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## Political Dealmaking Overshadows Policymaking in Paraguay

*by Guest*

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Although Paraguay's Tribunal Superior de Justicia Electoral (TSJE) has affirmed that the Constitution requires that elections be held to fill the vice presidential spot left vacant when Luis Maria Argana was assassinated, that office continues to be the source of intense political bickering. The night that disgraced former president Raul Cubas Grau resigned and Senate president Luis Angel Gonzalez Macchi succeeded him, leaders of Macchi's Partido Colorado (Asociacion Nacional Republicana, ANR) promised opposition parties that the vice presidency would be ceded to one of their number to create a government of "national conciliation" (see *NotiSur*, 1999-04-09, 1999-05-21).

Within weeks, however, the government and the Partido Colorado reversed their stance, sparking a wave of protest from opposition politicians. The TSJE's announcement setting February 6, 2000, as a tentative date for elections initially did little to stop protesters from calling on the ANR to fulfill its promise and appoint someone from outside Partido Colorado ranks as vice president. Gradually, however, all but one of Paraguay's opposition parties have conceded that constitutional procedures preclude any back-room deals made during the chaotic final hours of the Cubas administration.

Article 324 of Paraguay's Constitution states that, if the vice presidency becomes vacant during the first three years of the incumbent administration's term, elections are required, but it does not establish a timeline for them. Paraguayan law does require, however, that the TSJE set the date within a certain period in this case, it has until Aug. 4 to make its final decision.

The TSJE has several times fixed a date by which it would render its final decision only to later reschedule at the request of Paraguay's chief political parties. Ongoing negotiations between the Partido Colorado and the opposition suggest that some sort of agreement to change the law might rule out elections. Leaders want to abolish position of vice president Talks between the government-ANR axis and Paraguay's opposition center on the presidential advisory group Consejo de Asesores del Ejecutivo, in which all key political parties have representation.

On June 23, the Consejo announced its support for a proposal by President Macchi to revise the Constitution to eliminate the position of vice president. It said the move would save Paraguay US\$13 million and diffuse the controversy surrounding the vice presidency. Macchi says the vice presidency is a "decorative" post with no political significance, and wastes scant government funds.

While the abolition of the vice presidency remains on the table, the June 23 meeting ended with a decision to extend discussions another 15 to 18 months also suggested by Macchi. "We think it's reasonable," said PEN leader Euclides Acevedo. "It gives us all time to seek consensus on the issue."

The decision to prolong negotiations only makes sense if the Tribunal Electoral's current electoral timeline is revised. In that case, presumably, the only matter open for discussion would be whether the Constitution should be revised to do away with the office of vice president.

### *Political negotiations eclipse national agenda*

Even barring any move to abolish the post, the vice presidency appears to rest entirely in the hands of the Consejo de Asesores del Ejecutivo, although the TSJE's decision to convene elections would seem to render any negotiations on the matter unnecessary.

All but one of Paraguay's opposition parties, the Partido Liberal Radical Autentico (PLRA), have announced they will not field candidates, and some observers say the possibility that a member of the Partido Colorado could be appointed to the post cannot be ruled out. The strategy of opposition leaders has been to exchange their claims to the vice presidency for more appointed positions within Paraguay's vast bureaucracy. But some opposition members say this bargaining threatens democracy in Paraguay. "If we are not capable of following through with the basics of the democratic system," says Carlos Riveros, who leads a PLRA splinter group, "the cost will be a lot higher than the two or three million [dollars] that the elections will run us."

The collapse of the Cubas regime was widely regarded as a victory for the rule of law in Paraguay, and political activists worry that the dealmaking has hamstrung the consolidation of democracy. "The issue comes and goes," says Catholic priest Francisco de Oliva, a leading human rights advocate. "Sometimes it seems elections will happen, then they get postponed.

The result is that time, momentum, and attention are lost, and there are so many things that we need to do for Paraguay. We need to commit ourselves to the consolidation of the democratic project." Riveros asserts the push to postpone elections is the result of political infighting within the ANR. "Everybody knows the Partido Colorado has internal problems," he said. "Let's not kid ourselves. They can't resolve them and they want the country to humor them and sacrifice the national interest something they have been doing for 62 years now."

Indeed, as the Partido Colorado prepares for its internal elections, several leading members have launched campaigns identifying themselves as the "Arganista candidate," including ANR president Bader Rachid Lichi and Nicanor Duarte Frutos, Macchi's Minister of Education. The popularity of the dead vice president is higher now than ever. Bumper stickers that read "Argana vive" (Argana lives) or "Argana es Luz" (Argana is the light) are common on the streets of Asuncion, and, on June 23, when his supporters re-opened Argana's old political headquarters, thousands gathered in the streets for an hours-long party. Whoever manages to inherit the fallen leader's mantle will accrue tremendous political capital.

### *Economic situation worsens*

Meanwhile, Paraguay's economy remains in a rut. In late June, international speculation triggered a swift devaluation of the guarani currency and a rise in the prices of consumer goods. But consumer spending and commercial sales have been down for some time. In early May, the Direccion de

Estadísticas y Censos released a study indicating that 14.3% of Paraguay's economically active population (EAP) is unemployed. Nineteen percent of employed Paraguayans surveyed indicated that their monthly incomes were insufficient to meet their basic needs.

The government has announced a plan for economic reactivation that will be wholly financed via some US\$1.7 billion of foreign debt. The biggest chunk of this, US\$400 million through the Chinatrust Commercial Bank, will be applied toward "cleaning up" the country's failed financial system, including payments exceeding US\$150 million to partially reimburse the more than 100,000 Paraguayans who have lost their savings since 1997 as banks failed because of corruption or mismanagement.

Congress recently altered the laws governing debt acquisition, making the process less rigorous. As of March, Paraguay's foreign debt totaled just over US\$1.5 billion. Among the institutions that owe the most are the central government, with liabilities of roughly US\$1 billion, ANDE, the national power utility (nearly US\$243 million), and the Banco Central, which is US\$45.3 in the red. In 1998, debt-service payments equaled 18.7% of the country's GDP. Many blame government mismanagement of funds and corrupt officials for wasting loan money while leaving the country saddled with foreign debt.

On April 30, Finance Minister Frederic Zayas shocked the country when he announced that the Cubas administration had worked up US\$144 million in new debt for unpaid goods and services in its last three months in office. "The budget that Congress had approved which the Cubas government so strongly criticized was stuck in a drawer and forgotten," said Zayas. "They created their own parallel budget and spent as they saw fit. They had a feast."

Working-class Paraguayans are particularly concerned with the fate of the country's state-run social security system, the Instituto de Prevision Social (IPS). Analysts estimate that IPS coffers will be empty by 2011. US\$217 million 51% of the institution's total assets are frozen in failed banks involved in bankruptcy proceedings. Another US\$45 million in bad loans made by IPS is feared unrecoverable. Former director of the IPS advisory board Nestor Mendez Nunez is accused of pushing through loans to benefit business associates and supporters of former presidents Juan Carlos Wasmosy and Raul Cubas and the exiled Lino Oviedo.

Members of Paraguay's opposition have long argued that the only solution to the problems plaguing the IPS and other government entities is privatization, a concept that remains anathema to most mainstream Colorados. Guillermo Cavallero Vargas, one of four opposition politicians in the Macchi Cabinet, is a staunch supporter of privatization, calling it "a necessary task that we need to undertake with courage and without populism."

But the administration so far has failed to forge a consensus regarding the issue. IPS director Dario Filartiga has made clear his strong opposition to any proposals to privatize that troubled institution. Filartiga has recently been lambasted in Paraguay's press for personally appointing 300 new IPS employees during his first three months in office, despite regulations that require all new hires to be approved by the agency's advisory council.

The new personnel have been placed in previously nonexistent positions and raise IPS costs US \$2.5 million beyond its projected budget. The fabric of Paraguayan politics continues to be woven from such person-to-person arrangements, making privatization of the country's massive state corporations difficult. Half-hearted efforts to clean up Paraguay's notoriously inefficient customs service and stem the flow of contraband across the borders have met with little success, and government efforts to revive the economy remain focused on rural agriculture.

"Paraguay is and will continue to be a country dependent on agriculture," says Macchi. He has announced that seeds for next year's cotton crop will be distributed free of charge and says his government will work to double crop yields over the next four years. Some argue that without meaningful land reform, however, any gains in agricultural production will not benefit most rural Paraguayans. "In Paraguay, 2% of the population owns 98% of the land," says Myran Caballero, director of AlterVida, an Asuncion-based NGO that provides training and support to small producers in the countryside. "Think about it."

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