Revista Pensamento Contemporâneo em Administração

PARAGUAY AS A DESTINATION FOR FOREIGN INVESTMENT

O PARAGUAI COMO DESTINO DE INVESTIMENTOS ESTRANGEIROS

Recebido em 14.02.2026 Aprovado em 24.08.2026
Avaliado pelo sistema double blind review
DOI: https://doi.org/10.12712/rpca.v.202.70767

Osvaldo Alencar Billig
probillig@gmail.com
Centro Universitário Dinâmica das Cataratas, Brasil
ORCID: 0000-0002-4166-9232

Luana Prass Ordovás
luanaprass2005@gmail.com
Centro Universitário Dinâmica das Cataratas, Brasil
ORCID: 0009-0000-5768-9505

Abstract

The article analyzes Paraguay's trajectory in its process of economic and social transformation, highlighting its consolidation as an attractive destination for foreign investment. It presents the historical context since independence and the efforts to overcome the stigma of smuggling. It examines strategies for sustained growth, especially the Maquila Law, which was fundamental for economic diversification. It also addresses Paraguay's participation in Mercosur and its relations with the United States during the Stroessner regime. Based on bibliographic and documentary review, it concludes that there have been advances in macroeconomic stability and international integration, while challenges in income distribution and social inclusion persist.

Keywords: Economic growth. Paraguay. Maquila Law. Mercosul. foreign investment.

Resumo

O artigo analisa a trajetória do Paraguai em seu processo de transformação econômica e social, destacando sua consolidação como destino atrativo para investimento estrangeiro. Apresenta o contexto histórico desde a independência e os esforços para superar o estigma do contrabando. Examina estratégias de crescimento sustentado, especialmente a Lei da Maquila, fundamental para a diversificação econômica. Aborda ainda a participação no Mercosul e as relações com os Estados Unidos no regime Stroessner. Com base em revisão bibliográfica e documental, conclui que houve avanços na estabilidade macroeconômica e integração internacional, persistindo desafios na distribuição de renda e inclusão social.

Palavras-chave: Crescimento econômico. Paraguai. Lei Maquila. Mercosul. investimento estrangeiro.

Introduction

Through this paper, we seek to offer a clearer and more accessible understanding of Paraguay as an emerging destination for foreign investment. Our intention is to examine how the country's economic system has operated from the moment of its independence to the present, tracing its gradual evolution and the main obstacles it confronted and, in many cases, managed to overcome. We also aim to discuss the advantages and limitations Paraguay has experienced since joining Mercosur, as well as the ways in which this regional integration has shaped its economy and broader development trajectory.

This study further seeks to explain how Paraguay has conducted its international relations over the years, with particular attention to its relationship with the United States during the Stroessner era, and to what extent that connection influenced positively or negatively the country's economic landscape. By revisiting these diplomatic dynamics, we aim to clarify how external partnerships contributed to shaping Paraguay's modern economic identity.

Special emphasis is placed on the creation of the Maquila Law in Paraguay. Here, we identify the specific problem this legislation intended to solve, describe how the regime functions today, and outline the requirements and incentives offered to companies that choose to establish their industrial operations under this framework. We also highlight how Paraguay has historically been perceived by the international community, the stigma often attached to its economy, and the challenges the country faced in overcoming that reputation. In this regard, the study examines how institutional restructuring and reforms were implemented to promote greater transparency and credibility changes that have generated concrete benefits, including the issuance of bonds and stocks. These processes will be detailed and analyzed throughout the article.

Finally, we seek to address why the fair distribution of Paraguay's growing capital has not yet been achieved, and how persistent inequality continues to impact the middle and lower classes of the Paraguayan population. By approaching these issues collectively, the article aims to provide a comprehensive perspective on the country's progress, its ongoing challenges, and the social consequences that remain at the center of its economic development.

Historical context of the Paraguayan economy

To understand Paraguay's current economic landscape, it is essential to revisit the historical circumstances that shaped its development over time. Paraguay achieved independence during the night of May 14 and 15 of 1811, breaking away from the Spanish Viceroyalty in the region. Almost immediately after removing the Spanish governor, the country had to remain on constant alert, as Argentina refused to recognize Paraguay as a sovereign nation and instead continued to regard it as part of its own territory, raising the threat of military intervention.

In the early post-independence years, Paraguay's main export commodity was yerba mate. Yet the country's economy faced considerable structural limitations, particularly its lack of direct access to the sea. This geographical constraint forced Paraguay to pay high tariffs to Argentina in order to export goods, significantly restricting its initial economic potential and slowing the pace of development.

> A series of additional factors also contributed to Paraguay's early economic isolation. Its difficult geographic access, the relatively small population, partly due to a climate less attractive to Europeans, the persistent resistance of Indigenous groups to forced exploitation, and above all the absence of opportunities for the rapid concentration of wealth prevented the formation of large feudal estates. Instead, these conditions encouraged the spread of small rural farms and family operated holdings. This dynamic gave rise to a largely self-sustaining rural class made up primarily of mestizo populations engaged in agriculture, cattle raising, yerba mate extraction, and small-

> scale artisanal production (Bogarín, 1991, p. 5).

After these first years as a newly independent nation, Paraguay elected its first representative government in 1816, appointing Dr. Gaspar Rodríguez de Francia as Supreme Dictator, a title he would hold for life.

> Francia led a profoundly transformative political and economic project, radical in scope and national in spirit, with the overarching objective of safeguarding independence at any cost. To accomplish this, he closed the borders, imposed curfews, placed most land under state control, promoted collective labor, and reinforced social egalitarianism through a strict system of centralized authority (Bogarín, 1991, p. 6).

Dr. Francia's policies succeeded in protecting Paraguay's sovereignty while establishing strong oversight of the country's internal development. Literacy rates under his rule were remarkably high for the time, since education was mandatory for everyone. However, Paraguay lacked institutions of higher learning, and the closed borders made studying abroad impossible. As a consequence, although most of the population was literate, the country did not have access to a trained or specialized workforce.

According to Bogarín (1991, p. 6), yerba mate represented more than three-quarters of Paraguay's total export value during this period. Yet this reliance created significant challenges, since the high tariffs imposed by Argentina increased the final price of the product and restricted its competitiveness. In response, Dr. Francia established a subsistence-based economy centered on small landowners and basic handicraft production, which allowed the population to meet its essential needs despite the country's self-imposed isolation (Bogarín, 1991, p. 7).

Following Dr. Francia's death, the National Assembly elected Carlos Antonio López as president. Under his administration, Paraguay began opening itself to the outside world and initiating a gradual modernization process, while still holding firmly to the principle of safeguarding national independence (Bogarín, 1991, p. 7). From this point forward, the country's primary challenge was no longer the immediate defense of its sovereignty but rather the pursuit of modernization and expanded international trade.

As noted by Bogarín (1991, p. 8), a new phase in the Paraguayan economy began in 1854 with the establishment of the Ibicuí iron foundry, a facility equipped with advanced technology for its time. This development made it possible for Paraguay to build one of the earliest railways in Latin America, as well as an unprecedented telegraph system in the region. During this era, the country experienced significant economic expansion, accompanied by the creation of gunpowder, paper, and textile factories (Bogarín, 1991, p. 8).

However, when Carlos Antonio López's son, General Francisco Solano López, took office, the War of the Triple Alliance soon erupted. Paraguay emerged from the conflict utterly devastated, suffering not only economic and financial collapse but also immense population losses. The country would only resume its development nearly a century later, under the dictatorship of Alfredo Stroessner, during which a primary-export economy was reestablished based on traditional native products such as yerba mate, wood, cotton, tobacco, and leather, "(...) alongside a rudimentary subsistence agriculture" (Bogarín, 1991, p. 10).

For decades, Paraguay faced profound economic imbalances largely driven by political conditions. The authoritarian regime of Alfredo Stroessner, which lasted 35 years, kept the country isolated, and its foreign policy was focused almost exclusively on safeguarding sovereignty and territorial integrity due to the series of international conflicts it had endured (Kfuri & Lamas, 2008, p. 9).

> Indeed, the War of the Triple Alliance (1865–1870), the War of the Pacific (1879–1881), and the Chaco War against Bolivia (1932–1935) were prolonged conflicts that

> drained national attention and resources, consuming much of the country's wealth and inflicting severe human losses (Kfuri & Lamas, 2008, p. 10).

Despite these challenges, Paraguay later benefited from rising international soybean prices, one of its leading export commodities.

> Between 2000 and 2018, Paraguay's GDP growth rate peaked at over 10% per year in 2010 and 2013, though the country also experienced negative growth rates in 2000, 2001, 2002, 2009, and 2012, largely mirroring fluctuations in the price of this agricultural commodity (Borda, 2007; World Bank, 2015).

For a period, Paraguay became widely associated with an economy dependent on the illicit trade and smuggling of electronics, weapons, and drugs. However, after substantial efforts to improve its international reputation, the country gradually repositioned itself as a stable and promising participant in global markets, with strong potential for both economic and social growth and a steadily expanding economy.

According to data from the Central Bank of Paraguay (BCP), in 2006 exports linked to triangular trade (China–Paraguay–Brazil), classified by Brazil as smuggling or tax evasion, represented 22% of Paraguay's GDP. By 2016, this figure had fallen to 12% (Barros da Costa & Oliveira, 2019, p. 2). Today, Paraguay has a GDP of approximately USD 30 billion and has been recognized as one of the fastest growing economies in the world. In 2013, the country achieved a growth rate of 14%, while Brazil, Argentina, and the United States registered rates of 3%, 2.4%, and 1.7%, respectively (Barros da Costa & Oliveira, 2019).

> Paraguay also presents a notably high Export/GDP ratio. While in Brazil and Argentina this ratio stood at around 10% in 2016, in Paraguay it exceeded 30%. In this regard, Paraguay's economy resembles that of South Korea, which reported a 36% export/GDP ratio in the same year. This combination of high export intensity and above-average economic growth among Latin American nations has led some analysts to refer to Paraguay as the "Guarani Tiger," in reference to the so called Asian Tigers (Barros da Costa & Oliveira, 2019, p. 7).

These dynamics illustrate how Paraguay has progressively shifted from an informal, trade-dependent economy to one characterized by greater stability and openness. While challenges still remain, the country's macroeconomic consistency and expanding export capacity reinforce its position as an increasingly competitive player in the regional landscape.

Initial perception of other countries regarding Paraguay

Paraguay has long been associated with a series of stereotypes projected by other countries concerning the functioning of its economy, and these perceptions significantly influenced how the nation was viewed on the international stage. Such assumptions often overshadowed Paraguay's structural potential and contributed to a narrative that portrayed the country as economically fragile or institutionally unreliable.

According to Espósito Neto (2011), Paraguay faced numerous diplomatic obstacles as a result of its high incidence of illicit activities. These practices fostered insecurity and mistrust among foreign governments, generating a sense of apathy toward diplomatic cooperation and discouraging potential investors. Many external actors regarded Paraguay's commercial environment as lacking transparency and consistency, which ultimately weakened its ability to attract international partners.

The 1970s marked a turning point in Paraguay's external relations, particularly with neighboring Argentina and Brazil. During this decade, the country achieved notable progress by strengthening

diplomatic ties and engaging in binational development initiatives. Among the most significant accomplishments were the construction of the Itaipu and Yacyretá hydroelectric plants, two of the largest in the world as well as major infrastructure projects, including the Friendship Bridge (Ponte da Amizade) linking Ciudad del Este to Foz do Iguaçu, and the international bridge connecting Encarnación (Paraguay) to Posadas (Argentina) (Kfuri & Lamas, 2008, p. 12).

These collaborative efforts contributed to Paraguay's increasing specialization as an exporter of agricultural products, particularly soybeans and cotton, cultivated largely in border regions adjacent to Brazil (Kfuri & Lamas, 2008, p. 13). Furthermore, the electricity generated by the Itaipu and Yacyretá plants transformed Paraguay into a major supplier of energy in the region, enhancing its strategic importance within South America.

> The opening to Brazil represented a new form of international insertion through commercial agriculture, the financing of the Itaipu hydroelectric project, and the creation of conditions that allowed Paraguay to assume the role of commercial intermediary within the region (Masi, 2006).

This shift broadened Paraguay's economic connections and diversified the avenues through which it participated in international markets.

Before examining Paraguay's contemporary development strategies, it is important to differentiate between economic growth and economic development. A country may experience continued increases in Gross Domestic Product (GDP), which clearly indicates economic growth; however, such growth does not automatically translate into development. For growth to qualify as development, its benefits must extend to the population more broadly, fostering improvements in areas such as health, education, income distribution, and other dimensions of social well being (Madureira, 2015, p. 8). As Barros da Costa & Oliveira (2019, p. 5) emphasize, economic development arises from economic growth, and this growth must serve to meet the diverse needs of human beings.

> Paraguay's development strategy over the past five decades has been based on three pillars established in the 20th century and one additional pillar developed in the 21st century.
> In the 20th century: the export of agricultural commodities, the sale of electricity to neighboring countries (Brazil and Argentina), and re-export or triangular trade.
> In the 21st century: the Maquila industry (César, 2016; Maciel, 2017).

As Amartya Sen (1999) conceptualizes development as a process through which individuals' substantive freedoms are expanded. From this perspective, Paraguay's achievements in GDP growth over recent decades cannot be considered genuine development unless they bring tangible improvements in essential areas such as healthcare, education, income distribution, and equal access to opportunities. The Paraguayan reality illustrates this distinction clearly: economic growth has been concentrated in particular regions and sectors, without guaranteeing a proportional expansion of freedoms, capabilities, and quality of life for the population as a whole.

Mercosul

Paraguay is one of the countries that form part of Mercosur, a membership that brings not only obligations but also a wide range of advantages for its economic activity. As part of this framework, maquiladora companies operating in Paraguay must export their production in accordance with the terms established by the system. In addition, due to Paraguay's participation in Mercosur, these companies are required to comply with the rule of origin related to value-added content, which currently specifies that 40% of the value must come from member countries and the remaining 60%

from non-member countries (Costa et al., 2020, p. 166). This requirement has shaped how companies organize their production chains and has influenced decisions regarding sourcing and investment.

The expansion of maquiladora industries in the country also strengthened Paraguay's productive ties with its Mercosur partners Brazil, Argentina, and Uruguay, which became the primary investors and collaborators within the Paraguayan maquila system. Through these growing connections, the country not only attracted capital but also intensified its participation in regional value chains, reinforcing its economic interaction with its closest partners.

According to Balassa (1961) defines economic integration as a process involving the removal of discriminatory barriers to trade among countries. In this sense, Paraguay's accession to Mercosur opened new possibilities for trade flows, industrial cooperation, and broader economic integration. These opportunities were particularly relevant for the industrial sector, where the country benefited from a more open regional market and a clearer institutional framework. Nonetheless, this integration also highlighted Paraguay's structural dependence on its larger neighbors, demonstrating that while regional cooperation generates important benefits, it also introduces vulnerabilities, especially for smaller economies whose performance is closely linked to the policies and economic cycles of more powerful partners.

Paraguay's relationship with the United States

Throughout its history, Paraguay has maintained a notably close relationship with the United States, a dynamic that became even more pronounced during the administration of General Alfredo Stroessner. This period marked one of the most significant phases of bilateral engagement, shaped by both geopolitical interests and Paraguay's internal political context.

> During the first two decades of Stroessner's regime, within the context of the Cold War, Paraguay's foreign policy was characterized by explicit support for the United States. The policy, led by Foreign Minister Raúl Sapena Pastor, was based on the belief that Paraguay could rely on U.S. diplomatic and economic assistance if it fully aligned itself with Washington's anti-communist containment strategy (Kfuri & Lamas, 2008, p. 10).

In practice, this alignment shaped Paraguay's international positioning and heavily influenced the country's external relations during those decades.

General Stroessner himself declared:

> In international politics, the Government of Paraguay gives firm support to the United States, as the leader of the free world in its struggle against international communism. We share with that great nation ideals of justice, peace, rights, and freedom, so that the world in which we live may be safer and possess stronger collective and individual guarantees. (Stroessner, 1977, apud Mora, 1998)

This statement encapsulates how strongly the Stroessner government aligned itself with U.S. political discourse during the Cold War.

Paraguay went beyond diplomatic alignment and contributed materially to U.S.backed operations. The country sent around two hundred soldiers to support the intervention in the Dominican Republic and even offered troops for the Vietnam War. In exchange, General Stroessner secured what he most sought to reinforce his political power: consistent economic assistance and explicit political backing (Kfuri & Lamas, 2008, p. 10). During the crucial period of regime consolidation, between 1954 and 1961, U.S. financial aid represented, on average, 30% of Paraguay's annual national budget (Lambert, 2011), illustrating the depth of this dependence.

This relationship began to shift in the late 1970s. With the election of Jimmy Carter in 1977, the United States adopted a foreign policy more attentive to human rights issues, which brought increased criticism of the abuses committed under Paraguay's authoritarian government (Kfuri & Lamas, 2008, p. 11). This marked the beginning of a gradual redefinition of bilateral relations.

Nevertheless, Paraguay later forged a renewed and economically oriented connection with the United States through the establishment of *maquiladoras* industries. Several American companies own the parent firms of six *maquiladoras,* currently operating in the country. In addition, China and Italy each maintain two such industries, while other nations, including Spain, Hong Kong, and the United Kingdom operate one each (Costa et al., 2020, p. 176). This shift reflects how economic cooperation, particularly in industrial production, replaced the earlier political and military foundations of the bilateral relationship.

The Maquila Law

Paraguay has historically struggled with a continuous outflow of its population, a trend largely driven by the shortage of employment opportunities for younger generations. In response to this persistent challenge, the Paraguayan government introduced a new legal framework aimed at attracting foreign industries to the country. The intention was to generate jobs, stimulate domestic economic activity, and ultimately encourage young people to remain in Paraguay rather than seek opportunities abroad.

One of the most important measures adopted to expand employment, increase exports, and draw foreign investment into the industrial sector was the creation of Law No. 1064 of 1997, widely known as the Maquila Law (Costa et al., 2020, p. 165). This piece of legislation became a cornerstone of Paraguay's strategy for modernizing its economy and integrating more deeply into regional and global markets.

But how does this law operate in practice? The government had to carefully design the regulatory framework to prevent an uncontrolled influx of foreign firms that could undermine local commerce, displace Paraguayan businesses, or create tensions over state sovereignty. The final structure sought to balance openness to investment with protective mechanisms for national interests.

> The provisions of the Maquila Law allow foreign companies to establish subsidiaries in Paraguay dedicated exclusively to export-oriented production. In return, they receive tax exemptions, being required to pay only a 1% tax on the total value of their exports. Additionally, these companies are exempt from import taxes on raw materials and equipment, but they are obligated to export at least 90% of their production (Cámara de Empresas Maquiladoras del Paraguay [CEMAP], 2016), Paraguay, 1997).

These conditions were crafted to ensure that the regime contributed primarily to export expansion rather than competing directly with local industries.

The government's objective in enacting this law was to encourage industrial development and boost foreign direct investment (FDI), while simultaneously generating employment and income. This goal was, in fact, achieved: by 2001, maquiladora companies had already generated 11,554 jobs, averaging 888 new jobs per year, with approximately 96 workers employed per company (Costa et al., 2020, p. 170). These figures highlight the early impact of the policy and its relevance for Paraguay's labor market.

The Maquila Law also establishes a differentiated tax regime and defines specific operational modalities for maquiladora activities. Companies may function under five categories: Standard maquila, Idle capacity maquila, Sub-maquila, Intangible services maquila, and the Shelter program maquila (FIEMS, 2015). This diversified structure gives firms flexibility in how they organize production while ensuring

compliance with national regulations.

Within this system, maquiladoras companies in Paraguay can receive capital goods, inputs, and raw materials from their parent firms abroad free of charge. Additionally, they may subcontract Paraguayan sub-maquiladoras that have idle capacity to provide labor, intermediate products, or services (Costa et al., 2020, p. 167). These mechanisms create a networked production system that connects foreign investment with local suppliers and workers.

According to John Dunning (1980), Foreign Direct Investment occurs when there are ownership, location, and internalization advantages, the well-known OLI Paradigm. From this perspective, Paraguay offers clear locational benefits, including low production costs, favorable tax incentives, and geographical proximity to the Brazilian consumer market. These factors help explain why so many foreign firms especially from Brazil, have established maquiladora operations in the country. This aligns with Dunning's eclectic paradigm, which highlights how foreign investors pursue profit-maximizing opportunities conditioned by reliable institutions and predictable economic rules.

As a result of these competitive advantages, by 2015, 80% of the 102 companies operating within the Maquila Program were financed by Brazilian capital (Mendonça, 2015; Turco, 2016). Most maquiladora firms are concentrated in regions with robust infrastructure and logistical links, particularly the Alto Paraná area (42.27%) and the Central Department (42.72%) (Maciel, 2017, p. 73).

Of the 120 maquiladora companies active in the country, 68.33% have headquarters in Brazil. According to CNIME, 77% of maquila exports are destined for Mercosur markets, principally Brazil and Argentina while the remaining 33% are sent to destinations such as Thailand, Indonesia, China, France, and Vietnam (Silveira, 2016, p. 181). These figures reveal the strong regional orientation of Paraguay's export strategy, while also showing its growing diversification into global markets.

> Exports from the maquila sector represented about 6% of Paraguay's manufactured exports in 2004. Between 2001 and 2005, they totaled USD 9 million, but this figure rose to 26% in 2010 (USD 102 million), continuing its upward trend thereafter, reaching approximately USD 250 million in 2014 and USD 285 million in 2015, accounting for 38% of total industrial exports.
> This demonstrates that the creation of the export-oriented maquiladora industry significantly boosted Paraguay's secondary sector, expanding its share in the country's total exports (Costa et al., 2020, p. 168).

However, as Joseph Schumpeter (1942) emphasizes the importance of entrepreneurship and creative destruction in the process of economic development. Applied to Paraguay, the Maquila Law represented a form of institutional innovation that catalyzed economic transformation by attracting new industries and diversifying production. Yet this innovation also produced a kind of "creative destruction," replacing older, traditional forms of production and generating new challenges for the labor market, particularly in terms of workforce skills and the need for structural adaptation.

Consequences experienced by Paraguay due to its explosive economic and social growth

Before analyzing the outcomes of Paraguay's recent growth, it is essential to understand how the country achieved the recognition necessary to attract foreign investment and the path it followed to reach such standing.

In an interview, the current President of the Republic of Paraguay, Santiago Peña, stated:

> Throughout the 1990s, Paraguay faced significant challenges, including financial crises, high inflation, and a weakened economy that left nearly half of its population living in poverty. In response, the country initiated a process of deep reforms and built solid

> institutional foundations to promote development.
>
> Since 2002, Paraguay has focused its efforts on achieving macroeconomic stability. Reforms were carried out within the Ministry of Finance and the Central Bank of Paraguay (BCP), implementing monetary policies that stabilized inflation and strengthened the national financial system. Between 2013 and 2018, the country introduced major fiscal reforms that promoted transparency and modernized public finances. (Ministry of Industry and Commerce)

Thus, as highlighted by President Peña, Paraguay had been working for many years not only to achieve international recognition as a destination for foreign investment, but also to promote institutional transparency and demonstrate its commitment to reform, shedding the stigma historically associated with smuggling and illicit trade.

However, as Dunning and Lundan (2008) argue that foreign investment location decisions depend not only on cost considerations but also on the institutional credibility of the host country.

In Paraguay, macroeconomic and fiscal reforms reinforced investor confidence, complementing its cost-based advantages. This confirms that it is not enough for a country to be inexpensive for production; it must also offer political, legal, and regulatory stability, elements increasingly valued by multinational corporations.

President Santiago Peña also stated:

> This recognition by Moody's not only reduces our country risk and improves our financing conditions but also sends a clear message to the world: Paraguay is a reliable and attractive place to invest. This achievement promotes the creation of quality jobs, investment in infrastructure, and the diversification of our economy. (Ministry of Industry and Commerce, 2024)

Paraguay has reached the Baa3 category in the investment grade ranking, and according to Javier Giménez, head of the Ministry of Industry and Commerce, the investment-grade classification is expected to encourage higher-quality investment, generate employment, increase economic opportunities, and strengthen investor confidence, contributing to Paraguay's positioning as an attractive destination for industrial development (Ministerio de Industria y Comercio [MIC], 2024).

But what exactly is the securities market? The Securities Market acts as a channel for domestic savings, aiming to offer returns to investors while providing companies with a source of funding to foster economic growth (Comisión Nacional de Valores, p. 4).

The structure of the Paraguayan securities market is led by the Comisión Nacional de Valores (CNV), which serves as the regulatory authority. The other key participants include the Stock Exchange, brokerage firms (casas de bolsa), issuing companies, investors, external auditors, fund administrators, and credit rating agencies (Comisión Nacional de Valores, p. 5).

The Paraguayan securities market operates as follows:

> The Paraguayan securities market operates for fixed-income securities (bonds), the issuing entity deposits a global certificate representing the total issuance at the Asunción Stock Exchange (BVPASA), after prior registration with the CNV. The Stock Exchange then creates an electronic registry of the issuance, detailing all its characteristics and establishing electronic accounts to determine ownership in favor of the investors who purchase the bonds (Comisión Nacional de Valores, p. 10).

In this process, two main actors must be considered:

According to the Comisión Nacional de Valores, issuers are all legal entities that offer securities to the

public in order to raise financial resources for a specific purpose.

> In Paraguay, these may be either authorized issuers (permitted to issue bonds) or publicly traded issuers (authorized to issue both bonds and shares).
> Investors are individuals or entities who purchase securities or assets with the objective of obtaining future returns. An individual investor is any person or company with surplus funds seeking to earn income from them (Comisión Nacional de Valores, p. 6).

In theory, this international recognition was expected to bring economic and social improvements to Paraguay. However, the country continues to face challenges regarding wealth distribution, as large financial assets remain concentrated in the hands of major business owners, typically located in the free trade zones of Ciudad del Este or in the capital, Asunción, as well as among large landowners, many of whom are Brazilians or descendants of Brazilians born in Paraguay, especially in the Alto Paraná region.

Despite the optimistic rhetoric from officials such as Minister Javier Giménez, this equitable distribution of wealth is still not a reality in Paraguay. One reason for this is that many companies operating in the country do not yet understand or trust the mechanisms for issuing bonds and shares, while others remain skeptical of the system itself. This lack of familiarity and trust has slowed the pace of financial development and continues to hinder the full translation of economic growth into broad-based social progress.

Materials and Methods

The present research is characterized from the qualitative nature, with an exploratory and descriptive approach, relying primarily on bibliographic and documentary research as its main methodological procedures.

Qualitative research focuses on the in-depth understanding of phenomena, exploring the "why" and "how" of experiences and meanings rather than pursuing statistical measurement (Minayo, 2014). This aligns with Flick's (2009) argument that such an approach enables the interpretation of meanings, discourses, and social practices, privileging critical and contextualized analysis.

According to Gil (2008), exploratory research provides greater familiarity with the problem under investigation, making it more explicit and enabling the construction of hypotheses and reflections. Descriptive research, as stated by Prodanov and Freitas (2013), aims to present the characteristics of a given phenomenon or establish relationships among variables, making it particularly suitable for the historical and critical analysis of the economic policy measures that transformed Paraguay into an attractive destination for foreign investment, fostering industrialization, export expansion, and the inflow of external capital.

The investigative process was structured in several phases, each designed to comprehensively address the central objectives of this article: Delineation and understanding of the historical context and the challenges faced by Paraguay since its independence in 1811. Analysis of the country's regional growth and development strategies, which historically relied on pillars such as agricultural commodity exports, electricity sales, and re-export trade. Examination of the development strategy through the Maquila Law, based on academic articles and dissertations specifically addressing this topic. Assessment of Paraguay's international relations, particularly with the United States during the Stroessner regime, and the effects of its participation in Mercosur.

It is worth emphasizing that this study did not involve the collection of empirical data from human participants; therefore, it did not require submission to a Research Ethics Committee. The research was entirely grounded in the review and critical interpretation of bibliographic and documentary sources.

Final Considerations

This study analyzed Paraguay's trajectory in its process of economic and institutional transformation, seeking to understand the factors that have contributed to its growing attractiveness as a destination for foreign investment. Based on qualitative, exploratory, and descriptive research supported by bibliographic and documentary sources, the analysis demonstrates that the country's current economic position is the result of a gradual historical process involving international openness, regional integration, institutional reforms, macroeconomic stability, and productive diversification. Therefore, Paraguay's consolidation as an investment destination cannot be attributed to a single factor, but rather to the articulation of economic, political, geographical, and institutional conditions developed over time.

The country's historical trajectory reveals that Paraguay's development has been shaped by significant structural constraints. Geographical isolation, the lack of direct access to the sea, international conflicts, periods of political instability, and authoritarian regimes significantly influenced the country's opportunities for international integration. At the same time, different periods of economic opening and modernization contributed to expanding its economic and trade relations. The rapprochement with Brazil and Argentina, the construction of major infrastructure and energy projects, and, subsequently, participation in Mercosur strengthened Paraguay's productive and commercial connections with neighboring countries and international markets (Bogarín, 1991; Kfuri & Lamas, 2008).

Within this context, participation in Mercosur represents an important element of Paraguay's international integration strategy. Regional integration expanded access to markets, promoted economic cooperation, and strengthened regional production chains. According to Balassa (1961), economic integration involves reducing trade barriers and bringing economies closer together, thereby creating conditions for the expansion of commercial and productive relations. In Paraguay's case, this dynamic has been particularly relevant to the development of the maquiladora industry, which has intensified productive ties with Brazil, Argentina, and other partners. However, regional integration also reveals structural asymmetries, as the Paraguayan economy remains strongly connected to the performance of larger economies in the region.

Among the mechanisms that have contributed to the country's economic transformation, Law No. 1,064/1997, known as the Maquila Law, stands out. The legislation established incentives for the establishment of foreign companies engaged in export-oriented production, offering differentiated tax and operational conditions. This regime contributed to expanding industrial activity, generating employment, stimulating exports, and integrating Paraguay into regional value chains (Costa et al., 2020; Maciel, 2017). Thus, the Maquila Law can be understood not merely as a tax incentive mechanism, but also as a policy aimed at promoting Paraguay's integration into international production networks.

This strategy can also be examined through Dunning's (1980) Eclectic Paradigm, according to which foreign investment decisions are associated with ownership, location, and internalization advantages. Paraguay presents several locational advantages, including relatively competitive production costs, tax incentives, energy availability, and geographical proximity to important consumer markets, particularly Brazil. Nevertheless, as Dunning and Lundan (2008) emphasize, factors related to institutional quality, regulatory predictability, economic stability, and legal certainty are also fundamental to attracting and retaining foreign investment. Therefore, Paraguay's competitiveness does not depend exclusively on lower costs, but also on the construction of an institutional environment capable of generating investor confidence.

Another aspect identified in the study concerns the transformation of Paraguay's international image. Historically associated, in certain contexts, with informal trade, smuggling, and low levels of economic transparency, the country has undergone a process of international repositioning. Economic, fiscal, and institutional reforms have contributed to strengthening its credibility and improving perceptions of risk. This process is relevant because institutional reputation influences investors' decisions and may

encourage greater inflows of foreign capital. Consequently, building credibility has become an important component of Paraguay's development strategy.

Nevertheless, the findings demonstrate that attracting investment and achieving economic growth do not automatically translate into economic and social development. Increased production, exports, and Gross Domestic Product represent economic growth, but their effects must also be assessed in terms of income distribution, access to opportunities, education, healthcare, employment, and quality of life. In this regard, Sen (1999) understands development as a process of expanding substantive freedoms and human capabilities. This perspective provides an important basis for examining Paraguay's experience, since the macroeconomic advances identified have not been accompanied, to the same extent, by a broad distribution of their economic benefits.

The persistence of capital concentration and unequal access to economic opportunities demonstrates that the expansion of foreign investment, by itself, is insufficient to promote comprehensive social development. Paraguay's experience therefore reveals a tension between economic growth and social inclusion. Although the expansion of industry, exports, and maquila-related activities has contributed to employment generation and productive diversification, challenges remain regarding income distribution, workforce qualification, access to financial mechanisms, and the ability of domestic firms to participate in production chains.

In this regard, the maquiladora industry presents both positive outcomes and significant challenges. On the one hand, it represents an important mechanism for industrialization, employment generation, and integration into regional production chains. On the other hand, it requires policies capable of expanding workforce qualifications, stimulating innovation, and strengthening domestic productive linkages. Schumpeter's (1942) perspective on innovation and creative destruction contributes to understanding this process, since economic transformation can create new opportunities while also replacing traditional activities and generating demand for new professional and productive competencies.

The perspective of Cardoso and Faletto (1979) also contributes to understanding the limitations of this process, particularly regarding the relationship between development and dependency. International integration can generate economic growth and new opportunities, but it does not necessarily eliminate asymmetrical relationships between economies. In Paraguay's case, the challenge lies in transforming its comparative advantages and its capacity to attract capital into stronger domestic productive capabilities, thereby reducing vulnerabilities and expanding economic autonomy.

Therefore, it can be concluded that Paraguay has established important conditions for consolidating its position as a destination for foreign investment, relying on macroeconomic stability, regional integration, the Maquila Law, locational advantages, and the strengthening of institutional credibility. However, the main contemporary challenge is not merely to continue attracting capital, but to ensure that such capital effectively contributes to a more inclusive and sustainable process of economic and social development.

Paraguay's experience should therefore not be interpreted exclusively as a success story in attracting investment, but rather as an ongoing process characterized by both advances and contradictions. The country has expanded its international integration, strengthened its industrial capacity, and improved its image among investors, yet it continues to face challenges related to inequality, income concentration, workforce qualification, and the distribution of economic opportunities. The success of its strategy should consequently be assessed not only by the volume of investment attracted or the growth of exports, but also by its capacity to transform these outcomes into concrete improvements in the population's living conditions.

Finally, considering the bibliographic and documentary nature of this research, future studies could deepen the analysis through empirical investigations involving companies, investors, workers, and public institutions. Subsequent research could assess the long-term effects of the maquiladora industry

on employment, income, professional qualification, technology transfer, and regional development. Comparative studies involving other Latin American economies that have adopted similar strategies to attract foreign investment could also provide valuable insights into the strengths and limitations of the Paraguayan model.

In summary, the Paraguayan case demonstrates that attracting foreign investment represents only one stage of a broader development strategy. The central challenge is to transform capital flows, international integration, and economic growth into productive capabilities, social opportunities, and effective improvements in quality of life. Thus, rather than simply pursuing growth, Paraguay needs to consolidate mechanisms capable of converting growth into development, investment into opportunities, and international integration into a socially inclusive and sustainable economic trajectory.

References

Balassa, B. (1961). The theory of economic integration. Richard D. Irwin. https://api.pageplace.de/preview/DT0400.9781136646317_A23860489/preview-9781136646317_A23860489.pdf

Barros da Costa, A., & Oliveira, G. B. de. (2019). A estratégia de desenvolvimento do Paraguai no contexto das teorias de crescimento e desenvolvimento regional. Revista Observatorio de la Economía Latinoamericana. https://www.eumed.net/rev/oel/2019/04/desenvolvimento-paraguai.html

Bogarín, O. L. (1991). Desenvolvimento sócio-econômico do Paraguai: O impacto da construção da usina de Itaipu na economia. Campinas, SP, Universidade Estadual de Campinas, Instituto de Economia. https://repositorio.unicamp.br/acervo/detalhe/297560

Borda, D. (2007). Paraguay: resultados de las reformas (2003–2005) y sus perspectivas. CEPAL - SERIE Informes y estudios especiales. https://repositorio.cepal.org/server/api/core/bitstreams/bc6d2f4e-cb35-450a-8b25-82078b30b11b/content

Cardoso, F. H., & Faletto, E. (1979). Dependência e desenvolvimento na América Latina: Ensaio de interpretação sociológica (7th ed.). Rio de Janeiro, Zahar Editores.

Cámara de Empresas Maquiladoras del Paraguay. (2016). Sobre Maquila. https://www.mic.gov.py/maquila24/

César, G. R. C. (2016). Integração produtiva Paraguai-Brasil: novos passos no relacionamento bilateral. Boletim de Economia e Política Internacional. https://repositorio.ipea.gov.br/server/api/core/bitstreams/1913f450-da4a-4922-a680-93549a7116d6/content

Comisión Nacional de Valores. (n.d.). Mercado de valores. Asunción, Paraguay, CNV. https://revistas.uni.edu.py/index.php/desarrolloregional/article/view/751

Costa et al., 2020. Lei de Maquila: Impactos no desenvolvimento econômico do Paraguai de 2003. 2018. Informe GEPEC. https://saber.unioeste.br/index.php/gepec/article/view/24064

Dunning, J. H. (1980). Towards an eclectic theory of international production: Some empirical tests. Journal of International Business Studies. https://doi.org/10.1057/palgrave.jibs.8490593

Dunning, J. H., & Lundan, S. M. (2008). Multinational enterprises and the global economy (2nd ed.). Cheltenham, UK, Edward Elgar Publishing.

Espósito Neto, T. (2011). As possibilidades e os limites do "realismo periférico": A política externa do Paraguai de 1954 a 1989. III Encontro Nacional da Associação Brasileira de Relações Internacionais (ABRI). https://www.abri.org.br/download/download?ID_DOWNLOAD=796&

Federação das Indústrias do Estado de Mato Grosso do Sul. (2015). Guia de investimento Paraguai. https://pdfcoffee.com/guia-de-investimento-paraguai-pdf-free.html

Flick, U. (2009). Introdução à pesquisa qualitativa (3rd ed.). Porto Alegre, Artmed.
Gil, A. C. (2008). Métodos e técnicas de pesquisa social (6th ed.). São Paulo, Atlas.
Kfuri & Lamas, B. (2008). Paraguai: Quo vadis? Entre o Mercosul e os Estados Unidos. Cadernos de Estudos Internacionais. https://biblat.unam.mx/hevila/CENAInternacional/2008/vol10/no1/1.pdf
Lambert, P. (2011). Dancing between superpowers: Ideology, pragmatism, and drift in Paraguayan foreign policy. In G. L. Gardini & P. Lambert (Eds.), Latin American foreign policies: Between ideology and pragmatism. Palgrave Macmillan. https://link.springer.com/chapter/10.1057/9780230118270_5
Ley N.º 1064/1997 de la Industria Maquiladora de Exportación. (1997). Biblioteca y Archivo Central del Congreso de la Nación. Retrieved from: https://www.bacn.gov.py/leyes-paraguayas/2424/ley-n-1064-de-la-industria-maquiladora-de-exportacion?
Maciel, R. E. A. (2017). A Maquila no Paraguai: Modelo produtivo e de integração no início do século XXI. Foz do Iguaçu: Universidade Federal da Integração Latino-Americana. https://dspace.unila.edu.br/items/debe967b-c002-4a98-9b6b-0acdd754b570
Madureira, E. M. P. (2015). Desenvolvimento regional: principais teorias. Revista Thêma et Scientia. https://themaetscientia.fag.edu.br/index.php/RTES/article/view/671/764
Masi, F. (2006). Paraguay: Los vaivenes de la política comercial externa en una economía abierta. CADEP. https://biblioteca-repositorio.clacso.edu.ar/items/5c3e397f-c193-4a77-ba47-a18f3661d72a
Mendonça, H. (2015, September 11). Empresas brasileiras migram para o Paraguai atraídas por baixos custos. El País.https://brasil.elpais.com/brasil/2015/09/10/politica/1441837292_242802.html
Minayo, M. C. de S. (2014). O desafio do conhecimento: Pesquisa qualitativa em saúde (14th ed.). São Paulo, Hucitec.
Ministerio de Industria y Comercio. (2024, July 26). Paraguay reaches investment grade, marking a milestone for attracting foreign capital. REDIEX. https://www.rediex.gov.py/?s=grado+de+inversion
Mora, F. O. (1998). The forgotten relationship: United States-Paraguay relations, 1937–89. Journal of Contemporary History. https://www.jstor.org/stable/261125?
Prodanov, C. C., & Freitas, E. C. (2013). Metodologia do trabalho cietífico: Métodos e técnicas da pesquisa e do trabalho Acadêmico (2nd ed.). Novo Hamburgo, Feevale.
Schumpeter, J. A. (1942). Capitalism, socialism and democracy. New York, Harper & Brothers. https://www.taylorfrancis.com/books/mono/10.4324/9780203202050/capitalismsocialism-democracy-joseph-schumpeter
Sen, A. (1999). Development as freedom. New York, Alfred A. Knopf.
Silveira, C. V. (2016). Ensaios sobre a economia paraguaia: formação histórico-econômica e dinâmica recente do emprego [Dissertação de mestrado, Universidade Estadual de Mato Grosso do Sul]. https://drive.google.com/file/d/1Rd2PTGaJvJc_uzHEXH9d2RLmmNQ--VWw/view?usp=drive_link
Turco, D. (2016). O Paraguai custa menos. Revista Presença Internacional do Brasil. https://issuu.com/revistapib/docs/pib33-simples
World Bank. (2015). World Development Indicators database: GDP growth (annual %), 2000–2015. https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG