



## BREAKING FROM THE PAST

October 2018 (#221)

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**Summary:** Broadening ties with world leaders and getting better known within the Arab world appeared to be key objectives for newly inaugurated President Abdo Benítez this month. Many observers warned that weak regional economies would mean that Paraguay would have to rely on itself for sustained growth. And a government study revealed that over the past five years there has been no reduction in informal employment.

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**Government and Politics:** When he wasn't traveling abroad this month President Abdo was busy calling on the heads of all the political parties with representation in the congress, in an effort, he said, to work together on needed reforms, especially in the judicial and penal areas. He may find it easier to deal with the opposition rather than his own Colorado Party members, given that there are still open wounds from the internal party rivalry for choosing the candidates.

**Economy:** Despite what many see as a global economic slowdown caused by growing world-wide protectionism, Paraguay's economy should increase by 4% in 2018 and by 3% in 2019, according to Paraguay's premiere private sector association, DENDE. It also predicts an inflation rate of 4.0% for this year with the Guarani valued at 6000 to 6200 to the dollar at year's end. (Note: The Central Bank has estimated growth at 4.3% for 2018.)

DENDE also warned that the neighboring countries won't be of much help in generating growth in the region and that Paraguay must depend on itself for making the reforms necessary for achieving sustained economic growth.

**Labor:** The government released a study showing that over the last five years, through to the end of 2017, there has been no advance in reducing informal employment in Paraguay and that 65.2% of the work force is affected by the informal economy. Eighty-eight percent of construction sector workers are considered informal, according to the study.

**The Guarani** was selling at 6020 on October 29 compared to 5865 a month earlier. The Central Bank said it would have been higher if not for the Bank's timely interventions.

**Investment:** The Minister of Finance said that the government has for the first time ever placed treasury bonds in the local market. The bonds, in Guarani's, were sold for ten years at 7.6% in the amount of Gs 30,000,000,000 (USD 5.1 million.).

### **Trade and Bilateral Relations:**

**Middle East:** President Abdo made it clear that Paraguay wants to broaden its relations with the Arab world, for which he has been criticized by pro Israeli interests. Paraguay and Israel have a long history of excellent ties. Following are some examples of steps Abdo has taken to increase Paraguay / Arab relations.

- Reversal of decision by his predecessor, Horacio Cartes, to move Paraguay's embassy to Jerusalem. The Embassy will stay in Tel Aviv.
- Meeting with Moroccan Secretary of State to receive her thanks for the move.
- Support for the Iran agreement along with Germany, France and the U.K.
- Abdo's meeting with the emir of Qatar on October 4.
- Turkey's announcement that it would open an Embassy in Asuncion.

**Chile:** So far this year trade with Chile is running at 15% above the same period last year, according to the Chilean Director of Pro - Chile. He also said that there have been 30 commercial visits between the two countries thus far this year.

**United States:** U.S. Charge' Hugo Rodriguez congratulated the government for its recent successes in the fight against organized crime. Paraguay's customs director said he was working with the U.S. to reach an accord on methods to combat contraband, inter alia, by permitting U.S. customs documents to be used in Paraguayan courts.

**Taiwan:** President Abdo paid an official visit in mid October to reinforce Paraguay's strong historical relations. Foreign Minister Castiglioni came away from the visit with USD 150 million for education and construction projects.

**Brazil:** Foreign Minister Castiglioni confirmed that Paraguay would proceed with Brazil to construct two bridges uniting the Paraguayan city of President Franco with its Brazilian counterpart of Foz de Iguazu and Carmen Peralta with Porto Murtinho, Brazil. The key to restarting the project was Paraguay's ability to get its portion of the debt financed by the Itaipu hydroelectric plant. The bridges are estimated to cost approximately USD 170,000, according to press reports, and will open that region of the two countries for exporting various agricultural products.

**What to look for in November 2018** ... naming of new Paraguayan ambassador for the U.S. ... continuing multiple investigations into alleged corrupt public figures ... continuation of debate for the approval of 2019 national budget ...

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