

COUNTRY PROFILE: PARAGUAY

October 2005

COUNTRY

Formal Name: Republic of Paraguay (República del Paraguay).

Short Form: Paraguay.

Term for Citizen(s): Paraguayan(s).

Capital: Asunción.



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Major Cities: Asunción (508,000 inhabitants), Ciudad del Este (261,000), San Lorenzo (228,000), Luque (210,000), Capiatá (199,000), Lambaré (126,000), and Fernando de la Mora (120,000) rank as Paraguay's most populous cities—the country's only cities with more than 100,000 inhabitants.

Independence: Paraguay led the South American charge for independence, securing its freedom from Spain on May 17, 1811, after several days of fighting. Independence day is observed on May 15.

Public Holidays: New Year's Day (January 1); Day of Heroes (March 1); Maundy Thursday, Good Friday, and Easter (variable dates in March or April); Labor Day (May 1); Independence Day (May 15); Chaco's Peace (June 12); Founding of Asunción (August 15); Battle of Boquerón (September 29); Virgin of Caacupé (December 8); and Christmas Day (December 25).

Flag: The Paraguayan flag has three equal, horizontal bands of red (top), white, and blue and is one of the few national flags with different emblems on each side. The national coat of arms is centered in the middle white band on the hoist side. The reverse side bears the seal of the treasury.



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HISTORICAL BACKGROUND

Pre-Columbian Paraguay and Spanish Imperialism: Long before Spanish conquistadors discovered Paraguay for King Charles V in 1524, semi-nomadic Chaco Indian tribes populated Paraguay's rugged landscape. Although few relics or physical landmarks remain from these tribes, the fact that nearly 90 percent of Paraguayans still understand the indigenous Guaraní language is testament to Paraguay's Indian lineage. The Spanish conquistadors arrived in 1524 and founded Asunción in 1537. Paraguay's colonial experience differed from that of neighboring countries, such as Bolivia and Argentina, because it did not have what the Spanish were searching for—gold or other large mineral deposits. Because of its lack of mineral wealth and its remoteness, Paraguay remained underpopulated and economically underdeveloped. Early

governor Domingo Martínez de Irala took an Indian wife and a series of Indian concubines and encouraged other male settlers to do likewise. Inter-marriage fused Indian culture with that of the Europeans, creating the mestizo class that dominates Paraguay today. From the beginning, however, Indians retained their Guaraní language, even as Spanish influence was accepted, and embraced, in other aspects of society.

Although European fortune seekers headed elsewhere in South America, the Jesuits descended on Paraguay and, over a period of generations, transformed the lives of the Indians. By the beginning of the seventeenth century, about 100,000 of the once polytheistic, semi-nomadic Indians had converted to Christianity and settled the land surrounding the missions. This theocratic society endured until 1767, when Spanish authorities expelled the Jesuits from Paraguay, fearing that the massive wealth and land accumulated by the Jesuits had made the mission communes (*reducciones*) an “empire within an empire.” In the vacuum left by the Jesuit ouster, the Indians experienced for the first time direct contact with Spanish officials. Ultimately, however, the administrative and military tactics of imperial control proved far less successful and palatable than those of the Jesuits. Tensions between the natives and the Europeans grew steadily during the last years of the eighteenth century.

Independence and Dictatorship: Napoleon’s invasion of the Iberian Peninsula in 1807 severely undermined the legitimacy of the already-faltering Spanish empire. In 1811 Paraguay, despite its small population and dearth of economic resources, became the first Spanish territory in South America to achieve independence. Revolutionary fighting lasted only a few days, and independence was declared on May 17, 1811. Having thrown off the Buenos Aires-based Spanish authorities, Paraguay was left with the prospect of building a nation.

Dictatorship followed independence in Paraguay. Dr. José Gaspar Rodríguez de Francia, known as “El Supremo,” seized control of the newly independent country in 1814 and closed it off to the rest of the world. Francia outlawed all things Spanish—including use of the Spanish language. Although he trampled on human rights and left little room in his government for democratic debate, Francia succeeded in stabilizing Paraguay and warded off the annexation attempts of Argentina. He distributed land to poor farmers and used protectionist economic policies to develop native industries in shipbuilding and textiles. Under his watch, agricultural production boomed. At the time of his death in 1840, Paraguay enjoyed civil and economic stability, almost entirely attributable to Francia. As a negative legacy, however, Francia left behind a precedent of dictatorship that Paraguay would long struggle to break.

After Francia’s death, a succession of dictators controlled Paraguay. Carlos Antonio López (president 1842–62) reopened Paraguay to international commerce, extended the country’s railroad system, and abolished slavery. As with Francia, however, López’s actions did not all have positive effects on the fledgling nation. López established Paraguay’s modern army, which would have a corrosive impact on Paraguayan politics for years in the future. López was succeeded by his son, Francisco Solano López (1862–70), who took the title “president for life.”

The War of the Triple Alliance: In the midst of Francisco Solano López’s rule, Paraguay suffered a devastating defeat in the War of the Triple Alliance (1865–70). Believing that defending Uruguay’s sovereignty was paramount in protecting its own interests, Paraguay

intervened when Brazil invaded Uruguay, but Argentina, a long-time rival of Brazil, surprisingly refused to partner with Paraguay against Brazil. Instead, Argentina denied Paraguay passage through its territory to attack Brazil and ultimately joined with Brazil and Uruguay to form the “triple alliance” against Paraguay. Paraguay lacked the resources to carry out a war against one country, let alone three. Known as the “national epic” among Paraguayans, the war resulted in the loss of 90 percent of the country’s male population. Solano López also died in the conflict. Ultimately, Paraguay faced a lengthy occupation by victorious Alliance forces and the loss of territory to both Brazil and Argentina.

Colorado and Liberal Party Rule: Even after their occupation of Paraguay ended in 1876, Argentina and Brazil remained involved in Paraguay’s affairs through association with its competing political parties. Brazil backed the National Republican Association-Colorado Party, which dominated Paraguayan politics from the 1880s to 1904. The Colorados dismantled the unique brand of socialism that Francia had established in Paraguay. In order to raise funds, Colorado politicians rapidly sold much of Paraguay’s state-owned land. Foreign businesses swooped in and assembled vast expanses of farmland, and many peasants were forced from plots they had farmed for generations. The Liberal Party castigated the Colorados for corruption, as many politicians raked in profits and themselves became large landowners. Equitable land distribution reached its nadir in 1900, when 79 persons owned half the country’s land.

In 1904 tensions between the Liberal and Colorado parties erupted into violence. At issue was the state’s land distribution policy. The Liberal Party sided with peasant protesters calling for more equitable division of the state’s holdings. With support from Argentina, the Liberals gained the upper hand after four months of fighting. The conflict had begun as a popular revolt against the corrupt Colorado administration, but the Liberal Party soon devolved into corrupt factions of its own. Infighting and factionalism dominated the Liberal Era (1904–36). Liberal laissez-faire economic policies proved to have little more benefit to Paraguayan peasants than did the policies of the Colorados. Instead, large landowners took further control of the countryside, creating a near-hacienda system of agricultural production.

The Chaco War and the February Revolution: Border tensions between Paraguay and Bolivia over the Chaco region led to war in 1932. Paraguay had long owned the region but failed to settle or develop the land. Bolivia’s loss of territory and access to the coast in the War of the Pacific (1879–84) and its interest in the oil reserves of the Chaco led to increasing tension between the countries. Years of negotiation failed to produce a compromise. As war approached, Bolivia seemed to have the military advantage, with greater wealth and a larger population and army. However, Paraguay’s zeal in protecting its homeland, unsettled as it was, overwhelmed the Bolivian forces. After more than two years of fighting, the two sides reached a truce in July 1935 that ended the conflict and reaffirmed Paraguay’s control of the region.

The political fallout from the war temporarily crippled the Liberal Party. In February 1936, members of the army staged a military coup, ending 32 years of Liberal rule. The Febrerista Revolutionary Party, more commonly known as the Febreristas, recalled Colonel Rafael Franco from exile to serve as president, but Franco’s fascist-style reforms brought quick opposition. In August 1937, the army rebelled and restored the Liberals to power. In 1939 the Liberals chose General José Félix Estigarribia, a hero of the Chaco War, as president. Estigarribia assumed

“temporary” dictatorial powers in February 1940 but promised the dictatorship would end as soon as a workable constitution was written. In order to avoid anarchy, Estigarribia vigorously pursued a reformist agenda. A new constitution was approved in August 1940 (and remained in effect until 1967). It ostensibly created a “strong, but not despotic” presidency, but by greatly expanding the power of the executive branch, the constitution served to formalize Paraguay’s dictatorial tendencies.

The World War II Era: Following Estigarribia’s death in a plane crash in September 1940, his successor as president, War Minister Higinio Morínigo, quickly banned both Febreristas and Liberals and clamped down drastically on free speech and individual liberties. The outbreak of World War II eased Morínigo’s task of ruling Paraguay because it stimulated demand for Paraguayan export products, and U.S. policy toward Latin America at this time made Paraguay eligible for major economic assistance. Nevertheless, Morínigo’s regime was pro-Axis, and much to the displeasure of the United States and Britain, he refused to act against German economic and diplomatic interests until the end of the war.

The Allied victory convinced Morínigo to liberalize his regime, and Paraguay experienced a brief democratic opening, but in 1947 revolutionaries (an unlikely coalition of Febreristas, Liberals, and communists) attempted to overthrow Morínigo. They were crushed, however, when the Colorados, long dormant in Paraguayan politics, rushed to Morínigo’s aid. Lieutenant Colonel Alfredo Stroessner Mattiauda, then commander of an artillery regiment, took decisive action that is credited with saving Morínigo’s administration. The fighting simplified Paraguayan politics by eliminating all parties except the Colorados. As had often happened in the past, however, the Colorados split into rival factions, and a group of Colorado military officers, including Stroessner, eventually removed Morínigo from office.

The Stronato: In 1950 moderate Federico Chaves came to power, but before long Chaves, too, fell to revolutionaries. This time Lieutenant Colonel Stroessner led a coup against the established leadership. In 1954 the Colorados reluctantly nominated Stroessner as president, beginning an unparalleled period of stability in Paraguayan politics known as the Stronato. Stroessner ruled as dictator and succeeded, at least on one front, where previous Paraguayan leaders had failed: he stayed in power for nearly 35 years. During his first days in office, Stroessner declared a state of siege, which was renewed every 60 days thereafter, as required by the constitution. Stroessner won unopposed reelection every five years until 1988. Although brutally autocratic, Stroessner brought much-needed stability to Paraguay’s economic sector. He adhered to the austerity policy of the International Monetary Fund (IMF) and made Paraguay more attractive and safer for both international and domestic companies. He initiated large improvement projects—such as the building of the Itaipú Dam—that provided jobs to poor Paraguayans. The Cold War caused the United States to look past Stroessner’s authoritarianism and partner with Paraguay as it remained free of communist influence.

In April 1987, Stroessner announced that the state of siege would finally be lifted. This decision proved to be his undoing. Government officials announced following the 1988 election that Stroessner had received 89 percent of the vote to win his eighth consecutive term as president. However, rivals, now somewhat freed to voice dissent, cited widespread fraud in the election. In February 1989, Stroessner’s long-time adversary, General Andrés Rodríguez, led a coup that

brought an end to the Stroonato. Rodríguez won the presidency as a Colorado candidate in elections held in May 1989 and, as president, proceeded to initiate political, legal, and economic reforms and to seek a rapprochement with the international community.

Toward Democracy: In the vacuum that resulted from Stroessner's ouster, democratic reforms became viable. Paraguay's first municipal elections took place in May 1991. A new, more democratic, constitution followed in June 1992. In an important break from the military, Paraguayans, in May 1993, elected Colorado Party candidate Juan Carlos Wasmosy as the first civilian president in nearly half a century. The transition to democracy was not without setbacks, however. In 1996 a standoff occurred between President Wasmosy and popular General Lino César Oviedo Silva over Wasmosy's plan to restructure the military. Oviedo demanded that Wasmosy resign, and, with the support of 5,000 troops, forced Wasmosy to seek temporary asylum in the U.S. Embassy. Oviedo then attempted to run as the Colorado Party candidate in the 1998 presidential election but was forced out of the race and confined when the Supreme Court upheld his conviction for participation in the 1996 coup attempt. Ultimately, Raúl Cubas Grau, a wealthy engineer and Oviedo loyalist, became the Colorado Party candidate and was elected president.

The credibility of Paraguay's government deteriorated as violence overshadowed elections. In 1999 Vice President Luis María Argana Ferraro, leader of the conservative faction of the Colorado Party, was assassinated. Many felt that President Cubas Grau was an instigator, though not an active participant, in the assassination of his rival within the party. Protesters took to the streets demanding Cubas Grau's resignation. With an impeachment trial pending, Cubas Grau resigned in March 1999 and sought political asylum in Brazil. Luis González Macchi, president of the Senate, served out Cubas Grau's term.

Since 2000, corruption and harsh divisions have continued to characterize the Paraguayan government. Although elections have become increasingly democratic, Paraguay has yet to settle into an extended period of functional democratic governance. In 2002 an alliance of farmers, trade union members, and leftist organizations staged massive protests throughout the country. They denounced free-market economics and called for the government to restore state control of the economy. In early 2003, González Macchi, whose administration was widely regarded as corrupt, was tried but found not guilty in a Senate impeachment trial for corruption and mismanagement. Economic problems deepened as the country continued to incur debt. Nevertheless, the April 2003 elections passed off without violence or protest. Oscar Nicanor Duarte Frutos of the Colorado Party won the presidency and was inaugurated on August 15, 2003. Since his election, Duarte has succeeded in restoring Paraguay's relationship with the IMF and partially stabilizing the economy as a result of various reform initiatives. His efforts to cut corruption have won widespread public support. However, continued rumors of assassination plots suggest that Paraguay's legacy of political instability may persist.

GEOGRAPHY

Location: Paraguay is a landlocked country located in central South America. Bolivia lies to the north, Brazil to the east, and Argentina to the south and west.

Size: Paraguay encompasses 406,750 square kilometers, approximately the same size as the state of California. Paraguay lost significant territory as a result of the War of the Triple Alliance (1865–70). The country gained territory in the Chaco War (1932–35), fixing its present borders.



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Land Boundaries: Paraguay shares borders with Argentina (1,880 kilometers), Brazil (1,290 kilometers), and Bolivia (750 kilometers).

Length of Coastline: None. Paraguay is landlocked.

Maritime Claims: None.

Topography: Paraguay has two distinct topographic regions, separated by the Paraguay River. To the east of the river, about 40 percent of the country's territory, lies the fertile and subtropical Paraneña region, which is home to most of Paraguay's population. The Paraná plateau, within the Paraneña region, receives more rainfall than any other area of the country and is prone to flooding. In contrast, the western portion of the country, known as the Chaco region, is largely arid, flat, and unsuitable for cultivation. The extreme northwestern region is mostly desert. Paraguay has only modest mountain ranges, located in the southeast. The highest point, Cerro Pero, has an elevation of 842 meters.

Principal Rivers: Most of Paraguay's rivers and tributaries traverse the eastern portion of the country. The Chaco region, in contrast, has only small streams and seasonal bodies of water. Three major rivers—the Paraguay, Paraná, and Pilcomayo—define most of Paraguay's borders and serve as invaluable transportation routes, sources of hydropower, and drainage conduits. The Paraguay essentially bisects the country from north to south, extending for nearly 1,200 kilometers through Paraguay. The port city of Asunción sits on the Paraguay. The Paraná stretches for 800 kilometers in Paraguay, forming the eastern and southern border with Argentina before merging with the Paraguay and continuing south to the Río de la Plata Estuary at Buenos Aires. Not as deep as the Paraguay, the Paraná is navigable by large ships only to Encarnación. The Pilcomayo, Paraguay's third largest river, marks the southwestern border between Paraguay's Chaco region and Argentina. The Pilcomayo empties into the Paraguay River just above Asunción.

Climate: The geographical divide that defines Paraguay's topography also pertains to the country's climatic conditions. The Paraneña region in the east has a subtropical climate while the Chaco region in the west experiences tropical conditions. The Paraneña region receives abundant precipitation and has more moderate temperature changes throughout the year. From October to March, it has a lengthy summer season and from May to August, its winter. April and

September are short transition months between the two major seasons in the Paraneña region. Throughout the year, the eastern forests of Paraguay receive ample rainfall—more than 1,500 millimeters annually. The Chaco region climate is characterized by wet-and-dry extremes. Much of the region has consistently high temperatures and semi-arid conditions. In the summer, temperatures in the Chaco reach upwards of 38° C. Temperatures fall only slightly during the winter months. The far northwestern reaches of the country are the driest in terms of annual rainfall. The plains receive about 800 millimeters of rainfall each year.

Natural Resources: Paraguay has fertile soil and lush forests that support its agriculture and timber industries. The country has few proven mineral resources, but surveys have located significant deposits of manganese, limestone, and iron ore. Hydropower is a considerable resource. In recent years, hydroelectric projects have further harnessed the power of the rivers to generate electricity, which in turn has created revenue for Paraguay.

Land Use: The vast majority of land in Paraguay is undeveloped. Although agriculture is a vital part of the Paraguayan economy, only 7.6 percent of the country is arable land, and only 0.23 percent is planted to permanent crops. Paraguay has about 9 million hectares of arable land, 30 percent of which is cultivated. Land reform has failed in Paraguay, resulting in the top 1 percent of landowners controlling two-thirds of the country's agricultural land. The Chaco region, mostly arid, makes up nearly 60 percent of Paraguay's land but supports less than 2 percent of the population and only about 3 percent of national economic activity. The eastern plains region supports both the majority of the country's population and the preponderance of economic activity.

Environmental Factors: Deforestation is a concern in Paraguay. Experts estimate that Paraguay lost 0.5 percent of its forest cover each year between 1990 and 2000. Paraguay also has a growing pollution problem. Many of the country's rivers suffer from toxic dumping. Tanneries are particularly harmful, releasing mercury and chromium into rivers and streams. Runoff from toxic chemicals used by farmers also seeps into Paraguay's waters. In the Chaco, the salination of already arid land makes farming even more difficult. Furthermore, poachers have almost free rein in Paraguay and continue to foster the illegal trade in armadillo and crocodile skins.

Time Zone: Paraguay operates four hours behind Greenwich Mean Time (GMT) from April to September, and three hours behind GMT from October to March.

SOCIETY

Population: Paraguay has a population of about 6.3 million people, with a population growth rate of 2.5 percent projected for 2005. About two-thirds of inhabitants live in urban areas, and nearly 98 percent reside in the Paraneña region in the east. The fastest growth rates within Paraguay have been in the Chaco region and in the vicinity of Asunción.

Demography: Paraguay's population is relatively young, with a median age of 21 years. About 38 percent of the population is 14 years of age or younger, 57 percent is 15 to 64, and less than 5 percent of the population is 65 or older. According to 2005 estimates, Paraguay's birthrate stands

at 29.4 births per 1,000 population, and its death rate at 4.5 deaths per 1,000 population. The infant mortality rate is 25.6 deaths per 1,000 live births. Paraguay's population growth results exclusively from its own people. The average Paraguayan woman has four children, and the country had an estimated net migration rate of negative 0.08 migrants per 1,000 in 2005. Paraguay had an average life expectancy of nearly 75 years (72.4 years for men and 77.6 years for women) in 2005, ranking it in the middle of the spectrum among South American countries.

Ethnic Groups: Paraguay has a homogeneous population. About 95 percent of Paraguayans classify themselves as mestizo (mixed Spanish and Indian ethnicity). A small population of unassimilated Amerindians, about 2 percent of Paraguay's population, remains, mostly in the Chaco region. Additionally, the population includes some unassimilated immigrant peoples, such as small groups originating from Spain, Japan, Italy, Portugal, and Germany.

Languages: Paraguay has two official languages. About 90 percent of the population speaks Guaraní, while 75 percent speaks Spanish. Nearly half the population is bilingual.

Religion: Religious life in Paraguay centers on the Roman Catholic Church. Nearly 90 percent of the population adheres to Roman Catholicism, including most of the mestizo population. Protestantism exists in pockets, along with evangelical Christianity, Judaism, and Mormonism. An Islamic community in Alto Paraná has received substantial immigration from Lebanon in recent years. Additionally, a sizable Mennonite community, mostly composed of German immigrants, exists in the western department of Boquerón.

Paraguay's constitution guarantees religious freedom, and there has been little indication that non-Catholics have suffered for their beliefs. All religious groups must register with the government. Although most members of the government are Roman Catholics and the government observes Roman Catholic holidays, Paraguay maintains a secular state.

Education and Literacy: Historically, Paraguay has undervalued education. During Alfredo Stroessner Mattiauda's presidency (1954–89), education initiatives took a backseat to economic concerns and the task of controlling political adversaries. Teacher salaries fell to extremely low levels under the dictatorship. The constitution of 1992 attempted to remedy the long neglect of education. Article 85 mandates that 20 percent of government revenue be designated for educational expenditures. This measure, however, has proved impractical and has been largely ignored.

Nevertheless, democratization has been accompanied by a gradual improvement in the education system. Spending on education has increased, reaching 4.7 percent of gross domestic product in 2000, up from 1.7 percent in 1989. Much of the increased funding went to raise teacher salaries and update curricula. Still, Paraguayan children spend far less time in school than in most other South American countries. Schools in Paraguay average about 700 contact hours annually, compared with 1,500 in countries such as Chile. Students are required to attend school for nine years, and surveys indicate that Paraguay has a net primary school attendance rate of 92 percent. Public education is free to all, but dropout rates remain high.

Paraguay does not have an adequate university system. Until the 1990s, the state National University and the Catholic University served Paraguay's entire population. As part of the educational reforms of the 1990s, the government created 10 new universities, but the entire system is regarded as poor in quality. In 2003 Paraguay's national military academy admitted female cadets for the first time, opening another door for women pursuing education.

In 2003 Paraguay had an estimated literacy rate of 94 percent, with very little differential between men and women (94.9 percent to 93 percent, respectively). Illiteracy rates exceed the national average in rural areas. The 2001 census found that 15 percent of women and 10 percent of men living in rural areas were illiterate.

Health: In terms of major health indicators, Paraguay ranks near the median among South American countries. In 2003 Paraguay had a child mortality rate of 29.5 deaths per 1,000 children, ranking it behind Argentina, Colombia, and Uruguay but ahead of Brazil and Bolivia. The health of Paraguayans living outside urban areas is generally worse than those residing in cities. Many preventable diseases, such as Chagas' disease, run rampant in rural regions. Parasitic and respiratory diseases, which could be controlled with proper medical treatment, drag down Paraguay's overall health. In general, malnutrition, lack of proper health care, and poor sanitation are the root of many health problems in Paraguay.

Health care funding from the national government increased gradually throughout the 1980s and 1990s. Spending on health care rose to 1.7 percent of the gross domestic product (GDP) in 2000, nearly triple the 0.6 percent of GDP spent in 1989. But during the past decade, improvement in health care has slowed. Paraguay spends less per capita (US\$13–20 per year) than most other Latin American countries. A 2001 survey indicated that 27 percent of the population still had no access to medical care, public or private. Private health insurance is very limited, with pre-paid plans making up only 11 percent of private expenditures on health care. Thus, most of the money spent on private health care (about 88 percent) is on a fee-for-service basis, effectively preventing the poor population from seeing private doctors. According to recent estimates, Paraguay has about 117 physicians and 20 nurses per 100,000 population.

In 2003 the prevalence rate of human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) in Paraguay was estimated at 0.5 percent of the population, and officials reported 600 deaths from AIDS. The United Nations cautions that although the prevalence rate in Paraguay remains low, HIV/AIDS is increasing among stigmatized population groups. Transmission of the virus is primarily through sexual contact. According to 2004 estimates, nearly 15,000 Paraguayans were infected with HIV/AIDS.

Welfare: Nearly 200,000 Paraguayans survive through subsistence farming and are only marginally tied to the rest of the economy. A few landowners control most of the country's land, and most peasants do not own land. Paraguay has been slower to urbanize than most Latin American countries, and employment opportunities have grown only gradually. In 2001 experts estimated that nearly 20 percent of the Paraguayan population lived on less than US\$1 per day, and that one-third of the population could not afford to buy a basket of basic goods. Income polarization increased steadily during the 1990s. The plight of ordinary Paraguayans has been aggravated by political corruption and infighting, which has stalled economic development. With

the stability brought by the election of President Oscar Nicanor Duarte Frutos in 2003, there is some optimism that conditions might improve in Paraguay. The country's young population could fuel increased productivity, given a favorable economic environment.

Paraguay has a social insurance program, dating back to 1943. This system draws its funding from three sources: employees (who contribute 9 percent of personal earnings), employers (14 percent of total payroll), and the government (1.5 percent of government earnings). These funds finance old-age, sickness, disability, and maternity benefits. To qualify for an old-age pension, one must be 60 years of age and have contributed to the program for 25 years, or 55 years of age having contributed for 30 years. Benefits are 100 percent of the average earnings during the last three years of work, up to 300 times the daily minimum wage. Temporary and permanent disability benefits are provided to employed workers. Self-employed workers can contribute on a voluntary basis. Mothers receive 50 percent of their average salary for three weeks before the expected delivery date and six weeks after maternity leave. Milk vouchers are provided to those mothers unable to nurse.

ECONOMY

Overview: Paraguay has a market economy characterized by a large informal sector. Agriculture dominates the economy, but unequal land distribution has resulted in a large class of peasant farm laborers. A large portion of the population is uninvolved in the formal economy, instead existing as subsistence farmers. In recent years, the economy has grown as a result of increased agricultural exports, especially soybeans. Reforms in fiscal and monetary policy also have improved Paraguay's economy. Inflation has dropped, and the currency has appreciated gradually. Nevertheless, urban unemployment and underemployment have been problems throughout Paraguay's history. Paraguay has the economic advantages of a young population and vast hydroelectric power but has few mineral resources, and political instability has undercut some of the economic advantages present. The government welcomes foreign investment but historically has been unable to provide a stable, corruption-free environment for businesses. Smuggling and a large black market have deterred many foreign investors from entering the Paraguayan market.

Gross Domestic Product (GDP): In 2004 Paraguay had an estimated GDP of US\$6.5 billion, with a 2.9 percent rate of GDP growth. Even with the upturn, Paraguay's 2004 GDP is less than it was in 2000.

Government Budget: In 2004 Paraguay recorded a budget surplus of US\$110 million, more than 1.5 percent of its gross domestic product. Increased tax revenue, sparked by a growing economy, caused revenue growth to outpace spending growth.

Inflation: Price inflation fell dramatically between 2003 and 2004, from 14.2 percent to a 30-year low of 4.3 percent. President's Duarte's economic reforms and austerity programs have produced results more rapidly than many expected. Experts forecast that the inflation rate in Paraguay likely will rise in coming years but remain below 10 percent.

Agriculture, Forestry, and Fishing: Agriculture accounts for about 20 percent of Paraguay's annual gross domestic product—25 percent in 2004—and virtually all of the country's export earnings. It is Paraguay's largest and most consistent source of employment—employing about 45 percent of the working population. In addition to those engaged in the formal agricultural sector, thousands of Paraguayan families survive through subsistence farming.

Paraguay produces enough basic foodstuffs to be largely self-sufficient. Corn, cassava, and wheat are the main food crops. In 2004 Paraguay's wheat production reached a record level, producing a yield of 750,000 tons. About half of this total went to meet Paraguay's domestic needs. Because of the low demand for wheat on the international market, much of the surplus went into silos rather than abroad. Depending on international market prices and demand, Paraguay alternates between two dominant export crops—cotton and soybeans. In 2004 nearly 2 million hectares were dedicated to soybean cultivation. With an average yield of 2.6 tons per hectare, the soybean harvest for the 2004–5 growing season is estimated at more than 5 million tons. Cotton also remains an important source of agricultural employment. In 2004–5 about 225,000 hectares were planted with cotton, producing a seed harvest of 225,000 tons. On a smaller scale, Paraguay produces oilseeds and sugarcane for export. Paraguay is using technology to increase agricultural yields. It is the world's sixth-largest producer of genetically modified (GM) crops. In 2004 Paraguay had about 1.6 million hectares dedicated to GM crops.

Paraguay's eastern plains support the country's declining ranching industry. Behind soybeans and cotton, beef exports make up a significant part of Paraguay's agriculture sector. Additionally, Paraguay produces an adequate supply of beef, pork, and dairy products to meet domestic needs. The discovery of cases of foot-and-mouth disease in 2002 and 2003 led to a ban on Paraguayan beef in many countries. However, in 2004 Paraguay's meat production and exports rebounded. As a result of rising international prices and the recovery of important markets, especially Chile, Paraguay's meat exports rose to US\$143 million in 2004. Presently, Paraguay has a national herd numbering between 9 and 10 million head of cattle.

Paraguay's forests adequately meet domestic needs for lumber and fuelwood. However, logging for export, both legally and illegally, has thinned Paraguay's once abundant forests, resulting in a ban on the export of logs since the 1970s. The World Bank has predicted that much of Paraguay's primary forest cover would be exhausted by 2005. Deforestation has occurred most rapidly in the east, because transportation costs in the remote Chaco region have deterred loggers from using forests in that region. In 2002 sawn wood exports totaled US\$13.7 million.

The fishing industry in Paraguay exists almost solely to meet domestic demand. In 2001 the fishing catch totaled about 25,110 tons.

Mining and Minerals: Unlike many South American countries, Paraguay has few mineral resources and very little history of mining success. Foreign companies have explored Paraguay in recent years, searching for overlooked mineral deposits. Small extraction projects exist, seeking lime, clay, and the raw materials necessary to make cement, but the country's iron and steel manufacturers must import raw materials from neighboring countries.

Industry and Manufacturing: The industrial sector produces about 25 percent of Paraguay's gross domestic product (GDP) and employs about 31 percent of the labor force. Output grew by 2.9 percent in 2004, after five years of declining production. Traditionally an agricultural economy, Paraguay is showing some signs of long-term industrial growth. The pharmaceutical industry is quickly supplanting foreign suppliers in meeting the country's drug needs. Paraguayan companies now meet 70 percent of domestic consumption and also have begun exporting drugs. Strong growth also is evident in the production of edible oils, garments, organic sugar, meat processing, and steel. Nevertheless, capital for further investment in the industrial sector of the economy is scarce. Following the revelation of widespread financial corruption in the 1990s, the government is still working to improve credit options for Paraguayan businesses.

In 2003 manufacturing made up 13.6 percent of the GDP, and the sector employed about 11 percent of the working population in 2000. Paraguay's primary manufacturing focus is on food and beverages. Wood products, paper products, hides and furs, and non-metallic mineral products also contribute to manufacturing totals. Steady growth in the manufacturing GDP during the 1990s (1.2 percent annually) laid the foundation for 2002 and 2003, when the annual growth rate rose to 2.5 percent.

Energy: Paraguay relies almost solely on hydroelectric power to meet its energy needs. The Itaipú Dam, completed in 1984, has the world's second largest power-generating capacity—13.3 gigawatts. The dam is located on the Paraguay River, and Paraguay and Brazil evenly share the ownership, operation, and electricity generated. Additionally, Paraguay co-owns another major hydropower plant, Yacyretá, with Argentina. Paraguay uses only a small portion of the energy it generates through Itaipú and Yacyretá. In 2002 Paraguay generated more than 48 billion kilowatt-hours of energy. It consumed only 2.5 billion kilowatt-hours while exporting 45.9 billion kilowatt-hours. Paraguay will have even more hydroelectricity to export when planned new turbines are installed at Itaipú and the Yacyretá dam is fully completed.

Paraguay has no oil reserves; it relies on imported oil to meet its limited need for oil-produced energy. The Paraguayan government owns Petróleos Paraguayos, which is responsible for all distribution of oil products. The state accepts bids from international oil companies, selecting a few companies annually to meet the country's demand. Presently, Paraguay does not produce or consume natural gas.

Services: The services sector made up nearly 50 percent of Paraguay's gross domestic product in 2004 and employed about 19 percent of Paraguay's working population. The importation of goods, especially from Argentina and Brazil, for sale and illegal reexportation creates service industry jobs. The services sector had a moderate growth rate of 0.9 percent from 1990 to 2003. The sector decreased by 7.8 percent in 2002, before rebounding in 2003 with a 1.6 percent growth rate. Instability in the economy and a large black market have hampered development of the formal services sector in Paraguay.

Banking and Finance: Paraguay's banking and financial services industry is still recovering from the liquidity crisis of 1995, when news of widespread corruption resulted in the closure of several significant banks. Reform efforts spurred by the International Monetary Fund (IMF) and World Bank helped restore some credibility to Paraguay's banking industry. Still, a paucity of

credit options hinders the overall economy. Paraguay has a long history as a money-laundering center. The government has taken steps to curb the problem, but enforcement of anti-laundering legislation remains inconsistent.

Foreign companies either partially or wholly own most banks and financial institutions in Paraguay. Paraguayan banks hold less than 10 percent of deposits. Of the 16 banks operating in Paraguay in 2003, 50 percent were wholly foreign-owned and 25 percent were partially owned by foreign companies. Paraguay's Central Bank exists to stabilize the financial sector, making sure that another run on banks, such as the one that occurred in 1995, does not recur. The Superintendencia de Bancos regulates the banking system, monitoring the percentage of non-performing loans in the banking system. Bank deposits rose significantly in 2004, along with the percentage of local currency in total deposits. Local currency deposits increased by 26 percent in 2004, a sign that Paraguayans are gaining confidence in the stability of Paraguayan currency. In another promising development, interest rates dropped dramatically in 2004, from 50 percent in 2003 to 27 percent in 2004.

Paraguay's stock market began trading in October 1993. The tradition of family-owned companies and economic instability kept investment low throughout the 1990s. The value of shares on the Asunción stock exchange rose by 390 percent in 2004, reaching US\$17.5 million.

Tourism: Paraguay has a small, struggling tourism industry. Total tourism receipts declined annually from 2000 through 2002. In 2003 Paraguay's hotel occupancy rate was 38 percent. It increased by 15 percent in 2004. Small gains in tourism have come from business rather than leisure travelers. For many years, Paraguay served as a central market for smuggled, duty-free goods. However, crackdowns by the governments of Brazil and Argentina have stemmed the flow of shoppers traveling to Paraguay looking for smuggled items.

Labor: Paraguay's formal labor force was estimated to total about 2.7 million workers in 2004. About 45 percent worked in the agricultural sector, 31 percent in the industrial sector, and 19 percent in the services sector. Unemployment was estimated at about 15 percent. Paraguay's constitution guarantees the right of workers to unionize and bargain collectively. About 15 percent of workers are members of one of Paraguay's 1,600 unions. Strikes are legal and not uncommon.

The 2001 census found that 5 percent of Paraguay's workforce was under the age of 14. Although Paraguay ratified the International Labour Organization's Minimum Age Convention in 2004, child labor continues to be prevalent. Nearly 14 percent of children between the ages of 5 and 17 are employed, many in poor conditions and for negligible pay. The government has mandated a minimum wage of approximately US\$158 per month for private-sector employees. Government employees have no minimum wage. The standard workweek is 48 hours. In 2004 Paraguay's unemployment rate stood at 15 percent.

Foreign Economic Relations: Paraguay is a member of the Common Market of the South (Mercado Común del Sur—Mercosur). Most of Paraguay's trade takes place with neighbors Brazil and Argentina. In 2002 Paraguay conducted more than US\$400 million in trade with Argentina and nearly US\$800 million with Brazil. Paraguay is also a member of the Inter-

American Development Bank, Latin American Integration Association, and Latin American Economic System and a signatory to the agreement creating the South American Community of Nations. In 2004 Paraguay signed an energy cooperation agreement with Venezuela to purchase oil and petroleum. Venezuela agreed to concessional financing that allowed Paraguay to pay over a 15-year period at a nominal interest rate.

Imports: Imports totaled US\$3.3 billion in 2004. Principal import commodities included automobiles, chemical products, consumer goods, tobacco, petroleum, and machinery. Brazil was the leading source of imports to Paraguay (24.3 percent), followed by the United States (22.3 percent), Argentina (16.2 percent), China (9.9 percent), and Hong Kong (5 percent). Experts note that import statistics are difficult to confirm for Paraguay because as much as half of all imports are illegally re-exported to Argentina or Brazil. Imports from Mercosur countries continue to rise, up to 57 percent in 2003.

Exports: Paraguay's export revenues totaled about US\$2.9 billion in 2004. Agricultural commodities continue to drive Paraguay's export totals. Soybeans are particularly vital, accounting for 35 percent of total export revenues in 2003. Other agricultural cash crops include cotton, sugarcane, cassava, sunflowers, wheat, and corn. Other significant exports include feed, meat, edible oils, electricity, wood, and leather. Even as Paraguayan export revenue has fluctuated, Brazil remained Paraguay's principal export destination (27.8 percent in 2004), followed by Uruguay (15.9 percent), Italy (7.1 percent), Switzerland (5.6 percent), Argentina (4.3 percent), and the Netherlands (4.2 percent). In 2003 nearly 60 percent of Paraguayan exports went to Mercosur countries.

Trade Balance: Paraguay had a negative trade balance of about US\$400 million in 2004. Higher earnings from soybeans and cotton could not offset the surge in imported consumer goods and petroleum products.

Balance of Payments: After years of negative balances, Paraguay achieved a positive balance of payments totaling US\$234 million in 2003. In 2004, however, the current account had an estimated deficit of US\$35.1 million.

External Debt: Paraguay has a sustainable debt level according to the International Monetary Fund (IMF). External debt totaled about US\$3.4 billion in 2004, low compared to most Latin American countries. Continued reductions in Paraguay's debt to gross domestic product ratio are expected in coming years. Paraguay paid US\$412 million in debt service to the IMF in 2004.

Foreign Investment: Foreign investment in Paraguay nearly disappeared in 2002. After direct foreign investment of US\$84 million in 2001, only US\$9 million in investment came from abroad in 2002. This drop was largely the result of the financial crisis in Argentina and the banking collapse in Paraguay. Direct foreign investment rebounded in 2003—reaching US\$90.8 million for the year.

Foreign Aid: Paraguay has depended on the International Monetary Fund (IMF) and World Bank for economic development assistance. The World Bank has promised Paraguay assistance totaling US\$325 million between 2003 and 2007. Projects currently underway in Paraguay aim

to improve education, transportation, and rural development. The U.S. Agency for International Development (USAID) supports a variety of programs in Paraguay designed to bolster democratic development, environmental and health improvement, and the elimination of corruption. The U.S. Peace Corps has nearly 200 volunteers in Paraguay. In 2004 the US government announced that Paraguay would be excluded from consideration for funds from the Millennium Challenge Account, citing judicial, political, and public corruption as reasons for the exclusion.

Currency and Exchange Rate: Paraguay's currency is the guarani (PYG). In mid-October 2005, US\$1 equaled about PYG6155.

Fiscal Year: Paraguay's fiscal year coincides with the calendar year.

TRANSPORTATION AND TELECOMMUNICATIONS

Overview: Paraguay's transportation system ranges from adequate to poor, largely depending on the region of the country. The country has a network of roads, railroads, rivers, and airports, but significant infrastructure and regulation improvements are needed.

Roads: Estimates vary on the total extent of Paraguay's road system—from more than 60,000 kilometers to less than 30,000 kilometers. The discrepancies seem to be the result of differing standards regarding what constitutes a road. Thousands of kilometers of unpaved rural roads exist. Paraguay has about 15,000 kilometers of paved, major feeder roads. The core network connects Asunción, Encarnación, and Ciudad del Este. The Trans-Chaco highway is only partially finished, the paved portion ending at Mariscal Estigarribia. Bolivia's portion of the highway, in contrast, is entirely paved. For trade purposes, the paved highways from Ciudad del Este to the Brazilian port of Paranaguá are particularly important. Additionally, the roads connecting Paraguay to Buenos Aires are adequate.

The number of automobiles has increased in recent years. Approximately 600,000 cars were in use in 2000, about half of which were stolen. Smuggling of cars from Brazil and Argentina remains a major problem. For many years, Paraguay was the only Common Market of the South (Mercado Común del Sur—Mercosur) country to allow for the importation of used cars, but this practice will end in 2006, in an attempt to curb the number of stolen cars entering the country.

Railroads: The government owns the country's sole railroad company, including a 438-kilometer line from Asunción to Encarnación. An effort to privatize the company in 2002 failed when no buyer could be secured because of the steep investment required to make the line profitable. Currently, only a small section of the line is open. It is used for tourist traffic. Paraguay's railroads operate on a standard 1.435-meter gauge.

Ports: Villeta, located south of Asunción, serves as Paraguay's primary port. Asunción, long the country's only modern port, Encarnación, and San Antonio serve as the country's other major ports. Paraguay's ports are split between state and private ownership. The country's 20 private ports, however, are far more efficient, handling nearly 90 percent of soybean exports.

Inland Waterways: Paraguay has 3,100 kilometers of inland waterways. The Paraguay and Paraná are the country's two main rivers. The Paraguay River, with headwaters at Mato Grosso, Brazil, flows southward, converging with the Paraná in southwestern Paraguay, and then flowing to the Río de la Plata Estuary in Argentina, the entrance for the great majority of ships servicing Paraguay's ports.

Civil Aviation and Airports: Paraguay has 878 airports but only 12 with paved runways and only two that can receive four-engine commercial airplanes. The airport serving Asunción, located at Silvio Pettrossi, is the country's major airport for international and domestic flights. The new (completed in 1996) Guaraní International Airport, located near Ciudad del Este and the Brazilian border, has been unable to compete with the nearby international airport at Foz do Iguazu in Brazil. Improvements in technology are needed to bring Paraguay's airports up to international standards. Paraguay privatized the state-owned Líneas Aéreas Paraguayas in 1994.

Pipelines: Paraguay has no pipelines.

Telecommunications: Paraguay has a meager telecommunications sector. It has the lowest fixed-line telephone density in South America, with five lines per 100 residents, compared with 6.5 per 100 in Bolivia and more than 20 per 100 in Brazil and Argentina. Only 6 percent of the population has access to a landline connection. The state-owned Corporación Paraguaya de Comunicaciones (Copaco) is known for inefficiency and overstaffing. Privatization was attempted in 2002, but failed in the midst of the banking scandal. Paraguay's meager telephone network has resulted in rapid growth for mobile phone companies. In 2004 mobile coverage for the country reached 34 percent. Four companies dominate the industry. As of 2003, there were 1.8 million mobile telephones in Paraguay. The number has likely increased since then.

Computers are scarce in Paraguay; only 6 percent of Paraguayans have a personal computer. Few Paraguayans (1.7 percent) have access to the Internet. In 2003 only about 120,000 Paraguayans were Internet users, and very little business is conducted over the Internet.

GOVERNMENT AND POLITICS

Overview: Paraguay is a constitutional republic, guided by the democratic constitution of 1992, which replaced the highly authoritarian constitution that had been in force since 1967. The constitution provides for a division of government powers among three branches.

Executive Branch: The president, heading the executive branch, is directly elected to a five-year term and serves as both chief of state and head of government. The president appoints a Council of Ministers composed of 18 members to oversee the various government ministries. The president has the power to initiate legislation as well as veto it. Currently, Nicanor Duarte Frutos (elected 2003) serves as president and Luis Castiglioni as vice president. Neither the president nor the vice president may be reelected. Paraguay's next presidential election is scheduled for 2008.

Legislative Branch: The Senate and Chamber of Deputies compose the bicameral legislative branch of the government. The Senate consists of 45 members elected by a national popular vote to serve five-year terms. The 80-member Chamber of Deputies is elected through a departmental vote, for the same tenure. Legislative elections coincide with the presidential election. Seats in both the Senate and the Chamber of Deputies are allocated according to the percentage of the vote received by each party. Following an election, the parties, through a closed party list, fill their allotted Senate and Chamber seats.

Corruption and political stalemates have eroded the popular status of the Congress. Since the return to democracy in 1992, the Congress has acted primarily as a negative check on the president's agenda. Delay tactics and the selling and buying of votes are common practices, according to some experts.

Judicial Branch: Paraguay's constitution provides for an independent judiciary. The Supreme Court of Justice serves as the country's highest court, hearing appeals from the lower courts and deciding constitutional questions. Nine judges serve on the Supreme Court. Below the Supreme Court, Paraguay has five appellate courts: civil and commercial, criminal, labor, administrative, and juvenile. The lowest level of the legal hierarchy includes minor courts and justices of the peace who mediate lesser infractions. Minor courts are divided into four functional areas: civil and commercial, criminal, labor, and juvenile. Any person convicted of a crime at the minor court level may appeal to an appellate court and then to the Supreme Court. A council composed of members agreeable to both the president and the Congress has the responsibility of appointing judges. Paraguay's military has its own court system.

Paraguay's judicial branch was designed to operate free from political considerations. Few legal experts, however, would assert that this is actually the case. Politicians have long pressured judges to rule to their benefit. The Supreme Court experienced a purging in 2003–4 when the administration succeeded in replacing six of the court's nine justices. Reformers hoped that the move would stem the corruption and political influence that have long plagued the court.

Administrative Divisions: The 1992 constitution added the departmental level to Paraguay's political spectrum, dividing Paraguay into 17 departments and the capital city of Asunción. In terms of population, Central, Alto Paraná, and Paraguari are the largest departments.

Provincial and Local Government: Each department elects a governor and a departmental council. Additionally, the 1992 constitution delineated powers for Paraguay's 228 municipalities. Local elections are scheduled for November 2005.

Judicial and Legal System: Paraguay's legal system is based on Roman law as well as French and Argentine codes. The Penal and Criminal Procedures Code of 2000 requires expedited oral hearings for all persons accused of a crime. Prosecutors must bring charges against a detained person within 180 days. Defendants are presumed innocent until proven guilty. Both the defense and prosecution may call witnesses. There is no trial by jury; the judge determines both the innocence or guilt and the punishment for any crimes committed.

Electoral System: Following President Alfredo Stroessner's nearly 35-year authoritarian rule, democracy reemerged in Paraguay in 1989. General elections are held every five years as

required by the constitution. Suffrage is universal at age 18 and compulsory up to age 75. In recent elections, nearly 70 percent of the eligible population voted. The president and vice president are elected by a simple majority of the popular vote. Members of the Congress are elected according to a system of proportional representation. Elections are conducted using secret ballots. In 2003, for the first time, Paraguay used electronic voting terminals to collect about half of all ballots cast. In light of past polling place irregularities, many believe that electronic voting will be less susceptible to manipulation.

Politics and Political Parties: Paraguay's Congressional seats are awarded proportionally to the country's political parties—according to the percentage of votes they receive in each election. Thus, political parties tend to overshadow individual politicians. The National Republican Association-Colorado Party (Asociación Nacional Republicana-Partido Colorado—ANR-PC)—has dominated modern Paraguayan politics since 1946 and following the reintroduction of democracy in 1992. The party's candidate, Nicanor Duarte Frutos, won the most recent presidential election in 2003 with 37 percent of the vote. The ANR-PC was organized into a highly effective political machine under the Stroessner regime and continues to have a strong presence at the local and national level.

The Authentic Radical Liberal Party (Partido Liberal Radical Auténtico—PLRA) serves as the leading opposition party. The party has resisted many of the economic liberalization plans fostered by Duarte. Other opposition parties include Beloved Fatherland (Patria Querida—PQ) and the National Union of Ethical Citizens (Unión Nacional de Ciudadanos Éticos—UNACE). Had opposition parties agreed on a compromise platform and candidate in 2003, the ANR-PC might have been ousted from power as a result of the lingering public resentment over the corrupt administration of the previous Colorado president, Luis González Macchi. Instead, division allowed the ANR-PC to maintain the presidency and its claim to be the world's longest-serving political party.

Mass Media: As in many South American countries, radio is an important disseminator of information in Paraguay. More than 70 commercial and community radio stations broadcast daily across the nation. Paraguay also has four television stations and, as of 2004, about 750,000 households with televisions. The country has five major daily newspapers: *ABC Color*, *Diario Noticias*, *Última Hora*, *La Nación*, and *Diario Popular*. They have a combined circulation of about 150,000 copies daily. The government does not censor Internet or television content or restrict academic freedom.

Foreign Relations: Paraguay maintains close diplomatic relations with fellow Common Market of the South (Mercado Común del Sur—Mercosur) countries on economic, political, and social issues. In past years, Paraguay's role as a conduit of black-market trade has caused tension with some Mercosur countries. Relations with the United States have been steady, especially as democratic reforms have flourished in Paraguay. The United States supported the ouster of authoritarian leader Stroessner and helped resolve the crisis that resulted from Paraguay's contested 1998 election. Economic ties between the United States and Paraguay have rebounded after many years of decline during Paraguay's economic collapse. The United States remains committed to providing some economic aid to Paraguay and to stopping money laundering in the

region. Separating itself from its neighbors, Paraguay remains the only South American country to recognize Taiwan diplomatically.

Membership in International Organizations: Paraguay belongs to the United Nations and many of its specialized agencies. Paraguay is also a member of the Common Market of the South (Mercado Común del Sur—Mercosur), International Criminal Police Organization (Interpol), International Labour Organization, International Monetary Fund, Latin American Economic System, Latin American Integration Association, Organization of American States, Rio Group, and World Bank.

Major International Treaties: Paraguay is a party to a number of significant treaties, including international agreements on biological weapons, chemical weapons, copyright, human rights, intellectual property, nuclear weapons non-proliferation, refugees, and torture. In the environmental arena, Paraguay is party to the following agreements: Biodiversity, Climate Change (including the Kyoto Protocol), Desertification, Endangered Species, Hazardous Wastes, Law of the Sea, Ozone Layer Protection, and Wetlands.

NATIONAL SECURITY

Armed Forces Overview: Paraguay has a small, sparsely funded military. As of 2005, the armed forces totaled 10,010 active-duty personnel, including 1,900 conscripts, and about 164,500 reserves. Traditionally, the armed forces have focused more on quelling domestic uprisings than on protecting Paraguay from international threats. During Stroessner's authoritarian regime, the military played an important role in suppressing dissent.

Foreign Military Relations: Paraguayan armed forces have conducted joint training with the United States. In 2005 Paraguay agreed to allow U.S. troops to enter Paraguay for up to 18 months, ostensibly to monitor the tri-border region of Paraguay, Argentina, and Brazil for terrorist operations. U.S. troops will train their Paraguayan counterparts in methods to deter drug trafficking, government corruption, and terrorism. Before being granted access by Paraguay, the United States had been refused entry rights by both Brazil and Argentina.

External Threats: Paraguay has no direct external threats. Instead, money laundering, drug trafficking, and internal uprisings are the focus of Paraguay's military forces.

Defense Budget: Paraguay spent US\$53 million on defense in 2004, approximately 1 percent of the country's gross domestic product.

Major Military Units: Paraguay's military is composed of an army, navy, air force, and paramilitary police force. The army is the largest service with 7,600 personnel, including 1,500 conscripts. Six military regions cover the country, encompassing three corps headquarters and nine division headquarters (six infantry and three cavalry). Principal army units include nine infantry regiments, three horse cavalry regiments, three mechanized cavalry regiments, a Presidential Guard, 20 frontier detachments, three artillery groups, one air defense artillery group, and six engineer battalions. Army reserve forces include 14 infantry and four cavalry

regiments. Without coastal access, rivers are the focus of Paraguay's navy, which has 1,400 personnel, including 300 conscripts. Naval aviation has 100 personnel. The marines also operate as part of the navy, with a force of about 900, including 200 conscripts. The navy has bases in Asunción, Bahía Negra, and Ciudad del Este. The air force is the newest and smallest of the services, with 1,100 personnel, including 200 conscripts.

Major Military Equipment: The army has 12 M-4A3 tanks, 43 reconnaissance vehicles, and 10 armored personnel carriers, as well as more than 40 towed artillery pieces, 80 mortars, one LAW rocket launcher, one M-20 recoilless launcher, and 60 air defense guns. The navy inventory includes eight patrol craft as well as 20 smaller craft and five support and miscellaneous craft. Naval aviation has five planes and three helicopters. Paraguay's air force operates a fleet of 12 combat aircraft, 5 transport planes, 10 liaison aircraft, 12 training aircraft, and 11 non-combat helicopters. Additionally, the air force maintains the presidential fleet, which consists of a DCH-6 and a Boeing 707. The air force shares another three planes with the army.

Military Service: Paraguay has compulsory military service for all males 18 years of age, consisting of either one year of service in the army or two years in the navy. The 1992 constitution created conscientious objector status for those opposed to serving in the military. Since 1993, 120,000 have been classified as conscientious objectors. Problems with the enlistment of soldiers under the age of 18 have led to stricter procedures verifying a recruit's age. In 2003 the national military academy admitted females for the first time.

Paramilitary Forces: Paraguay's paramilitary police force is larger than its military, with 14,800 personnel, including 4,000 conscripts.

Foreign Military Forces: The United States maintains a presence in Paraguay. Joint training and operations are planned, aiming to control the crime-ridden tri-border region of Paraguay, Argentina, and Brazil. Neighboring countries, including Argentina, Bolivia, and Brazil, have objected to Paraguay's military partnership with the United States.

Military Forces Abroad: Paraguay has only a nominal military presence outside its own borders. In 2004 Paraguay sent 43 military observers to United Nations missions in Côte d'Ivoire, the Democratic Republic of Congo, Ethiopia/Eritrea, Haiti, and Liberia.

Police: Paraguay's main police force, the National Police, has long operated under the authority of the minister of interior. It has been underfunded and undertrained. Corruption has been rife. Reports have indicated that National Police officers were involved in drug-trafficking and kidnapping rings. The Penal and Criminal Procedures Code of 2000 worked to eliminate some of this corruption, but, despite a massive reorganization, widespread corruption persists.

Internal Threats: Violent internal dissent represents a far more dangerous threat to Paraguayan progress than does any external threat. Suggestions by the Colorado Party that it might favor amending the constitution in order to allow President Duarte to run for a second term in 2008 demonstrate the vulnerability of the 1992 constitution—despite the many improvements it brought to the country. Paraguay's legacy of authoritarian government and violent politics has not been completely erased. In 2004 the daughter of a former president was kidnapped and

killed, apparently by a radical leftist political group. Corruption in politics and the financial sector have resulted in declining popular trust of the government. President Duarte has made significant economic improvements, but economic and political polarization continues. Crime, including money laundering and the drug trade, must be brought under control to foster long-term, widespread economic growth. Like most South American countries, Paraguay also faces tensions between its indigenous population and those seeking liberalization of the society and economy.

Terrorism: Paraguay has been an active participant in the war against terrorism, backing counterterrorism initiatives by the United Nations and Organization of American States. Paraguay has commenced joint counterterrorism training with the United States. There is no evidence of terrorist activity or training in Paraguay, although the tri-border region continues to be a concern. The legislature has been slow to act in passing counterterrorism legislation sought by the administration. However, Paraguay has actively prosecuted terrorist fundraisers under present law. In 2004 a Hizballah fundraiser was convicted of tax evasion in Paraguay following his extradition from Brazil.

Human Rights: Paraguay meets most international standards for human rights. It affords its citizens the rights of freedom of the press, speech, and religion. Those suspected of committing crimes must have charges brought against them within 180 days, or have the charges dropped. All suspects have the right to a lawyer. However, prison conditions in Paraguay are abysmal. Asunción's largest prison holds three times the number of prisoners for which it was designed. Moreover, it has only 120 guards for more than 2,500 prisoners. Prisoners are malnourished and often kept in unsafe and unsanitary conditions.

The constitution guarantees the right of privacy and the protection of private property. However, the National Police have been accused of violating these rights at times. Additionally, the police have been accused of using torture to solicit information from suspects. Demonstrations of protest are permitted but are restricted to certain places and times in Asunción. Paraguayan workers have the right to unionize, protest, and strike. Nevertheless, the International Labour Organization has criticized Paraguay's workers' rights for various deficiencies, including required registration of unions, the 300-worker minimum to form a union, and the lack of measures to prevent anti-union discrimination. Union members in Paraguay have complained of their leaders being fired or suffering discrimination.

Violations of women's rights have occurred most frequently in situations of sexual and domestic abuse. Spousal abuse is common and underreported, but it is a crime in Paraguay only if deemed habitual. Abuse and sexual abuse of children also are problems. The passage of the Child and Adolescent Law in 2001 required that departmental agencies be created to monitor and protect children's rights, but so far the effect has been minimal. Trafficking in women and children from Paraguay remains a serious problem. In April 2004, Spanish police discovered 28 Paraguayan women trafficked to Spain for prostitution. Paraguay's penal code outlaws trafficking of persons, but there have been no reported prosecutions of suspected traffickers.