



**THE TRANSITION TO DEMOCRACY IN PARAGUAY:  
PROBLEMS AND PROSPECTS**

**A Rapporteur's Report**

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**Working Paper #171 - January 1992**

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## **ABSTRACT**

This rapporteur's report encompasses discussions and formal papers of the December 1990 conference on "The Transitions to Democracy in Paraguay: Problems and Prospects." The essay begins with a brief history of twentieth-century Paraguayan politics, followed by analysis of the effects that various structural factors and social and political actors might have on the transition. Specific structural topics include: the legacy of Stroessner's economic development style, recent economic conditions, the international context, the peasant movement, and questions of how and when to handle demands for land reform. Social and political actors analyzed include: the business sector, organized labor, the military, and political parties. Paraguay, while not yet a democracy, has nevertheless undergone significant political (and some economic) liberalization in a short time. The international climate supports the transition, while the weakness of civil organizations and opposition parties, a politicized military, and intransigent factions of the dominant Colorado Party present challenges to democratic consolidation. Overall, conferees were optimistic that the regime will continue to liberalize and not return to dictatorship.

## **RESUMEN**

Este reporte abarca las discusiones y trabajos presentados en el seminario de diciembre de 1990 sobre "La transición hacia la democracia en Paraguay: problemas y perspectivas". El ensayo empieza con una breve historia de la política paraguaya durante el siglo veinte, seguida de un análisis de los efectos que pueden tener varios factores estructurales, así como diversos actores sociales y políticos, sobre la transición. Algunos temas estructurales específicos se refieren al legado del estilo de desarrollo económico bajo el régimen de Stroessner, a las condiciones económicas recientes, al contexto internacional, al movimiento campesino, así como a preguntas sobre como y cuando manejar las demandas de reforma agraria. Los actores políticos y sociales analizados incluyen el sector empresarial, la clase obrera organizada, los militares y los partidos políticos. Aunque Paraguay no es todavía una democracia, ha vivido una significativa liberalización política (y en menor medida económica) durante un corto período de tiempo. Mientras que, por un lado, el entorno internacional es propicio a la transición, por otra parte, la debilidad de las organizaciones civiles y de los partidos de oposición, la politización de los militares y las facciones intransigentes del dominante partido Colorado, presentan retos a la consolidación democrática. En conjunto, los participantes en el seminario expresaron optimismo en cuanto a que el régimen seguirá liberalizándose y no volverá a la dictadura.

## Preface

On December 7 and 8, 1990, eleven Paraguayan scholars joined thirteen North and South American colleagues at the University of Notre Dame for a conference entitled “The Transition to Democracy in Paraguay: Problems and Prospects.” Organized by Dr. Diego Abente and jointly sponsored by the Helen Kellogg Institute for International Studies and the Inter-American Dialogue, with funding from the Ford Foundation, the Inter-American Foundation, and the National Endowment for Democracy, the conference was (to our knowledge) the first international conference outside of Paraguay dedicated solely to discussion of the Paraguayan political transition.

Part of the Stroessner legacy is that Paraguay was long denied the opportunity for close self-analysis, including an open intellectual examination of the economic processes, political actors, and structural relationships which shaped its history. Since the 1989 coup that toppled Stroessner, such examination has flourished among Asunción intellectuals seeking to rediscover their past and understand prospects for the future. Another part of the legacy was isolation—the “Albania of South America” had gradually become politically, diplomatically, and academically alone. The constancy of the Stroessner regime and the elimination of political competition for thirty-five years meant that Paraguay was often ignored by Latin Americanists choosing to focus their studies on more dynamic and accessible cases.

This conference was the first international opportunity to end the isolation. It brought together Paraguay experts from diverse Asunción think tanks and U.S. universities for extended conversation with each other and with scholars who had specialized in the democratization processes of other Latin American countries. The goals, as described by Abraham Lowenthal, were to illuminate the Paraguayan case with the light of the comparative theory drawn from other Latin American transitions; to illuminate that theory, in light of the features of the Paraguayan case; and to learn how governments and international institutes might apply such insights to policy-making.

The optimism among the scholars from Paraguay was palpable. There was hope that the conference itself would create momentum for further scholarly attention, at the international level, to Paraguayan politics. For the non-Paraguayan scholars, it was a unique chance to deepen understanding of the post-Stroessner era and to bring the Paraguayan case into the literature on democratization.

The goal of bringing the results out to the international policy community was initiated immediately as several participants met with Washington policy-makers the following week, and a

summary of the conference insights was reported back to journalists, politicians, and policy-makers in Asunción, in a follow-up meeting in January 1991.

The conference began with an introduction to Paraguay's political history. Subsequent sessions were organized for separate consideration of major structural factors, social actors, and political actors, followed by two comprehensive and comparative discussions of the transition process and prospects for democracy. Discussion and debate were based on formal papers, the majority of which will appear in revised form in a forthcoming volume from the University of Notre Dame Press edited by Diego Abente.<sup>1</sup>

This report follows the conference's organizational scheme. The goal is to give the reader a summary of the principal political, structural, and social factors in Paraguayan politics, as described in the papers and discussion, and to outline the conference discussions about Paraguay's prospects for completing its transition to democracy.<sup>2</sup>

### **Paraguayan Politics Pre-1989**

According to Diego Abente<sup>3</sup> prior to Stronism, Paraguay had a cyclical history involving the alternation of semi-competitive and noncompetitive regimes, culminating in a semi-competitive republic from 1870-1930. The republic incorporated liberal political and economic policies and civilian leadership.<sup>4</sup> The principal modern political parties, the Liberals and the Colorados, developed their organizations and deep citizen loyalties during this period.

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<sup>1</sup> Author's note: I have considered the papers prepared for this conference to be an integral part of the meeting. Therefore, I have not, as a general rule, distinguished in this report between what was "said" in the sessions and what was "said" in a paper, and have drawn from the papers and discussions freely. However, wherever confusion might arise about whether a difference of opinion was actually debated or merely uncovered in my comparison of papers and discussions, I have tried to clarify the context of the contradictory comments.

<sup>2</sup> The reader may notice that the authors dominate the sections pertinent to their papers and that there is relatively little disagreement. This is an accurate reflection of a conference in which the Paraguayan conferees generally agreed in their interpretations of the past and present political situation and the non-Paraguayans generally saw it as their role to ask questions and clarify points in light of comparative experience, rather than to rebut views of this case.

<sup>3</sup> Diego Abente began the conference with an introduction to Paraguayan political history. Except as noted, the summary in this section is based entirely upon his account, for despite an explicit request, no one at the table dissented from his historical interpretations. Abente's perspective, Melissa Birch explained, reflects the scholarly consensus, although it is not the view of history available in Paraguay's schools and newspapers. The minor discrepancies in historical perspective which arose in the course of the conference are noted in the footnotes or text of this report.

<sup>4</sup> This aspect of Abente's account—that Stronism represented, in some respects, a rupture with the nation's past—was later contested by John Lewis, who argued that Paraguay has never known anything like liberal democracy, since an incumbent party never permitted its opponents to win an election. To many, this is a disagreement about distant history, not directly relevant to the discussion of the present transition unless one sees historical precedent and cultural traditions as indicative of present potential, as Lewis did. The majority of conferees focussed not on culture or

The historical prelude to Stronism was Paraguay's 1935 victory in the Chaco War with Bolivia. The war expanded the role and prestige of the military and the politicization of the middle class. The aftermath, Abente argued, was dominance by the increasingly fascist-influenced Colorado Party, a divided Liberal Party, and increased public disenchantment with a government that could win a war but not bring about economic development. The outcome of the post-war political crisis was Paraguay's first military dictator, General Higinio Morínigo. He took power in a bloodless coup in 1940, but was overthrown following the civil war of 1947. The Colorados emerged victorious from the bloody war, but were unable to control their internal divisions, eventually turning to an alliance with the military through which General Stroessner took over in a 1954 coup.

Stroessner developed authority gradually, consolidating absolute power by the mid-1960s. There was repression throughout his rule—at times brutal, including violent oppression of peasant uprisings and imprisonment of political critics; at other times indirect, via self-censorship and co-optation. Stronism was not a class-based exclusionary regime like the bureaucratic-authoritarian regimes of the 1970s, but rather was exclusionary on the basis of party affiliation.

The unusual characteristic of the Stroessner dictatorship was that it was neither personalistic, military, nor one-party rule, but rather, a combination of the three. The military institution never ruled, but it guaranteed the coercive power of the regime and was wholly partisanized. The Colorado Party was used to mobilize support down to the precinct level. This triad of party-army-state was so conjoined that one of the keys to a successful transition, according to conference participants, will be the emergence of Colorado Party and military leaders who will perceive and accept their institutions as distinct from the state, and who will, as Carlos Martini put it, see the state as something other than booty.

Stronism was most often classified by the conferees as authoritarian, patrimonial, or sultanistic. It was clearly not a bureaucratic-authoritarian regime such as preceded the transitions elsewhere in the Southern Cone. Jonathan Hartlyn said Stronism seemed close to a "discretionary neo-patrimonial regime," such as those of Marcos, Mobutu, Somoza, and Trujillo. "Discretionary" because of the autonomy of the individual leader, and "neo" patrimonial because there was no claim to legitimacy on traditional grounds. These regimes, which have elsewhere been called "sultanistic," involve attention to legal forms (Stroessner held, and used fraud to win, eight presidential elections), combined with corruption, arbitrary decisions, repressive violence,

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history but on the institutional and organizational legacies of Stroessner, which created the political circumstances in which the current transition takes place. Abente, who strongly rejects cultural explanations, nevertheless suggested that understanding the Liberal Republic might help clarify contemporary issues, since it is the most recent historical reference point for the transition; its ability to serve this purpose may depend on whether Abente's or Lewis's historical interpretation of what the Republic was like is most valid.

imposition of personal rule, and the accumulation of wealth for ruler and cronies. Hartlyn saw the interdependence of Stroessner, the Colorado Party, and the military as the unique trait distinguishing Stronism from other regimes in this category.<sup>5</sup> Marcial Riquelme said that power was more centralized and concentrated than in a patrimonial regime and recommended “neo-sultanistic authoritarian.”

Benjamin Arditi and Charles Gillespie each suggested that Stronism, given its mobilizational component and the complete penetration of society by the state, was in some respects totalitarian. Scott Mainwaring objected that Stronism was not sufficiently mobilizational, ideological, or socializing to warrant the “totalitarian” label. Arditi admitted to qualms about using the term, since comparisons with the fascist totalitarianism of Germany and Italy or the thoroughly discredited Communist parties of Eastern Europe would be inappropriate.

This regime began to decline in the 1980s. The end of the construction bonanza brought economic troubles which Paraguay had long evaded, so Stroessner could no longer reward all of his allies at once. When the economic crisis of the 1980s arose, the business class became aware that a backward, bureaucratized state prevented further liberalization of the economy, according to Dionisio Borda, and support for the regime diminished. At the same time, Abente said, the Paraguayan Catholic Church became an outspoken critic of human-rights violations. Weakened at home, the dictatorship also became isolated internationally as democracy expanded throughout the world.

Ultimately, the conferees agreed, a succession crisis brought down the aging Stroessner. General Andrés Rodríguez and a group of colonels and younger generals staged a coup on February 3, 1989. Rodríguez and the junior officers were dissatisfied with the increasing deprofessionalization of the military and opposed to attempts by the party’s Militant wing to promote Air Force Colonel Gustavo Stroessner to succeed his father. Marcial Riquelme noted that among specific complaints from the professional soldiers were that salaries were too low to live on (the higher officers survived because they had access to the spoils of corruption), and that the top-heavy officer corps left few chances for promotions. Carlos Martini and Carlos Lezcano described the succession problem as one of “internal distributive illegitimacy,”<sup>6</sup> in the sense that Stroessner had not developed mechanisms to negotiate the distribution of political and economic power within the regime. The result was internal dissension, which Stroessner was no longer able to control. An attempt to squelch the competition by stacking the party and military hierarchies with loyalists merely heightened the dissatisfactions of the excluded Rodríguez and his

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<sup>5</sup> Similar descriptions and terms were given by Carlos Lezcano and Carlos Martini and Fernando Masi.

<sup>6</sup> They drew the term from Augusto Vara, “Crisis de legitimidad del autoritarismo y transición democrática en Chile,” *Documento de Trabajo No. 415*. Santiago: FLACSO, 1989, p. 9.

supporters. José García added that Rodríguez may have seen the coup as a continuation of Stronist legitimacy, in the sense that he had been Stroessner's hand-picked successor in 1986, so that by seeking to substitute Gustavo Stroessner, the Militant Colorados seemed to be making an illegitimate power grab that undermined the professional hierarchy.

After the coup, Rodríguez promised democratic reforms. He initiated substantial political liberalization and called presidential and congressional elections for May 1989. Following thirty-five years of virtual proscription, the opposition was fragmented and ill-prepared to organize a campaign in only three months. Nevertheless, most parties chose to participate in, and thereby legitimate, the elections, although they lacked the organization to be competitive. Rodríguez and the Colorado candidates won, in a process that Charles Gillespie described as relatively free but not fair. Free, he explained, in the sense that all but the communist parties were legalized and media censorship was lifted; but unfair, due to the short time schedule, incorrect voter registries, and numerous irregularities at the polling stations.

According to Gillespie, Rodríguez officially received almost 75 percent of the vote (with little doubt that he really won at least a majority), and at least 54 percent of the electorate had voted. Since then, Rodríguez scheduled municipal elections for May 1991 and presidential and congressional elections for 1993, and, in a crucial step, has promised not to run for office again.

## **STRUCTURAL FACTORS AFFECTING THE TRANSITION**

The conference discussions on structural factors developed from the papers prepared by Melissa Birch, Ramón Fogel, Fernando Masi, and Richard Weisskoff. They described substantial social and economic ramifications of the Paraguayan economy as it developed under Stroessner.

### **Stronist Development and Its Consequences**

Birch described the first two decades of Stroessner's regime as a period of moderate economic growth, infrastructure projects built with foreign aid (from Brazil, Argentina, and the United States), and the beginning of modernizations in the structure of economic activity. This was followed by the 1974-1981 "boom," a time of tremendous growth during the construction of the Itaipú dam. The Itaipú hydroelectric generating plant is the world's largest, built in a joint venture by which Brazil provided the technology and guaranteed Paraguay's construction debt. Massive capital inflows for the dam project led to huge gains in levels of employment, income, and spending. This seven-year boom is responsible for Stroessner's reputation for bringing growth and prosperity to his country, and it enabled him, for a time, to legitimate his regime.

As Fogel pointed out, Paraguay followed an unusual pattern of development under Stroessner, in which agricultural modernization preceded urban modernization. Growth was concentrated in modern agribusiness, agroexports, and public employment—the latter fueled by Itaipú profits and motivated by the need to reward loyalty to the regime. A dual agricultural system developed on the former frontier lands, according to Weisskoff, consisting of new latifundia used for grazing and export crops, and the less profitable minifundia used by peasants for cash crops and subsistence farming. Rural-to-rural migration became a significant demographic factor, as the government created new towns on the former frontier of the east, near Itaipú.

Stroessner never pursued a policy of import-substituting industrialization, and manufacturing was stagnant during the boom years. In contrast, the financial, service, and construction sectors flourished, as did land speculation. The black market became a substantial part of the economy, for as Masi put it, contraband became synonymous with foreign trade. This development pattern had important consequences for the current transition.

First, Weisskoff emphasized, it was development not by market principles but by repression, graft, and authoritarian decision-making. This had several ramifications. Repression helped hold down peasant and worker mobilizations and therefore wages. Low wages, land grants to friends, road construction, and subsidies from development banks kept costs low so that growers could reap great profits by selling primary commodities at very low prices on the international market.

This type of development depended on what is known in Paraguay as “prebendalism,” that is, the authoritarian state awarded public jobs or privileges in exchange for loyalty. One result, Fogel pointed out, was that the state itself became a leading economic actor—state spending reached 21 percent of GNP by 1983. Fogel and Borda described this development path as a deliberate strategy favoring certain sectors, but Birch suggested that the state played its leading role without a script. She contends that the state was always reactive—seeking money-making projects without a conscious development plan.

Several conferees argued that prebendalism constituted more than mere corruption; it significantly distorted the political and economic systems and obstructed the modernization which should have accompanied growth. For example, Fogel reported that only 12 percent of the resources invested in the Itaipú and Acaray dams was spent on workers' salaries. The other 88 percent went to a few businesses loyal to Stroessner and involved in the dam projects. Neither the favored businesses nor the expanded middle class used their new wealth for investment or savings, but rather, for speculation and consumption.

Therefore, the Itaipú boom did not have the long-term economic benefits that it might have had, if the capital been channelled differently. Abente and Lourdes Sola both described the social and structural diversification as much slower than would be expected from the growth rate,



relative to more urban and industrialized countries. After the boom years, Paraguay remains a rural country, with 43 percent of its work force employed in agriculture. Ninety percent of its exports and 28 percent of GDP (in 1987) were agricultural, and even its small manufacturing sector is based significantly on agricultural products.

Fogel described a second consequence of the new foci of economic activity under Stroessner—the creation of a diversified and unique social structure. The urban working class, always small in Paraguay, declined in size as manufacturing decreased as a percentage of the economy. The tertiary sector (services and distribution, including contraband) grew enormously, as rural laborers lost jobs and land due to modernization of the plantations. Meanwhile, the urban middle class grew slightly—not from industrial management as in most countries, but primarily from public employment and the tertiary sector. A rural creole business class was created as loyal military and civilian bureaucrats were rewarded with huge tracts of land—a practice which rapidly depleted the formerly vast frontier. This development pattern also spawned a modern business class, Fogel and Borda explained, whose members used their new wealth and their state connections to invest in other sectors, creating multiple interrelationships between financial, agropecuarial, construction, industrial, and transnational capital sectors. Finally, Fogel said, an “open door” with incentives to foreign investors led to large numbers of immigrant farmers, which has created ethnic strife and resentment among native peasants.

Another effect of Stroessner’s development style, according to Birch, is that the Itaipú construction project left no institutional legacy. Planning and technology for the project were mostly provided by Brazilians. Corruption and personalistic rule prevented political institutions from developing simultaneously with the economy. Years of easy money left government officials ill-prepared for the tough decisions needed for economic reform. In short, Birch contends, Stroessner modernized the economy, relative to where it had been, but did not modernize the state. Borda agreed, emphasizing that judicial, legislative, and administrative institutions all are in serious need of modernization.

Economic changes also brought changing social values, Fogel said. For example, the prosperity of the “boom” period encouraged consumerism. Large portions of the middle class became involved in contraband activities, replacing the old values of education and honesty with a new priority for consumption. U.S.-educated technocrats brought home foreign habits, attitudes, and ideas.

Birch and Masi emphasized a fifth aspect of Paraguay’s development pattern: its economy was highly vulnerable, because it depended upon foreign investments and international markets. According to Birch, the boom happened when massive capital inflows for the Itaipú construction coincided with an increase in international prices for Paraguay’s soy and cotton exports. Later came the “bust,” as the completion of Itaipú coincided with flooding and

drought in the early 1980s, followed by the collapse of the international commodities market in the mid-1980s. The decline was aggravated by a reduction in demand for exports, due to recessions in Brazil and Argentina.

The greatest dependence was on Brazil. In a process beginning in the 1940s and culminating with the secret negotiation of the Itaipú treaty, Brazil became Paraguay's chief partner for credit, trade, foreign investment, and military aid. Birch and Masi agreed that this relationship fueled the growth spurt of the Paraguayan economy (and helped Stroessner to legitimate his rule), but ultimately, Masi contends, the relationship was strongly biased in Brazil's favor.

Since the coup, President Rodríguez has supported only gradual change. He renegotiated the debt on terms still favorable to Brazil. At least, Masi said, the inequity is now publicly debated in Asunción, and the House of Deputies has called unanimously for a renegotiation of the Itaipú Treaty. He argued that if Paraguay is to participate as an independent and equal partner in the Southern Cone Common Market scheduled to begin in 1995, then it is essential that the Itaipú Treaty be renegotiated to establish a more balanced relationship and to enable the free trade of energy, which is currently restrained by treaty provisions. He said that Argentina and Uruguay have strongly supported Paraguay's participation in the common market, but Brazil seems reluctant to enable Paraguay to have a more independent economy.

In her response to Masi, Lourdes Sola questioned whether Paraguay has the internal resources needed to establish a more autonomous position *vis à vis* neighboring countries. The quest for autonomy will be particularly difficult during an era of adjustments involving trade liberalization, because while Paraguay seeks to establish a more inward-looking policy, its neighbors in a common market will be looking to export to Paraguay! Lacking a strong industrial past, Paraguay has not developed the entrepreneurial, labor union, or state capacities necessary for participation in economic decision-making and adjustments. Its most modernized sectors are finance, agriculture, and perhaps construction, none of which, according to Sola, are sectors well-equipped to lead ISI or another type of internal-based development. Nor does Paraguay have a national bureaucracy trained to manage macroeconomic and macropolitical policies, which was a key ingredient in the economic successes of Brazil and Chile.

### **Current Economic Conditions**

Paraguay's economic difficulties and foreign debt are minor in comparison to most Latin American countries, yet they constitute a crisis relative to the Itaipú heyday. For example, combined unemployment and underemployment hovered at over 20 percent of the urban work force, during the 1980s, particularly affecting construction workers and the urban working class. The informal sector and public employees (except for those in the Defense and Interior ministries)

suffered large wage decreases. Fogel cited these figures to explain how the crisis—and the government's neoliberal response to it—are exacerbating existing social divisions.

Foreign debt has only recently become substantial, according to Birch, largely because of two ill-conceived construction projects (national concrete and steel plants), which Stroessner unsuccessfully tried to use as a quick-fix to replace the Itaipú cash infusion. The Stroessner government's foreign debt was mostly owed to other governments or multilateral banks, rather than to commercial banks, so interest rates are generally below-market. Nevertheless, public sector external debt tripled from 1980 to 1985, and by 1989 Paraguay was \$300 million in arrears on foreign debt. The new debt levels made Paraguay subject, for the first time, to pressure from the International Monetary Fund, with whom they negotiated a standby agreement in 1990.

Landlessness and poverty among the peasantry also became serious problems in the last decade. Fogel cited several factors which coincided to expand rural poverty: the completion of the Itaipú dam and the end of the construction bonanza; the return of emigrants who had worked in northern Argentina until the crisis hit there; the exhaustion of open public lands and subsequent end of recolonization programs; the concentration of landholdings by land speculators during the boom years; and the reduction in agricultural wage labor due to massive mechanized farms.

Inflation too is a problem for the first time in modern Paraguayan history. Despite tight fiscal and monetary policies under the Rodríguez government, inflation has not subsided, although it is low relative to other Latin American countries. Birch reported 29 percent inflation in 1989 and estimated 35 percent for 1990; Weisskoff predicted the 1990 rate might reach 50-60 percent. Birch explained that inflation was difficult to curb in light of negative interest rates, which discourage saving; the (otherwise positive fact of) increased international reserves, which increase the domestic money supply; and the higher costs for Brazilian and Argentine imports due to high inflation rates in those countries. She said that Paraguay has avoided hyperinflation because there were no political spaces or organizations in Paraguay with which to fight for greater shares of wealth. Fogel noted that such struggles have begun, despite the fact that the state still provides no mechanisms for the urban poor, peasants, and others to negotiate demands. With new freedom for public activity, they are taking to the streets to demand land, better wages, and basic services. Weisskoff suggested that inflation is not the inevitable result of greater freedom to make distributive demands and might be avoided by some sort of social concertation.

### **Policy Recommendations and Prospects**

To tackle the economic crisis, President Rodríguez advocates a neoliberal economic agenda. In his two years in power, he has balanced the government budget by: reducing

government spending; improving tax collection; simplifying and reducing import duties; and raising utility rates. He eliminated multiple-exchange rates and freed interest rates from government control.

Birch reported that as inflation and unemployment rise, Rodríguez's economic policies have created widespread dissatisfaction among all economic sectors, who perceive his approach as "reactive and ad hoc." She recommended various structural reforms needed to undo the economic patterns developed under Stroessner: first, overhauling the regressive tax system; second, reorganizing the central government's budget priorities to expand social spending and decrease military, police, and infrastructure budget shares (also a key point for Carlos Martini and Carlos Lezcano, Marcial Riquelme, and Richard Weisskoff); third, reforming and eliminating corruption from the financial system, including creation of a capital market to adjust the money supply and an independent judiciary capable of contract enforcement; and fourth, land reform.

In Lourdes Sola's view, the economic adjustments already implemented were surprisingly extensive in comparison with the pace in Brazil or Argentina. Sola questioned whether there is really sufficient economic pressure and urgency to enact the types of reform Birch recommends. Birch answered that the relationship with the IMF creates new pressure for reform of the state, the tax system, and the financial system. Pressure for land reform has been building for years, without any ameliorative government action, to the point that Birch believes it can no longer be put off; addressing the land problem will require financing, which will in turn create pressure for tax reform.

Borda agreed with Birch that the best hope for democracy is serious economic liberalization in combination with structural reform (including labor, land, credit, housing, education, and tax laws). Those reforms require the bourgeoisie to sacrifice current privileges. In addition, a successful transition requires state reform in order to stabilize the economy and win the support of business sectors. The state must develop a more technically sophisticated bureaucracy able to propose flexible and feasible policies to ensure low inflation and realistic exchange rates. In short, Borda's position is that a successful transition must address both social and economic issues in order to prevent the buildup of frustrations either among new social actors or the bourgeoisie.

Weisskoff and Fogel shared Birch's view that the system is structurally flawed and urgently needs renovation. Implicitly adapting substantive definitions of democracy, they each described the most favorable scenario for the future as one that would fulfill democratic principles by correcting structural inequities and creating social policies to meet the basic needs of the poor.

For Weisskoff, the alternative, negative scenario—no change in the structure of economic relations—could exist alongside the procedural "trappings" of democracy, but would involve continually worsening conditions for the rural poor and a tendency toward populist politics. He offered hope that, even in this situation, some economic change would develop naturally out

of the transition to democratic forms. For example, greater political freedom of association should enable new interest representation in policy-making, greater press freedom should reveal the extent of corruption that supports the old economic structure, and these moves toward liberalization may engender creation of an impartial judiciary to enforce contracts and labor laws.

Fogel thought that those kinds of political and economic openings would be part of the positive scenario; his alternative vision, of society without economic reform, was more pessimistic than Weisskoff's. In Fogel's alternative future, neither the substance nor the procedures of democracy could exist alongside the continuation of current economic structures, because existing political and economic relationships are mutually supporting and anti-democratic. Without redistribution, there will be no meaningful transition in Paraguay, Fogel said, because as it is right now, "los que mandan son los que iban mandando." Therefore, if substantial economic reforms are not made, he envisions increased poverty, violence, and instability, with authoritarian responses from the dominant sectors, continuing inefficacy on the part of political parties, and anomie among the populace.

### **Peasants and the Issue of Land Reform**

The problem of land distribution raises numerous issues for the transition: issues of policy, pace, the meaning of democracy, and the role of the nascent peasant movement. As mentioned above, it is a problem exacerbated by Stroessner's style of development that encouraged loyalists and foreigners to exploit the once vast frontier with modern agribusinesses and ranches that require minimal labor. The result was a growing number of landless and unemployed peasants.<sup>7</sup>

Fogel described a series of sociological effects of these changes. First, ethnic resentments have developed because the peasants perceive foreign ownership of the best land as illegitimate. Consequently, shared experience and ethnic ties, not merely class, will be the basis of social mobilization in the medium term.

Meanwhile, those who own land have become frightened by the frequency of land occupations in recent years, and have come to perceive the peasants as violent, irrational, and threatening to their understanding of private property. Contrary to those perceptions, sustained, broad peasant mobilization in the near future is improbable, Fogel said, because rural modernization and official resettlement programs have left the peasantry disorganized and atomized. No more than 10 percent of the peasantry is organized, according to Daniel Campos, and the organized movement is weakened by its lack of cooperative ties with political parties.

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<sup>7</sup> An Interior Ministry survey found 110,000 landless peasants, according to Dionisio Borda.

The peasant movement has been passive in its relationships with the Liberals and Colorados, and has been ignored by the newer centrist parties. Fernando Masi suggested that the passivity is likely to end as the peasants' activism on the land spills over to their approach to the parties. As for parties of the left, they have failed to mobilize the masses or serve as a vanguard, Campos said. Rather, they tried to co-opt peasant organizations, creating only resistance and resentment instead of mutually productive relationships. Furthermore, relations with the Catholic Church and the army have been persistently paternalistic, with those traditional institutions rejecting any efforts by the peasantry to assert themselves independently. Campos believes that the popular sectors will be strengthened if they learn how to pressure, and then negotiate with, the bourgeoisie and the state, in order to force conservative actors to convert democratic rhetoric into action.

Campos defined "peasants" as people with little capital or opportunity for simple accumulation and dependent upon family labor. He emphasized that the dispersed and atomized peasantry is a heterogeneous group (more so than the proletariat), because social and regional differences arise from different modes of accumulation in the countryside. The peasants are just one part of the popular bloc, which he described as a permanent and dynamic bloc based on a "triple alliance" of proletariat (urban and rural), peasants, and a "Third Force" that includes public employees and the informal sector.

Diego Abente disagreed thoroughly, saying that the peasant movement is neither diverse nor permanent, but rather, is motivated by the single and temporary problem of land. Beyond the land issue, he predicted, peasants' political identities will continue to come from affiliation with the Liberal or Colorado parties. Borda tempered that view by suggesting that while land is the only unifying issue for peasants now, we do not know what will happen once the land issue is resolved. Campos responded that in addition to land reform, peasants share interests in ecology and sustainable development. He believes that peasants' current tendencies to vote with the major parties will eventually be resolved through the historic process, and that they will reach beyond the major parties to join forces with more sympathetic social actors.

Because of growing poverty in the countryside, land reform was a strong concern to many of the conference participants. Several types of arguments, both normative and pragmatic, were offered or implied for why land reform is necessary for a successful democratic transition. First, vast inequalities of wealth are inconsistent with the political equality presupposed by democracy (Campos). Second, the peasants understand this contradiction and will question the legitimacy of a democracy that ignores their needs—thus, unmitigated inequality would bring instability (Birch, Borda, Caballero, Campos, Fogel, and Evelyn Huber). Third, landlessness increases migration to the cities, which are already overburdened by unemployed and underemployed people, which means increasing social conflict if reforms are not made (Fogel, Weisskoff). Fourth, ignoring the

problem of landlessness will not make it go away—the land occupations and protests will continue until some institutional means of negotiating both sides' demands is created (Borda, Birch).

Reasons three and four lay behind the Liberal Party's understanding of the issue, said Esteban Caballero. For them, the issue is not equity but landlessness, so the solution would be a combination of minifundias created from appropriated land and industrialization programs to provide jobs for displaced peasants.

A fifth reason could be inferred from the discussions of international factors: addressing the problem with violence and repression risks international criticism in a world where democracy is the order of the day and at a time when the Rodríguez government is working to reintegrate Paraguay into the international community.

Only Daniel Campos sought to radically alter the distribution of all private land on ideological grounds. Others suggested a variety of approaches for effective but limited reform. Weisskoff said that large plantations are short-sighted and wasteful in their land use, and that middlemen extract most of the wealth from the sale of peasants' crops. He recommended correcting these inefficiencies by eliminating both latifundia and minifundia in favor of farm-sized plots owned by the peasant farmer. Rev. Ernest Bartell warned that under Weisskoff's plan, everyone would produce for export, which represents a departure from textbook notions that land redistribution be used for subsistence purposes. The latter can be managed through domestic policies, but the former runs the risk of increasing the peasants' vulnerability to international markets. While fully supporting the goal of redistribution, Bartell was concerned that an export-oriented land distribution plan would ultimately lead to disillusionments for everyone involved.

Short of such a restructuring of land patterns, Weisskoff thought that present inequalities are so great that substantial equity could be achieved by appropriating land from a very few landowners. Huber recommended that the most successful plan would be one of very small scope, sponsored by a political coalition, and with compensation for landowners. Others sought more expansive change, but most would agree with Catherine Conaghan that any effective land reform requires not just skillful design, but also creative political leadership and "a powerful set of assurances" to reactive dominant sectors about private property rights.

Land reform was not a top priority for all conference participants. While most agreed with the land reform goal, some were concerned about the timing—that is, whether it is necessary and/or safe to attempt land reform in the short term, in the face of an incubating democracy and reactionary elites. For example, Diego Abente judged land distribution would not be an obstacle to democratization, since there is "widespread land ownership in the countryside" similar to Costa Rica, rather than the "reactionary landed class controlling forced or semi-forced labor" which

Barrington Moore has identified as a factor facilitating dictatorship.<sup>8</sup> By Jonathan Hartlyn's reading, Fogel's and Campo's papers indicated not a potential explosion, but a frustrating lack of organization among peasants and very *low* levels of social conflict. Contrary to the most commonly made empirical argument for land reform, Catherine Conaghan and Hartlyn agreed that structural inequalities are not necessarily destabilizing. In recent history, democratic political processes have functioned amidst gross and unaddressed social inequities.<sup>9</sup> Trying to address those social inequities before consolidating democratic processes is a recipe for disaster, in Samuel Valenzuela's view, because strong institutions are needed to manage the divisive force of such issues, build social consensus, and implement strong policies. Conaghan also warned that the social consensus needed to implement land reform has proved difficult to sustain over the medium term in other Latin American countries, as social pacts have tended to collapse under pressure. She suggested that we redirect our thinking to rid ourselves of "nostalgia for Keynesian class compromise that can't happen in these cases [and that] we shouldn't expect to happen." Democracy without social reform is a sub-optimal solution, but the reality is that democratic institutions can function without social pacts. Therefore, she urged scholars to study the new routes which Latin American nations are taking to "different types of political regimes." In sum, the urgency or danger of land reform for democratic transition was for some conferees an empirical question; for others, disagreement on this issue is definitional, involving a debate over whether social scientists define democracy by institutionalized procedures or by relatively equal access to political power.

### **International Context**

Fernando Masi provided the sole paper on international factors of the transition. He offered a comprehensive history of Paraguay's ties with its neighbors, with the United States, and with other Western nations, and an analysis of current relations. The principal issues are summarized below; there were no contradictory comments.

Throughout Paraguay's history, the landlocked country had relied on its stronger neighbors for trade and ports, with Argentina the dominant economic force from 1900-1940. Stroessner ended Paraguay's economic isolation by encouraging foreign investment, primarily by Brazil, but also by several West European and Asian countries. Because these relationships helped the economy grow, they helped legitimate his regime. Argentina's economic dominance

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<sup>8</sup> John Lewis and Daniel Campos disputed Abente's description, but the latter defended himself saying that he had compared land ownership data for Costa Rica and Paraguay.

<sup>9</sup> Hartlyn's response, however, does not deal with the pro-reform argument that reform has been postponed long enough; that is, that even if peasants are not currently strong enough to destabilize a regime, they will only get stronger and more organized as their concerns are ignored.



diminished markedly under Stroessner as relations with Brazil expanded, yet he maintained close political relations with Argentina's military regimes.

Stroessner used a strict anticommunist position to ally with the United States during the Cold War, thereby hoping to keep a low profile and avoid foreign interference on political matters. In return for his unconditional loyalty and the establishment of an electoral façade in 1967, the United States provided assistance which helped to consolidate his regime: military aid, primarily for counterinsurgency; aid from multilateral lending agencies tied to US foreign policies, such as the World Bank; and the third largest portion of Alliance for Progress funds. Stroessner's strategy of "benevolent isolation" served him well until the late 1970s, when he was surprised by the full force of US President Carter's human-rights sanctions. Despite Stroessner's resentment, Carter's policies succeeded in forcing the release of all political prisoners in 1979.

In the 1980s, Stroessner became increasingly isolated diplomatically. He received criticism (albeit ambiguous) and some sanctions from President Reagan, and strong rebuffs from Argentine President Alfonsín. However, by the 1980s, neither the USA nor Argentina was a major source of trade or economic aid, so their leverage was weak. In contrast, the Brazilian government under President Sarney was cautious in its criticism of its economic client, and continued to provide military, economic, and diplomatic support. Masi concluded that international pressure and isolation contributed to Stroessner's difficulties, but were not major causes of his downfall, because Paraguay was of too little strategic importance to attract significant foreign attention.

Foreign pressure is also unlikely to affect the outcome of the current transition, in Diego Abente's view, but will instead diminish in importance. This perspective raised some debate over degrees of influence, from Caballero, who believes that international pressures were important in Stroessner's collapse and will continue to be influential in the transition period, and Masi, who said that international factors have become more important to internal politics since the coup. Masi attributed the change to Rodríguez's deliberate efforts to reintegrate Paraguay, diplomatically and economically, into the region and the world.

Masi and Scott Mainwaring each emphasized that the global context today is exceptionally supportive of democracy and bodes well for Paraguay's transition. Masi described Rodríguez actively courting foreign legitimacy by his quick post-coup promise of political liberalization. He has reached out to his neighbors, trying to end Paraguay's isolation within Latin America.

Regional economic integration in the 1990s will influence Paraguayan politics because the other Southern Cone countries require democracy as a precondition for participation in the regional common market. If democracy survives in Argentina and Brazil, Masi added, then its prospects for Paraguay improve, since authoritarian elements within Paraguay will not find external support.

The United States has supported Rodríguez's pledges to establish democracy and liberalize the economy, but has provided little economic investment or aid. The US's principal interest has been that Paraguay commit to the drug war. This commitment entails military cooperation, for the first time since Jimmy Carter suspended all military aid, and has already included joint exercises in low-intensity conflict.

Rodríguez is seeking foreign investment aggressively. He received aid from Spain and West Germany, but the rest of the European Economic Community and the United States have been wary of investing in the Stroessner-era economy. He has sought, with some success, to improve and expand upon the relationships Stroessner had with Japan, South Korea, and Taiwan.

Masi derived several policy recommendations from his analysis. First, Paraguay should privilege its relations in the Southern Cone and continue on the path toward economic integration, while avoiding the submissive relationships it has had in the past with Brazil and Argentina. Foreign relations with the United States and Europe should be developed in conjunction with regional partners. Second, Paraguay should recognize that US aid will never again reach Cold War levels and should seek to avoid renewed militarization in the Southern Cone. Third, Asian relationships should be maintained, but with the recognition that those countries traditionally trade more with Europe and the USA and that they are increasingly turning to their neighbors to create a powerful Pacific bloc. Fourth, the privileged relationships built with Spain and Germany (based on the former's interest in developing Latin American ties and the latter's traditional investment in Paraguayan agriculture) should be maintained as the EEC Common Market approaches. Finally, the preeminence of contraband in Paraguay's foreign trade with Brazil must be tackled if Paraguay is to be a partner in the regional common market.<sup>10</sup>

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<sup>10</sup> Diego Abente added that the relationship with Brazil, highlighted in Masi's analysis, is one of the key unknown variables of the transition period. He urged further attention to the question: What should Brazil's political and economic roles be in the Paraguayan transition?

## OTHER SOCIAL ACTORS: OLD AND NEW

### Business Sector<sup>11</sup>

Discussion of the business sector developed from a paper by Dionisio Borda, as well as the papers on structural and macrosocial issues by Fogel, Birch, and Weisskoff.

Borda described the bourgeoisie as relatively new, poorly organized, and politically weak. Until the 1960s, it consisted of three often-intermingled groups: the landed oligarchy, foreign capital (both involved in forestry and ranching), and a national petty bourgeoisie of small commercial and industrial firms producing for the domestic market. The membership and interests of this class were completely fused with the leadership of the two principal parties.

This traditional and low-tech class allowed itself to be superseded by a distinct and modern bourgeoisie which started to develop in the 1960s. Under Stroessner, the new bourgeoisie incorporated high-ranking army officers and Colorado Party members, who were able to develop modern agriculture and ranching businesses with the help of the prebendary state. That aid included direct subsidies in the form of public policies permitting tax breaks, price supports, and land grants, as well as indirect subsidies in the form of repression of other social actors. The same people invested in the related industries which blossomed: construction, insurance, finance, banking, accounting, engineering, agrochemicals, transportation, and metal-working. The result is a bourgeoisie of diversified and multiple interests. President Rodríguez exemplifies the pattern, Marcial Riquelme observed, for he owns three banks, a major industrial firm, and a plantation. As noted earlier, foreign capital also enjoyed free rein under Stroessner. Competition between national and foreign capital was avoided, Borda said, because during the boom years, everyone could win from expanded domestic demand and fiscal supports from the state.

Three umbrella organizations were active before Stroessner came to power: the Paraguayan Industrial Union (UIP) representing manufacturers and agricultural processing plants; the Paraguayan Rural Association (ARP) for cattle raisers; and the Federation of Production, Industry, and Commerce (FEPRINCO), which came to represent the most dynamic capital sectors. Borda pointed out that their efficacy evaporated under Stroessner, because his peculiar development style required businesses to consult directly with the prebendary state, eliminating

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<sup>11</sup> Daniel Campos objected to Borda's approach to the extent that it treated the bourgeoisie as an actor autonomous from the state, which Campos says is an impossible distinction since the state's interests are necessarily intertwined with those of the class that supports it. Borda defended his approach, saying that there is not a solid tie between the state and the bourgeoisie.

the need for mediation by interest associations. Similarly, because opposition parties were repressed, business interests never developed working relationships with parliament or political parties.

During the 1970s, chambers were organized for particular industries (e.g. the Cotton Chamber). They negotiated directly with the government on such matters as tariffs or credits, again circumventing the older associations. Meanwhile, FEPRINCO and UIP, particularly the former, lost all autonomy from the state as Colorado Party members took over leadership positions.

In short, the bourgeoisie did not act politically, as a class, in the Stroessner regime. FEPRINCO and UIP only asserted themselves as visible critics of the government's policies in Stroessner's last years, as the economic crisis grew. Since the coup, there are signs that the business class is learning to compete politically and to work with the new political institutions. For example, Abente observed, business interests recently made campaign donations to democratic political parties—a first.

Stroessner ignored the industrial sector, but most other business sectors profited under his regime and supported it uncritically, until the mid-1980s. At that point, in Borda's words, "the logic of modern capitalism collided with the prebendary system." Modern businesses found themselves hurt by state corruption, the inefficient state administration of the economy, and competition from the contraband trade. They resented the transfer of costs from public industries and projects to the private sector via multiple exchange rates and credit subsidies. Seeing negotiation as a sign of weakness, Stroessner refused to discuss these issues.

Despite their dissatisfactions, the capitalist class was probably not directly allied with the military to stage the February 1989 coup, Borda said (although the extent of peripheral involvement may never be known). Yet after the coup, General Rodríguez moved quickly to establish good relations with business, establishing a unitary, floating exchange rate, advocating economic liberalization, and placing businessmen in his cabinet. The agroexporters and financiers gained considerably from these policies, resulting in a mutually supportive relationship with the military government.

The bourgeoisie now has considerable influence over economic policy, in Borda's judgment, but not necessarily through their associations. During their inactive years, the associations had failed to modernize, and therefore, he argued, they now lack the technical expertise and broad perspective needed to offer useful policy advice. They also lack representativeness, Carlos Martini suggested, because they cannot control their members. He offered the UIP as an example. The association's public support for a minimum wage is

meaningless since many of its member manufacturers refuse to pay that wage.<sup>12</sup> Roberto joined this debate to point out that in all transitions, the capacity of business associations and labor unions to be truly representative is quite limited because civil society is in the process of being reconstructed. Existing organizations, such as FEPRINCO, UIP, or labor federations, had been mere reference points, never constituting organic representatives. He also pointed out that this lack of representative legitimacy explains the frequent failure in Latin America of social pacts devised by ersatz representatives.

Despite initial gains for the capitalist class, Rodríguez's economic liberalizations have fallen far short of his rhetoric, leading several conferees and many in the bourgeoisie to question the sincerity of the president's commitment to reorganizing the economy. Several goals are universally and impatiently<sup>13</sup> sought by the capitalist class: 1) reducing the size of the state; 2) rationalizing the bureaucracy; 3) a coherent anti-inflation plan; 4) no new taxes; and 5) no increase in labor organizing or wages.<sup>14</sup> Business sectors joined forces to successfully oppose tax reforms, proposed by Rodríguez's government, that included an income tax and progressive taxes on all nonproductive land. Claiming that the revenues government needs can be obtained by downsizing the state, capitalists ignore the reform goal of more equitable taxation.

Agreement within the heterogenous capitalist class ends at these points. Borda noted that support for more liberalization varies depending upon whether the sector's primary focus is the domestic or international market or both. This leaves the business class vulnerable to accusations of hypocrisy, as their general support for a liberal market confronts their particular demands for regulatory controls. Catherine Conaghan commented that the bourgeoisie's response is typical: "Capitalists across the continent have been drawn to neoliberal sloganeering in the 1980s—but are subsequently alarmed to find out what it means in practice." Abente concurred wholeheartedly, citing the frustrating contradictions between capitalists' liberal rhetoric and their protectionist policy demands. Yet Borda insisted that the bourgeoisie has not been self-contradictory. Different sectors within the capitalist class have different policy preferences, for example the manufacturing sector opposes reforms of the labor or finance markets because they fear that higher interest rates and wages will raise production costs; but all sectors agree on certain liberal principles: a move toward market mechanisms, a rationalized bourgeoisie, an end to corruption, and no tax reform. Furthermore, Borda said, certain liberalization goals cannot be achieved until institutional and legal changes are made. For instance, current banking laws

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<sup>12</sup> Borda agreed that their representative capacities are "dubious."

<sup>13</sup> Roberto Céspedes described business pressure for neoliberal policies as "incessant and growing" and said these policies were strongly promoted by the press.

<sup>14</sup> The first four goals were listed by Borda, and the last by Céspedes. There was general agreement on the list.

prevent banks from combining investment, savings, and insurance functions, and restrict the Central Bank's capacity to manage monetary policy.

Notwithstanding debate over the consistency of its liberalization principles, the bourgeoisie clearly interprets those principles quite narrowly. Céspedes emphasized that the bourgeoisie's desire for liberalization is strictly limited to the economic arena. For example, we might expect industrialists to be more supportive of democratic reforms than agroexporters and commercial sectors tied to large landowners, but that is not the case, he said. Because the industrial sector has most often been confronted with social conflicts, in the form of protests and wage disputes, it strongly rejects any political liberalizations. Similarly, Riquelme noted that most capitalists think of rolling back the state only in terms of reducing the bureaucracy, although there are some, whose opinions have been published prominently, who have begun to call for a reduction in the oversized military (a position Riquelme and the other conferees supported).

The capitalist class has little in its background to suggest any democratic convictions. It steadfastly refused to participate in alliances organized in the late 1980s to demand democracy and its complaints about Stroessner were limited to his economic policies. Several conferees described its conservative reaction to the social actors activated since the coup. Borda expressed hope that this reactionary posture will be transformed as the bourgeoisie gets accustomed to the fact of a changed political arena. Ultimately, the business class would benefit from democracy, according to Birch and Weisskoff, because a truly competitive economy relies upon an impartial judiciary capable of enforcing contracts, and a free press willing to reveal corrupt business practices.<sup>15</sup>

At present, the Rural Association openly advocates vigilantism to evict land occupants. Labor unionism is fought by firing organizers and leaders, with over one thousand fired in the first year of the new government. Borda believes there are spaces for dialogue between labor and business, but neither side has the data or technical studies needed to inform such dialogue. The prospect for better relations with peasants is even less encouraging than with labor, in his view, since the bourgeoisie has never acknowledged the inequality of land distribution, the high level of peasant unemployment, or a social function of land. The Rural Association proposes to resolve peasant demands by promoting technology, commerce, agroindustries, and credits in order to develop rural areas and provide employment, without tackling the questions of property distribution.

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<sup>15</sup> Perhaps, Weisskoff offered, the power of ideas can surpass the power of economic interests and a consensus for democratic change will gradually develop.

## Organized Labor

Roberto Céspedes described the labor movement in Paraguay as extremely weak for structural reasons (a small industrial working class) and juridical ones (a restrictive labor code and Constitution). Under Stroessner, company-level unions were represented in corporatist style by a government-appointed labor federation, the Paraguayan Workers' Federation (CPT), which, with the exception of one internal faction, has close ties to the Colorado Party. Independent unions were repressed by the police and the numerous regulations of the labor code restricted collective bargaining and virtually outlawed strikes. The number of industrial workers is not likely to increase substantially, so conferees agreed that the workers' movement must seek ties with other social groups and alliances with political parties of the left, in order to become a more important political force. Serious juridical obstacles remain in place, although a critical change was made: under Rodríguez, the state now recognizes, and does not repress, independent labor unions.

Since Rodríguez assumed power, the officialist CPT has been superseded, politically, by two dynamic labor federations: the Workers' Unitary Federation (CUT) and the National Workers' Federation (CNT). In 1990, the CUT represented 101 unions and more than 17,000 workers, and the CNT represented 53 unions and almost 6500 members. These federations claim legitimacy based on their commitment to union autonomy and solidarity with the broader popular sector. They are increasingly visible, attracting members away from the CPT, as well as moving beyond the base of CPT support to recruit rural, public-sector, and self-employed workers. Their growth has also caught the attention of fearful employers who readily fire union members. (In this sense, Céspedes says, police repression has simply been replaced with economic repression.) Reliable statistics are unavailable, but Céspedes estimated that while the CPT remains the officially recognized workers' representative, it represents only about 30 percent of organized workers, while the CUT represents about 35 percent.

State recognition of independent unions was an important step, but the Rodríguez government has taken no further measures to encourage organizing. Because the state recognizes every labor organization that presents itself, and because both the existing labor law and socioeconomic differences among workers favor company-level organizing, workers are becoming divided into "an archipelago of company-level unions," according to Céspedes. He argued that the Rodríguez government, by recognizing new unions while failing to rewrite the labor code or stop employers from harassing unionists, stimulates this "pluralist market" of unions, contributing to the atomization of the labor movement. The movement is further fragmented by competition between the labor federations and among leftist factions seeking influence within the federations. Céspedes also criticized the political and administrative weaknesses of the ministries

which deal with labor issues and the general lack of foresight by the government concerning the potential needs of workers, such as job creation.

By Céspedes's description, the independent labor movement has no ties with the two traditional parties and leftist ideology is hegemonic. Various micro-parties on the left claim to represent workers' interests but have little influence within the federations. The Communist Party is the only one that supports the CUT, the most dynamic sector of labor. Within the CUT leadership, there is a wide ideological range, from those favoring social concertation to those advocating resistance; yet across this spectrum, there is consensus that the primary task facing the unions is not a class struggle, but an organizational one. The CNT position, in line with the Catholic Church and church-affiliated business groups, seeks dialogue and reconciliation.

Céspedes said that the traditional parties neither incorporate nor represent workers, leaving them isolated from elite circles and excluded from the transition process. Esteban Caballero questioned this assessment. With the exception of certain minority factions, the Colorado, Liberal, and Febrerist parties regularly advocate distributive social justice as a component of democracy. Caballero said this suggests that the traditional parties are receptive to developing new class linkages.

While Caballero saw potential for greater party-labor cooperation, Kevin Middlebrook said that, while such cooperation would benefit labor, even if it does not develop, the burgeoning labor movement might still contribute to the democratic transition. To the extent that parties and labor do not join forces, the workers retain their autonomy, a good which Middlebrook sees as fundamental in any labor ideology. In the long term, he argued, as unions mature outside the context of political parties, they will contribute positively to the development of an open, participatory civil society.

Although there are benefits to autonomy, no one was advocating isolation. Samuel Valenzuela commented that most social organizations have a larger core of sympathizers than actual members. Furthermore, comparative study shows that all successful labor parties have reached out beyond their worker base for support. Therefore, he recommended that the unions extend their audience by identifying common concerns, such as health and education, among unemployed people and rural workers, and then channelling those popular concerns through political parties. Abente agreed with this strategy, adding that the CNT and CUT have already begun to follow it by expanding into rural areas. He thought that ties with other social sectors could be made either through parties of the left or through the traditional parties. Céspedes concurred, saying that the labor movement has the potential to benefit the democratic transition by helping to establish institutional channels for the expression of popular demands, and that in turn, by establishing those channels, it would gain a larger political role. The potential power is



substantial according to Céspedes, given that peasants and workers combined make up one-third of the voting public.

In addition to forming alliances with other social groups, Céspedes urged the labor movement to start setting the agenda. So far, labor has simply acquiesced as the bourgeoisie gained influence with the new government.

Labor law reform is one issue on which the independent federations have set goals. The first goal is enforcement of existing labor protections and minimum-wage laws, which are ignored on a massive scale. Subsequently, they want to revise the Labor Code and the Constitution in order to ease restrictions on labor organizations. The government has only promised minor revision of the Labor Code in order to comply with requirements of the United States and thereby win preferred trading status. Céspedes suggested that the government should first revise the emergency laws, then the Constitution, and then the 1962 Labor Code, rather than revising the Code now and then having to revise it again to comply with changes made to the Constitution.

In sum, Céspedes found the labor movement growing, but so far inconsequential. The best he could say about their achievements was that through protests, the labor movement has managed to call public attention to some otherwise neglected sectors of society and its unmet demands have illustrated the new government's inability to respond to social demands.

Will the labor movement find a way to be more proactive and to attain some meaningful role in Paraguayan politics? The potential is there, according to Carlos Martini, who argued that while the partisan left is certainly minuscule now, the seeds of a workers' party have already sprouted in Asunción and will eventually resonate in the countryside. The dominant strategy within the federations, according to Céspedes, is a practical one which seeks to defend labor interests and call attention to the limitations of the transition process, without confronting the economic situation itself. He predicted that that pragmatic strategy would remain dominant within the movement, but that to the extent the economic crisis worsens and IMF-inspired austerity measures destroy real wages, we will see a growing influence of those favoring a radical, ideologically based strategy of confrontation. Céspedes dismissed such a strategy as ineffective, because it would divide the labor movement and prevent dialogue with the government about the transition.

## **POLITICAL ACTORS**

A crucial prerequisite to consolidating democracy in Paraguay will be destroying the fusion of state, party, and military which existed under Stronism. The main arguments on military issues were presented, with striking agreement about the principal problems, by Marcial

Riquelme, Carlos Lezcano, and Carlos Martini. Benjamin Ardit, Esteban Caballero, and Charles Gillespie wrote about the Colorados, the Liberals, and the post-coup elections, respectively.

### **The Military: Internal Conflicts**

Benjamin Ardit described the union of armed forces and Colorado Party as one by which the party sought to control the military, preventing it from becoming an autonomous political actor, and Stroessner sought to control the party, by militarizing it. The military's proper role in the nation was distorted because it became the guarantor of one party rather than the defender of the entire nation.

Democracy requires breaking up this triangle, creating a military which is not only autonomous but apolitical and loyal to civilian rule. Toward this end, the primary transition goals pertaining to the armed forces are professionalization and departisanization.

As we have seen, unlike bureaucratic-authoritarian states, Stronism was a government of personal control, not of the military as an institution. Stroessner maintained control by purging high-ranking officers, promoting only nonthreatening loyalists, and rewarding supporters with land, free manpower (conscripts), privileges, and business or contraband opportunities. Riquelme blamed these practices for creating serious generational cleavages within the armed forces. Junior officers, who did not enjoy the fruits of corruption, resented their low salaries, the arbitrary promotion standards, and an officer corps top-heavy with colonels who were unable to move up, yet blocked the ascent of lower ranks.<sup>16</sup> At the same time, Lezcano and Martini emphasized, economic and succession conflicts were building between General Rodríguez and the Stronists. Eventually, internal conflicts grew to the point that Rodríguez, supported by some younger generals and colonels, was able to overthrow the regime.<sup>17</sup>

Riquelme and Abente each noted that this cleavage is not exactly the hardliner-softliner type that Guillermo O'Donnell and Philippe Schmitter described in other transitions from authoritarian rule. Politically, the military factions were equally authoritarian; they split on the basis of their goals for the military institution, not for society at large. None of the conferees perceived any democratic ideological positions in the new government beyond those convenient for

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<sup>16</sup> Benjamin Ardit expressed some skepticism about Riquelme's findings that junior officers were institutionalists embarrassed by military corruption. He suspects that junior officers would not mind corruption, if they ranked high enough to partake of the plunder.

<sup>17</sup> Riquelme does not differ from Lezcano and Martini in the key factors leading to the coup: the succession crisis, Stroessner's promotions policies, and unameliorated conflicts within the ranks. They differ somewhat in emphasis. Riquelme's study focuses on the attitudes motivating these conflicts: dislike of Gustavo Stroessner, resentments derived from promotion and salary policies, dissatisfaction with unprofessional, nonmilitary activities. Lezcano and Martini focussed on the organizational failure to deal with conflicts

legitimation. The Rodríguez government has proved itself very conservative on social issues, which helps it maintain bourgeois support. Lezcano and Martini find that the new leaders fundamentally misunderstand the importance of conflict and competition in a democracy, for they repeatedly describe the democracy to be built in terms of “harmony,” “national unity,” and “political stability.”

### **Toward a Professional Military**

The process of professionalizing the army has a long way to go, for the military remains powerfully involved in political and economic affairs, according to Riquelme, Lezcano, and Martini. The prebendary state, combined with a law permitting military members to engage in private business, enabled the highest ranking officers to gain interests in every sector of the economy. Consequently, the bourgeoisie and military are thoroughly intertwined and conflicts of interest between public and private interests are ubiquitous. As Martini put it, the generals are first businessmen, then Colorados. He predicted that these legal and illegal business relationships among military officers are unlikely to change in the short to medium term. Meanwhile, acceptance of these business interests is one of the prices to be paid for a smooth transition, in Benjamin Arditi's view.

Yet can a thoroughly corrupt military hierarchy create a professional institution? To what extent should corruption be accepted as an ugly reality and to what extent does its continuance obstruct the development of a regime based on law? New democracies may gain legitimacy by facing the injustices of their past. For that reason, several participants, along with many lower ranking officers in Riquelme's surveys, believe that military corruption must be more seriously prosecuted. As Abente put it, there is an “original sin” in most transitions: in the Argentine or Chilean cases, it was the authoritarian regimes' human rights record; in Paraguay, it is wholesale corruption. Abente warned that because so many people were involved in corrupt activities, the only way prosecution could legitimate, rather than destabilize, the regime, is if the issue is handled with compromise and pre-established limits. That is, prosecute the most serious cases, and then establish the juridical structure so that it does not happen again, and then move on quickly.

Another aspect of the military which hampers institutional development and democratic transition is the persistence of cleavages between armed forces, particularly between the cavalry and infantry. Rodríguez has reorganized the army, giving desirable jurisdictions and two new units to the cavalry, while reducing the size (and thus the budget) of the infantry. These changes have exacerbated tensions. It will be difficult to establish a stable balance acceptable to both services as long as the military organization continues to be based upon clientelistic relationships, warned Lezcano and Martini.

The professionalization process requires redefining the military mission. Currently, the military has broad influence and disproportionate priority in the state, with a budget greater than those for education, health, agriculture, or commerce. The Defense Ministry controls many non-military programs, such as civil aeronautics and the National Institute for Indigenous People. The government has sought substantial increases in the military budget, while conversely, conferees such as Riquelme urged drastic reductions in the size of the forces to levels commensurate with external threat.

Paraguay's military budget per capita is greater than that of any other country with a similarly low level of external conflict. Martini and Lezcano argue that the division of forces, types of weapons purchased, and organization of the armed forces under Stroessner all reflected a military whose primary enemy was internal. Moreover, the military under Rodríguez continues to be used for police activities such as quelling strikes and land invasions.

José García pointed out that it is not unusual in Latin America for armies to carry out police functions, even within democracies. The authors defended their critique, saying that in other countries the authorization and limitations for police duties are set forth in the constitution, whereas in Paraguay there are no controls. Roles are so undefined that the Interior Minister and Chief of Police are both active generals. Riquelme's interviews with army officers of various ranks suggested that the majority, particularly middle-level officers, would prefer to give up these duties, favoring strictly military responsibilities and disapproving of involvement in party affairs, police work, or corruption. Lezcano and Martini expressed cautious optimism that serious restructuring and role limitations might be possible, since the powerful General Oviedo has recently been studying a radical reorganization proposal.

One ideological support for the internal mission of the military under Stroessner was the infamous National Security Doctrine inculcated by United States and Brazilian advisors. After examining the poor quality of instruction at the National War College, the fact that the college did not open until 1968, and Stroessner's long record of staunch anticommunism and ideologically based policy-making, Riquelme hypothesized that National Security Doctrine should not be understood as a motivating ideology in Paraguay, but rather as a legitimizing one. It simply gave new terms and justifications to the security policies Stroessner had emphasized since 1954. Riquelme recommended further empirical studies of military attitudes during the transition, to determine the prevailing opinions across various ranks and forces regarding National Security Doctrine and the role of the armed forces.

Drug trafficking may replace communism as the internal enemy for the 1990s, in the minds of the United States administration as well as many Paraguayan officers, including President Rodríguez. Lezcano and Martini warned that both drug trafficking and the U.S.-backed antidrug fight may be dangerous for democracy. In the first case, Rodríguez needs to keep drug traffickers

from becoming a parallel power in the country or in the armed forces, yet he finds it difficult to repress the military officers involved in the drug trade and contraband without risking loss of their support. In the second case, the militarization of the drug war may detract from efforts to professionalize and limit the armed forces, because their role against drug trafficking is vaguely defined, even as it is growing.<sup>18</sup>

### **Toward an Apolitical Military**

The coup was a victory for institutionalists over Stroonists, and the institution was frequently described as stronger, in organizational terms and in its influence on policy, than it was under Stroessner. Since the coup, officers hold key cabinet posts and the mayoralty of Asunción. This unusual feature of the Paraguayan transition presents a serious concern for it means, as Riquelme suggested, that the military is becoming more like the autonomous, governing institutions that ran the bureaucratic-authoritarian states. A grave issue for the transition is when and whether the military will go back to the barracks. Riquelme expressed impatience with anything less than a full and early military extrication from politics. Until that occurs, the generals retain for themselves the role of kingmakers, which is a position incompatible with the concept of consolidated democracy. Besides the institutional inappropriateness of a military role in politics, Riquelme mentioned in his paper that officers are personally ill-suited. Military training leaves officers unprepared for the debate and criticism that characterize electoral campaigns, so they tend to be “hypersensitive” and potentially reactive to any critique.

In addition to the new quality of institutional power, there is a very old problem which keeps the military in politics, that is, their ties to the Colorado Party. This issue divides institutionalists from the generally older and higher-ranking traditionalists who seek to maintain the party-military relationship. The coup was announced as an effort to restore the dignity of the armed forces and to renew the unity between the Colorado Party and the government. Lezcano and Martini explain this rhetoric as an attempt to legitimate the coup within the regime, while rejuvenating the old party-state alliance. This goal quickly changed after the May 1989 elections, as the army decided to avoid the growing quagmire of intraparty conflicts. By late 1989, military rhetoric had become completely institutionalist. Early the next year, legislation was enacted to abolish the compulsory party affiliation and to prohibit active military and police from any partisan activity.

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<sup>18</sup> Martini, Lezcano, Arditi, and Birch all expressed concern about the drug war. The issue did not raise any debate, but it should be noted that in their written discussions of international factors affecting the transition process, both Masi and Abente judged United States interest in Paraguayan drug trafficking to be much less than the others fear.

Despite the move toward departisanization, conferees noted that old habits and ideas die hard. Military and party roles continue to overlap in some cases, and there is no institutional mechanism to define functions more precisely. Officers have attended partisan events in disregard of the law, claiming that they have a right to do so simply as citizens expressing political preferences. Riquelme argued that the expression of political preference by a local military leader is intimidating to party members and local citizens. Given the flagrant disregard for the new law, he recommended that a military regulation be instituted soon to prevent greater military activism in political affairs as the elections approach. He advocated a simple, firm rule: any officer disobeying the law regarding partisan activities will be expelled from the military. García interpreted the traditionalist officers' attendance at party events more optimistically, arguing that the fact that those incidents have raised a public outcry is a sign of significant and positive change in the Paraguayan polity. Arditi also saw the outcry itself as relevant, but not positive. He described the scandal as a manifestation of deeply ingrained legalism among political elites who are comfortably accustomed to discrepancies between law and practice, but object to those practices being flaunted.

Riquelme's preliminary findings from pre- and post-coup interviews suggested that the majority of officers were uncomfortable with strong partisan links because intraparty factions tend to spill over to divide the military. Most favor departisanization and civilian control of the armed forces.<sup>19</sup> Intermediate-level officers, who are a decade away from reaching the ranks of general in which they could benefit from current arrangements, are most likely to support democracy and to oppose close ties with the Colorado Party. Nevertheless, he estimated that at least a third of the officer corps is adamantly *Coloradista*. He concludes that democratic transition and consolidation in Paraguay will, in great measure, depend upon the extent that the departisanization view prevails within the armed forces.

Some progress has been made in distancing the military from the Colorado Party, but the party itself seems unwilling to facilitate an independent role. Martini and Lezcano report that opposition parties introduced legislation to reduce mandatory military service, but the Colorado majority in the Senate, rather than taking a stand, chose to deny its own authority to legislate any military issues, passing the question on to the executive. According to these authors, relationships between the military and opposition parties are gradually warming (particularly with the PLRA, PDC, and PRF), yet the parties have failed to take full advantage of the opportunity, for they have not developed any program on military issues other than the general desire for professional, nonpartisan activity. Closer ties are also hindered by a widespread fear among the officers that the Liberals are antimilitary, according to Riquelme.

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<sup>19</sup> Abente cited evidence in his paper to support the same conclusion.

In sum, the recommendations for military policy that would favor a democratic transition were: decrease the military budget, establish limits and controls upon military functions particularly with regard to police work and fighting narco trafficking, enact additional regulations to prohibit and punish partisan activity by military officers, punish corruption at the highest levels, raise salaries of junior officers to liveable levels, balance the power and budgets of the infantry and cavalry, reorganize ministerial responsibilities to remove nonmilitary functions from Defense control, and continue retirements to purge antiinstitutionalists from the leadership ranks.

### **Political Parties in Paraguayan Society**

Paraguay is rather unique in that the basis of exclusion during its dictatorship was party rather than social class. Moreover, the partisan attachments which divide society are not ideological, but deeply cultural. Masi suggested that this is a legacy of Stroessner, who put little emphasis on ideology, but Charles Gillespie reminded us that the ideological, class-based parties of Chile are really the exception in Latin America more than the norm.

The strength of party identity found in Paraguay is also not the regional norm. Party membership, as Arditi and Caballero described it, is a family legacy—a lifelong identity shared with one's "coreligionarios." Party affiliates became a loyal team with which to face the opposition. Arditi said that the number of members is more important to party leaders than policy positions, for the goal is not to win an uncertain election, but to make certain beforehand that one's team is sufficiently large and intimidating to guarantee the outcome. In this sense, he thought, the predominant logic that has existed among party leaders is inimical to the institutionalized uncertainty which Adam Przeworski described as the essence of democracy.

Other participants suggested that political and social changes in recent years create very different contexts for party competition, which may diminish the historical penetration of society by the Colorados and Liberals, or change its political significance. Our experience with the parties—under restricted competition and substantial repression—does not allow extrapolation about what the party system will look like under a democracy, Scott Mainwaring said. Any changes made in the electoral system, such as a switch to proportional representation, could change the two-party system. Samuel Valenzuela argued that the cultural identities of the parties, which developed because real competition was impossible for thirty-five years, may be advantageous for democracy because the bitter conflicts that divided the parties have diminished into team-like affiliations. While party labels and loyalties remain, the content behind the labels changes, so it is important, Valenzuela said, to examine the disparate views of those calling themselves "Colorados" today. As substantive discussion returns to the Colorado Party, spaces are opened for opposition parties to initiate public debate, to organize workers, and to communicate their positions on issues

of concern to peasants and rural small businesses. Charles Gillespie's paper addressed this issue of changing party attachments and potential cleavages within the electorate. He described numerous irregularities at the polls, under Stroessner and in Rodríguez's election, which mean that poll results at least partially obscured the real depth of Colorado Party loyalty.

Gillespie tried to illuminate voters' preferences through study of the sparse survey data available for Paraguay. He admitted that the paucity of data allowed only tentative findings, more useful for description than prediction. The data suggested that: neither gender nor class were important factors in party preference; Febrerist and Christian Democrat voters tended to be younger, better educated, and sometimes of higher income, than Colorado Party voters; and middle-aged and older voters preferred the two traditional parties. Although there was only one survey available for study, Gillespie said these findings are intuitively reasonable and mirror the support patterns found in Uruguay. He offered the possibility that if voters retain party preferences as they age, then the high opposition support among youth offers hope for changing party dominance in Paraguay's future.

An additional cleavage that may be important in the future is the urban-rural one, Carlos Martini said, for the Febrerists and Christian Democrats had their greatest successes in urban areas, but only the Liberals and Colorados have developed the capacity to win votes nationwide. Caballero agreed, saying that while the parties should not abandon the cultural symbols which unite their current members, they need to find more modern ways to appeal to the new urban sectors.

### **The Party System**

From 1947-1962, Paraguay had a one-party system. After that, Stroessner legalized opposition parties, creating a hegemonic authoritarian party system, according to Caballero, dominated by what Arditi called a "party of the state." Diego Abente said we should consider describing Stronism as a "state of the party," because the Stronist state evolved under the control of the party and the military. Arditi insisted that "party of the state" is more accurate, because the Colorados never played more than a supporting role in the state-military-party triangle. The party was delegated the important strategic duties of distributing patronage and mobilizing support, but had no independent voice. He described the Colorados under Stroessner as "domesticated"—a loyal pet with extensive administrative, organizational, repressive, and cultural reach, but virtually no representational or policy-making role.

Although the major parties are well-established, the party system must be created from scratch to achieve democracy, Arditi pointed out. Chances are very good, in Diego Abente's estimation, for Paraguay to develop into a two-party system, if the Liberals (PLRA) can become



electorally viable. If the PLRA does not grow into a contender, Paraguay would be left with a dominant party system. Gillespie raised the possibility that a dominant party system might be compatible with democracy if there were sufficient pluralism within the party, as in contemporary Italy or Japan. The recent incorporation of former enemies into the Colorado Party indicates there may be potential for such a pluralistic party to develop, he said. Less optimistically, Ardití's paper stated that at present the differences within the party cannot be seen as a sign of pluralism, but only of fragmentation and fragility.

Caballero suggested we look to the communist parties of Eastern Europe for comparative models of hegemonic parties undergoing transition, and Ardití agreed, but cautioned that unlike the Eastern European Communists, the Colorado Party has not collapsed and retains deep and widespread loyalty. Most conferees' attempts to place the Colorado Party in comparative perspective tended to look toward the PRI of Mexico. Kevin Middlebrook outlined the salient comparisons between the PRI and the Colorado Party. They are alike in the sense that both are parties of power which constitute a national network for the distribution of patronage and a locus for the mobilization of support for government; however, their origins and relationships with the rest of society and with the military are very different. The PRI sprang from a revolution, whereas the Colorados have more elite roots in a two-party restricted democracy of the nineteenth century. The PRI has encouraged ties with other mass organizations in society, and membership in the PRI does not create a distinctive identity, whereas the Colorados operate as a self-sufficient culture. Unlike the Colorados, the PRI no longer serves as the obligatory career path for political elites. Finally, the PRI sought to demilitarize politics in Mexico. Although the generals there have certainly enjoyed power and graft, there is, nevertheless, a clear distinction between military and party, as opposed to the complete linkage in the Paraguayan case. Finally, Ardití added, in Mexico, the party controls the military, not the reverse.

### **The Colorado Party (ANR)**

Under Stroessner, the Colorado Party was organized down to the tiniest village, which gave it an intimidating capacity for political mobilization. The intimidation was not merely numerical, for the party also sponsored vigilante groups to crush opposition political activities. The party organized social events and provided its members with services that elsewhere might be offered to all citizens through municipal governments, such as job training, medical and dental care, and funeral expenses.

Colorado membership rosters were enormous (1.7 million affiliates), due in part to the expansion of public employment under Stroessner. Membership, payroll deductions to the party, and subscriptions to the party newspaper were all obligatory for public employees. In addition to

public employees, many people, according to Ardití, joined the party for survival; conversely, joining the Liberal Party during the Stroessner years, Caballero pointed out, involved substantial personal costs. Today, mandatory payroll deductions and newspaper subscriptions have been outlawed by the March 1990 electoral code, and the new openness makes party membership unnecessary as a survival strategy. Those factors, plus an older matriculation age and less fraudulent rosters, have diminished party membership to about 500,000, according to Ardití.

Ardití argued that the party did not express or represent the interests of its popular membership to the state, and therefore never developed the institutional structure that would enable it to do so today. Instead, it served to organize and express to the people the interests of Stroessner, the state, and the military. Local caudillos controlled party activities and there was no conception of citizenship rights, either nationally or within the party. Even the party leadership was constrained from dissent, since Stroessner periodically purged the leadership ranks.

The monopoly of opinion began to collapse in the mid-1980s as Stroessner unsuccessfully tried to purge assertive leaders, resulting in a split between "militants," who supported Stroessner and his son Gustavo, and "traditionalists," who eventually took power through the coup. Ardití and Abente each indicated that the Colorados under Rodríguez have sought to reintegrate all factions in order to maintain a united front against the multiparty opposition. But the old unity cannot be recreated. In the post-Stroessner vacuum, power struggles have divided the party into a fragile "federation of competing factions," according to Ardití. There are at least eight, roughly organized into "orthodox" and "democratic" blocs, the latter seeking greater political liberalization than the former. The factionalism is so strong and increasingly formalized that Carlos Martini said the basis of shared identity, or "coreligion," is now the faction rather than the party.

Ardití described the current Colorado Party as engulfed in "internism," meaning that its energies are focussed on the struggle for control of the party apparatus. These internal divisions are not ideological, but founded on an obsession for power which he said has always been the organizing point for Paraguayan politics. Traditional political logic continues to guide the internal struggles as the players recognize that loyalty, votes, and thus power, derive from patronage, not programs. Ardití's interpretation here was reiterated in Abente's paper.

Internism makes the party ungovernable, Ardití argued, because the decisions, resource distribution, and goal setting which party governors should undertake are themselves the object of constant struggle. He explained that the party's ungovernability is a problem for the transition in two ways. First, it prevents the party from developing platforms of national policy by which it could develop institutionally into an effective player in a democratic party system. Second, it has obstructed national institutional reforms, because party infighting delayed formation of the Central

Electoral Junta to oversee voter registration and thereby caused the municipal elections to be postponed.

The Colorados have been reactive “spectators” in post-coup politics, Ardití said. Their statist orientation, based on a reliance on public employment for patronage, is at odds with the neoliberal demands of the bourgeoisie, international finance organizations, and the Rodríguez government. This may be positive for the transition, because it means that the state is gradually distinguishing itself from the party, nudging its domesticated pet into the wilds of independence, whether it is ready or not.

In sum, Ardití found that the Colorados’ role and leadership style during the past forty years have left them ill-prepared to participate in a democratic party system. They are strong in numbers and financial resources, yet fragile. Their political and financial domination of the party system are threatened by new rules of the game and a reduced state budget. In Diego Abente’s judgment, the “traditionalist orthodoxes” who currently lead the party are unwilling to give themselves up to the uncertainty of democratic competition, that is, to sacrifice the state patronage, military support, and electoral fraud which insure their long-term domination. The transition will come, he believes, when the Orthodox faction loses its ability to control those “insurance” factors or loses its internal struggle with the more liberal Democratic faction.<sup>20</sup> Nevertheless, Benjamin Ardití was optimistic, because generational change, internal party conflict, and the democratic intentions of the government all seem auspicious signs for the transition.

### **Opposition Parties**

The opposition helped to legitimate the transition process, Caballero said, when they chose to participate in the May 1989 elections, and the voters followed their lead. It was important that they agreed to participate only after Rodríguez committed to political liberalization and to establishing a transition schedule. Therefore, he wrote, the opposition parties have aided the transition by assuring the opening of public spaces and by establishing a reference point by which to measure the government’s steps toward democracy. Of course, Scott Mainwaring replied, the opposition did not have much choice—either participate at a disadvantage or be left out of the game! One suspects that Caballero put the best possible face on a relatively impotent opposition, for Diego Abente’s paper reported that the opposition had unsuccessfully sought a *ruptura pactada* by which the scope and pace of the transition would have been negotiated before the election; the parties were told, in effect, to “participate now, negotiate later.” In Abente’s view, the

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<sup>20</sup> Note that Abente doesn’t see the Democratic faction as ideologically democratic, so much as strategically so. The Democrats know that they have no chance of winning control of the party or the country as long as the party maintains its authoritarian practices.

promise of later negotiations in exchange for legitimating the elections was the concession that got the transition process started, but it is not a concession for which the opposition can take much credit. Generally, the transition has been controlled from above, Abente wrote, with concessions granted by the regime in order to legitimate itself to its Colorado and military partners and to international actors, more than to appease a weak and fragmented opposition.

Caballero does not share this view, for he thinks that the opposition has had an important role since 1986, first in wearing down the dictatorship and later in mobilizing the public. Thus, in his view, Rodríguez does not have the independent power to control the transition such as suggested by Weffort, Abente, and others, but rather has been propelled toward democracy and restrained from backsliding by knowledge of the substantial reserve power of the organized opposition forces. Fogel saw things differently, saying that the parties have been too self-censuring, too unwilling to criticize the military.

According to Caballero, the opposition parties are undergoing an identity crisis as they seek to be players in a democratic transition rather than simply opponents of a dictator. The post-coup context is a challenge for parties accustomed to one strategy—regime criticism—who suddenly need to organize campaigns, propose policies, and raise funds. The expansion of civil society only complicates the situation. Parties of the Left, with a clearly identified base of popular sectors and urban middle-class students and intellectuals, have found it easier to establish relationships with social and labor organizations than parties of the Center Left (PLRA, Christian Democrats, and Febrerists), whose multiclass bases leave them in the ambiguous position of trying to integrate conflicting social interests. In the dynamic environment of the transition, the parties need to reclaim their representative capacity, Caballero said, because social actors are turning to other organizations to channel their interests. Unprepared for the new context, opposition parties have been reactive, failing to initiate any policy proposals or to take a major role in the construction of institutions and political rules for the transition.

Scott Mainwaring said that a reactive posture is almost inevitable at this point of the transition, given the party's organizational and electoral weaknesses. Nevertheless, Caballero saw some signs that the parties have recognized their shortcomings and are beginning to find ways to help set the policy agenda. The upcoming constitutional reform process will reveal their proactive capacities.

The Liberals are much like the Colorados: heterogenous, with a multiclass base, no unifying ideology, and top-down leadership. Again, like the Colorados, the PLRA has a shared culture transmitted orally through families and fiestas, as well as an extensive network of local caudillos. These two factors helped it survive through some fifty years of political marginality and repression.

The Liberals underwent two schisms during the Stroessner years over the question of whether or not to participate in the electoral charade. The two largest liberal parties reunited after the 1989 election results showed overwhelming support for the one that had refused to participate in Stroessner's elections. Today, the PLRA is split into four movements, but the vast majority of members support Domingo Laino's "Change for Liberation."

The PLRA is a mass party of 347,000 members, yet only 15-25 percent are active in party affairs. The rest are culturally Liberals, but cannot even be counted upon to vote for the party. Conferees insisted upon the accuracy of Caballero's unusual data that showed the PLRA received about 100,000 fewer votes in the 1989 election than its number of registered members a year later. Caballero explained the data as due both to undisciplined voting and strong PLRA growth in late 1989 and 1990.

In order to improve its electoral potential, Caballero advocated that the Liberals change their approach externally and internally. The party must reach beyond the cultural enclave that assures it a reliable but minority electorate (25 percent) in order to connect with the burgeoning organizations in civil society.<sup>21</sup> It must identify and exploit those new cleavages in society through which political identities are transformed, such as young peasants who have migrated to the city. In other words, a successful PLRA will develop a "new historic bloc...with a new culture and new conception of the world." Toward this end, he urged the party to dedicate itself to rectifying social inequities.

A new external posture requires an internal overhaul, Caballero said. He and Marcial Riquelme strongly recommended that the Liberal Party should seek the help of intellectuals to rationalize party leadership, that is, to modernize its public discourse and strategies, enhance internal participation, and improve fiscal administration. Yet they each acknowledged that there is an internal debate on this question, for some Liberals urge just the opposite, that is, that like Menem of Argentina, the Liberals should seek populist appeal and forget about party rationalization and policy proposals. Caballero also urged the party to decentralize leadership responsibilities and to coordinate the schedules of the numerous internal elections so that members have more time for external affairs. Finally, he said that the party should not try to be a catch-all party internally, but rather, should develop conscientization programs to socialize members toward common values. Whether the PLRA will accomplish the internal and external changes he recommends will depend on which internal faction takes the lead in the party.

Scott Mainwaring questioned whether the direction Caballero favors would indeed enhance the Liberals' ability to get votes. Comparative analysis shows that issue-oriented, highly disciplined parties are declining, in part because in the modern era, television provides an

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<sup>21</sup> Abente's paper made a very similar point.

alternative source for the political information and entertainment that parties traditionally provided. The success of populist campaigns in Argentina and Peru merely reflects the candidates' ability to appeal to the public on television, without party mediation.

In general, the major parties—and their representatives in the Parliament—were described as inward-looking, lacking direction, and focussing on political struggle rather than on channelling the interests of the public. The opposition parties are particularly weak and fragmented (only in part because the Rodríguez government had the upper hand in controlling the design of the electoral process). Several commentators warned that, while this lack of direction was understandable in the short-term, the prospects for democracy will be jeopardized if the parties do not learn to serve their representative role within civil society. The parties were also urged to develop policies on military and business issues in order to win the respect of those sectors.

No one expected the Liberals to win in the 1991 or 1993 elections, but a strong showing would help democracy by warning authoritarian sectors of society that the voices of opposition cannot be ignored or suppressed. Finally, any hopes for future success by the opposition, or for enacting difficult economic or social reforms, will depend upon ending the fragmentation and building coalitions. This point was emphasized by Huber, Caballero, and Valenzuela.

## **THE TRANSITION IN COMPARATIVE AND THEORETICAL PERSPECTIVE**

Most of the participants in this conference agreed that some sort of transition is underway in Paraguay, that it has already involved significant liberalization but falls far short of democracy, and that there is uncertainty about how far the process will progress in the short term. No one foresaw a return of Stronism, although a small minority of the conferees were skeptical that the liberalizations are permanent or that the present government is significantly different from those of the past.

How far has liberalization progressed? A discussion between Benjamin Ardití and Melissa Birch reflects the most common perspectives on this question: Ardití said that Stroessner had striven to implant the image of himself as supreme leader of an omnipotent regime ruling an impotent society. He achieved this by permanent harassment of the parties, symbiosis between party, state, and military, and the destruction of civil society. Ardití was optimistic for the future because the politics of victor versus vanquished have ended, civil society is blossoming, and there are competing sources of power, albeit unequal ones. Birch raised doubts that the present is so different from Ardití's description of the past, given that Rodríguez's government, like Stroessner's, has harassed striking teachers and violently removed peasants from occupied land. The state's capacity for intimidation has not diminished, she said, it has merely shifted focus. Ardití

acknowledged that harassment and repression still exist, but insisted that there is a qualitative difference between the new and old regimes. The very fact that a teachers' strike took place is a positive sign of new political spaces, demonstrating that the state's capacity for absolute control has been destroyed.

Of course, the military coup of February 1989 offered nothing beyond rhetorical promises of democratization. The first important evidence that the change might be meaningful was the decision to hold elections. Borrowing concepts from Noam Chomsky, Charles Gillespie asked if the 1989 presidential election should be understood as the first transitional step toward democracy or merely a means to legitimize an undemocratic regime. He proposed that the answer would only become evident over time, as Rodríguez either keeps his promises or backslides to authoritarian ways. Diego Abente felt the same uncertainty about Rodríguez as Gillespie, but he answered the question by saying that the elections could only be called legitimizing, not transitional. Although in retrospect the elections marked the start of a transition process, their purpose, in Abente's view, was to enable Rodríguez to justify his rule, so that he could later negotiate a transition from a position of strength. It was only later, when Rodríguez announced his intention to give up power with the 1993 elections, that it became clear that the present situation is temporary and that Paraguay is in transition to another regime.

Gradually, other changes have been institutionalized—the electoral code reformed, parties legalized, military participation in the Colorado Party outlawed—and with each concrete change and each opening to civil society, most participants believed that it becomes more difficult to move backwards. There was somewhat less optimism about the chances of continuing to move forward, given the antiliberal interests of high-ranking military officers, orthodox Colorados, and bourgeoisie. Yet while the transition to a competitive democracy is still uncertain, the issues raised at the conference and in debates in Paraguay already involve issues of democratic consolidation: the organization of political parties; representational relationships among organizations and society; social reform issues, especially concerning land and labor; and the question in some conferees' minds of whether or not Rodríguez will keep his promise to turn over power in 1993.

Diego Abente presented a concluding paper which confronted the status and prospects of the transition, drawing upon previous comparative work on democratization, particularly the work of Guillermo O'Donnell, Philippe Schmitter, and Lawrence Whitehead. He judged that Paraguay has nearly completed its liberalization process (establishing the rule of law and civil and political rights) which Rodríguez began with the initiation of free electoral campaigns in 1989; however, since the 1989 elections, the government has seemed to slow its pace, concentrating on governing without further democratization. Paraguay still lacks essential democratic features such as fair elections, an independent judiciary, and autonomy of state, military, and party.

Abente systematically analyzed the possible outcomes of the transition process—a return to dictatorship, stagnation at the current stage of liberalization ("dictablanda"), further liberal concessions falling short of real competition for the ruling party ("democradura"), or a free and competitive democracy. There was some discussion of the terms used to identify regime types. Francisco Weffort found "democradura" and "dictablanda" obfuscating. Abente protested that he was not attached to, nor particularly satisfied with the terms, and used them only for organizational purposes. Regardless of the terms used, the analytic goal is to identify the locus of power and authority in the society.

Similarly, Abente analyzed the factors which might affect the transition's outcome, finding that historical, cultural, structural, and institutional factors merely set the context without determining the outcome of the Paraguayan case. By a process of elimination, Abente concluded that the strategic choices of political actors constitute the determining factor for the transition process. Among political actors, the bourgeois and popular sectors will lack the organizational, political, and military support necessary to direct the political game, and international actors will diminish in influence.<sup>22</sup> That leaves the fate of the transition in the hands of the Colorado Party, the military, and the Rodríguez government.

After evaluating these actors, Abente predicted that neither dictatorship, democracy, nor stagnation are likely in the short term. His respective reasons, briefly: the domestic and international climates are unlikely to support recidivism, the Democratic faction is unlikely to manage to take over the ANR before the medium term, and the Democratic faction enjoys sufficient support from party members and military to ward off a stagnating Orthodox hegemony. By elimination of the alternatives, a "democradura" (restricted democracy) appeared to Abente to be most likely for the near future. This would probably involve concessions to the Democratic Colorados by the divided Orthodox bloc, and perhaps a pact between Colorados and opposition parties to further liberalization, while stopping short of democracy.

If the transition is to move in this more democratic direction, the opposition parties need to make a strong showing in the next elections, Abente said. The object at this point, realistically, is not to win, but to gain leverage with which to push for democracy. A 35 percent showing in the municipal elections of 1991 would provide useful patronage opportunities from some mayor's offices, and a 40 percent-plus showing in 1993 would prove to the Colorados that they have serious competition. Finally, Abente said, the military must change its relationship with the Colorado Party, which, as we've seen from the earlier discussion, is a real possibility in the medium term. The risk, he noted, is that by asserting its will over the ANR in order to force a separation, the military may gain political power and allies, which would be counterproductive for democratization.

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<sup>22</sup> See pages 18-19 for other viewpoints on the future role of international actors.



A number of positive factors bode well for obtaining and consolidating a democracy, including the international climate, an economy not nearly as bad as other successful democracies, and political and social institutions which, although weak, at least do not have to be created *sui generis*. Factors which do not bode well for democratization are: the weakness of opposition parties, weakness of civil society, and the intransigence of certain sectors of the Colorado Party. Conferees listed a number of things that must develop, or at least that would be advantageous, if there is to be democracy: coalitions among parties; further extrication of the military from politics; and liberalization of the economy in order to make corruption more difficult.

We repeatedly heard the comment that the sector under discussion—the bourgeoisie, labor, political parties, or the peasant movement—is reactive, lacks projects, or needs better organization.<sup>23</sup> This is a problem of the rebirth of civil society in a country where these groups are not accustomed to the freedom to pursue their projects. Any regime undergoing transition after a long authoritarian period faces the challenges of dealing with the legacies of the past, recreating civil society, dealing with the economy, pacifying formerly dominant sectors, and establishing institutions and legal limitations to enable the new system to work. It is an unscientific process, requiring timing and strategy, and perhaps speed.

In sum, there was a range of views on Paraguay's prospects for success, but the median point was probably "qualified optimism" that the regime will continue liberalizing and not return to dictatorship. The major disagreements in levels of optimism were due to concerns about the likelihood of social protest and illiberal responses to such protests. The scholars from Paraguay have a closer, deeper knowledge of the situation than the other conferees, which gives them the ability to recognize potential where skeptical outsiders only see obstacles; yet while closer knowledge expands their understanding, it may, arguably, bias their perspective. In this sense, Abraham Lowenthal's opening remark that this conference would engage in "thoughtful wishing" seems in retrospect a particularly apt description of the optimism of about half of the Paraguayan contingent, whereas the other participants might be described better as expressing "thoughtful caution." Interestingly, some of the most optimistic observers were Latin American scholars familiar with the other Southern Cone transitions, who saw the economic situation, the easy transition from above, and the pace of liberalization as positive signs relative to the cases they had studied previously.

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<sup>23</sup> This comment was frequent, but not universal. In his paper, Abente describes peasants, workers, and business as successfully monopolizing the national and parliamentary agenda while parties flailed.

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