

PARAGUAY

TRADE SUMMARY

The U.S. goods trade surplus with Paraguay was \$1.7 billion in 2010, an increase of \$450 million from 2009. U.S. goods exports in 2010 were \$1.8 billion, up 33.7 percent from the previous year. Corresponding U.S. imports from Paraguay were \$62 million, up 10.2 percent. Paraguay is currently the 63rd largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Paraguay was \$90 million in 2006 (latest data available).

IMPORT POLICIES

Tariffs

Paraguay is a member of the MERCOSUR common market, formed in 1991 and comprised of Argentina, Brazil, Paraguay, and Uruguay. 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. Tariffs may be imposed by each MERCOSUR member on products imported from outside the region that transit at least one MERCOSUR member before reaching their final destination.

Paraguay's import tariffs tend to be much lower than the CET, ranging from 0 percent to 20 percent, with an average applied tariff rate of 8.7 percent in 2009. This is because Paraguay is permitted by MERCOSUR to maintain over 2,600 exceptions to the CET until December 31, 2011. In addition, both Paraguay and Uruguay are permitted to maintain national lists of 100 country-specific exceptions until December 31, 2015.

In December 2009, Paraguay, along with the other MERCOSUR members, approved tariff increases for hundreds of products in the CET, including dairy, textiles, and bags, backpacks, and suitcases. In many cases, the applied tariffs were increased up to WTO bound levels.

Nontariff Barriers

A number of new procedures and requirements imposed by the government of Paraguay in 2009 could make importation of U.S. products more difficult. Since March 2009, the government of Paraguay has required non-automatic import licenses on personal hygiene products, cosmetics, perfumes and toiletries, textiles and clothing, insecticides, agrochemicals, and poultry. Obtaining a license requires review by the Ministry of Industry and Commerce and sometimes by the Ministry of Health. The process is slow, taking up to 30 days for goods that require a health certification. Once issued, the certificates are valid for 30 days.

Since 2000, Paraguay has prohibited the importation of used clothing and cars over 10 years old.

Customs Procedures

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

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

In 2009, a customs resolution restricted the ports of entry for numerous goods, including household cleaning products and other household goods.

Paraguay requires all companies operating in the country to contract the services of a customs broker. The mandatory use of a customs broker can add significant and unnecessary costs for a company.

GOVERNMENT PROCUREMENT

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

In March 2009, in an effort to encourage local production, the government of Paraguay changed its procurement rules. The government of Paraguay will give preference to a locally produced good even if it is up to 70 percent more expensive than the imported good. Importers of foreign goods can participate in these procurements only where locally manufactured products and service providers are unavailable or the government fails to award a contract to a domestic supplier. The government can also call for tenders from foreign suppliers.

Through the National Direction of Public Contracting (<http://www.contratacionespublicas.gov.py>), any interested supplier may offer products or services and register as a potential supplier in government procurement.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

The United States continues to monitor implementation of the Memorandum of Understanding between the United States and Paraguay pertaining to IPR protection and enforcement, which was revised in 2009 and will remain in effect through December 2011. While Paraguay has increased the number of raids and seizures of pirated and counterfeit goods, concerns remain because of porous borders, ineffective prosecution of IPR violators, and court sentences that are insufficient to deter infringement. Although a new penal code which became effective in 2009 increases penalties for IPR violations, prosecution of IPR offenders remains weak, and there are few convictions. Concerns also remain about inadequate protection against unfair commercial use of undisclosed test or other data generated to obtain marketing approval for pharmaceutical products and the shortcomings in Paraguay's patent regime.

Through the Millennium Challenge Corporation's Threshold II Program, the Paraguayan government's IPR enforcement unit, the *Unidad Técnica Especializada* or UTE ("Specialized Technical Unit"), is being formalized and strengthened.

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 high fines may result if a court determines that the foreign company ended the relationship with its distributor without first having established that just cause exists. This requirement 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 finding the requisite showing of just cause. However, this law may discourage U.S. investment due to concerns about potential lawsuits and interference with contractual relations. Separately, executive branch ministries, regulatory agencies, the tax agency, and the judiciary often lack the resources,

expertise, or impartiality necessary to carry out their respective mandates, creating uncertainty for investors.