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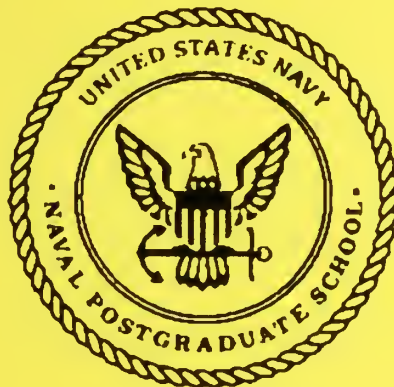


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THE POLITICAL SITUATION IN PARAGUAY TWO
YEARS AFTER THE COUP

BY

THOMAS C. BRUNEAU

NOVEMBER 1991

Final Report for Period August - September 1991

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Chief of Naval Operations
Washington, D. C. 20350

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THE POLITICAL SITUATION IN PARAGUAY TWO YEARS AFTER THE COUP

Introduction ¹

The political transition from dictatorship to democracy, which was initiated by the military coup led by General Andres Rodriguez on 3 February 1989, continued through 1990 and 1991. Currently, four of the five goals stated by General Rodriguez for overthrowing the government of General Alfredo Stroessner are being implemented. These goals were stated in order to contrast the new regime with the personalistic and archaic dictatorship Stroessner had created and dominated for thirty-four years. The dignity and honor of the Armed Forces are currently not in question, and the military are gradually decreasing their role in politics. Not only has democracy been initiated, but many important processes and reforms have been initiated whereby it may feasibly continue to consolidation. While there are still some abuses of human rights, generally the record is much improved. And relations with the Catholic Church are generally good, though the Church continues to criticize the government for the corruption which many consider a defining characteristic of the Paraguayan political system.

The only goal which is clearly not being achieved is the "...total and complete unification of the Colorado Party in government..." ² Indeed, the Asociacion Republicana Nacional, Partido Colorado is, if anything, more factionalized than ever,

and obviously incapable of providing a base for governing. Since the Colorado Party was the civilian basis of support for the Stroessner regime, and holds a two-thirds majority in the Congress, its virtual atomization holds important implications for the effectiveness of the government. The positive side of its atomization has been to open space for other political parties and movements to assume increasingly important roles in Paraguay. The most dramatic evidence of this was the election of Dr. Carlos Filizzola as Mayor of Asuncion on 26 May 1991. Not only was he the first elected mayor in the history of Paraguay, but also the first person in contemporary history to defeat the Colorado Party in an important election.

In addition to changes in the political system, Paraguay is also changing in other areas. Since the coup Paraguay is integrating into regional and international economic and political structures and has positive and much closer relations with the United States. The economy is in better condition than most of the neighboring countries, but reforms in taxing and denationalization have not been implemented - in large part due to the splits in the Colorado Party and aggravated by corruption. Reforms in social areas including health, education, and justice remain to be defined. Thus the transition continues far better than most observers anticipated after the coup, but serious political and social obstacles remain. ³

The Rodriguez Government and the Colorado Party

In preparation for the general elections on 1 May 1989 the Traditionalist sector of the Colorado Party established an agreement in March with all dissident factions of the party but for the small clique, militantes, or militants, who were removed in the coup with General Stroessner. In the relatively honest and free elections General Rodriguez won the presidency with 74% of the vote, and the Colorado Party took the Congress with 70%. Even if the Colorado Party had not won the 70%, it would have received two-thirds of the seats in the bicameral Congress in accord with the 1981 electoral law which gives two-third to the party with a plurality.

The candidate of the Partido Liberal Radical Autentico (authentic radical liberal party), Domingo Laino, won 20% of the vote and his party 19%. The results for the other parties were negligible.

On election day the president stated that all reforms for a full transition to democracy would be made before the next elections in 1993. (Rodriguez is completing the deposed Stroessner's mandate which began in 1988.) The electoral law would be revised and the voting registration rolls updated. And, President Rodriguez stated he would not run for a second term. The reforms are being implemented, but his declaration not to seek a second term resulted in the fragmentation of the Colorado Party as individuals jockey for positions to achieve the

presidency.

The electoral law was revised in January 1990 and entered into effect in March. The executive proposed the revision, but it was opposed by a large segment of the traditionalist sector in the Congress. The Congress recessed in December and the members went on vacation before completing their work on the law. The president recalled the Congress in an extraordinary session, and the law was changed. In addition to a number of articles which tend to separate the state from the party, it provides for a new registry of voters, direct elections for mayors for the first time ever, direct election of party leaders, proportional representation in Congress, electoral tribunals, independent and coalition candidates and officers, media time, and a system of electoral justices. Between May and December 1990 the electoral tribunal re-registered 1.4 million voters and established a more reliable voter registry. The political parties changed their statutes in accord with the national law, and are now obliged to hold primary elections prior to general elections (municipal, constituent assembly, congressional, and the presidential).

The Colorados held their primary elections for the municipal elections in April 1991. Rather than achieving unity, however, they split even further. By the time the Colorado Party held its convention on 14 July 1991, the divisions were extremely complex. It should be noted that by September 1990 the unity pact of March 1989 had broken down and the Colorados were fighting each other. The factionalization has continued, resulting in a myriad

of groups associated with individual politicians. It probably requires a Hollywood gossip columnist to do justice to defining the divisions, but by late-1991, according to ABC Color, the political terrain of the Party was roughly the following: 1. The traditionalists divided into five factions: autonomos led by ex-Foreign Minister Luis Maria Argana; renovadores led by Minister of Education and religion Angel Roberto Seifart; the democraticos or Tradem, led by Blas N. Riquelme; the generacion intermedia led by P. Da Silva and J.C. Frutos; and the movimiento de unidad led by Minister of Interior Machuca Vargas. These are also termed the 'old guard'. 2. The Frente Democratico composed of MOPOCO (Movimiento Popular Colorado) led by Waldino R. Lovera, Movimiento Historico y Popular led by Mendez Vall, and Coloradoismo Democratico led by G. Casabianaca. 3. The Nueva Generacion led by Eduardo Venialgo; 4. the Accion Revolucionaria Democratica, ARDE; and 5. the Movimiento Nacional Republicano (militantes), led by Martin Chiola and Cameron Mon. ⁴

President Rodriguez publicly and frequently criticized the Colorados for not achieving unity. This is significant as he was the party's candidate for the presidency on 1 May 1989, is the honorary head of the party, and his government, at least initially, included exclusively members of the party. It must be remembered that Paraguay was exceptional for a traditional Latin American dictatorship in that the Colorado Party was central to Stroessner's ability to rule for so long and to maintain stability. Continuing down to the present, the party is country-

wide, being based in each locality in a seccional, of which there are 246 nation-wide, and all public employees from nurses and teachers to army generals, have previously been obliged to belong. Even after the re-registration, and at the time of the internal elections for the constituent elections in September 1991, according to the newspapers the party had 947,012 members. While it provided a central pillar of the Stroessner regime, in its factionalized condition it has proven to be an obstacle to governing. The president was not able to draw on Colorado Party support in his efforts to privatize and achieve a standby loan agreement with the International Monetary Fund. It is not leading, and has played a small or negative role in the democratic consolidation that is currently underway. Formally at least, public employees no longer must belong to the party, and cadets are no longer obliged to join in the military academy.

The day before the 14 July 1991 party convention, President Rodriguez criticized the Colorados and very strongly expressed his distress at the factionalization. In referring to the five goals in the 3 February 1989 proclamation, "We still have not achieved granite unity within the ANR. I have requested and desire that unity and I am distressed because we have not yet achieved it."⁵ He also criticized the party in his speech on the opening of the Congress on 1 April 1991. "Internal stability would have been less difficult had the political parties used their abilities to better manage their internal conflicts." In his statement at that time on the four main protagonists- "the

people, the government, the Armed Forces, and the political organizations," he does not mention the Colorado Party by name.⁶ High-ranking military officers have also criticized the lack of unity in the party. They perceive the divisions as creating a political vacuum, thereby jeopardizing the stability of the political transition which should have been provided by the Colorado Party.

In order to govern, the president has relied less on the Colorado Party and more on independents with expertise, friends, and associates. Whereas the party and government were fused under Stroessner, they are now increasingly separate. In the process the government is less Colorado and considerably younger. As early as November 1989 Rodriguez replaced the Public Health and Social Welfare Minister, an old Colorado party hack, with a non-political expert, Dr. Maria Cinthia Prieto Conti. She was the first woman in history to hold a cabinet position. In August 1990 he replaced the highly political and deeply entrenched, Foreign Minister, Luis Maria Argana, with the more professional, Dr. Alexis Frutos Vaesken. The new Foreign Minister reorganized the ministry, fired many party loyalists without expertise, and established a Council of Advisors composed of two former foreign ministers, opposition politicians, and the Director of the Presidency. Fairly non-political businessmen have been nominated as ambassadors. A recognized agronomist, Basilio Nikiphoroff, became Director of the Agrarian Reform Institute and Ubaldo Scavone became Minister of Industry and Commerce.

The president has also sought cooperation with other political parties, and they have reciprocated. In contrast to the old regime, there is much dialogue between President Rodrigues and the main political parties.⁷ These include (a) the Partido Liberal Radical Autentico (authentic radical liberal party) in which Juan Manuel Benitez Florentin is president, but Domingo Laino is the most prominent figure; (b) the Partido Revolucionario Febrerista (febreristas), in which Euclides Acevedo is the president; and (c) the Partido Demócrata Cristiano (Christian democratic party), where the president is Angel Jose Burro. Members of these parties have cooperated with the government in congress and travelling abroad with the president, foreign minister, and other delegations in order to promote a new and more positive image of Paraguay.

Since the elections on 1 May 1989 and the revision of the electoral law and registration in 1990, two major plateaus are apparent in the transition process. After being delayed twice, direct elections were held for the first time ever on 26 May 1991 for mayors and municipal governments. Also for the first time ever, candidates were not required to be members of political parties. The Colorado Party was split, and the PLRA was also divided.

These divisions, in the context of changed rules of the game, allowed for the emergence of a completely new phenomenon in Paraguay: an anti-Colorado mayor in Asuncion, Dr. Carlos Filizzola. Filizzola was young (31), had long been an opponent

of the old regime and the Colorado Party, and was supported by labor and other groups critical of the government in a movement known as the Asuncion para Todos (Asuncion for All). Filizzola won with 34% of the vote with strong support from youth, the labor groups in the Central Unitaria de Trabajadores (united labor central, CUT), of which he was Deputy Secretary General, and the util (calculated) vote. The Colorado candidate received 27% of the vote, followed by the PLRA 20%, and the PRF 10%. Turnout was 83% of the registered voters. Filizzola's movement also won eight of the twenty-four city council seats, followed by the Colorados (seven), PLRA (six), PRF (two), and another independent. The elections were very poorly administered, but judged to be generally fair by international observers. The government invited the Organization of American States to monitor the elections. They were such an administrative mess that elections were held in thirty-one municipalities a month later. Nationwide the Colorados won in 145 of the municipalities and the PLRA in 30, including the important suburb of Asuncion (Fernando de la Mora).⁸ In the delayed elections the Colorados won in 60% and the PLRA increased its representation, including in the second most important city, San Lorenzo.⁹ Filizzola took office in late June and national and foreign dignitaries attended to show support for the democratic transition.

The municipal elections demonstrated that the Colorado Party was not invincible. Overall, its vote for the municipal elections was 43% (vs. 70% in the congressional elections in

1989), and the PLRA increased its share to 33% (vs. 19% in 1989). The Armed Forces publicly recognized the results, and President Rodriguez invited Filizzola to the presidential palace on 28 May, and both the president and mayor demonstrated their interest in cooperation.¹⁰ The results highlighted once again the problems of factionalism for the Colorado Party and raised the question of candidacies for the 1993 elections. It was in this context that some Colorado politicians suggested that they would like President Rodriguez as their candidate.¹¹ He has continued to indicate his lack of interest in running in 1993. Whether an incumbent can run will depend on the new constitution.

On 12 June the National Assembly (the Congress, Council of State, and representatives from economic sectors - 127 people) voted virtually unanimously for a complete reform of Stroessner's dictated 1967 constitution. Since the constitution was the legal basis of his dictatorship, its reform is unanimously perceived as necessary to consolidate the democratic transition. President Rodriguez stated very strongly his belief that the constitution required a thorough reform. Elections for the constituent assembly will be held in early December 1991. On 14 June, the day after after the National Assembly voted, the president called on the leaders of the main Colorado factions to put aside their differences. The Colorado Party held its elections on 29 September with four different factions competing. The traditionalists have continued predominant.

Politically, therefore, Paraguay has gone far in its democratic transition since the 1989 coup. The electoral law has been revised, free if disorganized municipal elections have been held in which the Colorados lost badly, and the constitution will be replaced. The Colorados have not been up to the task of governing, however, and the tendency towards factionalization seems endemic to Paraguayan political life. With the success of an independent in being elected mayor of Asuncion, the political scene may well shift substantially before the general elections in 1993. President Rodriguez has made efforts to cooperate with the opposition, and while the congress has not been particularly effective, he has recognized its decisions. For example, in mid-September 1991 the congress overrode his vetos on two laws. One was to expropriate a very large tract of land owned by a friend of the president and the other was to create a controller general independent of the executive. The effects of these positive and negative aspects of the changing government of Paraguay will be obvious in all other areas to be discussed in the sections to follow.

Government Officials (September 1991)

| | |
|----------------------------------|--------------------------------|
| President | General Andres Rodriguez |
| Interior | General Orlando Machucu Vargas |
| Foreign Affairs | Dr. Alexis Frutos Vaesken |
| Finance | Dr. Juan Jose Diaz Perez |
| Education and Religious Affairs | Dr. Angel Roberto Seifart |
| Agriculture | Eng. Raul Venancio Torres |
| Public Works and Communications | Gen. Porfirio Pereira Diaz |
| Defense | Gen. Angel S. Souto |
| Public Health and Social Welfare | Dr. Maria Cinthia Prieto Conti |
| Labor and Justice | Dr. Hugo Estigarribia Elizeche |
| Industry and Commerce | Dr. Ubaldo Scavone |

The Armed Forces

The military continue to be supportive of the political transition, with frequent statements by high-ranking officers.¹² While criticizing the Colorado Party, and in contrast to the Stroesser era, officers have been in contact with the opposition parties. Despite the statements and contacts, however, the overall tendency is towards some higher degree of professionalization of the Armed Forces.

Under Stroessner there was no chief of staff for the army. The army, with approximately 13,000 men (vs. navy with 3,500 and air force with 1,500) is clearly the dominant service.

Stroessner wanted no intermediary between him and the commanders so all would have to depend on him personally. Currently some eight separate commands report to the president, as commander in chief of the Armed Forces. There is now under discussion in the congress a bill to create a chief of staff of the army, and in the future only the three service chiefs would report to the president. This is all the more significant since it is possible that a civilian will be elected president in 1993.

The Paraguayan military have traditionally received much less from the government budget than they require to operate. Means are, however, open to the Armed Forces and to individual officers to generate income through a whole variety of activities which range from the completely legal to gradations of illegality. It is significant that President Rodriguez removed two generals in July 1990 who were thought to be involved in drug trafficking.¹³ In addition to very close links with the Brazilian military, the Paraguayan Armed Forces are increasingly involved with the United States. In this latter case, however, the greatest emphasis is currently in drug interdiction. While there is no U.S. security assistance, and little International Military Education and Training support, there is support for various drug interdiction activities.

Social Groups and Movements

In the much more open environment initiated with the coup in 1989, social groups and movements have assumed increasing importance. One that has not is the Catholic Church. By the end of the Stroessner dictatorship, the Church was the single most important opponent of the regime, active and outspoken in condemnation of the regime's abuses of human rights and neglect of the plight of the lower class. With the political opening and emergence of other actors, its relative importance has diminished. It remains, however, active in the socio-political milieu with statements and documents that focus particularly on the situation of the peasants. It is generally thought that the Church is behind much of the organizing in the rural areas. President Rodriguez, unlike his predecessor, attempts to get along well with the Church, and publicly practices the religion. Church-state relations are good, but for criticism of the government to halt corruption. With the elections to a constituent assembly on 1 December 1991, the Church will take a very active role, just as it did in Brazil in the mid-to late-1980's.

The Stroessner regime was suspended by the United States from benefits under the Generalized System of Preferences due to its unwillingness to allow labor to organize. The sanction was lifted in February 1991 as the situation for organized labor had improved, and hundreds of unions recognized. A new labor code,

however, has yet to be enacted. The government, drawing on some sectors of business and labor, presented one in November 1990. Before then the CUT presented its own and did not participate in the discussions with the government regarding its version. The Congress has yet to enact a new labor law and the discussion has largely focused on the rights of government workers to organize. The CUT version is also supported by the small Central Nacional de Trabajadores, national workers central (CNT). In addition to the CUT and the CNT, there remains the Confederacion Paraguaya de Trabajadores, Paraguayan workers confederation (CPT) which was the official labor organization in the old regime and is widely considered an ineffective organization. The CUT is the most powerful and most radical organization, is critical of the government, and pushes for urban and rural labor interests most forcefully. In terms of activity, it is followed by the CNT and then the CPT. According to Roberto Luis Cespedes Ruffinelli, in 1990 the CUT had 101 affiliated unions, the CNT 53, and CPT 15,630 affiliates. The latter figure is due in large part to its "official" status under the old regime.¹⁴ The CUT is not affiliated internationally but has contacts with the ICFTU (International Confederation of Free Trade Unions) and WFTU (World Federation of Trade Unions). It receives some support from the AIFLD (American Institute of Free Labor Development) which is supported by the AFL and CIO.

After a thirty-five year absence, Paraguay attended a conference of the International Labor Organization in Geneva in

1991. Minister of Labor Estigarribia led the delegation which included a CNT member as the labor representative and members of the CUT and CPT as labor technical advisors. The CUT also includes at least two peasants movements. They are the Movimiento Campesino Paraguaya (movement of Paraguayan peasants, MCP) and Coordinadora Nacional de Productores Agrícolas (national coordination of agricultural producers, CONAPA). In this complex and dynamic area of rural organizing, however, affiliation and ideological orientation remains unclear. ¹⁵

While there is a certain amount of tension and violence involving urban labor, undoubtedly the greatest problems concern the rural areas. Since the coup it has been reported that 291,000 acres have been redistributed to approximately 20,000 peasant families in some thirty-four colonies. There are, however, at least 350,000 landless peasants remaining. As there is a high degree of expectation arising from the change of government, and frustration over the corruption and inefficiency in the redistribution process, violence has been frequent.

In August 1990, President Rodriguez ordered the military not to intervene in land issues as it was losing prestige over direct involvement in this violence-prone and very complex issue. Rather, a special organization within the police (the Fuerzas de Operaciones Policiales Especiales, FOPE) are now tasked to handle evictions. They are supposed to use warrants and have prior consent from the Agrarian Reform Institute, IBR. It seems obvious that the fact and style of evictions depends on who has

title to the land.

In this area, as all others, there is great difficulty implementing policy due to the politics of the administering organization. The agronomist, Nikhiporoff, was forced to resign in September 1991 due to internal problems in the IBR. It should be noted his opponents in the IBR Council were also forced out. Violence in the land situation has been relatively frequent with conflicts between peasants, owners, and often the police. It should be noted, however, that the base of the Colorado Party remains in the rural areas among the peasants.

In the overall relationship of government and society there has been a tremendous change since the coup. Human rights abuses are greatly reduced, there is little repression, no political prisoners, and official censorship is minimal. ¹⁶ All is not as encouraging as it might be, however, due to pervasive corruption, political infighting among the Colorados, and a very long tradition of authoritarian rule. Indeed, Paraguay has virtually no experience with multi-party democracy and representative government. Some areas which reflect particularly serious problems are the judiciary and the media. There would be even more serious problems in the area of drugs but for the tremendous pressure and provision of resources from the United States.

The judiciary is extremely backward, is not independent, and has a tremendous backlog of cases. This situation has received international attention, in particular the tragic cases of adoption by foreign parents. Large sums of money are involved,

and one of the two judges handling these cases was forced out in August 1991. In late 1991 there was only one judge processing adoptions and a consequent great backlog of cases. The courts have also been criticized by the Catholic Church and others for not prosecuting Stroessner cronies for alleged corruption.

In general terms the media is free, though there remains a certain amount of self-censorship. In contrast to the old regime, respectable newspapers are allowed to circulate; ABC Color and Ultima Hora are probably the most reputable. There are two television networks and forty-six radio stations. Overall, the media reports on whatever it chooses, and is very critical of all branches of government.

The media, and in particular ABC Color, has focused attention on Paraguay's endemic corruption. They have highlighted corruption in the judiciary, economic institutions, the civil registry, and the lawlessness in the important towns of Ciudad del Este and Pedro Juan Caballero. Due to their coverage there is a common perception that corruption has increased since the coup. The government has stated its intention to wipe it out, and President Rodriguez has in fact removed military officers and officials in the Central Bank and the state monopolies.

In 1991, however, there have been a number of attacks on freedom of the media, and the most serious is related to attention to corruption. In early March an ABC Color journalist was shot at by a soldier at a clandestine airfield owned by the

former mayor of Ciudad del Este near the border with Brazil. Later in the month another from the same paper was shot at by the military when inspecting General Stroessner's vacated residence, and was then arrested. In late April a journalist who had been denouncing smuggling involving high-level officials was killed in Pedro Juan Caballero. In September 1991, a humorist was sentenced to pay a large fine and go to prison for four months, for criticizing a member of the Council of State. And, a high level Army officer, General Lino Oviedo, suggested that a draconian press law be implemented to domesticate the media. These may be simply reactions to press freedom that was unheard of under the old regime, but elements in the media are concerned about the tense relations with the military and Colorado leaders. The media also highlight the divisions among the Colorados and are happy to call attention to the personal attacks (oral and physical) by the party's members on one another. This undoubtedly has not helped the Colorados at the polls. The Colorados then blame the media for highlighting their internal problems.

Foreign Relations

It seems likely that the political transition in Paraguay would not have gone so far and fast without the international support which is both offered and solicited. Before the 1989 coup Paraguay was an international pariah, maintaining close

relations with only Brazil, South Africa, and Taiwan. Foreign states and international organizations make concerted efforts to include and integrate Paraguay into a wide variety of systems with the intention to consolidate a democratic regime, develop the country, and discourage smuggling, particularly in drugs.

The inauguration of President Rodriguez in May 1989 was attended by the presidents of Argentina, Brazil, and Uruguay, a great many foreign ministers, and President Bush's daughter, Dorothy. Vice President Quayle visited Paraguay in March 1990. After the first direct municipal elections in May, President Rodriguez received letters of congratulations from Presidents Bush, Menem of Argentina, and Lacalle of Uruguay. President Rodriguez attended the inaugurations of Presidents Collor, Menem, Lacalle, Aylwin of Chile, and Paz Zamora of Bolivia. By August 1991, King Juan Carlos and Queen Sophia of Spain, and seven Latin American heads of state had visited. In turn, President Rodriguez had visited ten nations. In June 1990 he made an unofficial visit to Washington and met with President Bush. Paraguay hosted the twentieth OAS General Assembly in 1989. After beginning its integration in the MERCOSUR in August 1990, Paraguay joined the Rio Group in October 1990. The Treaty of Asuncion with Argentina, Brazil, and Uruguay to establish a Southern Cone common market by 1995, the MERCOSUR, was signed in mid-1991. One significant element in the MERCOSUR is the requirement that the members must be democratic. ¹⁷

As part of Paraguay's opening to the world, and the world to it, is the intention to establish relations with what used to be termed the Eastern Bloc. Until recently Paraguay had diplomatic relations with only Yugoslavia. Paraguay is in the process of discussing establishing relations with Hungary, Poland, and Czechoslovakia. In August 1991 the foreign ministry announced that there were plans to establish diplomatic relations with Poland, though neither country would establish missions in the other country. There are ongoing visits and discussions on trade with the Soviet Union. The Soviet Ambassador to Argentina met with President Rodrigues in mid-July to promote trade. In late July the Foreign Minister, Alexis Frutos Vaesken, announced that commercial and consular relations would be established with Cuba.

Relations with the United States are extremely good. After serious delays and some concern by Paraguay, the GSP was restored in February and the OPIC in July 1991. In the all-important (at least for the United States) anti-drug effort, Paraguay is extremely cooperative. The government has established an anti-drug police Direccion Nacional de Narcoticos (DINAR) and a special joint task force of military and police, the Servicio Nacional Antidrogas (National Antidrug Secretariat - SENAD), which in May 1991 replaced CONAD with expanded powers for the Executive Secretary. SENAD is under the command of an anti-drug czar, General David Marcial Samaniego. General Samaniego has powers to demand cooperation from other government agencies, and his office is responsible for coordination and oversight of all

counterdrug policy. In May 1991 the government was able to have a law passed requiring banks and other financial institutions to report transactions of over \$10,000.

The United States does have a number of relatively small assistance programs with Paraguay. There is a USAID office in Asuncion and a program of approximately \$2 million in 1991 which includes among its goals the strengthening of democratic institutions and the promotion of economic reforms. Under the State Department's International Narcotics Matters, Paraguay received \$300,000 in 1991 for various training requirements, cooperative programs, and purchasing dogs. There is no security assistance program, but there was \$175,000 in FY-91 for International Military Education and Training. In addition, the United States and Paraguayan military train jointly in a number of exercises. There are approximately 180 Peace Corps volunteers also working in Paraguay. Through USAID, the military liaison group, and various drug enforcement efforts, the involvement in Paraguay is larger than might appear from the relatively small sums of funds noted above. And, if the situation continues to evolve along the same lines in Paraguayan politics and reforms, in the context of the movement of drugs from Bolivia and Peru, involvement could conceivably increase.

If official relations are extremely good, some elements in the Colorado Party are critical of the role of the United States. In February, Luis Maria Argana, leader of the Autonomous Traditionalists, charged that the Embassy was working to remove

the Colorado Party from government.¹⁸ When Ambassador Glassman presented his credentials in early August 1991, virtually all the daily newspapers gave it front page attention. Patria, the paper of the Colorado Party, neglected the event and covered instead the Ambassador of Egypt presenting his credentials. It should be noted that relations between United States ambassadors, the Stroessner government, and the Colorado Party were often tense and difficult in a six-year period leading up to the coup.

President Rodriguez is attempting to redefine Paraguay's relations with its neighbors. In addition to entering into regional political and economic programs, he is seeking to decrease the overwhelming reliance on Brazil, which General Stroessner emphasized. The most obvious manifestation of the reliance is the binational Itaipu complex where the final phase of the huge dam complex was inaugurated by Presidents Collor and Rodriguez in early May 1991. There is much pressure in Paraguay to renegotiate the Itaipu Treaty, and the Congress voted unanimously in August 1990 to request the president to begin renegotiations. So far, however, President Rodriguez has pushed primarily for Brazil to pay its overdue bills for electricity sold by Paraguay from its share of the output. This was one of the main topics of discussion during his official visit to Brazil in late August 1991. As early as April President Rodriguez stated that it was necessary to renegotiate the Itaipu Treaty, but so far there has been little action and he has apparently not been very forceful in his dealing with Brazil.¹⁹

Paraguay has ample reasons to want to renegotiate including the following: 1. The established price is low, and even at that Brazil has not been paying Paraguay; 2. There is a clause which prohibits Paraguay from selling energy to other countries and water has been allowed to run off that could have been used by Paraguay to generate electricity to be sold to Argentina and Uruguay; 3. And, the Itaipu Treaty consists of a treaty within the MERCOSUR treaty, and according to some experts should be superseded.²⁰ There are many other issues which complicate renegotiation, including the 400,000 Brazilians living in Eastern Paraguay, the illegal export of timber and other items to Brazil, and the very close relations between the two militaries.

President Rodriguez has emphasized relations with Argentina, which were largely neglected during the previous regime. Five presidential meetings took place in 1989, and in 1990 there were a series of meetings of businessmen from both countries, meetings of border officials, and discussions regarding river usage and land transportation. President Lacalle of Uruguay made an official visit to Asuncion in May to emphasize cooperation in MERCOSUR and to promote cooperation in counter-drugs and business. It should be noted that members of other parties are normally involved in the international relations areas. Presidents Rodriguez and Paz Zamorra have visited each other's capitals, and there are discussions regarding transport and communications in the Chaco area.

In addition to much closer relations with neighbors, an opening to Eastern Europe, and positive cooperation with the United States, President Rodriguez has emphasized economic links with Asia. Paraguay maintains relations with Taiwan, and in June of 1990 he visited Taiwan and Korea. President Rodriguez has been successful in obtaining assistance and investment from these two countries as well as Japan. Overall, Paraguay has redefined its relations with the outside world and is finding ample support for the consolidation of democracy and economic development.

The Economy

The economic situation remains mixed. In its "Preliminary Overview of the Economy of Latin America and the Caribbean, 1990" the Economic Commission for Latin America and the Caribbean rated Paraguay as the economic leader for the decade of the 1980's, with a 3% growth rate in GDP in 1990, an increase in export value of 219% for the decade, and a relatively low debt service burden.

²¹ In an interview with the author, an economic expert who works on Paraguay he stated: "It is the best-managed economy in Latin America." ²² According to World Bank data, in 1990 the GDP grew at 3.1%, the rate of inflation was 44%, and external public debt had decreased to 33% of GDP (down from 44% in 1989 and 53% in 1987). The government eliminated the multiple exchange rates in February 1989, and there is now a single free-floating exchange rate. Due to the 44% inflation rate in 1990 the nominal interest

rate was increased substantially. This resulted in real interest rates of approximately 6%. The rate of inflation will probably be less than 20% in 1991. Taxes are very low in Paraguay, somewhere around 11% of GDP. The result of these factors has been a tremendous infusion of foreign exchange to approximately \$1 billion in reserves (up from \$250 million in early 1989).

The economic growth, low inflation, and ample reserves have not led, however, to a renegotiation of Paraguay's external debt.²³ This is due both to internal bickering in the government and the manner in which some of the debts were incurred. The inability to settle with the banks has made it impossible so far for Paraguay to negotiate a standby loan with the IMF, which would then open up more possibilities with other public and private lenders. This would be Paraguay's first IMF assistance in three decades. In mid-1991, Paraguay was supposed to renegotiate \$400 million (of a total foreign debt of about \$1.690 billion). Apparently corruption was involved in some of the international loans with both Paraguayans and foreigners receiving very large sums of money. The government wants them discounted. They are seeking deals similar to their renegotiation with Brazil. In that case the \$400 million owed was paid with devalued Brazilian currency worth \$130 million, but for which Paraguay received full credit. Paraguay is seeking a similar arrangement with banks in Italy, France, and possibly Spain.

In theory and fact the Paraguay economy is heavily liberalized. There are no controls on exchange rates,

repatriation of capital, and few controls on labor relations. The borders are open. The financial system is being reformed and the investment incentive law has worked reasonably well with little corruption. Efforts to privatize state firms, however, have made no progress. Not a single state firm has been privatized despite an awareness that INC, National Cement Industry, and APAL, the Paraguayan Alcohol Administration, are likely candidates. In fact in 1991, the government created FERTIPA, a state fertilizer firm. And PETROPAR, the state firm with a monopoly on the import of crude oil, is expanding into exploration.

Due to a number of problems including adverse weather, a glut of cotton, and economic problems in neighboring countries, Paraguay has a likely \$300 million trade deficit in 1991. A factor in this is also the inability of Brazil to pay for electricity from the Itaipu complex.

Overall, however, the economy performed well, though one must be careful of too much enthusiasm. It is estimated by some that the contraband sector accounts for 30%-40% of total commercial activity, and major reforms have yet to be made in the tax and financial systems.

Conclusion

In 1990-91 Paraguay under the leadership of President Rodriguez made substantial progress towards democratic consolidation. Despite the atomization of the Colorado Party and

its apparent inability to serve as a governing party in a democratic system, political reforms were implemented and free elections held. Reforms in the economic area have been slower and in social matters even less impressive. The international support for democracy and development has been strong, at least in rhetoric and diplomatic terms, and Paraguay is rapidly moving away from the isolation of the latter Stroessner years. As Paraguay begins to formulate a new constitution it remains to be seen whether it is able to avoid the long drawn-out process that paralyzed Brazil in 1986-87.

Notes

1. In addition to utilization of secondary materials and documents made available through the Foreign Broadcast Information Service (FBIS), I made a one week research trip to Asuncion in September 1991.
2. FBIS, South America, 3 February 1989, p.28.
3. Paraguay is receiving considerably more attention in the United States than in the past. During the past year at least two books on contemporary politics were published and a major international conference on Paraguay was held. See Carlos R. Miranda, The Stroessner Era: Authoritarian Rule in Paraguay (Boulder: Westview Press, 1990) and Riordan Roett and Richard Scott Sacks, Paraguay: The Personalist Legacy (Boulder: Westview Press, 1991). The conference on "The Transition to Democracy in Paraguay: Problems and Prospects" was held at the Kellogg Institute, University of Notre Dame, 7-9 December, 1990.
4. Other compositions and names could be noted but these were the sectors running in the party's election on 29 September for representatives to the constituent assembly elections on 1 December 1991. ABC Color 29 September 1991. It should be noted that President Rodriguez decreed that leaders of what was the militant faction cannot participate in politics until after 1993. FBIS 5 February, 1991, p. 28. For a historical overview of the factions, a discussion of membership, and a description of their tendencies, see Benjamin Arditi, "Del Granito al Archipelago. El Partido Colorado Sin Stroessner." A paper prepared for the Kellogg Conference, December, 1990.
5. FBIS 15 July, 1991, p. 55.
6. FBIS 3 April, 1991, p. 32.
7. For a review of the liberals and febreristas, their programs and tendencies, see Esteban Caballero Carrizosa, "Los partidos politicos de oposicion en el actual proceso de transicion en el Paraguay: el caso del Partido Liberal Radical Autentico" prepared for the Kellogg conference, December, 1990.
8. FBIS, 5 June, 1991, p. 41.
9. For the results of the second round see FBIS, 25 June, 1991, p. 28.
10. FBIS, 29 May, 1991, p. 39. For comments by Colorado leader Luis Maria Argana see FBIS, 30 May, 1991, p. 39.
11. Earlier in the year a prominent leader of the Autonomous traditional faction, Dr. Oscar Facundo Ynsfran, advocated military rule to avoid 'political convulsion'. President Rodriguez and

politicians from other factions and parties denounced the suggestion. FBIS 8 February, 1991, p. 27 and 13 February, 1991, pp. 23-25.

12. See for example the long interview on precisely these topics with the Minister of Defense, General Souto, in FBIS 12 July, 1991, pp. 31-34.

13. Carlos Maria Lezcano and Carlos Martini, "Intervencion Politica de Las Fuerzas Armadas Despues del Golpe del 2 y 3 de Febrero en el Paraguay." A paper prepared for the Kellogg conference, December 1990, p. 20. For examples of business activities see pp. 27-31. See also Marcial Antonio Riqueleme, "Desde el Stronismo hacia la Transicion: El Papel del Actor Militar." A paper prepared for the Kellogg conference, December 1990.

14. Roberto Luis Cespedes Ruffinelli, "Sindicalismo y Transicion" Paper prepared for the Kellogg conference, December 1990.

15. For an overview of rural organizing see Daniel Campos, "El Movimiento Campesino ante la Crisis y la Nueva Coyuntura: 'Stronismo sin Stroessner' o Transicion Democratica." Paper prepared for the Kellogg conference, December 1990.

16. Foreign Minister Alexis Frutos Vaesken, for example, agreed with the findings of a report on human rights by the Latin American Human Rights Association. He welcomed the criticisms for the improvement they could make. FBIS 15 April, 1991, p.37.

17. For excellent overviews of Paraguay's international relations see Fernando Masi, "Paraguay en el Proceso de Integracion del Cono Sur" Instituto Paraguayo para la Integracion de America Latina, Asuncion, August 1990, and "Paraguay: Hasta Cuando la 'Diplomacia Presidencialista'?" Forthoming, Anuario Prospel, 1990-91.

18. FBIS 4 February, 1991, p. 39.

19. On his statement see FBIS 15 April, 1991. P. 37.

20. Fernando Masi, "Paraguay: Hasta Cuando la 'Diplomacia presidencialista'?" p. 8.

21. "Preliminary Overview of the Economy of Latin America and the Caribbean, 1990" ECLAC, Santiago, Chile 1991.

22. Interview in Washington, D. C. at multinational agency on 3 September 1991.

23. Details on the debt are found in FBIS 10 June, 1991, p. 41.

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