



PARAGUAY: FERNANDO LUGO, FROM GOOD PASTOR TO POPULIST CAUDILLO?

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INTRODUCTION

The general elections of April 20 will no doubt be considered as historic in modern Paraguay. This is the first time in 60 years that the President does not come from the ranks of the *Colorado* Party.

Until now Paraguay was the only country of the Mercosur not to have shifted to the Left of the political spectrum. With the accession to the Presidency in August of Mr. Fernando Lugo, it will no longer figure as the exception to the rule.

However, the incontestable victory of the former bishop in the race for the Presidency does not conceal the challenges which will surely emerge from the results of the legislative elections that took place at the same time.

Just like with 'Evo,' his Bolivian counterpart, the road ahead will be harsh on the feet of the good pastor, who is planning on taking up his duties wearing sandals. Perhaps like him, and like the Venezuelan Hugo Chávez, he will be tempted by a version of populist caudillismo....but without oil or natural gas.

- **The sixty year legacy of *Colorado***

This country of the 'Western world' has had an astonishing political trajectory. It enters the 21st century after having been governed without interruption since 1947 by the same party, the National Republican Association (ANR), which is better known by its name of *Colorado* Party. ¹ Under this conservative and nationalist umbrella, Paraguay experienced 35 years of military dictatorship, followed by nearly 20 years of a democracy sapped by patronage and institutionalised corruption. It took until 1992 to clearly enter into its Constitution the principle of the division of powers.

¹Joining the record book entry of 71 years in power of Mexico's Institutional Revolutionary Party (PRI), which lost the Presidency in 2000 with the election of Mr. Vicente Fox.

- Return to the roots of the *Colorados*

Such continuity calls for a brief mention of its past in order to better understand why the present moment is vested with an historic and unknown character. The *Colorado* party was born in 1887 and seized power from the time of its creation but was forced to give up power to the liberals from 1904 to 1947, the year when it took it back by a veritable civil war. This heavy-handed return allowed it to confiscate power at all levels and become the sole legally recognised party, which it remained until 1962. Nevertheless, this sole party has, since its founding, been criss-crossed and agitated by currents going from ultra-conservatism to moderate liberalism. Thus, in 1954 the hard liners 'invited' President Federico Chavez to give up his post to General Stroessner and end his term in office. General Stroessner was then successively re-elected after 1958 for another 7 five-year terms in office, each time winning close to 90% of the votes cast. He was overthrown in 1989 by one of his 'great assistants' at the head of the Army, General Andrés Rodríguez Pedotti. Pedotti legalised all the political parties² and held general elections which brought him to the Presidency as the candidate of the *Colorado* Party. To the surprise of many, the new President dispensed with repressive political measures, undertook the privatisation of state companies and strengthened the integration of the country into its regional environment by the co-creation in 1991 of the Mercosur. He ended his mandate in 1993, barely avoiding being taken to court for complicity with the drugs cartel that he was supposedly fighting.

Since the 1990s, Paraguay has had a succession of civilian Presidents, all coming from the *Colorado* Party, but there have also been times of great political tension linked directly to the rivalries within the party. That is how President Juan Carlos Wasmosy Monti (1993-1998) removed General Lino Oviedo Silva (one of the electoral candidates in the 2008 elections) of his post as commander-in-chief of the Army in 1996 after having accused him of an attempted coup d'état. This did not prevent the general from being chosen by the party as a future candidate to the Presidency for the following term (1999-2003) when he took over the head of the internal movement of the National Union of Ethical Citizens (UNACE). However, he did not accede to power because he was fiercely prosecuted by President Wasmosy and was sentenced to 10 years in prison. In his turn, as soon as his term as President ended, Mr. Wasmosy was sentenced to 4 years in prison for embezzlement of public funds.

The party then appointed as its candidate Mr. Raul Cubas Grau (otherwise allied with Lino Oviedo), who nonetheless was forced to give up his post in 1999 following the assassination of his Vice President, Mr. Argaña. According to the Constitution, Mr. Luis Gonzales Macchi, President of the Senate, took over the executive and stayed on till the end of the term (1998-2003) after having formed a government of national unity including representatives of other political parties. In the meantime, Mr. Lino Oviedo took refuge in Argentina and later in Brazil, where he was imprisoned for nearly 2 years before being set free, then once again was thrown into prison in 2004, when he had a chance to return to his country. At the end of his term in office, President Macchi barely avoided *impeachment* for embezzling bank funds and abusing the funds of the Presidency thanks to the good offices of Mr. Nicanor Duarte Frutos, who knew how to 'control' the *Colorado* Senators from his vantage point in the party leadership.

Mr. Nicanor Duarte Frutos took over as President in 2003 but enjoyed less marked popular support for his personal candidacy than was the case for his predecessors. Thus, he won with just 37.1% of the votes cast, i.e., less than Mr. Wasmosy in 1993 (39.3%) and very far behind the results of Mr. Cubas in 1998 (54.5%) or Mr. Rodríguez in 1989 (75.9%).

²With the exception of the Communist Party, which suffered greatly under the dictatorship of General Stroessner and saw its general secretaries physically eliminated one after another.

The results of the legislative elections which took place at the same time³ show the same serious falling off of support for the *Colorado* Party. For the first time since the overthrow of General Stroessner, the *Colorados* did not obtain the comfortable absolute majority that they had grown used to in the two chambers: 37 deputies out of 80 and 16 Senators out of 45. This showed itself to be very problematic for the President during his entire term in office.

The elections of 2003 (65% participation) were the first signal of the general weariness of the Paraguayans vis-à-vis the *Colorado* Party. One can also conclude from them that the Opposition – divided – had not yet won them over. The parties of the Left remained very fragmented and got only quasi-insignificant results in the legislative elections. The 2 potential liberal presidential candidates had to split, in vain, 45% of the votes.

- The Presidency of Nicanor Duarte Frutos

The results of a poll published in March 2008 showed that Mr. Duarte was deemed by his compatriots to be ‘the worst’ of the 5 Presidents the country has had since the overthrow of the dictatorship. He held last place in the particularly sensitive domains of employment, security and corruption, and he got just a feeble next-to-last place for his performance in managing the domain of national education. ⁴ Of course, we have to mention the atmosphere of the electoral campaign, which contributed to damaging the personal image of Mr. Duarte in the opinion of his compatriots prior to this negative view being carried over to the *Colorado* Party today. Nevertheless, it is certain that the initiatives of the President as he sought during his tenure in office to be allowed to combine his duties with those of president of the party or his efforts to modify the Constitution to allow his reelection, were interpreted as attempts to return to dictatorship and to a one-party regime.

But for many observers trying to show more restraint, the assessment of President Duarte Frutos shows many positive points.

First of all, this is true on the political level. Though the President was constantly confronted with the lack of a majority in the 2 chambers, his tenure in office did not experience any turbulence comparable to that of his predecessors. This allows us to believe that somehow these 5 last years allowed democracy to consolidate in Paraguay.

Meanwhile, the government put in place strategies and coherent plans to organise and direct its actions in the essential domains of combating poverty (ENREPD) and economic growth (Paraguay 2011)⁵. This effort at overall organisation of governmental action was accompanied by démarches and salutary concrete measures such as a more rigorous management of public finance and structural reform affecting banks and public functions.

Finally, the term in office of Mr. Duarte allowed the country to recover the macro-economic stability that was greatly shaken during the term of his predecessor due to the crises that his two large partners in Mercosur underwent during 1999-2001.

³In Paraguay, the voters are called upon to vote every 5 years to choose the President and Vice President, their deputies, the Senators and their representatives to the parliament of Mercosur.

⁴It should be noted that Mr. Duarte was Minister of Education from 1999 to 2001 under the Presidency of Mr. Macchi.

⁵The National Strategy for Reducing Poverty and Inequality (ENREPD) aims at prioritising access to employment and housing, development and social protection, participation in local development and the integration of the indigenous populations.

The economic plan Paraguay 2011 organises state activity in four domains: improving competitiveness, economic diversification, agricultural production and reduction of poverty.

The efforts of the government enabled it in 2003 to obtain a standby credit of 74 billion dollars from the IMF intended to support the economic re-launch. In 2006, an advance on 65 billion in Special Drawing Rights (SDR) was signed with the Fund. Global economic indicators have been satisfactory, with a positive growth trend in GDP beginning in 2003 that has been supported by the rise in agricultural prices, as well as by industrial growth and growth in services.⁶

However, the panorama of recurrent problems and fragile elements is without question very broad. It would be useless to draw up an exhaustive assessment but the most serious points were largely touched upon during the debates of the electoral campaign.

On the political level, we note a deterioration in the image of the institutions and of the political class, which is by no means an isolated case in Latin America, where the populations of a number of countries are showing their disenchantment with the slowness of change from a democracy that has been recently (re)discovered. The difficulties encountered during these last 5 years by the executive in its relations with the two chambers have often led to inoperative or lame compromises. This has prompted more than one Paraguayan to regret that the President did not have more constitutional prerogatives. To this one may of course add the widely held conviction that corruption and the institutions are intimately linked in Paraguay, where the population has not perceived any change in this matter since the fall of the dictatorship.⁷

On the economic and social levels, the good macro-economic results could not conceal the fragility of the pillars of the economy of the country, nor the shortcomings of its performance with respect to the needs of the population.

Despite progress in the service sector (48% of GDP), the economic health of the country remains essentially dependent on its agriculture and the export revenues that it generates. Agriculture is mostly oriented to export and the result is its extreme sensitivity –hence the sensitivity of the national economy –to fluctuations in world market prices. It should be remembered that soya, meat and grains account for some 65% of export revenues, that agriculture represents 21% of GDP and employs more than 50% of the population. To a lack of competitiveness and of economic diversity, one can add the fragility and handicaps linked any which way to a lack of coordination of public policies, to the shortages of equipment and of infrastructures of transportation and also to the weak level of private investment due to lack of trust generated by lack of legal protection and by erratic application of the administrative norms.

With 20% of its inhabitants living under conditions of extreme poverty, Paraguay is the poorest country in South America after Bolivia. The growth of GDP, though satisfactory in macro-economic terms, cannot deal with the demographic growth and resulting increase in the active population. Paraguay in fact is recording regular annual demographic growth of 2%, i.e., double the average growth of the southern hemisphere, while the GDP per capita remains below \$2,000 and the (official) unemployment rate has held at more than 10% since 2002 within an active working population that has been growing at more than 2.5% per year these past few years. Today, 40% of Paraguayans are under the age of 15.

⁶Evolution :

- of growth: - 3.3% in 2000, 0% in 2002, 2.6% in 2003, 2.9% in 2005, 4% in 2006 ;
- of budgetary balance /GDP : 0.8% in 2005, 2.3% in 2006 ;
- of foreign debt/GDP : 29.6% in 2005, 24% in 2006.

⁷ In this regard, the *Colorado* Party was especially notable during the electoral campaign : payment of an indemnity to everyone registered in the party who went to vote ; mandatory payroll deductions from all affiliated functionaries to finance the campaign.

The rate of inflation, which remained under 10% since 2003, went over this threshold beginning in 2006, adding to the difficulties of daily life. Among the most disadvantaged, one finds the Indian populations, who are essentially engaged in agricultural activities, though half of them do not own the parcels on which they subsist. Living in very precarious conditions, most of the time without access to drinking water, these populations also have the highest rate of illiteracy.⁸ On this subject, despite the tripling of social expenditures since the end of the dictatorship, Paraguay today remains well below the performance levels of its neighbours of the Southern Hemisphere in public health (30% of the population is not covered) and primary education.⁹

Regional integration took a great deal of effort by President Duarte Frutos, essentially within Mercosur, where Paraguay is a founding member. The main objective of this element of the foreign policy of Asunción is the same as its relations with the rest of the world: to win access to the major agricultural markets. But as a landlocked country, suffering many major asymmetries on the economic and social level compared to its neighbours, Paraguay has a hard time enjoying the benefits of this regional common market. And up to now, the country has not been persuaded of the validity of the pro-Mercosur credo of its last several governments despite the impetus given to exportable production domestically. Thus, in the context of the electoral campaign, it was the resources generated by the electric power dams of Iacyretá (constructed with Argentina) and of Itaipú (constructed with Brazil) that were under discussion.¹⁰ Public opinion was inflamed by the slogans of the Patriotic Alliance for Change (APC) and demanded that Brazil ‘renegotiate’ the initial arrangements in order to get a better part of the energy, which today essentially benefits Sao Paulo.

- **The electoral campaign, the programmes**

While the ‘Right’ took its customary war path, the electoral campaign showed that the ‘Left’ learned from the past and united behind a single candidate. The programmes of the former caused people to hesitate over their being already known and the lack of credibility that attached to them. The programmes of the latter stirred up nationalism and the opposition of rich and poor in a populist language announcing the coming of a ‘balanced mean.’ The two sides shared bad manners. The *Colorados* accused the leader of the APC of being an ambassador of the FARC and the Left blamed the candidates of ‘the powers that be’ for being responsible for the victims of an outbreak of yellow fever.

The *Colorado* Party offered to Paraguayans the spectacle of ferocious internal battles. The frictions had their paroxysm when it was time to name the party’s candidate for the Presidency. Finally they chose Mme Blanca Ovelar, a former Minister of Education who, in December 2007, during the party’s primaries, won a very slight lead (45.04%) over her rival Mr. Luis Castiglioni, former Vice President (44.55%). The unconditional support given to Mme Ovelar by President Nicanor Duarte Frutos contributed to stirring up tensions between the *Colorados*.

Fifteen days before the elections, the wounds were not healed, as we see from the statements of a ‘Castiglioni’ candidate for a Senate seat who believed that Mr. Duarte Frutos would be responsible for the defeat of the *Colorados* in the elections and that the future representation

⁸It should nonetheless be pointed out that the indigenous peoples constitute less than 1% of Paraguayans, who are one of the most homogeneous peoples of South America.

⁹At the other extreme of the domain of education, the number of university students multiplied by 7 ever since the fall of the dictatorship, but the universities do not meet the needs for scientific and technical education.

¹⁰ Brazil pays Paraguay \$2.72 per megawatt/hour, when on its domestic market it invoices this at \$72.

of the party in Congress would consist 'at least' two wings. Blanca Ovelar led her campaign on an unremarkable programme made of the promise of shared prosperity, a fight against misery, reexamination of the 'energy treaties' and grand infrastructure projects in transportation to be financed by the money of those who had stolen from the country over the past 60 years...

The early release in September 2007 of former Generale Lino Oviedo was a manoeuvre by the government which was opportunistic and had very short-term effects for the *Colorado* Party. The unanimous decision by the Military Supreme Court to free General Oviedo before the expiration of his term and the authorisation given to him shortly thereafter to present his candidacy for the Presidential elections had the objective of breaking up the Democratic Dialogue created around former Bishop Fernando Lugo which included in its ranks Lino Oviedo's UNACE. The return of Mr. Oviedo to freedom detached the UNACE from the Democratic Dialogue but this party resulting from a split in the *Colorado* Party decided – unsurprisingly – to go it alone, counting on the popularity of the former General.

The campaign of Lino Oviedo was curiously oriented around 7 major 'structural' projects that could generate 'investments, development and employment.' These ranged from the creation of a transcontinental highway to development of ecological tourism in the area of the three borders, as well as the construction of a new seat of executive power to save money on rent and improve administrative efficiency.

Another 'credible' hopeful for the Presidency from the right wing, Mr. Pedro Fadul, the candidate of the Beloved Fatherland, an 'institution dedicated to developing public strategies,' developed a detailed 50 page programme oriented towards 'employment and more employment' and intended to generate a 'positive revolution' drawing upon its powers of candour, dedication to work and partisan discipline. In the three months leading up to the elections, Mr. Fadul never scored more than 2.4% of voter intentions.

After the many tensions that disturbed Paraguay's movement of the Left in 2006 – the parties and labour union organisations all together – the year 2007 allowed the Left to unite around the candidacy of Mr. Fernando Lugo, while linking up some surprising alliances with the Centre and Right. Fernando Lugo in fact ended up by making his own choice in 2007 among several directions. Then, the reappearance on the electoral scene of Lino Oviedo permitted the Patriotic Alliance for Change (APC) to enter the electoral campaign free of the disturbing cohabitation with the UNACE in the midst of the Democratic Dialogue. Nevertheless, the APC remained a very open grouping : alongside some 8 parties listed as 'leftist' (such as the Communist Party), there were two parties of the Centre and the Authentic Liberal Radical Party (PLRA), which was categorised as being on the Right, though it was a historic rival of the *Colorado*. It is a member of the PLRA, Mr. Federico Franco, who filled the slot of Vice President of the Republic.

The programme of Mr. Lugo was only presented at the end of January 2008.

He announced himself to be open to all democratic forces of the country and said he would install a 'patriotic and honest' government that would prioritise national interests before taking any decision. Before submitting an assessment of the 'problems and obstacles to development' in the fields of the government, the economy and the social debt, the programme announced 3 'strategic objectives':

- to build a state serving the common welfare of its citizens,
- to provide a stimulus to economic development with the participation of civil society, the State and the private sector,
- to defend the national interests and fundamental rights of all Paraguayans.

Finally, the programme presented 5 fields for application of these objectives:

- put in place a State that promotes development, security and economic and social stability,
- sustainable economic growth that is socially equitable and the creation of employment,
- respect for and expansion of social rights,
- modernisation of the public sector,
- international presence and energy sovereignty.

Against this background of an academic table, the campaign led by Fernando Lugo and his success in fact rested on three closely linked messages:

- a message in populist accents featuring a simplistic polarisation of society that wants to make a distinction between the well-to-do holding power and the poor to whom the APC wishes to give power,
- a wholesale denunciation of the system aiming at gathering together all those excluded and embittered,
- an exaltation of nationalism that criticises the arrogance of the two big neighbours and their threat to the country's sovereignty.

- **Regarding the future President Lugo**

Mr. Fernando Armino Lugo Méndez was born in May 1951 to a family that was modest but 'engaged in politics,' in a small town in the Department of Itapúa, situated some 400 kilometres to the South of the capital. In 1970, at the age of 19 and after a first year making a living as a primary school teacher, he joined the community of the Missionaries of the Divine Word as an initiate. This commitment to a religious life lasted nearly 28 years. The Vatican suspended his sacerdotal activities only in December 2007 but still considers him to be a bishop, despite the request Mr. Lugo submitted in 2006 to be relieved of his ecclesiastical duties in order to devote himself to the race for the Presidency. However, his involvement in secular life came well in advance of these past two years.

In 1977, as an ordained priest with a diploma in religious sciences, he left his country for Ecuador, where he spent 5 years as a missionary priest and teacher in the underprivileged regions. **His path crossed with that of the 'bishop of the poor,' Léonidas Proaño, and on the basis of this contact, he became interested in the Theology of the Liberation.** Upon his return to his country, it appears that his activism attracted the attention of the military security forces, who suggested to his superiors that he be sent away from Paraguay at once. In the 1980s, he resumed his university studies in Rome, with an orientation towards sociology and the social doctrine of the Church, then he spent time teaching at the Higher Institute of Theology in Asunción. His return to responsibilities which had contact with the social realities of his country took place in 1992, at the time when he was named provincial superior of Missionaries of the Divine Word. Ordained as bishop in 1994, he was supposed to take over one of the poorest dioceses, that of San Pedro.

In these duties as dignitary of the Catholic church, Fernando Lugo committed himself resolutely to social and then political action. In this way, soon after taking up his duties in 1994, he very directly supported movements representing the claims of landless peasants in his diocese. In parallel, his commitment on behalf of the most disadvantaged took shape and widened to take in the whole of the country when he became the national manager of the Ecclesiastical Communities of Base.

The year 2006 was for Fernando Lugo a time to take decisions. It saw him head up movements clearly devoted to overthrowing the power of the *Colorados*. Thus, in March 2006, Monseigneur Lugo – who was named in 2004 bishop emeritus by Pope Jean Paul II – was the organiser of the Citizens' Resistance, a movement which brought together in demonstrations rejecting President Duarte Frutos and the *Colorados* the majority of the parties of the Opposition, many union organisations and a number of citizens' associations.

In December 2006, Fernando Lugo presented to Rome his request to return to lay status and announced his intention to launch a Presidential campaign. The year 2007 saw him at the head of the formation that brought him victory, the Patriotic Alliance for Change, created on the political and inter-union basis provided by the Democratic Dialogue (stripped of Lino Oviedo's UNACE) and the Social and Popular Bloc (BSP), later joined by the Authentic Liberal Radical Party (PLRA).

Some very problematic prospects

For Fernando Lugo and for Paraguay, the days following this election seem very uncertain. There is a lot of data from the domestic scene and foreign relations which can cause one to fear a development similar to that in other countries of the region where the popular vote brought to power adherents of '21st century socialism.'

It is true that Mr. Lugo has not taken up the idea of convening a constituent assembly. But Paraguay does not have the issue of control over wealth such as natural gas in Bolivia or oil in Venezuela to guarantee hard currency income to the State and to readjust relations with its neighbours.

- What do the votes tell us?

The success of Fernando Lugo in the Presidential election is incontestable, especially against the candidate of the *Colorado* Party. With an exceptionally high voter participation of over 65%, Mr. Lugo won, having a 10 point advantage over Mme Ovelar (40.8% versus 30,7%). Ex-General Oviedo approached 22%, while way behind, Mr. Fadul confirmed the final polls and won 2.2% of the votes.

On the other hand, the results of the legislative elections should cause Mr. Lugo and his supporters on the Left to wonder about the freedom of manoeuvre that the two chambers will grant to the new executive. While the definitive results still have not been proclaimed to this day, one can now say that Fernando Lugo will find himself closely dependent on his right wing (PLRA), since the parties of the Left that are closest to him will only have 2 or 3 seats in each chamber. Thus, out of the 45 seats of the Senate, 14 will go to the PLRA and 2 to the parties of the Left, versus 15 for the ANR, 9 to the 'Oviedists' and 4 to the 'Fadulists.' In the Chamber, the prospects are identical, with 29 seats out of 80 for the PLRA and 2 or 3 to the Left, facing 30 *Colorados*, 15 'Oviedists' and 4 'Fadulists.'

- The domestic scene

Among the first weaknesses of the new executive are the inexperience of the new President – and of his Vice President – in managing public affairs, an inexperience linked to a very imperfect and partisan knowledge of the major issues. This is not at all surprising given the confiscation of power for the past 60 years by one and the same party and by an affiliated administration.

This inexperience will be seen at the moment when the government has to be formed, a moment when, as in Bolivia, one runs the risk of finding more people of good intentions and doctrinaire personalities than true specialists available to take in hand the toughest ministerial portfolios.

Meanwhile, it would be astonishing if an alliance as eclectic as the APC did not quickly display divergences during the determination of miscellaneous policies in a much more detailed manner than in campaign speeches. And one must not forget the claims that will certainly appear over control of seriously responsible posts. In this regard, the PLRA, which, alone in the Alliance merits a veritable representation in the benches of the legislature, will probably be the source of conflict over the plan for governmental responsibilities and over political orientations.

Finally, one must not ignore the constraints on governmental action which may be created by an administration that largely owes its allegiance to *Colorado*. The nervous reactions of functionaries and State employees under contract to the results of the elections do not allow us to predict a transition without conflict. Moreover, one should not ignore the temptations to intervene in public affairs of the security forces, which have largely been associated with the erring ways of the political authorities on the domestic scene during these past decades.

In another area, President Lugo will have to deal with the promises and commitments made over the years of militancy among those who have constituted the majority of his electorate: the poor. There is every chance of seeing his first initiatives picked up from the expectations of his loyalists. Now some of these 'commitments' can turn out to be perilous. Among them one can cite his statements in favour of a stronger acknowledgement of the indigenous legacy. There is also his commitment to respect private property and in favour of a 'total agrarian reform' in a country where a large part of the miserable farmers have no property deeds and where Brazilians seize uncontrolled lands in the border zone in order to raise soy.

While the President should watch his Left flank, he should also and more importantly watch his Right flank. Strong as a result of their traditional ascendancy and positions kept, despite the internal breaks in their fabric today, the *Colorados* will make life tough for him starting in the bicameral legislature and at all levels of elected representatives and in the various domains of exercising power. It remains for him to hope that the PLRA will not defect too quickly and will remain in its role as historic opposition to the ANR.

In such a political context, Mr. Lugo, like his Bolivian, Ecuadorian and Venezuelan counterparts, and despite his past as a good pastor, could soon find himself heading towards a populist caudillo type of leadership while, like them, resorting to the expression of personal popular support by means of referendums. To be sure, this political type of fragility is accentuated by nearly complete lack of flexibility that President Lugo has on the economic plane.

Thus, the farmers who provide the essential part of the country's resources are close to calling for a guarantee of private property and are against any new imposition of agricultural exports. For their part, the employers in March spoke of their fears at seeing the accession of a populist government drive away from the Paraguay economy for a long time the few foreign investments that it benefits from today. It is clearly on its guard despite the fine smile of the newly elected which assures us that 'it is not the devil.' Finally, if a substantial increase in resources coming from producing electrical energy today constitutes the sole solution for rapidly growing and stabilising the resources of the State, the statements of candidate Lugo promising an increase of 500% of the export price of this energy have a good chance of remaining a pious wish.

- The international scene

In fact the main part of President Lugo's wager is on the arena of foreign relations and especially regional relations in the framework of Mercosur. But on this scene, the margin for negotiations is nearly non-existent given present conditions and, a priori, any strong-handed measures would prove to be suicidal.

The country's economy is too tightly dependent on its trade with its neighbours:

- Despite the customs harmonisation in force between the countries of Mercosur, a portion of hard currency income that cannot be ignored is linked to activities of re-exportation to other members of the common market,
- and globally, Paraguay is unable to maintain its meager standard of living without recourse to importation of goods and exportation of its agricultural products in the context of regional exchanges.

One can therefore hardly imagine how the new government can press Argentina and Brazil to accept any drastic revision of the 'energy treaties.' Brazil is the largest supplier and customer of Paraguay, and it has already calmly but firmly announced its opposition in the middle of the campaign through the voices of the director of the enterprise *Itaipu* and the Secretary General of the Chancellery: the text of the signed treaty states that it cannot be revised before 2023. The day after the elections, President Lula took up this same position. Meanwhile, the prospects of this landlocked country opening up markets in the rest of the world are difficult to implement and in any case do not give reason to hope for real alternatives in the short and medium term.¹¹

As for relations with Europe, they necessarily fit within the context of negotiations over a free trade agreement with Mercosur, negotiations which are turning out to be particularly difficult in the key sector for Paraguay, agriculture. Finally, the United States hardly appears as a recourse for many different reasons, starting with the fact of the political orientation of the new government and the dishonest compromises of the past with the ANR, compromises which were recently illustrated by the excesses of the involvement of the American Ambassador in the internal debates of the *Colorados* Party in the midst of the primaries. What is more, the warm congratulations sent to Fernando Lugo by his (future) counterparts in Bolivia, Venezuela, Ecuador, Nicaragua and Cuba must at the very least leave Washington in a state of distrustful expectation...

In conclusion, many elements suggest that once he has barely descended from the campaign trail, the new President will take the opposite line on two of his messages: the nationalist message (above all, anti-Brazilian) and the populist message. Furthermore, one can count on the *Colorados* and on the loyalists of Lino Oviedo to counter-attack soon on the grounds of corruption of persons and of the system. The campaign provided excellent examples of the kind of material that is available in reserve. For Paraguay, the tumult of the disappointed may be followed by the apathy of the poor.

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¹¹As an indication, in 2005 Mercosur and Chili provided 57% of the export outlets, followed by Russia (11%) and the Cayman Islands (9.5%). The largest suppliers apart from the region itself (44%) were in descending order: China (27%), Japan (8.3%) and the United States (6.3%). The 2006 trade balance was \$1 billion in deficit.