

# PARAGUAY

## IMPLEMENTATION OF THE COMMON EXTERNAL TARIFF AND THE MAQUILA REGIME

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# PARAGUAY

## MOTIVATION

- 2020 IS EXPECTED FOR THE IMPLEMENTATION OF THE GRADUAL COMMON EXTERNAL TARIFF (CET) IN MERCOSUR AND LATINAMERICA....

.... THIS WAY, PARAGUAY LOSE CONTROL OF YOUR TRADE POLICY, BUT PARAGUAY BE ABLE TO MAINTAIN ITS OWN TRADE POLICY IN CERTAIN AREAS..... THEREFORE

- IN 2010 PARAGUAY WILL BE ADOPTED THE “MAQUILA REGIME”

# HYPOTHESIS

THE IMPLEMENTATION OF CET COULD  
REDUCE THE TOTAL IMPORTS OF PARAGUAY  
AND MAINLY THE MACHINERY SECTOR CAN  
BE AFFECTED WITH THAT POLICY MEASURE,  
BUT.....

THE MAQUILA REGIME MITIGATE THESE  
EFFECTS

# Aggregations and shocks in baseline

- 12 regions
- 6 sectors
- 5 periods, first period: 2001-2010, and four periods of ten years
- Shocks in the baseline: GDP, labor and population.

# IMPLEMENTATION OF THE COMMON EXTERNAL TARIFF

THE IMPLEMENTATION OF THE CET WILL BE BILATERAL  
AND IN TWO PERIODS

SHOCK AT TMS IN THE PERIOD 2001-2010 AND 2010-2020  
this means that

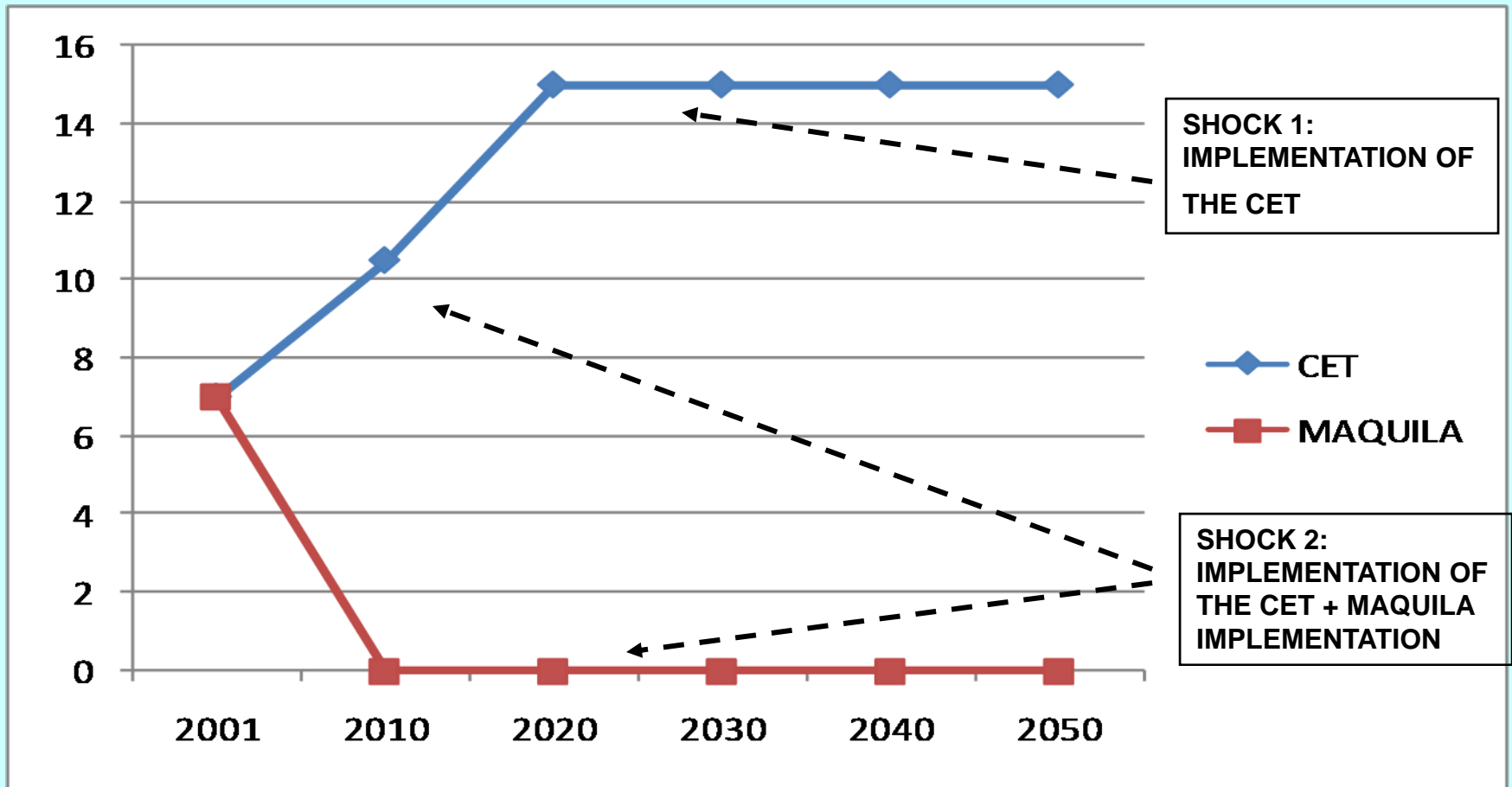
TARIFFS REDUCE TO ZERO BETWEEN PARAGUAY AND  
LATINAMERICA AND VISA VERSA, AND...

PARAGUAY AND LATINAMERICA INCREASE TARIFFS TO CET  
LEVEL TO 15% FOR REST OF THE WORLD

# MAQUILA REGIME

MAQUILA IMPLEMENTATION IN 2001-2010  
MEANS PARAGUAY REDUCE TO ZERO ITS  
IMPORT TARIFFS TO LIGHT MANUFACTURES  
FROM LATIN AMERICA AND THE REST OF THE  
WORLD

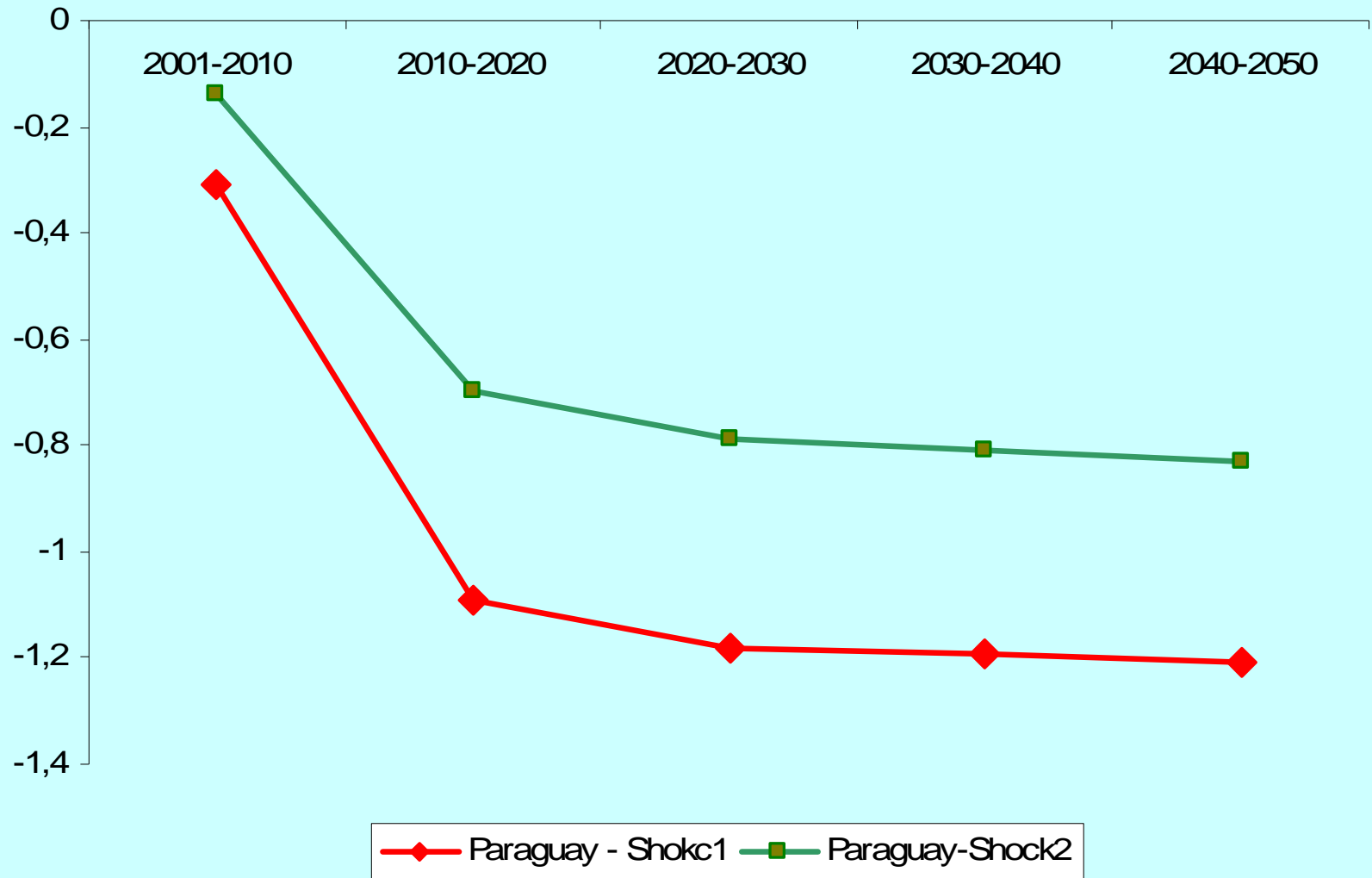
# GRAPHICLY



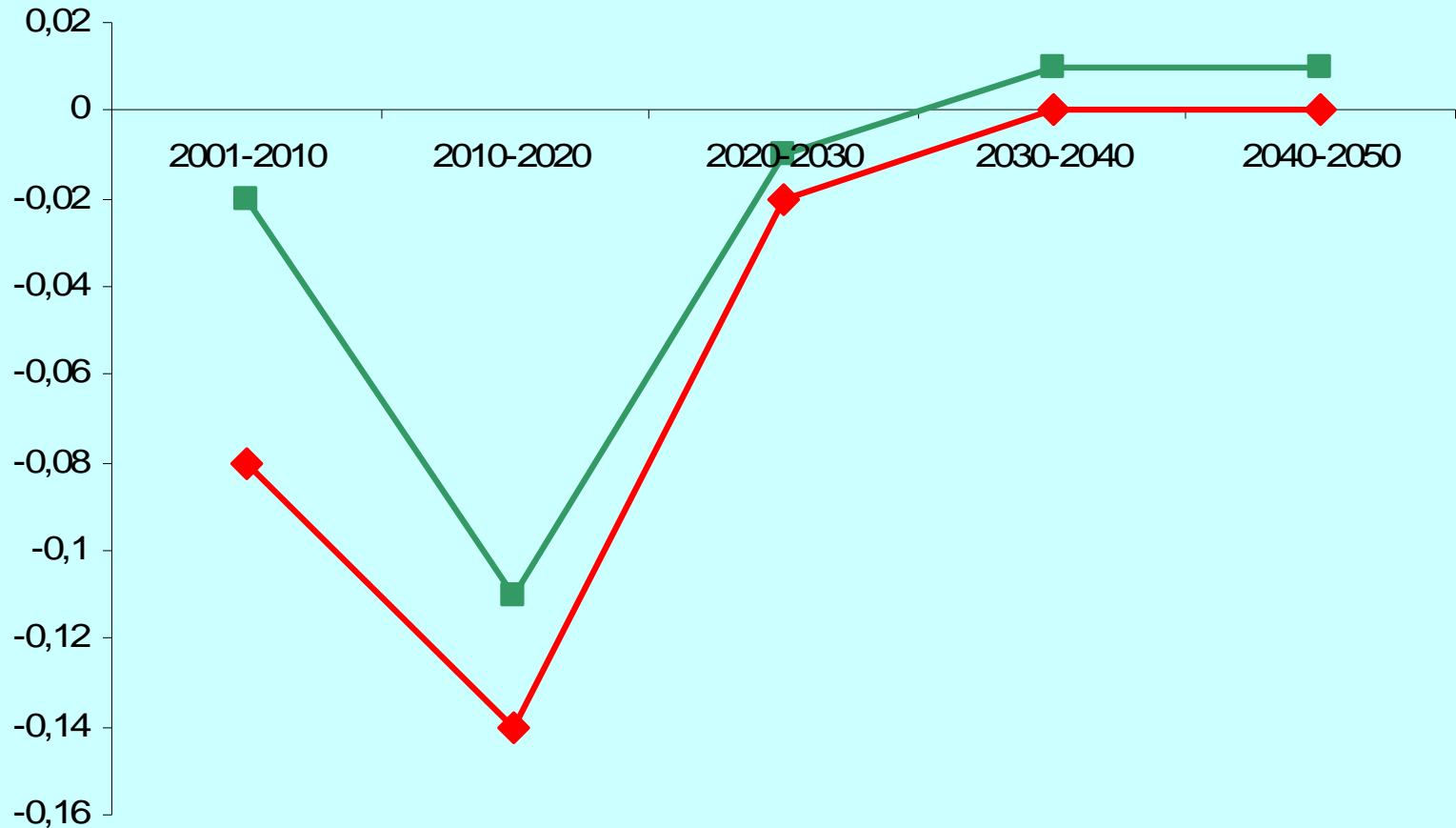
OUTPUTS



# Cumulative Percentage Differences from Base Case in Paraguay's Real GDP

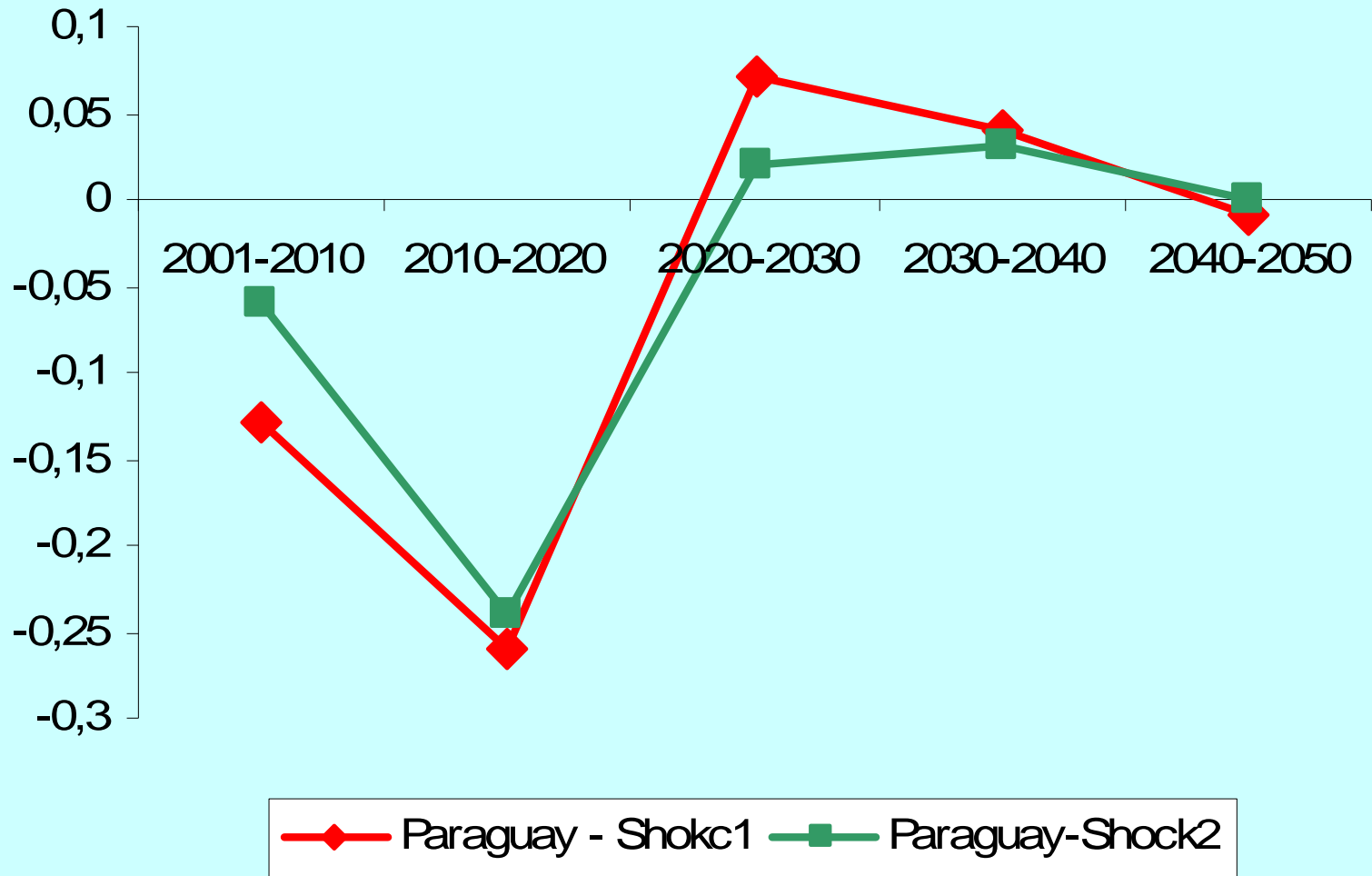


# Cumulative Percentage Differences from Base Case in Paraguay's Normal Rate of Growth in the Capital Stock

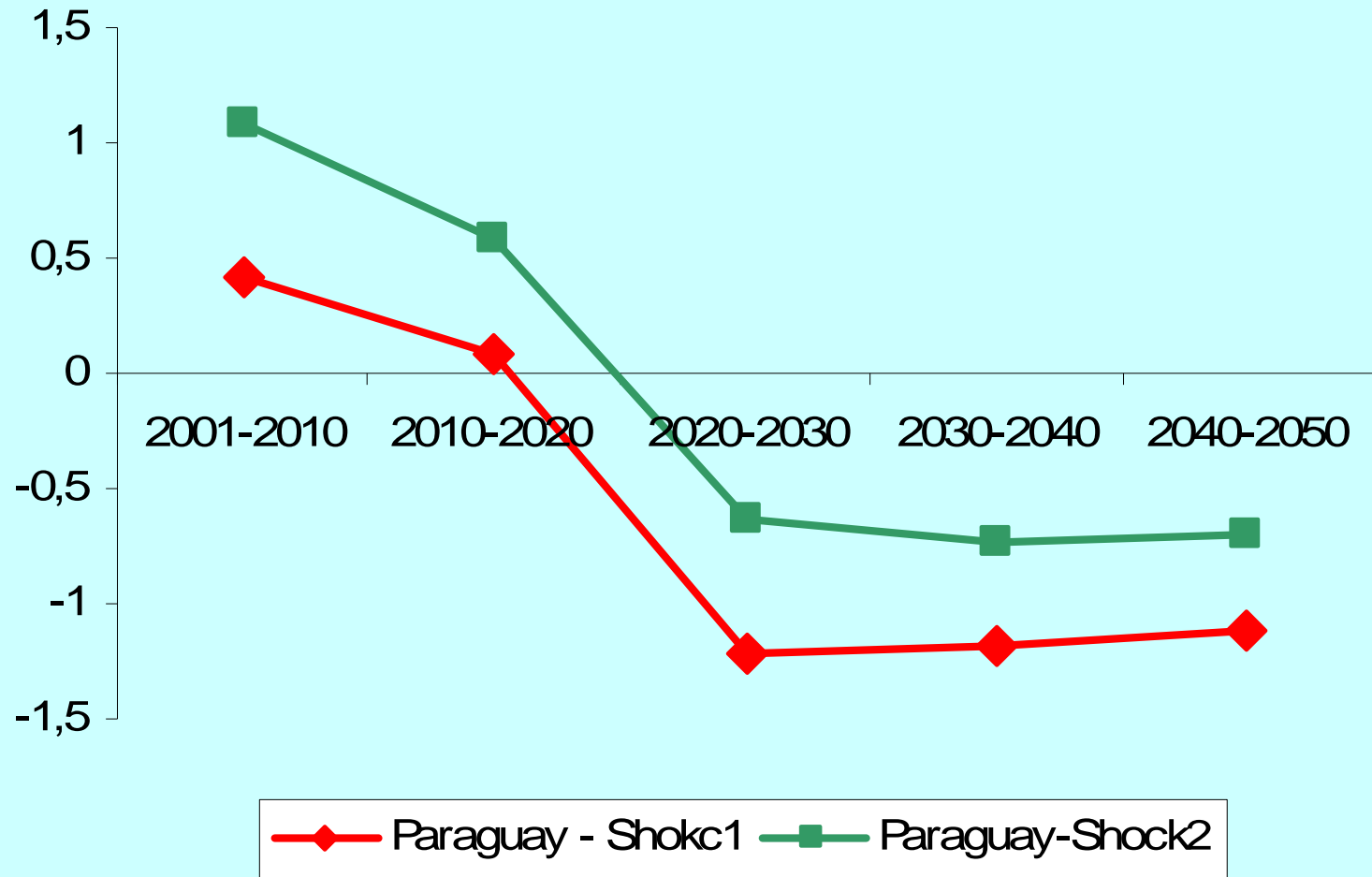


Paraguay - Shock1 Paraguay - Shock2

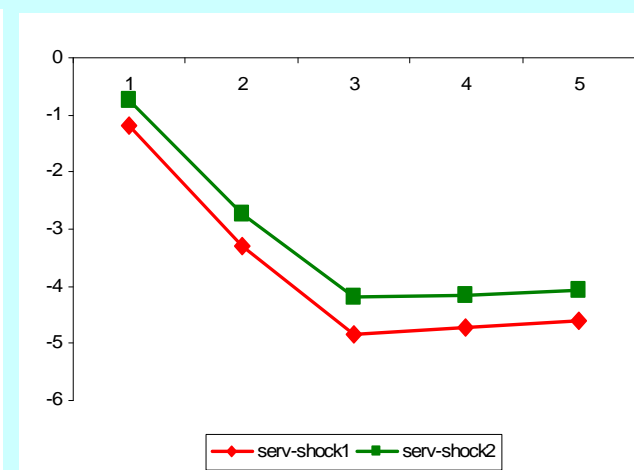
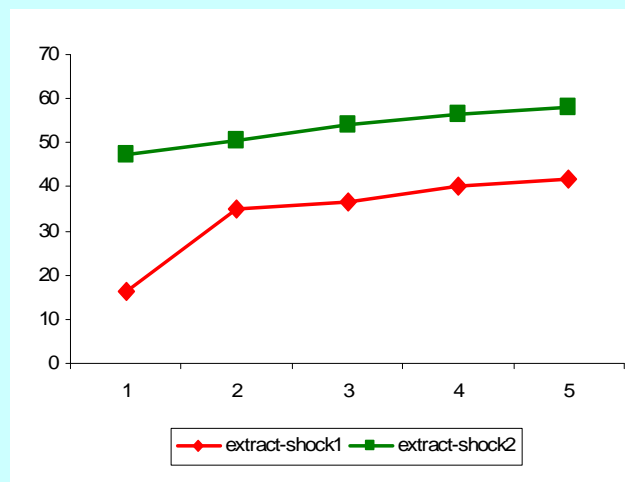
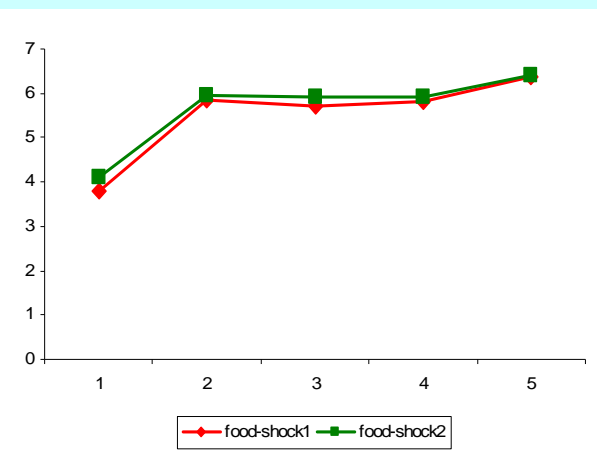
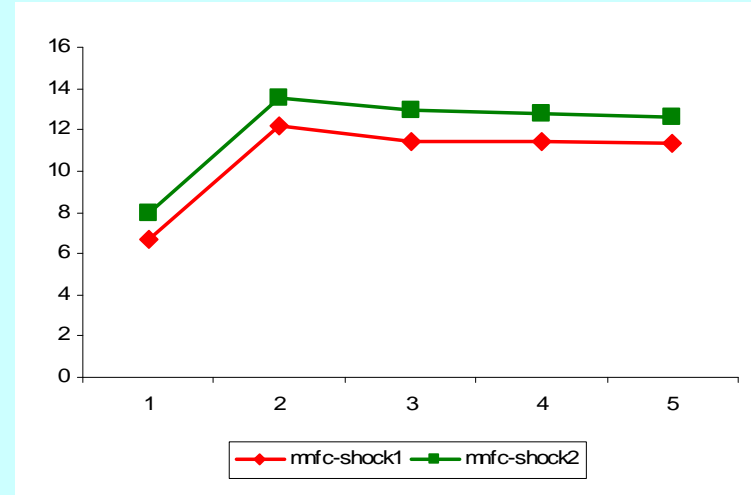
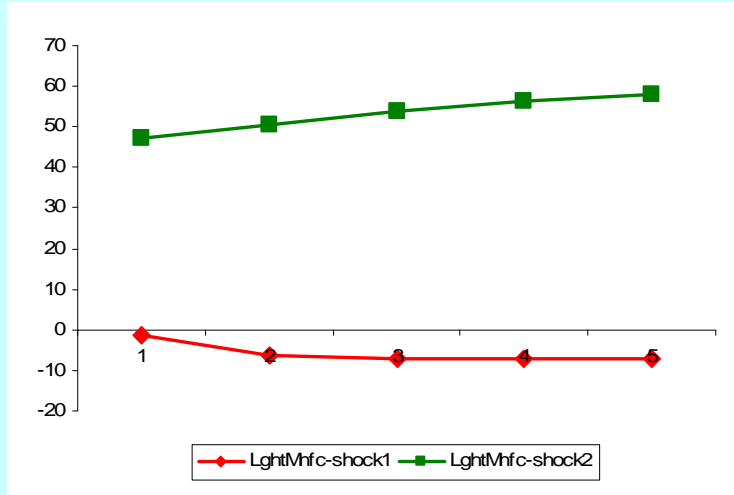
# Cumulative Percentage Differences from Base Case in Paraguay's Expected Rate of Return (rorge)



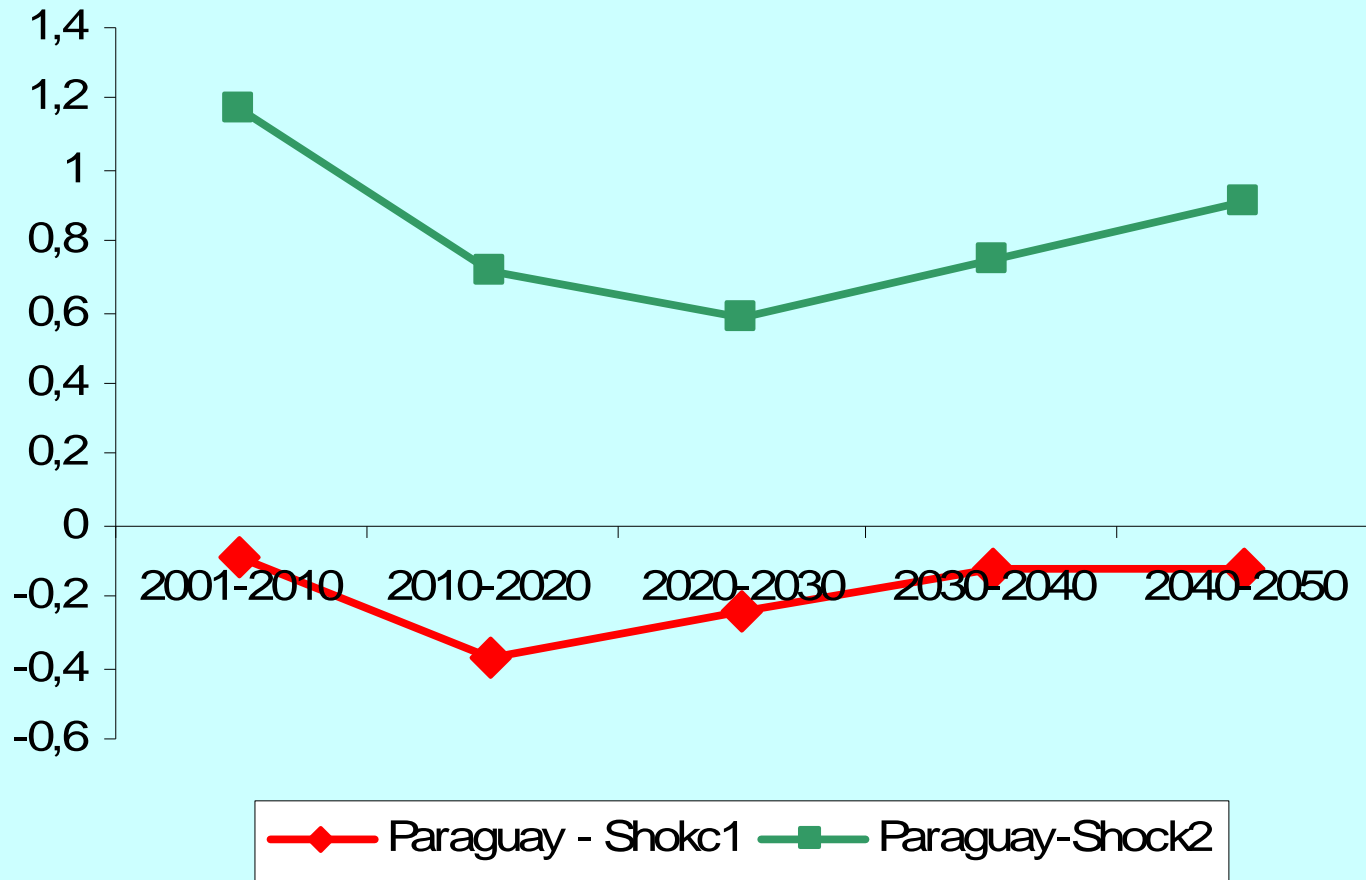
## Cumulative Percentage Differences from Base Case in Paraguay's Exports to the World (qxw)



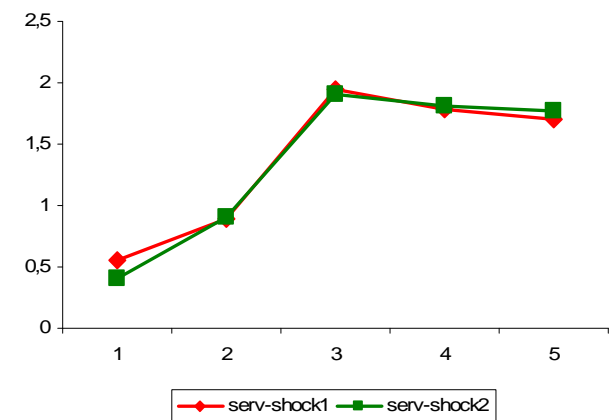
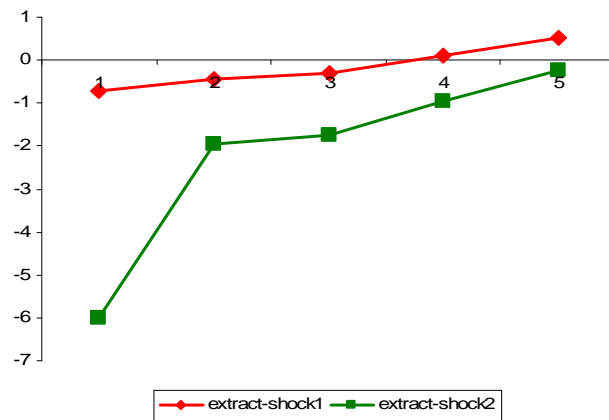
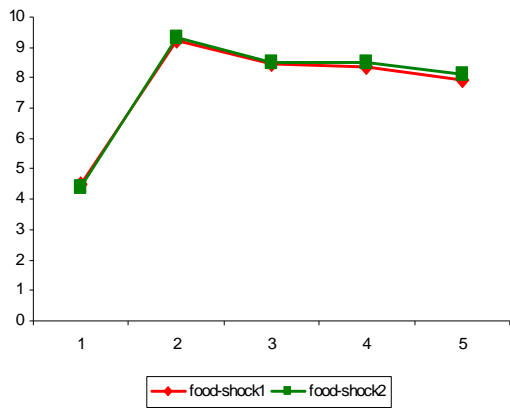
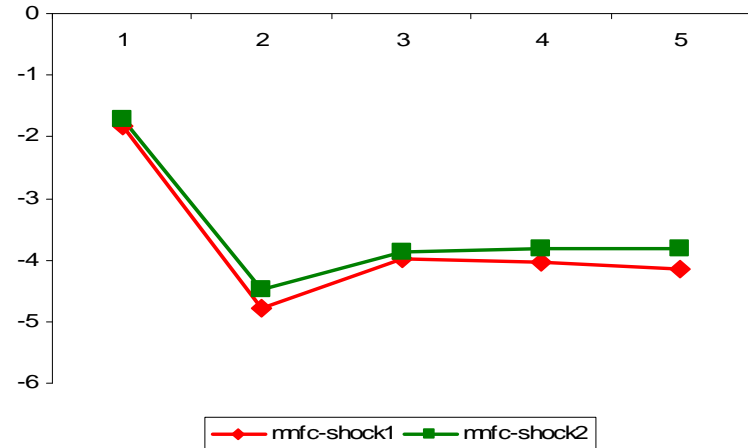
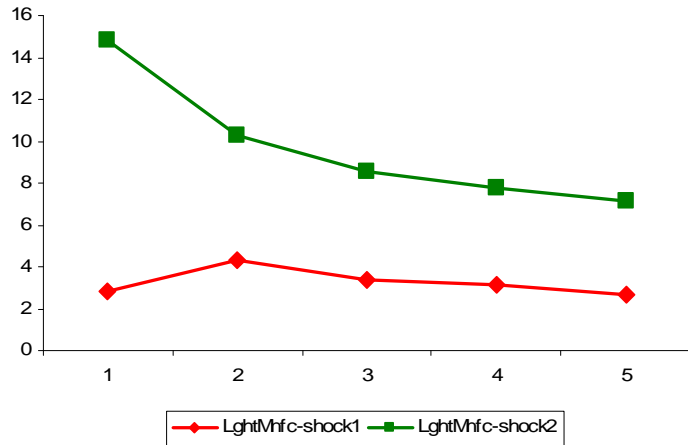
# Cumulative Percentage Differences from Base Case in the Exports to the World of Paraguay's Sectors (qxw)



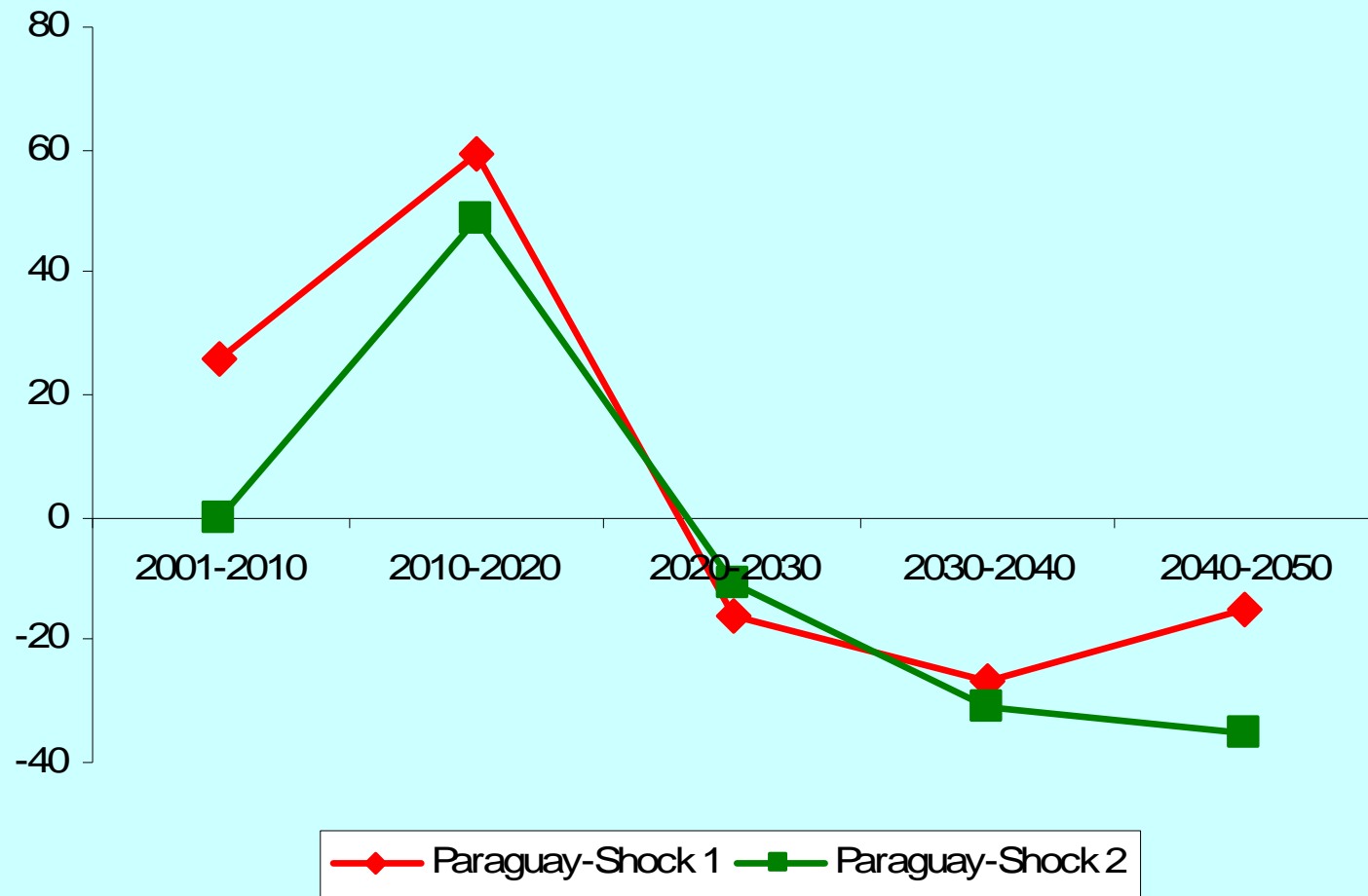
## Cumulative Percentage Differences from Base Case in Paraguay's Imports of the World (qiw)



# Cumulative Percentage Differences from Base Case in the Imports from the World of Paraguay's Sectors (qxw)



## Change in Trade Balance (X- M) - \$ US Millon





## Change in Trade Balance (X- M) by Sector - \$ US Millon

	2001-2010	2010-2020	2020-2030	2030-2040	2040-2050
<b>Shock 1</b>					
<b>food</b>	14,86	11,39	12,32	0,85	-1,42
<b>extract</b>	2,12	-3,65	-18,15	-51,28	-111,73
<b>LghtMnfc</b>	-16,94	-46,34	-69,55	-95,13	-125,48
<b>mnfc</b>	50,25	208,5	269,67	419,73	657,41
<b>serv</b>	-24,37	-110,5	-210,22	-301,05	-433,78
<b>Shock 2</b>					
<b>food</b>	17,73	11,69	14,57	0,9	-4,58
<b>extract</b>	13,51	8,2	-1,56	-29,72	-85,6
<b>LghtMnfc</b>	-65,79	-86,03	-121,18	-163,36	-221,3
<b>mnfc</b>	49,15	208,18	278,93	427,57	661,19
<b>serv</b>	-14,68	-93,5	-181,58	-266,22	-384,74

# CONCLUSIONS

THE ADOPTION OF THE CET WITH A HIGHER LEVEL, LOSING THE OWN TRADE POLICE, HAS A NEGATIVE EFFECT OVER THE WHOLE PARAGUAYAN ECONOMY.

# CONCLUSIONS

THE IMPLEMENTATION OF CET REDUCE THE IMPORTS OF PARAGUAY IN ALL SECTORS, AND DRIVE TO GDP GO DOWN, BUT THE REGIME MAQUILA MITIGATE THESE EFFECTS