

RPTB1

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

90/91 TRADE AND ECONOMIC OVERVIEW

Mission: SANTIAGO

Country: PARAGUAY

After 35 years of Stroessner's military government, Paraguay now finds itself with an eight month old democracy that is formulating policies expected to move the country toward greater economic stability and development. It is recognized, however, that the planned reforms will take time. Fortunately Paraguay is a relatively small economy that can be turned around reasonably quickly if the necessary sacrifices and disciplines are put into place and adhered to. To date the overwhelming positive policy has been the establishment of a floating free exchange rate. This has done a great deal to encourage production and promote export sales. Inflation at 36% is a worry but the year-end figure is forecasted to be closer to 30% and the goal for 1990 is 20%.

Paraguay's economic viability continues to depend on its two large neighbours (Brazil and Argentina). Agriculture (soya and cotton) account for 70% of the national income complemented by modest development in the industrial and handicraft sectors. Total exports in 1989 reached US\$ 509 million while imports were calculated at US\$ 494 million. 1989 predictions show exports will double to US\$ 1 billion and imports should also be twice that of the preceding year. Total two way trade with Canada (1989) should be about CDN\$ 3 million.

In the last quarter of 1989 Paraguay will meet with the IMF to reschedule a portion US\$ 2.023 billion foreign debt, followed by discussion with Paris Club members and commercial banks. To help attract much needed foreign investment, the Finance Ministry has introduced new legislation (Decree 19) that is designed to present more transparent "rules to the game" and which is considered to be a vast improvement over the previously barely understandable and highly nationalistic laws.

As noted above Canada's market share in Paraguay is very small. This is primarily attributable to a lack of information, knowledge and private sector contact between the two countries. A major task in 1990 will be to study the market and identify areas where Canadian suppliers can participate. A quick initial survey indicates the following sectors hold promise for Canadian goods, services and technologies : a) Agro-industrial- canola, seed potatoes, pork breeding stock/semens, herbicides and pesticides, veterinary products; b) Telecommunications switching stations, data transmission; c) Energy -hydro-electric, oil and gas; and d) hardware products. We are designing a promotion plan to take advantage of perceived opportunities in these sectors.