



BREAKING FROM THE PAST

November 2018 (#222)

Summary: A number of high profile arrests and jailings, including the expulsion of a Supreme Court justice and the decision to audit the books of the municipality of Ciudad del Este, dominated the news in November. Study of a tax reform bill, including taxing grain exports, was put off until next March.

Government and Politics: As President Abdo completes his first 100 days in office there is a sense that reforms may be possible in the judicial area and in the attempts to reduce corruption in general. These are two areas in which President Abdo has been most active during his campaign for election and thus far in his presidency.

Ciudad del Este: The mayor of this border town, under heavy pressure from a wide range of the electorate and charged with at least 15 counts of corrupt practices, renounced her position one day before the lower house voted to audit the city's books. The issue goes to the Executive who must appoint an "interventor".

The mayor, Sandra McLeod is the wife of the previous mayor, Javier Zacarias Irun, and part of the so-called clan Zacarias, which has dominated the politics of the region for years.

In other events:

- On November 22 President Abdo sent to Congress a comprehensive package of laws aimed at combating organized crime.
- U.S. Ambassador Lee McCleeny publicly stated, via twitter, his government's support for the Abdo administration and the Attorney General, Sandra Quiñonez, who has received credible death threats.
- SENAD, the anti narcotics forces, arrested five traffickers in an operation that netted 448 kilos of cocaine, seven narco airplanes and an illegal aerodrome.
- President Abdo ordered the expulsion to Brazil of major narcotics trafficker and accused assassin, Marcelo "Piloto" Pinheiro.

- An appeals court ordered that former Attorney General Javier Diaz Veron would have to continue in preventive detention in a military prison while awaiting trial for illicit enrichment.
- The Executive ordered the dismantling of VIP prison cells. All prisoners will be treated equally, he said.

Corruption: The Senate voted to expel Supreme Court Justice Sindulfo Blanco for misuse of his position. The action came one month before the judge was to retire and could signal an important advancement in the fight against corruption in the judicial system, although the skeptics are many.

Economy: Finance: Finance Minister Benigno Lopez put together a technical committee of public / private sector members to work on tax reform. He also said that the Executive should send its tax reform bill to Congress at the same time that it submits the 2019 budget proposal because, he observed, there is no value to tax reform unless it is accompanied by an improvement in the quality of spending.

The 2019 budget was approved by the lower house and sent to the Senate Finance Committee where it is expected to be approved with some changes and returned to the lower house for its subsequent approval.

Taxes: The Senate voted to put off until March of next year consideration of laws to tax alcoholic and sugared beverages as well as grain exports.

Inflation: For the month of October inflation was 0.6%, bringing the year-to-date figure through October to 2.8%, compared to 3.2% for the same period in 2017.

Currency: The Guarani was selling at 5945 to the U.S. dollar on November 27 compared to Gs. 6020 a month earlier.

Investment: The government officially inaugurated Terport Terminales Portuarios (Terport S.A.) on November 2, thereby concluding a 40 million dollar project begun in 2002, according to press reports. The port can warehouse up to 100,000 containers.

Trade and Bilateral Relations: Argentina: Once again Argentina delayed the transit of a Paraguayan ship through Argentine waters for supposedly not having properly trained pilot. The tanker, carrying 7.5 million liters of diesel fuel, was anchored at Entre Rios for 17 days while Paraguayan unions urged their government officials to take action to resolve the problem.

Brazil: Paraguay's Ambassador in Brasilia made fist contact with Brazil's President-elect, Jair Bolsonaro, in a meeting in late November in Brasilia. Bolsonaro reportedly told Paraguay's Ambassador that he had lived in various frontier cities and had extensive knowledge of the country and promised that Paraguay would be an important partner.

Turkey: Turkish President Erdogan is scheduled to make a one-day official visit on December 2 to be followed by **Japanese** Prime Minister Shinzo Abe. They are likely taking advantage of their participation in the G-20 meeting in Buenos Aires to make the short stopover in Asuncion. Whatever the motive their visits reflect a growing international interest in this small, landlocked country with a growing economy, relatively low taxes and an unfortunate reputation as a money laundering center.

United States: Experts from a U.S. consulting firm visited Paraguay to examine progress toward certification of refrigeration units for the export of meat to the U.S. This is in preparation for an upcoming audit by the U.S. Department of Agriculture.

What to look for in December 2018 ... visits of Japanese Prime Minister Shinzo Abe and Turkish President Tayyip Erdogan continuing multiple investigations into alleged corrupt public figures ... continuation of debate for the approval of 2019 national budget.

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