



# Investing in Paraguay:

## A Comprehensive Report



### INTRODUCTION

Paraguay, a landlocked nation in the heart of South America, is emerging as one of the most attractive destinations for investment in the region. With a population of approximately 7.4 million (2023 estimate) and a GDP of over \$45 billion, Paraguay is recognized for its economic stability, competitive fiscal policies, and abundant natural resources.

Known as the "Heart of South America," Paraguay boasts a strategic geographic position, providing easy access to major markets like Brazil, Argentina, and Uruguay. The country is a leader in clean energy production, with 100% of its electricity generated from renewable sources, primarily hydropower. Paraguay's low tax rates, open economy, and commitment to foreign direct investment (FDI) make it a highly favorable environment for investors.

### BACKGROUND

Paraguay is located in central South America, bordered by Argentina, Brazil, and Bolivia. Its capital, Asunción, is the political and economic hub of the country. Paraguay's economy is characterized by its strong performance in agriculture, renewable energy, manufacturing, and services.

The country is a major exporter of soybeans, corn, and beef, and its extensive hydropower resources make it one of the largest exporters of clean energy in the world. Paraguay's stable macroeconomic environment, underpinned by low inflation and prudent fiscal management, has positioned it as a regional leader in economic growth.

The Paraguayan government is proactive in attracting foreign investment, offering incentives such as tax exemptions, free trade zones, and simplified business regulations. As a member of MERCOSUR, Paraguay provides preferential access to a market of over 300 million people, making it an ideal base for businesses targeting regional and international markets.

### BENEFITS OF INVESTING IN PARAGUAY

#### Strategic Location

Paraguay's central location in South America allows businesses to easily access key markets in Brazil, Argentina, and Uruguay, creating significant logistical advantages.

#### Clean Energy Leader

Paraguay generates 100% of its electricity from renewable sources, with excess energy exported to neighboring countries. This clean energy surplus provides low-cost electricity for industries such as manufacturing and technology.

#### Business-Friendly Tax System

Paraguay offers one of the most competitive tax systems in the region, with a corporate income tax rate of 10% and various tax incentives for foreign investors.

#### Economic Stability and Growth

Paraguay's economy has demonstrated consistent growth, with an average annual GDP growth rate of 4.5% over the past decade, supported by low inflation and fiscal discipline.

#### Abundant Natural Resources

Paraguay is rich in agricultural land, water resources, and minerals, making it a top destination for investments in agribusiness, mining, and forestry.

### Young and Productive Workforce

With over 60% of the population under the age of 35, Paraguay offers a young, skilled, and cost-competitive workforce, ideal for labor-intensive industries.

### Free Trade Agreements

As a member of MERCOSUR, Paraguay offers preferential access to regional markets and has trade agreements with countries such as the European Union and Japan.

### Low Cost of Doing Business

Paraguay has one of the lowest operational costs in South America, with affordable labor, utilities, and land prices, providing investors with a competitive edge.

### Political Stability

Paraguay's democratic system and investor-friendly policies ensure a stable and secure environment for businesses.

### Focus on Innovation

The government is actively promoting innovation and digital transformation, creating opportunities in technology startups, IT services, and smart agriculture.

### RELEVANT AGENCIES

The following government institutions and organizations play a key role in facilitating investment in Paraguay:

#### Ministry of Industry and Commerce (MIC):

Oversees trade, industry, and investment policies, providing guidance and support to foreign investors.

#### Red de Inversiones y Exportaciones (REDIEX):

Paraguay's official investment and export promotion agency, offering information and assistance to investors.

#### Undersecretariat of State for Taxation (SET):

Manages tax policies and provides tax incentives for businesses.

#### National Electricity Administration (ANDE):

Regulates and promotes access to Paraguay's low-cost renewable energy resources.

#### National Council of Science and Technology (CONACYT):

Supports innovation and research, offering grants and funding for technology-driven businesses.

#### Central Bank of Paraguay (BCP):

Ensures macroeconomic stability and oversees the financial sector.

#### Social Security Institute (IPS):

Supports workforce development and social welfare programs for businesses.

#### Paraguayan Industrial Union (UIP):

Represents the private sector and facilitates collaboration between government and industry.

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## INCENTIVES FOR INVESTORS

Paraguay offers a variety of incentives to attract foreign direct investment:

### Tax Benefits

**Maquila Law:** Exports under this regime are taxed at only 1% of gross revenues, making it highly attractive for export-oriented industries.

**Corporate Tax Rate:** A flat 10% corporate income tax, among the lowest in South America.

### Special Economic Zones (SEZs):

Businesses operating in SEZs enjoy tax exemptions, duty-free imports, and access to world-class infrastructure.

### Customs and Duty Exemptions

Import duties are waived for machinery, equipment, and raw materials used in production and export.

### Investment Protection

Legal guarantees under the Investment Promotion Law ensure profit repatriation, protection against expropriation, and access to international arbitration.

### Energy Incentives

Low-cost, renewable energy is made available to businesses, with preferential rates for energy-intensive industries.

### Export Incentives

Zero taxes on exports under specific regimes, such as the Maquila Program, which is focused on promoting export-oriented manufacturing.

### Innovation and R&D Support

Grants and tax incentives are provided for research and development projects in technology, agriculture, and renewable energy.

### Public-Private Partnerships (PPPs):

Opportunities to collaborate with the government on infrastructure development, transportation, and energy projects.

## OPPORTUNITIES FOR INVESTORS

### Agribusiness and Agro-Industry

Paraguay's fertile land and favorable climate create opportunities in soybean production, livestock farming, biofuels, and food processing.

### Renewable Energy

With the Itaipú and Yacyretá hydroelectric dams, Paraguay is a global leader in renewable energy, offering opportunities in clean energy projects, industrial power supply, and electric vehicle infrastructure.

### Manufacturing and Export

Paraguay's low production costs and access to regional markets make it an ideal location for automotive parts, textiles, and consumer goods manufacturing.

### Real Estate and Urban Development

Growing urbanization creates demand for residential, commercial, and industrial properties, as well as infrastructure development projects.

### Technology and Digital Economy

Paraguay's focus on innovation creates opportunities in e-commerce, IT services, fintech, and agritech solutions.

### Tourism and Hospitality

With its natural beauty, cultural heritage, and emerging eco-tourism sector, Paraguay offers opportunities in hotels, resorts, and adventure tourism.

### Logistics and Transportation

Paraguay's location and river systems make it a hub for logistics, shipping, and warehousing, especially for regional trade.

## Mining and Natural Resources

Untapped reserves of gold, iron ore, and limestone present opportunities for responsible mining and mineral processing projects.

## CONCLUSION

Paraguay offers a wealth of opportunities for investors seeking growth, stability, and profitability. Its strategic location, abundant natural resources, and business-friendly policies provide a competitive edge in key industries such as agriculture, energy, manufacturing, and technology. The government's proactive approach to economic reform and investor incentives ensures a secure and attractive environment for foreign direct investment.

As a regional leader in clean energy, Paraguay is also aligned with global sustainability goals, making it an ideal destination for green investments. Whether in agribusiness, renewable energy, or digital innovation, investing in Paraguay is a step toward tapping into one of South America's most dynamic and promising economies.

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