

## **Paraguay and the Rise of Brazil: Continuity, Resistance and Compliance**

To a great extent Paraguayan history, as well as culture and national identity, have been defined by its geopolitical proximity to Brazil, the giant on its doorstep. This is not simply due to vast differences in size, population and GDP but also to the perceptions, fears and realities of Brazilian intervention. From constant threat of invasion in colonial and early post-independence periods, to the catastrophe of the Triple Alliance War (1864-70) and its aftermath, to the re-establishment of Brazilian influence from the 1960s, Paraguay's economic and political development has been intimately tied to its relations with Brazil. In this sense, the so-called rise of Brazil on the global platform in the new millennium has not fundamentally changed the relationship, but instead has put pre-existing tensions into sharper focus.

Paraguay, Brazil's small, underdeveloped and landlocked neighbour provides a revealing if consistently (or conveniently) overlooked case study. Despite acting as perhaps Brazil's most loyal regional ally over the past 50 years, the case of Paraguay is striking both due to the highly contentious nature of relations and also to the scarcity of academic analysis, with Paraguay overlooked at best, invisible at worst. By examining relations with Brazil from a Paraguayan perspective, this article seeks to make an important contribution to the growing literature on Brazilian foreign policy and regional relations, through an analysis that raises questions about the widely accepted and carefully constructed image of Brazil as a benign neighbour and regional partner, with a foreign policy based on respect for autonomy, solidarity and non-intervention (Saraiva, 2011).

Although the focus of the paper is on Paraguay's response to the rise of Brazil in the past 15 years, it starts from the premise that Paraguayan-Brazilian relations cannot be viewed in historical isolation. It therefore begins with a brief overview of relations up to the new millennium, in order to contextualise Paraguayan responses to Brazil's growing regional leadership and international profile, focusing particularly on the resurgence of Brazilian influence during the dictatorship of Alfredo Stroessner and the subsequent transition to

democracy (1989-2000). It then analyses three key issues in the new millennium that exemplify the unequal relationship between the two states: Mercosur and economic dependency; the Itaipú hydroelectric project; and the issue of the *brasiguayos*,<sup>1</sup> colonization and Brazil's so-called 'moving borders'. Finally, it will offer a brief analysis of the relationship of the current administration of Horacio Cartes (2013 – present) which encapsulates many of the traditional relations between Brazil and Paraguay.

This article will argue that as the key regional power, Brazil has historically used its significant influence over Paraguayan domestic issues and policy in order to promote and protect its own interests. The response of Paraguay, as a small state and with a highly inconsistent and limited foreign policy, has been to generally bargain and bandwagon, within the parameters of vast asymmetries of power, but also to generally comply and occasionally resist, alternatives that are more widely associated with relations of dependency and hegemony (Dos Santos 1968). Such asymmetries raise questions about issues of 'consensual hegemony' or the capacity to engage subordinate states so that they adopt the goals of the leading state (Burgess 2008), as of dependency, in which a country is "conditioned by the development and expansion of another country, to which the former is subject" (Dos Santos in Johnson 1972).

### **Historical Context**

From independence, Paraguayan domestic and foreign policy was to a great extent shaped by the threat of invasion and absorption by its neighbours, Brazil and Argentina. Indeed, the priority of Paraguay's post-independence governments was to consolidate economic and political independence, contributing to both its successful pursuit of a state-led independent developmental model and the dominance of authoritarian, nationalist regimes under Rodríguez de Francia (1811-1840), Carlos Antonio López (1840-62) and Francisco Solano López (1860-70) (Pincus, 1968).

Paraguayan autonomous development was brought to a halt by The Triple Alliance War (1864-70), the most brutal in modern Latin American history, in which Paraguay battled for

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<sup>1</sup> The term *brasiguayos* is used to refer to the Brazilians who migrated to Eastern Border Region of Paraguay from the 1960s onwards, and their descendants. Although the latter may have been born in Paraguay, they retain close cultural, economic and political links with Brazil rather than Paraguay.

six years against Brazil, Argentina and Uruguay. The war resulted in the death of over 60 percent of the Paraguayan population, including over 90 percent of adult males (Whigham and Potthast, 1999). Paraguay not only suffered the destruction of its nascent industrialisation and independent development model, but also lost 25 percent of the national territory to Brazil and Argentina. The scale of devastation, along with the imposition of crippling reparations, meant that Paraguay would never regain its former power. Paraguay was subsequently occupied by Brazilian forces until 1876, with Brazil dominating domestic politics until 1904.

Following a period of close relations with Argentina, Brazilian influence re-emerged under the dictatorship of General Alfredo Stroessner (1954-89). Within a series of mechanisms of control, foreign policy played a key role in strengthening the regime primarily through strong relations with the US and its major regional ally, Brazil. (Masi, 1991:3) Presenting itself as a bastion of anti-communism, Stroessner offered unswerving and unconditional support for US and Brazilian interests in the context of the Cold War (Yore 1992). In return, the US and Brazil provided diplomatic and economic support in the form of economic aid, technical assistance, loans, grants, foreign investment, trade concessions and military aid. Such support from the US and particularly Brazil, after 1976, when the US began to distance itself from the regime, was key to the survival of the dictatorship for 35 years.

From the early 1960s Stroessner increasingly saw the advantages to his regime of a close alliance with Brazil, the consolidation of which proceeded swiftly. In 1964 Stroessner approved the construction of the highway from Asunción to Puerto Presidente Stroessner on the Brazilian border and in 1965 the construction of the Friendship Bridge across the Paraná River. In 1967 he repealed the Agrarian Statute, which had formerly prohibited the sale to foreigners of land lying within 150km of the national frontier, and in 1973 he signed the Treaty of Itaipú (1973). The signing of the Treaty of Alliance and Cooperation (1975) further established security and economic cooperation and led to an unprecedented level of political cooperation between the two countries (Riquelme, 2004). As Stroessner sought agreements to strengthen his regime rather than to further the national interest, Paraguay's economic development and political system became increasingly dependent on the support of its powerful neighbour, creating the framework for a rapid movement towards economic and political dependency (Laíno, 1997:7).

The signing of the Itaipú Treaty (1973) sparked a construction-led economic boom in Paraguay, while overall, Paraguay's exports to Brazil increased from less than 1 percent in 1965 to 25 percent by 1981, with imports following a similar pattern (Rodríguez Silvero 1987). The subsequent boom in contraband and triangular trade was tacitly approved by both sides.<sup>2</sup>

The fall of the dictatorship in 1989 led to a transition process initiated and controlled by the same Colorado Party that had been a bastion of the dictatorship, leading to a high level of structural continuity (Lambert, 2000). Throughout the 1990s, the Colorado Party maintained itself in power through its electoral machinery and clientelistic networks, despite a prolonged period of economic stagnation and recession, and a series of political crises, including attempted military coups in 1996, 1999 and 2000. In terms of foreign policy, the focus on constant domestic crises, led to a process of stagnation and neglect of key issues while Paraguay was 'dragged' by foreign interests into key areas of regional political and economic cooperation such as Mercosur (Mora 2003). In the context of this vacuum, the US and Brazil were able to exert significant influence, both in domestic policy (most notably in their role in preventing the breakdown of democracy under threat of military coups) and in foreign policy.<sup>3</sup> With eight foreign ministers (under three different presidents) Paraguay's foreign policy in the 1990s was ineffective, reactive and "characterised by neglect, drift and drag" (Lambert 2011: 90).

## **Mercosur**

The signing of the Mercosur Treaty in 1991 was perhaps the most significant event of the transition in terms of foreign policy. Yet Paraguayan membership was pushed forward and

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<sup>2</sup> Triangular trade refers to the re-export of imported goods from extra-regional markets (Asia and the US) to Brazil and Argentina. From the 1970s, it represented an increasingly important part of the Paraguayan economy, especially in electronic goods, but also contraband cigarettes and drugs. Despite efforts from Mercosur partners to regulate the triangular trade through common tariffs, by 2000 export sales in triangular trade were still estimated to be three times those of regular exports (Masi, 2008).

<sup>3</sup> In 1996 General Lino Oviedo attempted a coup against President Wasmosy, which failed in great part to the diplomatic intervention of Brazil and the US. Having been released from prison by his ally President Raúl Cubas Grau, Oviedo launched a further attempt at a coup in 1999, which was defeated by popular defence of democracy in the *marzo paraguayo*. See Lambert (2000), and Abente, D. (1999) 'People Power in Paraguay', *Journal of Democracy*, 10, 3:93-100.

negotiated by Brazil and Uruguay with Paraguay unable to formulate a clear strategy or set of demands for entry that would defend its own economic interests (Masi, 1993, Rachid and Ramírez, 2008). Mercosur was seen as a political and economic necessity, the lesser of two evils, with the potential advantages of greater trade, investment and international presence, outweighing the threats to certain sectors, most notably triangular trade (Lambert 2004).

The drift of the 1990s with regard to foreign policy was halted with the election of Nicanor Duarte Frutos (2003-8). Although a member of a Colorado Party traditionally closely allied to Brazil, he sought to exploit links with the US and Mercosur, to bargain and negotiate enhanced support from both (Lambert 2011). Despite an initial pro-Mercosur discourse and strong criticism of US foreign policy, growing frustration with the lack of progress in Mercosur on a series of issues (weak enforcement of rules, perceived discrimination against Paraguay and structural asymmetries) led Duarte to explore increased bilateral relations (including a possible FTA) with the US, a policy that produced increased trade and aid agreements. This 'balancing' of powers also produced some positive results from Mercosur including approval of the Structural Development Funds (FOCEM) in 2005 and several agreements with Brazil over infrastructure funding and promises to reconsider royalties paid for electricity from Itaipú. However, while the administration of Duarte did show that Paraguay could gain minor concessions through playing powers against each other, such concessions did not address the growing demand for fundamental change in relations with Mercosur partners.

Overall, the economic benefits for Paraguay from Mercosur remain ambiguous. Trade with Mercosur has increased, but this has been paralleled by a decline in trade with the rest of the world, suggesting diversion rather than increase in trade (Masi, 2008). Economic growth among other Mercosur members has far outpaced that in Paraguay over the past 20 years and the gap in per capita between Mercosur members and Paraguay has grown from 44 percent in 1990 to 56 percent in 2011 (Ruiz Diaz, 2012). Income distribution has worsened, with a greater concentration of wealth and the highest GINI index and the worst land distribution in the region. Related to this, there has been a progressive shift from manufacturing and commerce towards large-scale mechanised agricultural production especially of soybeans, with a regressive effect on poverty and inequality. In addition, despite having among the lowest levels of corporate and value added tax in the region, there

is no evidence that Paraguay's share of FDI in Latin America has increased after joining Mercosur. Indeed, Paraguay's share of FDI in Mercosur fell by 30 percent between 1991 and 2011 (Birch, 2013:12).

In addition, Paraguay's economic dependency on Brazil increased. By 2008, Paraguay was reliant on Brazil for 20 percent of its total global exports and 85 percent of exports to Mercosur (Masi, 2008), while imports from Brazil represent approximately 60 percent of the total from Mercosur and 25 percent of the global total (Masi and Rojas, 2013). Brazil is the second largest source of Foreign Direct Investment, which has increased by over 50 percent in the past five years, with Brazilian capital dominating agricultural production, meat processing, transport, fuel and banking (Nickson, 2013).

The highly controversial impeachment of Fernando Lugo (2008-12) in June 2012 brought issues of balance of power in Mercosur into sharp focus. Lugo was impeached by the Paraguayan Congress, on the basis of failure in performance of duties in a process that was widely criticised both nationally and internationally on the grounds of constitutionality and procedure (Lambert 2012). UNASUR countries, from Chile to Venezuela, concurred in their condemnation of what was widely seen as a 'constitutional coup' and, led by Brazil, swiftly approved the suspension of Paraguay from both UNASUR and Mercosur. However, the decision of Mercosur partners to use the suspension in to approve membership of Venezuela, previously blocked by the Paraguayan Senate, was seen in Paraguay as evidence of Brazil taking a hegemonic position and using its power to override both the regulations of Mercosur and Paraguayan interests, reflecting that Paraguay had "no commercial, cultural, diplomatic or political weight within the bloc" (Rodríguez, 2006). There followed an upsurge of nationalist sentiment in Paraguay, with politicians, journalists and observers condemning Mercosur as an instrument of Brazilian imperialism, and Brazil as a hegemonic power, complete with references of the Triple Alliance of 1865. Paraguay was permitted to re-enter Mercosur on the election of President Horacio Cartes in 2013, but for Paraguayans events clearly reflected the imbalance of political power relations within Mercosur, and with Brazil.

## **Itaipú**

The 1973 Treaty of Itaipú, led to the construction of the largest hydroelectric plant in the world with an installed capacity of 14,000MWH from its 20 turbines. However, whilst a clear example of binational cooperation, the Treaty also represented a clear example of asymmetries of power. The Treaty, signed in secret by two military dictatorships and in force until 2023, was agreed on terms that were highly unfavourable to Paraguay and that “responded exclusively to the interests of Brazil and a small group of politicians and businessmen favoured by the Stroessner regime” (Masi, 2008:4). Indeed, the perception in Paraguay since the signing of the Treaty has been that “the construction of the Itaipú Dam represented a clear concession by the Paraguayan government to the demands of Brazil” (Herken 1975:54).

The costs of construction were shared equally, with Brazil acting as guarantor for the initial loans, which would be paid back through the Paraguayan share of electricity generated. Although entitled to 50 percent of the energy production, Paraguay uses less than 20 percent of its share. However, under the Treaty, Paraguay must sell the remaining energy to Eletrobras, the Brazilian state electricity corporation, at a price set well below international rates and fixed until 2023. Sales to third-party countries are prohibited, but Paraguay receives ‘royalties’ of \$120 million per year in compensation for the low sale price. Eletrobras then resells the energy in Brazil at a huge profit. To further complicate matters, during the financial crisis in Brazil in 1985, Paraguay agreed to Brazil’s request to temporarily sell energy at below the cost price, thus provoking a subsequent rise in the Paraguayan debt to Itaipú, known as the ‘spurious debt’, judged to be around US\$19 billion. The terms are hugely beneficial to Brazil, while perceived as scandalously unfair to Paraguay which effectively subsidizes just fewer than 20 percent of Brazil’s total energy supply (Canese, 2006).

Despite almost constant pressure for reform from within Paraguay, successive Colorado administrations in Paraguay did little to force Brazil to negotiate, leading to a widespread belief in Paraguay that “successive Brazilian governments adroitly paid off the Paraguayan political and economic elite in order to maintain this lucrative deal” (Nickson, 2008). Indeed, it was not until the electoral campaign of Fernando Lugo in 2007 and his subsequent election in 2008 that Itaipú became a key issue between the two countries. Lugo argued the

case as an issue of national sovereignty and control over natural resources, capturing public discontent and leading to a national consensus on the need to renegotiate the Treaty.

Although Brazil initially refused to consider renegotiation, the threat by Lugo to appeal to the International Court of Justice at The Hague and the possible reputational damage to Brazil's international image, led to the opening of negotiations. In a historic agreement, in July 2009, Brazil committed itself to implementation of original clauses of the Treaty, including parity in management, an audit of the 'spurious debt' (already declared illegal by the Comptroller General of Paraguay), and the completion of outstanding works on the Paraguayan side (including the key issues of a sectional substation and transmission line to Asunción). Perhaps most important, Brazil agreed to increase annual royalties from US\$120 million to US\$360 million. However, Brazil did not accede to Paraguayan demands to cancel the 'spurious debt', meet Paraguayan demands for far higher compensation or crucially, allow Paraguay to sell to third party countries before 2023.

The agreement passed the Brazilian Senate in 2011 and both the substation and transmission lines were completed by 2013. However, other issues regarding transparency of management and an audit of accounts and debt, made no further progress. Furthermore, there has been no progress on the 'spurious debt' despite a study in 2013 by the respected economist, Jeffrey Sachs, which confirmed that Paraguay had long paid off its debt obligations to the Itaipú Binational (Rivarola 2013). The 2009 agreement was historic but Brazil ensured that concessions did not fundamentally affect the asymmetries of power built into the Treaty on which much of Brazil's industrial and economic growth is dependent.

### **Brasiguayos and Brazilian Migration**

The issue of Brazilian migration represents a further illustration of asymmetries of power and the Paraguayan compliance with Brazilian economic and political needs. In the 1960s, the expansion of mechanized agricultural production in Brazil and the resulting crisis of landlessness led to a growth of migration to Paraguay's Eastern Border Region (EBR) which offered high quality, cheap land and low taxation. This was actively encouraged by the Stroessner regime which sought to comply with Brazilian political needs within the context of an increasingly close relationship.

As well as offering minimal taxation on land, income or exports, and investment in infrastructure and communications, Stroessner also abolished the law restricting foreign purchase of land within a 150km strip from the border with Brazil (Nickson, 1981). For its part, Brazil offered credit and investment to encourage migration. By 1980, there were 300,000 colonists who formed 10 percent of the total Paraguayan population, while in some border areas, immigrants represented more than 70% of the local population (Kohlhepp 1984: 12), creating Brazilian enclaves, responsive to and dependent on the Brazilian market and economic interests and resistant to any process of integration (Riquelme, 2004).

This was exacerbated by the rise in world soybean prices from 1973 which led to the growth of financial investment and a rapid commercial and industrial expansion by large Brazilian agricultural companies operating highly mechanised form of production. Indeed, by 1977 half of foreign investment in Paraguay was in the EBR, principally from Brazil (Nickson 1981:123). As a result, agricultural production in the region was increasingly integrated into the Brazilian market and largely divorced and isolated from the Paraguayan economy (Kohlhepp 1984).

The results of such rapid migration produced not only huge deforestation, but also the displacement of Paraguayan peasants and the increased concentration of land (Kohlhepp, 1984). It also led to unprecedented levels of smuggling to Brazil, with Brazilian registered imports five times greater than Paraguayan registered exports in the period 1965-75 (Nickson, 1981:128). For many observers, the scale and nature of migration was evidence not only of 'denationalisation' (the loss of Paraguayan economic, cultural, social and political influence in the region), but also of the doctrine of 'moving borders', advanced by the Brazilian Armed Forces, and associated with military geopolitician Golbery de Couto e Silva (Laíno, 1978, Herken ,1975).<sup>4</sup>

By the new millennium, Brazilian large landowners and agricultural businesses had expanded landholdings well into the Eastern Region of the country as well as into the Chaco, producing with most all of the Eastern Region, and into the Chaco. They were also

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<sup>4</sup> The concept of moving borders formed part of the Brazilian national security doctrine. It maintained that a demographic, cultural and economic expansion over its borders into weaker states would create a protective cordon especially around unstable or strategically important borders. This expansion could be defended militarily if necessary. See Cortez, C. (1993) *Brasiguios*. Editorial Agora: Sao Paul.

responsible for the bulk of Paraguay's booming soya production, 85-90 percent of which is produced by *brasiguayos* and which constitutes 46 percent of Paraguayan agricultural exports (Ortiz 2011). However, despite the huge profits derived from the boom in agricultural production, producers pay no direct export taxes, while profits are taxed at just three percent. As a result soya production, for example, contributes only two percent of total tax revenue, even though Paraguay is now the fourth largest exporter (Nickson 2013). Efforts to reform the tax system, especially under the administrations of Duarte Frutos and Lugo met with significant and successful opposition from Paraguay's richest economic group, represented by the *brasiguayo*-dominated Soya Producers' Association (Zibechi 2008).

*Brasiguayos* have also successfully opposed any efforts to implement land reform in a country with the most regressive distribution of land in South America. Increasing land concentration and other consequences of mechanized agricultural production have led to a rise in landlessness and clashes over land, with occupations led by Paraguay's increasingly militant peasant organisations, frustrated at the efforts of *brasiguayos* to block land reform, and especially to prevent investigation into *tierras malhabidas* – lands distributed by Stroessner to allies of the regime under the guise of land reform, much of which was sold on to *brasiguayos*.

The response to the question of land has been indicative of the power of *brasiguayos*, which now represent one of Paraguay's most powerful economic lobby groups. Vehement opposition to government initiatives on tax and land reform have led to road blocks on major highways, the use of paramilitary groups to protect lands and evict illegal occupants, and the successful lobbying of members of Congress both in Paraguay and Brazil, where they have successfully portrayed themselves as victims of Paraguayan peasant organisation. Brazil, in turn, has not hesitated in intervening to protect *brasiguayo* interests in Paraguay.

Such intervention, whilst controversial, has generally been diplomatic. However, in 2008 two major military exercises close to the Paraguayan border (Fronteira Sul 1 and 2) were seen by Paraguay as a veiled threat regarding both plans for renegotiation of the Itaipú Treaty and land reform of the newly elected President Fernando Lugo, who had come to power precisely on a platform of defence of national sovereignty, the recovery of strategic resources and land reform. Although President Lula was quick to reassure Lugo, following

criticism in the Organisation of American States, the perception in Paraguay was that Brazil would not tolerate policies that would adversely affect the interests of *brasiguayo* landowners, Brazilian companies or Brazil itself (Torres González, 2008).

The issue is no longer one of migration and colonisation, but rather one of economic power and domination of a powerful group who are seen “an enclave of Brazilian capital” (Chávez 2014), acting above the law due to significant support from Brazilian capital, politicians and Itamaraty. This has led to the perception of *brasiguayos* operating significant and inappropriate political influence, and thus undermining Paraguayan national sovereignty (González Vera, ABC 08/04/04).

### **The Return to Compliance**

The election of Horacio Cartes in 2013 returned Paraguay to a more traditional relationship with Brazil. Although following an electoral campaign in which he had repeatedly emphasized the importance of a return to closer cooperation with Brazil, he briefly adopted a more nationalist stance on Paraguayan re-entry to Mercosur, once in office his narrative returned to one of cooperation. Since then a strong pro-Brazilian stance has been a major feature of his presidency. Within six months of taking office, Paraguay had returned to Mercosur with no conditions attached, and he had organised two large Brazilian trade delegations to promote investment in Paraguay, especially in the areas of public works, energy and construction. He also downplayed Paraguayan efforts to press Brazil for implementation of the 2009 agreements on Itaipú, galvanised senate approval for Venezuelan entry into Mercosur following years of Colorado opposition, and adopted a hard-line policy on land invasions of Brazilian and *brasiguayo* properties.

Moreover, he also signed agreements to develop infrastructure projects favouring Brazilian investment, including the construction of a second bridge over the Río Paraná, the encouragement of investment from Brazilian *maquila* companies, the dredging of the Paraná

and Paraguay rivers to facilitate the *hidrovía* project,<sup>5</sup> and a further bridge between Puerto Murtinho and Puerto de Camelo Peralta to link Brazil with the Chaco, as well as security agreements to fight the (Brazilian controlled) narcotics trade in Ciudad del Este and Pedro Juan Caballero. Most controversially, in February 2014, having described his policy as “everything with Brazil and nothing against Brazil”, Cartes urged a large Brazilian trade delegation that they should “use and abuse Paraguay” and take advantage of a generous tax regime, favourable export rates to the EU, low energy costs and weak unionisation and labour costs (ABC Color 2014). His comments were widely seen as evidence that Cartes sees compliance with Brazil as a political priority for the survival of his administration.

Further evidence of compliance with Brazilian wishes came in October 2013, when Cartes was faced with a bill, previously approved by Congress, to establish a 10 percent tax on the export of soya (ABC Color, 16/04/2014). Even though the bill was widely supported, long overdue and would have brought taxation on soya in line with that on other productive sectors, Cartes, under pressure from the *brasiguayo*-dominated Soya Producers’ Association, used executive powers of decree to veto the bill. He then ensured that the veto was upheld by Congress in April 2014. The issue was widely seen as reflecting the power of Brazilian interests over his administration.

Cartes’ economic and political power is allegedly partly derived from contraband, money laundering and narcotics (Nickson, 2013) and he is widely seen as what José Mujica, the Uruguayan president, described as ‘*narcocoloradismo*’ (ABC Color 2012). What is striking is not only Brazil’s silence on his dubious business dealings since his election, but also his comparatively recent adoption of such a strong pro-Brazilian stance since his electoral campaign. Whatever the reasons for this, his uncritical support and indeed promotion of Brazilian interests signals a return to greater Brazilian leverage over the Paraguayan executive.

## Conclusion

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<sup>5</sup> First developed in 1997, the Hidrovía is a controversial plan by Brazil, Paraguay, Bolivia, Uruguay and Argentina to develop a 2,000 km industrial shipping channel along the rivers Paraguay and Paraná, from Mato Grosso to the La Plata Basin.

The three case studies analysed in this chapter lead to a number of conclusions with a common theme. Mercosur is widely seen as a Brazilian-dominated regional organisation, with Paraguayan participation seen as the lesser of two evils, even if the expected results have not been produced. The suspension of Paraguay and the inclusion of Venezuela in 2012 simply confirmed widespread views of asymmetries in economic and political power which militate against Paraguay. This is also reflected in the issue of the Itaipú Treaty, which despite the 2009 agreement is still seen as unresolved, unfair and a reflection of asymmetries of power that allow Brazil to put subsidization of its industrial growth above Paraguayan development. Finally, the issue of *brasiguayos* further reflects such asymmetries of power, with one of the country's most powerful economic groups holding extraordinary political and economic power, in great part due to support from Brazil. All three cases reflect a Paraguayan lack of leverage, a political dependency on Brazil and the economic and political asymmetries of power relations, which undermine national sovereignty.

However, Paraguay's relationship with Brazil cannot be seen solely within the parameters of the past 15 years, or from three case studies. From a Paraguayan perspective, relations with Brazil have been shaped by two key issues. First, the Triple Alliance War and the subsequent Brazilian occupation left deep-rooted resentment and a widespread sense of injustice. Brazil has not sought to address this by recognising its role in the decimation of the Paraguayan population. Second, Brazil's vital support for the highly corrupt dictatorship of Alfredo Stroessner not only enabled the regime to remain in power until the end of the 1980s, but also established a pattern of relations that have deepened Paraguayan economic and political dependency, exacerbated asymmetries of power and heightened Paraguayan dependency. This is not simply a question of Paraguayans constantly returning to the past. Both these elements feed into Paraguayan nationalism and anti-Brazilian sentiment and undermine the development of relations based on equality and cooperation. They also raise questions regarding widely accepted claims that, in the words of Minister of Foreign Relations, Celso Amorim, "Brazil has always based its agenda on non-intervention in other states' domestic affairs...." (Saraiva 2011:62).

From a Paraguayan perspective, the rise of Brazil in the new millennium is only the latest stage in a long period of close but asymmetrical relations. Interestingly, it coincided with two presidencies that sought in different ways to challenge the dominant model of relations, to

offer resistance by challenging relations Brazil's efforts to project a positive international image as a regional leader. Neither of them, however, threatened the basis of the relationship. Brazil simply had to offer some concessions and wait for a return to normality. The administration of Horacio Cartes has returned Paraguay to a dependent relationship, in which compliance has replaced resistance. This would suggest that the efforts of both Duarte Frutos and especially Lugo to strengthen national sovereignty were simply interruptions in a remarkably consistent, relationship between the Colorado Party and Brazil over the past 50 years, that reflect vast asymmetries of power and that in key strategic areas are based on Paraguayan compliance to Brazilian interests.

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