PARAGUAY

TRADE SUMMARY

The U.S. goods trade surplus with Paraguay was $1.5 billion in 2008, an increase of $363 million from $1.2 billion in 2007. U.S. goods exports in 2008 were $1.6 billion, up 30.2 percent from the previous year. Corresponding U.S. imports from Paraguay were $78 million, up 15.4 percent. Paraguay is currently the 66th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in Paraguay was $91 million in 2006 (latest data available).

IMPORT POLICIES

Tariffs

Paraguay's import tariffs range from 0 percent to 20 percent, with an average applied tariff rate of 8.7 percent in 2008. 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 11.7 percent and ranges from 0 to 35 percent *ad valorem*, with a limited number of country-specific exceptions. Currently, Paraguay maintains over 2,600 exceptions to the CET including for capital goods (for which the CET is 14 percent but for which Paraguay allows entry duty free or at 6 percent), information technology and telecommunications equipment, autos, chemicals, and an additional diversified group of 100 products. Tariffs may be imposed by each MERCOSUR member on products imported from outside the region which transit at least one MERCOSUR member before reaching their final destination. Full CET product coverage, which would result in duty free movement within MERCOSUR, was originally scheduled for implementation in 2006, but has been deferred until December 31, 2009. In addition, both Paraguay and Uruguay are permitted to maintain national lists of 100 country-specific exceptions until December 31, 2015.

Customs Procedures

Paraguay requires specific documentation, such as the commercial receipt, certificate of origin, and cargo manifest, for exports 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 delay shipments and lead to unexpected costs. The burden of compliance is most often borne by importers. The newly elected Lugo government took office in August 2008 and has announced its intention to simplify import requirements, which also had been a stated goal of the previous administration.

For virtually all imports of textile and apparel products and footwear, Paraguay requires that the name of the manufacturer and the name and fiscal number of the importer be included on the label. U.S. industry reports that such information is difficult, if not impossible, to know during the construction process when permanent labels are attached. Re-labeling products upon entry to meet these requirements results in additional costs and delays. Since 2000, Paraguay has prohibited the importation of used clothing. The U.S. Government continues to raise this issue with Paraguay government.

The potential increase of U.S. exports to Paraguay if tariffs were eliminated and customs procedures simplified is $25 million to $50 million.

GOVERNMENT PROCUREMENT

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

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

Paraguay's efforts to improve its IPR protection and enforcement are guided in part by a Memorandum of Understanding (MOU) with the United States, concluded following Paraguay's 1998 designation as a Priority Foreign Country under Special 301. This MOU has been extended and revised twice since it entered into effect. The current version of the MOU was signed on April 30, 2008, and is effect through the end of 2009.

Implementation of the MOU is subject to ongoing monitoring pursuant to U.S. trade law. The MOU details Paraguayan commitments to implement institutional and legal reforms and to strengthen intellectual property rights protection and enforcement. In addition, Paraguay agreed to ensure that its government ministries use only authorized software.

While the Paraguayan government has made important efforts to implement the current MOU and has met regularly with U.S. Government officials to review and discuss the progress achieved in addressing IPR-related concerns, additional efforts are needed to address significant challenges in the area of enforcement, particularly with respect to border enforcement against the transshipment of pirated and counterfeit goods. The International Intellectual Property Association estimated that industry losses in Paraguay's domestic market due to the piracy of copyrighted material such as movies, music, books, and entertainment and business software totaled $135 million in 2007. Complete figures for 2008 are not yet available.

Under the terms of the current MOU, the United States will continue to work closely with Paraguay to address IPR concerns. Areas of collaboration outlined in the MOU include: strengthening border control measures, increasing enforcement activity in marketplaces known for the prevalence of trafficking in pirated and counterfeit goods, and prosecuting IPR offenders. Although a new penal code which will be effective in early 2009 increases penalties for IPR violations, prosecution of IPR offenders remains weak, and there are few convictions. The United States is also concerned about the protection against unfair commercial use of undisclosed pharmaceutical test data submitted in conjunction with the application for marketing approval.

INVESTMENT BARRIERS

Paraguayan law governs requires that foreign companies prove just cause in a Paraguayan court to terminate, modify, or decide not to renew contracts with Paraguayan distributors. Severe penalties and high fines may result if the court determines that the foreign company ended the relationship with its distributor without just cause, which often leads to expensive out-of-court settlements. In a few cases, the courts have upheld the rights of foreign companies to terminate representation agreements after just cause was established, mainly on the basis of lack of sales performance by local representatives. This law may discourage U.S. investment due to concerns about potential lawsuits and interference with contractual relations. The impact of the law in U.S. exports is less than $10 million. The United States will work with the Paraguayan administration to seek modification of this law.