



# The End of Forever

By Derek Sambrook, FIBSA, TEP  
Managing Director, Trust Services, S.A.,  
Panama



**R**uled by despots, poor, remote and definitely one of the most corrupt countries in the western hemisphere; so what has changed in Paraguay? It would seem quite a lot in a country where the rulers, after the end of the Second World War, made a fortune from smuggling large quantities of untaxed cigarettes and liquor from bordering countries.

I have written frequently about the ineluctable spread and deepening of democracy across Latin America ('Joseph's Coat', April 2008 – Issue 185) and even in Paraguay which, since its independence in 1814, has been destined to suffer one dictatorship after another, it is at last taking root. The manifestation of this is Fernando Lugo, a 57-year old former missionary and Catholic bishop, who was sworn in as president of Paraguay in August. It was a reluctant Vatican that granted the former bishop, who now has lay status, special dispensation. There is some irony in this in that although the Catholic church has seen its influence decline in many parts of Latin America (see 'Onward Christian Soldiers', September 2008 – Issue 189), it is one of its former bishops that may eventually have the most profound effect on this South American country that has been considered for so long the backwoods of the continent.

Whereas the country has been a rich source of inspiration for novelists, notably the late Graham Greene, who, in his later years, was politically active in Latin American affairs, it has now become a rich source of food because of the global shortage, described by many as a crisis. Paraguay has a subtropical climate that allows farmers to have five harvests every 24 months and so with its large areas of arable land it is able to produce an abundance of crops. The hike in food prices has given its trade balance a healthy boost and the International Monetary Fund believes that Paraguay's trade balance has been increased as a result of this by just over 12% of its 2005 gross domestic product, based on food price increases in 2007-08; it is the only country to have had such a double-digit increase.

Paraguay's potential to help with the food shortage has been overlooked in many quarters, as has the fact that it is already one of the world's largest exporters of soya beans; production has almost doubled in two years. The economy grew by 6.4% in 2007, which is the highest rate in 20 years, but even so it has not yet enticed foreign investment to a country where extreme poverty has reached nearly 20% of the population of 6.8 million. Poverty is something the president has lived with and understands because for more than ten years as a bishop he lived in San Pedro, a very poor region of the country whose main population comprises peasant farmers and labourers; he has said that he will not accept his presidential salary of USD4,000 (approximately) per month.

If any form of democracy is better than none, what type can Paraguay expect from Fernando Lugo? This left-leaning former cleric, however, who is sympathetic to radical causes, should not be likened to Hugo Chávez in Venezuela. It is true that of the nine heads of government who attended Fernando Lugo's investiture, only one of them, Hugo Chávez, remained after the ceremony and proceeded, in his inimitable grandiose style, to produce letters of intent, presumably encouraging Paraguay to join his Alternativa Bolivariana para Las Américas (Bolivarian Alternative) pact which, that same month, Honduras joined. This Venezuelan anti-American alliance already had Cuba, Bolivia, Nicaragua and Dominica on board. But this "bishop of the poor", as he has been called, has so far not displayed any of the classical traits of the power-

hungry politician and has already expressed the desire to return to being a parish priest at the end of his five years as president.

In choosing his ministers he appears to have tried to take a middle political road by appointing centrists, leftists and reformers. Whilst his foreign minister, Alejandro Hamed, seems to empathise with Hugo Chávez, the new president, who considers himself a moderate socialist, has confirmed this by praising the president of Chile, Michelle Bachelet. Perhaps, in the end, Fernando Lugo will see Venezuela just as a useful counterweight to the pervading influence of Brazil (not to mention Argentina). In any event, it is not his relations with Venezuela that occupy his mind.

Besides placating his coalition partners (drawn from the centrist liberal party and a dozen small far-left groups), he must also ensure good relations with one of his neighbours, Brazil. Both countries share the Itaipu hydroelectric dam, which is still the world's largest until China completes its Three Gorges project. Paraguay does not use even one-tenth of the electricity generated and under the terms of a treaty it sells the remainder of its half share of the power to Brazil. Due to the needs of the economy (this requires a review of taxes which presently amount to only 11.6% of gross domestic product, the lowest in the region), President Lugo wants to renegotiate the terms of the treaty. Although the two presidents appear politically aligned in many ways, this move by Paraguay could strain relations.

Perhaps harder to change than the Itaipu treaty will be the political culture of Paraguay. The Colorado party which has dominated politics since 1947 was defeated in the elections, but not broken. The president lacks a majority in Congress where the previous president, Nicanor Duarte Frutos, can be expected to wield influence – not to mention Lino Oviedo, a former general and defeated presidential candidate, whose party holds some key seats. In 1998, when General Oviedo was the commander of the first army corps based near Asunción, the capital, he declared that the army and the Colorado party would run Paraguay “forever”. Membership of the Colorados, for example, has been a condition for getting employment in the public sector. Coincidentally, one of the new government's goals is to reduce the number of civil

servants (at last count there were 220,000). Expect trouble.

To understand more fully, however, the significance of Fernando Lugo's presidency one needs to look more closely at the past. After independence Paraguay succumbed to the dictatorship of Gaspar Rodriguez de Francia, only to be followed first by Carlos Antonio Lopez, who was known as el Supremo (the supreme one), and then his son, Francisco. But el Supremo's dictatorship bred militarism and it was Francisco who subsequently made the disastrous decision to go to war against Argentina, Brazil and Uruguay. What followed endorses Winston Churchill's advice: “Never, never, never believe any war will be smooth and easy, or that anyone who embarks on the strange voyage can measure the tides and hurricanes he will encounter”. El Supremo had created a large standing army of 50,000 troops which made the country's neighbours (Argentina, Bolivia and Brazil) very uncomfortable and an alliance of Argentina, Brazil, plus Uruguay, later manipulated el Supremo's son into the war. Paraguay was defeated so utterly that when the war ended in 1870, five years later, its population had been halved from a pre-war total estimated to be 1.2 million. This, nonetheless, didn't stop the stubborn Paraguayans from again going to war in the 1930s with Bolivia, but this time fortune was on their side and, victorious, they gained a large part of the Chaco region from the Bolivians.

Poverty and politics mean that Fernando Lugo has his work cut out for him in a country which, above all else, has endured two regional wars and 35 years of dictatorship under General Alfredo Stroessner who took power in 1954. It has been estimated that perhaps only 1% of the population owns 77% of the country's farmland, which is its prime source of wealth. Much of the land was given to cronies of General Stroessner, a close ally of the Colorado Party which was formed seven years before he seized power.

Importantly, the Colorado party's 61-year domination (the world's longest ruling party) has come to an end, despite those who thought it would dominate politics forever. This alone is a remarkable achievement (although, as I say, the party is still alive and well – if bruised). The road ahead is uncertain except for one thing: this man of faith will need to draw on all of it if he is to succeed.

[www.trustservices.net](http://www.trustservices.net)