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MOTENONDEHA
MINISTERIO DE
RELACIONES
EXTERIORES



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Construyendo el futuro hoy

PARAGUAY

파라과이 2017



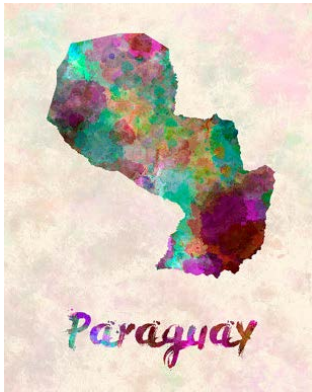
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Paraguay, investment destination #1

Presentation

The objective of this material is to present Paraguay: its authorities, its people, its natural beauties, its tourist profile, its economic and social environment, its foreign investment framework and its main export's products. The Government of the Republic of Paraguay has a great interest in strengthening relations with the Republic of Korea and with other Asian countries as well. Paraguay, as a landlocked developing country, has the main objective to diversify its international presence, in pursuance of its development challenges. Enhance mutual cooperation with the Republic of Korea in various areas, basically, education, technology transfer, infrastructure, health and others is one of the main interests of the Paraguayan government. Investment and commercial business between Paraguay and Korea are crucial aspects of bilateral relations, and therefore the mission of this Embassy is to encourage and promote both sectors. The Republic of Korea is one of the emblematic development models in the world, and Paraguay is ready to forge strategic relationship with Korean government and companies, in order to improve its citizens' welfare.

At present, Paraguay has an active and leading role in the international community. Paraguay is working very hard at regional and global levels to strengthen the bilateral and multilateral relationships that will enable it to face the challenges of its own development, such as the reduction of poverty, the employment creation, mainly for young people, and the technological development. The principles of the Paraguayan social system are based upon the rule of law, the respect for human rights and a political system founded on democracy.

The judicial stability and the respect to the foreign and national investments are also one of the cornerstones of the State's policy, carried out by the President Horacio Cartes and his Government. In this context, we invite the Korean and other Asian countries' businessmen to visit Paraguay and evaluate the many possibilities and opportunities we are offering in a favorable market environment for investor, with appropriate human and material resources for the development of business competitiveness on a global scale.

In addition to its skilled-young labor and fertile land with abundant fresh water reserve, Paraguay is one of the biggest producers and exporters of food and renewable energy in the world. In the other hand, Paraguay is in the process of diversifying its industrial sector and for this purpose, the Paraguayan Government invites the Korean companies to take advantage of investment opportunities in our country. Paraguay has a stable legal regime and it has signed international agreements, which promote investments, including a simplified and competitive tax system. Its Maquila scheme allows the production of various goods, including auto parts, spare parts, electrical machines, computer parts and other items to be exported to the Mercosur's market, mainly in Brazil and Argentina. Paraguay's products can also access the European Union, with 500 million consumers, under the European Generalized System of Preferences Plus (GSP Plus), that include tariff and non-tariff advantages.

We extend a very cordial greeting to our compatriots in the Republic of Korea and other Asian countries, where they collaborate with their efforts, experience and knowledge to the development of these countries. It is important to mention that Paraguay is always waiting for its people, scattered throughout the world. Nowadays, there are many foreign families, from different countries, living in Paraguay, including Koreans, Singaporeans, Chinese, Europeans, Americans, Indians and others.

The Embassy of the Republic of Paraguay is open for any enquiries about consular, economic, tourism and commercial issues.

Raúl Silvero Silvagni

Ambassador of the Republic of Paraguay to the Republic of Korea

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Horacio Cartes, the People's President



In 2013, Horacio Cartes was elected as Paraguay's new President. 2016, the results speak for themselves. He talks about principles, policies and priorities in an interview.

You are half-way through your presidential term. What's left on the agenda and what is your imminent priority?

We have achieved a great deal, but the first thing that comes to mind is the transparency we have created in public services. Our government worked hard during its first years to create tools and to establish transparent systems in every state institution, including the bi-nationals. Laws were passed and programmes were created so that the public in general could have access to information about what the state is managing, including budgets, salaries, projects and contracts.

These tools are paramount in order to do away with corruption in the current government and in future administrations. When there is transparency in government, its programmes are more efficient and the people receive more and better benefits.

Thanks to transparency in our administration, we have ensured that billions are saved for the state and we have strengthened our social programmes to reduce poverty, which is one of the main priorities of our government. Through efficiency and responsibility we can offer more training, decent housing, basic services, opportunities and better living standards for the Paraguayan people.

Another substantial achievement is the major investment made by the government to improve the infrastructure of our country, investing in public work to build pathways, roads, bridges, and so on.

But this is something that we also have on our agenda for the near future, because our country has a great deal of requirements to fulfil. We will continue in our intensive task to increase and improve these public projects, not only through governmental investment, but also through associations with other sectors.

And we are already working on major projects that will soon be implemented, and that will galvanise our economy considerably.

Among the core ideas of the Cartes Administration, how would you describe Paraguay as a brand projected to today's world?

Paraguay is the heart of Latin America, and it has a key role in helping the world rediscover the potential of Latin America and the Caribbean, in completing the transformations that our country and the region require, and in improving the living standards of its people. From the first day, I underlined the importance of improving relations between Paraguay and the rest of the world in order to embark on inclusive economic development. We have worked hard to encourage and guarantee foreign and national investments, and we have made great progress in public safety and legal security.

Thanks to our efforts, the world sees Paraguay as a country of opportunities that offers reliability and predictability. Our country stands out in the region as an attractive base from which to do business, invest and take on new economic business ventures. Paraguay is currently a jewel being discovered and gradually making a great impression on the world.

What progress has been made in eradicating extreme poverty?

Reducing poverty is one of our main goals, and one of our great challenges, which is why we are fighting it on all fronts.

We are developing comprehensive projects to connect our social protection programmes with our economic inclusion programmes, to create more profound social transformations that will encourage development.

We work together at ground level, with dedicated targeting systems to benefit those who are in most need, with full support for families, so that the most vulnerable people

have access to education, health, adequate accommodation and sanitation systems. In this way we intend to provide better living standards for Paraguayan families.

We are also reforming public services sector, to offer improved and more efficient social services, run under public-private co-production schemes. We have created programmes such as the Spreading Opportunities Programme, a strategic plan to eradicate poverty that brings together dozens of public institutions, and invites the private sector and civil society to unite their efforts. The economic projections of the country are optimistic, which is why we are confident that higher economic indices will bring reduced levels of poverty in the country.

Can you talk a little about your transparency policies?

In order to build up the country we want, it is of the utmost importance to work towards ending the corruption that for decades caused so much harm to our country. The ambitious transparency programme that was put in motion in our country follows the principle of making the public public, which we promised and which we have fulfilled from the first day of my government. The policy allows citizens to fully enjoy their right to access public information. This transparency process also covers the absolute freedom of the press and active public participation to monitor public interests, and their implementation has improved the position of Paraguay in the 2015 corruption perceptions index.

What are your thoughts on Paraguay's place in the Mercosur?

The Southern Common Market has made significant improvements in 25 years, despite the deficit that some could claim, and still stands as a catalyst for economic growth and trade relations, and as a strong promoter of integration. As Paraguayans we are integrationists, and when Mercosur was

created we had already gone a long way in that direction. We have gained recognition from other members for the benefits of our geographical location and the volume of our economy. Since colonial times, we have had a rich history of commercial, cultural and social exchange with Argentina. We share not only a long border but also the wish to maintain our strong unification.

What impact has the bilateral agreement with the European Union had on trade and cooperation?

The commercial and cooperation agreement between Mercosur and the European Union will become the most impressive association between two economic blocks, and will have a direct impact on the global economy. We are strongly motivated by several factors to make the agreement a reality as soon as possible. We have recently been participating in the Organization of Economic Co-operation and Development meetings in Paris, where we have had the opportunity to meet different European leaders. Our relations with the organization, alongside other processes that we have been putting in place will allow us to consolidate, extend and accelerate change so that the Paraguayan people can have better lives.

What achievements have been made so far in public-private partnerships?

As soon as we began government, we set out the advantages of a law of public and private association for developing the country. With this legislation now in force, we are able to attract the attention of foreign investors who see Paraguay as an ideal business setting, backed by the legal endorsement.

And we are already initiating major projects that will provide the development our country needs.

What are the competitive advantages of Paraguay as a business and investment destination?

Over the last decade Paraguay has enjoyed continued economic growth, at an average of 5% per year. We have a well-ordered monetary policy, with low inflation and a stable currency. Paraguay also has a solid financial system, a pro-investment taxation system, a balanced government budget and a sustainable public debt. Paraguay offers one of the highest returns on direct foreign investment in the region and free movement of capital. The permanent presence of foreign companies in Paraguay is indeed a consequence of the legal security, the advantages of a competitive and specialized workforce, the connectivity, and a favorable disposition of the Government. And on top of that, we also offer the characteristic Paraguayan welcome.

We have been able to achieve the results we expected through our focus on values such as transparency, efficiency, responsibility and compromise: values that I consider to be essential in every political, and general, field. Thanks not only to individuals but also institutions working together, our progress has been more efficient and has provided greater benefits to the people.



**Interview with
Eladio Loizaga,
Minister of Foreign Affairs**



When we interviewed President Horacio Cartes recently, he spoke of his desire to see a ‘New Paraguay’, a country that is open to the world. How are you taking this vision to the world?

Since President Cartes took office in 2013 we have been working very hard on a regional level, reestablishing and strengthening our bilateral relations with our main partners in our region. We are also making an effort in the European market and developing relations there.

Now the partnership between the Community of Latin American & Caribbean States (CELAC) and Europe is being reestablished, Paraguay would like to be one of the main actors in this process, because we share common values with European countries, values such as democracy, free speech and human rights. It gives us an opportunity to show a new image of Paraguay and that this government is committed to the fight against corruption.

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We approved the law of free access to information that allows people from inside and outside of Paraguay to know what is happening in the government and how we are managing the budget of our country.

Paraguay in MERCOSUR, what would be your key items on the agenda?

First of all, we are very happy that Brazil and Uruguay share our feelings regarding how we connect MERCOSUR internationally, because

MERCOSUR must open itself to the rest of the world.

We need new trade agreements with other blocs or developed countries, for instance, with Korea, Singapore, and other countries. One of our objectives therefore will be to speed up the process of the FTA with the European Union. This process has been going on for 25 years and we are anxious to see it come into effect.

What is your personal approach to diplomacy in fostering foreign relationships, what are you trying to do differently at the Ministry?

I am trying to put Paraguay in the international arena principally through organizations like the WTO, UN, and subsidiary bodies of these entities. We are trying to improve relations through presidential diplomacy by attending all kinds of international events where we can build personal relations. As a result of this policy, Paraguay has increased the number of seats in different international organization. Today, Paraguay plays a leading role in numerous committees such as the Human Rights Committee of United Nations, UNESCO committee, United Nations Human Settlement Programme, Council of Administration of the Universal Postal Union, IAEA, Board of Governors, and has presented its candidacy, for other multilateral organizations.

What message would you like to leave for international investors about opportunities in Paraguay?

I want to say that Paraguay has very clear and stable rules. We offer predictability for foreign investors; they can count on us and know that we are not going to change the law every year. My door is always open and we are always here to listen and to help any problem that investors may have, from Singapore, Korea and from other Asian countries as well. We are tough on corruption and we have competitive energy, which is a major factor for companies looking to invest, as well as our clear and simple tax system.



Paraguay at the heart of South America



Far from depending on its many neighbours, Paraguay — nestled in the bosom of the continent — has actively drawn on all its geographical advantages.

Situated on the banks of the Paraguay and Paraná Rivers between Bolivia, Brazil and Argentina, the Republic of Paraguay lies in what is known as the heart of South America, a notion that is deeply rooted in the culture and society of modern-day Paraguay. Historically, Paraguay was formed due to its positioning as the principal crossroads between other South American countries. However, Paraguay has emerged as a leading entity in the region, with its ability to resist foreign influence and to maintain its local language and culture, Guaraní, which is preserved to this day. This aspect alone represents the durability and persistency that is deeply embedded in the country, and which is further evident through its modern political and economic standing at the crossroads, or heartland, of South America.

Over the past 20 years, South American nations have undergone major economic growth and prosperity due to their incorporation of liberal economic policies and advances in natural-resource extraction, resulting in major economic success in regional and international markets. The central geographical location of Paraguay combined with the rapid developments in the continent have benefitted the nation through technological and logistical modernisation in the middle of economic prosperity. The country's domestic economic success in the centre and interior of South America signifies its capacity to be a dynamic logistics platform and access point for foreign investment in the wider continent.

While the South American continent is considered one of the fastest growing in the world, the domestic Paraguayan economy is a symbol and reflection of regional success.

Recognised as a major logistics hub for water transport, including cargos of grains, meat and mining resources, Paraguay has utilised its centralised location and major river ways to attract notable levels of foreign investment. Paraguay's lack of direct access to ocean transportation routes has not prevented its emergence as a leader in logistical services, due to its advantageous location in South America, which is reflected and apparent in its consistent GDP growth rates of 4.5% over the past decade. Further complemented by low energy costs, abundant natural resources and a competitive tax regime, Paraguay represents an appealing investment environment, which continues to grow. Over 60% of Paraguayan foreign investments are concentrated in Asunción, where applications to open new businesses have tripled over the past few years, establishing Paraguay as a major focus for international investors in South America.

The locational advantages unique to Paraguay also offer benefits outside the domestic economy, as it is fully integrated in the industrial supply chains of Brazil and Argentina. Paraguay is a world-class food product exporter and is renowned throughout South America as a major competitive force in the products and services exports sector, which includes logistic and transportation services. With access to new markets permitted through regional and international economic alliances, including Mercosur, the Paraguayan economy has achieved the export of over 14,000 different products to foreign markets, including the European Union. Mercosur represents the fourth-largest trading bloc in the world, incorporating South American economies and further increasing trade and sustainable growth in the continent. The increased exploitation of Paraguay as a principal trade partner in the international forum and as a logistics hub within South America has led to substantial economic agreements and trade expansion, which in turn has resulted in the creation of an emerging favourable investment climate for regional and international investors.



Making the Maquila more dignified



Maquila denotes the assembly of goods intended for exporting using imported parts. Policies focussed on the industry are officially promoted in Paraguay, with the objective of increasing industrial development, exports and creating new jobs.

In 1997, Law 1064 “On the Maquila Export Industry” came into effect, covered by Decree 9585 of 2000 (*1), representing a new opportunity for foreign and local investors. The National Council of Maquila Industries (NCMI) is responsible for officially promoting maquila policies in the country, led by the Ministry for Industry and Trade, comprising State Institutions including the Treasury Department, the Ministry for Foreign Affairs, the Central Bank of Paraguay and the Technical Secretariat for Planning.

Through the Maquila system, goods are produced and services are provided for the international market. The basic objectives are industrial development, creating jobs and increasing exports.

This production of products and services is provided by companies products and services is provided by companies legally established in the Paraguayan territory.

In this way goods and services from abroad, temporarily imported, are combined with a national workforce and other national resources with the resulting products destined for the export market.

CNIME, as the body responsible for promoting the system, works tirelessly to produce adequate regulations and operational conditions for development. Likewise, this project has been created with the aim of supporting the national economy, enabling products produced in Paraguay to be successfully sold abroad.

The main beneficiaries are those national and foreign companies located in Paraguay, although they might be protected by another located abroad, be it a natural or legal person.

The law does not impose limits on the capital and this may be foreign, local or mixed and the maquila industries can be located in any

part of Paraguay, provided local regulations are followed. Likewise, the companies may be individuals or legal entities and there are no restrictions with regard to the area of production.

Workers are protected by the current laws and the relationship between these and employers are regulated by Law 213/93. This creates a dynamic which leads to new niche markets and creates employment opportunities, mostly for Paraguayan citizens. The industrial activity is carried out by virtue of the contract drawn up between the maquila company registered in the national territory, and the other company resident abroad, which is the parent company. This creates a link between investment, product and service, impacting positively on the national economy. The Paraguayan Maquila is in a phase of expansion, working with both the public and private sectors, through the aforementioned CNIME, the Chamber of Paraguayan Maquilas (CEMAP) and other interested collectives.

How does the maquila work? A contract is drawn up between a foreign parent company and a maquila for industrial processes or services whose product is intended for exporting. The maquila may then subcontract another company which would then become the sub-maquila. The contract between the maquila and the sub-maquila is liable for a single tax of 1% VAT in the national territory.

The profits for companies that only act as maquilas are exempt from Patent, Trade, Industry or Professional Tax. The same holds for the Construction Tax that affects the industrial or service plant. This also applies to fees directly related to the maquila process, the VAT levied on the renting or leasing of the machines and systems that form part of the maquila programme, as well as any other tax, fee or national contribution or department created or to be created.

Any person, natural or legal, national or foreign domiciled in the country and authorised to carry out business activities may benefit from this Law. As for environmental questions, the maquila projects are subject to the relevant laws, regulations and bylaws. This is to protect the national territory and its resources and provide environmental safety.

It is worth noting that maquila industries represent an influential sector within the manufacturing industry, showing significant growth since their creation in 2001, with 108 maquila companies created. Between 2013 and 2016, 66 projects were approved with a total investment of US\$142,949,510 in the Alto Paraná, Central, Amambay, Capital, Guaira, Canindeyú and Presidente Hayes areas; helping to create 5,683 job. This has led to an increase in exports, estimated at US\$284,000,000 which represents a 14% growth compared to 2014. On average these exports have grown by 21% in the 2008-2015 period⁷.

It is worth looking at some of the main investors who have opted for the maquila system, achieving excellent results thus far.

Grupo Harrison is one of the investors that have opted for this system in Paraguay, with its companies primarily focused on health, through pharmaceutical industries and distributors with pay as you go insurance, as well as the mobile phone sector.

Another example is Laboratorios LASCA, founded by Oscar Vicente Scavone, which has formed the country's largest pharmaceutical group with over 500 professionals dedicated to research and creating quality medicines that are also exported for the international market. The maquila system means not only an opportunity for national and foreign entrepreneurs but also for developing the internal workforce, with the objective of increasing the number of decent, stable and decently paying jobs.

Interview with
Ramón Jiménez Gaona,
Minister of Public Works and Communications.



How is Paraguay currently positioned in the region and internationally?

Paraguay occupies a privileged position internationally. Moody's, the international credit rating agency, gave Paraguay a Ba1 credit rating, maintaining its stable outlook. This rating was given at the same time as a number of countries in the region were experiencing a reduction in their credit ratings. Moody's forecasts a 3% growth for Paraguay in 2016. It also considers that the advances that have resulted from complying with the fiscal accountability law as factors that will maintain the country's rating.

In your opinion, what are the characteristics of the Paraguay brand?

Today, Paraguay is on the radar for international capital. We have put Paraguay on the investment map, thanks to significant projects that attract first-rate international companies. The Infrastructure, Transport and Logistics Master Plan aims to ensure the country has a key role in regional connections.

How has the Paraguayan investment offer developed in quantitative terms?

The Paraguayan investment offer is widening, due to the approval of new laws. Private investment in the country has particularly increased. During the first half of this year, the Ministry of Finance approved 48 private investment projects with a total value of 408,119,115,063 guaraníes (£55.4 million), under the benefits and scope of Investment Law 60/90.

How many large infrastructure projects has this government approved and what is their economic significance?

Until 2013, Paraguay had an annual investment in infrastructure of US\$178 million. In 2014, the budget for construction works was US\$426 million, in 2015 we increased this to US\$500 million, and the target for 2016 is US\$600 million. In just two and a half years, the Ministry of Public Works and Communications has tendered public works contracts valued at \$3,166 million. By the end of this year, we will have tendered public works valued at US\$5,117 million.

Which of these works have been tendered under the APP law?

The renewal of the National Routes 2 and 7, which require an investment of approximately US\$530 million. The modernisation of Silvio Pettirossi International Airport, the first phase of which costs US\$130 million. And the final design, construction and financing for paving the San Cristóbal section of National Route 6.

Which works were tendered under Law 5074, that is, turnkey works?

The reconstruction of the Transchaco Route, from Puente Remanso to Mcal. Estigarribia. The access roads for the Second Bridge between Paraguay and Brazil, in Presidente Franco city. The installation of sewage systems and drinking water treatment plants for the cities of Lambaré, Luque and Mariano Roque Alonso. And the design and construction of the tarmacked road from Loma Plata to Carmelo Peralta, in Central Chaco.

What are the current bottlenecks and what solutions are being considered?

The main difficulty is the lack of qualified personnel. The MOPC has contracted professionals through an independent company and has signed a convention with the University of Sao Paulo, to train 120 recent engineer graduates, who will be employed by the ministry after completing the course.

What sectors and opportunities in infrastructure and public works are available for foreign investment?

There are many investment opportunities in infrastructure and public works in the electricity, water and sanitation sectors, as well as in modernising public passenger and goods transportation. Due to strategic works that will be tendered under the APP law and the Turnkey law, a greater increase is expected in 2017.



Organics, an attractive and eco-friendly business



Paraguay has a flourishing organic scene, dominated by sugar and molasses.

The trade of organic products is a rapidly expanding market. In 1999, there were 200,000 producers and US\$2.3 million exchanged commercially. By 2014, the market had grown to 2.3 million producers and US\$80 billion in trade. It's estimated that in Paraguay, earnings in the market totalled US\$115 million (2014) according to the Paraguayan Chamber of Organic Production and Agroecology (CPROA).

Different companies work with 35,000 small producers and pay them a higher wage for the sale of their raw material. Global exporters of organic products are good examples of success stories, handling products such as sugar, corn, cotton and soybeans.

They also integrate industrial processes into their range of products, such as the sale of animal feed, the protein of which is derived from cotton seeds, as well as palm, sesame and chia oils.

They also form part of a consortium dedicated to exporting natural herbs and spices.

With 62,274 hectares, Paraguay ranks 49th globally in the number of hectares dedicated to organic cultivation and 8th in Latin America. In 2013, the country ranked among the top 10 in the world for the greatest number of hectares converted from conventional to organic production. Paraguay's main export in recent years has been sugar, and indeed the country is recognised as the world's largest exporter of organic sugar.

In 2013, sales of Paraguayan sugar exceeded US\$70 million, and Paraguay was the Latin American country with the second-greatest number of hectares devoted to organic sugarcane cultivation, with 11,500.

Since 2008, Paraguay has had a framework in place that regulates organic production and certification, as well as the creation and development of cultivation areas.

It's also the only Mercosur country with preferential access to the European Union, which allows it to deliver more than 9,000 products that meet the required standards to 500 million consumers with high purchasing power.

These characteristics are what differentiate Paraguay from the competition. They make it possible to create economies of scale for products like sugar and oils, while strengthening the secondary market through direct foreign investment. This allows companies to sell exports with good margins and, in turn, pay producers better and thus become certified as "Fair Trade." There is a lot of work left to do in these areas, such as in the case of the marketing of organic stevia, a growing product in which the market is not yet saturated. Other products with growing sales include sesame, molasses and chia; the latter achieved an export revenue of over one million USD by 2011.

Although Paraguay has increased the amount of land dedicated to growing organic produce, there is still a lot of potential for it to be increased. The positive experience of converting land that had been cultivated for years into organic land opens up a new opportunity for product diversification and greater added value, in turn protecting the natural resources in the country¹³. For any country, participating in the organic market means participation in a market that's necessary for the conservation of the planet and for a future guided by more than economics; organic cultivation is essential for the maintenance of soils.



Paraguay takes its place as a major beef exporter



Paraguayan beef is present on kitchen tables around the world, from Moscow to Hong Kong and Tel Aviv.

Asked to name a South American country, home to immense cattle ranches and producing high-quality beef for export around the world, most people would probably answer, Argentina. Yet while Argentina has fallen out of the top 10 of the world's major beef producers in recent years, Paraguay has become a major player, thanks to a combination of clever management, investment from abroad and favourable natural conditions.

“Argentina, the land of the legendary gaucho, has been quietly slipping down the beef export stakes. Once the proud home of the world's biggest beef eaters, Argentina has now been overtaken by Paraguay,” as has been noted by the Financial Times.

Despite being a landlocked country – with the implications that has for the export trade – and faced with recurring questions about foot and mouth disease, Paraguay has achieved exponential increases in its beef production and exports over the past decade.

During the 2007-2014 period, beef exports rose by 80% to 390,000 tonnes. That compares to an increase of 21% in Australia, 8% in Brazil and a staggering 62% decline in Argentina, due in part to drought and to higher prices for soya beans, making the crop more attractive than ranching.

The increase in Paraguay's exports, combined with higher international beef prices, caused the country's foreign exchange revenues from beef exports to increase by 14 during the 2007-2014 period, to US\$1,726 million, a government report said. The trend continued in 2015 when, according to the US Department of Agriculture, Paraguay's beef sales abroad stood at 381,000 tonnes, making it the world's eighth-largest exporter. By April of this year, Paraguay's exports had already matched that figure and the USDA forecasts they will reach a record 410,000 tonnes by October.

Although it may not be well known in Europe or the United Kingdom as a source of top-quality beef, Paraguay has carved out an export market around the world. Some 48% of its beef exports go to Russia, 16% to Chile, 12% to nearby Brazil, 8% to Hong Kong, 5% to Israel and the remaining 11% to other countries.

Beef, along with soya beans, has long been Paraguay's leading export, making agriculture a mainstay of the economy. With a population of only seven million to feed, Paraguay's ranchers are permanently focused on the export market, which consumes over 20% of the country's beef production. But how has Paraguay managed to surpass traditional, iconic beef exporters such as Argentina? One reason is that its geography, rainfall and weather conditions are all naturally suited to cattle production. This favourable ecosystem has contributed to a 44% increase in cattle herds between 2007 and 2014.

Herd numbers are now expected to reach 20 million by 2020, up from the current 16 million.

Another factor is the government policy regarding cattle production and agriculture in general. "Unlike Argentina, the Paraguayan government supports a very free-market approach to agriculture which benefits beef exports," wrote Erin Borrer, an economist with the United States Meat Export Federation, following a 2014 visit to Paraguay. "Beef exports are viewed as a valuable economic engine for the country, rather than a competitor that drives up costs for domestic consumers."



She observed that Paraguay was well positioned for continued growth, despite some natural obstacles (among them its landlocked border) that make transportation of beef and other exports more complicated and expensive. As an example, the cost of shipping beef by truck from Paraguay or Chile is almost as high as the cost of ocean freight to Russia. Paraguay's cattle ranching business has also benefitted from foreign expertise. Among the main investors in the industry are Brazilians, who are helping to bring the latest livestock-raising and production practices into play.

Paraguay's rise to the top ranks of the world's beef producers has not always been easy. The discovery of foot and mouth disease in some cattle in 2002 and 2003 caused a number of countries to ban imports from Paraguay. However, the country has responded with vigorous vaccination campaigns and has been able to renew its certifications with major international authorities such as the World Organisation for Animal Health.

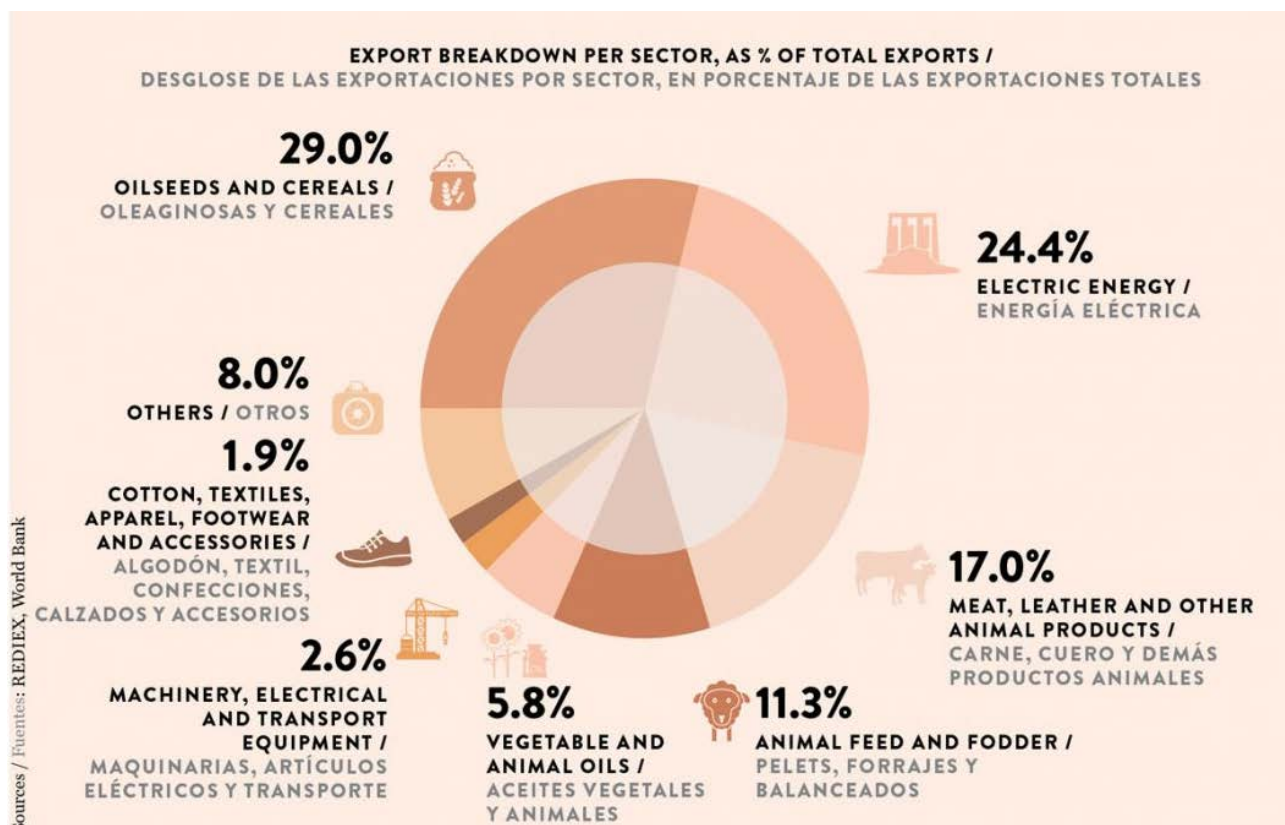
In 2011 Chile suspended imports of Paraguayan beef, as did the European Union, due to another outbreak of foot and mouth disease. Access to the Chilean market was reinstated in 2012, and exports to Europe are expected to take off following the European Commission ruling, in April 2015, that Paraguay's beef exports offer satisfactory guarantees, regarding the disease.



Paraguay's Positions in the Global Market



Paraguay's Export Scene

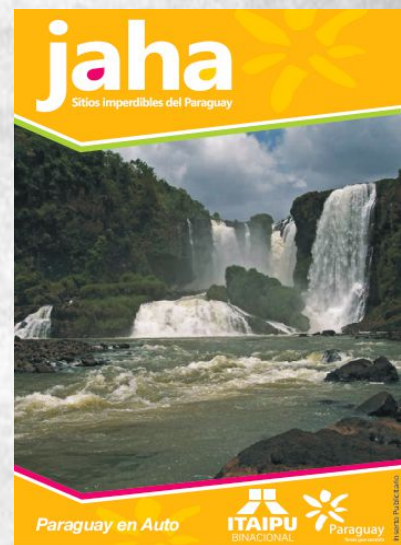




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