

Paraguay: Ideal investment conditions

A new government and the world’s largest generator of renewable energy are helping to ensure Paraguay’s economy remains stable and sustainable

Paraguay is one of Latin America’s fastest-growing economies, with the IMF estimating that its gross domestic product will grow by around 4 percent a year until at least 2023.

The pillars of this stable economy are agriculture (it is one of the world’s top-ten beef, soya and corn exporters) and renewable energy. Now, President Mario Abdo Benítez is utilizing this natural wealth to build a more diversified and competitive economy. His strategies for this include developing the young population’s skills and employing technology to create a knowledge economy, introducing manufacturing and services clusters, as well as encouraging innovation and foreign investment.

The well-connected and business-friendly country already offers attractions for investors. Not least, says Minister, Secretary General and Chief of the Civil Cabinet of the Presidency of the Republic of Paraguay Julio Ullón Brizuela, “It is strategically located at the center of South America, making it an excellent gateway to more than 200 million consumers in the Mercosur common market.”

One of the seven wonders of the modern world

Another major advantage Paraguay has is the huge and reliable electricity supply from the hydroelectric plant it shares with Brazil: ITAIPU Binacional, which generated 96,585,596 MWh of energy in

2018. “It is the world’s largest producer of clean and renewable energy, and Paraguay’s most important asset,” says Paraguayan Director General José Alberto Alderete. Nearly 26,000-foot long and 650-foot high, with 14,000 MW of installed power, ITAIPU supplies over 90 percent of Paraguay’s energy and around 20 percent for Brazil.

But energy production is only one example of how ITAIPU impacts Paraguay. It is also at the forefront of four other country priorities: social responsibility, environmental protection, tourism and technological advance. In terms of social responsibility, Alderete states, “ITAIPU pays royalties of over \$1 billion a year to the central government. We are also strengthening, modernizing and expanding Paraguay’s energy distribution network.”

In addition to hydropower being a green energy, ITAIPU protects the environment by avoiding the use of over 500,000 barrels of oil a day and, he says, it has strengthened over 100,000 hectares of forest reserves around the plant in projects with organisations like the Smithsonian Institute and the World Bank. These reserves are also attracting tourists, he notes: “In the first half of 2018, we saw an increase of 8 percent in visitor numbers—about 500 thousand people. However, there is a lot more tourism potential in our dam, environment, reserves, zoo, research center and museums.”



Mario Abdo Benítez
President of Paraguay



José Alberto Alderete
Paraguayan Director General, ITAIPU Binacional

Alderete’s main focus is on the future: “ITAIPU has to be at the forefront of technology.” For this reason, the plant is being transformed from analog to digital, a 14-year process involving an investment of almost \$700 million. Other changes are also in the pipeline. “In 2022, Paraguay and Brazil become joint owners and ITAIPU will have settled all its debts. We will be in a position to sell electricity to third parties,” he says. The relationship between the partners is warm, to the extent that, “ITAIPU is financing two bridges between our countries to consolidate their integration,” states Alderete. He calls on investors from around the world to visit Paraguay and see the advantages it offers, “Which include, of course, clean energy in abundance and at a reasonable cost.”



Clean energy in abundance

José Alberto Alderete, Paraguayan Director General of ITAIPU Binacional, talks about the importance of the hydroelectric plant for the competitive, young and innovative country that offers growth opportunities in all sectors



What is the biggest upcoming challenge for ITAIPU Binacional?

Looking ahead, there are pillars that form the mission of ITAIPU that we want to strengthen in accordance with the current administration of the president.

The biggest challenge, and one of these main priorities, is the renegotiation of the binational treaty that covers the plant. The idea is to sit down and claim, as we are entitled to do, a fair renegotiation of the treaty for Paraguayans. We will negotiate firmly with our Brazilian brothers and within a framework of mutual respect.

In 2022, Paraguay and Brazil become joint owners of the dam; ITAIPU will have settled all its debts, leaving it with zero liability. So, within the revision of the treaty we will cover the price, the tariff and also the commercialization of our energy—in other words, we will be in a position to sell electricity to third-party countries, and rates and sales to these third-parties will be the focus of the treaty discussion.

“ITAIPU has to be at the forefront of technology in order to remain as the company with the world’s largest generation of renewable energy.”

José Alberto Alderete, Paraguayan Director General, ITAIPU Binacional

What other priorities are you focusing your attention on during your period administrating ITAIPU?

Independently from the renegotiation of the treaty, we are working on another fundamental priority for us—technological advance. ITAIPU has to be at the forefront of technology in order to remain as the company with the world’s largest generation of renewable energy. That is why we are strengthening and updating, in conjunction with our Brazilian counterparts, the plant’s technology.

This consists of transforming everything that is now analog to digital technology. By this, I mean all of the machinery in the hydroelectric power station. This necessary conversion will take about 14 years—four years of preparation and ten years to realize the implementation of the necessary work. This qualitative jump will require an investment of close to \$700 million.

Thanks to ITAIPU, Paraguay and Brazil avoid the use of more than 500,000 barrels of oil per day, which prevents the emission of almost 90 million tons of carbon dioxide. How else does the hydroelectric plant affect the social welfare of the people in both countries?

ITAIPU’s energy generation has a strong impact in terms of the environment— what happens here affects the world. Economically, by saving 500,000 barrels of oil a day, our renewable energy has a massive effect. What we produce here we sell to the public company Administración Nacional de Electricidad (ANDE). ANDE is responsible for its distribution at a reasonable price, and what is left for ITAIPU is used for social responsibility and the strengthening of our previously mentioned priority pillars.

Also, as a country we have invested in Paraguay’s transmission line and now we are going to improve our existing distribution network, expanding it to supply new areas with Itaipu’s energy.

Can you comment on a very important announcement that ITAIPU will soon be making, as I believe we have an international scoop here?

ITAIPU will be moving forward with the financing of two bridges that will consolidate the integration of Paraguay with Brazil. One is between Foz de Iguazu and President Franco, joining the State of Paraná in Brazil with the Department of Alto Paraná on the Paraná River. The other bridge will be over the Paraguay River at Puerto Murtinho in Brazil and Puerto Carmelo Peralta in Paraguay, integrating Mato Grosso Do Sul with Alto Paraguay in our country. Currently, we just have the Puente de la Amistad between the two countries—from Ciudad del Este to Foz do Iguazu—and it is always crowded.

However, beyond the physical crossings, for me the main bridge of integration between the Brazilian and Paraguayan people is ITAIPU Binacional itself—this is the true bridge of assimilation and this physical unity will continue to be consolidated thanks to the hydroelectric plant.



No. 1 hydroelectric power generating plant in the world



14,000 MW of installed energy capacity



\$700 million is being invested in updating technology

Improving the business climate

Julio Ullón Brizuela, Minister, Secretary General and Chief of Staff of the Presidency, is a key member of a new government that is attracting investment, as well as advancing technology, innovation, diversification and competitiveness



You were recently appointed to your three positions although you already have 26 years of experience as an active member of your political party. What have been the first steps taken by you and the new government?

To begin with, we are working to improve Paraguay's business climate and increase its competitiveness ranking, as the country requires several reforms. The president of the republic is also currently going ahead with a vast improvement of our education standards, which is a very important project that we launched recently.

It is the beginning of a complete transformation of the education system that is essential because Paraguay has a very low average ratio of people who have finished high school and we also have limited numbers of people graduating from university—so we are working to improve these indexes. We also carried out several studies recently, which revealed that our middle-school teachers' preparation is not up to standard and must be improved. The plan is to ensure improvements in all of the aspects I have mentioned through our vitally important new program called the Transformation of Education Project.

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Julio Ullón Brizuela, Minister, Secretary General and Chief of Staff of the Presidency

In his inaugural speech, President Benítez made it clear that one of his priorities is to boost foreign investment through its Strategic Infrastructure Plan. Could you comment on the details of possible agreements that are underway with the international community and what types of infrastructure are priorities for the nation?

In a cooperation framework with the Inter-American Bank of Development, Paraguay went ahead with its National Transport Plan, which was launched back in 2011. A revision and update of the plan has since been carried out with the bank. Basically, what the government will do is continue to manage and execute this plan, which covers an estimated

investment of \$10 billion over the next 10 years. We have opened our doors to every country that is willing to invest in any sector in Paraguay. In addition, this year we are performing a revision of the country's Industrial Plan, which was also executed in conjunction with the Inter-American Bank of Development.

One of the main objectives of this is to deepen the food chain in Paraguay so that we can begin to offer more products to the world, especially in the soy and meat chains—for example, we want to attract companies that are willing to export frozen meat. We also want to improve the food chains for poultry and pork—there is a huge potential in exploiting these sectors and they could eventually reach the same size as the bovine meat sector.

The other Mercosur trading-bloc countries (Argentina, Brazil and Uruguay) are the main

partners for Paraguayan exports and imports, especially Brazil and Argentina, although China's prevalent role in trade also stands out.

What role does the U.S. have in Paraguayan trade?

Paraguay is very interested in increasing its presence in the U.S. and in possibly being able to export more beef to the American market as Paraguay is one of the world's top-10 meat exporters. We would also like to attract more U.S. companies to Paraguay and to strengthen our stock market to ensure that money invested in Latin America can reach Paraguay.

Our relations with the U.S. grow stronger every day. Only a couple of weeks ago, the U.S. ambassador to Paraguay invited our president, Mario Abdo Benítez, to participate in a meeting to launch the reform and expansion of the U.S. embassy in Paraguay. This decision to expand the U.S.'s embassy in Paraguay only reinforces the strong relationship that exists between the two countries and I am certain that Paraguay-U.S. relations will continue to improve and strengthen year on year.



Top 10 exporter of beef, soy and corn



\$10 billion will be invested in transportation over 10 years



200 million people are in the Mercosur trade bloc

Endless potential in adding value

Denis Lichi, Minister for Agriculture and Livestock, invites international companies to take advantage of the many opportunities available to add value to Paraguay's agricultural production



What are your main priorities as the new Minister for Agriculture and Livestock?

Paraguay's macroeconomy is very stable. We are doing extremely well with exports of soy, for example. Unfortunately, current prices for soy are not very high, but we are helped by an elevated productivity. Additionally, the current exchange rate of the U.S. dollar against the Paraguayan guaraní goes in our favor as we have a strong and stable currency. Until about five years ago, the farmers who planted soy were badly mistreated, as they were subjected to attacks by guerillas who would invade their lands and threaten them—even larger farmers were threatened. We are here to change this and protect our farmers. What we want to do now is offer them security, which will allow them to invest. We will ensure all farmers receive this support, not only the smaller growers that plant soy.

What are the main challenges you have encountered in the ministry?

We are facing challenges with soy—we sell it unprocessed to other countries and buy it back after it has been processed. This means there is a significant opportunity for investors to come to Paraguay and process soy, and we intend to offer legal security to the large soy producers to guarantee production. Our country is divided into two parts, the eastern region and the western region where the Chaco area is situated, which is where we produce the largest amount of our livestock. Our objective is to develop our western region to increase cattle production and, before long, we will begin developing agriculture in this area as well. But first we are working on water distribution, as the area is extremely arid, and road infrastructure.

Another government priority is to support small producers. Today, we export soy, rice, wheat and more, but on the other hand we are importing horticultural produce like tomatoes, onions, potatoes and garlic. We provide a large offering of food to the world but, ironically, most of what we consume, we import. We need to work to change this or at least to reduce the amounts we import, which requires our smaller producers to grow larger amounts and quality food.

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Denis Lichi, Minister for Agriculture and Livestock

Due to our climate, there are problems with extreme, hot and dry summer temperatures, meaning our producers only grow for around six months of the year in winter. This is an important matter for which we want to support our farmers by giving them tools to facilitate year-round production. Another issue we are addressing is that we haven't exploited our potential with smaller livestock such as chicken, pigs and others. Currently, we have introduced a project to start sheep production. If small producers begin to supply food for internal consumption, we can increase Paraguay's cash flow by 30 percent. I believe that if we can improve the financial standing of those less favored in our country, the economy will become more dynamic as these people, who I would estimate to be about 1.5 million in number, are vital for moving the economy forward.

Paraguay is one of the world's top-10 exporters of various agricultural and cattle-related products, including: beef, corn and soy. Which other Paraguayan products could we be seeing in the near future on the international market?

We have huge potential. For instance, we are one of the largest exporters of organic sugar in the world. At the moment, we produce alcohol from corn but I believe we should begin doing the same with sugar. Cassava is a very traditional product that we produce and consume extensively in Paraguay, and we export a lot of bananas to Argentina. In terms of tomatoes, we currently only produce them during six months of the year—we aim to produce them all year round and to industrialize the tomato industry. We need to focus on our internal tomato-consumption requirements, which are 250 tons per day. We grow 11,000 tons of onions a year, which is only enough to cover two months of our annual consumption needs. The same applies with potatoes. We want to comprehensively enable small producers, by assisting with planning, supervising seed selection for crops of the best possible quality, running soil tests and subsidizing soil improvement, as well as helping farmers with the commercialization of their products. Overall, we want to improve and revitalize the whole growing process.



25 percent of GDP comes from agriculture and livestock



14 million cattle are spread across Paraguay



30,000 Paraguayan farmers grow soy