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Corruption, intrigue and hope in the Land of Soy: The Mario Abdo Benitez government in Paraguay, and the extra- hemispheric actors wooing him

By Evan Ellis / [Twitter](#) REvanEllis / November 14, 2018

From November 3-9, 2018, I traveled to Asuncion, Paraguay to speak with academics, government officials and others about the nation's domestic and



security challenges, and the work of the new government of Mario Abdo Benitez to address them.



Having grown up in Ohio, Paraguay's relatively flat terrain, agricultural economy, and the warmth of its people has always made me feel at home, with the difference that instead of Mid-Western inflected English on the streets, one hears Spanish and Guarani. Yet the sunny, bucolic character of Paraguay hides complex political and social dynamics that may tempt many in Washington to make misguided, superficial judgements about the important developments unfolding in the country.

The government of Mario Abdo Benitez (commonly referred to as "Marito" by Paraguayans), inaugurated on August 15, 2018, is navigating a series of reinforcing challenges: endemic corruption, broken institutions, and evolving criminal threats. Compounding matters, in international affairs, although Paraguay and its new government have deep pro-U.S. roots and a strong diplomatic commitment to Taiwan, it is being wooed by the People's Republic of China (PRC), the Russian Federation, and several countries of the Middle East, with economic and diplomatic proposals that are intended to provide an alternative to tempt the current government if its relations with Washington sour due to misunderstandings over terrorism, organized crime and corruption.

The political environment

Marito is a pragmatic, capable politician wed to a fragile coalition of questionable actors

who could compromise his administration's reputation, as well as its performance.

In Paraguay, where corruption is pervasive at all levels of government and society, key powerbrokers affiliated with the Colorado Party (Paraguay's long dominant political party) became disillusioned with his predecessor, Horacio Cartes, not because of his graft, per se, but because he was perceived to go too far in running the country as his personal business, and was not sufficiently generous in sharing the spoils from the public till with the precinct captains and other party figures who had enabled his election. For Efrain Alegre, Presidential candidate of the principal opposition "Authentic Radical Party" (PLRA), among others, Cartes' perceived use of his substantial wealth to buy the Congressional votes of opposition politicians, among other activities, crossed the line with respect to "acceptable" levels of political misbehavior.

During the 2018 election, Marito emerged as the beneficiary of such discontent, which played out through a complex series of intrigues and betrayals within the Colorado Party. Yet while Marito is not viewed as overtly corrupt as his predecessor, he has appointed to key positions in government (possibly to repay "political debts") many figures

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perceived to be highly corrupt, but whose support was instrumental to his victory.

For Marito, the “good news” is that a coordinated, vocal opposition to his government has yet to form. The Paraguayan left, including Frente Guasú, lacks candidates of truly national stature to oppose him or present alternative proposals. Even the country’s former leftist president, Fernando Lugo, has been notably silent regarding the new government. Within the PLRA, Congressmen and Senators who traditionally cooperated with the Colorados are, for now, continuing to do so, while Efrain Alegre, perhaps the most outspoken critic of President Cartes, has been cordial and restrained in his public discourse regarding Marito, with the “truce” possibly facilitated by Marito’s October 2018 gesture of visiting PLRA headquarters to “bury the hatchet.”

While Marito, for the moment, lacks outspoken enemies, it is not clear how deep his support goes, particularly as some of his less corrupt and more capable appointees produce notable results against corruption and criminality. The Attorney General, Sandra Quiñónez, appointed during the Cartes administration, but who has continued to serve in the present administration, brought a landmark judicial influence peddling case against Senator Oscar Gonzalez Daher during his tenure of the judicial oversight committee (JEM). The supporting evidence of recordings of telephone calls brazenly attempting to dictate judicial decisions, and the \$8 billion the media reported he had embezzled, highlight the impunity that the Senator believed he had in Paraguay. Concurrently, although the statistics are not clear, Paraguay’s anti-drug organization, *SENAD*, has arguably seized significantly more drugs in the first two months under new Marito-appointed director, Arnaldo Guizzio, than it

had under the Cartes administration. María González, the new director of the governments' financial crimes organization, [SEPRELAD](#), is working diligently to reform the organization in anticipation of an upcoming review from the international oversight organization the Financial Action Task Force (GAFI in Spanish). Yet many of the people I spoke to in Asuncion expressed concern that some of Marito's less scrupulous backers are being made uncomfortable by such advances, and could eventually decide to leverage the President's fragile political position to persuade him to back off.

The current government's investigation of a series of influential actors tied to former President Cartes has raised a number of political hurdles. A congressional commission [considering the firing of Ciudad del Este mayor Sandra McLeod](#) as well as actions against other members of the powerful [Zacarías Irún clan](#) could further deepen the rift between Cartes and Marito, and give Cartes new incentives to use his still considerable resources to sabotage Marito.

Security issues

In the domain of organized crime, Brazilian-based gangs such as the First Capital Command (PCC) and Comando Vermelho (CV) are increasingly active in border cities such as Pedro Juan Caballero and Ciudad del Este, with connections extending to Asuncion as well. The high-profile armed robbery by the PCC [against the office of the security company Proseguir in Ciudad del Este in April 2017](#), an attempt to liberate 80 PCC gang-members from a prison in the city by digging a tunnel, and two significant (albeit failed) attempts in October [to free local CV gang leader "Marcelo Piloto"](#) from a Paraguayan prison all highlight the immediacy and gravity of the threat.

Multiple Paraguayan security officials with whom I spoke in Asuncion further worry that, if incoming Brazilian President Jair Bolsonaro is successful in expanding the pressure against the PCC and CV in Brazil, part of the gang's activities could be displaced to Paraguay, given the lesser capabilities and resources of its police and judicial institutions

While the new Paraguayan administration is working to transform many organizations, there are no indications that it has yet begun to focus on reforming the national police, which is gravely impaired in its effectiveness against the PCC and CV by corruption and other institutional limitations. Nor has there been an indication that the Abdo Benitez administration might employ the military in the task. Currently, the military continues to focus principally on the 30-50 terrorists of the "Paraguayan People's Army" (EPP) operating in the departments of Concepcion and San Pedro, having stripped scarce vehicles and resources from other parts of the armed forces for a Joint Task Force that is the military arm of an interagency organization principally dedicated to combatting the EPP in the region.

Paraguay's foreign relations

With respect to foreign relations, the new administration is laudably seeking business relationships and to expand Paraguay's position in the international community. Yet it is arguably doing so in a way which could augment misconceptions in Washington, regarding a country about which relatively little in the United States is known, aside from stories about the illicit economy, terrorist financing, and some bad actors in the "tri-border area" between Ciudad del Este (Paraguay), Foz do Iguacu (Brazil) and Puerto Iguazú (Argentina). In turn, a deteriorated relationship with Washington, however much based on

exaggerations and incorrect conclusions, could unleash a negative dynamic with Paraguay's historic friend to the north that increases its susceptibility to ongoing initiatives from worrisome extra-hemispheric actors such as Russia, the PRC, and Iran, helping them to increase their influence in the country.

Taiwan versus the PRC: With respect to Taiwan and the PRC, the Abdo Benitez administration has clearly affirmed its commitment to continue diplomatic relations with Taiwan, traveling to Taipei in October 2018, and securing commitment to more than double the assistance provided to Paraguay, from \$71 million over the five years of the Cartes administration, to \$150 million promised across the next five years. The Abdo Benitez administration is also reportedly negotiating to expand the “non-gift” portion of Taiwan's economic relationship with Paraguay, to include possible investments by Taiwanese companies in the country, and greater Taiwanese purchases of Paraguayan agricultural commodities.

Such commitments notwithstanding, the PRC continues to seek opportunities to strengthen its diplomatic engagement with and economic position in Paraguay. In contrast to prior governments, for example, the Abdo Benitez government has engaged with its PRC counterparts in multilateral forums such as the MERCOSUR “1+3” forum in Montevideo. The Paraguayan delegation was reportedly open in principle to a conversation sought by the PRC on the sidelines of the U.N. General Assembly in New York, but chose to decline because the sub-ministerial level Chinese official with whom they were slotted to speak was not seen as appropriate by the Paraguayan side.

In the economic arena, China National Cereals, Oils & Foodstuffs Import & Export Corporation (COFCO)'s purchases of controlling interests in the agroindustrial companies Nidera and Noble in 2014 gave them a significant presence in Paraguay, where both companies previously had offices, before merging them under the COFCO banner.

In telecommunications, Huawei has a significant presence in Paraguay selling telephones and routers, although does not yet appear to be involved in infrastructure contracts.

Chinese motorcycles and autos, including brands like JAC, Chery, and Foton, are sold widely in Paraguay through distributors such as CHACOMER and Sensu. The Chinese presence includes some local assembly operations by Paraguayan partners, but which have required bringing PRC-based managers and technical personnel from the Chinese suppliers to Paraguay (albeit generally on a temporary basis).

In construction, the Hunan-based company HCME has bid to take over and operate Acepar, a defunct steel plant, while another PRC-based company with terrain along the Paraná River has expressed an interest in establishing a shipyard and associated port at Villeta.

With respect to infrastructure, the PRC-based company Sinohydro participated, unsuccessfully, in the competition for a \$61 million public project to construct three of six new electrical transmission lines sought by the national electricity regulator ANDE. They have also sought to participate in a road construction project in the north of the country, as well as a railroad project proposed to Marito by Bolivian President Evo Morales, from Robaré Bolivia to Carmelo Peralta at the Paraguay-Brazil border.

While such initiatives are minor steps, they clearly demonstrate a persistent interest by Beijing and PRC-based companies in expanding their presence in Paraguay. In my own interactions with Paraguayan businessmen, I found that the question of switching diplomatic relations (and the benefits it could possibly bring) was repeatedly raised as an issue.

Russia: The Russian Federation has consistently, albeit in a low-key fashion, sought to expand its economic, military, and political ties with Paraguay.

During the administration of former President Fernando Lugo, Russia expressed interest in establishing a regional facility for conducting aircraft and helicopter maintenance at the Mariscal Estigarribia Airport in the remote Chaco region of Western Paraguay. In May 2017, during the Cartes administration, Paraguayan Defense Minister Diogenes Martinez signed a military cooperation accord with his Russian counterpart, and reportedly negotiated the possible purchase of Russian military transport aircraft and river patrol boats in exchange for a combination of cash and Paraguayan agricultural products.

In the economic domain, Russia has consistently been a leading purchaser of Paraguayan beef. In addition, with the loss of Ukraine as a reliable agricultural supplier, the Russian Federation has significantly expanded its purchases of Paraguayan grains through the Russian agroindustrial company Sodrugestvo, surpassing Cargill to become Paraguay's number one purchaser of such goods.

Russia has consistently been proactive with Paraguayan government in recognizing and pursuing opportunities to expand its diplomatic

relations. Its government invited Paraguayan Foreign-Minister-designate Luis Castiglioni to Russia to monitor the Russian national elections, and took advantage of the opportunity to hold a meeting between Castiglioni and Russian Foreign Minister Sergei Lavrov. One product of the meeting was Russia's extension of an invitation to then President-elect Abdo Benitez to travel to the country for the World Cup, even though the national team didn't qualify for the global tournament. During the event, Marito publicly sat alongside Putin for a portion of the ceremonies, in addition to having a private meeting with him. The impact of Russia's initiative to "wine and dine" Marito and his wife reportedly made a strong impression on the presidential couple, and contrasted negatively with his visit to the United States, in which the President-elect could not even get a meeting with then-U.S. Secretary of State Rex Tillerson.

Russia has not only expressed to its Paraguayan counterparts its ongoing interest in strengthening relations with the Abdo Benitez government, but has also proposed a range of strategically important projects, including the possible sale of a nuclear research reactor, currently in the preliminary stages of evaluation.

Middle Eastern States and Groups: The Abdo Benitez government attracted some negative attention in Washington when it announced that it was reversing the decision of its predecessor to move Paraguay's embassy in Israel from Tel Aviv to Jerusalem, prompting a reaction of strong displeasure from the Netanyahu government in Israel, and a call to Marito from U.S. Vice-President Mike Pence. Compounding the negative perception, during the visit to New York, Marito and his Foreign Minister Castiglioni did not meet with the Israelis but did get together with both the Iranian and Turkish delegations.

For Washington, such actions reinforce a compelling if misleading narrative that often calls attention to Marito's Lebanese roots and those of his Vice-President Hugo Velasquez, who is also rumored to have been involved in questionable financial dealings with Middle Eastern groups during his prior service as prosecutor in the city of Ciudad del Este and to possibly have links to Hezbollah.

There are no indications that Marito seeks to align his government with Middle Eastern terrorist groups. Nonetheless, Paraguay's powerful Lebanese community plays an important role in the import-export business, among other sectors, and has a significant legitimate interest in doing business with and passing remittances to family in the region. It is correct, but not central, that a small portion of that money invariably is diverted to financing terrorist entities in the Middle East.

The path forward

Paraguay, whose geographic position has long isolated it from world politics and economic flows, finds itself struggling with the imperatives of globalization. From new commercial interconnectivity, to expanded illicit flows and activities by transnational organized crime groups, to new information connectivity that has inspired a new generation with less tolerance for corruption and the poor performance of political and business elites, Paraguay is a country in transition. In this new environment, the country is making sincere strides, albeit occasionally stumbling, with respect to its politics and institutions, as well as in its foreign affairs.

The story of Paraguay has the potential to be a tragedy. The risk is that its admittedly flawed government and society is branded by

Washington as a corrupt state, permissive of terrorism and narco-trafficking, and in the process, isolated in a way that drives it further down that path. Alternatively, resource rich and generous-spirited Paraguay has the potential, with courage in cleaning up its institutions, to be a source of inspiration for the rest of the continent, and particularly of the potential to achieve prosperity through investing in the initially costly and political difficult path of transparency and good governance.

Washington needs to be patient with the Abdo Benitez government, recognizing the delicate political space in which he is operating, yet engaging to help him move in a positive direction with respect to key initiatives such as the shaping and resourcing of the new National Intelligence Secretariat (SNI), institutional reform of and support to the Paraguayan military, a serious sustained attack on corruption within the National Police and Interior Ministry, Judicial Ministry and legal system, support for the courageous actions of Attorney General Quiñónez and her team against corrupt high-level figures, and the continuation and deepening of promising initiatives by Paraguayan entities such as the financial intelligence unit SEPRELAD and the counterdrug organization SENAD.

With respect to Paraguay's foreign affairs, it is important for Washington to be both understanding, and more engaged with this strategically important country that sits in the literal heart of South America. Washington should continue to help Paraguay strengthen its institutions to take advantage of what commercial engagement with the PRC has to offer, while maintaining vigilance to ensure that the PRC does not capture Paraguay's governing elite through offers of conditional loans and other benefits tied to privileges for Chinese

companies, prioritized use of their workers and subcontractors, and personal benefits for the fortunately-positioned Paraguayan elites who sign the contracts. In the same fashion, Washington should keep a close watch on Russian and Iranian initiatives with Paraguay, but without presuming that every Russian grain purchase commits Paraguay to communism, or that every remittance from a shady Lebanese businessman in Ciudad del Este taints Paraguay as a Hezbollah-embracing sponsor of state terrorism.

I returned from Asuncion exhausted, not only from the long trip, but from the labyrinth of internal and foreign intrigue. I want to bet on the better angels driving Marito, and that he will indeed make real progress with Paraguay. I want to believe that neither my hope in his presidency, nor in Washington, are misplaced.

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