

Paraguayan Election Could Tip the Scale Towards Venezuela

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Sunday's presidential election in Paraguay, which has brought former Catholic Bishop Fernando Lugo to power, stands to shake up Paraguay's politics and could even exert an impact upon the course of wider hemispheric integration. Lugo focused on social inequality during his campaign, questioning why "there are so many differences between the 500 families who live with a first-world standard of living while the great majority live in a poverty that borders on misery." The former cleric, who says that he has some affinity with socialism, wants to institute land reform and to re-establish Paraguay's energy sovereignty.

As a politician and orator, Lugo would seem to differ somewhat from firebrand Hugo Chávez or Rafael Correa of Ecuador. The former Bishop stresses cooperation and dialogue rather than confrontation. He reportedly has an uncanny ability to bring people together who don't trust one another.

During a recent trip to Washington, Lugo assured the State Department that he was not like Hugo Chávez because he, unlike the Venezuelan leader, was a religious man. The future Paraguayan President remarked, "I am not of the left, nor of the right. I'm in the middle as a candidate sought by my people."

The Paraguayan moreover criticized Chávez's decision not to renew the broadcast license of Radio Caracas Television, a station which served as a hotbed of the Venezuelan opposition. In an interview, Lugo remarked that in Venezuela, there were "elements conspiring to attack the strengthening of public freedoms." Under Chávez, Lugo added, Venezuela had pursued a political model which was "dangerous for a real democracy," and "totally at the service of one person."

On the campaign trail, Lugo was dogged by relentless accusations that he was receiving money from Chávez, a charge he has vehemently denied. "It's part of a dirty campaign against me. None of this is true", he insisted.

Despite his close affinity with Paraguay's Guaraní Indians, Lugo has likewise sought to distance himself from Bolivia's indigenous President Evo Morales. "Individual leaders," he has said, "can cause polarization, as I believe is happening in Bolivia. I don't believe in creating a polarized society." "I will not be a Paraguayan Morales," he adds. "Paraguay will have to pursue its own political destiny."

On the other hand, some of Lugo's other comments may have raised eyebrows in Washington. He has praised the Venezuelan "experiment" for its positive social accomplishments, as well as "the better distribution of wealth for the benefit of the poor

majority.” Furthermore, Lugo supports Chávez’s land reform program and calls the Venezuelan leader’s 21st-century socialism “interesting,” and “very stimulating.”

Lugo believes the U.S. should keep its distance from the political transformation now sweeping through South America. “I don’t think the United States has any choice but to accept these changes,” he has said.

Lugo’s Paraguay: What Impact on South American Integration?

Hoping to undercut Chávez and his appeal, the U.S. has sought to cut free trade deals with individual South American countries. Unfortunately for Washington, Lugo has already stated that he has no intention of signing on to such an agreement as President. Historically, Paraguay has not played a very significant role in regional affairs. In the midst of South America’s Pink Tide and shift towards the left however, the country has taken on new geopolitical importance.

In an era of reduced U.S. influence, it’s now Brazil and Venezuela that are vying for the allegiance of smaller countries like Paraguay. Traditionally, Paraguay has formed part of Brazil’s geopolitical orbit but the relationship has recently come under strain.

Some of the friction has to do with Mercosur, a South American trade bloc. Paraguay has been a long time member of the group, while Brazil constitutes the most important economic hub. However, Paraguayans have been chafing under Brazilian influence. They charge that Brazil has bullied them by slapping crippling export restrictions upon Paraguay. As a result, Paraguay’s trade deficit has skyrocketed.

Lugo has said that he would keep Paraguay within Mercosur, but he sees the bloc as “inadequate” because it lacks a firm commitment to social and economic equity. Mercosur is unfair, he adds, because Brazil has registered greater economic growth than smaller countries.

Though the debate may sound Byzantine or obscure, it strikes at the heart of dramatic geopolitical currents shaping South America today. At stake is nothing less than the contours of future hemispheric integration and the social and economic future for millions of the region’s poor.

Venezuela’s Chávez says that Mercosur is a backward and ossified model for economic development. However, he has sought to bring Venezuela into Mercosur and hopes to subvert the bloc from within, presumably by shifting the entity’s focus from free trade to more equitable, reciprocal trade. However, Venezuela’s bid to join Mercosur has still not been ratified by Brazil, a country which has a more market-based vision of the future than the avowedly socialist Chávez.

Paraguay too has failed up until now to ratify Venezuela’s bid. Lugo has been coy about his intentions towards the issue, but he could play a key role now in helping Venezuela join the trade bloc. With a left of center government in power in Asunción, the center of political gravity within Mercosur could tilt a little towards Chávez.

The Politics of Hydro-Power

In other key respects, a Lugo presidency could shift geopolitical momentum away from

Brazil and towards Venezuela. One issue which has rankled relations between tiny Paraguay and Brazil has been hydropower. To the chagrin of Brasilia, Lugo seems determined to follow in the footsteps of Hugo Chávez by pursuing a policy of resource nationalism.

Under Stroessner, Paraguay built the largest hydroelectric power plant in the world located in Itaipu. Though Itaipu, as well as the subsequently built Yacyretá Dam displaced tens of thousands of Paraguayans from their homes without any restitution, it greatly increased economic growth.

Itaipu, which is operated jointly with Brazil, is now at the center of a political firestorm in Paraguay. The dam is hugely important within the region, providing a full 20% of Brazil's electrical power. But Lugo has declared that the contract agreed to between his country and Brazil is unfair. Currently, Paraguay is obliged to sell Brazil its surplus electricity from Itaipu at prices far below those set by the market. Lugo wants Brazil to pay more.

The Paraguayan President also wants a greater energy surplus from the dam. Currently Paraguay uses much less than half the energy from the dam while Brazil takes the rest. Paraguay would like to trade more energy so as to generate much needed income. To the dismay of President Lula in Brasilia, Lugo has said that he would like to alter the current energy accord. Such a move however would surely result in a great shortage of energy distribution to the Brazilian south and southeast.

When he talks about hydropower, Lugo strikes a nationalist chord: under his leadership, the President elect has said, Paraguay won't "fall into submission to any other bigger country." Lugo says that he is even prepared to take Brazil to the World Court in The Hague if necessary.

Paraguay, which historically has not had much of a political voice on the South American stage, now has a unique opportunity to tip the geopolitical scale towards Venezuela. Up until recently the international media ignored Paraguay. That could change now however with the rise of the country's new Bishop President.

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