

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

L/4159

11 March 1975

Limited Distribution

Original: Spanish

ACCESSION OF PARAGUAY

Memorandum on Foreign Trade Régime

The Government of Paraguay has submitted the following memorandum describing its foreign trade régime.

In order that the matter may be examined by the Working Party (L/4125/Rev.1), contracting parties are requested to communicate to the secretariat by 11 April 1975 any questions they may wish to put concerning the matters dealt with in the memorandum, for transmission to the delegation of Paraguay.

GENERAL ECONOMIC POLICY AND
EVALUATION OF THE DOMESTIC EFFORT

I. Within the broad framework of its general economic policy the National Government has defined, implicitly and explicitly, a series of objectives that, though not exhaustive, are listed below.

1. In the field of industrial policy

- To support existing domestic industry;
- To encourage the establishment of new industries;
- To ensure adequate supplies of basic inputs for those industries.

2. In the field of administration of national resources

- To ensure conservation of exhaustible resources;
- To supply the basic resources needed by the domestic market.

3. In the field of foreign trade policy

- To promote improved real terms of trade and balance-of-payments equilibrium - and in any case to avoid any deterioration thereof - by establishing selective controls over foreign trade so that imports may be oriented toward necessary and non-substitutable products (including capital goods and raw materials not produced in Paraguay), and exports toward products with the most added value and/or the highest unit prices.

With a view to attaining these and other objectives, a series of legal, institutional, administrative and other measures have been adopted, including the following in particular:

1.1. Fiscal matters

1.1.1. Decree No. 23011/71 which not only modified the tax régime applicable to export transactions but defined an orientation policy, stipulating in its preambular provisions that action is to be taken in a gradual and selective manner, taking into account the criteria most consistent with the country's general interest, and that for those reasons priority treatment must be accorded to products that are more highly processed or which, though still in a primary state, are of higher or improved quality.

1.1.2. Legislative Decree No. 51/72 which replaced Article 1 of Law 1171/66 and reduced the rate of advance income tax payment from 2.5 per cent to 1.5 per cent (of the f.o.b. value); this measure has contributed to relieving financial pressure on the exporter at the time of export by reducing marketing costs.

1.1.3. Decree No. 26729/72 which reduced by 50 per cent the import duties on raw materials and other inputs for domestic industry, in order to improve the competitive capacity of industries that depend on the processing of imported inputs for carrying out their production programmes.

It should be noted that this instrument constitutes an important step toward the strengthening of other incentive mechanisms.

1.2. Credit matters

Resolution No. 3, Act No. 40 of 10 March 1972 of the Central Bank of Paraguay established rules to ensure production of payment means needed for sectors producing agricultural and industrial goods intended primarily for export.

1.3. Financial matters

Law No. 216/70 on Investments for Economic and Social Development allowed the industrial sector to import machinery, equipment and inputs under broad facilities in the form of tax exemptions as well as extended time-limits, in order to facilitate the modernization and expansion of existing industries and the establishment of new ones, so as to adapt national supply to the need to export more highly processed products at a more advanced stage of processing.

Furthermore these same fiscal incentives have been assimilated to credit lines administered by the National Development Bank through which the State furnishes very substantial resources as counterpart for obtaining external credits.

1.4. Customs matters

1.4.1. Decree No. 22615/71 provided for adoption of the Brussels Tariff Nomenclature (BTN) as the basis for the national customs tariff; the latter not only presents a structure that moves progressively from the primary product to the most highly processed goods, but in addition meets the need to have a tariff nomenclature that is more technical; it is a dynamic and flexible instrument that can be adjusted in application to the technological progress of international trade, while at the same time safeguarding national fiscal and economic interests.

This structure allows tax levels to be adjusted to the economic policy orientation, which, in the case of exports, makes provision for preferential treatment for more highly processed products.

1.4.2. Likewise, through another incentive mechanism, the temporary admission régime, account is taken of the needs of export industries in connexion with the import of inputs needed for the processing of domestic materials.

1.5. Institutional and administrative matters

In this connexion, the Government's decision to promote export expansion is reflected in the establishment of the Export Promotion Centre, the National Institute for Technology and Standardization and the Trade Bureau in Hamburg.

1.6. Other instruments adopted to orient domestic production toward more highly processed products include the export prohibition on logs, the regulation of marketing of crude leather and the requirement to manufacture part of Paraguay's production of petitgrain essence.

In brief, these are the salient aspects of Paraguay's commercial and industrial policy.

II. NEW CUSTOMS TARIFF - DECREE NO. 2373/73

As from 1 January this year when Decree No. 2373/73 came into effect, the instruments of commercial and industrial policy already mentioned also include the new customs tariff drawn up on the basis of the Brussels Tariff Nomenclature (BTN).

The objectives to be attained through application of the customs tariff in the export sector are a direct function of the national development strategy as defined in the plans drawn up by the Planning Department of the Presidency.

In this connexion it goes without saying that one of the variables utilized by Paraguay in this strategy is that of outward-looking development, and that full and effective utilization of this variable will depend on coherent operation of the instruments of commercial and industrial policy by the public sector, and on the way in which producers in the private sector adapt to the guidelines of the general economic policy.

By establishing certain differentiated tax levels on exports Decree No. 2373/73 directly responds to the need to establish special conditions of competition for export-oriented industries.

These tax levels are structured on a gradually declining scale reaching complete exemption as the product is more highly processed. The system encourages the development of industries designed to process the raw material completely since it affords an advantage to the domestic industry vis-à-vis like industries abroad in regard to acquisition of the raw material.

This principle mentioned above is based on the fundamental importance of facilitating foreign sales of processed products, since production of these permits more intensive use of Paraguay's human, natural and capital resources which, although relatively scarce, are not always fully utilized.

III. FISCAL INCENTIVES

In practice, the specific measures applied in order to attain the objectives mentioned under this heading have represented a significant contribution by the public sector in the form of special fiscal incentives for the development of producing activities, promotion of exports and the industrial processing of agricultural products, and they have played a rôle of fundamental importance in that they have become decisive factors for investment decisions.

3.1. Producing sectors

The tax exemptions granted by the State through the application of incentive mechanisms to producing activities (Law 216/70 on investment, credit line BID/ALEMAN, Decree No. 26729/72 on tax relief for industries) reached a total of 837.6 million guaraníes in 1973, as may be seen from the following table:

STRUCTURE OF TAX EXEMPTIONS

1973

ITEM	'000 guaraníes	Relative share	
		of total %	of item %
<u>Capital goods</u>	<u>645.6</u>	<u>77.1</u>	<u>100</u>
Law 216/70	472.8	56.4	73.2
BID/ALEMAN Credit	172.8	20.7	26.8
<u>Raw materials and inputs</u>	<u>192.0</u>	<u>22.9</u>	<u>100</u>
Law 216/70	99.3	11.8	51.7
Decree 26729/72	<u>92.7</u>	<u>11.1</u>	48.3
TOTAL	837.-	100.-	

These exemptions were granted on imports of capital goods, raw materials and other inputs needed for industry.

In January-May 1974, the fiscal advantages granted by the government to producing activities in the form of tax exemptions were equivalent to 194 per cent of the total amount for 1973. For the period considered in 1974, application of the policy instruments mentioned above represented a total of 1,621 million guaranies of uncollected taxes, and this contributed greatly to promoting the economic activities to which the incentives were granted.

Of this total exemption, 92.8 per cent corresponded to imports of capital goods and 7.2 per cent to imports of raw materials and inputs.

STRUCTURE OF TAX EXEMPTIONS

1974 (January-May)

ITEM	'000 guaranies	Relative share	
		of total %	of item %
<u>Capital goods</u>	<u>1,505.4</u>	<u>92.8</u>	<u>100</u>
Law 216/70	1,477.7	91.1	98.2
BID/ALEMAN Credit	27.7	1.7	1.8
<u>Raw materials and inputs</u>	<u>115.6</u>	<u>7.2</u>	<u>100</u>
Law 216/70	61.3	3.8	53.07
Decree 26729/72	54.3	3.7	46.93
TOTAL	1,621	100	

This appreciable increase in exemptions in a period of less than six months was largely attributable to the equipment of new economic units for timber processing (see annexed statistical table, page 9).

3.1.1. Capital goods

Out of the tax exemptions totalling 472.8 million guaraníes in 1973 (Law 216/70), the largest share, 51.6 per cent, was in respect of imports of capital goods for the foodstuffs industries. Next came the wood industry (16.8 per cent), followed in order of importance by chemicals (10.8 per cent), hides and skins (3.3 per cent), the furniture industry (2.8 per cent) etc.

The largest share of the exemptions granted through BID/ALEMAN credit lines went to the wood industry (56.3 per cent) followed in order of importance by transport equipment (16.5 per cent); chemicals and foodstuffs (9.5 per cent each).

In 1974 (January to May) tax exemptions under Law 216/70 and through credits granted reached a total of 1,505.4 million guaraníes, equivalent to 233 per cent of the exemptions granted in 1973.

The industry that benefited most in this period was the wood industry, with exemptions in the amount of 1,110.8 million guaraníes, representing 75.2 per cent of total exemptions granted under Law 216/70. In the foodstuffs sector, exemptions reached 209.3 million guaraníes, corresponding to 14.2 per cent of the total. Tax concessions were also granted to the textile industry (3.8 per cent) and other industries (6.8 per cent). Imports of capital goods under credit lines were granted exemptions totalling 27.6 million guaraníes, the largest share going to the textile industry (66.7 per cent), followed by the footwear and clothing industries (26.3 per cent), the wood industry (4.0 per cent), the foodstuffs industry (3.1 per cent), etc.

TAX EXEMPTIONS ON IMPORTS OF CAPITAL GOODS

1973 ('000 guaraníes)

Sector	Law 216			BID/ALEMAN credits		
	Total tax	Tax paid	Tax exemptions	Total tax	Tax paid	Tax exemptions
20. Foodstuffs	295,035.2	51,013.4	244,021.8	19,708.6	3,346.7	16,361.9
21. Beverages	-	-	-	-	-	-
22. Tobacco	4,680.0	794.7	3,885.3	-	-	-
23. Textiles	8,158.5	1,439.0	6,719.5	-	-	-
24. Footwear and clothing	-	-	-	3,192.2	542.2	2,650.0
25. Wood	96,600.9	17,330.9	79,270.0	117,263.4	19,912.7	97,350.7
26. Furniture	16,054.3	2,726.2	13,328.1	1,902.4	323.0	1,579.4
27. Paper and paperboard	1,628.1	369.0	1,259.1	-	-	-
28. Printing	6,668.2	1,132.3	5,535.9	3,586.0	609.0	2,977.0
29. Hides and skins	19,041.1	3,233.4	15,807.7	-	-	-
31. Chemicals	63,482.5	12,509.7	50,972.8	19,864.8	3,373.3	16,491.5
32. Petroleum products	-	-	-	-	-	-
33. Non-metallic minerals	15,872.4	2,695.3	13,177.1	7,027.9	1,193.4	5,834.5
34. Base metals	-	-	-	-	-	-
35. Metal doors	916.3	155.6	760.7	-	-	-
36. Machinery construction	-	-	-	-	-	-
37. Electrical machinery construction	-	-	-	-	-	-
38. Transport	-	-	-	-	-	-
39. Miscellaneous	46,163.4	8,149.9	38,013.5	34,304.4	5,825.3	28,479.1
TOTAL	574,300.9	101,549.4	472,751.5	208,181.8	35,351.8	172,830.0

Source: Prepared by the Technical Secretariat of the Ministry of Finance on the basis of data furnished by the Ministry of Industry and Commerce and the National Development Bank.

TAX EXEMPTIONS ON IMPORTS OF CAPITAL GOODS (I-V) 1974

(in '000 guaranies)

Sector	Law No. 216			BYD/ALEMAN Credits		
	Total tax	Tax paid	Tax exemptions	Total tax	Tax paid	Tax exemptions
20. Foodstuffs	252,371.5	43,090.9	209,280.6	1,063.6	180.7	882.9
22. Tobacco	466.7	139.7	327.0			
23. Textiles	67,512.7	11,464.4	56,048.3	22,187.7	3,767.7	18,420.0
24. Footwear and clothing	464.7	142.1	322.6	8,749.8	1,485.8	7,264.0
25. Wood	1,338,538.0	227,727.4	1,110,810.6	1,297.5	220.3	1,077.2
26. Furniture	1,001.7	170.1	831.6		-	-
31. Chemicals	21,869.3	5,707.0	16,162.3	-	-	-
35. Metal products	10,295.0	1,765.2	8,529.8	-	-	-
38. Transport equipment	5,067.7	1,517.1	3,550.6	-	-	-
39. Miscellaneous	98,518.2	26,651.8	71,866.4	-	-	-
TOTAL:	1,796,105.5	318,375.7	1,477,729.8	33,298.6	5,654.5	27,644.1

Source: Prepared by the Technical Secretariat of the Ministry of Finance on the basis of data furnished by the Ministry of Industry and Commerce and the National Development Bank.

3.1.2. Raw materials and other inputs

The tax exemptions granted on imports of raw materials in 1973 under Law 216/70 and Decree 26729/72 reached an amount of 99.3 and 92.7 million guaraníes respectively, i.e. 11.8 and 11.1 per cent of the total exemptions granted.

As regards exemptions under Law 216/70, chemical products benefited most, with 74.3 per cent of the total. Next in order of importance were the wood industry (11.2 per cent), the textile industry (9.3 per cent) and non-metallic minerals (5.2 per cent). Exemptions granted under Decree 26729/72 reached a total of 92.7 million guaraníes, and here again chemical products benefited most (43.2 per cent) followed by the foodstuffs industry (15.4 per cent), the tobacco industry (12.2 per cent), metal products (8.4 per cent) and printing and publishing (6.8 per cent), while other industrial activities accounted for 14 per cent.

In the year 1974 (January-May) tax exemptions on imports of raw materials and inputs reached a total of 115.5 million guaraníes of which 61.3 million guaraníes corresponded to exemptions under Law 216/70 and 54.2 million guaraníes to exemptions under Decree 26729/72.

TAX EXEMPTIONS ON IMPORTS OF RAW MATERIALS AND INPUTS

1973 ('000 guaraníes)

Sector	Law 216			Decree 26729/72			
	Total tax	Tax paid	Tax exemptions	Total tax	Tax paid	Tax exemptions	Total tax exemptions
20. Foodstuffs	-	-	-	33,332.4	18,908.7	14,343.7	14,343.7
21. Beverages	-	-	-	99.1	54.3	44.8	44.8
22. Tobacco	-	-	-	25,485.0	14,172.1	11,312.9	11,312.9
23. Textiles	11,184.5	1,955.7	9,228.8	5,397.1	2,975.0	2,422.1	11,650.9
24. Footwear and clothing	-	-	-	4,108.0	2,280.7	1,827.3	1,827.3
25. Wood	18,522.6	7,430.2	11,092.4	1,619.1	906.9	712.2	11,804.6
26. Furniture	-	-	-	5,093.4	2,829.7	2,263.7	2,263.7
27. Paper and paperboard	-	-	-	738.0	414.9	323.1	323.1
28. Printing	-	-	-	14,359.9	8,043.1	6,316.8	6,316.8
29. Hides and skins	-	-	-	7,025.4	3,950.4	3,075.0	3,075.0
30. Rubber	-	-	-	800.0	435.0	365.0	365.0
31. Chemicals	94,928.9	21,225.0	73,773.9	92,928.8	52,895.3	40,033.5	113,807.4
33. Non-metallic minerals	6,352.5	1,110.8	5,241.7	3,975.0	2,202.6	1,772.4	7,014.1
35. Metal doors	-	-	-	17,534.3	9,680.8	7,853.5	7,853.5
TOTAL	131,058.5	31,721.7	99,336.8	212,495.4	119,829.1	92,666.0	192,002.8

Source: Prepared by the Technical Secretariat of the Ministry of Finance on the basis of data furnished by the Ministry of Industry and Commerce and the National Development Bank.

3.1.3. Temporary admission

In order to promote industrial production intended for the foreign market, the National Government grants suspension of payment of duties on imports of packaging and other inputs used in the manufacture of products intended for export.

The application of this measure represented a revenue loss for the State of the order of 83.8 million guaraníes in 1973 and 33.9 million in the first five months of 1974.

MEASURE - YEAR INDUSTRIAL SECTOR	1973		1974 (I-V)	
	Duty payment suspension		Duty payment suspension	
	¢	%	¢	%
20. Foodstuffs	38,162,306	45.52	19,949,660	58.73
22. Tobacco	1,920,139	2.30	3,318,697	9.78
23. Textiles	1,781,817	2.12	-	-
25. Wood	10,821,371	12.92	3,450,775	10.16
26. Furniture industry	63,852	0.08	-	-
29. Hides and skins	24,266,731	28.98	6,507,820	19.16
31. Chemicals	6,812,253	8.12	738,065	2.17
TOTAL	83,818,469	100.-	33,964,967	100.-

Source: Prepared by the Technical Secretariat of the Ministry of Finance.

3.1.4. Export promotion

Quantification of the fiscal incentives utilized in order to promote exports clearly shows the well-defined intention of encouraging exports of more highly processed products.

Tax exemptions granted on exports in 1973 totalled 611.8 million guaraníes, of which 68 per cent in respect of semi-processed and processed products and the remainder in respect of traditional export products.

A breakdown of the exemptions granted is shown in the following table.

TAX EXEMPTIONS ON EXPORTS BY SECTORS AND DEGREE OF PROCESSING

1973

(1000 guaraníes)

Sector		Under Decree 23011/71	Under Law 349/72 Co-operative societies	Under Law 216/70 on investments	Total exemptions	%
I.	AGRICULTURE	337,901	123,955	105,757	567,613	93
	(a) Primary	79,625	106,449	3,402	188,876	31
	(b) Semi-processed	65,302	8,066	35,310	108,678	18
	(c) Processed	193,574	9,440	67,045	270,059	44
II.	LIVESTOCK	3,377	-	10,973	14,350	2
	(a) Primary	-	-	-	-	-
	(b) Semi-processed	-	-	5,191	5,191	1
	(c) Processed	3,377	-	5,782	9,159	1
III.	FORESTRY	15,957	1,766	5,481	23,204	4
	(a) Primary	-	-	-	-	-
	(b) Semi-processed	3,368	1,719	4,193	9,280	2
	(c) Processed	12,589	47	1,288	13,924	2
IV.	MINING	408	-	-	408	-
	(a) Primary	25	-	-	25	-
	(b) Semi-processed	-	-	-	-	-
	(c) Processed	383	-	-	383	-
V.	OTHER SECTORS	3,475	60	2,719	6,254	1
VI.	TOTAL	361,118	125,781	124,936	611,829	100

Source: Prepared by the Technical Secretariat - Ministry of Finance.

The above-mentioned tax exemptions on exports and those granted on imports of capital goods and inputs intended for production of exportable surpluses, together with the channelling of financial resources toward the production export sector through a restructuring of the loans portfolio of banks within the system, and the adoption of other direct measures and regulations all reflect the major effort that the Government is making to encourage producing activities; a positive response is to be hoped for from the sectors benefiting from these measures, and this is already becoming perceptible in more rapid growth rates of production, improved productivity and faster expansion of economic activities in general.

FOREIGN SECTOR

I. BALANCE OF PAYMENTS

Position in 1973 and prospects for 1974/76

1. Goods and services

International transactions in goods and services during the year 1973 reflected the trend in producing activities at national level. Indeed, the value of exported goods reflects not only an increase in world market prices but also a significant change in the composition or structure of exports and a marked improvement in their quality, in contrast with earlier years when the major percentage of sales comprised unprocessed goods.

The value of imported goods, particularly capital goods, also increased significantly as a result of growing demand by producing sectors.

Imports in 1973 amounted to \$127.2 million, representing an increase by 61.3 per cent over the previous year's level.

The balance in respect of goods transactions was positive for the second year running.

The net balance of service transactions shows a deficit which has been constantly increasing since 1971 and has cancelled out the favourable results for goods transactions, so that the end result is a deficit of \$21.6 million on current account.

2. Capital transactions

Inflow of non-monetary capital in 1973 totalled \$40.8 million, i.e. 37.8 per cent more than in 1972. The public sector received 25.2 million, of which 64.3 per cent consisted of direct loans to finance investments and 35.7 per cent went to the official financial institutions (National Development Bank - Livestock Fund - Housing Savings and Loan Bank).

The private sector received \$15.6 million, of which 9.7 million for direct investments and 5.9 million of loans.

The country's international monetary reserves increased by \$21.2 million due to the favourable results of foreign transactions and net inflow of foreign capital.

Prospects for the three-year period 1974-1976 appear favourable in respect of foreign transactions and it is estimated that international reserves will increase by about \$5 million annually.

II. FOREIGN TRADE

The strategic rôle that the foreign sector has traditionally played in the functioning of Paraguay's economic system became considerably stronger in 1973, particularly in respect of exports which showed an exceptional increase of 47 per cent over 1972.

The favourable trend in exports was attributable to two elements of particular importance: (1) changes in the composition of Paraguay's products, which have increased added value as a result of greater industrial processing; and (2) much more rigorous selection and standardization of primary products, making for improved quality.

Moreover, the very favourable level of prices in the international market has both furthered and facilitated this dynamic development.

Another noteworthy factor is the opening and consolidation of new markets for Paraguayan products and the behaviour of demand in countries having different income levels and distinctive consumption patterns, such as Germany and other European Common Market countries.

It should also be borne in mind that, for the past few years, the Government has been pursuing a policy aimed at encouraging Paraguay's exports and has, to this end, created the conditions needed to increase output and produce exportable surpluses.

This policy of encouraging agricultural and industrial production has concurrently brought about a sustained increase in Paraguay's imports, especially of capital goods for industry, agriculture, etc., and of transport and communications equipment, all of which has contributed to increase the country's capacity to supply goods and services and meet growing foreign demand.

Despite the general rise in prices of Paraguay's imports not only of capital goods but also of raw materials and other inputs, and likewise consumer goods, the country's trade balance is favourable and the sectors directly connected with the foreign sector are developing rapidly, so that in the coming years the strategy of outward-looking development will continue to be appropriate.

1. The instruments of trade policy and foreign trade

The approval of Decree 23,011 in November 1971 marked the beginning of a gradual process of implementing trade policy, notably in the manner defined by the strategy for developing Paraguay's economy, i.e. by increasing exports and in addition ensuring increased added value.

When some of the aspects characteristic of a policy aimed essentially at development were defined, a differentiation was made between traditional products and those that were only beginning to increase their share in Paraguay's production as a whole.

Moreover, by establishing a very low tax base for all products that are added in future to the list of goods, the Government aims to guarantee to producers at all levels a tax rate that will encourage them to participate more in the major effort to promote Paraguay's foreign trade.

In June 1972 Decree 26,729 was approved, which provided for a 50 per cent reduction in the legal level of import duties on industrial raw materials and inputs.

This proved an effective instrument, in particular for correcting the effects of the general rise in prices in the international market, which also affected imports of raw materials, inputs and spare parts needed by domestic industry; the tax base for these imports had reached a very high level, thereby impairing the competitiveness of goods manufactured from those products. In this unforeseeable and prejudicial situation, the 50 per cent reduction in duties on the aforementioned products contributed to remedy a situation that could otherwise have become untenable for Paraguay's industry.

Both the flows of international trade were stimulated by the application of special incentive measures under Law 216 on investments and by arrangements with financial institutions such as the Inter-American Development Bank, the World Bank, the A.I.D. and the Kredinstal Bank of Germany.

At the end of 1973, by Decree 2373, the National Government introduced, a system of taxes and duties applying to imports and exports based on the Brussels Tariff Nomenclature (BTN).

Indeed, the Decree implicitly establishes some major guidelines for a national policy designed to encourage, correct, or discourage specific trade operations with a view to promoting the changes that need to be made in the country's foreign trade.

For the year 1974, Paraguay's exports are expected to reach a value of the order of \$170 million, representing a 34 per cent increase over 1973.

It is interesting to note that this estimate is based on production programmes already in course of implementation, and which are yielding favourable indications as regards volume.

For 1975 and 1976, increases of the order of 8 per cent and 9 per cent respectively are expected.

This fairly moderate projection of foreign sales for the coming years reflects a cautious assessment of the situation in the foreign market for the immediate future.

2. Trend and prospects for imports of goods

Paraguay's foreign purchases reached a substantial level by 1971. In 1972 the value of imports was practically equivalent to that of the preceding year, at around \$70 f.o.b., of which a substantial proportion consisted of capital goods, as had been the case for a considerable time already. Indeed, in 1972 the share of capital goods in total imports was 46 per cent.

In 1973, Paraguay's imports once more began to rise; as a result of higher prices of consumer goods, the addition of new and substantial capital goods items, and changes in prices of petroleum products, they reached an f.o.b. value in the neighbourhood of \$105 million (not including goods in transit). The share of consumer goods, had been affected by a policy of progressive import substitution, was relatively larger in 1973 and more than \$7 million above the preceding year's level, because of the general adjustment of international prices of manufactures and freight costs for maritime and river transport.

Purchases for the various sectors producing goods and furnishing services which are of fundamental significance for a country in the process of development and equipment, contributed to increase Paraguay's foreign purchases substantially in 1973.

Purchases of these goods were in excess of \$59 million, as against \$33 million in 1972.

Extension of the total area devoted to agriculture together with accelerated extraction of forest resources and investments at various levels and in various sectors under development legislation and international credit lines are all factors justifying the large-scale purchases of products designed to increase Paraguay's aggregate capital goods, as mentioned in earlier sections.

Lastly, recent purchases of crude petroleum to supply Paraguay's normal demand have been affected by the world crisis that first became apparent in August 1973. The average price paid by Paraguay for crude petroleum imported from North Africa has risen from approximately US\$3.50 per barrel to more than US\$9; this reflects the immediate incidence of the crisis and explains why in respect of a volume of approximately 200,000 barrels imported in this latter period to reach the level of 1.8 million barrels required in 1973, expenditure increased by more than \$800,000 in a period of three months.

3. Trend and prospects for exports of goods

Paraguay's exports have been increasing at a rapid rate in the past three years. Indeed, the record level of \$65 million recorded in 1965, and repeated in 1971, was exceeded by approximately 32 per cent in 1972.

In 1973, the increase in the value of foreign sales is of the order of 47 per cent over the level for 1972 and export earnings were in excess of \$126 million.

The most dynamic export items in recent years have been inter alia, frozen beef, wood manufactures, refined petitgrain essence, crude sugar, tanned leather, edible oils and among semi-processed and primary products, cotton fibre, tobacco leaf and oilseeds.

Of like importance is the growth rate of non-traditional exports such as silk cocoons, Portland cement, confectionery and fruit preserves, and other items of less significance in total annual exports.

These successful sales are not exclusively attributable to higher international prices but also to the fact that the country has been preparing to meet foreign market demand, whether or not of a conjunctural character, for substantial quantities of new products of all kinds.

It can likewise be stated that in the period under review the value added by industry has become a very dynamic element in increased sales in that the great majority of traditional export items have undergone some industrial processing.

In the projection of the value of imports for the period 1974/76, account has been taken of the importance of implementation of investment projects, the import component involved in such projects, the trend in prices of products that are necessary for Paraguay's economy by way of complementarity, and the substantial adjustments in prices of fuels, lubricants and other petroleum products, a crisis that cannot be fully evaluated in the short term.

EXPORTS: PROJECTION 1974-1976
(in \$'000)

Product	Year			
	1974	%	1975	%
Oilseeds	8,320	4.9	9,152	5.1
Tobacco	8,910	5.3	8,405	5.1
Cotton fibre	17,100	10.1	19,800	10.7
Beef and veal, frozen	26,000	15.3	26,520	14.4
Beef and veal, preserved	17,250	10.2	17,595	9.6
Sawnwood	17,896	10.5	19,420	10.6
Wood manufactures	3,067	1.8	3,853	2.1
Vegetable oils	12,998	7.7	13,875	7.5
Bran, oilcake and expeller	14,895	8.8	16,246	8.8
Tanned leather	4,500	2.6	7,500	4.1
Essential oils	9,947	5.9	11,420	6.2
Sub-total	140,883	83.0	154,786	84.2
Other	28,787	17.0	29,102	15.8
<u>TOTAL</u>	<u>169,670</u>		<u>183,888</u>	
<u>Increase</u>		<u>8.4%</u>		<u>8.9%</u>

COMPOSITION OF EXPORTS

(in \$'000)

Principal products	Year					
	1971		1972		1973	
		%		%		%
Preserved meat	10,632	14.3	10,750	12.5	14,179	11.2
Wood manufactures	2,197	3.4	3,008	3.5	3,910	3.0
Edible oils	195	-	134	-	1,307	1.0
Tanned leather	-	-	119	-	1,791	1.4
Frozen meat	7,523	11.5	15,537	18.3	21,390	16.9
Refined essential oils	-	-	178	-	2,984	2.3
Cotton fibre	834	1.3	3,815	4.4	11,622	9.2
Tobacco	4,766	7.3	6,682	7.7	7,457	6.0
Oilseeds	1,848	2.8	4,983	5.8	12,155	9.6
Sugar	1	-	1,968	2.3	1,103	1.0
Other	37,208	59.4	39,013	45.5	49,029	38.4
Annual total	65,204	100.0	86,187	100.0	126,927	100.0
<u>Annual increase</u>			32%		47%	

Source: Planning Department.

DEVELOPMENT OF EXPORTS

(tons)

Product \ Year	1971		1972		1973	
		%		%		%
Preserved meat	10,757	2.7	10,359	2.5	12,104	2.8
Wood manufactures	17,877	4.4	23,668	6.0	30,172	7.0
Edible oils	508	-	379	-	3,442	1.0
Tanned leather	-	-	159	-	3,211	1.0
Frozen meat	12,428	3.1	19,242	5.0	20,317	4.7
Refined oils	950	-	467	-	913	-
Cotton fibre	2,887	1.0	7,593	2.0	18,606	4.3
Tobacco	16,069	4.0	21,451	5.0	17,524	4.0
Oilseeds	22,237	6.0	54,130	13.0	59,926	14.0
Other	319,872	78.8	270,866	66.5	261,989	61.2
<u>TOTAL</u>	403,585	100.0	408,314	100.0	428,204	100.0
INCREASE			1.2%		4.9%	
Volume of exports of items mentioned above	<u>83,713</u>		<u>137,448</u>		<u>166,215</u>	
INCREASE			64%		21%	

Source: Planning Department.

IMPORTS BY COUNTRY OF ORIGIN

(in \$'000)

Country	Year		1971	%	1972	%	1973	%
Argentina			10,119	14.4	10,757	15.4	27,479	26.0
Mexico			473	1.0	646	1.0	-	-
Chile			271	-	358	-	-	-
Germany, F.R.			8,154	11.6	9,998	14.3	11,841	11.0
Belgium			429	-	487	1.0	2,276	-
Netherlands			563	-	568	1.0	637	1.0
United Kingdom			6,940	10.0	5,770	8.3	7,789	7.4
United States			17,900	25.5	13,703	27.0	17,338	16.5
<u>Other</u>			44,286	62.5	41,719	68.0	65,360	62.0
			25,986	37.5	28,130	32.0	39,430	38.0
<u>TOTAL</u>			70,272	100.0	69,849	100.0	104,790	100.0

IMPORTS: PROJECTION 1974-1976

(in \$'000)

YEAR	1974	%	1975	%	1976	%
<u>CONSUMER GOODS</u>	18,083	12	19,313	12	20,279	12
(a) Durable	8,685	-	9,278	-	9,742	-
(b) Non-durable	9,396	-	10,035	-	10,537	-
<u>INTERMEDIATE GOODS</u>	20,268	14	21,203	13	22,290	12
(a) Raw materials	9,661	-	9,960	-	10,267	-
(b) Intermediate goods	10,607	-	11,243	-	12,023	-
<u>CAPITAL GOODS</u>	74,040	50	84,776	51	94,949	53
(a) Agriculture	20,339	-	23,288	-	26,083	-
(b) Industry	6,179	-	7,075	-	7,924	-
(c) Transport and communications	27,130	-	31,064	-	34,792	-
(d) Construction	9,457	-	10,828	-	12,127	-
(e) Public services in general	9,529	-	10,911	-	12,220	-
(f) Trade and liberal professions	1,406	-	1,610	-	1,803	-
<u>FUELS AND LUBRICANTS</u>	30,000	20	32,560	20	33,050	19
<u>OTHER</u>	6,936	4	7,630	5	8,027	4
<u>*TOTAL</u>	149,328	-	165,482	-	178,594	100
<u>Increase</u>			10.8%		8%	

*Excluding whiskey and cigarettes

EXPORTS BY COUNTRY OF DESTINATION

(in \$'000)

Country \ Year	1971		1972		1973	
		%		%		%
Argentina	17,845	<u>27.4</u>	15,679	<u>18.2</u>	16,206	<u>12.8</u>
Mexico	670	1.0	1,136	1.3	1,086	1.0
Chile	2,254	3.5	1,493	1.7	2,024	1.6
Germany, F.R.	<u>3,605</u>	<u>5.5</u>	14,057	<u>16.3</u>	23,316	<u>18.4</u>
Belgium	2,936	<u>4.5</u>	4,431	5.1	6,011	<u>4.7</u>
Netherlands	4,989	<u>7.7</u>	6,180	<u>7.2</u>	10,483	<u>8.3</u>
United Kingdom	3,623	5.6	7,478	<u>8.7</u>	8,618	<u>6.8</u>
United States	10,417	16.0	12,881	14.9	16,447	13.0
	46,335	71.2	63,335	73.4	84,191	66.6
<u>Other</u>	18,869	28.8	22,852	26.6	<u>42,737</u>	<u>33.4</u>
<u>TOTAL</u>	65,204	100.0	86,187	100.0	126,928	100.0