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Department of Commerce

U.S. Country Commercial Guides



Paraguay

2017

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Doing Business in Paraguay

Market Overview

- Paraguay has a small but rapidly growing open economy (3.5 percent GDP growth in 2015, 4 percent in 2016, and a projected 4.2 percent for 2017), with strong demand for U.S. manufactured products, and the potential for continued growth over the next decade.
- U.S.-Paraguay trade was \$2.1 billion in 2016, with the United States enjoying a \$1.8 billion surplus. U.S. goods exports of \$2 billion included machinery, mineral fuels, toys and sports equipment, and optical and medical instruments. Imports from Paraguay, totaling \$157 million, were primarily sugar, oil seeds, precious metal and stone, wood, and products of animal origin.
- Paraguay generally has a strong macroeconomic position. The United States is the largest owner of FDI stock in Paraguay, followed by Brazil, Spain, the Netherlands and Panama. Foreign exchange reserves are USD 7.8 billion, about twice the amount of its external debt. The country's debt-to-GDP ratio is 23.8 percent, one of the lowest in the region. Inflation was 3.9 percent in 2016, also one of the lowest of the region.
- The services sector, including restaurants and hotels, transportation, financing, and retail, account for 62.6 percent of GDP. Agriculture, forestry, fishing and cattle ranching create 18.9 percent of the wealth, with industry and mining constituting another 13.1 percent. Construction and water and gas distribution account for 5.4 percent of GDP.
- Agriculture commodities dominate Paraguay's exports, accounting for roughly 77 percent of \$11.2 billion exports in 2016. Paraguay is the world's largest exporter of organic sugar, second largest producer and exporter of stevia, sixth largest soy producer, and seventh largest beef exporter.
- Paraguay's large pool of young workers - 50 percent of Paraguay's population is younger than 25 and 30 percent younger than 15 - is favorable to labor-intensive industry sectors.

Market Challenges

- Paraguay scores at the mid-range or lower in most competitiveness indicators. The [World Bank's Doing Business 2017](#) ranks Paraguay 106 out of 190 countries for the ease of doing business. The [2016/17 World Economic Forum Global Competitiveness Index](#) ranks Paraguay 117 out of 138 countries.

- Judicial insecurity and corruption hinders Paraguay's investment climate. Many investors find it difficult to adequately enforce contracts, and are frustrated by lengthy bureaucratic procedures, limited transparency and accountability, and impunity. Transparency International's 2016 Corruption Index ranked Paraguay 123 of 176 countries.

Market Opportunities

- Vocational / technical training is in great demand in Paraguay. The country's growing industrial and services sectors struggle to find skilled labor. Very few local schools offer technical/vocational training, forcing companies to either train employees in-house or send them abroad for basic technical training not locally available.
- Paraguay offers attractive investment incentives for assembly/distribution operations and the lowest factor costs in the region. There are few restrictions on the type of product that can be produced under the maquila system. A maquiladora in Paraguay is a factory that operates under preferential tariff programs. Materials, assembly components, and production equipment used in maquiladoras are allowed to enter Paraguay duty-free. The Mercosur agreement allows products to be marked as "made in Paraguay/Mercosur" with only 40 percent minimum local content and re-exported to any Mercosur country tax free.
- Agriculture is the primary driver of the Paraguayan economy. Paraguay is the world's largest exporter of organic sugar, the second largest producer and exporter of stevia, the sixth largest soy producer, and the seventh largest beef exporter. This booming industry presents opportunities for animal genetics, fertilizers, pest control, farm equipment, and processing machinery.
- Paraguay's construction and industrial sectors' growth outpaces local construction materials production, especially as domestic production cannot meet the current demand for cement and concrete manufacturing. The rapid demand for the construction of warehouses for industry and agriculture has surpassed the capacity of local companies that build roofing systems. Demand also is increasing for higher-quality construction materials currently not locally available. Projected large infrastructure projects will require purchasing new or used heavy machinery, as well as engineering, project management consulting, and financial services.
- The Paraguayan Government is working to improve the country's road network, much of which is unpaved or in need of upgrades. Paraguayan road building firms do not have the capacity to execute all planned projects, creating opportunities for sales of U.S. road construction and engineering

services, road building machinery, project management consulting, and highway operations concessions.

- A new airport will be built on the grounds of the current Silvio Pettirossi International Airport, via a Public Private Partnership (PPP). The project may create new opportunities for the sale of civil aviation consulting and engineering services, airport infrastructure and technologies, weather monitoring equipment, safety and security equipment, air traffic control systems, and baggage and cargo handling equipment and systems.

Market Entry Strategy

- Foreign firms interested in establishing operations in Paraguay should hire experienced local attorneys and/or representatives and consider joint ventures with Paraguayan companies to assist them in operating in Paraguay.
- The selection of an appropriate agent/distributor is of crucial importance.
- Close contact and periodic visits by foreign suppliers are essential to help reinforce ties with local business counterparts.
- Paraguay's export and investment promotion bureau, [REDIEX](#), prepares comprehensive information about business opportunities in Paraguay.

Political Environment

Political Environment

For the latest information on the political situation in Paraguay, please click [here](#).

Selling US Products & Services

Using an Agent to Sell US Products and Services

Foreign firms interested in establishing operations in Paraguay should consider hiring experienced local attorneys and representatives to assist them in navigating a sometimes confusing and non-transparent business environment. The selection of an appropriate agent/distributor is crucially important. Some local companies offer specialized marketing to foreign companies interested in the Paraguayan market.

Under Paraguayan Law 194/93, foreign companies must demonstrate “just cause” to terminate, modify, or not 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.

Widespread corruption allows the entry of pirated or gray market versions of international products destined for Brazil and Argentina. Re-export of luxury items to distant, third country markets in direct violation of their distribution agreements. These examples underscore the importance of independently monitoring the activities of representatives and licensees.

Establishing an Office

The Government of Paraguay allows foreign companies to establish branches or subsidiaries. A legally authorized representative must head the branch office, and voting board members must have Paraguayan residency. The documents listed below must be authenticated by a notary public and the Paraguayan Consul in the country of the head office, and must be filed and recorded in the Commercial Public Registry within the Ministry of Industry and Commerce in Asuncion. The Sistema Unificado de Apertura y Cierre de Empresas - [SUACE](#) is the government entity that assists in registering a company. The process takes about one month.

Documents required:

1. The documents of incorporation and the by-laws of the company;
2. A certificate from a duly authorized government official or the Chamber of Commerce in the country of headquarters, certifying the legitimacy of the head office in the country of origin;
3. Minutes from a meeting of the Board of Directors which:
 - Resolve to establish a branch office in the Republic of Paraguay;
 - Assign nominal capital to the branch office (a minimum of \$10,000 if related to export activities);
 - Establish a domicile of the branch office in Paraguay;

- Designate the person or persons to manage the branch office; and,
 - Grant power to the person designated to manage the branch office.
4. The legal instruments from the head office delegating management responsibilities in the subsidiary or branch office to the person or persons so designated.

Franchising

Although franchising operators are ubiquitous in Paraguay, there is still room for growth. Foreign companies have granted franchising rights to local firms in different areas, including fast foods, laundry, electronics, cars, agriculture inputs and equipment, clothing, and pest control.

Direct Marketing

Direct marketing is not widely used in Paraguay, although a handful of foreign products (toiletries, cosmetics, health products, kitchenware, and apparel) have been offered through direct marketing for years. Companies frequently use social media sites to promote new products and sales.

Joint Ventures/Licensing

Law 117/91, which guarantees national treatment to foreign firms, also regulates joint ventures. Under the law, the government recognizes joint ventures established through formal legal contracts between the interested parties.

Licensing agreements are widely used for the local production of international brands. Many foreign firms have licensing arrangements with local companies in the areas of apparel, toiletries and cosmetics, pharmaceuticals, processed foods, and video recordings. Trademark infringement, especially of internationally recognized brands, is a major concern in Paraguay.

Selling to the Government

The Paraguayan Government is making efforts to enhance transparency and accountability in its historically opaque public procurement processes. U.S. firms participating in government tenders are strongly urged to contact the Embassy's Economic and Commercial Section, and submit an advocacy questionnaire through the Advocacy Center in Washington, D.C. once the decision to participate has been made. Embassy advocacy in government tenders in the past has helped ensure a more transparent process.

Paraguay's National Directorate for Public Contracts (DNCP), which manages all public procurement tenders, operates a web-based tender system to increase transparency. [DNCP's website](#) provides information on upcoming solicitations for potential bidders to more easily follow the status of competitions and prepare bids prior to the closing date. 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 DNCP. Foreign firms can bid directly on tenders deemed “international,” and through the foreign firm’s local legal agent or representative for “national” tenders. 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.

In 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. 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, although projects for a new airport terminal, several roads, urban transport, and rail development are under evaluation.

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

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (Inter-American Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Inter-American Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the [Commercial Liaison Offices to the Inter-American Development Bank](#) and the [World Bank](#).

Web Resources

- [Commercial Liaison Office to the Inter-American Development Bank](#)
- [Commercial Liaison Office to the World Bank](#)

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to the “Project Financing” Section in “Trade and Project Financing” for more information.

Distribution & Sales Channels

Paraguay does not have preferred or special marketing channels. Imported merchandise can be marketed through subsidiaries of foreign companies, local importers, distributors, and/or dealers. The major distribution and sales centers are the cities of Asuncion, Ciudad Del Este, and Encarnacion.

Imports enter the country by air through the Asuncion and Ciudad del Este international airports, by river through the ports on the Paraguay and Parana rivers,

through sea ports then transshipment throughout the La Plata River Basin network, and by road to Asuncion, Encarnacion, Ciudad del Este, and Pedro Juan Caballero.

Express Delivery

Express delivery is growing in popularity in Paraguay. Food and pharmaceutical delivery services are common, and deliveries for items such as documents, dry cleaning, grocery and pet-related products are expanding.

eCommerce

Overview

Paraguay's level of Internet use is increasing. Local credit card operators and e-commerce operators are common in Asuncion and second-tier cities. Some sites, such as supermarkets and electronic e-retailer websites, are often used by Paraguayans overseas as an option to transfer resources to their relatives, sending goods or "credit coupons" instead of money.

In addition to commercial operations, a company can use the Internet in Paraguay with good results for other business purposes, such as Customer Relationship Management (CRM), on-line help desks, and advertising. Paraguayans are more and more using "Tigo Pay" (through the Tigo telecommunications company) when transferring funds electronically; it is growing in popularity as a way to conduct transactions without having to carry cash.

B2B websites:

- [National domain name administration](#)
- [Paraguayan Website Directory](#)
- Banks with fully transactional websites:
 - [Banco Amambay](#)
 - [Banco Atlas](#)
 - [Banco Continental](#)
 - [Banco Familiar](#)
 - [Banco Interfisa S.A.E.C.A.](#)
 - [Banco Itapúa](#)
 - [Banco Itau](#)
 - [Bancop S.A.](#)
 - [Banco Regional](#)
 - [BBVA](#)
 - [Citibank](#)
 - [GNB](#)
 - [Sudameris Bank](#)
 - [Visión Banco](#)

Trade Promotion & Advertising

The greater Asuncion area is Paraguay's principal advertising center, with over one-third of the total population. Television and radio dominate in terms of advertising. Other widely used media include newspapers, billboards, signs, and direct mail. Radio is the most important medium in rural areas outside of major cities.

Newspapers most commonly used by local advertisers:

- [Diario ABC Color](#)
- [Diario La Nación](#)
- [Diario Ultima Hora](#)

Principal television companies:

- [Canal 2 Red Guaraní](#)
- [Canal 4 Telefuturo](#)
- [Canal 5 Paravision](#)
- [Canal 9 SNT](#)--Sistema Nacional de Televisión
- [Canal 11 La Tele](#)
- [Canal 13 RPC](#)--Red Privada de Comunicación
- [Canal Unicanal](#) (Cable)

Pricing

Competitive prices and quality are important. Generally, the market is willing to pay a premium for higher quality products. However, substandard or counterfeit items, as well as competition from businesses in the informal economy and contraband goods, make it difficult for genuinely higher quality products to compete fairly for premium prices.

Value-added tax (VAT) is applied to all transactions related to the sale or import of goods, and personal services. In general the VAT rate is ten percent, except for some items including pharmaceutical products, the sale of land, interest charges, and commissions, for which the tax rate is five percent. Prices are usually quoted with taxes included.

An excise tax is applied to certain imports and initial sales of national products. The tax rate varies from one percent to 50 percent, depending on the type of good, and principally affects fuels, alcoholic beverages, tobacco, and certain other goods classified as "luxury" items.

Sales Service/Customer Support

The importance of customer support and follow-up cannot be overstated. Even after products have gained acceptance in the market, suppliers should maintain close contact with their local representatives to keep apprised of problems and to assess the market jointly. Periodic visits by officials from the exporting company are essential to reinforce ties with customers.

Protecting Intellectual Property

The United States and Paraguay signed a Memorandum of Understanding on IPR in June 2015, under which Paraguay committed to taking specific steps to improve its IPR protection and enforcement environment. Additionally, the MOU solidifies bilateral cooperation by which the United States supports Paraguay's efforts to strengthen the legal protection and enforcement of IPR. Since coming into office in 2013, President Cartes has escalated enforcement efforts in Paraguay, primarily through the National Directorate of Intellectual Property (DINAPI) and partner law enforcement agencies.

Ciudad Del Este has been named in either the USTR Notorious Market List or the Special 301 Report for over 15 years. The lightly monitored border crossing from Ciudad del Este to Foz do Iguacu, Brazil allows the distribution of counterfeit and pirated products in the Brazil-Argentina-Paraguay tri-border region and beyond.

Concerns remain about inadequate protection against unfair commercial use of proprietary test or other data generated to obtain marketing approval for agrochemical or pharmaceutical products and the shortcomings in Paraguay's patent regime. Law 3283/07 and Law 3519/08 (1) require pharmaceutical products and agrochemical products to be registered first in Paraguay to be eligible for data protection; (2) allow regulatory agencies to use test data in support of similar agricultural chemical product applications filed by third parties; and (3) limit data protection to five years. Additionally, Law 2593/05, which is the latest modification of Paraguay's patent law, has no regulatory enforcement mechanism. Because of this, foreign pharmaceutical companies have seen their patented products openly replicated and marketed under other names by Paraguayan pharmaceutical companies.

Paraguay has ratified all of the Uruguay Round accords, including the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), and has ratified two World Intellectual Property Organization (WIPO) copyright treaties. For additional information about treaty obligations and points of contact at local IP offices, please see [WIPO's country profiles](#).

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

IP Attaché Contact for Paraguay:

Laura Hammel
U.S. Consulate General
Av. Presidente Wilson, 147, 4th floor
20030-020 - Rio de Janeiro (Brazil)
Tel: +55 21-3823-2499
E-mail: laura.hammel@trade.gov

Due Diligence

Normal procedures for performing due diligence that apply elsewhere are also recommended for Paraguay, including obtaining local legal counsel when evaluating new investments.

The Economic and Commercial Section of the U.S. Embassy in Asuncion, Paraguay, offers [International Company Profile \(ICP\)](#) reports on companies operating in the local market. The following are business information firms operating in Paraguay:

- [Equifax Paraguay](#)
- [Criterion](#)

Local Professional Services

For a list of Paraguayan trade and industry associations and business directories, please visit the [U.S. Embassy in Paraguay website](#).

Principle Business Associations

For a list of Paraguayan trade and industry associations and business directories, please visit the [U.S. Embassy in Paraguay website](#).

Web Resources

U.S. Government:

- [Advocacy Center](#)
- [Liaison Office to the World Bank](#)
- [Commercial Liaison Office to the Inter-American Development Bank](#)
- [U.S. Dept. of Commerce website on IP rights](#)
- [U.S. Embassy, Asuncion, Paraguay](#)

Government of Paraguay:

- [Customs Bureau](#)
- [Maquila Industry Council](#)
- [Export & Investment Promotion Bureau](#)
- [National Directorate for Public Contracts](#)
- [Ministry of Industry and Commerce Single Window for Business Registration](#)
- [National Intellectual Property Directorate](#)
- [Paraguayan laws website](#)

Trade and Industry Associations:

- [Paraguayan-American Chamber of Commerce](#)
- [Paraguayan Chamber of Commerce and Services](#)
- [Paraguayan Customs House Brokers Trade Association](#)

- [Paraguayan Industrialist Trade Association](#)
- [Paraguayan Exporters Trade Association](#)
- [Paraguayan Importers Chamber](#)

Banks

- [Banco Amambay S.A.](#)
- [Banco Atlas S.A.](#)
- [Banco Continental S.A.E.C.A.](#)
- [Banco de la Nacion Argentina](#)
- [Banco do Brasil S.A.](#)
- [Banco Familiar](#)
- [Banco Interfisa S.A.E.C.A.](#)
- [Banco Itapua S.A.](#)
- [Banco Nacional de Fomento](#)
- [Banco Regional S.A.](#)
- [Bancop S.A.](#)
- [BBVA Paraguay S.A.](#)
- [Citibank N.A.](#)
- [GNB](#)
- [Itau S.A.](#)
- [Sudameris Bank S.A.E.C.A.](#)
- [Vision Banco S.A.E.C.A.](#)

Other Business Resources:

- [Paraguayan Website Directory](#)
- Paraguayan business information firms:
 - [Equifax Paraguay](#)
 - [Criterion](#)
- [National domain name administration](#)
- [Paraguayan Arbitration and Mediation Center](#)
- Paraguayan NGO business center — [Centro de Cooperación Empresarial y Desarrollo Industrial \(CEDIAL\)](#)

Paraguayan newspapers:

- [ABC Color](#)
- [La Nación](#)
- [Ultima Hora](#)

Paraguayan TV Stations:

- [Channel 2 Red Guarani](#)
- [Channel 4 Tele futuro](#)
- [Channel 5 Paravision](#)
- [Channel 9 SNT](#)
- [Channel 11 La Tele](#)
- [Channel 13 RPC](#)
- [Canal Unicanal](#) (Cable)

Leading Sectors for US Exports & Investments

Agricultural Sectors

Paraguay is the world's largest exporter of organic sugar, second largest producer and exporter of stevia, sixth largest soy producer, and seventh largest beef exporter.

Overview

Paraguay's efforts to improve agricultural and livestock production present opportunities for basic inputs, such as animal genetics. Farmers and ranchers are aware that using quality inputs is a key factor in their operation's profitability, and have been adopting advanced production practices, providing opportunities for the sale of fertilizers, pest control, and farm equipment. Competition from other exporting countries, especially Brazil, is strong; U.S. exporters must provide good service to be successful.

In late 2013, the World Organization for Animal Health (OIE) reinstated Paraguay's status as a country free of Foot-and-Mouth Disease (FMD) with vaccination. This status paves the way for Paraguay to increase beef exports, creating opportunities for U.S. meat and poultry processing equipment. Parts for processing equipment are also a good prospect for U.S. exports, given the current trend to repair existing machines.

Processed foods and high-value items, including processed fruits, vegetables, and beverages, also show promise for U.S. exporters. Fresh fruits and vegetables have weaker demand, but frozen and canned products have gained wide acceptance for their convenience and uniform quality.

Paraguay has the potential to become an important player in the world's biofuel sector. The government has expressed interest in biofuels, with legislation to promote biofuels production and consumption already in place. Focus is currently on sugarcane-based ethanol production for local market and export, and on biodiesel production by small rural producers for local market. Biodiesel and ethanol producers will focus on increasing production and expanding exports. Plant construction projects and production expansion will present sales opportunities for U.S. suppliers of building and construction materials and biofuels processing machinery.

Paraguay is the world's second-largest producer of Stevia after China. Paraguay has the potential to be a global provider of Stevia, creating opportunities to sell new and used processing machinery. The most important market for Stevia is currently the food and beverage industry, where it is chiefly employed as a sweetener and a flavoring agent. The health and tea industries are also important stevia markets.

Leading Sub-Sectors

Agriculture is the primary driver of the Paraguayan economy. Farmers and ranchers are aware that using quality inputs is a key factor in their operation's profitability, and have been adopting advanced production practices.

Tractors (and accessories), harvesting machinery, excavators, bulldozers, backhoes, and excavators are usually in high demand, depending on the prospects for a successful harvest. Paraguay is among the few countries in Latin America that allows the importation of used machinery. Competition from other exporting countries is strong and U.S. exporters must provide good service to be successful.

Opportunities

There could be an opportunity for irrigation projects in Paraguay, including in the Chaco region in the western half of the country.

Web Resources

- [Paraguayan Importers Chamber](#)
- [Paraguayan Central Bank trade statistics](#)
- [Paraguayan-American Chamber of Commerce](#)
- [U.S. Embassy Asuncion](#)

Construction Materials and Equipment

In 2015, Paraguay's construction and industrial sectors grew ten percent and seven percent respectively, outpacing the capacity of local construction materials production.

Overview

Demand for construction equipment and materials are projected to continue rising as the Government of Paraguay expands investment in public infrastructure projects. As the economy continues growing, so does the private sector demand for higher-quality construction materials, which are currently not available locally.

Leading Sub-Sectors

Construction materials are in high demand, notably: quality flooring, plumbing fixtures and bath accessories, home automation and smart home control systems, metal roof systems (with and without insulation), and high-voltage cable.

Projected large infrastructure projects will require heavy machinery that must be imported. Paraguay is among the few countries in Latin America that allows the importation of used machinery. These projects may also create additional opportunities for engineering, project management consulting, and financial services.

Opportunities

The rapid demand for the construction of warehouses for industrial and agriculture purposes has surpassed the capacity of local metal works companies that build roofs, forcing them to place clients on waiting lists, delaying construction for months.

Domestic production cannot meet current demand for cement and concrete manufacturing. Although Paraguay has abundant raw materials required for production, Paraguay has the most expensive cement and concrete in the region.

The Government of Paraguay has also announced major construction projects for 2016-17. These tenders are advertised on the Ministry of Public Work's website and the government's public contracting office website. Under Paraguay's Public-Private Partnership law, firms may also propose unsolicited projects.

The U.S. Department of State built the Business Information Database System (BIDS) portal to help U.S. businesses learn about significant international commercial opportunities. The BIDS website features an interactive map that displays descriptions and locations of projects that represent potential contract or tender opportunities for U.S. businesses. The site also connects U.S. businesses to detailed information about each project as well as information to contact U.S. embassies overseas. To access the BIDS portal, please click [here](#).

Web Resources

- [Department of State Business Information Database System \(BIDS\)](#)
- [National Directorate for Public Contracts](#)
- [Paraguayan Ministry of Public Works](#)
- [Union Industrial Paraguaya](#)
- [Paraguayan Real-Estate Chamber](#)
- [Paraguayan Chamber of Constructors](#)

Highways

Much of Paraguay's road network that moves goods inland is unpaved, and the roadways that are paved often need upgrades.

Overview

The Paraguayan government is working to improve roads throughout the country to create better connectivity internally and to major transportation arteries in Bolivia, Argentina, and Brazil. Road construction projects may be financed directly by the government or executed under the Public-Private Partnership law.

Leading Sub-Sectors

Paraguayan road building firms do not have the capacity to execute all planned projects, creating opportunities for U.S. road construction and engineering services. Other opportunities include the sale of road building machinery, project management consulting, operations of highway concessions, and financial services.

Opportunities

The Government of Paraguay announced its intention in 2017 to expand and upgrade the country's busiest arteries – Route 7 and Route 2. These two-lane highways connect Asuncion with Paraguay's next largest city, Ciudad del Este, and to Brazil. The road's condition is currently so congested and poor that it can take upwards of six hours to make the 200-mile trip.

The Government of Paraguay advertises tenders on the Ministry of Public Work's website and the government's public contracting office website. Under Paraguay's Public-Private Partnership law, firms may also propose unsolicited projects.

The U.S. Department of State built the Business Information Database System (BIDS) portal to help U.S. businesses learn about significant international commercial opportunities. The BIDS website features an interactive map that displays descriptions and locations of projects that represent potential contract or tender opportunities for U.S. businesses. The site also connects U.S. businesses to detailed information about each project as well as information to contact U.S. embassies overseas. To access the BIDS portal, please click [here](#).

Web Resources

- [Paraguayan Ministry of Public Works](#)
- [National Directorate for Public Contracts](#)
- [Inter-American Development Bank](#)
- [The World Bank](#)
- [U.S. Embassy Asuncion](#)
- [U.S. Department of State Business Information Database System \(BIDS\)](#)

Civil Aviation

Paraguay's two international airports are in need of upgrades and expansion.

Overview

The Government of Paraguay awarded a Public-Private Partnership concession in 2016 to build a new passenger terminal on the grounds of the current Silvio Pettirossi International Airport in Asuncion and convert the current facility into corporate and administrative offices. The awarding of this tender is currently under review and may open again for bidding.

Leading Sub-Sectors

The Government of Paraguay is exploring the possibility of positioning the country as a logistics and aircraft maintenance platform for airliners serving more profitable routes. As a result, there is anticipated growth in the following sectors: civil aviation consulting and engineering services, airport infrastructure and technologies, weather monitoring equipment, safety and security equipment, air traffic control systems, and baggage and cargo handling equipment and systems.

Opportunities

The Government of Paraguay considers the improvement of the country's civil aviation infrastructure a top priority. The government is interested in projects to better utilize the country's second largest airport, located in Ciudad del Este, including using it as a regional hub for cargo logistics.

Web Resources

- [Paraguayan Civil Aviation Authority](#)
- [Ministry of Public Works and Communications](#)
- [Paraguayan Export & Investment Promotion Bureau](#)
- [National Directorate for Public Contracts](#)
- [U.S. Embassy Asuncion](#)

Assembly and Distribution Operations

The government has been pushing for the development of this rapidly-growing sector in the border areas with Brazil and Argentina, as an alternative to the informal trading economies of Paraguay's cities in the border areas.

Overview

Paraguay offers an interesting alternative for assembly/distribution operations with attractive investment incentives (tax breaks, duty free import of capital goods, and unlimited repatriation of capital) and low operating costs (especially hydro-generated electricity) in the region.

Leading Sub-Sectors

There are few restrictions on the types of products that can be produced under the factory/maquila system. The combination of relatively low labor and electricity costs makes Paraguay suitable for a variety of manufacturing industries.

Opportunities

Paraguay has a unique advantage under its Mercosur membership, which allows products to be marked as "made in Paraguay/Mercosur" with a minimum amount of value from the region (Mercosur) of only 40 percent. The remaining 60 percent could be from any other country in the world. Once labeled as "Paraguay/Mercosur origin," the product may be re-exported to any Mercosur country tax free (in Paraguay, these products pay a one percent tax over the value-added). For example, an automotive spare part that is only 60 percent completed could be imported into Paraguay (tax free), where components from Argentina, Brazil, Uruguay, Venezuela, or Paraguay could be added in order to complete the product for sale. Once the product is finished, it could then be re-exported into any Mercosur country paying only a one percent tax on its value.

Although Paraguay is an active Mercosur member, Brazil and Argentina regularly find non-tariff reasons to block Paraguayan goods from entering their markets, especially in certain industries. Thus, factories/maquilas providing semi-finished inputs for factories in Brazil or Argentina (such as auto-parts destined for automobile factories in those countries) will find less resistance in those markets.

Web Resources

- [Paraguayan Export & Investment Promotion Bureau](#)
- [Paraguayan Maquila Industry Council](#)
- [Paraguayan Ministry of Industry and Commerce](#)
- [U.S. Embassy Asuncion](#)

Paraguay-Parana Waterway System

Paraguay's landlocked location in the heart of South America, and at the confluence of the Paraguay and Parana Rivers, places the country at an advantageous position along many of the continent's principal trade routes.

Overview

The Paraguay and Parana Rivers jointly form a 3,302-kilometer waterway system connecting Argentina, Brazil, Bolivia, Paraguay, and Uruguay. It is a major transportation route for goods from the continent's interior to the Atlantic Ocean through the Plata River Basin, and vice versa, and carries nearly 80 percent of Paraguay's trade. At present, the movement of goods on the waterway includes manufactured products, grains, oilseeds, oils and by-products, ore, minerals, steel, and petroleum. However, Paraguay needs significant waterway infrastructure investments to leverage its strategic location.

Leading Sub-Sectors

River engineering projects would create multiple opportunities for U.S. firms. There could be significant potential for sales of engineering and project management services, dredges, river gauges, flood monitoring equipment, navigation aids, and construction equipment and materials.

As Paraguayan agricultural production increases, private river ports are multiplying rapidly. This is especially noticeable in the area of Villeta, located 30 km south of Asuncion. Its strategic location, along with Paraguay's low cost of labor, is transforming the city into a booming industrial center with several recently-constructed river ports. The increased need for port infrastructure creates a potential opportunity for U.S. companies.

Opportunities

The Government of Paraguay considers the improvement of the country's waterway infrastructure a priority and may explore related projects soon. Improvement projects along the Paraguay-Parana waterway could include multiple sub-projects, such as deepening river beds, dredging, port construction, improving navigability and safety, and increasing capacity in terms of vessels, maintenance, and services. These tenders are advertised on the Ministry of Public Work's website and the government's public contracting office website.

The U.S. Department of State built the Business Information Database System (BIDS) portal to help U.S. businesses learn about significant international commercial opportunities. The BIDS website features an interactive map that displays descriptions and locations of projects that represent potential contract or tender opportunities for U.S. businesses. The site also connects U.S. business to detailed information about each project as well as information to contact U.S. embassies overseas. To access the BIDS portal, please click [here](#).

Web Resources

- [Intergovernmental Coordinating Committee of the River Plate Basin Countries](#)
- [Paraguayan Ministry of Public Works](#)
- [National Directorate for Public Contracts](#)
- [Department of State Business Information Database System \(BIDS\)](#)

Education and Vocational Training

In the last 13 years, the number of universities in Paraguay has more than doubled, from 21 to 54. Universities offer mostly undergraduate and graduate programs - with varying levels of quality - and little vocational / technical training.

Overview

Paraguay has the youngest population in the region: 29 percent of Paraguayans are between the ages of 15 and 29. Yet unemployment rate in this group is twice as high as that of the general population, while the country's growing industrial and services sectors struggle to find qualified labor.

Juntos por la Educacion (Together for Education) was founded in 2012 by over 100 of Paraguay's largest firms as a response to the need for qualified, young labor. In a joint effort with the Education Ministry, this non-governmental organization focuses on training school teachers, building capacity at education-related institutions, and improving school infrastructure.

Leading Sub-Sectors

Vocational / technical training is in great demand in Paraguay. Both the private and public sectors have identified improved technical/vocational training as a national priority. Currently, most businesses must provide extensive training for employees, often at a high cost and with inefficient results. Larger companies often send employees to neighboring countries for basic technical training not readily available in Paraguayan.

Opportunities

Paraguay's lack of English speakers is a weakness readily acknowledged by business leaders in a variety of fields. The hospitality industry in particular is looking to improve even basic English proficiency to make the sector competitive beyond the immediate region.

Web Resources

- [Ministry of Education](#)
- [Technical Planning Secretariat](#)
- [NGO Juntos por la Educacion](#)

Customs, Regulations & Standards

Import Tariff

Paraguay is a founding member of the Mercosur common market, formed in 1991. Mercosur's full members are Argentina, Brazil, Paraguay, and Uruguay.

Mercosur's Common External Tariff (CET) averages 11.5 percent and ranges from zero 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 zero to 30 percent, with an average applied tariff rate of 10.1 percent. 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.

[Paraguay's tariff schedule website](#), showing the Mercosur CET tariff and the current national tariff.

Import Requirements & Documentation

Documents required for general imports include a banker's draft or letter of credit issued by a local bank, as well as the following documents provided by the merchandise vendor: a commercial invoice, bill of lading, packing list, and certificate of origin. 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, for a fee, at the Ministry of Foreign Affairs in Paraguay.

Import operations must be processed through authorized banks with notification to the Central Bank of Paraguay.

Labeling/Marking Requirements

Paraguayan regulations require that the country of origin be labeled on domestic and imported products. Expiration dates are required on medical products and some consumer goods. Health warnings on hazardous products, such as cigarettes, must be labeled in a visible place. Imported beer is required to display detailed manufacturing and content information in Spanish, labeled at the point of

packaging. A similar regulation applies for textile products and shoes. Soaps and detergents must be “tripolyphosphate-free” and labeled as such.

For more information please check the following websites:

- [Ministry of Industry and Commerce](#)
- [Center for Communication Rules, Norms, and Studies \(CERNECO\)](#) (select “Legislacion de la Publicidad” on top bar)
- [Paraguayan legal code website](#)

U.S. Export Controls

At this time, the U.S. Government maintains no export controls specific to Paraguay. Normal controls are maintained on military equipment, high-tech information systems, and equipment of a highly sensitive nature. Items on the Munitions Control List are a controlled export to nearly all countries worldwide, including Paraguay, requiring special licenses from the Department of State or Department of Commerce depending upon the item. You can see the current list of export controls at the [U.S. Bureau of Industry and Security \(BIS\) website](#).

For information on controls for exports of defense articles, see the [State Department’s Directorate of Defense Trade Controls \(DDTC\)](#).

A list that consolidates eleven export screening lists from the Departments of Commerce, State, and the Treasury into a single searchable database as an aid to screening regulated transactions is available [here](#).

Temporary Entry

Paraguay has a temporary entry system, which allows duty free admission of capital goods such as machinery, tools, equipment, and vehicles to carry out public and private construction work. The government also allows temporary entry of equipment for scientific research, exhibitions, training or testing, competitive sports, and traveler or tourist items. The following documents are required for temporary entry: a letter stating the reason for temporary entry, a detailed list of the equipment with the purchase price of each item, and a local insurance policy covering the cost of the duties waived. For travelers and tourists, a local customs broker can process these documents prior to arrival.

Merchandise introduced into the country under the temporary entry system may be nationalized in Paraguay by paying the requisite duties. The temporary admission system allows entry of certain goods for subsequent re-export for a period of up to twelve months, which can be renewed once. Temporary entry for ten days for merchandise in transit is also permitted.

Prohibited & Restricted Imports

Paraguay's Customs Authority may enforce strict regulations concerning the importation of items such as firearms, medications, toys resembling weapons, or protected species. There are prohibitions for used motor vehicles over ten years old and soaps/detergents that contain sodium tripolyphosphate.

Customs Regulations

The Paraguayan Customs Authority publishes regulations, decrees, customs code, and tariff nomenclature information on its website. Paraguay requires all companies operating in the country to contract the services of a customs broker. Customs broker fees are standardized by Paraguayan law.

[National Customs Directorate](#)

Tel: +595 (21) 416-2116

E-mail: car@aduana.gov.py

Standards for Trade

The standards regime in Paraguay includes obligatory and voluntary standards. Public and private conformity assessment bodies operate in the country.

Overview

The [National Institute of Technology, Standardization and Measurement \(INTN\)](#) is the government organization in charge of developing Paraguay's standards regime.

Standards affecting meat and by-products are handled by the National Animal Quality and Health Service (SENACSA) and those affecting agricultural chemicals and the like are handled by the National Seed and Vegetable Quality and Sanitation Service (SENAVE), both bureaus under the [Ministry of Agriculture and Livestock](#).

Specific standards relating to health matters and foodstuffs fall under the scope of the Ministry of Public Health, through the [INAN-National Institute of Food and Nutrition](#).

The [Ministry of Industry and Commerce](#) controls standards on labeling and marking. Legislation for Paraguayan laws may be found [here](#).

Private firms acting as conformity assessment companies in Paraguay are SGS, Lloyds, and TÜV.

Standards

The Mercosur Standards Association (Asociacion Mercosur de Normalizacion - AMN) is composed of the standards institutes of Mercosur Member States, which work together to establish Mercosur - wide standards.

[Asociación Mercosur de Normalización \(AMN\)](#)

Av. Paulista, 726
10º andar – cj. 1001
CEP: 01310-910
São Paulo – SP – Brasil
Tel: 55 11 3283-5276
Fax: 55 11 3285-6115
Fax: 55 11 3285-2074
secretaria@amn.org.br

The following is a list of Paraguayan government bodies responsible for developing domestic standards:

- [National Institute of Technology, Standardization and Measurement Institute \(INTN\)](#)
- [National Animal Quality and Health Service \(SENACSA\)](#)
- [National Seed and Vegetable Quality and Sanitation Service \(SENAVE\)](#)
- [National of Food and Nutrition Institute \(INAN\)](#)
- [Ministry of Industry and Commerce, Consumer Protection Directorate](#)

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. [Register online.](#)

Testing, inspection and certification

Certification requirements in Paraguay do not overly burden U.S. exporters of products or service providers. Conformity assessment includes all activities needed to demonstrate compliance with specified requirements relating to a technical regulation or voluntary standard. Conformity assessments can include includes test and calibration laboratories, product certification bodies, accreditation bodies, inspection and verification units, quality system registrars, and others. U.S. testing laboratories cannot operate in the market and test U.S. products to comply with domestic regulatory requirements.

The following are the main national testing organizations and conformity assessment bodies:

- [National Institute of Technology, Standardization and Measurement Institute \(INTN\)](#)
- [National Animal Quality and Health Service \(SENACSA\)](#)
- [National Seed and Vegetable Quality and Sanitation Service \(SENAVE\)](#)
- [National of Food and Nutrition Institute \(INAN\)](#)

- [Ministry of Industry and Commerce, Consumer Protection Directorate](#)

Product Certification:

Product certification is regulated by the ISO standards. Paraguay has no mutual recognition agreements with U.S. organizations.

Accreditation:

The local accreditation body is the National Accreditation Organism under the [National Counsel of Science and Technology](#).

Publication of technical regulations

The National System of Information and Notifications (Sistema Nacional de Informacion y Notificacion Sobre Reglamentos Tecnicos, Normas y Procedimientos de Evaluacion de la Conformidad - SNIN), under the Ministry of Industry and Commerce, acts as a data bank for all standards-related matters (e.g., proposals, comments/input, approvals).

Final regulations are published in the [government's Official Gazette](#). Each organization submits final regulations to the Ministry of Foreign Relations, which in turn submits them to the World Trade Organization.

Contact Information

[Instituto Nacional de Tecnologia, Normalizacion y Metrologia \(INTN\)](#)

Av. Artigas y Roa
Asuncion, Paraguay
Ph: (595-21) 290266, 290160
Fx: (595-21) 290873
E-mail: intn@intn.gov.py

[Servicio Nacional de Calidad y Salud Animal \(SENACSA\)](#)

Ruta Mariscal Estigarribia, Km 10½
San Lorenzo, Paraguay
Ph: (595-21) 501374, 507862
Fx: (595-21) 507863
E-mail: info@senacsa.gov.py

[Servicio Nacional de Calidad y Sanidad Vegetal y de Semillas \(SENAVE\)](#)

Edificio Planeta I, Piso 15
Calle Humaitá 145
Asuncion, Paraguay
Ph. & Fax: (595-21) 445769, 441549, 441491
E-mail: consultas@senave.gov.py

[Instituto Nacional de Alimentación y Nutrición \(INAN\)](#)

Av. Santísima Trinidad e Itapua
Asuncion, Paraguay
Ph & Fx: (595-21) 206874
E-mail: inanpy@hotmail.com

[Dirección General de Defensa del Consumidor](#)

Ministerio de Industria y Comercio
Av. Mariscal López 3333, Piso 1
Asuncion, Paraguay
Ph: (595-21) 661662
Fax: (595-21) 616-3058
E-mail: consultas@mic.gov.py

[Asociación Mercosur de Normalización](#)

Av. Paulista, 726 - 10º andar - cj. 1001
CEP 01310-910 Sao Paulo, SP, Brasil
Ph & Fx: (55-11) 3283-5276, 3285-6115, 3285-2074\

[Organismo Nacional de Acreditación \(ONA\)](#)

Consejo Nacional de Ciencia y Tecnología (CONACYT)
Calle Prócer M. Molas 122, Piso 1
Asuncion, Paraguay
Ph & Fx: (595-21) 664952, 664953, 665096
E-mail: aviveros@conacyt.gov.py

[Sistema Nacional de Información y Notificación \(SNIN\)](#)

Ministerio de Industria y Comercio
Av. Mariscal Lopez 3333, Piso 1
Asuncion, Paraguay
Ph: (595-21) 616-3085, 616-3284, 616-3288
Fax: (595-21) 616-3084
E-mail: aromero@mic.gov.py

[Gaceta Oficial](#)

Dirección de Publicaciones Oficiales
Gabinete Civil de la Presidencia de la Republica
Av. Stella Maris y Hernandarias
Asuncion, Paraguay
Ph: (595-21) 493-907, 498-311
Fx: (595-21) 497-855
E-mail: info@gacetaoficial.gov.py

Standards point of contact at post:

[Economic & Commercial Office – U.S. Embassy](#)

3020 Asuncion Place

Washington, D.C., 20521-3020, USA

Ph.: (595-21) 213-715

Fax: (595-21) 208-315

E-mail: commercialasuncion@state.gov

Trade Agreements

Paraguay is a founding member of the Southern Common Market (Mercosur), formed in 1991. Mercosur's full members are Argentina, Brazil, Paraguay, and Uruguay. Mercosur has trade agreements with Egypt, India, Israel, Palestine, and the Southern African Customs Union (SACU), and is working to finalize a trade agreement with the European Union.

Paraguay is also a founding member of the Association for Latin American Integration (ALADI – Asociación Latino Americana de Integración). ALADI member countries sign regional and bilateral agreements that allow partial trade liberalization that can then be extended to other members.

Web Resources

U.S. Government

- [U.S. NIST Notify U.S. Service](#)
- [U.S. Embassy in Asuncion, Paraguay](#)

Paraguayan Government

- [Paraguayan Ministry of Industry and Commerce](#)
- [Paraguayan Ministry of Agriculture and Livestock](#)
- [Paraguayan Customs Bureau](#)
- [Paraguayan tariff schedule](#)
- [National System of Information and Notifications](#)
- [Paraguayan accreditation body](#)
- [Paraguayan national gazette](#)
- [Reference site for Paraguayan laws](#)
- Paraguayan standards and testing organizations:
 - [Instituto Nacional de Tecnología, Normalización y Metrología](#)
 - [Servicio Nacional de Calidad y Salud Animal](#)
 - [Servicio Nacional de Calidad y Sanidad Vegetal y de Semillas](#)
 - [Instituto Nacional de Alimentación y Nutrición](#)

Other

- [Mercosur \(Southern Common Market\)](#)

- [Mercosur standards association](#)
- [Asociación for Latin American Integration \(Asociación Latinoamericana de Integración – ALADI\)](#)
- [Center for Communication Rules, Norms, and Studies \(CERNECO\)](#)

Investment Climate Statement

Executive Summary

Paraguay has a small but rapidly growing open economy with a strong macroeconomic position and the potential for continued growth over the next decade. Major drivers of economic growth in Paraguay are the agriculture, retail, and construction sectors. The Government of Paraguay (GOP) encourages private foreign investment. Paraguayan law grants investors tax breaks, permits full repatriation of capital and profits, supports maquila operations, and guarantees national treatment for foreign investors. Standard & Poor's, Fitch, and Moody's all upgraded Paraguay's credit ratings over the past three years.

Paraguay scores at the mid-range or lower in most competitiveness indicators. Judicial insecurity hinders the investment climate, and trademark infringement and counterfeiting are major concerns. Additionally, the Cartes administration's efforts to pass a constitutional amendment that would have changed the constitution to allow his re-election resulted in uncharacteristically violent protests in 2017, raising questions on political stability. Previously, the Government of Paraguay took measures to improve the investment climate, including the passage of laws addressing competition, public sector payroll disclosures, and access to information. The Cartes administration also escalated intellectual property enforcement.

Paraguay's export and investment promotion bureau, REDIEX, prepares comprehensive information about business opportunities in Paraguay.

Openness to and Restrictions upon Foreign Investment

The Government of Paraguay encourages private foreign investment. Paraguay guarantees equal treatment of foreign investors and permits full repatriation of capital and profits. Paraguay has historically maintained the lowest tax burden in the region, with a 10 percent corporate tax rate and a 10 percent Value-Added Tax (VAT) on most goods and services.

Paraguay's export and investment promotion bureau, REDIEX, provides useful information for foreign investors, including business opportunities in Paraguay, registration requirements, laws, rules, and procedures.

Bilateral Investment Agreements

Paraguay has bilateral investment agreements or treaties with the following countries: Austria; Belgium; Chile; Costa Rica; Cuba, Czech Republic, El Salvador; France; Germany; Hungary; Italy, Korea; Luxembourg; the Netherlands; Peru; Portugal, Romania; South Africa; Spain; Switzerland; Taiwan; the United Kingdom; and Venezuela.

Paraguay is a founding member of the MERCOSUR common market, formed in 1991. MERCOSUR has investment protocols for internal and external investment. MERCOSUR's full members are Argentina, Brazil, Paraguay, and Uruguay; Venezuela's membership was suspended in 2016. Bolivia is an associate member, having signed an accession agreement in 2012 that has been ratified by all members except Brazil. MERCOSUR has investment agreements with Canada, Egypt, India, Israel, Mexico, Palestine, Peru, and the Southern African Customs Union (SACU).

The United States and Paraguay do not have a Bilateral Investment Treaty, a Free Trade Agreement, or a Bilateral Taxation Treaty. The two countries signed a Trade and Investment Framework Agreement in January 2017, but the agreement is pending ratification by Paraguay's congress before entering into force.

Conversion and Transfer Policies

The Investment Incentive Law (60/90) permits full repatriation of capital and profits. No restrictions exist in Paraguay on the conversion or transfer of foreign currency, apart from bank reporting requirements for transactions in excess of \$10,000. This law also grants investors a number of tax breaks, including exemptions from corporate income tax and VAT.

Legal Regime

Proposed Paraguayan laws and regulations, including those pertaining to investment, are usually available in draft form for public comment after introduction into senate and lower house committees. In most instances, there are public hearings where members of the general public or interested parties can provide comments.

Regulatory agencies' supervisory functions over telecommunications, energy, potable water, and the environment are inefficient and opaque. Politically motivated changes in the leadership of regulating agencies negatively impact firms and investors. Corruption has historically been common in these institutions as time-consuming processes provide opportunities for front-line civil servants to seek bribes to accelerate the paperwork.

Expropriation and Compensation

Private property has historically been respected in Paraguay as a fundamental right. Expropriations must be sanctioned by a law authorizing the specific expropriation. There are some cases in recent years of expropriations of land without prompt and fair compensation. In recent years groups of "landless" citizens occupied several farms in order to press for agrarian land reform. Paraguay has a "squatter's rights" law by which ownership of property can be gained by possession of it beyond the lapse of 20 years.

Dispute Settlement

ICSID Convention and New York Convention

Paraguay is a member of the International Center for the Settlement of Investment Disputes (ICSID). Paraguay is a contracting state to the New York Convention.

Investor-State Dispute Settlement

Law 117/91 guarantees national treatment for foreign investors. This law allows international arbitration for the resolution of disputes between foreign investors and the Government of Paraguay. Foreign decisions and awards are enforceable in Paraguay.

Paraguay ranks 74 out of 190 countries for “Ease of Enforcing Contracts” in the World Bank’s 2017 Doing Business Report. World Bank data states the process averages 606 days and costs 30 percent of the claimed value.

International Commercial Arbitration and Foreign Courts

Under Paraguayan Law 194/93, 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 a foreign company ended the relationship with its distributor without first establishing that just cause exists, which sometimes compels Paraguayan distributors to seek expensive out-of-court settlements first. Nevertheless, cases are infrequent and courts uphold the rights of foreign companies to terminate representation agreements after finding the requisite showing of just cause.

Under two laws, Article 195 of the Civil Procedural Code and Law 1376/88, a plaintiff pursuing a lawsuit may seek reimbursement for legal costs from the defendant calculated as a percentage (not to exceed ten percent) of claimed damages. In larger suits, the amount of reimbursed legal costs often far exceeds the actual legal costs incurred.

Performance Requirements and Investment Incentives

Paraguay grants investors a number of tax breaks under Law 60/90, including exemptions from corporate income tax and value-added tax. Paraguay also has a temporary entry system, which allows duty free admission of capital goods such as machinery, tools, equipment, and vehicles to carry out public and private construction work. The government also allows temporary entry of equipment for scientific research, exhibitions, training or testing, competitive sports, and traveler or tourist items.

Industrial Policies

Paraguayan Law 523/95 permits the establishment of Free Trade Zones. Paraguay has two Free Trade Zones in Ciudad del Este – one that operates largely as a manufacturing center and a second that focuses on warehouse storage. Paraguay is a landlocked country with no seaports but has numerous private and public inland river ports. About three-fourths of commercial goods are transported by barge on

the Paraguay-Parana river system that connects Paraguay with Buenos Aires, Argentina and Montevideo, Uruguay. Paraguay has agreements with Uruguay, Argentina, Brazil, and Chile on free-trade ports and warehouses for the reception, storage, handling, and trans-shipment of merchandise.

Protection of Property Rights

The 1992 constitution guarantees the right of private property ownership. While it is common to use real property as security for loans, the lack of consistent property surveys and registries often makes it impossible to foreclose. According to government figures, there is 35 percent more titled land in Paraguay than physically exists. In some cases, acquiring title documents for land can take two years or more. The World Bank's 2017 Business Report ranks Paraguay 76 of 190 countries for ease of registering property, noting the process requires six procedures, averages 46 days, and costs 1.9 percent of the property value.

Paraguay has a "squatter's rights" law by which ownership of property can be gained by possession of it beyond the lapse of 20 years.

Right to Private Ownership and Establishment

Foreign and domestic private entities may establish and own business enterprises. Foreign businesses are not legally required to be associated with Paraguayan nationals for investment purposes.

There is no restriction on repatriation of capital and profits. Private entities may freely establish, acquire, and dispose of business interests.

Financial Sector

Credit is available but expensive. Banks charge anywhere from 20 percent to 40 percent interest on consumer loans, with the vast majority favoring repayment horizons of one year. Loans for up to 10 years are available at higher interest rates. High collateral requirements are generally imposed. Because of the difficulty in obtaining bank loans, Paraguay has seen growth in alternative and informal lending mechanisms, such as "payday" lenders. These entities can charge up to 85 percent interest on short-term loans according to banking contacts. The high cost of capital makes the stock market an attractive, although underdeveloped option. Paraguay has a relatively small capital market that began in 1993. As of December 2016, the Asuncion Stock Exchange consisted of 92 companies, totaling \$ 591 million in transactions. Many family-owned enterprises fear losing control, dampening enthusiasm for public offerings. The Paraguayan Senate is currently reviewing a resolution requiring owners of stocks to be registered, effectively prohibiting bearer shares, which are currently still legal.

The Government of Paraguay issued Paraguay's first sovereign bonds in 2013 for \$500 million to accelerate development in the country. Paraguay also issued bonds in 2014, 2015, 2016 and recently in March 2017 for \$1 billion, \$280 million, \$600

million and \$500 million respectively. Proceeds are expected to finance key infrastructure development programs designed to promote economic and social development and job creation. Standard & Poor's, Fitch, and Moody's all upgraded Paraguay's credit ratings in 2015 and 2016. Commercial banks also issue debt to fund long-term investment projects.

State-Owned Enterprises

Paraguay's State Owned Enterprises (SOEs) are active in the petroleum distribution, cement, electricity (distribution and generation), water, and land-line and cellular telecommunication sectors. In general, SOEs are monopolies with no private sector participation. Most operate independently but maintain an administrative link with line ministries, namely the Ministry of Public Works and Communications. SOEs have audited accounts and the results are published online.

SOE corporate governance is typically weak. SOEs operate with politically appointed advisors and executives and are often overstaffed, resulting in poor administration and services. Some SOEs burden the country's fiscal position, running deficits most years. SOEs are not required to have an independent audit, but the Itaipú and Yacyretá bi-national hydroelectric dams, which are considered semi-autonomous entities administered by joint bilateral government commissions, have a board of directors and are required to have an independent audit.

Responsible Business Conduct

Responsible Business Conduct (RBC) is growing with the support of Paraguay's largest firms. The private sector is taking measures to institutionalize ethical business conduct under initiatives such as the Business Ethics Pact (PEC), an initiative sponsored by the U.S. Department of Commerce. The PEC was established by over 100 local, U.S., and international companies that committed to creating a code of ethics and undergoing a rigorous auditing process to reach certification. The Government of Paraguay does not have any formal programs or policies to encourage RBC.

Corruption

Paraguayan law provides criminal penalties for official corruption; however, impunity impedes effective implementation. Judicial insecurity and corruption mar Paraguay's investment climate. Many investors find it difficult to adequately enforce contracts and are frustrated by lengthy bureaucratic procedures, limited transparency and accountability, and impunity.

The Government of Paraguay has taken several steps in recent years to increase transparency and accountability, including the passage of the "Access to Information Law" in 2014, the creation of a transparent, internet-based government procurement system, the disclosure of government payroll information, the appointment of respected apolitical officials to key posts, and increased civil

society input and oversight. Notwithstanding, corruption and impunity continue at high levels.

The constitution requires all public employees, including elected officials and employees of independent government entities, to disclose their income and assets at least 15 days after taking office or being appointed and again within 15 days after finishing their term or assignment. Starting in 2014, employees are required to include information on the assets and income of spouses and dependent children. Officials are not required to file periodically when changes occur in their holdings.

UN Anticorruption Convention, OECD Convention on Combatting Bribery:

Paraguay signed and ratified the United Nations Anticorruption Convention in 2005.

Resources to Report Corruption:

General Auditors Office
Bruselas 1880, Asuncion, Paraguay
+ 595 21 620 0260
atencion@contraloria.gov.py

Public Ministry

Nuestra Señora de la Asuncion c/ Haedo, Asuncion, Paraguay
+ 595 21 454 611

Anti-Corruption Secretariat

El Paraguayo Independiente esquina Río Ypane, Asuncion, Paraguay
+ 595 21 450-001/2

Seeds for Democracy

Roma 1055 casi Colón, Asuncion, Paraguay
+ 595 21 420 323
semillas@semillas.org.py

Political & Security Environment

While Paraguay has not been recently affected by political violence, approximately 2,500 protesters stormed and partially burned the congressional assembly in March 2017. Protesters also damaged and vandalized storefronts, parked cars, and additional government offices in the downtown area. The police response resulted in the death of one protester and numerous injuries. The protests erupted in response to a non-traditional meeting of 25 senators to pass a bill approving a constitutional amendment to allow President Cartes and other former presidents to run for re-election.

Kidnappings are not common in Paraguay, but a few high profile cases have occurred in recent years, most of them attributed to purported members of the leftist Paraguayan People's Army (EPP). The Government of Paraguay continues to respond to the EPP threat with combined military and police operations, though

relatively ineffectively. Land invasions, marches, and organized protests occur, mostly by rural and indigenous communities making demands on the government, but these events have rarely turned violent.

Labor Policies & Practices

With a population growth rate above three percent per annum and 70 percent of the population below the age of 35, job creation to meet the large and growing labor force is one of the most pressing issues for the Government of Paraguay. However, the weak education system limits the supply of well-educated workers and is an obstacle to growth.

Paraguay's labor code makes it very difficult to lay-off a formally registered, full-time employee who has completed ten consecutive years of employment. Firms often opt for periodic renewals of "temporary" work contracts instead of long-term contracts.

Paraguayan law provides for the right of workers to form and join independent unions (with the exception of the armed forces and the police), bargain collectively, and conduct legal strikes. The law prohibits binding arbitration and retribution against union organizers and strikers. While the law prohibits anti-union discrimination and sets the financial penalty, employers are not required by law to reinstate workers fired for union activity, even in cases where labor courts fine firms for anti-union discrimination.

The minimum age for formal, full-time employment is 18. In October 2015, the executive branch approved legislation increasing the minimum age for employment of domestic workers from 14 to 18 years. Adolescents between the ages of 14 and 16 may work if they have a written authorization from their parents, attend school, do not work more than four hours a day, and do not work more than a maximum of 24 hours per week. Adolescents between the ages of 16 to 18 who do not attend school may work up to six hours a day, with a weekly ceiling of 36 hours. The law also permits "light work" for children between the ages of 12 and 14. The government has not formally defined what constitutes permitted light work for children between ages 12 and 14.

OPIC

The United States and Paraguay signed a 1992 investment guaranty agreement, allowing OPIC to conduct full operations in Paraguay. OPIC financed telecommunications, forestry, and various renewable energy projects in Paraguay. OPIC has also partnered with Citibank to support loans for small- and medium-sized enterprises (SMEs) and micro-finance loans. OPIC completed its last assessment in March 2017.

Paraguay is a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA).

Foreign Direct Investment & Foreign Portfolio Investment Statistics

| | Host Country Statistical source* | | USG or international statistical source | | USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other |
|--|----------------------------------|----------|---|----------|---|
| Economic Data | Year | Amount | Year | Amount | |
| Host Country Gross Domestic Product (GDP) (\$M USD) | 2015 | \$29,442 | 2015 | \$27,100 | www.worldbank.org/en/country |
| Foreign Direct Investment | Host Country Statistical source* | | USG or international statistical source | | USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other |
| U.S. FDI in partner country (\$M USD, stock positions) | 2015 | \$1,169 | 2015 | \$134 | BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm |
| Host country's FDI in the United States (\$M USD, stock positions) | N/A | N/A | N/A | N/A | BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm |
| Total inbound stock of FDI as % host GDP | 2015 | 4% | 2015 | 0.49% | Calculate, and then delete this text |

*[Host country statistical data source.](#)

| Direct Investment from/in Counterpart Economy Data | | | | | |
|---|--------|------|---------------------------|--------|------|
| From Top Five Sources/To Top Five Destinations (US Dollars, Millions) | | | | | |
| Inward Direct Investment | | | Outward Direct Investment | | |
| Total Inward | Amount | 100% | Total Outward | Amount | 100% |
| United States | 1,169 | 27% | N/A | | |
| Brazil | 827 | 19% | N/A | | |
| Spain | 384 | 9% | N/A | | |
| Netherlands | 340 | 8% | N/A | | |

| Direct Investment from/in Counterpart Economy Data | | | | | |
|--|-----|----|-----|--|--|
| Panama | 273 | 6% | N/A | | |
| "0" reflects amounts rounded to +/- USD 500,000. | | | | | |

IMF's Coordinated Portfolio Investment Survey (CPI) data is not available for Paraguay.

Contact Information

Rocco Costa
 Political and Economic Officer
 U.S. Embassy Asuncion
 + 595 21 213 715
CommercialAsuncion@state.gov

Trade & Project Financing

Methods of Payment

The method of payment most used by local importers is a letter of credit, followed closely by wire transfers. Under the second method a local importer, through his/her bank, transfers payment to the foreign exporter upon notice (proof) of shipment of the merchandise. This method is preferred by businesses that have established mutual confidence, and involves less administrative cost than a letter of credit. Other methods of payment are used to a lesser degree.

The following are credit-rating firms operating in Paraguay:

- [Equifax Paraguay](#)
- [Criterion](#)

Banking System

Banks and finance companies are regulated by the Banking Superintendent, which is housed within, and under the direction of, the Central Bank of Paraguay. There is no legal framework to implement deposit protection in Paraguay, although deposits are supposedly guaranteed up to approximately \$25,000. The Central Bank operates autonomously but is not truly independent as it needs the Paraguayan Treasury to capitalize it.

The financial sector regulated by the Central Bank also includes 11 finance companies dedicated to smaller consumer operations not served by banks. The banking system operates mostly on short- to medium-term credit (twelve months is the usual maximum for commercial transactions, although private financing for vehicles and homes is available on longer terms) in both local and foreign currency. There is also a large credit union sector in Paraguay, which is quasi-regulated and does not fall under the purview of the Central Bank. Credit unions could hold as much as one-third of total financial system assets, but their assets are not included in Central Bank data.

Foreign Exchange Controls

There are no controls on foreign exchange transactions, apart from bank reporting requirements for transactions in excess of \$10,000. Importers and exporters can buy and sell foreign exchange freely at commercial banks, finance companies, or exchange houses at the market rate.

U.S. Banks & Local Correspondent Banks

Citibank is the only U.S. bank operating in Paraguay. Nearly all banks have correspondent banking arrangements with U.S. banks, primarily in New York and Miami.

Project Financing

Both import and export financing are limited. Local banks provide revolving credit for up to 360 days, which may be renewable. High nominal and real interest rates (generating high spreads in both dollars and local currency) present a major obstacle to medium and long term financing.

Local commercial banks provide exporters direct financing, pre-financing of exports backed by a letter of credit, and discounting of letters of credit upon shipment of the merchandise. Local insurance companies offer importers and exporters a full range of services covering trade activities.

The World Bank, the Inter-American Development Bank, and the Andean Development Bank provide project financing for basic infrastructure projects, water systems, and roads. The U.S. Overseas Private Investment Corporation can provide services for transactions involving Paraguay.

The U.S. Export-Import Bank (EX-IM) stopped financing the sales of U.S. exports to Paraguay when its authorization lapsed in 2015. All preexisting loans, guarantees, and insurance policies still continue in full force and effect. EX-IM will process and close all previously approved transactions, which continue in full force and effect according to their terms.

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (Inter-American Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Inter-American Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the [Commercial Liaison Offices to the Inter-American Development Bank](#) and the [World Bank](#).

Web Resources

[Trade Finance Guide](#): A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team.

U.S. Government:

- [Export-Import Bank of the United States](#)
- [Limitation Schedule](#)
- [Trade and Development Agency](#)
- [SBA's Office of International Trade](#)
- [USDA Commodity Credit Corporation](#)
- [U.S. Agency for International Development](#)
- [Commercial Liaison Office to the World Bank](#)
- [Commercial Liaison Office to the Inter-American Development Bank](#)

Multilateral Development Banks:

- [Andean Development Bank](#)
- [Inter-American Development Bank](#)
- [International Monetary Fund](#)
- [The World Bank](#)

Paraguayan Government:

- [Central Bank](#)
- [Credit Union Regulatory Authority](#)

Commercial Banks in Paraguay:

- [Banco Amambay S.A.](#)
- [Banco Atlas S.A.](#)
- [Banco Continental S.A.E.C.A.](#)
- [Banco de la Nacion Argentina](#)
- [Banco do Brasil S.A.](#)
- [Banco Familiar](#)
- [Banco Interfisa S.A.E.C.A.](#)
- [Banco Itapua S.A.](#)
- [Banco Nacional de Fomento](#)
- [Banco Regional S.A.](#)
- [Bancop S.A.](#)
- [BBVA Paraguay S.A.](#)
- [Citibank N.A.](#)
- [GNB](#)
- [Itau S.A.](#)
- [Sudameris Bank S.A.E.C.A.](#)
- [Vision Banco S.A.E.C.A.](#)

Business Travel

Business Customs

There are no specific local business customs beyond the bounds of normal courtesy. Paraguayans are informal in observing appointment times, but foreign business visitors should not take such liberties when arriving for scheduled meetings. For social events, it is customary for Paraguayans to arrive up to 30 minutes late. Persons are normally addressed by their academic or professional title, e.g. Doctor, Engineer, Architect, or *Licenciado*, in the case of university graduates. Business dress follows similar patterns to those of the United States.

Travel Advisory

The State Department's Office of American Citizens Services and Crisis Management (ACS) administers the Consular Information Program, which informs the public of conditions abroad that may affect their safety and security. Country Specific Information, Travel Alerts, and Travel Warnings are vital parts of this program. Travel Alerts and Travel Warnings can be found [here](#).

Visa Requirements

A passport is required to enter Paraguay. U.S. Citizens arriving by air may obtain a "visa en arribo" (visa on arrival) at Silvio Pettirossi International Airport in Asuncion. This is a multiple entry visa valid for 10 years and costs \$160, payable in U.S. Currency (credit cards are not accepted). If not arriving at Silvio Pettirossi International Airport, you must apply for a visa at the Paraguayan Embassy in Washington D.C. or the nearest Paraguayan consulate.

Country Specific Information for Paraguay is available [here](#).

Currency

The guaraní (sign: ₲; code: PYG) is the national currency unit of Paraguay. The exchange rate as of June 2017 is one US dollar to approximately 5,500 guaranías.

Telecommunications/Electric

The telecommunications infrastructure in Paraguay has improved in recent years. While landline service from the state-owned monopoly can be slow and expensive, mobile communication continues to grow. Most telecomm providers offer 3G and 4G in urban areas. Business travelers often obtain a mobile phone locally for extended stays. Internet connections are slow, but the quality of connections is improving and service is becoming more widely available. Most hotels in Asuncion and Ciudad Del Este offer complimentary Wi-Fi. Electricity in Paraguay is 220V and 50Hz.

Transportation

Flights to Paraguay are limited in comparison to neighboring countries. No carrier offers non-stop service between the United States and Paraguay. International carriers have non-stop flights between Asuncion and Buenos Aires, Montevideo, Sao Paulo, Lima, Santiago, Santa Cruz, Madrid, and Panama City.

Many local and foreign bus companies offer in-country and international service to major cities in Paraguay and neighboring countries. The urban bus transportation system is inadequate for business purposes.

Asuncion's taxi network is reasonably well developed; however, some taxis are in poor repair and most lack air conditioning and seat belts. Car rental service is available with or without a driver. Visitors can hire a "remise," which is a dedicated car and driver that offers better quality and security than a taxi.

Language

Paraguay has two official languages: Spanish and Guarani. In practice, Spanish is the dominant language of business and government. A significant percentage of the business community understands Portuguese. English and German are also understood by some communities.

Health

Adequate medical facilities, prescription and over-the-counter medications, supplies, and services are available in Asuncion. Elsewhere these are limited, and in rural areas may not exist. Sanitary conditions are generally adequate. Bottled water is recommended.

Outbreaks of mosquito-borne diseases (dengue, Chikungunya, and Zika) are recurrent and occur in urban and rural areas. Malaria is present in some areas.

Information on vaccinations and other health precautions can be found on the [U.S. Center for Disease Control website](#). For information about outbreaks of infectious diseases abroad, consult the [World Health Organization \(WHO\) website](#). The WHO website also contains additional health information for travelers, including detailed Paraguay-specific health information, [here](#).

Local Time, Business Hours and Holidays

Paraguay is four hours behind Greenwich Mean Time, and one hour ahead of U.S. Eastern Standard Time. Paraguay implements daylight savings time by advancing clocks one hour, generally from mid-October to mid-March, meaning that it is two hours ahead of EST during the U.S. winter, but at EDT during the U.S. summer.

Commercial working hours are generally 8:00 am to 12:00 noon and from 2:30 pm to 7:00 pm Monday through Friday, and 8:00 am to 12:00 noon Saturdays. Banking hours are 8:30 am to 4:00 pm Monday to Friday, but most banks only receive the public until 1:30 pm.

The following are Paraguayan national holidays:

January 1: New Year
March 1: Heroes' Day (*)
March/April: Holy Thursday & Good Friday
May 1: Labor Day
May 14-15: Independence Day
June 12: Chaco Armistice (*)
August 15: Founding of Asuncion
September 29: Victory at Boquerón
December 8: Virgin of Caacupe Day
December 25: Christmas Day

(*): *Some holidays observed on Mondays.*

Web Resources

- [U.S. Department of State](#)
- [U.S. Embassy Asuncion](#)
- [Paraguayan Embassy, Washington, D.C.](#)
- [U.S. Center for Disease Control](#)

Paraguayan Consulates in the United States of America:

- [Los Angeles, CA](#)
- [Miami, FL](#)
- [New York, NY](#)
- [Washington, D.C.](#)

Airlines that serve Asuncion:

- [Aerolineas Argentinas](#)
- [Amazonas Linea Aerea](#)
- [Avianca](#)
- [Copa Airlines](#)
- [GOL](#)
- [LATAM](#)

Paraguayan cellular telephone service providers:

- [AMX Paraguay \(Claro\)](#)
- [Hola Paraguay \(Vox\)](#)
- [Núcleo \(Personal\)](#)
- [Telecel \(Tigo\)](#)