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SOME ASPECTS OF FOREIGN INVESTMENTS

The policy of the present administration of our government with regard to private foreign investment is based on the concept of "trade rather than aid". It was first enunciated by the British who wanted broader opportunities for commerce with the United States in place of financial assistance.

President Eisenhower in his Message to Congress on March 1954 on Foreign Trade made our position amply clear and followed fairly closely the recommendations of the Randall Commission Report and the Commission on Foreign Economic Policy. These included (1) a gradual reduction of tariff, (2) simplification of customs administration and procedure, (3) and an increased flow of private investment abroad by means of tax relief for foreign subsidiaries, (4) guarantees to cover losses on new foreign investment and (5) modification of the Buy American legislation. He specifically recommended that economic aid on a grant basis be terminated as soon as possible, substituting in its place development loans, when justified, either by the International Bank or the Export-Import Bank. Convertibility of currencies was recognized to be of prime importance as a primary condition for a freer and healthier international trade.

In conclusion, the President summarized the Government's policy by stating that it consisted of four major points:

Aid - which we wish to curtail  
Investment - which we wish to encourage  
Convertibility - which we wish to facilitate, and  
Trade - which we wish to expand.

The expansion of trade is very obviously related to the expansion of investments regardless as to whether these spring from domestic sources in the foreign countries or whether they come from the principal outside capital markets of the world - of which, of course, the United States is the most important. As the Randall Report pointed out, the small flow of private investment abroad has been due largely to general political, economic, and military uncertainties abroad, as well as to other aspects of the "climate" for investment in particular countries. It is evident that countries desiring to attract capital must provide a secure legal status for private capital and enterprise, domestic as well as foreign.

These broad observations apply, of course, to all countries with which the United States maintains economic relations.

Our interest here can be narrowed down to Latin America and later more specifically to Paraguay.

As for Latin America, perhaps the most pertinent report was the one prepared by the Milton Eisenhower Commission which passed through here

in 1953. The salient points of the Report which it submitted to the President were briefly the following:

1. It found that the human and physical resources of Latin America were great, both with respect to agricultural and mineral potentials.
2. It found that the rate of population growth of 2.5% per year exceeds that of any other major region of the world and is at least twice the world average.
3. It found that there was an intense desire on the part of the American Republics to industrialize and diversify the economies of their countries. There was a widespread desire for steel mills, metal fabricating plants, food processing plants, textile industries and a wide variety of consumer-goods fabricating facilities.
4. It found that next to an increase in agricultural production, development of transportation is the paramount need in most of the Latin American countries. Better highways, rail, harbor, inland waterway, and air transportation facilities are required for the development of mining, manufacturing, agricultural, and other enterprises, most of which it felt could be financed privately.
5. It found all over South America a spectacle of severe power shortages and of potential shortages; and observed that in this sector foreign capital support was indispensable because of the fact that capital requirements are high and because most of the essential equipment must be imported.
6. It found - and this is interesting - a growing tendency for private United States investors to join with local investors in establishing and operating industries and business. The same procedure is being pursued by European groups who contribute their technical knowledge in addition to their capital.
7. It found, on the dark side, the menace of inflation which distorts economic development and disturbs standards of living. There was a strong need for the maintenance of honest money without which the growth of local savings is impaired and results in the flight abroad of local capital and, the encouragement of speculation in real estate rather than in investment in productive enterprises of benefit to the population. What is required is a series of strong measures in the field of budget expenditures, taxation, and credit policies to assure that the growth in the money supply and in money incomes doesn't outstrip the growth of production. It was observed that undue energy is expended on efforts to get import permits and to get reclassi-

fication of goods or special exemptions on the basis of favoritism. Emphasis was placed on the importance of establishing realistic export rates of exchange as an incentive to the producer and exporter to increase sales abroad, thus expanding the national earnings of foreign exchange and enlarging the country's ability to buy the needed articles from foreign suppliers for further economic development and consumption. It was pointed out that the use of multiple exchange rates tended to price the country's goods out of the market abroad and to discourage domestic production while stimulating domestic consumption.

8. It was found that there was a great need for capital to promote sound economic development, but that most of this capital should come from private investment, chiefly from local savings. But for the development of local savings and local capital markets great emphasis had to be placed on sound budgetary, fiscal and credit policies and the restoration of confidence in the value of the local currency. Measures which could be taken by foreign governments to attract private capital were delineated and included; a) adequate opportunities for fair profit; b) reasonable provisions for transfer of earnings and amortization; c) equitable labor and management laws and regulations; and d) freedom from fear of discriminatory treatment, expropriation with inadequate compensation, or unfair Government intervention. It was reiterated that inflation and financial instability played an important part in discouraging or repelling private investment.
9. It was observed that one of the crying deficiencies in South America was the lack of trained management personnel. In the field of management and technical training lies one of the great opportunities for assistance to Latin America. This, plainly, is one of the necessary functions of our various Missions. The training program should be expanded beyond its present limits for the sake of public relations and for sound economic reasons.

The Eisenhower Report concluded with a series of pragmatic recommendations which are well worth while outlining:

1. The United States should adopt and adhere to trade policies with Latin America which possess stability, and with a minimum of mechanisms permitting the imposition of increased tariffs or quotas.
2. The United States should adopt a long-range basic-material policy which will permit it to purchase for an enlarged national stock-pile certain imperishable materials when prices of such materials are declining.
3. The United States should carefully examine the desirability of amending present tax laws to remove existing obstacles to private investment abroad.

4. That public loans for the foreign-currency costs of sound economic development projects, for which private financing is not available, go forward on a substantial scale - provided that the borrowers take the necessary measures to ensure that they are good credit risks.
5. That the United States stand ready to give appropriate technical help to the Latin American countries that express a desire to work out more orderly ways of determining how their resources can make the greatest contribution to their economic development.
6. That the technical cooperation program in Latin America should be expanded.
7. That our Government should continue to support the work of the International Monetary Fund and the work of the United Nations agencies such as the Economic Commission for Latin America.

At this point I think it would be pertinent to pass on to certain observations that were incorporated in a study made by the Department of Commerce in the first of its publications dealing with "Factors Limiting United States Investments Abroad." That survey enumerated the principal types of impediments as follows:

1. Political instability, involving frequent changes of personnel, policies and laws, which created an atmosphere of uncertainty and insecurity.
2. The small size and limited population and resources of some of the countries which restrict investment opportunities to a narrow field.
3. The threat of expropriation or nationalization, without either prompt or adequate compensation.
4. As about half of the Latin American currencies are subject to controls and are not readily convertible, except at a discount on the black market, the exchange risk is one of the ever - present hazards of foreign investment. This hazard is specially important to small investors who lack the resources to weather long delays and to protect themselves against sudden shifts in currency valuations.
5. There are customs difficulties in connection with imports of equipment and raw materials.
6. One of the most persistent causes of difficulty for foreign investors in Latin America is the failure on the part of the investing firms to investigate properly and to do the necessary preparatory work before actually placing its capital.

These observations are of particular importance in view of the fact that at the end of 1950, about 40% of all United States direct investments abroad were in Latin America. The volume of future United States private investments in this area depends chiefly on the success with which the desires of the countries to develop more self-sufficient, diversified economies and to broaden national participation can be reconciled with the legitimate expectations of United States investors.

There is an amazing mass of articles devoted to the subject of United States private investments abroad which I shall not review here.

We, here in the United States Operations Mission receive a series of State Department directives outlining policy measures on a more intimate basis - for example, on the need of informing United States potential investors of specific opportunities open to them.

At this point I suppose it is fair to ask where we are with respect to Paraguay.

First of all, I wish to say that for more than a year I worked, among other things, on the preparation of an investment manual for Paraguay. The manual has recently been published under the auspices of the Department of Commerce and is the third dealing with Latin American countries. It is being widely publicized and will be available to all interested potential United States investors. The manual is in essence a descriptive and comprehensive document of the economy of Paraguay and deals with such matters as international trade, business law, taxation, balance of payments, the exchange system, trade agreements, and related subjects. I think it is safe to say that no material about Paraguay of this nature has been assembled in over thirty years. Although it is printed in English copies are available to anyone who may be interested in it.

The rest of this discourse is excerpted from this work and deals with the investment climate in Paraguay.

Foreign investments in Paraguay have never been large in absolute terms, but they have been decisive in the establishment of public services and in the development of the basic agricultural, forest, and livestock industries.

Since the war the total value of direct or business foreign investment has remained at around \$60 million. There has been a substantial increase of the investment in agriculture, and to a lesser extent in manufacturing and service operations, but this has been offset by the nationalization of public utilities and the Asuncion port works and by the withdrawal of a United States company after spending substantial sums on petroleum exploration.

An official estimate of the distribution of foreign capital by nationalities and by fields of activity was published by the Ministry of Economy in 1949, showing a total of 189.1 million guaranies, or

\$61.4 million at the official exchange rate then prevailing of 3.09 guaranies to the dollar. Estimates of foreign direct investments in 1950, made by the U.S. Embassy, show a total investment of 181.8 million guaranies, with U.S. citizens having holdings of 45.9 million guaranies (approximately \$15 million).

Argentina is in first place from the investment standpoint in Paraguay. Argentine investment has been facilitated by the common frontier, the historical association and common language, and the fact that much of Paraguay's trade passes through Argentina. Among the leading Argentine interests are the Carlos Casado quebracho and timber interests and Coindu, S.A., a vegetable oil and cotton firm with mixed Argentine-Italian capital. In recent years the Argentine Government has actively promoted investments in Paraguay. The official Bank of the Argentine Nation has a branch at Asuncion.

British investments are second to the Argentine. The principal British enterprises are the Paraguay Central Railway and Liebig's Extract of Meat Company, Ltd. There is a branch of the Bank of London and South America in Asuncion.

At one time there were substantial French and German investments, but most of these have been nationalized or liquidated.

Brazil has shown an active interest in closer relations and in the improvement of transportation connections. There is at Asuncion a branch of the Bank of Brazil. In 1942 Brazil made a loan of 100 million cruzeiros to Paraguay for the construction of public works of various kinds.

Since the middle of the 19th century Paraguay has generally followed a policy of encouraging immigration and foreign investment. As early as February, 1859, Paraguay concluded a Treaty of Friendship, Commerce and Navigation with the United States which guaranteed national treatment to citizens of this country during their stay in Paraguay. Within the recent past, the Paraguayan Government, as a part of its strong desire to have the aid of foreign capital in developing the national economy, has in one instance, granted virtual extraterritorial rights to a group of colonists settling in Paraguay, while also according unusually favorable contractual terms to a few foreign investors in commercial and industrial activities thought to be desirable for developmental purposes.

Paraguayan receptiveness to aliens and their investments is to some extent counterbalanced by a number of unfavorable factors which bear on investment possibilities in Paraguay. In addition to the fact that the natural resources for a much greater degree of industrialization do not appear to exist, there are the problems of sometimes inadequate transportation, the frequent inability to maintain a constant supply of materials and the corollary problems of finding adequate facilities for storage and handling. Skilled labor is in short supply in Paraguay and a worker who acquires a skill soon finds it economically desirable to emigrate to the higher wage centers in surrounding countries or go into business for

himself. Mass production investments are also faced with the problem of scaling down operations for the very limited Paraguayan market. Monetary instability and foreign exchange controls have deterred foreign capital. The history of fluctuations in the value of local currency may prompt a decision to rely upon local borrowings for investment capital, but this aim is likely to be thwarted by past flights of local capital and by the cost of obtaining that limited amount which may still be in Paraguay.

Apart from their impact upon the export and import transactions of foreign enterprises established in the country, Paraguayan exchange controls affect the movements of foreign capital funds and the return on such capital. Paraguay's basic exchange control legislation, Decree-Law No. 10,043 of August 29, 1945, provided two alternative exchange procedures for the entry of foreign capital into the country and for the withdrawal of earnings and amortization of principal. Foreign capital contributing to the economic development of the country might apply for entry at the official buying rate of exchange and registration in the Optional Register of Foreign Capital; regular withdrawal of earnings and amortization payments was to be permitted on such registered capital at the official selling rate in accordance with minimum terms established at the time of registration. Foreign capital invested in the country at the time of the promulgation of Decree-Law No. 10,043 might also apply for registration. The second alternative provided that foreign capital which did not apply for registration in the Optional Register of Foreign Capital, or was not allowed to register, might enter and leave the country freely via the free exchange market.

Few foreign investments have been registered in the Optional Register of Foreign Capital, and consequently the bulk of investment funds moves through the free market. Modest amounts of foreign exchange are allocated in the annual foreign exchange budgets to service the small volume of registered capital entitled to exchange at the official rate. In the free market, which was abolished in favor of fixed rates between November 7, 1949 and March 5, 1951, movement of funds is unrestricted, although the Central Bank exercises a certain amount of supervision over transactions and attempts to stabilize the rate.

Successive devaluations of the guarani since the enactment of Decree-Law No. 10,043 have been reflected in changes in the official rates applied to registered capital and in the free market rate applied to unregistered capital. At present the official rate is 60 guaranies per dollar, as compared with 3.059 and 3.121 guaranies per dollar, buying and selling, respectively, in 1945, and the unofficial free rate is over 100 guaranies per dollar, as compared with an average of 3.4 guaranies per dollar in 1945. Apparently as protection against the decline of the guarani in the free market, and also as a defense against unfavorable adjustments in the exchange rates applied to exports, the beneficiaries of certain special concessions granted to foreign investors by special decree-law since 1952 have been able to secure the right to withhold

from the exchange control authorities, for a period of years, 50 percent of the foreign exchange proceeds of their exports.

Article 36 of the Paraguayan Constitution guarantees that "Foreigners enjoy, within the territory of the Republic, the same civil rights as citizens, in accordance with laws regulating their exercise; they may engage in industry, commerce, or a profession, own realty, make wills and marry... Foreigners are not obligated to become citizens." Paraguay, unlike most other countries, also permits aliens some measure of political rights by allowing them to vote in municipal elections. With particular reference to United States citizens, Article IX of the United States-Paraguayan Treaty of Friendship, Commerce and Navigation assures that they will enjoy in Paraguay, "... full and perfect protection for their persons and property, and shall have free and open access to the courts of justice for the prosecution and defense of their just rights; they shall enjoy, in this respect the same rights and privileges as native citizens; and they shall be at liberty to employ, in all cases, the advocates, attorneys, or agents of whatever description, when they may think proper."

It appears that aliens, in their right to hold realty in Paraguay, are limited only to the minor extent provided in article 30 of the Agrarian Statute. This statute provides that, regardless of nationality of ownership, lands not bordered by navigable rivers and located on the frontiers of Paraguay may be subject to expropriation for purposes of establishing agrarian colonies of native citizens thereon. It is interesting to note that this same statute (Article 20) grants to unmarried, alien male farmers the benefits of agricultural reforms contained in the law, including homesteading rights. With regard to lands it must be noted, furthermore, that considerable difficulty is being encountered because of unclear land titles.

Under the terms of the mining law, mineral deposits (including petroleum) represent property separate from the land in which they are found and the State is the owner of all such deposits except those which furnish building and decorative materials. Aliens are not excluded from those who may obtain concessions from the government to explore for and develop mineral deposits.

As a matter of statute, there does not appear to be any restriction on the kind of business in which a foreigner may engage. However, Article 15 of the Constitution provides that, "... The State may nationalize, with indemnification, the public services, and monopolize the production, distribution and sale of articles of prime necessity." To the extent that this provision has been used it represents a limitation on the fields in which aliens, as well as Paraguayans, may engage in business in Paraguay.

By Constitutional guarantee, "... no one may be deprived of his property except by judgment founded in law. The ownership of all kinds

of property may be judicially transferred by means of expropriation for reasons of social utility as defined by law, which will also determine the form of indemnification. The law may fix the maximum extension of lands which may be owned by a single individual or legally established company and the excess must be sold in public auction or expropriated by the State for its distribution."

Amplification of these provisions regarding expropriation is to be found in the Agrarian Statute. The Department of Lands and Colonization (now the Institute of Agrarian Reform) is empowered to expropriate lands not being properly utilized by their owners and which the owners refuse to sell. The price for expropriated properties is to be determined by taking into account the value of sales of land in the region and the assessed value of the land for tax purposes. The Department is required to pay the determined amount within 5 years. The owner of the property has the right of appeal to the Superior Court of Justice.

In the recent past there have been only two instances where the Paraguayan Government has assumed ownership of existing private investment. In 1947 the government expropriated the German-owned Compañía Internacional de Teléfonos, S.A., under wartime legislation governing Axis properties. In the following year, under the press of an unsettled labor problem, the government assumed control of the properties of the Compañía Americana de Luz y Tracción, an Argentine company, and a short time later a price satisfactory to the former owners was determined as payment for the nationalized properties. The government's commitment to liquidate the amount of the purchase price by 1951 was fulfilled, although some of the intermediate payments were delayed.

While the Paraguayan tax system is characterized by a great multiplicity of taxes it can be said that Paraguayan taxes represent only a minor burden on most business activities. The income tax, the only direct tax in Paraguay other than the gift and estate taxes and some minor real estate taxes, is an illustration of this. It applies to the income of both foreign and domestic corporations at a flat rate of 17 percent on net taxable income. Other forms of business organizations and individuals are taxed on a proportionate and progressive scale ranging from 5 percent on the first \$ 2,500 of net taxable income up to 19 percent on that part of net taxable income in excess of \$ 35,000 plus a flat rate of \$ 6,650. According to Article 5 of Law No. 246, recently enacted, which establishes a system for the incorporation of foreign capital, a reduction of 25 percent of the income tax is granted to new and economically desirable business investment. The time limit accorded to this exemption is determined in the respective resolutions of the National Council of Economic Coordination, within terms ranging from 5 to 10 years, according to the economic importance of, and the conditions pertaining to, each field of investment.

As do most other Latin American countries, Paraguay seeks to safeguard access to employment by its nationals by restricting the employment of foreign personnel. The requirement that 95 percent of the employees and 90 percent of the laborers of a business be Paraguayans could tend to complicate the staffing problem of foreign companies, since there is still a shortage of trained Paraguayan personnel. The National Department of Labor, however, has been liberal in permitting reductions in these percentages in situations where qualified Paraguayans have not been available. The new law above cited provides such exemption for a period not over 5 years.

Paraguayan legislation guarantees to labor numerous fringe benefits even before the operation of collective bargaining. For the most part these are the kinds of fringe benefits which are familiar to employers in the United States. The established legal minimum wages seem to be below the scale currently being paid by foreign firms to their Paraguayan employees.

During the last decade Paraguay has enacted a number of laws offering special concessions to new and economically desirable investments generally.

One of these is Decree-Law No. 30 of March 31, 1952. This Decree-Law extends the following privileges, for a period not greater than 10 years, to both new industries and to existing industries which expand or modernize their investment, providing such industries utilize Paraguayan raw materials:

1. Exemption from import duties and all other taxes on imports of necessary machinery, accessories and spare parts;
2. The same exemption for "materials which are not available in the country and which are indispensable for the installation of the industry";
3. Exemption from export duties and other taxes applying to the exportation of products, or by-products, of the new industry (this privilege is not available to existing industries) and
4. Free technical and economic advisory services from the government.

Early in 1954 the Paraguayan Government went considerably further in extending concessions for the encouragement of new investment, this time in the much narrower field of coffee cultivation. By Decree-Law No.38 of March 31, 1954, the government provided that those making certain minimum plantings in coffee will enjoy, in addition to concessions equivalent to those provided in Decree-Law No.30, the following: The right of the concession-holder to retain 50 percent of the foreign exchange earned from his coffee exports for a period to end in 1970; foreign technicians brought in by the concession-holder will be permitted duty-free entry of their effects and equipment for a period of 2 years after their

arrival; the Paraguayan Central Bank will provide the foreign exchange needed to purchase abroad the necessary certified coffee seed; exemption from expropriation proceedings; and, for a 5-year period after the first crop year, the workers, employees, and the concessionaire will be exempt from contributions to the Social Security Institute, leaving the concessionaire responsible for substitute health services. A considerable American and Brazilian investment in coffee lands has resulted from this decree-law.

In the period between the enactment of the two legislative measures described above, Paraguay entered into legislative contracts with various persons whereby the government promised concessions to the individual foreign concessionaire if he began the establishment of an agreed-to list of investments in Paraguay. In each of these contracts the government agreed to the retention by the investors, for a period of years, of 50 percent of the foreign exchange proceeds of their exports, as well as provisions for exemption from import duties. One of these contracts, which involved colonization by Italian immigrants, also offered to the concessionaires medium and long-term credits by the Bank of Paraguay as well as exemption from real estate taxes for a term of up to 10 years and a 5-year exemption from the labor law requirement that industries must employ certain minimum percentages of Paraguayans.

I have briefly referred to the most recent legislation to encourage foreign investments - namely Law No.246. This was enacted by the Paraguayan Chamber of Representatives on February 26th of this year. The law provides that capital eligible for registration may be incorporated in the form of foreign currency, machinery, accessories and replacement parts; raw or semi-fabricated materials; patents, trademarks, and royalty rights; and other assets whose incorporation could increase the natural wealth. Such capital, however, must contribute to the economic and social development of the country in accordance with Government plans; the goods introduced as capital must be new, modern, and efficient in the production of goods and services; and the prices thereof must be in accordance with those current in the export market at the date of entry into Paraguay.

The benefits granted by the law to capital incorporated under its provisions include exemption from basic and additional import and export duties, with certain exceptions; exemption from various taxes on the incorporation of business enterprises; a reduction, as previously noted, of 25 percent in income tax; the right to obtain foreign exchange covering remittances of interest, profits, dividends, etc., up to 20 percent annually of the registered capital; and the exemption for a period up to 5 years of the obligation to employ the legal percentage of national personnel. Another provision of importance is outlined in Article 14 whereby "registered capital, after deduction of amortizations and of remittances for repatriation of inscribed capital, may be adjusted at the close of each fiscal year in proportion to the variation of the free buying rate for the currency of origin as set by the Central Bank." This is intended to serve as a protection against the effects of progressive decapitalization.

The type of legislation referred to is intended to encourage domestic capital and foreign capital in general in new venture and in the expansion of those already established.

But for the purpose of stimulating the investment abroad of United States capital, our Congress authorized what is known as the investment guaranty program. It is written into the Mutual Security Act and is operated by the International Cooperation Administration. In effect, it is an insurance program designed to protect American investors against two risks only:

- a. Inability to convert foreign currency receipts into dollars; and
- b. Loss through expropriation or confiscation.

The United States objective is to enlist for other free nations of the world not only American capital, but the technical and managerial skills and the progressive spirit of American private enterprise.

Participation in the program is first effected by an agreement between the United States and a foreign country. It provides that any investment project must first be approved by the foreign government before it can qualify for insurance benefits. It also includes certain understandings regarding the status of foreign currency, property and claims acquired by the United States Government when insurance contracts are involved. These agreements do not, in any way, commit the foreign governments to any special treatment of insured investors.

In order to be eligible for insurance the investment must be made by a citizen of the United States or a corporation, partnership, or other association created under the laws of the United States or of any State or Territory and substantially beneficially owned by citizens of the United States. This citizen or association must own the larger portion of the developed activities, and such activities must be legally and technically commercial. Note, however, that ordinarily a company organized under United States law will be considered an eligible investor if more than one - half of the total value of all classes of its stock is owned by United States citizens. In other words, the avenue is open for joint ventures with foreign capital to which, of course, the insurance benefits apply.

At present, 25 countries participate in the investment guaranty program, including six Latin American countries - namely, Haiti, Costa Rica, Guatemala, Ecuador, Perú and Paraguay that signed the agreement on October 28, 1955 effective as of November 15, 1955.

In conclusion, it is only proper to remark that no amount of legislation, however perfectly drafted, will attract capital to Paraguay unless the investment climate is propitious. An investor will merely compare the opportunities for placing his capital advantageously at home, in a

familiar atmosphere, with those offered elsewhere in the world. Any country, under its sovereign rights, has the option of deciding whether it feels the need for inviting foreign capital to assist in its program of economic development. It may choose, if it wishes, the path of self-sufficiency which in this complex world exacts an almost calculable price.

Your President, who has a keen appreciation of the role of private investment and private enterprise, has stated that: "the Government of Paraguay appreciates the efforts and contribution of the investor of foreign private capital who joins his efforts with ours in the task of strengthening the economic and social potential of the country; and that, in this sense, the Government will lend him all assistance compatible with the law."

These words, and particularly the spirit that inspired them, are, in my opinion, fundamental to the future economic development of Paraguay.

### INVESTMENT OPPORTUNITIES IN PARAGUAY

In the previous chapter I reviewed the background of United States policy in general and with respect to Latin America in particular. Reference was made to the principal types of impediments to foreign investments. And the rest of the discourse dealt with the investment climate in Paraguay, beginning with a historical review which included a descriptive statement of successive devaluations of the monetary unit and continuing with a resume of current legislation designed to attract foreign capital. It ended with an explanation of the principal features of the United States investment guaranty program, which Paraguay has joined recently.

The present paper proposes to summarize broadly the investment possibilities in Paraguay in various sectors of the economy and at a later point to deal with a few of them in greater detail by way of illustration.

Apart from the intimate prospects of personal gain, which by no means should be decried as a fundamental generative incentive to the creation of national wealth, there must be considered the over-riding benefits to the country as a whole that derive from a stimulation of private enterprise by a wise and sympathetic government.

A pragmatic measure of a country's economic health may be said to be the soundness of its net reserve position - that is, the volume of its gold and foreign exchange holdings after allowing for current obligation. Any increase or decrease is in itself no criterion for self-satisfaction or blame: frequently there are factors beyond human control that determine the movement. World prices of exportable commodities may rise or fall; or principal crops may flourish or fail. But the harsh reality is that at any given moment a country is rich or poor on the basis of its actual, and not its potential resources.

What, then, are the means by which, with intelligent planning, a country can augment its foreign exchange reserves? In Paraguay the objectives would seem to be the following:

1. To increase agricultural, forestal, livestock and industrial production, both for internal consumption and for export, by means of modernization and improved techniques.
2. To produce goods which are now imported in finished or semi-finished form - when economically justified.
3. To produce new commodities, whether primary or industrial, for local consumption and export, and by such diversification achieve a greater degree of economic stability.

"Production" is the key word.

In a speech on October 8th, 1955 to the Council of International Affairs, Mr. Henry Holland, United States Sub-Secretary of State for Latin American Affairs, pointed out the following interesting facts:

1. In recent years the population of Latin America has been increasing by 2.5% per year, or at a more rapid rate than in any other part of the world, including the United States.
2. In contrast with other regions where alimentation is an acute problem, Latin America is increasing its agricultural production for internal consumption at a rate of 3.1% per year, or in greater proportion than the demographic growth.
3. Even more rapid is the increase in industrialization in Latin America from 1950 to 1954, factory production having increased by 5% per year; and since 1947 the value of its manufactured products has exceeded the value of its agricultural products.
4. From 1937 to 1954 the gold and foreign exchange reserves in the hands of government institutions has multiplied more than four times, rising from 875 million dollars to 3,375 million.

Unfortunately, increased production of basic commodities has not been achieved in Paraguay in the past decade, if statistical indices, adjusted for population growth, are any indication.

Gross foreign exchange reserves of the Central Bank which rose to a peak of the equivalent of \$ 18.7 million in 1951, reflecting the influence of the Korean War. By the end of 1954 they were \$ 9.89 million. They increased steadily during the year and totaled \$ 14.9 million as of the end of August; but declined to \$ 11.2 million by the end of January 1956.

It is not the purpose of this paper to review or analyze the factors that inhibit a more rapid rate of economic growth in Paraguay. The object is merely to call attention to the self-evident opportunities for expansion in a country that possesses natural potentials for self-enrichment. Though seeming to lack certain basic resources such as iron ore, coal and petroleum; although cut off from direct access from the sea except via the Plate River system; despite a present shortage of internal means of communication (which can be and is being remedied); regardless of other limitations, there exist at present opportunities for domestic and foreign investment, either separately or as joint ventures.

Let me review broadly where these opportunities lie and then pass on, as previously mentioned, to a few illustrative examples.

### Agriculture:

The recent development of coffee lands in northeastern Paraguay by American and Brazilian capital is sufficiently well known to require no special comment. Argentina has expressed definite interest in purchasing coffee from this source.

There are other agricultural products potentially exportable or now exported in small quantities which grow well in Paraguay, or can be grown, and may on that account warrant investigation by foreign and domestic capital in the light of present and probable future world market conditions. Citrus fruits, pineapples, avocados, and bananas are raised, and might be expanded as exports to Argentina, Uruguay and Europe. This would require not merely an increase in production but improvements in methods of cultivation, handling and distribution. Some fruits, fruit juices and vegetables might be processed and packed for internal consumption as well as for export. Certain grasses yielding essential oils are not now being exploited commercially, and a number of hard fibers grow wild in Paraguay. The modernization and expansion of the sugar cane industry appears to deserve support as Paraguay should be able to produce an exportable surplus under normal conditions.

### Animal Husbandry:

Further investment in the cattle industry does not presently offer attraction. This is due to the difference that persists between cattlemen who want higher prices for animals delivered for slaughter, and the Government, which controls cattle prices. A remedy to this situation might be found in the establishment of a dual price system which would create an incentive to increased production and a reactivation of meat exports without affecting prices for the internal market. The proposed reopening of the San Antonio frigorifico is an encouraging development.

It would seem that there is a real need for the establishment of a modern dairy to serve the Capital and its environs. The average daily consumption of milk in Asunción is estimated to be between 20,000 and 25,000 liters, whereas on the basis of a nutritional minimum of .75 liters per person the daily consumption should be about 150,000 liters. To produce this quantity of milk would necessitate a considerable increase in the number of dairy cattle. But this is an investment possibility deserving serious investigation and is in itself necessarily linked with the production of mixed feeds.

### Forest Exploitation:

The timberlands of Paraguay represent one of the greatest sources of foreign exchange earnings. These could be greatly augmented by the conversion of logs into lumber for export. The present obstacles to this development are too well known to mention here. But surface communication

to certain neighboring countries could give an impetus to the lumber industry. As an intermediate step, however, the Argentines have suggested that lumbermen ship their logs to the Argentine mills in the border zones for conversion into lumber. These mills are said to be operating below capacity. Not only is there a market for hard lumber in this area, but freight would be economized on shipments of excess lumber to Buenos Aires.

The establishment of a pulp and paper industry, though requiring a large investment, is not beyond the realm of possibility according to studies made by forestry experts.

Paraguay has within its borders a wealth of raw material for the production of caranday wax. Concerning this, more will be said at a later point in detail.

#### Manufacturing Industries:

There seems to be a need for the modernization and expansion of the textile industry which two years ago was operating on a 24 hour per day basis and unable to supply the internal requirements. Considerable quantities of special fabrics, are still imported but it may not yet be economical to manufacture these locally in view of the relatively limited market for them and the disproportionately high investment needed for machinery and equipment.

The ready acceptance of tinplate, iron, and aluminium products and the inability of local facilities to satisfy demands indicate favorable circumstances for modest expansion.

The production of glass containers certainly falls far short of domestic needs and seems to justify investigation as a possible area for investment.

Similarly, it would seem that the availability of tung oil would present an opportunity for the establishment of a paint and varnish industry and thus obviate the necessity of importing these products.

#### Transportation, Communications, Utilities:

In this field the role of the Paraguayan Government as entrepreneur affects the outlook for independent domestic or foreign capital. Nevertheless, private enterprise should be permitted to participate in a fluvial transport system of barge lines. This project has been under consideration for several years and may yet materialize. There seems to be no doubt that it would be of benefit to the whole economy as well as financially sound.

Present indications are that highways will be the principal medium for

the extension of the internal transportation system. Organized trucking services have attained little development in Paraguay and probably will not offer much prospect for investment until a reasonably satisfactory system of highways can be constructed. This project is now under active consideration by the Government.

Let me now pass on to certain specific investment opportunities which, if developed, offer prospects of material success to private initiative.

Caranday Palm Wax:

The caranday palm constitutes an important natural Paraguayan resource. It grows extensively on the Chaco side of the Rio Paraguay from Formosa, Argentina, to Puerto Guarani. In the lower part of the Chaco this palm is somewhat scattered but becomes increasingly dense until it becomes solid stands around Puerto Guarani extending back from the river for 200 to 250 kilometers. The same high density continues beyond Bahia Negra and perhaps on into Bolivia for an unknown distance. Similar dense stands exist on the Brazilian side of the Rio Paraguay from the Rio Apa to Puerto Guarani.

The caranday palm is at present little exploited, principally for timber (telephone and telegraph poles, farm structures, etc.) and as a source of fiber (ropes, bags, hammocks, etc.) and leaf straw for the manufacture of hats. But potentially the caranday is much more valuable as a source of hard vegetable wax than for any other of the aforementioned palm products.

As in the case of the carnaúba palm of northeastern Brazil, the wax forms on the leaves as a protective coating against excessive evaporation of water through its leaves. In commercial operations, the leaves are harvested, dried, and the wax palm powder removed by beater machines. The powder is then melted with steam and hot water and next passed through a centrifuge which separates the wet fibrous material from the wax and water. The wax flows into large shallow pans where it is allowed to solidify and be separated from the water. After the wax is solidified it is broken up into pieces and is ready for shipment. This procedure, which has other commercial variations, is relatively simple and requires no unusually complicated or expensive machinery and equipment.

The buyers of wax in lump form subject it later to further refinements which vary according to the special end use of the wax.

Yields per leaf of powder, crude wax and refined wax are widely variable depending on the season of harvest, methods of collection, and the mechanical process utilized. Costs of production may also differ widely depending on the machinery used: beaters range in capacity, for example, from 3,600 leaves to 30,000 leaves per hour. The particular

aspects of production as applied to Paraguay will be discussed later.

Carnaúba wax, since it first became an article of commerce about 1845, has found many uses for which no other wax, natural or synthetic, has proved entirely suitable. Today it is employed alone or admixed with other less expensive waxes in the manufacture of metal and wood polishes, printing and carbon paper inks, leather dressing, shoe creams, phonograph records, chalk and crayons, matches, dry batteries, explosives, and numerous other products. No other product possess all of the qualities of hardness, luster, dispersibility, sharpness of impression, compatibility with other ingredients, etc., that are found in carnaúba.

Despite the increasing uses and demand for carnaúba wax, its production has increased but little in recent years. During the decade 1935-44 production averaged only slightly over 10,000 metric tons per year, while during the 5-year period 1945-49, average production amounted to only 10,880 tons per year. However, production of carnaúba wax from 1952-53 frond cuttings has been estimated at 12,900 tons against 12,300 tons in 1951-52.

During the period 1943-49 the United States accounted for an average of 80 percent of Brazil's exports of this wax. The value of United States imports of carnaúba has ranged roughly from \$10 to \$19 million per year although annual volume remained relatively constant. The reason, of course, has been the wide fluctuation in prices for the different grades of wax which in turn is reflected in the dollar value per kilo.

The foregoing information is given to indicate the potential dollar earnings for Paraguay if the caranday wax industry were developed. It appears that the natural resource is enormous - that palm stands are denser and more extensive than in Brazil. Caranday wax, like carnaúba, is a low bulk, high density, high-priced commodity, and as such is an ideal product for production in an isolated country (with respect to foreign markets) such as Paraguay.

Furthermore, Brazilian carnaúba and Paraguayan caranday are almost indistinguishable. Careful tests were made by the Research and Development Division of S.C. Johnson & Son, Inc., of Racine, Wisconsin as well as by other firms. S.C. Johnson & Son reported that: "Comparing caranday and carnaúba waxes in recent laboratory tests it is difficult to tell one from the other... In certain cases, the polishes made from caranday wax have given results as good as those from carnaúba, but in others somewhat inferior. Nevertheless, in all polish tests, it was considered superior to ouricury wax... Caranday wax can compete directly with carnaúba and ouricury waxes with respect to many important uses, and may be a little inferior for other purposes."

There seems to be no reasonable doubt, therefore, of the commercial acceptance of caranday wax assuming that it were produced in sufficient

quantity under reasonable industrial controls to insure uniform quality and that the price were competitive.

Caranday wax was first produced experimentally in Paraguay prior to 1945, in a plant installed about 60 kilometers south of Puerto Murtinho, on the Paraguay river, in Matto Grosso, Brazil. Since 1947 several Paraguayan companies imported or requested permits for the importation of machinery to extract wax from the leaves of the caranday palm. Among these firms are included the Sociedad Forestal de Puerto Guaraní, Carlos Casado, Ltda., and the S.A. Agro-Industrial y Comercial Espinosa, Ltda.

The two first mentioned were the most active and conducted pilot plant almost continuously until January 1950. United States Department of Commerce statistics indicate that in that year imports of 1,297 kilos of caranday wax received from Paraguay with a value of \$970.

The Government has taken an active interest in the potential development of this new industry. In its program for Stabilization and Economic Development, issued December 16, 1952, it specifically declared its desire "to facilitate, as soon as possible, the exploitation and exportation of caranday wax."

The problems confronting potential manufacturers of caranday wax fall into two broad categories; first, those relating to physical production; and, second, those relating to banking arrangements.

1. The most seriously interested producers are the present manufacturers of quebracho extract. These have the natural advantage of preliminary experimentation, vast tracts of land rich with caranday palms, financial resources, technical equipment, shipping facilities, and marketing experience.

Although it is undoubtedly true that availability of labor is a stumbling block, nevertheless these companies are better able to recruit under favorable conditions than others whose operations must compete with the higher wages paid by adjacent sugar mills and the industrial plants of Asunción. For them, the manufacture of caranday wax could, in a real sense, be a complementary operation which could absorb a part of their overhead costs. There are no serious problems with respect to specialized physical plant, processes or techniques, packaging, transportation, marketing and the like. The risks are merely those normally inherent to a business where the world price is variable, risks met with evident success by Brazilian producers.

2. With respect to agreement with the Central Bank, as an agency of the Government, concerning terms and conditions under which the new industry is to be developed, there has been a reluctance so far on the part of potential producers to broach the subject. It

would seem desirable for them to present their requests as a group and perhaps have them formalized by Decree-Law as has been done heretofore in the case of the Italian agro-industrialists and, more recently, in the case of coffee.

During a series of informal discussions with various interested parties, it was stated that it is impossible to draw up an estimate of the cost of production. They maintain that it would take two or three years of commercial operation before they could know the effect of the variable factors of cost: it might be necessary for them to alter their methods of harvesting and production. It appears, therefore, that what they should like would be to export on the basis of declared value at least during the trial period.

Undoubtedly they would also expect to receive the usual additional privileges conceded to new industries. These are, among others, exemption for a period of years from import duties on machinery, equipment and accessories, from export duties on shipments of the finished product, and from certain taxes.

In any event, it seems very likely that one or more producers will begin commercial production as soon as an agreement has been reached more or less on the basis above described.

With the increasing demand and relatively static production of carnaúba wax, the development of a caranday wax industry appears inevitable. The previous operation of pilot plants has provided the information needed as a basis for the erection and operation of commercial size plants. Such plants can be erected at moderate cost and within a year could be producing sufficient wax to provide all of the military, as well as civilian demand for hard vegetable wax, in both the Western Hemisphere and Europe, which is not provided by the exploitation of the carnaúba palm. No long range planning is necessary and any funds made available to private industry could be quickly put to work.

The establishment of this new industry would profit the individual entrepreneur and benefit the country by added employment and a very substantial ingress of hard-currency earnings.

#### Mandioca:

Mandioca, which is variously known in other countries as cassava, yucca or manioc, is one of Paraguay's principal food and forage products. Official figures for 1954 indicate a production of 950,000 tons on an area of somewhat over 59,000 hectares, giving an average yield of 16 tons per hectare. The yield, however, depends a great deal on the soil and variety of mandioca and has varied from 12 to 100 tons per hectare even without irrigation or the use of fertilizers.

Practically nothing has been done in the past in Paraguay to industrialize mandioca despite the mass of technical and practical information available on the subject. Some of the products that could be derived from this raw material are the following: flour, starch, alcohol, fariña, glucose, dextrine, glue, forage and fertilizer.

It is true that some sporadic efforts were made, primarily to introduce a partial mixture of mandioca flour with imported wheat flour in order to save foreign exchange. A committee to study this problem was constituted as long ago as 1931. Nothing practical resulted.

In 1939 Dr. Ricardo Boettner published a study in the Revista de la Facultad de Ciencias Económicas proposing the same idea, as well as the production of alcohol for mixture with imported gasoline. Although sound in its recommendations, nothing came of it except the eventual establishment of a pilot plant at Piraretá. This still functions but it is poorly constructed and devoid of adequate laboratory facilities. Consequently its findings are of no practical use.

In 1942 a Decree made compulsory the mixture of wheat flour with flours derived from national products up to an amount of 30%. But this was an emergency measure intended primarily to salvage an unexportable surplus of corn. The corn was of inferior quality and the experiment ended in failure.

In July 1953 I wrote a comprehensive report entitled "The Wheat Problem of Paraguay and Suggested Remedies" - and again proposed the idea that Paraguay should utilize an abundant natural resource to save foreign exchange expenditures and create a starch industry for exports. I brought this subject again to the attention of the Central Bank and the Ministry of Industry and Commerce by means of memoranda written in October 1954.

Eventually, by means of Resolution No. 190 of May 1955, the Ministry of Industry and Commerce named a Committee, to which I was appointed, charged with the task of studying the various aspects of the industrialization of mandioca. We completed our report and recommendations within the 60 days allotted to us.

That report, which has been mimeographed and has been widely distributed to government officials and private business interests, contains sufficient preliminary evidence to indicate the opportunity for the establishment of important industries.

It cites the practical experience of Cuba, Brazil, Peru, and the Philippines where for almost identical economic reasons, mandioca has been successfully commercialized.

There is no point in going into details here, but the study clearly indicates that a total foreign exchange saving of around \$2.1 million

annually would be possible by:

1. The production of mandioca flour for a mixture of 20% with wheat flour; and
2. An increase of the extraction of flour from wheat from 73%, as is the current practice, to 80% as is done in other countries.

Assuming Paraguayan imports to be in the neighborhood of \$33 million per year, this recommended program would represent a saving of about 6% of total imports.

Furthermore, it has been calculated that the development of local industries in this field would mean an increase of around \$ 20 million in agricultural income.

This, of course, does not take into account the additional income that would be derived by the industrial workers in the necessary plants established.

It is estimated that to produce the necessary 12,000 tons of mandioca flour annually, there would be required at least five plants producing 12 tons per day in a period of 200 working days.

The amount of investment this program would call for is still unknown. The Committee was requested to submit its findings within a short period and because of the innumerable details that obviously required further and detailed study it recommended the creation of a permanent body, of a semi-autonomous nature, to continue the work broadly outlined in its report. Nevertheless, in anticipation of such action, material is being collected from various parts of the world regarding technical and practical aspects of the project.

One point which is of interest must be mentioned. It might have been assumed that the industrialization of mandioca for the production of the estimated quantities of flour mentioned above would necessitate a considerable increase in the area cultivated. This is not so. To produce 12,000 tons of mandioca flour, 40,000 tons of mandioca would be needed. Assuming an average yield of 16 tons per hectare, only 2,500 additional hectares would have to be cultivated, which means an increase of only 4.2% over the area presently under cultivation. Given proper care, the average yield could easily be increased, reducing this percentage further.

Bear in mind that here we have been dealing with only one product - flour. What the economic effects might be if other possible products were taken into account, is open to further investigation.

### Banana Production

The following observations are based on a study prepared by STICA in cooperation with the Ministry of Agriculture, the Cooperativas Agrícolas, and FAO of the United Nations. Copies of the mimeographed report are available to any interested person.

Potentially, banana production in Paraguay is a major source of increasing national income, foreign exchange, and government revenue for public investment. Thousand of hectares of low cost, fertile virgin forest land suitable for banana cultivation, are available along the Rio Alto Parana. Furthermore, labor is cheap in this area and natural drainage reduces to a minimum the cost of removal of excess water after exceptionally hard rains. Rainfall is sufficient and well distributed throughout the year and the early morning mists assist in maintaining moisture in the soil. The Alto Parana River, which is navigable the year around for shallow draft boats and barges, provides a natural access to markets. As will presently be seen, probably no other agricultural investment could yield as high a return in this area as quickly.

At present the areas in which most bananas are grown for export are the Arroyos y Esteros region and the Central Zone which covers the area near Asunción.

The banana farms of Arroyos y Esteros were planted in virgin woodland soil and produce some bananas of good quality. A limited amount of expansion can be recommended in this area as there is some additional forest land available.

Extensive expansion in the Central Zone, however, is not possible, nor it is recommended, because of lack of suitable land. However, much can be done to improve the quality of the fruit with the assistance of official agencies.

The production of bananas in Paraguay reached a peak in 1940-41 with an export of 102,000 stems, declined through 1949 and began to rise again in 1950. In nine months of 1954, Paraguay exported 121,000 stems to Argentina. Argentina had, however, agreed to buy up to 500,000 stems and although the agreements must be negotiated each year the demand level can be expected to expand if high quality bananas are produced. An indication of the potential market in Argentina alone is the fact that consumption in that country is probably 7 to 8 million stems a year.

For the present, the dwarf Cavendish varieties known locally as the "Carape" is the variety recommended. They are resistant to the Panama Disease and Sigatoka, which are banana diseases most difficult and costly to control. These varieties have a ready market in Argentina, Uruguay and Europe and a market is being developed in the United States.

The STICA report outlines two separate and distinct plans for the production of bananas for export. The first deals with improving the quality of bananas in those areas already under cultivation. We will pass over this to the second plan which concerns the expansion of production in the area best suited for banana production, namely the Alto Paraná region.

At present bananas are produced on a small scale, on farms ranging from less than one up to five hectares each. Yet with the present and potential market in Argentina and the possibility of developing other markets, large scale planting should be undertaken. This could be accomplished by one or more companies formed by some of the exporters or other resident of Paraguay or by a cooperative of approximately 50 families with means to maintain themselves until they are well established, and who could purchase their own river barges or boats. At present, the only means of transportation available are some river boats which stop at so many ports and whose schedules are so unreliable that a product such as bananas cannot be shipped with any certainty of reaching its final destination in good condition. If arrangements could be made with Customs officials and the Central Bank for direct shipment of the fruit to Posadas and Corrientes, instead of transshipping at Encarnación, the transportation problem would be simplified.

The report recommends that the company or cooperative plant 200 hectares as a start. With this acreage they should export 150,000 to 200,000 stems a year. The detailed estimates of costs and profits on this basis shows an investment and expenditure of \$ 65,800 the first year with no returns. The second year, however, would show a net profit of \$ 45,000 after deduction of the first year's investment and expenditures. The net profits of the third and fourth years are estimated at about \$ 92,000 and \$ 65,000 respectively.

Although the estimate of profits may seem excessive, it is said to be in fact conservative. In the first place cost of labor was calculated on the basis of over 100 guaranies per day; secondly, the price per stem was figured at less than the current price; and thirdly, the estimate of yield per hectare was somewhat below average.

We recommend that for further details any interested person should consult the original report from which this summary has been drawn.

#### Hotels and Tourism

Judging from the articles that have appeared frequently in the newspapers, there is an official recognition of the importance of tourism as a source of foreign exchange earnings. The principal obstacle has also been admitted - namely a lack of adequate hotel accommodations. It is perfectly evident that without such proper facilities any effort made in the direction of tourist propaganda is certain to bring about consequences that are harmful in the long run. Visitors might come to Paraguay - once;

but they would leave with unpleasant recollections and tell their friends of the discomforts they were obliged to endure, of bad food, poor service, shabby rooms and the general lack of an agreeable atmosphere.

Businessmen will continue to come from other countries because they must. But relatively few people will bring their families to spend two or three weeks for pleasure.

And yet, Asuncion sits at the cross-roads of important air routes, Planes criss-cross between Rio de Janeiro, Sao Paulo, Lima, La Paz, Montevideo and Santiago, frequently with passengers from Europe, the United States and other Latin American Countries. Foreign-flag airline traffic entering and clearing Asunción has increased markedly as is shown by the following table of passenger distribution:

	<u>Number of Passengers</u>	
	<u>1952</u>	<u>1955</u>
Between Asunción and:		
Buenos Aires	13,615	17,406
Rio de Janeiro	4,499	11,962
Montevideo	1,729	7,923
Santiago	449	560
United States and other points	1,023	1,354
Santa Cruz	--	87
Total	<u>21,315</u>	<u>39,292</u>

The importance of air transportation to Paraguay is suggested by the fact that, whereas it requires 56 hours by train (when through service is in operation) to travel from Asunción to Buenos Aires and a minimum of 72 hours by ship, it takes only 4 hours by plane.

The improvement of the airport of Asunción, for which a \$700,000 Export-Import loan has recently been concluded, will augment the growth of air traffic. And to that extent it will make more imperative the need of one or two first class hotels in the capital. Asunción should not be a mere transit point, but should offer attractions for stop-over passengers and for vacationists.

Effort should, therefore, be concentrated on the promotion of at least one first-rate hotel.

Such a hotel could be financed either with Government funds or with private venture capital. In the latter case, it could be domestic capital, foreign capital, or a combination of both.

But whatever form of financing is undertaken, it appears essential, under the circumstances, that the administration be performed by some qualified hotel management group, preferably some company with wide experience in Latin America. Such companies operate under contract either on a flat-fee basis, a percentage of the gross income, or for a share of the profits. Consequently, it is evident that the services of any management firm should be engaged at the outset as there is an implicit mutual interest in the success of the venture.

Once the financing is absolutely assured, the management company makes an intensive survey for which an initial sum is charged, deductible from subsequent fees if a contract is entered into. We have seen the questionnaire which is used by one international management company as the basis of its preliminary study. It covers the general economics of the country, population trends, transient traffic statistics, transportation facilities, local attractions, zoning and building regulations, real estate tax rates and assessment bases, availability and quality of labor, wage trends and labor legislation; it includes considerations of present and future competition, parking facilities, construction costs, availability of water, power, telephones, sanitation as well as their rates; it takes into account estimates of the cost of food and beverages, furniture and fixtures; it includes a study of financial and organizational requirements as well as operational estimates of income from rooms, from the dining room, bar, cigar and news stand, barber shop, beauty parlor, guests' laundry, and store rentals. The questionnaire also checks into such matters as import duties, excise taxes, and Government regulations and exemptions affecting hotel importations. This is only a part of the subjects that are investigated thoroughly before reaching a conclusion as to whether there is a need for hotel, where it should be located, and the type and size of the building.

From the foregoing, it will be seen that one cannot enter into a hotel project lightly. The purchase of land and preparation of architect's plans should be the last steps taken - not the first.

Instead of a commercial downtown hotel, it might be more advantageous to construct a semi-residential hotel midway between the business area and the airport. Such a hotel could accommodate not only transient trade, providing it with regular bus service into town, but also semi-residential clients composed of embassy and mission personnel who come to Asuncion for periods varying from one month to two years. Such a hotel might be composed of main building to house the salon, dining room, kitchen and administrative offices with semi-detached bungalows surrounding a large garden with a swimming pool and tennis court. The design of the buildings would be indigenous to the country, with wide patios, high raftered ceilings and tiled roofs. And the grounds would include an area for the cultivation of fruits and vegetables thus partially reducing the storage space required for refrigeration.

Whatever form it takes - and it should be a matter for experts to decide - Asuncion must think first of a hotel and later of organized propaganda to attract tourists.

Striking examples may be cited of the rapidity with which a substantial tourist industry can be built up by effective promotional efforts.

Puerto Rico in 1948 earned approximately \$ 5.6 million from 58,000 visitors. This was increased by 1953 to \$ 23 million and 110,000 visitors.

Nassau in 1947 had about 30,000 visitors; by 1950 the number had increased to 84,000.

Under its own energetic travel promotion program, Great Britain increased its dollar earnings from tourism from \$ 56 million in 1948 to \$ 110 million in 1954.

The opportunity exists in Paraguay for participation in a similar development of tourist traffic. Now that means of transportation are readily available to almost any point on the globe, a dearth of living accommodations may be the sole obstacle to a flow of visitors. Here would seem to be a fruitful field for the provision of Government incentives for the encouragement of private enterprise. And such incentives could include the reduction of border-crossing formalities with respect to passports, visas, health and police certificates, travel taxes, exchange controls and other restrictive factors.

Asuncion needs a hotel.

And a hotel will be built if the joint cooperation of the Government and private industry is assured for their mutual benefit.

From the foregoing, it seems that there is room for the development of new industries and the expansion and modernization of many already established. It would be presumptuous to assume that enterprising Paraguayans in the areas of industry and production are not keenly aware of these and many other opportunities for the gainful employment of capital whether domestic, foreign or in combination. And it is certainly beyond dispute that increased and diversified economic activity would contribute to the wealth and security of the country.

Foreign missions are here to offer technical assistance and in a limited way to give economic aid. The prime object is to advise and to demonstrate advanced techniques; it is certainly not to invest and operate. It is the function of government and business to cooperate effectively with each other and with these missions to see that the knowledge made available is put to use.

Various obstacles impede the economic development of certain countries. Some of these are natural, such as the lack of basic resources, and cannot be overcome. Others are natural and can be conquered - by the production of hydroelectric energy and the construction of roads, for example. But many more are artificial impediments, commonly recognized, that should and could be corrected by the exercise of intelligence, ingenuity and the simplest goodwill.