

Paraguay National Day Special

Historical friendship grows along with global presence

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AMBASSADOR OF PARAGUAY



On its 207th Anniversary of Independence and after 29 years of democracy, Paraguay finds itself a full part of a community of nations that share the values of liberty, equality and fraternity. It is

a free country that protects the freedom of expression and the personal growth of each individual, regardless of their social status or gender. Despite its diverse population resulting from immigration from all parts of the world, including Japan, Paraguay has achieved a unique sense of cultural homogeneity, allowing its people to coexist peacefully, free from prejudice and social conflict.

Over the last few years, Paraguay has achieved a level of political, economic and social development that has made our integration into the international community easier, while also allowing us to be considered an important and reliable representative in international forums. In addition to being a founding member of Mercosur (the customs union comprised of Paraguay, Argentina, Brazil and Uruguay) and holding observer status in the Pacific Alliance, Paraguay continues to participate actively and prominently in various international organizations, such as the United Nations Human Rights Council (2016-2017), the International Tribunal for the Law of the Sea and the Bureau of the Group of Landlocked Developing Countries.

Furthermore, Paraguay is currently cooperating with the Organisation for Eco-

nomics Co-operation and Development. This has helped us enter as a member of the global organization's Development Centre, a role that bestows a prominent international position on our country.

This rising presence in the international community is also visible through the recent visits to Paraguay by important foreign figures. Some of the most noteworthy visits have been by Pope Francis, the secretary general of the United Nations, the director general of UNESCO and the director of the International Monetary Fund.

With regard to Japan, in 2016, Paraguay received Princess Mako as a guest during a ceremony marking the 80th anniversary of the start of Japanese immigration to Paraguay, as well as a visit from Minister of Economy, Trade and Industry Hiroshige Seko last December, among other visits from vice ministers.

Moreover, we should not fail to mention the special affection that the Paraguayan people have toward the Japanese Imperial family who have always shown their interest in Paraguay through their official visits over the last half-century. In 1978, Emperor Akihito and Empress Michiko (at that time the crown prince and princess) honored our country with their presence. In 1986, Prince Hitachi and his wife, Princess Hanako, visited, while Prince Akishino also visited Paraguay in 2006.

Approaching the 100th anniversary of their relations, Japan and Paraguay face a bright future together. Diplomatic relations between the two countries were established with the signing of the Paraguay-Japan commerce treaty on Nov. 17, 1919. Since then, our relationship has grown steadily to the point where we are currently experiencing our finest moments together. However, there is still enormous

potential to reach higher levels in our relations in all fields.

There are two main reasons why the current state of affairs is as good as it is. First, there are the common values we share with Japan. For instance, democracy, human rights, rule of law and respect for the international maritime law combined with free access to the sea. The latter of these values is very significant since Paraguay is a landlocked country and free access to the sea is vital for our progress.

The second reason is that Paraguay and Japan are working toward the same goals in regard to global challenges, such as the promotion of peace, the nonproliferation of nuclear weapons, the empowerment of women and promotion of gender parity, the ideals of free and open international trade in conjunction with reciprocal international trade and finally, but equally important, the desire from both countries to achieve a safer world by staying active with anti-terrorist policies and humanitarian aid for refugees and others in need.

Another important pillar in our relationship are Japanese immigrants who we have welcomed since 1936. The first Japanese established themselves in Paraguay by founding the community La Colmena, a strong symbol of the friendship between our countries to this day. Those Japanese pioneers and their descendants are a very important part of our country. They have helped to develop Paraguay through hard and steady work, assimilating into our society, while at the same time maintaining their Japanese identities and preserving the values that continue to connect them to Japan. Their introductions of new agricultural techniques were also highly appreciated contributions to our growth. Additionally, it is very common



Top: The Chaco Region covers over half of Paraguay and represents the country's rich ecosystem and biodiversity. Above: Capybaras are native to Paraguay and other parts of South America.
NATIONAL TOURISM SECRETARIAT OF PARAGUAY



Palacio de los Lopez in Asuncion is the official office of the president of Paraguay.
NATIONAL TOURISM SECRETARIAT OF PARAGUAY

in their communities to hear the inhabitants speaking interchangeably in Japanese, Spanish and Guaraní (the indigenous and official language of Paraguay).

Related to Japanese immigration, we should also mention the important contribution of the Japan International Cooperation Agency (JICA). Initially a service for Japanese emigration and later functioning as an agency for international cooperation in charge of carrying out Japanese official development assistance, JICA has contributed to Paraguayan social and economic growth for more than half a century. During this time, they have earned the respect and appreciation of the Paraguayan people. Today, we have many projects being jointly executed with JICA and we hope that this collaboration will not only remain constant, but that we will be able to elevate it in order to achieve Paraguay's desire of minimizing the socioeconomic gap that results from fast economic growth.

In the past few years, Paraguay has

shown a singular determination to grow and prosper, and is now able to boast competitive production costs, a low tax burden and a solid macroeconomic policy. The current government put into place the Paraguay National Development Plan 2030 that lays out the basis for the country's economic expansion in an inclusive and sustainable way through the application of policies that contribute to innovation, connectivity, the training of labor forces and social development. This plan is already seeing its rewards and it has helped shape the country into a new leader of regional growth. From 2003 to 2007, Paraguay's gross domestic product expanded by 4.1 percent, and between 2008 and 2012, the GDP growth was 3.7 percent, on par with its larger neighbors. However, the next period (2013-2016) produced a 6.5 percent GDP increase in Paraguay, while most of our neighbors achieved between minus 1 percent and 2.5 percent. Last year, the Central Bank of Paraguay (also known as the

BCP by its Spanish acronym) reported an economic growth of more than 4 percent. This promising performance is expected to continue as the IMF forecasts the GDP will grow 4.5 percent this year and will increase 4.1 percent in 2019; if achieved, both rates would be among the highest in Latin America.

Most of these forecasts see GDP growth occurring in the primary, industrial and service sectors. All of these sectors are important for a country rich in natural resources. Agriculture, livestock and electricity are the cornerstones of Paraguayan foreign trade, totaling around 70 percent of all exports. While 2016 was not a great year for trade in Latin America, the value of exports in South America alone fell by 6.3 percent, Paraguay was an exception. Its total exports rose to \$8.5 billion (compared to \$8.3 billion in 2015), an increase of 2.4 percent. Last year, the BCP foresaw the primary sector improving even further due to a

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Our Warmest Congratulations to the Republic of Paraguay on the 207th Anniversary of Independence

One year before the centenary anniversary of the establishment of diplomatic relations between Japan and Paraguay, we are celebrating this year our 10th anniversary since launching our business in the land of Paraguay.

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Paraguay National Day Special

Economic ties remain strong

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predicted record harvest of 10 million tons of soybeans (2017–2018), the mainstay of Paraguayan agriculture. This harvest will also be accompanied by higher international prices for other commodities. Also, with its giant hydroelectric plants, Paraguay is the No. 1 net exporter of renewable electric power in the world. The government intends to make significant further investment into renewables, and its recently published energy policy provides insight of the plans that will affect the sector in the short, medium and long term. Meanwhile, the services sector, representing 46 percent of national economic activity and where the greatest concentration of the country's workforce is to be found, is estimated to increase by 6 percent.

In terms of Paraguay's economic management, the Inter-American Development Bank notes that transparency of public finances, predictability and monitoring of budget implementation are now strong points that comply with international standards. At the World Economic Forum's (WEF) annual meeting last year in Davos, President and founder of the WEF Klaus Schwab also praised the current government for the transparency it is encouraging throughout the country. In addition to this, Paraguay also offers financial reliability. Maintaining 1.4 percent of GDP over the last two years, Paraguay's fiscal deficit is the lowest and most stable in Mercosur. This is thanks to the Fiscal Responsibility Law that specifies that the annual deficit must be below 1.5 percent of GDP.

According to the BCP, the government's recent policies have built up confidence and achieved an increase of foreign direct investment (FDI) by 25 percent over the last three years, reaching \$1.5 billion. Indeed, investors have every reason to be upbeat—the Economic Commission for Latin America and the Caribbean states that in recent years, the average return on investment in Paraguay has been 22 percent, with even higher returns seen in sectors such as finance and real estate.



President Horacio Cartes (left) and Prime Minister Shinzo Abe talk at a news conference after a meeting in Tokyo on June 25, 2014.

MINISTRY OF FOREIGN AFFAIRS OF JAPAN

The country has reformed its income tax system and introduced a program of public-private partnerships to promote its FDI. Law 60/90 on investment incentives is also encouraging investment by providing tax exemptions for the import of capital goods and value-added tax (VAT) and for the purchase of nationally produced capital goods, while also permitting full repatriation of capital and profits. Paraguay also guarantees equal treatment of foreign investors under Law 117/91. Paraguay has historically had the lowest tax burden in the region, with a 10 percent corporate tax rate and a 10 percent VAT on most goods and services. The country also only applies a 1 percent levy on the value of finished exported products, embedded in the Maquila Law, where "maquila" refers to the assembly of goods intended for export. Incentives for companies operating under this law include the exoneration of taxes on importing machinery and the raw materials required for production, as well as reduced customs tariffs. The country's manufacturing industry has also been greatly strengthened through the maquila system. Last August, the Paraguayan government reported that under the focused maquila system that promotes the benefits of the law, 115 factories have opened in the country; 89 since 2013, and another 20 factories are preparing to start operations.

Some Japanese companies have already taken advantage of this business-friendly climate by becoming very important parts of Paraguay's economic development. One

noteworthy example is the Tsuneishi Group whose activities primarily center on the construction and repair of barges and pusher boats for river transport.

Regarding the recent emphasis of this embassy on awakening the interest of Japanese companies, it is important to take note of the dynamic relations between Paraguay, Brazil and Japan. Many Japanese companies began hearing about Paraguay through their branch offices in Brazil when Paraguay's investment conditions for businesses became a feasible option for many Brazilian companies. Most of those Japanese investments became greenfield projects in the automotive sector, mainly under the Maquila Law.

Since 2013, the Paraguayan government has been working with Japan External Trade Organization Sao Paulo. Together they have organized seminars, roundtable discussions and bilateral meetings with Japanese companies established in Brazil. And these actions have led to successful results, as seen in the cases of Sumitomo Wiring System Ltd.; Yazaki Corp. and Fujikura Ltd. These three companies are currently responsible for almost all of the Paraguayan automotive exports to Brazil. What's more, this trilateral cooperation also resulted in the signing of a memorandum of understanding by Seko during his visit to Asuncion in December.

This content was compiled in collaboration with the embassy. The views expressed here do not necessarily reflect those of the newspaper.

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to the People of
the Republic of Paraguay
on the Occasion of
the 207th Anniversary of
Their Independence

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Top: Paraguayan and Japanese musicians play Paraguayan harps, the country's national instrument, at the independence day reception in Tokyo on May 15, 2017. Above: Itaipu Dam, located on the border between Paraguay and Brazil, is the biggest dam in Paraguay. The country is the largest exporter of renewable electric power in the world.

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