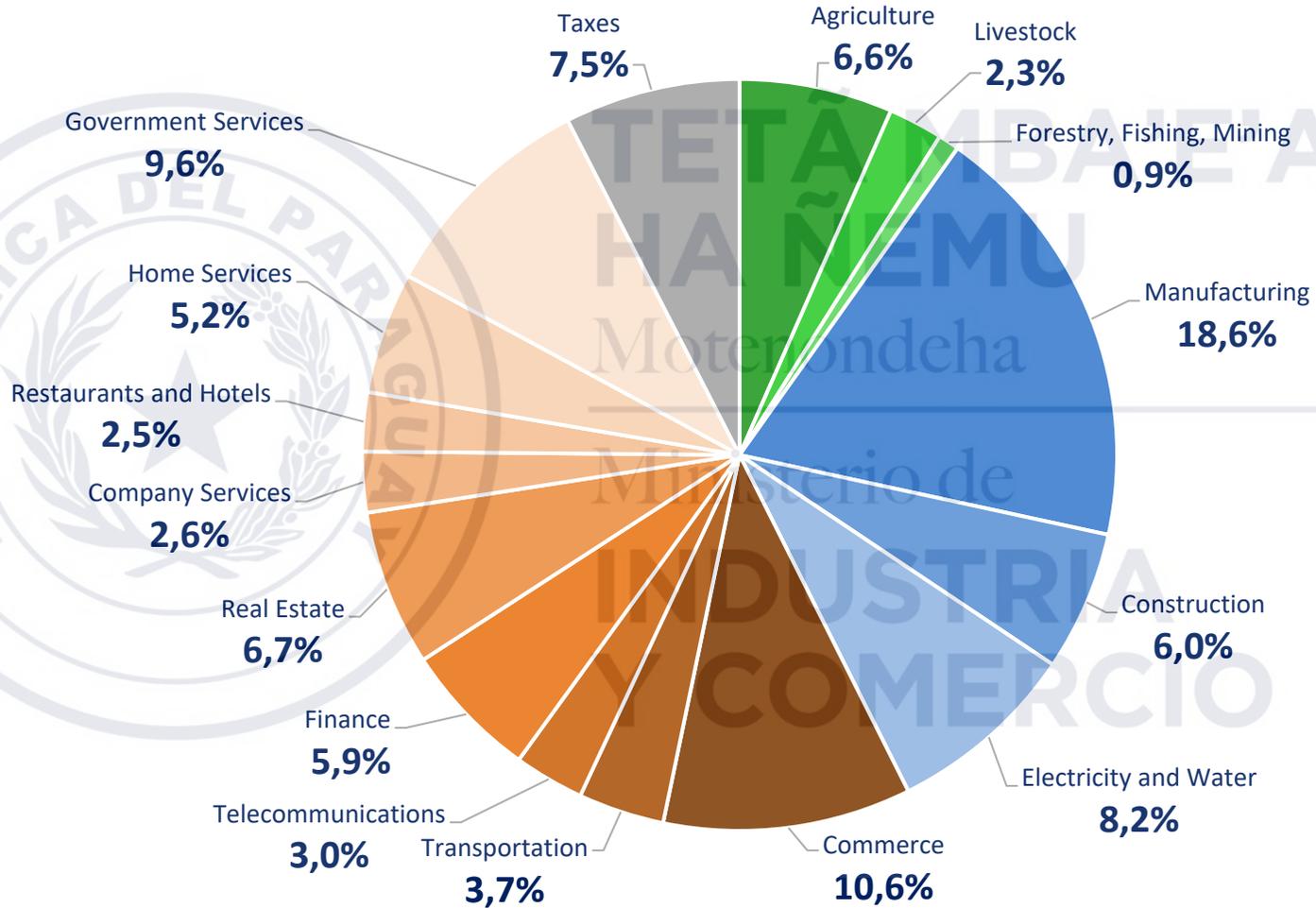
Paraguay maintained positive growth despite the volatility of Brazil and Argentina in recent years and has the lowest projected decline in the region for 2020.

SOURCE: BCP, base year: 2020





GDP COMPOSITION



SOURCE: BCP, base year: 2019



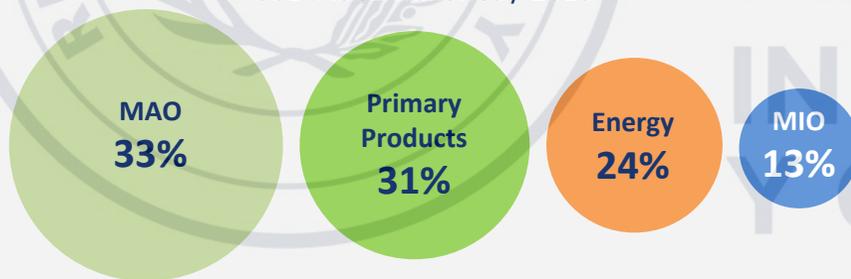
EXPORT COMPOSITION

Value and Composition of exports

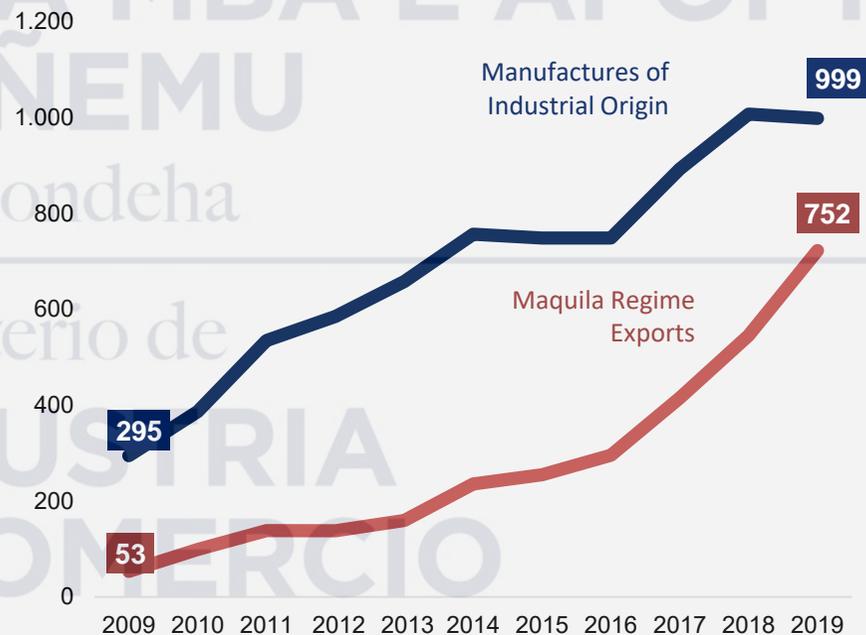
USD 2.500 millones / 2003



USD 7.962 millones / 2019



EXPORTS WITH ADDED VALUE (Millions USD)



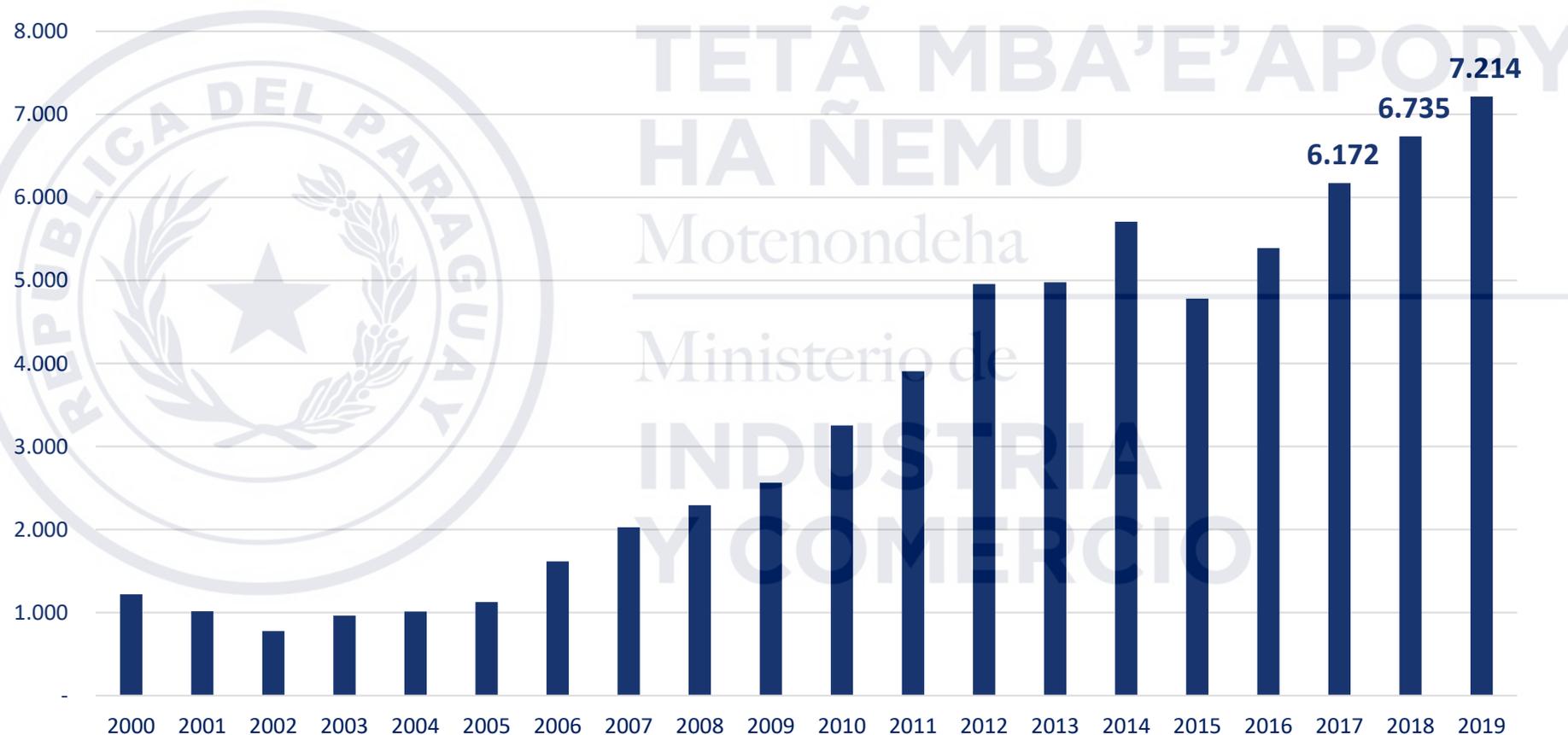
MAO: Manufactures of Agrarian Origin
MIO: Manufactures of Industrial Origin

SOURCE: BCP



FOREIGN DIRECT INVESTMENT (FDI) EVOLUTION

FDI STOCK IN MILLIONS USD



SOURCE: BCP



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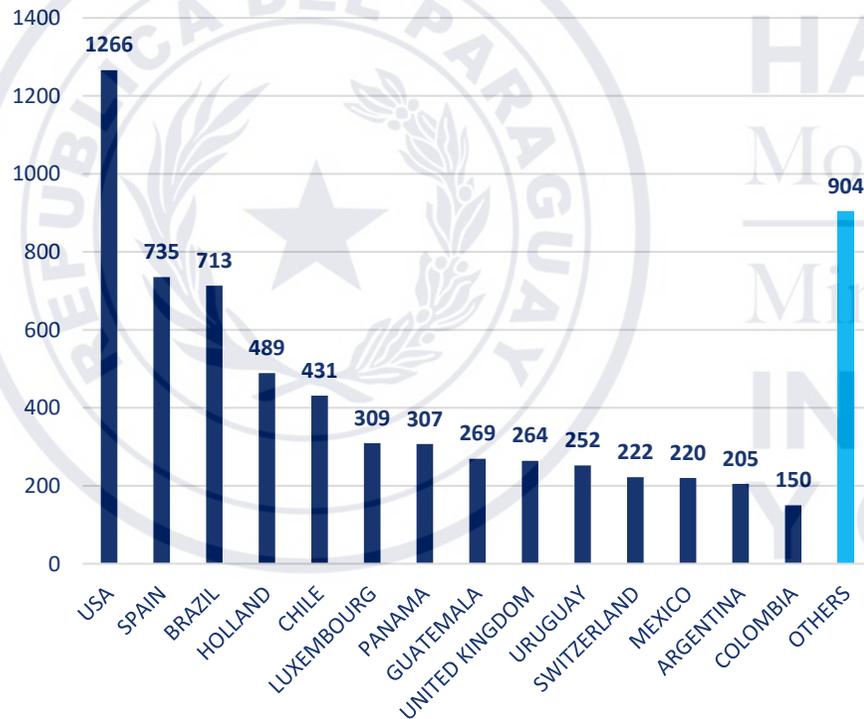
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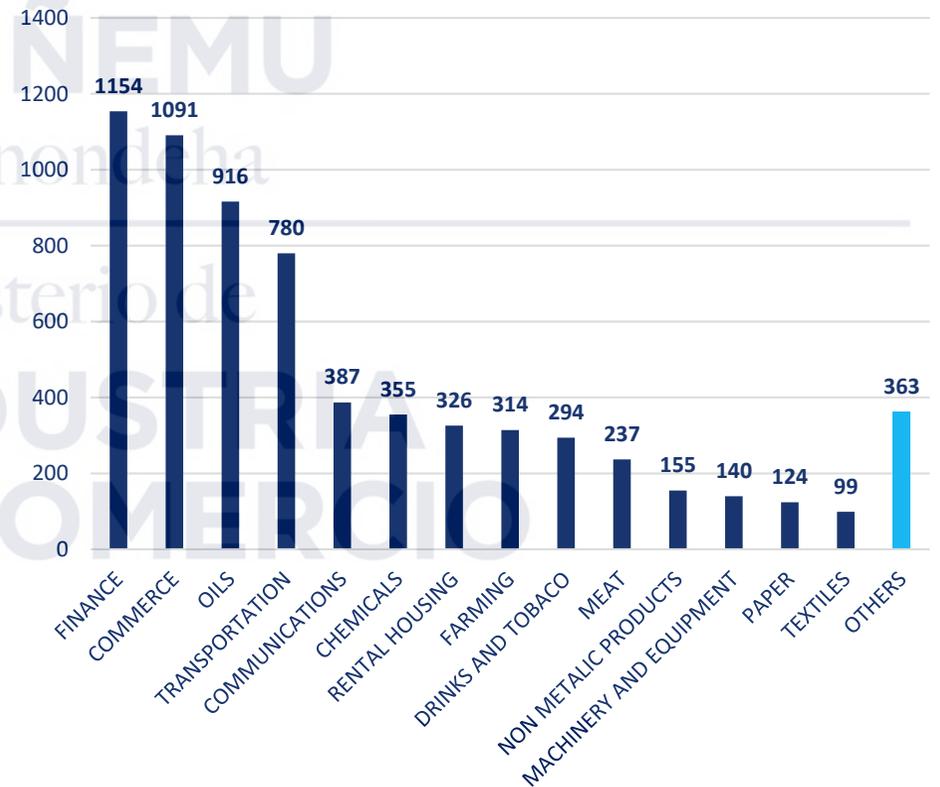
FOREIGN DIRECT INVESTMENT (FDI) COMPOSITION

BALANCE OF FDI IN MILLIONS USD AT THE END OF 2018

MAIN COUNTRIES OF ORIGIN



MAIN INVESTMENT SECTORS



SOURCE: BCP



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DIVERSIFICATION OF FOREIGN DIRECT INVESTMENT



SOURCE: BCP



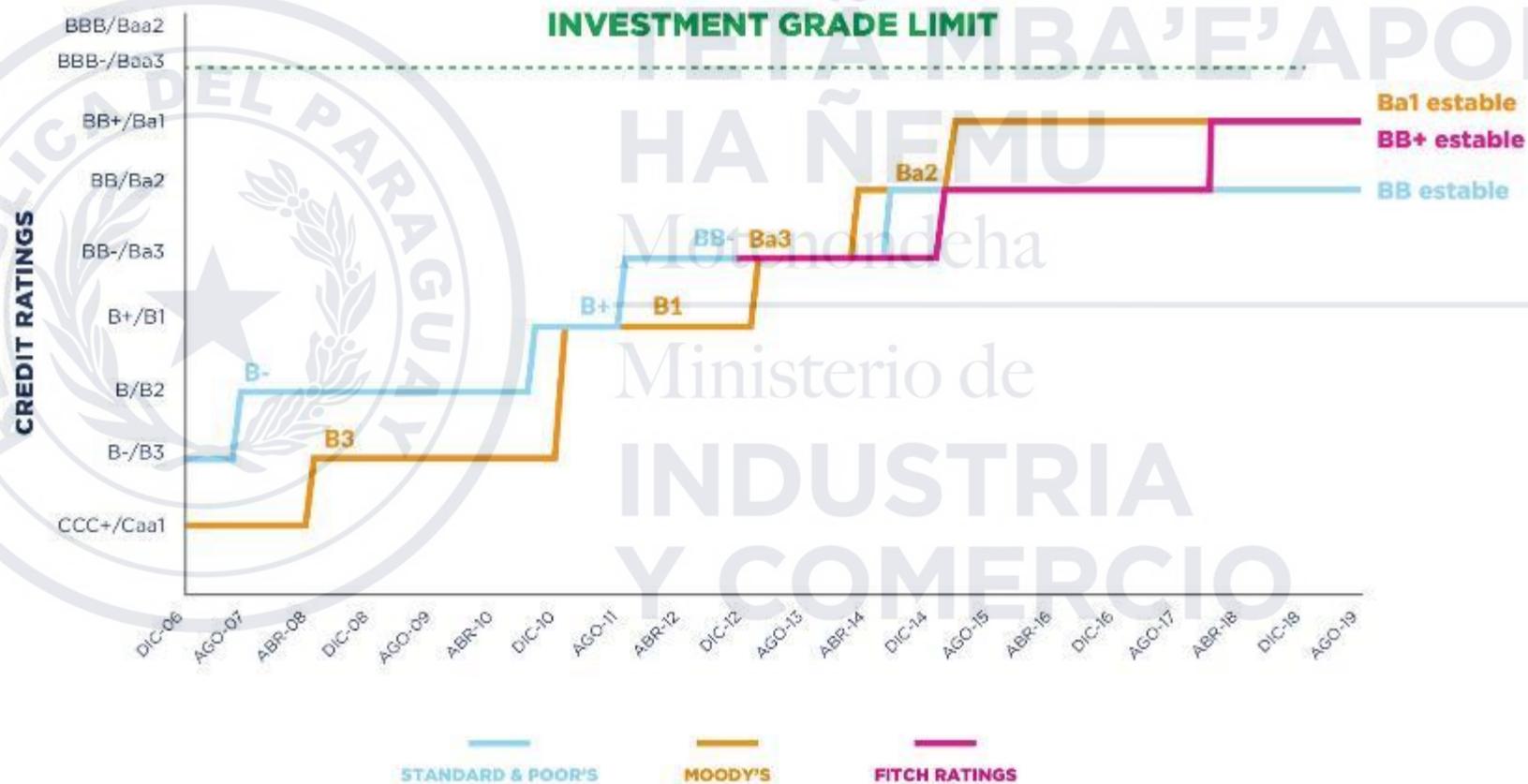
TRUSTWORTHY FOR FOREIGN INVESTMENTS





COUNTRY RISK RATING

EVOLUTION OF THE RATING OF PARAGUAY



SOURCES: Standard and Poor's, Moody's, Fitch Ratings



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LEADER IN FAVORABLE BUSINESS CLIMATE

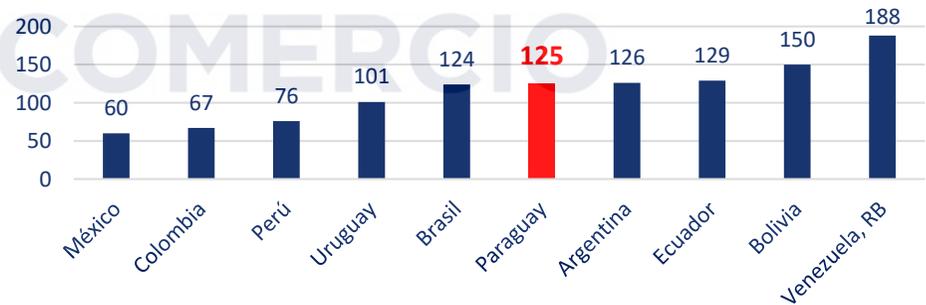


BUSINESS CLIMATE INDEX

BUSINESS CLIMATE INDEX	
COUNTRY	RANKING
Paraguay	1
Colombia	2
Chile	3
Perú	4
Uruguay	5
Brasil	6
Bolivia	7
Argentina	8
México	9
Ecuador	10
Venezuela	11

SOURCE: Getulio Vargas Foundation

INDEX OF EASE TO DOING BUSINESS/ RANKING



SOURCE: World Bank



TAX SCHEME

TAXES					
Top corporate tax rate	10%*	30%	25%	34%	25%
Maximum personal tax rate	10%	35%	36%	28%	13%
Common indirect tax rate (e.g. VAT)	10%	21%	22%	17%	13%
Total referential of taxes and social contributions (according to the World Bank)	35%	106%	42%	65%	84%

* If the utilities are converted in dividends, there is a tax of 15% of the remaining amount. Together, these three taxes reach a top of 23.5%.

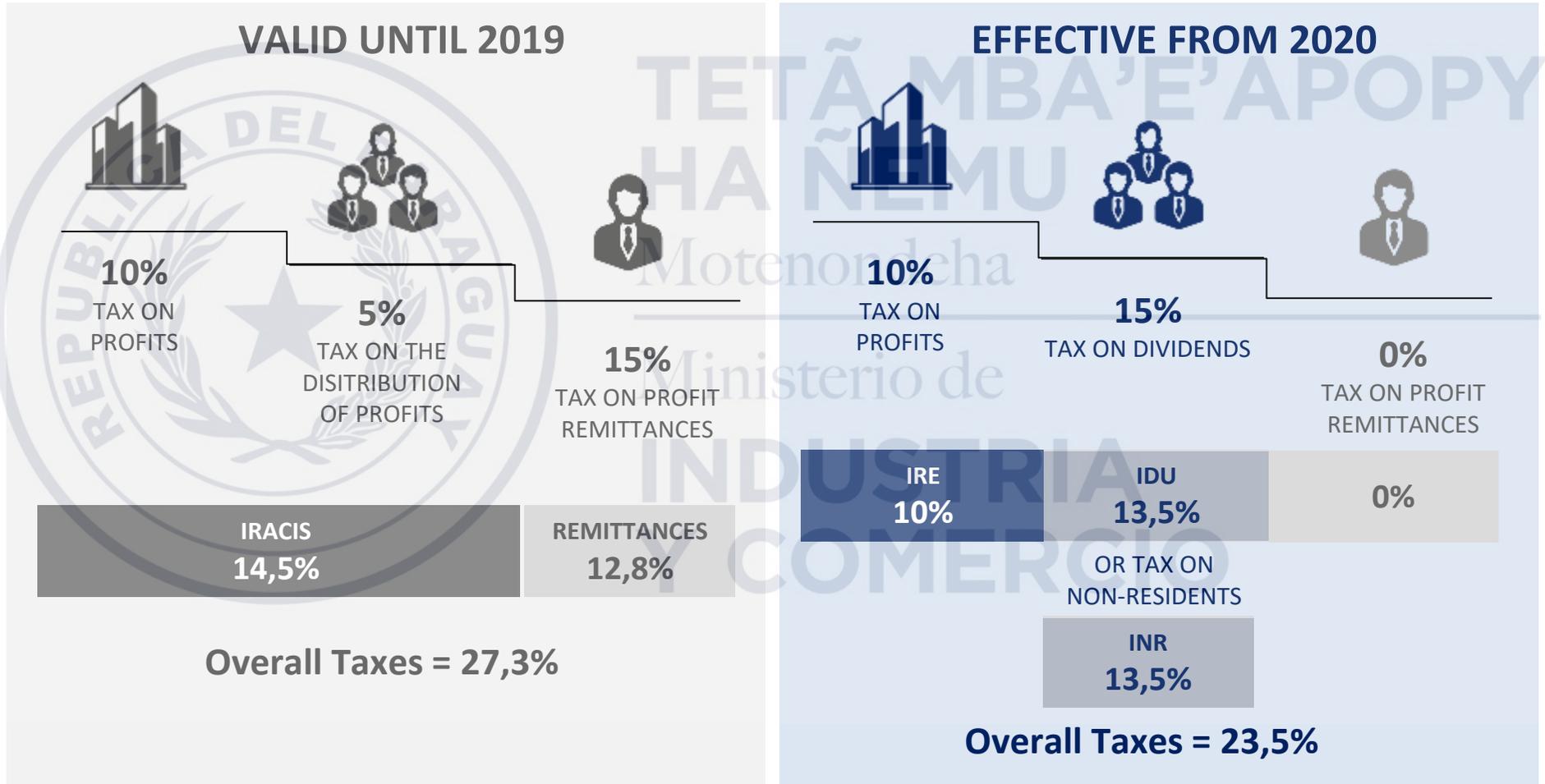
SOURCES: FDI Intelligence, Ministry of Finance





TAX REFORM

IMPACT ON THE TAX EFFECTIVE CHARGE FOR FOREIGN COMPANIES



SOURCE: Ministry of Finance





LABOR REGIME

Established according to the Paraguayan Labor Code
(Law 213/93 and amendments)

PAID HOLIDAYS

TIME IN COMPANY	PAID HOLIDAY
0 to 5 years	12 working days
More than 5 to 10 years	18 working days
More than 10 years	30 working days

OTHER IMPORTANT DATA

- **WORKING HOURS:** 48 per week
- **CHRISTMAS ALLOWANCE:** 1 allowance at end of year (the 1/12 part of the yearly obtained salary)
- **LEGAL MINIMUM WAGE (07/2019):** Gs. 2,192,839 (USD 336)
- Permits for maternity and nursing

Social Insurance (IPS)

Employer: 16.5% Employee: 9%

* For further information about the labor legislation, see the Law 213/93 (Labor Code), and their amendments and implementation rules.





PREVENTION MEASURES AGAINST COVID-19

Social Quarantine – Phase 3 (August 31 to September 14, 2020)

AUTHORIZED ACTIVITIES

- Openings of businesses
- Private and public works
- Corporate offices (50% of staff)
- Artistic, cultural and sports (without spectators)
- Industry in general
- Services delivered to homes related to essential activities

RESULTS

(AS OF August 22, 2020)

- CONFIRMED CASES: 11,817
- RECOVERED: 6783
- DEATHS: 170

Paraguay is among the least affected countries in the region.

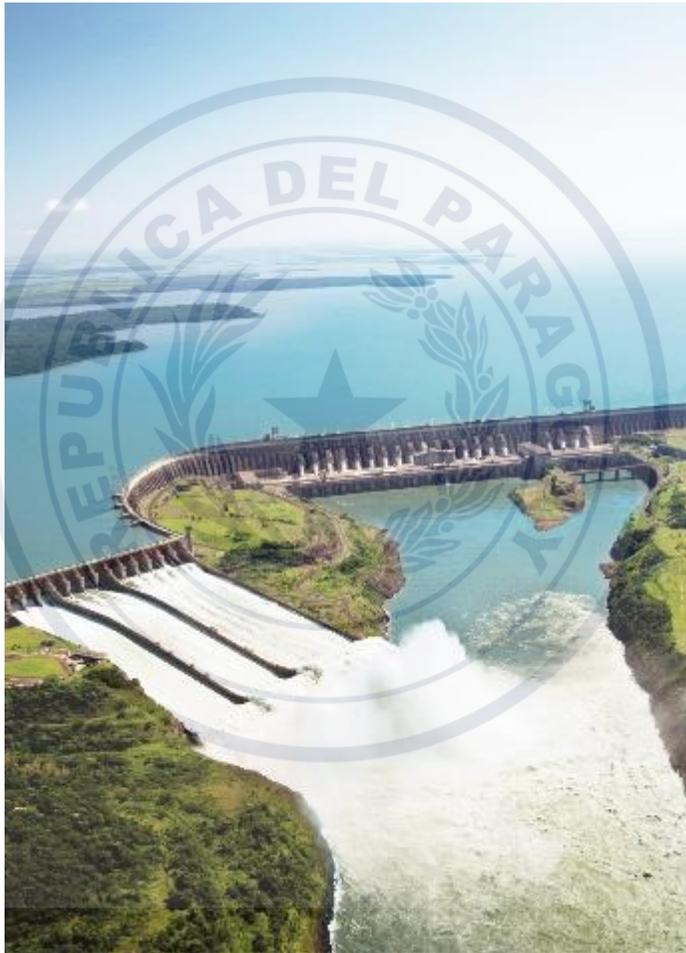
- The import and export flow of goods is allowed.
- The borders remain closed to foreigners, except with special authorization from CODENA.
- No commercial flights are allowed. The return of Paraguayan citizens and residents, with mandatory supervised quarantine is allowed.

SOURCES: Ministry of Health and Public Welfare

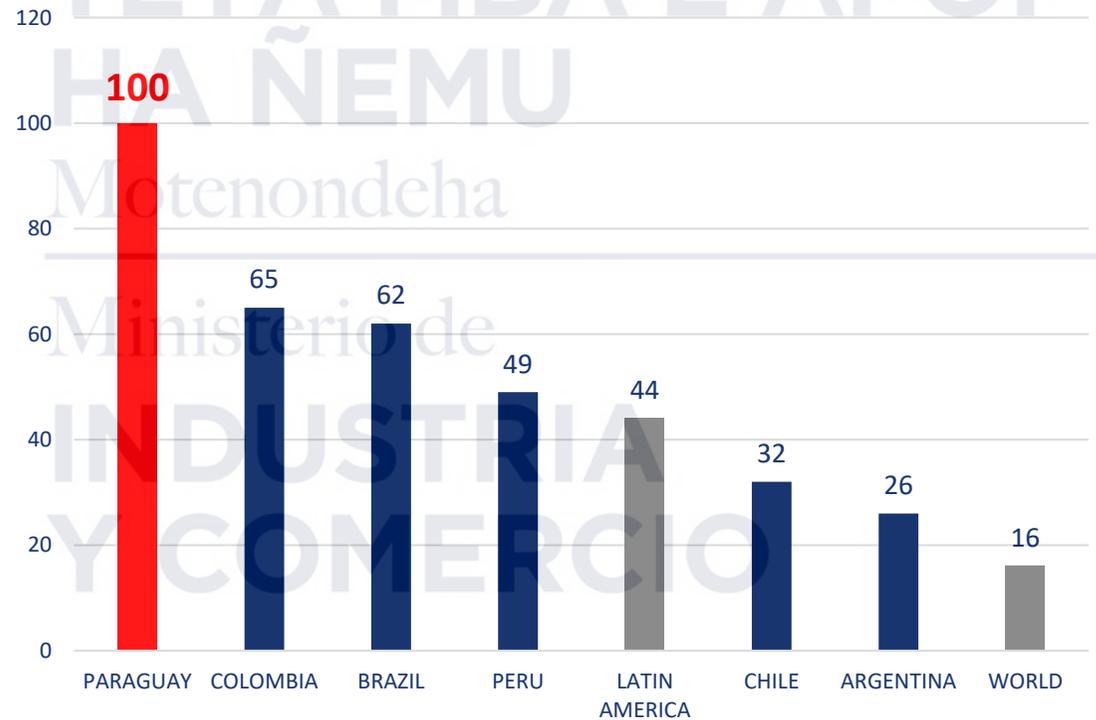




LEADER IN THE GENERATION OF RENEWABLE ENERGY



GENERATION OF ELECTRICITY FROM HYDROELECTRIC SOURCES
(% OF TOTAL)

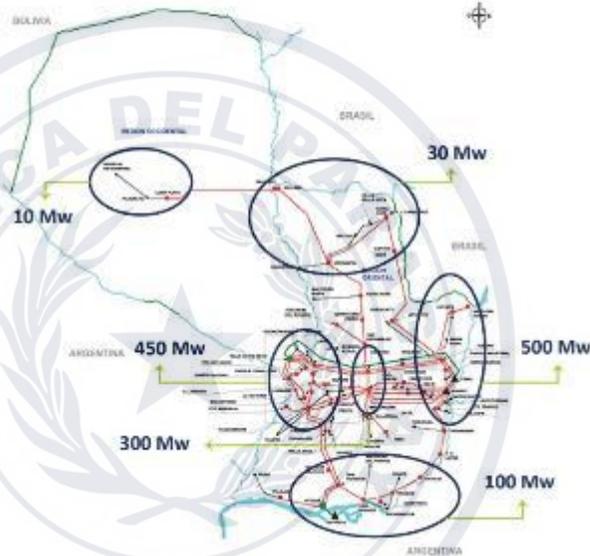


SOURCE: Vice-Ministry of Mines and Enrgy



ENERGY

REPUBLIC OF PARAGUAY / ELECTRIC MAP
POTENCY (MVA) 220 KV

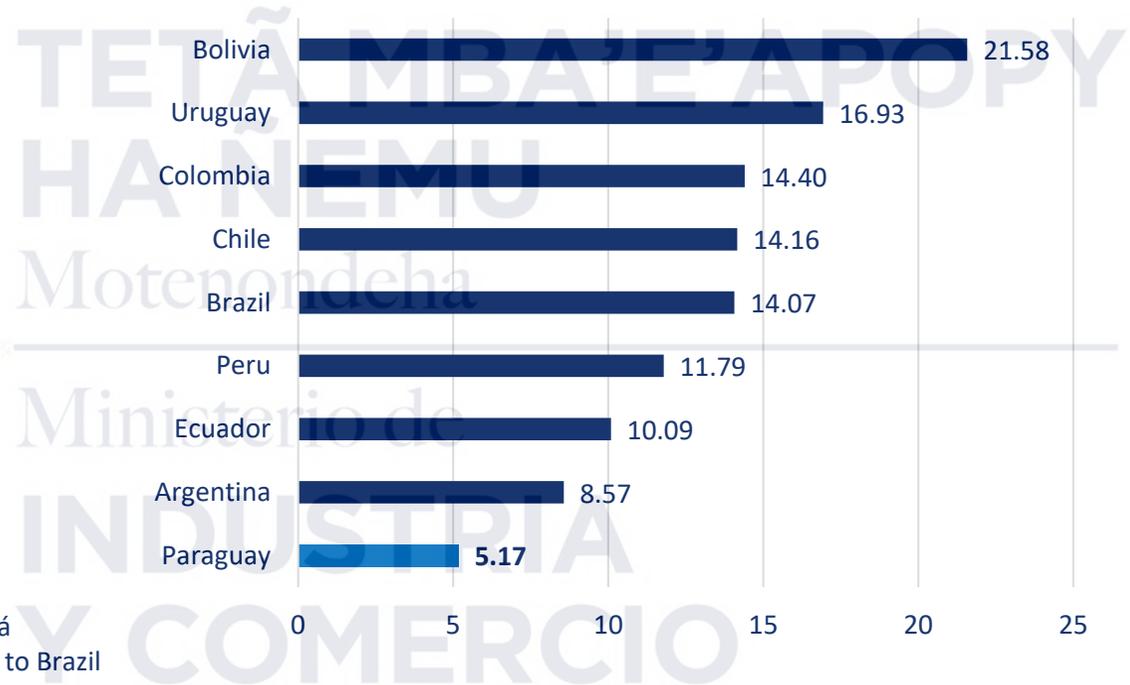


The surplus of electricity produced by the Itaipú and Yacyretá hydroelectric plants, corresponding to Paraguay, is exported to Brazil (78%) and Argentina (22%).

With this, Paraguay is one of the largest producers and exporters of renewable energy in the world.

Electric power is currently the second export product in the country.

COST IN CENTS OF USD PER KWH (2019)
MEDIUM INDUSTRIAL TENSION



In July 2019, the National Congress approved a new program to strengthen the transmission of electric energy that includes two new 500 kV lines, in addition to the expansion and improvement of the distribution system that allows the full supply of large parts of the national territory.

SOURCES: ANDE, CIER





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Incentives for National and International Investments



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KEY FACTS FOR INVESTMENT IN PARAGUAY

Greater projected economic growth in Latin America between 2020 and 2024 (according to IMF)

Lower indirect tax rate in the region

Lower corporate tax rate in the region

Lower energy costs in the region

Economic resilience to external factors (crisis in Argentina and Brazil)

Growing economic diversification

Macroeconomic discipline (fiscal deficit limit set at 1.5% of GDP)

Low public debt

The National Government's structural reforms are underway.

Youngest population in the region

SOURCE: MIC/REDIEX



60/90 Investment Incentive Law

Import tax on Capital Goods (Machinery and Equipment)	0%
Value Added Tax (VAT) on Capital Goods (Local or foreign acquisition)	0%
DEBT: Tax applied on remittances and payments of Interests (for investments equal or higher than USD 5 million)	0%
GAINS: Tax applied on remittances dividends and utilities (for 10 years for investments equal or higher than USD 5 million)	0%

SOURCE: MIC/REDIEX



MAQUILA REGIME

It is a regime for the production of goods and services for export.

- **TAX OF 1%** on the final value of the produced goods/ services.
- Suspension of tariffs for the import of materials, machinery and other necessary supplies.
- Recovery of VAT on the purchase of goods and services, as a tax credit.
- Exemption from the payment of the tax on remittances abroad of income and dividends



All investment regimes for investment in MERCOSUR are periodically reviewed. The next revisión will be held in the year 2023.

SOURCE: MIC/REDIEX



OTHER INCENTIVES

RAW MATERIAL REGIME

Benefits on the imports of raw material and implements with a **0% customs tax**, provided it is demonstrated beforehand that this material is used in their own production process, and there is no national production for them

o* Regime in force until 2023, subject to negotiation

PRODUCT AND NATIONAL EMPLOYMENT REGIME

Law 4558/11 grants a margin of preference for Paraguayan products and services in public purchases.

BENEFICIARIES:

“Each industry of the country, registered at the Ministry of Industry and Commerce.”

All investment regimes for investment in MERCOSUR are periodically reviewed. The next revision will be held in the year 2023.



OTHER INCENTIVES AND THE VEHICLE REGIME



FISCAL ADVANTAGES

- Exemption of customs tax
- VAT on import is calculated on 20% on the actual customs value

DEVELOPMENT OF THE MOTORCYCLE PARTS SECTOR

Currently, there are 25 companies registered in this sector.

- Plastic parts
- Suspension parts
- Metal parts
- Rubber parts

SOURCE: MIC/REDIEX



OTHER INCENTIVES / LAW 5542 INVESTMENT GUARANTEE

MAIN BENEFITS

- **Invariability of the tax rate of the corporate tax for companies** for a period of **up to 10 years**, counted from its start, with the possibility of extending the deadline for exceptional projects *
- **Favorable exchange rate**, for capital and profits transfers.
- **Special regime for exports** of part or all of the goods produced. Companies may maintain a percentage of foreign currency abroad, when these are necessary for the payment of obligations; or compliance with the remittance of the profits that the investments generate.

* Up to 15 years for investments between USD 50 MILLION and less than USD 100 MILLION; up to 20 years for investments in industrial projects of an amount equal to or greater than USD 100 MILLION.



SOURCE: MIC/REDIEX



OTHER INCENTIVES / PPP LAW

By this law, rules and mechanisms to promote the public sector-related investments by the public-private partnership are established.

Eligible projects are:

Road, railway, port and airport projects

Waterway projects, riverway dredge and navigability maintain projects

Social infrastructure

Electrical infrastructure

Urban improvement, equipment and development projects

Drinking water supply and sewage disposal

Other infrastructure investment and public services interest projects



OTHER INCENTIVES / INDUSTRIAL PARKS

The industrial parks approved by the Ministry of Industry and Commerce does offer the following fiscal advantages:

Reduction on the real estate tax	Reduction on the municipal construction, building subdivision and real estate transfer taxes	Reduction on 50% of the industry allowance fee	VAT exemption for real estate or factory renting costs
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Additional advantages: The Ministry of Industry and Commerce is working to offer infrastructure and services with high quality levels.



FREE TRADE ZONES

Exemption of all types of departmental and municipal fees

Single tax of 0.5% on the invoice of sales to third countries

Agile customs processing

Real estate infrastructure for different types of activities

Maintenance of the origin of the products introduced in the Free Trade Zone, if there is no change in the tariff line (Law 523/95, Art. 20; Decree 7068/2006 and Decree 1933/2019)

Environmental license

Specific protection measures for their products, such as a differentiated import tax, prior import licenses, among others

SOURCE: Ministry of Finance



EXPANDED MARKET AND NETWORK OF COMMERCIAL AGREEMENTS

- Paraguay as a Mercosur State Party to Mercosur has access to a market of more than **260 million inhabitants**.
- Paraguay receives special and differentiated treatment in the following areas:
 - Preferential rules of origin: 40% regional content and 60% extrazone for a majority of the products.
 - Positive concessions for Paraguay in external negotiations
 - National List of Exceptions to the Common External Tariff of Mercosur of 649 tariff items.
 - Special regimes for the import of raw materials, agricultural inputs and capital goods and computer and telecommunications.



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SOURCE: MIC/REDIEX



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THE NEW AUTOMOTIVE SECTOR AGREEMENTS AND THEIR GREAT POTENTIAL



- **Vehicles and auto parts** with a regional content index (ICR) of **50%** will enter the signatory countries **cleared of customs duties**
- **Auto parts manufactured** in one country that have **40% of ICR** will have access in the other country with zero tariff up to an amount of **US \$ 35 million** (gradual increase of amounts and ICR until 2026)



- The incorporation of opportunities for the **development of vehicles with new engines** (electric, hybrid, gas, hydrogen, etc.), starting with a Regional Content Index (ICR) of **30%**.
- Preferential access for **maquila products with ICR less than 50%**, starting with **USD 350 million** and an **ICR of 40%** to reach **USD 750 million and ICR 50%** in 2027
- Preferential access for both countries for **1,000 vehicle units** of people with a **reduced ICR (30% ICR for Paraguay and 35% for Brazil)**

SOURCES: MRE/MIC



PARAGUAY WILL BE THE COUNTRY MOST BENEFITED WITH THESE NEW AGREEMENTS



- Agreement reached in June, **2019 after 20 years of negotiation.**
- One of the **most important trade agreements, at global level.**
- The agreement **eliminates tariffs for 93% of Mercosur exports** and grant **preferential treatment for almost all the remaining 7%.**
- The EU liberalizes **99% of Mercosur's agricultural exports.** For **81.7%** it will eliminate **import tariffs** and for the remaining **17.3%** it will offer **preferential import quotas.**
- **Commercial opportunities** in the sectors of **organic sugar, bovine meat, poultry meat, rice, corn, honey and ethanol from Paraguay**



- Negotiations concluded in August, **2019**
- **Preferential access** for almost **97% of Mercosur's export offer**
- For first time, **Switzerland and Norway** established **preferential quotas** for **Mercosur** countries
- Main **beneficiary export products** for Mercosur are **bovine meat, poultry meat, corn, vegetal oils, among others.**

FUENTES: MRE/MIC



NETWORK OF COMMERCIAL BILATERAL AGREEMENTS

AGREEMENTS IN NEGOTIATION OF MERCOSUR WITH:



Canadá



Corea del Sur



Singapur

MERCOSUR MAINTAINS DIALOGUES FOR NEGOTIATIONS WITH:



Association of Southeast Asian Nations (ASEAN)



Gulf Cooperation Council (GCC)



Eurasian Economic Union (EEU)



Australia



Japan



Lebanon



Morocco



Pakistan



Tunisia



Turkey

As a member of Mercosur, Paraguay is part of a network of commercial agreements.

AGREEMENTS OF PARTIAL SCOPE OF ECONOMIC COMPLEMENTATION OF MERCOSUR WITH:



Bolivia



Chile



Colombia



Cuba



México



Peru



Andean Nations Community

Other Commercial Agreements of Mercosur with:



India



Israel



Palestina



South Africa Customs Union

SOURCES: MRE / MIC





BILATERAL COMMERCIAL AGREEMENT NETWORK

Paraguay has Investment Agreements with the following countries:



Germany

Austria

Belgium-Luxemburgo

Chile

South Korea

Costa Rica

Cuba

Ecuador



El Salvador

United Arab Emirates

Spain

France

Great Britain

Hungary

Italy

Netherlands



Peru

Portugal

Czech Republic

Romania

South Africa

Switzerland

Taiwan

Venezuela

In addition, Paraguay has agreements to avoid double taxation with **Chile, the United Arab Emirates, Taiwan and Uruguay.**



HIGH LEVELS OF PRODUCTION AND EXPORT CAPACITY

1°

Stevia
Producer in
the World



1°

Net Exporter of
Clean Energy in
the World



4°

Exporter of
Soybeans in
the World



5°

Soybean Exporter
in the World



6°

Corn Exporter
in the World



7°

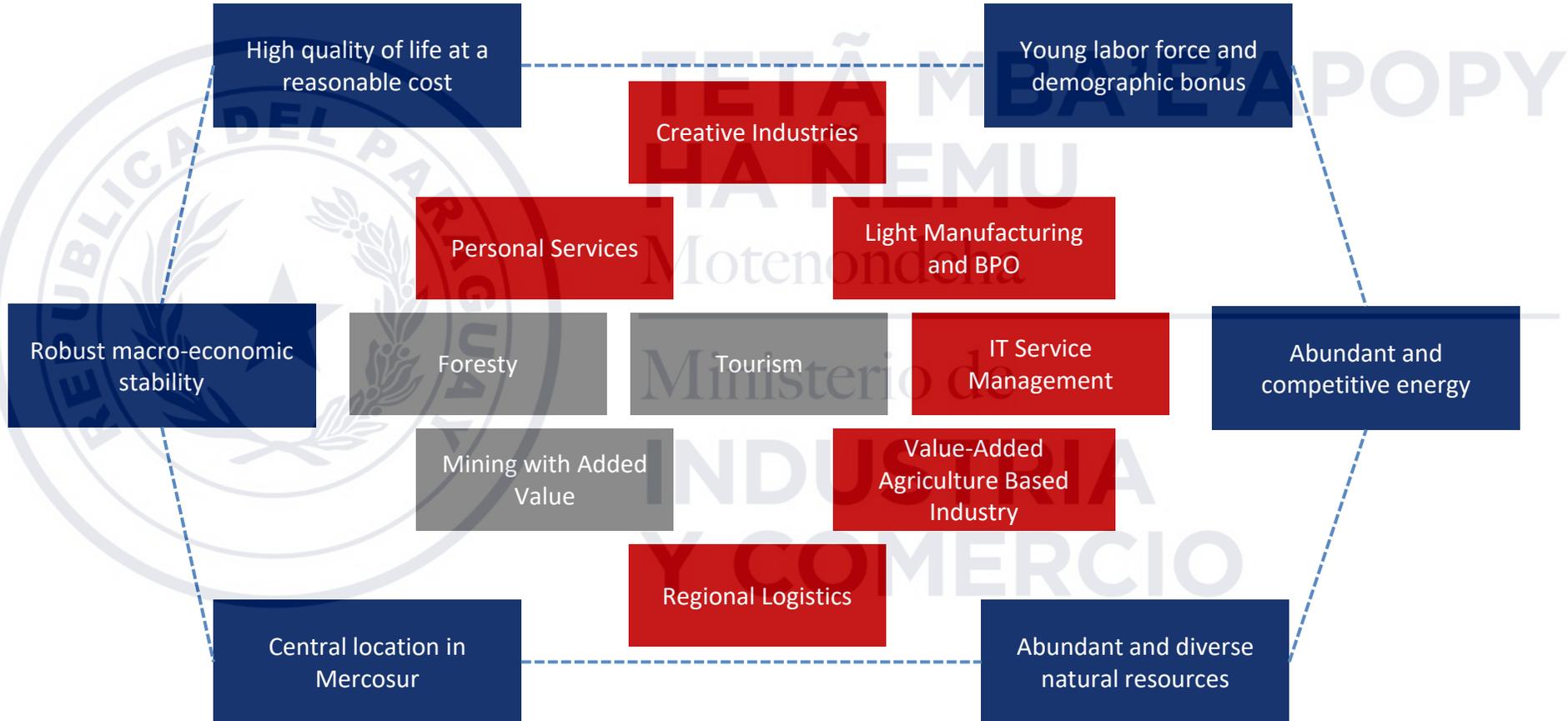
Meat Exporter in
the World





POST-PANDEMIC ECONOMIC MOTORS

PRIORITIZED SECTORS



SOURCE: Paraguay Post Covid-19, Roberto Artavia, 2020



COUNTRY BRAND



1
STRATEGIC
COMPETION TOOL

2
ASSOCIATED WITH
QUALITY
PRODUCTION

3
PROMOTES
TOURISM AND
CULTURE

4
HIGHLIGHTS
PARAGUAY'S BEST
QUALITIES

PRIORITY SECTORS

- Exports
- Foreign Direct Investment
- Tourism
- Culture
- Creative Industries

CONCEPTS THAT SELL

- Paraguay as an energy producer
- Water, as an element of connection with the world, culture, commerce, business and tourism
- Young and growing country, with natural resources and abundant opportunities.



SUSTAINABLE BUSINESS OPPORTUNITIES IN PARAGUAY



FOOD

- Reduction of food waste along the supply chain
- Forestry ecosystems services
- High-scale farming technology
- Sustainable aquaculture
- Technology in small farms
- Microirrigation



CITIES

- Affordable housing
- Electric and hybrid vehicles
- Fuel efficiency in vehicles
- Cultural tourism
- Water and Sanitation Infrastructure



ENERGY AND MATERIALS

- Circular economy for the vehicle sector
- Carbon capture and storage
- Access to energy
- Green chemists



HEALTH & WELLNESS

- Telehealth
- Electronic medical records
- Low cost surgery

SOURCES: MIC/REDIEX, IDB



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