

Paraguay

SOUTH AMERICA'S RISING INDUSTRIAL HUB

Global FDI
REPORTS

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Santiago Peña

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OVERVIEW



Asunción. Photos: Shutterstock

Going beyond commodities

Paraguay's economic ambition is transforming the country into a hub for industry, logistics and technology – with forests as its next great asset.

Paraguay's two decades of careful macroeconomic management have created the foundation for a deliberate economic transformation. Real GDP grew 6.6% in 2025, according to World Bank data, foreign direct investment exceeded \$1 billion for the third consecutive year and all three major rating agencies rate the country investment grade. That points to both political and economic stability and the breadth of opportunity open to German partners – a relationship built on significant historic ties.

Now, Paraguay's economic shift is accelerating. "We are competitive. We move fast. We adapt faster. The region and the world are beginning to realise that," says President Santiago Peña. The country's economy has long been built on agricultural strength – particularly beef and soy – but a strategic push towards value addition and diversification is already bringing dividends. The maquila regime, offering exporting companies a 1% tax, saw manufacturing

grow 8.2% in 2025 and maquila exports exceed \$1.3 billion, creating 37,000 jobs in the process. The government has declared an industrial revolution and set a target of doubling GDP to \$90 billion within ten years. The entry into force of the EU-Mercosur free trade agreement in May 2026 – opening a combined market of 720 million people – has given those ambitions further momentum.

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All the progress we have seen is nothing compared with what will come.”

SANTIAGO PEÑA,
PRESIDENT OF PARAGUAY

Paraguay's growing logistics strength offers further support. The Bioceánico Corridor, linking Atlantic ports in Brazil to the Pacific coast, runs through the country and is nearing completion, while the 3,441-kilometre Paraguay-Paraná waterway remains a key export route. In parallel, a surplus of affordable, clean electricity – largely from hydroelectric sources – adds a further advantage, one that is already drawing data centre and AI infrastructure investment from the United States, Taiwan, Japan and Saudi Arabia.

Alongside technology and digital infrastructure, the government is backing sectors where Paraguay's natural conditions offer an intrinsic edge. "Paraguay is so rich in natural resources that the more you understand the country, the clearer it becomes that all the progress we have seen is nothing compared with what will come," says Peña.

Forestry is a key example. Paracel, a more than \$1.5 billion initiative to build Paraguay's first pulp mill, is the flagship project in the sector. Due to begin cellulose production in 2030, the mill is conceived as the first phase of a larger ecosystem, with an adjacent free-zone industrial park being developed to attract European partners. "We are perhaps the only competitive, certified forest area that is yet to be developed," says CEO Flavio Deganutti. "That is a genuinely rare position, and it will not remain open indefinitely." It is a sentiment that captures the trajectory of a nation set on realising its potential.



Soybean plantation in Caaguazú Photos: Va de Carro

PERSPECTIVES



JOSÉ BRITZ INFANTE,
CEO, BANCO ITAÚ
PARAGUAY S.A.

“Paraguay has the conditions to be extremely competitive for German companies.”



EDUARDO FELIPPO,
PRESIDENT OF
THE SUPERIOR
COUNCIL, UNIVER-
SIDAD PARAGUAYO
ALEMANA

“Paraguay's industrial base has to be built from the ground up.”



**FLAVIO
DEGANUTTI,**
CEO, PARACEL

“The creation of a forestry ecosystem in Paraguay is under way.”

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Paraguay's new industrial revolution

President Santiago Peña is at the forefront of Paraguay's economic ascent.



Santiago Peña has led Paraguay since August 2023 with an agenda defined by economic transformation. Built around the goals that include doubling GDP within a decade and attaining full OECD membership, his programme prioritises industrialisation, diversification and the development of emerging sectors spanning technology, AI infrastructure and forestry. In this interview, Peña sets out his vision for Paraguay's resurgence and the opportunity it creates for German partners.

Q: Which sectors can consolidate Paraguay's role as a key partner for European markets?

We have a very strong agricultural base. Soy is the largest crop, and we are the third-largest exporter of soy in the world. We are also beginning the expansion of a new sector, which is forestry. Paraguay has probably one of the best climates for growing trees; a tree that takes 25 or 30 years to grow in Europe takes only seven in Paraguay. That is why there is now a

multi-billion-dollar project under way called Paracel, which is a paper mill. We also see expansion in the industrial sector. Brazil has become the largest foreign direct investor in Paraguay. Many Brazilian companies cannot compete with Chinese companies, so they relocate to Paraguay instead of closing their businesses.

“Paraguay can become a lighthouse for other countries.”

We are also moving rapidly towards becoming the country with the highest GDP per capita in Latin America. At this pace, we could reach Uruguay and Chile in around a decade. But our aim is to reach OECD standards. To do that, high-income industries are the only way. Technology is going to be key. We have signed a MoU with the government of Taiwan to build an AI data centre in Paraguay.

It will be binational. We will combine our energy with Taiwan's technology and semiconductors to create an entity that, instead of selling energy to Brazil or Argentina, sells computing capacity to hyperscalers and companies like OpenAI.

Q: How do you assess the relationship between Paraguay and Germany?

What we share with Germany is important. After Germany, Paraguay is the country with the largest number of cooperatives in the world. The cooperative system is very important in our production model. That is something we share with Germany: collaboration and joining forces. German migration here has been relatively small, but very successful. German descendants found the right conditions in Paraguay. In recent years, a new wave of immigrants has come here valuing something very basic but very important to us: freedom. Our model of success is to provide a safe environment where people can grow, develop and be free, while respecting our culture, laws and regulations. When you look at the statistics, Paraguay has outperformed the rest of Latin America over the past 60 years, growing 1,500% over the period.

Q: How can Paraguay's culture shape the way countries do business?

As we rise and raise awareness of the things we believe in, Paraguay can become a lighthouse for other countries. I say this with humility. This goes beyond economic benefits. Low taxes fulfil two purposes; one is competitiveness and the second is having a public sector that focuses on the areas it cannot give away: security, education and health. The rest depends on your effort and how good you are. We are also seeing a rise in immigration. These are not immigrants looking for an easy life. There is no easy life here. There is no large social welfare system. But there is fertile ground for people to flourish if they are willing to make the effort.

Q & A



“Paraguay is the world's leading exporter of clean, 100% renewable electricity.”

Fernando Acosta Díaz,
Ambassador of Paraguay to the Federal Republic of Germany

Paraguay's ambassador to Germany discusses the nation's renewable energy advantage and strength in logistics.

Q: What are your priorities for strengthening Paraguay's economic profile?

The priority is dissemination – making Paraguay's advantages genuinely known. Paraguay has been among the world's leading food producers for decades, particularly in soy and beef exports. The focus now shifts toward industrialisation: converting raw resource strength into finished product capacity and high-value sectors. Alongside this commercial and economic promotion, Paraguay is pursuing a parallel strategy in tourism, positioning the country as a venue for international events, conferences and sporting competitions. Paraguay recorded the highest tourism growth rate globally last year.

Q: Which sectors would you highlight to German partners?

Logistics and international transport are among the most immediate opportunities, reinforced by Paraguay's position at the heart of the Mercosur bloc and by the Bioceánico Corridor – a project now in advanced construction that will connect the Pacific port of Iquique with the Atlantic port of Santos in Brazil, cutting maritime transit times and reducing shipping costs by around 25%. Clean energy is perhaps the most compelling single opportunity: Paraguay is the world's leading exporter of clean, 100% renewable electricity, a distinction that is generating increasing interest among German investors.