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## Paraguay: An Overview

Paraguay is a landlocked country in South America bordered by Argentina, Bolivia, and Brazil. The United States has had good relations with Paraguay for decades, providing assistance to counter corruption and spur trade and economic development. The United States and Paraguay also work together on counterterrorism and counternarcotics, among other security matters of interest to some Members of Congress. Recently, U.S.-imposed sanctions against top Paraguayan leaders have caused some bilateral tensions.

### Political Environment

Paraguay had a turbulent political history in the 19<sup>th</sup> and 20<sup>th</sup> centuries. In the War of the Triple Alliance (1864-1870), Paraguay lost one-quarter of its original territory to its opponents—Argentina, Brazil, and Uruguay—and more than half of its population died. From 1954 to 1989, General Alfredo Stroessner ruled as a military dictator; he was overthrown by a military coup. A constituent assembly elected in 1991 promulgated a more democratic constitution in 1992 that divides power among the president; a bicameral congress comprising a 45-member Senate and 80-member Chamber of Deputies; and the judiciary, headed by the supreme court. Paraguay has held regular elections since 1993, but its citizens continue to face some challenges in exercising their civil liberties and political rights.

The conservative Colorado Party (also known as the *Asociación Nacional Republicana—Partido Colorado* or ANR-PC) has dominated Paraguay's political system. It held power for much of the 20<sup>th</sup> century, including under the Stroessner dictatorship, and has won nearly every election held since the democratic transition. The only exception was in 2008, when former Catholic bishop Fernando Lugo—affiliated with the main opposition party, the *Partido Liberal Radical Auténtico* (PLRA)—won the presidency. The Colorado-led congress impeached Lugo in 2012, removing him from office in a rapid process condemned by neighboring countries. In 2013 elections, President Horacio Cartes (2013-2018) regained the presidency for the ANR-PC, despite allegations of involvement in money laundering and narcotics trafficking. Cartes's unsuccessful attempt in 2017 to amend the constitution to permit him to run for reelection in 2018 sparked violent protests. The 2018 election of Mario Abdo Benítez (2018-2023) continued the ANR-PC's hold on the presidency, but intraparty divisions emerged during his administration, generally splitting the party between factions that support former president Cartes (known as *Honor Colorado*) and those that oppose him.

Despite the tensions within the ANR-PC, the 2023 general elections resulted in a victory for the party over multiple opposition parties. The ANR-PC won the presidency, majorities in the Chamber of Deputies and Senate, and 15

of 17 state governorships. Paraguay elected Santiago Peña, a former finance minister under Cartes and *Honor Colorado*'s presidential nominee during the ANR-PC primary, to a five-year presidential term. Peña obtained nearly 44% of the vote, defeating Efraín Alegre, the candidate representing the PLRA-led opposition alliance, *Concertación Nacional*, and Paraguayo Cubas, of the far-right party *Partido Cruzada Nacional*. International observers commended the election's transparency but noted some irregularities.

### Paraguay at a Glance

**Population:** 7.6 million (2023 est., IMF), 95% of whom identify as *mestizo* (mixed Spanish and Indigenous Guarani descent)  
**Area:** 157,047 sq. miles, slightly smaller than California (CIA)  
**GDP:** \$43.0 billion (2023 est., current prices, IMF)  
**Per Capita GDP:** \$5,686 (2023 est., current prices, IMF)  
**Top Imports:** electrical machinery, mineral fuels, heavy machinery (2023, TDM)  
**Top Exports:** soy beans, beef, electrical energy, cereals (2023, TDM)  
**Key Trading Partners:** Argentina (25.7%); Brazil (25.1%); United States (11.3%) (2023, total trade, TDM)  
**Sources:** International Monetary Fund, "World Economic Outlook Database" (IMF); Central Intelligence Agency, *World Factbook* (CIA); Trade Data Monitor (TDM).

Since Peña's August 2023 inauguration, the government has pursued market-oriented economic policies, supported reforms to increase transparency in the civil service and the public pension system, and supported measures to improve tax collection. Peña also has pledged increased investment to improve security in the country. Another key priority of Peña's government is renegotiating the financial terms of the binational Itaipú hydroelectric dam with Brazil.

Former president Cartes—sanctioned by the United States for "significant corruption" (see below)—may exert outsized influence on Peña's political agenda. In October 2024, pro-Cartes members of congress passed a bill to increase state control over nongovernmental organizations, prompting concerns from international observers that the bill, if signed into law, could unduly restrict civic space. Some observers suggest Cartes's influence also may stymie Peña's efforts to tackle pervasive corruption in Paraguay.

### Economic and Social Conditions

Paraguay's economy is driven largely by agricultural exports—primarily soybeans and beef—and electricity generated by the Itaipú Dam. Its reliance on climate-dependent commodities exports and informal labor, which

exceeds 60% of the workforce, has perpetuated social and economic inequities, according to some analysts.

Although affected by the COVID-19 pandemic, Paraguay's economy suffered less severe impacts than those of most other countries in the region. According to the International Monetary Fund (IMF), the economy contracted by less than 1% in 2020 and grew by 4% in 2021. A severe drought hindered the agricultural sector and stalled the post-pandemic recovery in 2022, when GDP grew by 0.1%. However, the IMF estimates the economy grew 4.5% in 2023 and projects 3.8% growth in 2024, fueled by strong agricultural and electricity exports, lower-than-expected inflation, and stable macroeconomic conditions.

## Security Concerns

Porous borders and ineffective law enforcement have contributed to insecurity, drug trafficking, and money laundering, especially in Paraguay's northern states and the tri-border area (TBA) with Argentina and Brazil. Paraguay is a transit country for illegal drugs, especially Andean cocaine, destined for neighboring countries and Europe. According to the United Nations, Paraguay is one of the largest marijuana producers in South America. Paraguay also has experienced violence and kidnappings since 2008 from the Paraguayan People's Army, a small domestic armed group, and its offshoot organizations.

U.S. officials have expressed concerns that Hezbollah, an Iran-backed Lebanese Shia militia and U.S.-designated Foreign Terrorist Organization, is engaged in drug trafficking and money laundering activity in the TBA to support its operations. The State Department notes that although Paraguay has made progress implementing anti-money laundering and terrorism financing laws passed in 2019, prosecutions are rare, in part due to corruption in the political and judicial sectors.

The Peña government has advanced efforts to counter criminal activity. In July 2024, Paraguayan authorities seized four tons of cocaine—the largest such seizure in the country's history. In September 2024, the government launched a four-year strategic plan to coordinate efforts to improve security nationwide. Some analysts note that corruption and relatively weak institutions, however, could impede efforts to address the country's security challenges.

## U.S.-Paraguay Relations

U.S.-Paraguay cooperation focuses on improving governance, combatting transnational crime and terrorism, and expanding trade and investment. In May 2024, President Peña met with U.S. National Security Adviser Jake Sullivan for talks focused on deepening economic and security cooperation. The United States regards Paraguay as an "important ally" of Taiwan; Paraguay is the only country in South America that maintains formal diplomatic relations with Taiwan and not the People's Republic of China.

**Sanctions.** In 2022, the Biden Administration imposed visa bans on former President Cartes and then-Vice President Hugo Velázquez for alleged corruption, pursuant to Section 7031(c) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2022 (P.L. 117-103, Division K). The State Department asserts that Cartes "obstructed a major international investigation into transnational crime," undermining the stability of

Paraguay's democratic institutions and the security of the United States. In 2023, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) levied additional asset-blocking sanctions against Cartes (and several of his business entities) and Velázquez pursuant to Executive Order (E.O.) 13818, which builds upon and implements the Global Magnitsky Human Rights Accountability Act (22 U.S.C. §2656 note). Among other allegations, OFAC stated that both men had accepted bribes from Hezbollah. In August 2024, OFAC imposed asset-blocking sanctions pursuant to E.O. 13818 on Paraguayan tobacco company Tabacalera del Este S.A. (Tabesa) for making payments to Cartes as part of a sales agreement to acquire the former president's shares in the company after he had been sanctioned. Paraguay's foreign minister asked the United States to accelerate the outgoing ambassador to Paraguay's departure days after the August announcement, citing displeasure over the "mediatization and politicization" of the ambassador's statements about the sanctions. Although some observers assess that U.S. sanctions have ended Velázquez's political career and disrupted Cartes's business dealings, the latter remains leader of the ruling ANR-PC.

**Foreign Assistance.** The Biden Administration allocated an estimated \$3.9 million in bilateral foreign assistance to Paraguay in FY2023. For FY2025, the Biden Administration requested \$4.5 million in bilateral assistance for Paraguay, consisting of \$4 million in Development Assistance (primarily to support government transparency and accountability) and \$500,000 for International Military Education and Training. Paraguay typically receives additional aid through global and regional U.S. foreign assistance accounts. In recent years, this has included security assistance to combat transnational crime and terrorism, as well as assistance to respond to the COVID-19 pandemic and provide support for the roughly 5,300 (as of May 2024) Venezuelan migrants and refugees residing in the country. In FY2022, total U.S. assistance obligations from all agencies amounted to \$25.5 million.

**Trade.** In September 2023, the United States and Paraguay held a second meeting under their 2017 Trade and Investment Framework Agreement. Participants discussed regulatory practices, trade facilitation, anti-corruption efforts, intellectual property, and sustainable agriculture, among other issues. The United States exported nearly \$2.8 billion of goods to Paraguay, led by machinery, and imported \$259 million of goods from Paraguay, led by agricultural products. As of 2023, the stock of U.S. foreign direct investment in Paraguay was \$44 million.

Some Members of Congress have opposed a U.S. Department of Agriculture final rule allowing fresh beef imports from Paraguay starting in December 2023 due to livestock health concerns. In March 2024, the Senate passed a joint resolution (S.J.Res. 62), by a vote of 70 to 25, that would nullify the rule. After its passage in the Senate, the Biden Administration issued a Statement of Administration Policy opposing the resolution and asserting that "the risk of fresh beef imports from Paraguay is low." The House has not voted on S.J.Res. 62 or its companion bill, H.J.Res. 115.

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