Exceptionalism rules in Paraguay

Country hopes remarkable economic record can be sustained after presidential poll

A real estate boom has transformed the skyline of Paraguay's capital Asunción almost beyond recognition © Donyanedomam/Dreamstime

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South America is hardly at the core of global affairs, but few countries in the region go so unnoticed, or are as puzzling, as Paraguay. Its presidential election on Sunday will be no exception, and probably not because the vote that really counts in this virtually one-party state has already happened: the primaries to choose the candidate for the Colorado party, which has been in power almost continuously since 1947 (with the exception of a brief interlude from 2008-13). There is little doubt among local pollsters and pundits that “Marito” — as Mario Abdo Benítez, the son of the dictator Alfredo Stroessner’s influential private secretary, is affectionately known — will cruise to victory. What is more perplexing is Paraguay’s remarkable record on economic growth. Like much of the rest of the region, it revelled in the boom in commodity prices during the 2000s. But even after prices began to fall, Paraguay kept on growing rapidly — averaging 6 per cent in the past five years — quite unlike its neighbours. Brazil sunk into its worst recession in a century, while Argentina entered a five-year period of stagnation (occasionally blaming its poor performance on the situation in Brazil). Even the region’s star pupil Chile is only just emerging from the economic doldrums. And that is to say nothing of the calamity that is Venezuela. What did Paraguay get so right? Surely one of the most important reasons for its continued growth was a big increase in public investment in infrastructure, made possible by a doubling of its debt levels to around 25 per cent of gross domestic product in the past four years. Locally, this is controversial. Although Paraguay’s debt is still the lowest in the region, “the rhythm of indebtedness is worrying”, said Dionisio Borda, a former finance minister. He also questioned whether the money was spent efficiently, suspecting a certain degree of improvisation amid the scramble to build new projects. But private investment — often from abroad — has also played a role. Most noticeably, a real estate boom has transformed the skyline of the capital Asunción almost beyond recognition. Meanwhile, many Brazilian companies have relocated factories to Ciudad del Este — more traditionally known as a contraband hub — to take advantage of Paraguay’s low tax regime and docile unions. There are other possible reasons. Itaipú, the world’s most powerful hydroelectric dam that straddles Paraguay’s border with Brazil, has reached peak production. And a jump in remittances, helped by the removal of exchange controls in Argentina, home to a large number of Paraguayan immigrants, has provided a cushion for the poorest Paraguayans, many of whom benefited little from the commodities boom. More intriguingly, although Paraguay’s informal sector still accounts for about 40 per cent of the economy, Ricardo Rodríguez Silvero, an economist, argued that a tripling in the amount of taxpayers in Paraguay since 2004 to almost 600,000 people has also had an impact on the growth figures. The question is whether the winner of Sunday’s elections will be able to sustain Paraguay’s unprecedented economic performance. The consensus in Asunción right now seems to be that he will.