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## Paraguay: An Overview

Paraguay is a landlocked country in South America bordered by Argentina, Bolivia, and Brazil. The United States has had close relations with Paraguay for decades, providing assistance to counter corruption and spur trade and economic development. The United States and Paraguay also work together closely on counterterrorism and counternarcotics, among other security issues of interest to some Members of Congress. Recently, State Department-imposed visa sanctions against top Paraguayan leaders have caused some bilateral tensions.

### Political Background

Paraguay had a turbulent political history in the 19<sup>th</sup> and 20<sup>th</sup> centuries. In the War of the Triple Alliance (1864–1870), Paraguay lost one-quarter of its original territory to its opponents—Argentina, Brazil, and Uruguay—and more than half of its population died. Political instability followed for several decades, including three civil wars in the first half of the 20<sup>th</sup> century. For 35 years, from 1954 until 1989, General Alfredo Stroessner ruled as an anti-communist military dictator; he ultimately was overthrown by a military coup. Paraguay's next government enacted a more democratic constitution in 1992, and the country has held competitive elections since 1993.

The conservative Colorado Party (*Partido Colorado*, also known as the National Republican Association-Colorado Party or ANR-PC) has dominated Paraguay's political system. It held power for much of the 20<sup>th</sup> century, including under the Stroessner dictatorship, and won nearly every election held since the democratic transition. The only exception was in 2008, when former Catholic bishop Fernando Lugo, affiliated with the main opposition party, the *Partido Liberal Radical Auténtico* (PLRA), won the presidency. The Colorado-led congress impeached Lugo in 2012, removing him from office in a rapid process that was condemned by neighboring countries. The 2013 election of Horacio Cartes returned governmental control to the ANR-PC despite allegations of Cartes's involvement in money laundering and narcotics trafficking. His attempt to override the prohibition against reelection in 2017 failed but sparked protests, including the partial burning of the capitol in Asunción.

President Mario Abdo Benítez of the Colorado Party was elected in April 2018, defeating an opposition alliance by a margin of less than 4%. He was inaugurated in August 2018 for a five-year term. The Colorado Party won a majority of the seats in the Chamber of Deputies and a plurality in the Senate. The party divided into competing factions: *Honor Colorado*, led by former President Cartes, and the smaller *Colorado Añetete*, led by President Abdo Benítez. Although former President Cartes helped defeat two opposition attempts to impeach President Abdo Benítez in 2019 and

2021, intraparty tensions continued to grow during Abdo Benítez's term in office.

### Paraguay at a Glance

**Population:** 7.6 million (2023 est, IMF), 95% of whom identify as *mestizo*, a mix of Spanish and Indigenous Guarani descent.

**Area:** 157,047 sq. miles, slightly smaller than California (CIA)

**GDP:** \$42.8 billion (2022 est., current prices, IMF)

**Per Capita GDP:** \$5,670 (2023 est., current prices, IMF)

**Top imports:** mineral fuels (16.5%), electrical machinery (15.6%), nuclear reactors and machinery (11.6%) (2022, TDM)

**Top exports:** meat (18.4%), mineral fuels (15.6%), cereal 15% (2022, TDM)

**Key trading partners:** Brazil (29.5%); Argentina (20.6%); China (9.6%) (2022, total trade, TDM)

**Legislature:** Bicameral Congress, with 45-member Senate and 80-member Chamber of Deputies

**Sources:** International Monetary Fund's World Economic Outlook Database (IMF); Central Intelligence Agency's World Factbook (CIA); World Bank (WB); and Trade Data Monitor (TDM).

### 2023 Elections

Santiago Peña, a former finance minister under Cartes, was Honor Colorado's presidential nominee in the April 30, 2023, general elections. Several opposition parties from center right to the left formed an alliance, the *Concertación Nacional*, and selected Efraín Alegre as their presidential candidate. Colorado candidate Peña won a comfortable victory, with 43% of the vote to Alegre's 27.5%, belying pre-electoral polls suggesting Alegre's growing support might present a strong challenge to the Colorado Party. The most surprising result was the third-place finish of right-leaning, independent candidate Paraguayo Cubas, with 23% of the vote. Peña is scheduled to be sworn in as president on August 15, 2023. His party won majorities in both the Senate and lower chamber and 15 of 17 contested state governorships.

### Economic and Social Conditions

Paraguay's economy is driven largely by agricultural exports—primarily soybeans and beef—and electricity generated by the binational Itaipú Dam. Its dependence on commodities exports and informal labor, which exceeds 60% of the workforce (per U.N. Development Programme statistics), has perpetuated social and economic inequities, according to some analysts.

Although Paraguay initially appeared to be coping well with the Coronavirus Disease 2019 (COVID-19) pandemic, deaths surged in 2021. As of March 2023 (latest data

available), Paraguay had recorded more than 19,800 COVID-19 deaths, with a mortality rate of nearly 279 deaths per 100,000 persons. Paraguay's efforts to obtain and deploy vaccines were slower than neighboring countries. Some observers project it could take through 2023 to vaccinate over 60% of the population.

Although affected economically by the pandemic, Paraguay's commodities export-based economy suffered less serious impacts than those of several other Latin American nations. According to the International Monetary Fund (IMF), the economy contracted by less than 1% in 2020 and grew by 4.2% in 2021. Reduced agricultural production due to a severe drought stalled the post-pandemic recovery in 2022, when GDP grew by less than 0.5%. However, the IMF projects 4.5% growth in 2023 and estimates that Paraguay will reach a slight fiscal surplus. The IMF also projects lower inflation (of around 5.2%).

Paraguay had been gradually lowering poverty in the years leading up to the pandemic. According to the U.N. Economic Commission for Latin America and the Caribbean (ECLAC), poverty decreased from 24% of the population in 2016 to 19.4% in 2019, followed by an uptick to 22.3% in 2020, and a decrease to 20.9% in 2021. ECLAC found that social inequality, as measured by the GINI coefficient, decreased between 2021 and 2022. Paraguay may further reduce poverty, if an economic recovery continues to hold.

## Security Concerns

Porous borders and ineffective law enforcement have contributed to rising insecurity, drug trafficking, and money laundering, especially in the country's northern states and the tri-border-area (TBA), where Paraguay borders Argentina and Brazil. Paraguay is a transit country for illegal drugs, especially Andean cocaine, destined for neighboring countries and Europe. Paraguay also grows and exports more marijuana than any Latin American country other than Mexico.

Paraguay has experienced violence and kidnappings from the small domestic armed group Paraguayan People's Army (EPP) and its offshoot organizations since 2008. A former vice president kidnapped in 2020 by the EPP has not been rescued. U.S. officials have expressed concerns about Hezbollah, the foreign terrorist organization, suspected of drug trafficking and money laundering activity in the TBA to support its operations. The State Department notes although Paraguay has made progress implementing anti-money laundering and terrorism financing laws passed in 2019, prosecutions are rare, in part due to public corruption. In the 2022 Corruption Perceptions Index by Transparency International, Paraguay ranked as the second most corrupt country in the region, behind only Venezuela.

In February 2022, the Paraguayan National Anti-Drug Secretariat, assisted by the U.S. Drug Enforcement Administration and other international anti-crime agencies, conducted its largest antidrug and money laundering operation. Over \$100 million of assets were seized and some two dozen suspects arrested. In May 2022, Marcelo Pecci, a top Paraguayan prosecutor involved in the antidrug

operation, was assassinated while traveling in Colombia. In June 2022, a Colombian judge sentenced four men to lengthy sentences for the murder of Pecci, and a fifth remains wanted by authorities, according to press reports. The Brazilian crime gang First Capital Command is considered to have masterminded the assassination and recruited the gunmen.

## U.S.-Paraguay Relations

The U.S. Congress continues to be interested in U.S.-Paraguayan cooperation on counterterrorism, counternarcotics, open markets, and bilateral trade, as well as building governmental accountability and reducing corruption. The U.S. government has assisted Paraguay to bolster democratic governance and accountability. The two governments have collaborated on security, counternarcotics, and counterterrorism. In March 2021, Secretary of State Antony Blinken spoke with President Abdo Benítez, reiterating U.S. support as Paraguay struggled with the COVID-19 pandemic.

In mid-2021, Under Secretary of State for Political Affairs Victoria Nuland and other officials traveled to Paraguay for the second U.S.-Paraguay Strategic Partnership Dialogue, which focused on security, governance, trade, investment, and ties with allies, such as Taiwan. (Paraguay is the only country in South America that recognizes Taiwan and not the People's Republic of China). President-elect Peña, during his campaign for office, pledged to sustain Paraguay's recognition of Taiwan.

**Sanctions.** The Biden Administration imposed visa sanctions in July 2022 on former Paraguayan President Cartes (2013-2018) for alleged corruption. In August 2022, the U.S. government sanctioned Vice President Hugo Velázquez, on alleged corruption and bribery, prompting him to withdraw his candidacy ahead of national elections in April 2023.

**Foreign Assistance.** As of May 2023, the U.S. State Department and U.S. Agency for International Development have provided more than 2 million vaccine doses and \$12 million in COVID-19-related aid to the country, while the Defense Department provided \$1.3 million in life-saving pharmaceuticals. The U.S. International Development Finance Corporation is financing \$333 million toward various projects to support small and medium-sized businesses in Paraguay, with some funds targeting women's economic empowerment. In 2017, the United States and Paraguay signed a Trade and Investment Framework Agreement, which entered into force in March 2021, to advance commercial bilateral ties and resolve trade-related disputes.

In its FY2024 congressional budget request, the Biden Administration proposed \$4.5 million in bilateral assistance, including \$4 million for Development Assistance and \$500,000 for International Military Education and Training. Humanitarian organizations operating in Paraguay will receive an additional \$336,000 in FY2023 to assist the roughly 6,500 Venezuelan migrants and refugees and their host communities in the country.

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