



Paraguay

Land of opportunities



MINISTERIO DE
**INDUSTRIA
Y COMERCIO**

November - 2013

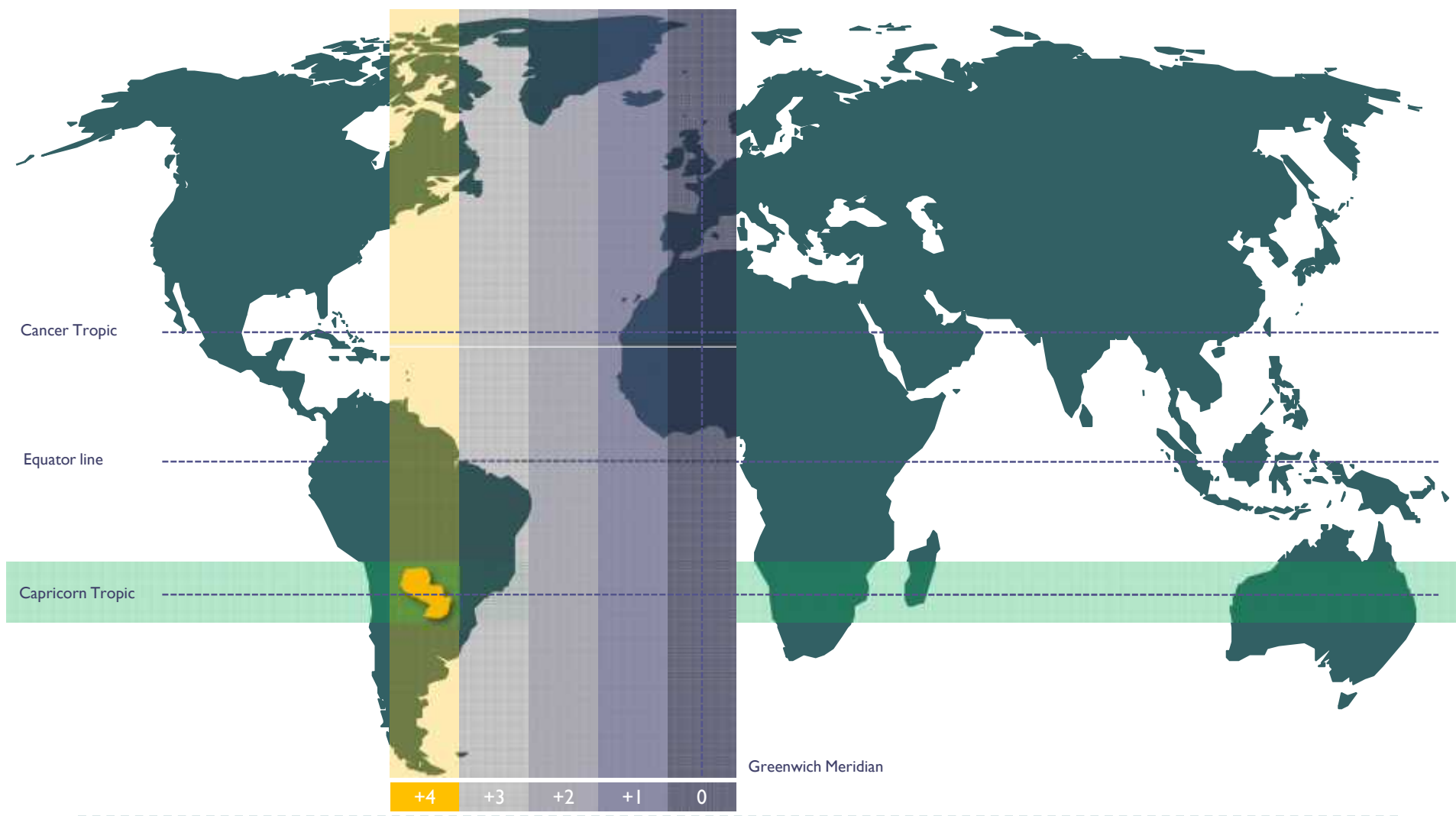


General Information





Paraguay, in the center of South America

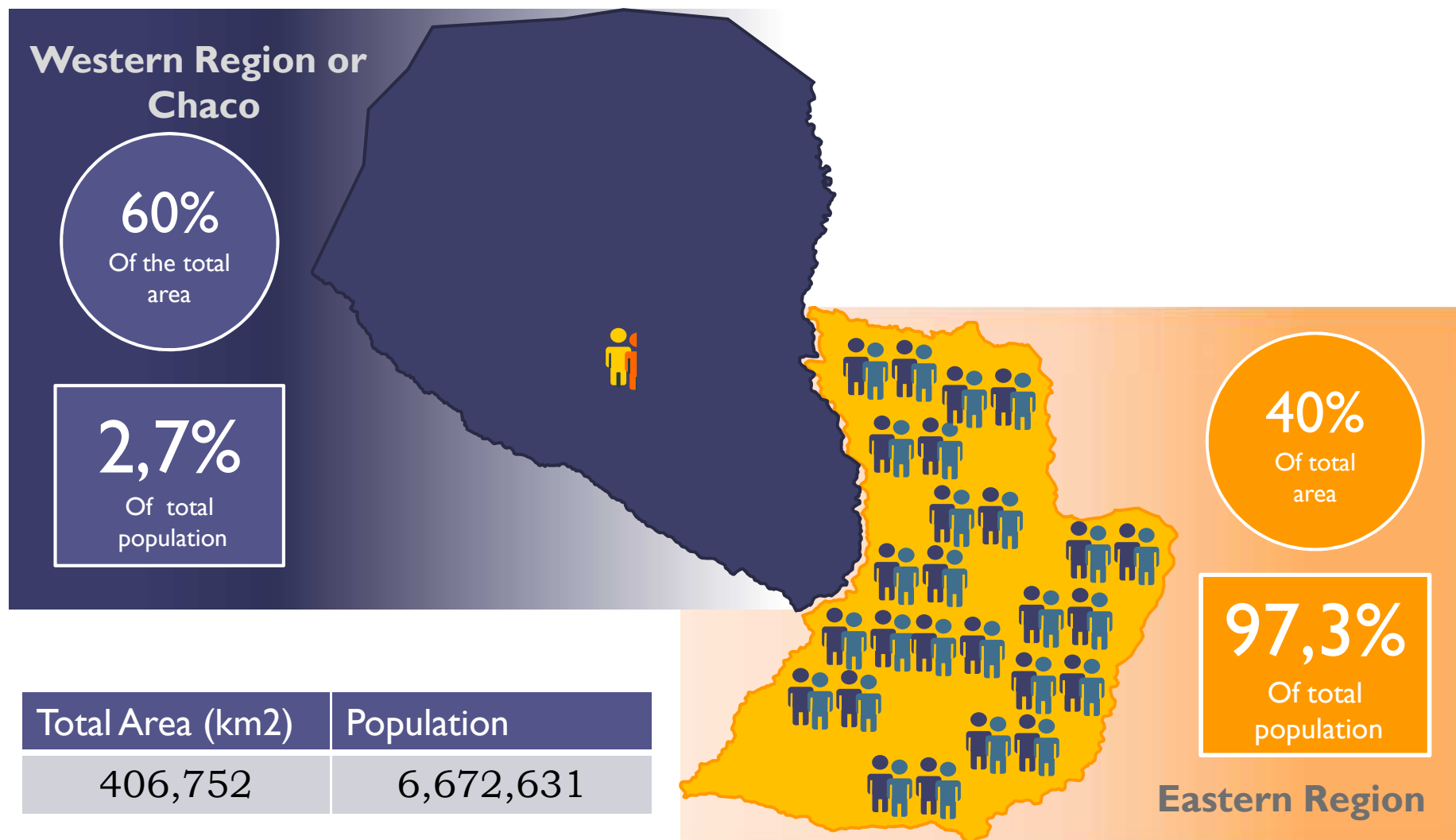


Facts and figures



Area (Km.2):	406,752
Official languages:	Spanish & Guaraní
Currency:	Guaraní (Since 1943)
Exchange rate (US Dollar – Guaraní) (2012):	1 USD = 4,070 Gs.
Population (2012*):	6,672,631
Nominal Gross Domestic Product GDP** (Bill. USD) –Yr. 2012:	18.2
Nominal Gross Domestic Product GDP Per Capita** (USD) –Yr. 2012:	3,770
Country's Capital:	Asunción
Other cities and major economic areas Central Metropolitan Area ASU-CDE-ENC-ASU connexion Central Chaco / NE Zona	Ciudad del Este, Encarnación, Salto del Guairá, Coronel Oviedo, Concepción, Santa Rita
Working Age Population –WAP (2012): 60.7% of Pop.	3,215,510
Rate of unemployment (2012):	5.7% of the WAP

Regions of Paraguay



Access to attractive markets

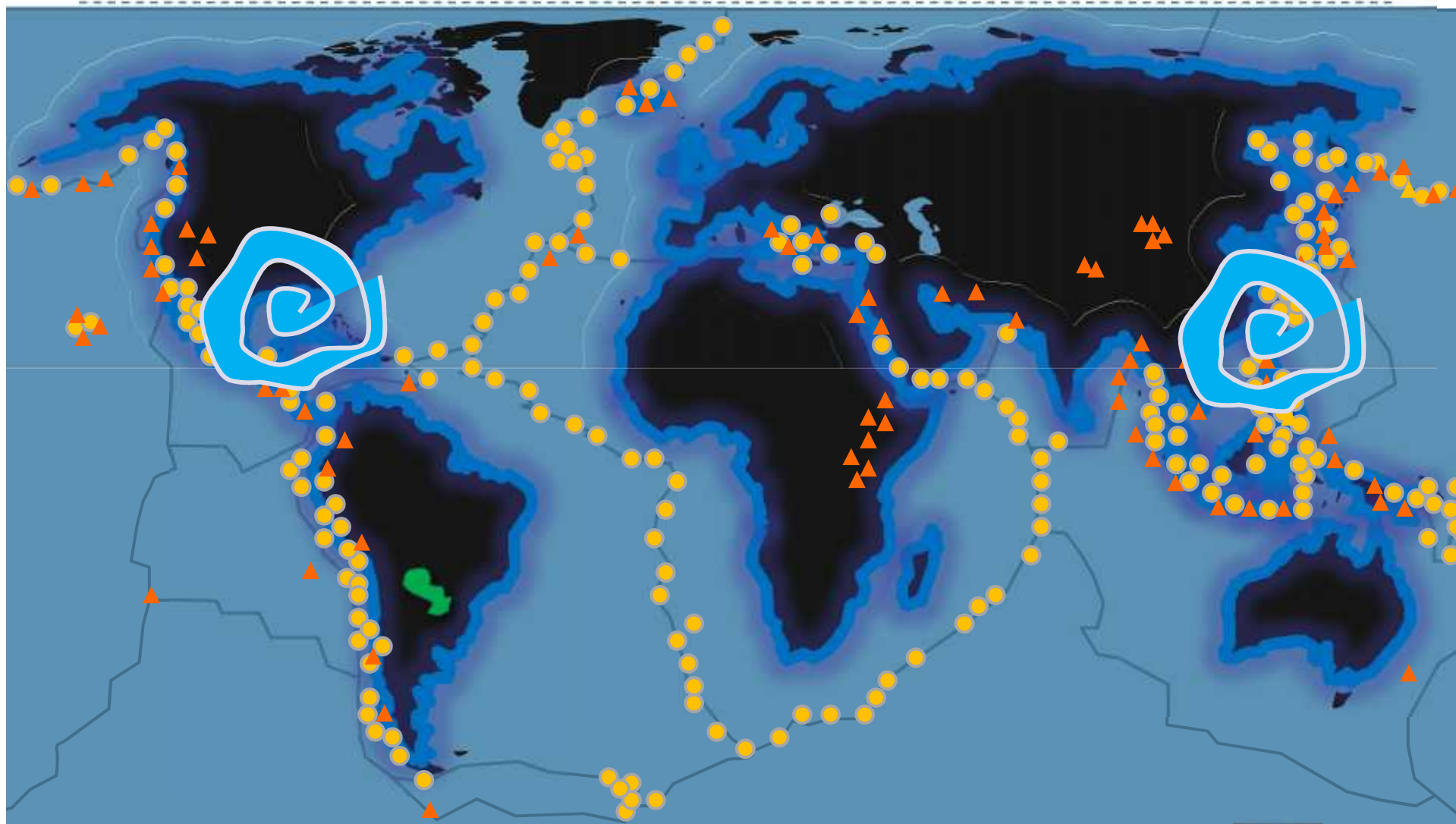
- ▶ Paraguay is located in the center of the region with the highest income of South America.



	South America (100%)	MERCOSUR (70%)	Paraguay + 1.300 km
Population (Mill. people)	360	250	120
GDP Billion US\$	2.875	1.948	927
GDP per capita (US\$)	7.986	7.792	7.725

- 33% of South America's GDP
- 33% of South America's Pop.
- 96% of South America's average per capita Income

Lower Risk of Natural Disasters

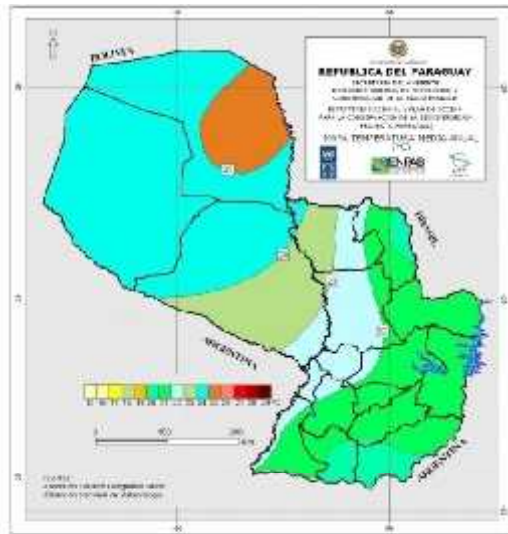


- ▶ Tectonic plaques
- Earthquake risk
- ▲ Volcano eruption risk
- ⊙ Severe weather conditions risk
- ⬛ Tsunami risk

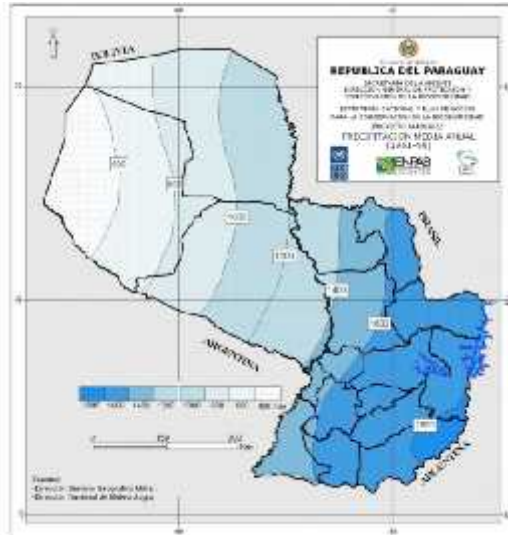
Structural Resources



Ideal natural conditions – A big water reserve



Average yearly temperature: **28 C°**



Average yearly rainfall: **1.200 mm.**

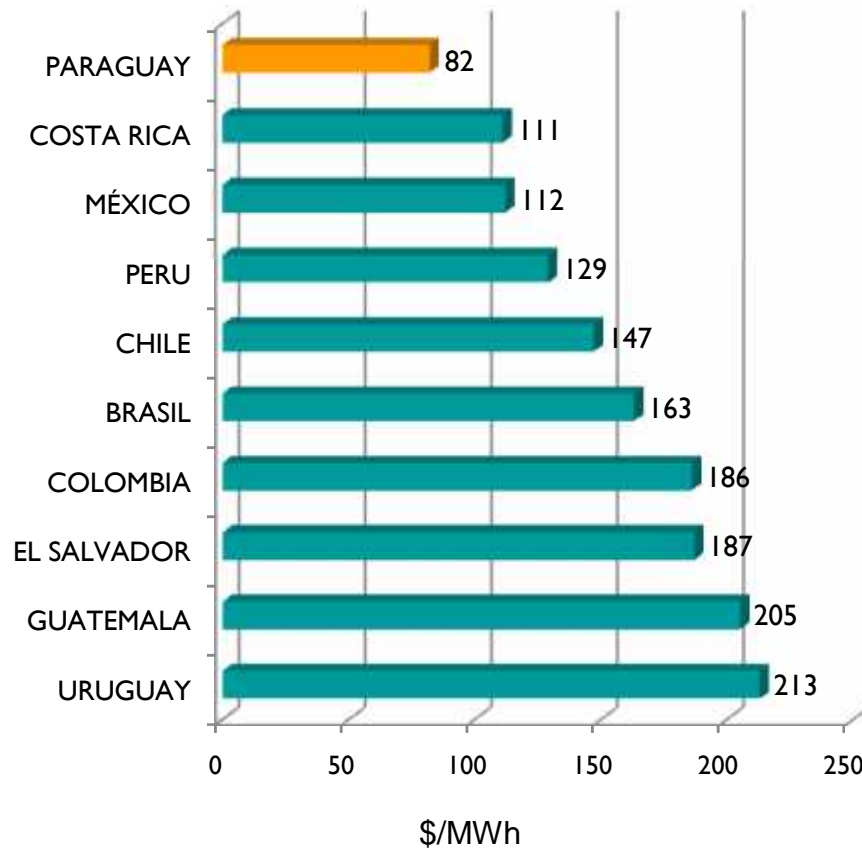


Paraguay is located in the center of the Guarani Aquifer.

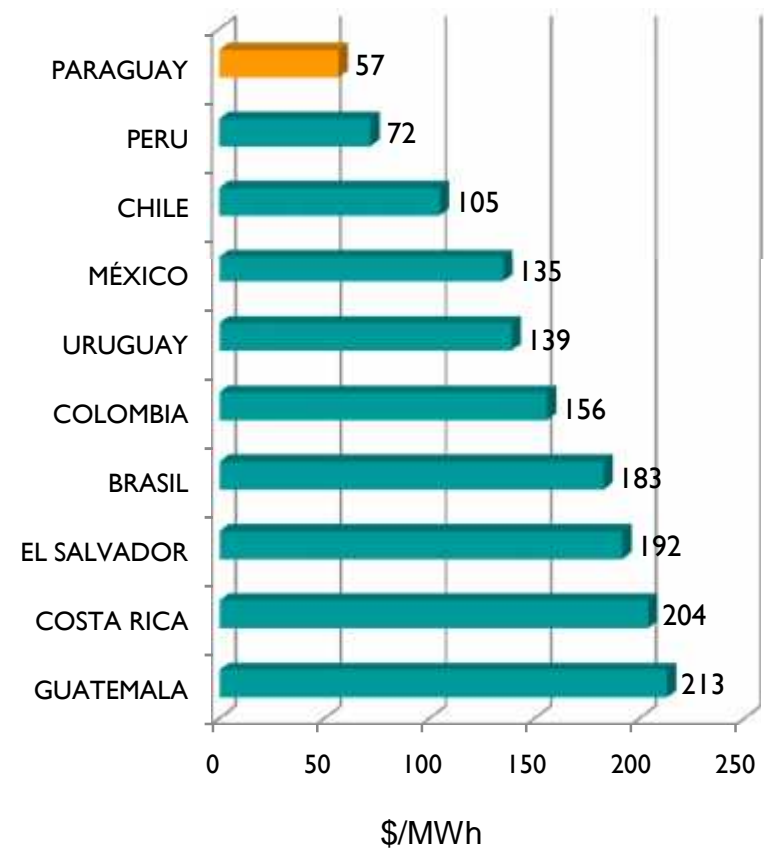


Comparative low cost Electric Service

RESIDENTIAL: 200 KWh/mes

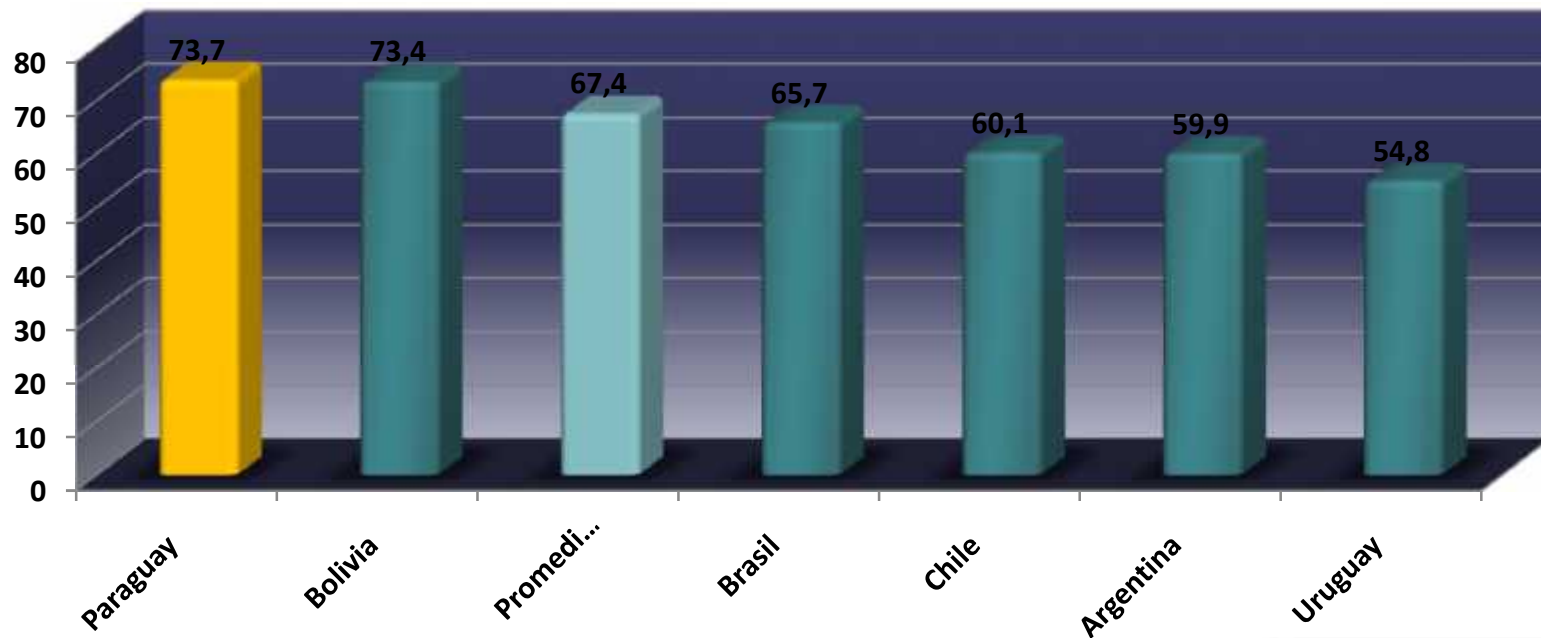


INDUSTRIALIST: 50 MWh/mes



Young and trainable laborforce

Population younger than 34 years old (%)



- ▶ Paraguay has the youngest population in America.

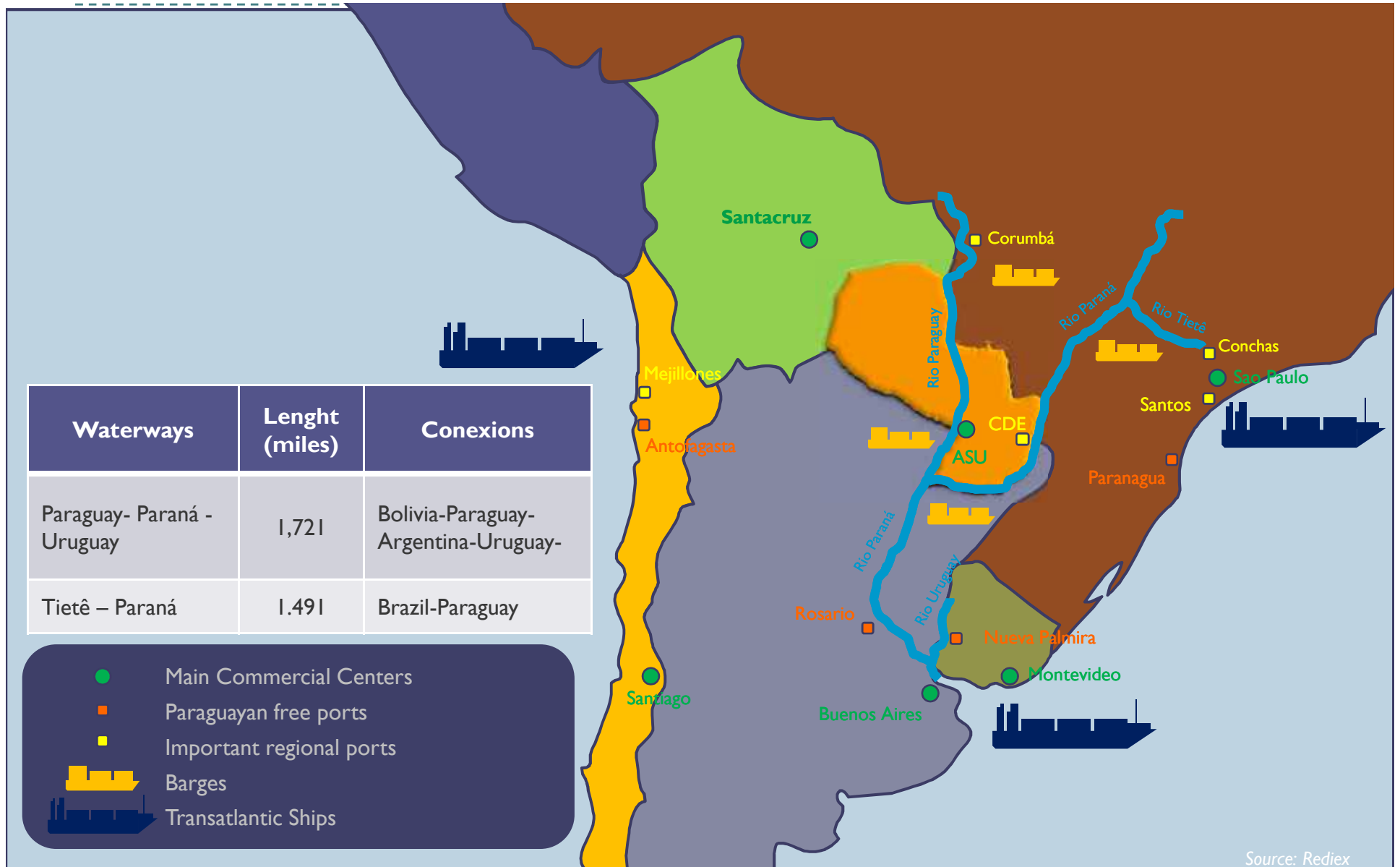


Regional Logistics





An important waterway in the Region. Paraguay – Parana.



Source: Rediex

Energy for the future

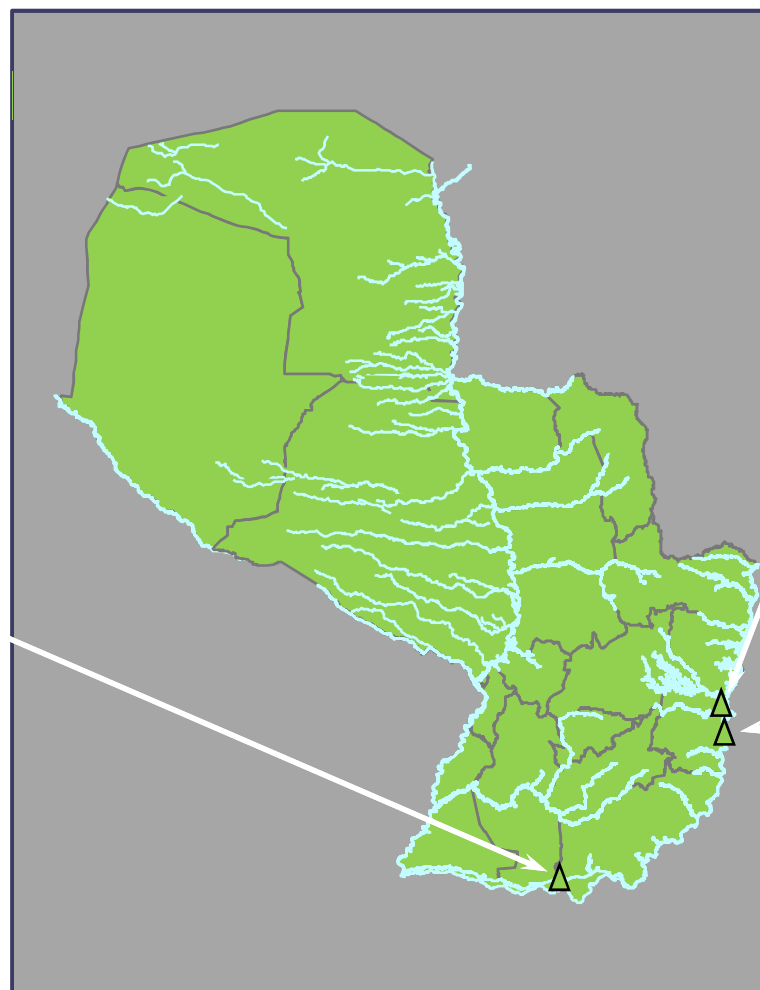


Hidroelectrical Energy



ENTIDAD BINACIONAL YACYRETA

FINAL POWER: 1.550 MW
FINAL ENERGY: 10.500 GWh/AÑO
PARTICIPATION: 10 %



ITAIPU BINACIONAL

POWER: 7.000 MW
ENERGY: 37.500 GWh/YEAR
PARTICIPATION: 85 %



CENTRAL ACARAY

FINAL POWER: 252 MW
ENERGY: 950 GWh/YEAR
PARTICIPATION: 5 %



► **Electro Intensive Industrial.**
(Reglamentado por el Decreto 7.406/11)

Zonas	Franja de Modulación	Precio
Este y Sur	0 a 25 %	33,01 US\$/MWh
Este y Sur	26 a 50 %	37,70 US\$/MWh
Central	0 a 25 %	35,50 US\$/MWh
Central	26 a 50 %	40,78 US\$/MWh
Metropolitana	0 a 25 %	37,00 US\$/MWh
Metropolitana	26 a 50 %	42,85 US\$/MWh

► **No Electro Intensive Industrial**

Fajas de Consumo	Precio
1 – 50 MWh	225,18 G/MW/h
51 – 500 MWh	252,87 G/MW/h
Más de 500 MWh	296,56 G/MW/h

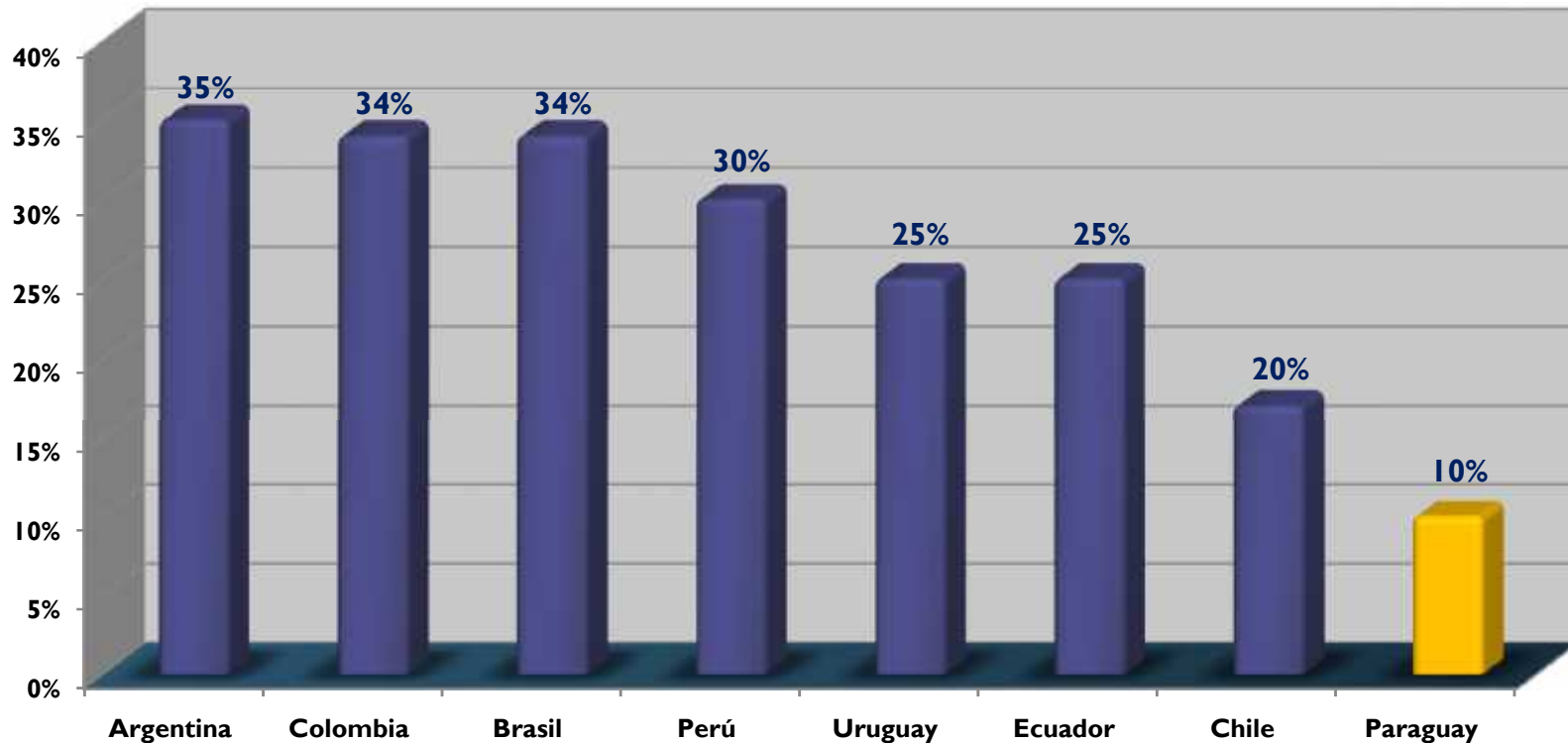
► **Residencial**

Fajas de Consumo	Precio
1 – 50 MWh	311,55 G/KWh
51- 150 MWh	349,89 G/KWh
Mas de 150 MWh	365,45 G/KWh

Business Climate

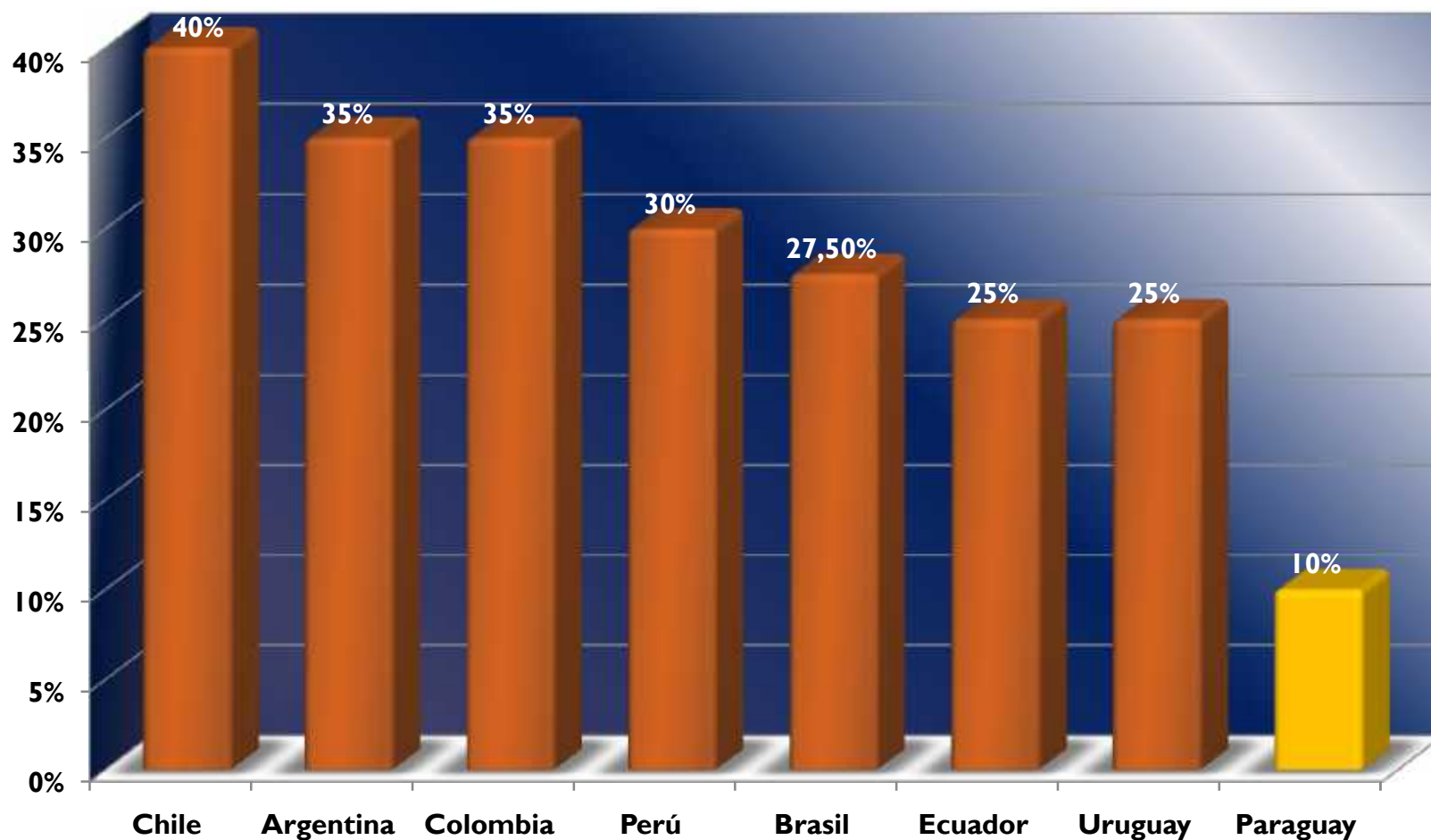


Corporate Income Tax Rate

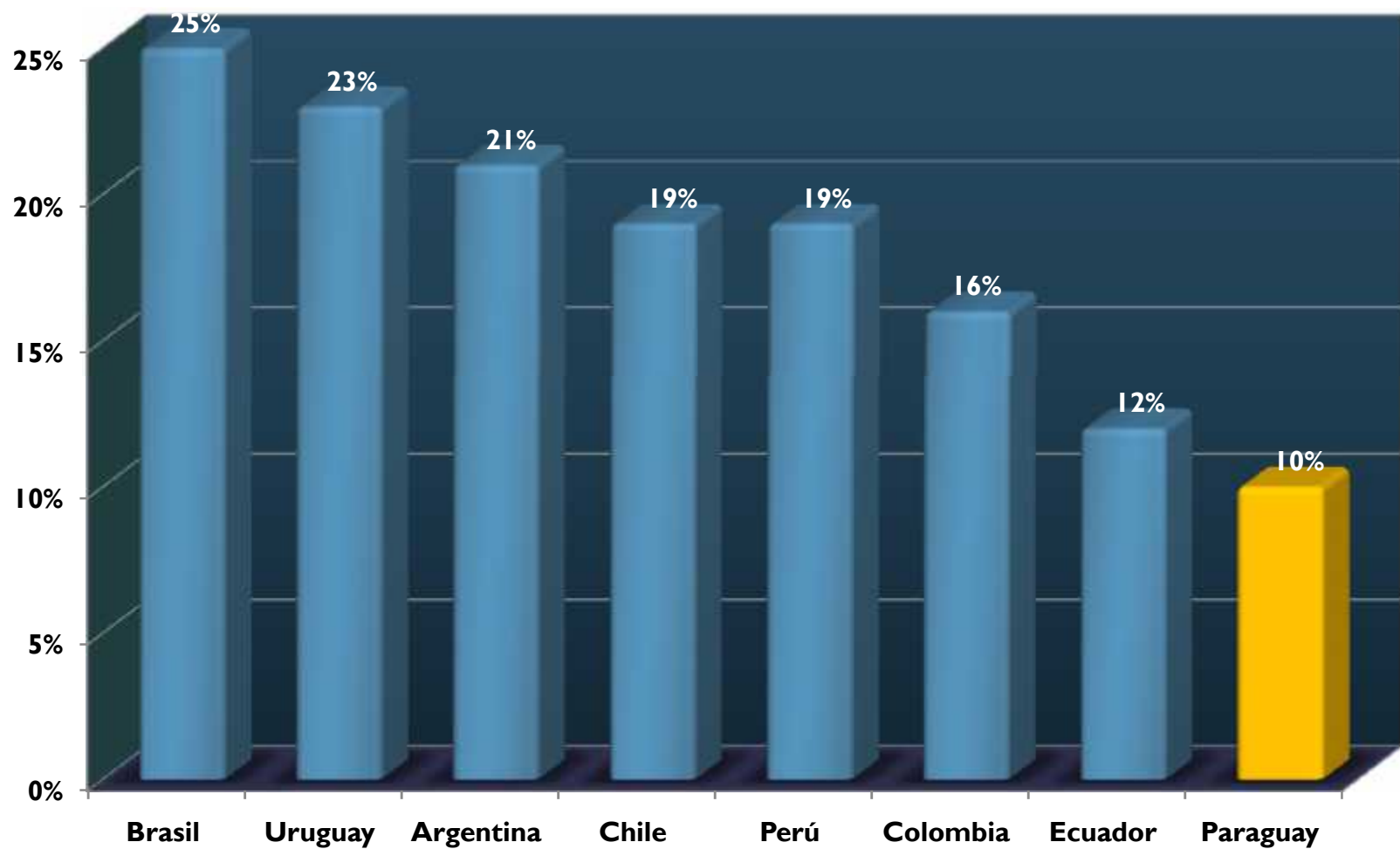


- ▶ This tax has been lowered 66% from 30% to 10% in 2004

Personal Income Tax



Value Added Tax (VAT)



According to Control Risk Consulting, **Paraguay** is classified as a country with low security risk and medium political risk.

Source: Riskmap Report 2013



According to “World Energy Council”, **Paraguay** is the country’s number one environmental mitigation of global energy production.

Source: Energy Sustainability Index 2012



Asunción, is the 3th. Capital with lower cost of life in South America.

Source: Mercer Consulting Group 2012

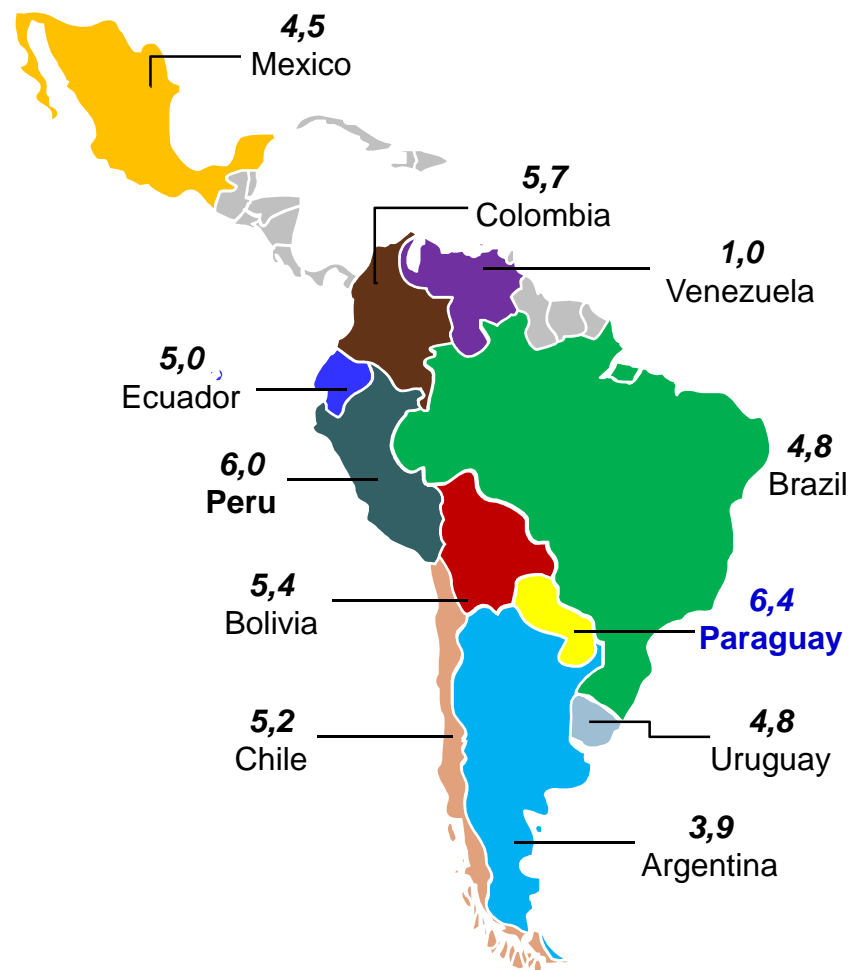


✓ Favorable Business Environment for Investments



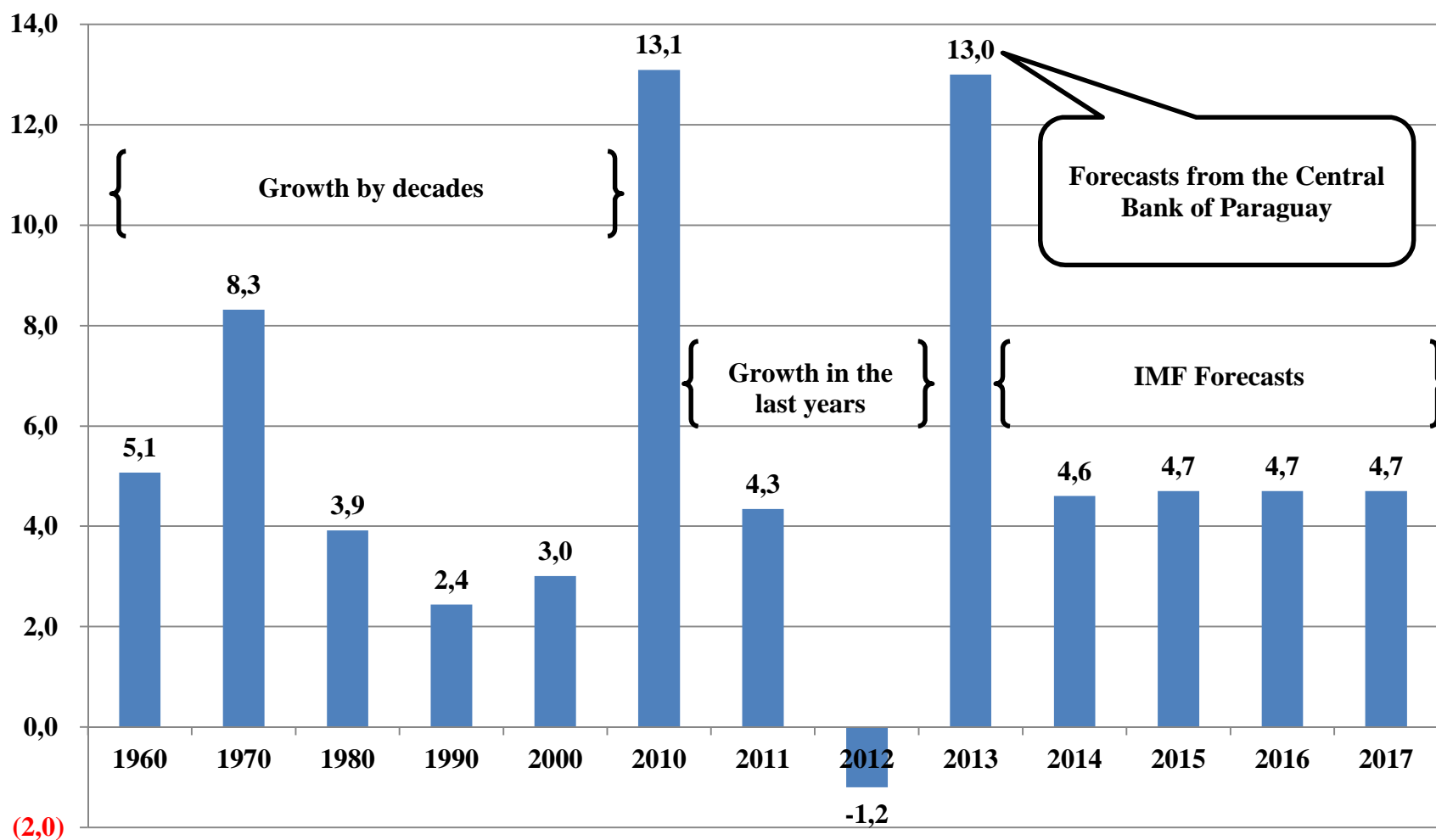
Paraguay ranks First in the economic climate evaluation, the **Business Environment Index (BEI)** ranks **6,4 points**, over the Latin American average: **4,4 points**, according to the report from the **Getulio Vargas Foundation (GVF)**.

BEI – October/2013



Macroeconomic Stability

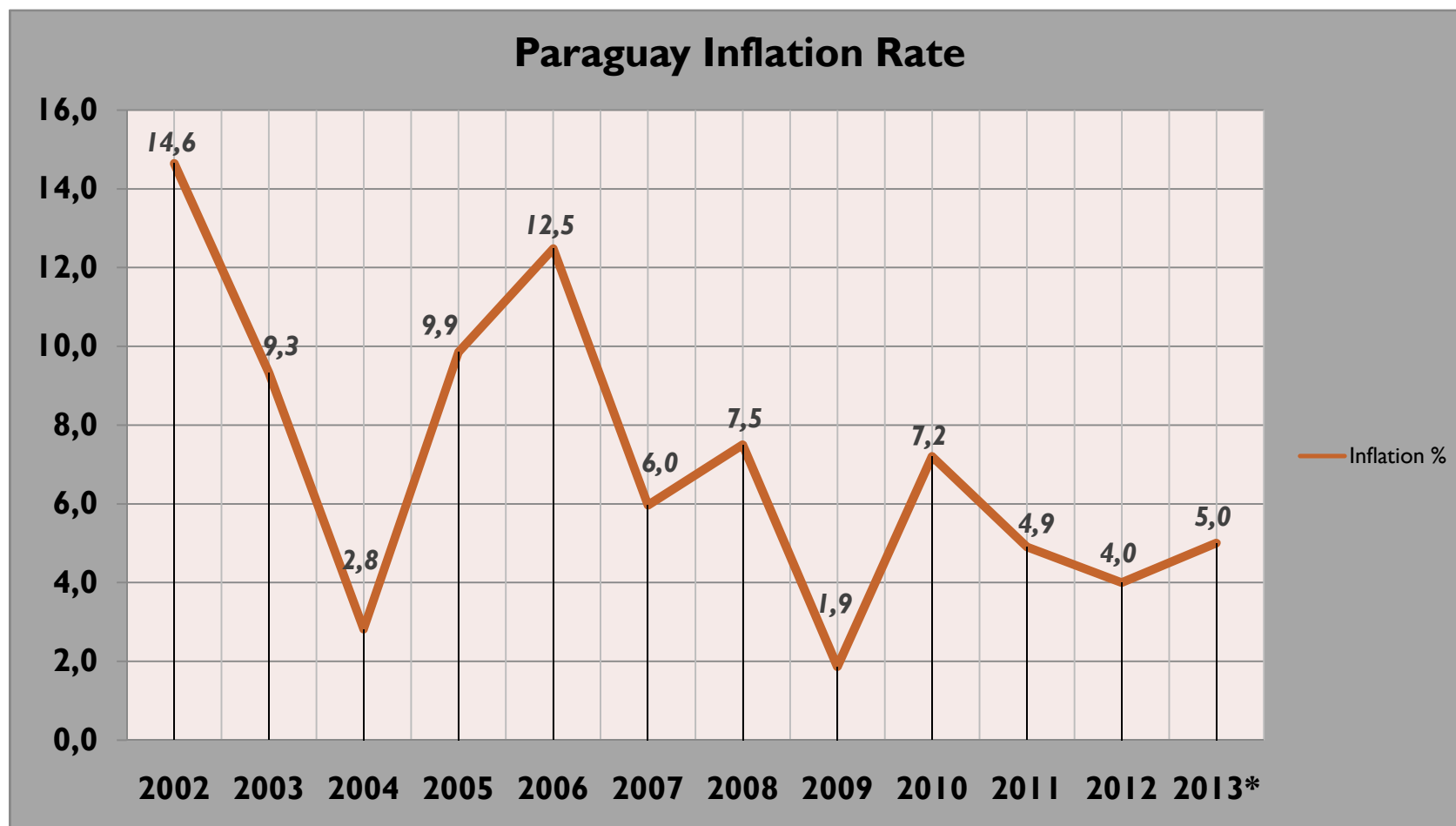






GDP Share by sectors – Yr. 2012







Improving Sovereign Risk Profile

Outlook Rating Agencies

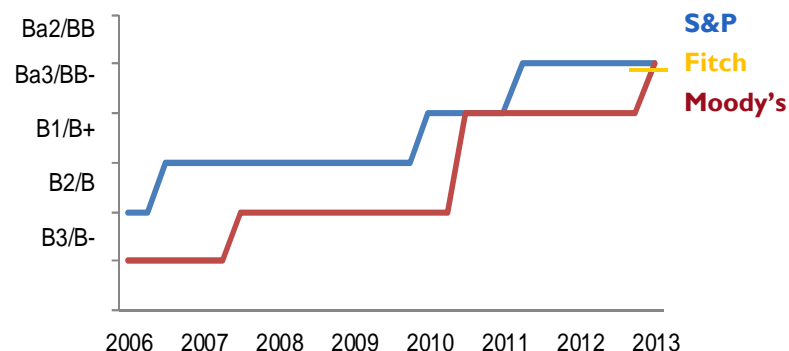
“We are affirming our ‘BB-/B’ foreign and local currency sovereign credit ratings on Paraguay. In our opinion, the impact of former Paraguayan president Lugo’s rapid impeachment in June has been and will remain limited. The stable outlook balances the country’s narrow economy and substantial infrastructure needs against the government’s improving fiscal underpinnings and low debt... At the same time, the country’s external indicators have continued to strengthen as a result of solid export growth...and rising international reserves, which now cover more than five months of current account payments.”

S&P
January 2013

“Moody’s ...has upgraded Paraguay’s government bond rating to Ba3 from B1. The key drivers supporting the upgrade are (1) government finances that we expect will continue to align well with peers in the ‘Ba’ rating category, despite volatile growth, (2) a sustained build-up in international reserves and (3) improved medium-term growth prospects supported by government plans to increase investment in infrastructure”

Moody’s
January 2013

Evolution of the Country Rating**

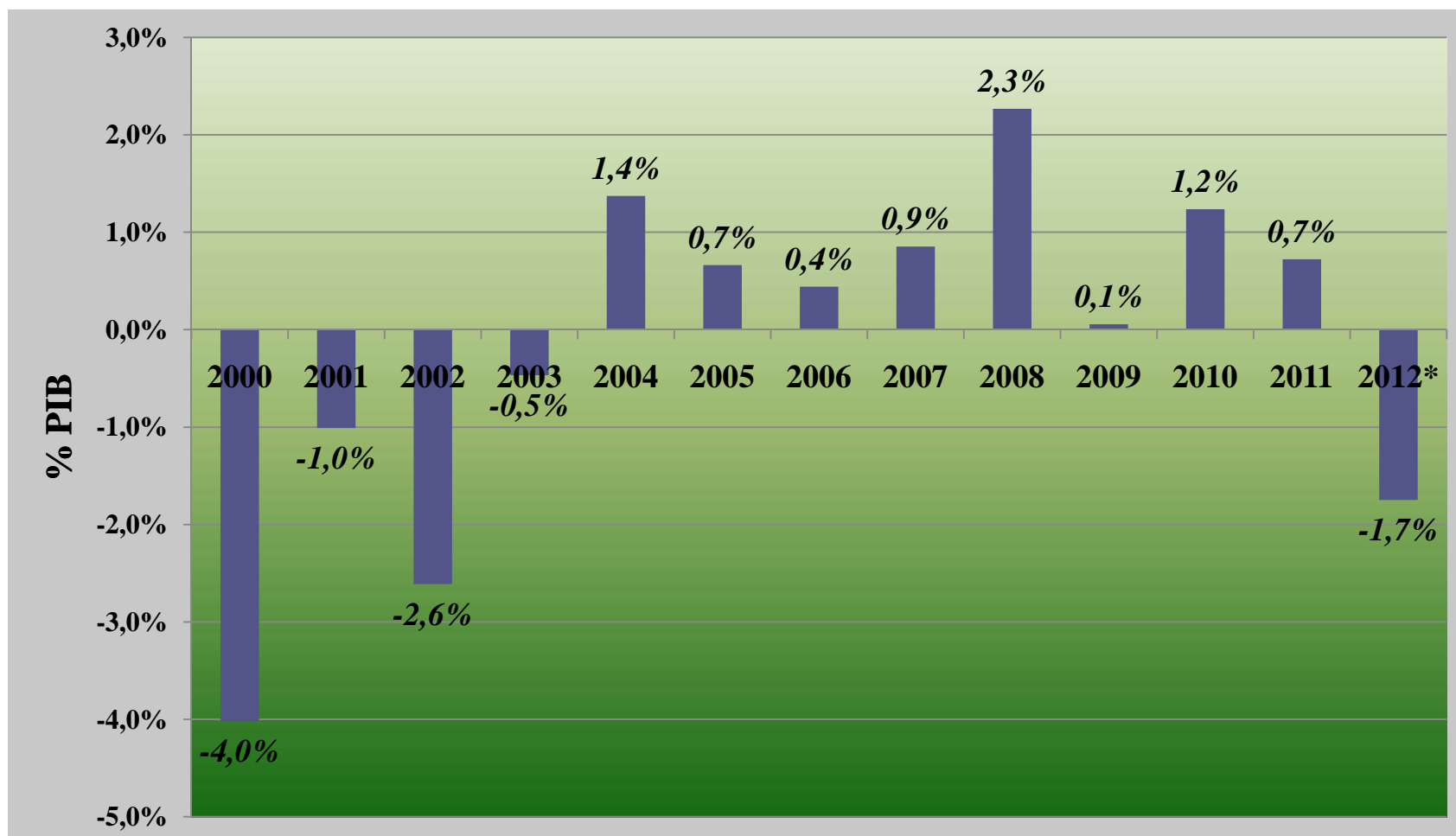


** Based on LT Currency Debt; A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

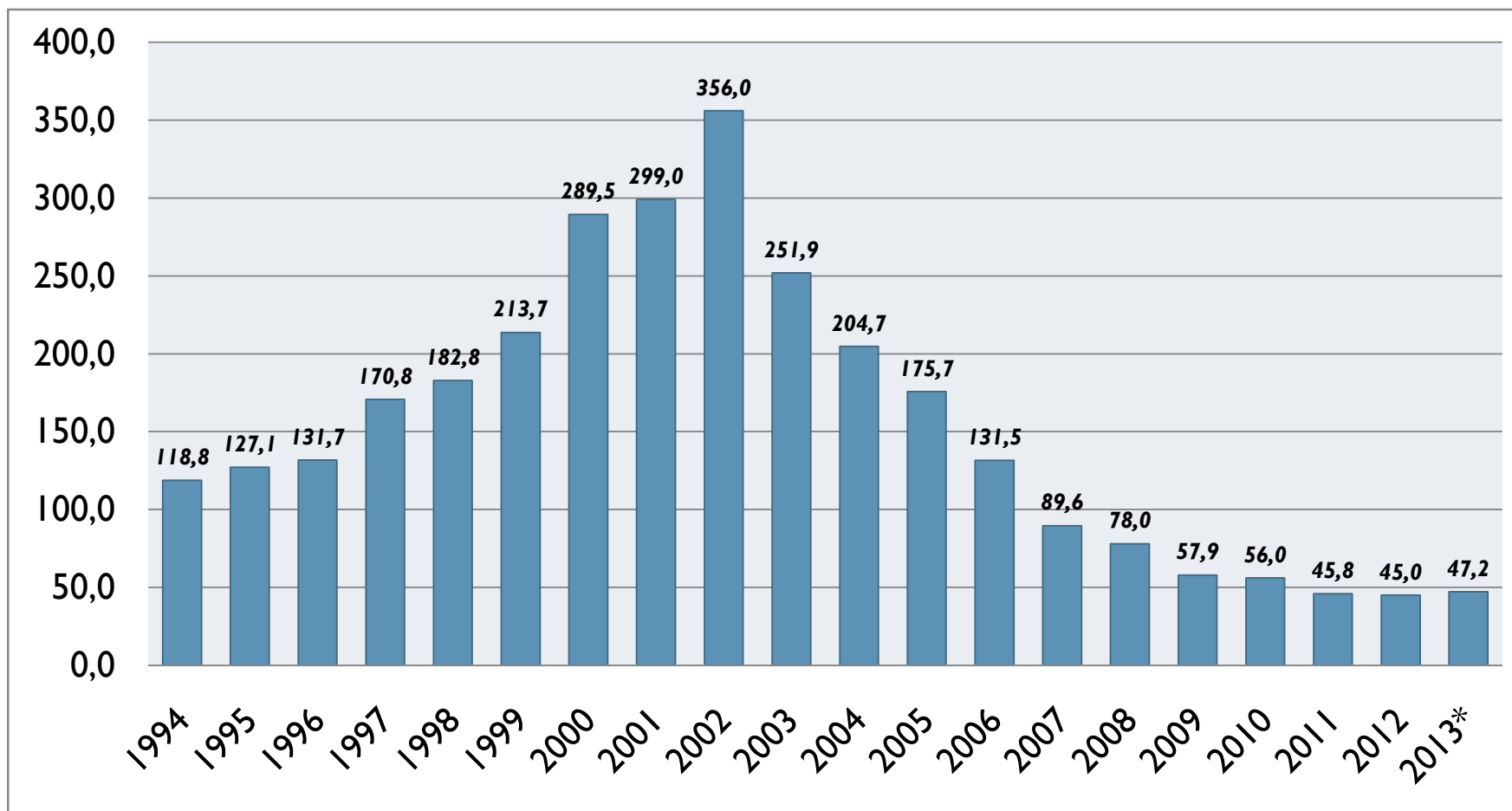
Regional Comparison (Moody's /S&P) (1)

Argentina		B3 / B-	Ecuador		Caa1 / B
Bolivia		Ba3 / BB-	Uruguay		Baa3 / BBB-
Brazil		Baa2 / BBB	Paraguay		Ba3 / BB-
Chile		Aa3 / AA-	Peru		Baa2 / BBB
Colombia		Baa3 / BBB-	Venezuela		B2 / B+

Fiscal Balance/GDP



External Debt / International Reserves

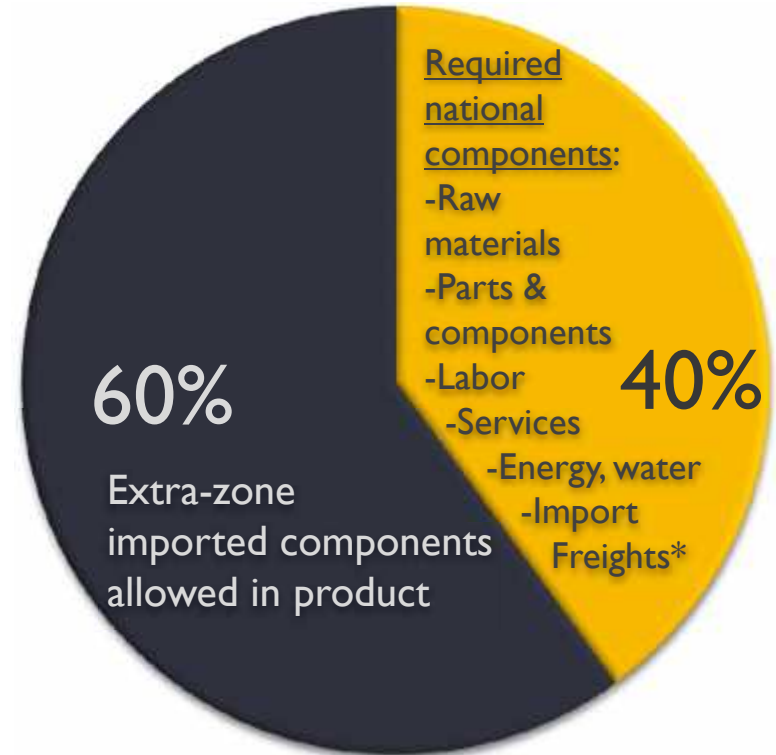
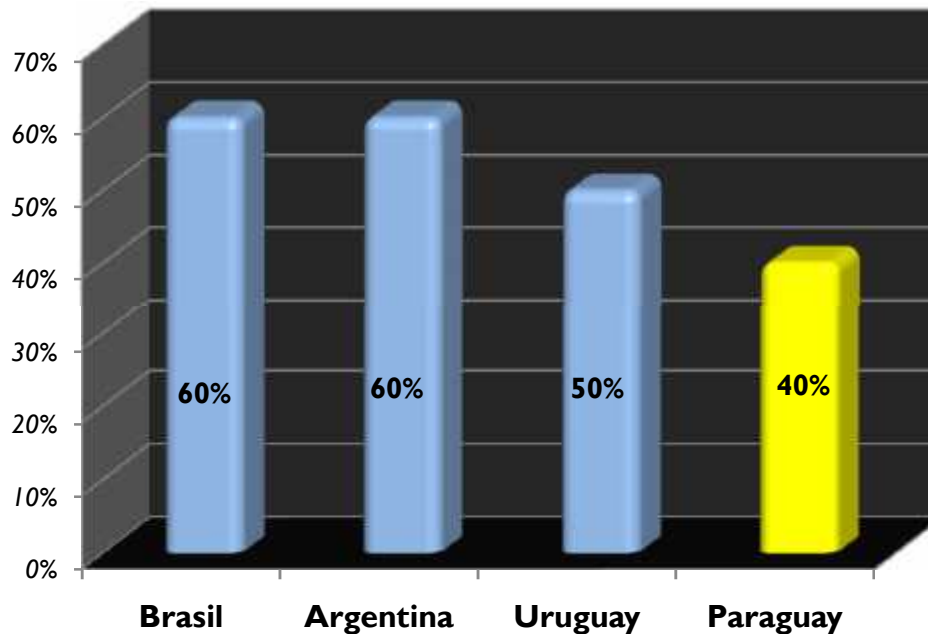


Investment Incentives



MERCOSUR “Rules of Origin”

Necessary regional (MERCOSUR) content %



- ▶ Paraguay has a “special treatment” regarding “rules of origin” of manufactured products until 2023
- ▶ It is easier for a product to acquire “MERCOSUR origin” in Paraguay than in other member country

▶ * If the service is provided by a Company established in Paraguay



60/90 Law - Fiscal incentives regime for the investment of national & foreign capital

Import tariff on *Capital Goods*
(machinery & equipment)

0%

Value Added Tax (VAT) on acquired *Capital Goods* (in or out of the country)

0%

Taxes on remittances abroad & payments of loans obtained abroad (capital, interest & commissions) applied to investments over US\$ 5 Mill.

0%

Taxes on payment of dividends & transfer of profits abroad (applied for investments over US\$ 5 Mill. for 10 years)

0%



Maquila Regime Concept

ENTERPRISE
CONTRACTOR
ABROAD

HEAD
OFFICE



TO PRODUCE:

- **GOODS AND SERVICES**
"FOR EXPORT"

ENTERPRISE /
PERSON
CONTRACTED Legally
domiciled in the
Paraguayan territory

**MAQUILA
ENTERPRISE**



SUB MAQUILA
ENTERPRISE

ENTERPRISE /
PERSON
CONTRACTED through
the Maquila Enterprise



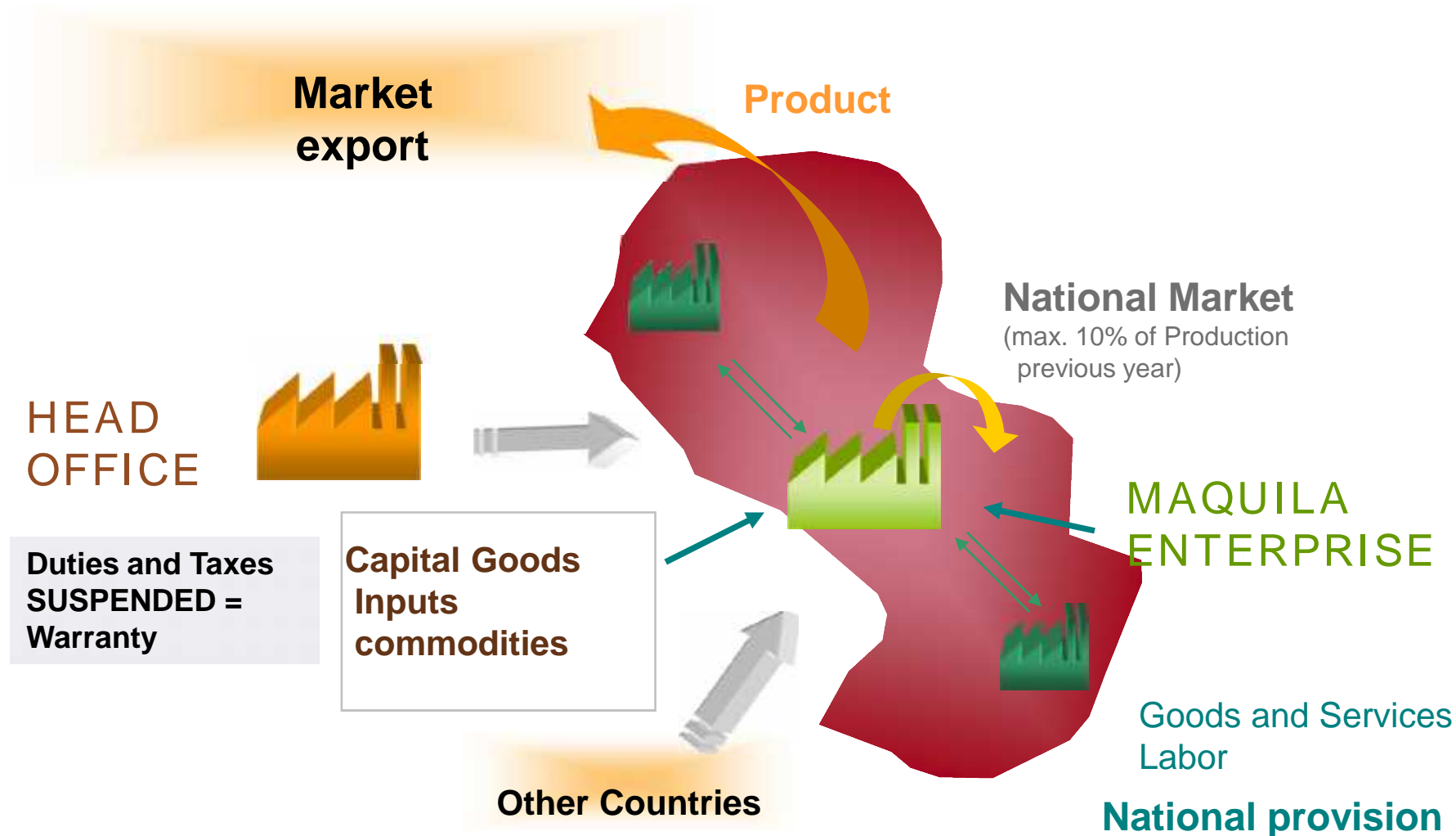
TO MAKE
Partials processes or Underprocesses

Single tax rate of 1% over sales invoicing
Only "value added" considered in tax
calculation



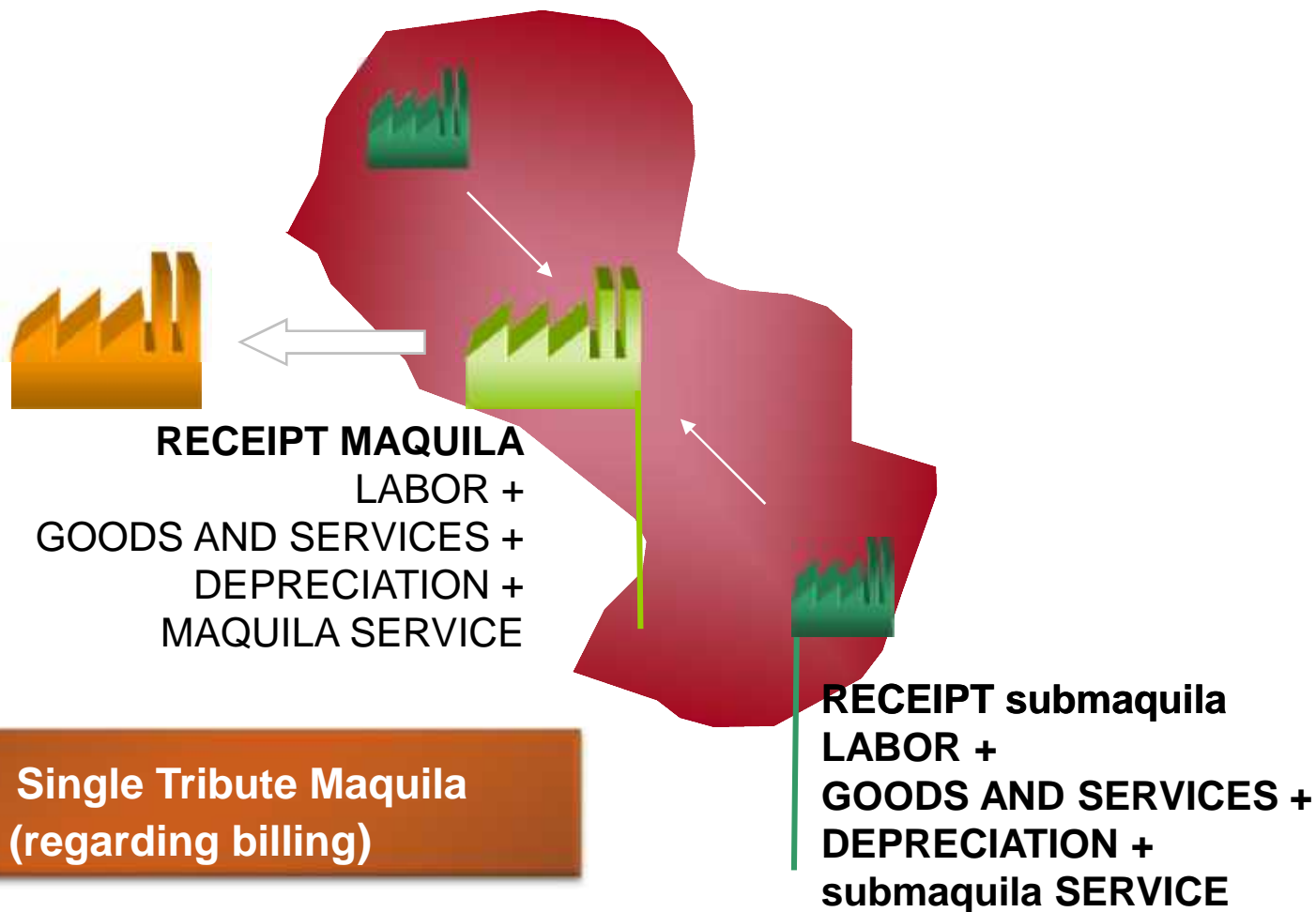


Maquila Regime Operational

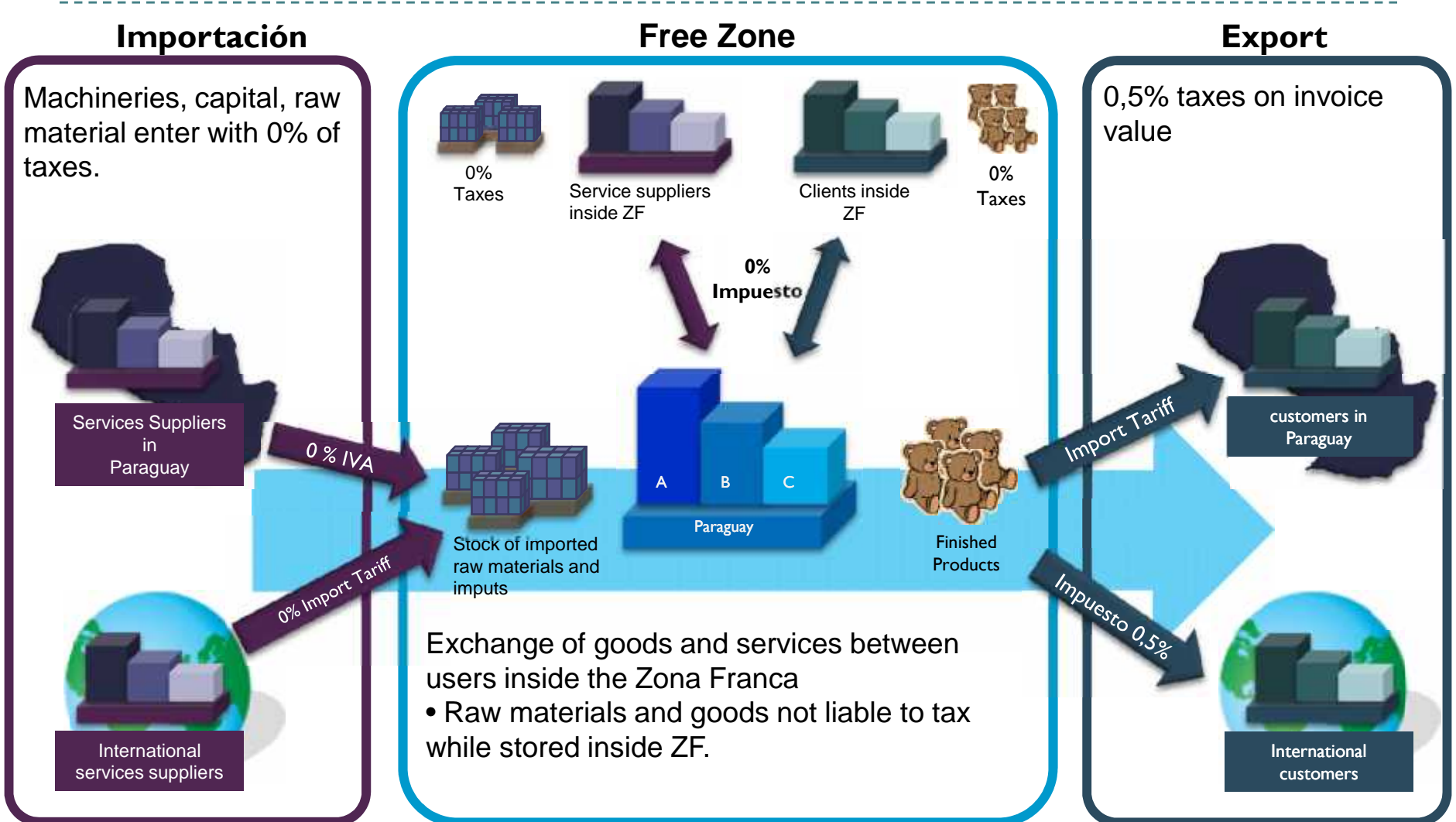




Maquila Regime Tax Issues



SCENARIO IN FREE ZONE





FREE ZONE

They are places of the country, with temporary suspension:

Customs Taxes

Internal Taxes (during the stay of the goods in the free zone)

Ideal business platform :

- ▶ Distribution and logistics centers
- ▶ Services (Call Centers, Financial, Home Office)
- ▶ Light Manufacturing
- ▶ Tourist Offices



SOME HIGHLIGHTS



- Paraguay is a full member and founder of the MERCOSUR.
- MERCOSUR has signed eight Economic Complementation Agreements - ECAs.
- Paraguay has started negotiations to join as Partner Observer tot the Pacific Alliance.
- Close to the signing of a FTA with Mexico.
- Paraguay is part of the group of GSP + beneficiary countries of the EU.

Investment Opportunities



Important Potential Sectors



Meat & Leather



Tourism



Biofuels



Forest Products



Cotton, textil & apparel



TIC's



Important Potential Sectors



Stevia



Energy



Call Centers



Metalurgic



Fruits & Vegetables



Oils



Ecoturism



Infraestructure



Why invest (& live) in Paraguay?

1. **Abundance of natural resources**
2. **Abundant electrical energy**, environmentally clean and renewable.
3. **Mainly young population structure** and for open training.
4. **Stable macroeconomy.** Fiscal policy with the lowest tax burden in the region.
5. **Ample advantage and benefits** for foreign and domestic investment.
6. **Quick return on investment** and economic growth following the financial crisis of 2008-09.



7. **It is among the world's top exporters** of soybeans and beef, with high productivity and capacity expansion.
8. **Strategic location** in the heart of South America with free access to MERCOSUR.
9. **Center of the Paraguay-Parana Waterway** with free navigation throughout the year for river-sea trade.
10. **Good levels of quality of life** and safety.



Some companies have chosen our country for investments...



Unilever



Bayer

TELECOM



COLGATE-PALMOLIVE COMPANY

Companhia de Bebidas AmBev

AmBev



Cargill
Paraguay



MAPFRE



Wackenhut



PETROBRAS

MIC
Millicom
International
Cellular S.A.



Johnson & Johnson

Fujikura



Louis Dreyfus





BANCO
DO
BRASIL



... y muchas otras!



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