

*Translated from Spanish*

## **Paraguay**

### **Ten-Year Review Conference of the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries**

#### **National report**

##### **1. Introduction**

The landlocked developing countries (LLDCs) share common geographical problems due to their distance from maritime ports, inadequate domestic infrastructure, weak institutions, small domestic markets which are highly vulnerable to external shocks as well as heavy dependence on the infrastructure, political conditions and tariff and non-tariff measures imposed by neighbouring or transit countries. All this means high transport costs for goods in international trade.

A landlocked country has limited possibilities for development because: (a) it has less trade; (b) it is less attractive to investors and as a site for productive activities; (c) it is late to adopt technological advances originating in the more developed regions; and as a result (d) it has less growth and lower income levels.

In addition, 16 LLDCs are in the category of least developed countries (LDCs): lack of access to the sea, distance and isolation from international markets result in substantially higher transport costs for this group of countries, making them much less competitive in international trade.

According to the United Nations Human Development Index (HDI) for 2011, the landlocked countries rank among the lowest countries as regards development. Paraguay ranks 107th out of a total of 187 countries.

Both domestic and international costs for transporting products of national origin and foreign products are higher because they are influenced by endogenous factors (transport infrastructure and logistics, inadequacy of institutions) and exogenous factors (landlockedness, climate, geographical location, bottlenecks in transit countries). Countries with high transport costs tend to have less development because of the inverse ratio between a country's growth and its transport costs.

##### *Geographical location*

A landlocked country, Paraguay is about 1,600 kilometres from the maritime ports of Buenos Aires in Argentina and Nueva Palmira in Uruguay

Geography is known to play a decisive role in economic growth and therefore in a country's situation as regards crucial issues such as institutions, trade and per capita income. Being landlocked has implications for a country in terms of transport costs, investment, technology transfer, growth and development. Recent studies show that landlocked countries have transport costs that are 11 per cent higher than those of coastal countries and that the growth rate of countries with low transport costs is 49 per cent higher than that of countries with high transport costs,

demonstrating the inverse correlation between a country's transport costs and its economic growth. Other studies note that the geographical location of a landlocked country is crucial and point out that one of the poverty traps for landlocked countries is their surrounding neighbourhood.

In the particular case of Paraguay, ECLAC (2003) considers that the effect of being landlocked is equivalent to approximately 0.24 per cent of its gross production. This figure is much lower than the one given in another study (USAID, 2006), which analysed the extra transport costs for 10 import and export corridors and demonstrated that for those corridors, being landlocked would have an effect equal to about 0.5 per cent of GDP. In addition the latter report states that extra transport costs in the case of Paraguay total approximately \$145 million, 47 per cent of which are attributable solely to being landlocked.

In addition, it has been demonstrated that almost all countries with populations concentrated within 100 kilometres of the coast are more successful exporting labour-intensive manufactured goods and that the transport costs of African countries with no maritime coast are 50 per cent higher than those of coastal countries. High transport costs are associated with a reduction of just over a half a percentage point in GDP growth. All this means that only coastal areas and/or those with low land transport costs can compete in the various processes or stages of production of a product using local and imported inputs, which benefit from a low transport cost.

This is mainly because the makeup of their productive structure has not changed much over the years, since the primary or agricultural sector (soybean cultivation and cattle raising) accounts for an important share of the country's total production and is the sector most affected by external factors such as favourable or unfavourable climate conditions for crops and commodity prices on international markets, which may stimulate growth of the economy in a particular year but produce lower growth the next year.

The global competitiveness of landlocked countries' economies is beset with special challenges because their trade involves greater distances to reach destination markets for their products as well as greater obstacles because of border crossings. In addition, their competitiveness suffers from the red tape affecting businesses and would be enhanced if corporate governance in those countries were improved.

The World Bank report *Doing Business* states that, in comparison to coastal countries, landlocked countries have worse results in 7 of the 10 areas considered: (a) starting a business; (b) dealing with construction permits; (c) getting credit; (d) protecting investors; (e) paying taxes; (f) trading across borders; and (g) enforcing contracts. In the 2013 *Doing Business* report, Paraguay ranks 103rd out of 183 countries and in the World Economic Forum's Global Competitiveness Report 2012-2013 it ranks 116th out of a total of 144 countries analysed.

Another issue affecting landlocked countries is technological progress: advances made elsewhere take time to reach them. There are two main reasons why a landlocked country incurs extra transport costs: "frontier crossings" and "mode of transport". The first refers to land transport of goods from landlocked countries, which have to cross frontiers and comply with the customs formalities of the transit countries.

In this connection, one study (Arvis, 2005) determined that frontier crossings for African landlocked countries added the equivalent of an extra 11,000 kilometres of maritime transport, whereas for European landlocked countries, frontier crossings were equivalent to only 1,100 kilometres. In addition, ECLAC (2003b) determined that for Paraguay, the effect of frontier crossings was to impose an additional cost on its soybean trade equivalent to \$5 per ton.

The “mode of transport” factor concerns the method by which goods are imported or exported using alternative methods of transport which are less efficient than maritime or river transport.

In its report, ECLAC (2003a) established that rail transport was five times more costly than river transport, while land transport was seven times more costly. This is particularly important for Paraguay because, according to the USAID study (2006), 53 per cent of exports and 50 per cent of imports are transported by land, illustrating the country’s heavy dependence on land transport.

Another important factor affecting transport and communications is dependence on neighbours or transit countries. This dependence takes various forms: (a) the landlocked country depends on them for its products to reach the coasts and distant markets; (b) a landlocked country’s transport costs depend on how much its neighbouring country with access to the sea has invested in transport infrastructure; and (c) transit countries are often the destination market for landlocked countries’ exports.

## **2. The national development planning process, assessment of key economic, social and environmental development trends**

### **Key actions undertaken to integrate the Almaty Programme of Action into the national development strategy and resource allocation**

The Government of Paraguay has formulated the country’s Strategic Economic and Social Plan for 2008-2013, which has some points in common with the Almaty Plan of Action (POA) and the Millennium Development Goals (MDGs), such as promotion of education and training, health and eradication of extreme poverty, as well as development of the country’s infrastructure. The main goal of this Plan is to improve the living conditions of the Paraguayan population by focusing on five areas:

- (a) Pursuit of economic growth, diversifying exports for greater international insertion and maintaining economic stability;
- (b) Strengthening State institutions to improve their effectiveness, upgrading public services and enforcing rules that provide legal guarantees for persons and investments;
- (c) Increased investment in education, health and eradication of extreme poverty;
- (d) Strengthening small and medium-sized enterprises (PMEs), especially by improving the competitiveness of small agricultural holdings through incentives for participation by civil society and the private sector;
- (e) Harmonization and coordination of Government action to support decentralized regional development.

To achieve this, the Plan relies on eight pillars: (a) maintaining stable and predictable macroeconomic policies for decision-making; (b) developing a sound and safe financial system; (c) improving public enterprises by promoting more efficient and transparent management; (d) modernizing public administration in order to facilitate access to public services by the population; (e) implementing comprehensive agricultural reform with the goal of reviving family farming; (f) promoting infrastructure development; (g) enhancing competitiveness and improving the business and investment climate; and (h) creating jobs and relieving poverty.

*Principal economic variables: GDP, economic growth and others*

In recent years, Paraguay's macroeconomic situation has been relatively stable, with average real GDP growth of 5 per cent over the period 2007-2011. However, during the 2009 economic crisis, GDP shrank by 4 per cent compared with the previous year.

Faced with the 2009 crisis, the Government of Paraguay implemented the 2009-2010 Economic Recovery Plan, designed to counteract the effects of the international economic crisis, which involved the following actions: (a) execution of public works and granting of credit to the private sector to promote employment; (b) introduction of a system of conditional transfers and measures designed to increase resources for education and health; (c) extension of lines of credit channelled through the National Development Bank, the Agricultural Credit Allotment and the Development Financing Agency; and (d) protection of the liquidity of the financial system.

Thanks to this package of anti-crisis measures, Paraguay was not significantly affected. Then, in 2010, GDP soared by 13.1 per cent. Supply improved, thanks to the good performance of the agricultural sector, attributable to good weather during the 2009/2010 harvest, as well as good growth in livestock farming, the industrial sector and construction.

In 2011, the main macroeconomic variables continued to perform well, with inflation of 4.9 per cent, a budget surplus of 0.7 per cent of GDP and an increase of 4.4 per cent in output. The forecast for 2012 is for GDP to decline by 1.5 per cent, according to projections of the Ministry of Finance and the Central Bank of Paraguay, as a result of the drought and the fact that Paraguayan meat could not be exported because of the outbreak of foot-and-mouth disease detected in September 2011.

A solid upturn is expected for 2013, with GDP growth of approximately 8.5 per cent, based on forecasts of a good harvest and on the recovery of the main markets for exports of Paraguayan meat.

Average annual inflation for the period 2007-2011 was 5.5 per cent, which is within the Central Bank's target range. It is estimated that, at the end of this year, annual inflation will be about 5.6 per cent, which is within the Central Bank's target range. Prices are remaining stable and the growth of domestic demand has lessened, while the GDP decline has slowed; for 2013, inflation is projected to remain at 5 per cent (within the long-term target).

As far as Government finances are concerned, between 2007 and 2011 there was an average budget surplus of 1 per cent of GDP. In 2011, the budget surplus was 0.7 per cent of GDP, or less than the 1.2 per cent recorded in 2010. The good performance of Government finances in recent years is mainly due to careful

budgeting, with little leeway permitted because of the extreme rigidity of recurrent expenses and the requirements of social and economic investments.

The fiscal reform measures adopted by the Government of Paraguay under Law 2421/04 (“Administrative system and fiscal adjustment”) yielded good results as regards collection of the value added tax (VAT), which has increased on average by 20.5 per cent a year since 2005. This was due to greater formalization of the economy and greater growth and increased consumption.

In 2007, the tax burden was 10.1 per cent, growing at a rate of 2.2 per cent in recent years to reach 12.3 per cent in 2011. However, according to ECLAC data, the Latin American average is 18 per cent of GDP, so that Paraguay has one of the lowest tax burdens of the region.

It is estimated that at the end of financial year 2012 there will be a deficit of 2.8 per cent of GDP, owing to slower growth in income and in spending, which would be a reversal of the surplus trends of recent years.

During the period 2007-2011, there was an average deficit of 0.8 per cent of GDP in the external current account, despite favourable terms of trade. This is partly because of increased domestic spending, less savings/investment in the private sector and currency appreciation resulting in greater demand for imports.

Although relative macroeconomic stability has been achieved, there is still a shortage of public policies designed to reduce poverty and inequality. Important remedial steps have been taken, and during the period 2007-2011 spending on social services increased on average by 17.9 per cent.

#### *Agricultural and industrial development*

During the period 2007-2010, agriculture accounted on average for 27 per cent of GDP, whereas over the same period the average for industry was 18 per cent of GDP. According to the CIA World Factbook, in 2011 agriculture accounted for 23.1 per cent of GDP, industry for 18.6 per cent and services for 58.3 per cent. These figures reflect the preponderance of agriculture in total GDP, making the country very vulnerable to external shocks (climate, commodity prices) because the main exports are grains (soybeans) and bovine meat.

#### *Foreign direct investment*

In the last quarter of 2011, foreign direct investment (FDI) amounted to about \$154.3 million, in sharp contrast to the negative flow of \$45.5 million in the third quarter of that year. Total accumulated FDI for 2011 was \$302.9 million, which is an increase of 33 per cent compared with 2010. In 2007-2011, there was an average variation of 31 per cent in FDI, which fell to its lowest point in 2009, when it was 55 per cent less than in 2008 because of the international economic crisis.

As regards accumulated FDI in the economic sector in 2011, the tertiary or services sector received the largest amount (about \$295.3 million), followed by the secondary or industrial sector (about \$8.2 million), and the primary or agricultural sector came last (negative value of \$0.7 million).

### *External debt and official development assistance*

In 2011, the external public debt recorded in the Integrated System of External Debt Management and Administration (SIGADE) was \$2,285 million (a decrease of 2.14 per cent compared with the previous year). In March 2012, the figure was \$2,210.1 million, including \$2,203 million for principal and \$7.1 million for principal and interest arrears. This represents a decrease of \$74.6 million compared with the balance in December 2011.

During the period 2007-2011, the public debt declined from 18.5 per cent of GDP in 2007 to 10.7 per cent in 2011. It is projected to be about 12.3 per cent of GDP at the end of 2012. Net official aid refers to flows (net of repayments of principal) from official donors to countries and territories, expressed in current dollars, as obtained by the World Bank from the OECD Development Assistance Committee. According to World Bank data, in 2010 Paraguay received a total of \$104.96 million in net official development assistance, representing a decrease of 29 per cent compared with the previous year. Also, according to World Bank data, over the period 2007-2010, Paraguay received an average of \$123.6 million annually in net official assistance.

### *Development of foreign trade, export diversification and structure*

The external sector was strengthened by the economic expansion which occurred in the period 2005-2008, mainly owing to the excellent performance of agricultural production and favourable international prices for the main exports such as grains and bovine meat.

However, the 2009 international crisis reduced foreign demand for Paraguayan products, particularly in Paraguay's main MERCOSUR trading partners. Another reason was the drop in commodity prices, causing a 2.5 per cent decline in terms of trade. Because of the situation prevailing in 2009, exports declined by 29 per cent and imports were 23.6 per cent lower than in 2008.

Since 2010, the external sector has shown a strong recovery, primarily due to the excellent growth of the agricultural sector (main products: soybeans and bovine meat) thanks to good climate conditions as well as recovery of domestic and external demand. Exports increased by 42 per cent compared with 2009, with increases of 102 per cent in soy grain exports and 59 per cent in bovine meat exports.

In 2011, exports increased by 28.1 per cent compared with 2010, with an increase of 46.2 per cent in exports of oil seeds (soy) but a sizeable reduction (16.1 per cent) in exports of bovine meat products, due to the closure of foreign markets following the outbreak of foot-and-mouth disease in 2011.

In 2011, imports increased by 23.4 per cent compared with the previous year, with an increase of 25.4 per cent in capital-intensive goods, which represented 92 per cent of total imports for that year.

## **Progress towards the Millennium Development Goals**

### *Ending poverty*

In the most recent Human Development Report (2011) Paraguay ranks 107th out of a total of 187 countries. The Report also states that for 2011, Paraguay had a

Human Development Index (HDI) of 0.665 (the optimal HDI is 1 and Norway has the best result of 0.943), placing it in the category of Medium Human Development.

As regards poverty measurement, in 2011 Paraguay had an index of 32.4 per cent of total population. In the same year, 18 per cent of the population lived in conditions of extreme poverty. It should be noted that, in the period 2007-2011, there was a steady decline in total poverty of the population (from 41.2 per cent to 32.4 per cent)

#### *Achieving full employment*

The economically active population aged 10 and over increased by 2.6 per cent in 1997/98 and from 57.9 to 60.5 per cent in 2010. This percentage remains constant throughout the period in the case of urban residents (60.6 per cent in 1997/98 and 60.1 per cent in 2010). In the case of rural residents, the economically active population increased sharply during the same period (from 54.4 to 61.2 per cent). The open unemployment rate of the population between 15 and 24 years of age (unemployed active labour force) showed a steady increase from 10.3 per cent in 1997/98 to 18.6 per cent in 2002. However, since 2010, open unemployment has declined to 12.6 per cent.

#### *Reducing the number of persons suffering from hunger*

In 1990, 3.7 per cent of children under five were suffering from malnutrition. Ten years later, in 2000, the percentage of malnourished under-fives had increased and reached a peak in 1998, when it was 5.1 per cent. In 2005, 4.2 per cent of all under-fives suffered from malnourishment, mainly affecting boys (5.2 per cent) and rural children (5.7 per cent).

Depending on their place of residence, there was an increase in malnutrition among rural under-fives (from 4.3 per cent in 1995 to 5.7 per cent in 2005). Similarly, the number of malnourished boys increased from 3.3 per cent in 1995 to 5.2 per cent in 2005. On the other hand, the number of malnourished girls under five declined from 4.1 per cent in 1995 to 3.1 per cent in 2005. The number of pregnant women suffering from low weight or malnutrition declined from 37.4 per cent in 2006 to 31 per cent in 2007.

#### *Universal primary education*

Net preschool enrolment was 68.2 per cent in 2009. In the same year, enrolment in the first and second cycles of Basic School Education was 84.7 per cent. Lastly, enrolment in the third cycle of Basic School Education was 58.5 per cent. As regards the gender breakdown, in 2009 there was parity in the net enrolment of boys and girls at the preschool level and in the first and second cycles of Basic School Education; in the third cycle, on the other hand, there were 5.2 per cent more women.

In 2009, 5.3 per cent of the population aged 15 and over were illiterate. Within this group, the largest amount of illiteracy was found among women, persons living in conditions of poverty and the indigenous population. There were more illiterates in rural areas and among women.

In 2009, for the area of education, there were 100 men for every 97 women in the total gross enrolment in Paraguay. As regards literacy among men and women

between 15 and 24 years of age, there were more women in 2007 and 2008 (102 literate women for every 100 men throughout the country).

Between 2005 and 2010, the percentage of women in non-agricultural paid employment declined from 42.9 to 39.3 per cent nationwide. There was also a decline in employment of urban women (from 43.9 per cent in 2005 to 40.6 per cent in 2010). This also occurred in rural areas, since women's participation in non-agricultural paid employment declined from 38.7 per cent in 2005 to 34.2 per cent in 2010.

In the political sphere, in the period 1989-2003, women held 4.6 per cent of seats in the National Parliament. Although women still lag far behind, their participation in the National Congress grew considerably in the period 2008-2013, reaching 13.6 per cent.

#### *Reduction of child mortality, improvement of health and measures to combat HIV/AIDS, malaria and other diseases*

Although under-five mortality is still high, it has improved, with a reduction of over 50 per cent since 1990 (from 40 to 19 deaths per 1,000 live births). Maternal mortality also declined between 2000 and 2011 (from 164 to 100.8 deaths per 100,000 live births).

In 1990, maternal mortality was 105.1 deaths per 100,000 live births. By 2010, the figure had dropped to 100.8 maternal deaths per 100,000 live births.

Contraception use among women between 15 and 44 years of age increased steadily during the period 1990-2008, from 32.7 per cent in 1990 to 59 per cent of women in 2008.

From the onset of the HIV epidemic in Paraguay until December 2010, epidemiological monitoring recorded 8,908 persons living with HIV/AIDS. Of these, 32.7 per cent (2,912 cases) are recorded as having AIDS, 56.9 per cent (5,072 cases) are recorded as being HIV-positive without AIDS-defining illnesses and 924 persons are of unknown status. Of a total of 10,146 recorded deaths, these persons accounted for 1,238 cases.

Prevalence of HIV in pregnant women aged 15 and over was 0.34 per cent in 2006. The prevalence of HIV in the population between 15 and 19 years of age increased in the period from 2000 to 2010, from 4.54 to 9.77 per 100,000 inhabitants. The situation is similar for the population between 20 and 24 years of age, where there has also been an increase from 12.27 to 27.35 per 100,000 inhabitants during the same period. The percentage of HIV-positive people in a state of advanced infection with access to antiretroviral medication (treatment) in 2005 was 18 per cent; by 2009, this figure had increased to 60 per cent.

The incidence of tuberculosis in Paraguay fell from 51.4 per 100,000 in 1990 to 33.7 per 100,000 in 2010. A Strategic Plan to eliminate malaria as a public health problem was launched in 2005 and has yielded important positive results: in 2004, the number of cases totalled 694 but since then, there has been a steady and irreversible reduction of 96 per cent until 2010, when the number of cases dropped to 27.

#### *Ensuring environmental sustainability*

The Government of Paraguay increased the area of protected forests from 1,733,619 hectares in 2000 to about 6,119,652 hectares in 2010.

Paraguay has attained the Millennium Goal of halving the number of persons without access to safe drinking water. This was achieved thanks to public-private partnerships, strong linkage of local governments and involvement of neighbours through Environmental Sanitation Boards. This helped considerably, enabling Paraguay to increase access from 43.65 per cent in 1998 to 75.8 per cent in 2010.

#### *Tackling the problem of public debt*

In 2011, the external public debt measured by SIGADE was \$2,285 million (2.14 per cent less than the figure for the previous year). The figure for March 2012 was \$2,210.1 million: \$2,203 million for principal and \$7.1 million for principal and interest arrears. This was a decrease of \$74.6 million compared with the figure for December 2011.

The public debt has been shrinking over the period 2007-2011, from 18.5 per cent of GDP in 2007 to 10.7 per cent in 2011. A public debt of about 12.3 per cent of GDP is projected for the end of 2012.

#### *Access to the benefits of new technologies*

Cell phone ownership is 4.5 times greater than ownership of land lines in Paraguay; in 2010, 88.3 per cent of households had cell phones and 19.3 per cent had land lines. This trend has been apparent since 2008. Land lines had a slight lead but have stopped advancing since the migration to mobile technologies.

Household ownership of personal computers (PCs) slowed in 2009 and 2010, with about 20.8 per cent in all households and a big difference between urban and rural areas (32.1 and 4.4 per cent respectively). In 2010, there was a 3 per cent increase in the number of PCs with Internet connection but with differences in Internet access between households in urban areas (23.5 per cent) and in rural areas (2.3 per cent).

### **3. Fundamental transit policy issues**

#### **Major accomplishments and challenges**

##### *Actions undertaken by the country to improve transit transport through bilateral, subregional and regional agreements*

MERCOSUR Decision 17/04 provides, inter alia, for use of technological advances to computerize the International Cargo Manifest for use by Customs of signatory countries. This is achieved through the International Customs Transit Computerized System, using a procedure for registration and monitoring of the International Cargo Manifest/Customs Transit Declaration. The goal is to have a single customs declaration for each waybill/international bill of lading.

Mention should also be made of the approval given for development of the MERCOSUR Single Customs Document, a model for common data to be entered on declarations of destination and customs operations in MERCOSUR. When implemented, this will provide information for control management and risk analysis to facilitate sharing of information between Customs and free circulation of goods between States parties.

Another important development is the Customs Transit Security Initiative launched by the Argentine Republic and currently being piloted in Paraguay. This

has received legislative support in MERCOSUR in Directive 13/12, which urges States parties to implement initiatives based on security arrangements using modern technology to ensure cargo integrity and safety, in order to monitor international customs transit operations conducted under the International Land Transport Agreement (ATIT) throughout the territory of States parties.

*Establishment and/or strengthening of national trade and transportation boards/committees*

The future WTO Trade Facilitation Agreement provides for the creation of a national committee to assist with the application of the Agreement. Paraguay already has a Working Group dealing with trade facilitation topics and specifically, freedom of transit and customs clearance.

Looking ahead to implementation of the future Trade Facilitation Agreement, with cooperation from UNCTAD and financing from the European Union and Norway, an evaluation was made of Paraguay's level of compliance with the measures and a plan was drawn up for implementation of the future Agreement. This evaluation was conducted by interviews with public institutions and trade unions in the private sector, using the UNCTAD model questionnaire. The outcome was the following documents: (a) National Appraisal of Application of the Future Trade Facilitation Agreement in the framework of WTO; and (b) National Plan for Implementation of the Future Trade Facilitation Agreement within the framework of WTO.

With respect to the evaluation, it can be said that most of the measures to be included in the future Agreement are already being partially implemented. In addition, some measures are being fully implemented, such as: measures to enhance impartiality, non-discrimination and transparency (article 5); some issues concerning customs release and clearance of goods (article 7); declaration of trans-shipped goods or goods in domestic transit (article 9 bis); and some formalities connected with importation and exportation (article 10). However, for all these measures there are problems of full implementation, continuity, sustainability or improvement.

Some other measures have not yet been implemented, such as: recourse procedures; some measures concerning customs release and clearance of goods and consularization.

**Assessment of the efforts and progress made by the country on the following items, including how it has helped to reduce transport costs and transit time for the country**

- *Simplifying and harmonizing transit and trade-related regulations to improve transparency, reduction of excessive number of documents required for export/import*

Paraguay has adopted measures to streamline and modernize its trade system, simplifying formalities to facilitate trade, with the goal of making these operations more transparent and dynamic. Here mention may be made of the Single Export Window (SEW) in operation since 2006.

The SEW has achieved positive results, giving exporters a way to expedite non-customs export procedures. Formalities for the National Register of Exporters were made 99 per cent simpler on average; for the Certificate of Origin, the number of steps was reduced by 95 per cent and the time needed was reduced by 98 per cent,

among other improvements in the various procedures. This makes a valuable contribution to the management of improvements in the area of information administration.

In addition, mention should be made of the introduction of the Single Import Window (SIW), based on the SEW computerized management system, following the signature of a Cooperation and Assistance Agreement between the National Customs Administration and the Ministry of Industry and Trade. Implementation is complete, the Window is operational and related institutions are in the process of being incorporated.

More information on this tool can be found on the websites of the Ministry of Industry and Trade ([www.mic.gov.py](http://www.mic.gov.py) and [www.vue.org.py](http://www.vue.org.py)).

#### *Transparency and information services*

The National System of Information and Notification concerning Regulations, Rules and Procedures (SNIN), designed to facilitate trade, was established by Decree No. 6499/05 and is part of the project ALA/PY2004/016-713 (Strengthening of the Competitiveness of the Paraguayan Export Sector – FOCOSEP), financed by the European Union until May 2008.

The policy measures for implementing Decree No. 1765 of 2009, which governs the activities of SNIN and defines its strategy, have been supplemented and transformed into a Directorate responsible to the Ministry of Industry and Trade. In addition, Decree No. 1766/09 was adopted, which established the National Committee on Technical Obstacles to Trade.

SNIN provides information to the public interested in external trade, obstacles and technical regulations, as well as other alerts to exporters. Its specific goals include facilitating trade in products meeting international technical standards.

Each month, SNIN posts on its website about 50 notifications from the World Trade Organization issued by that Organization's various member countries.

This tool is available on the websites of the Ministry of Industry and Trade ([www.mic.gov.py](http://www.mic.gov.py) and [www.snin.gov.py](http://www.snin.gov.py)).

#### *– Simplify border control and procedures or simplify customs clearance and inspections to reduce delays at the borders*

The National Customs Administration is engaged in implementing the recommendations of the World Customs Organization in order to maximize efficiency for customs clearance of both imported and exported goods.

The SIW is one way of promoting simplicity, speed and transparency for imports, in addition to reducing formalities and costs. In practical terms, the goal is to streamline and simplify information-sharing between trade and Government and to provide significant benefits for all parties dealing with imports.

The goal of extending the Quality Management System to various customs administrations is to simplify, update, revitalize, expedite and improve the delivery of services and thus build confidence.

Work is also being done on gradual implementation of the SAFE Framework of Standards of the World Customs Organization (WCO). The aims of the Framework are to:

- Establish standards that provide supply chain security and facilitation at a global level to promote certainty and predictability;
- Enable integrated and harmonized supply chain management for all modes of transport;
- Enhance the roles, functions and capabilities of Customs to meet the challenges and opportunities of the twenty-first century;
- Strengthen cooperation between Customs administrations to improve their capability to detect high-risk consignments;
- Strengthen Customs/business cooperation;
- Promote the seamless movement of goods through secure international trade supply chains.

Another focus of Government attention is adoption of the WCO recommendations contained in the document entitled “Customs in the 21st century, concerning ways of improving customs operations at the global level, involving the following requirements:

- Globally networked Customs;
- Better coordinated border management;
- Intelligence-driven risk management;
- Customs-trade partnership;
- Implementation of modern working methods, procedures and techniques;
- Enabling technologies and tools;
- Enabling powers;
- A professional, knowledge-based service culture;
- Capacity-building;
- Integrity.

In accordance with the MERCOSUR Recife Agreement, the National Administration of Navigation and Ports of Paraguay is the institution responsible for providing the physical facilities needed for this integrated control, with coordination from the Ministry of Public Works and Communications, both for Paraguayan institutions and for the institutions of neighbouring countries.

In addition, integrated control should facilitate trade and streamline the traffic of persons and goods at border crossings. However, despite the progress made regarding infrastructure works at all border crossings in regular operation, much remains to be done to achieve full implementation of the Agreement, as regards integration by neighbouring transit countries.

#### **4. Infrastructure development and maintenance**

##### **Maintenance**

##### **Progress in the development of transit transport infrastructure and its maintenance in the country; identification of the progress made in developing and maintaining the main modes of transport since the adoption of the Almaty Programme and how it has helped improve connectivity and reduce transport costs for the country**

###### *– Land transport*

The International Land Transport Agreement (ATIT) concluded between Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay in the framework of the Latin American Integration Association governs international land transport between the signatory countries.

Paraguay has a road network covering approximately 60,100 kilometres, including about 9,656 kilometres of national roads, about 6,384 kilometres of departmental roads and 44,060 kilometres of local roads.

There are approximately 4,507 kilometres of paved roads and 3,623 kilometres of upgraded (gravel and stone) roads. The rest of the network (about 51,970 kilometres) consists of dirt roads. There are marked differences of road network coverage and accessibility between the eastern and the western regions, reflecting markedly different levels of activity and development. The western region, covering 60 per cent of the territory, has 16.8 per cent of the road network and the eastern region, with 40 per cent of the territory, has 83.2 per cent of the road network. There is also an unequal distribution of roads that are useable year-round: the western region has less than 12 per cent of the country's upgraded and paved roads. Only 18.3 per cent of the western region's network is useable year-round, whereas the percentage rises to 27.6 per cent in the eastern region.

*Characteristics of the Paraguayan road network:* (a) few paved roads and many unpaved secondary roads. There is a tendency in Paraguay to invest large amounts in the main network and even to over-invest in order to maintain the level of service; (b) an insufficiently paved secondary network, with cheap paving to allow year-round use, with the result that the secondary network has very little all-weather coverage; and (c) poor network quality, despite relatively large investments, because not enough is spent on maintenance.

While much of the national network is now paved, some roads are still unusable for part of the year and the percentage is much higher in the case of secondary and local roads. Many local roads are bridle paths cut through the undergrowth and usually do not have the right geometric features or regular maintenance. Sizeable investments are needed to maintain and repair the road network: only 40 per cent of national roads and 10 per cent of departmental roads are paved; 48 per cent of national and departmental roads are in average or poor condition.

In addition, many sectoral loans and policies have focused on the goal of paving the entire primary road network, ignoring the need to improve the usability of feeder (departmental and local) roads, which are crucial to mobility in certain regions because they are exposed to inclement weather, making them unusable and sometimes isolating locations on the primary network.

– *Rail transport*

Rail transport is currently being redesigned, with a focus on development of integrated freight corridors. The old route has fallen into disuse, because the country's bulk grain production, for instance in the Paraná River basin, has moved eastwards. The bi-oceanic railway segment (Paraguayan section) is being developed there and will interface with the rest of the corridor running east-west, with a one-metre gauge.

This project is being implemented under a Cooperation Agreement between the Governments of the Republic of Paraguay and the Republic of Korea and coordinated by the Korean Cooperation Agency, KOICA. A feasibility study has been conducted and a final design prepared for the project, giving details for the entire rail segment from the town Presidente Franco to the zone of Curupayty, in the Department of Ñeembucú on the banks of the Paraguay River, to be linked to Argentina via the future Curupayty-Las Palmas (Argentina) international bridge.

There is a 6-kilometre operational stretch with a bridge linking the town of Encarnación with the town of Posadas and the Argentine rail network. This is the 1.435-metre gauge north-south hub – in other words, the corridor to Argentina interfacing with the system in the Argentine Mesopotamia, currently operated by the company América Latina Logística, with a connection to the Eastern Republic of Uruguay. This hub will in the near future be important as an alternative corridor between the ports of Nueva Palmira and Montevideo.

The Electric Transportation Master Plan will shortly be launched and will give priority to railway projects, trolley buses and modern tramways. A similar initiative will be possible on the occasion of the relocation of the railway between the town of Encarnación and the station of Garupá-Posadas (Argentina), necessitated by the work to complete the Yacretá dam, when a local train will run between these two towns linked by the international bridge.

– *Air transport*

The study on the design of intermodal transport infrastructures in Paraguay prepared by the Spanish Agency for International Cooperation for Development (AECID) estimates that there are about 1,000 airports in Paraguay, including private aerodromes and domestic airports. If only airports used for scheduled and non-scheduled flights of large companies are counted, the number is only about 50. Of these, less than 10 are fully equipped and only 2 are important in the overall air transport system.

The National Civil Aeronautics Administration, which is a decentralized agency responsible for planning, regulation, investment and operation of infrastructure and terminals in the air transport sector, is responsible for the two international airports and nine smaller airports in various locations in Paraguay.

The two international airports in Paraguay used by commercial airlines are the Silvio Pettrossi International Airport, which is the main airport for arriving and departing international passengers, located 12 kilometres outside the capital, Asunción, and the Guaraní International Airport at Este, on the boundary with Brazil, 320 kilometres from Asunción, which is mainly used for cargo. Both airports are in the eastern region. There are also five aerodromes or small airports with paved runways in Itaipú, Concepción, Vallemí, Pilar, Encarnación, Ayolas and Pedro J.

Caballero in the eastern region and one at Mariscal Estigarribia in the western region. In recent years, use of the country's two main airports for passengers and cargo (mainly imports) has been growing because of various liberalization measures introduced by the Government. Light, small and valuable goods are usually transported by air, while heavy, less valuable goods are transported by sea or by land. It should be noted that this growth, which is expected to continue, will necessitate structural improvements if it is to be dealt with successfully.

*Corrective action*

Paraguay has a Master Plan, administered by DINAC, to upgrade existing airport facilities, in particular the Silvio Pettirossi airport, by expanding infrastructure in order to facilitate traffic, particularly passenger traffic. DINAC has started work on these improvements.

In addition, the Deputy Minister of Transport in the Ministry of Public Works and Communications, working with the Technical Planning Secretariat and DINAC, has approached cooperation agencies to conduct a feasibility study on the construction of a new airport near the city of Asunción.

*– River transport*

The River Transport Agreement on the Paraguay-Paraná Waterway is the intergovernmental agreement on river transport on the Paraguay and Paraná Rivers, establishing the regulatory framework governing goods trade and transport. As far as transport is concerned, it is noteworthy for prescribing a large number of coordinated actions and measures concerning river transport. Such advances are expected to promote integration among the signatory countries (Argentina, Bolivia, Brazil, Paraguay and Uruguay). The Agreement also deals with customs issues, covering procedures, customs seals, goods declaration, accountability, and customs guarantees and formalities.

The country's most important rivers, as regards both volume of flow and navigability, are the Paraguay River and the Paraná River. There are other important rivers but their low volume of flow makes them non-navigable. The Paraguay River originates in south-west Brazil and ends at the junction with the Paraná River marking the border between Argentina and Paraguay. The navigable segment for river transport is 2,182 kilometres long and extends from the junction with the Paraná River to Puerto Cáceres in Brazil.

In the course of the year, water volume varies considerably between periods of high and low water. River transport is seriously complicated by the reduction in water level at low periods and by silting due to the considerable variations between periods of high and low water. However, the flood peak between April and September coincides with the harvesting and exporting of soybeans and their derivatives and these products benefit from being transported by river.

At present, the Paraná River Waterway cannot be navigated past the reservoir of the Entidad Binacional Itaipú, owned jointly by Paraguay and Brazil, because the necessary infrastructure work was not done. The river does not have an unbroken corridor upstream throughout its length that would allow an interface between the Tieté River Basin and the Upper Paraná River. It should be noted that the treaty on the construction of the bi-national dam provided for the design and execution of

works for the navigation lock between the two rivers, bypassing the dam with a navigation canal.

The navigation lock of the Yacyretá bi-national dam between Argentina and Paraguay has a small capacity (effective width 28 metres and length 236 metres), accommodating only small formations not exceeding 2 x 4 combinations, resulting in marginal rate increases for unnecessary costs for mooring and unmooring of convoys before they can continue.

In 2011, with World Bank financing, consultants prepared a study on the award of a concession for improvement of navigability on one stretch owned by Paraguay and one shared stretch. This study covers all technical, economic, financial, regulatory and procedural issues and proposes a model for award of a concession. It also identifies external aspects that may cause problems, such as treatment of the concession in shared stretches which have been provisionally promised to firms already operating concessions in the country sharing the water. It also strongly recommends adoption of standards for institutions able to perform monitoring and supervisory functions, such as administration of the river basin to achieve improvements and optimal sustainability for rational use and development.

The Paraguay-Paraná Waterway is the ideal river corridor for transporting Paraguayan exports and imports of products from inside and outside the zone. Paraguay has concluded several international, regional and bilateral agreements on facilitation of transport by this Waterway. In combination with other modes of transport and when connected with port systems and free trade zones, the Waterway should enhance efficiency and place Paraguay in an advantageous position on highly competitive and globalized international markets. However, obstacles are continuously, repeatedly and systematically placed in the way of products and transport, resulting in uncertainty, lost opportunities, risks and high costs. In addition, the transit corridors which, as a landlocked country, Paraguay is obliged to use, are characterized by low efficiency.

#### **Progress in the development of complementary infrastructure (energy and ICT) needed to improve efficiency in transit transport systems**

Paraguay is an active participant in the Working Group of the Council of the International Telecommunication Union (ITU) responsible for preparing the World Conference on International Telecommunications. The 2010 Plenipotentiary Conference adopted resolution 130 (Guadalajara, 2010) on special measures to assist the least developed countries, small island developing States, landlocked developing countries and countries with economies in transition.

In 2011, Paraguay proposed a resolution in this Working Group concerning special measures in favour of landlocked developing countries that would give them greater and easier access to the international fibre optic network. For Paraguay, this is a basic tool for overcoming the limitations created by its status as a landlocked developing country and by the features of its production structure.

Internet use is still limited because of its high cost and the low income level of the population in general. However, in March 2009, this market was given an important boost by a new regulation liberalizing international access (Regulation of Internet Access and Data Transmission, Resolution No. 190 of 11 March 2009). Although there is only one land telephone company in Paraguay, local cell phone

providers will be able to establish new fibre optic connections. Despite this progress, prices are still the highest of any MERCOSUR country. In 2009, there were 2.43 Internet subscribers for every 100 inhabitants, which is relatively few compared with other countries in the region. In June 2012, there were 327,289 subscribers to mobile Internet and 129,907 to fixed Internet, making a total of 457,196 Internet subscribers or 7.08 subscribers for every 100 inhabitants.

The Corporación Paraguaya de Comunicaciones plans to establish a new cable connection between Paraguay and Bolivia, which will cover the rest of the continent as far as the Pacific Ocean, where a submarine cable will provide connection to the international fibre optic network. This connection will considerably reduce broadband prices and increase Internet penetration.

August 2010 saw the creation of the Presidential Commission for the Incorporation of Information and Communication Technologies into the National Education System, with the goal of promoting policies to narrow the digital divide.

The Universal Services Fund, established by Law No. 642/95 and administered by the Comisión Nacional de Telecomunicaciones, subsidizes providers of public telecommunication services in needy areas. Operator fees for commercial activities provide 20 per cent of the Fund's resources. During the period 2004-2010, the Fund disbursed about 19,802 million guaranies (about \$4 million). Although it does not set priorities among different technologies, most of its resources have been used to expand access to mobile telephony.

The Law does not establish priorities for use of the Fund's resources but most of them have been used to expand access to telephony. However, since the adoption of the National Telecommunications Plan, the Fund has been used to expand fibre optic transmission infrastructure in order to promote broadband. One of the Plan goals is to reach 200 municipalities with fibre optics by 2015. As at October 2010, resources disbursed totalled 19,104 million guaranies (about \$3.9 million). For 2011, about 30,000 million guaranies (\$6.1 million) are budgeted. For 2012, 40,000 million guaranies are budgeted. The programme is financed by the Universal Services Fund.

## **5. International trade and trade facilitation**

### **Assessment of the country's international trade performance over the review period**

Over the review period, Paraguay's international trade showed steady growth. Its foreign trade (exports and imports) in goods and non-factor services accounted for 98.1 per cent of GDP in 2009 (95.7 per cent in 2004), reflecting the significant opening of the economy and its heavy dependence on international trade. According to the Comtrade database of the United Nation Statistics Division, in 2004-2010 Paraguay's total trade in goods increased by 22.9 percent and the growth in imports was larger than the growth in exports (24.7 and 19.5 per cent, respectively). In 2010, recorded exports of goods totalled \$4,534 million, while recorded imports totalled \$10,040 million.

The structure of Paraguayan exports remained basically stable in 2004-2010. Commodities (mainly agricultural products) accounted for over 85 per cent of total exports of goods. The share of food products in the total continued to grow, reaching 85.5 per cent of foreign sales of goods in 2010 (75.5 per cent in 2004). Soybeans

and their derivatives (soybean meal and oil) are still the main export (47.1 per cent in 2010) but exports of bovine meat (fresh, refrigerated or frozen) are increasing significantly and accounted for 19.4 per cent of all goods exported in 2010 (9.5 per cent in 2004). The share of manufactures in foreign sales declined from 12.5 to 10.7 per cent in 2004-2010. In this category, the main exports were chemicals (especially medicines), which accounted for 2.6 per cent of goods exported in 2010, followed by “other semimanufactures” (mainly leather goods), textiles and clothing.

The main imports are transport machinery and equipment, accounting for 43.0 per cent of imports in 2010, followed by office machinery and telecommunication equipment, which rose significantly to 21.9 per cent (7.6 per cent in 2004), and by chemicals (13.2 per cent). Commodities accounted for 20.6 per cent of imported goods in 2010 (29.5 per cent in 2004). Products of the extractive industries (mainly petroleum) contributed 12.5 per cent of total imports and food products (tobacco, prepared food and alcoholic beverages) accounted for 7.5 per cent.

### **Export structure and external trade performance, including the main export markets since the adoption of the Almaty Programme**

Paraguayan exports to the countries of the Americas declined somewhat, reducing their share of total exports from 76.8 per cent to 70.5 per cent between 2004 and 2010. There was also a decline in Paraguay’s exports to its MERCOSUR partners (Argentina, Brazil and Uruguay), which accounted for 48.4 per cent of total exports in 2010, compared with 53.3 per cent in 2004. Uruguay was the main destination for Paraguayan exports in 2010 with 22.0 per cent of the total (because goods are shipped to the free trade zones in that country and then forwarded to their destinations), followed by Brazil (14.6 per cent) and Argentina (11.9 per cent). There is a steady increase in exports to Chile (mainly meat products), which accounted for 12.1 per cent of total exports in 2010, compared with only 1.8 per cent in 2004. The United States was the destination of 1.5 per cent of Paraguayan exports in 2010.

In 2010, 14.5 per cent of Paraguayan exports went to European countries (10.8 per cent in 2004). Exports to the European Union, which remained at about 6 per cent in the period under review (except in 2007 and 2008, when they showed a slight increase), increased to 10.7 per cent in 2010. The participation of Russia and the other countries of the Commonwealth of Independent States increased over the same period, reaching a high of 12.2 per cent in 2006. In Asia, Paraguay’s main export markets are Japan (0.9 per cent of total exports) and China (0.8 per cent); China’s participation declined from 4.0 per cent in 2005. In contrast, exports to India increased from 0.2 per cent to 1.6 per cent in 2004-2010.

As regards imports, the overall participation of the countries of the Americas declined from 65.1 to 50.8 per cent in 2004-2010. This was mainly due to the fact that imports from MERCOSUR declined from 58.2 to 41.3 per cent of the total in the review period. Starting in 2008, Brazil ceased to be the main exporter to Paraguay and in 2010 accounted for 24.1 per cent of Paraguayan imports (31.6 per cent in 2004). The share of imports from Uruguay and Argentina also declined in 2004-2010. In contrast, imports from China increased considerably and in 2010 China was the main exporter of goods to Paraguay, with 34.2 per cent of total imports (compared with 15.7 per cent in 2004). Japan accounted for 3.5 per cent of Paraguayan imports in 2010. Imports from Europe dropped to 6.6 per cent of total imports in 2010 and those from the European Union countries declined to 5.3 per cent.

**Involvement of the country in the WTO negotiations, explaining specific areas of the country's involvement**

Paraguay is participating actively in the Doha round of negotiations, reflecting its interest in rules-based international trade that acknowledges asymmetries and provides the necessary measures for their correction through greater participation by developing countries and particularly vulnerable landlocked countries, with greater participation in world trade through improved market access.

In this connection, Paraguay attaches importance to the negotiations on agriculture and trade facilitation, without neglecting other areas of negotiation, such as services, non-agricultural market access, dispute settlement, sanitary and phytosanitary measures, technical obstacles to trade, regional trade agreements, etc. Paraguay is a member of various groups established to follow up and advance the negotiation issues and as such it submits and supports proposals stating its positions and interests.

In addition, Paraguay fully endorses the Ministerial Declaration of the Fourth Meeting of Ministers of Trade of Landlocked Developing Countries, held in September 2012 in Almaty, Kazakhstan.

**6. International support measures**

Consultants' proposals for updating the Master Plan for Transport Infrastructure and Services, funded with a loan from the Inter-American Development Bank (IDB), are in the final stage of technical evaluation. The current Transport Master Plan dates from 1992.

The programme for paving of integration corridors and road rehabilitation and maintenance, funded by an IDB loan, is in the implementation phase. The goal is to achieve a more competitive productive sector and economic and social integration of Paraguay through paving and rehabilitation and maintenance of several major corridors in the road network.

Through the Master Plan for Transport Infrastructure and Services, the programme will reduce transport costs on national and international integration corridors, as well as conserving the country's road system. It will improve transit conditions and accessibility in its areas of influence, as well as road safety and travel time on segments and circuits to be affected.

Mention should be made of other cooperation such as the programme for downtown redevelopment, modernization of public transport and construction of Government offices (Project PR-L 1044), funded by IDB, which is currently in the design stage and will be executed by the Ministry of Public Works and Communication. This programme will also improve the quality of urban life for the population in the area concerned and recalibrate the urban growth of the country's capital, Asunción.

With regard to South-South cooperation, Paraguay submits several suggestions regarding improvements, challenges and solutions:

- Enhance political dialogue with donor countries and regional agencies dealing with the issue, in order to avoid duplication and focus on coordination to improve aid effectiveness;

- Improve technical and managerial capacities for South-South cooperation;
- Strengthen and promote national information systems to facilitate decision-making;
- Design a mechanism for monitoring and evaluating projects and/or programmes and reduce fragmentation and duplication;
- Build capacity for international negotiation, coordination and international liaison;
- Develop a single standard form for South-South cooperation;
- Develop arrangements to improve information on offers of cooperation and on countries' strengths and success stories.

In this connection, improvements have been made in South-South solutions and mechanisms, which should continue to focus on social inclusion and social participation. They should also foster the development and enhancement of individual, collective and institutional capacity for the sustainability of cooperation activities.

The main challenge facing Latin America and the Caribbean is still inequality. Because of the inequality in the region, South-South cooperation strategies must promote inclusive development, improved integration and involvement of various population groups in economic, political and environmental issues.

## **7. Monitoring of implementation and review**

As described in this report, the Government of Paraguay has made considerable progress in implementing all aspects of the Almaty Programme of Action. However, much remains to be done with regard to possible national measures. National management must be improved but investment flows and international financial assistance to develop the whole transport and communications infrastructure are also very important.

In addition, as noted in various parts of this report, lack of cooperation from transit countries often becomes the main obstacle to the export and import trade of the LLDCs. The mere fact of being landlocked already places these countries at a serious disadvantage and, if the obstacles which they must face in their destination and transit markets are factored in, the situation sometimes becomes untenable because the countries suffer large financial losses, buyers lose confidence in them and their products are less competitive.

It is crucial in a new programme of action for the international community to place greater emphasis on the need for transit countries to meet their commitments, so that implementation of the Almaty Programme of Action can achieve more concrete results.

## **8. Emerging issues**

The Millennium Declaration and the Almaty Programme of Action helped to raise awareness in the international community of the implications of being landlocked. However, in addition to the ongoing problems, new issues and challenges have emerged which must be addressed in the future programme of action to be adopted at the Review Conference.

1. **Access to international networks of communications technology and data transmission lines.** Special importance is attached to fibre optics providing a cost-effective means of telecommunication and access to international fibre optics in landlocked countries is a basic requirement to stimulate their comprehensive development.

2. **Energy infrastructure.** Paraguay is a producer of clean energy and this has enabled it to provide technical assistance and to share its experience. However, it needs transit facilities and infrastructure to market its production internationally. In this connection, cooperation from transit countries is needed for the free transit of energy and so that countries can trade their products without encountering unnecessary obstacles, thus helping to improve the well-being of their inhabitants.

3. **Climate change.** The LLDCs need technology transfer and cooperation to reduce the impact of climate change and promote their capacity to adapt to this situation. For these reasons, there is an urgent need to develop infrastructure systems and transit transport services that are socially, economically and environmentally sustainable.

4. **Investments.** The LLDCs receive an infinitesimal percentage of global investments and this is adversely affecting their development. The successor action programme cannot ignore this situation and must find a way of reversing it.

5. **Services.** This is a sector which the LLDCs must try to develop, since existing services are not tackling the difficulties often caused by their geographical situation. Cooperation must be encouraged at the international level for the formulation of national services policies in the LLDCs.

6. **Aid for Trade.** The LLDCs receive 15 per cent of official development assistance, despite the fact that half of them are LDCs. The importance of trade in creating opportunities for peoples is undeniable and special attention must therefore be paid in the Aid for Trade initiative to the needs of landlocked developing countries.

7. **International institutions.** There should be closer coordination with the international financial institutions in order to obtain support for infrastructure works and transit transport inside Paraguay and in links with international routes, so as to implement the provisions already contained in the Almaty Programme of Action. Lastly, it should be recalled that the Millennium Declaration singles out the three vulnerable groups in the United Nations: the least developed countries, the landlocked developing countries and the small island States. The situation of the LLDCs is ongoing; it is their destiny. If they are to overcome the obstacles facing them, they need the cooperation of the transit countries as regards facilitation of trade, international transit, transit transport and transit infrastructure.

## 9. **The way forward**

The obstacles created by being landlocked must be addressed at both the national and international levels. On the one hand, there are the endogenous factors mentioned in this report and, despite progress made towards overcoming them, much remains to be done. At the national level, there are some measures which can

be taken, such as: (a) *Enhancing the positive spillover effect of neighbours' growth.* The LLDCs should participate in regional agreements to reduce as far as possible the trade barriers erected by transit countries. (b) *Improving economic policy in neighbouring countries and in the region.* This can be achieved by regional integration, which will have a domino effect on landlocked countries and their growth. (c) *Improving access to the coast.* The costs of access to the sea for landlocked countries depend on the investment in transport infrastructure made by neighbouring countries and on those countries' policy decisions. (d) *LLDCs should pursue alternative development policies,* such as specializing in service or other similar sectors. (e) *Attracting aid.* The landlocked country must be attractive to investors and to donor organizations and institutions. (f) *Increasing regional trade* so as to become logistical hubs and transit countries, with the ensuing benefits.

Nevertheless, the critical factors that complicate Paraguay's trade exist beyond its borders, particularly in the transit countries. Anything that the country can do to develop its own infrastructure, logistics and transport will therefore be of little avail without the support of the transit countries and of the international community. In this connection, it is essential to tighten regional and multilateral regulations on trade facilitation and for the international community to exert greater control over compliance, which should be mandatory. Dispute settlement arrangements should also offer greater flexibility and advantages to LLDCs, since they are burdensome and time-consuming and affect small economies depending on a few products more than the more developed countries.

Support from the international financial institutions is also essential to enable the LLDCs to overcome the limitations which they face as regards infrastructure, logistics and transport and it is therefore proposed that a fund should be created to help these countries.

For all these reasons, the successor programme should focus on the LLDCs and be quite clear about which geographically disadvantaged countries deserve special attention.

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