INDIA-PARAGUAY: present and future economic relations

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INTRODUCTION

India is today the world's fourth largest economy, surpassing Japan and ranking behind Germany, China, and the United States. In turn, as an economic power, it shows the highest GDP growth rate, averaging 7 to 8% annually in the post-pandemic period. Also, India has an increasingly active role in international organizations and trade agreements, prioritizing South-South cooperation. India's main participation bodies are the G-20, BRICS, the World Trade Organization (WTO) and the Association of Southeast Asian Nations (ASEAN)

India counts with around 15 trade agreements, mostly with Asian countries, and has just finalized a free trade agreement with the European Union, the largest such agreement ever negotiated between an Asian power and the European Union. India's rapprochement with Latin America has been growing over the last 15 years in terms of trade, investment, and cooperation. In 2006, India signed a partial scope trade agreement with Chile and a few years later did the same with Mercosur. India is currently negotiating with Mercosur to expand the existing agreement and eventually turn it into a free trade agreement.

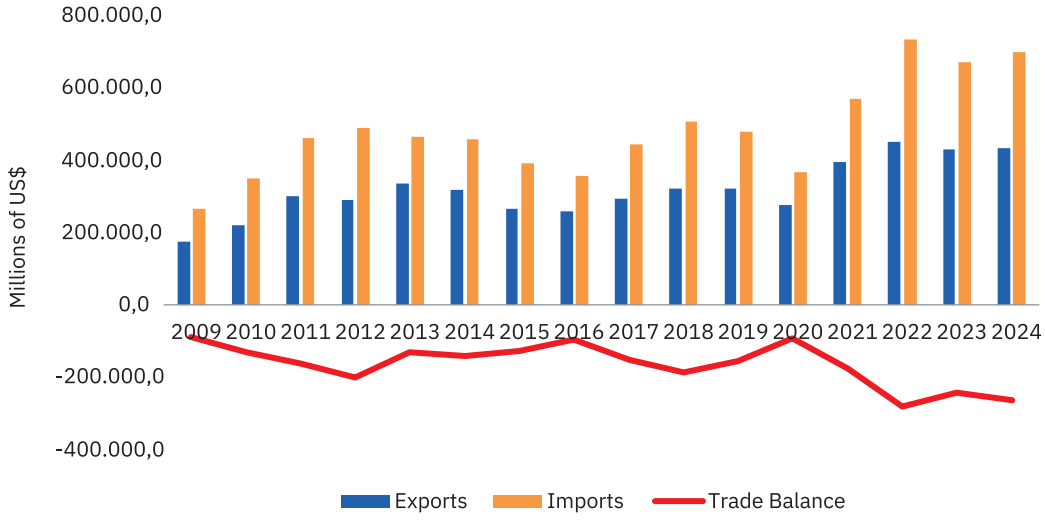
This study explores the challenges and opportunities of deeper relations between India and Paraguay in terms of trade and investment. To this end, the state of export and import relations between both countries is addressed first, in terms of trade potential, comparative advantages, and import demands of both countries. Secondly, the study moves on to examine Indian investments in Latin America, Mercosur and Paraguay and the possibilities of increasing these capital flows towards Paraguay as a gateway to Mercosur and towards new lines of production. The third topic outlines the opinions of private and public economic agents from Paraguay and India regarding the challenges and opportunities for deepening economic relations between the two countries. Finally, public policy recommendations are made to take advantage of this important moment of India's emergence and consolidation as a new relevant actor in the international economy and in its integration into Mercosur and Paraguay.

1/// TRADE RELATIONS BETWEEN INDIA AND PARAGUAY

INDIA'S INTERNATIONAL TRADE

Between 2009 and 2024, India's exports and imports to and from the world showed an average annual growth of 7% and 9%, respectively. India's exports accounted for 2% of total world exports, while imports accounted for 4% of total world imports. Throughout this period, India's trade balance has been structurally negative, as the country is a major importer of crude oil, whose price volatility significantly affects its trade balance.

Figure 1. India's trade balance.



Source: COMTRADE 2025.

Among India's main exports are chemicals and plastics (16%)[1], petroleum products (16%)[2], machinery and equipment (12%), textiles and clothing (11%), and mining (9%)[3]. In terms of imports: mining (42%)[4], chemicals and plastics (14%), machinery and equipment (12%)[5], electronic equipment (7%), and wood products (5%). Main destination countries for Indian exports are the United States (15%), the United Arab Emirates (10%), China (8%), Singapore (3%), the Netherlands (3%), United Kingdom (3%), and Germany

1 Medical goods consisting of mixed or unmixed products for therapeutic or prophylactic uses.

2 Oils: petroleum oils and oils obtained from bituminous minerals, other than crude.

3 Unprocessed raw aluminum, iron minerals and concentrates, copper (refined, raw, etc.).

4 Petroleum oils and oils obtained from bituminous minerals; unprocessed gold, but not in powder form; non-industrial diamonds, unworked or simply sawn, cleaved, or bruted, among others.

5 Aircraft and other aircraft with an unladen weight exceeding 15,000 kg, boats, floating cranes and other vessels, floating docks, centrifuges, clothes dryers, static electric converters, mechanical machines and apparatus, taps, valves, and similar devices for pipes, boilers, tanks, vats, or similar, among others.

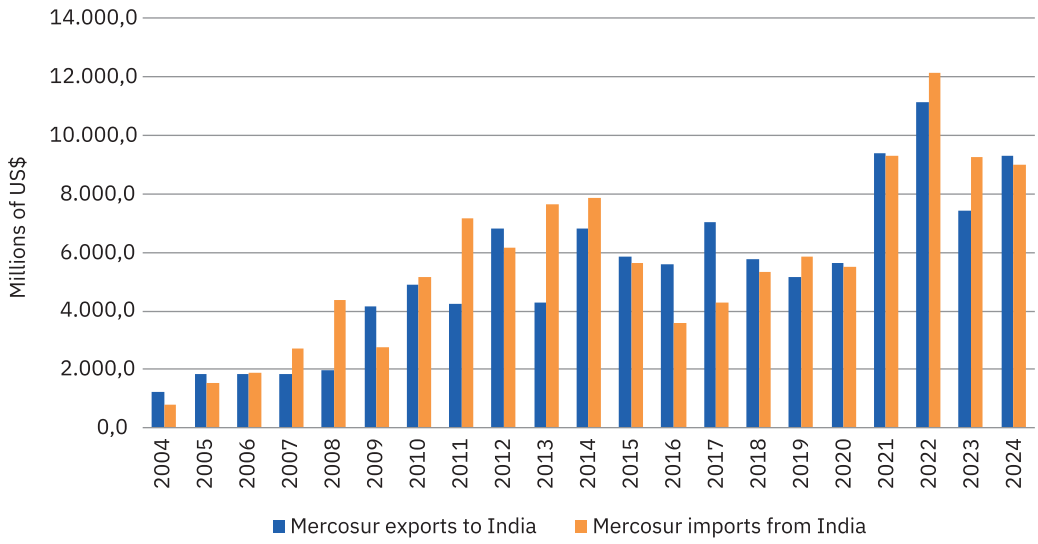
(3%). The main markets of origin for India's imports are China (17%), United Arab Emirates (7%), United States (6%), Saudi Arabia (6%), Switzerland (4%), Iraq (4%), and Indonesia (3%).

TRADE BETWEEN MERCOSUR AND INDIA

India has signed numerous free trade agreements (FTA) and partial scope agreements or preferential agreements (PTA). In 2004, Mercosur and the Republic of India signed a PTA , which was a first step toward the creation of a free trade area. This agreement came into force in 2009. It grants preferential access margins of around 10%, 20%, and 100% for a low level of tariff lines, 452 products from India, and 450 products from Mercosur. Of the 450 tariff lines, India has granted preference margins of 10% to 93 tariff lines, 20% to 336 tariff lines, and 100% to 21 tariff lines. For its part, Mercosur has granted tariff concessions of 10% to 393 tariff lines, 20% to 45 tariff lines, and 100% to 14 tariff lines.

Trade between Mercosur and India has increased in recent decades. Bilateral flows began to increase in 2005, reaching peak levels in 2023, with total exports of US$ 11,127.0 million and imports of US$ 12,109.2 million. The average annual growth rate for exports was 16%, while that for imports was 19%.

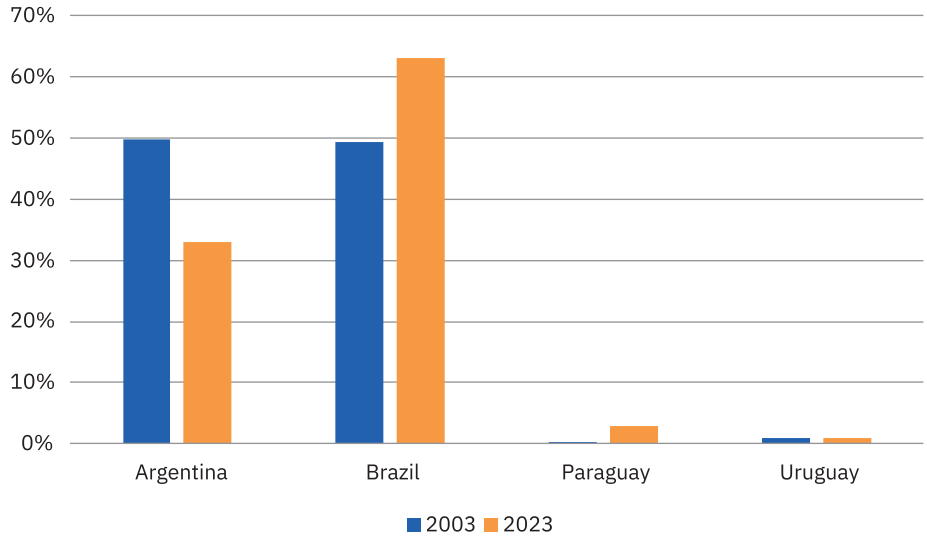
Figure 2. Evolution of trade in goods between Mercosur and India



Source: COMTRADE, 2025.

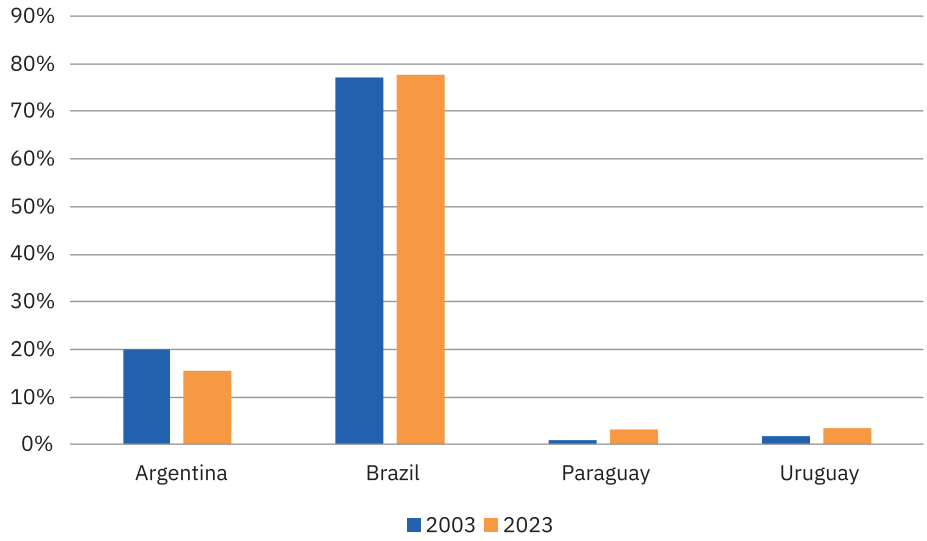
In terms of exports from Mercosur to India, in 2003, Argentina accounted for 50% of total exports, followed by Brazil with 49% of the total. In 2023, exports to India was more concentrated in Brazil (63%) than in Argentina (33%) (Figure 3a.). For its part, shipments from India to Mercosur countries have more concentrated in Brazil (77% in 2003 and 78% in 2023). Argentina has reduced its purchases from India, with its share falling from 20% in 2003 to 16% in 2023 (Figure 3b). Paraguay and Uruguay have the lowest shares in terms of both exports and imports (Figures 3.a and 3.b). Paraguay's shipments to India accounted for an average of 2% between 2003 and 2023, while Uruguay accounted for only 0.4% of total exports.

Figure 3a. Mercosur exports to India. Share by countries



Source: COMTRADE, 2025.

Figure 3b. Mercosur imports from India. Share by countries



Source: COMTRADE, 2025.

Trade between Mercosur and India shows room for further growth through product diversification. Mercosur's sales to India are highly concentrated in two products, accounting for more than half of exports to India in 2023 (61%), while the top seven products accounted for 81% of the total (Table 1).

First, vegetable fats and oils stand out, having risen from US$ 610.9 million in 2003 to US$ 4,047.9 million in 2023, with an average annual growth rate of 14%. Exports of vegetable fats and oils, which consisted mainly of crude soybean oil, are shipped primarily from Argentina (75% of the total on average between 2003 and 2023), Brazil (20% of the total), and Paraguay (5% of the total).

Secondly, sugar exports stand out. In 2003, total sugar exports amounted to only US$ 5.3 million, while in 2023 they reached US$ 1,609.4 million, showing a strong growth rate of 358%. Brazil was the only supplier of sugar from the region to India throughout the whole period. Third place is occupied by oil (petroleum) exports, which accounted for 13% of total exports and grew from US$ 252.2 million in 2003 to US$ 1,206.4 million in 2023. Oil to India was mainly supplied by Brazil (99% on average of total exports in the period 2003-2023).

Far below are mining-related products, whose sales account for just 5% of Mercosur's total exports to India. These products include other metals (raw or semi-finished gold), ferrous metals (iron or steel scrap and waste), and other minerals (asbestos, iron ores and their concentrates without agglomeration, copper ores and their concentrates). Exports of these products were mainly made by Brazil, Argentina, and to a lesser extent by Paraguay.

Table 1. Main products exported by Mercosur to India.

Products	2003		2023	
	Million of US$	Share	Million of US$	Share
Vegetable fats and oils	610,9	54%	4.047,9	44%
Sugar	5,3	0,5%	1.609,4	17%
Oil production (petroleum)	255,2	23%	1.206,4	13%
Other metals	0,4	0%	168,2	2%
Ferrous metals	14,2	1%	218,1	2%
Chemicals, rubber, plastics	53,8	5%	208,1	2%
Other Minerals	52,2	5%	84,1	1%
Other goods	129,7	12%	1.762,2	19%
Total	**1.121,7**	**100%**	**9.304,3**	**100%**

Source: Own elaboration based on COMTRADE data, 2025.

On the import side, Mercosur purchases a highly concentrated basket of goods from India, with the top four products accounting for 80% of total imports from the trade bloc in 2023. Industrial products stand out, among which chemicals and plastics accounted for 44% of total imports, rising from just US$ 314.9 million in 2003 to US$ 4,078.2 million in 2023. Among chemicals, main goods imported are rubber, plastics, insecticides, medicines, chemical compounds (sulfonamides), and organic compounds. Brazil and Argentina are the main buyers of these products from India, with an average annual share of 76% and 19%, respectively.

Secondly, petroleum and coal products accounted for 16% of Mercosur's total imports from India, with Brazil being the main buyer between 2003 and 2023 (averaging 92% of total imports). Petroleum oils and bituminous minerals are the main goods imported. With regard to other machinery and equipment (14% of total imports), the list of top products includes electrical machinery, tractors, mechanical components, parts for electric motors, pumps for engine systems such as gasoline and diesel engines. Finally, vehicles and engines accounted for 6% of Mercosur's total imports from India, rising from just US$ 36.2 million in 2003 to US$ 1,317.9 million in 2023. Of these products, Brazil was the main buyer, with an annual average of 68% of total imports between 2003 and 2023, followed by Argentina with an annual average of 18%, Uruguay with 8% of the total, and Paraguay with 5% of the total.

Table 2. Main products imported by Mercosur from India.

Products	2003		2023	
	Million of US$	Share	Million of US$	Share
Chemicals and plastics	314,9	46%	4.078,2	44%
Petroleum and coal products	239,4	35%	1.445,8	16%
Other machinery and equipment	36,2	5%	1.317,9	14%
Motor vehicles and parts	3,9	1%	575,4	6%
Textiles	34,2	5%	318,6	3%
Other goods	54,3	8%	1.502,5	16%
Total	**682,9**	**100%**	**9.238,5**	**100%**

Source: COMTRADE, 2025.

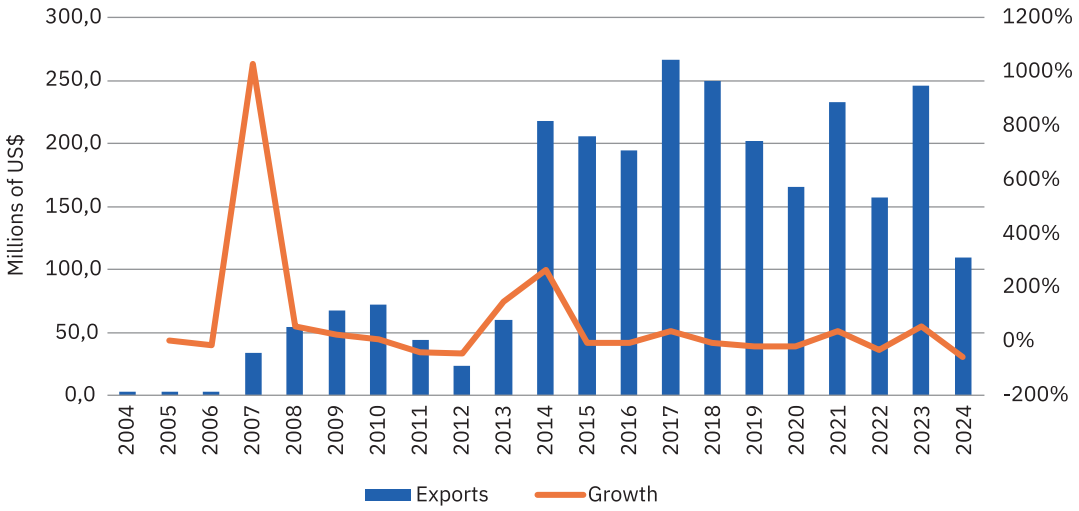
PARAGUAY'S TRADE WITH INDIA

Historically, trade between India and Paraguay has been very low, although there is an important potential space for growing trade between both countries

Paraguay's exports to India remained relatively low in 2004, at only US$ 3.4 million (0.2% of the total). In 2014, Paraguay experienced a jump in its exports to the Indian market, reaching US$ 217.9 million (2.9% of the total), with an average annual growth rate of 130%. This growth was mainly due to the signing of the PTA between Mercosur and India in 2004, which came into force in 2009, and as a result of increased demand for agricultural/agro-industrial products from the Indian market.

Between 2014 and 2023, Paraguayan exports to India have shown a lower growth rate compared to the previous period (2004-2014), averaging 31% annually, with a value of US$ 246 million (2.4% of the total) for 2023. In 2024, exports to India fell by 55%, reaching a share of 1.1% of the country's total exports (US$ 109.6 million). This was due mainly to lower shipments of soybean oil, as a result of increasing exports of soybean grains to Mercosur and, conversely, lower soybean oil production in Paraguay.

Figure 4. Evolution of Paraguay's Exports to India.



Source: Central Bank of Paraguay. Trade Statistics, 2025.

Paraguay's exports to India are highly concentrated in a very small number of products. Noteworthy are shipments of vegetable oils[6], which accounts for an average of 93% of the country's total exports to India in the 2004-2024 period. These are followed by metal products[7] and chemical and plastic products[8], whose sales to India reached an average of 5% and 1% per year, respectively, of total exports.

Table 3. Paraguay: Evolution of products exported to India.

Products	2004	2024	2004/2024	
			Million of US$ Average	Share Average
Soybean oil	0,4	79,4	**110,2**	**93%**
Food products	0,0	0,0	0,1	0%
Sugar	0,0	0,0	0,0	0%
Oilseeds	0,0	0,0	0,3	0%
Other agricultural products	3,0	0,0	0,2	0%
Chemicals, rubber, and plastics	0,0	3,4	1,5	1%
Machinery and equipment	0,0	0,8	0,4	0%
Leather products	0,0	0,7	0,3	0%

6 Crude soybean oil.

7 Scrap and waste, iron or steel scrap, aluminum scrap and waste.

8 Essential oils, including concretes and absolutes (except citrus, geranium, jasmine, lavender, lavandin, mint, and vetiver); Essential oils of orange, including concretes and absolutes (except orange blossom essences); fungicides, among others.

Products	2004	2024	2004/2024	
			Million of US$ Average	Share Average
Metal products	0,0	25,2	5,8	5%
Total	**3,4**	**109,6**	**118,7**	**100%**

Source: Central Bank of Paraguay. Trade Statistics, 2025.

The Mercosur-India PTA has had little effect on market access conditions (considering tariff conditions) . Most of the products currently shipped from Paraguay to India are not included in the list of concessions made by India. These products are subject to the application of the MFN (most-favored-nation) tariff[9], which ranges from 2.8% to 22% depending on the tariff heading. The group of products related to essential oils faces the highest MFN tariffs.

Table 4 shows the access conditions for the four subheadings exported (at the six-digit level of the Harmonized System), which represent 94% of the products exported from Paraguay to India. This table also shows the relevance of these products in Paraguay's total exports and India's total imports, as well as the export flow between the two parties in 2024 and in the 2004-24 period.

In terms of trade potential, collected data indicate that current export products related to crude soybean oil have the potential to increase their market share in India. Only 19% of Paraguay's total soybean oil exports go to India, while soybean oil sales from Paraguay account for only 1% of the Indian market's oil import demand. India is one of the world's leading importers of soybean oil. Although Paraguayan shipments of iron waste and scrap and, to a lesser extent, aluminum waste and scrap have India as a main destination (69% and 11%, respectively), they account for only 0.3% and 0.1% of India's global purchases of such products, showing also a growth potential of volume exported by Paraguay. Finally, essential oils face a high tariff barrier in India, but within the framework of the expansion of the Mercosur-India PTA this restriction could be overcome. Currently, Paraguay's exportable supply and India's import demand for essential oils are relatively low.

Table 4. Access conditions for the main Paraguayan products exported to India (US$ million)

Tariff Position	Description	India MFN Access Tariff, 2024	Type of Tariff	Margins of preference offered by India	Total exports from Paraguay, 2024	Exports from Paraguay to India, 2024	Exports from Paraguay to India, 2004–2024	Imports from India from around the world, 2024
150710	Crude soybean oil, including degummed	5.5%	Ad Valorem	10%, exclusively for Paraguay, there is a tariff quota of 30,000 metric tons per year.	409.2	79.4	113.9	4,034.4
720449	Iron or steel waste and scrap	2.8%	Ad Valorem	NA	24.0	16.5	4.4	3,149.3

9 Tariff applied to imports, excluding preferential tariffs provided for in free trade agreements.

Tariff Position	Description	India MFN Access Tariff, 2024	Type of Tariff	Margins of preference offered by India	Total exports from Paraguay, 2024	Exports from Paraguay to India, 2024	Exports from Paraguay to India, 2004–2024	Imports from India from around the world, 2024
760200	Aluminum waste and scrap	2.8% for two openings	Ad Valorem	NA	66.5	7.6	1.3	3,632.2
330129	Essential oils, whether or not desterpenated, including concretes and absolutes	22%	Ad Valorem	NA	8.3	2,7	1,1	143.3

Sources: Central Bank of Paraguay. Trade Statistics, COMTRADE, WTO, 2025

According to International Trade Centre (ITC) , Paraguayan products currently exported to India that have potential for trade expansion with India are mainly: i) crude soybean oil, ii) aluminum waste and scrap, iii) oilseeds and oil fruits, iv) soybean oil cakes, and v) insecticides, rodenticides, fungicides, herbicides, and similar products. Meanwhile, Paraguayan products that are not currently exported to India but are in high demand by India are: i) soybean grains, ii) sesame seeds, iii) raw cane sugar, iv) cable sets (for spark plugs) for transportation, v) paper, cardboard, and vi) raw wood.

Map 1. Paraguay's Potential Trade with India.

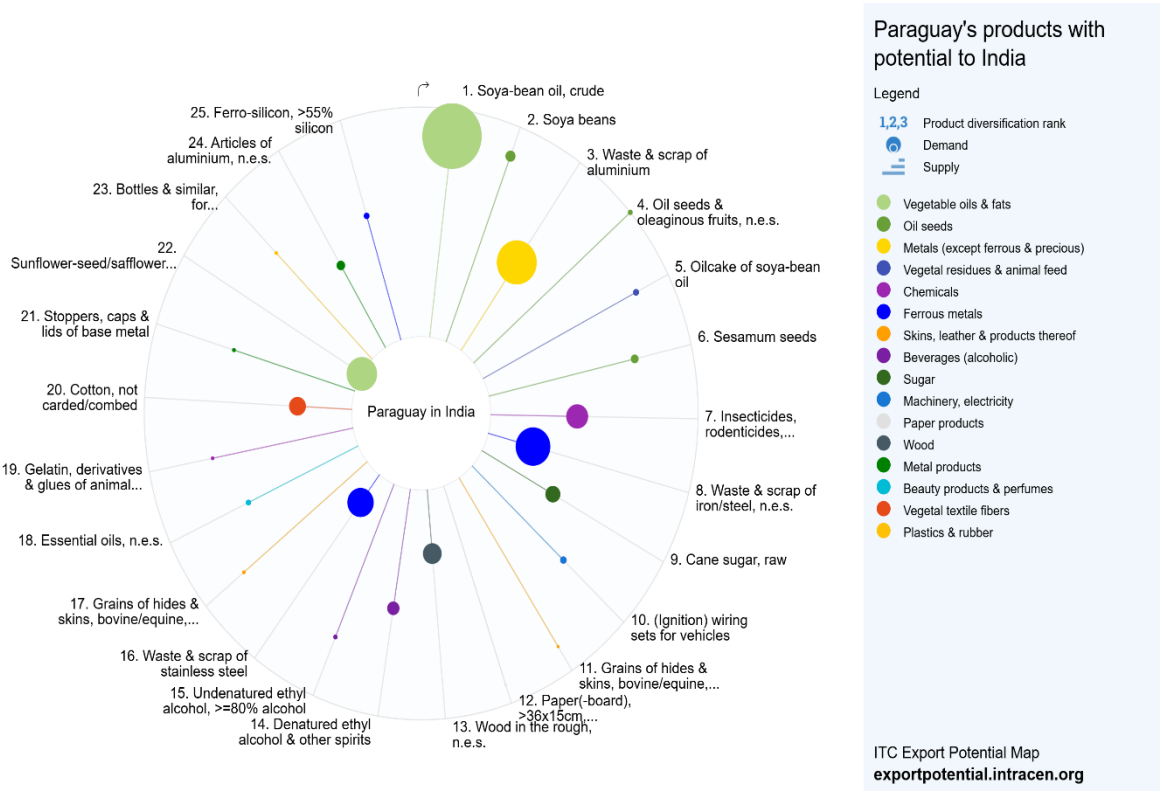


Table 5 shows ITC data on Paraguay's export potential to India, current reference exports, and Paraguay's untapped export potential. This information is detailed both for current export products with expansion potential and for new products that could be shipped to the Indian market.

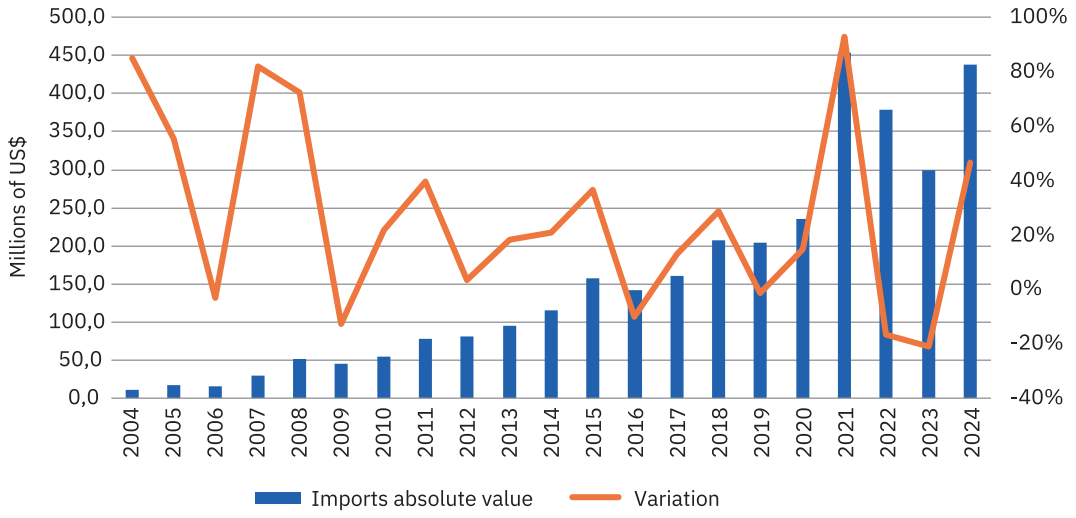
Table 5. Information on export products with potential for expansion and new products to India.

Current export products with potential for expansion	Export Potential of New Products
Crude soybean oil: Paraguay has an export potential equivalent to US$ 125 million. Reference exports of these products reach US$ 90 million, or 72% of export potential.	Soybean grains: Paraguay has an export potential valued at US$ 12 million.
Aluminum scrap and waste have an export potential to the Indian market worth US$ 7.2 million, while actual exports are around US$ 4 million. The remaining untapped potential is 56%.	Sesame seeds: Paraguay has an export potential valued at US$ 1.9 million.
Oilseeds and oleaginous fruits: Paraguay has an export potential of US$ 5 million, while exports reach US$ 91,000, reflecting an untapped level of 98%.	Raw cane sugar: Paraguay has an export potential for this product valued at US$ 1.1 million.
Soybean oil cakes have an export potential to the Indian market worth US$ 2.3 million, while actual exports are around US$ 398,000, leaving an untapped potential of 83%.	Cable sets (for spark plugs) for transportation: This product has an export potential to the Indian market worth US$ 911,000.
Paraguay has an export potential of US$ 1.7 million for insecticides, rodenticides, fungicides, herbicides, and similar products. Current exports of these products are around US$ 377,000 (22% of export potential).	Paper, cardboard: Paraguay's export potential stands at US$ 716,000.
	Raw wood: Paraguay has an export potential worth US$ 611,000.

Source: ITC, 2025

In terms of Paraguay's imports from India, trade has increased 39.5-fold in recent decades, from just US$ 11.1 million in 2004 to US$ 438.5 million in 2024. Import flows started to take off in 2010 (after the Mercosur-India preferential trade agreement came into force), reaching a peak of US$ 453.1 million in 2021. Despite temporary declines in some years, imports from India have grown at an average annual rate of 27% between 2004 and 2024.

Figure 5. Paraguay's imports from India



Sources: Central Bank of Paraguay. Trade Statistics, COMTRADE 2025

Paraguayan imports from India are heavily concentrated in high-tech industrial manufactures, which accounted for an average of 87% of imports between 2004 and 2024. By type of industrial product, chemicals and plastics stand out (49%), followed by vehicles and parts (11%), petroleum products (10%), and machinery and equipment (10%) (Table 6).

In terms of access conditions for Indian products to the Paraguayan market, of the top ten tariff headings, which represent almost 52% of total Paraguayan imports, only one is included in the Mercosur-India PTA. The other products are subjected to the application of the Common External Tariff of Mercosur (CET), some of which are included in Paraguay's National List of Exceptions of the CET.

Table 6. Imports from India to Paraguay by type of product, 2004-2024 (US$ Million)

Products	2004	2024	Average imports by product type. 2004-2024 Million of US$	Average Share of Imports by Product 2020-2024
Petroleum Products	0,0	171,8	33,2	10%
Chemicals, Rubber, and Plastics	7,4	125,7	56,7	49%
Machinery and Equipment	1,8	41,6	16,1	10%
Vehicles and Parts	0,4	33,2	14,6	11%
Textiles and Clothing	0,1	27,8	6,2	3%
Mining	0,2	15,9	17,1	8%
Electronic Equipment	0,2	6,2	1,0	1%
Other Agricultural Products	0,6	6,1	6,0	5%

Products	2004	2024	Average imports by product type. 2004-2024 Million of US$	Average Share of Imports by Product 2020-2024
Metal Products	0,3	4,9	4,0	2%
Food Products	0,0	2,5	0,3	0%
Other Manufactured Goods	0,1	1,2	0,3	0%
Leather Products	0,0	1,0	0,3	0%
Wood Industry	0,0	0,2	0,1	0%
Paper and Paper Products	0,0	0,2	0,1	0%
Forestry	0,0	0,1	0,0	0%
Total	**11,1**	**438,5**	**156,1**	**100%**

Source: Central Bank of Paraguay. Trade Statistics, 2025

It is important to note that, with the exception of petroleum and bituminous mineral oils, other products entering the Paraguayan market from India account for a small share of total Paraguayan imports and are not among the country's main import products. For reference, petroleum oils and bituminous mineral oils from India represent 9% of Paraguay's total imports. On the Indian market side, shipments to Paraguay represent a very low percentage of total exports of these products worldwide.

Table 7. Access conditions for India's main products to Paraguay.

Tariff Position	Description	Tariff	Margins of preference offered by Mercosur	Total Paraguayan Imports, 2024	Paraguayan imports from India, 2024	Paraguayan imports from India, 2004–2024	India exports to the world, 2024
271019	Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils; preparations n.e.c, containing by weight 70% or more of petroleum oils or oils from bituminous minerals; not light oils and preparations.	2710.19.31: Common External Tariff - CET/National Tariff - NT:4% 2710.19.91 CET/NT: 6%. The other tariff openings are 0%.	27101921 Gasoline (100%). Other openings are not included in the PTA.	1,514.1	171.6	33.2	49,317.9
721061	Iron or non - alloy steel; flat-rolled, width 600 mm or more, plated or coated with aluminum zinc-alloys.	CET/NT:12%	NA	44.9	11.0	11.8	75.5
390761	Poly (ethylene terephthalate); in primary forms, having a viscosity of 78 ml/g or higher	3907.61.00: CET:14%/NT:0%-NLE	NA	64.2	11.1	5.7	328.9
240120	Tobacco, partly or wholly stemmed or stripped.	2401.20.30: CET:14%/NT:0%-NLE 2401.20.40. CET:14%/NT:11%-NLE The other tariff openings have 14%.	NA	112.6	4.4	5.3	1,277.8
380892	Fungicides: other than containing goods specified in Subheading Note 1 to this Chapter; put up in forms or packings for retail sale or as preparations or articles.	3808.92.19: CET:14%/NT:7%-NLE. 3808.92.91: CET:14%/ NT:7%-NLE. 3808.92.93: CET:14%/NT:7%-NLE. 3808.92.95: CET/NT:14%/NLE:11%.3808.92.97: CET/NT:12%.3808.92.99: CET:8%/NT:6%-NLE. D12	NA	169.1	16.1	4.5	931.4
870322	Vehicles, with only spark-ignition, internal combustions piston engine, cylinder, capacity over 1000 but not over 1500 cc.	8703.22.10: CET:20%/AUT: 0% and 10% 8703.22.90: CET:20%/AUT:0% and 10%	NA	213.5	8.6	4.3	4,964.3

Tariff Position	Description	Tariff	Margins of preference offered by Mercosur	Total Paraguayan Imports, 2024	Paraguayan imports from India, 2024	Paraguayan imports from India, 2004–2024	India exports to the world, 2024
870331	Vehicles, with only compression - ignition internal combustion piston engine (diesel or semi - diesel), cylinder capacity not over 1500 cc.	8703.31.10: CET:20%/NT:10%-AUT. 8703.31.90: CET:20%/NT:10%-AUT	NA	19.8	19.6	3.1	46.8
300490	Medicaments, consisting of mixed or unmixed products n.e.c. in heading no.3004, for therapeutic or prophylactic uses, packaged for retail sale	3004.90.11: CET/NT: 0%. 3004.90.12: CET/NT: 0%. 3004.90.13: CET/NT: 0%. 3004.90.14: CET/NT: 0%. 3004.90.15: CET/NT: 0%. 3004.90.19: CET/NT: 8%. 3004.90.27: CET/NT: 2%. 3004.90.28: CET/NT: 0%. 3004.90.29: CET/NT: 8%. 3004.90.35: CET:14%/NT:12%-NLE. 3004.90.38: CET/NT: 0%. 3004.90.39: CET/NT: 8%. 3004.90.41: CET:14%/NT:12%-NLE. 3004.90.42: CET:14%/NT:14%/NLE:12%. 3004.90.45: CET:14%/NT:12%-NLE. 3004.90.47: CET:14%/NT:0%/NT:14%. 3004.90.48: CET/NT:0%. 3004.90.49: CET/NT:8%. 3004.90.51: CET:14%/NT:12%-NLE. 3004.90.52: CET/NT:8%. 3004.90.58: CET/NT:0% 3004.90.59: CET:8%/NT:8%/NLE:6%. 3004.90.61: CET:14%/NT:12%-NLE. 3004.90.62: CET:14%/NT:12%-NLE. 3004.90.63: CET:14%/NT:12%-NLE. 3004.90.64: CET:14%/NT:12%-NLE. 3004.90.66: CET:14%/NT:12%-NLE. 3004.90.67: CET:14%/NT:12%-NLE. 3004.90.68: CET/NT:0%: 3004.90.69: CET:8%/NT:8%/NLE:6%. 3004.90.71: CET/NT:8%. 3004.90.72: CET:14%/NT:12%-NLE. 3004.90.78: CET/NT:0%. 3004.90.79: CET:8%/NT:8%/NLE:2%/NLE:6% 3004.90.91: CET/NT:8%. 3004.90.94: CET:8%/NT:6%-NLE. 3004.90.95CET/NT:0%. 3004.90.99: CET/NT:8%. The other tariff openings are 14%.	NA	178.9	6.1	3.0	17,638.1

Tariff Position	Description	Tariff	Margins of preference offered by Mercosur	Total Paraguayan Imports, 2024	Paraguayan imports from India, 2024	Paraguayan imports from India, 2004–2024	India exports to the world, 2024
380893	Herbicides, anti -sprouting products and plant - growth regulators; other than containing goods of subheading Note 1 to this Chapter; put up in forms or packings for retail sale or as preparations or articles.	3808.93.22: CET:14%/NT:11%-NLE. 3808.93.23: CET:14%/NT:11%-NLE. 3808.93.24: CET:14%/NT:11%-NLE. 3808.93.25: CET:14%/NT:11%-NLE. 3808.93.27: CET:12%/NT:9%-NLE. 3808.93.28: CET:8%/NT:6%-NLE. 3808.93.29: CET:8%/NT:8%/NLE 6%. 3808.93.33: CET:8%/NT:8. 3808.93.59: CET:8%/NT:8% The other tariff openings are 14%.	NA	192.4	3.0	2.5	1.548.3

Fuentes: Banco Central del Paraguay. Comercio Exterior; COMTRADE; OMC, 2025.

Considering ITC data on India's export potential to Paraguay, products with greatest potential for expanding trade are mobile phones, insecticides, rodenticides, fungicides, herbicides, motorcycles, organic chemicals, new tires for buses/trucks, and retail medicines.

Map 2. India's Potential Trade with Paraguay

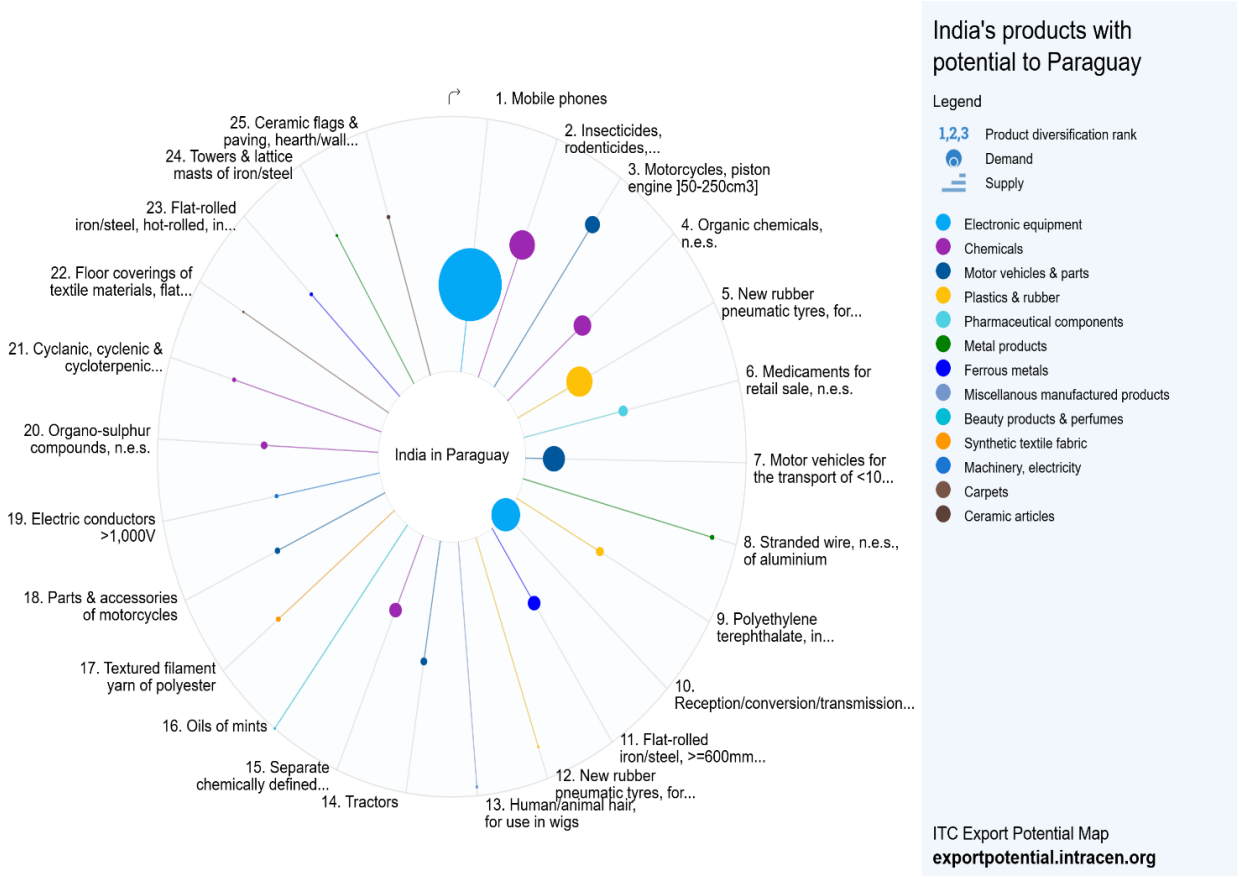


Table 8 summarizes export potential of Indian products to Paraguay from both the demand side and the supply side. Paraguay's capacity to purchase a product is considered on the demand side, its import level and its potential to buy more in the future. India's capacity to provide products in the international market is taking account on the supply side.

Table 8. Information on Indian export products with export potential to the Paraguayan market.

India: Demand from Paraguay	India's supply
Mobile phones: India has an export potential equivalent to US$ 110 million. Reference exports of these products reach US$ 66,000, or 0.6% of export potential.	Essential oils of mint: India has an export potential valued at US$ 2.4 million and currently exports around US$ 2.1 million, reflecting an untapped level of 12.5%

India: Demand from Paraguay	India's supply
Data conversation, reception, and transmission machines: these have an export potential to the Paraguayan market worth US$ 4.7 million, while actual exports are around US$ 4,400. The remaining unused potential is 91%.	Hair and textiles prepared for making wigs: India has an export potential valued at US$ 3.5 million. Current exports are around US$ 3.3 million (94% of export potential).
New rubber tires for buses/trucks: India has an export potential of US$ 14 million, while exports reach US$ 70,000, reflecting an untapped level of 98%.	Aluminum cables, braids, and similar products, n.e.c.: India's export potential stands at US$ 6.2 million, while current exports reach US$ 2.3 million. The remaining untapped potential is 63%.
Insecticides, rodenticides, fungicides, herbicides, and similar products have an export potential to the Paraguayan market worth US$ 20 million, while actual exports are around US$ 13.6 million, leaving an untapped potential of 42%.	New rubber tires for agricultural purposes: India has an export potential valued at US$ 3.7 million and currently exports around US$ 3.2 million, reflecting an untapped level of 13.5%.
Organic chemicals, n.e.c. India has an export potential worth US$ 16 million. Current exports of these products are around US$ 11 million (69% of export potential).	Motorcycles, with reciprocating piston engine, cylinder capacity]50-250cm³]: This product has an export potential to the Paraguayan market worth US$ 27 million, while actual exports are around US$ 2.2 million, leaving an untapped potential of 92%.
Chemically defined organo-inorganic compounds: This product has an export potential to the Paraguayan market worth US$ 2.5 million, while actual exports are around US$ 779,000, leaving an untapped potential of 69%.	Wool/fine hair carpets, not tufted/made up: India has an export potential worth US$ 1.9 million. Current exports are around US$ 2,200 (0.11% of export potential).

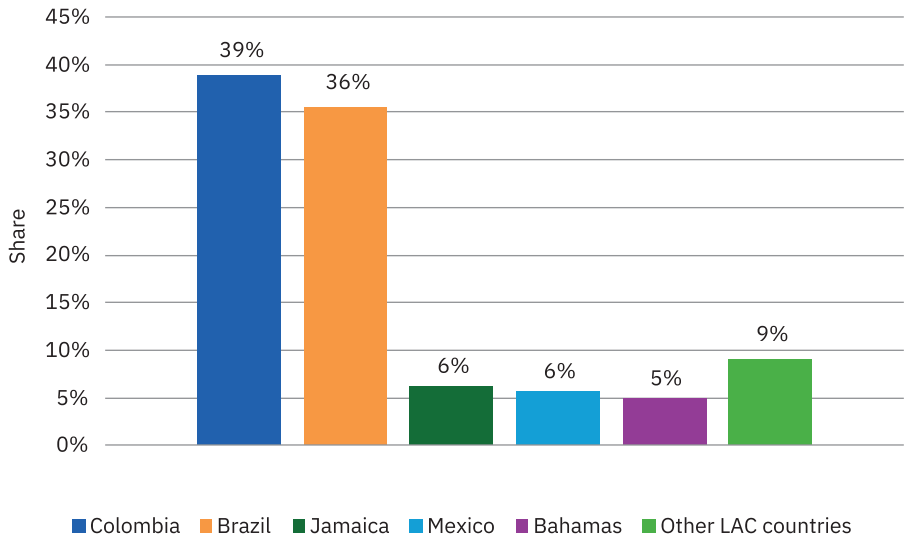
Source: ITC, 2025.

2/// FOREIGN DIRECT INVESTMENT FROM INDIA

Foreign direct investment (FDI) from India to Latin America and the Caribbean (LAC) has not reached levels similar to other countries around the world. However, information available on FDI from India is scarce, so a true picture of India-LAC investment relations has not been obtained so far.

According to data from the Reserve Bank of India, between 2015 and 2024, Indian companies invested a cumulative total of USD 796.5 million in LAC[10], representing just 1.1% of total Indian FDI. Between 2015 and 2024, almost 40% of Indian investments in LAC went to Colombia. Brazil follows with 36% of total Indian FDI. Mexico and Jamaica received 6% each, and the Bahamas 5%. The rest of LAC recipient economies (16) accounted for just 9% of total Indian FDI

Figure 6. FDI flows from India to LAC
Cumulative Percentage 2015 – 2024

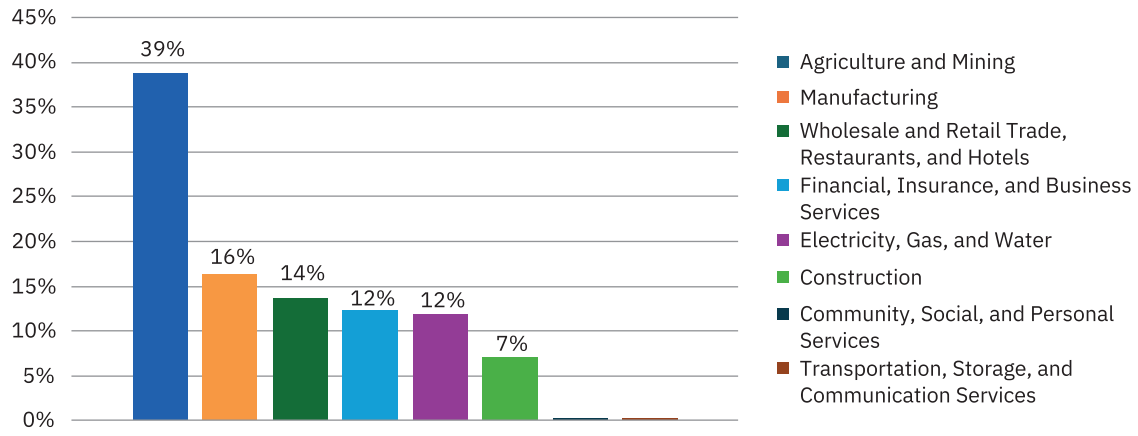


Source: Reserve Bank of India data, 2025.

By sectors, Indian investments to LAC have been concentrated in agriculture and mining (39% of the total), manufacturing (16%), wholesale and retail trade, restaurants, and hotels (14%), financial, insurance, and business services (12%), and electricity, gas, and water (12%).

10 FDI reported by the Reserve Bank of India includes three components: capital, loans, and guarantees issued. Annual reports consider only capital flows, which is most similar to the standard definition of FDI. Furthermore, it is the only available parameter for inward investment flows for LAC.

Figure 7. Indian FDI flows to LAC by sectors. Cumulative Percentage 2015–2024



Source: Reserve Bank of India data, 2025

In the case of Mercosur Indian investments to the trade bloc, between 2015 and 2024, amounted to USD 286.3 million, representing 36% of Indian investments to LAC and 0.4% of total Indian investments worldwide. Brazil is the main recipient of FDI in Mercosur, accounting for 99% of the total received by the trade bloc during that period (USD 283.5 million). Uruguay participates with 0.4% of total Indian FDI in Mercosur (USD 1.3 million), Paraguay with 0.3% (USD 0.9 million), and Argentina with 0.2% (USD 0.2 million). Most of India's investment flows have been concentrated in three sectors: electricity, gas, and water (33% of total FDI in Mercosur), manufacturing (25%), and financial, insurance, and business services (24%).

Figure 10. Indian FDI flows to Mercosur by sectors. Cumulative Percentage 2015–2024



Source: Reserve Bank of India data, 2025

OPPORTUNITIES FOR INDIAN INVESTMENT IN PARAGUAY

According to official data from Paraguay[11], the average share of Indian FDI flows over the total FDI flows received by Paraguay in between 2015 and 2024, has been only of 0.1%. In terms of stock of Indian FDI by 2024, it only participates with 0.03% of the total or US$ 3.4 million.

There is, in fact, plenty of room to increase Indian investment in Paraguay in the near future. One of them is in the manufacturing sector. Paraguay is a small market and, due to its geographical location, serves as a gateway to Mercosur countries. Near 60% of Paraguayan goods are directed to Mercosur countries. Foreign investment in the manufacturing sector in Paraguay are mostly concentrated in goods exported by Paraguay to the region. Most exports of manufactured goods from Paraguay to Mercosur are channeled through special incentive schemes for investment and exports, such as the Maquila Scheme[12]. Maquila exports from Paraguay to Mercosur has increased tenfold for the last 15 years. Foreign companies that have used this regime come not only from the Mercosur region, but also from Asian countries.

Another important sector is energy. Global warming, intensified in recent decades by greenhouse gas emissions, has caused alterations in climate patterns, affecting water resources, agriculture, and infrastructure. Latin America, including Paraguay, is highly vulnerable, while India, as one of the leading emerging economies, has undertaken a significant energy transition based on renewables, especially solar energy.

Paraguay, with more than 3,800 hours of sunshine annually, has a solar potential close to 4,955 TWh annually (IBAM, 2013). However, its electricity matrix is practically 100% hydroelectric, which generates vulnerability to extreme droughts, events that are increasingly frequent due to climate change.

In turn, India, with more than 300 days of sunshine per year, has led in the innovation and expansion of solar energy, installing nearly 60 GW in 2021 (MNRE India, 2021). Its experience in financing solar projects, distributed energy models, and local manufacturing of solar panels can be transferred to accelerate energy diversification in Paraguay.

In that sense, the experience of the "Saubhagya" program, aimed at the construction and strengthening of micro grids in rural areas (MNRE India, 2021), is quite illustrative and can provide technical advice and training. To this end, bilateral efforts could be directed towards the creation of large-scale solar parks, complemented with microgrids in rural areas of Paraguay, which would allow: i) reducing dependence on hydroelectric plants in periods of drought; ii) promoting rural electrification and access to clean energy; iii) generating economic opportunities and technical employment in regions of lower relative development. Paraguay can also leverage its membership in International Solar Alliance in this regard.

In 2022, a Memorandum of Understanding was signed between the governments of Paraguay and India for the installation of a Solar Park of up to 200 MW in the Chaco region. This agreement is based on Paraguay´s membership of the International Solar Alliance (ISA).

Similarly, Paraguay is a full member of the Global Biofuels Alliance (GBA), another Indian initiative in energy cooperation. An agreement was signed in 2025 for a new biofuels plant in the Department of

11 Central Bank of Paraguay (BCP). Direct Investment Statistics.

12 It is a special regime that allows local and foreign companies to produce goods for export, using raw materials and inputs temporarily imported with tax suspension, paying a single tax of 1% on the value of exports. Currently, this incentive regime are not applied only for goods to be exported but also for services like software and call centers.

Canindeyú, in Paraguay, which will produce 600,000 liters of ethanol per day and generate up to 10,000 jobs in its value chain. The plant will be financed with Paraguayan capital from ENERSUR company and built with technology provided by the Indian Praj Industries, a world leader in biofuels technology.

Together with India and Brazil, Paraguay is part it of the so-called E30 Club, an emerging alliance between countries that are putting into practice an energy transition based on ethanol as a strategy of sovereignty, health, and sustainability

The alliance with India not only implies financial investment but also the transfer of knowledge, machinery, and specialized services. This will raise the technological standards of the Paraguayan bioenergy sector and lay the foundations for new industrial developments. One of the most ambitious is the possible installation of a sustainable aviation fuel (SAF) plant, a key step to decarbonize air transport and position the country in global value chains.

REGULATORY FRAMEWORK FOR FDI BETWEEN INDIA AND MERCOSUR COUNTRIES

The regulatory framework for the promotion and protection of private investment between India and Mercosur countries is still in its infancy. There is no specific Bilateral Investment Treaty (BIT) between India and Mercosur, as in the case of trade. However, India has negotiated and signed a bilateral BIT with Brazil. The India-Brazil BIT has been in force since 2020. Argentina and India are currently negotiating a Bilateral Investment Treaty (BIT) and a Double Taxation Avoidance Agreement (DTAA) on income earned by companies and individuals, with the aim of creating a framework that protects investments and fosters mutual trust between both countries

No BIT has been signed between India and Uruguay, but in 2008, both countries signed a Bilateral Investment Promotion and Protection Agreement (BIPPA), which is currently being updated. This agreement seeks to promote and protect investments by companies from both countries in their respective territories, laying the foundations for strengthening bilateral economic ties. Likewise, in 2011, Uruguay and India signed an Agreement to Avoid Double Taxation (CDI) and prevent tax evasion in relation to income and wealth taxes, with the purpose of boosting investment flows and trade between both countries.

Finally, there is currently no BIT signed between India and Paraguay, but recently (June 2025) both countries have signed a Memorandum of Understanding for trade and investment cooperation, seeking to promote economic exchange in areas such as technology, energy, and agriculture. The Memorandum establishes the creation of a Joint Commission that will function as a mechanism for ongoing dialogue.

3/// OPINIONS OF ENTREPRENEURS/POLICY MAKERS ON TRADE AND INVESTMENT BETWEEN PARAGUAY AND INDIA

A number of industrial activities have been selected for performing interviews with entrepreneurs and manufacturing chambers on the possibilities to strengthen trade and investment ties between India and Paraguay. This selection has been based on results of Paraguay's export and import statistics to and from India, the potential productive sectors for Paraguay-India exports/imports, as well as those with potential to attract Indian investment to Paraguay. These activities are mainly related to the ferrous and non-ferrous metal, agrochemical, and pharmaceutical industries.

Semi-structured interviews were conducted with businesspeople and business chambers in Paraguay and India[13]. Interviews were also conducted with the Investment and Export Network (Rediex) of Paraguay and an Indian industry association. The purpose was to learn about the existing opportunities and limitations in Paraguay for strengthening trade and investment relations with India.

Trade with India in the metal sector

India has a very important metallurgical industry and, together with the United States and China, is one of the world's leading buyers of ferrous and non-ferrous scrap metal. This provides an opportunity for the Paraguayan metal export sector to supply the Indian market.

According to companies interviewed, high costs and variability of maritime transport from Paraguay to India, together with long transit times, are some of the logistical challenges faced by Paraguay's export sector in this area. The following are factors that affect transportation of export products from Paraguay: shortage of containers (due to the type of material being transported), high freight costs, river navigability, and port congestion. As a landlocked country, Paraguay´s logistics depend on river routes and third countries, which could lead to cost overruns and delays.

India also has very strict regulatory requirements for importing scrap metal, especially those considered hazardous waste. Thus, Paraguayan exporters must demonstrate the absence of this type of waste by presenting a prior inspection certificate for each shipment and completing forms specifically required by India.

Moreover, although prices of metal and non-metal scrap exported from Paraguay to India are subject to international market prices, their fluctuations can vary greatly in the short term due to factors such as: i) global supply and demand, ii) currency fluctuations (rupees versus US dollars), iii) India's requirements regarding the quality of exported metal in terms of certain impurities and scrap classification, iv) contamination of materials that may occur during transporting to India. All of these ultimately affects purchase and sale prices in local markets.

Some of the companies interviewed confirmed their membership in peer industry chambers in India. The main benefit of such an association is that it allows Paraguayan companies to network commercially, giving

13 Four companies from the ferrous and non-ferrous metal sector, two companies from the petroleum sector, and one company from the agrochemical sector were interviewed.

them confidence and prestige with potential Indian buyers. However, it should be noted that, in general, commercial contacts for doing business between Paraguayan and Indian companies occurs through Indian entrepreneurs searching for Paraguayan suppliers through their intermediaries, as well as through a good reputation of Paraguayan companies and vice versa.

Trade with India in the petroleum sector

Paraguay imports petroleum products from India, specifically gas oil (diesel). As a reference, in 2024, 59% of all petroleum products imported by Paraguay consisted of gas oil/diesel. This product comes from, in descending order, the United States (31%), India (13%), the United Arab Emirates (12%), Singapore (9%), and Switzerland (8%) (BCP, 2025).

Companies interviewed in this sector obtain this product through traders (intermediaries), so they do not necessarily know the origin of imports. Gas oil/diesel is imported for subsequent blending with biodiesel produced from soybean oil in Paraguay in order to obtain new diesel blends. According to these companies , direct importation of this product from India is difficult due to the quantity or volume imported, which is not on a large scale, as well as the storage capacity of local importers. This would imply greater logistical complexity, and therefore higher logistical costs than importing to Paraguay through intermediaries. Intermediaries often have economies of scale and established logistics networks that can optimize chain values and reduce costs, while also offering risk management and financing.

River navigability is also a problem for transporting petroleum products to Paraguay, mainly due to the low water levels of the Paraguay and Paraná rivers, exacerbated by droughts.

Trade with India in the agrochemical sector

Globally, China has managed to become one of the leading manufacturers of generic agrochemicals at competitive prices, due to its large production capacity and the presence of numerous leading companies in the industry. India stands out as a major exporter, albeit on a smaller scale than China, with countries such as the United States, Japan, and Brazil as key markets. India has specialized in the production of fungicides and insecticides. According to the company interviewed, due to the lack of legal certainty in China, many multinational companies in this sector have gone to invest in India, which is why India tends to have a greater role in the future in the global manufacture of agrochemicals.

Paraguay currently imports chemical components from India for manufacturing agrochemicals for the local market. According to the company interviewed, local companies tend to diversify their purchases of chemical components and finished agrochemical products in order not to rely solely on China as a supply chain strategy. India is therefore another important player in the supply of these chemical components and/or finished products.

One possibility is manufacturing agrochemical products, importing components or inputs from India but for subsequent sale to the regional market, for example, Brazil. However, according to the company interviewed, the expansion of manufacturing and sale of Paraguayan agrochemical products to the regional market is limited, because of Paraguay´s limited export capacity on the one hand, and, on the other, because of competition from Chinese agrochemicals. China has managed to position itself in terms of costs, productivity, and volume in both manufacturing of chemical components and finished agrochemical products in the

Brazilian market, making it more advantageous for the neighboring country than importing these products from Paraguay.

Finally, the sector has access to tariff benefits for importing components from outside Mercosur because of exceptions provided to Paraguay within Mercosur or because of the existing PTA in between India and Mercosur. Extending the clause of exceptions for Paraguay in Mercosur as well as extending the PTA will definitively be beneficial to promote competitiveness in the chemical industry in Paraguay.

Indian investment in Paraguay in the pharmaceutical sector

Both India and China are the main suppliers of active ingredients to the domestic pharmaceutical industry. The Indian pharmaceutical industry is an important ally for possible technical cooperation with the domestic industry, especially for transfer of knowledge and technologies, R&D, and innovations. However, according to the interviewed entrepreneurs, in Latin America the Indian pharmaceutical industry's market strategy has been mainly through the sale and distribution of finished medical products, rather than through investment in Indian-owned industrial plants in local markets. This is explained because of their low-cost production and export capacity.

Competitive prices for chemical products are regarded as an advantage of trading with India, while limitations consist of the lack of connectivity between Paraguay and India , which makes air transport more expensive.

One area to explore for complementarity is the possibility of Indian industry conducting its clinical trials in Paraguay. Another area of possible cooperation is transfer of knowledge. India regulations on intellectual property is based on the Patents Act of 2005, which complies with regulations of the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Indian regulations allow patenting of pharmaceutical products, but also includes safeguards for public access to medicines, such as compulsory licenses, which allow generic manufacturers to produce patented medicines under certain conditions. The Indian system sought to strike a balance between protecting innovation and public health, while supporting the domestic pharmaceutical industry. India adopted a strategy to limit the abusive patentability of pharmaceutical products. Hence, technical cooperation with India in this area would be interesting in regard of introducing flexibilities at the intellectual property system.

Another aspect has to do with need for domestic pharmaceutical companies to certify the qualification of their raw material suppliers. Due to its purchase volume, Paraguay does not generally purchase products directly from Indian pharmaceutical companies, but rather through intermediaries. The *Dirección Nacional de Vigilancia Sanitaria* (DINAVISA)[14] requires the domestic company not only to demonstrate the quality of the finished product, but also to justify where the raw materials are sourced from, i.e., to qualify its suppliers.

Currently, domestic pharmaceutical companies import inputs through the Raw Materials Import Regime, which allows these components that are not produced locally to be imported at zero or reduced tariffs from countries outside Mercosur. Therefore, tariffs do not constitute a trade barrier for the domestic industry as long as this type of regime remains in place at the national level and as an exception of Mercosur Common External Tariff, benefiting the national pharmaceutical industry.

14 General Directorate of Health Surveillance

REDIEX[15]: Outlook on trade and investment between Paraguay and India

According to REDIEX, trade and investment opportunities for Paraguay in relation to India are summarized as follows: i) India's demand for agricultural commodities provides an opportunity to expand and diversify Paraguay's exports to India; ii) Paraguay counts with clean and price competitive hydroelectric power that is attractive to energy-intensive Indian industries (bioenergy, green hydrogen, steel mills, etc.); and iii) Paraguay is a gateway to Mercosur, and it offers special incentive regimes for investment and exports, such as the Maquila Regime and the Free Trade Zone Regime, among others.

In terms of obstacles and challenges for trade and investment: i) India's high sanitary and phytosanitary requirements for the entry of products such as meat, dairy, and grains; ii) high logistics costs for export and import activities between the two countries, considering high freight rates, limitations of river navigability and ports requirements; and iii) entrepreneurs, technicians, and academics in both Paraguay and India must deal with complex immigration bureaucratic processes.

Paraguay concentrates approximately 90% of its current exports to India in soybean oil. However, exports could be expanded and diversified to include products such as corn, processed beef, auto parts, electrical cables and essential oils. Meanwhile, the country's imports from India are more diversified, including products such as refined petroleum, iron, steel, agrochemicals, automobiles, and medical products. India is already a strategic supplier of industrial and chemical inputs.

In terms of the Mercosur-India Preferential Tariff Agreement (PTA), there is political will to deepen it and explore its expansion. On this, Paraguay is likely to propose expanded preferential access for agro-industrial products (processed soybeans, flour, oils, meat, ethanol). In this regard, mutual recognition of sanitary and phytosanitary requirements could accelerate the entrance of these products. Progress should also be made in logistics and customs facilitation to reduce costs and times in bilateral trade.

Additionally, according to REDIEX, an investment chapter should be proposed to provide legal guarantees and security to Indian capital interested in strategic sectors of Paraguay. A bilateral agreement on investment promotion and protection could be negotiated. There is an opportunity to negotiate a modern bilateral treaty that protects investments and takes environmental safeguards into account.

Regarding the types of investment to Paraguay to be promoted among Indian entrepreneurs, REDIEX regards there is a space for large-scale projects, such as:

- Agro-industrial product refinery. Milling/oil plants, animal protein plants, packaging. Other niche agricultural products such as yerba mate, stevia, and processed rice.
- Expansion of existing plants and value chains for biofuels such as ethanol, electrolysis, and hydrogen/ammonia production.
- Regional production and distribution centers for pharmaceutical products.
- Service centers, digital hubs for IT/BPO.
- Development of logistics and infrastructure (investments in dry ports, silos, reconstruction of river and multimodal corridors) considering the bi-oceanic corridor[16].

15 Red de Inversiones y Exportaciones del Paraguay: Investment and Exports Network of Paraguay

16 The Bioceanic Corridor is a transportation infrastructure project that seeks to connect the Atlantic and Pacific oceans in South America through a road network and, in some cases, a railway network, crossing Brazil, Paraguay, Argentina, and Chile.

Indian industry association: vision of trade and investment with Paraguay

Based on information gathered from members of the Indian industry association, below are some of the challenges Indian companies face and opportunities and advantages they have in trading with Paraguay:

Challenges:

- **Infrastructure:** Despite progress, low levels of infrastructure persist in general. Logistics infrastructure, although vital (especially waterways), still requires significant investment.
- **Human capital:** Paraguay faces challenges related to low levels of human capital. Although it has a young workforce, there may be gaps in the specific skills needed for technologically advanced industries.
- **Economic dependence and volatility:** Heavy dependence on agricultural exports exposes the Paraguayan economy to significant price volatility in international markets, which can affect the overall business environment.
- **Import licenses:** Paraguay requires import licenses for a wide variety of products. Once issued, import licenses are only valid for 30 days. Importing products from India within this 30-day period can be difficult due to shipping delays. This situation is common in Paraguay, a landlocked country that relies heavily on river transport, which can slow down during dry seasons.
- **Business Visas**. Indian investors face problems in obtaining business visas to explore possibilities of investment in Paraguay. The bureaucratic process to review all documentation needed for visa approval by Paraguayan authorities is long and complex. At the same time the validity period for business visas is inconveniently short (only three months).

Opportunities:

- **One of Paraguay's main advantages is its position as a gateway to the Southern Common Market (Mercosur).** Through Paraguay, companies can access a consumer market of nearly 300 million people, benefiting from preferential trade conditions within the bloc.
- **Access to key resources and sectors:** Paraguay has natural resources and key economic sectors that represent significant opportunities:
  - **Infrastructure and logistics:** The Paraguay-Paraná waterway is vital for the export of agricultural production. Infrastructure projects such as the **Bioceanic Corridor**, designed to link the Atlantic with the Pacific through the Paraguayan Chaco, and the constant need for improvements in roads, river ports, and digital connectivity represent opportunities for Indian construction, engineering, logistics, and technology companies.
  - **Investment and technology incentives:** Paraguay offers a framework of tax incentives and an environment conducive to technology adoption.
  - **Openness to technology**: Paraguay needs to increase productivity in agribusiness, optimize logistics, develop new energy sources, and modernize the manufacturing sector. This creates fertile ground for the introduction of new technologies. Indian companies with expertise in information technology, agricultural technology, renewable energy, and automation could find market niches.

In terms of expanding the Preferential Trade Agreement, the Indian industry association welcomes and supports any agreement that is mutually beneficial to the countries, including the possible expansion of the PTA with Mercosur or the signing of a free trade agreement.

Finally, Paraguay offers a unique opportunity for investments by Indian companies, driven by a combination of strategic advantages and favorable economic conditions:

1. **Investment incentives:** Paraguay continues to offer specific incentives, such as the Maquila Regime, which allows companies to operate under a simplified single-rate tax structure for export-oriented production. These schemes provide a cost-competitive entry point for foreign investors.
2. **Macroeconomic stability:** The country has demonstrated steady economic growth, low inflation, and prudent fiscal management, contributing to a stable and predictable business environment.
3. **Open and dynamic economy:** Paraguay maintains a liberal trade policy, minimal restrictions on foreign ownership, and a growing business ecosystem, making it conducive to local and international business ventures.
4. **Strategic location within Mercosur:** Located in the heart of South America, Paraguay serves as a gateway to the Mercosur trade bloc, providing preferential access to a market of more than 260 million people and facilitating regional trade and logistics.

4/// POLICY RECOMMENDATIONS

To improve trade and investment relations between India and Paraguay, here main policy recommendations are summarized as follows:

1. Activities to promote trade and investment between the two countries, through their public institutions, could serve as an important link to facilitate closer ties between businesspeople—suppliers and buyers—from both countries in order to establish viable business deals between interested parties. This would help the exchange of information between both parties, which are located in very distant countries. For example, meetings between industrial and trade associations from both countries could be encouraged, as well as business missions such as business roundtables and fairs, bilateral meetings between representatives of both countries.
2. Diversify Paraguay's exports to those products in which the country has a comparative advantage in relation to the Indian market and for which India has a high import intensity
3. Promote other products currently exported from Paraguay to India with potential for expansion or new products with export potential to the Indian market.
4. Promote exports of products in which India has a comparative advantage over Paraguay and, at the same time, Paraguay has high import vocation.
5. Reduce transportation and logistics costs: i) increase investment in infrastructure that supports logistics, considering Paraguay's landlocked situation, which operates as a limitation to trade integration; ii) improve the Paraná-Paraguay Waterway to reduce transit times and increase cargo capacity; iii) as a complement to the Paraguay-Paraná Waterway, the completion and full implementation of the Bioceanic Corridor would be a viable and strategic alternative for Paraguay to export products to India via Chile, as it would significantly reduce transport times and costs compared to traditional routes; iv) modernize customs processes at different border points, seeking greater efficiency through technological integration in customs, which would significantly reduce waiting times for transportation of goods.
6. Support trade facilitation: i) simplify customs procedures and the use of digital technologies; ii) promote the interoperability of single windows for foreign trade; iii) promote cooperation between Paraguay and India to harmonize and simplify trade procedures; iv) support compliance with regulatory and/or normative aspects depending on the exporting or importing sector. All of this would enable a rapid reduction in the cost of cross-border transactions.
7. Simplify immigration regimes and streamline immigration processes, especially for professionals, entrepreneurs, and tourists. All of this would help facilitate business and multiply cultural exchanges.
8. Deepen and expand the Mercosur-India Preferential Trade Agreement, incorporating tariff preferences for agro-industrial products (processed soybeans, flour, oils, meat, ethanol). In this regard, mutual recognition in sanitary and phytosanitary matters between both countries should be promoted.
9. Create a specialized negotiating team: Appoint a high-level technical team in the Ministry of Foreign Affairs and the Ministry of Industry and Commerce, dedicated to negotiations for the expansion of the India-MERCOSUR PTA, with the participation of REDIEX and the private sector.

10. Conduct sectoral impact analysis: Conduct detailed technical studies on the potential impacts of greater trade openness with India in sensitive Paraguayan sectors, identifying winners and losers.

11. Bilateral cooperation on energy and climate can leverage the technical, institutional, and financing strengths of both countries, promoting sustainable and resilient development. Paraguay could be benefited for technology transfer and training in renewable energy and in the biofuel sector.

12. Leverage India's experience in trade in services: Paraguay has an underdeveloped services sector in international trade. It should request technical assistance from India.

13. Establish a bilateral agreement aimed at promoting and protecting investments by companies from both countries in their respective territories, laying the foundations for the strengthening of bilateral economic ties.

14. Attract Indian investment in Paraguay in projects such as: i) agro-industrial product refinery; ii) grinding/ oil plants, animal protein plants, packaging; iii) other niche agricultural products such as yerba mate, Stevia, and processed rice; iv) expansion of existing plants and value chains for biofuels such as ethanol, electrolysis, and hydrogen/ammonia production; v) regional production and distribution centers for pharmaceutical products; vi) service centers, digital hubs for IT/BPO; 7) logistics and infrastructure development (investments in dry ports, silos, reconstruction of river and multimodal corridors) considering the bi-oceanic corridor.

15. Conduct a study on opportunities to reduce logistics costs and increase the frequency of maritime freight transport between Paraguay/Southern Cone and India, considering the new Bioceanic Corridor and the expansion of direct maritime routes between Chilean and Peruvian ports.

16. Streamline the procedures or formalities for obtaining business visas for Indian investors, reduce the complexity of the documentation required, provide legal support/advice for Indian investors from the Ministry of Foreign Affairs/Paraguayan Embassy in India, and extend the duration of visas, as they are usually temporary.

5/// CONCLUDING REMARKS

Over the past 15 years, India has initiated a significant rapprochement with Latin America to establish broad and solid trade, investment and cooperation relations. Trade with Mercosur, for example, has experienced significant growth, beyond the benefits brought by the preferential trade agreement between India and Mercosur. The same has been observed in trade between India and Paraguay. While Indian investments in Mercosur have been concentrated mainly in Brazil, there have been signs that investment flows can also increase in the other Mercosur member countries.

This study has shown that Paraguay's exports to India are concentrated in one particular product. But despite this, the possibilities of increasing the current export volume of other products, as well as promoting new export products, are real and extensive. The same applies to Paraguayan imports from India and India's export potential and capacity for products demanded by the Paraguayan market. In addition, expanding the current trade preference agreement between India and Mercosur into a free trade agreement will significantly contribute to increasing current and potential export and import volumes between India and Paraguay.

However, further work is needed to make this trade relationship smoother. Businesspeople interviewed from Paraguay and India highlighted the needs and opportunities for greater trade promotion between the two countries. Thus, for instance, Paraguayan businessmen are keen to improve production and trade of the metal sector, petroleum derivatives, agrochemical, and possible Indian investments in the pharmaceutical sector. While Indian businesspeople are interested in logistical and infrastructure improvements in Paraguay to enhance trade with Paraguay. They are also interested in technology transfers aimed at increasing the productivity of the Paraguayan manufacturing sector and in the promotion of renewable energy.

The push for greater volume and fluidity of trade between the two countries is incomplete without promoting Indian investment in Paraguay, which so far leaves ample room for progress. There is recognition on the part of Indian businessmen of the advantages that Paraguay offers for investment in the manufacturing sector: the incentive regimes for investment in goods and services and the fact that Paraguay is an important gateway for the placement of goods and services in Mercosur.

Paraguay's participation in two Indian initiatives, the International Solar Alliance (ISA) and the Global Biofuels Alliance (GBA), can support the significant potential in the area of clean and renewable energy for Indian capital investment.

In conclusion, it can be stated that efforts to promote greater trade between India and Paraguay should be geared towards increasing exportable supply and diversifying products with export potential in both markets. At the same time, flows of Indian investment into Paraguay should be encouraged in sectors where production chains have already been built with Mercosur countries, thanks to the competitive cost advantages offered by Paraguay. This will encourage increased exports from India to Mercosur and contribute to the production and diversification of the manufacturing sector in Paraguay.

Finally, Indian cooperation and investment in the renewable energy sector can provide essential support to Paraguayan production in the use and diversification of its energy matrix, while simultaneously increasing the exportable supply of energy goods with growing demand in the international market.

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