

Paraguay: Towards a New Narco-State in Latin America

In the Wake of Last Year's 'Soft Coup' Against Paraguay's President, Will a New Narco-Dictatorship Emerge?

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Paraguay's April 21 election of Horacio Cartes, a dodgy "tobacco magnate," rancher and banker, whose Banco Amambay has been accused of laundering drug money, tax evasion and other crimes, raises the specter of "state capture" by powerful drug cartels linked to US intelligence agencies.

In the context of US efforts to manage not eliminate, the multibillion dollar global trade in illegal narcotics, Cartes electoral victory might very well be a shot in the arm for certain three-lettered US intelligence agencies, eager beavers always on the lookout for new allies—and an endless supply of black funds—to carry out hemisphere-wide dirty ops against leftist governments. The current US [destabilization campaign](#) targeting Venezuela's newly elected president, Nicolás Maduro and the Bolivarian revolution, is instructive in this regard.



A key factor driving US regional operations is control over the narcotics market. As researchers Oliver Villar and Drew Cottle revealed in [Cocaine, Death Squads and the war on Terror](#): "Paraguay was the first country in Latin America to be publicly exposed for its involvement in the drug trade. Paraguay in the early 1970s was a vital center for the Corsican mafia, leading to the development of a vast heroin-trafficking network supplied from Turkey, and based in Marseille, the infamous 'French Connection.' Corsicans coordinated the transport of heroin from Marseille to the United States via Paraguay. The CIA," Villar and Cottle averred, "used such networks as transit stops in transporting Asian heroin to the United States with the help of corrupt high-ranking government and military officials."

"Later," journalist Vicky Pelaez disclosed in [The Moscow News](#), "cocaine trafficking was added. It was transported through Chaco's wild and rough terrain. Chaco is a vast, semi-arid

and semi-humid region in western Paraguay, where there are at least 900 covert airplane runways and where between 60 and 70 tons of cocaine circulate annually, according to former Interior Minister Carlos Filizzola.”

“Curiously,” Pelaez averred, “there are two US bases in that region. One is located in the city of Pedro Juan Caballero, in the Amambay province, and is operated by the Drug Enforcement Agency (DEA). The other, run by the Pentagon, is part of the Mariscal Estigarribia airport, in the Boquerón province, and boasts a 3,800-meter long runway.”

When Fernando Lugo was removed from office last year after an expedited impeachment “trial” by Paraguay’s Senate, it was widely denounced across Latin America as a parliamentary coup d’état which had more than a passing resemblance to the 2009 ouster of Honduran President Manuel Zelaya.

And like the Honduran coup against Zelaya, the [World Socialist Web Site](#) pointed out that “both countries have been the focus of attention of the US military and intelligence apparatus, which shares intimate connections with its local counterparts. Security forces in both countries have been trained and advised by the Pentagon and would not support the overthrow of an existing government without its approval.”

Elected in 2008, Lugo, a former Catholic bishop and proponent of Liberation Theology, promised to combat Paraguay’s endemic corruption and implement policies favoring a “preferential option for the poor.” Lugo however, was no Hugo Chávez, Evo Morales or Rafael Correa, populist leaders who defied the Global Godfather by charting an independent course.

Despite a mildly reformist agenda which increased access to healthcare and education for Paraguay’s working class majority, when it came to the key issue of land reform Lugo’s administration hit a brick wall.

Shortly after assuming office, Lugo became the target of that nation’s entrenched landed oligarchy, multinational agricultural corporations (including such paragons of virtue as Monsanto, Pioneer, Syngenta, Dupont, Cargill, Archer Daniels Midland, and Bunge) and the transnational drug cartels which continue to rule Paraguay with an iron fist much as they did under the 35-year dictatorship of Alfredo Stroessner.

Paraguay, a landlocked nation in which 2 percent of the population control more than 80 percent of the landed wealth, most of which had been expropriated by the kleptocratic Stroessner regime and handed out to favored cronies of his Colorado party, agrarian reform should have topped Lugo’s agenda.

As The Moscow News pointed out, “Monsanto was naturally involved in the conspiracy. The world’s largest producer of genetically modified crops disapproved of Lugo’s idea to abolish the per-ton royalty of \$4 on soybeans, to be paid by growers using Roundup Ready RR1 and Intenta RR2 Pro seeds. Recall that on his fifth day in office, the new president, Federico Franco, offered new concessions to Monsanto concerning the distribution of its GM cotton, soybean and corn seeds in Paraguay.”

According to Pelaez, “Over the past ten months, unofficial employment has soared to 66% (this proportion is higher only in Peru (67%) and in Haiti (92%)). The bulk of the shadow labor market is formed by farmers pushed off the fields by such groups as Monsanto and

Cargill, which use biotechnology to industrialize agricultural production and convert farmland into a contaminated 'green desert,' slowly but surely implanting a system of 'farming without farmers'."

Blocked at every step, and relying on the right's largesse to remain in office, Lugo's betrayal of the campesino base that put him in office and his retreat and capitulation to Paraguay's elite doomed his administration.

In fact, as journalist and researcher Benjamin Dangl reported in [UpSideDownWorld](#) last year, "Lugo was no friend of the campesino sector that helped bring him into power. His administration regularly called for the severe repression and criminalization of the country's campesino movements. He was therefore isolated from above at the political level, and lacked a strong political base below due to his stance toward social movements and the slow pace of land reform."

Using a police provocation and subsequent massacre of 11 landless farmers who had occupied land belonging to ex-Colorado Senator Blas Riquelme, illegally seized by the Stroessner regime as a pretext, the Chamber of Deputies launched proceedings to remove Lugo from office. Scarcely 24 hours later, the Senate voted to impeach the president. Who was leading the charge for Lugo's removal? Why none other than the Colorado Party's declared candidate for the presidency, then-Senator Horacio Cartes.

But the final straw may have been the decision by Lugo's administration three years earlier, to cut off access to the country by the US military. By 2007, the Pentagon had deployed some 400 Marines under the guise of "medical readiness training" exercises that were denounced by grassroots activists as a ploy to identify "dangerous" rural leaders of the landless movement. At the same time, the Pentagon was planning to expand US operations at the giant Mariscal Estigarribia air base, 120 miles from the Argentine and Bolivian borders.

Journalist Conn Hallinan [reported](#) back in 2005, "US Special Forces began arriving this past summer at Paraguay's Mariscal Estigarribia air base, a sprawling complex built in 1982 during the reign of dictator Alfredo Stroessner. Argentinean journalists who got a peek at the place say the airfield can handle B-52 bombers and Galaxy C-5 cargo planes. It also has a huge radar system, vast hangars, and can house up to 16,000 troops. The air base is larger than the international airport at the capital city, Asunción."

During a 2009 press conference, Lugo rejected further US troop deployments under the Bush-era "New Horizons" program. In a decision that greatly angered Washington, Lugo remarked, "we don't see it as convenient that the Southern Command has a presence in Paraguay."

Coming on the heels of Ecuador's 2009 closure of the giant US airbase at Manta, of which Ecuadorean president Rafael Correa famously said: "We can negotiate with the US about a base in Manta, if they let us put a military base in Miami," the Pentagon and CIA looked to Paraguay for a platform for what Southern Command described as "counternarcotics surveillance," but which regional neighbors denounced as a threat to hemispheric security.

Ominously, the US ambassador in Asunción, Liliana Ayalde declared: "It's a regrettable decision."

Indeed it was, for Lugo and the Paraguayan people.

The (Narco) Ties that Bind

In their relentless drive to accumulate riches at the expense of their citizens, comprador elites, particularly those who mix land grabs, far-right politics with currying favor from their imperialist overlords, utilize state institutions as cash cows.

And when those elites are also plugged into the international narcotics trade and control the state's machinery of repression, well, it's a win-win all around!

Who would imagine that a central banker would have ties to criminals and narcotraffickers? Why, the US Embassy that's who!

A 2007 Cable Gate file published by [WikiLeaks](#) noted that former Central Bank president Dr. Angel Gabriel González Cáceres, "a strong Colorado with close ties to [former] President Duarte, who appointed him Central Bank president in September 2003," was named "Paraguay's new director of SEPRELAD, the Secretariat for the Prevention of Money Laundering," and that reviews of his previous performance were "quite mixed."

Variouly described by the Embassy as "a technician with a long trajectory at the Central Bank who has cooperated with the Embassy on money laundering and terrorist financing," as Banking Superintendent however, González "opposed creation of SEPRELAD because he wanted the Central Bank to retain responsibility for fighting money laundering."

But perhaps there were other factors, and interests, at work?

According to Asunción Deputy Chief of Mission Michael J. Fitzpatrick, Paraguay's counternarcotics director Hugo Ibarra would have "nothing to do with" González. The counternarcotics chief then "volunteered that González had a direct personal role as Central Bank president in white-washing ('blanquear') funds for so-called pillar of the community Horacio Cartes and his Banco Amambay, noting that 80 percent of money laundering in Paraguay moves through that banking institution."

"Ibarra indicated," Embassy officials averred, "that González is still involved with Amambay, and questioned why a former Central Bank president would take a lower level position as SEPRELAD director-managing an office with less than a dozen employees-in the absence of some other financial incentive."

Certainly a relevant question; however, no answers were forthcoming.

In 2008, another [WikiLeaks](#) file disclosed that shortly after assuming office, Lugo informed the US Embassy of his interest "in closer counternarcotics cooperation with the United States and requested U.S. assistance with microenterprise development during a Friday, August 29 dinner with the Ambassador."

Significantly, "Lugo made clear that he does not trust some of his closest advisors or cabinet ministers. During dinner, which took place before the weekend rumors emerged regarding coup planning, Lugo told Ambassador about a tape recording of former President Duarte and General Lino Oviedo betting that Lugo will last only three to eight months in office."

A 2009 secret [WikiLeaks](#) file, "Paraguayan Pols Plot Paraguayan Putsch," noted that

“discredited General and UNACE party leader Lino Oviedo and ex-president Nicanor Duarte Frutos are now working together to assume power via (mostly) legal means should President Lugo stumble in coming months.”

Oviedo, “serving time for involvement in the 1999 assassination of Vice President Luis Argana and the subsequent Marzo Paraguayo massacre of unarmed student protesters,” the Embassy noted it was Duarte “who used his control of the Supreme Court to free Oviedo from jail” in 2007.

A 2003 CIA report published by the [Library of Congress](#) informed us that “Brazilian and U.S. officials generally consider former General Lino César Oviedo to be head of the so-called Paraguay Cartel. He reportedly has amassed at least US\$1 billion, including numerous properties in the TBA [Tri Border Area].”

The Argentine investigative news magazine [Página/12](#) published a 2001 Argentine Chamber of Deputies report on money laundering which noted that according to Brazilian officials, the US Embassy and the DEA, Oviedo was involved with “drug trafficking (cocaine and marijuana), weapons, money laundering and the smuggling of various items.”

In 1994 for example, a “load of seven tons of cocaine, worth \$70 million, which was seized with the participation of the CIA, and destined for the USA,” was linked to Oviedo and his employees. Later that year, according to DEA documents, another load of five tons of cocaine was seized from “Oviedo accomplices” attempting to smuggle it across the Paraguayan border.

The Chamber of Deputies report concluded: “Oviedo is accused of being the head of a drug trafficking, arms trafficking [cartel] and being involved in the murder of media entrepreneur Carlos Honorio Cubillas and Paraguayan Vice President Argana. The various charges against him made by the DEA were, by former U.S. Ambassador to Paraguay and the Brazilian CPI.”

As noted above, in 2007, Oviedo’s conviction for orchestrating an attempted military coup in 1996 was annulled by Paraguay’s Supreme Court. Again a candidate for the presidency in 2013, nominated by the ironically named National Union of Ethical Citizens (Unión Nacional de Ciudadanos Éticos, UNACE), Oviedo died in a “helicopter accident” after a campaign appearance in February, clearing the path to power for Horacio Cartes.

The Cartel: Back in Power

Last Sunday in an unusually critical article, [The New York Times](#) reported that during the campaign, Cartes “was pressed to explain why antinarcotics police officers apprehended a plane carrying cocaine and marijuana on his ranch in 2000; why he went to prison in 1989 on currency fraud charges; and why he had never even voted in past general elections.”

Good questions, all of which were dismissed by Cartes’ top aides as “conspiracy theories” and “slander.”

The most serious charges involve Cartes connection to drug trafficking, money laundering and the smuggling of contraband cigarettes.

Another [WikiLeaks](#) file, this one from 2010, informed us that a joint that a joint ATF-DEA-ICE-OFAC US anti-money laundering investigation dubbed “Heart of Stone,” revealed that Cartes is the head of a transnational criminal organization and the main target of the operation.

“OPERATION HEART OF STONE is a coordinated, transnational investigation focused on the disruption and dismantlement of a significant drug trafficking and money laundering enterprise operating within the Tri Border Area (TBA) of Argentina, Paraguay, and Brazil, and elsewhere throughout the world. This investigation has established links between and among drug trafficking, money laundering and other criminal organizations and, as such, was approved as a designated Consolidated Priority Organizational Target (CPOT) investigation during April 2009.”

The WikiLeaks file averred:

“The investigative team has implemented strategies and operations aimed at attacking the financial infrastructure of drug trafficking supply network (DTO’s) and other criminal enterprises operating within the TBA. Using a strategic approach to target the international command and control centers of these criminal organizations based in the TBA, agents have successfully focused investigative activity in an effort to develop this investigation with an aim toward a DEA UC introduction to CPOT designee Horacio CARTES. Through the utilization of a DEA BACO cooperating source and other DEA undercover personnel, agents have infiltrated CARTES’ money laundering enterprise, an organization believed to launder large quantities of United States currency generated through illegal means, including through the sale of narcotics, from the TBA to the United States.”

Despite the seriousness of the allegations, and others enumerated below, [The Independent](#) reported that Cartes “has publicly denied the allegations and says he has received assurances from the embassy that the US Drugs Enforcement Agency and Bureau of Alcohol, Tobacco and Firearms are conducting no investigations against him, something the cables allege.”

If true, this raises a disturbing question: did the DEA drop the ball or were they ordered to back away from the investigation by Obama’s State Department?

“When it comes to drug trafficking, Horacio has made it clear what his position is,’ says Julio Velazquez, a Colorado senator standing for re-election tomorrow.”

Ludicrously, Velazquez told [The Independent](#): “There’s no concrete allegation against him. Horacio has investments in the US. Do you think the Americans would allow a narco to bring money into their country?”

Memo to Senator Velazquez: Not only would the Yankees “allow a narco to bring money into their country,” they’d look the other way as US banksters laundered the funds and extracted hefty fees in the process!

Another front in the Cartes empire involved Banco Amambay and illegal tax evasion. The International Consortium of Investigative Journalists ([ICIJ](#)) reported earlier this month that “five directors of Banco Amambay created a secret bank in the Cook Islands with no building and no staff.”

Journalists Marina Walker Guevara and Mabel Rehnfeldt disclosed that “top officials of a Paraguayan bank owned by Horacio Manuel Cartes, the country’s leading candidate in this month’s presidential election, operated a secret financial institution in a tax haven in the South Pacific.”

According to the ICIJ's investigation, "Cartes' father, Ramón Telmo Cartes Lind, and four other executives of Paraguay's Banco Amambay S.A. created Amambay Trust Bank Ltd. in 1995 in the Cook Islands, a tiny chain of atolls and volcanic outcroppings more than 6,000 miles away from the South American nation."

"The Cook Islands bank, which was operational until 2000," the same year the Cook Islands landed on of the OECD's money laundering blacklist, "a dishonor roll for places the OECD considers havens for dirty money," was de-registered a month prior to OECD sanctions.

Guevara and Rehnfeldt reported that the Cook Islands were condemned for "'excessive secrecy provisions'" that "allowed owners of offshore companies and accounts to hide in the shadows. It noted the islands' government had 'no relevant information on approximately 1,200 international companies that it had registered' and that the offshore banks located in the Cooks weren't required to document the identity of their customers."

"It was not the only time that Banco Amambay and its officials made headlines for alleged money laundering, but the accusations have never resulted in convictions."

"Just last month," the ICIJ averred, "the head of Paraguay's anti-money laundering agency said that the bank was being investigated alongside other financial institutions for illegal money transfers abroad. The following day the official recanted his words and said he had misspoken. Amambay denied any involvement in criminal activities."

With the election of another "teflon president" accused of operating a drug trafficking and money laundering enterprise, and with powerful connections to prominent right-wing politicians suspected of decades' long ties to global narcotics rackets, the Pentagon and US secret state agencies must be salivating over the prospect of the cartel's return to power.

After all, as State Department spokesperson Patrick Ventrell said during an April 22 [press briefing](#) when queried about Cartes dodgy record: "The United States values its relationship with Paraguay and looks forward to working with the President-elect, with President-elect Cartes, on many of our shared interests, such as defending and promoting democracy, human rights, and the rule of law, and expanding trade and economic opportunities."

When pressed about Cartes long history of criminal allegations, Ventrell didn't bat an eyelash and averred: "I'm not aware of specific allegations one way or another, but we do congratulate him on his electoral victory. And I think I just was clear about working with him going forward."

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