



September 26th, 2008

DGR/N°365/08

Mr. TAS LUTTRELL
Principal Research Officer
Trade Sub-Committee – Room R1 -120,
House of Representatives
Parliament House Canberra ACT 2600
Australia

Dear Sir,

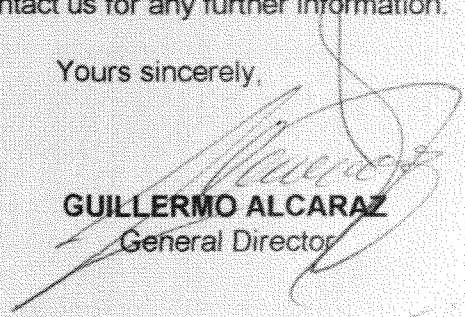
In response to the invitation of the Trade Sub- Committee of the joint Standing Committee on Foreign Affairs, Defence and Trade on the inquiry into ways of expanding Australia's trade and investment relations with the Asia Pacific and Latin America.

Please consider this letter and attachment a submission to the above mentioned inquiry, on behalf of the Ministry of Industry and Commerce of Paraguay and the business community of Paraguay.

REDIEX - Paraguay's Export and Investment Network believes that this presentation will make a significant contribution increasing trade and investment relations between Australia and Paraguay /MERCOSUR.

The attachment provides a brief summary of preliminary findings on identified key points. Please do not hesitate to contact us for any further information.

Yours sincerely,



GUILLERMO ALCARAZ
General Director

Enclosure

**CONSULTATION ON WAYS OF EXPANDING AUSTRALIA TRADE AN
INVESTMENT RELATION WITH LATIN AMERICA
PARAGUAY PROPOSAL**

REDIEX – Paraguay’s Export and Investment Network in the Ministry of Industry and Commerce has accepted the invitation by the Trade Sub-Committee of the Joint Standing Committee on Foreign Affairs Defence and Trade to make a submission on ways of expanding Australia’s trade and investment relations with Latin America.

Our presentation will address two main aspects:

1. Current situation and identified opportunities of trade and investment between Paraguay and Australia.
2. Ways of increasing the existing and potential opportunities

**1.- CURRENT SITUATION OF COMMERCE AND INVESTMENT BETWEEN
AUSTRALIA AND PARAGUAY**

a. TRADE

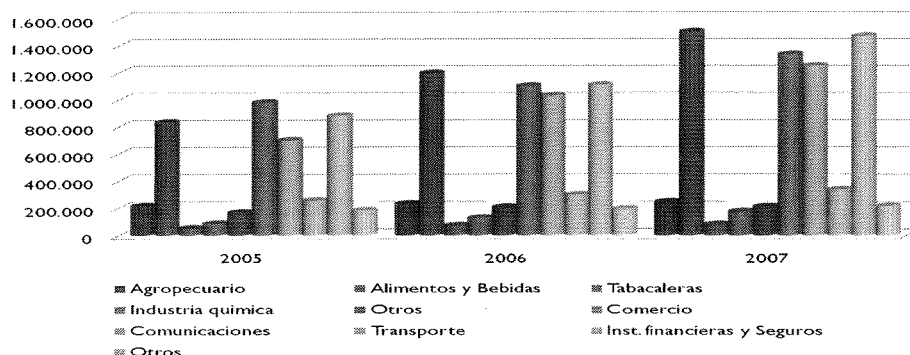
The flow of commerce between our two countries is very low, as Paraguay exported around US\$ 500 thousand in 2006, on traditional sectors such as sugar and apparel, and imported a growing volume of up to US\$ 5 million in 2006, mainly agriculture trade (leather and oilseeds).

Import flows between Australia and MERCOSUR have grown from US\$ 440 million in 2003 to US\$ 980 million in 2007. Australia also increased its exports to MERCOSUR from US\$ 360 millions to US\$ 890 millions in 2006.

Although figures between Australia and Paraguay are quite small, we are very optimistic when we analyze the current increasing trade flows between our Common Market –the MERCOSUR– and Australia, and we identify plenty of opportunities to expand our commercial relationships.

Especially in the strongest sectors of our exportable production such as corn, soybeans, wheat, canola and sunflower; with its sub products and derivatives.

b. FOREIGN DIRECT INVESTMENT IN PARAGUAY



Source: Central Bank Paraguay

As indicated in the above chart of FDI stocks between 2005/2007 the main sectors are agribusiness, food and beverage, tobacco, chemical industries, communications, commerce, financial institutions, insurance and banking, among others.

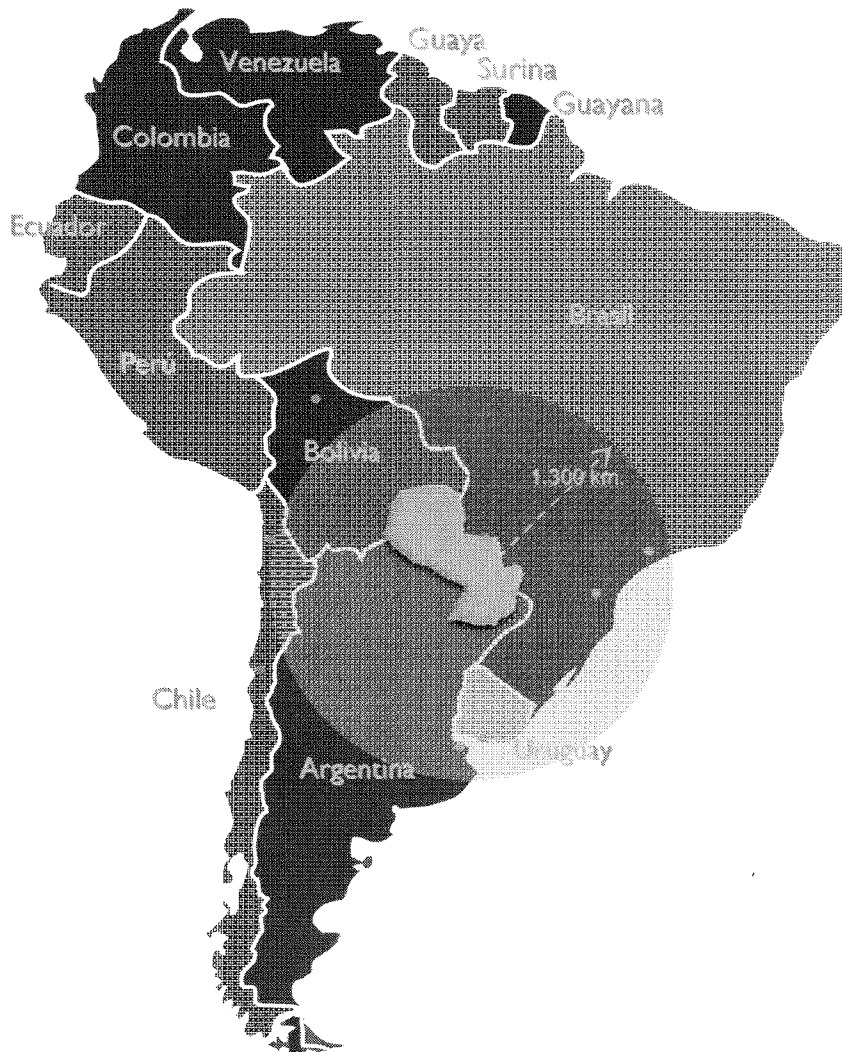
We are actively prospecting for eventual investments oriented to producing and developing biomass for bio-fuel production.

We also identify a great investment potential for Australian companies to diversify production and outsourcing, in sectors like cattle raising, dairy industry, mining sector, agrochemicals, electro intensive industries and infrastructure.

All of this attending to the strategic location of Paraguay in the center of South America and MERCOSUR

	S. América	MERCOSUR	Paraguay 1.300 km ²
Population	360	250	120
GDP (USD billions)	1.938	1.310	927
GDP per cápita (USD)	5.198	5.494	5.952

PARAGUAY CENTRAL LOCATION IN SOUTH AMERICA



3. WAYS OF INCREASING THE EXISTING AND POTENTIAL OPPORTUNITIES

- a. Establish and strengthen contacts between export and investments bodies in Australia and Paraguay.
- b. Promote the subscriptions of trade and investment agreement between Australia and Paraguay /MERCOSUR

- c. Foster the information exchange regarding trade and investment conditions, opportunities, market access requirements, legislation, and statistics to make it available for interested parties in both countries through internet websites.
- d. Establish networking relations between public and private organizations to strengthen the cooperation and identification of common interests.
- e. Promote the exchange and publication of information about conditions to import/export/invest in both countries and in the MERCOSUR.

Asunción, September 26th, 2008