



Paraguayan marines. Photo via Wikipedia

Guess Which Country Is Among the World's Most Corrupt

Now guess again

by ALLISON BRADEN

Gen. Alfredo Stroessner, Paraguay's dictator for 35 years, once called corruption "the price for peace." And for decades, Paraguay has been willing to pay.

Transparency International ranks the country second only to Venezuela as the most corrupt in South America. By comparison, Brazil, currently in the middle of a high profile corruption crisis, ranks ninth.

In Paraguay, corruption is entrenched and widespread, affecting all levels of government and private enterprise. According to surveys conducted by the Latin American Public Opinion Project, one in three Paraguayans have been or know someone who has been personally victimized by corruption.



To the outside world, it can seem as though peace has indeed been maintained. The last real war fought on Paraguayan soil was the 1947 civil war, and since the coup deposing Stroessner in 1989, transitions of power have been constitutional if not always smooth.

Paraguay is seldom mentioned in the international media, suggesting tranquility and belying internal strife. Instead, the lack of coverage points to the constancy of Paraguay's problems—they are pervasive and destructive, and they never change.

Across Latin America, though, corruption has come under scrutiny. The public, abetted by social media and the adoption of transparency laws, has been better able to hold leaders accountable, leading directly to dramatic outcomes like the recent resignation of Guatemalan president Otto Pérez Molina and the ongoing impeachment proceedings against Brazilian president Dilma Rousseff.



The Paraguayan army still uses World War II-vintage Sherman tanks. Andrew Skudder & Jane Starz/Flickr photo

The Panama Papers have cast light into the shadowy world of offshore shell corporations and tax havens worldwide. In the wake of those revelations, anti-corruption activists in the Americas and around the globe hope and wait for their countries to enact stricter oversight and regulations to prevent tax evasion and money laundering.

In Paraguay, the response to the Panama Papers has been muted, even though Paraguayan journalists have found more than 20 cases linked to the country among the leaked documents.

Various government agencies, including the Central Bank, the Vice Ministry of Taxation, and the Secretary for the Prevention of Money Laundering, can't seem to settle the question of who should be responsible for reporting and controlling the exodus of capital from the country.

Meanwhile, money keeps flowing out.

Paraguay's Ciudad del Este sits at the heart of the notorious tri-border area, or TBA, where Paraguay meets Brazil and Argentina. After Hong Kong and Miami, the city has the highest number of cash transactions in the world.

Asian counterfeit electronics, Bolivian textiles and Paraguayan cigarettes slip *en masse* across the porous border into Brazil. Smuggled goods, drugs and people are regularly trafficked through the area, and illicit exports account for

\$4 billion annually.

Between 2003 and 2014, almost the same amount of money left the country illegally. But efforts to fight this prolific smuggling and money laundering remain crippled by pervasive corruption.

The U.S. government has long suspected that terrorist organizations, including Al Qaeda and Hezbollah, operate in the TBA, trafficking in drugs and arms and laundering money. A Federal Research Division report on terrorism in the region alleges that these organizations began planning an attack on the American embassy in Asunción in 1996.

Two decades later and terrorist attacks based out of Paraguay have failed to materialize, leading some to argue that the threat of Islamic terrorism in Paraguay never existed in the first place.



FARC rebels. YouTube capture

The more immediate threat is the Paraguayan People's Army, the EPP—a guerrilla insurgency taking place in the country's rural north. The EPP remains small, comprising less than a hundred members and controlling only a few acres of land.

Their *impact* has been bigger. The group is responsible for more than 50 murders, including the high-profile kidnapping and murder of Cecilia Cubas, daughter of former president Raúl Cubas.

The EPP generates revenue through levying taxes on area farmers and cultivating drugs, and the local government's complicity in these criminal activities partially explains why the group hasn't yet been brought to heel.

Officials suspect that the EPP has received training from and has been influenced by the Revolutionary Armed Forces of Colombia, or FARC. Like the FARC, the EPP is a Marxist insurgency instigated as a peasant revolt. As the national government delays decisive action, the number of poor and frustrated Paraguayans swayed toward their violent ideology grows.

In 2014, the national government took the step of reversing the prohibition on using the armed forces to confront internal security threats. In addition to being ineffective thus far, the measure is worrying in light of Latin America's fraught history of military incursion in domestic affairs.

Corruption is the rot at the core of these structural issues. But despite its apparent tenacity, there is cause for hope. In 2014, for example, Paraguay became the 100th country to enact a law guaranteeing access to information, and the country recently joined the Open Government Partnership.

A year later, the chancellor of the National University of Asunción resigned and was imprisoned after massive student protests against his nepotism and graft. Scores of faculty members continue to be investigated in the aftermath.

But these glimmers are not enough. Paraguay needs a cohesive national agenda to fight corruption, including stiffer punishments for offenders. In 2012, almost 40 percent of taxes were evaded. To recapture that squandered revenue, banking transparency laws need to be strengthened and the agency responsible for reporting outflows needs to be firmly and publicly established.

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The extra revenue would be well-spent training police and paying them higher salaries. Public faith in police needs to be rebuilt from the ground up, and they must be better equipped to act as the first line of defense against internal security threats.

In the absence of such measures, the EPP will continue to grow, aided by civilians and local government alike. Money laundering and illicit trafficking will continue unabated, perpetuating the threat of violent crime and terrorism in the region.

Students and peasant protests will escalate as they continue to rise up against the conditions that have left their country poor and underdeveloped, a haven for criminals and tax-dodgers.

The cost of peace, it seems, is only going up.



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