

THE FLOWS OF SOVEREIGNTY: ITAIPÚ HYDROELECTRIC DAM AND THE  
ETHNOGRAPHY OF THE PARAGUAYAN NATION-STATE

by

CHRISTINE FOLCH

A dissertation submitted to the Graduate Faculty in Anthropology in partial fulfillment of  
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This manuscript has been read and accepted for the Graduate Faculty in Anthropology in satisfaction of the dissertation requirement for the degree of Doctor of Philosophy.

Dr. Marc Edelman

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Date

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Chair of the Examining Committee

Dr. Gerald Creed

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Date

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Executive Officer

Dr. Katherine Verdery  
Supervisory Committee

Dr. Neil Smith  
Supervisory Committee

THE CITY UNIVERSITY OF NEW YORK

## Abstract

### THE FLOWS OF SOVEREIGNTY: ITAIPÚ HYDROELECTRIC DAM AND THE ETHNOGRAPHY OF THE PARAGUAYAN NATION-STATE

by

Christine Folch

Adviser: Professor Marc Edelman

“Flows of Sovereignty” explores the social and political nature of energy to show how the development and management of the hydroelectric resources of Itaipú Binational dam (co-owned by Brazil and Paraguay) have shaped the formation of the Paraguayan nation-state and regional state formation in the 20<sup>th</sup> and 21<sup>st</sup> centuries. The political, economic, and social structures and processes that emanate from Itaipú—“hydroelectric statecraft”—have resulted in a “hydrostate” model similar to but with important distinctions from petrostate formations. Moreover, these findings have implications beyond the energy politics of South America but for the development of renewable energy resources worldwide and global water management.

Leftist former Bishop Fernando Lugo toppled the six-decade ruling Colorado Party in Paraguay in April 2008, linking popular discontent to one issue: Itaipú, the world’s largest dam. In 2008 it supplied 19 percent of Brazil’s electricity and 95 percent of Paraguay’s and Paraguay “ceded” the vast majority of its electricity to Brazil for 1/10<sup>th</sup> to 1/40<sup>th</sup> of the price of that energy on the Brazilian market. Lugo’s government promised to renegotiate this inequity and use the wealth for “social development” under the rubric of “sovereignty.” This historical ethnography is drawn from unparalleled access to leaders in the government as they negotiated with Brazil and administered the dam, social

movements as they mobilized for “hydroelectric sovereignty,” and archival evidence within Itaipú and the Stroessner-era secret police Archives of Terror.

Section I begins with the dam’s founding as an expression of the Stroessner military dictatorship’s dominance over nature and nation, local and international causes for construction of the dam and how Itaipú enabled the growth of the Paraguayan state apparatus, including the surveillance-torture regime. Section II turns to Lugo’s dramatic rise to the presidency, new negotiations with Brazil, and promises to fight corruption by instituting “transparency.” Section III offers a behind-the-scenes glimpse into the patronage, rent-seeking, and networks of obligation that surround the dam. Section IV explores how the political economy of energy in the Southern Cone is recrafted under “energy integration” as well as the debates within Paraguay about how Itaipú’s millions should be invested socially.

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## Abbreviations

ANDE: *Administración Nacional de Electricidad* (National Energy Administration).

ANR: *Asociación Nacional Republicana* (National Republican Association) also known as *Partido Colorado* (Colorado Party), symbolized by the color red.

CEBH: *Comisión de Entes Binacionales Hidroeléctricos* (Commission on Hydroelectric Bilingual Entities).

CDyA: *Centro de Documentación y Archivo para la Defensa de los Derechos Humanos* (Center for the Documentation and Archive for the Defense of Human Rights), the Archive of Terror.

PLRA: *Partido Liberal Radical Auténtico* (Liberal Party), symbolized by the color blue.

## **Introduction**

Itaipú Binacional hydroelectric dam sits across the Paraná River that divides Paraguay from Brazil in the heart of South America. Its turbines produce billions of watt hours, powering homes in Asunción and factories in São Paulo. As Itaipú spins water into power and energy into progress, it serves as an engine for economies and governments, politics and industry, wealth and development. There are many stories that can be told about what was, until 2010, the world's largest hydroelectric dam (and, in terms of annual production of energy, still is): of industrial boom in Brazil, of thousands who were displaced, of redefined engineering principles. But the one told here is that the story of Itaipú Binacional is nothing less than the story of the Paraguayan nation-state and, in fact, of changes in state power in the entire region.

The harnessing of natural resources has shaped the politics and economics of South America, forming and re-forming transoceanic empires of the 16<sup>th</sup> century and independent republics of the 21<sup>st</sup>. In a time of worldwide transformation, when the very nature of the state is being questioned in light of political, economic, and social changes glossed as “globalization,” the question of how and why the power of states and directions of economies has shifted becomes all the more critical. Because of Itaipú's heft—in money and energy—and because of where it lies—on an international border—the dam sheds light on how Brazil's economic growth is connected to its relationships with its neighbors, on how the modified balance of power in the region has led to unprecedented international cooperation—the creation of the Southern Cone Common Market (Mercosur), and on how the Paraguayan government has tenaciously held onto its

control over territory and nation.

For Paraguay, though Itaipú is co-owned with Brazil (or, perhaps, because it is), the hydroelectric dam is a microcosm of the nation-state. In its symbolic and economic and bureaucratic power, Itaipú is a fractal—a miniature version of the whole that contains the characteristics of the larger whole—of the broader Paraguayan state. And so, looking closer at just this one facet of the state actually brings the entire apparatus into focus. Itaipú's hydroelectricity reveals nation-state making processes in Paraguay because of the international constraints on that particular form of energy—especially in a landlocked underdeveloped country like Paraguay—and because of just how much money and energy is involved with the dam. Because the dam is Paraguay's chief point of international leverage and because of the gargantuan, mystifyingly large amounts of money and energy produced by Itaipú, it has a kind of *deus ex machina* quality in Paraguay—capable of delivering prosperity, modernity, and development, almost magically.

Paraguay's historical interstitiality also means that it serves as the backdrop for disagreements over how political systems and economies should be arranged. It has been caught between competing systems from the Conquest (when it served as the frontier between the Spanish and Portuguese empires) to the early national period (when it lay between newly independent Argentina and Brazil, as both were expanding aggressively) to the present (where the region, with Brazil at the helm, competes with longstanding local loyalties). Thus, the examination of Itaipú in Paraguay is significant in at least two ways. First, it speaks to how underdeveloped countries establish and effect political control and economic development in the face of internal and external challenges.

Second, it reveals how political and economic systems are being re-framed in a context of the ascendance of the BRIC (Brazil, Russia, India, China) countries, the increasing importance of water resources, and the eventual decline of hydrocarbon-based industry.

This dissertation tacks between the national and the regional, moving across time (from the colonial period to the present) and across space (from localities that are walkable distances to the span of a continent). It also weaves together data and arguments from numerous disciplines: history, anthropology, geography, economics, and a good dash of physics. And because Paraguay—a landlocked country the size of France with a population of six million—is so understudied compared to the rest of Latin America, this dissertation may also serve as a broader introduction to its recent economic and political history as well as to some of its most important national symbols and 20<sup>th</sup> century art. The hope is to bring clarity to processes of power and the consequences of economic choices that disproportionately affect the marginalized and the poor.

In order to bring the reader on the journey I have proposed, here in the introductory chapter, I first present some basic data about Itaipú and the two countries that own it. Although hydroelectric dams are targets (and causes) for controversy the world over, Itaipú has been at the center of key conflicts in the Southern Cone, both in the past and in the present. These data and the claims with which I opened this chapter lead to a number of theoretical questions and debates that situate this research project. While this dissertation has no separate “theory chapter” (or “history chapter”), there are a few overarching themes that reappear throughout the chapters, which will be presented here. Since one of the strongest claims I have already made is to speak to multiple disciplines, I will also describe how I went about my research (including a symbolic tour

of the colonial center of Asunción) and why a multi-pronged research strategy was necessary. And finally, I close this introduction with a brief outline of the chapters.

*A primer on Itaipú, Paraguay, and Brazil*

Itaipú Binacional is co-owned equally by the Paraguayan and the Brazilian states, which each possess one half of the energy produced by the dam that spans the Paraná at their shared border. Although equal partners, there are vast inequalities between the two countries—a subject that resurfaces throughout this dissertation. Paraguay has an estimated population of 6.3 million, the majority of which lives in the eastern half of the country, which has a milder climate than the Chaco, the northwestern region of the country. The capital and seat of governance, Asunción, is the largest city (of 518 thousand); for Latin America, Paraguay's population is disproportionately rural. The World Bank has Paraguay's 2010 GDP at \$18 billion; the Central Bank put the GDP per capita in 2010 at \$2,733, but because of vast inequality in income distribution, most people live on less. In 2009, more than 35 percent of the population (2,191,857) were classified as “poor” (living on \$2 a day or less)—and more than 18 percent (1,175,311) were “extremely poor” (living on less than \$1 a day) (Banco Central del Paraguay 2011; Dirección General de Estadística, Encuestas y Censos 2009). The economy is primarily agroexport-based, with soy, cotton, sugar, and cattle as its chief products (there are twice as many head of cattle in the country as there are people). Much of the agricultural production is in the hands of transnational corporations or of foreign-born nationals who moved to the bucolic country. The other major component of the national economy is a

re-export trade with Brazil that moves through Ciudad del Este, the second largest city.<sup>1</sup>

	<b>Paraguay</b>	<b>Brazil</b>
<b>Population</b>	6.3 million	190 million
<b>GDP 2010</b>	\$18 billion USD	\$2.09 trillion USD
<b>GDP 2010 per capita</b>	\$2,733 USD	\$10,000 USD
<b>% “poor”</b>	35	26
<b>% “extremely poor”</b>	18	?
<b>Government Budget 2010</b>	\$8.47 billion USD	\$466 billion USD
<b>Electricity Consumed 2008</b>	5,698 megawatt hours	419,961 megawatt hours
<b>Electricity Consumed per capita 2008</b>	1,002 kilowatt hours	2,232 kilowatt hours <sup>2</sup>

**Table 1 Paraguay and Brazil at a glance. Sources: BCP, CADEP, World Bank.**

Brazil, on the other hand, has an estimated population of 190 million where about a quarter of the population lives below the poverty line. Its GDP in 2010 was \$2.09 trillion and GDP per capita a little more than \$10,000. What these numbers mean is that, while Brazil’s population is 30 times that of Paraguay, its economy is 113 times greater and that the population living below the poverty line in Brazil (about 50 million) is nine times greater than the entire population of Paraguay. Brazil’s larger economy (in absolute and proportional terms) has a higher demand for energy than does Paraguay and, in this arena, Itaipú Binacional is key.

Itaipú Binacional has an installed capacity of 14,000 megawatts—it is only surpassed in capacity by Three Gorges Dam in China.<sup>3</sup> But because of the nature of the

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<sup>1</sup> The BCP 2011 document from which these figures are taken does not even mention Ciudad del Este or the re-export trade, which supposedly accounts for 40 percent of GDP. Paraguay is *imagined* as an agroexport economy. See Penner (1998) for more.

<sup>2</sup> Electric Power Consumption (kilowatt hour per capita) from eia.gov

<sup>3</sup> A note on terms: A watt is a unit of measurement that represents the rate at which energy is dispersed. A higher wattage means that more energy can pass in the same amount of time compared to something with a lower wattage. Three Gorges current installed capacity is 18,200 megawatts with a planned increase to 22,000 megawatts. Paraguay also possesses another binational hydroelectric dam, Yacyretá, with Argentina. Yacyretá, though better known to a U.S anthropological audience thanks to the writings of Gustavo Lins Ribeiro (1994) and Carmen Ferradas (1998), is much smaller, with an installed capacity of 3,100 megawatts, and was agreed upon and built after Itaipú was agreed upon and built. Although large and

Paraná River, Itaipú regularly produces more electricity than the Chinese dam. In fact, Itaipú is the world’s largest power plant—not just hydroelectric plant—in terms of energy production. In 2010, Itaipú produced 85,970 gigawatt hours—this was a particularly low year (in 2008 it set the world record for production, 94,685 gigawatt hours) but it still would be enough to power almost two New York Cities (Itaipú Official Website; The City of New York 2008). The dam’s energy supplies about 19 percent of Brazil’s annual electricity consumption and 88 percent of Paraguay’s. But because of the vast difference in demand between the two countries, Paraguay cannot use up its half of the electricity.<sup>4</sup> And so, 80 percent of Paraguay’s half of the dam (or 90 percent of all the electricity produced by it) goes to Brazil.

<b>Dam</b>	<b>Location</b>	<b>Capacity (megawatts)</b>	<b>Max Production (terawatt hours)</b>
Three Gorges Dam	China	18,300	80.8
Itaipú Binacional	Brazil Paraguay	14,000	94.7 (2008)
Guri	Venezuela	10,200	53.41 (2008)
Tucuruí	Brazil	8,370	41.43
Grand Coulee	United States	6,809	22.32 (2008)
Sayano Shushenskaya	Russia	6,400	26.8
Krasnoyarskaya	Russia	6,000	20.4
Robert-Bourassa	Canada	5,616	n/a
Churchill	Canada	5,429	35
Longtan	China	4,900	18.7

**Table 2 Top Ten Hydroelectric Powerplants.**

Nevertheless, the income from energy sales is a monthly windfall in Paraguay. Of the \$1.5 billion in income that the Central Government of Paraguay received in the first half of 2010, about \$200 million came from energy sales from Itaipú (CADEP 2010). This does not include the annual budget of \$300 million administered within the

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expensive to construct, Yacyretá does not have the same stature in engineering, energy production, legal precedence, or finance that Itaipú enjoys.

<sup>4</sup> According to 2002 census, 10.8 percent of households did not have electricity. Rural rates of no electricity were 22.9 percent (Pulfer 2005:27).

Paraguayan side of the dam, money that can be used for salaries, contracts, and social projects—a budget that is even higher than that of any part of the executive branch of government (including the Ministry of Health and Public Welfare) except for the Ministries of the Treasury and of Education and Culture (Parlasur 2008). In effect, Itaipú is an unnamed ministry of the Central Government in Paraguay, with a large budget administered without oversight from the National Comptroller’s office. And its impact on the economy—from cheap energy sales to wages to income for the Central Government—is almost \$1 billion annually.

Unlike in the United States, in Brazil and Paraguay, hydroelectricity is a major source of energy. The United States uses hydroelectricity as “peak” energy, to compensate for those times of day (and year) when demand is very high (Energy Information Administration 2009:228).<sup>5</sup> But in Latin America, hydropower provides 68 percent of all electricity (EIA 2009:336). Eighty-four percent of Brazil’s electricity is generated through hydropower and fully 34 percent of its total energy consumption comes from hydroelectricity (EIA Country Analysis Brief, Brazil N.d.). One hundred percent of Paraguay’s electricity comes from hydroelectric dams. Thus, the energy produced by Itaipú is 6.8 percent of all the energy consumed in Brazil annually and about the same in Paraguay, as well (EIA Country Energy Profile, Paraguay N.d.). What Itaipú brings Brazil disproportionately is cheap electricity; what it brings Paraguay disproportionately is money.

An international resource of this stature could never be without controversy, but Itaipú was actually constructed to resolve a conflict between Brazil and Paraguay. Hydroelectric dams were the mid-century pet projects of military dictators across the

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<sup>5</sup> Hydroelectricity supplies 6 percent of the electricity generated in the United States.

world. The military governments of Brazil and Paraguay agreed, in 1966, to build a hydroelectric dam on the Paraná border in order to flood a set of waterfalls over possession of which the two countries disagreed. A treaty followed in 1973 and construction commenced in 1974. A decade later, in 1984, the first turbines began to churn out electricity and by 1991, all eighteen turbines were finished and construction complete. (Two more were added in the 2000s.)

The 1980s saw the transition to democracy for Brazil and a violent coup in Paraguay that overthrew General Alfredo Stroessner (who had ruled since 1954), ushering in the beginning of a democratic transition in 1989. Stroessner's *Partido Colorado* (Colorado Party)—or the *Asociación Nacional Republicana* (National Republican Association, ANR, symbolized by the color red)—maintained its grip on the presidency until 2008 when an unlikely candidate won the election. Former Bishop Fernando Lugo—a leftward leaning cleric—had the backing of Paraguay's progressive sectors and of the *Partido Liberal Radical Auténtico* (Liberal Party, PLRA, symbolized by the color blue), the traditional opposition to the ANR. Lugo's campaign promised a new politics and a new Paraguay, pledging change in the administration of Paraguay's resources by its government and transformation in its foreign policy.

Itaipú was once again the center of a massive controversy because it was on change in the dam that Lugo pitched his candidacy. He promised, if elected, to redistribute the wealth of the dam equitably and to force Brazil to renegotiate the power-sharing/financial balance within the dam. The chief complaint in this new mobilization was that, per the Itaipú Treaty, Paraguay was forced to “cede” its unused electricity to Brazil and that, for this energy, the state received about \$2.81 per megawatt hour from

Brazil's electricity company, which then sold the electricity for anything between \$20 and \$60 more on the Brazilian market (pocketing the difference). This issue was framed as a matter of regaining Paraguayan sovereignty, which had been lost because its leaders were traitors to the nation. In his first year in office, Lugo signed an agreement with Brazil's president Lula da Silva to increase the payment Paraguay's treasury received for energy sold to Brazil threefold and for Paraguay to begin commercializing its Itaipú energy in other countries, beginning with Brazil. This triumph set off a heightened debate throughout Paraguay on how to use the wealth from the dam to bring development.

### *Theoretical Apparatus*

These changes and controversies and developmental dreams for the future are the substance of the chapters that follow, but they immediately point to a number of theoretical debates. If I have claimed that the story of a hydroelectric dam is the story of a nation-state and further suggested that this is somehow connected to economic development, notions of sovereignty, natural resources, and the national history, then those terms and the debates that surround them are at the heart of this dissertation. Both empirically and theoretically, the nature of the "nation-state," its component parts, and the hyphen that links them, are up for grabs. Rather than taking "the state" for granted, an object of study that was just difficult to succinctly and conclusively define, Philip Abrams (1977) used this "difficulty" to ask a fundamental question: what *is* the state? Abrams' provocative assertion was that the state was not a solid entity [or process] obscured by superficial and changing political practices, but, instead, the inversion of this. He claimed that, rather than being the reality behind the mask, the state itself *was* the

mask—that it was an ideological project that attempted to legitimize-by-concealing domination.

And yet, this neat division between obfuscating ideology and veiled violence is insufficient to describe how the two work together in actual practice. Instead, I follow a line of argument that begins with Max Weber to see the two as intimately connected and, indeed, productive of one another. As a response to Abrams, Fernando Coronil instead suggested that the state is “the mystifying unity of the mask and the masked” (Coronil 1997:115). In this dissertation, I take “the state” as an ever-changing combination of practices of domination and legitimating beliefs. I argue that in order to look at how states (and the Paraguayan state in particular) are made, one should look at the composition of institutions, acts and patterns of physical domination, the material and economic base that animates and results from political action, as well as the symbols, explanatory narratives, and meanings that interpret power.

In spite of claims to permanence and fixity, the 20<sup>th</sup> century saw the making and unmaking of state institutions—not only in the reassignment of specific tasks and personnel, but in the fundamental responsibilities of state institutions, most notably in the decolonization of Africa and Asia and the creation and demise of the Soviet bloc (Mamdani 1996, Verdery 1996). As the institutions with which people interact change in form and function, so does how people understand their relationship to “the state.” Because bureaucracies are (perhaps thankfully) not universal, their particular structures and rituals and responsibilities call for individual attention. The bureaucracies of the Spanish Empire—the Inquisition and the colonial government answerable to the Crown—left their mark on Paraguay’s governmental structure. This is seen in ornate

founding ceremonies where government rule is instantiated through the transcribing of stylized speech and intricate bureaucracies that certify stateliness but not the supposed thing they administer. Unsurprisingly, an equally robust system of extra-official transactions has accompanied the bureaucracy, leading to a persistent personalism—government through relationships. The blurred boundary between official and extra-official in order to transact state business is just the kind of crucible that Timothy Mitchell (2006) said produces state effects, that this is central to how the state is configured in a given context.

Much has been made recently of “nation” and “citizenship,” in part because of the political changes mentioned above. If “nation” is an imagined community (Anderson 2006), linked by a combination of history, language, territory, religion, and “the state” the political structure that coheres with the nation, then “citizenship” is the relationship of members of the nation to the state. It is as *citizens* that rights and responsibilities are claimed and individual members of the nation make demands on the nation-state (Wallerstein 2003). But the contours of national communities are being altered through colonialism, immigration, the formation and dissolution of “regional” units (the Soviet bloc, the EU, Mercosur). And so, citizenship and participation in the nation is under contest (Edelman 1999); even as the “nation” is being altered, so is the power of the state in its territory. The nesting of statelike entities (nation-state versus regional states) and the ongoing existence of asymmetries between empires or superpowers and conquered or “weaker” states begs the question of sovereignty, of what kind of power is being wielded. Because Itaipú began as a question of sovereignty and continues to reshape the distribution of power in the Southern Cone region, a more detailed genealogy of the

concept is necessary.

### *Sovereignty*

“Sovereignty,” as the subject of political contention, is imbricated and implicated in the capitalist international state system because it has developed hand-in-glove with modern notions of private property and coterminously with the nation-state system. The early modern writers credited with concretizing “sovereignty”—the nature of political power—as a central question to be resolved in modern political theory (and practice) articulated the question in terms of power over life and death in human bodies, but also in terms of territory and possessions. Within anthropology, the use of law to describe certain bodies in certain spaces as recipients of permissible violence and death has borne fruitful research into race, biopolitics, human rights; camps, neoliberal work regimes, marginalized populations in marginalized zones; incarceration, illegality, and the development of law (Geertz, Goldstein, and Lomnitz 2004; Hansen and Stepputat 2006; Ong 2006).

Much of the discipline of anthropology in the United States follows a line of debate on sovereignty that descends from a francophone tradition that results in questions about the rightful authority of the state over life and death and human bodies. But there is an equally longstanding tradition of debate over state sovereignty that has curiously been ignored—one that has had its effect over territory, natural resources, the rights of the Other to self rule. This second debate comes out of a Spanish juristic tradition and its weight is most felt in issues of international law. It is this debate about legal rights to natural resources and self rule in the context of colonial asymmetries that has most

shaped the hermeneutic with which I interpret the debates between Paraguay and Brazil in Itaipú. Moreover, I believe this Spanish juristic debate is relevant in giving context on how the colonial experience of Spanish empire has had its effect on present state formations in South America. To show why the Spanish juristic tradition helps us understand the present conflict between Brazil and Paraguay over the water and energy resources of Itaipú, I begin with the more familiar discussion of sovereignty through Bodin.

Through a comparative analysis of classical political philosophy and the French legal system, Jean Bodin (1529/30-1596) sought to unearth universal historical laws about power and supremacy, coining the term “political science” to describe his endeavor, and opening the door to the modern political debate about the nature of sovereignty. In *La République* (1576), Bodin defined sovereignty as “the absolute and perpetual power of a commonwealth” and embarked on a clarification of “the meaning of sovereign power” because “no jurist or political philosopher has defined it, even though it is the chief point, and the one that needs most to be explained, in a treatise on the commonwealth” (Bodin 1992:1). The question for Bodin was not merely intellectual exercise; it arose as he tried to make sense of the growing anarchy from the brewing civil war over the Huguenots. His conclusion was a defense of the absolute and perpetual sovereignty of kings—which, because it “recognize[d] nothing, after God, that [wa]s greater than himself,” was not limited in time, function, or power—argued well enough to curry the favor of Charles IV and Henry III (Bodin 1992:3,4). Bodin’s attention to absolute power with no restrictions has woven its way into how U.S. anthropology considers sovereignty, traced through the interventions of Carl Schmitt, Hannah Arendt,

Michel Foucault, and Giorgio Agamben.

Schmitt acknowledged his intellectual debt to Bodin in *Political Theology* (1922), not only when he cited Bodin's definition of sovereignty or lauded his role in bringing the modern state into analysis, but even—unattributed—in the first eight words of his seminal work. “Sovereign is he who decides on the exception,” Schmitt wrote to open the book, implicitly following Bodin's mandate to study “the meaning of sovereign power” in order to uncover the nature of the modern state (Schmitt 1985:8). Pointing to Bodin's binary of “either/or” (either the prince has ultimate power in an emergency or the estates do), Schmitt explained that during exceptions (by definition unplanned and outside of the scope of normal constitutional order) “law” was rolled back and only unlimited authority remained—revealing that the state perdured, while law was always provisional. That is to say, “law” and “legality” were not the highest power in the land because, in “exceptional” circumstances, they would be suspended. Whatever it was that did the suspending would then be revealed as the ultimate power, above even the law. For Schmitt, this ultimate power that even superseded the law was the true sovereign. While the exception has caught the attention of many, particularly through Foucault and Agamben, for Schmitt sovereignty was as much about decision—the monopoly to decide.<sup>6</sup> Moreover, as he brought the power over life and death to the center of the matter, he brought the human body clearly into the debate.

Following WWII, Arendt used Bodin to untangle the regime of which Schmitt was an intellectual apologist, trying to understand how the concentration camp and the authoritarianism of the Nazi regime (and of Stalinist U.S.S.R.) arose from a modern

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<sup>6</sup> When Schmitt wrote that the sovereign was the one who decided on the exception, the proto-totalitarian formulation pointed to attributes that would later characterize Stroessner's Paraguay, as the temporary state of siege was made permanent through its renewal every ninety days.

parliamentary democracy. The theory of absolute sovereignty, she argued, was the result of a secularization of power in early modern Europe—a transposition of the absolute power of God in the Church to the absolute power of the people in government/society (Arendt 1990:159). Following this logic, “popular sovereignty” (the idea that the will and consent of the people grant the state its legitimacy) was yet another interchange; this time, replacing the absolutism of a king with the absolutism of the nation (Arendt 1990:156). With this analytical turn, Arendt introduced a wedge of suspicion into the subject as a whole.

In his “Governmentality” lecture, Foucault (1991) further undercut the notion of sovereignty. He saw the questions to which sovereignty was the answer as addressing how power worked at all levels of society in pre-modern. However, in the 17<sup>th</sup> and 18<sup>th</sup> centuries, a new “mechanism of power” arose, one that had to do with managing bodies rather than land and resources, and one which was the antithesis of sovereignty. Whereas in sovereignty, power was concentrated in the person of the king or the government, in this new mechanism, it was diffused through society. This transformation occurred through the establishment of capitalism and corresponding sciences of the population—statistics—resulting in the new mechanism he called “discipline” or “governmentality” which signaled a switch from justifications for rule to techniques of how to rule. Both individualizing and anonymizing, the modern mode of governance—biopower—was internalized by people such that they ruled themselves.

Agamben (1998) linked Foucauldian biopower to law-based notions of power through looking at how a human body could be so deprived of its political and social identity that it would become killable. That is to say, Agamben found, pace Schmitt, that

it was not the friend/enemy distinction that was the basic binary in Western politics but rather the distinction between *bios* and *zoe*—two notions of life possessed by the body. The former was human life—inclusion, endowed with all political and social significance and thus protected by social sanction; the latter was bare life—exclusion, that which remains when an exception requires that juridical protection be stripped from the human bearer of *bios*. Understanding that sovereignty was connected to the exception, Agamben accepted Deleuze and Guattari’s claim that sovereignty was only able to rule over what it was able to “interiorize.” He folded sovereignty and exception into each other by showing that that which is exceptional (life that may be killed—epitomized in the Nazi death camp) was included into the everyday legitimate functioning of the state. The sovereign exercises sovereignty by making “exceptions” the normal state of affairs. He even asserted that “*It can even be said that the production of a biopolitical body is the original activity of sovereign power*” (Agamben 1998:6).

If a central concern in Bodin’s time was internal civil strife following the secularization of rule (i.e., the rationalization of government through an appeal to natural rights and the diminishing of “divine right”) and in Schmitt’s successors was modernity and the rise of totalitarianism, then today’s crisis of sovereignty is often seen as one of globalization. One common characterization of the sudden changes brought on by postcolonial “globalization” asserts that nation-state sovereignty is being uniquely undermined by a combination of transnational corporations and flexible production, supranational governance organizations, stateless terror organizations, demographic shifts and cultural exchanges afforded by improved transportation and communication technology (Friedman 2006). These, the critique goes, are eroding the boundaries

between countries, thus curtailing the ability of states to effectively control their territory, undercutting their legitimacy, and undercutting their monopoly on the legitimate use of violence (Sassen 1999). The clear interlocutor here is not Bodin-derived, but rather Weber who, with more careful qualifications than his quoters often credit him, said that “Today, however, we have to say that a state is a human community that (successfully) claims the *monopoly on the legitimate use of physical force* within a given territory” (Weber 2004:1). But predictions of the imminent demise of the nation-state, like apocalyptic pronouncements of the end of the world, repeatedly have to be pushed back—the nation-state seems to find continued resilience and, perhaps, increased strength.

Recent mobilization of indigenous and afro-descended groups in Latin America calling for multicultural, polylinguistic, and plurilegal recognition, challenges the make up of the national community in the postcolonial and globalized state (Hooker 2005). These groups have found a successful tool for their struggles in carefully crafted legal arguments. And it is, in fact, to Antony Anghie and Robert Williams, legal scholars from Native American and other colonized communities, that I wish to turn for insights into how sovereignty works regarding territory—a helpful corrective to a debate focused solely on the death of the body. Bringing in legal scholarship that shows how international law and sovereignty have been used, from the 16<sup>th</sup> century onwards, to facilitate [European] imperial domination over people and resources, links sovereignty to developing capitalist regimes of private property and the international state system.

Decades before Bodin’s intervention, the problem of sovereignty was hotly debated and a line of argument established that would influence how state power would

be wielded in the largest European empire of that time, the Spanish empire. Legal scholars who today tackle the themes of sovereignty, international law, imperialism, the growth of the modern nation-state, and the global economy repeatedly turn, not to Bodin, but to the 16<sup>th</sup> century Spanish jurists who attempted to make sense of Spanish-Native American relations. Perhaps the neglect of this body of literature within English-language anthropology comes as a result of the provincializing of southern Europe as “backward” by the Enlightenment of northern Europe (Turner 2003:15). Because this is considered—by lawyers, interpreters, and scholars of international law—as the foundation of international law, it nevertheless continues to play an ongoing crucial role in the politics of the modern nation-state and the international state system.

Unsurprisingly, much of the scholarship today that pays closest attention to the development of international law and sovereignty has been done by intellectuals who are themselves members of non-European communities who experienced centuries of colonization and the ensuing legitimation of that colonial domination. To be clear, my argument is not just that the Spanish legal tradition is an interesting historical debate on the theme of sovereignty, but that it continues to have effects to the present as it was central to the formation of international law, particularly concerning the rights of non-Europeans and ownership of territory and natural resources. While Bodin was concerned with sovereignty directed internally within a territory, international law turns its attention outward, to interactions between states.

In order to understand the history and the present implications of international law and sovereignty doctrine—the delimiting of the authority of states, legal scholars Antony Anghie and Robert Williams trace the subject of their respective intellectual projects to

the Spanish debate of how to understand the Indians newly encountered.<sup>7</sup> Anghie's work is a broad exploration of imperialism and international law while Williams delves more deeply into the property rights regimes that arise in the Americas (Anghie 1999, 2005; Williams 1990). Both view the signature moment for the formation of modern law as the debate (theological and political) in Spain of how to interact with the Indians and particularly to the legal treatises of Francisco de Vitoria. Francisco de Vitoria (1483/6-1546), a Dominican friar, was instrumental in resolving a major conflict in Spain in his day, one that pitted military explorers, the Spanish crown, and the Roman Catholic Church against one another: determining how the Spanish should interact with the Indians.

Forty years had passed since the initial contact in the Caribbean, followed swiftly by an unfathomable population decimation of which even its participants wrote, "Who born in the centuries to come will believe it? I myself who write and beheld, know the most of it, and now it seems to me that it was not possible" (Las Casas 2007:219). Because Spain wielded the support of the Pope (who, as Christ's earthly representative, was shepherd of all humans and who had conceded onto Spain the obligation to missionize the peoples living in the newly discovered continents), the rampant destruction of human lives wrought by its conquistadors in the first decades proved problematic in a few ways. Not only was there a problem of labor shortage and thus lost revenue (solved by the transatlantic slave trade), but the very justification for the endeavor (saving souls) was being undercut. The question was then how to rein in the slaughter while acknowledging the Crown's dominion and respecting the Church;

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<sup>7</sup> Both trained as lawyers and teaching in U.S. law schools, the first Sri Lankan, the second a member of the Lumbee tribe of North Carolina. I here use the term "Indian" to denote Native Americans because it is the term used both by Spanish jurists and Anghie and Williams regarding this debate.

Vitoria's innovation was to find justification not in a spiritual mandate, but in natural law.

In 1532, he published a series of treatises entitled "On the Indians newly discovered" and "On the Indians, on just war" where he laid out a reasoned response to Spanish-Indian relations, initiated international law, advanced just war theory, and rooted all of this in a discussion of the sovereignty of the Indians, "heretics" in "mortal sin" because they did not practice Christianity and therefore morally and culturally inferior. To the central question: "4. Whether the Indian aborigines before the arrival of the Spaniards were true owners in public and in private law; and whether there were among them any true princes and overlords," Vitoria found that "6. Mortal sin does not preclude civil ownership of the true kind," and "8. The divine law does not make heresy a cause of forfeiture of the heretic's property," but that "10. A heretic incurs the penalty of confiscation of his property as from the date of the commission of his offense" (Vitoria 1917:1).

Thus Vitoria argued that, prior to the arrival of the Spanish, the indigenous peoples of the Americas were indeed both rightful rulers and true owners of their possessions, but, in the case of violations—natural, not spiritual—the Spanish could become rulers over the Indians. In the third and final section of this treatise, Vitoria outlined the rights of the Spanish that, should they be violated by the Indians, would be justification for war and therefore dominion over the people and their possessions: "2. The Spaniards have a right to travel to the lands of the Indians and to sojourn there so long as they do no harm, and they can not be prevented by the Indians," and "3. The Spaniards may carry on trade among the Indian aborigines, so long as they do no harm to their own country, by importing the goods which the aborigines lack, etc., and taking

away gold and silver and other articles in which the Indians abound; and the princes of the Indians can not prevent their subjects from trading with the Spaniards, etc.” That is, the Indians had the right to rule themselves and own their territory, regardless of their “culture,” but outsiders (Europeans) had the right to travel in the territory of the Indians and carry out trade. And, should the Indians prevent the travel and commerce of Europeans, then it would be just to wage war and take over the land and government of the Indians.

Anghie made the bold claim that international law was created as a result of Spanish-Indian contact, to resolve questions and problems that arose from an unprecedented (exceptional?) situation. He thus grounded all subsequent supposedly neutral international law in a colonial encounter, showing how law regarding governance and property has been systematically used to disenfranchise and dispossess, linking imperial projects to the emergence of the sovereignty doctrine. Though this doctrine was supposedly about determining the identity and rights of sovereigns, he claimed that its invention was instrumental in European colonialism in the Americas, Africa, and Asia and thus imperialism was in the DNA of sovereignty and international law. Asymmetrical judgments regarding “culture” then got assumed into “neutral” definitions of appropriate use of resources and territory, which is why in the present, among supposedly equal, post-decolonization nation-states, international law and treaties are the sites of such contention. Anghie wrote: “Now the non-European world presents itself not as the tribal leader whose legal personality has to be determined, or the mandate peoples seeking self-government, but a sovereign entity intent on reversing the effects of imperialism by changing the rules of international law in order to achieve development” (2005:235).

Beginning with Vitoria, Anghie saw an intimate connection between sovereignty, property, and acceptable governance. Even after the independence of colonized communities, the condition for membership in the family of nations is the alienability of property and participation international commerce: “Vitoria’s arguments are based on the concept of property, which is intimately connected in his thought with issues of legal personality and sovereignty. Thus the crucial consequence of being recognized as a legal person, as possessing reason, is the acquisition of the right to own property.....Taken together, these statements go very far toward asserting that non-European sovereignty is subject to a foreigners ‘right to trade’. Crucially, then, one of the major functions of government was to ensure that international commerce would be furthered” (Anghie 2005:251). Because Anghie saw international law as an attempt to “universalize” European concepts and to naturalize the effects of colonialism, international conflict over natural resources in the 20<sup>th</sup> and 21<sup>st</sup> centuries—particularly in the developing world—offer challenges to the very heart of the system and are often linked to international commerce and definitions of worthy government.

But while Anghie was concerned with the global application of law, Williams set his sights on one specific example: the situation in the Americas, refining his scope until it focused on the U.S. government treatment of Native Americans.<sup>8</sup> As he built his case, beginning with pre-Conquest debates about the rights of Others and the limits of secular and religious authorities (through the Investiture Controversy and the Crusades), he demonstrated how the land and/or labor of indigenous Americans was systematically

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<sup>8</sup> Anghie’s discussion of neocolonialism and private economic law in the late 20<sup>th</sup> century is a particularly cogent analysis of neoliberalism and bolsters critiques made of these “new” economic practices by grounding them in the long *durée*. See especially Williams’ work on Benjamin Franklin, the founding documents, and a scramble for the property of Native Americans.

taken under legal regimes that supposedly were about assigning rights. Finding legal and ideological justification for seizing native land was more than a consequence of law, Williams' case was that it was one of the chief motivations behind it. "For half a millennium...Western legal thought has sought to erase the difference presented by the American Indian in order to sustain the privileges of power it accords to Western norms and value structures," wrote Williams (1990:326).

In the various legal traditions of Western empires, a homogenizing impetus to claim that indigenous legal structures were non-existent or identical to those of the West actually silenced the rights of indigenous communities in the Americas. By elevating to the level of neutral law the "right" of Europe-descended political structures to take, by conquest or purchase, the territory of indigenous communities, law itself becomes a tool of domination. This is most baldly seen in the repeated rescripting of law when it suits the powerful—the ongoing one-sided violation and rewriting of treaties. Williams was, then, fundamentally skeptical toward treaties and the doctrine of sovereignty upon which they rested—a doctrine that, although paraded as universal and equal, in practice was exercised asymmetrically. Because "the history of the American Indian in Western legal thought reveals that a will to empire proceeds most effectively under a rule of law," "indigenous peoples now seek to redefine radically the conception of their rights and status in international and domestic legal forums" (Williams 1990:325, 328). Current attempts to radically redefine rights, status, and sovereignty take on the ability to challenge the entire system by demonstrating the imbalances internalized and naturalized within the system of law.

Rather than privileging one genealogy of sovereignty over the other, I argue that

in Paraguay we see clearly that these two processes are linked and that this is not something new or an unprecedented effect of globalization, but part of the modern international state system from its colonial start. States draw power from exercising claims over bodies and territory; this is expressed through legal violence against bodies and through international law over natural resources, commerce, and the conflict between culturally “inferior” and “superior” groups to determine the use of resources. We will see all this in the chapters that follow. This dual genealogy helps us understand that the way “sovereignty” has been used in Paraguay in conjunction with issues of hydroelectricity and water is not a new conflation of issues with the term, but gets at questions that were at the heart of sovereignty debates from the beginning. Thus, we see a connection between the internal and colonial violence that have been associated with the development of modern state power and the issues of solidification of [private] property or imperialistic land practices that also accompanied the European colonial experience which was fundamental as well to the modern state. “Sovereignty” is used in Paraguay to describe the ideal relationship of state and nation to the territory of the nation (even as its connection to territory is a longstanding theoretical debate), functioning as shorthand for a number of issues and the ways they are interrelated.

### *Water and Energy*

Water, natural resources, energy, the environment, and how humans affect and are affected by changes in them have become the increasing focus of scholarship from the social to the hard sciences, particularly in light of anthropogenic climate change. Recognizing that scarcity of or changes in resources have accompanied the Industrial

Revolution (to the point that scholars have begun to use the term “anthropocene” to denote the present geological age as one uniquely formed by human activity), scholars across disciplines have turned renewed attention to conflict over water and energy (Chakrabarty 2009; Dalby 2007). Since Karl Wittfogel (1957) postulated that managing hydraulic resources was connected to the development of centralized states—the “hydraulic thesis” which linked agriculture, the organizational complexity of a society, and decision-making—state-making and decision-making over water have been linked. I continue in this vein, but the decisions being made are over energy and not just irrigation. This dissertation is fundamentally about how decisions about water and energy are made by governments and what this tells us about how states are made. Itaipú raises questions both about water conflict management and the role of energy in forming political development.

While the expression “water wars” (as the predicted global conflict of the 21<sup>st</sup> century) has made a catchy soundbite, Aaron Wolf (a geographer who specializes in transnational water conflict management) has suggested that in the past hundred years, two thirds of the time people made decisions about “international waters,” they “cooperated” (rather than escalating to verbal or armed conflict) (Wolf 2011). The image of tank and aerial battles waged to seize water resources as the image of “water wars,” while befitting an action thriller (and the imaginary of some protest movements in Paraguay which foresee a U.S.-led invasion of Paraguay to steal its water resources), does not capture how nuanced “cooperation” and “conflict,” may, in fact, be. Cooperation may be agreement under duress.

Anthropology’s contribution to the study of water resources and conflict has

tended toward very minute ethnographic detail on how communities used water resources (Orlove 2002). A distinct turn in anthropology has been to focus on energy and state formation. As a counterbalance to recent studies on biopolitics—the legislation of bodies—as the animus for state formation, Laura Nader and Dominic Boyer have raised the question of “energopolitics” (Nader 2010).<sup>9</sup> What if, instead of biopolitics, one were to look at the harnessing of energy as a way to read nation-state formation over the past century? Energopolitics makes explicit the connection between natural resources, territory, economic bases of production, and the decision-making structures that administer these. The focus of much of this new work has been on hydrocarbons—the effects of carbon-extraction-based and then petrol-extraction-based governments. Mitchell, in his new work on “carbon democracy” looked at more than just the monopoly rent-seeking behavior of governments in the management of energy resources and instead examined a larger complex of institutions and practices that formed as a result of the management of natural resources. Whereas coal-based carbon moved through an infrastructure of the railway and a strengthened national labor movement, the transition to petroleum with its dependence on transnational oceanic shipping has undercut the influence of labor articulated through the nation-state and thus restructured government (Mitchell 2011). But what about industrializations—such as Brazil’s in the latter half of the 20<sup>th</sup> century—that have occurred not on a resource base of carbon or petrol extraction? What emanates from water? Among the political structures that have arisen to govern energy extraction and provide the energetic foundation for economic production, where does hydroelectric statecraft lie? My dissertation shows how political debates over water and energy come together on a national and international scale and how decisions

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<sup>9</sup> The May 2011 edition of *Anthropology News* is dedicated to the subject.

are made at the heights of power.

The new negotiations over Itaipú lay the groundwork for dealing with an even greater resource that does not conveniently sit on the frontier between two nation-states, but spills unevenly across the territories of four—Argentina, Brazil, Paraguay, and Uruguay—the Guaraní Aquifer. Moreover, it is not just that these four countries sit atop it (and equally drain it)—their lands have different relationships with the water beneath—some are recharge zones for the entire aquifer, some are predominantly drainage. Some are end-users, pulling out the resource and with no responsibility or capacity to ensure that the water is replaced; others lie farther *aguas arribas* (upstream, but also used to refer to as source and origin) and can ensure the purity and availability of water. Of the four countries, Paraguay’s public is most informed about the status (or even existence!) of the aquifer, but mention it warily when discussing broader water and territory issues, accompanied with somber reflections about its neighbors’ demonstrably willing bellicosity in the War of the Triple Alliance (1865-1870) and the Chaco War (1932-5). Early in my fieldwork, when I explained my research interest in the region’s water resources, the eldest son of a high-ranking political family—who was not the soul of discretion, as he had once said that he himself wished to exchange his political position for financial benefit—took me aside and sternly said, “Can I give you some advice? Never, ever mention the aquifer again. We will think that you are going to invade to steal it” (Personal communication, December 14, 2008).<sup>10</sup>

In the decisions that are made in the present about Itaipú (and with a view toward the Guaraní Aquifer in the future), what is considered worthy or valuable and how

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<sup>10</sup> “*Traficar en influencia*”—influence trafficking, which is a euphemism for charging extrajudicial bribes and using a position of power to extort wealth. See chapter 5.

decisions get implemented speaks to how physical power and belief systems come together. Thus, the “state” studied here is a combination of material and symbolic forces. And the extent of nation-state sovereignty—the shape of its jurisdiction over natural resources and its authority in making decisions—is far from given, but contingent, contested, and constructed at every turn. Perhaps “poor” energy and water resource management in the 21<sup>st</sup> century will become legitimate grounds for military intervention, as prohibiting commerce was to Vitoria in the 16<sup>th</sup> century, or for the seizure of territory, as “insufficient” use was for Locke in the 17<sup>th</sup>. And perhaps what will be found in this dissertation is something akin to Lewis’ maxim, “What we call Man’s power over Nature turns out to be a power exercised by some men over other men with Nature as its instrument” (Lewis 1974:55).

### *Methods*

Just as every novel contains within it the story of its own writing, this dissertation—just through the story it recounts—reveals how it was written and researched. The Paraguayan state in these pages is shown through the perspective of the governing heights—those making the decisions about how to treat with Brazil or how to invest the dam’s wealth within Paraguay. This was a result of methodological choice to pursue a question (how does the Paraguayan state operate at the fractious borderzone with Argentina and Brazil) through observing and interviewing political elites (including those new to power because of Lugo’s election). But a bold funding proposal claim—that I would interview and observe the politicians in Lugo’s new government who dealt with Itaipú—met its empirical roadblock when conducting research in a country like Paraguay,

where there are few academic linkages to the United States through which I might be introduced to key contacts.



**Photograph 1** Police officers exit voting station after illegally casting ballots while in uniform. Author's photograph. April 20, 2008. Paraguay.

And so, I was entirely dependent on some persistence, a great deal of good fortune, and an even greater deal of generosity on the part of people I met in Paraguay, who quickly invited me into their discussions of one of the most incandescent topics of the day. It was through Marilín Rehnfeldt, anthropologist at the Catholic

University of Asunción, that I met the leadership of Tekojoja (the social movement that started Lugo's campaign).<sup>11</sup> Because of her, I was able to spend election-day at Tekojoja headquarters, visiting voting stations (where I unwittingly photographed voting fraud as a uniformed police officer cast his ballot) and got behind-the-scenes press access to Lugo as he declared victory. The Paraguayan state I experienced was intensely relational, as will be all the more evident when I recount how it was that I attained access within the administration of Itaipú dam itself.

But the Paraguayan state also creates a massive amount of paper work—some meant for the public, much meant for private eyes only. And it was through its archives, and the archives of non-state institutions, that I encountered the state. Historians treat archival data as interlocutors—as anthropologists might treat a conversation had en route

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<sup>11</sup> The “j” is pronounced as the “j” in English (as in “jam”).

to a voting station. And the training I had in archival research as an undergraduate served as more than just a way to give depth and context to the “eyewitness” accounts that are the bread and butter of ethnography. I consulted the National Archives, the Itaipú archive, the Center for the Documentation and Archive for the Defense of Human Rights (the Stroessner era torture archives), the Museo Mensú (of Ciudad del Este), the National Library, and the ABC Color Archive, as if the documents therein and even the way they were organized by the creators of the archives were informants who would speak to and critique the questions I explored.

I first visited Paraguay for three weeks in March and April of 2007, followed by two months in July and August for FLAS-sponsored Guaraní language study. I returned during the April elections of 2008 (during which I accompanied the press that followed candidate Lugo) and lived there again from October 2008 until January 2010, with support from a Wenner-Gren and a Fulbright. During those visits, I lived in both Asunción and Ciudad del Este and cultivated relationships with leaders and activists in several leftist political parties and social movements who were organizing around land and agrarian reform and water sovereignty issues. Not only did I attend numerous protests and public rallies beginning in March 2007 in Asunción and Ciudad del Este, I conducted interviews with local and national leaders, some who had official positions in the new government and many of which did not. I also attended private planning meetings with several of these organizations.

I forged contacts within the traditional parties—the ANR (Colorado Party) and the PLRA (Liberal Party), attending public demonstrations and celebrations and conducting open-ended interviews with party strategists, supreme court judges,

ambassadors, presidential candidates, former mayors, governors, and regional party leaders. In spite of the historical rivalry between the Colorados and Liberals, party members did not express surprise when I acknowledged that I spoke to members in the other party. Members of various leftist organizations also showed no antipathy toward my developing contacts in different organizations throughout the left. However, this was not the case between the left and the more traditional parties—on both sides, I found myself repeatedly questioned as to why I was speaking to “them” and told that it would be better if I did not listen too much to what the left or the ANR/PLRA had to say, requiring a careful balancing act.

I conducted extended open-ended interviews with engineers (current and retired, Paraguayan and foreign) of both major hydroelectric dams and went on multi-day long visits to Itaipú dam. For fourteen months, I visited Itaipú headquarters in Asunción an average of two or three times a week for five hours at a time. There I was able to speak with all the Paraguayan directors of the dam, as well as the staff that ran Executive Directorate and the staff of the Communications (press) office. I gathered hundreds of hours of conversations and interviews and hundreds of documents—both published and unpublished—about the dam. I even helped give presentations to foreign visitors and was interviewed by the Paraguayan press myself. I also accompanied the executive leadership of the dam to several public events: business expos in Asunción, the distribution of scholarships by President Lugo to thousands of Paraguayan youth, conferences in Brazil.

Although the majority of those with whom I spoke were Paraguayan politicians or government officials of some kind, I also developed contacts and conducted repeated open-ended interviews with diplomats from the Argentine and Brazilian foreign services.

My research took me to several embassies and meetings within Paraguay's Ministry of Foreign Relations where I met with diplomats from various South American, Middle Eastern, and European foreign services. I also interviewed business and industry leaders (agriculture—cattle, leather, and yerba and information technology—communications and computer imports) and visited several chambers of commerce. To complement the participant observation I conducted with Paraguay's ruling classes, I listened to parliamentary debates, read hundreds of newspapers from 1954 to the present (in the National Library and at ABC Color's archives), and even after returning to the United State, continue to read three of Paraguay's daily newspapers every morning.

Every chapter in this dissertation is a weaving together of archival and ethnographic data (although some chapters lean more heavily on one than the other). For this reason, there is no "history" chapter that gives the background. The "ethnographic present" and "historical past" repeatedly elucidate and challenge one another. And it is a hope that this dissertation will help the reader not only understand the stakes in Paraguay's hydroelectricity, but learn to read its national symbols and sense of humor. To that end and to show what it was like to do ethnography in Paraguay and to help contextualize the data in the chapters that follow, I turn to an explanation of the symbolic "space of the nation" and the symbolic "space of the state" in Asunción—and how it was that I got access within Itaipú. The power vested in these distinct places runs throughout the dissertation and it is necessary for the reader to know them in order to understand an important front on which Paraguayan politics was waged.

*Sacred Geography: a spatial rendering of Paraguay's nation-state imaginary*

Asunción “*Madre de Ciudades*” is one of Latin America’s oldest capitals, built in 1537 on the curve of a river that divides Argentina from Paraguay.<sup>12</sup> From the penthouse of Asunción’s tallest apartment buildings, the lights from its Argentine sister city, Clorinda, are clearly visible on the horizon. The city center is built on the ever-present grid Spanish colonizers carved into their cities as they crossed the continent establishing a sparse web of urban nodes that were later filled in over centuries. But these are not cookie-cutter imprints—Asunción’s idiosyncrasy: colonial streets in the *microcentro* (small city center) confusingly change names as they cross *Nuestra Señora de la Asunción*, an old artery that divides the city and ends at the plaza in front of the National Congress, the *Cabildo*, and the Cathedral. As it makes its way to the historical colonial administrative center, *Nuestra Señora* passes through a quadrangle of plazas including the *Panteón de los Heroes* (Pantheon of Heroes), a mausoleum dedicated to the heroes of the nation—19<sup>th</sup> century dictators and generals who (un)successfully defended the territory when it was invaded by its neighbors.

The Panteón and the Cabildo are only a few blocks apart, but they serve as linked yet fundamentally distinct spaces: the space of the nation and the space of the state. Like much of the world, Paraguay was caught up in the excitement of the upcoming World Cup as its national team, the Albirroja, fought in the regional qualifiers for a spot in South Africa 2010. Though its population is one of the smallest in Latin America, Paraguay fielded a team that effectively challenged (and bested) larger football powers: even beating Brazil and Argentina. When the game clock struck zero and Paraguay’s

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<sup>12</sup> Asunción, called “mother of cities” because of its role from colonial times to the present as the base from which expeditions set forth to found key cities, including: Buenos Aires (Argentina), Santa Cruz (Bolivia).

victory over Peru was finalized, Asunción erupted in firecrackers and crowds descended on the Panteón. Those on foot congregated at its steps facing Calle Palma, much as they had six months before when Fernando Lugo's victory ended six decades of Colorado rule. Many, however, came in cars, SUVs, and motorcycles, all following the well-established pattern of driving down Calle Palma, crossing Nuestra Señora, slowing to a crawl in front of the Panteón, and honking. Like a Roman procession through a triumphal arch, moving through the space in front of the Panteón cements participation in the Paraguayan nation by linking the events and participants to that defining moment of Paraguayan nationhood, the War of the Triple Alliance (1865-1870). There is something about witnessing the crowds as they gather, about being witnessed by the crowds—movement and a returned gaze—that acknowledges (and imbues) an event as something of national significance. Even events themselves, as they unfold before the Panteón, become national. On festive nights, vendors with coolers cry out “¡leche!” (milk) to passing drivers, selling cans of beer for 5 thousand guaranies.<sup>13</sup> Though it is technically illegal to sell alcohol on the streets, the thin veil of selling “milk” allows them to peddle their wares under the amused and cognizant eyes of the police.

The coral colored Cabildo serves as a museum today but, in colonial and early national years, was the seat of governance and housed the senate until the 2000s. It sits at the long edge of a square capped by the National Congress and the Cathedral. Here Paraguay's *comuneros* launched a rebellion in 1721 that resulted in the public execution of a governor and confirmed that province's unruly (and unruled) reputation (López 1976). In this plaza, protestors do not so much invoke the nation as they address the government, imploring a response from the state. Days before Paraguay's Peru game,

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<sup>13</sup> About one dollar.

territory that had been zoned into Asunción's jurisdiction under Stroessner's watch was reassigned to the neighboring city of Lambaré. This legislation was unacceptable to many native *asuncenos* (residents of Asunción) who flooded the plaza in front of the Cabildo and transformed the street into a parking lot of taxis and tractors. The decision was overturned, if only temporarily, by Lugo.

One warm November midday early in my extended fieldwork in Paraguay, a group of two hundred protestors from the department of Misiones made their way to the Cabildo plaza after a six-hour bus trip to Asunción. Unlike many other protests (including



**Photograph 2 Jóvenes Liberales approach the Stroessner-era torture dungeon. Author's photograph. Asunción. November 2008.**

the protest against the Asunción rezoning), this group, the *Jóvenes Liberales* (Liberal Youth) had a significant proportion of women.<sup>14</sup> They came in the company of the governor of the department, a rising star in the Liberal party, to present a petition calling for the renegotiation of the Itaipú treaty with Brazil. The

governor had, just days before, in quite a dramatic fashion, helped uncover a torture dungeon used during Stroessner's dictatorship in the basement of the former Ministry of the Interior. Under the pretext of a bathroom break during a governors' meeting, he had followed the tip from a repentant soldier (who had confessed in hopes of ridding himself from the horrific memories that kept him from sleep) and confirmed, indeed, that in the

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<sup>14</sup> The group was not made up of those who we would call "youth"—there were many marchers present who were one or two decades older than I (and some one or two decades younger).

sideroom whose walls were plastered with pornography, there was a stairwell to a basement still filled with torture devices and files. News of the Liberal Youth protest appeared online on one of Paraguay's news sites and so I knew to look for it on Monday morning. My hope was to ask why they were protesting Itaipú when their own department, Misiones, contained Yacyretá, a similarly controversial dam replete with unequal access to supposedly shared energy profits. I hoped to find out what it was about Itaipú, with Brazil, that inspired national mobilization that Yacyretá, with Argentina, did not.

After I took a few tentative photographs as the group walked away from the Cabildo, Alicia, with a friendly and welcoming smile asked me, "Where are you from?" And when I explained that I was a researcher from New York, she declared in delighted self-satisfaction that she had *known* I was a foreigner and relished getting to know visitors to her beloved Paraguay. She invited me to visit the Jesuit missions in her department and introduced me to the others around her (as if we were old friends) as we walked down the streets. Waving flags (some Paraguayan, many others blue—the color of the Party), the Liberal Youth wove down the microcentro streets to the newly discovered torture dungeon, but the police had finally put an end to unauthorized entry and they returned to the Cabildo. Alicia fanned herself and complained about the heat, but warned me with a mix of foreboding and the glee that comes from shocking others, that, at 95 degrees, we were still more than 10 degrees below what it would be during the summer. "We are going to Itaipú to see Mateo," she said as we sat under the mango trees whose fruit littered the sidewalk, warm from the sun. "Do you want to come with us?"

Parking laws around the Cabildo, like all others, are minimally enforced in

Paraguay, but the four chartered *colectivos* (buses, with plush seats and air conditioning, nicer than the typical painted school buses with plastic seats that serve as public transportation) hired for the long trip to the capital were nowhere to be found. We waited while several search parties set out from the Cabildo to find the buses. The protestors, hungry and thirsty in the early afternoon after a day that began at 3am regaled each other with descriptions of the lunch they would share with “Mateo.” “Perhaps we will eat with him,” said one man to no one in particular. “There’s a large food court, a cafeteria with tables,” said another, knowledgeably. When at last we boarded the colectivo, the question did cross my mind as to whether “going to Itaipú” meant actually traveling the distance across the country to visit the dam and whether there was any way, in that instance, to

purchase a bottle of water. But the buses stopped after a fifteen-minute ride through the winding city traffic and the procession began once more. Posterboard signs and flags held high, the crowd wrapped around a city block until we reached the entrance to a compound where dozens crowded into an entrance gate whose guards had



**Photograph 3 Carlos Mateo Balmelli is greeted by a supporter. Author’s photograph. November 2008. Asunción.**

given up all but a pretense of security and were accepting unexamined personal i.d.s as the unregistered guests walked through the turnstiles.

Carlos Mateo Balmelli, Lugo’s newly appointed Paraguayan General Director of Itaipú, did not have time for lunch but he did give the protestors the cost of the meal they

ate after leaving the compound. Once the two hundred protestors crammed into his office, the tenor of their agitation changed notably. Whereas earlier they had attempted confrontations with excesses and injustices of the past (presenting a written request to renegotiate the Itaipú treaty to the Brazilian embassy, visiting the torture dungeon unearthed three days before), here the unfurled handwritten signs were of support for the new director and “Prison for Bernal.”<sup>15</sup> This was no mere meeting of excited Liberals but instead of key leaders within Misiones Department and members of the Liberal Youth with a clear strategy behind their trip: to consolidate the Liberal party’s legitimacy as a ruling party and to differentiate it from the previous ruling party, the Colorado. Mateo greeted everyone individually as they walked through the door into his office, shaking hands with the men or kissing the women on the cheek twice (as is customary in Paraguay). When my turn came and I said, “¿Cómo está usted?” [How are you?—a greeting] he responded, “No sos paraguaya. ¿De donde sos?” [You’re not Paraguayan. Where are you from?"] And to my answer, “Nueva York,” [New York.] he said, “Hi. How are you?” (in English) before sitting at the conference table.

From the conference table spoke the Governor of Misiones:

We come, in the first place, to give you support as the Liberal director of the binational entity Itaipú and to celebrate your actions to introduce transparency into this institution and to toss out the myth that said that in this entity neither the District Attorney nor the comptroller could enter because it was a binational entity. But by a single resolution on your part, Carlos Mateo, you have thrown out a myth created by the Colorado Party to disgustingly steal the money of the Paraguayan people in the binational

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<sup>15</sup> The previous, ANR (Colorado Party) General Director Itaipú.

entity of Itaipú. Secondly, [we come to] celebrate and congratulate you for the brave attitude to defend the interests of Paraguay as negotiator with the government of Brazil.... A national cause that all Paraguayans support. Thirdly, we bring our support from the department of Misiones to Don Fernando Lugo.... We believe that, wherever there is a Liberal doing his job well, that is a stamp (*timbre*) of honor for Liberalism in Paraguay to the society of Paraguay. And that from wherever we are in the country, we Liberals have to demonstrate that we want to do things well to convert ourselves into an option for the government for 2013.... And so, the only thing I want to do now is a ‘*viva!*’ for the Liberal Party. [Transcription of author’s voice recording November 3, 2008]

“¡Viva!” cried the protestors.<sup>16</sup> “A “¡viva!” for the Liberal director of Itaipú,” the governor said. “¡Viva!” they cried once more.

To this, Mateo responded with gratitude, but also a careful readjustment. “I cannot speak to you as a coreligionist,” he began.<sup>17</sup>

This is a national cause....When I assumed the directorship of this agency, I agreed to embrace the Paraguayan flag over my party’s flag.... I have received the support of several party leaders to fight the mafia that installed itself here.... I am here to tell you as a Paraguayan, a Liberal, a Christian that the thievery of the binational entity has ended. [cheers] .... We are going to imprison those who had the temerity, the audacity, and the arrogance to steal the money of the Paraguayan people. [Transcription

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<sup>16</sup> “*¡Viva!*” (“live!”) is akin to “long live the king!” or “hurrah!”

<sup>17</sup> “Correligionist” refers to a person of the same political party.

of author's voice recording November 3, 2008]

In the middle of the meeting, as protestors handed Mateo a file folder proposal and celebrated his position in the dam, they urged him to call the President. From the head of the conference table, Mateo picked up one of his many cell phones and dialed Fernando Lugo, who answered, even though he was on state business in Mexico at the time. When the executive picked up the call, the room cheered.

Mateo's subtle shifting in the Misiones meeting reflected a deeper difference, one of audiences and publics, that demonstrated an ongoing tension within Paraguayan politics as it tacked a new course following the historic elections of 2008. It also reflected my presence in the room (as had the moment on election day when the police marched out of the voting station after I innocuously took photographs). All of the Liberal Youth and Mateo were aware of the outsider who might convey the content of the meeting. Of the opportunities created by the election of an opposition candidate, perhaps the most important was that of imagination. It was now possible to imagine a Paraguay where political parties other than the ANR seated their candidates in the highest office. It was now possible to imagine a Paraguay where traditionally marginalized groups had political influence through their electoral weight and called to account government representatives to script and enforce legislation that addressed their concerns. The Liberals from Misiones knew that their political party was key in the victory of Lugo. By precessing around key sites of power and contest in Asunción, they exercised participation in the nation-state, a symbolic way of claiming territory for the Liberal party. The peregrination to the places of the most relevant (current) political controversies was a self-conscious act on the part of the Liberal Youth that sought to put Misiones department on the national

political map, to differentiate the party from “corrupt” Colorados by stressing the party’s role in denouncing the graft and the terror violence of the ANR, and, by forging a tighter alliance with a leading Liberal of national stature (a former presidential aspirant), to situate the party (and some of its key leaders) as a viable contender for the ultimate prize: the presidency in 2013.

When I approached Mateo at the end of the meeting, he bade me, in English, to return the following morning for an interview. The following day we spoke about his goals for Itaipú and the difficulties he foresaw in achieving them and the potential he saw in the dam to transform Paraguayan civil society. Mateo, as someone familiar with the dissertation process (he had a Ph.D.), invited me to regularly visit the headquarters in Asunción to learn more about the changes in the dam, saddling me with a stack of books that he thought would be necessary background reading (including the 1973 treaty and the Debernardi volume). And to kick-off the research project, he invited me to visit the dam for a few days while he met with his Brazilian counterpart and spoke at a Mercosur conference where Brazilian President Lula da Silva himself would be present. “It will be very important for us,” he said, “to have a foreign researcher here to see what it is that we are doing” (Personal Interview, November 4, 2008). “Itaipú is a very complicated thing—you have to speak to engineers and we need to speak about the legal aspect,” he continued. “You can fly with us on the Itaipú plane, but you should stay at a hotel in Hernandarias [the city immediately next to the dam.] I have a house in Ciudad del Este, but there are a lot of men—I have many guards.” I happily assented (and paid for my own hotel), not only because of what would be appropriate boundaries for my gender, but out of a concern to not be seen as receiving handouts from the dam’s administration. Thus I

was granted behind-the-scenes access to the world's largest dam at a moment of great international controversy and thus I also had to delicately negotiate my own relationship to the Paraguayan nation-state. Themes that appear in this story repeat throughout the dissertation: virulently partisan politics, "corruption" versus "transparency," gender and the state, the layout of Asunción's historic center, renegotiation with Brazil as patriotic defense of the nation, sweltering days, and the generosity of Paraguayans (of all political stripes) that I met.

Paraguay's new negotiations with Brazil call us to talk about the multiple leftward turns in Latin America as well as the partisan and fractured nature of the Paraguayan state apparatus even as it is the target of mobilization from sectors in civil society. They also allow us to look at relationships between countries, especially regarding resources, and the interlinking of power over human bodies and power over natural bodies (the territory of the nation). These fractures within Paraguay's society, within the state apparatus, between Paraguay and Brazil, and even on a regional level in the Southern Cone, are where we see how sovereignty is constructed and demonstrate what ethnography—with its attention to the "tentative" and "emergent"—brings to the study of nation-state formation. The turn to energopolitics points to the social and political nature of energy—something that seems uncharted in energy discussions (particularly among non-social scientists) in North Atlantic academic and engineering sectors. But the inseparability of the technical, the social, and the political in energy is well-accepted in South American energy circles (both academic and engineering) and not merely because internationally-oriented energy extraction finances leftward turns throughout the continent. In Itaipú, the political and social nature of energy issues was evident from the very beginning of the

project resulting in a sophisticated balancing act by politicians and engineers alike.

### *Chapter Overview*

Itaipú was and is many things to many people. Itaipú was and has again become the promise of development and the emblem of Brazilian encroachment. Throughout this dissertation, we will see Itaipú reveal state-making from the heights of power to the most quotidian bureaucratic rituals, from the forging of multi-billion dollar financial interests in regional economics to a few hundred dollars for a family. In order to be able to discuss later in the dissertation how Itaipú is able to straddle so many functions—drafting international law, implementing a biotech industry great-leap forward—we need to begin with the political and material problems that Itaipú was designed to solve, an origin that still marks the dam today. And so, chapter 1 gives a detailed introduction to the conflictive origins of the dam as well as detailing how the dam works. This includes an account of the technical specifications of Itaipú's energy production and institutional administration and the controversial finances of the dam. As the dam was decided upon, planned, and built, the Paraguayan state itself was built in Stroessner's image.

Chapter 2 continues to explore the construction of the Paraguayan state through Itaipú, but in a clandestine way. Whereas chapter 1 is concerned with the visible monumentality of the dam, chapter 2 focuses on the psychological effects of terror and control. Stroessner's regime ruled in an almost unbroken three decade state of siege (a state of permanent exception if ever there were) and used a repressive surveillance apparatus that stamped out opposition. As part of the state, Itaipú participated in surprising ways in the detention and surveillance of those the regime deemed threatening.

Conversely, it was partially because of how the Stroessner regime wielded Itaipú as a testament to its modernity that the dam became the target of protest from the left.

These experiences of protest and repression were instrumental in building a mobilized progressive sector that, decades later, propelled the candidacy of one of their rank, Fernando Lugo. Lugo's election promised change in Paraguay through change in Itaipú and it is this campaign—and how it articulated its goal of “recovering hydroelectric sovereignty” that is the subject of chapter 3. Victory led to new negotiations with Brazil (chapter 4) that were conducted by two very different parts of the new Lugo government: progressives, Tekojoja, and other social movement members who were now part of the Ministry of Foreign Relations; traditional centrists, the Liberal Party, and other members of more established parties who ran Itaipú. The internationalisms and negotiating strategies pursued by the two factions revealed different epistemological understandings of what the state was and what it was for.

Just the few speeches and comments cited in this introduction reveal that, in Paraguay, Itaipú has been strongly associated with “corruption”—the misuse (culturally specified) of state resources for personal ends and that a campaign for transparency was central to Lugo's new government in its first year (chapter 5). But there was resistance—both individual and system—to the “transparenting” pledged during the campaign. Chief among this was the expectation of favor-granting as a response to the ubiquitous favor-requesting that, in chapter 6, characterized interactions within the Paraguayan bureaucracy.<sup>18</sup>

The last two chapters of the dissertation center on the aftermath of the negotiations with Brazil that were detailed in chapter 4. Lugo's new government was

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<sup>18</sup> In Paraguay, the neologism *transparentar* (to make transparent) is used as a transitive verb.

successful in attaining a new agreement with Brazil—the “Joint Declaration” of July 2009—over power and money-sharing in Itaipú dam, which is detailed in chapter 7. This document came with strings attached, however, and has resulted in a new kind of “integration” in the region—of energy, commerce, and agribusiness—that rests on the power of international law. The Joint Declaration’s promise of more money immediately for Paraguay’s energy ceded to Brazil set off a national debate on how to spend the monies for the development of the country. While chapter 7 is concerned with the future of the region, chapter 8 focuses on two depictions of the ideal future for Paraguay that resulted from the signing of the Joint Declaration.

## Part I

### Hydropolitics and State-Making Power

General Alfredo Stroessner (1954-1989) staked his regime on the provision and control of energy. It was under his watch that the *Administración Nacional de Electricidad* (National Energy Administration, ANDE), the public utility company, began construction of Acaray Dam. But it was the mega-project of Itaipú Binacional—the world’s largest dam at the time—that would symbolize his reign. Itaipú became the visible and invisible referent for Stroessner. Postcards of the dam, showing the mighty waters of the Paraná held back and the wall of concrete rising above the river, were printed and sold along with images of the Paraguay’s natural and historical beauty—a hallmark of modernity. The effects of the dam were seen throughout Paraguay: electricity that lit the cities at night; an influx of wealth into the country from construction contracts and, later, energy sales; a population boom in the Eastern department of Alto Paraná where the dam was located. But, behind the claims to modernity in the dam and in the regime was a repressive state apparatus used to destroy opposition and control the population of Paraguay.

Even as Itaipú powered the regime through energy and money, it afforded the opportunities for ceremoniality and florid bureaucratic rituals through which Stroessner governed Paraguay. A stop to visit Itaipú (even while under construction) was on the itinerary of foreign dignitaries when they passed through Paraguay. Mediatic, ceremonial inauguration moments are key points at which the Paraguayan state is instantiated.

Ribbon-cutting ceremonies for plazas and statues, the first shovel of dirt, or the first time a building is lit are given and taken as signs that the Paraguayan government is “doing” something for “the people.”<sup>19</sup> Through Itaipú, the Stroessner government did its governing over Paraguay’s territory and the Paraguayan people.

And the first thing Stroessner did through Itaipú was resolve a tense international controversy with Brazil over the location of the border between the two countries. Thus, the opening of this dissertation goes to the beginning of Itaipú (or *a* beginning) in order to detail how the dam arose out of a conflict and resolved it. The material and political problems that Itaipú was designed to solve in the 60s still mark the dam today. These first two chapters lay the foundation of the central argument of this dissertation: that through Itaipú we can unlock the process of nation-state formation in Paraguay. This follows a recent turn in the anthropology of the state that looks to the harnessing of energy and control over nature as a way to understand the development of “the state.”

In telling of the founding of the dam, chapter 1, “Drowning a Conflict, Raising the Dam,” details the three main roles of Itaipú—Itaipú as a hydroelectric dam, as a government agency, and as a financial instrument. By so doing, it shows how the dam works and both internalizes and fosters asymmetries between Brazil and Paraguay. Each of these three aspects (energy, institution, finance) was complex because of the sheer scale of the dam—unprecedented resources would have to go in to building and running what was at that time the world’s largest hydroelectric dam. Billions of dollars and thousands of skilled laborers would be needed, all of this overseen and coordinated by a team that understood not just the physics of hydroelectricity and the hydrology of the

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<sup>19</sup> This extends beyond the Stroessner era and into the present (just a quick glance at the President’s official website or campaign flyers from any aspirant reveals that this practice is alive and well today).

Paraná, but also the specifics of mixed energy markets.<sup>20</sup> To all this were added two additional complexities that marked every action and decision within the dam: the binationality of the dam and the asymmetry between the two countries. Not only would these three aspects have to be managed across a national boundary, but the two partners in the undertaking—“equal” partners on paper—were decidedly unequal in size, wealth, and organization. And so, not only were economic rationales at odds with technical constraints at times, these were inflected by the problem of national difference.

In effect, what happened was that the contentious border between the two countries was transmuted from river to institution. Boundaries are sites of intensification of group identity (Barth 1969). The “character” of the two imagined national communities of Paraguay and Brazil came with webs of loyalty and obligation, practices that affirmed belonging, and expectations on what that belonging would produce. For Paraguay, there was the added significance of the war from the 19<sup>th</sup> century. While relegated to history books as the “Paraguayan War” (1865-1870) in Brazil, in Paraguay, it was an ever present memory, commemorated annually, and called the “War of the Triple Alliance,” always invoking the martyr status of the landlocked country. Paraguay, under the leadership of Mariscal Francisco Solano López, lost the devastating war to the combined forces of Argentina, Brazil, and Uruguay, wherein nine out of ten Paraguayan males (including children and youth) died and a third of the national territory was claimed by Argentina and Brazil (Whigham 2002). It is impossible to overstate the importance of the War in the Paraguayan imaginary—it is referenced daily in the press and celebrated in the

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<sup>20</sup> Whereas ANDE was state-owned in Paraguay, Brazil’s public utility, Eletrobrás, was a public/private partnership (where the minority shares were publicly traded).

nation's sacred calendar.<sup>21</sup> The need to recapitulate the defeat of the War (at least to a Paraguayan audience) colored every binational controversy from the mechanical technicalities to the titles of positions to the balance books.

Itaipú arose as much from political needs as it did from economic considerations and these options were limited by the constraints of the rules of physics and the distribution of natural resources. To understand how personal fortunes and development dreams were made by Itaipú, we need to understand the making of three things within the dam: the making of a megawatt hour (energy), the making of a decision (institutional governance), and the making of the *tarifa* (the electricity rate). And so, chapter 1 opens with an account of the conflict that gave rise to the binational dam before explaining the engineering and human resource technicalities of the dam, culminating in what is arguably the most controversial aspect of Itaipú, the finances of a multi-billion dollar dam.

The second chapter of part I, "The Power of Terror and Control," delves into the making of the Stroessner regime through its repressive arm and the coterminous formation of an opposition to Stroessner. Itaipú, like all state institutions in Paraguay, was linked to the security and intelligence services through regular communication. The dam, though not ostensibly part of the disciplinary apparatus, fully participated in the complex system coordinated through the Ministry of the Interior. Itaipú originated and received intelligence information regarding persons of interest. It even went so far as to

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<sup>21</sup> For example, Paraguay is one of the first countries to have celebrated an annual "Día del niño"—Day of the Child—akin to Mother's Day. On August 16 every year, children receive gifts and messages of adoration from adults, in newspapers, and even from politicians. It is a major event in stores where baskets of plush animals and candy are prepared the way Easter is celebrated in the United States. The day is even closely associated with the political calendar—Paraguay's presidents assume office on August 15. August 16, the Día del Niño commemorates the battle of Acosta Ñu, a battle in 1869 where Brazilian (and Argentine) troops routed and slaughtered Paraguayan forces made up chiefly of boys aged 6 to 13. (Most of Paraguay's battle-aged men had already perished in the war.)

physically detain some individuals and provide excuses to detain many more. At the same time, because Itaipú was the visual emblem of Stroessner's modernity, it was the target of opposition protest. Construction workers within the dam learned to organize as labor through strikes in Itaipú. Students and urban workers and Catholic agrarian leagues found a way to talk about large capitalist interests through discussing the energy policies of the binational. And the experience of violence—for those who survived—though leaving a psychological wound, also forged deep bonds of commitment and determination with others. It is a theoretical and methodological intervention I am making to assert that any scholarship on the Stroessner or post-Stroessner Paraguayan politics consider the effects of violent domination through the Ministry of the Interior apparatus—even when talking about hydropolitics with Brazil.

Developmentalist dreams were heavily tempered with the goals of regime consolidation, strengthening a strategic allegiance with Brazil, enriching allies to create a Colorado Party loyal to Stroessner, eliminating the opposition, and bringing definitive proof of modernization. Hydropolitics in Itaipú were a way of making the Paraguayan state—both material force and ideological underpinnings—in the image of the regime that controlled it.



**Photograph 4 Itaipú Binacional hydroelectric dam, seen from the Brazilian side. Author's photograph. April 7, 2007.**

## Chapter 1:

### Drowning a Conflict, Raising the Dam

Like many stories told in Paraguay, the story of Itaipú begins in the War of the Triple Alliance (1865-1870). When Francisco Solano López died at the hands of a Brazilian soldier on the hill of Cerro Corá, the three invading countries, Argentina, Brazil, and Uruguay, had at last attained the aim of their then-secret agreement: to put an end to the Paraguayan government of López. Rationale complete, the task of rebuilding the peace lay ahead. Occupying Argentine and Brazilian troops shared Asunción uneasily. South America's two giants had put aside their antipathy only in light of an even more despised foe: a Paraguayan dictator with pretensions to regional influence ending decades of a fiercely isolationist policy (the War was set off when López moved his troops into Uruguay to prevent outside involvement in that country's civil war). For two years after the hostilities ended, Argentine and Brazilian troops refused to leave the Paraguayan capital before the other had signed a peace treaty with the nascent Paraguayan government (being set in place by the occupiers). A national map was definitively drawn for Paraguay where contested land to the east was at last apportioned to Argentina and Brazil, the loss of a third of the territory once claimed by the Paraguayan government.

Valuable *yerba mate* producing territory was lost to Argentina and Brazil—the colonial and early national wealth of the region in commercial agriculture—and, as a boundary set between the victors, the majestic Iguazú cataracts just before the Iguazú

river meets the much larger Paraná.<sup>22</sup> Paraguay's boundary with Brazil was also set by the peace treaties and, like Argentina's border with Brazil, included a majestic set of waterfalls, the Salto del Guairá, Canindeyú, or the Salto Grande de Sete Quedas. But the text intended to bring resolution to conflict actually ensured that Paraguay and Brazil would once again be forced into confrontation through the use of a single word: *hasta*. *Hasta* is a preposition often translated as "until" but may or may not also mean "including." The 1872 Treaty said that:

The territory of the Empire of Brazil is separated from that of the Republic of Paraguay by the stream or canal of the Paraná River, where Brazilian possessions begin at the mouth of Iguazu up to [*hasta*] the Salto Grande de Sete Quedas of the same Paraná River. From the Salto Grande de Sete Quedas, the dividing line continues by way of the Mbaracayú mountain range until it concludes. [Article 1]

And so, for decades following the end of the War, governments in Brazil squabbled with governments in Paraguay over the precise location of the border between the two countries as tensions ran high between the two countries. Brazil argued that its boundary with Paraguay included the Falls whereas Paraguay argued that it went up to the Falls and thus they were shared by both countries.

The regime of Alfredo Stroessner was to put an end to that. Stroessner came to power in 1954 to stop twenty years of upheaval following the Chaco War (1932-35)—in which he had fought—as the Colorado Party (ANR) attempted to secure their control of the country after decades of Liberal Party rule (which dominated the presidency, and thus the government, from 1904 on). When Liberal president José Félix Estigarribia died in an

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<sup>22</sup> Over the next century, the waterfalls became a shared protected national park.

airplane crash on September 7, 1940, his Minister of War, General Higinio Moríñigo Martínez was appointed interim president. But rather than hold elections as promised, Moríñigo postponed them until February 1943, where his name alone appeared on the ballot. Having lost the support of the Liberal Party, he attempted to govern through a 1946 coalition of the Colorado Party and the Febrerista Party (a socialist party), but he remained in power because of the support of the military. Civil War ensued in 1947 as disillusioned Febreristas joined forces with the Communist Party of Paraguay and the Liberals. With support from only part of the military and from the Colorado Party, Moríñigo was able to maintain control, holding elections where only one name—Juan Natalicio González, a Colorado—appeared on the ballot in February 1948. Moríñigo was ousted by a coup; his successor, Juan Manuel Frutos, handed the presidency to González in August 1948. A successful military coup in January 1949 (an unsuccessful one had been attempted in October 1948) brought General Raimundo Rolón to power for four weeks, who was then followed by Felipe Benigno Molas López (a Colorado), who remained in office until September 1949 when he was forced to resign. Federico Chávez Careaga, also a Colorado, took the helm that month and was elected for a three-year term in 1950, followed by reelection in 1953. Alfredo Stroessner (having risen through the ranks of the military) then led a coup to depose Chávez in 1954. Tomás Romero Pereira, a member of the Colorado Party, took office in May of that year (with Stroessner's backing) and then was replaced by Stroessner himself in August 1954 after an election where Stroessner's name was the only one listed.

Almost immediately, Stroessner began a strategy of rapprochement with Brazil known as the *Marcha Hacia el Este* (March to the East), which would characterize his

reign and indelibly affect Paraguay long after his regime ended. As a landlocked country, Paraguay's leaders had seen but two general options for international engagement in order to avoid annexation by its more powerful neighbors: either isolation or targeted association with one of its neighbors to the detriment (and annoyance) of the other because of the bitter rivalry between Argentina and Brazil. Isolation, the policy begun with the first ruler, Dr. Gaspar Rodríguez de Francia (1814-40), was dealt its final blow in the War of the Triple Alliance. For Paraguay afterwards, the question was: Argentina or Brazil? Put simply, the *Marcha* was a geopolitical reorientation to shift Paraguay's external dependence from Argentina to Brazil. Paraguayans will sometimes attribute the external shift to old party politics—that the Liberals had traditional loyalties toward Argentina and the Colorados toward Brazil, summoning as evidence that Paraguay's Liberal Party was founded in 1886 in Argentina while the Colorado Party was founded in 1887 by Bernardino Caballero while he resided in Brazil. As soon as he stepped into power, the Stroessner government initiated a series of international agreements with the Brazilian government to develop the built environment of the eastern hinterland, to improve trade between the two countries, and to even provide logistic support to Stroessner's pet project of a hydroelectric dam on the Acaray River.

With IDB funding and Brazilian expertise, Paraguay's first hydroelectric dam, Acaray, with 90 megawatts of installed capacity, was to usher a new wave of advancement in the country. Dreams of modernization were actualized with pomp and circumstance as the public utility company ANDE was reorganized under the leadership of engineer Enzo Debernardi. But a construction boom in the built environment and a greater economic articulation to Brazil were only part of the strategy of the *Stronato*, the

period of Stroessner's reign. To consolidate control within Paraguay, Stroessner had Edgar Ynsfrán, first as chief of police and shortly thereafter as Minister of the Interior, transform the security apparatus into a sophisticated and ubiquitous surveillance and detention system that controlled, documented, interrogated, and disappeared thousands of Paraguayan citizens.<sup>23</sup> As the opposition fled to neighboring Argentina and Brazil in the late 1950s, intending to stage a rebellion from abroad, Ynsfrán's Ministry of the Interior deepened cooperation with the police forces of Paraguay's neighbors (Folch N.d. a). But public posturing in Paraguay—where memory of the War and anxieties expressed in terms of the country's landlockedness took their form in a discourse of fierce patriotism and defense of the sovereignty of Paraguay's territory—collided with the Brazilian military junta that overthrew President João Goulart in March 1964. The tenor of Paraguayan claims to shared or even full ownership of the Salto del Guairá had increased in the early 1960s as the benefits of the Paraná's hydroelectric potential moved from hypothetical to actual during the construction of Acaray (Cardozo 1965; Fretes 1964; Laconich 1964).

To halt Paraguayan claims on the waterfalls and on their touristic and hydroelectric potential, the Brazilian government moved troops near the Falls in June 1965 (Debernardi 1996; Menezes 1987:69).<sup>24</sup> This was a problem on a number of fronts for the Stroessner regime. As a military government whose self-justifying rhetoric included claims to patriotism and nationalism—supposedly unlike the at-times illegal opposition, they were committed by their rhetoric to repudiate any perceived violation of Paraguayan sovereignty by any means necessary. The occupation also compromised Stroessner's

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<sup>23</sup> For more, see Chapter 2.

<sup>24</sup> Debernardi (1996) is an unparalleled historical and technical analysis of Itaipú. His work serves as an important basis for this chapter.

rapprochement with Brazil, potentially undercutting all the advances, both political and physical, made in the March to the East. And it was militarily unwinnable. After the population devastation of the War of the Triple Alliance, Paraguay once more suffered the disproportionate loss of male lives during the War of the Chaco (1932-35). And even if the population who might be expected to go to war had not newly been culled, the differences in size, wealth, and might between Brazil and Paraguay ensured Brazilian victory. What was a rhetorically virulently nationalistic regime to do when its neighbor and preferred ally amassed troops at the contested waterfalls? Tread carefully.

In the past, the solution to this conflict would have come two ways. During the colonial period, there would have been ongoing skirmishes until a decision was made by the Pope in Europe about where to draw the line of ownership between the Spanish and the Portuguese empires. During the first century and a half of early national rule, there would have been a full-scale war until one of the parties was defeated and the border redrawn. But Paraguay had no interest in a war it would lose. And chief among the deterrents for Brazil was Argentina. Argentina and Brazil were rivals for dominance in South America, waging battle after battle with each other from the 19<sup>th</sup> century onward and, in the 1960s, the most important military contingency plan for each country was a land, sea, and air war with the other. As a land-locked country, Paraguay intentionally parlayed this antagonism to its benefit. The buffer state of Uruguay had also been created and sustained by this rivalry. In fact, the only time Argentina and Brazil had not been on opposite sides of the battlefield was in their short-lived and tense unity against Paraguay in the War of the Triple Alliance. Paraguay might lose a full-scale war with Brazil, but this would bring Argentina into the conflict and—even if Brazil won a war with

Argentina—the damages and devastation of this escalation were unpredictable.

Stroessner's government reacted to the *casus belli* with delicacy, employing a tone of dialogue and judicious diplomatic complaint with Brazil and putting down the growing public protest within Paraguay with force. Since the 1950s, engineers in Brazil had begun discussions in earnest about how to take advantage of the hydroelectric potential of the Paraná River in the southwest of Brazil. There had even been talk of selling energy produced by Brazil in that region to Paraguay, to compensate for any effects on the Paraná's flow that upriver dam-building might have. As time passed, the conflict garnered international attention—mostly negative toward Brazil. Even U.S. Secretary of State Dean Rusk visited Asunción in May 1966 and conversed with Stroessner about the issue. Uruguay offered to mediate between Brazil and Paraguay as public anger within Paraguay intensified.

Finally, Brazil's chancellor Juracy Magalhães invited his Paraguayan counterpart Raúl Sapena Pastor to a meeting in Foz do Iguazu to attempt to find a resolution to the matter. From June 21 to June 22, the two teams met at the Hotel Cataratas, close to Iguazú Falls. Whereas Pastor's team consisted of other members of the Ministry of Foreign Relations (including the Paraguayan ambassador to the United States), top members of the Colorado Party, and members of the *Comisión Demarcadora de Límites* (Border Definition Commission), Magalhães' team included the Minister of Mines and Energy and the president of FURNAS (a subsidiary of Eletrobrás, the public energy company) who was an engineering expert on hydroelectricity. Rumor had it that Stroessner, officially in Asunción at the time, was actually at a ranch near Puerto

Presidente Stroessner, keeping track of the negotiations (Debernardi 1996:69).<sup>25</sup> The difference between the two teams reflected a difference in their priorities—for the Paraguayan side, it was a matter of attempting to define the border and redeployment of the Brazilian troops; for the Brazilian side, it was a matter of energy. The situation of possession of the falls and the location of the border was at an impasse and could not be resolved. But then Chancellor Magalhães made a provocative argument. He suggested submerging the entire area of dispute in a reservoir for a future dam on the Paraná (Debernardi 1996:71).

The argument worked and on June 22, 1966 three documents were emitted. The first was an official Brazilian note, reaffirming the 1872 Treaty and removing its troops from the Salto del Guairá. The second was an official Paraguayan note, also affirming the 1872 Treaty. The third was the Acta de Foz do Iguacu signed by both chancellors (Act of Foz do Iguacu, also referred to as the Acta Final or Acta de las Cataratas). The 1966 Act had eight short articles that proposed a resolution to the crisis and a way forward. After reaffirming the “traditional friendship between the two brotherly peoples [*pueblos hermanos*]” (Article 1), it continued with three critical developments:

Article III: [The Ministers of Foreign Relations of Brazil and Paraguay] proclaimed the disposition of their respective governments, by common agreement, to study and evaluate the economic possibilities, in particular of hydraulic resources, of the two countries’ joint ownership [*condominio*] of the Salto del Guairá or the Salto Grande de Sete Quedas.

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<sup>25</sup> This is an excerpt from an interview by a Brazilian journalist with Magalhães himself in 1978. This intelligence was gotten from “organismos de información.” However, the idea of using the hydroelectric potential of the Falls antedated this meeting. Stroessner had met with Brazil’s president Goulart in 1963/4 to discuss how this might happen. And so, one read of the Guairá casus belli is that it was a result of sabre-rattling not over the Falls, but over how much of the hydroelectric potential would belong to each side.

Article IV: They agreed to establish, from that point onward, that the electric energy produced by the difference in height of the Paraná river, from and including the Salto del Guairá or the Salto Grande de Sete Quedas up to the mouth of the Yguazú river, shall be divided in equal parts between the two countries, being recognized by each one the preferential right to acquire this same energy at a fair price [*precio justo*], that will be fixed by specialists of both countries, of whatever quantity that is not used to the satisfaction of the needs of consumption of the other country.

Article V: The Ministries of Foreign Relations agreed to participate in the meeting of the Ministries of Foreign Relations of riverine states of the Plata Basin [*Estados ribereños de la Cuenca del Plata*] to be held in Buenos Aires at the invitation of the Argentine government to study the problems common to the area...

The 1966 Act not only resolved the direct conflict, it set the groundwork for how to make decisions about water, energy, and ultimately international relations in the region. Even as it eliminated the present cause of the problem, the Act rescaled the border and the conflict.

By repeatedly using both the Paraguayan and the Brazilian terms for the Salto del Guairá, the Act made no definitive judgment on possession of the waterfalls or the

precise location of the international boundary. Instead, the joint ownership of the Falls was subsumed into joint ownership of the electricity produced by the stretch of the Paraná river that forms the boundary (per the 1872 Treaty) between Brazil and Paraguay. Though proclaiming the “equality” of the two partners, the Act internalized the economic differences between the two countries by foreseeing that one of the countries (i.e., Paraguay) might not be able to consume all of its energy and stipulating that the other country (i.e., Brazil) would have the preferential right to acquire this energy at a “fair price.” Thus the Act left open both what qualified as a “fair price” and the possibility that a third party country could acquire the energy if the partner country decided not to purchase it, both of which would prove controversial in the future. That Argentina would have an immediate problem with the decision was so obvious that it was addressed in the Act. In the context of foreign relations governed by a doctrine of national security, sharing hydroelectric resources was a risky step in a new direction for both Brazil and Paraguay even as it destabilized the careful balance of power over international rivers between the countries *aguas arribas* (upstream) and *aguas abajas* (downstream) from the proposed dam. Because it was an *acta* (act or agreement), it did not have the full force or the consensus building experience necessary for a *tratado* (treaty), which must pass congressional approval. Significant political sectors in Paraguay and Brazil were in staunch disagreement with how much their respective countries had yielded to the other.

The following year (1967), a *Comisión Mixta* (Brazilian-Paraguayan Joint Technical Commission) made up of the leadership of both Eletrobrás (Brazil’s public utility company) and ANDE began planning what would become the world’s largest

dam.<sup>26</sup> Although Brazil possessed considerable experience in hydroelectric construction (at that point it had 40 dams and today has 120) as the majority of its electric energy needs was met by hydroelectricity, the Joint Technical Commission invited firms from North America and Europe to submit proposals to create the plan to construct the hydroelectric dam. A consortium of U.S. firm International Engineering Company Inc. (IECO) and Italy-based Electroconsult S.p.A. (ELC) won the competition and began studies on February 1, 1971. Two years later, IECO-ELC's Preliminary Feasibility Report was submitted to both countries, taking into account the construction demands, the financial planning, the institutional governance between two countries, and a wide range of energy considerations. It called for a gargantuan hydroelectric dam near an island called Itaipú in the Paraná with fourteen generators having an installed capacity of 765 megawatts each for a total of 10,710 megawatts and a budget of \$2.033 billion (construction for \$1.461 billion, interest payments of \$572 million).<sup>27</sup>

In 1973, Paraguay's entire electricity sector was Acaray Dam at an installed capacity of 90 megawatts and a high tension transmission line of 220 kilovolts, with an annual consumption of 190 kilowatt hours per person (Debernardi 1996:113-114). At the same time, Brazil's electricity sector was more varied, with an installed capacity of 16,700 megawatts (of which 12,438 megawatts, or 74 percent, were from hydroelectric sources) (Debernardi 1996:118). Because of the way hydroelectricity is produced, it must be used immediately and so hydroelectric dams are built only with the promise that there will be a market for all the energy as soon as they are completed. Without an assured

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<sup>26</sup> "Centrais Elétricas Brasileiras, S.A." or "ELETROBRÁS." For the sake of readability, even though it is a contraction and written in all-caps, in this dissertation I have chosen to use the title case.

<sup>27</sup> Itá-ipú means "the rock that sings" in Guaraní. It lay just north of the dam and was flooded in the reservoir.

market, banks and other lenders will not even loan money for construction. This implies that not only must there be a market with sufficient demand, but also the infrastructure of high tension transmission lines to carry the electricity. Paraguay's half of the dam as planned in early 1973 was almost 60 times its capacity at the time and, even for the construction of Acaray the decade before, it had been unable to promise a sufficient market to absorb the entire production of the 90 megawatt dam. Itaipú was unbuildable, unfundable unless Brazil could and would agree to purchase all the energy produced by a dam that would nearly double its own installed capacity. This means that Itaipú was a speculative gamble on the growth of the Brazilian economy.

However, energy production and consumption were as much a matter of political debate as they were about technical specification and were at the mercy of politics within Paraguay and within Brazil. As IECO-ELC's Preliminary Report was being prepared, the Brazilian-Paraguayan Joint Technical Commission began informal conversations on how to structure a hydroelectric agreement between the two countries. Toward the end of 1972, these conversations became increasingly targeted and less hypothetical. The Paraguayan Ministry of Foreign Relations created a task force to take into consideration the points of concerns from the Joint Technical Commission and to prepare Paraguay's line of argument in anticipation of a further phase of negotiations. That phase came in January 1973 with the submission of IECO-ELC's report to both governments. Over the first quarter of 1973, Foreign Minister Sapena Pastor traveled to Brasilia accompanied by a team of negotiators and technicians on a monthly basis to draft a treaty. With the counterexample of Paraguay's experience of Yacyretá with Argentina in mind—where the agreement to construct a binational dam had been signed in 1922 and, as of 1973, no

progress had been made—the teams from both countries determined to not let the process stall indefinitely.

On April 26, 1973, the *Tratado de Itaipú* (Itaipú Treaty) was signed in Brasilia by Raúl Sapena Pastor and Mario Gibson Barboza, the foreign ministers of Paraguay and Brazil, respectively, in a ceremony presided over by the presidents of Paraguay and Brazil. The day before the signing, in the midst of diplomatic festivities, Argentina’s ambassador to Brazil took a “routine” trip to Buenos Aires, an action interpreted as a sign of Argentina’s displeasure over the Treaty (ABC Color 1973a).<sup>28</sup> Although celebrated as a “transcendental” act, the Treaty faced a series of obstacles. Unlike the 1966 Act, treaties required congressional approval before becoming law and a series of debates in the press, in the legislature, and in public were set off. On Tuesday, June 5, 1973, after days of discussion, Paraguay’s Senate approved the Treaty with a vote that fell along party lines. Eighteen Colorado (ANR) senators voted with two Liberal senators to support the Treaty (ABC Color 1973b). Eight “radical” Liberals voted against it. The story was much the same in the lower house. The debate in the House of Deputies was longer than in the Senate, with the subcommittee on Foreign Relations analyzing the Treaty article by article. Again, the final vote outlined party divisions as forty Colorado deputies and three Liberal deputies voted in favor of the Treaty while the fourteen deputies from the “radical” faction in the Liberal Party voted against it on Wednesday, July 11, 1973.<sup>29</sup> The opposition to Stroessner and the more progressive sector of the Liberal Party found the 1973 Treaty harmful to Paraguay because of the stipulations that the most important

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<sup>28</sup> One of the immediate results of the Treaty was that Paraguay’s Yacyretá Treaty with Argentina was signed promptly thereafter, a counterbalance to Brazil’s expansion with Paraguay. Perón supposedly said, “Sign the Treaty first, negotiate the details later.”

<sup>29</sup> The Treaty was enacted by the Brazilian National Congress on August 28, 1973.

positions be filled by Brazilians and the requirement to cede any unused energy to the other partner in the dam (rather than selling to third parties) (Mora, Casco, Mora 2006). A year later, Itaipú Binacional was formally constituted (May 17, 1974), with a Governing Council and Executive Board that took over from the Joint Technical Commission.

The political intrigues and comparative underdevelopment of Paraguay set the backdrop not only for the decision to build the dam, but also the years that followed. In spite of some legislative and popular opposition, the plans went forward. As construction dollars and hydroelectric power flowed into Paraguay, Stroessner's regime found firm footing outside of just the anti-communist foreign policy of the United States. Under the auspices of the dam's construction and early years of production, the Paraguayan state apparatus grew in the shape of the dam, as trees on a mountainside take the shape of the wind that buffets them. Each of the three main functions of Itaipú discussed in the next sections of this chapter—the dam as energy, government, and finance—also changed over time.

### *The Technicalities of Itaipú as a Hydroelectric Dam*

At the time it was planned and built, Itaipú was the world's largest hydroelectric dam, a technical marvel that attracted the attention of the engineering and energy communities world-wide. In this section, I turn to an account of Itaipú as a hydroelectric dam by describing how hydroelectric dams work in general and the technical specifications of Itaipú in particular. A hydroelectric dam is an innovation on old technology that incorporates advances in physics from the 19<sup>th</sup> century in order to generate electricity. Like mills that were powered by rivers to grind wheat, a

hydroelectric dam uses water to turn a *turbine* (the equivalent to a mill “wheel”). Water from the reservoir travels down a tube called a *penstock* causing the turbine to spin which turns a *rotor* (containing electromagnets called *poles*) as it sits in a stationary *stator* (containing copper or another conductor). This spinning generates electricity because, as Michael Faraday demonstrated in 1831, when a magnetic field is rotated near a conductor, a current is induced in the conductor. The current is then carried along wires away from the generating unit (the turbine, rotor, stator, and smaller components) to a *transformer* and then to a substation with long-distance power lines that take the energy to its destinations. The amount of electricity generated is dependent on the volume of water in the reservoir and on the difference in the height of the water held in the reservoir versus the height of the water in the river below the dam, or the *head*.

Because of the way it is produced, hydroelectricity cannot be stored.<sup>30</sup> At current levels of technology, storage in batteries is prohibitively expensive and inefficient due to energy loss, therefore, hydroelectricity must be used even as it is generated.<sup>31</sup> What this practically means is that at times when energy consumption is expected to increase (e.g., in the early evening, when lights are turned on and dinner is being prepared), a hydroelectric dam’s water intake system allows more water to enter the penstocks so that more energy is generated. In order to prevent power shortages, this is timed based on calculations from previous years’ energy usages and predictions of increased demand. Dams are designed to operate with reservoirs at an ideal filling level.<sup>32</sup> If the water level

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<sup>30</sup> Technically, the energy that is stored is potential energy in the reservoir.

<sup>31</sup> What this also means is that comparison with forms of energy that can be stored, e.g., petroleum and carbon, is complicated and inadequate.

<sup>32</sup> For Itaipú, this is 220m elevation (above sea level)—the height of the dam is 225m. The maximum filling level is 223m and the minimum is 197m. Because of the Paraná’s flow, the reservoir took fourteen days to fill. (Itaipú Binacional 1998: 45).

drops below this (e.g., during a dry season or a drought), the generating units produce less energy than average or the water intake is closed in order to let the reservoir refill. In order to prevent the reservoir from exceeding the maximum filling level, spillways are opened to release excess water from the dam. A workforce of engineers and technicians is needed twenty-four hours a day to monitor the energy production, calculate estimated demand, and maintain the physical dam, even with the advent of computer technology.

Electricity generation requires planning and coordination—engineering advisors and meteorologists predict how much can be generated at a given time and this must be coordinated with substations and companies on the receiving end, who agree to purchase and distribute the electricity. That is to say, it depends on decisions made by people, not just the built capacity of the dam. And so, some years will have higher or lower amounts produced based on physical constraints—such as a drought, on end-user financial constraints—such as a decrease in demand due to an economic recession, and on administrative constraints—where the dam’s administrators negotiate more sales or more production. Because of the location of Itaipú and the condition of the Paraná River, Itaipú is less exposed to the dangers of drought than other hydroelectric dams. The fact that Itaipú would be downriver from 40 other dams within Brazil also means that it was easier to regulate the reservoir level in Itaipú because, depending on the condition of the Itaipú reservoir, upriver dams can adjust how much water was flowing down the Paraná.

IECO-ELC’s Final Report served as a guide for Itaipú’s Executive Board, which oversaw the entire construction of the dam from 1973 to 1991 (Grupo de Estudio del Río Paraná 1974). Nevertheless, over the next three decades, alterations to the technical specifications of the project were made. The Final Report planned for the construction of

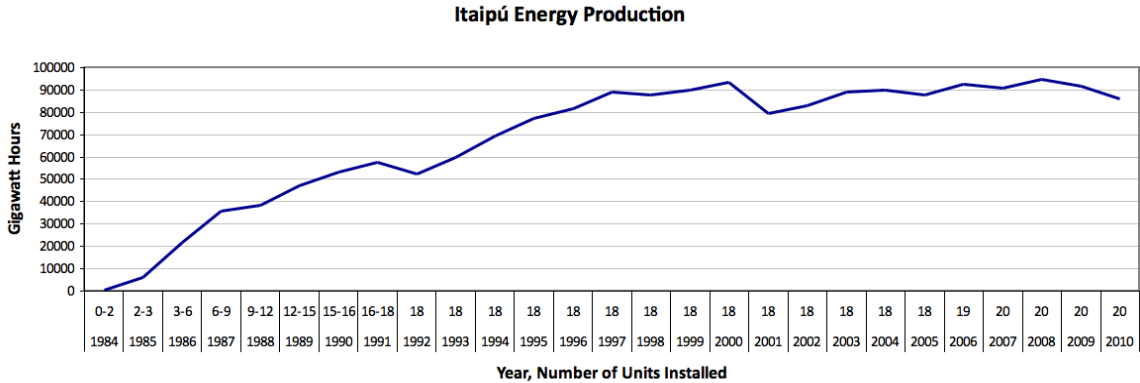
eighteen generators (four more than the Preliminary Report) with space for the addition of two more, which would each have the installed capacity of 700 megawatts for a total installed capacity of 12,600 megawatts, rather than the originally planned 10,710 megawatts. With the eighteen generators, Itaipú was expected to produce between 61,920 to 71,190 megawatt hours annually (Grupo de Estudio del Río Paraná 1974: 0011F804). As each of the eighteen generators came online between 1984 and 1991, the dam's annual production increased: from 277 megawatt hours in 1984 with only two generators to 52,268 megawatt hours in 1992 with all eighteen (Itaipú Official Website. Accessed January 6, 2011). Within three years, Itaipú's annual production exceeded the maximum anticipated in IECO-ELC's Final Report, with 77,212 megawatt hours generated annually, and production has steadily gone up. With the addition, in 2006 and 2007 of two more generators, the annual production for Itaipú in the first decade of the 2000s has been 89,232 megawatt hours, with a world record production of 94,685 megawatt hours in 2008.<sup>33</sup>

The causes for this regular excess are the technical attributes of both the dam and of the Paraná River at the point of Itaipú. Although the turbines were constructed to generate 700 megawatts, they were so well-built that they regularly run at more than 740 megawatts with no added strain (Personal Interview, Itaipú Engineer, November 5, 2008). The fact that Itaipú was built to take advantage of a natural decline in the river at the Salto del Guairá and at a point where vast amounts of water flow through the river

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<sup>33</sup> At any one time, only 18 generators may be in operation. This is per an agreement signed between Argentina, Brazil, and Paraguay in 1979—out of Argentinian concerns for its downstream river rights. The two unused turbines undergo maintenance allowing for improved functioning of the dam. Note that, under the recent administration and in the economic downturn of recent years, these numbers have gone down. In 2010, the annual production was about 85,000 gigawatt hours. While its installed capacity is 14,000 megawatts, its working installed capacity is 12,600 megawatts, meaning that Itaipú is stunningly effective a energy generation. At almost half the installed capacity of Three Gorges, it produces more than the Chinese dam.

channel has made Itaipú an incredibly efficient hydroelectric dam, even compared to other dams on the Paraná and in Brazil.



**Figure 1 Itaipú energy production, gigawatt hours. Source: Itaipú.gov.py**

Because it took only fourteen days to fill the reservoir initially and because of the volumetric flow of the Paraná at that point in the river, during particularly wet months, administrators will allow so much energy to be generated that the level goes below the ideal filling level of 220 meters, knowing that the reservoir will be replenished quickly. When the Itaipú reservoir is filled to the ideal filling level, the amount of landed flooded is 1350 square kilometers. For a point of comparison, Yacyretá, which was built with an installed capacity of 4,040 megawatts, has flooded 1600 square kilometers of territory and counting. And the other top ten dams worldwide had similarly unfavorable numbers compared to Itaipú.

Numbers like these are hard to envision. In 1992 (the first year all the turbines were online), the electricity generated by Itaipú supplied 25 percent of Brazil’s electricity consumption and 95 percent of Paraguay’s. Even as the dam’s production increased, as did the consumption of electricity in both countries, the proportion of energy that Itaipú supplied decreased. In recent years, this stood at 19 percent of Brazil’s consumption and

about 88 percent of Paraguay's. For the sake of another comparison, New York City's total electricity consumption averaged about 50,000 gigawatt hours between 1997 and 2007 (The City of New York 2008:27).<sup>34</sup> Itaipú produces enough electricity to power almost two New York Cities. In 2009, average U.S. electricity consumption was 1460 watt hours annually, the average per capita in Brazil was 226 watt hours and the average in Paraguay (for 2007) was 111. Though Itaipú was surpassed in installed capacity by Three Gorges Dam in China (22,500 megawatts), the annual production of Three Gorges was 80,812 gigawatt hours in 2008 and 79,470 gigawatt hours in 2009. In 2011, Itaipú generates enough electricity to power 20 (twenty) Paraguays; in 1973, it would have been able to power 120 (one hundred twenty) Paraguays.

The dam's energy and its imposing physical monumentality have an obfuscating effect: it is so gargantuan that it can become impossible to imagine or understand what these numbers mean. That is to say, in Paraguay, if 6,000 gigawatt hours is the annual amount of energy consumed in the entire country (as it is today), then both 20,000 gigawatt hours and 40,000 gigawatt hours are excessive, huge amounts. As numbers get large, larger than the customary daily usage of the person, they become increasingly harder to imagine and understand. The difference between 20,000 gigawatt hours and 40,000 gigawatt hours becomes meaningless when looked at from the vantage point of 6,000 gigawatt hours. And certainly a number like 95,000 gigawatt hours could just as easily be 40,000 or 950,000 gigawatt hours. These differences are, of course, meaningful in other contexts—in Brazil, where 40,000 is not enough to power the country but where 950,000 is too much, in the United States, where 40,000 would lead to regular blackouts in the city of New York and 950,000 is less than the total electricity consumed by the top

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<sup>34</sup> A gigawatt hour is 1,000 megawatt hours.

five states in a year.<sup>35</sup> The point here is that these numbers, because of their size, drift into the realm of fantasy in Paraguay. They lend an air of unreality to Itaipú, which can give a tenor of naïveté to the way Itaipú is described in public discourse in Paraguay and, as we will discuss below in the finances, permit those in strategic positions to take advantage of the unreality: through siphoning off electricity or money. The size of Itaipú, its unimaginability, is what gives it its *deus ex machina* character, as if it could almost magically resolve all the problems of Paraguay.

Because of Itaipú's unprecedented size, it raised technical questions that had no model for resolution. It itself became an important worldwide metric for how to mix cement, divert a river, construct turbines. But each of these technical questions was inflected by not only engineering concerns, but the binationality of the dam. And so, the Itaipú Executive Board, which had taken over from the Joint Technical Commission to oversee the implementation of the construction plan, walked a thin line between questions of physics and questions of politics. This also meant that decisions were often tinged with nationalist hues and that the construction plans embodied the differences between the two countries. While the Salto del Guairá were to be drowned by the filling of the reservoir, the border between the two countries was still indispensable. A line was, literally, drawn in the concrete from the base of the dam at the river bed through the powerhouse structure that topped it, even to the middle of the conference table in the Operations Building where the full Executive Board sits in meetings, with the Paraguayan officials on one side of the line and the Brazilians on the other. To the west of this line, the *margen derecha* (right bank) of the Paraná, the machines were constructed to specifications meeting Paraguay's electrical system; to the east of the line,

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<sup>35</sup> [http://www.statemaster.com/graph/ene\\_tot\\_ele\\_con-energy-total-electricity-consumption](http://www.statemaster.com/graph/ene_tot_ele_con-energy-total-electricity-consumption).

the *margen izquierda* (left bank) of the Paraná, they were constructed to match Brazil's system. This does not mean that different construction standards were applied to different halves of the dam—this would have been disastrous both because Paraguay lacked the hydroelectric experience of Brazil and because of the temptation to cut corners to save on equipment costs and pocket the difference.

The fundamental structural difference between Paraguay and Brazil was that while Paraguay's energy grid, like much of Spanish America and the United States, operated at a frequency of 50 hertz, Brazil had a system that used 60 hertz. When it came time to build a shared power plant, this proved to be a dilemma because Brazil had agreed to purchase not only its half of the electricity, but much of Paraguay's half and, naturally, wanted that energy to be in a form that suited its network. The question of what frequency the dam should produce grew into a diplomatic controversy (at least within Paraguay) since if its half of Itaipú energy were produced at 60 hertz, it would insert a barrier for future attempts to increase its consumption of that energy. The other option—to change the entire electrical grid of Paraguay from 50 hertz to 60 hertz—felt like a capitulation to Brazilian dominance. The solution, wrought over months of meetings within the binational Board, was to have Paraguay's electricity generated at 50 hertz and then passed through a special transformer that stepped the electricity up from 50 hertz to 60 hertz. While this decision reinforced parity between the two partners, the entire Itaipú transmission system reflects asymmetries between Brazil and Paraguay.

The IECO-ELC schematics called for high-voltage lines capable of carrying all the electricity generated by each half of the dam to run from the dam to a substation on each side. High voltage lines from the *subestación margen derecha* (Right Bank Substation)

would then carry Paraguay's electricity into that country while the high voltage lines from the *subestación margen izquierda* (Left Bank Substation) would do the same for Brazil. The two substations were the critical processing points for the energy from the dam. But there were clear differences between the two: the Brazilian substation was constructed according to initial specifications that it be able to process *all* the energy from not just the nine generators on the left bank, but from Paraguay's nine generators, as well. Requirements for Paraguay's substation were that it only be able to process the load from its generators. Moreover, even the physical transmission lines themselves displayed the inequity in consumption between the two partners. Once energy has been generated at the quantity produced by a power plant as large as Itaipú, the transmission lines along which it travels must also be "large" enough to carry it or else, as if one were trying to force a river through a small pipe, the transmission will be slowed and possibly overwhelm and break the system. High-voltage power lines allow for the electricity from Itaipú to travel from the dam to substations closer to the end-user, which will distribute the energy to multiple lines of less voltage than the incoming lines and then, eventually, to the power-lines running along streets in a city grid.

When construction of Itaipú was complete in 1991, four 500 kilovolts lines went from the dam to the Brazilian substation on the left bank from which Brazil's half of Itaipú electricity would be transmitted to substations farther east carried by three lines of 750 kilovolts and one of 600 kilovolts. Two 220 kilovolt lines went from the dam to the Paraguayan substation on the right bank which would then distribute Paraguay's electricity to the country via the smaller Acaray hydroelectric dam. Two high voltage lines of 220 kilovolts led from the Paraguayan substation to the 60 hertz transforming

point on the Brazilian side. There were also two high voltage lines of 500 kilovolts from Paraguay's half of the turbines that bypassed the Right Bank Substation entirely and delivered part of Paraguay's electricity to the 60 hertz transforming point in Brazil directly. Future plans called for further construction when Paraguay's consumption finally reached a point where it would need more energy. But what these technical specifications meant was that half of Paraguay's electricity never even passed through its substation and that the Paraguayan substation was not equipped with the high transmission lines to ever send all of Paraguay's electricity into Paraguay. And while space had been apportioned for the eventual transmission of all of Paraguay's electricity to its substation and for the towers to hold the high tension lines running from the substation into the country, the Itaipú construction project was considered complete in 1991, even when these were not finished. If Paraguay's demand for energy increased, it could not be met by Itaipú without further construction—which would require new plans, new approval, new funding.

To return to the question of how a megawatt hour is made, a megawatt hour in Itaipú begins as water stored in the reservoir behind the dam. The water travels through the penstock, turning the turbine, producing a moving magnetic field that induces a current in the copper bars. Each spinning turbine generates at least 700 megawatts of power and, over the course of an hour, generates 700 megawatt hours of energy, which travels through substations and high tension lines to smaller stations and lines until reaching the end user. The other side of this process is a “pull” or a demand from energy companies who estimate the total demand for energy from end-users and then pass on these requests to engineers in the dam. Thus, a megawatt hour is a dissoluble union of

both “nature” and “culture”—of the physical potential of water and the uses people have for the electricity in their daily lives. From the beginning of construction in 1974 to the first energy production in 1984 to completion in 1991, the demand for electricity grew, particularly in Brazil, rising to meet the production of the dam, running industrial factories in São Paulo (as it did) and power the grid of an entire country (as it did). Production and transmission were abundant, but still unequal.

### *Itaipú as a Binational Government Agency*

If Itaipú is a technological marvel, it is as much an institution—a group of people organized in a certain way, with specific tasks that together result in a certain outcome (or outcomes), in this case, the production of energy. And as a *government* institution, it reflects the goals and objectives of the governments that administer it. Chapters Six and Eight contain much greater detail about the intricate mechanics of decision-making processes within the dam, but this section presents a brief explanation of how Itaipú is governed and administered as a binational government agency with an attention to the Executive Board. Because Itaipú was “binational,” it was argued by both governments that it fell outside of the jurisdiction of either country’s government. This led to the development of a “state within a state,” where activities and positions were designated as “public,” but where the point of contact and accountability between Itaipú and the respective state apparatuses was the executive, namely, the presidents of Brazil and Paraguay.

Itaipú was designed to have a workforce from both Paraguay and Brazil, from the highest levels of management to the most contingent temporary workers. The Treaty

called for the creation of two permanent binational boards to govern the dam, one for the daily administration of the dam, the other for long-term planning. The *Directorio Ejecutivo* (Executive Board) was made up of six directors from each side of the dam. A Paraguayan General Director and a Brazilian General Director led a team of directors of *Financiero* (Finance), *Técnico* (Engineering), *Jurídico* (Legal), *Coordinación* (Coordination), and *Administración* (Administration).<sup>36</sup> This Board governed the day-to-day of the dam and administered Itaipú from, on the Paraguayan side, Asunción and from, on the Brazilian side, Curitiba. It was most responsible for planning and oversight of the actual construction (including disbursement of funds) during the 1970s and 80s, and after the dam was fully functional, ran every aspect of the dam as such. The *Consejo de Administración* (Governing Council) also contained a dozen members, half from Brazil and half from Paraguay, but whereas the Board was focused on internal matters, the Council had a higher vantage point of both Itaipú's long-term and its function within the broader energy matrix of both countries. Of the six members from each side, two had to be suggested by both ANDE and Eletrobrás and one each nominated by the Foreign Ministries, the others were named by the central governments. The General Directors from both sides also sat on the Council, but did not have a vote.

Brazil	Paraguay
Executive General Director (1974-1986)	General Director
General Director (1987 -)	
Executive Director of Finance	Director of Finance
Executive Director of Engineering	Director of Engineering
Legal Director	Executive Legal Director
Director of Coordination	Executive Director of Coordination
Director of Administration	Executive Director of Administration

**Table 3 The Binational Executive Board of Itaipú.**

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<sup>36</sup> Although *Director General* is translated to the English as General Director within Itaipú documents (and this dissertation), a translation that more accurately captures the job description and prestige of the position would be CEO or, perhaps, Executive Director.

Little attempt was made at maintaining the political independence of Itaipú's leadership as all the members of the Executive Board served at the president's pleasure. This meant that technical qualifications were not the only requirements for a position. As a form of insurance that the most critical components were managed with rigor, in spite of the supposed parity between the two halves of the Board, the Treaty and subsequent amendments created a hierarchy within the Board by instituting the modifier "executive." The Executive Finance Director had more authority in setting financial policy and making decisions than did just the Finance Director. The Executive Engineering Director, likewise, had more say in engineering decisions. Both Executive Finance and Engineering Directors were always Brazilian, a way for Brazil to ensure from the beginning that the dam operated at a standard on par with its already world-renowned hydroelectric energy sector. The less mission-critical roles of Executive Legal and Administration and Coordination were assigned to Paraguay. In the beginning, this difference also applied to the position of General Director, with José Costa Cavalcanti (from Brazil) as the Executive General Director and Enzo Debernardi as the General Director. But over the course of construction in the 70s and early 80s, this was altered as a testament to Debernardi's capabilities, and the appellation was removed from the Brazilian General Director, equalizing the positions.<sup>37</sup>

Construction of the dam was conducted by consortia from Paraguay and Brazil, which divided the contracts.<sup>38</sup> For Itaipú, contracts were not divided evenly—Brazil

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<sup>37</sup> Note that, as of January 2011, this asymmetry still exists in Yacyretá, where the Executive Director of the dam is Argentine and Director is Paraguayan. See [www.eby.gov.py](http://www.eby.gov.py).

<sup>38</sup> Gustavo Lins Ribeiro (1994) has a detailed account of the bidding processes that went into "consortiation" (his term) in Yacyretá.

simply had more engineering know-how and capacity—but, rather, at 75 percent (Brazil)/ 25 percent (Paraguay). After the final turbine went online in 1991 and construction stopped, equal amounts were administered by the General Directors of both sides in budgeting for everyday personnel, although the numbers of individuals employed was slightly higher on the Paraguayan side. Itaipú wages on the Paraguayan side for the lowest waged positions were slightly less than their Brazilian counterparts because the cost of living and labor was so much lower in Paraguay. But, because these wages were nevertheless closer to Brazilian numbers, even the lowest paid positions, let alone the incredibly lucrative Council and Board positions (which paid into the tens of thousands of US dollars in monthly wages), were much greater than similar positions in the rest of Paraguay.

According to the sworn testimony of Antonio Colman Rodríguez, the Paraguayan Executive Legal Director of Itaipú at the time of the 1989 coup that deposed Stroessner (as Rodríguez was under investigation for corruption) decisions originated in and were made by the executive directors within their areas (CDyA 1989). He went on to (erroneously) claim that all funds were approved and disbursed only by the Brazilian side of the Executive Directorate. This is incorrect in a number of ways—directly (regarding personnel employed by Itaipú) and via intermediaries (regarding monies disbursed to subcontractors and spent on construction projects). The two General Directors are responsible for administration of the entire budget of Itaipú—from payment on its debt to maintenance costs of the dam to personnel. By 2008, after payment on debt and other obligations, the operating budget of the dam was \$307 million for each side, a budget administered by each General Director. Direct hiring decisions were made entirely by

each side of the dam—the Paraguayan directorate had no say in employment decisions made by the Brazilian directorate (and vice versa). There was also no accountability outside the Paraguayan directorate for third party vendors who supplied services within Paraguay—from transportation to baked goods. The Paraguayan General Director had discretionary control over expenses less than \$30,000; greater amounts not already specified under the annual budget had to be discussed and approved by the full (binational) Executive Board.

Most positions in Itaipú, during and after construction, required close contact with counterparts from the other side of the dam. Without daily cooperation, the dam would not function. But the requisite cooperation was not enough to dissolve nationalist narratives that depended on the othering of the neighbor. Sublimated tensions became resentful comments like one from a Paraguayan engineer who whispered to me that Brazil still acts like it can do whatever it wishes in the dam—an empire. And even today, the hierarchy of “executive” directors only reinforces the asymmetries and the national distinctions.

#### *Itaipú as a Financial Instrument*

Even as the engineering details of the world’s largest dam required years of planning, initiated international dispute, and could fill bookshelves, the financial intricacies were even more complex and obscure. Though ostensibly described in a transparent Treaty and clarified further in subsequent *notas reversales* (amendments), the financials of Itaipú were even more difficult to understand than the mechanics of a megawatt hour. The finances were and remain the most controversial aspect of the dam.

Most important to remember is that Itaipú was not built to be a profit-maximizing entity. Rather, it was to supply cheap electricity and bring the two governments reliable income. Stated in Article I and repeated throughout the Treaty (e.g., Treaty Article III, Article V Anexo “A” Article II) is the assertion that Itaipú was created for “the hydroelectric usage of the hydraulic resources of the Paraná river, jointly owned [*condominio*] by the two countries, from and including [*desde e incluyendo, no hasta* here] the Salto del Guairá or the Salto Grande de Sete Quedas until [*hasta*] the mouth of the Yguazú river.” Thus, Itaipú represented conflicting political economic logics—that of the Brazilian government versus that of the Paraguayan government and that of a public entity versus that of private enterprise. To see these competing value systems in action, this section begins with an explanation of how Itaipú was to pay money to the Brazilian and Paraguayan governments and then discusses the equally complex and controversial construction debt (Itaipú Binacional 2003).

But before explaining the intricacies of Itaipú’s finances, let us begin with an explanation of energy sales in Itaipú, of how electricity is exchanged for dollars, and the components of a *tarifa*, the base cost of energy from Itaipú. Itaipú’s relationship with ANDE and Eletrobrás was a curious one. The two public companies were the owners of the dam and had the obligation, per the Treaty, to commercialize all the energy. This they could do directly (as ANDE did) or through intermediaries (which is what Eletrobrás did by contracting FURNAS and ELETROSUL to distribute and sell the electricity to the Brazilian market).<sup>39</sup> Electricity sales in Itaipú have a peculiar structure, particularly since generation and consumption go hand in glove. ANDE and Eletrobrás, on an annual basis

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<sup>39</sup> FURNAS is headquartered in Rio de Janeiro, serving Rio, São Paulo, Brasília, among other areas. ELETROSUL is headquartered in Florianópolis, serving the southern states.

(although the timespan had originally been slated for ten years) contract to use the energy potential of the dam, which is guaranteed to be 75,170 gigawatt hours per year. For this, they agree to pay Itaipú a sum that covers the cost of that energy, determined and billed on a monthly basis, and then commercialize it in Paraguay and Brazil. Though the finances of the dam are in US dollars, each country uses its own currency as payment for salaries and for energy transactions.

Because Paraguay's usage was expected to be less than its half and was expected to increase over time (as its demand/consumption increased), the amount of energy contracted by the Paraguayan electricity company was also expected to change over time. From 1985 to the present, ANDE made annual contracts to purchase 7 percent of the production of the dam. Eletrobrás agreed to purchase the remainder. This meant that ANDE paid 7 percent of the annual cost of electricity and Eletrobrás 93 percent, billed in monthly installments based on usage. The *tarifa*, or "rate," paid to Itaipú was a pre-established combination of the construction debt, contractual obligations and payments to the treasuries of the two countries and to ANDE and Eletrobrás, and operating costs.<sup>40</sup> But the numbers from FIG Itaipú Production (earlier) discussed previously show that Itaipú's production regularly exceeded the 75,000 gigawatt hours of *guaranteed energy*. This *additional energy*, because it depended on turbines running at rates higher than 700 megawatts and on a river level higher than the ideal filling level, could not be guaranteed, though it was planned on. The *additional energy* tarifa was lower because it did not include payment on the construction debt. The additional energy was initially divided under the same proportions as the guaranteed energy (7 percent and 93 percent), but in

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<sup>40</sup> For any energy used by Brazil that was generated by Paraguay's half, the tarifa also included an additional cost called *compensación*, discussed in further detail below.

2002 this was adjusted (to Paraguay's benefit) to 50/50, resulting in a lower average tarifa for Paraguay in general. Itaipú, therefore, has two tarifas, two base costs for the energy it produces. The final cost to the consumer is the tarifa plus whatever additional costs are charged by ANDE, FURNAS, and ELETROSUL for their own operations. In 2008, for example, the guaranteed energy tarifa was \$42.50 per megawatt hour, the additional energy was \$5 per megawatt hour. Bills received by the consumer do not contain the wild fluctuation between the two tarifas; instead, they are averaged.

Itaipú was a company started with initial capital from Eletrobrás and ANDE, who both contributed \$50 million as the initial capital of the dam in 1973 (Anexo "A" Article VI). In 1985, Itaipú began paying its owners dividends on that \$100 million, called *utilidades*. In addition to dividends, Itaipú paid administrative "fees" in the form of *resarcimiento* to ANDE and Eletrobrás, for oversight by the two companies of the dam. Itaipú also "rented" land (in this case, the Paraná River) and paid the owners—the Brazilian government's treasury and the Paraguayan government's treasury—*royalties* (royalties, or rent) for the use of that land. These financial obligations—stipulated to be equally divided between the two countries—were determined based on previous years' calculations of production. The monthly amounts were determined by the multiplication of an "adjustment factor" (that adjusted for changes in the value of the dollar and was indexed to the value of the dam) by the number of gigawatt hours produced. Per the Treaty, the governments were forbidden from taxing Itaipú; the dividends, *resarcimiento*, and royalties were effectively taxes by another name.

Because of Itaipú's status as a binational entity, it lay outside the national budgets of both partners—not subject to supervision and approval by the legislature. And, in

Paraguay, the increased government revenue from Itaipú served as an alternative to taxes, underwriting government projects and daily expenses as the state apparatus grew in size and complexity, with little strain (or accountability) to the citizenry. Three different public entities in Paraguay handled income from Itaipú: the Paraguayan treasury under the Minister of *Hacienda* (Treasury), ANDE under the president of ANDE, and Itaipú under the Paraguayan General Director. With no congressional oversight and outside the jurisdiction of national controllers, this money could be and was spent at the personal discretion of ANDE/Eletróbrás' presidents, the ministers of finance, and General Directors. At the time of Itaipú's construction, all these on the Paraguayan side were presidential appointments, answerable to Alfredo Stroessner personally.

The dam was intended as a source of economic development for its two member countries. ANDE and Eletróbrás, with the dividends from their initial capital investment, were to re-invest in the electric infrastructure of their respective countries, building capacity to consume and use the energy. The Paraguayan and Brazilian states, at both a national and municipal level, were to use royalties to fund education, job creation, new industries. Between 1984 and 2006, the total paid to both governments in the form of royalties was USD \$5.6 billion. In 2008, Itaipú annually paid \$2.064 billion (\$1.032 billion for each side) toward its construction debt (Parlasur 2008; Itaipú official website). Each General Director had as his responsibility an annual budget of \$307 million out of which to pay salaries, operations, maintenance (of the dam and other facilities), and for social programs. Paraguay's treasury also received \$117 million in 2008 and \$107 million in 2009 in compensation for its excess energy ceded to Brazil. The difference in these figures depended on differences in energy sales from those years. This was added to

the royalties received by the Treasury (\$240 million in 2008; \$219 million in 2009) and so the total paid to the Paraguayan Treasury by Itaipú was \$357 million in 2008 and \$326 million in 2009. In resarcimiento and dividends, Itaipú paid ANDE \$46 million in 2008 and \$39 million in 2009. The impact of Itaipú on the Paraguayan economy, through money to the treasury, through resarcimiento and dividends and energy sales on the Paraguayan market to ANDE, and the Itaipú Paraguay operating budget was nearly \$1 billion annually in a country with a 2008 GDP of \$16 billion.<sup>41</sup>

From the very start of Itaipú, it was expected that not all the energy be equally consumed and additional compensation was stipulated. The language in this section of the treaty was noteworthy. Per the Treaty and per the technical requirements of hydroelectricity, both countries agreed to purchase all of the energy produced by Itaipú. But, should one country not consume all its energy, it would *ceder* (cede) its energy to the other for a *compensación* (compensatory amount) that would be paid directly to the national treasury (Itaipú Treaty Article XV, Paragraph 3; Anexo “C” Article III, Paragraph 8). This compensatory amount was calculated by multiplying the amount of energy ceded by \$1200 per gigawatt hour and by the “adjustment factor” that took into account inflation.<sup>42</sup> Notice that the terms here were of “cession” and “compensation,” not “selling” and “payment.” In two, this number had grown to somewhere between \$107-\$120 million annually. The income from royalties and cession of energy flooded the Paraguayan government with hitherto unprecedented liquidity.

But these numbers were dwarfed by the construction debt. A project of the physical

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<sup>41</sup> The estimate of \$1 billion does not take into account the effect of cheap energy costs.

<sup>42</sup> In the original annex (Anexo C) that specified the financial details of Itaipú, the number was \$300 USD per gigawatt hour. This was amended by Nota Reversal No 3/86 in 1986 to \$1200, though even that was expected to climb over time.

magnitude of Itaipú required financing on an equally dramatic scale. Although IECO-ELC initially estimated the cost of construction (plus financing on the debt) to be an already sobering \$2 billion, estimates and costs rose steadily over the first two decades such that, by 1991, the total cost of construction was \$19 billion. Almost all of this was financed by debt. And here, the binationality of the dam reached its apex. Paraguay lacked the foreign exchange required to secure construction loans and so Eletrobrás—with the backing of the Brazilian government—provided all the collateral to fund construction of the dam. And, in a bizarre twist, Eletrobrás itself actually loaned much of the funds for the construction of Itaipú, so that it was owner, creditor, co-signer, guarantor at the same time. Moreover, none of the debt appeared on the Paraguayan government's balance sheets. "Stroessner insisted," said one of the original engineers in Itaipú to me, "that Paraguay not have to pay one cent for Itaipú" (Personal Interview, November 5, 2008). Even the initial \$50 million contributed by ANDE to capitalize Itaipú was provided through a loan, secured by Eletrobrás.

Funds came in three main forms: loans from Eletrobrás to Itaipú, loans from other banks and lending organizations (both within and outside of Brazil), and buyer's credits from the companies that manufactured products for Itaipú. The payment periods for the loans from Eletrobrás and other Brazilian lending agencies were much longer than those of outside lenders—the former generally on a nearly 50-year plan (to end by 2023), the latter were 15-year loans. Had all gone according to plan, Itaipú would have begun generating energy by 1983 and begun repaying these creditors in 1982, but a series of financial crises intersected with delays in construction that pushed initial production of energy back until 1984 with repayment of loans beginning in 1985 (Itaipú Binacional

2003:78).<sup>43</sup> Average delays of 2.4 years for each turbine coming online meant that less energy was being produced in the 80s than originally expected.

In the 70s, the oil crises of 1973 and 1979 drove up inflation, making construction materials more expensive. To counteract the effects of inflation, in 1980 U.S. financial policy tightened credit, raising interest rates and making it more difficult for countries everywhere to obtain loans. This, in part, led to the “Lost Decade” in Latin America, a period of massive debt default (Mexico in 1982) and a time of stagnation or even negative growth. The effect on Paraguay was muted because of the millions flowing in as a result of construction contracts. But for Brazil, it meant that debt was more difficult to secure, materials were more expensive, and so both prices and interest rates were higher than anticipated. With no other options for keeping the construction on track, Eletrobrás extended more credits and the grace period even as other loans moved out of their grace period. This sent the debt skyrocketing.

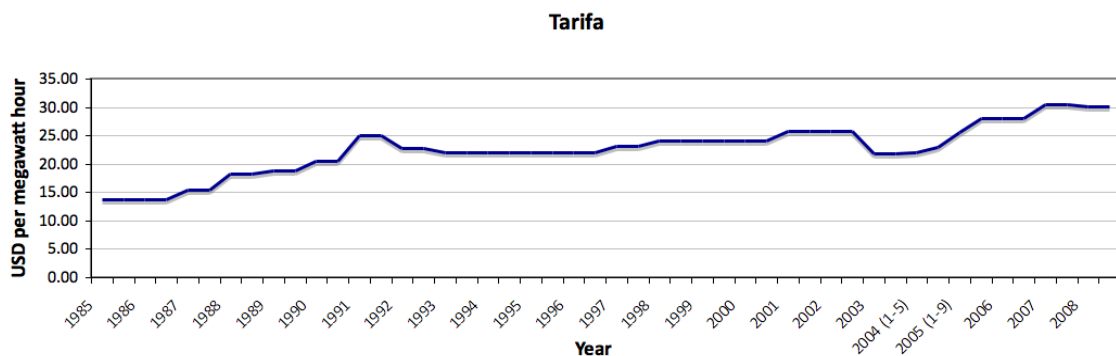
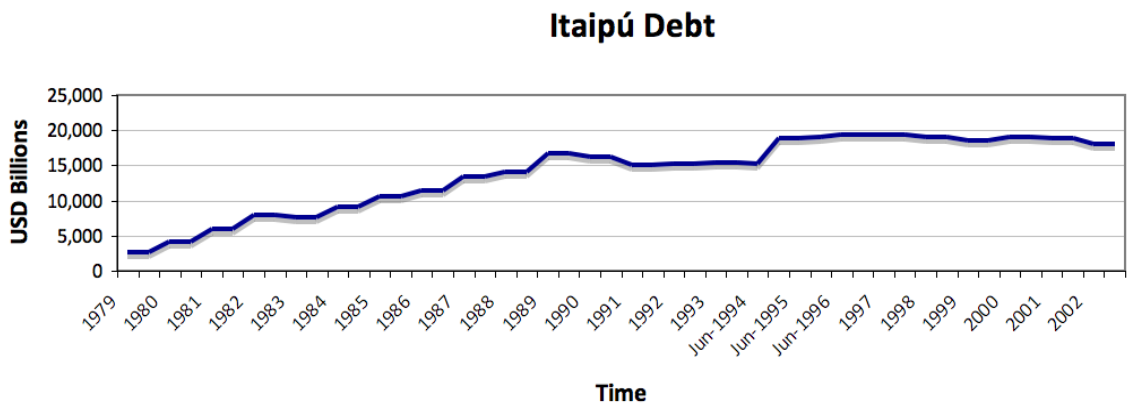


Figure 2 Tarifa (price of energy) of Itaipú. Source: Itaipú Binacional 2003.

<sup>43</sup> Yes, the energy was planned for 1983, but servicing the debt to have begun in 1982.

In 1985, after the first turbines began to spin, the tarifa was calculated at \$13.7 per megawatt hour, which was not enough to service Itaipú’s financial obligations. (Keep in mind that today, the tarifa is about \$42 per megawatt hour.) The following year, the tarifa was calculated with Itaipú’s financial obligations in mind, but because of a crisis in



**Figure 3 Itaipú Debt. Note the steep jump between 1994 and 1995. Source: Itaipú Binacional 2003.**

Brazil over the Plan Cruzado, this was not implemented.<sup>44</sup> As Figure 2 shows, the tarifa grew gradually. But this amount was not sufficient to pay down the principle and interest and so, as years passed, the debt grew rather than decreased. Beginning in 1990, under the prospect that, at the current tarifa rate, the Itaipú debt would never be repaid, let alone finished by 2023, the Itaipú Executive Directorate Board and Governing Council initiated a series of meetings to resolve the issue and get back on track. Because of the ongoing economic difficulties in Brazil, Itaipú reached a peak crisis in 1993 and 1994. In April 1993, it was only paid 1 percent of what it was owed that month for electricity produced. And in 1994, the Plan Real was introduced, which transformed Brazilian monetary policy

<sup>44</sup> For more on the Plan Cruzado, Baer and Beckerman (1989).

and resulted in an increase of \$3.7 billion in the Itaipú debt in just one year.<sup>45</sup> They had two options: to raise the tarifa in order to meet debt obligations or to negotiate a decrease in interest rates with their creditors. Itaipú's chief creditor was also its partial owner and a public entity in Brazil. Raising the tarifa would make Itaipú energy more expensive and the previous time this had been attempted, vendors of the energy had not paid Itaipú for the energy they sold. With competing interests and loyalties, Eletrobrás elected to not raise the tarifa on the end user in Brazil and Paraguay, but, instead, lowered the interest rate. With the agreement thus finalized in 1997, Itaipú was able to pay off most of its creditors by the early 2000s, leaving a ballooned Eletrobrás debt to be fully paid off by 2023 (See Figure 3).

This convoluted story is a simplified explanation of an even more complicated tale. On the one hand, Eletrobrás and ANDE, as public utilities, had a proscription to serve and benefit the Paraguayan and Brazilian consumer. The rationale behind the tarifa was to meet the costs of operation and debt until 2023, at which point the tarifa would drop to just the costs of operations, providing even cheaper electricity for the lifespan of the dam. But Eletrobrás was a mixed company, a private-public partnership, where the minority shares were held by private individuals and institutions who were motivated by dividends and profits as returns on their investments. On the one hand, Eletrobrás was owner and vendor of Itaipú energy, on the other, the holder of much of its debt and the guarantor of the rest of it. While Paraguay owned 50 percent of the dam, the majority of the dam's income, including that which went to pay off much of Paraguay's half of the construction debt, came from the Brazilian market. As discussed above, the economic policies

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<sup>45</sup> For more on the Plan Real, a successful venture to stabilize the Brazilian economy by introducing a new currency, see Flynn (1996).

of Brazil, not Paraguay, drastically affected Itaipú. And in order for the initial tarifa arrangement to have occurred and continued, both sides of Itaipú—Brazilian and

Year	Payment U.S. millions
1997	\$974.70
1998	\$991.50
1999	\$1,153.60
2000	\$1,184.80
2001	\$1,199.20
2002	\$1,286.20
2003	\$1,270.92
2004	\$1,256.70
2005	\$1,277.80
2006	\$1,399.80
2007	\$1,458.40
2008	\$1,462.40
2009	\$1,469.60
2010	\$1,476.10
2011	\$1,478.90
2012	\$1,487.90
2013	\$1,498.30
2014	\$1,503.00
2015	\$1,508.60
2016	\$1,508.00
2017	\$1,507.40
2018	\$1,506.50
2019	\$1,505.60
2020	\$1,504.40
2021	\$1,503.60
2022	\$1,502.60
2023	\$251.07
<b>Total</b>	<b>\$36,127.59</b>

**Table 4 Itaipú Payments to Eletrobrás. Source: Itaipú Binacional 2003.**

Paraguayan—had to have agreed. The tarifa is the result of political calculus. Even though it is supposed to pay off the construction debt, it did not. But it did pay “taxes” under a different name to the two national treasuries. The financial arrangements within Itaipú reveal differences between Brazil and Paraguay beyond just their wherewithal. Paraguay’s government, under Stroessner and continued in the decades after him, seemed to tacitly accept the bargain that, as long as no debt was incurred on the part of the government, Itaipú finances could be managed almost exclusively by Brazil. The short-term, little-effort bounties of dividends, resarcimiento, and royalties were sufficiently large inflows to expand the capabilities of the Paraguayan government within the national territory. Like the gargantuan energy production numbers, the monthly payments from the dam to the treasury and the public electricity company were unprecedented amounts in the country, but this obfuscated the value of the electricity. As the annual receipts to the treasury alone for these funds grew to \$360 million in a country where the

per capita income in 2010 was \$2581 and the government's budget in 2010 was \$8.47 billion, the numbers remained difficult to comprehend. Where per capita income is \$2000, both \$200,000 and \$2 million are similarly large, let alone the \$360 million brought into the government and administered under little financial control. And the difference between \$360 million and \$2 billion (the value of Paraguay's half of the energy from 2009) seems similar to the difference between \$2 million and \$360 million. Until very recently, the Paraguayan government and public were content to dispute how the \$360 million should be spent.

Itaipú was the largest undertaking of its kind at the time and certainly still the largest for Brazil. That it had the full backing of the Brazilian government was evident when the financial crises of the 70s and 80s put completion of the project in question. And for the resources and commitment to the binational agency from the Brazilian government, in exchange the Brazilian government through its proxy Eletrobrás required almost full control of the most vital aspects of the dam's finances. Whereas the Paraguayan government (and ANDE) was content to sign loan agreements in exchange for royalties and dividends, Eletrobrás had a long-term perspective. Certainly, the treasury and Eletrobrás received the same amounts as Paraguay's government and ANDE in royalties and dividends, but Eletrobrás made a fortune through debt and energy sales.

As interest compounded on debt not sufficiently paid by the Itaipú tarifa it had helped negotiate, Table 4 shows the overall amount Eletrobrás would receive for its loans grew. Through its intermediaries FURNAS and ELETROSUL, Eletrobrás delivered energy to the rapidly industrializing centers around São Paulo and Rio de Janeiro and in the south around Curitiba and Porto Alegre. And the higher rates charged by these

companies brought returns to their investors. The bulk of the burden of Itaipú's finances fell on the Brazilian consumer by paying for 93 percent of the cost of Itaipú's electricity and a debt that soared. Eletrobrás, though assuming unanticipated risk in the 80s as credit dried up and construction was delayed, has benefited tremendously by holding the debt and selling electricity that was cheap to produce at a profit. This tension bears restatement and emphasis because, in the way that Itaipú is discussed in Paraguay now, it is not often acknowledged that most of Paraguay's debt is paid for by Brazilian consumers even as Eletrobrás benefited tremendously.

*Conclusion: Setting the Stage for Future Conflict*

Just as the 1872 peace treaty between Brazil and Paraguay actually ensured that conflict between the two countries would arise once more, the Itaipú resolution to the Salto del Guairá conflict also set the stage for future conflict. Only this time, the conflict would be located in something more difficult to delimit than the crevices of an unclear preposition. One troubling feature of the Treaty, especially given that it was an international agreement that had arisen out of a conflict, was that it did not contain an arbitration clause. The text did not give a mechanism by which disagreement would be resolved other than the implied resolution by the Governing Council and the Executive Directorate Board. And so, personal discretion and personality as well as bonds of commitment demarcated by national belonging played a central role in both the creation of Itaipú and its regular administration as a hydroelectric dam.

Dam-building was a common feature of mid-20<sup>th</sup>-century military governments world wide. In spite of this, Itaipú bore the particular marks of the two governments which ran the project—a source of cheap energy for Brazilian industry, funds for ANR

loyalists, an emblem of modernity for two military dictatorships. Prior to Stroessner, Paraguay lay in unlit darkness. The dramatic conversion in the Eastern department Alto Paraná and in Asunción, a visible sign of change, emphasized the arrival of something different. Those of us who have not lived through such a transformation perhaps do not fully appreciate how fundamental a difference it is to go from darkness to electricity.

While the signing and building of Itaipú solved certain political-economic problems—supplying electricity in a time of growth, ending an escalating international tension, providing a ceremonially-predisposed state style opportunities for monumentality and ritual, enriching governments—it also set the stage for conflict in the future. The basic questions of what to do with the energy, the money, and how to administer the dam in a binational context proved to outlast the regimes that began the dam. And, in fact, when regime change brought a new form of government to Paraguay and the industrial gamble on Brazil's economy paid off spectacularly and global changes brought a new level of cooperation in South America, Itaipú as energy producer—government agency—financial instrument would have to change to reflect these changes as well.

## Chapter 2

### The Rule of Terror and Control

Not everyone was pleased by the decision between the two governments to build a gigantic dam on the Paraná. Protests began even before the dam's existence. Months after the Brazilian squadron moved into the vicinity of the contested waterfalls and before the resolution to drown the Salto del Guairá in the construction of a shared hydroelectric dam, a group of protestors took to the streets in Asunción, a public act duly recorded by observers:

On the date of November 27, 1965, a political demonstration took place, led by the Liberal Club "Alon," the Febrerista Youth, and the Christian Democrats, in repudiation of the Brazilian occupation of Salto del Guairá at the Commercial Office of the Embassy of Brazil in our country... on which occasion, the protestors burned a Brazilian flag, causing additional physical damages to the aforementioned building. Those responsible for the protestors were then arrested, they are...[list of fifteen names] who were later transferred to the Department of Justice to be placed at the disposition of the Ordinary Court. [CDyA 1966]

That protests erupted both within Paraguay and even in Argentina shows that, whatever else Itaipú was (energy, institution, finance—from the previous chapter), it was also the solidification of political might in the Stroessner regime and of Brazil's projection into the Southern Cone region. Itaipú was treated as an offensive maneuver in a type of war

by those who set themselves against Stroessner's military rule and by those who saw Brazil as a military enemy. This then raises the question, if opponents to Stroessner reacted to the dam as if it were a military stratagem, is there something to this? If the dam was recognized as a weapon, was it?

The November 27, 1965 protest was in response to the decision by the Brazilian military earlier that year to restation troops close to the Salto del Guairá, the waterfalls on the Paraná River border between Paraguay and Brazil. While Brazil claimed full ownership of the waterfalls per the 1872 peace treaty between the two countries (that ended the War of the Triple Alliance), Paraguay insisted that they were jointed owned. It was this escalation of hostilities that led the two countries' negotiators to eliminate the *casus belli* by agreeing in the 1966 Act of Foz do Iguacu to drown the waterfalls in order to take advantage of their hydroelectric potential. This protest was, then, part of the larger history of the founding of Itaipú. In the tense months between the occupation and the Act, many social groups within Paraguay voiced their opposition to the Brazilian occupation, seen as a violation of Paraguayan sovereignty.

But, among the various notes of protest emitted by labor organizations and veterans associations and even official statements from the Ministry of Foreign Relations, the November 27 protest stands out. Not only was it curiously ignored by the main newspapers of the day—*Patria* (“the official mouthpiece of the governing Junta of the Colorado Party”), *El País*, and *La Tribuna* (“the first voice of the morning”)—it is precisely where this report appeared that makes it all the more important. The simple paragraph of two run-on sentences appears at the bottom of a list of other entries in a red bound volume holding many similar sheets of paper among scores of other similarly

bound volumes originally found with several more tons worth of files, folders, binders in a decrepit police station outside of Asunción. These police records and confiscated personal items, discovered in 1992, are the physical remains of an intricate security and surveillance apparatus that observed, detained, tortured, and disappeared thousands of Paraguayans throughout the Stroessner regime. They are now housed in a climate-controlled UNESCO site in Asunción's Palacio de Justicia, a collection officially named the *Centro de Documentación y Archivo para la Defensa de los Derechos Humanos* (Center for the Documentation and Archive for the Defense of Human Rights, CDyA). It is better known by its moniker in Paraguay: the Archive of Terror.

Stroessner's flagrant military dominance was accompanied by an equally known, but less visible, "secret" security apparatus within the Ministry of the Interior. It was through these twin forces of coercion that his regime stamped out opposition and governed through a decades-long *estado de sitio* (state of siege) that was renewed every ninety days from 1954 to 1987 according to the Constitution.<sup>46</sup> Even as the economic and political reorientation toward Brazil—a March to the East of which Itaipú was but a part—characterized the public economic and political development of Paraguay under the Stroessner, an intentionally partially hidden, partially revealed system of physical and psychological repression increasingly characterized the Paraguayan state's actions both nationally and internationally.<sup>47</sup> Itaipú was fully part of this system. In addition to its functions as a state-builder through the economic wealth accruing to the government via construction contracts and energy sales and the thickened diplomatic connections between the Paraguayan and Brazilian governments, Itaipú played a behind-the-scenes

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<sup>46</sup> A permanent state of exception.

<sup>47</sup> For more on the mid-century development strategy called the *Marcha Hacia el Este* (March to the East), see Folch (N.d. a).

role—minor, but important—in the strengthening sinews of coercion.

This chapter explores how Itaipú participated in the security-intelligence apparatus as revealed in the CDyA, contributing to the growth of the repressive arm of the Stroonato state, and how this shaped the opposition to Stroessner. I begin with an explanation of the creation and discovery of the security forces' document collection and then propose a way to interpret the violence through which the Paraguayan state apparatus exercised rule. The bulk of the chapter then turns to a close examination of documents that were in some way connected to Itaipú that were found in the CDyA to illustrate and analyze how the repressive apparatus worked and how the opposition to Stroessner was formed in the midst of this.

### *The Creation and Discovery of the Archive of Terror*

When Stroessner came to power in 1954, numerous political and armed groups vied for power—there were segments within the Colorado Party that were loyal to other leaders, the armed forces were in the final stages of a civil war, opposition parties, though illegal, still had much of their organization and leadership with Paraguay. As part of a move to solidify his leadership over the government in 1956, Stroessner appointed Edgar Ynsfrán, a young Colorado whose fiercely anticommunist speeches had caught his attention, as *Jefe de la Policía de la Capital* (Chief of Police of the Capital) before promoting him to Minister of the Interior. Ynsfrán, first as Chief of Police and shortly thereafter as Minister of the Interior, oversaw the repressive arm of the government mostly responsible for eliminating the opposition and enforcing government policy inside the territory of Paraguay. And it was under his watch that the Department of Police (the

Police of the Capital served as the police force of the nation) and the Department of Investigations—both of which answered directly to the Minister of the Interior—expanded into the robust system that was able to keep Stroessner in power for three and a half decades. According to the Truth and Justice Commission, during the Stroessner, there were 20,090 direct victims of human rights violations. Of these 19,862 persons were illegally detained and 18,772 were tortured. Fifty-nine (59) were killed extrajudicially with another 336 disappeared and 3,470 were exiled (Comisión de Verdad y Justicia 2008: 45, 46).<sup>48</sup>

But while the Police and the Department of Investigation served to surveil, detain, and discipline the population at large, there was a felt need to create a section of the ministry endowed with the responsibility and power to deal with the communist threat. With assistance from U.S. Colonel Robert K. Thierry, the *Dirección de Asuntos Técnicos* (“*La Técnica*” or the “Directorate of Technical Affairs”) was formed within the ministry in 1956 with Antonio Campos Alum as its head. All three branches of the ministry operated with unchecked impunity, detaining, torturing, exiling, and disappearing Paraguayans and foreigners at will. Under Ynsfrán, a new standard for reporting and interrogation was introduced—from a how-to manual explaining how the intelligence service should function (CDyA 1965a) to specific feedback (margin notes typed in red) from Alum as he corrected informing reports submitted by police (CDyA 1961)—the way a professor might correct the first draft of a dissertation—to the various torture and interrogation devices used by the ministry.<sup>49</sup> Stroessner removed Ynsfrán from office in

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<sup>48</sup> The real number of victims is higher since many of the verifying documents were destroyed and since the list does not count those who might have perished in an ambush by the police and these numbers do not include the systematic rape of women, men, and children.

<sup>49</sup> Two of the most infamous were the *pileta* (“swimming pool”)—a bathtub filled with excrement, vomit,

1966 in the midst of a policing scandal, and thus the orchestrator of the security apparatus became one of its targets, a *vigilado*—Ynsfrán was himself regularly observed, followed, and reported on until 1989.<sup>50</sup> His replacement, Sabino Augusto Montanaro, continued his policies with increased professionalization and systematization of the ministry's activity as it perfected its technique with time and practice.

A major innovation came in 1975, with the invitation from Chile to several military and government chiefs to attend a working group meeting in Santiago. At this secret meeting of security personnel from Argentina, Brazil, Chile, Paraguay, and Uruguay, the military governments pledged to join forces in the pursuit and detention of subversive individuals (or those who, for any reason, were considered threats) (Dinges 2004). This agreement was built on smaller binational experiences of cross-border cooperation and came to be known as Operation Condor, whose kidnappings and assassinations spread even to Washington D.C. in the 1976 car-bomb assassination of Chilean economist Orlando Letelier and his assistant, U.S. citizen Ronni Moffitt. By the 1980s, the Ministry of the Interior's information and incarceration services functioned in full maturity—with well-developed links to all parts of the government as well as with the security forces of other Operation Condor countries. Paraguay's reliance on its police and not primarily its military for repression of internal opposition was unusual in the region. For a point of comparison and to help contextualize the significance of the police and intelligence services under the Ministry of the Interior, though all the rightwing military dictatorships of the region used both the police and the military, the task of maintaining the regime and eliminating threats lay chiefly with the military in Argentina,

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urine, and blood, into which the victim was repeatedly dunked, and the *picana eléctrica* (“cattle prod”)—which was attached to the genitalia of prisoners.

<sup>50</sup> Removing Ynsfrán from office prevented him from becoming too powerful a rival within the Party.

Brazil, Chile, and Uruguay.

The Ministry of the Interior mandated that the Police, the Department of Investigations, and the Directorate of Technical Affairs keep meticulous records of their investigations, interrogations, detentions, confessions, and orders (Zoglin 2001). But during the Stroessner regime and for the first few years after the 1989, all parts of the government (including the Ministry) vigorously denied the existence of any such documentation (or of Operation Condor). In 1992, after years of research, Dr. Martín Almada submitted a *habeas data* request to the Justice Department. Under a provision by the new Constitution, he sought access to the files from his own detention and torture of decades before.<sup>51</sup> Judge José Agustín Fernández, with Almada's request in hand, forced a police station in Lambaré (just outside of Asunción) to open its doors and, in a cramped room, found thousands of files belonging to the Department of Investigations during the Stroessner era.<sup>52</sup> Under the spotlight of media coverage, the documents were removed from the building and relocated to the Palacio de Justicia. Two days later, a site in Asunción, files from the Directorate of Technical Affairs were uncovered in a similarly dramatic fashion.

These two collections of files now make up the Center for the Documentation and Archive for the Defense of Human Rights (CDyA). The CDyA contains an odd assortment of personal effects, confiscated mail, *delaciones* (secret denunciation letters),

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<sup>51</sup> Almada was detained in 1974 for his dissertation “Paraguay, Education and Dependency.” His wife, Celestina Almada, was awakened repeatedly in the middle of the night by phone calls, over which she heard the cries of her husband as he was tortured. She suffered a heart attack following one of these sessions and died in 1974—a “two for the price of one” deal where only one person had to be tortured in order to affect two. He was released in 1977. Martín Almada, personal communication, October 31, 2008.

<sup>52</sup> The CDyA, though an important source of documents used in legal cases in other Southern Cone countries, appears to have been “sanitized” even before being uncovered. That is, the most incriminating documents related to those still alive and in power were likely removed. Rosa Palau, personal communication, October 14, 2009.

extradition requests from other countries, as well as the binders, folders, and bound volumes produced by the Ministry (kept in the same organization system in which they were found—thus keeping the original format of the Ministry).<sup>53</sup> In addition to the detention and release logs, it also produced a few general kinds of documents: *informes* (informing memos or reports that were based on research, confessions, etc. and that were circulated either to higher authorities within the ministry or the military or other branches of the government); *declaraciones indagatorias* (confessions, often including the transcription of the questions asked as well as the answers given and often signed by the confessor); transcriptions and audio recordings (of tapped phone calls, interrogations, public speeches, etc); photographs (with labels on individuals of interest); medical reports and psychiatric evaluations. The language in these documents, particularly the *informes*, came to be highly stylized, rote, even banal, depersonalizing the trauma they frequently contained. *Informes*, often in the form of letters addressed to the Chief of Police or the Chief of the Department of Investigations, typically opened with the line: “Tengo el honor de dirigirme a esa superioridad, con el objeto de elevar a su conocimiento, el siguiente informe.” [I have the honor of directing myself to that Superiority with the object of elevating the following report to its knowledge.] The “Superiority” was the individual to whom the letter was addressed, but referred to in an incredibly indirect, passive manner. Itaipú Binacional was part of this entire system of memos, requests for more information, extra-judicial detentions, and information-sharing across Operation Condor countries.

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<sup>53</sup> Including requests from the BDR to help locate a few well-known Nazi war criminals that were commonly known to reside in Paraguay, including José Mengele. These requests went unheeded.

*Thinking through Terror, Control, Power, and the State*

Stroessner ruled Paraguay through *terror* and *control*—in Itaipú and the entire state apparatus at large. Because *terror* (terror) and *control* (control) are idioms in the repertoire of state power in Paraguay, they have a rich history of use and interpretation. This chapter uses Itaipú as a thread to follow through the tightly-woven tapestry of the Ministry of the Interior’s intelligence services to explore the psychological and physical ways terror was used to control the population of Paraguay. The theoretical apparatus I use to understand the links between the Archive of Terror, the Paraguayan state, and Itaipú takes into account affect, knowledge, and imagination as well as outlays of force and discrete action. While the statements made on behalf of “the state” are one way to learn about what “it” is, another way to get at it is to look at how it is interpreted by its enemies. In a 2010 article, Christopher Krupa, inspired by Weber, postulated that state power was found in a circuit of claim-making/claim-recognition saying that, “the state-as-such cannot be found in any of the ‘things’ that appear to reify it, but rather in the everdynamic synaptic relays of claim and recognition that insinuate state power into the material relations of everyday life” (Krupa 2010:324).

Here in this chapter, rather than stressing the positive or acquiescing claim-recognition circuit (i.e., the acceptance of the claimant’s affirmation to be the legitimate powerholder), I turn to the other side of claim-recognition. In this case, the claim is “rightly” understood (i.e., seen as a claim to power), but rejected. Throughout this chapter (and the dissertation more broadly), assertions are made by actors within Paraguay, but instead of “legitimate leader,” what is recognized is “foe.” Itaipú Binacional was embroiled in this because, through it, the Stroessner regime made a claim to legitimate

power and, by the regime's opponents, it was then seen as a tool of a power that they regarded as unacceptable and thus the dam became a stand-in for "foe."

An understanding of the historical development of control and terror as idioms in Paraguay will help us to interpret the expressions of state power in the Stroonato. To perform this etymology (of sorts), I look to those who were recognized foes as they interpreted the state by exploring how terror and control happened in other parts of Paraguay's political past. That is to say, this chapter turns to some of the earliest analysts and theorizers of Stroessner's reign who themselves were targeted for surveillance, detained, and ultimately forced into exile for their analyses: Carlos Villagra Marsal and Augusto Roa Bastos, two of Paraguay's pre-eminent writers from the 20<sup>th</sup> century. In this chapter and through their writings, I am making a strong argument about imagination. Imagination was a key part of the tactics of terror and control, which explicitly used "offensive" and "defensive" psychological techniques in order to achieve the aims of the Ministry of the Interior/the Stroessner government (CDyA 1965a).<sup>54</sup> The sense of an overwhelmingly powerful, all-knowing state was forged, in large part, through the monumental visuality of Itaipú and through the incoherence of the gargantuan numbers—of energy and of money—associated with the dam.

On a less publicly acknowledged and paraded front, this overwhelmingness came through terrors of the state apprehended only at a slant, out of the corner of the eye, only sometimes visible—a body found in a ravine that looked as if it had fallen from a great height, rumors of death flights where prisoners were flung to their deaths below, the

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<sup>54</sup> This is from a "how to" pamphlet from 1965 found within the CDyA that describes what an intelligence service is supposed to do and how to structure one. It was internally circulated as a guide as Ynsfrán and his successors transformed the Department of Investigations into an Information Service. No author given, but the timing and style suggests that Ynsfrán himself or one of his closest associates could have written it.

unexplained disappearance of a neighbor. The omnipotent omnipresent Stroessner-led state so left its mark that it felt as if everyone, everywhere, was being watched. And from the pages and pages of banal writing that purported to describe all that was important and to catalogue all that was knowable, the state apparatus did pretend to see all and know all. And so, the work of the imagination became all the more important to resist the constricting imagination of the state. The countervailing trend contained in the pages of Roa Bastos, Villagra Marsal, and other artists like them—to push into the imagination, to insist on creativity—was an important way to combat the control exercised by the state. In times of extreme repression, art becomes all the more subversive merely for insisting on the possibility that more might exist. And it becomes all the more necessary.

For both the Paraguayan state under Stroessner and for its challengers, there was an obsession with knowledge and the role and power of writing. One form of writing sought to open up imagination, the other, to foreclose it, to limit all that could be known or thought by writing it down. In a 20<sup>th</sup> century incarnation of the *Lettered City* (Rama 1996), the state writing in the Ministry of the Interior's intelligence services extended throughout the entire state apparatus and even into "organs" that were technically were not part of the government—like political parties (CDyA 1965a). As the central nervous system spread into all parts of the state apparatus and branched into all parts of public and private life, information traveled to and from the Ministry of the Interior, was then transcribed, summarized, analyzed, and acted upon. Itaipú Binacional, ostensibly a hydroelectric dam, reflected the governmental characteristics of the two states into which it was grafted. In Paraguay, this meant that it, too, was part of the security surveillance circuit—originating and receiving information about persons and activities of interest to

national security, going so far as to even detain people who were then transferred to the national police. And as the intelligence cooperation between the rightwing military governments that ruled the Southern Cone formalized into Operation Condor, Itaipú was a means by which information about suspected subversives circulated between the governments of Argentina, Brazil, and Paraguay.

Like Stroessner's government, Villagra Marsal, and Roa Bastos, I, too, must confess a fascination with writing and documents. The documents I describe here, a sampling of the hundreds of thousands in the CDyA and a sampling of the Paraguayan literary canon, demonstrate how the written word and physical expressions of political power are linked, both through their content and the way they were treated. This chapter explores these less familiar connections between Itaipú Binacional and the broader Paraguayan nation-state apparatus. Its role in economic development and bureaucracy is both better known (they are openly talked about in day-to-day speech in Paraguay) and easier to see. But, by definition, the Ministry of the Interior's intelligence system was intended to remain occult. If, as Roberto González Echevarría holds, the Latin American novel evolves out of legal writing and, per Angel Rama, it was through writing that symbolic, idealized order was connected to the physical ordering of space in Iberian and post-colonial America, the documents here connect the psychological order of the Stroessner state to its material order.<sup>55</sup> And they do so through a fixation on documenting "facts," on following proscribed legal rituals on paper, and on the exercise of punitive power.

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<sup>55</sup> Gonzalez Echevarria makes a strong case against an "ethnocentric" account of the development of the novel as literature. Instead of the English and French experience, the Spanish novel (a work of "fiction" opposed/distinct from its "non-fiction" dyad) devolved from legal writing. Therefore, Latin American and Spanish literatures have a near ubiquitous concern with law, criminality, the formation of the state.

The Stroessner regime cast the Paraguayan state in his likeness, one that lingered past the 1989 coup that removed Alfredo Stroessner from office but did nothing to interrupt the intelligence gathering. Under Stroessner, the Paraguayan state operated through a certain relationship to visibility. Seeing, hiding, being witnessed, being visible, being invisible, monumentality, and the unnoticed quotidian were woven together as both the material structure and the ideological justifications for the Paraguayan nation-state. All of these were condensed into one word: control. *Control* (a noun) and *controlar* (the verb), meaning to control, to guard, and to keep watch, are central and particular to the way the Paraguayan state exercised power during the Stroessner.

But, like many other aspects of the Stroessner, the instrument of control did not begin with Stroessner. Stroessner's Minister of the Interior Edgar Ynsfran was tasked with transforming a policing and intelligence system that was in disarray after decades of civil war and in light of ongoing challenges from the new regime's opponents. The Ministry of the Interior was the civilian counterpart to the military. Under Ynsfran's guidance, it expanded into a sophisticated system of which the Archives of Terror are but one effect. Like control, *terror* has a valence in Paraguay that precedes Stroessner. That the term was popularly used to describe the system of governance through surveillance signals to us that something is going on here.

Itaipu was an instrument of control through terror in Paraguay. What this means and how it worked during the Stroessner and how it participates in a longer tradition of governance in Paraguay are the heart of this chapter. This chapter explores the role of Itaipu in the Ynsfran-crafted system through a close analysis of just a few of the hundreds of thousands of documents held by the Archive of Terror. Itaipu, though distant from

Asunción, was articulated to the central government publicly through the Vice-ministry of Energy, but also privately through the Ministry of the Interior. Knowledge at the margins—of the physical Paraguayan territory, of the state apparatus—literally moved to the center as information was reported, rewritten, and interpreted by the Ministry of Interior. This glimpse behind the curtain of the Paraguayan state’s veneer of law-abiding/law-affirming order through but one example—Itaipú Binacional—serves two purposes: first, to show how Itaipú allows us to unravel the broader state apparatus (i.e., the furthering the basic argument of this dissertation); and, second, to unmask the way violence and secrecy operate through the twin idioms of control and terror in Paraguay. But prior to the final section of this chapter, which is a close reading of several Itaipú-related documents found in the CDyA, the next section explores Paraguayan literature on state power and violence, as well as 19<sup>th</sup> century antecedents to the Ministry of the Interior’s secret police.

### *Historias of State Power*

To understand the affect of terror and control, we have to turn to the past and to fiction because nothing comes entirely formed *ex nihilo* and because art was one of the most robust sources of criticism against Stroessner’s rule. In this section of chapter 2, I turn to a number of *historias*—Spanish for “stories” and “histories”—in Paraguay that help flesh out what terror and control do within Paraguayan politics. In addition to the “fictional” works of Carlos Villagra Marsal (a short story) and Augusto Roa Bastos (a novel), I also detail the “real” history of the early republic, Paraguay’s first president and dictator, Dr. Gaspar Rodríguez de Francia, in order to trace how terror and control in the

Paraguayan state were set in motion. Before turning to the definition of words or examples of violence in the Stronato or how Itaipú functioned within the Ministry of the Interior or to the past for the historical origins of the surveillance apparatus or even the first time terror got attached to Paraguayan statecraft, we begin with literature about power in Paraguay from the mid-20<sup>th</sup> century.

Weber's analysis of the modern nation-state put the psychological dimension through which state power is expressed front and center. And though many social scientists have steered clear of psychological examinations because of the treacherous waters of essentialism, others, like Begoña Aretxaga (2003), when dealing with the effects of state violence, have found it necessary. But Paraguay's literary greats have had no such compunction. For this, many of their names also appear among the lists of thousands who were detained by the Stroessner regime. Augusto Roa Bastos and Carlos Villagra Marsal were but two writers of world renown who wrote about the regime engulfing Paraguay in the 1950s, 60s, and 70s. They are some of the first to have theorized and interpreted the state apparatus and state style under which Paraguay convalesced. Their approach was at a tangent, but this was not self-protective plausible deniability or a lack of commitment to the incisiveness of their criticism. Rather, to understand all that the terror was, art is necessary. Creation—not just description of the horror—is what counteracts the terror—a deliberate move toward hope, imagination, risk, the explicitly not-just-useful in the face of despair, reclusion, bondage, death. Even as an assault of the imagination was part of terror and control—including the mental connections with stories of terrors of the past—art itself was part of asserting power against the destruction by transforming the meaningless, the banality of evil, into

something meaningful.

Villagra Marsal and Roa Bastos have much to teach about power in Paraguay and repressive violence. The two men were themselves victims of the state apparatus—detained without charge, Villagra Marsal at the very least suffered violent interrogation techniques, and were forced into exile.<sup>56</sup> But, even more than the personal life histories, their writing unlocks turn upon turn in a labyrinth about Paraguayan national histories, the use of violence, the role of the state, the identity of the nation, and even the production of knowledge. Both works raise questions about the line between fact and fiction, even within the action of the “text.” Both authors write as if they are merely recopying documents or stories—a kind of archive assembling. And the characters in the works themselves wonder about the truthfulness of stories they hear—some told as fact, others as fiction. In spite of an oblique narrative choice—telling stories of the past or of fictional bandits—likeness was recognizable enough that they came to the attention of the Ministry of the Interior. Villagra Marsal was detained early in the Stroessner regime, on October 4, 1956, presumably for being a member of the Liberal Party (Comité de Iglesias para Ayudas de Emergencia 1999:537). Roa Bastos was detained on May 2, 1982, having already spent decades in exile, and expelled from Paraguay because he was “an ultra-Moscow Bolshevik” (Comisión Interamericana de Derechos Humanos 1984).<sup>57</sup>

Villagra Marsal’s fable *Mancuello y la perdiz* (1965) takes the form of a tale within a tale that begins as an origin story of the striped partridge (a *perdiz*).<sup>58</sup> The inner story is of a village plagued with a drought in the heat of a Paraguayan summer and by

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<sup>56</sup> Villagra Marsal, Carlos. Personal communication during 2007 presentation of poetry and memories at the Centro Juan de Salazar. Asunción, Paraguay.

<sup>57</sup> “[E]l Ministerio del Interior manifestó que ‘Roa Bastos era un bolchevique ultra-moscovita.’”

<sup>58</sup> This is a motif common to story-telling in Paraguay. For an example of bird-related origin stories among indigenous groups in the Chaco, see Escobar (2007).

Mancuello, a local bandit whose predations and unchecked violence have made even the town officials unwilling to act. He drowns the mayor in a pool while the man is about to bathe. He prefers to rape women with long braids (it makes them easier to grab). And anyone who challenges his will is hacked from stomach to neck with his machete which he has affectionately dubbed Barcelona. But the turning point is a game of cards. Upon coming across a shrine atop a hill, Mancuello espies silver coins—alms of gratitude—gleaming amidst floral offerings that cover the shrine. He then plays a game of *truco* with the cross at the shrine, the cards stacked to his own favor. The cross loses and Mancuello gleefully appropriates all the coins. But it is too much. The people pray for deliverance from drought and Mancuello. Relief comes in the form of a stranger, José, who joins the village celebration of a young woman's miraculous healing. When Mancuello, hearing the festivities, arrives drunk and enraged, José warns him. Instead of heeding the call to change, Mancuello lunges at José, who proceeds to flog him until Mancuello flees into the forest where he is transformed into a partridge. José rides off into the night sky, at which point the villagers recognize that he is the archangel Gabriel.

At the climactic encounter, José asks Mancuello, “Do you not see that the people become very frightened and scatter when you show up? Neither you nor anyone has the right to live this way by evil” (Villagra Marsal 2005:69). The pronouncement resonates—like Villagra Marsal's onomatopoetic Guaraní and Spanish translations of birdcalls, like the strings of the Paraguayan harp played by the blind man at the feast—beyond the pages of the text. Mancuello is Paraguayan; he terrorizes his own people and has forced others to be complicit in his deeds. The passive villagers do their best to avoid his attention but never plot together to rid themselves of him. And Mancuello tells José to

mind his own affairs because he is not native to those parts. The fable ends in the framing story—an old man telling a young child a story from his own youth—with the young boy, unable to sleep that night because he is haunted by the question of whether the tale is true. Two temporalities operate in Villagra Marsal's novella: the story of Mancuello, which is set in some mythic time in the years after the War of the Triple Alliance, and the framing story which is set in Villagra Marsal's present. But the open question at the end is whether the two stories are actually one.

The novella—one of the most esteemed in the Paraguayan literary canon—garnered a national prize and was published in segments in *La Tribuna*, a national daily with a large circulation, in 1965. But it was first published outside of Paraguay, in Chile, while Villagra Marsal was living in Santiago. Though Villagra Marsal followed an artistic convention in Paraguay to claim that he was merely relating something he had once heard, saying that an old campesino had told him the “true story,” it was enough to warrant ongoing attention from the Ministry. Mancuello is in the style of numerous bandit-caudillos who wantonly governed Paraguay for their own benefit. Like other poets of his generation, Villagra Marsal spent years in exile and then returned to the exterior after the fall of Stroessner, as an ambassador (to Chile and Ecuador).

If Villagra Marsal's story of a fictional bandit troubled the waters, it was no wonder Augusto Roa Bastos encountered such hostility. Villagra Marsal describes a population terrorized by a bandit who murders, rapes, and steals. Roa Bastos ventriloquizes the state. *Yo El Supremo* (1974), his masterwork, explores the utterances of the Paraguayan government to demonstrate, among other things, how power and

writing are linked.<sup>59</sup> More directed to the real world procedures and actions of the government than *Mancuello*, *El Supremo* renders paranoia, suspicion of betrayal, note-taking, official documents, and archive-making in the early national government of Gaspar Rodríguez de Francia, who governed Paraguay from 1814 to his death in 1840. The real life Francia appears in Roa Bastos' work as a paranoid ruler vacillating between admiration for Rousseau and scorn for the ability of his people to govern themselves, all the while fretting about the future. He is, in fact, the "Supremo" of the title. *El Supremo* is told in the style of a stitched-together archive of original 19<sup>th</sup> century documents compiled by Roa Bastos.<sup>60</sup> Though using elements of [super]natural [sur]realism, it aims at verisimilitude, a recognizable copy of the past and present Paraguayan state, even with anachronistic references—both oblique and direct—to Itaipú Binacional.<sup>61</sup> Roa Bastos uses and cites authentic texts from the era and then creates documents wholecloth, parading them as authentic, with no distinction between the two.

The book opens with a text set apart from the rest of the body by use of a different font and font size (a technique he repeats in order to mimic the effect of reading different

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<sup>59</sup> The choice to capitalize the "e" in "El" here and throughout the text of the book is significant. Not only is it customary for Spanish book titles to only have the letter of the first word capitalized ("Cien años de soledad" is in English "One Hundred Years of Solitude"), but the pronoun is never capitalized in Spanish unless at the beginning of the sentence. Even in reference to "God" himself, the reference would be written "el Señor." And so, that Francia insists not only that "Supremo" be his title (this is true, not a fabrication of Roa Bastos') and that Roa Bastos has his Francia also insisting on the capitalized use of "el" highlights the first ruler's megalomania. Some editions of the novel follow the traditional Spanish titling convention while some, published in Paraguay, follow the unusual "El."

<sup>60</sup> But not authored by, see the parallels to Villagra Marsal's *Mancuello*.

<sup>61</sup> In the novel, Francia receives the Brazilian consul with great mistrust and annoyance at the consul's lascivious longings for an indigenous woman. But he tolerates him because the consul promises to deliver an order of weaponry—"Vocé va a tener el cargamento de armas mais grande do mundo!" (246)—which Paraguay needs to defend itself from its neighbors. Not only does the narrator at this point (Francia) angrily discuss the border dispute and reference the "presa" (dam) of the future, but even the expression "el cargamento mais grande do mundo" is meant to parody Itaipú. Itaipú was referred to as "la usina mais grande do mundo" throughout its construction as part of the developmentalistic rhetoric from Brazil. The phrase is treated with skepticism and mockery in Roa Bastos in the same way a North American Native American might parody a British colonialist speaking in "nativized" English and offering "pretty wampum!"

documents) that purports to be a circular written by the Supremo, commanding, in the event of his own death, the decapitation and cremation of his body, and the death of all his attendants. A furious Francia sets his servant Patiño to uncover the author of the pasquinade—unleashing a book of rantings about conspiracies, the power of words, the transcendent beauty of a corpse as it is eaten by insects, and the ravenous designs of Argentina and Brazil. Early in the book, Patiño recounts a curiosity to the Supremo: upon a recent visit to Tevego to investigate any potential plot against Francia, he found no living beings. Instead, everyone, upon entering the compound, was turned to stone.<sup>62</sup> Much later in the book, after Patiño has been unable to locate the writers of the official forgery, he says that he ordered all the detention of all public clerks to repopulate the prison of Tevego, just in case.<sup>63</sup> That way the curse of Tevego (its emptiness) would be reversed and all clerks would be prevented from being involved in the “*guerrilla pasquinera*” (the pasquinade uprising) (Roa Bastos 2007:423).

In *El Supremo*, Francia is obsessed with finding out who claims to write in his name, not with the content of the writing that portrays him as arbitrarily violent. The pasquinade in this case is not just a publicly posted broadsheet that lampoons or criticizes the Supremo, but one that purports to be an authentic announcement from the leader. Like the “documents” compiled by Roa Bastos, the reader is never sure of the authorship of the pasquinade. In fact, we never know for certain that the Supremo himself did not author the pasquinade, just to root out his rivals by seeing who might support it or as an excuse to imprison them pre-emptively. Patiño himself says to the Supremo, “[O]nly

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<sup>62</sup> Tevego was a concentration camp in the north for prisoners, ex-slaves, and prostitutes that was used by Francia and by his successor Carlos Antonio López.

<sup>63</sup> The “he” here is presumably Patiño, but, because of the style of Roa Bastos’ writing, may also be the Supremo.

Yerxcellency sees beyond all that is visible, hears that which is beyond all that is hearable. Only Yerxcellency can fraternize the act with the divination of the act. Divining things of the past is easy” (Roa Bastos 2007:424).<sup>64</sup> Roa Bastos’ Supremo takes any critique or even imagined insult as treason. And so concerned is he about rebellion that he purports to know the deeds before they are ever seen, spoken, or even thought. He controls the people by anticipating and punishing the bad that they might do.

Although both *Mancuello* and *El Supremo* are stories, they appeal to the history of the nation. Not only are they set in historical temporalities, making claims to historicity by their orientation to the War of the Triple Alliance (both mention the war explicitly), but both Villagra Marsal and Roa Bastos claim to be compilers or transcribers of authentic or true documents. They trace the genealogy of the political violence of their present to the nation’s past. The most fantastic elements of both stories are but 20<sup>th</sup> century literary reincarnations of 19<sup>th</sup> century events. And, once we turn to a close reading of CDyA documents, we will see just how close the fictional accounts written in the 60s and 70s were to the clandestine activities of the Stroessner regime at that time.

Dr. Gaspar Rodríguez de Francia (1814-1840) created Paraguay’s secret police when he came to power.<sup>65</sup> His fierce isolationism—expressly to protect Paraguay from absorption by its neighbors—included regular confiscations of the wealth of European-born residents in the new republic and prohibitions against marriage between Spaniards.<sup>66</sup> Pulling inward to embark on an independent development, the closing off of borders and

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<sup>64</sup> “...sólo Vucencia ve más allá de todo lo visible, oye lo que está más allá de todo lo oíble. Sólo Vucencia puede fraternizar el hecho con la adivinación del hecho. Adivinar las cosas pasadas es fácil.”

<sup>65</sup> He added the “de” to his last name in order to stylize himself as of noble lineage.

<sup>66</sup> Union with Argentina was what had been predicted as the inevitable destiny of the “province” which would ensure its future prosperity even by Rengger and Longschamp, Swiss naturalists who visited Paraguay in the early 19<sup>th</sup> century.

nearly all commerce and comity with the exterior, was paired with a heightening control within Paraguay. Francia styled himself a “dictator” openly. He had been elected to the office by Paraguay’s ruling congress in order to deal with extreme circumstances and never relinquished his position. If the story sounds reminiscent of the end of the Roman republic, that is because it was. When, after the 1811 declaration of independence from Spain, it came time to form the new republic’s government, its founders were unaware of Montesquieu’s separation of powers in government into three branches.<sup>67</sup> Instead they decided to follow the model of the only republic they knew: Rome.<sup>68</sup> The Paraguayan Caesar (Francia, as “consul,” sat on a chair labeled “Caesar,” his short-serving “co-consul” sat on one named “Ptolemy”) then took control of the government in 1814, dissolved congress, and stylized himself *el Supremo* (the Supreme, a title even higher than one used for popes or emperors) and eliminated opposition, both real and fabricated. And when a plot to betray Francia was discovered (a letter was found by intelligence agents in 1821 that contained details for a coup), a new round of arrests of threats to the government began.

“Terror” was appended to the Paraguayan state apparatus as a 19<sup>th</sup> century description of Francia’s rule. That it became popular first outside of Paraguay through the writings of travelers to the new republic in the early 1800s was no accident, but excellent marketing. Rengger and Longchamps state that a series of repressions against Spaniards and Creoles was “the beginning of the reign of terror in Paraguay” (1827:44). The

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<sup>67</sup> This was once explained to me as a consequence of the Comunero uprising: in order to keep Paraguayan from revolting/rebelling again, Spain had prohibited the establishment of a university in Paraguay (to keep them uneducated) (Personal communication, January 11, 2010). And so, no one aside from Francia (who had studied at the Universidad de Córdoba, Argentina) was familiar with the Enlightenment.

<sup>68</sup> Rengger and Longchamps (1827) have Charles Rollins’ *History of Rome* as the basis for the new government.

Robertson brothers, describing their youth and early South American adventures in Paraguay, actually titled their third volume of epistolary memoirs *Letters from Paraguay: Francia's Reign of Terror* (1839).<sup>69</sup> John and William Parish Robertson made, lost, and regained a fortune in the Southern Cone in the first three decades of the century, all the while witnessing the revolutions that engulfed the Spanish and Portuguese empires (including the 1807 battles between the British and the Argentines for Uruguay). The two teenagers lived in Paraguay from 1812 to 1815, personally witnessing the early years of the republic and the rise of Francia. Their falling out of favor with Francia in 1815 resulted in their permanent banishment from the republic, which they were forced to leave without their possessions. Twenty years later, as they wrote their travel memoirs *cum* ethnography, the British citizens used a word redolent with memories of violence to an audience steeped in literature about the French Revolution. The Robertson brothers' *Letters*, though remaining only in fragments and remnants within Paraguay (if remembered at all) serve as an important basis for Roa Bastos. *Yo El Supremo* uses them in footnotes; and in the text itself Francia angrily rails against the brothers and their *Letters* (though it is, in fact, never known whether Francia ever read them or even learned of their existence). The Robertsons' classic work helped define the character—not just of Francia as dictator (making this not a title, but now a criticism) but of tropical dictatorships in general and of Paraguay as a people held under a tyrant who needed rescue (Folch n.d. Robertsons' Journey of Empire)

After the War of the Triple Alliance, the secret police activities continued. The earliest documents in the CDyA are from the 1917, revealing an active, if disorganized, security system. When Edgar Ynsfrán, Stroessner's new Minister of the Interior, stepped

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<sup>69</sup> The Robertsons were in Argentina, Brazil, Paraguay, and Uruguay from 1807 onward.

into office, he governed the inherited organization with an iron grip and to a specific end: to destroy all opposition to the Colorado Party regime of Stroessner. It was through the “control” of the Ministry of the Interior that this was accomplished. Although Spanish verbs have active and passive voice (diathesis), and some verbs may have reflexive forms, the verb “controlar” in Paraguay functions in both its active and passive form with a nuance that seems to be more like the middle voice of ancient Greek. Whereas the subject of a verb in the active voice is often the cause or originator of the action and in the passive the subject is the recipient of the verb’s action, in the middle voice, the subject of the verb—the one who acts—also is somehow a recipient of action. Spanish lacks the middle voice, but the usage of the verb *controlar* in Paraguay implies a dual relationship between actor and recipient. While control means its English cognate, it also means to surveil. And the use of one word for both of these shows how domination/leadership has become indistinguishably blended with observing and surveilling.

A supervisor may say, “Drive by the construction site; I want to control the project,” meaning that by appearing unannounced he would see what the workers were truly doing and, at the same time, force them into action out of fear that another unplanned trip might happen.<sup>70</sup> A bus driver taking a group of passengers across the border might say, “I always say, you must control your documents at all times,” meaning that, at immigration, the passengers should know what documents are needed, keep them all up to date, and always in one’s possession.<sup>71</sup> A taxi driver, when asked to wait for ten more minutes to see if the passenger is ready, might say, “I will control the time and if it

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<sup>70</sup> Pasá por la obra, voy a controlarlos.

<sup>71</sup> Siempre digo, tenés que controlar los documentos.

gets to be 10:10, I'll leave," meaning that he will watch the clock with great attention and once it reaches ten past ten, will leave to find another fare.<sup>72</sup> These are, perhaps obviously, real examples I encountered while on the field. Many more appear within the CDyA as an informant confesses that he crossed the border from Paraguay to Brazil "without any control" or a police liaison informs his supervisors that Paraguayans living in Brazil "are being strictly controlled by Brazilian authorities" (CDyA 1959; CDyA 1965b). To control means to watch, to observe, to enforce behavior by means of watching or physical intervention. In this usage it becomes at times a Foucauldian tool of discipline and knowledge gathering. It also means to attend to an object or a situation that influences or determines one's own wellbeing or situation, akin to "be aware of" in English. Thus a person can control something that is itself used to control the person, being both the origin of the action and yet a recipient of it at the same time.

The discovery of the Archive of Terror and the unmasking of what was clearly just a portion of the documentary foundation of a violent repressive system did not suddenly deflate the force of terror and control in interactions with the state. Coupled with the impunity of the perpetrators, who were never brought to justice, the experience served in part to reinforce the central role of physical violence in legitimating rule. This is what Begoña Aretxaga found in her work on terror in Spain and a dramatic discovery that the democratic state had used the paramilitary terror associated with the Franco regime. "The gaze into the labyrinthine 'interiority' of the state being does not necessarily dispel its 'magical' power," she wrote (Aretxaga 2000:43). In fact, following Derrida, Aretxaga connects the materiality of state killing to the creation of a state's fantastic and fantasmic quality. She writes that, "It is in the act of killing, kidnapping, disappearances, and

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<sup>72</sup> Voy a controlar la hora y cuando llegue a diez, iré.

imprisonment that the state materializes as a powerful spectral reality, which marks the bodies and souls of those subjected to its practice” (Aretxaga 2003:402). The human body is what connects materiality to psychology. It is the transformative membrane across which the physical force of the state translates into the symbolic force of the state (and vice versa). This is why what happens to physical human bodies as a result of violence—their petrification, their mutilation from gut to crown, their transformation into a bird, or their mysterious disappearance—is central to the stories Villagra Marsal and Roa Bastos have told about state power in Paraguay.

### *Documenting Dissent*

The treatment of human bodies in the Archive of Terror—how they are watched, described, followed, detained is one way to induce an emotional reality. But, in fact, what happens is that multiple responses occur as a result of what happens to human bodies: fear and terror among all who live in Paraguay (even the perpetrators who know the worst of what has been done cannot escape the fear—especially when they see the regime turn on its own), a sense of the dominating control of the Stroessner-led Paraguayan state, and, among the opposition, a fastly-held determination to reject and overthrow the regime.

Even as the Stroessner regime used Itaipú as a symbol of its grandeur, the opposition described it as fundamentally flawed proof of the government’s wrongdoing. The CDyA contains a multi-page copy of a document circulated by the *Centro de Estudiantes de Ingeniería* (Center of Engineering Students) to the Chamber of Deputies when the Itaipú Treaty was under debate in 1973 that itemized the group’s concern with

the Treaty, which they described as “lacking in clarity” and having “real disadvantages” for Paraguay (CDyA 1977a). Another of the archives contents is a booklet with the cover “Mal de Chagas”—a health guide published by the Ministry of Public Health about a tropical disease associated with poverty that spreads through insect vectors (or in utero) (CDyA 1976). Or, so it appears. Inside, the first page explains what it really is: *Adelante*, the official publication of the Communist Party of Paraguay, masked as an innocuous handout from the Ministry of Public Health. Amidst the pages of critique of Paraguay’s government (“Reelection—no!, Revolution—yes!”) and an explanation of Marxist doctrine is a section on Itaipú, described as “far from being the beginning of ‘development’ in Paraguay, it is an entire surrender...not only of the hydroelectric potential of the Salto del Guairá, but of Paraguay itself, a sale of its national sovereignty” (CDyA 1976). This was in keeping with the writings of the Paraguayan left on Itaipú. Oscar Creydt, scholar and president of the Paraguayan Communist Party described Itaipú as “a surrender of national sovereignty” to the “Brazilian empire” and that, as a clear testament to this loss, in the future, Paraguayan children would speak Portuguese, not Spanish and Guaraní (Creydt 1973:8, 15). The Stroessner government was right to be concerned about how the opposition viewed the dam. But Itaipú’s place in the archives and the security apparatus is even firmer than just as the target of opposition texts.

In this final section, we will look more closely at a series of documents from the CDyA that originated from, were destined for, or passed through Itaipú. These groups of chronologically organized documents—an event (the protest that opened the chapter), specific individuals, an unelaborated list of names, and finally a few more events—were scattered throughout the CDyA, sometimes found together, frequently only pieced

together after months of research. As we go through these documents, it will be useful to keep a few questions in mind: Who is it that gets observed (*vigilado*)? What kind of behavior is considered suspicious? What kinds of details are kept about detainees? How does information move between Itaipú and the Ministry of the Interior? How has document format changed from the early years to the late years of the regime? How is Itaipú part of the coercive power of the Paraguayan state? And, ultimately, what does the clandestine coercive apparatus of the state do in Paraguay during the Stronato?

### *The Guairá Protest*

When the tensions between Paraguay and Brazil grew to their peak in 1965 and the new military government in Brazil—putting an end to what it saw as the excesses of the previous regime—moved troops close to the contested waterfalls on the War of the Triple Alliance’s centennial, nothing less than a collective response of outrage could be expected in Paraguay. The students, activists, workers, and curious onlookers began their march on the morning of November 27 at the southeast corner of four plazas, moving northwards, past the Panteón de los Heroes—the space of the nation (see the Introduction). Their precession through this space deliberately invoked the memory of the War of the Triple Alliance and wove their actions into the same skein of patriotic defense of the nation. Turning west, they passed the Bank of Argentina and ended up in front of the Bank of Brazil (where it still stands today) and the former embassy. Burning a Brazilian flag as the culmination of a pilgrimage intended to attract the attention of the entire country was certainly provocative. Even amidst other expressions of disagreement—usually open letters that were republished in newspapers—this event

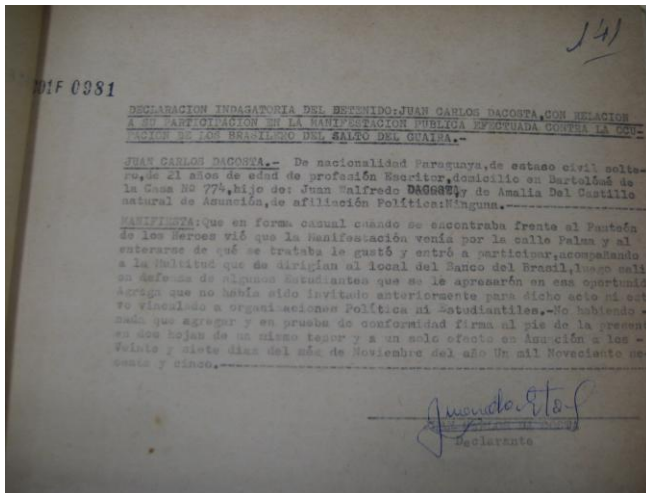
stood out for a few reasons.

Word of the protest appears in a *Memoria Annual*, a year-end report of the major events of interest that was “elevated” to the new Chief of the Department of Investigations (CDyA 1966). All the entries have to do with the arrests or activities of operatives from rival Colorado factions or other political groups. Over the three pages in the *Memoria*, each initialed, corrected, and sealed by the author, not one entry to do with a “crime” that was not political—no mention of murder, rape, smuggling. The fifteen who were “responsible for the protestors” were arrested and questioned. The participants of the march were members of opposition political parties—Liberals, Febreristas, Christian Democrats. They were explicitly identified as such by the brief summary in the *Memoria* and not, as was mentioned in the more detailed elaborations in each of their statements, as university students or office workers.

1962 was the first year since 1947 that any party other than the ANR had been allowed to field candidates for election. Throughout the Stroessner regime, leaders of opposition parties—when legal or illegal—were regularly “controlled” by agents of the Ministry of the Interior, who submitted reports (sometimes on a daily basis) about individuals deemed requisite of vigilance. The *vigilados* were followed and basic details of their lives—when they left home, when their wives went shopping, how long they visited certain friends, the color of their clothing—were written in repetitive *informes*. Political gatherings of any kind, except for those led and sanctioned by Stroessner himself, were dutifully recorded. Pages of transcripts of meetings of the Liberal and the Febrerista Party may be found in the CDyA, along with copies of whatever brochures, pamphlets or posters were distributed. And toward the end of the regime, rivals within the

ANR—even Edgar Ynsfrán himself—were recorded at public party events.

Just the very act of a public demonstration was itself daring in 1965. In 1955, the Law for the Defense of Democracy (294) had been passed, making it almost illegal to protest because not only was membership in any communist organization punishable by prison, but so was “proposing changing or destroying by violence the democratic organization of the Republic.” This afforded leeway in the interpretation of what was a threat to the democratic organization of the Republic, flexibility that was taken advantage of by the Ministry of the Interior. Bound next to the summary of 1965’s major activities (including the November 27 protest) are the typed, signed, and stamped confessions of the fifteen men whose names appear in the summary (CDyA 1965c). While the summary



**Photograph 5 Confession of Juan Carlos Da Costa.**  
Author’s photograph. Courtesy of the CDyA, Asunción.

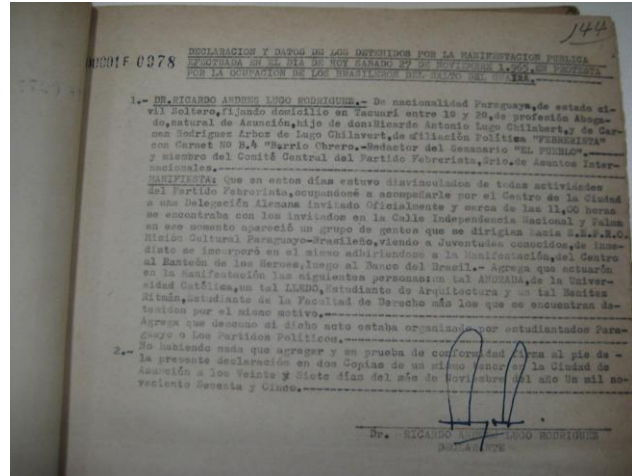
report describes these men as “those responsible,” none explicitly claimed to have organized it, instead naming others who they recognized (and were not among the detained) or even saying that they had only learned about the protest the

moment they saw it. Based on other examples of confessions in the

CDyA, it is likely that the confessions had first been copied by hand and later typed using carbon paper (or simply retyping the entire sheet) in order to make multiple copies.

All the confessions followed a similar format, but I will cite two representative examples, which appear here as Photograph 5 and Photograph 6. All the confessions open

in the same way, with basic biographical data of the detainee (name, nationality, marital status, age, profession, residence, parents' names, location of birth, party affiliation). All the confessions end in the same way, with the close "Having nothing further to add." But, in the course of the interrogation, the detainee answered how it was that he came to be at the protest, whether he was invited by anyone, and whether he knew anyone else at the protest or recognized any of the organizers. Here there were differences. Juan Carlos Da Costa ("unaffiliated with any party") maintained that he



Photograph 6 Confession of Ricardo Andrés Lugo Rodríguez. Author's photograph. Courtesy of the CDyA, Asunción.

Casually found himself in front of the Panteón de los Heroes when he saw the protest progressing along Palma and, upon discovering that he agreed with what it was about, he joined it, accompanying the multitude to the Bank of Brazil. Afterwards he came out in defense of some students who were arrested at that time. He adds that he had not been previously invited to said act and is not part of either any political or student organization.

[CDyA 1965e]

But Dr. Ricardo Andrés Lugo Rodríguez (of the Febrerista party) said that:

In those days, he was unconnected to all Febrerista Party activities, instead

busy with accompanying an officially-invited German delegation in the city [Asunción] and, around 11:00 a.m., he and the delegates were at the corner of Independencia Nacional and Palma when, at that moment, a group of people appeared who walked toward the Paraguay-Brazil Cultural Mission. And seeing young people he knew, he immediately joined the protest from the center to the Panteón de los Heroes and then to the Bank of Brazil. He adds that the following persons participated in the protest: someone called Andrada of the Catholic University, someone called Lledo, a student in Architecture, someone named Benítez Ritman, a student in Law, in addition to those who were also arrested with him.

[CDyA 1965d]

Though Da Costa and Rodríguez made very different statements—one denying any prior knowledge of the event or its participants, the other claiming to have seen people he knew—and one was a recognized professional while the other claimed to be a writer, this was the first of many appearances in the CDyA for both men. Da Costa regularly appears in lists of detainees in the 1970s, on documents prepared by the Directorate of Technical Affairs (usually targeted toward communists), and will appear later in this chapter. Rodríguez also figures in lists of detainees and in lists of Febrerista Party members who were surveilled into the 1980s. Whether the men held antagonistic sentiments before the 1965 protest or if they were radicalized by the experience of having been arrested and detained in protest of what was commonly seen as Brazilian aggression against Paraguayan interests, this confrontation was just the beginning of many. Of the

fifteen arrested that day, only two do not appear again in the CDyA.<sup>73</sup>

In the eyes of the law, what these protestors did was criminal. It was interpreted by interpreters of the state—in this case the police who enforced the law—as an act of violence not against the Brazilian government, but against the Paraguayan state. Burning a foreign flag, disagreeing with Brazil’s military actions, marching past the Panteón were acts of aggression against the Stroessner regime. And both sides knew it. This was not a misunderstanding on the part of the police force. An innocuous-seeming target against which there was near unanimous disagreement—letters of outrage at the Brazilian troop movements had been sent by many organizations to Paraguay’s dailies—should not have warranted such a strong response. That the demonstration garnered such a reaction from the government reveals something about what it was. A public demonstration against the preferred ally of the military regime effectively was an act of defiance against the Stroessner regime. The November 27 protest, like Villagra Marsal’s novella and Roa Bastos’ novel, was a familiar tactic in Paraguay of using smaller targets when confronting an overpowering force. And adding the fiercely patriotic tone by marching past the Panteón de los Heroes only intensified the power of the message.<sup>74</sup>

*The German, the Coffee man, and the former Priest*

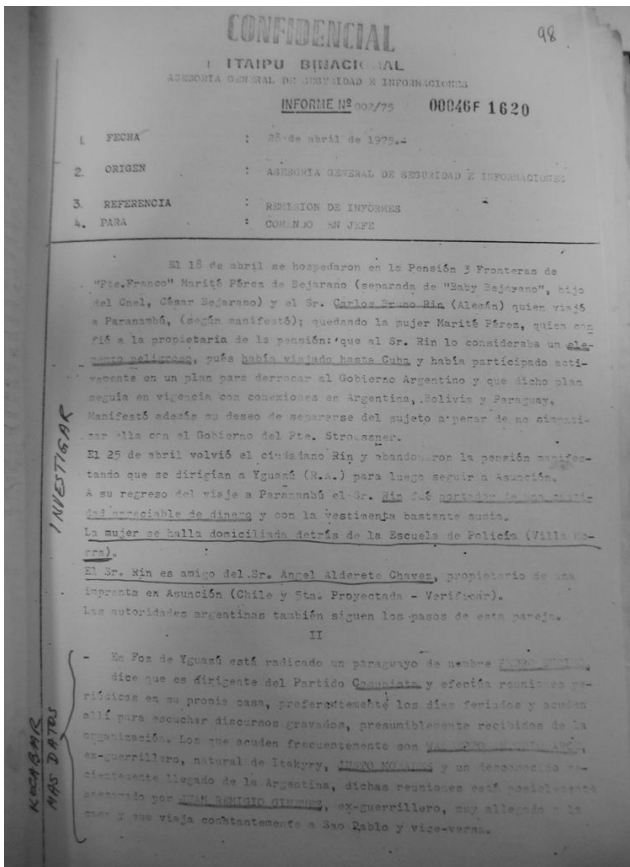
In contrast to the brief entries and confessions of the fifteen detainees from the November 27 protest, the CDyA documents on Carlos Bruno Rin, Carlos Magereger, and

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<sup>73</sup> And this does not mean that they were never again detained or surveilled. It only means that they do not appear in the files that have been found.

<sup>74</sup> Francisco Solano López, the Paraguayan president who fought the War of the Triple Alliance, had no political party—the Colorado and Liberal Parties were founded after the War—making the mariscal a transcendent figure, simultaneously making him a hero appropriable by all and at the same time exonerating both parties of the guilt of being associated with him (when some narratives villified him as the madman who forced his country into a bloodbath).

Sergio Grisetti contained pages of detail that were “elevated” within various institutions. These were three men who were unconnected to one another, but somehow considered threats to the regime at different points in the 1970s. Each of the groups of documents regarding these men circulated between the Ministry of the Interior and Itaipú Binacional, and often the Armed Forces. It is this trajectory of documentation that I wish to follow and the reason why I am writing of them. Some were found near one another in the archives (implying that they had traveled together and were stored together) but others were filed in separate parts of the Department of Investigations and the Directorate of



Photograph 7 Itaipú Security Administration informe regarding Carlos Rin. Author’s photograph. Courtesy of the CDyA, Asuncion.

Technical Affairs, suggesting that their very placement reveals the path of paper trails within the Ministry and the government at large.

Carlos Bruno Rin first appears in the CDyA in a document dated April 28, 1975 written by the Itaipú Binacional *Asesoría General de Seguridad e Informaciones* (General Security and Information) and stamped “confidential” (CDyA 1975a). Although its intended destination—*Comando en Jefe* (“Chief of Command”)—seems to be the Armed Forces, that the

document has ended up in the Department of Investigations gives a clue as to its trajectory. The April informe is two pages long and describes Rin as a “German” who had stayed at a hotel in the tri-border zone south of Itaipú.<sup>75</sup> He was supposedly described by his companion (female) as “a dangerous element who had traveled to Cuba and had actively participated in a plan to overthrow the Argentine government and that said plan continued in effect with connections in Argentina, Bolivia, and Paraguay.” After a short trip into Argentina, Rin had returned to Paraguay carrying a “considerable amount of money” and “wearing dirty clothes.” The Itaipú informe goes on to describe other persons of interest at the border (unconnected with Rin), some of them activists from other parties, some who receive visits from foreigners. But it is the section on Rin that has been underlined repeatedly. Another mimeographed copy of the same informe (a copy of the underlined copy) also appears in the CDyA, but in an entirely different section of the Department of Investigations, meaning that the document circulated within the Ministry. This copy has marginalia, comments like “investigate” and “find more data” written in red ink (CDyA 1975b).

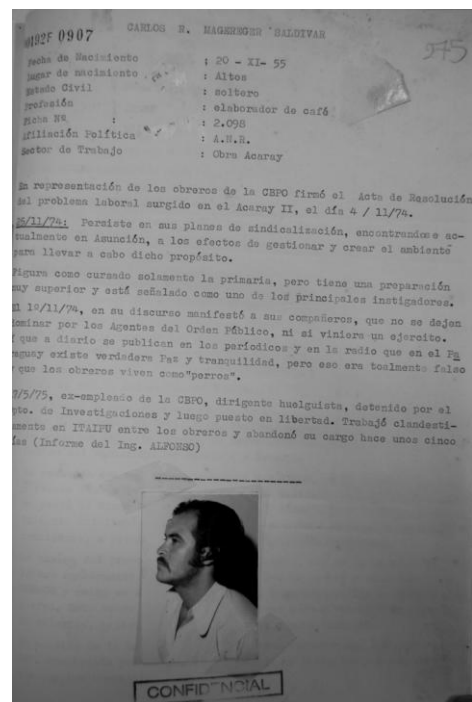
The order to find out more about Rin seems to have been taken seriously because Rin’s name reappears just a few weeks later in another document elsewhere in the CDyA. On May 23, 1975, the Armed Forces emitted a three page informe on subversive activities, which recopies (and organizes into bullet points) the exact text about Rin from the Itaipú informe (CDyA 1975c). Disturbing as this kind of information sharing between Itaipú—military—Ministry of the Interior might be, the document where this information appeared is itself much more troubling. Although Rin’s detailed information appears as the first order of business, the identities of the others mentioned in the same memo are all

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<sup>75</sup> This may mean that he is an expatriate from Germany or, possibly, that he is a Mennonite.

the more noteworthy. The military informe goes on to list organizers of a strike within Industrial Paraguaya, the possibility that Itaipú itself might be the target of a violent attack, and news of the kidnappings of Anibal Abatte, Alejandro Stump[fs], and Rodolfo Mongelos. This was not news that had been reported on the document originating from Itaipú and therefore the May 23 document was a compilation of other informes received by the Armed Forces.

Stumpfs was repeatedly arrested in the 1980s and the fact that news of the extrajudicial kidnappings circulated between Itaipú, the military, and the Ministry points to some collusion. And there is reason to believe that Mongelos was closely associated with Augustin Goiburú—the MOPOCO leader of the Colorado Party opposition to Stroessner who was kidnapped in Argentina by a joint operation between Argentina and Paraguay in 1977.<sup>76</sup> This was one of the most high profile cases in which Paraguay was involved in an Operation Condor activity outside its borders. Goiburú’s body was never found. And documents unearthed by reporters in Brazil reveal that Itaipú Binacional’s security suspected that, in fact, the “Anibal Abatte” mentioned above was



**Photograph 8 Carlos Magereger Saldivar's file. Author's photograph. Courtesy of CDyA, Asuncion.**

<sup>76</sup> MOPOCO was a splinter faction within the Colorado Party, disagreeing with Stroessner's rule, and plotting to overthrow him from outside the country. As soon as he was deposed in 1989, surviving MOPOCO members returned to Paraguay and were once again enfolded into the Party.

actually Goiburú himself.<sup>77</sup> That the military was brought in to the matters of Rin, Abatte, Mongelos, etc says something about how “serious” the information in this informe was considered to be. Most internal security was usually handled by the Ministry of the Interior. Nothing more is said about Rin in the CDyA.

Carlos Magereger was a coffee processor who had been arrested by the “Police of Itaipú Binacional” sometime in early January 1978 or (more likely) late December 1977. The documents in the archives contain a cover letter that explained that both Magereger and his “*antecedentes*” (a file on his history) were being transferred by the Armed Forces to the Department of Investigations within the Ministry of the Interior after his arrest by the police force of Itaipú (CDyA 1978b). It is unclear where the order to arrest Magereger had originated, whether a request had been sent to Itaipú from the Ministry of the Interior or whether officials within the dam detained him on their own initiative. Beyond the five pages bundled together in the CDyA, I could not find more on Magereger, not even whether he was ever released. Though he was arrested in 1977/78, the *antecedentes* in his file describe him as having been an active participant of a strike in November 1974, of later organizing workers in the border town of Puerto Presidente Franco (south of the dam), of then leading a group of workers to the Catholic University (in Asunción) to meet with student organizers, of ordering that opposition protestors at another event sing the national anthem just when the military was about to arrest them (CDyA N.d. b). It seems that several late 1977 strikes in different Itaipú work sites had been organized by Magereger, as well. All these details were prepared, not by the police or the military, but by Itaipú’s “*Asesoría de información*” (“Information Administration”) which added the comment, “The speaker and leader Carlos Magereger, completely indoctrinated and

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<sup>77</sup> See Palmar 2005.

entirely Marxist, in spite of possessing scant academic background” (CDyA 1977b). This Itaipú document is likely one that was drawn up following the arrest of Magereger and seems to have been based on a one-page document containing earlier “antecedentes” and a profile photograph of Magereger.

Magereger began his tenure at Itaipú as a dayworker in the technical (construction) part of the project in 1975. His supervisors at that time were pleased enough with his work that they vouched for his ability to work in other areas of the project (CDyA 00192F0190). But by 1977, he was accused of working clandestinely within Itaipú, instigating workers to strike, bragging about an assassination plot he and his comrades had planned (this was “overheard” by an unnamed, under-aged informant). It is unclear why, if Magereger had been an important leader in the November 1974 strike, he was hired by Itaipú in 1975. But, in the 1977 Itaipú informe, as part of the attempt to characterize the disruptive and threatening nature of Magereger and his activities, the writer includes details about Magereger’s associates and contacts that imply why they, too, might be dangerous. One of the organizers of the 1974 strike (and implied associate of Magereger’s) is described as “a friend of Anibal Abatte Soley, known enemy of our government.” From the perspective of the Stroessner government, there is a homology between someone like Magereger and someone like Abatte—both known as enemies of the government. But from the descriptions of both men in this same document, Magereger was described as “entirely Marxist” whereas Abatte was part of “MOPOCO.” It is telling that “communist” and “disagreeing faction within the Colorado Party” are treated as if they were the same thing by the security apparatus under Stroessner.

Itaipú's Information Administration also communicated directly with the Ministry of the Interior. On January 2, 1978 (just as Carlos Magereger was being processed), Enzo Debernardi (the Paraguayan General Director of Itaipú) received a letter directly from Sabino Montanaro (the Minister of the Interior) (CDyA 1978a). The one page note took the tone of a "for your information" memo—Montanaro only said that he wanted to pass on information that had been "elevated" within his ministry. The note contained a one-paragraph description of three men of interest, two of which did not even work at Itaipú or live in Paraguay but lived in Misiones Province in Argentina (i.e., across the border from Paraguay) and one which did work in Itaipú, Sergio Grisetti, "a former priest married to a former nun, who was an organizer of the Agrarian League that occupied the Church in Piribebuy." The *Ligas Agrarias* (Agrarian Leagues) were informal associations of campesinos, organized by liberation theology Catholic priests and nuns in the 1960s. They began as community organizing but quickly transformed to resistance against the dictatorship and against the expansion of monoculture and large-scale agribusiness. Even though they also experienced heavy repression (surveillance, disappearances), these leagues formed the base for campesino mobilization after 1989 and into the present.

Debernardi personally got involved in the matter. On the bottom of the letter from the Minister, he penned his instructions and signed it: "To the head of security." Though it was not an explicit request for more information, the Itaipú Information Administration took it as one and submitted an informe to the Ministry on January 31, 1978 (CDyA 1978c). All three individuals were in the subject line, but only the first had a title: "Ex-Sacerdote Sergio Grisetti" or "former priest Sergio Grisetti." Grisetti's background is listed in detail, but seems, for the most part, ordinary. He works in Itaipú in the socio-

cultural section of the construction project; he has a wife—a former nun by the name of María Verónica Lovera who works as a school teacher and was born on November 11, 1944 or 45—and two young children; he is very active in the social life of the Itaipú areas; he resides in area 1, block J, lot number 11.<sup>78</sup> He is even described as having a “talkative and agreeable” personality.

But the term “former priest” is attached to his name as a key identifier—and this is not merely because the renunciation of his vows has somehow scandalized in a Catholic country. According to an unconfirmed report quoted in the informe, Grisetti was Father Caravia’s partner in setting up the Agrarian Leagues in the Department of Cordillera (just east of Asunción). Whereas the Ministry’s report only contained a general comment about Grisetti’s involvement in the Agrarian League, the Itaipú report contains the names of other clergy who were supposed associates of Grisetti and Caravia, including a nun (rumored to be Caravia’s wife or lover) who went by the name of “Sister Carabina,” but was really named “Margarita Durand.” Because of the way the informe is formatted, the information in it is dated according to when it was first filed. The information about Grisetti’s involvement with the Agrarian Leagues and his suspected associates dates to January 1976 (i.e., two years before the note from the Ministry of the Interior). That is, it was held on file for years within Itaipú. The information about his current address, the identity of his wife, his personality, the age of his children all comes from January 25, 1978. That is, it was researched in the few days between the January 2 informe from the Ministry and the return informe of January 31 from Itaipú.

The three men—Rin, Magereger, and Grisetti—reveal an Itaipú actively involved

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<sup>78</sup> As part of caring for the tens of thousands of workers who lived at the dam in the specially constructed housing called “areas” while it was being built, Itaipú created churches, schools, museums, theaters.

in information-getting and even in policing and detaining the nearby population. The Paraguayan bureaucracy of the hydroelectric dam was comfortably connected to both the Ministry of the Interior and the Armed Forces, quickly passing on information (the maximum lag time seems to have been a month) and known as a repository for background information on employees of the dam and residents of eastern Paraguay in general and even of Paraguayans living across the border in neighboring Argentina and Brazil. While some of the monitored activities affected Itaipú (the strikes), others did not (the Agrarian Leagues hundreds of kilometers away). And so, whereas the arrests of the protestors in November 1965 are part of the history of the founding of the dam, these documents show how the dam's internal personnel structure was used to monitor residents of the region and the way a state institution that was not part of the policing-military apparatus, in fact, was a full participant in the coercive and repressive activity of the state.

### *The ERP*

This next set of documents stands in contrast to the previous in a few ways. It was found in the Directorate of Technical Affairs, the subsection of the Ministry of the Interior dedicated to combating communism and not just the ordinary Department of Investigations. Six mimeographed pages, a list of about 120 names, were placed into a folder labeled "ERP" at some point in the late 70s (CDyA N.d. a). The ERP, the *Ejercito Revolucionario del Pueblo*, or the People's Revolutionary Army, was a communist guerrilla in Argentina. In the list as written, sometimes more than just a name was included—a profession, a personal ID number—but more often than not, a name was all

that was known. But there is a sentence in the six pages that gives a clue as to why these names were important: “*Os argentinos abaixo relacionados estao sendo procurados pelas autoridades policiais-militares da Republica Argentina, por terem praticado açoes subversivas.*” Or, translated from the Portuguese, “The Argentines listed below are being sought by police-military authorities in Argentina for having practiced subversive activities.” To the top right of every sheet of paper was the seal: Itaipú Binacional, Brasil Direção Geral Assessoria da Segurança—the Brazilian Executive Directorate Security Administration of Itaipú. This list of names had traveled from police-military authorities Argentina to the Brazilian government, was being kept by Itaipú Brazil and had then been circulated to the Paraguayan Ministry of the Interior, possibly, but not necessarily, through Itaipú Paraguay. Thus the dam was an extra-diplomatic means by which to share information between the three countries. More than this is not clear from the CDyA. But the itinerary of the information and the timing (Operation Condor was formalized in 1975, the Letelier assassination in Washington D.C. took place in 1976) and the kind of information suggests that cooperation between Paraguay and Brazil within Itaipú extended far beyond hydroelectric matters. It suggests that not only was the Paraguayan half of Itaipú involved in surveillance and detention of Paraguayans, but that both sides cooperated at the international level of Operation Condor.

#### *Arrests in the 80s*

The final documents are unrelated informes from the 1980s. Word of an arrest connected to Itaipú reached the head of the Department of Investigations on October 24, 1982 (with the usual opening of “I have the honor of directing myself...”) (CDyA 1982).

A one-page informe related the news: Paraguayan citizen Corsino Coronel, who lived in the vicinity of the Itaipú construction site, had been arrested just the day before. And the reason given was, “The person mentioned was apprehended as a matter of precaution in light of the upcoming visit by the rulers of our country and of Brazil, for the opening of the sluiceways at Itaipú.” Coronel was suspected of being a member of OPM, the *Organización Político Militar* (Political Military Organization), a leftist armed clandestine group created to overthrow the Stroessner government in the mid-70s by Juan Carlos Da Costa—the same Da Costa who was arrested as part of the 1965 protest.<sup>79</sup> OPM was considered one of the most credible threats to the regime (Boccia Paz 2005). A chance customs check had led to the discovery of a nascent OPM in 1976 and, under interrogation, Carlos Brañas revealed the names and addresses of other members of OPM. A shoot-out erupted when the police descended on the residence of some of the members, during which Da Costa died of his wounds. The Corsino Coronel arrested in 1982 was the brother of Constantino Coronel, also wounded in the 1976 shootout, but who had survived and served years in brutal captivity and solitary confinement before being forced into exile in 1980 (Comisión Interamericana de Derechos Humanos 1987).<sup>80</sup> Both Corsino and Constantino had been arrested in 1976 (Corsino, two days after his brother had been apprehended) for their involvement in OPM. Corsino was released from this most recent, Itaipú-related, incarceration on November 9, 1982 (Comité de Iglesias

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<sup>79</sup> Sometimes also called Organización Primero de Mayo, the First of May Organization.

<sup>80</sup> A quotation on Amnesty International’s website is from Constantino Coronel. “For years I was held in a tiny cell. My only human contact was with my torturers. For two and a half of those years I did not experience the glance of a human face, see a green leaf. My only company was the cockroaches and mice. The only daylight that entered my cell was through a small opening at the top of one wall. For eight months I had my hands and feet tied. On Christmas Eve, the door to my cell opened, and the guard tossed in a crumpled piece of paper. I moved as best I could to pick up the paper. It said simply, ‘Constantino, do not be discouraged; we know you are alive.’ It was signed ‘Monica’ and had the Amnesty International candle on it. Those words saved my life and my sanity. Eight months later I was set free.” Official website [www.amnesty.org](http://www.amnesty.org), accessed March 22, 2011.

para Ayudas de Emergencia 1999:278).

Although by 1982 the repression against the opposition in all its colors had killed hundreds and forced the exile of many more, there was still a paranoid anxiety about subversion. The opening of the sluiceways was a mediatic moment in the construction of the dam, allowing water to pass through the dam, not just through the waterway around it. The physical force of the dam, the mighty rushing waters of the Paraná, and the chance to stand in military uniform next to—and as an equal partner to—the president of South America’s giant were irresistible moments for Stroessner to identify himself and his legacy with power. It is doubtful that the OPM was even holding meetings in 1982, let alone planning an attack on the president, but the Itaipú ceremony also offered a good excuse to round up the usual suspects, just for good measure.

A few years later, on January 15, 1987, another informe was elevated to the Department of Investigations. A group of Itaipú employees was planning a protest for benefits equal to those of Brazilian employees of the dam.<sup>81</sup> They even “distributed some pamphlets.” News of the protest and its organizers came through unnamed “collaborating informants.” Several copies of this informe were found in the CDyA, with different seals and stamps, meaning that it had been received by the department and passed on to other offices within the ministry (CDyA 1987a, 1987b). The same day, another informe (that appears to have been written later than the first) regarding Itaipú reached the Department of Investigations (CDyA 1987c). This one contained more details of an actual strike and not just its potential organizers. At midnight the night before, some ninety-five percent of the employees of UNICON and ITAMON (Brazilian construction companies who were

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<sup>81</sup> Remember that though the dam was built by consortia of Paraguayan and Brazilian firms, each consortia was responsible for its own employees and its own budget.

working on Itaipú) had walked off the job in protest for improved salaries. After twelve hours, all workers were given the day off and asked to return after the weekend. This was “to give security to the activities planned around the interview with the rulers of our country and of Brazil during the coming online of the new turbines.” That is, construction workers on both sides of the dam had timed protests to coincide with presidential visits to Itaipú to witness the moment new turbines were put into operation. The inauguration of yet more projects within Itaipú provided Stroessner the opportunity for ceremoniality. But, unlike 1982 when this was used as an opportunity to arrest suspected subversives “just as a precaution,” it is clear that workers on both sides of the dam took advantage of the media spotlight to bring attention to their demands.

These two final protests differ considerably from earlier ones. They do not clamor for regime change within Paraguay or against Brazilian challenges to Paraguayan sovereignty. And the organizers are described, in the ministry documents, as “workers” and “functionaries,” not as members of a particular party or “enemies” of the government. Their demands are characterized as those for “equal” and “improved wages”—not as Marxist or communist propaganda. In spite of these changes, the hallmarks of earlier informes remain: secret informants, vivid details about the personal lives of suspects, and even the identification of disagreement as a threat.

### *Conclusion*

The CDyA contains many more documents that were related in some fashion to Itaipú, and hundreds of thousands more that were not. But the ones explored here allow us to look into the complexity of the Ministry of the Interior and the repressive apparatus

of the Paraguayan state under Stroessner, as if Itaipú were a fractal of the state. This is also a way of narrating the development of the opposition to Stroessner. As a result of contact with the Ministry of the Interior, some individuals became more radicalized, or perhaps merely more determined. But, at the very least, once in the gaze of the Ministry of the Interior, always in the gaze of the Ministry of the Interior. The early experience of repression around protesting Brazilian activities regarding the Salto de Guairá set the tone for the future. As Itaipú Binacional was debated and constructed, it became a target for mobilization by progressive sectors in Paraguay. The argument (in chapter 1) around the technicalities of the transmission frequency for energy (50 or 60 hertz) thus became a way to not only express Paraguayan nationalism but also to challenge the Stroessner regime. The progressive students, campesinos, and workers (those who survived) who protested against Itaipú in the 60s and 70s became the leaders of movements into the 80s and beyond. Much of the progressive base in present-day Paraguay had part of its beginning in protests against Brazilian “attacks” on Paraguayan sovereignty, against the treatment of Paraguayan workers in a massive construction project, and against the way that the ruling elite used Itaipú to establish their dominance.

Itaipú served as a cipher for power in multiple ways. It was used as a leverage point for the goals of various protestors. The November 27, 1965 protestors rallied against Brazil’s troops near the waterfalls as a way to challenge Stroessner indirectly. Years later, in the midst of construction, workers used it as a way to demand improvement in their personal conditions. The dam was used as a tool of policing within Paraguay as its bureaucracy observed, recorded, and detained personnel of the dam, inhabitants of the Department of Alto Paraná, and even residents of the entire tri-border

region. And it was used by the Stroessner regime to demonstrate its might: as a mediatic stage and frequent excuse for ceremonial founding rituals that produced the stateliness of the regime and as a reason to conduct clandestine extrajudicial detentions in anticipation of what someone might do (“Only Yerxcellency can fraternize the act with the divination of the act.”). Like Žižek’s reading of Lacan’s psychoanalyst as the “subject supposed to know,” where belief antedates proof, Francia, Stroessner, Ynsfrán, and other interrogators know that the subject has subversive thoughts (Žižek 2006:28). And then, through torture, the guilty one confesses/invents/converts to revolutionary communism. Itaipú was both a symbol of oppression and the physical means by which that oppression was meted out.

There is something to be said for the effectiveness of the Ministry of the Interior’s repression. It was a successful tool of governance, keeping Stroessner in power until his second-in-command, famed drug lord/military general Andrés Rodríguez, led a coup to overthrow him. Although Gramsci’s nuanced description of power calls us to look for how consent and coercion work together, my sense is that something other than “consent” is what occurs in Paraguay. Or, perhaps “consent” should not be taken to mean “agreement,” but rather “acceptance” (in a fatalistic, psychological “stages of grief” sense). The legitimacy of the Stroessner regime came, in large part, through its impunity. That is, the ability to do horrific violence, to impose one’s will—in spite of the law, commonly held values, and even the protest of the Catholic Church—is somehow taken as ultimate power, that which is associated with “the state.” Impunity, not lawfulness, is the mark of the state in Paraguay. For this reason, the word “secret” which gets attached to the policing activities of the government does not mean “unknown.” Many people

knew what was being done by the Ministry and the Armed Forces: they could hear the cries of the tortured at night; they were family members of the detained or of the police force. Rumors abounded as bodies appeared and disappeared. But, the repeated denial by government officials of what was taking place and, later, of what had taken place, is what bestowed the characteristic of “secrecy.”

The importance of Villagra Marsal and Roa Bastos comes not just from being oracles who were able to perceive what was hidden, but in placing it in the larger context of Paraguay’s history and the ability to name, to accurately describe what is secret. The brutality of the Stronato was not an anomaly of the period, conditioned by the Cold War concerns of the United States. Rather, it was an expression of an association of violence, power, and rule that resonated deeply in the Paraguayan nation-state experience. And thus unchecked, unopposed violence that was (and is) repeatedly disavowed was (and is) the surest evidence of rule.

The Archive of Terror exemplifies Benjamin’s maxim that “there is no document of civilization which is not at the same time a document of barbarism” (Benjamin 1986:256). The violence in these files—and the others that have not yet be found, lying unearthed in unexplored storage rooms throughout Paraguay—and especially the repeated use of capital punishment—publicly denied and arbitrary, establishes new law. (Benjamin famously defined all violence as a means (i.e., used for an intention) as either law-making or law-preserving (Benjamin 1986:287).) There was something about the repeated torture and execution of prisoners (political or otherwise)—and that this happened in secret—that repeatedly established the rule of the Stronato. And while Itaipú was the crown jewel of the regime’s claim to dominance—worn proudly and publicly for

all to see—the dam was also part of another claim to power—that of utter control and impunity over life and death.

## Part II

### Negotiating Change

*“My wife and I and the whole family are Colorados, but we still voted for Lugo. We had to get those people out.” Taxi driver, Asunción, April 2008.*

April 20, 2008 was a beautiful, cloudless summer day in Paraguay—warm, but not sweltering, the kind of Sunday spent grilling asado with the extended family. Tensions and fears were high as the most contested presidential election in Paraguay’s history began, but years of a brutal military dictatorship that had been ousted in 1989 not by a popular demand for democracy but by another coup gave a particular character to the public expression of anxiety in Paraguay: normalcy. “Who do you think will win for the election tomorrow?” I asked Andrés, a digital and media producer as we sat at dinner the night before. He gave the same answer as the military doctor I had asked earlier that day. “I don’t know. The numbers are too close.” The numbers were not close. Not knowing what would happen if the Colorado Party lost the election (would the military roll out into the streets?) or if it won (would there be riots?), people gathered at voting stations, sold snacks and toys outside of schools, flipped through newspapers, took the buses, chatted as if nothing were out of the ordinary. Deadpan easygoingness—*tranquilo nomás*, exhibiting no emotional turmoil, hiding opinions, modulated voices, and respect for the uniformed police were a well-honed survival strategy of attracting no attention, the psychological legacy of having lived through an intense surveillance and oppression

regime.

Throughout the day, news and rumor spread intermingled, indistinguishable: the borders had been closed to prevent Paraguayans living in Argentina from returning home



**Photograph 9** Lugo supporter, after voting.  
Author's photograph. April 20, 2008.

to cast their votes; leftist terrorists had planted bombs in bus stops; the military was readying to take to the streets to enforce the Colorado victory of Blanca Ovelar; operatives from the Colorado Party were buying *cédulas* (personal IDs) in order to vote multiple times—a man caught and filmed with twenty was

not arrested; the early vote counts showed the two main contenders neck and neck;

Fernando Lugo was ahead now, three points, seven points, ten points. The urns closed. Voting ended. Night fell and supporters gathered outside of Lugo's campaign headquarters, chanting and cheering as the poll results came in. Inside the building, Lugo announced his victory to the media and the leaders of his coalition before leaving to attend an international press conference and then the celebration in front of the Panteón de



**Photograph 10** Fernando Lugo (l) announces his victory at an international press conference. Federico Franco (r) looks on. Author's photograph. April 20, 2008.

los Heroes. As the entourage of media and supporters made their way toward the colonial city center, honking horns and yelling to exuberant strangers, the announcement spread: Stroessner's former strongman Lino Oviedo had recognized Lugo's victory. Revelers wearing flowing skirts and blue kerchiefs spun in the streets, dancing to the once-illegal Liberal Party polka. And then as tens of thousands gathered at the Panteón, waiting for Lugo and his Liberal Party vice-president candidate Federico Franco to appear on the stage, a disbelieving cry of relief broke through the crowd: Blanca Ovelar had conceded defeat, ending the Colorado Party's ironclad grip on the presidency for the first time in living memory.

Leftist former Bishop Fernando Lugo was able to topple the six-decade ruling Colorado Party in April 2008 by capturing and channeling discontent among Paraguay's citizenry over unfulfilled promises and the status quo of existing rulers, linking all these complaints to one issue: Paraguay's binational hydroelectric dam Itaipú. Despite the triumphalist imagery of Itaipú-modernity-Stroessner, in Paraguay, Itaipú stood for two failings: a source of clientelism and



**Photographs 11 and 12. Jubilant crowds celebrate Lugo's victory at the Panteón de los Heroes. Author's photographs. April 20, 2008.**

illegal enrichment for well-placed Paraguayan elites; an unequal relationship of exploitation by Brazil in unevenly shared control and benefits of a supposedly equal resource. The central complaint of current popular mobilization within Paraguay was that, per the Itaipú Treaty, Paraguay was forced to cede its unused electricity to Brazil (the vast majority, as it only uses twenty percent of its half). For this ceded energy, in 2007 and 2008 Eletrobrás paid Paraguay's government \$2.81 per megawatt hour (or between \$107 and \$120 million annually) and then sold it in its own market for anywhere between \$20 and \$80 per megawatt hour, pocketing the difference.<sup>82</sup> The estimated price of Paraguay's Itaipú energy on the Brazilian market would be about two billion dollars—significant especially given that Paraguay's GDP in 2007 was \$12 billion (Zarate 2008:12). Lugo's chief campaign pledge was to *recuperar soberanía hidroeléctrica*—"recover hydroelectric sovereignty"—by renegotiating this unequal distribution of the dam's equal resources and use the wealth from the dam to fund "social development."

Since its beginning in the 1965 Salto del Guairá controversy, Itaipú has been framed in Paraguay as a question of "sovereignty." But what that term means and how the concept has been used as strategic political leverage have changed over time. The next two chapters attempt to do two things—first, explore the intellectual and practical work done by "sovereignty" in Paraguay by detailing the Lugo presidential campaign (chapter 3) and the ensuing multi-billion dollar negotiations with Brazil (chapter 4). That is, the two chapters in this section follow two moments of "campaign" that centered on

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<sup>82</sup> These figures do not include the tarifa, or the base cost of production of Itaipú energy, which was about \$42 per megawatt hour in 2007 and 2008. For the Paraguay energy ceded to Eletrobras, Eletrobras would have paid Itaipú \$42 per megawatt hour it used and paid the Paraguayan treasury an additional \$2.81 per megawatt hour. These costs and the additional mark-up for transmission and profit were then passed on to the Brazilian consumer, so that even for the cheaper end of the scale, the price of electricity would be around \$67 per megawatt hour. For more background on the tarifa and the finances, see chapter 1.

issues of “sovereignty.” But the second aim of these chapters is to explore the broader theoretical stakes of whatever it is that “sovereignty” is.

Lugo’s election (chapter 3) challenged the Paraguayan political status quo in the most fundamental way since 1989. Not only was there a peaceful transition of rule (for the first time in the history of Paraguay) but who Lugo was—a leftward leaning priest coming out of resistance movements of the 70s—and the hopes for significant change pointed to an unprecedented shift. Though part of a larger “leftward turn” in Latin America, the election of Lugo was the result of the specific convergence of multiple historical developments. As such, it speaks not only to the diversity of what is meant by a “leftward turn,” but also to literature on social movements, success, and grassroots political transformation (Edelman, Haugerud 2005). For Lugo’s closest supporters, “recovering hydroelectric sovereignty” was a way to finance socialist transformation. Like Morales’ use of natural gas in Bolivia, Chávez’ use of oil in Venezuela, and Correa’s use of oil in Ecuador, this 21<sup>st</sup> century brand of socialism in Paraguay explicitly depended on the market and on energy. Thus, chapter 3 follows the campaign and its increasing focus on Itaipú and “hydroelectric sovereignty,” successful electoral strategies that nevertheless set in place sites of contention for the future.

The recent multi-billion dollar negotiations with Brazil over Itaipú, which are the subject of chapter 4, demonstrate, once more, how Itaipú is central to Paraguayan state-making. In the Itaipú negotiations, we see the real-time working out of sovereignty over water and energy, an issue that is about territory, about the relationship of nation to state (and vice versa), about dynamics between unequal nation-states over desirable resources. With the current wave of economic, political, and social phenomena often shorthanded as

“globalization,” what we are seeing with the Itaipú border is on the rise: careful balances of power are being worked out within super/subnational semi-autarkic bubbles, to greater or lesser satisfaction, between legally equal but politically and economically unequal nation-states. What is happening in Paraguay and around the dam foreshadows what we will see in the future of South America (and beyond); it is already being applied to the Guaraní aquifer. The formulation of political identities around relationship to nature and natural resources of the national territory is connected to citizenship, as “citizenship” is the relationship that mediates nation and state. If “citizenship” describes the relationship between state and nation, then what we see in Paraguay is that “sovereignty” mediates the relationship between nation and territory and between state and territory.

Paraguayans are part of an intellectual tradition that articulates international and imperialistic conflict over territory and notions of property as a question of who has and what is meant by sovereignty—one that antedates the more familiar-to-anthropology debates about power over life, death, and deciding on exceptions. As discussed in the Introduction and in much more detail in the works of Anghie and Williams (Anghie 1999, 2005; Williams 1990), the theoretical debate around sovereignty itself has been a tool of domination since its Conquest beginnings. Not only should we be wary of the local debate (i.e., the particular struggle between Paraguay and Brazil) for its potential to benefit the powerful over the weak, we should also pay attention to the way the scholarly debate itself is actually part of this process as well. “Sovereignty” has had, since its beginning, a dual parentage—one genealogy (that traced to Bodin) links it to internal concerns over domination over life and death within a territory, the other (coming from Vitoria) to external concerns between groups of people and over the possessions

(frequently land and labor) of these groups, particularly through the development of international law. In limiting the scope of the debate in English language social science to the implications of sovereignty as power over life/death of a body, we shortchange another, equally longstanding, tradition of debate that centers on sovereignty as a question of interactions with the Other in terms of trade and commerce, in terms of international relations (particularly the question of justified war), and in terms of territory and rightful dominion over that territory.

Having looked primarily at bodies/life/death has, for example, made new challenges over understandings of territory seem less politically explosive than they actually have the potential to be (thus Hale's (2002) skepticism about identity politics in "Does Multiculturalism Menace?"). These conflicts over territory date to the Conquest, and while groups are now turning to problematic arguments of indigenous or multicultural authenticity to stake their claims, the fundamental underlying challenge to modern ideas about [private] property becomes clear in light of multiple western intellectual traditions around the concept of sovereignty. By situating sovereignty over territory, resources, and property in the larger intellectual history of state power, we see how the modern nation-state system and the capitalist world economy are historically intertwined and mutually reinforcing. The challenges launched around territory become no longer fringe or isolated challenges or even growing trends, but rather are revealed to be one historical focus of western state power's development in the international state system. That this connection between territory, property, and imperialism is at the heart of the modern international state system is what, I argue, Paraguay's insistence on describing its recent struggles with Brazil in Itaipú as "recovering sovereignty" allows us

to see.

In chapter 4, I consider major phases in Paraguay's attempt to renegotiate its power-sharing arrangement with Brazil in Itaipú: the creation of the Six Points memo delineating Paraguay's goals as it renegotiated with Brazil and the two negotiating tacks (unintentionally?) employed by Paraguay—one within the organizational structure of the dam, one under the purview of the Ministry of Foreign Relations. Because Itaipú is a microcosm of the Paraguayan state, I argue that the new negotiations with Brazil are a reconfiguration of Paraguayan politics in a new phase of Brazilian dominance (one where empire is more clearly economic than militaristic) amid global shifts including the decline of U.S. hegemony and the rise of competing leftward turns in Latin America. The negotiations are struggles for power within Paraguay as a new group of well-educated and well-heeled elites compete with a social movement *cum* ruling political party for the ability to define the future of the country based on drastically different ideas of state-to-nation obligations and the nature of the international state system. Some groups and issues are marginalized even as others are canonized and officialized. And the construction of sovereignty is a contentious process, replete with unintended consequences and dead ends.

And yet, while “sovereignty” has worked as a rallying cry within Paraguay, the history of the concept shows that it has consistently been used to facilitate the dispossession of the weak by the powerful because the very tools of working out sovereignty—law and military strength—have been stewards of domination. These histories call us to pay attention to ways in which the redefinition of sovereignty in and through Itaipú reinscribes Paraguay's elite and Brazilian imperialism. Both in 20<sup>th</sup>/21<sup>st</sup>

century Paraguay's struggles over Itaipú and in 16<sup>th</sup> century Europe, sovereignty is the answer given by a polity to a specific political problem. The contestation over the answers to these problems—as a matter of control within Paraguay and of controlling Paraguay's natural resources—raises questions about how the state is constituted in economic control over natural resources, in the interpretation and enforcement of international treaties, in narratives about the nation's past and future.

### Chapter 3

#### The Election of Fernando Lugo: Campaigning on Hydroelectric Sovereignty

Leftist former Bishop Fernando Lugo's triumph over the ANR came as the result of a perfect political storm. It came as much from memory of the Stroessner dictatorship as it did from distance from that regime. It arose as much from an implosion of the Colorado Party engulfed in internecine struggles as it did from new political party alliances within the opposition. It was as much a confluence of voter fatigue and disillusionment with the status quo of the ANR as it was an embrace of new political ideas. The question of how to determine the "success" of a social movement is a classic question from social movement literature. But, by almost any metric, the movement behind Lugo's candidacy was an unqualified triumph. It was able to unseat a party that had ruled with unchecked impunity and disposed of the material and symbolic resources of the state apparatus for six decades. And it was able to bring together a coalition spanning from communists to liberals.

This chapter describes the campaign and election of Lugo as it moved from minor social movement to definitive national victory, sweeping aside the ANR and extending Latin America's leftward turn. In the midst of a reorganization of political parties—new leaders who came to political maturity in the post-Stroessner age—the question of ideal government arose once more in Paraguay. When so much was uncertain (except that the status quo was utterly unacceptable), an easy-to-accept narrative became both the explanation for what was wrong and the prescription for fixing it: "hydroelectric

sovereignty.” Hydroelectric sovereignty—a vague term—came to be defined as it became accepted as a goal. Whatever it was, the narrative went that it had been “lost” because of corrupt Paraguayan politicians who let its foreign neighbors take advantage of the country’s natural resources for a bribe. In light of the War of the Triple Alliance, this was standard operating procedure for Argentina and Brazil. And it would be both patriotic and a sound investment to regain it.

After General Alfredo Stroessner was violently removed from office by his closest associates (including Lino Oviedo) on February 2, 1989, Paraguay transitioned to a democracy characterized by power-sharing between the Colorados and the Liberals led by an institutionally-strong Congress (with the power to remove the president for any reason under the rubric of *juicio político*, impeachment) and the Supreme Court (who later declared themselves immovable). While newer political parties became increasingly established and an expectation of a multi-partisan democracy grew, some sectors hoped for a return to caudillismo and authoritarianism. Because of their well-funded and well-functioning political machine, the Colorado Party was able to maintain the presidency for two decades after the end of the military dictatorship. President Nicanor Duarte began maneuvering in 2006 to take control, not only of the government, but of the Party by becoming its president, in violation of the Constitution of the Republic. This move alarmed more than just the Colorado Party, who saw him consolidating the party apparatus and the government.

The last straw that splintered the Party was the breakdown between Duarte and his Vice-President Luis Castiglioni. According to the Constitution, no one who holds a public office may run for another public office and so, in order to run for president,

Castiglioni stepped down from his position as vice-president. As clear successor to Duarte, he expected to get the support of the party machine and of Duarte, and so it was to his stunned disbelief that Duarte instead chose to nominate and propel the candidacy of former Minister of Education Blanca Ovelar. A bitter primary race ensued between Castiglioni and Duarte (with Ovelar as mere covering), with Castiglioni's movement Vanguardia Colorada verbally distancing itself from the party establishment's image of corruption. On December 16, 2007, Ovelar won the *internas* (the Colorado Party primary elections) by a few highly contested percentage points. This was denounced by Castiglioni as a stolen election and after casting his ballot in the national election on April 20, he said "Tonight we will cure the Colorado Party" and "The people have evolved toward democracy much faster than the political leaders" (Author's transcription of Daily Motion video).<sup>83</sup> This was read as a betrayal of the party by the Colorado establishment because it accepted and even seemed to condone voting the party out of office.

Ovelar received 30.72 percent of the April 20 vote not only because of the split with Castiglioni, but because of the presidential run of Lino Oviedo. Oviedo, a former Colorado and military general, had famously (according to his own account) confronted Stroessner on the day of the coup in 1989, holding a live grenade in hand, to demand that the dictator step down from power and, if refused, was prepared to detonate the bomb. He attempted a coup in 1996, was jailed for it, was later linked to the assassination of vice president Luis María Argaña in 1999 which led to the *Marzo Paraguayo* uprising and the massacre of pro-democracy protestors, for which Oviedo was also blamed. Oviedo began

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<sup>83</sup> "Esta noche, vamos a curar la Asociación Nacional Republicana" and "El pueblo ha evolucionado hacia la democracia mucho más rápidamente que los dirigentes."

the Unión Nacional de Colorados Éticos (The National Union of Ethical Colorados, UNACE) in 1996 within the ANR, but re-named it the Unión Nacional de Ciudadanos Éticos (The National Union of Ethical Citizens) in 2002 when it was constituted as a separate political party while he was in exile in Brazil (on the run from charges related to the assassination of Argaña and the 1996 coup attempt) (UNACE Official Website). Of all the politicians and all the parties within Paraguay, Oviedo was the only traditional caudillo left—having come to power within the Stroessner regime, able to count on the unified support of the politicians he controlled in office. He returned to Paraguay in 2004 to face the charges and serve part of the sentence until it was dismissed in October 2007. He was then able to run for presidency, garnering 21.9 percent on April 20.

Even as the schemings and betrayals proceeded in the ANR, a series of significant political realignments was taking place outside of it. Progressive parties, the Left, the Liberal Party, Patria Querida (a party with neoliberal ideals), and even UNACE watched what was happening within the Colorado Party as Duarte consolidated his control with increasing alarm. In the first decade and a half after the dictatorship, progressive groups had begun mobilizing—sometimes successfully—on many issues ranging from anti-privatization measures to rejections of the anti-terrorist law. But the electoral results were minimal on a national scale—sectarian and small, the political parties that formed on the Left were centered around specific issues or specific candidates that were narrow in focus and appeal. In early 2006, a dozen activists (including Ricardo Canese and Sixto Pereira)—who had taken part in the struggle against Stroessner as students in the 1970s, faced exile in the 80s, and in the 90s directly attempted political participation, forming new parties and new movements—met to discuss the state of affairs. They decided that,

rather than reacting to specific issues (for example, the threat of privatizing the public communications utilities), there was a need to form a political movement that would work with a long-term perspective, planning a project for the 2013 presidential election year that would bring together various campesino sectors and urban workers groups.

But when Duarte's allies on the Supreme Court voted to allow him to become president of his party, this as-yet-unnamed group found allies among all of the opposition (and even within parts of the ANR). Bishop Fernando Lugo led the charge to rally the citizenry, of all political stripes, against the Supreme Court for the unconstitutional ruling which he described as an "indication of dictatorship" (ABC Color 2006a). He convoked a national rally on the anniversary of the *Marzo Paraguayo* (Paraguayan March)—an emblem of national struggle and martyrdom for the sake of democracy. In the early evening of March 29, 2006, thousands of citizens gathered under the message "¡Ikueraima Paraguay!" (Paraguay is fed up) at the Panteón de los Heroes and then marched to the plaza in front of the Cabildo. The platform of their complaints centered on the grossest violations which read as a return to dictatorship, calling for four things: 1) the resignation of the members of the Supreme Court who voted in Duarte's favor, 2) a repudiation of Duarte's authoritarian posturing, 3) transparency in the use and distribution of benefits from Itaipú and Yacyretá, and 4) job creation. The organizers expected ten thousand participants in an unprecedented historical act where the entire political opposition (from the Liberal Party to the Communist Party) would come together in agreement. Duarte scoffed at such an ambitious number. Thirty-five thousand showed up. In a moment of political convergence, Lugo passionately called for the resignation of the Supreme Court and the President and implored Congress to take

matters into their own hands and subject Duarte and his allies to impeachment if they did not step down (ABC Color 2006b).

“This was important because, for the first time, Lugo speaks there as a political leader and not just as an inspirer and so he looks like someone who can take down the Colorado Party,” said one of the founding members of Tekojoja as he recounted the story of the election to me years later (Personal Interview, December 13, 2009). One of the leading senators of the Liberal Party, concurring with the same sentiment, two days after the fateful day in 2006, said “the most objective evaluation that can be made is that the political parties need Lugo, and Lugo needs the parties” (ABC Color 2006c). The Liberal senator went on to add, “Alone, the Liberals will not win, [Patria Querida leader] Fadul’s followers will not win, UNACE will not win, and Lugo’s followers will not win either.” This turning point was significant in two ways. It identified Lugo as more than just a religious or inspirational leader, but someone who could rally wide support and articulate a political platform that gathered across a spectrum. It also made it clear to the Liberal Party and Patria Querida, the next two largest parties, that in spite of their own rising stars’ hopes to the presidency, alone there was no way to unseat a Party that had controlled most of the state apparatus and its resources for six decades. From this point on, it became clear that 2013 was not the deadline for the nascent leftist socialist movement, but that 2008 was the target for a national movement with momentum across the political spectrum and Lugo was its center.

Lugo, with his closest circle embarked on a series of chats throughout the country called *ñemongeta*, making the entire circuit to the far reaches of the countryside twice. At the end of 2006 (Sunday, December 17), the core leadership of the dozen at the small

meeting at the beginning of the year called a nation-wide assembly, with a dramatic stack of 100,000 signatures, to petition Lugo to step down from his bishopric and run for the presidency (ABC Color 2006d). On that day, the leftist social movement behind Lugo formally launched itself as *Movimiento Popular Tekojoja*, seeking to gather support under a wide tent that explicitly ranged from revolutionary socialism to social democracy.<sup>84</sup> From this centripetal dynamic winding around Lugo arose the *Bloque Social Popular* (Popular Social Bloc) which linked social movements, unions, campesin groups, and formally organized political parties on the Left. But one key question remained: what would become of the Liberal Party.

As the traditional opposition to the Colorado Party and the second-largest in the country, holding governorships and municipalities throughout Paraguay, the first post-Colorado presidency seemed to be its birthright. But Tekojoja and the rest of the Popular Social Bloc saw any non-Lugo presidential option as unacceptable. Again, on the following anniversary of the *Marzo Paraguayo*, a crowd of thousands gathered in front of the Cabildo on March 29, 2007, bearing banners, beating drums, selling grilled meat and mandioca on skewers, this time not just to call for the resignation of the Supreme Court, but to hear Lugo and, through supporting him, make their own political projects known. Though the Supreme Court was still in place, as was Duarte, Lugo had concretized his candidacy in one year. The success of the second Cabildo rally tipped the balance for the

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<sup>84</sup> The word is Guaraní for just/wholeness of life. Unlike Spanish, the “j” in Guaraní is pronounced as it would be in English... hence, the “j” in just. Again, unlike Spanish where the natural point of stress is the penultimate syllable, in Guaraní the stress falls on the last syllable unless noted otherwise. The inclusion of the acute accent over the last syllable indicates an interlocutor who is not communicating in Guaraní (as is customary in the castilianized spelling of that language’s name). Tekojoja’s insistence on using Guaraní conventions rather than Castilian, as well as the choice to use a name fraught with social significance (it is also the name of a somewhat controversial campesino community whose leaders have effectively mobilized resistance against encroaching illegal Brazilian soy producers, suffering death threats and even assassinations), communicates a critique of Europeanized elites and an identification with other popular struggles.

Liberal Party, which decided to join with the Popular Social Bloc to form the *Alianza Patriótica para el Cambio* (Patriotic Alliance for Change, APC), exchanging support of Lugo with the requirement that as vice-presidential running mate, he choose the victor of the Liberal Party's internal elections. A tense, but electorally successful, partnership



**Photograph 13 and 14 Images of the second Marzo Paraguayo Rally. "Recovering Sovereignty: Renegotiation of Itaipú and Yacyretá." Photographs by Author. March 27, 2007.**

between the Liberal Party and the more progressive Social Bloc ensued.

After a highly contested internal election in December 2007 (much like the ANR), Federico Franco, a former governor and son of a Liberal caudillo, bested Carlos Mateo Balmelli, a former senator, by a few hundred votes. Accusations of voting fraud and a stolen election soured the relationship between Franco and Mateo, resulting in a bitter divide within the party. But with the devolution inside the Colorado Party,

votes siphoned off by Oviedo, a united left, and a unified determination within the Liberal Party, the Patriotic Alliance

for Change carried the day in April 2008. Because the smaller leftist political parties making up the Social Bloc each ran their own candidates for congress and governorships

on separate “lists” with Lugo as the presidential candidate, the progressive vote was splintered.<sup>85</sup> Based on the total number of votes Tekojoja received, it was able to seat one senator—Sixto Pereira—and three deputies in Congress as well as placing its candidate to Parlasur (the newly formed parliament for Mercosur)—Ricardo Canese.

From the very beginning of Lugo’s rise to power, Paraguay’s binational dams were explicitly at the center of what was described as wrong and what needed to change, but as the movement morphed from a repudiation of Duarte’s power-grabbing to an increasingly confident move on the presidency, how the dams were used, rhetorically, shifted. As we have seen, Itaipú (and its shadow, Yacyretá) was, from the very beginning of the project, a target of critique from the left—from the student protestors who gathered to oppose the Brazilian occupation of 1965 to the political analysis made in the Communist Party’s subversive pamphlet. But these were sidelined by the government. Even after the fall of Stroessner and the return to democracy, criticisms of the administration of Itaipú were shunted to the margins. Ricardo Canese, during his presidential campaign in 1992, described future-president Juan Carlos Wasmosy, at that time also a candidate, as the “frontman for the Stroessner family in CONEMPA,” a soundbite that spread through the media (Corte Interamericana de Derechos Humanos 2004).<sup>86</sup> As head of CONEMPA, Wasmosy had grown wealthy, not only from successfully won contracts but also amid suspicion of funneling off funds. Though they had not been mentioned or named by Canese, Wasmosy’s partners in CONEMPA (and not Wasmosy himself) accused Canese of libel. On March 22, 1994 and again (upon appeal) on November 4, 1997, Canese was

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<sup>85</sup> In Paraguay, voters do not vote for individual candidates—they vote for a list (called a *sábana*, a sheet), containing president, vicepresident, congress, and departmental candidates.

<sup>86</sup> “Prestanombre de la familia Stroessner en CONEMPA.” The Consorcio de Empresas Constructoras Paraguayas (CONEMPA), responsible for coordinating the Paraguayan construction firms that built Itaipú.

found guilty and condemned to two months incarceration, a fine of about \$1,400, and was restricted from being allowed to travel outside the country. Canese's only recourse was to then sue the government of Paraguay, taking the case to the Inter-American Court of Human Rights, which ruled in his favor in 2004, requiring indemnification, payment of Canese's legal fees, and public proclamations of his innocence and the state's guilt.

It was a victory, but one that had required the intervention of an outside body. And so, when Lugo called for transparency and equity in the distribution of the hydroelectric dams' benefits, it was an unthinkable, David-like challenge to the immovable giant of Paraguay's corrupt state. But a greater Goliath lay slumbering: Brazil. Even though Canese, long-time critic of Itaipú and founding member of Tekojoja was closely associated with Lugo's movement from the start, it was a shock to the political discourse in Paraguay to switch criticism from mismanagement on Paraguay's part to demands to renegotiate the Itaipú Treaty. At the March 2007 rally, Lugo's supporters carried signs calling for changes in the treaties, but traditional political elites kept silent. Lugo took a gamble and pushed the issue beyond Paraguay's borders, threatening to upset its neighbors. The ANR establishment said nothing; Oviedo explicitly declared that if president he would not push Brazil at all. The former Bishop's wager paid off. Tekojoja, realizing that not only was the press allied with the issue of renegotiating the water/energy relationships and, that through speaking consistently on it, Lugo got favorable coverage on an almost daily basis (especially in contrast to the internal bickering into which the ANR and PLRA had descended), also realized that they had touched the pulse of Paraguay's citizenry. A stroke of deliberate marketing genius combined with the personal expertise of its leaders.

“Recovering hydroelectric sovereignty” became the crystallization of Lugo’s pledge to change the way politics was done within Paraguay by changing how it dealt with its neighbors—from a relationship of cronyism and unpatriotic corruption to one of dignity and justice. And though both binationals were implicated in the accusation of lost sovereignty, the debate centered on Itaipú. As in the past, Paraguay (and its neighbors) knew that Argentina would follow wherever Brazil led on the issue and, given Itaipú’s scale, hydroelectric sovereignty meant Itaipú. This was made explicit in Lugo’s campaign material.

Brazil took note. When Lugo began his formal campaign at the end of December 2006, he had never met Brazil’s president Lula da Silva. But as momentum around the left-of-center candidate grew, various sectors within Brazil paid attention. The Brazilian foreign ministry and members of the Brazilian opposition, in sync with mainstream press, flatly refused to “negotiate” a treaty. Brazilian Foreign Minister Celso Amorim called the treaty “sacrosanct” but offered to consider raising the amount paid to Paraguay for its energy (ABC Color 2007a). Lula took a more conciliatory tone, even from the beginning, as he balanced a vision for the region that supported progressive governments and the internal political dynamics of Brazil as he was nearing the end of his last term and thinking about his own succession.

As Tekojoja defined a platform for a socialist government “paraguayan style” (where energetic sovereignty, “*soberanía energética*,” was explained by Ricardo Canese as “the freedom to export [electricity] at market prices” and “integration with Bolivia over natural gas”), Lugo suggested recurring to arbitration by The Hague, should Brazil not negotiate Itaipú (ABC Color 2007b, 2007c). Day after day, invited energy expert

columnists or reporters trailing Lugo on his campaign analyzed the situation of Paraguay's hydroelectric dams, commenting on the financial technicalities of the debt's interest rates or the water level or the continuing imbalance between Paraguay and its "colonialist" neighbors. At each of his public meetings, Lugo explained a vision for a Paraguay with children in classrooms, learning and drinking milk, the elderly getting the healthcare they needed, adults having dignified labor, and all of this being financed by the just application of the benefits from Paraguay's existing wealth—social justice financed through its binational dams instead of the personal enrichment of party elite. Lugo's diagnosis and prescription cohered with the personal experienced reality of many Paraguayans to the point that even the political establishment began to notice. In response to accusations, even the leadership of Yacyretá saw it necessary to run a full-page ad in the major newspapers for several days with the headline: "The government is not giving up Paraguayan sovereignty in Yacyretá" (ABC Color 2007d).

Throughout 2007 and into early 2008, Lugo emerged as the clear frontrunner and, with his insistence (repeated in the Paraguayan press) on renegotiating Itaipú to address historical wrongs perpetrated by Brazil and cemented by willing accomplices within Paraguay, the issue became a common feature in the Brazilian press and a target of government intervention. Brazil's foreign service, globally, became aware that Brazil had a "situation" with Paraguay over the dam. Scant days before the presidential election, Lula met with Lugo at the Palácio do Planalto (the presidential residence) in Brasilia. He had already hosted two other presidential candidates, Blanca Ovelar (ANR) and Lino Oviedo (UNACE), but his meeting with his ideological counterpart lasted longer than either of the two earlier ones, though he was careful to not endorse any of the candidates.

During his conversation with the former Bishop, Lula himself proposed that, should Lugo win, a negotiating team of juridical and energy experts from both countries meet to discuss Paraguay's concerns regarding the dam and the Treaty. This followed a careful game of balance at play in the Brazilian government: while Lula appeared open in his meeting with Lugo, Jorge Samek (the Brazilian General Director of Itaipú) rejected the possibility of changing the Treaty. And even a day after the election, when Lula himself discarded the possibility of renegotiating the price for Paraguay's ceded energy, his Foreign Minister Celso Amorim said that such negotiations could be possible.

In the days leading up to April 20 and on the day of the election itself, Paraguayans with whom I spoke were hesitant to say who they thought would win—though Lugo was ahead in the polls, the Colorado Party controlled public services, including the electoral commission and the buses to take people to voting stations, and stories of fraud streamed in steadily. The calm indifference on the streets of Asunción masked anxious engagement—if the Colorado Party lost, would the Left and the Liberals exact revenge for six decades, firing all affiliated ANR members from their public jobs? Would the electoral fraud—a public secret—work in Ovelar's favor over Lugo as it had over Castiglioni in the primaries? As the day dawned, the apex of mobilizing for new dreams of political engagement, ABC Color, the country's newspaper of record, captured the mood of the country with a political cartoon on the front cover of Lugo finishing a race first, joyful. Emblazoned above-the-fold and elaborated in the first eight pages, the theme for the paper people would read while whittling away the day: "Brazil exploits Paraguay in Itaipú, this should be the top priority of the next government" (ABC Color 2008a).

## *Conclusion*

The success of Lugo's campaign manifested a demand for a new kind of engaged citizenship—one where the state was answerable to the people, not just mediated through political parties and patronage. Even Castiglioni's speech after he cast his ballot acknowledged this. The leaders of Tekojoja and Lugo were able to recognize the conjunctural opportunity when they saw one. Decades of ANR rule with insufficient sharing of wealth and power had left a large mass of disillusioned citizens who knew enough about the dictatorship to recognize its [re]floreescence but had enough distance from the Stronato to be able to publicly reject it. Lugo's victory was a repudiation of the pseudo-dictatorial moves of Nicanor Duarte ("ese dictadorcito" one elderly ANR woman once said to me, derogatorily) but also a willingness to speak out by attending rallies, campaigning, even voting against the Colorado Party. The dissent that was seen in all sectors of society was a marked distance from the brutal silencing and fear of the Stronato. People were frightened and unsure of the future, but voted for Lugo and began congregating in public even before Blanco Ovelar conceded defeat and fears of a coup were erased. The tenuous unity in the Patriotic Alliance—where no political philosophy was hegemonic—coupled with a new crop of ambitious leaders meant that the system that would follow the election was up in the air. The question remained, *who* would the state be for. Would it be for the patron-client systems and relational networks represented in the Patriotic Alliance, an exchange of one party for another? Or would there be a new model of state-nation obligation, a new kind of citizenship possible that moved beyond the tendencies of the old system?

Although the new social movement literature of the 80s and 90s suggested that

new mobilizations were centered on identity politics and recognition and less interested in capturing “the state,” the Lugo movement—explicitly and self-referentially a “social movement”—had “the state” as its intended goal. The Tekojoja experience shows that the state is still very much the target of mobilization for new social movements and the persistence of the belief that the state will ameliorate inequality and suffering. Nevertheless, in the rush to embrace the state as the means by which to transform existing power structures, there might be a contradiction in the hopes articulated by progressive movements. Though there were new occupants of government institutions as a result of the Lugo election (an important change in and of itself), the new incumbents would face challenges stemming from the history of those institutions as well as entrenched beliefs about the ideal way to interact with the state (part III). In becoming part of the system in order to change it, the new movement faced the resilience of pre-existing state practices and its own familiarity with being the opposition and mobilizing grassroots, but not with the mechanics of governance.

Tekojoja, because it was a social movement that had electoral ambitions, straddled the issue of international connections delicately. While foreign policy and the ability of presidential candidates to engage foreign leaders was an important quality—Oviedo’s final campaign stunt was a supposed last minute visit to Washington D.C. to meet with important U.S. politicians just before the election—the fiercely nationalistic tone of all the candidates meant that it was important to seem independent. Many of Tekojoja’s leaders had spent time abroad (during the Stronato) and had links to activists and movements, especially in Brazil, like the MSTA and Vía Campesina. But on election day, the presence of foreigners—with Tekojoja, with Lugo, and within Paraguay—was

contained and strategic. The foreigners present with Tekojoja during April 20 were, like me, journalists and researchers.

On election day, Lugo's international companion was Frei Betto, a fellow man of the cloth and a Brazilian liberation theologian. But aside from Betto's companionship, the main role of foreigners on April 20 was to serve as observers whose act of watching exerted a form of control. Throughout Paraguay, the presence of international observers made it seem that anti-democratic actions by the military would not be tolerated. Many election observers were Uruguayans (who at least spoke Spanish, if not Guaraní) and when I asked if they had seen irregularities in the day, answered an emphatic and exasperated, "Yes." And, even before Oviedo or Ovelar conceded defeat, even before Lugo's international press conference, Lugo received a phone call from U.S. ambassador James Cason, congratulating him on his win. Partially as a consequence of the international presence, there was no groundswell from any sector to repudiate the election results—no charges that as a leftist, Lugo should not be president. The breadth of his coalition and specifically his allegiance with the PLRA made that an untenable accusation. With the benefit of hindsight, I realize that though I thought Tekojoja activists were doing me a favor by taking me to various polling stations, they were actually using my identity—obviously foreign, carrying multiple cameras—to expose misdeeds at stations where there were no other observers.

Lugo's rise to power, coming as it did as a confluence of dissatisfaction with the ruling party and a straightforward narrative of the past (corruption) and a simple financial solution to inequality shows us that there are many leftward turns in Latin America. This was not a sweeping denunciation of capitalist economics or a mandate to overthrow the

existing social hierarchy. In fact, what was so attractive about hydroelectric sovereignty is that it would use “free” money to finance development, costing no one, not requiring that the wealthy renounce their possessions. Tekojoja’s success in a country where previous movements did not have the same kind of electoral results or the success in building consensus across a political spectrum suggests that their “large tent” strategy (rather than ideological purity) while focusing on one goal (the candidacy of Lugo) and wielding a very simple narrative (changing the status quo by agrarian reform and hydroelectric sovereignty) was effective.<sup>87</sup> The explanation for Paraguay’s underdevelopment as a result of history and as a result not of the country’s poverty but as a result of its wealth (which people saw daily in verdant fields) made logical sense. The solution for this problem would not be “unfair” (taking from neighbors what did not belong to them) but instead would be just—the mantra was never “Itaipú is ours,” it was always “Itaipú is also ours.”

At the core of Lugo’s campaign was a simple and neat narrative about the past and hope for a different future. This is why even the Colorado Party taxi driver, whose quote opened this chapter, voted against his own self-interest—fearing that his wife might lose her job and the family its hope of a pension, but fearing the status quo even more. Hydroelectric sovereignty—the phrase and the narratives it condensed—synthesized discontent about the past, but more importantly, it made aspirational claims toward the future. Since the nation (the Paraguayan people) was the proper owner of the national territory and, through elections, it endowed the state with power and responsibility, the state should enforce the sovereignty of the nation over its territory,

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<sup>87</sup> Stroessner himself pushed for *reforma agraria* (agrarian reform) and thus the phrase is not automatically associated with leftist politics in Paraguay as it is elsewhere in Latin America. Moreover, “agrarian reform” is actually stipulated, by name, in the 1992 Constitution.

especially against invaders and foreign interests. Such a defense of sovereignty was the patriotic duty of politicians. But Paraguay's problem was that its politicians allowed Brazil to take advantage of its natural wealth in Itaipú, using the resources of the territory of the nation. By recovering sovereignty—recovering control of its half of Itaipú—the proper relationship of nation and territory and state would be restored. The narrative of Brazilian invaders, corrupt Paraguayan *vendepatria* turncoats, and the consequent suffering of the Paraguayan people fit in the Paraguayan imaginary because of the history of the War of the Triple Alliance.<sup>88</sup> The problem in Itaipú was not one of unequal insertion into the global economy resulting in imbalance between the two parties but that, once more, Paraguay was invaded by its neighbors because it was wealthy.<sup>89</sup> In this way, sovereignty was the substance of the [proper] relationship between nation and territory.

This narrative, rooted in the larger hermeneutic of the War where the Paraguayan people suffer at the hands of invading imperialists, resonated with an imaginary that ascribes malevolent intention to economic processes and therefore Paraguay's poverty as a function of individual choices (and thus ameliorable through the decisions of individuals in a highly personalist state). In a country where agribusiness easily raised export-caliber grain and cattle, with natural gas reserves in the north, and with the world's largest per capita electricity production, what else besides the corruption of its leaders and the hateful aims of its neighbors could account for the poverty? The power of this account helps explain why sectors ranging from campesino and indigenous groups to established political parties explicitly took on "recovering hydroelectric sovereignty" as part of their platforms after Lugo's election. Given the wide/transpartisan appeal of

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<sup>88</sup> Literally "vendors of the fatherland."

<sup>89</sup> Capital is entirely mystified in Paraguay. People really do not believe that wealth could come from something other than stealing or the agricultural produce of the land.

hydroelectric sovereignty, linking other struggles to it lent them legitimacy. For this reason, demanding anything less than the “renegotiation” of the Itaipú Treaty became so politically unpopular as to give rise to accusations of treason, even though the renegotiation of treaties depends on much more than popular sentiment. Yet during all the criticisms of how Itaipú and all of the state institutions were administered during the past six decades, the Left and the Liberal Party were very careful to never criticize the Colorado Party base—the largest voting block—but to excoriate the Party leadership for betraying the values of the Colorado Party.

Itaipú’s place in the campaign began as a patriotic, technically sophisticated sounding soundbite, but throughout the Lugo campaign, it expanded into a robust narrative about territory. What counts as the territory of the Paraguayan nation has changed over time—due to wars and treaties—and this mutability is in tension with its idealized permanence. The precariousness of territory linked to a precariousness of sovereignty, which was simultaneously a natural quality inherent in the nation and yet alienable. Interestingly, the greatest demonstration of sovereignty, according to the Lugo campaign, would be expressed through the market (through the ability to determine how, when, and where alienation occurs) and through the ability to not have to comply with treaties. Tekojoja’s conversation about sovereignty is a critique of the international law and international state system, a repudiation in line with what Anghie and Williams have written. While sovereignty was described as a property or inherent right of the nation, it could nevertheless be lost.

Aside from the electoral convenience of the message of “recovering hydroelectric sovereignty,” there is something about the nature of energy—both in its legal and

physical attributes—that allows for the linking of energy and sovereignty in Paraguay. In Latin America, the subsoil is the property of the state (custodian of the possessions of the nation) and energy seems to be a quality of the territory (like the “fertility” of the soil), and not just a product of the territory. The fact that it is conceived of as a quality and not a product helps explain why hydroelectricity and not, say, agricultural produce became central to a vision of a proper Paraguay. Perhaps there is something about how energy is an extractive industry, where the lifeblood of the land is being taken away, that makes it a matter of sovereignty. The parallel contrast I am making is to distinguish between something like the export of beef versus the removal of the fertility of the soil by the export of Paraguay’s topsoil. Energy is at once a primary product that is conceived of as valuable on the market and yet fundamentally connected to territory and nature in a way that even agricultural primary products are not. Because the subsoil is seen not as the private property of an individual, but rather of a group—the nation—sovereignty is not just about “proper relationship,” it is about proper ownership—it is about property. The challenge advocated by Tekojoja and the larger Paraguayan public was a challenge to legal systems and precedents of property rights and to the conception of nature and natural resources enshrined in international law.

## **Chapter 4**

### **Negotiating Power and the Power of Negotiation**

Lugo's decisive victory on the night of April 20 was a clear mandate to pursue the Itaipú issue further and he did so, immediately. Even on election day itself, he was accompanied by Lula's former advisor Frei Betto, who publicly announced, "President Lula is aware of the asymmetrical relationships within Itaipú.... All the conditions are there for a negotiation on the part of Paraguay" (ABC Color 2008b). The day after his win, Lugo announced that as soon as he stepped into office, he would formally constitute a commission to negotiate the treaty, calling on Lula, via the international media, to remember his earlier promise. Lugo staked his own presidency on Itaipú. "During the opposition [to Stroessner] we were rallying against Itaipú," Ricardo Canese said to me as we spoke in Tekojoja's headquarters in late 2008 (Personal Interview, November 23, 2008). "Now," he continued, "With the election of Lugo, it is a central axis. There's been a transcendental change here and Brazil has noted this. And, for this reason, agreed to sit at the table."

The new negotiations had the power to re-shape Paraguay in several ways. Not only were billions of dollars on the table—which could be used to alter the country's trajectory, shifting it toward a socialism akin to Venezuela's or Bolivia's, or any other number of options—but Paraguay's relationship with Brazil was again in question. A new level of antagonism/distance or cooperation/integration with its most powerful neighbor and trading partner would change its economic landscape, with reverberations

throughout the region. And so, the path of internationalism taken would have effects on economic and political structures inside Paraguay chiefly because of how decisions made here would have regional impact. In the outcome of the negotiations, the legacy of the new government was up for grabs. But Itaipú's power within Paraguay also came from its symbolic significance, as it was ascribed the singular ability to deliver development and modernity.

One key wrinkle in the government's ambition to regain hydroelectric sovereignty was the fact that, upon his ascension, Lugo assigned the power and responsibility to renegotiate with Brazil to two different groups of actors—one within the Ministry of Foreign Relations, the other within Itaipú itself. The Ministry of Foreign relations was in the hands of Tekojoja and Lugo's progressive allies, leftist activists with years of community organizing experience but little experience governing.<sup>90</sup> Itaipú, on the other hand, had been entrusted to the more traditional or established sector of Lugo's governing coalition—chiefly the Liberal Party—who were technocratic engineers and politicians with advanced degrees from abroad. As we look to how Paraguay [un]successfully renegotiated its relationship with Brazil in Itaipú, we will see that, though personal ambition and party loyalty had a role to play in creating heterogeneity in Paraguayan negotiating tactics, underlying the personal were ideological and, in fact, epistemological differences about the very nature of the state.

This chapter moves from a moment of codification to the twin moments of campaign by the Ministry of Foreign Relations and by the Itaipú team. The process by which the goals for Paraguay in Itaipú were defined resulted in the Six Points Memorandum, a canonization process that simultaneously produced silences. After the

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<sup>90</sup> Tekojoja was also in charge of the other hydroelectric binational dam, Yacyretá.

Six Points were drafted, both the Ministry of Foreign Relations' CEBH and the technocratic leadership of Itaipú commenced their negotiation strategies. In these two negotiation campaigns—publicly performed, planned in private—differing political ideologies and professional expertise resulted in very different strategies. In addition to describing the public performance of the international negotiations, I turn to private interviews with members of the two groups to demonstrate that underlying the divergent tactics was more than just personal experience but rather epistemologically different notions of what the “state” is (and ought to be), what state power is for, and how the international state system works.

*The actors take the stage: Preparing to negotiate*

With Lugo's ascension in August 2008, an informal negotiating team (*mesa negociadora*) was formalized as a special commission in the Ministry of Foreign Relations, with Ricardo Canese as director, called the Commission on Hydroelectric Binational Entities (*Comisión de Entes Binacionales Hidroeléctricos*, CEBH). Canese's involvement in Itaipú was expected—he was considered an engineering expert with moral authority forged by persecution from the country's corrupt elite. But, to the surprise of many (and if rumors are to be believed, to the disappointment of Vice-President Federico Franco, who had already been promising important positions to his allies), Lugo named Carlos Mateo Balmelli General Director of Itaipú. (Mateo, remember, had lost the Liberal Party primary elections to Franco.) This appointment was immediately met with opposition—former PLRA senator Domingo Laíno declared that Canese should have been nominated; Lugo's candidate for Foreign Minister stepped

down in protest. Though Mateo had no experience in hydroelectricity, he did possess something rare in Paraguay: a foreign Ph.D. in political science. Political positions in Paraguay are distributed with group loyalty in mind and so it was to be expected that Lugo place members of his coalition in strategic posts and, having given Yacyretá to Tekojoja, it was reasonable that the other binational dam be in the hands of the Liberal Party.

Since 1992, Paraguay's presidents and vice-presidents have had antagonistic relationships peppered with frequent accusations of undercutting and conspiring and disrespecting. Lugo and Franco were no different; tensions between them arose even before the inauguration in August 2008. Franco's ability to consolidate his own power within the government by doling out the spoils to his allies was thwarted by Lugo placing the one person guaranteed to not accede to Franco's interests in front of an organization whose budget was greater than that of all of Paraguay's government ministries except for the Ministries of the Treasury and of Education and Culture (CADEP 2008b:10). In addition to containing Franco's influence while appeasing the Liberals, this move meant that Itaipú was in the hands of someone with credentialed knowledge of international relations. Mateo, a trained lawyer, wrote his doctoral thesis for the Johannes Gutenberg University Mainz (Germany) on the subject of Latin American constitutions and democracy and had, after the fall of Stroessner, been selected as one of the delegates to the constitutional assembly in 1992 responsible for drafting the first post-dictatorship Paraguayan constitution. He brought with him a technocratic team of engineering and finance specialists—some affiliates of the Colorado Party—who had decades of experience in Paraguay's energy sector and in government.

No love was lost between Tekojoja and the Liberal Party or between the CEBH and the Itaipú team of technocrat administrators—the Left in Paraguay, though railing against Colorado excesses, has consistently spoken of the Liberal Party as the “real” enemy. Lugo and his vice-president Franco began the administration with publicly-noted tension between the two as the Liberals immediately began complaining that they were being sidelined in the new government. As the soundbites flew back and forth (“I am the one with the pen” “I am prepared to step into the presidency at any moment”) during the first year of Lugo’s term, a crisis of leadership in Congress heated to a boil. With no clear majority in Congress, a coalition-government was obviously necessary, and as the Liberal Party looked to ally with UNACE in order to take control of Congress by distributing the presidencies and vice presidencies of both houses between these two groups, the few leftists in Congress recognized their own sidelining. The progressive Patriotic Alliance senators made a backroom deal with the Colorado Party and neoliberal Patria Querida Party to vote to distribute the upper house’s offices to these three sectors. A stunned Liberal Party had to settle with the presidency of the Chamber of Deputies. The affront was too much to bear and, in June 2009, the Liberal Party formally left the Patriotic Alliance for Change. These tensions also marked the issue of Itaipú. And, adding Canese and Mateo’s presidential aspirations for 2013 to the mix, internecine fighting (mostly behind-the-scenes), even while Paraguay’s negotiators attempted to convince Brazil’s, characterized the first year of Lugo’s administration.

The foreign ministry’s special commission began sporadically meeting with Brazil’s foreign ministry negotiating team on September 29, 2008, with the conspicuous absence of General Director Carlos Mateo Balmelli, though his Brazilian counterpart,

General Director Jorge Samek, was present. Carlos Mateo Balmelli, also began his tenure in mid-August 2008, commencing bi-weekly meetings with Samek. Though a simplification of the situation, one entity (the CEBH, headed by Canese) had the *de jure* while the other (Itaipú's Executive Directorate, headed by Mateo) the *de facto* ability to deal with Brazil. The Ministry of Foreign Relations/CEBH was focused on mobilization of the "nation," while the Itaipú' leadership strategy seemed to be a pragmatic engagement of Brazilian leaders.

### *The Six Points Memo: Defining Hydroelectric Sovereignty*

This section describes how the Lugo government prepared for the negotiations with Brazil through a canonization process that outlined the aims of Paraguay in a Six Points Memorandum. Though the document created the appearance of unity among Paraguay's negotiators, Lugo assigned responsibility for negotiating to two different groups, ensuring disunity in the process. In June and July of 2008, Ricardo Canese led a team of lawyers, engineers, experts in international law and finance assembled in long meetings to draft a memorandum which would outline the aims and complaints of Paraguay over Itaipú. The group considered historical arguments made by opposition movements in the 1960s and 1970s and took stock of the current geopolitical climate and diplomatic options in order to build an analysis of the present situation of Itaipú.<sup>91</sup> But as a clear base for whatever they drafted, they took from Canese's most recent treatment on Itaipú, a book called *Recovering the Hydroelectric Sovereignty of Paraguay*, where he explicitly defined Paraguay's "hydroelectric sovereignty" as: 1) "Disponer libremente de toda su energía"

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<sup>91</sup> One document that likely served as a guide was the statement submitted by the Center for Engineering Students during the original negotiations of the treaty, see Chapter 2.

— the freedom to do whatever it wanted with its electricity (i.e., freedom from obligations contained in its current treaties with its neighbors); 2) “Precio de mercado”—a market-based price for energy; 3) “Deudas espurias, ilegítimas e, incluso, ilegales”—refusal to pay “spurious” and “illegal” construction debts; 4) refusal to pay “usurious” interests rates (i.e., above market rates) on construction debts; 5) the right to cheap energy for national consumption; 6) “El manejo y control”—greater administrative control within the institution of the dam (Canese 2007:103, 105, 100).

Canese, as coordinator of the negotiating team, edited the final negotiation document. On August 1 (a full two weeks before Lugo’s ascension), Lula’s envoy Marco Aurelio García met with Lugo, Canese, and Mateo at the Patriotic Alliance headquarters to formally receive the *Seis Puntos* (“Six Points”) memorandum—thus producing an official account of “hydroelectric sovereignty” for the first time in Paraguay. This was so that government negotiations would begin the moment Lugo took office. In an administration later plagued with (accurate) accusations of slow decision-making, the speed and determination with which renegotiations over Itaipú began was all the more noteworthy. Brazil’s government agreed to participate in an unspecified number of negotiation meetings to resolve the conflicts around the dam and discuss the Six Points. This was itself viewed as a diplomatic victory on Paraguay’s part and was frequently attributed to the sympathetic ally the country had in Lula, a left-of-center president concerned with social justice. A summary of the Six Points was immediately published in the daily papers and they became an official metric for the success of the negotiations.

They are:

1) *Libre Disponibilidad*. (Unrestricted Access) The full freedom for Paraguay to

access and dispose of its half of the energy as it wishes—the ability to choose the destination for it.

2) *Precio Justo*. (Fair Price) A “fair price” for the energy.

3) *Revisión de la deuda*. (Revision of the Debt) “Reviewing (and revising) the debt” incurred during the construction of the dam.

4) *Cogestión*. (Co-administration) “Equal administration” of the dam, alternation of top positions.

5) *Contraloría*. (Control) Allowing the Paraguayan Comptroller access to “audit” the books of Itaipú.

6) *Obras faltantes*. (Pending Projects) Completion of “pending projects” that were stipulated during the negotiations of the 60s and 70s.<sup>92</sup>

The pithy list of simple phrases stands in contrast to most government communiqués in Paraguay, where hackneyed and excessive formality is the norm. The extreme banality of formal address, showcased and subtly mocked in Augusto Roa Bastos’ *Yo El Supremo*, is characteristic of the public expression of governance and authority in Paraguay. It weaves through public bureaucratic rituals and the texts of secret police files. In the novel, Francia’s servant Patiño switches between other florid honorifics, from Su Merced to Excelencia to Vuecencia to Excelentísimo Señor.<sup>93</sup> The indirect address and passive

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<sup>92</sup> A new version of this list—one not given to or accepted by Brazil’s representatives—began to be circulated by the CEBH in late 2009, primarily to a Paraguayan audience. It renamed Point One “soberanía hidroeléctrica” (hydroelectric sovereignty) and Point Three “Revisión y renunciación de la deuda espuria” (“revision and renunciation of the spurious debt”)—more to the language used in Canese’s 2007 book. To a Paraguayan audience, it would seem as if Brazil’s negotiators had agreed to a debate which they had not. A diplomatic corps (as the CEBH was part of the Ministry of Foreign Relations) would realize that this switching of terms actually would change the matter of debate (and that it would make negotiations more difficult because Brazil’s representatives had never agreed to debate the matters in these terms). My best guess is that the CEBH, aware that this switch would be diplomatically untenable, intended this rhetoric for a Paraguayan audience.

<sup>93</sup> Ministers of government in Paraguay, including the General Directors of Itaipú and Yacyretá, are

voice of these early conventions lingers in Paraguay. And even when asking politicians and upper-level bureaucrats to meet as part of my research project, the key turn of phrase that elicited positive responses was *pedir una audiencia* rather than *pedir la oportunidad de reunirnos*—to beg an “audience” with someone rather than ask for the opportunity to meet.

The difference could not have been more striking. And it was brilliant marketing—in the press and in public speech, the Six Points were consistently referred to whenever the negotiations were mentioned. Each of the six issues condensed a series of complaints—and this summation left space for flexible interpretation of both the past and of the future (hence, disagreements about whether or not the points had been accomplished). They were listed in order of decreasing controversy and importance and by placing the most contentious issue at the beginning, Paraguay clearly marked the limits of its aims. Breaking their claim into six parts would allow Brazil to gradually compromise without being seen as surrendering too much too quickly and would establish a precedent for how to yield to Paraguay. This also allowed Paraguayan politicians to assert that progress had been made even as the process stalled (perhaps indefinitely) on the edge of the core issue. And though they were clearly based, in part, on Canese’s earlier work, there were important differences in both language and demands.

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referred to politely as *excelencia*. And Francia’s contemporary, William Parish Robertson, writing of one of his last encounters with Francia before he and his brother were permanently banished from Paraguay in 1815, relates the following exchange:

“When I entered, I begged to congratulate ‘his Excellency,’—but here he stopped me short. ‘Déxe, amigo,’ said he, ‘de “Excelencia,” y conozcame V. y hableme como hasta aqui hemos acostumbrado.’ ‘Lay aside “Your Excellency,” my friend, and know me and address me as you have hitherto done.’ His title before was *Usia* (a contraction of *Vuestra Señoria*) which in Spain is a grade inferior than Excellency. But I knew the man I had to do with too well to avail myself of any such privileged familiarity. I continued ‘Your Excellency,’ and he did not again object to the title.” (Robertson and Robertson 1839: 17-18).

See Chapter 2 for more on Roa Bastos, Francia, secret police files, and the Robertsons.

*An explanation of the 6 Puntos*

What Paraguay's government ultimately wanted—*libre disponibilidad*, unrestricted access (Point One)—was the ability to sell Paraguay's electricity at the price it chose to whatever market it chose. This was currently impossible, both legally and physically. Paraguay lacked the necessary high-tension lines to acquire and process its half of the electricity. Half of the energy Paraguay ceded to Brazil was actually never even processed by the Paraguayan substation at Itaipú, but traveled from the turbines to a Brazilian transformer and then to Brazilian high-tension lines and to Brazilian users. The infrastructural obstacles (Point Six), however, were minimal compared to the political and diplomatic obstacles to unrestricted access (Point One) and a fair price (Point Two).

The 1973 Treaty, which would expire in 2023, held that only the two countries who shared Itaipú could benefit from its energy. Brazil's negotiators initially refused to budge on the first three Points, which both countries saw as the heart of the matter. And so the rounds of negotiation continued between the CEBH and the Brazilian foreign ministry's team as Paraguay's negotiators rejected the counter-offers extended as palliatives: doubling the price Paraguay received for energy ceded to Eletrobrás and the creation of a fund to underwrite development projects in Paraguay. The Brazilian negotiators defended their intractability with two arguments: that whereas the Paraguayans were trying to violate a signed treaty by "renegotiating" it, the Brazilians were in good faith upholding the treaty and were thus the victims; second, that because Brazil supplied the collateral for all the construction loans, it alone assumed the risk should the dam project fail, and in this way Paraguay was trying to get something for nothing. But in private, during one of

the 2008 meetings between negotiating teams from the two countries, one of Brazil's representatives leaned over and commented to one of the Paraguayans that Itaipú was blatantly a strategy for both countries to get electricity and that no one even thought about "sovereignty" or "unrestricted access" under the two dictatorships. "It is unthinkable," said the Brazilian to the Paraguayan negotiator (who relayed the encounter to me), "that Brazil flexibilize itself" (Personal Interview, December 4, 2008).<sup>94</sup> And so the central riddle Paraguay's negotiators had to solve was how to change Brazil's posture, what combination of pressures and inducements would suffice.

The price of electricity per megawatt hour sold to ANDE and Eletrobrás is a combination of the cost of the debt and the cost of administering the dam and financing social and development projects, as well as the cost of royalties paid out to the two countries. In 2008, the *tarifa* (the rate) came out to be \$42.50 per megawatt hour at its highest, often less—an average of \$38.70 per megawatt hour in Brazil and \$22.50 in Paraguay (Parlasur 2008).<sup>95</sup> In 2008, Eletrobrás paid Paraguay's treasury about \$2.81 per megawatt hour for its excess energy (a total of \$117,765,256). Taking into account the price of electricity on Brazil's market, what Paraguay received from Eletrobrás was anywhere between \$20 and \$90 per megawatt hour below what the end user paid. It was this variance that Paraguay sought to redress through its demand for a fair price (Point Two). This claim was closely linked with the first item of the Six Points and, in fact,

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<sup>94</sup> Es impensable que Brazil vaya a flexibilizarse.

<sup>95</sup> These are figures that Brazilian General Director Jorge Samek presented himself. The average price per megawatt hour for both Brazil and Paraguay is lower than the basic *tarifa* because of the technical excellence of Itaipú. The basic *tarifa* for the following year is calculated in the last quarter of the calendar year by taking into account previous production levels and includes the administrative costs of the dam and financing the debt. However, because energy production by Itaipú regularly exceeds estimations, it produces more energy than originally planned and that unplanned-for energy is sold for about \$5 per megawatt hour. This, when averaged in with the basic *tarifa* price for planned-for energy, results in the lower energy price for both countries. See chapter 1 for more detail.

could be understood to be a corollary or, even, a component of unrestricted access. Point Ones and Two were often referred to, in ordinary speech, as “hydroelectric sovereignty.”

But more was at stake than just the first two points. A binational entity presents a curious problem in nation-state sovereignty in its relationship to the two states to which it supposedly is subordinate. For its entire existence prior to Lugo’s presidency, Itaipú Paraguay was in the hands of the Colorado Party—loyal party members got multi-million dollar construction contracts, appointments to high-earning positions, and *planillero* salaries (which they received merely for appearing on the *planilla*—the payroll—not for performing a task). It also directly financed the construction of private homes, excursions and parties for the political elite, and the political campaigns of Colorado candidates (particularly the presidential candidate—since the president appoints the directors of Itaipú). Billions of dollars have been diverted since 1973, some through outright thievery but much more through political patronage and graft, to the personal and political aims of Paraguay’s ruling party elite.

All of this was carefully documented on official letterhead with multiple stamps and seals and filed away in Itaipú with a shocking lack of self-interested foresight. A paper trail clearly led from the coffers of Itaipú to Blanca Ovelar’s campaign expenses. In order to avoid scrutiny of what was clearly a partisan (at best, at worst it was criminal) administration of benefits, it was argued that, since Itaipú was binational, it was outside the jurisdiction of the National Comptroller (*Contraloría Nacional*) and the District Attorney (*Fiscalía*). For decades, the expense books of Itaipú Paraguay were left untouched and inaccessible even though it was obvious that high-level employees would suddenly appear with new cars that cost more than their annual salary. The collusive

financial mismanagement between Itaipú and the government, mediated through the Colorado Party, was not a desperate secret that all involved members tried to hide, it was the glue that brought different actors together and the reason for acting together in governance. And this is what Point Five (Control) was intended to check.

The blatant patronage within the Paraguayan staff benefited and was fostered by the division of labor between Brazil and Paraguay. All twelve members of the binational Executive Directorate Board were present at the bimonthly meetings held at the dam's conference room, where they sat at a long rectangular table that looks out downstream on the Paraná with a line clearly marked in the windowpane, on the floor, and on the surface of the table showing the inch-wide border between Brazil and Paraguay. Here, in recorded and transcribed meetings, they discussed the current state of affairs, budget allocations of millions of dollars, development projects (such as the creation of an engineering and science university), and technical problems (e.g., the effects of drought or excessive rains). Though decisions taken at this level were approved by joint agreement between the two General Directors (two official copies of written out texts that bear the initials of both GDs on every page and the signatures of each, accompanied by their personal seals and the seals of the two sides of the dam on the last page), there have been institutionalized disparities between the two boards in the difference between “executive” versus ordinary directors.<sup>96</sup> Beyond the almost entirely political nature of the appointments to the Paraguayan board (as opposed to the technically-informed appointments on the Brazilian side), there is a subtle difference in titles that reflects a

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<sup>96</sup> The Executive Finance and Technical (Engineering) Directors were always Brazilian. The Executive Legal, Coordination, and Administration Directors were always Paraguayan. Originally there had been a distinction between the Executive General Director (always Brazilian) and the General Director (Paraguayan), but this was equalized in the 1980s. See chapter 1 for more detail.

substantive difference in status, in educational/professional background, and in authority: the word “executive.” The most important directors—the Executive Financial Director and the Executive Technical Director—had always been Brazilian; the positions of Executive Legal and Administrative Directors always Paraguayan, as was the Executive Director of Coordination. Through demanding Co-administration (Point Four), Paraguay sought to rectify this imbalance.

The disparity between the two halves of the Executive Directorate Board meant that Brazil’s directors initiated the most important decisions. It also went hand-in-glove with Brazil’s unchallenged control of the finances behind the construction of Itaipú. One of the chief engineers responsible for constructing Itaipú in the 1970s told me, in private, that the real business of Itaipú was not electricity but debt. Because Paraguay lacked credit, Brazil’s public electricity company secured nearly 100 percent of the financing for the construction of Itaipú and so Eletrobrás has two sources of inflow from Itaipú--it both sells the electricity and receives payment on the debt. A project that had originally been estimated to cost \$2 billion soared to \$19 billion and when the debt is paid off in 2023, each side will have paid \$30 billion. Rumors abounded, however, that income from electricity sales was not actually being applied to the debt and that it was growing to the degree that, in less than two decades, Paraguay would find that the debt that remained had burgeoned to such an unpayable degree that the only solution Paraguay would have would be to turn over ownership of its half of the dam to Brazil.

That such a story could even continue to circulate among cosmopolitan elite who divide their time between cities like Paris, Berlin, Madrid, Buenos Aires, and Asunción, while being soundly refuted by Itaipú’s Paraguayan directorate each time I asked points

to more than the popular taste for conspiracy theories in Paraguay (though that too is true). It arose from the mystification around the debt held by Eletrobrás. Though Paraguay signed promissory notes, and though it was well-known that funds in public projects were frequently fraudulently used, the detailed information about the debt was held in Brazil. If Paraguayan accountants were regularly denied access to Itaipú Paraguay's daily expenses, one might imagine the initial refusal of Eletrobrás to allow Itaipú's construction debt to be examined (Point Three) and disowned (!) if found spurious.

From their first announcement, the Six Points became the framing device when Canese, Mateo, and the government in general explained the state of the negotiations with Brazil to the public, whether before international press and business elites in European capitals or before an assembly of rural and urban working-class Paraguayans crammed into the main hall of the National Congress. Concretizing the terms of debate in this way was a strategic move, intended to facilitate Paraguay's aims by streamlining its demands and, at the same time, a kind of state-initiated code-switching to shift the issue of Itaipú from its past life as a cause célèbre of a marginalized left to the central diplomatic project of a serious government. The register difference signaled, both within Paraguay and to an external audience (at first Brazil and Argentina, as well as the rest of the South American countries that make up the Cuenca del Río de la Plata—Bolivia, Uruguay), an appropriation and legitimization of hitherto opposition critiques by sanitizing them. It also heralded a new phase of Paraguay's international diplomacy in the region, which had previously been regarded as the not-to-be-taken-seriously posturing of corrupt politicians. That, in spite of its loudly protested objections to the Six Points,

Brazil's government would immediately agree to treat with Paraguay's on issues that could conceivably end in billions of dollars of lost revenue the very first time such a request was made of Brazil arose in part from Paraguay's new reputation.

As the Six Points consolidated an official version of hydroelectric sovereignty, the very act of transcribing a story then stamped with an official seal rendered other stories apocryphal. Hydroelectric sovereignty here was a question of balance sheets, price points, massive feats of engineering, and division of labor. Through honing the scope of the negotiations by formulating sovereignty as a matter of finance, physics, and corporate hierarchies—in sync with the most accepted authorities of today—other issues were shunted, relegated to the margins. Questions about the environmental impact caused by the flooding of the Paraná or about the human impact caused by the dislocation of communities that formerly lived on the riverbanks were thus not part of international negotiations or official discourse. Neither were those about the role of the dam in Operation Condor, where it functioned as a surveillance apparatus and as the target of much anti-dictatorship protest within Paraguay—dissent that was stamped out through persecution, incarceration, and exile, as we saw in chapter 2. These notable silences indicate compromise which may make it all the more difficult to link “hydroelectric sovereignty” to issues of the environment or human rights.

And there is reason to believe the Six Points are precedent setting. Because of the scale of both Itaipú and Brazil, the renegotiations will have ramifications on Paraguay's other large hydroelectric plant, Yacyretá with Argentina. Canese, at a public presentation in early January 2009, explicitly said that the Six Points applied as equally to Yacyretá as they did to Itaipú. While the issue of the environment may not be pressing for Itaipú,

Yacyretá is an ever-unfolding environmental disaster and so, the delinking of environmental concerns from the platform of negotiations may be a true problem with Yacyretá.<sup>97</sup>

The Six Points clearly came out of dissatisfaction with the past, from issues already mentioned in Chapters One and Two. Controversies like the stipulation to sell all unused electricity to Brazil—a term of the 1973 Treaty often justified as the surety to balance the fact that Brazil would secure all the funding—lingered, in spite of the binational “resolution” to the border conflict. Although treaties, because they pass congressional approval, initiate consensus-building processes which grant them a high level of legitimacy, this is complicated by the nature of the governments that sign the treaties. Because Stroessner’s military regime was decried as illegitimate by many (though not all) in Paraguay, popular sectors in Paraguay questioned the validity of a Treaty signed by government representatives who were not elected in an unrestricted democracy. The question of whether regime change invalidates international treaties strikes to the heart of international law. But Anghie and Williams would say that the question is not of “whether,” but “when,” and that that depends on which regime has changed. That treaties may be invalidated when the powerful party experiences regime change but not when weaker parties do reveals the imperialistic utility of international law. The process of drafting the Six Points Memo was carried out by the Canese-led

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<sup>97</sup> Care was taken in calculating and planning for the environmental impact of newly flooded lands, a process which has resulted in protected forests teeming with wildlife and a carefully monitored embalse (reservoir, sometimes called the “lake” of Itaipú) whose fish stock are closely tracked and whose presence has resulted in a rise in inexpensive protein for the surrounding human population. As a point of contrast between the two, Itaipú has an installed capacity of 14,000 megawatts, while Yacyretá will only have 4,050 megawatts if it ever is completed (i.e., if its reservoir is ever filled to the originally intended level—remember that the Yacyretá treaty was signed mere months after Itaipú in 1973 and yet construction has been stalled for decades with no realistic end in sight). However, the area of land flooded by Itaipú was 1350 square kilometers while Yacyretá was 1600 square kilometers and counting.

negotiations team in its nascency, pointing to the fact that the CEBH had a well-established history of thinking and writing about the issue of Itaipú and hydroelectric sovereignty and this comes into their negotiations. Their negotiation strategy—which we will see in the following section—reflected the CEBH’s past with the issue of Itaipú. But, though they lacked the history of oppositional engagement with Itaipú, the Mateo-headed team within Itaipú had enough international experience to recognize the difficulties attendant with attempting the outright challenge to international governance entailed in “renegotiating” a treaty.

*Achieving Sovereignty: Renegotiating Itaipú with Brazil*

Codification and canonization do not mean unmitigated consensus. The Six Points offered ample opportunity for interpretation, partially because they were so general and unspecified. (And also because of other apocryphal versions of the Six Points—namely the one distributed by the CEBH that used the language from Canese (2007).) While there was agreement on what the Six Points were, there were widely divergent views within the Paraguayan government as to what they meant and, perhaps more importantly, how to achieve them. This was a story full of mazes so redundant only a government could have created them and complicated by endless intrigues as Paraguay’s old elite refused to accept the sentence handed them in the election of Lugo. Though Paraguay at last had on paper what it hoped to gain, the most difficult tasks still lay ahead. The rules of Paraguayan politics, which require that resources and public offices be distributed according to a clientelistic, partisan logic, also set up competition within the executive (the presidency, the ministries, the military, and the binationals) when these patron-client

relationships also fell along partisan lines and had to be negotiated in a coalition of political parties. For all its inefficiencies, the Colorado Party had allowed for a kind of unity. Appointing a Canese-led CEBH under Paraguay's Foreign Ministry to address the issue of the dams and a Mateo-led Executive Directorate in Itaipú led to vastly different international strategies that came from different analyses of the situation with Brazil, of what kinds of political pressure worked, and ultimately of what the ideal relationship of Itaipú to the Paraguayan state and nation ought to be.

As would be expected for any kind of negotiations with the high stakes of Itaipú, much of the negotiation was in private, closed-doors meetings, without even an official summary yielded to the Paraguayan public and therefore intended for an audience within the two governments. Although I had access to both the CEBH and the Itaipú directorate, I was not present in the meetings themselves. In lieu of witnessing the actual conversations in order to peek behind the curtain—to see how both the nation-state and the international state system are patched together—I tried to get at the negotiating strategies indirectly. I conducted repeated interviews with both the CEBH negotiating team and the Itaipú technocrat team, to ask about strategy and accomplishments, from October 2008—almost the beginning of the meetings between the two foreign ministry teams and the tenure of the new team of Itaipú technocrats—through the beginning of 2010, when the negotiations had resulted in a dramatic agreement between Presidents Lugo and Lula. A large public component to the negotiations of dramatic spectacles advanced and illustrated the aims of the various groups attempting to treat with Brazil. Since Thucydides, scholars have commented on the theatricality of the state. The public performance of the negotiations were not “merely” performance (in the sense of artificial

or superficial as opposed to substantive). Rather, they augmented the closed-door meeting strategies of both groups. This section of chapter 4 combines data from the public performance with extended personal interviews with many of the participants, to elucidate what occurred behind closed doors. The internationalisms practiced by the two different groups depended on how each imagined the state, the locus of state power in Brazil, the relationship of the nation-state to the broader international state system.

*The CEBH/Ministry of Foreign Relations Negotiation Strategy*

The Ministry of Foreign Relations' Commission on Binational Hydroelectric Entites (CEBH) used the Six Points as a pedagogic tool to "raise consciousness" about Itaipú in Paraguay, elevating it to a "national cause" which would draw citizens to the streets for protest. In the language of the CEBH, it seemed that the chief meetings where Paraguay achieved its sovereignty were those between the Brazilian and Paraguayan foreign ministry negotiating teams as well as public moments of united Paraguayan protest. The international goal of these protests was to make a moral appeal to popular sectors in Brazil so that they would join Paraguay in clamoring against the mistreatment of Paraguay in the Itaipú Treaty. (The national goal was to build consensus on the issue and on the authority of the CEBH on it.) The pressure point in both countries was "the people"—chiefly working-class and campesino sectors who had been oppressed by "oligarchic capitalist" interests (that also controlled the state apparatus). And should the capitalist-controlled Brazilian state not accede, punitive measures would escalate. In both one-on-one conversations and in public presentations, CEBH members repeatedly gave an August 15, 2009 deadline (the anniversary of Lugo's ascension) for assessing the

progress of negotiations with Brazil and deciding upon whether to begin one of Paraguay's escalation options—bringing the matter of Itaipú to international arbitration at the International Court of Justice. I met Manuel, a lawyer who worked in the Ministry of Foreign Relations and served as one of the negotiators, in his office in Asunción. “Canese is trying to mobilize social groups and university students in favor of renegotiation,” he said, explaining how the CEBH was attempting to achieve the goal of renegotiation (Personal Interview, December 4, 2008). There was also an international plan of action: “We are in conversation with Brazilian social movements, too. To negotiate this in an international plane, you have to have followers [*adeptos*] in other places.”

In early January 2009, a public debate entitled “Itaipú and Yacyretá are also ours” took place in the large meeting room of Paraguay's National Congress. All the seats were filled, listeners crouched in aisles, and many more stood in the back of the room—about four hundred in total. On the stage sat five men—one moderator and four presenters—taking turns to present historical and political analyses on the state of Paraguay's two binational dams. In the audience were women with tanned arms in tanktops carrying sleeping babies and men with immaculately starched long sleeve shirts and trucker hats, university students and members of Leftist political parties and social movements. The San Pedro campesino movement, a particularly mobilized sector (Hetherington 2009) which suffered violent altercations with the Brazilian soy complex and articulated its struggle in terms of “sovereignty,” sent a delegation of nearly thirty. The group in the room, in their dress, in gender, in age, and in occupation could not contrast more with the usual occupants of the congress: the nearly exclusively male, fair-skinned, paunchy, wealthy, middle-aged, predominantly lawyers who constituted the legislative branch of

Paraguay's government for decades.

Ignacio González, the first man to speak, was younger than the rest of the panel, perhaps in his late twenties, and a member of the Movement Toward Socialism Party (PMAS, Partido del Movimiento al Socialismo). He urged Paraguay to “socialize” the debt owed on Itaipú and Yacyretá and turned specifically to the example of Ecuador’s dealings in its debt with Brazil as one to follow. And though he purportedly spoke of both hydroelectric dams, the examples to which he returned centered on Brazil. His argument hinged on the injustice of Brazil’s unyielding and secretive control of the construction debt in Itaipú, thus saying that “auditing the debt is a political act.” While Brazil had accepted (and, indeed, could not refuse) the presence of Paraguayan auditors to monitor the books within Paraguay’s half of Itaipú, what the audience and perhaps the speaker did not know was that a controversy had arisen in the last CEBH-Brazilian foreign ministry meeting. Paraguay’s negotiating team had planned to broach the subject of repudiating its half of the \$60 billion debt owed on Itaipú with the line of reasoning that the debt was “illegal” because it had grown for years as a result of an initial tarifa too low to pay off the debt. Brazilian negotiators at the December 2008 meeting, upon hearing this argument, laughed and then abruptly closed the meeting earlier than planned (Personal Interview, December 2008). Against this backdrop, the speaker at the National Congress made his case about the debt saying that to spend more on financing debt than on social projects was an “attack on sovereignty.”<sup>98</sup>

Domingo Laíno, a Liberal leader before becoming estranged from the party for his left-of-center views and an early supporter of Canese as Itaipú’s General Director,

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<sup>98</sup> “Atropello contra soberanía.” The word “atropello” was also used by ABC Color to describe the advertisement published by Eletrobrás in the Financial Times, showing Itaipú with no mention of Paraguay’s co-ownership of the dam.

then took the stage. He led with a list of statistical contrasts between Paraguay's poverty and its ownership of fifty percent of the two binationals—two of the largest energy producing dams in the world. To solve this contradiction of wealth and poverty, he advocated Bolivia's recent hard line taken to wrest control of its gas processing plants from Brazilian ownership. The Andean country, like Paraguay, had been "sacked" by its neighboring countries but, thanks to Morales, had recovered its sovereignty from an "imperialist" power. At this, the audience erupted into warm applause—noteworthy because Bolivia is often villified in Paraguay for starting the Chaco War of the 1930s and for drug smuggling in the present.<sup>99</sup> Laíno argued that because the 1973 Itaipú Treaty was signed by two "bloody dictatorships," its validity was dubious and Paraguay was now in its right to unilaterally annul the treaty. The current crisis of poverty in Paraguay, he continued, was because of an imperialism first based on finance and then elaborated into industry—a "neoliberalism" that advocated free trade. But, following the change of government in Lugo's election, now Paraguay was "demanding our sovereignty."<sup>100</sup>

When the third speaker Héctor Lacognata, one of Paraguay's senators to the Parliament of Mercosur (Parlasur) and future Minister of Foreign Relations, began, he opened by saying, "I cannot talk about recovering our sovereignty without stating my strong solidarity with the Palestinian people." Of all the statements made that evening, this one received the most fervent applause and cheering. Then he turned to the importance of the space of Parlasur—whose creation in December 2006 he called "a victory for democratic forces"—because multilateral spaces are key to building solidarity, even in the midst of a bilateral debate and, in fact, only by "deepening

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<sup>99</sup> Bolivia is the source of cheap migrant labor in Paraguay, racialized as poor, dirty, and untrustworthy.

<sup>100</sup> Reclamando nuestra soberanía.

integration” in the region would “change happen.” And to this end, he implored, “We must not see Brazil as a homogenous entity.” He too raised Bolivia as a model to be emulated by Paraguay, in the way that that country’s energy issues became a “national cause,” not just the domain of experts or government negotiators, but part of the curriculum in schools, of debate in churches and universities. The exhortation about Brazil’s heterogeneity, even more than that about Bolivia as an example to be followed, touched on a lively topic in Paraguay and was followed by a pregnant pause from the audience. In recent years, as Paraguayan territory has been sold to (frequently illegally) or forcibly taken by Brazil’s soy farmers, there has been an escalating Paraguayan nationalist rhetoric that is virulently anti-Brazilian and Lacognata’s admonition spoke to the very experience of the San Pedrinos.

Several hours passed before Ricardo Canese at last stood to speak. The room had thinned only slightly with scores still on their feet, determined to learn more about the fight to recover sovereignty. “In Panama there were good negotiators. In Bolivia there were good negotiators,” he began, “But it was the people who got the sovereignty.” And because of this, he explained, this meeting was only the beginning of a series of public convocations to be held in 2009 in order to inform the Paraguayan people on the state of negotiations with Brazil and in order to make “hydroelectric sovereignty the cause of all Paraguayans,” irrespective of political party. After an account of the status of the Six Points, he spoke of future plans to increase Paraguay’s income from the sale of its electricity: the construction of an interconnection between Argentina and Chile to thus be able to transfer Chile energy coming from Paraguay; insisting on reviewing the Itaipú debt and only paying “legitimate” debt; insisting on the market price of electricity as the

“just price.” Like the previous speaker, Canese emphasized the importance of building allies in Lula and in Brazil’s Landless Workers Movement (MST). And to close the presentation he then announced August 15, 2009 as the hard-and-fast deadline for coming to agreement on the Six Points, after which Paraguay would turn to other options including arbitration, the International Court of Justice, and adopting “unilateral” actions (reminding his listeners that in the 1930s Brazil renounced its external debt). A lengthy question-and-answer session followed.

The audience was in many ways a surprisingly representative cross-section of Paraguay’s population: women and children as well as men, campesinos and urban workers, students and grandparents, members of many political parties. This mirrored the panel’s explicitly stated conviction that the way to pressure Brazil would be to have an entirely united national population fostering ties of solidarity to progressive groups within Brazil. But there were two conspicuous absences in the room: Paraguay’s traditional elite (political, economic, or religious) and, perhaps even more importantly, almost all of Paraguay’s mainstream media organizations (photographers from two papers were present for only part of the time). The sheer number of attendees, many who had come from out of town and who had to stand for hours, evinced the broad appeal of the subject matter, visibly pleased the presenters, and encouraged the organizers to plan yet another event a few weeks later. Though the debate was staged in Paraguay’s halls of power, only those physically present were able to see it. But because the CEBH understood the power of the Paraguayan press, commission members regularly submitted lengthy op-ed pieces to Paraguayan newspapers to make up for the curt summaries sometimes written by staff journalists.

The communications team of the CEBH, buoyed by the January Nacional Congress meeting, embarked on a series of presentations and rallies throughout the country. They visited hundreds of schools, using a newsprint comic rendering Brazil's bullying and the Six Points as a pedagogical instrument. Even as the high level meetings between the CEBH and the Brazilian foreign ministry negotiators ground to a halt in late January, the message—of recovering sovereignty from an imperialist power and the threat of unilaterally renouncing spurious debt and a treaty signed under duress—continued to spread within Paraguay.<sup>101</sup> On March 26, the anniversary of the signing of the 1973 Itaipú Treaty, the CEBH communications team helped organize an international rally in the department of Alto Paraná.

News of the rally spread through public and personal channels—brief articles in the press, word-of-mouth to social movement leaders—announcing support for *Integración popular con soberanía energética y alimentaria construyendo la patria grande* [Popular integration with energy and alimentary sovereignty, constructing the Great Homeland] to try to pressure for renegotiation of the Itaipú Treaty. Campesino, indigenous, worker, and progressive groups from throughout Paraguay (with a strong showing from local communities) gathered in the Plaza de la Paz across Ciudad del Este's municipality, the seat of local government that also faces the departmental government and the largest Colorado *seccional* (local assembly), before marching down the *Ruta Internacional* (International Highway) toward the *Puente de Amistad*

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<sup>101</sup> Various explanations of why the meetings stopped exist: one version has the Brazilians abruptly ending the late January meeting after incredulously hearing that the Paraguayans considered renouncing the debt and the treaty; another version maintains that the negotiating teams were unable to come to consensus over whether to resolve the issue as a technical one or a political one—making it necessary to escalate the decision-making to the presidencies.

(Friendship Bridge).<sup>102</sup> As they carried banners—some printed by design shops, others written by hand—down the thoroughfare usually crowded with buses, vans, taxis, and mototaxis shuttling compraturistas between Paraguay and Brazil, vendors sipped tereré (it was already hot by 8am) and the police looked on, placid but alert.

The Friendship Bridge (*Puente de Amistad*), spanning the Paraná River just 8.7 miles south of Itaipú, was closed to all vehicular traffic as a crowd of about one thousand from Paraguay and a few hundred from Brazil gathered, straddling the line between both countries. Chipa vendors, carefully balancing brimming baskets on their heads, wandered through the crowd, as did peddlers selling pins with Brazil and Paraguayan flags and a man selling straw hats brimmed with ribbons proclaiming “*El pueblo unido jamás será vencido.*” A flier from Vía Campesina explained (with a title in Spanish, but text in Portuguese) “Why we are mobilized”: “We assert that the people [*povo*] of Brazil, Paraguay, and other Latin American countries are one single people.... Integration, yes! But of the people, not of the markets.... The dream of the Great Homeland of Jose Martí, Simon Bolivar, Che Guevara, Dr. Pedro Casaldálgia.” The red/white/green and red/white/blue of the national flags intermingled with the red flags of the MST (Brazil’s Landless Workers Movement) and the green of the Paraguayan Campesino Movement (*Movimiento Campesino Paraguayo*) as the rally formally began around 9:30am with the blaring of Brazil’s and Paraguay’s national anthems from speakers mounted on a truck. Brief speeches—either in Spanish, Portuguese, or the regional blend of the two, Portuñol—delivered by male representatives from both countries declared the “Great Homeland” (*Patria Grande*), solidarity between all peoples of South America, denounced

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<sup>102</sup> The Zacarías clan, led by Javier Zacarías, who presided over this seccional thus controlled the votes of a large block of voters within the ANR and, through holding the reins of Ciudad del Este, had access to customs duties from the largest port in the country.

neoliberal empire, and clamored for “complete reform” (*“reforma integral”*), including agrarian reform and the recovery of hydroelectric sovereignty. The last speech, by a Brazilian leader of MAB (the Movement of Dam Affected People), was followed by a symbolic exchange of national flags, hugs “in solidarity,” and then goodbyes “until next time.” By 10:15, the protesters were clearing the bridge and winding up the *Ruta Internacional* (“International Highway”) before regrouping at the plaza; the business of Ciudad del Este sprang back to normal.



**Photograph 15** Protesting for Hydroelectric Sovereignty at the Friendship Bridge in Ciudad del Este. Author’s photograph. March 26, 2009.

A much thinned crowd at the Plaza de Paz continued the protest with leaders from each group taking the mic, this time in Guaraní and even with one woman speaker, to continue the call for agrarian reform (and hydroelectric sovereignty). This day’s events—mediatic and symbolic—targeted the heart of commercial activity in Paraguay (since

international trade across Ciudad del Este—Foz do Iguacu is purportedly responsible for 40 percent of the GDP) and the visible symbol of the linking of Paraguay to Brazil effected by Stroessner’s March to the East.<sup>103</sup> Though it disrupted traffic for a few hours, the quick clearing of the bridge mitigated the financial impact (most day shoppers enter Paraguay by 7am(PT)/8am(BT) and the massive cargo trucks carrying agroexport begin lining up around 4pm). And while it was billed as a binational march, the majority of the protesters returned to the Paraguayan side of the bridge. The Paraguayan press front-paged photographs of the protestors—human bodies filling shots of the bridge or roads; in Brazil, nothing on the covers of the major dailies.

These two examples of mobilizing social movements in Paraguay and in Brazil—the strategy Manuel had explained long before—used similar language. There were strong critiques of the capitalist order and affirmations of the transnational unity of “the people” and a repudiation of the current system. Like the meeting in the National Congress, the language on the Friendship Bridge was one of “imperialism,” “illegitimate treaties signed by dictators,” and “oligarchy.” The core aims were those published in Canese’s work years before—a “fair, market price” for energy, the renunciation of “spurious debt,” and a renegotiation of the Itaipú Treaty. The rhetoric of the speeches addressed Lula and Lugo. However, given that Brazil’s media ignored? did not notice? the small protest far from its economic, cultural, or political centers, once again, the [intended?] audience was solidly Paraguayan.

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<sup>103</sup> This figure is often cited, but never sourced and seems to represent ideas about Ciudad del Este’s heyday of wealth in the 80s and 90s.

### *Itaipú's Executive Directorate*

Unlike the CEBH, the team of technocrats in Itaipú's Executive Directorate acted as if change in Itaipú were best achieved through the day-to-day of administering the dam and through agreements fought-out in the cordial but "antagonistic" relationship between the two halves of the Board as they oversaw the dam. "The solution for Itaipú will come from within Itaipú," explained to me one senior Itaipú consultant in early 2009, meaning that the current crisis around unequal access to electricity and revenue from energy sales would be worked out, in private, by technically qualified experts from both countries who were used to working with each other. Though now an "asesor" (advisor/consultant) at Itaipú, he had decades of experience within Paraguay's energy sector, having worked as president of ANDE in the 90s as part of the team of experts that revised the Itaipú debt payment schedule. He had been brought to Itaipú at Mateo's request to form part of a team of energy advisors that also included Nicolás, a polyglot engineer on loan from Yacyretá and former Vice Minister of Mines and Energy. While they were more than willing to bring the debate over Itaipú to an international audience any chance they could especially via the international press, it was always with an expressed concern to not come across as hostile (See Guldani 2008; Montero 2008; Peralta 2009). And after word of a particularly difficult interaction at a binational board meeting (which ended when the Paraguay Itaipú directorate abruptly left the room) hit the presses, General Director Mateo was quick to publicly state, "[Brazilian General Director] Samek is my friend" (Personal Communication, February 2009; Última Hora 2009a). I suspect that, if they could have, the team of technocrats in Itaipú's Executive Directorate would have entirely circumvented a public debate about "hydroelectric sovereignty" by merely building the

consumption capacity of energy within Paraguay to such a degree that it used its half of the electricity. In fact, they refrained—in public and in private—from using the phrases “hydroelectric sovereignty” and “renouncing spurious debt.” The former because “it does not mean anything” and the latter because “that was an unrealistic idea,” I was told more than once.

A few weeks had passed since the morning I began visiting the office of Itaipú’s Executive Directorate to observe the daily implementation of the General Director’s two goals: “cleaning up” Itaipú’s internal corruption and Paraguay’s unequal relationship with Brazil. Mateo was fluent in German and English and so he took advantage of our conversations to use his English.<sup>104</sup> For an entire week in mid-November 2008, the activity in the antechamber to his office, where three assistants sat at executive-sized desks, each handling at least four different phones (landlines and cellular) for Mateo and giving instructions to the three bodyguards on duty was more frenetic than usual.<sup>105</sup> The head of communications, whose office was on another floor, spent the days moving between the two floors, shuffling papers, and making telephone calls. The crisis of the week was the discovery of maintenance men illegally burning boxes of Itaipú files per the orders of they-wouldn’t-say-who on a sleepy Sunday afternoon, destroying evidence of fiscal malfeasance from the previous administration. But though the scandal and sabotage against Paraguay’s ability to hold its leaders to account was urgent, there was something

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<sup>104</sup> I think this is not just a matter of demonstrating a polyglot cosmopolitanism, but an attempt to mask what he might be telling me from eavesdroppers, in order to manage privacy while talking about delicate and potentially controversial subjects.

<sup>105</sup> A few years earlier, Paraguay’s police investigators of a kidnapping had discovered an agenda book containing a list of to-be kidnapped or assassinated politicians. Mateo’s name was at the top of the list and in the book were detailed descriptions of his two children’s daily schedules. When he stepped into Itaipú, he made sure to bring in his own security detail, hired from FOPE, the elite Paraguayan special forces that pride themselves on their professionalism, social mobility (several of the guards were adult students in university), and training (FOPE members were sent to the United States for training exercises).

even more important on the General Director's agenda. He was preparing for an international trip (beyond Brazil), his first in his official capacity as General Director.

“Something is not working. I have to find a new strategy to deal with Brazil,” Mateo had said to me in early November 2008. Like others in Itaipú's Executive Directorate who found the moral appeal for “hydroelectric sovereignty” and the demand to “renegotiate the Treaty” wanting, Mateo shared a dismal assessment of the current state of negotiations between the CEBH and Brazil's Foreign Ministry team. Parlasur, the newly formed parliamentary structure of Mercosur had scheduled a public discussion between Mateo and Brazilian General Director Samek over Itaipú in Montevideo for later that month out of a concern to understand the escalating diplomatic tensions between two of its founding member countries. Mateo had also been invited by the Casa América in Madrid to give a speech a few days after the Montevideo debate and then it was to Vienna that he would travel, again with Jorge Samek, to co-sign a Memorandum of Understanding between Itaipú and the United Nations Industrial Development Organization (UNIDO). He saw these three different international stages as distinct opportunities to initiate a new tack for the struggle over Itaipú.

Others besides the Itaipú team had concerns about the negotiating strategy—or, at the very least, the public rhetoric of—the CEBH. Even before Lugo's ascension, in anticipation of the forthcoming negotiations over Itaipú, legal expert Adolfo Ozuna González had attempted to tackle the language of debate advanced by Lugo's campaign team. A professor of law and former legal advisor to ANDE and former member of the Itaipú Governing Council, Ozuna had deep familiarity with legal matters and energy. (As one of Paraguay's negotiators within Itaipú in the 1990s, he is also frequently accused of

having accepted the “spurious debt” incurred by Itaipú because of the insufficient tarifa that allowed the construction debt to grow.) Regarding the question of “what is hydraulic sovereignty, energetic sovereignty, or hydroelectric sovereignty?” he turned to a legal concept of state sovereignty (where a state “decides and acts without interference or external pressure of any kind”) (Ozuna 2008:470). But the legal precedent for the Salto del Guairá established by the 1966 Act affirmed the “joint ownership” of the waterfalls and the energy from the Paraná River border. Because of this “joint ownership,” Ozuna concluded that Paraguay did not have a separate “hydraulic,” “energetic,” or “hydroelectric sovereignty” in Itaipú (Ozuna 2008:472).

Echoing what the Brazilian Foreign Minister had said in 2006 when Lugo first called for a renegotiation of Itaipú, in our first interview in November 2008 Mateo said to me, “I don’t think we will renegotiate the Treaty because it’s sacred for Brazil.... Brazil is stubborn on libre disponibilidad and we cannot sell [the Itaipú electricity] to Argentina because the network has to be built,” he continued, “But, we could sell it to Brazil’s market directly through ANDE” (November 4, 2008). By this point in Paraguay, anything less than demanding the renegotiation of the treaty was politically risky for politicians—putting their careers in danger for seeming weak and compromised—a situation that eventually came back to haunt Paraguay’s left. But Mateo saw both political and legal obstacles to “renegotiation.” Not only was it procedurally difficult for a weaker party to force the renegotiation of an onerous treaty, even were the other party willing to do so, but in Brazil there was little political will to do so. Treaties had to be negotiated by foreign ministries and then ratified by Congress. Practically speaking, the call to “renegotiate a treaty” was a political impossibility, though it did produce a patriotic

soundbite. And so, depending on the good graces of a sympathetic president in Lula was not enough, particularly as Lula was concerned for his own legacy. With his engineering and technical advisors, he prepared an entirely different tactic.

Mateo, a trained lawyer, had found a way from within the confines of the Treaty to press for Paraguay's right to sell its excess energy in Brazil at the price of that market. A 1983 dissertation by Laerçio Betiol said that the Itaipú Treaty, by allowing for the energy from the dam to be acquired and commercialized by Eletrobrás and ANDE or their designated intermediaries, allowed for the possibility that "a company constituted by/of foreign capital" might one day act as an intermediary for either company (Betiol 1983:73). This, written in the 80s by a Brazilian doctoral candidate in international affairs, laid the basis for an argument about flexibility within the existing Treaty. According to Article XIII of the 1973 Treaty, the energy from the dam was to be divided in equal parts between the two countries, which agreed to "acquire the energy" either "separately" (i.e., operating as two distinct energy companies) or "together" (i.e., operating jointly), all of which they would then sell via the state electricity companies or their selected intermediaries. At present, Itaipú's electricity was acquired by ANDE and Eletrobrás separately and sold separately to each country. But since this energy could also be acquired together and then sold together to both countries, it logically followed that, were they to acquire it together, they would be able to sell it together in both countries. That is, Eletrobrás (paired with ANDE) would be able to sell to the Paraguayan market and ANDE (paired with Eletrobrás) to the Brazilian market. From this, Mateo argued that the Treaty itself foresaw that each country's electricity company might sell electricity from Itaipú to the other. He thus intended to shift the debate from a question of

renegotiating the Treaty to enforcing the treaty.

But the legal component was only part of his argument. It linked to a question of the kind of regional integration and international relationships Brazil wanted to establish with its neighbors in its ascent as a rising global power: a question of unilateralism (“hegemonic like [George W.] Bush”) or multilateralism. The plan was to present a legal argument, which Mateo described as “logical” and “rational” (as opposed to arguments based on national pride or denunciations of imperialism) in an international platform, thus elevating the issue beyond its previous scope—a calculated move that would frustrate Brazil’s attempts to contain the debate. This new debate on how to distribute the resources of the Paraná was taking place in an era after the Mercosur treaty had been signed. Whereas the Itaipú treaty had been signed at the height of the national security doctrine, regional cooperation in the Southern Cone had advanced to such a degree that what was hitherto unimaginable was real: Argentina and Brazil were in a common market. In this context and because of the growing energy needs of Brazil as it industrialized, the “clean” energy of Paraguay was all the more accessible and necessary. And the concerns about protecting national markets that predominated in the 70s were now anachronistic hold-overs.

The intention was much the same for the Casa América, a Madrid-based consortium which serves as a forum for Iberoamerican issues ranging from art and culture to politics and economics. There Mateo would speak before business and political leaders from the Spanish-speaking world in front of European media. “Sovereignty,” he said as he prepared for the trip, “must be exercised. That is what I am doing.” It was very important according to Mateo for Paraguay to present itself as co-owner of Itaipú in front

of the rest of the world by not allowing Brazil to be the only signatory of the MOU between Itaipú and UNIDO in Vienna. A recent advertisement for Eletrobrás in the Financial Times which announced the company's inclusion in the New York Stock Exchange with the caption "Brazilian Energy, now in New York" underneath a photograph of Itaipú had elicited uproar in the Paraguayan press. This was seen as yet another attempt by Brazil to present itself as sole proprietor of the dam and an insult to Paraguay's sovereignty. And to be sure that Paraguay saw all of this, Mateo was accompanied by an assistant on loan from the Ministry of Foreign Relations, who made sure to photograph and record the entire trip.

The public audience at Parlasur was more than just an opportunity to speak in front of regional politicians. The fractious history of international water politics itself had given rise to ideas of regional cooperation that led to Mercosur. The "Parliament of Mercosur," a newly formed body with unclear jurisdiction in a common market of questionable effectiveness, took uncertain toddling steps toward regional relevance by engaging on the issue traditionally at the heart of Southern Cone international dilemmas. Although Mercosur languishes under accusations of inefficiency and bias toward its larger members, although Parlasur's decisions exercise no binding weight on the member countries, and although the presentations and speeches in Montevideo garnered but passing attention in the Paraguayan press, these events laid the legal and theoretical groundwork for the July 2009 Joint Declaration signed by Lugo and Lula. And this not merely because it was a gathering of regional political elite, but because the Southern Cone countries have experience working out international balances of power over water in both bi- and multilateral contexts. What Parlasur was doing in calling the meeting was

testing its strength.

Brazilian General Director Jorge Samek's presentation centered on the finances of the dam, debunking the claim that Paraguay only received \$2.81 per megawatt hour in compensation for energy ceded to Brazil (an egregious discount if market prices ranged from \$60 to \$120 per megawatt hour) by explaining the components of the base energy tarifa (about \$42 per megawatt hour) which Paraguay also received as part of payment but which went to pay royalties, salaries, the construction debt, and social development projects. He described Itaipú as a successful tool of development, pointing to the construction of a new science and technology university in the dam compound and to the amount of money both governments had received from the dam since operation in 1985 in the form of royalties, dividends, resarcimiento, and, for Paraguay, additional cession of energy: Paraguay's government had received \$4.8 billion and Brazil's \$3.9 billion up to that point (in addition to income from energy sales by their utility companies). While the Brazilian General Director bombarded his audience with charts of changing interest rates and financial instruments, Mateo wielded interpretations of experts in international law and even excerpts from Betiol's dissertation.

Mateo invoked the legal principle of *pacta sunt servanda* and the carefully used challenge *rebus sic stantibus* to explain his argument that the Itaipú treaty should be enforced, but that the way it was enforced could be different from how it had been in the past, particularly given changes in regional politics and in the value of hydroelectricity.<sup>106</sup>

This was very different from the CEBH's calls to renegotiate a "bloody" treaty that had

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<sup>106</sup> *Pacta sunt servanda*: "Promises must be kept," meaning that treaties should be applied and fulfilled. This is written incorrectly in the official transcription of the meeting, clearly the person writing had some knowledge of legal theory, but made errors in spelling that denote lack of familiarity with Latin. *Rebus sic stantibus*: "Things thus standing," meaning that treaties may be inapplicable if fundamental changes have occurred that alter the initial circumstances under which the treaty was signed.

been signed by two dictatorships. From this platform, he argued for “energy integration” as part of a broader move toward integration not only in Mercosur, but in Latin America, as Lula himself had oft mentioned. And as Brazil stepped into a leadership role in the midst of these relationships, he argued for a relationship of *socios* (partners) not *satélites* (satellites). Nothing about land appropriated during the genocidal War of the Triple Alliance or unilateral renunciations of billion dollar loan commitments or threats of going to The Hague was said. Instead, Mateo referenced the global energy crisis and the need to expand solutions by expanding “good neighborliness” even as Brazil rises as a global player, surrounded not by “peripheral” “satellite” countries, but by *socios de los emprendimiento* (business partners). In addition to dependency theory language, he invoked 19<sup>th</sup> century Argentine Juan Alberdi’s prediction that continental equilibrium would not be political-military, but rather an evening of economic, political, and social benefits from commerce and trade.<sup>107</sup>

The importance was not lost on his listeners. Senator Juan Domínguez from Uruguay said, “The solutions that we are able to find in regards to Itaipú will serve for another series of problems that we have” and clarified later by explicitly referencing the Guaraní Aquifer and Bolivia’s natural gas. The words of Alberdi and questions of “hegemony” struck a Brazilian chord that very day—Brazilian parliamentarian Marisa Serrano (a member of the opposition to Lula’s government) said, “when your Excellency spoke of a continental equilibrium...these are words with which I fully agree....And I do not see in Brazil any idea of hegemony, quite the reverse” (Parlasur 2008:30-31). Even

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<sup>107</sup> Juan Bautista Alberdi (1810-1884), instrumental in writing the Argentine constitution (1853) and in establishing the political and social project of the nation—including the Conquest of the Desert and massive immigration from Europe to whiten the population of a barbaric nation—wrote during a time of intermittent war between Brazil and Argentina and is widely seen as an intellectual giant in South America.

for someone distant from Lula's policies, it was necessary to countervail any whiff of Brazilian unilateralism or imperialism. And when Domínguez said, "We dare to say that the request Paraguay makes is correct and legitimate. We must say what is our opinion, as a country, and should do it because we believe it is just," he offered more than just his interpretation of the effectiveness of Mateo's law-based rationale (Parlasur 2008:25-26). In taking Paraguay's side against its larger neighbor as it sought to recover control of the distribution of its resources, Uruguay was shoring up its own position against Argentina as the two countries sparred over construction of paper mills on Uruguayan soil—a project met with blockades stopping the movement of Uruguayan goods—in violation of the Mercosur treaty.

The argument before Parlasur was between financial data and legal prospects—a dry discussion about future investment and minutiae of logical extrapolations from decades-old treaties. This language of *aplicando* (applying) the Treaty, though unpopular within Paraguay, and the kinds of changes the technocratic team in Itaipú's Executive Directorate pushed for (selling via ANDE to the Brazilian market) eventually became the palatable solution for the presidents of Paraguay and Brazil when they signed the Joint Declaration of 2009. From November 2008 onward, in ordinary meetings with the Brazilian Itaipú Directorate Board or a special presentation to the FIESP (Federation of Industry in the State of São Paulo), "Article XIII," "enforcing the Treaty," "business partner," "let us sell to the Brazilian market," and "integration" were the mantra of the new leaders in Itaipú. Implicit in these encounters was more than the reliance on legal and market-oriented logics to win the day. The Itaipú team acted as if the power brokers whose opinions had to be swayed in order to effect change in Itaipú were Brazil's

economic and political elite who could be convinced through those legal and market-oriented logics and pressured through the international press.



**Photograph 16** Mateo (r) speaks to industry leaders in Asunción. In the picture are, frontrow from left to right, the Paraguayan Itaipú Director of Finance, Vice Presidente Federico Franco (notice the blue tie), President Fernando Lugo, unidentified businessman, and the Brazilian ambassador to Paraguay. Author's photograph. July 2009.

For months, as the CEBH held meetings in school buildings and pressed for “renegotiating” the treaty, selling energy to Chile and Uruguay, and unilaterally renouncing the construction debt, the Itaipú Executive Directorate team visited business and political leaders in South America and Europe, presenting the argument “enforce the treaty, allow Paraguay’s ANDE to commercialize its energy in Brazil.” But the argument did not end there. In multiple trips to Brazil, to the FIESP and the Camara de Comercios in Curitiba and in many Asunción meetings with Brazil’s ambassador, a particular vision of what this closer economic integration between Paraguay and Brazil would look like

emerged: ANDE would sell energy in such a way that the end consumer would notice no increase in price. Nicolás, an engineer with an international finance background, had drafted precise estimations based on transmission costs within Brazil. “Many people [i.e., Brazilian business leaders] I speak with are interested [in the investment opportunity],” Nicolás said in late 2009 (Personal Interview, October 2009). A second part of this newly proposed “business partnership” included the creation of a maquila-type industrial center in Itaipú, on the Paraguayan side of the river, where Brazilian industries would set up factories to take advantage of cheap energy and labor costs. This would allow Paraguay to increase its consumption of the energy. The ideas took hold—representatives from the Spanish government and the World Bank began discussions with the Paraguayan Itaipú team.

### *Conclusion*

For both the CEBH and the Itaipú team of administrators, gaining more control over financial and energy resources in Itaipú was a means to political and economic ends. Chapter 8 discusses in more detail the differing notions of development contained in the proposals from the two groups, but here it becomes clear that there were different notions of state power connected to different notions of how economies worked. But, to be very clear, both groups described the market as the means by which to fund social development. This was neither a repudiation of the market by leftists or of state intervention by neoliberals. The “fair price” called for in the Six Points Memo was repeatedly specified by CEBH members as the “market price.” And social programs in education, health, and recycling/sanitation were expanded under the Itaipú “liberal”

proposal.

Lugo's coalition government, necessary for electoral victory, had poorly stitched together unity (and tightly knitted antagonism), which became evident in the Itaipú negotiations. While Tekojoja and other individuals from progressive sectors staffed the Ministry of Foreign Relations' CEBH, the Liberal Party and other more traditional sectors got the actual directorship of Itaipú. The drastically different ideas of the nature of state power and their differing networks of partisan patron-client loyalties (to be discussed in chapter 6), became evident in the way that they went about negotiating with Brazil. At the National Congress and the protest on the Friendship Bridge in Ciudad del Este, the CEBH and progressive sectors in Paraguay described the state as something that needed to be captured and "occupied" (and thus purged of the contamination from those who had been in it before) in order to turn it away from what it had been—a tool of the oligarchy and bourgeoisie used for extracting wealth from the people.

The solution was a Bolivian or Venezuelan participatory democracy to force the state into what it should be—the people. When these two examples were invoked, frequently, only the countries' names and not the presidents (Evo Morales, Hugo Chávez) thereof were used, indicating, perhaps, that the model being urged had to do with nation and not just individual leaders. Perhaps, however, the speakers knew that "Morales" and "Chávez" were controversial in Paraguay and using their names would immediately put up barriers in a public that might otherwise be sympathetic to a rhetoric centered on the popular sovereignty manifested in the new politics in both countries. The foe described in Brazil was the foreign service which had a school that trained the diplomatic corps to be brutally effective negotiators for Brazil's imperialist aims—an example of a state yet to

be fully transformed by the people and thus still serving the extractive goals of the elite. Once this was accomplished, a *patria grande*—a great homeland—would unite all the peoples of Latin America, not divided into the antagonistic and self-interested nation-states of the present.

For decades, according to this narrative, the Paraguayan state had given in to the imperial interests of Brazil, which it reinforced through bribery, through a well-groomed diplomatic corps, and through threats of military intervention. Whenever Brazilian troops conducted exercises on the Paraná river border, it was seen as a test run for invading Paraguay—not Argentina, the ground war scenario that Brazil actually had contingently planned for. The lived experiences and training of much of Tekojoja’s leadership, Canese, and the other members of the CEBH were consonant with this. Like much of the left, they had been detained by the Stroessner regime or forced into exile, fleeing for their lives. Thus the state they saw was one of brute violence and physical conflict. And the international state system was a tool for imperialistic predation—mostly by Brazil, though the United Kingdom and the United States lurked not too far behind. These sectors framed their arguments—intended to sway the masses in Brazil to be sympathetic toward the Paraguayan case—as moral appeals about dictatorships and injustice toward the Paraguayan people. Thus the state imagined here was an illegitimate force acting in the interests of international capital that had to be occupied by the people and turned to serve the interests of the worker and the campesino. If the problem in Brazil was a predatory imperialist apparatus, then the solution was mobilization by the Paraguayan and Brazilian people. And since the corollary problem in Paraguay was that the people were not educated enough about the situation, the solution was to raise their

consciousness and mobilize them.

On the other hand, the ways that the energy, law, and finance experts in Itaipú's Executive Directorate talked about and then implemented a strategy for dealing with Brazil revealed a different conceptualization of how power was distributed within the nation-state apparatus and among the countries of Mercosur (and within the international state system, in general). The technocratic team engaged with a state that was primarily a system that operated under certain rules (as opposed to a force or an institution to be occupied) and so the question was how to use the rules of the game to gain an advantage. Mateo's background as former leader of the senate and candidate for vice president, as lifelong active member of one of Paraguay's two chief political parties, as an attorney, and as a doctor of political science shaped the kind of argument he thought would be convincing and permeated the language he used: enforce the treaty, exercise sovereignty, integration and leadership versus unilateralism and hegemony. The rhetorical turn to "respect the treaty" implied a confidence in the efficacy of law to lead the direction of the state. His closest advisors were engineers with credentialed knowledge of international finance and energy markets who drew up earnings projections and electrical infrastructural blue prints. Thus, the state was a matter of leadership and law. The central problem to be solved in Brazil was that its leaders—in and outside the government—had not been convinced by the Paraguayan clamoring for "unrestricted access" because they had not yet presented a "rational" solution coming from a "serious" government that was based on economic and legal precepts.

Paraguay's problem, then, was that its government was disorganized and its arguments not rational. Whereas the CEBH looked to Bolivia and Venezuela, the Itaipú

team regularly invoked the model of Lula's leadership in Brazil—one that fostered economic development and social responsibility without drastically threatening the financial model established during previous governments. This is a tangible example of how the leftward turn in Latin America is not a homogenous trend—that the political shifts leftward between Latin American countries are read differently even from within Paraguay. By presenting legal arguments from the Latin and spreadsheet earnings projections, inviting an integration based on the establishment of industry (primarily Brazilian) within Paraguay, and taking advantage of its competitive advantage—always with the counter example of the United States' greedy foreign policy—the technocrats within Itaipú attempted to woo key Brazilian decision-makers. Rational (as opposed to moral) arguments and the allure of economic expediency were directed toward business elite in São Paulo and politicians in Curitiba and Brasilia—a targeted intervention at the heights of power.

Itaipú stood for the Paraguayan nation's history and the raised stakes in the negotiation—an opportunity to recapitulate Paraguay's history, to “win” the War of the Triple Alliance—meant that the jockeying over the negotiations within Lugo's government took on even greater urgency. Even as the political sectors represented by the two groups possessed and then enacted different understandings of state power, the way this happened was not clear cut, but riddled with dead-ends and detours. The contrasts between the CEBH and Itaipú's administrators are just one glimpse into the struggles to determine the new direction of the Paraguayan state, a contest that also occurred in other parts of the state.<sup>108</sup> Lugo's presidency was an inflection point in Paraguay's nation-state

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<sup>108</sup> Disagreements within and between the Ministry of Agriculture and the Instituto de Desarrollo Rural y de la Tierra (the Institute for Rural Development and Land, INDERT) come to mind.

formation because new individuals, new parties (accompanied by different patron-client networks and epistemological assumptions about state power) were now in positions of leadership at the central government level. Itaipú's impact, however, came from more than its role as a significant source of income for the central government and of public employment. Itaipú was important because the changes in and around it were also about Paraguay's relationship with its most important neighbor, a bilateral relationship situated within regional international relationships.

Transforming the way Paraguay acted toward the international community and the state's options for action in this arena fed back on how international statelike organizations (the UN, Mercosur, World Bank) treated Paraguay. Changes between the two countries in Itaipú were explicitly expected to have ramifications on how Uruguay and Argentina related to one another. Thus the Itaipú negotiations reframed regional politics. Paraguay, as a landlocked country, made repeated practice of pitting its larger neighbors against one another. But more was at stake here. As multiple leftward turns in Latin America were envisioned and contrasted and decided between, international allegiances were formed. The bilateral water issues touched on "sovereignty" and self-determination throughout the continent and were seen as precedent setting. This was, perhaps, Paraguay's greatest point of leverage. Therefore, Paraguay's international strategy affected more than its treatment by Brazil or even its prestige within the region. Itaipú cemented the efficacy of certain tactics—opening and closing possibilities. The call for a deeper integration—not a nation-state dissolving *patria grande*, as called for in the Ciudad del Este protests—implied stronger economic linkages to diminish the potential volatility of the Mercosur shared resource of the Guaraní Aquifer.

The outreach strategy of the CEBH communications team successfully maintained pressure on Paraguay's elites, forcing the issue of Itaipú while other demands from the 2006 Marzo Paraguayo rally that launched Lugo to the national stage (unseating the Supreme Court, agrarian reform, job creation) fell by the wayside or were scuttled by effective opposition (or disorganization). The arguments advanced in these popular settings in Paraguay, however, did not reach the same level of saturation in Brazil and so, a double discourse regarding Itaipú arose. One, effective internally to Paraguay, centered on "recovering hydroelectric sovereignty"—lost because of rapacious Brazilian imperialism and weak-willed Paraguayan turncoats—with popular mobilization imagined as the key trigger for Brazilian acquiescence. The other, an external discourse mobilized an entirely different repertoire of arguments and knowledges. The line of argument and public performance of Mateo and his team invoked law, physics, and economics—based on an expertise gained by having worked in the public sector for decades. As a pragmatic approach to Brazil, by avoiding accusatory language and threats of renouncing the debt, the Treaty, or involving external arbitration, it de-escalated the tension.

The public performances in Uruguay, Brazil and Europe and in Paraguay's National Congress and the streets of Ciudad del Este were not merely show; they were strategic choices from two different coalitions within Paraguay whose attempts to secure Paraguay's interests in Itaipú were indelibly tied to ideas these two groups have of how states should and do work. The CEBH framed the current Paraguayan state as an illegitimate bloc of interests loyal to Brazil (and therefore disloyal to the Paraguayan people) which must be captured and converted through sovereignty-expressing occupation "from below" to the interests of the pueblo. The Itaipú leadership team

evinced a legalist view of the state where sovereignty is demonstrated through an international presence and where international pressure “from above” is a key pressure point in changing dynamics between two unequal nation-states. The question of performance in state-making gauges intended audiences, permitted and prohibited scripts, stage-setting, and from these to draw conclusions about strategies in how to achieve the goal of governance.

While it may seem expedient for Lugo’s campaign to have landed on “hydroelectric sovereignty”—the phrase proved excellent campaign material—it actually signals a larger issue. Even the Itaipú technocrats—skeptical of the expression “hydroelectric” because it had no larger historical precedent than that of the left in Paraguay—recognized that Paraguay had to “regain” sovereignty in some way in Itaipú—though this was to be done through qualified leadership making decisions on par with their Brazilian counterparts. The popular insistence in Paraguay to use the expression “recovering sovereignty” urges us to consider what kind of sovereignty this is. The fact that Paraguayans intentionally settled on the term is fortuitous, but not necessary to raise the theoretical debate and reflect on how anthropology in Latin America theorizes sovereignty.

Not only does the Paraguayan-Itaipú case demonstrate that “sovereignty” is variable, but even within Paraguay, there is substantial debate over what it means. The popular discourse of the CEBH framed Paraguay’s sovereignty in Itaipú as “hydroelectric sovereignty” (a phrase that may have been coined by Ricardo Canese himself) which is a kind of sovereignty of the people—at once inherent and yet alienable. This kind of sovereignty, the proper relationship of nation to territory as mediated by the state with no

restrictions from any “outside” organizations, can be recovered through protest from below, or, ironically, enforced from above. If arbitration by The Hague were the means by which Brazil would be forced to recognize Paraguay’s hydroelectric sovereignty in Itaipú then the resolution would beg the question of what sovereignty meant. If an organization could force one state to recognize the sovereignty of another, neither would be “sovereign” in the sense of free of interference or restrictions. Nevertheless, by seeking to renegotiate the terms of the current treaty or threatening to walk away from the debt, the CEBH articulated, however unrealistically, a deep dissatisfaction with the way international law had been used by those in power in the past. Within the Executive Directorate of Itaipú and in international energy circles in Paraguay, however, “hydroelectric sovereignty” was dismissed as an undefined Paraguayan neologism—not useful for international negotiations because of its lack of precedent or specificity. For this group, “sovereignty” was also a matter of decision-making, but, this time, something that could be gotten through recognition--recognition of the validity of legal and financial arguments, recognition by Brazilian counterparts (either individuals or groups). Though not quite as nationalistic in tone as the CEBH’s use of “hydroelectric sovereignty,” the Itaipú version played better to an international audience.

A substantial body of work, here represented by Williams and Anghie, follows a genealogy of the debate over sovereignty to the Spanish as they dealt with something unprecedented, the indigenous peoples of the Americas. Their compelling case, traced to Vitoria’s 16<sup>th</sup> century treatises, sees sovereignty as essential first to the colonial projects of Europe’s empires and then at the heart of international relations (the international state system) through international law, as a matter of territory, property, and how to consider

the Other. The weight of precedent makes predictions for what will occur in the Itaipú negotiations over sovereignty. It suggests that the Itaipú conflict is an old debate about territory and international (imperial?) strategies for dominance dating to the Conquest; that the location and means of struggle is law and affirms the effectiveness of law, ignoring “moral” appeals; that the object of struggle is territory and natural resources but has a subtext of judgment about the worthiness of certain polities to govern; that the outcome does not destabilize political power or the economic system. And, indeed, what we will see in chapter 7 is consonant with the larger case Anghie and Williams make—the apex of Paraguay’s new struggle with Brazil, the Joint Declaration, reaffirms international law as the appropriate tool to describe rights and responsibilities. Moreover, once it is enforced, it poses no threat to Brazilian projection in Latin America or its wealth, i.e., neither Brazil’s dominance over its neighbors nor the organization of the capitalist economy are disrupted. Thus, the rules may change, but the winners do not.

### **Part III**

#### **The Effects and Affects of a Personalist State**

As important as the negotiations with Brazil were, Fernando Lugo's prominence first came in the midst of a nationwide repudiation of the political status quo that seemed to favor a very few very richly. The inclusion of Itaipú in the platform at the first Lugo-led Marzo Paraguayo rally of 2006 was focused on accusations that its resources were being mishandled and personally used by Paraguay's leaders. Aside from the production of electricity, most people in Paraguay interact with Itaipú in two ways: in requesting favors of individuals they know there or in watching titillating "corruption" scandals in the dam unfold in the Paraguayan media. Favor requests and corruption (both of which will be defined in the succeeding chapters) are central features to how the Paraguayan state is experienced by those who encounter its institutions.

Just as political institutions across the world differ according to legal and structural precedent, so, too, do the psycho-emotional ways people interact with the state apparatus. Political cultures differ from one another. The expectations for what a state "is" and what it should do have as much to do with affect as with formal treatises on government. Trust, fear, cynicism, hope are dispositions framed by narratives about the nature of power and the source of authority as well as personal experiences. The range of emotions with which to interpret political actions, the imagineable options for behavior, the description of ideal behaviors, what is acceptable or unacceptable, the place of politics, what is considered public versus private—whether these distinctions even make

sense—are contingent. Paraguay’s political culture descends from its past and is shaped by its present. This includes: the legacy of the Spanish empire (particularly in the place of writing, stamps, seals; the role of ceremoniality and ritual) (Seed 1992; Beezley et al 1994), of uneven contact with the Portuguese empire (an early frontier experience of invasion), the remaking of political structures by the interests of occupying Argentine and Brazilian forces in the 1870s, violent alternations between two political parties, armed transition from one government to another (even within the same party), a position on the frontier of a rising super power today, its insertion in a global market as an after thought. As Itaipú lay within Paraguay’s territory and its state apparatus, it also fell under the influence of the dominant political practice within Paraguay—a resorting to the personal and the kinds of individual discretion that lead both to common “favor” requests and accusations of “corruption.”

But a word of caution—I am not arguing that Paraguay’s culture is prone to “corruption.” Such an assumption would be just another tired rehashing of the “Black Legend” of Spain, the claim (often propagated by British writers) that the Spanish Empire ruled the continent with a cruel and arbitrary government—and used as justification for invading Spanish-held territories to replace that government’s cruelty with the more kindly rule of the British empire, with its transatlantic slave trade, indentured servitude of impoverished Europeans (especially the Irish) and Asians (especially from the Indian subcontinent), and systematic seizure of Native American territory. Rather, I am suggesting that political culture in Paraguay includes an expectation that personal relationships are the proper vehicle for state activity, that political elites are expected to demonstrate personal loyalty to those they govern through the performance of favors (and

vice versa), and yet that this comes into conflict with other commonly held expectations about lawfulness and “fairness.”

As chapter 2 argued, the psychological effects associated with the state are as much part of what it does as the laws and bureaucratic structures that make up institutions. This is why drafting new laws, rearranging an organizational hierarchy, or replacing individuals so often seems to change nothing. Paraguay’s political culture is diglossic. Its two idioms of state practice are an ornate bureaucracy with baroque rituals and an endemic personalism that sidesteps all bureaucracy but that is nevertheless structured. Bureaucratic procedure becomes its own end—engaging in rituals itself is productive of statefulness. But the system of seals, stamps, certificates and the corresponding public declarations and processions, even as they are proof that the participants and the event are “stately,” are so riven with complexities that they do not certify what they are purported to govern (a driver’s license is no evidence of ability to drive, it certifies that certain fees have been paid and certain documents procured). And because the labyrinthine requirements of a bureaucracy that exists for its own sake result in impossible contradictions, a pervasive personalism also characterizes Paraguay’s political culture. The need to resort to personal connections to attain benefits or responses from the Paraguayan state is so common that an entrenched system has arisen around how to approach individuals with requests within the state apparatus. The opacity of the bureaucracy and the ubiquitous personalism enable individuals at the top of public institutions to wield state resources with tremendous personal discretion; they have often attained those positions as a result of personal relationships. This leads two common features of political practice in Paraguay: the asking of personal favors and the personal

misuse of state resources characterized as “corruption.”

The newly elected advocates of a different politics decried the “old” way of doing politics in Paraguay as personalistic and oligarchic and something to be relegated to the past. This has proven difficult for a number of reasons. The old style has been difficult to eradicate because it effectively co-opts new political actors—i.e., the old makes itself new by absorbing new elites into its structure. Lugo’s government was quickly accused (in the press and by non-Patriotic Alliance politicians) of perpetuating the same practices as had the ANR before it and charges of corruption began to surface within the first year of his presidency. However, because his election had promised a change in the favoritism and parasitism of previous governments, these charges were all the more fraught—on the fringe of hope and despair. This persistence, moreover, arises because whatever new political project envisioned in Paraguay has, as its building blocks, the remains of what had gone before. Try as they might, in Itaipú and in the rest of the Paraguayan state apparatus, the practices and functions of the state could not be created *ex nihilo*—the new state had to be fashioned from components of a personalistic state.

Whereas part II focused on how Itaipú was represented with a view to Brazil, part III explores how the dam articulates to Paraguay. But instead of a labor history of fierce ongoing disputes or a tracing of how careers are formed within the company or even a detailed sketch of how low-level bureaucrats manage the day-to-day of their business areas, something else caught my attention as I observed the internal administration of the dam: the personal relationships that animated how Itaipú worked at the heights of power, in the Executive Directorate. What could we learn from the ways that people tried to get “things” from the dam? Because in Paraguay power is stored in certain individuals and in

certain places (rather than a Foucauldian, internalized discipline), these individuals and places have to be approached in certain ways in order to access the benefits of that power. Even in the midst of great political upheaval, the rituals of approach, of attaining access, to power within the state (here, in Itaipú) reveal what was believed about the nature of [state] power. What those in and outside of Itaipú asked of it indicated what they thought it was for—that function and purpose were linked. And so, as personalism (using relationships as the channel for action) and personal discretion determined outcomes in how the dam was used within Paraguay, this easily and often slipped into self-serving behavior labeled as “corruption.” Tensions between the standard personalistic way of doing things and self-serving (“corrupt”) excesses were evident at the governing heights of Paraguay’s largest dam.

The Lugo campaign made much of *cambio* (change) in politics—even his critics acknowledged that his victory evinced a stark desire among the citizenry for something different. Itaipú, in the hands of new administrators, promised to be a new way of doing government in Paraguay, both in the international arena and on a national scale. In part IV, when we turn to the Joint Declaration (the culmination of events described in the preceding chapter) and its aftermath, we will delve more deeply into what those new politics might have looked like. But, in order to speak of change in Paraguay, we begin with the status quo that many in Paraguay, including politicians like Fernando Lugo, so frequently said needed changing. Part III pulls together analyses of bureaucracy, patronage, and “corruption,” chiefly in petitioning favors and administering benefits from Itaipú, in order to uncover the personalism that grounds the ways Paraguayans understand the obligations of state to nation.

Like Parts II and IV, Chapters Five and Six look to Itaipú in the Lugo transition in order to explore changes (and continuities) in the composition of the Paraguayan nation-state. However, instead of focusing on the negotiations with Brazil and what kinds of internationalisms were being constructed, I focus on political dynamics within Paraguay. In the Introduction of this dissertation, I recounted how I first was able to get access within Itaipú—an encounter with the Liberal Youth from the department of Misiones. That story serves as an introduction to several themes recur in this section of the dissertation (and, indeed, in what it *felt* like to interact with the Paraguayan state): partisan politics; corruption, “transparency,” appearances; personalism versus bureaucracy; expectations around gender; the way Itaipú is imagined as money, as a force for development; obligations of political elites; gaining access to political elites. To understand the complex constitution of the Paraguayan nation-state, I look to the mediatic scandals around corruption and transparency (chapter 5) and to the mechanics of favors (chapter 6), two aspects that arise from Itaipú’s internal-to-Paraguay dynamics. Neither of these were about electricity—the purported purpose for Itaipú—and yet they required much of the time and energy of the four dozen who staffed Itaipú’s Executive Directorate.

Here it seems appropriate to clarify terms used to describe the Paraguay nation-state apparatus that may overlap, but are nevertheless distinct. “Paternalism” refers to an organization of politics that mimics family relationships—where the state-as-patriarch relates to the people it governs in a heavily hierarchical fashion, ruling as a benevolent and disciplining father over dependent children. This may be accompanied by “personalism,” which is a tactic of political action that emphasizes relationships rather

than bureaucratic processes as the means by which politics happens. Paternalism and personalism do not necessarily go with each other. One can imagine a state apparatus that figures a bureaucracy as the guardian and nurturer of an as-yet-adolescent citizenry or relationship-led political action structured along non-patriarchal modalities.

Although paternalism and personalism are descriptors that show up in more academic or technical settings, the terms “clientelism” and “patronage”—which describe mutually-beneficial asymmetrical relationships of obligation between individuals—are in popular use in Paraguay and bear neutral or even positive valorizations. A *patrón* (patron) is one who has power and the ability to distribute goods with that power. The client is the recipient, the supporter who is then called to deliver loyalty to the patron, perhaps in the voting booth, but also in attendance at rallies, in contributing energy (or money) to campaign efforts, and, if employed within a government institution, in working diligently and honestly (or loyally). Clientelism and patronage are systems of resource distribution and decision-making criteria, but also psychosocial affects, feelings. These terms are sometimes narrowly used to describe certain behavior in electoral politics (i.e., a kind of vote-buying in exchange for some material benefit), but may have a deeper historical base—surely these kinds of relationships existed prior to the development of voting. As such, a rational cost-benefit analysis only begins to describe how clientelism and patronage take hold within a political structure. Why, for example, had clientelism been a source of prestige in 19<sup>th</sup> century France, publicly boasted about, only to later recede to the shadows, as something hidden? (Garrigou 2004). And what of the feelings of closeness and friendship that are fundamental to constructing consent in this system? (Auyero 2000).

Yael Navaro-Yashin's findings on the force of public culture and state culture in Turkey demonstrated the connection between popular analysis and perpetuation—"people from all sections of society were constantly involved in criticizing various manifestations of the state," she wrote (Navaro-Yashin 2002:4). And yet, she found that "the very people who critique the state also reproduce it through their 'fantasies' for the state." Thus, in light of both academic and popular critiques, "the political endures and survives deconstruction" (Navaro-Yashin 2002:4). Although Navaro-Yashin was describing the issue of secularism in Turkey, she may as well have been discussing personalism in Paraguay. In spite of the repeated unmaskings by the media and the common (accurate) descriptions of how favors work, how the personalism leads to non-ideal behavior within government, and how this all results in the government "selling itself for cheap," the political endures.

None of this behavior is secret—merely denied, in the same way the violence was denied in chapter 2. And this denial of what is known by all, the impunity itself is productive of "the state." When speaking about nepotism or diversion of funds, the public tone is outrage—in media, in political rallies, in conversations with ordinary Paraguayans. But though there was a sophisticated public rhetoric about the need for transparency and rule of law and the consequences of their lacking in Paraguay, somehow the criticized behavior was begrudgingly admired and even praised in private. "I would do the same thing—tell me you wouldn't get rid of someone who caused you problems if you were in the same position," I once heard a low-level functionary of a public office remark about the Colorado Party elite of the Stroessner era. Her declaration was received with assenting nods in the room. To understand this tension—how critique and

admiration, transparency and impunity go together—Navaro-Yashin’s work on fantasy and the state are helpful. Somehow, revealing that the state is a mask over what it purports to deny does not diminish its power.

In fact, the unmaskings we will see in Chapters Five and Six only seemed to strengthen the personalistic state. I think this is because the ultimate goal of many people in Paraguay is to transform a personalistic state into a patrimonial state. Weber described patrimonialism as a traditional form of authority where “the authority of the chief which was previously treated principally as exercised on behalf of the members, now becomes his personal authority, which he appropriates in the same way as he would any ordinary object of possession” (Weber 1947:347). He continued, “By the use of these instruments of force, the chief tends to broaden the range of his arbitrary power which is free of traditional restrictions and to put himself in a position to grant grace and favors...” In the following two chapters, we will see the tensions that arise as certain personalist (i.e., mediated through individuals and relationships, not through bureaucratic procedure) practices strain toward patrimonialism (where the possessions and power of the state are appropriated by individuals for their personal use and as a personal attribute) and the cognitive dissonance that comes from condemning and yet admiring that behavior.

By describing and analyzing quotidian (chapter 6) and extraordinary (chapter 5) events in administering Itaipú’s non-energy resources—as a source of employment, as a source of service contracts, as a source of “social funds”—these two chapters tease apart how the state works. We will then be able to concretize what clientelism, paternalism, and personalism look like in everyday practice and what the internal logic of such a state apparatus is. This touches both on procedures (and shortcut exceptions) in bureaucracy,

but also the beliefs and expectations of officials within the government (in this case, those related to Itaipú) and of those outside the government of what a state is in relationship to the population it governs.

## Chapter 5

### Transparency and Corruption

From its first inclusion in Transparency International's Corruption Perception Index (in 1998) until 2006, Paraguay not only ranked in the lowest quintile of the index, it regularly took the number one spot (of "most corrupt country") in Latin America. In 2006 it ceded that distinction to Venezuela. While TI measures "how business people, political analysts and the general public around the globe perceive levels of corruption in different countries," and therefore reflects a perspective of those outside Paraguay, even the newest visitor to the country would recognize that such sentiments are commonly held by most Paraguayans (Transparency International 1997).<sup>109</sup> "We have the most corrupt government in Latin America, perhaps the world," I heard on many occasions by speakers from across the political landscape. Studying "corruption" is notoriously difficult for several practical reasons, particularly when a research project attempts to study political elites. Those with power can make themselves invisible and to actually witness a "corrupt" act might put both researcher and informant in danger. While the technical difficulties of accessing participant-observation of "corruption" might prove challenging (though perhaps less difficult than one would expect), an entirely different set of problems arises with the theoretical question of what *is* corruption.<sup>110</sup> Itaipú's Executive Directorate was frequently occupied by dealing with public accusations of corruption and lack of transparency. After all, battling corruption within Itaipú had been

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<sup>109</sup> The press release goes on to quickly add, "We must also bear in mind that many of these businesspeople are a part of the problem."

<sup>110</sup> I found men particularly indiscreet, bragging about their ability to cut corners.

central to Lugo's campaign from the very beginning.

“Corruption” (unqualified) has been problematized because of the statist, legalist perspectives automatically assumed into the term—that corruption must be, by definition, against the law and, furthermore, that the state (as the enforcer and servant of the law) much necessarily be lawful. These assumptions are linked with another problematic assertion—that corrupt acts lie outside the normal, intended function of the state. But the systematic human rights violations and state violence of the 20<sup>th</sup> century has led scholars through Arendt and Agamben (and Schmitt) to demonstrate how extralegal violence and extraordinary law-breaking have been central to how states work, not random anomalies (Coronil and Skurski 2006). Tilly took the matter even further by suggesting that the state is organized crime—that the state is in essence, perhaps, what it most closely resembles: a protection racket that extorts tribute (taxes) from people to protect them from the violence it causes (Tilly 1978). As a potential escape from these contradictions, van Schendel and Abraham distinguish, in their edited volume, between the legal/illegal and the licit/illicit. They offer cartesian quadrants instead of a linear spectrum, suggesting that some actions may be illegal (what states consider illegitimate) while still being licit (considered legitimate by society)—such as exceeding the speed limit, for example (van Schendel and Abraham 2005:4).

Given that there are conflicting definitions of whatever it is that “corruption” is and that its nature gives a particular difficulty in studying it in traditional ethnographic means, in this chapter, we will approach it through its emic antidote—*transparencia* (transparency). I focus on several spectacular, mediatic conflicts in Itaipú around the issues of corruption and transparency. Lugo's electoral campaign promises to end

corruption in Itaipú and in the entire Paraguayan government by instituting transparency were so convincing that, in a last ditch effort before voting day, ANR candidate Blanca Ovelar pledged that, if elected, she would create a special branch in the government to investigate and end corruption. The corollary of Lugo's promised change to renegotiate the Itaipú relationship with Brazil was the promise to "clean up" the administration of the dam's benefits. And yet, the personalist practices that gave rise to the individual discretion that led to the corrupt practices in need of *transparentando* (transparenting, making transparent) were alive and well, as we will see in the following chapter on favors, into the new regime.

As transparency is imagined as the cure for corruption, what we deduce is that the disease is imagined as one of (in part) invisibility—that there is something about visibility and visibility at the core of whatever corruption is. And if corruption derives its strength from remaining hidden, then exposing government proceedings to inspection can both detect and prevent corruption. "Seeing" as a way to discover, combat, and punish corruption is the analog of the Stroessner-era surveillance state, with informants and observers secretly reporting on the lives of thousands of Paraguayans. Reversing this *control* by bringing the deeds of state actors under the careful scrutiny of other state entities or citizen groups—exemplified in this chapter by the congressional interpellations of the General Directors of both Itaipú and Yacyretá—is one way that transparency (the ability to peer into) occurs.<sup>111</sup> Equally important as auditing, however, is the exposing of irregularities and wrongdoing to the public by that arbiter of information, the media—explored here through the corruption scandals involving file burning, multi-million dollar

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<sup>111</sup> From *controlar*, which means to watch, to enforce, to surveil as well as to audit (Contraloría is the Comptroller's office). See Chapter 2.

misuse of Itaipú “social funds” by previous ANR administrations, and the public disgraces of two Itaipú directors.

Tensions between entrenched patterns and electoral promises take on a different character with the involvement of the media. As the “fourth estate” that [self-appointedly] represents the nation to the state and informs the nation of what the state is doing, the media speak both to an imagined nation-public and an imagined state-public. This function as the polyvocal auto-anointed defender of democracy in modern liberal democracies is one important reason why this dissertation consider news stories as more than just another text to be discursively analyzed or, worse yet, as background information. The media, quite intentionally, act as a counterweight to the state apparatus—to the annoyance (when challenging) or delight (when complying) of state actors. Thus, another reason to study mediatic conflicts around government corruption is that it is the seenness of the media that countervails the invisibility of power. And state actors consciously orchestrate their activities to capture or avoid media attention. I knew that politicians dedicated considerable resources to dealing with the media, but I was caught off guard by the sheer amount of time and effort spent tracking the Paraguayan media inside Itaipú.

Following Benedict Anderson (2006), print media has been seen as central to the creation of the nation-state in Europe (though his focus, it seems, was on the text and its reception, not on the individuals who wrote it). The writers in *Beyond Imagined Communities*, when considering nation-state formation in colonial Latin America, find an attention to “the influence of manuscript (rather than print),” “the enduring hegemonic sway of an elitist ‘lettered city,’” and “the ‘foundational fictions’ embodied in romantic

novels” more fruitful in the Latin American context (Castro-Klarén and Chasteen 2003:xxv). While forms of writing other than print capitalism were central to Latin American nation-state making (Rama 1996), the socio-political structure of the media has been [mimetically] imported/transported to Paraguay from Europe and North America via the local metropolises of Buenos Aires and Rio de Janeiro as an expected accompaniment to a modern nation-state—with all the signal degradation of the “telephone game.”<sup>112</sup>

Like media in Buenos Aires or London, the press in Paraguay acts for a complex set of reasons—to sell copies, as a vanity project of the powerful, as a voice piece of the government, as a challenge to the government, to shore up its own moral legitimacy. While social science analysis of the media has centered on its function to build hegemony, extend capitalist expectations, or foster via globalization a new way of imagining the self, Paraguay’s example reminds us of the fundamental role the media plays in the development of the modern nation-state and vice versa (Appadurai 2000). The press in Paraguay is not independent. Neither is it ideologically driven as subscriber to a political project. Nor is it economically driven as middleman for an economic sector. The press in Paraguay, in addition to the list of motives above, as a result of its position in Paraguay’s socio-politico-economic field also has its own competing economic agendas and political projects. After criticizing the contraband that made Ciudad del Este’s wealth, Aldo Zuccolillo—founder of ABC Color—responded to my question, “What do you think is necessary to improve Paraguay?” with “Authoritarian rule. That can set things aright. Barring that, only one thing is capable of doing it: two generations

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<sup>112</sup> Print and its later incarnations of radio (still very important in Paraguay), television, and to a much lesser extent Internet.

raised with a free, independent press” (Personal Interview, April 15, 2009).<sup>113</sup> Paraguay’s most powerful media magnate, (whose press was shut down by the Stroessner regime) able to set the tone of public opinion, thus described the role and force of the press as equivalent, in influence and moral rectitude, to a military government.

As my research project included trailing the political elite while they publicly engaged on Itaipú, I often found myself interacting with the press—taking pictures and recording public announcements, on the one hand, witnessing interviews or even being interviewed myself, on the other. Media depictions of Itaipú centered on two issues: Brazilian imperialism and Paraguayan corruption. And any whiff of financial mismanagement on the part of Itaipú’s Paraguayan leadership brought the ranks of the press to attention—corruption in Itaipú was a great story. But the difficulty in defining “corruption” extends beyond academic conversations to popular discourse in Paraguay as well. The asking and granting of favors (chapter 6), while sometimes decried as embarrassing, is not popularly described as “corruption”—which it might be in, for example, the United States. Personalism and paternalism are not the definition of government corruption in Paraguay, though they are seen as sometime precursors to it. Because it is difficult to unravel what corruption is in a contradictory bureaucracy, expected personalism, and unquestioned paternalism, there is a complex lexicon of vocabulary around questionable practices by those in positions of power.

Corruption, minimally, was understood as the misuse of power by the powerful. But, to be more precise, it was the misuse of power by the powerful of other political parties, ideologies, commitments. That is, it defined a certain kind of negative behavior

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<sup>113</sup> A billionaire who also owned a cellphone service provider and the most exclusive shopping malls in the country.

and it was a politically expedient accusation. And, if granting personal favors was not necessarily a corrupt misuse of power, what was? In Itaipú, a range of behavior, escalating in intensity was viewed as a “misuse.” Because the dam was a source of lucrative employment, jobs doled out as a way to secure or repay loyalty, many individuals were accused of having *planillero* salaries, a widespread pattern of *asistencialismo* rather than labor. Planillero (adjective) comes from *planilla*, or “payroll,” and thus refers to jobs that pay merely for appearing on the list of employees while *asistencialismo* (adjective), from *asistencia* or “attendance” implies receiving a wage not for services rendered but for showing up at the office and doing nothing more. *Mau* and *irregular* (both adjectives) characterize information and processes and carry greater disapproval than the previous terms. Mau describes falsified documents parading as legitimate and authentic (signified as such by a series of stamps and seals from notaries and public offices).<sup>114</sup> An action is called irregular (“outside the rules”) when it is administered contrary to stipulated procedures—granting a transportation contract outside of a bidding competition or paying a baker more for goods than would normally be charged.

All of these expressions, and even *coima* (bribe)—which could be low or high-level—are differentiated from the incredibly strong words *mafia* and *corruptos*. “Now that the Colorado Party is out, there will be a war over [control of] the drug trade between the official and the unofficial mafia,” a long-time Asunción resident told me as we chatted about Paraguayan politics one warm night. “What’s the official mafia?” I asked. “The government.” While the expectation in Paraguay is that everyone violates a law every now and again, mafia are those whose excessive wealth has been made trafficking

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<sup>114</sup> Shuster’s (2009) work on car titles is a rich ethnography incorporating the word “mau” and its history.

in illegal substances or contraband *and* wielding political power to enable those criminal activities. The mafia and those who are at the controlling heights of government and redirect government monies to personal use (buying extensive estates, stashing hundreds of millions in bank accounts in Miami)—or for financing political campaigns—are called *corrupto* (corrupt). Those who pocketed millions (or billions) of dollars from misdirected Itaipú construction loans or from extracting monopoly rent over a section of the enterprise they controlled were dubbed the *barones de Itaipú* (“barons of Itaipú”).

The fabulous personal fortunes made from Itaipú wealth accompanied with unfulfilled promises of development came to a boiling point in the first decade of the 21<sup>st</sup> century, making the dam an easy target for public and media criticism. On this dissatisfaction, Lugo was able to launch and ride a successful campaign. “For the first fifteen days [of Lugo’s presidency],” said León, a member of the CEBH who had long worked on issues of corruption and transparency in Paraguay. He continued the interview by explaining, “No one in customs asked for a single bribe. They didn’t know what would happen. Then it started again” (Personal Interview, December 22, 2009). Expectations on Lugo and on his newly appointed non-ANR Itaipú General Director Mateo to prosecute past wrongs and institute a right path in Itaipú rode high, with the public watching with a mixture of skepticism and hope, the political establishment watching with cynicism and fear, the media watching eagerly for whatever salacious tale might fall into their lap.

The story broke late on a Sunday afternoon four months into Lugo’s presidency. Images of General Director Mateo, still wearing his blue jogging outfit, sternly walking around the Itaipú compound in Asunción led the evening news and the front page of the

dailies the following morning. His entire staff were called from their asados and family dinners and worked until the morning hours before returning at six a.m. to start what promised to be a hectic Monday. The crisis? Three maintenance men had been discovered burning files in a storeroom, secretly authorized by Mateo's own Chief of Staff (and without Mateo's knowledge). The details tumbled forth. Early on Sunday morning, a day when offices were closed and minimal staff would be present in the Itaipú compound, three employees entered the complex with authorization from the General Director's Chief of Staff, a long-time functionary of the binational. Under his orders, they began clearing a storage room filled with boxes of files—memos, folders, photographs. Then, after moving them to an unused industrial kitchen at the back of the building, they started a fire which continued until early evening. When a security guard inquired about their activities, they produced a work order, signed by the Chief of Staff. But when the Chief of Security finally communicated the news to a furious Mateo, the burning ceased immediately and the compound was swarmed by media, police, and the District Attorney (*fiscalía*).

The three employees blithely claimed they were just burning trash and extra copies of unimportant documents—per the orders of the Chief of Staff. The Chief of Staff, pacing back-and-forth, eyes bloodshot and reeking of a night of chain-smoking, told me the following day that he had ordered no such thing and the men must have been doing it as some kind of joke or game. He had sent them there to “organize” a storage room so that the General Director and others could access it. But Mateo repeatedly told the press, “They destroyed documents crucial for the investigation of corruption” (ABC Color 2008e). Damning evidence was found quickly in the pile of to-be-burned

documents: orders on Itaipú letterhead for the transfer of money and audiovisual supplies to the Colorado Party presidential campaign of Blanca Ovelar. While the three functionaries placidly denied wrong-doing, seemingly unconcerned about whatever consequences their actions might bring, the Chief of Staff resigned from his post (but not from Itaipú) and was shocked and hurt that Mateo refused to even speak with him and had him reassigned to a demoted position inside the company, working in a computer engineering department. As he waited outside of Executive Headquarters—refused entry—he exculpated himself to me and received hand shakes and sympathetic words from other high-level functionaries. “It’s a hard blow,” he said. “Things are very ‘hot.’ And the press is twisting my words. I say one thing to them, and they print the very opposite” (Personal Communication, November 18, 2008).<sup>115</sup>

The Chief of Staff was accused of ordering the destruction of valuable documents that proved what everyone suspected: fiscal malfeasance on the part of Víctor Bernal, former President Nicanor Duarte’s appointed General Director, as both of them conspired to ensure the victory of the official ANR candidate and sought personal enrichment. With both Bernal and Duarte as sitting senators, they had official immunity from criminal charges and as very well-linked politicians, they had sufficient debts in their favor that there were very few with the political will and position enough to challenge them. Their great vulnerability was the combination of a paper-trail (product of both Itaipú stipulations and a Paraguayan predilection for writing) and hubris that made it impossible to fathom that the Colorado Party could lose the general elections. For years, Itaipú was the source of illegal enrichment for well-placed party elites and the way of assuring party loyalty for rising elites through access to its riches. But there was something about Bernal

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<sup>115</sup> He said “Las cosas están muy ‘hot.’”

and Duarte, something egregious and different from previous administrations that made their actions unacceptable to many Paraguayans and easier to verify: the creation, in 2003, of Itaipú “social funds.”

After decades of campaigning and an electrifying win in 2002, Luiz Inácio Lula da Silva finally began his first term as Brazil’s president on January 1, 2003 with momentum to progressively address social inequalities. Determined to put the resources of the state to the service of previously marginalized groups and issues, Lula turned to Itaipú. He and the Paraguayan President, Nicanor Duarte, came to a happy agreement to, under the auspices of the original Itaipú treaty, designate part of the budget administered by both halves of the entity as *fondos socioambientales* (social-environmental funds) to be used for “development” in communities and protecting the environment. In Paraguay, the “ambiental” was quickly excised from the “fondos” to reflect the real focus of these newly created funds, social spending. Thus Duarte’s General Director of Itaipú, Víctor Bernal, oversaw the inauguration and implementation of hundreds of millions of Itaipú spending on community projects.

Prior to the invention of the social funds, money was discretionally diverted through contracts with Itaipú—private companies would be hired to supply transportation, food, and other services to the dam and these would overcharge the binational (or not even render the services). But now that Itaipú was explicitly expected to invest its wealth “socially,” it could build schools, football pitches, clinics in specific communities at the personal discretion of Bernal. The concern here was not just that this was another way to sneak money from Itaipú, but that this was blatant campaigning as the money was redistributed to Colorado Party seccionales (either through funding ANR

events or by passing into ANR hands to later be distributed to clients to assure votes). It worked, but not in the way Duarte, Bernal, and other party operatives had hoped. So disgusted were Paraguayans by this behavior that they punished the ANR at the voting booth.

Disbursement of Itaipú money was documented, authorized, and filed away per company regulation, shielded from any inquiring gaze from Paraguay's comptrollers, police, or public prosecutors with the claim that binational entities were outside of Paraguayan jurisdiction. When Mateo assumed office in August 2008, one of his first acts was to bring in national comptrollers to audit the books for the first time in the history of the dam—widely hailed as a triumph of transparency. In October 2008, with camera crews watching, Mateo and his team of administrators presented criminal charges before the District Attorney of Economic Crimes against Víctor Bernal and the administrators of Tesãi Foundation—the healthcare foundation run by Itaipú. Revision of the account books for the period of Bernal's tenure (2003-2008) revealed a deficit of almost \$7 million and unpaid debts of another \$5 million. The petition presented before the District Attorney's office asked for the removal of parliamentary immunity from Bernal and prison for mismanagement of the Foundation's patrimony.

Just as news of \$12 million missing from Tesãi broke, *Última Hora* published an exposé of “confidential documents” (gained, presumably, at the hands of a source in Mateo's office) showing that the Colorado primary election campaign of Blanca Ovelar had been paid by Itaipú. By matching proofs of payment within Itaipú to work orders of various publicity firms—facsimiles of which were published as part of the article—*Última Hora* was able to show how Itaipú paid for catered events, printed materials, and

themed goods for Ovelar's campaign. With increasing momentum for daily discoveries of fiscal misconduct, Mateo gave the investigators six binders of paperwork that showed the "irregular" spending of \$39 million since 2006 in the form of "social funds," suspected to have been destined, in part, to Ovelar's campaign.

The stories grew absurd. In 2007, one company charged \$258,000 for (as one paper put it) "hotdogs, bananas, and chocolate milk 'made of gold'" (ABC Color 2008c). Since their invoices began at "1" and ran to "20," reporters immediately suspected that the firm existed only on paper. This was quickly confirmed when no registry of incorporation or tax payment could be found. The supposed owner's name could not be found on any birth certificate or citizenship registry in the country and yet her tax identification number was legitimate—curiously associated with someone of a different name. And of the business address written on the invoices, ABC Color wrote, "In vain did one of our paper's photographers attempt yesterday to locate where the streets Defensores del Chaco and Río Paraguay meet [the address of the supposed company]." They do not.

Even the media themselves benefited from Itaipú during the presidential campaign season of 2007-2008, as the dam distributed almost \$13 million to various media outlets. With each revelation in the press—in print or in video—the media showed facsimiles of invoices, campaign materials, spreadsheets summarizing payments, with the authenticating stamps and signatures—marks of bureaucratic authority turned against itself. A publicity company owned at one point by President Duarte billed Itaipú \$400,000 for work done for information campaigns about dengue and yellow fever, long after both the campaigns and the mosquito season had ended. "This is a concert intended

to distract people,” said Bernal, calling the accusations a “mediatic show” and “a set-up,” false because the spent funds had been used in an “honest manner” for the peasantry (ABC Color 2008d).

Despite Bernal and Duarte’s claims that the investigations were “political persecution” personally conducted by Mateo, evidence published daily snowballed with public resentment. In an entirely unrelated incident, during these weeks, another Stroessner-era torture basement was uncovered as a repentant soldier confessed—perhaps adding to the sense of panic that many dirty secrets of the previous administrations were about to be aired. And then the three workers were discovered burning files in Itaipú under the authorization of the General Director’s Chief of Staff, a long-time Itaipú functionary with close ties to the Colorado Party. Whether or not they had actually received orders from him to burn files, had done so as a joke, or had done so under orders from an unknown third party, this event smacked of a cover-up.

With cameras rolling, Mateo answered the District Attorney’s questions about the pile of ashes and to-be-burned papers, explaining that it was not standard practice to destroy documents, that extras were to be filed away at the physical dam, and that this was the first he had learned about either the existence of the storage room which contained the files or his Chief of Staff’s orders to clean it up. Later that week, Mateo assembled all the employees of Itaipú in Asunción to a meeting at the compound stressing the importance of the “appearing transparent” to the public. He stated that under no circumstances were employees to burn any documents, no matter who had ordered such a thing and that, in the event that even he himself ordered anyone to commit such an act, they should directly go and denounce the crime to the authorities. But he was met

with crossed arms and even a defiant counter of “It’s impossible for us to tell our supervisors about every file that comes into our offices,” from one worker when Mateo said procedures for handling information needed to be changed because for too long the public had thought Itaipú “dirty.”

But the investigations stalled indefinitely at the hands of the courts as they refused to hear the cases against Bernal and other former employees and as several District Attorneys were forced to step down from investigations under charges of being biased. The Itaipú fire remained a mystery. And one of the District Attorneys who had not been forced out of the investigation was taped asking Bernal for \$150,000 to make the charges go away. Bernal and Duarte continued as senators with parliamentary immunity. “Four hundred million dollars,” said a frustrated Mateo to me many months later, “That is how much I think Bernal stole or misused.”

As the corruption cases against the ANR administration of Itaipú developed, problems within Lugo’s new teams in Itaipú and Yacyretá unfolded. Accusations of favoritism and mismanagement were levied against both Carlos Mateo Balmelli (in Itaipú) and Carlos Cardozo (Lugo’s first General Director of Yacyretá and a founding member of Tekojoja). For the first time in the history of either binational, congress voted to interpellate both General Directors in the first half of 2009. Interpellations are formal interrogations by the legislative branch performed by the Chamber of Deputies (the lower house) and follow a stipulated list of inquiries (submitted as part of the proposal of interpellation). Votes of censure—recommending the destitution of a public employee, for example—may follow interpellations, though these are a separate step. Pressure for Mateo’s interpellation came from Patria Querida, Tekojoja, and Colorado deputies whose

formal list of questions centered on financial decisions made under Mateo's tenure around the allegedly bid-less purchase of an expensive software package, renting an airplane, and the hiring of one hundred fifty six new employees without fair competition.<sup>116</sup> Yacyretá director Cardozo was asked to answer for the status of the completion of the dam and alleged questionable spending of Yacyretá funds.

Once the expected scheduling difficulties were overcome and the final list of questions agreed upon by Congress and distributed to the two General Directors, the formal meetings were slated for May 2009. Not only were these examinations of the two General Directors, in these interpellations, Lugo's government was on the dock. Mateo's questioning lasted three and a half hours as he, flanked by his closest financial and technical advisors, used PowerPoint presentations and facsimiles of original documents to answer questions as he read carefully worded prepared answers and then took open follow-up questions (Cámara de Diputados 2009a). The long and grueling interrogation was transmitted via radio (and later posted online by Congress) and filmed by news crews. And at the end of the meeting, he had convinced most of his audience—even a begrudging ANR and UNACE disagreed with Patria Querida and the Patriotic Alliance for Change, who maintained their dissatisfaction with Mateo's answers.

The key weakness in the proceedings was that the leaked data on which Patria Querida's questions were based—numbers—were easily contradicted by documents within Itaipú. For example, one charge asserted that, rather than using an airplane owned and maintained by Itaipú, Mateo extravagantly insisted on renting an eight-seater Cessna for \$12.5 thousand a month. Mateo, however, countered with information that had not

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<sup>116</sup> Patria Querida is an urban-based party with neoliberal leanings, founded in the 1990s and able to seat both senators and deputies, making it, outside of Oviedo's ex-ANR UNACE, the largest third party in the country.

been publicized by the unknown leak who had passed on the information about the Cessna. The problem with the Itaipú plane—which had had an annual budget of \$2 million under Bernal’s administration—was that no flight or repair records had been kept in its thirty-year history of hundreds of flights. Not even the two accidents (!) in which the plane had been involved—in 1999 and 2007—had been registered. This meant that the plane could have been used for countless reasons in a country where there is no radar.<sup>117</sup> Consequently, according to international flight standards for engineering and upkeep, it was unflyable. Renting a plane cost \$150 thousand a year, less than ten percent of the previous unitemized budgeted upkeep of the Itaipú-owned plane. The numbers in Patria Querida’s presentation just did not work out and in the succeeding vote of censure, out of the 75 deputies present, only 13—the members of Patria Querida and progressive Patriotic Alliance congresspersons—voted to censure Mateo. After this public vindication, he launched a mediatic retaliation against those who voted to condemn him—arguing that they were upset because he had refused their requests for special employment preference for their family members.

Yacyretá director Carlos Cardozo was not so fortunate. During his five hour questioning, he was repeatedly asked about the construction of the dam, employment contracts, and how Yacyretá monies had been discretionally used (Cámara de Diputados 2009b). But the evidence leaked to the press about Cardozo was more difficult to contradict. The initial push for an interpellation had arisen amidst a slew of high-level dismissals of new appointments and hires at Yacyretá—all members of Tekojoja. Though never fully explained, two versions of the events existed, both unfavorable to the leftist

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<sup>117</sup> There are thousands, perhaps tens of thousands, of illegal air strips in the country, making it an excellent landing zone for illicit cargo.

movement. The first that it was a purge associated with a split within the social movement as the group divided into two factions—one that insisted on remaining a social movement, another on organizing into a formal political party. The other account claimed that the individuals were removed from their positions after having been discovered inventing a firm for the sole purpose of extracting funds from Yacyretá, much like the fictional dengue fever media campaign mentioned earlier.

Then newspapers reported that Cardozo had authorized the disbursement of twenty thousand dollars to support an international Young Leftists assembly (that had also commandeered Paraguayan military barracks—a spectacle that added fuel to the rumor that, through Lugo, a leftist insurgency aimed for violent revolution). Once the news hit the presses, Cardozo apologized and hastily returned the money back to the dam, but the damage was already done. At the interpellation, Cardozo arrived late and lacked Mateo's familiarity with parliamentary procedure as he read insufficiently detailed responses to the pre-established questions. The vote to censure Lugo's close associate passed with 65 (of 74 deputies present) and even the Alianza Patriótica congresspersons chose to "abstain" rather than vote "against" censure. In a bid to restore confidence in the strong anti-corruption stance of Tekojoja, its president and national senator Sixto Pereira recommended that Yacyretá undergo a more thorough external audit.

On the one hand, what we see happening here is Paraguay's congress testing its strength in the context of a new executive. Though the mere fact that congress could force two interpellations in such a short amount of time attested to a crisis of effective governability by Lugo, the first-ever interpellations of the dams' directors also showed a shift in accountability within Paraguay. No longer was "binationality" an acceptable

argument for lack of jurisdiction. We also see here a feedback mechanism between the media and the legislative branch of government. Many of the infractions with which Mateo and Cardozo were charged had first come to light in a news story, but it was the power of congress that called them to account and this, in turn, reaffirmed the moral legitimacy of the legislative. The broadcast proceedings, held in the main auditorium of congress, gave an opportunity for the actors—interrogators and accused—to perform to an audience much wider than just the individuals in the room, to a national audience via the media, a double performance where simultaneous mastery on both stages was the goal. Partisan loyalty played a notable role in these events—voting for or against censure proceeded along party lines and along traditional versus new party lines. Neither Mateo nor Cardozo was dismissed from his position, but the experiences severely strained the Liberal-progressive party alliance in the government.

Even as “successes” in the Itaipú negotiations with Brazil were secured and Lugo’s two General Directors remained in their positions following their interpellations, tensions dissolved the Liberal—Progressive ruling alliance and ungovernability dogged Lugo’s government. In Itaipú, charges of favoritism and politicization of jobs continued. In late September 2009, STEIBI (the Itaipú Binacional Workers Union) presented a formal accusation before the District Attorney in Ciudad del Este, claiming that Lugo’s Itaipú Director of Coordination had falsified his credentials. The director claimed that he had a *licenciatura* (bachelor’s degree) in Business Administration from the Catholic University of Asunción (UCA), but university administrators insisted that he had never attended, let alone graduated from, UCA. This put his whole educational background in question, including the Ph.D. in economics he supposedly received from the University

of Hohenheim (Stuttgart, Germany). Weeks passed with regular news of the “the director with a ‘mau’ degree” whose political patrons—principally the governor of the department of San Pedro (a member of the near-socialist wing of the Liberal Party)—protected him from being fired.<sup>118</sup> Even Mateo excused Itaipú, saying that human resources could not verify every résumé it received, and added that the Director of Coordination had “competently performed his job” (Última Hora 2009b). A few days later, Lugo fired the Director of Coordination and replaced him with the presidential spokesman’s younger brother and the investigation into the Director’s falsified qualifications was extended to Mateo on charges of obstructing the original investigation.

On Christmas Eve 2009, problems with the Executive Directorate of Itaipú reached their tragi-comic zenith. Última Hora published documents showing that Gustavo Bogarín, the Itaipú Director of Administration had, while working under previous ANR administrations as the head of Itaipú’s division of infrastructure, overseen the construction of “phantom works,” diverting money to companies run by Colorado Party organizers (Última Hora 2009c). A few days later, ABC Color corralled him into an interview where he admitted authorizing false expenditures: “I take responsibility for what I signed, but I should clarify that they [former General Director Víctor Bernal and former President Nicanor Duarte] pressured me to do it. I can assure you that projects do exist. Only, they don’t correspond with the documentation because they were all done in Colorado seccionales” (ABC Color 2009b). The “social funds” intended for building community centers and refurbishing parks were instead spent on events or infrastructure for the Colorado Party (if spent on anything at all). Here was the confession, the smoking

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<sup>118</sup> The Liberal governor of San Pedro was an ally of Lugo. Prior to his presidential campaign, Fernando Lugo served as Bishop in San Pedro.

gun. But Bogarín seemed neither remorseful nor concerned for his liberty or his future employment at Itaipú. Moreover, he amplified responsibility to Fernando Lugo. “All the irregularities committed in the previous administration and all that about the supposed phantom works,” he said, “I told to Lugo. He is aware of everything” (ABC Color 2009b). The implication here was that Lugo knew what Bogarín had done, but because he had worked as part of the Patriotic Alliance campaign for Lugo’s election, he was given a directorship of Itaipú rather than, say, incarcerated for corruption.

Mateo presented a formal charge before the District Attorney, accusing Bogarín of breach of confidence and falsifying documents, adding that Bogarín’s actions put the “negotiations [with Brazil] at risk.” “What has occurred is very grave, since it reveals the modus operandi of an organization structured exclusively to damage the interests of the company to the benefit of interests others than those of Itaipú,” he added to the press (ABC Color 2010). That is to say, the confession of Bogarín showed a systematic application of partisan (and personal) criteria as well as systematic falsification of data to cover up fraud, rather than consideration of business objectives. And this would make Brazil less eager to entrust more of its wealth to Paraguay in Itaipú. In private, he remarked that he had done this in part to pressure Lugo to fire Bogarín, since the president had shown no inclination to do so. “For this they can impeach Lugo,” Mateo said to me, “because it looks like he knew about and covered up corruption.... And you know the wrong information Patria Querida used for the interpellation? They got that from Bernal’s wife, who got it from Bogarín” (Personal Interview, December 29, 2009).

Two weeks later, Lugo fired Mateo. Bogarín remained in his office, even though the leaked documents (and incomplete projects) were authenticated by the District

Attorney, until Mateo's successor Gustavo Codas asked him to step down and take a leadership position in Tesãi, Itaipú's lucrative healthcare foundation. And the lawyers contracted to pursue Itaipú corruption cases against Bernal, Duarte, and Bogarín were informed that their services were no longer required.

### *Conclusion*

Lugo's election ushered in an era of heightened competition for control of the government and a sense that no one was perfectly secure in his or her position, the interpellations were one of many signs that the elite ruling class was assailable. This could mean that either following the fall of the Colorado Party, the ruling class was in chaos and turning in on itself, cannibalistically, or that it was weak enough that those outside it would dare challenge it. But the danger about transparency was that it made impunity all the more obvious. With each charge that went unpunished, it became more clear that there was nothing that could be done against those who publicly confessed or were caught in unmistakable fraud. A cynicism set in that replaced the hope inaugurated by Lugo's election. But two groups benefited from this experience. Corruption stories served the media by selling copies and reaffirming the moral legitimacy of the media as it took on the role of the public conscience, deeply offended by corruption. And perhaps politicians were emboldened by corruption stories, as even the most documented, confessed, and egregious deeds went unchastened.

Like the news about "corruption" in Itaipú, the information on which Mateo's and Cardozo's interpellations were based was surely the result of intentional leaks within both hydroelectric dams and therefore part of some kind of [political] agenda—to discredit an

individual or force a confrontation. While the sources of some of the information were obvious, the fact that many of the disclosures to the media were anonymous (but accompanied by authenticating duplicates of important documents) added to the destabilizing sense of conspiracy. On the one hand, anonymity proved that some kind of plotting was happening in the shadows, but, at the same time, made it more difficult to know exactly which of the interested parties was actually behind the plot. The method of exposure at once made the sense of a secret plan more concrete while making it all the more difficult to uncover. What if the source of the leaks was not the most obviously interested party but, in fact, an enemy using reverse psychology to damage the interested party? This kind of logic might seem unbelievably circuitous, but, in fact, abounds in conspiracy-prone Paraguay. One popular theory, for example, has that some of Lino Oviedo's enemies had Vice-President Luis Argaña assassinated in 1996—because Oviedo would be seen as the one who would most benefit from Argaña's death and therefore Oviedo would be discredited by it.

The act of revealing what has been hidden—the increase in transparency—actually has had two divergent and negative results. First, as acts understood as corrupt are revealed and then go unpunished, transparency only demonstrates what was hitherto suspected: the justice system had neither the will nor the power to enforce law. Second, the increased transparency confirmed that there were as-yet-unknown secrets operating and controlling what was seen and known. Both functioned only to cement the status quo, to make it seem impossible to change the system. Transparency is, following Lacan (and Žižek), a seemingly *empty gesture* that actually has a meaningful effect. By being ineffective on two counts—neither bringing the guilty to account nor even bringing all

things to light—it seems that transparency means nothing. But as people do not go to jail or even lose their jobs and as secret conspiracies remain secret, justice itself becomes an empty gesture. The ineffectiveness of transparency effects this annulment, a loss of meaning which becomes the genesis of despair and cynicism. This may be contrasted with the purposiveness of the media. If “every utterance not only transmits some content, but, simultaneously, *conveys the way the subject relates to this content*,” we see that in Paraguay the media not only communicates information but intentionally shapes the way its audience should react to that news (Zizek 2006:16). Zuccolillo admitted as much when he claimed that two generations of “free” press would have the same society-controlling effects as an authoritarian regime—*control* in the sense of auditing/witnessing and in the Paraguayan sense of surveilling, managing, and disciplining.

## **Chapter 6**

### **Seeking Favor**

If battling corruption had been such an important part of the public sentiment that drove the ANR out of office and it if had been so central to the struggles of opposition groups from the 1950s onward, why had the attempts at transparency and accountability in Itaipú failed in the spectacular way they did in chapter 5? The answer, in part, has to do with even deeper expectations of how government should work. Longstanding expectations, well-established distribution channels, and decision-making processes that formed the state in a certain way and framed interactions with the state in a certain way made personalism and, in fact, facilitated a patrimonial state as the path of least resistance. And rather than merely being a consequence, a patrimonial state was often the intended goal of those who sought political careers. Though Weber described patrimonialism as a characteristic of chiefs, in Paraguay, this approach to government office extended far beyond the “chief” executive to any government functionary that exercised control over some state resource—from border crossing agents to police officers.

At the center of this chapter is the question of how to approach the state in order to get what you want. Because the Paraguayan state is often patrimonial—where the power of offices are used as personal resources to be distributed to family and allies (or just used for personal benefit)—the expectation of how to approach “the state” was a question of how to approach individuals, not how to access bureaucratic procedures. Like

many others in Paraguay, I, too, had a favor to ask of Itaipú. But, in my case, it was not for a job or tuition money or a plaza in my neighborhood. The favor I sought was access to data. And I got it, but not in my capacity as a Fulbright scholar on a research trip. Instead, it came at the personal invitation of the General Director of the dam.

“Just wait until you hear how she came to my office,” said Carlos Mateo Balmelli, the Paraguayan General Director of Itaipú. “Yes, how *did* you meet the General Director?” asked the Paraguayan Director of Finance. Mateo anticipated my answer, “She was with a bunch of protestors who came into my office.” Amid the incredulous laughter, I explained, “Well, I saw them on the street and they asked me if I wanted to go to Itaipú and meet Mateo and I said, ‘yes.’” “You just joined a protest you saw on the street?” “Can you believe it? There were two hundred people in my office—I had to give them \$200 because they didn’t have anything for lunch.” We were guests at a special dinner hosted by Jorge Samek, the Brazilian General Director, at the penthouse restaurant in the most exclusive hotel in Foz do Iguacu. Long banqueting tables abutted the glass walls, affording a spectacular view of the city at night. As we ate, we looked around to see if Brazilian President Lula—also staying at the hotel—had decided to join the meal. He did not, but before the trip, a copy of my passport and visa had been submitted to the Brazilian authorities, just in case. A pianist played show tunes and Sinatra and, when he switched to *guaranía*, the Paraguayans seated with me called attention to the local musical style with pride. In the midst of comments about Paraguayan art, I explained to the group of five seated at my end of the table—the Paraguayan Director of Finance, the special assistant to Mateo from the Ministry of Foreign Relations, a Paraguayan ambassador descended from Francisco Solano López, a new trainee in the Ministry of

Foreign Relations being escorted by the ambassador, and Mateo himself—how it was that I had tagged along with the Liberal Youth protest and showed up at the General Director's office.

Though my dissertation proposal had confidently asserted that, as part of my research on the Paraguayan nation-state through its 20<sup>th</sup> century state projects in its eastern tri-border region, I would interview the directorate of Itaipú, I had no idea how to actually accomplish that. My experience in Paraguay to that point, in various reconnaissance trips and in the beginning of my extended fieldwork, was a great deal of attempting to figure out how to get introductions to the political elites with whom I wished to meet. It never crossed my mind to send a letter to Itaipú. The elaborate bureaucracy of the Paraguayan state—at the core of this chapter—with its baroque rituals and variegated procedures, functioned as a barrier, not a conduit. While Paraguay's elites are versed in the diglossic state, I assumed that only the second of its idioms—the omnipresent personalism—would work for an outsider unfamiliar with the intricacies of its bureaucracy. The systems of address, seals, papers that accompany a hierarchy so confusing that most government websites boast an *organigrama* (an organizational chart, which usually bears little relation to actually-existing power structures) developed in an unusual isolation, a post-1870 bureaucracy untempered by much contact with foreign bureaucracies. Knowing, moreover, that my project explicitly endeavored to “study up” and that one of the hallmarks of power is the ability to control visibility, all I could do was pass out newly printed business cards and try to find relational avenues into the halls of power. It had taken more than two months of living in Asunción in previous trips to meet members of Tekojoja. But, given the vehemently partisan nature of Paraguayan

politics, these contacts would not help me access the Liberal Party-led Itaipú directorate. It took four weeks from the beginning of my extended stay in Paraguay before I followed the Liberal Youth from their rally into the Itaipú compound.

This chapter is concerned with detailing a few practices within the administration of Itaipú to give a sense of the texture of clientelism, personalism, and paternalism within the Paraguayan nation-state. That is to say, I attempt to describe not only how these systems work, but what the experience of being in them is like. At its base, the research for this chapter was a close reading of the day-in, day-out functioning of just one office, with attention to the dynamics between workers there, their backgrounds, their tasks. One of the major “tasks” of this ordinary office and its four dozen employees, though not in any job description, was to deal with a steady stream of personal requests being made in writing, on the phone, or in person. Because Itaipú was imagined as wealthy and the office of Executive Directorate was the highest authority in the dam, all the employees in it, from secretaries to guards to personal assistants to executives, had to deal with requests of all kinds. More than a quarter of daily work was spent just on this.

And because this particular office condensed vast [inter]national resources and power, decisions here had effects on a national and international level. Patterns of behavior in but one office had multimillion dollar effects. I argue that here we can find some of the roots of politics and large, impersonal policies because in the daily administration of Itaipú in Paraguay we witness the confrontation between individuals and larger forces for control in determining decisions and results. If, following Gramsci and Bourdieu, the internalization of values/beliefs/convictions plays a key role in the political outcomes of state actions, then Itaipú is a critical nexus between individuals and

larger (energetic, political, economic) dynamics.

While it is easy to describe the Paraguayan nation-state as personalistic and clientelistic, and while new turns in the anthropology of the state have paid attention to the articulation of low-level bureaucracies in communities ranging from Argentine shantytowns to Indian villages, ethnographic research of the heights of power to unpack patronage has proven more challenging. The power of the powerful—whether in tinted windows in luxury cars or concrete walls surrounding a residence—is partially displayed in the ability to be invisible, the ability to hide from view. By taking a behind-the-scenes look at Itaipú’s governance in the context of popular expectations around the dam, I will tease apart nation-state formation by exploring bureaucracy, political partisanship, favor-asking, and personalism. Though the discourse of “corruption” often accompanies clientelistic state structures (accusations of favoritism and trafficking in influence abound), what we see through Itaipú is that two competing logics of power came in to conflict within Paraguay: one of a paternalistic personalistic clientelistic state versus one of an anonymous market-based capitalism linked to a rational bureaucratic modern state. But, to be clear, this is not an argument about a neoliberal moment. Paraguay did not undergo the structural economic changes frequently denoted as “neoliberalism” and the trends toward a neoliberal citizenship do not hold.

As Akhil Gupta (1995) suggested that the study of Third World political formations allows us to challenge the assumed “naturalness” of categories and concepts that arise from the political history of the West, in Paraguay the line between state/nonstate responsibilities (Mitchell 2006) does not fall in the same place between government and economy as it does in, for example, the United States or Brazil. Political

elites have social expectations and economic responsibilities toward their families, their political parties, their communities that cohere according to a paternalistic logic but run counter to rational bureaucratic practice in advanced capitalist societies. Thus, the charge of “failed state” is frequently levied against Paraguay. Talal Asad, writing into a very different debate in *Genealogies of Religion* (1993), demonstrated that the fundamental assumptions behind “secularism”—arising from a particularly Western European Christian context (following the Investiture Controversy)—mean that deep epistemological and practical conflicts arise from universalizing the distinction between religion and politics that is taken for granted in Western European nation-states. A similar difficulty arises within Paraguay as an institution like Itaipú straddles both the personalistic logic of the Paraguayan state and the “rational” expectations of energy markets.

In this chapter, we look at how and what kinds of favors are requested and how they are granted (or not) in order to detail the complexity of a common feature of political systems. How to ask and who to ask are deeply developed social knowledges that follow (or explicitly break) scripts and proceed along a chain of human actors—petitioning favors is highly ritualized. (This may contribute to the increased ritualization of highly bureaucratic personalistic states.) I present a series of unsuccessful requests that were rejected before turning to one that was successful to uncover the expectations nestled in Paraguay’s political culture. As we move through varying forms of requests (written, oral) for different kinds of favors made by actors who were able to access the General Director, we see how the nation and state are stitched together through notions of obligation.

### *Seeking Favors*

As soon as I began to visit the Executive Directorate of Itaipú, a strange thing occurred: people began asking me to help them get their requests to various offices within the administration of the dam, from personal requests that ranged in the hundreds of dollars to help with projects in the hundreds of thousands of dollars.<sup>119</sup> Some asked for help finding jobs after a series of targeted questions (“And who do you talk to when you go to Itaipú?”), one woman saying, “It has always been my dream to get into one of the binationals.” Another woman asked me to see about an internship for her son, “Tell them that I am a single mother, taking care of my one child all by myself.” I was even asked, “Cris, why don’t *you* try to get a job there? They have so much money.” Fielding favor-requests was a regular part of working in Executive Directorate of Itaipú. Employees I saw tried to avoid phone calls that they knew would be requests to put in a good word with the General Director.

And if ordinary employees received phone calls from acquaintances, it was all the more exacerbated for the General Director—a public figure and not just a functionary. Even though it was not in the formal job description, from the very beginning of his tenure Mateo was inundated with thousands of phone calls, visits, letters asking for jobs, support for projects, funding for parties and cultural excursions abroad. To stem the tide, he had an electronic lock built into the doors of his office to prevent visitors from slipping through. Unrecognized numbers on his personal cell phones were vetted by his assistants before being handed to him (or refused)—even I, one afternoon, answered a

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<sup>119</sup> This should not have surprised me, but at the beginning of my fieldwork I was [blissfully? woefully?] ignorant of the ways Paraguay’s power dynamics operated in daily life.

call from the mayor of a municipality who had been hoping to speak to the Director about a certain matter of a project he had wished to discuss. What differentiated these from business proposals and made them “favors” was the personalistic logic that explicitly side-stepped expected bureaucratic mechanisms (such as contests) and/or that the substance of these petitions departed considerably from Mateo’s (or Itaipú’s) job description. At no time did I hear of anyone ask for construction of power lines to improve electricity access in a community.

Although gifts and favors are similar (both may rest on expectation and obligation as we have seen the reciprocity implied in a gift, especially as it circulates (Mauss 2000)), there is a key distinction between the two. Favors are requested. The asking involved is as much part of the process as is the decision to accede (or not) and the thing being petitioned. While a gift may be thought of as four fundamental components (the giver, the receiver, the gift itself, and the act of giving), a favor contains at least five: the petitioner, the one petitioned, the favor itself, the request, the granting.

In Paraguay, favor-asking is a daily feature of political life; and the fact that this is often successful is part of what characterizes the state as personalistic. Itaipú sits at the center of social expectations about government assistance—its founders made it clear that the dam would be a “tool of development,” which in Paraguay often meant direct disbursement of monies or goods to individuals. And so, in addition to producing energy and bringing in government revenue from those energy sales, the dam is seen as a source of employment, outright cash, lucrative contracts (sometimes for services rendered), housing, funding for projects. Looking at the ritual of favor-asking allows us to talk about how the state is imagined in Paraguay—what its responsibilities are, how it works, what

arguments are valid, what incentives are convincing. The powerful in Paraguay are expected to grant favors, not only to assure electoral success via their clients, but as a sign of *solidaridad* (solidarity) and compassion toward others. Favor-granting is not the same thing as clientelism, it is a duty associated with power—a kind of spiritual grace. That is to say, granting favors is prestigious proof of power (akin to driving a luxury vehicle) and a sign of moral worth.

The sheer volume of these petitions for favors suggests that they are not ancillary to how Itaipú (and by extension, the entire state apparatus) functions. While they are not an official component of how a rational bureaucratic (Weberian?) state is supposed to work because favors are framed as inherently personalistic exceptions, in a place like Paraguay these exceptions are more obviously the status quo through which the state administers its resources. Favors are institutionalized.<sup>120</sup> At the binational dam, I was able to witness a public secret—known to occur, but usually hidden—the ways that political elites are asked for favors and respond to such requests. Whether or not favor requests are successful, they reveal how the Paraguayan state—at least in Itaipú—is expected to work. Thus we will be able to sketch popular imaginaries of bureaucracies, of power, and of the powerful. The vantage point within Itaipú also afforded a glimpse into how favors are imagined by actors within the institution. We can then explore how the obligations of state to nation are envisioned from a number of opposing positions—from those in and those outside the state apparatus, from those who desire a favor and from those who have the power to grant it.

Political favors are often mediated through individuals—brokers—who make a

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<sup>120</sup> Although perhaps the better question is how/when favor-granting has become de-institutionalized in some states.

request on behalf of petitioners or who arrange the moment of request between petitioner and petitioned. In Paraguay, personal contacts and access to elites are a frequent source of monopoly rent, called *traficando influencia* (influence trafficking).<sup>121</sup> Much of the research that has been done on political parties and clientelism focuses on the brokers and the distribution of state resources at a local level or for small financial amounts. At the level of the directorship of Itaipú, while there were some of these personal requests made, the kinds of favors asked were noteworthy—large in budget and often not intended personally, but as something to be redistributed to clients by the petitioner. While the petitions that were most likely to be successful—at governing heights just as in an ordinary request to add an extra table in a crowded restaurant—came in person, petitions in Itaipú had a base in writing. This arises from the nature of Itaipú (the kind of bureaucratic institution that works through written documents) and also from a particularly Paraguayan relationship with writing.<sup>122</sup>

Notwithstanding the place of writing, the primacy of the oral request means that access to the one petitioned is of central importance. Position in social networks, proximity to power, and the extent of one's social web are both instrumentally useful and a psycho-emotional source of comfort and identity. In Paraguay, all of these are concretized in one object: the cellphone. Paraguayans, rich and poor, have multiple cell phones, not only because they are cheap or because of the financial savings from calling other numbers within a network.<sup>123</sup> Mateo's four cellphones were surprisingly modest

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<sup>121</sup> One person once told me that this was his professional ambition.

<sup>122</sup> This second relationship and its expression in bureaucracy, though expected as a legacy of the Spanish empire, is so notable that anthropologists working on a wide assortment of issues in Paraguay—from microfinance and credit in Ciudad del Este to peasant politics in the expanding soy frontier—have been compelled to write about it. See also Hetherington (2011) and Schuster (2009).

<sup>123</sup> And thus the practicality of having different phones for different numbers from different carriers where calls to other numbers within one carrier are severely discounted.

gadgets (most of them \$27 Nokias) in a country where the latest model in luxury vehicles reads as status. Rather, the list of names and numbers within them is key. When visiting with humble urban workers in Barrio Obrero or urban elites at cocktail parties, mentioning my research interests almost always prompted my interlocutors, unasked, to unlock the cellphones they already had in hand and scroll through their contact list to magnanimously pass on phone numbers of people they thought I should speak to. And when the brother of one of Paraguay's football magnates (unsuccessfully) attempted to convince me to go to dinner, his inducements included showing me that he had General Lino Oviedo and former-president Juan Carlos Wasmosy's names in his cellphone.

Since proximity affects the outcome of a favor-request, the ability to physically access the General Director was carefully controlled spatially through a number of nested check points. The Itaipú compound in Asunción from which Mateo and previous General Directors administered the dam (visiting the actual physical dam biweekly) has one main entrance. Only vehicles driven by id-card-carrying employees are allowed in while visitors and employees coming on foot must pass through an air-conditioned guard station staffed with six guards and a metal detector. Visitors must have appointments (verified by a phone call from the guard desk) with an employee in Itaipú after which they are photographed and entered into a computer database. Because I was a familiar face—and visiting Itaipú at the special invitation of the General Director—my visits were registered less than half the time. The expired Massachusetts drivers license (the document I carried that looked most similar to a Paraguayan *cédula*, id card) proved sufficient, but new guards regularly asked me where my name was and where to find my id number on it. “You aren't in the system,” I was told at least four times and at least four

times my information was entered into the security database, accompanied with a new photograph.

The office of *Dirección General* (Executive Directorate) occupied much of the fourth floor of the building in Asunción. There was a general reception staffed by a senior secretary with decades of Itaipú experience. Beyond her office was a waiting room with plush leather couches, decorated with carved figurines and paintings. Here those fortunate to have gotten an appointment with Mateo waited, sometimes for hours, to meet with the General Director. On the other side of the waiting room was a small room where several bodyguards waited—visitors had to pass under the watchful eyes of FOPE (Special Forces) guards before entering the large antechamber outside of Mateo's personal office. The antechamber held three full desks where the General Director's two administrative assistants work fourteen hour days (from 6am to 8pm) at least five days a week—both had extensive experience in their post, having worked for many previous General Directors.<sup>124</sup> A few more bodyguards kept careful watch of the director's actual office (which had several heavy wooden doors). Though the antechamber was not the formal waiting area, while Mateo was otherwise occupied, this was where I would wait, chatting with the administrative assistants, the Special Forces bodyguards, and whatever other senior advisors or Itaipú directors might be waiting to speak to Mateo.

Catalina, the senior secretary, had served with several of Mateo's predecessors and knew the internal running Itaipú so well that she often received telephone calls from other departments, not for any information from Executive Directorate, but for phone numbers or contacts throughout the institution. Her chief assistant, Antonio, was a

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<sup>124</sup> It is important to note that these hours are easily twice the normal work week in Paraguay and of government functionaries, in particular, who work from 7am to 1pm Monday through Friday.

technology guru who had started in Itaipú as a shoe-shine boy and gradually worked his way up to an important position in the Executive Directorate. Their warm camaraderie set the tone for the office, often interlacing Guaraní with Spanish when only they and the Special Forces (FOPE) bodyguards were present. As members of the elite police force, the FOPE guards, like Antonio, had risen from very humble origins and were now as adults entering university or teaching themselves English on the side (and practicing new words with me). Catalina, Antonio, and the guards took pride in their professionalism—they had dozens of phone numbers committed to memory and worked long hours. In spite of their vantage point—seeing who visited the Executive Directorate—they withheld their opinions and treated every visitor with unbending politeness. But, in private moments of pause (when the office was empty of visitors and the General Director was in meetings), they engaged in sly sarcastic banter, often teasing one another and then teasing me as I became a fixture in the office.

Once, when I voiced my surprise and said, “Oh, was that person waiting to ask for a favor?” Aquiles, one of the guards, did not even lift his gaze from the newspaper he read to say, “But, of course.” And Catalina wryly added, “If you don’t know that, then what you’re writing there [in your field notes] is not correct.” Being teased was a hallmark of familiarity that occurred four weeks after I began to visit the Executive Directorate and coincided with being introduced to the families of many who worked in the office. “We’re going to have to secretly affiliate you with the Colorado Party... you get these favors from your government!” said Enrique, an “asesor” (advisor) to Mateo when he learned that I was to take a Fulbright-sponsored training trip to Buenos Aires. Though the guards greeted me with the nickname (started by Enrique) of “la CIA” and

“la espía” (Catalina just called me “mi vida” and “la niña”) and the other assistants used “vos” (the informal second person) with me, whenever any of the directors or any outside visitors came by, they switched to using “usted” (the formal second person) with me and would regularly introduce me as “la investigadora de Nueva York,” (the researcher from New York) often taking the initiative to present me to others.<sup>125</sup>

Waiting, even more than title of address, indexes power within states. Mateo, as General Director of Itaipú, was, in terms of his appointed managerial position, lower in government hierarchy than an elected congressperson or governor. And yet, senators, deputies, governors, and mayors had to sit in waiting rooms until the General Director was free and if they should arrive late to their appointment (as one deputy did, arriving more than an hour late), the appointment would be lost, replaced with those who were present or forced to wait for hours. The role reversal—having to wait when one is used to having visitors—clashed with political hierarchies. When one legislator slipped past the front receptionist and the guardroom and strode into the antechamber, brashly confident that she could command Mateo’s attention that moment even though he was in a meeting, the senior secretary snapped into action. With incredible deference and politeness, Catalina explained that the director was caught up at the moment, but that there was a special room where the legislator could wait for him and would the guards to please escort her there. She called for servants in livery to attend her, offering her a choice between coffee, chocolate, or cocido.<sup>126</sup> Catalina’s tact and formality allowed her to

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<sup>125</sup> “La CIA” means “the C.I.A.” “La espía” means “the spy,” which was often augmented by the name of the U.S. ambassador at the time “la espía de Liliana.” “Mi vida,” “my life,” is a term of affection and “la niña” means “the girl” (said almost in the sense of “my daughter.”) The Paraguayan style of choosing nicknames is often based on personal features that would be read as offensive in the U.S. But that these were all terms of affection is clear in the fact that I was invited to private parties by members of this office, met their families, and still receive email correspondence from them.

<sup>126</sup> Yerba mate that has been boiled with caramelized sugar.

finesse a delicate situation—an instance (one of many) where sensitive egos could have been easily bruised and led to a political problem.

Like visitors to Itaipú, letters underwent a screening process, per institutional protocol for the dam. After the *Mesa de Entradas* (the front desk) received a letter, a worker stamped the document, signing and dating it. It could then take a few days before letters intended for the General Director made it to the Executive Directorate, where they were stamped once more with the time and date of receipt. These changed hands a few times before making it into the hands of Catalina or other senior administrative assistants who would be sure that the General Director sees the document. Because personal discretion played a decisive role in determining what documents were presented to the director versus what documents were filed away, great care is taken by the senders to make the documents as convincing as possible. Letterhead was used, as was incredibly florid language, and the bottom of documents bore the stamps or seals of the writers (often more than one). Communiques delivered in person from “important” sources might get expedited. It is a skill to be able to read these signals and familiarity with them is a hallmark of seniority and position within an organization. Presidential letterhead, for example, is a soft peach color with a white-lettered watermark, but when photocopied or faxed, the color (and watermark) is lost. Only those in offices that would receive a direct dispatch from the presidency (as would the General Director of Itaipú) would have seen an original and thus be able to recognize an authentic message from Fernando Lugo. The lost detail in simple black-and-white copies printed in newspapers or disseminated within an organization—the ways most people have seen a memo from the president’s office—reveals a distance of contact.

While petitioning favors in writing is a skill honed through much experience in Paraguay and though there is a general formal register in which these are communicated, there are some noteworthy stylistic differences. The source of the requests affects the kind of language used as well as determining (somewhat) the kind of requests made. The religious order Sisters of the Sacred Hearts of Jesus and Mary asked Mateo to “settle (*solventar*) the costs” of the trip to an international laity conference in Brazil.<sup>127</sup> After describing the virtues of the spiritual and social growth afforded by the opportunity, they closed their request for twenty-six million Guaraníes (around five thousand USD) with “In hopes of a favorable response, we send you greetings in Christ, our Lord, and wish you success in such an important leadership role.” Like other written requests, the religious order ended the letter with a reference to “hoping for a favorable response,” but also included a salutation that was overtly Christian (following in the traditional closings of New Testament epistles). The literary style of the National Police, on the other hand, was consistent with the reports from the Archives of Terror which we saw in chapter 2.<sup>128</sup> After the oft-repeated opening “I direct myself to you with the aim of...” came the succinct specific request for patrol vehicles, furniture, office equipment (including an air conditioner), and walkie-talkies.

The organizing committee of the 9th Caazapa Expo (a city three hours southeast of Asunción) made sure to reference, repeatedly, that it had enjoyed the support of Itaipú in previous years.<sup>129</sup> Appealing to Mateo’s “well-known good disposition toward those

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<sup>127</sup> The following documents came to public attention via an anonymous expose in ABC Color, which reprinted facsimiles of the requests. Although unstated, the widely-held assumption was that the documents were, in fact, leaked by Itaipú Executive Directorate. The religious order was founded by Mother Eugenia Ravasco in the late 19<sup>th</sup> century, Italy. Source: 27 de Octubre, 2008, Lambaré; Hijas de los sagrados corazones de Jesús y María.

<sup>128</sup> Source: 10 de Noviembre, 2008, Ciudad del Este; Policía Nacional, Comisaría 11a, Metropolitana.

<sup>129</sup> Source: 23 de Diciembre, 2008, Caazapa; Comisión Organizadora 9o Expo Caazapa 2009.

undertakings whose character is communal and social,” the committee asked for: outright economic support of forty million Guaraníes (about eight thousand USD), three-day touristic excursions for one hundred visitors (including food, transportation, lodging), and souvenirs to be distributed from an Itaipú stand at the Expo. These requests—made for public and private organizations—displayed no sense of hesitation or secrecy. They were openly signed and stamped by the Chief of Police or a committee’s President. That they are rooted in a paternalistic view of the state is even more evident in the neighborhood development committee for the Asunción barrio “Virgen de la Asunción de Santísima Trinidad,” which asked for the “padrinazgo” (“patronage”) of Itaipú in the construction of a plaza “in a barrio where we lack green spaces.”<sup>130</sup> The use of the term *padrinazgo* (“godfatherhood,” which refers to the fictive kinship system common in Latin America), rather than *patrocinio* (the more common term for “patronage” or “sponsorship”) highlights expectations that a *pater familias* state would provide—as a godparent—for those under its care.

After nearly six months of requests like these, Mateo found a solution. He had two versions of a stamp designed, saying “*Pague de su bolsillo*” and “*Paguen de sus bolsillos*”—“pay for it out of your pocket” (singular and plural). When a request for funding made its way into his hands, he would sign and stamp it on the bottom with his official seal (his full name and title) and then, at the very top of the document, stamp it once more with “*pague de su bolsillo*” and initialize it, to complete the formality. The idea followed a story told about Liberal president Eligio Ayala, who, during his tenure as Minister of the Treasury (1928-30), received a request from then-president José Guggiari

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<sup>130</sup> Source: 22 de Septiembre, 2008, Asunción; Comisión Vecinal de Fomento “Joajupa” Barrio Virgen de la Asunción Santísima Trinidad.

to finance the hiring of a secretary for the president. Ayala supposedly returned the very written request with the response, “If the President wishes for a secretary outside of the budget, let him pay for it out of his pocket.” News of this was leaked (certainly by Mateo’s office) to the media immediately, which published copies of petitions to Itaipú, replete with the stamp. The backlash was instant: some praised the willingness of Mateo to stand up against the *pecheadores* (sucklers, from “pecho” or breast, to mean those who suckle at the teat of an animal), many others excoriated him for being insolent. One exasperated Liberal party activist even said to me, “When the Colorados were in power, I could get things and now, when we’re in power, I get nothing?” In private, Mateo reflected, “This has made people very angry at me. Do you think this is political suicide?”

He nevertheless employed it with delight, in person and in writing. Months later, per an introduction from his brother, the General Director received a quick visit from two men representing a sport-and-community NGO. The first who spoke was a former football player who had enjoyed an international career. He and Mateo made small talk about the international prospects of Paraguayan football players, but when Mateo said “What do you want from me?” the second man stepped in. The two visitors described the goals of their NGO—to engage Paraguay’s youth in positive and healthy activities as opposed to drugs and violence and toward that aim they were committed to building football fields in communities that did not have them. Mateo listened, nodding, stamped a slip of paper which he then signed and handed it to the visitors. As they looked dismayed at the “pague de su bolsillo,” Mateo responded, “My job is to sell energy, not to build football fields.” He continued, “Alguien con plata es como mujer hermosa; todo el

mundo te acosa,” [Someone with money is like a beautiful woman—everyone goes after you]. Then he added that they should find an organization that would partner with them—particularly the municipalities—and once having gotten that pledge of cooperation and support, they should return to Itaipú and re-submit the proposal because Itaipú was interested in partnering with local organizations, not just funding such things on its own.

Not every request was sarcastically dismissed. For questions regarding employment in Itaipú, the banality of bureaucracy sufficed. The matter of employment within Itaipú was perhaps even more explosive an issue than that of funding projects or events. Wages within Itaipú were set on parity with Brazil and closer to international standards for remuneration in a globally significant energy company. In addition to earning much more than the average Paraguayan worker (where minimum wage was a little less than \$300 monthly, but average income is less than \$175 monthly), employees in Itaipú had mandated retirement investments and healthcare at Itaipú-funded clinics. When reports were leaked of how much Mateo’s bodyguards earned, about one thousand dollars monthly—considered to be much higher than what security guards on average earn, the press treated it as a scandal.<sup>131</sup> Directors and upper-level administrators and those with professional degrees made even more. The Director of Administration, for example, who was supposed to be based at the dam, earned about thirty-six thousand dollars a month in wages and in a stipend for living away from the dam (for those days he

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<sup>131</sup> These guards worked longer hours than even Mateo’s administrative staff—they were on the job at 5am and often ended their day at 10 or 11pm six days a week, effectively working more than two times the average work week in Paraguay. And given the death threats and kidnapping threats made against Mateo, there was reason to believe the guards regularly put themselves in danger.

spent in Asunción).<sup>132</sup> He also had several staffed residences, paid for by Itaipú, in Alto Paraná and Asunción. Setting aside the ability to ask for kick-backs and other illicit sources of additional income, employment in Itaipú was itself a considerable financial windfall. And employment in Itaipú, though allegedly attached to technical capacity and merit, was often granted as a favor or for reasons other than skill. Résumés were accompanied by letters of introduction written by political or social patrons attesting not to a candidate's training, but to his or her party affiliation. One ANR seccional president wrote to the previous General Director to inform him that an individual was "a member of our political party's base and cooperated in the activities and shared the dispositions of our party."<sup>133</sup>

If employment was a favor, then effort at work was a response of loyalty. The politicization and personalization of Itaipú jobs continued into the Lugo era. "People are asking—pressuring—me for jobs," Mateo said one afternoon. "And the argument they use to ask favors for their sons, nephews, lovers is that I need to have people here who will support me. That I need people who will back me so that I am not alone." When Mateo took office, he discharged hundreds of employees who were supposedly political appointments—again, delighting some and offending others. While this was justified as a necessary trimming of a bloated and unfit bureaucracy, those who lost their positions understandably took this personally.<sup>134</sup> Some took to protesting in front of the Itaipú gate, other reactions were more private. As part of the dismissals, the brother of one deputy lost his position in Itaipú; their mother then wrote a personal letter to Mateo, asking that her son be hired. The son of another deputy sought a position as firefighter, but did not

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<sup>132</sup> Bogarín, about whom we read much more at the end of the previous chapter.

<sup>133</sup> Letter to Ramon Romero Roa from Omar Pico Insfran, printed in ABC Color on January 17, 2009.

<sup>134</sup> I saw people weeping as they left the DGP's office.

pass the physical requirements due to his excessive weight. Whether or not these rejections were political maneuvers by Mateo, when the subsequent tension between both deputies and the General Director resulted in a formal interpellation by Congress, they both voted to censure him. But when it was publicized that these two deputies had voted against Mateo after unsuccessfully lobbying for the employment of their male kin, they backtracked. As members of new parties who had built reputations on critiquing the ANR's practice of favoritism, their reputations suffered.

Though these written and spoken petitions were rejected, they followed the pattern of what would lead to a favorable response. After a long summer day made worse by a blackout that even affected the Itaipú compound, Mateo met a group of visitors who had caravanned to Asunción from Ciudad del Este.<sup>135</sup> Sandra McLeod, the new mayor of Ciudad del Este, had arrived with her entourage to sign an agreement with Mateo so that Itaipú would help address the city's chronic water problems. One of her attendants scurried about the conference table, photographing the event as the group discussed when to announce the agreement to the press—Mateo insisted upon waiting until Jorge Samek had also approved the agreement. “Christine,” said Mateo, beckoning me to the conference table. “This is someone very important in the politics of the frontier,” he continued, “You need to get to know him, although he is a Colorado.” (This last comment was said as a joke and elicited chuckles.) Thus Mateo introduced Javier Zacarías Irun, McLeod's husband.<sup>136</sup> Zacarías and McLeod were longtime residents of Alto Paraná, where he had a successful law practice before entering politics as a vocation. Though he

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<sup>135</sup> Leading to ironic comments by the staff throughout the day.

<sup>136</sup> McLeod and Zacarías, like many other couples in Paraguay, have different last names because of the tradition to retain the patrilineal maiden name when a woman weds. Some women choose to add their husband's patronymic (particularly when his family name holds prestige), using “de.” Thus, McLeod is sometimes referred to as Sandra McLeod de Zacarías and even just Sandra de Zacarías.

held no office at that point, Zacarías had preceded his wife as mayor of the country's commercial capital, had helped his brother gain a seat in the Chamber of Deputies, had placed one of his assistants in the governorship of Alto Paraná, and was president of the largest Colorado seccional in the country, able to command thousands of votes. In the internal disintegration of the Colorado Party between Nicanor Duarte and Luis Castiglioni, Zacarías—wooed by Duarte—chose to throw his hat in with Castiglioni and was seen as the de facto vice-presidential candidate for Castiglioni's upcoming 2013 electoral run.<sup>137</sup>

While McLeod was in office, Zacarías led much of the conversation with Mateo. Mateo sat at the head of the conference table, with McLeod and her assistants seated along one long edge to his right. Zacarías sat across from her at Mateo's left, taking up the whole length of the rectangular table by himself (until I was beckoned to sit next to him). He, like Mateo, leaned back in his chair, away from the table, taking up more space in the room than the others who sat upright in their chairs, hands folded in laps, eyes darting between the speakers.

*They began with commentary about the state of the Itaipú negotiations.*

Carlo Mateo Balmelli: How can Canese say that we are “questioning” the debt?<sup>138</sup>

Sandra McLeod, *agreeing*: You cannot negotiate with Brazil by using force, you have to do it diplomatically.

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<sup>137</sup> Since that time, Zacarías has separated from Castiglioni and formed his own faction within the ANR, presumably in hopes of launching his own presidential campaign for 2013.

<sup>138</sup> That is to say, considering not paying the Itaipú construction debt.

CMB: How can Paraguay think to claim that the debt does not exist? Ecuador owes Brazil one billion dollars and it can pay.<sup>139</sup> Bolivia owes seven billion and it can easily pay that with gas. But sixty billion? I have never heard of a country forgiving that size debt.

Javier Zacarías Irun: Paraguay is in a very different position, geopolitically and economically than either Ecuador or Bolivia.

CMB: I could never imagine the United States—the largest economy—wiping out a debt like that. Unless I'm wrong and forgetting an example? In the 80s, it was re-financing the debt and making them pay.... [Brazilian General Director Jorge] Samek said to me, "You are hard, you are very hard with us. But [unlike the other Itaipú negotiators] you are fair." We [Paraguay] must be rational.

JZI: Do you think Samek is someone we can deal with?

CMB, *in a gentler tone*: I think Samek is someone we can deal with.

JZI: That is also my impression.

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<sup>139</sup> Ecuador and Bolivia had successfully challenged the Brazilian government over debt and ownership of oil and gas mines. The Ministry of Foreign Relations negotiating team and the CEBH often spoke of these two as examples Paraguay might follow when renegotiating with Brazil regarding the \$60 billion Itaipú construction debt.

SM: Mine, too.

JZI: If you treat Samek with courtesy [*gentileza*], diplomatically, you can get anything out of him.

SM: ....We were in a meeting last week in Brasilia with various senators to sign an agreement, but they brought up the question of respect toward Brazilians. Almost as a condition for signing. We have *brasiguayos* who have lived on our side for thirty years. I said, “Lugo will respect the constitution. Yes, we respect property [ownership of the Brasiguayos].” But this is a big issue with them.

*And then the conversation turned toward Ciudad del Este.*

SM, *with conviction*: We bring in one million dollars a day to [Minister of the Treasury] Borda in customs receipts. And with the changes coming this year, it can be three million.<sup>140</sup> But the sense is that, though Ciudad del Este contributes so much to Paraguay, it doesn’t get enough help from the government.

JZI: We want to develop the center of Ciudad del Este, to organize it to bring in more tourists.

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<sup>140</sup> Dionisio Borda, the Treasurer, Minister of Hacienda. The state is so personal that the mayor of Ciudad del Este refers to the entire Treasury by the name of the person who runs it. As if they are giving money to Borda personally, not to the government. “Changes coming this year” refer to whenever the RTU passed. This would “formalize” the petty cross border arbitrage by linking Ciudad del Este’s customs to Brazil’s tax regime.

SM: This is very important.

CMB: Of course, Ciudad del Este is the point of entry for Brazilians into Paraguay.

JZI: We need to fix the bridge—we need to paint it and repair the nets.<sup>141</sup> We need to make it wider. Supposedly, it is Brazil’s responsibility to “care for the upkeep,” which is to say, to “not care.”

CMB, *thoughtfully*: How much would that cost?

JZI: Less than three hundred thousand dollars.

SM: No, less than one hundred fifty thousand dollars.

CMB: There is no problem with this. If we have a good relationship with Brazil, then things flow. But when tensions are high, it’s difficult to sign off on projects.

JZI: When can we meet [in Ciudad del Este] to finalize?

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<sup>141</sup> The *Puente de la Amistad* (Friendship Bridge) that connects Ciudad del Este to Brazil over the Paraná River. Across this bridge moves massive foot and vehicular traffic.

CMB, *planning on flying east in the early morning*: Tomorrow morning? Thursday morning? I do not have time after a long day. I run ten kilometers every night.

SM: Where do you jog?

CMB: In Itaipú itself. Everyone is impressed that I once ran around the lake in Ciudad del Este.

SM: But that is dangerous!<sup>142</sup>

CMB: Not only that. The ground is so hard that if you run on it, you will get a headache.

JZI, *interjecting, changing the topic*: And what of the youth training program? We take eighteen-year-olds and place them in companies where they gain skills and important experience. And for one year, their wages are paid by Itaipú. After this one year, eighty percent of them get hired by those companies. This is a very important program for us.

CMB, *slowly*: I am interested...

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<sup>142</sup> Note that the Zacarías residence and law offices, one of the largest and most ornate buildings in Ciudad del Este, faces the lake in Ciudad del Este. Also note the admission of the city's insecurity by the mayor of the town.

*JZI, sensing Mateo's reticence, waving his hand dismissively: No, no, I am just telling you for you to know, for the year that is coming. A pause, and then returning to make a stronger argument for why the program should be funded.* There are one hundred thousand workers in the center of Ciudad del Este and sixty percent of these are not from the city, they are from Hernandarias, from Presidente Franco. Which is to say, taking care of Ciudad del Este is taking care of more than Ciudad del Este. [Author's notes from meeting]

In the weeks following this meeting, Itaipú and Ciudad del Este publicly announced a series of projects where the dam would fund improvements in the Friendship Bridge, in the water system, in the downtown area of the city (the center) which receives thousands of day-tourists shopping from Brazil and Argentina. Newspapers and the official website of the municipality of Ciudad del Este showed pictures of Mateo and McLeod shaking hands and signing documents—no mention was made of Zacarías, even though his role behind the scenes was widely-suspected and, as we have seen, crucial. Thus, public political success accrued to McLeod, but Zacarías continued to amass private political heft. This meeting between Mateo, Zacarías, and McLeod offers a wealth of data about how the Paraguayan political system works at its heights, in great part because of who the two men were. Mateo and Zacarías, not only members of different parties, were rivals who saw (rightly) the other as presidential aspirants, political equals able to mobilize thousands of voters, with well-entrenched linkages in all parts of the government and in business. Within two months, they were

publicly sparring in the media.

And yet, their private meeting was cordial and effective. Zacarías was able to initiate a series of requests even though the benefit would be to the ANR, jobs and services that their faction would be able to distribute and take credit for. Mateo met with Zacarías and McLeod not because they were friends, but because they were peers. The tone of the conversation, despite a few moments of levity, was fiercely cautious with opinions closely guarded. Though Zacarías never put his requests in the form of a question and physically dominated the space of the room with Mateo, the deference intrinsic to favor petitions was found in his tone of voice. The ornate flattery and formality of *usted* that characterized the written and oral requests mentioned previously were entirely absent. But rather than the fiery, indignant cadence used by Paraguayan politicians when speaking publicly, he spoke in a softer, smoother intonation.<sup>143</sup> Deference, whether in the example of Catalina with the legislator or Zacarías here, is a strategic tool that makes requests more difficult to deny by installing a hierarchy. But there is more than just politeness that was at work in this interaction that led to the successful outcome of the request.

I would suggest that here we see that Paraguay's politics are a gentleman's game, with all the trappings of patriarchy and little of the chivalry that phrase implies. Sandra McLeod was clearly a leader in her own right; she freely offered her own analysis of Paraguayan politics throughout the discussion. And yet, her husband was considered the important politician. Zacarías' example shows that it was not necessary to be in office in any way—either to be elected or appointed—to have an effect on municipal policy. He, like Lino Oviedo, could exert influence and shape national policy through his proxies,

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<sup>143</sup> A fiery cadence that follows rhythm patterns from Guaraní?

and be known as the *real* political heavyweight behind the cover of whatever elected politician it was that appeared in the public sphere. Many female politicians were proceeded into public service by male relatives, and this knew no colors: from the first female judge on the Supreme Court (a Colorado, whose father was once a judge) to the Liberal Deputy Emilia Alfaro de Franco (vice president Federico Franco's wife) and even in progressive parties like the Progressive Democratic Party (PDP), of which Deputy Desiree Masi and her husband, Rafael Filizzola (Lugo's Minister of the Interior) were a part. Regardless of their qualifications, the perception is that women are at the table at the behest of the men. And so, when the Paraguayan state is described as paternalistic, this is not just because the state is *like* a family; the Paraguayan state operates through kinship relationships.

Why would Mateo concede to Zacarías' requests if this were not a clientelistic relationship or one where Mateo could then hope to get votes from Zacarías' Colorado supporters? These concessions did nothing to improve the relationship between both men—the granted favors did not buy loyalty or friendship as they descended quickly into strongly worded disagreements in the press. And this was not seen as a betrayal of friendship (unlike Zacarías' turning against the governor he put into office, whom he accused of corruption). On one level, Mateo, as a Liberal, demonstrated magnanimity and bi-partisanship by granting the favor request of someone from a competing political party and in that way avoided accusations of being vindictive. One of the chief fears propagated by the Colorado Party was that once the Liberals were in power, they would make up for lost time, hiring only Liberals, funding only Liberal municipalities, and doing unto the Colorados as the Colorados had done unto them. Mateo's actions were

proof that such a prediction was false. But on a deeper level, this encounter reaffirmed the rules of the game, that rivals get treated as equals and that their authority gets respected. Like French and British colonial officers ensuring that their counterparts were treated well, even in warfare, “important” politicians, even from other parties, are treated as such. Zacarías, through his spoken deference, ratified the importance of Mateo’s position, even though the director was a Liberal. And Mateo, through his willingness to receive Zacarías and accede to his requests, recognized the weight of the Colorado politician.

Petitioning and granting favors is not an exception (and not even an exception whose commission is law-affirming), but actually the way the system works. With every request made, the importance of access and position in a network, the force of formality and presentation, ideas about paternalistic authority and responsibility are reaffirmed. The purportedly exceptional nature of a favor request from a Colorado leader to a Liberal leader in reality sanctioned more than the personalistic and paternalistic nature of the Paraguayan state, it consolidated the power of the powerful in the political hierarchy. And it created a debt that the Liberal leader could collect on later should Mateo one day need to ask Zacarías for something.

Underlying all the favor requests was the perception that Itaipú overflowed with cash and that this was distributed according to personal connections—that the highest paid positions (the directorships and Governing Council positions) were appointed directly by the president of the country only reinforced this. Bureaucracy in Paraguay is mimetic but not functional; it imitates the procedural steps of other governments’ bureaucracies to certify rights and privileges, but in so baroquely complicated a way that

bureaucratic procedures have little to do with the outcomes they are purported to govern. This makes way for the personalism, resorting to personal relationships rather than technical guidelines, in order to accomplish anything in a government institution. Because authority in Itaipú is perceived to have little to do with merit and everything to do with personal connections, the wealth of Itaipú is therefore imagined to have little to do with merit and everything to do with personal connections. Chief among these personal connections was party affiliation—an employee once wore a blue tie and fidgeted with his blue ring in front of Mateo as he (unsuccessfully) implored forgiveness for driving intoxicated through a tunnel at the dam and passing into oncoming traffic. But while political affiliation might secure access to those who had power to grant favors, political elites—whatever their party—had an even greater bargaining chip when asking for favors. They could be expected to return favors in the future. This context is also why Mateo’s “pay for it out of your own pocket” stamp communicated brilliantly. Rather than chastising supplicants for making their requests by appealing to a modern and not personalistic logic of governance, the stamp belongs to the semiotic register of the state bureaucracy.

### *Conclusion*

Dealing with favor petitions and managing transparency easily consumed one third of the time and human resources of the Executive Directorate in Itaipú—unless they were in the midst of a crisis, in which case managing the media and resolving the problem *du jour* demanded full time attention. If this public hydroelectric plant, unparalleled source of non-tributary government income, is representative of the larger

state apparatus, then what we see is that superintending personal requests and handling the public perception of government [mis]deeds is much of what the Paraguayan state does. Clientelism and paternalism are not just institutionalized paths to be followed, they are internalized by individuals as they encounter the state. That is to say, how they are felt is core to how the state is experienced and internalized as feelings give rise to expectations which, in turn, result in actions. The two complexes of emotions discussed in concert with favor petitions (chapter 6) and exposing corruption (chapter 5)—closeness/proximity/security and frustration/hopelessness/cynicism from the unsuccessful battle against “corruption”—cement a psychological disposition toward the state.

Positive and negative experiences with institutions, places, and appointed individuals who incarnate the state are as much a part of building up the Paraguayan state apparatus as are laws, procedures, or revenue. In the opening of this pair of chapters, I made reference to the “diglossic” character of the Paraguayan nation-state because it operated in two idioms: florid bureaucracy and ubiquitous personalism. These two aspects are not just the rules for communicating, visible through what is performed more and less successfully by those who have mastered the grammar, they also become the hermeneutic, the lens through which to perceive and interpret reality. When neighbors see a formerly humble government employee building a new patio or driving a luxury SUV or read of monthly salaries in the thousands (let alone tens of thousands) of dollars and yet see unfulfilled government projects, what is perceived about state power is that it is arbitrary, at the bidding of individuals, and still highly effective—effective at increasing the wealth of those fortunate to be on the inside. And surely employees in Itaipú—the bodyguards and administrative staff who worked fourteen hour days—had experiences

like mine, witnessing requests for favors and even being asked for them.

The lessons learned from these experiences and the emotions—of closeness, of powerlessness—generated by them constrain what people expect the Paraguayan state could and does do for the nation. And so, both the petitioning (and granting) of favors and the (attempted) implementation of transparency to combat corruption reinforce the existing political system. These are but two manifestations of paternalistic, personalistic, and clientelistic behaviors that compose Paraguayan political life. As the building blocks of the Paraguayan nation-state—learned behavior and ingrained expectations—these are deeply entrenched not only because they are learned, but because they are rewarded. All aspirants to “change” have run aground on these shoals.

## **PART IV: Itaipú Futures and Development Dreams**

Itaipú is a way of speaking, planning, and funding the future. The dam as shorthand for potential futures operates both regionally and nationally. To recapitulate, I argue that we can use Itaipú to unlock the formation of the international state system in Latin America and to unlock Paraguayan nation-state making. The first derives from its binationality with Brazil and the second from its economic weight within Paraguay. This fourth and final section of the dissertation explores political economics as they unfold in the future-orientation of Itaipú on a Southern Cone-regional scale and a Paraguayan-national scale, which sometimes intersect, collide, or move independently along quite smoothly.

The stakes of the negotiations with Brazil were high, not only because of the financial ramifications they could have on Paraguay or on the prestige and legitimacy of Lugo's new government (and, by extension, the democratic process). But, rather, at it issue was more than energy, or even global water resources in the Guaraní Aquifer; at issue were the rules of political economics in South America for the 21<sup>st</sup> century, internationally, in the context of Brazilian hegemony. At the same time, the financial impact of Itaipú for Paraguay was a tangible opportunity—unparalleled in at least a generation—to finance a radical redirection in the political, economic, and social reality of the Paraguayan people. Itaipú was thus used as a way of dreaming and designing the future. And so, in this section we will discuss (chapter 7) the culmination of the international negotiations—the Joint Declaration—and (chapter 8) the associated national debates about how to use Itaipú to initiate a new course in the future of Paraguay.

Given the concomitant historical development of the capitalist global economy, the international state system, the modern nation-state, and European colonial expansion into the non-European world, decisions about international relationships and money expose the functioning and reformation of modern political economic structures. Thus, as we, in chapter 7, go through the international dilemma of the Joint Declaration and, in chapter 8, the national dilemma of Itaipú's money, we will see the roots of political action.<sup>144</sup> The political economy of energy in South America and the political economy of Paraguay provide a lens through which to glimpse changing regional power dynamics in the shadow of increasing Brazilian expansion.

This is not to say that the region's energy policies and Paraguay's economy are solely dictated by Brazil's growing penetration into its neighbors and its simultaneous rise as a global player. Rather, these choices and changes in energy distribution in South America allow us to unpack what Paraguayans (and others in the region, perhaps) mean when they accuse Brazil of "imperialism." The techniques that Brazil's government uses and affirms in agreements like the Joint Declaration have an internal legitimacy and historical basis from which appeals are made—the language of Brazil's foreign policy is framed as benevolent, certainly not imperialistic. Nevertheless, the ways energy, commerce, water, and industry are linked in Itaipú presages a new direction in the region's political economy vis-a-vis Brazil and its neighbors. The 1966 binational negotiations between Brazil and Paraguay over water had regional effects and propelled the re-formation of Southern Cone international dynamics resulting in not only tripartite

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<sup>144</sup> Note, just as one example, the prevalence of the War of the Triple Alliance as the hermeneutic in Paraguay for all underdevelopment, social ills, and international relations, based on narratives of cause and effect, conceptualizations of ideals. The ways different groups within Paraguay conceive of the past and idealize the future affect the ways the game of politics is played.

treaties with Argentina and non-war-related agreements among the Southern Cone and Bolivia, but actually leading to a drastic regional realignment and the creation of the Common Market of the Southern Cone, Mercosur.<sup>145</sup> Thus these new negotiations were seen in the region as not only a transformation in how Paraguay would be inserted into the region, but how the region itself was constituted. In this remaking of the region, an economic triad of energy—commerce—agribusiness, made in the image of Brazil, was the basis for 21<sup>st</sup> century integration and prosperity.

At the same time, Paraguay is at a crossroads where even the kind of democracy implemented is under debate as proponents of “representative” and “participatory” democracy take sides against each other. And as a traditionally agro-export based economy, not only is agrarian reform on the table, but the economy is being reframed as an energy-export based economy.<sup>146</sup> Fundamental questions about the nature of ideal development have arisen as various models are discussed and debated within the

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<sup>145</sup> There is a direct genealogy between the founding of Mercosur and the water/energy agreements around Itaipú. When the 1966 Act of Foz do Iguazu was signed between Brazil and Paraguay (to end the controversy over ownership of the Salto del Guairá by building a binational hydroelectric dam that would flood them), this was the definitive sign that a new alignment toward Brazil was taking place within Paraguay and that Brazil was extending its influence westward, into a zone previously under the dominance of Argentina. The destabilization of the previous balance of power led to the signing of 1969 Treaty of the Cuenca de la Plata between Argentina, Bolivia, Brazil, Paraguay, and Uruguay, which asserted the rights of the signatory countries to make bilateral agreements over international waters without the approval of downriver countries, but also stated that such agreements should not cause harm to downriver countries. This was a significant move toward cooperation rather than conflict in the region. And when the Itaipú Treaty was signed in 1973 by Brazil and Paraguay, it was shortly followed by the Yacyretá Treaty (1973) between Argentina and Paraguay. Even political analysts at that time realized that much more was afoot than merely a few hydroelectric agreements. This led to a tripartite agreement (regarding hydroelectric dams on the Paraná), the 1979 Corpus-Itaipú Agreement between Argentina, Brazil, and Paraguay (signed in Ciudad Puerto Presidente Stroessner a.k.a. Ciudad del Este). The positive experience of the successful negotiation of the 1979 Agreement led to another Act/Declaration of Foz do Iguazu (1985) between Argentina and Brazil which called for a High Level Joint Commission for Integration between Argentina and Brazil. In turn, this led the way to the 1986 Program for Argentine-Brazilian Integration that was superseded in 1989 by the Integration, Cooperation, and Development Treaty between Brazil and Argentina. The 1991 Treaty of Asunción followed, a push to foster economic integration not merely along bilateral, but multilateral lines, giving way to the idea of a common market. The 1989 Treaty of Asunción, signed by Argentina, Brazil, Paraguay, and Uruguay founded Mercosur.

<sup>146</sup> Lugo himself has made this reference repeatedly.

government and within civil society at large. Venezuela's example of *sembrar el petroleo* (sowing oil) as the means of development has been explicitly referenced with the Paraguayan twist of *sembrar el agua* (sowing water), often slipping into a kind of "hydrostate" model.<sup>147</sup> Expectations of government-led direct redistribution of energy resources and profits to the citizenry are rarely tempered in public political speech by cautions against over-reliance on the export of one product to the neglect of other sectors (i.e., "Dutch Disease"). And certainly the structural-organizational threats to democracy attendant with the dependence on one lucrative natural resource, typical of petro-states, lurk unheeded. Yet the other "new" model of development—industrialization via foreign-investment in an energy-subsidized environment, an ideal of export-oriented development (Bulmer-Thomas 1995)—bears much in common with previous attempts to attract international interest, from the massive land sales following the War of the Triple Alliance to Stroessner's overtures to Brazilian agriculturalists.

In order to arrive here, at the heart of what was most urgent about Itaipú Binacional to Paraguay, we first had to journey through Lugo's election, the splintering of the Colorado Party, the rise of a mobilized and politically empowered Left, the concretization of the goals for negotiation, the bickering within and fracturing of the Patriotic Alliance for Change, the quotidian expectation of patronage, the interlocked battles against corruption and against transparency, the different international strategies of the Ministry of Foreign Relations' CEBH and of Itaipú's Paraguayan Executive Directorate. At every turn in these two chapters, we will see how the political and the

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<sup>147</sup> This is a twist I am making on the expression "petro-state," a description of oil-rich countries that are characterized by government revenue dependence on rent from natural resources (rather than a tax base), "less democratic" institutions of governance, massive redistribution of those petro rents to the public, and lack of development outside of the hydrocarbon sector. See Goldman (2008).

economic are interlinked and in tension. Elements from previous chapters make dramatic reappearances here: moments of codification and of campaign, public promises and double discourses, expectations of state to nation obligations, individuals grappling with institutions, the presence of the past. The first chapter of part IV, “Reimagining the Region, Scripting the Future,” is concerned with developments at the regional scale that coincide with a new phase of “integration” initiated by changes between Paraguay and Brazil in Itaipú. The second chapter, “Paraguayan Triptychs: Two Allegories of Good Government via Itaipú,” turns to the national scale for state formation in decision-making around how to use the dam for social investment.

The notion of “scale” is useful because it allows us to describe changes in the complexity or composition of a process as the unit of analysis shifts from a smaller geographical unit (e.g., a city-state) to a larger one (e.g., a nation-state). In chapter 7, for example, we will explore what changes (and what does not) as energy markets (production, distribution, consumption) shift from a national scale to a regional one. That is, there is a shift from energy as controlled and imagined at the complexity of a Paraguay, Brazil, Chile, Uruguay, Bolivia, or Argentina (realizing that there are differences between these) to the complexity of a single unit called “[Southern] South America” or the “Southern Cone.” Though looking at how processes and systems “jump scale” (i.e., cohere across a larger or smaller territorial/population base or a greater or lesser organizational complexity) is a way to study change, this should not be taken to imply that there are separate, hermetically sealed spheres, one distinctly national and one distinctly regional that are self-evident and eternal. In fact, the very processes that we have already seen—disagreement and resolution over how to use a natural resource,

employment decisions, the choice of currency and current—are productive of the national and the regional scale. The physical electricity grids of ANDE and Eletrobrás have done much to define the shape of Paraguay and Brazil, just as the change in tariff laws has been instrumental in the making of a Southern Cone region. Seepage between the “national” and the “regional” gives rise to questions about what can permeate and what does not (and why). One notable example is the very issue of Itaipú itself. The controversies around proper administration of the dam, particularly those having to do with power/profit-sharing with Brazil, began at a sub-national level in Paraguay, came to be embraced nation-wide, and then became a regional issue. Not only was Brazil drawn into new negotiations with Paraguay, but other governments stepped in to voice opinions (e.g., Uruguay and Argentina as a part of Mercosur). While the progressive activists in Paraguay succeeded in pushing the issue, the cost of this broader acceptance was that other sectors now had a say in shaping it. Resolution required compromise, perhaps even the point of unrecognizability.

And so, my argument, vis-a-vis globalization, is not that the nation-state has become unimportant—that politics and economics have moved to the regional or global in such a way that the nation-state is now irrelevant. Rather, the national scale is but one plane of action—the 2000s have seen a resurgence of state intervention in Latin America in spite of neoliberal claims to the contrary. In Itaipú and the two countries that own it, we witness the disarticulation of processes and decisions, where some of these components then shift to the regional level (and some do not). Thus, after management of natural resources, economic policy, and care for the population on a territory have been delinked, we see that a South American regional state is increasingly endowed with

authority over economic planning and the stewardship of natural resources while the national state wields responsibility for “development” of the nation.

## Chapter 7:

### Reimagining the Region, Scripting the Future

With little more than two weeks left before the deadline which would call for escalating the Itaipú issue to international arbitration, Brazilian President Luis Inacio Lula da Silva arrived in Asunción on Friday, July 24, 2009. In anticipation of his visit, Paraguay's Ministry of Foreign Relations had been sent a Brazilian proposal for resolving the Itaipú conflict. Graffiti and posters appeared on the streets and protests erupted throughout Paraguay, clamoring "Itaipu ha Yacyreta Ñanemba'e" (Itaipú and Yacyretá are ours).<sup>148</sup> Lula's team, including Brazilian General Director Jorge Samek, met with Ricardo Canese, the newly appointed Foreign Minister Héctor Lacognata, and other members of the CEBH to hammer out final details for the Saturday meeting between the two heads of state.<sup>149</sup> Despite tensions and disagreements, on Saturday morning, Lugo received Lula at the Palacio de Gobierno to formally put the matter to rest. Seated in the residence of Francisco Solano López, Lugo and Lula signed a thirty-one-point *Declaración Conjunta* (Joint Declaration) that promised, among other things, a dramatic increase in compensation from Brazil for Paraguay's "ceded" Itaipú energy (from \$107-\$120 to \$360 million annually) and recognized Paraguay's right to sell its energy to Brazil directly (and possibly to third parties in the future). Celebration of the "historic

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<sup>148</sup> I even saw a banner with the Spanish translation "Itaipú y Yacyretá También Son Nuestras" unfurled in the June 2008 World-Cup Qualifier game between Paraguay and Chile at Asunción's Defensores del Chaco. Note that the name of Paraguay's national stadium refers to the Chaco War with Bolivia (1932-35).

<sup>149</sup> Lacognata had presented with Canese at the Congreso Nacional public debate that kicked off the CEBH's nationwide campaign to inform the citizenry about the negotiations for hydroelectric sovereignty, described in chapter 4.

feat” ensued (Lugo 2009); former Liberal senator Domingo Laíno declared that, at last, the War of the Triple Alliance had ended (ABC Color 2009a); and news of the event reached international media—the BBC explored “Why Brazil gave way on Itaipú dam” (BBC News Online 2009).

Although Brazilian President Lula’s stated hope was that the Joint Declaration would settle the Paraguay-Brazil problem, the document also signaled a regional [re]direction because of the weight water treaties possess in the Southern Cone. Both the form and the content of the resolution point to bases for the future of the region—the principles affirmed, the knowledges used to undergird, and the identities of the drafters of the Joint Declaration as well as the provisions contained therein. This chapter engages both aspects—the declaration as an artifact and the specific policies it mandated. The declaration affirms and advances jumping political-economic scales as the solution for the crisis at hand—the proposed solution is “integration” and, specifically, “energy integration.” But what kind of integration was this, particularly given the weight of Brazil? The Joint Declaration sketched an integrated region by advancing four key matters: a) it affirmed the principles for political action; b) it addressed Paraguay’s concerns raised in the Six Points Memo; c) it addressed Brazil’s concerns about its non-Itaipú interests in Paraguay; d) and it addressed the proposal of Ciudad del Este’s Unified Tax Regime (RTU) with Foz do Iguacu. In this chapter, I focus greater attention on the first two—the legitimation of political action and “energy integration”—as a way to explore how the region is being recrafted in light of Brazilian hegemony. Then I touch on the latter two matters to help detail the region’s deepening toward an organizing triad of energy—commerce—agribusiness.

The central question underlying our discussion of the Joint Declaration is, what political economic principles and policies are being set in place by the document? What values are affirmed as primordial and what concerns consistently shape choices? Like the drafting of the Six Points memo in chapter 4, this is also a moment of canonization. But this should not be taken to mean that, once signed, all was clear and set, as we will see in chapter 8. Canonization processes are protracted ordeals that raise questions about who [rightly, recognizably] wields authority, what arguments and issues get commensurated, when the canon is firmly set, and where chronic disagreements arise.

The Joint Declaration was the culmination of several years of mobilization across Paraguay around an issue so important that it even subsumed a presidential election and necessitated an international diplomatic response at the highest levels of government. In this chapter, we will detail the proposals made in the declaration as a solution to the Itaipú problem including the decision to pay Paraguay more for its ceded energy and the permission to commercialize its energy onto the Brazilian market. In chapter 4 we explored the antecedents of negotiations in Paraguay, particularly in the crystallization of the Six Points Memo. Here we will see that the Joint Declaration has ideological antecedents as well. In addition to matters of energy, the declaration also deals with other bilateral issues of importance for Brazil and Paraguay—a Unified Tax Regime linking Paraguay’s Ciudad del Este to the Brazilian tax system and the large “brasiguayo” population of Brazilians living in Paraguay. However, because of historical precedent in the Southern Cone, where international water agreements (whether they be about borders, navigation, or energy) have led the way for changes in political and economic arrangements between countries, the solutions and formulations offered in this text were

intentionally crafted to speak to a wider audience than just the two signatory countries.

This chapter moves from discursive analyses of jurisprudential principles dating to the 16<sup>th</sup> century to 21<sup>st</sup> century statistics on energy production—seemingly disparate disciplinary realms—because the Joint Declaration contemplates them all. My assertion is that the declaration allows us to observe modern state-making, which includes a series of processes and aims: the role of [international] law, the administration of national market economies, the apologetic narratives about national identity, and the centrality of bounded territories. If my claim is correct, we should be able to see these elements arise even in the Joint Declaration. And so, the first section opens with an examination of the Joint Declaration as an artifact of governance, asking what kind of thing it is, what its form and explicit/implicit ideological underpinnings reveal. Then we move to the specific provisions about energy which are framed under the principle of “energy integration.” To understand the implications of the declaration’s proposals, I present an account of Southern Cone energy markets as well as the changes proposed by the energy-related items in the document. Finally, I briefly touch on the other issues raised in the Joint Declaration: the RTU and brasiguayos, which, through this document, link commerce and agribusiness to Itaipú to see how much more than a bilateral energy relationship is being forged here. As we review how bi/international decisions are made, what inter-state political processes are affirmed, what kinds of regional goals are established in the Joint Declaration, we will also be able to see something about the reconstitution of regional relationships.

*The Joint Declaration as artifact of politics*

Before turning to the provisions called for in the Joint Declaration, let us begin by analyzing what kind of *thing* the Joint Declaration is and what basis for politics it establishes. If the nature of a solution illustrates the nature of a problem, then even the form of the declaration unpacks and retroactively delimits the crisis that lead to the resolution. What we see in this section is an interplay between the authority of individuals and the authority of ideas. The authority of individuals is connected to various qualities—recognized expertise (usually through education and employment), being “rightfully elected,” having a vested economic interest. The authority of certain ideas similarly devolves from a range of attributes—legal precedent from a “higher” authority, popular experiences with government, information gotten through official/expert sources. The Joint Declaration executes a careful balance between these disparate sources [of power] that may even be at odds with one another and, in so doing, effaces difference and tension. And it is this quality of the declaration—the ability to simultaneously name crisis and solution, at one moment to emanate from and at the same time to supersede other authorities—that reveals how the state takes on the curious feature of being newly constructed and yet permanent.<sup>150</sup>

Just as the 1966 Act of Foz do Iguacu unleashed a new phase of regional politics, the Joint Declaration also served as a moment of codification, once more resolving an international flare up peacefully and, as part of the price for peace, canonizing certain proposals and interdicting others. The threat this time was not a military conflagration (as it had been in 1966) but rather international arbitration.<sup>151</sup> The ideological bases for

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<sup>150</sup> It compresses time.

<sup>151</sup> The common perception in Paraguay was that it could not lose international arbitration and therefore

legitimate action cited in the document are more than mere rhetorical flair, but point to expressed values and reveal what kinds of arguments are considered compelling. And the subjects we see treated in the text are those considered important enough not only to require the special intervention of the chief executives of two countries, but also to be “worthy” of inclusion in a document that will shape regional relationships. Moreover, even the process of scripting the declaration reveals how state power works.

When Lugo and Lula signed the declaration in front of an audience of media and politicians, that public moment condensed and concealed the hours and days of behind-closed-doors work that went into the declaration. Although the Joint Declaration’s grammatical structure had “the Presidents” as the active-voice subject that then proceeded to do a series of transitive verbs (“demonstrate,” “restate,” “instruct”), everyone knew that the text had actually been written, revised, debated, and edited again by many others first. As in chapter 4’s discussion on canonization processes and the question of authorization, in the spectacular nature of the signing and the not-seen identities of the drafters, two different kinds of authority are recognized here. Or, perhaps, it is better to say that two different realms of authority are recognized here. The legal intricacies of Mercosur tariff law and the engineering specifications for energy

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thought it was a sufficient stick to force Brazil’s hand. Under this assumption, Brazil gave way for its own self-interest if not out of some sympathy between the two progressive presidents. This may be the case, but there are a few complicating points. First, and most importantly, it is not clear that international arbitration would have sided with Paraguay—Brazilian government officials who are familiar with the Paraguayan case with whom I spoke were often quite emphatically confident in the validity of their arguments and that any arbitration would side with Brazil out of sheer legal precedent. That is, the perception among Brazilian officials was that Paraguayan requests and challenges were unjust within established international law. There is also the consideration of international expediency—what court would rule against Brazil, a growing economic and political power, in Paraguay’s favor? What countries with representatives seated on such a court would want to risk the international fallout from siding against a rising global power? Another possibility is that Lula may have been motivated neither by fear of losing international arbitration nor from ideological sympathies toward Lugo and a desire to shore up his neighbor’s unsteady government. Rather, there are extensive economic and demographic interests of Brazil in Paraguay and these were points on which Brazil’s negotiators made successful demands for concessions.

transmission are the domain of those with degrees and work experience in those areas. These are problems of such complexity that common sense (and those who only possess it) is of no use. And as such, only those with accepted credentials are qualified to speak on them. Nevertheless, the public signing of both presidents implied that assent by credentialed experts was not enough—that whatever else the problems were, they were of a political nature where the assent of the electorally-empowered citizenry through their proxies (i.e., Lula and Lugo) was necessary. In chapter 8, as we explore “participatory democracy,” we will return to the question of decision-making and suggestion-offering and the role of (invisible?) experts. Here, however, we see the intricate interplay between technical expertise and public displays of approbation suggesting that there are at least two planes whose criteria/requirements needed to be satisfied.

That the drafters and the signers of the declaration were not the same individuals meant that the knowledge necessary to write was separated from the power necessary to enforce the resolutions. While the final version of the declaration was worked out in meetings between representatives from Brazil and Paraguay’s ministries of foreign relations, the initial versions of the provisions were developed elsewhere. The team of Paraguayan technocrats and engineering experts that staffed Itaipú began working out what eventually became the energy-related provisions in late 2008, in conversation with the Brazilian directorate of the dam. High-powered merchants in Ciudad del Este, on the other hand, with their hired Mercosur consultants and lawyers, had spent years designing and lobbying for the proposed RTU. The line items referring to immigration (and the brasiguayo community) presumably came from a source other than Itaipú administrators and Ciudad del Este merchants, perhaps from Brazilian negotiators in the Ministry of

Foreign Relations. What eventually looked like one contiguous document actually began as disparate proposals by different interest groups.

To further understand the nature of authority claimed by the Joint Declaration, let us turn to the text of the declaration. Items One and Two of the declaration state:

[The Presidents of Paraguay and Brazil] 1) [d]emonstrated their satisfaction with and decided support of the system of representative democracy currently in force in the countries of the region, of the unrestricted respect of human rights, and of the sovereignty and self-determination of the peoples. 2) They [c]oincided in pointing out the importance of solidarity as a guiding component of the process of regional integration already underway as well as their intentions to continue efforts to diminish poverty, inequality, and other forms of social injustice.

The Joint Declaration, intended to usher in a new phase of bilateral relations, began by recognizing “representative democracy” and “human rights,” as well as the “sovereignty and self-determination of the people,” as the basis of a process of integration that would diminish poverty, inequality, and all forms of social injustice. These opening statements ground the rest of the declaration in a particularly Latin American, post-colonial context. As a framework for bilateral relationships in the region and as a test case of Paraguayan [international] politics, the Joint Declaration, for all its purported novelty, had a stabilizing and system-reaffirming function. The legal/philosophical basis invoked by the declaration—a “decided support of the system of representative democracy in the countries in the region, of the unrestricted respect for

human rights, and of the sovereignty and self-determination of the peoples [*pueblos*]”—followed along significant jurisprudential trends in post-colonial, post-authoritarian South America.<sup>152</sup>

Argentine legal scholar Martin Böhmer (2009) has argued that the pan-South American experience of brutal military dictatorships who, in the name of security, detained, tortured, and killed thousands of the citizens they said they were to protect, inserted a ripple into the formula “state—law-abiding.”<sup>153</sup> So severe was the rupture that, in order to move forward, a new political culture was fashioned where states in South America have had to affirm *human* rights as the foundation of a democracy. Böhmer maintained that, whereas in the foundation of the United States the framers of the Constitution feared the power of the many and the one, deciding to put power in the hands of the few and, whereas in France the framers feared the one and the few but put power in the hands of the many, in Latin America the framers feared the many and the few. Thus they sought to create a monarchy dressed as a democracy, in this way accounting for the frequently-authoritarian presidential system of much of Latin America and the repeated rise of *caudillos* from the early national period to the present. The discourse of human rights as a departure from earlier arrangements of rights and responsibilities, Böhmer has argued, forced space for change into the social-political pact, creating an opportunity for the first time (in spite of multiple new constitutions in the past) for a new configuration of power among the citizenry.

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<sup>152</sup> For a point of comparison, per Böhmer 2009, the foundation of a democracy in France is “common will;” in South Africa it is “common dignity.” We will take up the notable reference to “representative democracy” in much more detail in the following chapter as we discuss “participatory democracy.”

<sup>153</sup> This paragraph’s discussion on law, rights, and democracy in Latin America (and much of my thinking on the subject) follows from Böhmer’s work. Böhmer, an Argentine lawyer/legal scholar, has written extensively on comparative constitutional law (within Latin America and between French, American, Latin American systems), on the recreation of Argentina’s political culture via the Madres de la Plaza de Mayo and Raúl Alfonsín, on democracy, rights, etc.

Popular sovereignty and self-determination—two important principles in international law as it was developed in Europe and North America from the 16<sup>th</sup> century onward—butted against the pesky problem of colonialism, where colonized groups invoked these principles against colonial rule. The general tendency of European and North American states through the 19<sup>th</sup> and into the early 20<sup>th</sup> century was to not recognize the rights of popular sovereignty and self-determination of those polities that were not *real* states, for lack of political structure or for their “uncivilizedness” (Anghie 1999).<sup>154</sup> This led to even fiercer demands for self-determination by colonized communities as a way to combat colonial rule. The UN Charter, negotiated and signed in the thick of decolonization, included the principle of “self-determination of the peoples” (Article 1, Paragraph 2), thus setting the concept squarely into international law as it was to be applied globally and not just in the European/North American family of nations.

The Joint Declaration is a product of the legal traditions and history of the region it purports to represent. The combination of jurisprudential elements—human rights coming from the regional experience of recent years, popular sovereignty and self-determination as a reaction to North Atlantic imperialism—is a particularly South American one. It is for legal scholars to better situate the significance, but I argue that the pairing of human rights—popular sovereignty as a basis for integration is a shift in regional state-craft worth noting. The European Union’s Charter (2000), for example, founds the Union on “the indivisible, universal values of human dignity, freedom, equality and solidarity,” “based on the principles of democracy and rule of law.” The EU

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<sup>154</sup> Anghie points out that following 9/11 and the Doctrine of Pre-emptive Defense—the so-called Bush Doctrine—international law has reverted to 19<sup>th</sup> century principles where states are permitted to go to war and the sovereignty of countries depends on sociological characteristics. But, instead of using “civilized” and “uncivilized” as the meaningful distinctions, “rogue” states are used.

Charter clearly adopts language from the Universal Declaration of Human Rights.<sup>155</sup> As the charter foregrounds “equality” and “freedom,” if “solidarity” is a gender-neutral rendition of “fraternity,” then it strikes a particularly gallic chord (*liberté, égalité, fraternité*). It does not mention “popular sovereignty” but rather “national identities” and the “diversity of the cultures and traditions of the peoples of Europe.” The Lugo-Lula Joint Declaration is not the South American equivalent of the EU Charter, but it is a kind of dress rehearsal.<sup>156</sup> The anxieties to be assuaged are not over “equality,” “freedom,” and “cultural traditions” but over “human rights” and “self determination.”

The Declaration follows the language of the Treaty of Asunción (1991), which created Mercosur and called for “integration” as the means by which to achieve “economic development with social justice” (Preamble). But the 1991 Treaty of Asunción, like the 1957 Treaty of Rome that established the European Economic Community (the direct precursor to the EU), did not address fundamental individual or human rights. Instead, the Mercosur agreement limited itself to economic matters. Following the example of the Treaty of Rome—EU Charter, that the Joint Declaration directly cites the Treaty of Asunción but adds a respect for human rights and popular sovereignty to the principle of economic integration signals that more is being done in the declaration than just the economic rapprochement of Mercosur. The inclusion of rights-based language for the first time is evidence of the extension beyond just the economic, a deeper kind of “integration” that indicates the further consolidation of a regional state apparatus. But the integration it pushes forward must still be bounded and subordinated to

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<sup>155</sup> As criticisms of Mercosur grow (mostly centered on its insufficiency because the “larger” countries maintain trade barriers), the EU’s level of coordinated integration is often mentioned as a desirable model.

<sup>156</sup> The Treaty of Asunción (1991), better known as the Mercosur agreement, might be more equivalent to the Treaty of Rome (1957), one of the important antecedents of the EU Charter.

principles that safeguard the rights of the people and of weaker nation-states. The rally for “hydroelectric sovereignty” we saw in chapter 4 percolated up from the grassroots in Paraguay to international treaties. “Sovereignty” here in the Joint Declaration is something principally expressed in opposition to outside intervention. But, as we will discuss below, this palliative is linked to stipulations (of international commerce and multinational agribusiness) scripted by interested experts.<sup>157</sup>

In its opening principles, the declaration does not advocate the dissolution of the nation-state and is decidedly anti-imperial in tenor (“self-determination of the peoples”) while arguing for deeper ties between the two countries. However, the urgency of striking a balance between integration and autonomy comes not only for fear of past excesses (the bellicose history between the two countries also comes to mind), but in light of Brazil’s current trajectory. The subtext of the thirty-one points is the question of Brazilian imperialism; integration is not only figured as the opposite of national isolation but also of absorption by Brazil. But the scope of the declaration is unclear. It uses the term “region” without specifying what that is. Is it the Southern Cone?<sup>158</sup> Is it all of South America? The ambiguity in its geographic engagement is part of what makes this document work, giving it room to expand beyond the Southern Cone.

While affirming these jurisprudential principles, the Joint Declaration maintains the nation-state as the individual, independent unit that wields sovereignty. It both strengthens the region as a scale of action and the nation-state as the autonomous participant—this Mercosur regional ascendance was not a globalization that dissolved the

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<sup>157</sup> The shift to “human rights” cannot be overestimated in its importance.

<sup>158</sup> For parts of the text, yes (i.e., the RTU part), but when it discusses energy, obviously Chile and Bolivia are involved. And presumably Venezuela is being studiously ignored (although it is a candidate for membership in Mercosur).

authority or importance of the nation-state. The terms of the declaration, while articulating a commitment to “diminishing poverty, inequality, and other forms of social injustice,” looks to trade, commerce, and economic development as the engine for progress. Fundamentally, the declaration was designed and scripted by technocrats, by experts in law, economics, and politics who were not elected, but appointed or promoted through the ranks of institutions. The proposal bears the imprint of its development by an Itaipú team of administrators in conjunction with the Brazilian directorate of Itaipú, a set of foreign-born technology merchants who operate in Ciudad del Este, and the Brazilian foreign service—a government of (male) experts *representing* the concerns and interests of the people.

The document reflects their assumptions about how to solve social ills, on who best drafts policy, and on how the state should manage the economic resources of the people. The result is that principles of international law are reinforced and that existing systems of commerce, agribusiness, and energy extraction are strengthened and endowed with millennial hopes of social justice. But the regional imperative is every time checked by balances of power that find their clearest articulation at the national level (self determination, popular sovereignty, human rights). Popular sovereignty straddles a volatile tension—even as it is most commonly summarized as the right to vote and thus accountability between populations and rulers. Citizens vote for representatives at a national level and not with regional authority—thus they are not able to hold those leaders making regional decisions that affect them to account. Human rights, as well, are to be defended at the national level; but, what about regional violations? These curbs on the region further naturalize the national as a category of interests and identity. Yet, the

national appears to be the most effective counterbalance to undemocratic and hegemonic forces operating via the regional.

The force of the Joint Declaration is not just its ability, in a logocentric fashion, to script reality into being. It points to power structures that accrete authority—legal precedent, political ascension, financial interest, educational credentials. As one document, it performs a skillful balancing act by including a motley of provisions urged by powerful and distinct elite sectors as well as following along legal principles that were hard-fought popular struggles (human rights, popular sovereignty). Because of the work expended in creating and then signing the document and because of the platform in which it was signed, it sets precedent: exalting law as the solution to social crisis; explicitly linking the economic futures of energy, commerce, and agribusiness; tying social justice to economic development; binding integration and popular sovereignty—human rights. If the Joint Declaration is not the Latin American equivalent to the EU Charter, it is an important milestone along the way (replete with discord within the national political realm) as it furthers the metamorphosis of Mercosur where the popular demands for human rights, self determination, and popular sovereignty have been framed as stipulations for elite-interested advances in commerce, energy, and agribusiness.

### *Itaipú and Energy Integration*

While the Joint Declaration treats a number of matters, its original *raison d'être* was the controversy over Itaipú. It even says, in Item Three:

[The Presidents of Paraguay and Brazil] [r]estated the importance of Itaipú, which constitutes a central point of the integration between the two

countries. They emphasized the benefits that this partnership in the area of energy ensures for the economic and social development of Brazil and of Paraguay.

But, before even addressing the issues of disagreement within Itaipú, the declaration expands on energy, subordinating the Six Points to a larger context of the political economy of energy in the region. Item Four begins:

[The presidents] [r]eiterated their commitment to the **energy integration of the region** and underlined its potential to advance social and economic development and the eradication of poverty. [Emphasis mine.]

It is a curious thing that the political economics of energy in the region should be idealized as “energy integration.” For other emerging markets, a kind of “resource nationalism” has increasingly characterized the use of energy and natural resources, particularly hydrocarbons. Resource nationalism refers both to the process of nationalization of ownership and control over resources, but also to the ways that governments use a political/strategic calculus (and not just an economic one) when making decisions about how to use these resources (Leverett 2007).

Political scientists like Leverett point to the case of Bolivia’s nationalization of control over its natural gas (wrested from Brazil) as well as Evo Morales’ use of the proceeds from these sales as another instance of resource nationalism. Moreover, one might signal the same trend in Lugo’s electoral campaign promise to “recover hydroelectric sovereignty”—a successful employment of the sentiment. Given all this,

why would Lugo’s energy experts coincide with Brazilian negotiators to proclaim energy integration as the cure for social and political ills? I suggest that there is something in the particular nature of the natural resource of hydroelectricity (and water resources in general) in the region that lends itself to “integration.” In fact, this is necessary given the vastly uneven distribution of the production and consumption of electricity in South America—the former a result of the geography of natural resources, the latter of the geography of industrial development. But appeals for energy integration also contend with the matter of Brazil’s prominence—an anxiety that leads to different models for energy integration within Paraguay. The Joint Declaration’s Itaipú and energy-related provisions enact a careful balance—clearly attempting to settle the contention between Paraguay and Brazil as well as outlining a path for a “regional” future. To understand the specific advances made by the declaration, it is helpful to sketch the region’s energy markets before then detailing the particular items about Itaipú and energy.

### *Energy Context of the Southern Cone*

Perhaps the simplest way to introduce the South American energy environment is to say that two basic topics need to be described and distinguished: the different forms of energy and the different forms of national markets. For the former, energy may be pared down into two common forms of end use: electricity and combustion.<sup>159</sup> Combustion may be wood for a fire or gasoline for an engine—where the source of energy is burned.

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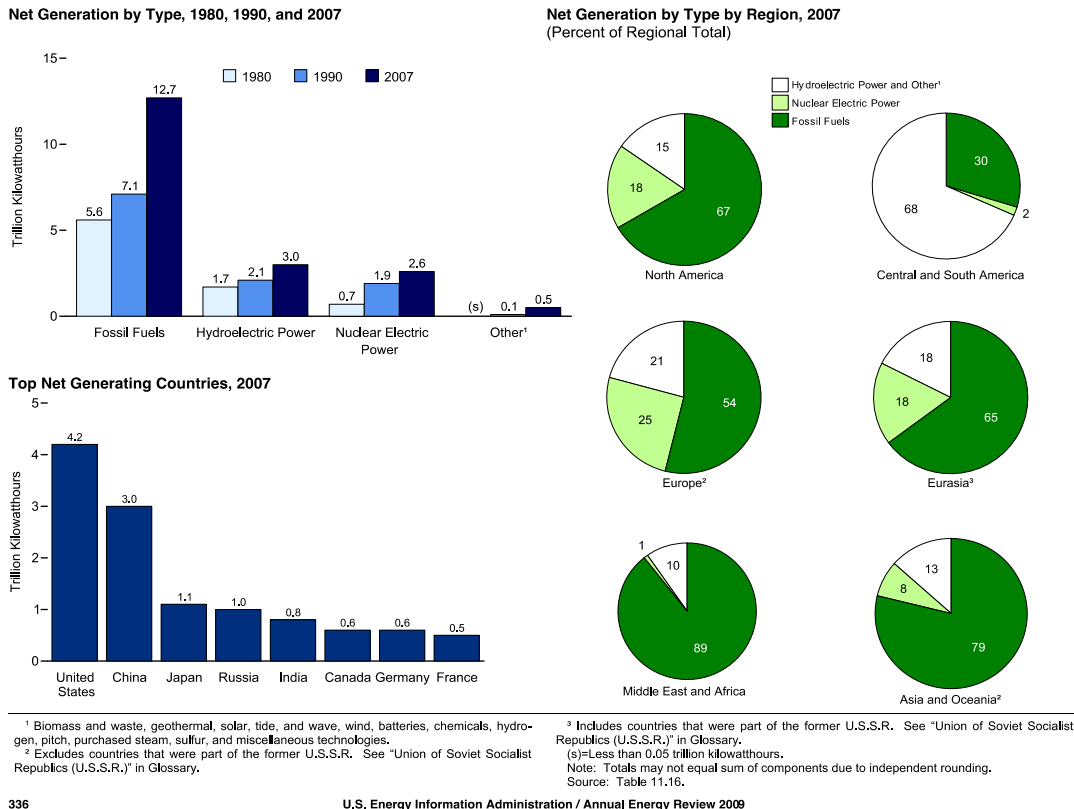
<sup>159</sup> Energy experts often distinguish between “primary” and “secondary” sources of energy, though there is considerable disagreement as to what falls in what category. Wood, carbon, natural gas are described as primary whereas kerosene, refined petroleum, and all forms of electricity are examples of secondary sources—according to Argentina’s Secretary of Energy. But the U.S. Energy Information Administration treats hydroelectricity as a primary source of energy. Given the disagreement even in the energy community itself, I have found it more beneficial to begin by differentiating based on how end consumers use the energy.

Electricity, on the other hand, travels from power stations where it is generated to the end user via high voltage lines, but is produced by a number of different means, usually distinguished as “renewable and clean” versus hydrocarbons.<sup>160</sup> Hydroelectric dams (power plants where water is used to generate energy), like Itaipú and Yacyretá, are an example of renewable and clean energy (because they are supposedly self-replenishing and do not release polluting by-products of combustion or processing), as are wind, solar, and geothermal energy (from the heat of the earth). Much electricity, however, is generated by burning hydrocarbons—natural gas, petroleum, and coal. Nuclear energy, akin to hydrocarbons, is used to heat water into steam that turns turbines, inducing a charge and generating electricity.

The advantage to hydrocarbon sources of energy is that they are frequently cheaper to extract and, unlike “renewable” energy sources, they are easy to store and transport. Renewable energy sources are often generated at the immediate time of consumption—storage in batteries is currently prohibitively expensive and inefficient on a large scale. Nevertheless, these forms of energy are all location dependent. The question for South America is who has what kind of energy. A related, but distinct set of questions revolves around national energy markets, which may be characterized by a few factors: net consumers versus net producers, public versus private ownership (i.e., the level and location of government involvement), size of markets, and differentials in the price of energy based on source and based on consumer (domestic versus industrial). One curious

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<sup>160</sup> This designation itself is fraught. What makes energy clean? The lack of pollutant byproducts? What about flooded land and changed ecosystems from building dams, not to mention the human cost of displacing thousands. What is renewable? Not even hydroelectricity is a never-ending source of energy: dams have lifespans depending on the silting of rivers. Does nuclear count as renewable? Surely. But its radioactive byproducts are not clean. What is the work that goes into framing an energy form as “renewable” and “clean”?



**Figure 4 Global Energy Generation, by type. Source: EIA 2008:336.**

feature of Latin America’s energy matrix is that, unlike other world regions, Central and South America obtain the majority of their electricity through hydroelectricity—nearly seventy percent. (Europe is the next highest at almost twenty percent.) Rather, as Figure 4 shows, all other world regions generate the majority of their electricity through burning hydrocarbons. This context helps explain why Itaipú, the world’s largest dam in terms of energy production, is all the more important in the energy environment of Latin America.

A glimpse into just Mercosur—Argentina, Brazil, Paraguay, and Uruguay—as well as Bolivia, and Chile reveals that these six countries possess different natural resource bases for energy, that the price of energy from these sources is different within these countries, that some countries produce one kind of energy and import another, and that energy markets are structured very differently. None of these countries depends entirely

on domestic production for the energy it consumes, neither does it solely import to meet its needs. Rather, as seen in Table 5, each country's energy matrix is based on some combination of production from natural resources and import.

**Table 4 Comparative Energy Production and Consumption**

	<b>Production/ Generation</b>	<b>Consumption</b>	<b>Net Exports/ Imports</b>	<b>Reserves/ Installed Capacity</b>
<b><u>ARGENTINA</u></b>				
<b>Petroleum (1000 barrels/day) 2008</b>	783.91	594	189.91	2.59 (billion barrels)
<b>Petroleum (1000 barrels/day) 2009</b>	796.35	622	174.35	2.62 (billion barrels)
<b>Natural gas (billion cubic feet) 2008</b>	1,556	1,570	-14	
<b>Coal (million short tons) 2007</b>	0.071	1.699	-1.486	35.04
<b>Coal (million short tons) 2008</b>	0.121	1.86	-1.738	
<b>Electricity (billion kwh) 2006</b>	109.79	98.12		28.34 GW
<b>Electricity (billion kwh) 2007</b>	109.51	99.21		29.11 GW
<b><u>BOLIVIA</u></b>				
<b>Petroleum (1000 barrels/day) 2008</b>	51.46	63	-11.54	0.47
<b>Petroleum (1000 barrels/day) 2009</b>	47.05	59	-11.95	0.47
<b>Natural gas (billion cubic feet) 2008</b>	501	85	416	
<b>Coal (million short tons) 2007</b>	0	0	0	
<b>Coal (million short tons) 2008</b>	0	0	0	
<b>Electricity (billion kwh) 2006</b>	5.25	4.49		1.4
<b>Electricity (billion kwh) 2007</b>	5.5	4.67		1.5
<b><u>BRAZIL</u></b>				
<b>Petroleum (1000 barrels/day) 2008</b>	2,433.52	2,485.00	-51.48	12.18
<b>Petroleum (1000 barrels/day) 2009</b>	2,571.57	2,460.00	111.57	12.62
<b>Natural gas (billion cubic feet) 2008</b>	446	835	-390	12 (trillion cubic feet)
<b>Coal (million short tons) 2007</b>	6.582	24.666	-18.122	
<b>Coal (million short tons) 2008</b>	7.144	28.312	-21.168	
<b>Electricity (billion kwh) 2006</b>	408.59	379.2		96.64
<b>Electricity (billion kwh) 2007</b>	437.52	403.03		100.45

<u>CHILE</u>	Production/ Generation	Consumption	Net Exports/ Imports	Reserves/ Installed Capacity
Petroleum (1000 barrels/day) 2008	10.79	298	-287.21	0.15
Petroleum (1000 barrels/day) 2009	10.85	297.65	-286.8	0.15
Natural gas (billion cubic feet) 2008	58	83	-24	3
Coal (million short tons) 2007	0.268	6.255	-7.409	
Coal (million short tons) 2008	0.467	7.203	-6.735	
Electricity (billion kwh) 2006	57.06	54.44		13.54 GW
Electricity (billion kwh) 2007	60.6	57.29		15.89 GW

<u>PARAGUAY</u>	Production/ Generation	Consumption	Net Exports/ Imports	Reserves/ Installed Capacity
Petroleum (1000 barrels/day) 2008	0.03	28	-27.97	0
Petroleum (1000 barrels/day) 2009	0.03	27	-26.97	0
Natural gas (billion cubic feet) 2008	0	0	0	
Coal (million short tons) 2007	0	0	0	
Coal (million short tons) 2008	0	0	0	
Electricity (billion kwh) 2006	53.25	4.88		8.12
Electricity (billion kwh) 2007	53.19	5.34		8.14

<u>URUGUAY</u>	Production/ Generation	Consumption	Net Exports/ Imports	Reserves/ Installed Capacity
Petroleum (1000 barrels/day) 2008	1	50	-49	0
Petroleum (1000 barrels/day) 2009	1	40	-39	0
Natural gas (billion cubic feet) 2008	0	2	-2	
Coal (million short tons) 2007	0	0	0	
Coal (million short tons) 2008	0	0	0	
Electricity (billion kwh) 2006	5.46	6.61		2.23
Electricity (billion kwh) 2007	9.27	7.14		2.23

Source: EIA Country Briefs.

Among the six countries, Bolivia and Paraguay are major energy exporters—that is, they export more than fifty percent of the energy they produce. Argentina and Brazil export

some of what they produce, but, unlike Bolivia and Paraguay, most of their production is intended for consumption on the domestic market (both residential and industrial). The distinction here is important; Argentina and Brazil produce to meet the needs of a local market while Bolivia and Paraguay for an international one. Hence, different dynamics exert greater force on the structuring of energy production. Chile and Uruguay, while producing some of the energy they consume, are dependent on imports of energy. As consumption increases, they are in the position of needing to find new domestic sources (from resources already stretched thin) or satisfy their demands through increased import, leaving them very vulnerable to price increases and energy market volatilities.

In some ways, Uruguay has the least room to maneuver. With its limited natural resources already tapped—it is making full use of its hydroelectric potential, has no known hydrocarbon reserves—it depends on its neighbors for electricity and imports hydrocarbons. Chile's situation is in some ways similar—limited natural resources almost at their capacity and growing domestic demand as it continues to develop its energy-intensive mining industry. It still has unutilized hydropower potential; only twenty five percent of its 20,323 megawatts hydroelectric potential has been converted into dams (Hidro Aysen). Nevertheless, construction of dams has proven controversial because of the environmental repercussions. Imports of natural gas from Argentina became increasingly restricted over the 2000's after Argentina unilaterally decided to reduce exports to Chile, leading to energy shortages and an impetus to find other ways to satisfy its energy needs without having to depend on Argentina (Comisión Nacional de Energía 2008). (Because of the historical conflict with Bolivia following the War of the Pacific, Bolivia refuses to sell natural gas to Chile.) Both Chile and Uruguay, with high rates of

electrification and high standards of living compared to the rest of the region, are at a crossroads in meeting their domestic energy needs.

Bolivia and Paraguay both possess energy-producing natural resources with considerable capacity for expansion. But, for both of these countries, the export-oriented energy source is accompanied by under-utilization at the domestic market. Bolivia, for all its natural gas (which it even refines in-country), only uses a fraction—seventeen percent in 2008—locally and it still has to import petroleum. While Bolivia does use hydropower to generate electricity, about sixty percent is generated from the burning of natural gas. Moreover, even though gas can be converted into cooking oil (kerosene, naphtha, etc), firewood and other forms of biomass meet many residential energy needs—about thirty percent (Balance Energético Nacional 2008). The nationalization of the hydrocarbon industry by Evo Morales in 2006 was but one point in a broad range of contentions around gas as the country has successfully negotiated for the construction of refineries within the national territory in conjunction with a new pipeline to Pacific (allowing the export of a higher value-added product).<sup>161</sup> The dependence on natural gas for revenue places Bolivia in a precarious position. In recent years, the high prices for hydrocarbons has granted Bolivia, and its president Morales, a generous windfall. But the question remains, how to develop the country in such a way that it does not rely on one revenue stream, and one that is both finite and polluting. If the cost of natural gas were to plummet because a replacement source of energy were found, Bolivia would find itself in a difficult situation.

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<sup>161</sup> Because natural gas has such a low density, it is difficult to store and transport over long distances. Transportation usually occurs via *gasoductos* or gas pipelines that connect point of consumption to point of origin. Bolivia currently has gas pipelines to Brazil (2) and to Peru (1), as well as hydrocarbon storage facilities on its border with Argentina (2) and Brazil (4).

Like Bolivia, Paraguay exports the majority of energy it produces.<sup>162</sup> Aside from the hydrocarbons it imports (for transportation and gas cooking), about thirty percent of residential energy needs are met through firewood (Ministerio de Obras Públicas 2005, 2009).<sup>163</sup> Although it is the world's second-largest exporter of electricity (second to France), the rate of electrification stood at about 88.2 percent according to the 2002 census and for the *campo* was about 77.1 percent (Pulfer 2005:27). Paraguay's untapped potential—including half of the agreed-upon-but-never-built binational dam Corpus (Paraguay-Argentina, 3200 megawatts) and its internal rivers—totals 4412 megawatts.<sup>164</sup> But Paraguay still lacks the credit necessary to finance construction of these dams—the same dilemma it faced when construction of Itaipú and Yacyretá began and which both reflected and reinforced its subordinate relationship with its neighbors. At present, even were the binational treaties that stipulate that excess electricity only be sold to the respective partners in Itaipú and Yacyretá suddenly annulled, Paraguay has neither the demand nor even the infrastructure to access its installed electricity. Paraguay's Itaipú substation from the 1973 Treaty remained incomplete and it lacked the high tension lines necessary to carry all the electricity from Itaipú and Yacyretá to markets within Paraguay.

Argentina and Brazil, like Bolivia and Paraguay, possess untapped energy resources and, like Chile and Uruguay, have very developed domestic markets. Because of their high rate of consumption and the diverse forms of energy they locally produce, these two countries have the most options and the most impact on regional energy markets. With confirmed petroleum in its vast offshore oil fields (12.6 billion barrels of proven oil

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<sup>162</sup> Like Bolivia, it also has proven hydrocarbon reserves, but these are entirely untouched and a source of great controversy—the popular narrative in Paraguay is that British and U.S. oil companies began the War of the Chaco in order to apportion out the border region between Paraguay and Bolivian.

<sup>163</sup> In 2008, this rate stood at 26.8 percent.

<sup>164</sup> Itaipú internal numbers, accessed at Itaipú Expo, July 2009.

reserves), more than a hundred major hydroelectric plants, and vast stretches of arable land dedicated to biofuels, Brazil has undertaken an innovative energy strategy of energy security that increasingly is making it entirely self-sustaining (Balanço Energético Nacional 2009). It has begun slowly decreasing its hydrocarbon imports (particularly of natural gas, after Bolivia's nationalization), while scaling up domestic production and exports of petroleum more dramatically. Nearly twenty percent of its energy matrix

Average Residential Tariff US\$/mWh							
Year	Argentina	Bolivia	Brazil	Chile	Paraguay	Uruguay	USA
1995	\$100.00	\$52.71	\$81.93		\$48.63	\$117.50	
1996	\$102.90	\$55.73	\$104.50		\$57.35	\$122.90	
1997	\$99.02	\$58.38	\$110.00		\$62.05	\$129.00	\$84.30
1998	\$98.03	\$61.11	\$107.30		\$58.65	\$126.40	\$82.60
1999	\$98.22	\$61.17	\$76.50		\$51.84	\$124.30	\$81.60
2000	\$99.70	\$63.69	\$88.22		\$49.15	\$121.30	\$82.40
2001	\$88.41	\$63.42	\$77.62	\$88.34	\$56.53	\$111.20	\$85.80
2002	\$30.91	\$62.18	\$73.87	\$87.07	\$51.90	\$86.10	\$84.40
2003	\$34.29	\$63.15	\$84.23	\$90.67	\$54.14	\$83.20	\$87.20
2004	\$37.97	\$62.60	\$107.20	\$97.51	\$58.52	\$91.70	\$89.50
2005		\$61.39	\$143.90	\$109.20	\$57.03	\$117.10	\$94.50
Average Industrial Tariff US\$/mWh							
Year	Argentina	Bolivia	Brazil	Chile	Paraguay	Uruguay	USA
1995		\$55.22	\$61.82		\$35.11	\$45.54	
1996		\$55.97	\$71.24		\$41.43	\$46.92	
1997		\$57.57	\$71.18		\$43.63	\$48.25	\$45.30
1998		\$59.10	\$70.23		\$40.68	\$48.67	\$44.80
1999		\$60.00	\$48.21		\$31.69	\$47.01	\$44.30
2000		\$61.33	\$51.56		\$31.84	\$46.31	\$46.40
2001	\$116.30	\$53.42	\$44.74	\$61.86	\$35.58	\$43.20	\$50.40
2002	\$35.88	\$46.85	\$43.20	\$61.93	\$34.33	\$33.60	\$48.80
2003	\$38.60	\$46.57	\$49.44	\$62.80	\$34.18	\$33.40	\$51.10
2004		\$44.84	\$59.33	\$66.05	\$35.85	\$37.60	\$52.50
2005		\$43.98	\$86.80	\$80.46	\$34.45	\$51.00	\$57.30

**Table 5 Average Electricity Tariffs, Residential and Industrial. Sources: World Bank N.d. d, N.d. e, EIA Electric Power Monthly 2010.**

comes from sugarcane bagasse and other forms of biofuels—all under the rubric of

“renewable” energy.<sup>165</sup> And, as part of a strategy to shift from polluting to renewable resources, various dam construction projects are underway (Brazil has more than 150,000 megawatts in untapped hydroelectric potential)—Brazil has 123 major hydroelectric dams already built and dozens more in the works.<sup>166</sup> Thus, Brazil produces the majority of energy it consumes and depends more and more on renewable sources as it delinks from hydrocarbons, and strategically exports. Argentina, too, has a blend of renewable and non-renewable energy sources, but, unlike Brazil, its dependence on biofuels is much lower. It produces nuclear energy, natural gas, petroleum, hydroelectricity, biomass (wood), and bagasse. In the late 80s, Argentina went from importing to exporting petroleum; in the mid 90s, it underwent a similar change in natural gas, where it shifted from importing to exporting natural gas (the majority of these exports goes to Chile) (Secretaría de Energía 2007).

Even given the region’s disproportionate use of hydroelectricity, Paraguay, of all the countries surveyed here, is the only one that relies entirely on non-hydrocarbon sources of electricity. Electricity rates (*tarifas* in Spanish and Portuguese) are complex calculations that incorporate differentials in generation, transmission, and, in fact, depend on source of energy and destination (Table 6). Some countries, for example, might discount rates for greater usage—usually a boon to industry. Nevertheless, Paraguay has consistently enjoyed some of the lowest prices for oth its residential and industrial electricity rates (though this runs against popular perception, where I was repeatedly told that Paraguayans paid the highest for their electricity). Chile, Uruguay, and Brazil consistently fall on the high end, but while all three have high demand, the first two have

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<sup>165</sup> Including soy, much of which is planted in Paraguay.

<sup>166</sup> It has hundreds of small dams that have installed capacities of less than 10 megawatts.

found themselves at the limits of not just supply but even potential. Argentina's rates are kept low by a state-enforced price-cap. Because hydroelectricity cannot be stored, but instead must be consumed at the moment of production, regions that have hydroelectric potential must be networked to regions that have the sufficient demand to absorb the electricity. Since Paraguay's domestic demand is so low, its hydroelectric potential is worthless unless it is linked to areas where demand is high. In this way, hydroelectricity and natural gas are similar, requiring real-time connections between production and consumption. And since the two countries with major export potential for these two forms of energy, Paraguay and Bolivia, are the poorest countries in the region with insufficient domestic demand, there is an impetus toward market integration (connected by built-environment infrastructure in gas pipelines and high-tension wires).

#### *The Joint Declaration's Energy Interventions*

In this international context, the importance of Itaipú for the region becomes more clear, as does the "energy integration" advocated by different sectors of the Paraguayan government and reiterated in the Joint Declaration. Ricardo Canese, when Fernando Lugo was still only a presidential candidate, once explained hydroelectric sovereignty as freedom to choose the market and price for Paraguay's energy and a natural gas connection to Bolivia (ABC Color 2007b). Years later, when describing what energy integration would mean, he detailed his goal further: selling Paraguayan energy to Chile and Uruguay. And since Paraguay's Itaipú electricity only cost \$42.50/megawatt hour, even were transmission costs to be doubled from their current estimate (from \$11/megawatt hour to \$22/megawatt hour) and were \$20/megawatt hour added as profit,

the energy from Paraguay would still undercut the rates those countries currently paid. At a meeting with energy exports from the region in late 2009, decision-makers from Chile and especially Uruguay expressed strong interest in this possibility.<sup>167</sup> Energy integration here was a way of circumventing the dominance of Argentina and Brazil, creating another bloc of interests and ties as a counterweight and counter-offer to previous options. The other “integration” proposed—this time by the technocrats in Itaipú and ANDE—was explicitly closer links to Brazil. The idea here was that Brazil was the true viable market for Paraguayan electricity—it had the capacity to grow in a way that that would be able to easily absorb Paraguay’s surplus without experiencing a dramatic drop in price because of a glutted market. The Itaipú directorate, as advocates of this kind of integration, argued for a maquila-like installation of Brazilian industries in Alto Paraná, with low electricity rates.

This regional energy context and the specificities around electricity were the backdrop for the Joint Declaration’s pronouncements on energy integration and on the Six Points Memo. The declaration reaffirmed the importance of Itaipú for both the economic and social development of the two countries, and pledged to increase regional energy integration through improved infrastructure. Item Five said:

[The Presidents] celebrated the progress in the negotiations in relation to the Six Points in the Paraguayan agenda over Itaipú, further developed during negotiating meetings with representatives of the two countries. They registered with satisfaction the agreement to submit for congressional approval new values to be received by Paraguay for cession of energy based on a multiplication factor of 15.3 (fifteen point three).

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<sup>167</sup> From the CEBH’s seminar “Taller Integración Energética.” December 14, 2009. Asunción: Paraguay.

Raising the “multiplication factor” to 15.3 would raise the amount Paraguay received for its ceded energy by a factor of three (progress on the “Fair Price” called for in the Six Points Memo). This meant that Paraguay’s treasury would begin receiving \$360 million annually instead of \$107-120 million once the Declaration was ratified by the congresses of Brazil and Paraguay, as early as 2010.<sup>168</sup>

Item Six provided for Paraguay’s right to sell Itaipú energy outside of the national territory. It stated:

[The Presidents] recognized that ANDE may gradually, beginning as quickly as possible, commercialize Itaipú energy in the Brazilian market according to the rights of acquisition of Paraguay....President Lugo reiterated the claim that Paraguay might prepare itself to gradually be able to offer Itaipú energy to third markets, with preference to Brazil. President Lula da Silva, considering the new level of cooperation between the two countries, suggested that Brazil and Paraguay work together to seek an effective regional energy integration that even includes the possibility that Paraguay and Brazil may commercialize Itaipú energy to third markets beginning in 2023, contributing to sustainable development and greater energy security for South American countries. In this sense, they will consider recommending a proposal to their respective national congresses.

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<sup>168</sup> For a country concerned with the specifics of market energy prices and the calculation of energy rates received from ceded energy, the lack of knowledge about the “multiplication factor” was all the more surprising. The calculation of Paraguay’s money received for cession of energy was shrouded in mystery. Cession is calculated according to the Itaipú Treaty as the product of energy produced by a US dollar amount per gigawatt by a multiplication factor that reflected variation in the value of the US dollar. See chapter 1.

The right to sell to Brazil was here formally recognized for the first time. The language of this item (“according to the rights of acquisition”) is directly taken from the 1973 Treaty and adapted from Carlos Mateo Balmelli’s argument, first presented at Parlasur in Montevideo (2008), that called for an application, not renegotiation of the Itaipú Treaty. This was, then, a new interpretation of the Itaipú Treaty. And, secondly, Paraguay’s right to sell Itaipú energy to third countries beginning in 2023, with preference to Brazil, was considered, but with the explicit condition that such a change needed to be approved by both national legislatures. Item Eight called for the formation of a working group that would study (and later implement) plans for ANDE to sell Itaipú electricity directly to the Brazilian market. Thus, “Unrestricted Access” would be fully achieved in 2023, although ANDE would technically be able to sell to Brazil as soon as both countries’ congresses passed the agreement. Plans to finish the “Pending Projects” and to deepen “Co-Administration” and “Control” were once more affirmed.

The immediate financial ramifications of the July declaration would be nearly a billion dollars for Paraguay—in increased payment for its excess energy to Brazil and in improved infrastructure, including, per Item Ten, the construction of a 500 kilovolt high-tension line capable of carrying electricity from Itaipú, allowing Paraguay to access its energy.<sup>169</sup> Voltage is a measurement of electric potential—that is to say, using a metaphor of water pipes, it is the equivalent of water pressure. High voltage means greater “pressure” and so more electricity can flow through higher tension (high voltage) lines at a given moment. Paraguay’s high-tension lines were rated at 250 kilovolts and were so strained by demand that the energy exporter was regularly hit by blackouts. The

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<sup>169</sup> This is akin to building an international oil pipeline.

plan for the construction of the line—estimated to cost half a billion dollars (Itaipú Binacional Portal de noticias 2010)—was to run it between Itaipú and Asunción while another line was to be built between Asunción and Yacyretá, thus linking Paraguay's two dams, which would make it easier to transmit electricity throughout the country. This second line (to Yacyretá) was not mentioned in the Joint Declaration (likely because of the association with Argentina), but was part of the larger plan discussed in Itaipú and the binational (Brazil-Paraguay) energy sector.

Of equal importance, however, were the international ramifications of lines that would link two of the world's largest energy producing dams—by connecting Itaipú and Yacyretá, both dams would then be linked up to the Argentine and the Brazilian electric grids. This meant that Paraguay's Itaipú energy could, in practice, have multiple destinations—directly to the Brazilian market or, passing through Yacyretá, to the Argentine market and from there to Uruguay and Chile. It also meant that Paraguay's Yacyretá energy could be sold to Brazil. Under the two treaties, selling electricity from the binational dams to third parties was prohibited, but they were slated to expire in the 2020s. However, Paraguay's other major hydroelectric dam, Acaray, was solely within its territory and therefore energy from that dam could be sold internationally without violating any valid treaties. This energy infrastructure would have a regional impact beyond just Paraguay's electricity. These two high tension lines would not just further link Paraguay to Argentina and Brazil, but, through Paraguay, would link Argentina to Brazil.<sup>170</sup>

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<sup>170</sup> There is an important power line frequency difference between Brazil and its neighbors in the Southern Cone. Brazil's alternating current is transmitted at 60 hertz whereas Argentina, Bolivia, Chile, Paraguay, and Uruguay have transmission systems at the frequency of 50 hertz. Because in the construction of Itaipú Paraguay insisted that the electricity produced from its half of the dam be converted first to 50 hertz (i.e., in

The long-term economic potential of these developments dwarfed the short-term \$360 million for cession of energy to Brazil—not only might Paraguay sell \$2 billion of Itaipú electricity to Brazil, it would be able to sell electricity to an even more expensive energy market, Uruguay, and the region’s other powerhouse economy, Chile. But ANDE’s international energy sales were to begin more modestly than selling more than a billion dollars worth of energy immediately. And, according to Item Ten of the Joint Declaration, this 500 kilovolt line between Itaipú and Asunción would be “constructed by Itaipú” and “transferred without cost to Paraguay”—incurring no debt to the Paraguayan treasury. Though this wording left unclear where the funding for the project would come from, initial interpretations understood this to mean that Itaipú would finance the construction. (And it is important to note that anytime “Itaipú” did something, this implied the involvement of the Brazilian government and resources.)

Because of the way Itaipú (and Yacyretá) was structured as a semi-independent subsidiary of two public energy companies (ANDE and Eletrobrás), payment for energy took place in stages: first, either ANDE or Eletrobrás contracted with Itaipú for the energy the company wished to sell, then it sold that energy to consumers.<sup>171</sup> But for ANDE to sell to Brazil’s market, it would first have to pay Itaipú for that electricity. Since ANDE had served the much smaller energy market of Paraguay, it simply lacked the capital to purchase the bulk of Paraguay’s Itaipú energy; Eletrobrás, on the other hand, was a much larger company serving a larger market and did have the wherewithal

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a form usable for the local market) and only later converted to 60 hertz, Itaipú possesses the necessary converters that can change the frequency of current from 50 to 60 hertz.

<sup>171</sup> There is an important power line frequency difference between Brazil and its neighbors in the Southern Cone. Brazil’s alternating current is transmitted at 60 hertz whereas Argentina, Bolivia, Chile, Paraguay, and Uruguay have transmission systems at the frequency of 50 hertz. Because in the construction of Itaipú Paraguay insisted that the electricity produced from its half of the dam be converted first to 50 hertz (i.e., in a form usable for the local market) and only later converted to 60 hertz, Itaipú possesses the necessary converters that can change the frequency of current from 50 to 60 hertz.

to purchase and resell all of the electricity Itaipú could possibly produce.<sup>172</sup> A concession granted to Paraguay was to gradually increase the energy ANDE sold to Brazil's market, in order to build up the capital to eventually (in 2023, at the expiration of the treaty and the full repayment of the construction debt) be able to purchase the entire Paraguayan half. Here were the immediate and long-term tools for Paraguay to benefit from its energy production.

The incredibly difficult issue of the construction debt—Paraguay's \$30 billion half is twice the country's GDP—was apparently more sacrosanct for Brazil than even its guaranteed access to Paraguay's excess energy. While the highly controversial suggestion to apply the Treaty differently, allowing Paraguay's ANDE to sell directly to the Brazilian market and eventually to third parties, was affirmed in the Joint Declaration and even advanced through the creation of a commission and the construction of the 500 kilovolt line, the debt was absolutely untouched. The most said on the matter was Item Fifteen: "President Fernando Lugo reported on the audit being done by Paraguay's Office of the General Comptroller of the Itaipú Binacional debt and of his intention to transmit its conclusions to the Brazilian part/half." Unclear here is the Brazilian destination of the findings and certainly whether Brazil would even receive, let alone act in any way based on the suggestions from the Paraguayan Office of the General Comptroller. It might seem just another part of "hydroelectric sovereignty" in Paraguay, but for Brazil's negotiators, challenging repayment of the debt was categorically inadmissible.<sup>173</sup> The timing of the

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<sup>172</sup> Remember that 90 percent of Itaipú's total electricity production supplied 19 percent of Brazil's energy needs whereas 10 percent of Itaipú's total electricity production supplied 95 percent of Paraguay's needs.

<sup>173</sup> I wonder to what degree the very fact that Paraguay's negotiators have suggested this has led to an impression in Brazil that Paraguay is not a "serious" country, capable of being depended on for energy resources. I wonder if this is part of the reason why Brazil is constructing energy alternatives to Itaipú—the dams in the Amazon, some of which border Peru—so that it will not *need* Itaipú energy when the dam comes under full Paraguayan control. Chile had a souring experience of Argentina renegeing on agreed-upon

Joint Declaration suggests that Lula, a president concerned with ensuring the election of his chosen successor (i.e., concerned with actions that were electorally viable), found that tripling the amount paid to Paraguay would not adversely affect the paying, voting Brazilian consumer. Another \$240 million would be tolerable. The \$30 billion debt was an entirely different matter.

And so, the Joint Declaration “resolved” the Itaipú dilemma through a short-term increase in the payment received from Brazil and long-term provisions of physical and legal architecture necessary to increase Paraguay’s access to its electricity and then sell that to other countries in the region. In order to understand the energy provisions of the Joint Declaration, the energy context of the Southern Cone was first necessary. Because of the underdevelopment of Paraguay and because of the kind of energy it possessed, the development of Paraguay’s electricity was predicated on linkages to other countries in the region. This meant that the grassroots struggle for hydroelectric sovereignty confronted challenges from forces other than the Brazilian foreign ministry or Brazilian business interests (the two villains most often featured in Paraguayan narratives about Itaipú). Barriers might be physical (the form of energy, the lack of infrastructure) or political-economic (historical strife between countries, nationally-oriented energy policy in an international energy environment, swings in prices on the global market). While the Joint Declaration’s Itaipú/electricity-related provisions were advantageous to Paraguay (eliminating the physical and legal barriers to “unrestricted access” to its electricity), the price for this peace was the acceptance of the construction debt, which I argue stood as a proxy for a larger set of principles.

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energy and is now looking for full energy independence. I also wonder if the talk of “renouncing the spurious debt” makes Brazil think that Paraguay just does not have a good grasp on economic or energy issues and makes it harder for Brazil to take Paraguayan suggestions seriously.

Renunciation of the debt would not only leave a \$30 billion deficit in Eletrobrás, it would also set a precedent that would undermine established principles of economics and contracts. Again, the Joint Declaration, while conceding some ground, actually reaffirmed the larger system of capitalist political-economics. And the question of energy integration lay within this larger system: would it be better to integrate in order to attempt a counterbalance to Brazil or would it be more beneficial to integrate with Brazil in order to take advantage of its ascent. Thus, there was a persistent subtext of Brazil as regional giant, able to force the self-interested restructuring of its neighbors internal economies as well as the question of how to deal with a regional superpower on a global climb. Just as not all forms of energy are created equal and neither are all integrations equal, then the matter remains whether all hegemonies/imperialisms are equal. The distance between these issues and the local, Paraguayan understanding of the problems at hand led to some concessions but perhaps permanent frictions.

*Curious Equivalences in the Joint Declaration: the RTU and Brasiguayos (Commerce and Agribusiness)*

In addition to the expected provisions on energy and Itaipú in the Joint Declaration, the document addressed two other issues between Paraguay and Brazil. Item 18 read:

The Presidents celebrated the progress reached with the regimentation of the Unified Tax Regime (RTU), which will contribute to the dynamization of Ciudad del Este's economy.

Item 25 stated:

The Presidents recognized the efforts realized by immigration authorities to regularize the the situation of their respective communities in the two countries. In this respect, President Lula da Silva expressed his acknowledgment of Paraguay's hospitality, giving shelter to an important number of Brazilians. In this respect, President Lugo manifested that his government was engaged with strengthening the capacity to attend to those immigrants by means of a permanent office and that Paraguay's hospitality to the foreigner would continue undisturbed.

As proof that the bilateral relationship was about more than just the dam, in these items the Joint Declaration included two candescent topics—the RTU (linking Ciudad del Este's tariff collection to Brazil) and special concern for the migrant populations living in each country, respectively, but especially the large Brazilian population in Paraguay, the brasiguayos. For a sense of comparison, Itaipú's current impact on GDP and government revenues (generously estimated at ten percent) pales in light of Ciudad del Este's. The city alone brings in forty percent of the country's GDP and government income just through licit trade and customs receipts. And agribusiness (the main employment of the brasiguayo population) now accounts for twenty percent of GDP.

Like the earlier moment of codification in the creation of the Six Points memo, the signing of the Joint Declaration affirmed certain commensurabilities while disarticulating others. Although purportedly about the larger bilateral relationship between Paraguay and Brazil more broadly, the primary impetus behind the unrest that

had to be resolved had been dissatisfaction over Itaipú. And the concessions made by Lula regarding Itaipú were what made it into Brazilian and international press, not the line items about Ciudad del Este's RTU or the brasiguayos.<sup>174</sup> Yet by placing the issue of the brasiguayo population on par with equitable governance of a binational government agency, Lula threw the Brazilian government's weight behind the well-being of this community—many of whom, by birth, would be considered Paraguayan citizens. Paraguay has the second-largest (or the largest, depending on the study) population of Brazilians living outside Brazil—estimates range between two hundred thousand and five hundred thousand (i.e., almost ten percent of the population of Paraguay), but the preferred number is around three hundred fifty thousand.<sup>175</sup> This population, because of its size and economic stature, has become increasingly controversial in Paraguay, especially because their loyalties are perceived as being toward Brazil and counter to Paraguayan interests.

The history of Ciudad del Este (founded by the Stroessner regime in the 1950s) and of the sizeable Brazilian population in Paraguay paralleled the development of Itaipú. As part of Stroessner's plan to reorient Paraguay eastward (the March to the East) from Argentina to Brazil as a way to foster economic development, westward migration from Brazil into eastern Paraguay had been encouraged. This heavily forested region contained valuable hardwoods and fertile soil and, given Paraguay's underpopulation (today there are six million people in a territory the size of France), was almost free for the taking. The brasiguayo arrival to Paraguay had been fostered by the Stroessner government's

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<sup>174</sup> Which, if implemented, might actually have a greater effect, in pure numbers, on Paraguay's economy and on government income.

<sup>175</sup> The United States has about three hundred fifty thousand Brazilian-Americans, (Personal Interview, March 2009).

lack of enforcement of its land rights policies, another instance of a Paraguayan government solving a financial crisis by selling off land—what Paraguayans would say was a continuation of rapacious land practices dating to the War of the Triple Alliance.<sup>176</sup> Lured by the attraction of inexpensive arable land, large-scale agriculture producers moved into the east, sold the valuable hardwoods, and have transformed the terrain into export-oriented cotton, soy, and marihuana.

Concomitant to this agriculture boom was the financial invention of Ciudad Puerto Presidente Stroessner, now called Ciudad del Este. The city was founded to economically link Paraguay to Brazil. The differential tariff regimes along with lax enforcement of import/export laws quickly transformed the city into a point of triangulation famed for cheap electronics, imported goods, and allegedly a panoply of organized crime syndicates making it a contraband hub for decades. But, through the 1990s, because of Mercosur's alteration of regional tax codes and Brazil's own changes to tariffs applied to trade from outside the region, Ciudad del Este lost its competitive advantage as port-of-entry with low tariffs. Once the Treaty of Asunción (1991) was signed and Brazil's electronics industry leapt forward, the city experienced a dramatic decline in its fortunes—for example, from supplying nearly ninety percent of all computers owned in Brazil, it dropped to but ten percent of the whole. To halt the precipitous decline in trade with Brazil, merchants within Paraguay's Ciudad del Este (many of them of Brazilian origin) took advantage of the Mercosur agreement to lobby for a unified tax structure between Ciudad del Este and Brazil's Receita Federal (Federal Revenue/Customs Office) to formalize and regularize illicit/illegal petty importers. The

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<sup>176</sup> Law mandates, among other things, Paraguayan ownership of all frontier land. Is this the first step in legitimating the land seized by brasiguayos?

goal was to link goods imported into Paraguay's Ciudad del Este with the Brazilian market by limiting and coordinating the taxes levied, granting all importers a formal license and increasing tax revenue to both Brazil and Paraguay. And because the total tax would be limited to twenty-five percent, the goods would remain competitively priced compared to the rest of the Brazilian market.

While much of Lugo's popular base (and, indeed, most Paraguayans who do not live in the department of Alto Paraná) would be ambivalent about the RTU, the brasiguayo population was another matter. Accused of displacing indigenous and campesino communities and of chopping down hard-growth forests to plant hectares of soy for export, the brasiguayos involved in commercial agriculture were often at odds with popular rural sectors in Paraguay. Key campesino leaders in the Department of San Pedro, for example, had faced illegal evictions by brasiguayo farmers looking to take desirable farm land (Hetherington 2011). And upon Lugo's election, the anticipation of "agrarian reform" led campesinos to occupy terrain owned or controlled by brasiguayos, expecting the government to back their claims to the land, leading to violent confrontations. Anti-brazilian rhetoric linked to a nationalist Paraguayan discourse was on the rise as both sides accused the other of beginning the violence. Out of concern for the escalating tensions, lawmakers and business interests in Paraná (the Brazilian state opposite Paraguay's eastern border) met to discuss what might be done, hearing testimony of threatened farmers.

The inclusion of the Unified Tax Regime and the brasiguayo population into an agreement about power-sharing in a hydroelectric dam points to complicated interests coming together in this bilateral relationship. Paraguay had the most to benefit,

financially, from progress on the Six Points and on the RTU, but it remains striking that these would be counterbalanced by Brazil's concerns in its expatriate community in Paraguay. By signing the Joint Declaration, Lugo tacitly acknowledged the legality of Itaipú and the large agribusiness-based Brazilian population.<sup>177</sup> This latter concession might assuage worries within Brazil (and brasiguayo populations in Paraguay), but actually positioned Lugo at odds with his traditional base. More detail on these matters is beyond the scope of this dissertation, but there are two points we can take from the treatment of the RTU and the brasiguayo population in the Joint Declaration. First, their incorporation into the document signals the multi-author nature of the declaration—that distinct groups mobilized to introduce their interests in what now looks like a seamless, single presentation. This polyvocal background points to potential for future conflict. But, and this is the second conclusion that may be drawn, I argue that this points to a convergence of issues. Through linking the foreign-born merchant community of Ciudad del Este to the expansion of Paraguay's energy sector to protection of the Brazilian agribusiness, the fates of these communities and interests are woven together.

### *Conclusion*

The Joint Declaration helps focus attention on the interplay between several constellations of processes and actors as we use Itaipú as a thread to follow and understand state formation in Paraguay and South America more broadly. In this chapter, I have argued that what we see in the Lugo-Lula Joint Declaration is a precursor to a new phase of integration in the region and that in it we can see the means by which integration

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<sup>177</sup> Thus discounting arguments that said the Itaipú treaty was not valid because it had been signed under military dictatorships.

is to come (law, economics), what is being integrated (energy, agricultural commodities, some human populations), its constraints and limits (human rights, popular sovereignty), and its stated aims (social justice, the eradication of poverty, development). As a political economic product of historical social relations in South America, each of these factors (e.g., law, popular sovereignty, populations) is contested and transformed as a result of specific historical processes.

One set of processes and concerns here centers on the making of authorities and the authorization that goes on in state-making/state craft. Narratives and credentials that work in one context have to be translated to appeal in another—and, inevitably, meaning is altered and lost in this process. Thus, the Joint Declaration proceeded from popular mobilization in Paraguay around Itaipú, but then became a thing of experts certified by [self-reaffirming] knowledge processes that, in turn, bolstered the larger system of international law and the power dynamics it maintained. As issues moved from the streets to boardrooms, as more people took on these causes, there was a deep transformation that rendered the final product almost unrecognizable to its initial proponents. But the new tensions that arose from the transformations into unrecognizability do not mean that there are “higher” authorities whose power trumps or obliterates “lesser” ones. Rather, what an ethnographic attention to processes reveals is that what works on one plane, in one context, may or may not work on another. There are different “rules of the game” in different settings. And the inability to appreciate how different and yet how germane these rules and settings were, I argue in the next chapter, had direct consequences for the implementation of the Joint Declaration.

This was not just a matter of translational difficulties (i.e., that things needed to be

better explained in order to convince the opposing side), but that for the Paraguayan negotiators and the Brazilian negotiators, the webs of obligation, knowledge, and relationships differed. Beyond a question of group loyalties and the thickness of connections, very different characterizations of leadership, decision-making, and state practices were brought together by the Joint Declaration. This point is central to the entire dissertation: that what we are seeing is not just that different sectors are vying for control of the state and its resources, but that what they understand the state to be is very different, adding an important complication to struggles for control. Thus, as we saw in chapter 4's discussion of negotiating strategies and will see again in the next chapter, miscommunication and misunderstanding arise not only because the participants are on opposing sides, but because they envision the rules of the game (the way politics works) in drastically different ways. The fallout from this will be enumerated in the next chapter.

The Joint Declaration also raises questions about the political economics of energy organized on a level that transcends national boundaries and fluctuates between different scalar dimensions—at times on a national, at times at a region of fused-together nation-states, at times on projections that are national-imperial. Such fluctuations might be interpreted to mean that we are witnessing a transition from one scale of organization to another, that the uncertainty and lack of fixity is a stage in the process by which political economic formations are reconstituted on new scales, akin to Arrighi (1994). However, my intuition is that the political economics of energy shifts scale in a different way—that it vibrates on a number of harmonics at the same time and that this multi-scalar appearance is not a transitional phase, but the way the way it works. And so this is what “jumping scale” means: not that the political economics of energy switch up

(or down), but that new ranges are included as when multiple chords are played at the same time (and that the converse may be true, that harmonic ranges are silenced). So, the national scale is important in the organization of human labor and the means of production (including natural resources) but, in terms of circulation and consumption, the natural resource base of energy mandates something beyond national boundaries. The uneven development between national units in South America (where some countries have higher levels of consumption than others, where even the natural resources are distributed unequally) couples with an “international” (transnational?) imperative. The Joint Declaration does not nullify the nation-state as a form of organization, instead, it furthers the development of an additional form of organization, the region. This is not a step toward the future obsolescence of the nation-state en route to “globalization,” but solidifies both the region and the nation-state as simultaneous, sometimes integrated, sometimes harmonious, sometimes discordant.

The energy-related items expanded matters far beyond Itaipú Binacional, but it is important to note that the dam was the fulcrum Paraguay was able to use to motivate an international response. While the concessions regarding increased payments for electricity, infrastructure, and the right to sell to non-Paraguayan markets came across as victories for Lugo’s government, trouble lay ahead on a number of fronts. In chapter 4 we saw that two different groups of actors within Lugo’s government had significant roles in the negotiations with Brazil, bearing with them very different ideas about how to negotiate, what to negotiate for, and how state power (both national and international) worked. Here I have argued that the final product of negotiations resembled the proposals set out by the Itaipú technocrats headed by Carlos Mateo Balmelli although the actors

who participated in the final (and public) stages in the negotiations were CEBH members and other leftist appointees. This suggests that the technocrat proposals were found more acceptable to Brazil—that Lula’s government thought that the argument of reinterpreting the Treaty (rather than renegotiating it) in order to sell energy to the Brazilian market at prices that would not affect the end user more convincing (or more tolerable). That neither Itaipú’s Paraguay Executive Directorate, the Joint Declaration, nor the Brazilian negotiators bothered to mention the possibility of “adjusting” (or renouncing) the Itaipú construction debt only strengthens the case that the directorate’s arguments and proposals made sense both in their specific content but also in the assumptions they manifested of how the game of international and Brazilian statecraft was played. After months of wrangling over Itaipú, it seemed that concrete advances had been made to the tune of nearly one billion dollars annually. This increase was linked to a regional project of “energy integration,” as well as to stipulations (stated and unstated) about what actions would be permissible in the political-economic environment at large.

Whether as the price of peace or as another successfully demanded concession to Paraguay, two other sets of issues have been linked to energy in the Joint Declaration—the brasiguayo population and the RTU, that is, agribusiness and commerce. If the earlier exploration of Joint Declaration as political artifact showed that the mechanism of international law—as present in treaties and legal precedent—played a significant function as the means by which integration would occur, then the triad of energy, agribusiness, and commerce points to what is being integrated. These three sets of interests are “important enough” to be treated on a bilateral stage that, in truth, functions as a practice run for regional performances. The integration that is forming “the region”

is not so much the fusing of individual nation-states by the removal of border lines and passport requirements, it is the melding of transnational commerce, transnational agribusiness, and transnational energy.

The Joint Declaration rescripts Mercosur. Criticized as being dissatisfying and incomplete because of unfair barriers that still remain in the markets of the member countries, the common market is at once bolstered and altered. Using the language of the 1991 Treaty of Asunción and incorporating new language of human rights and popular sovereignty as the appropriate limits on government heralds a deeper integration, a stronger Mercosur, as it becomes a more authoritative state apparatus. The Joint Declaration serves as a kind of endpoint to a process of state-making and, because we have seen its development from earlier chapters, we are able to describe features of state-making processes in general. State-making is a multivariate process of compression to give the appearance of a timeless, unified whole. Very different interests and agendas—energy in Paraguay, merchants in Ciudad del Este, brasiguayo farmers—are presented together as one document and as one set of interests (that of development). Time itself contracts—the history of debate and conflict over each of these provisions and even the struggles that gave rise to them—in the singular moment of the presidents' signatures as they each sat and signed at the same instance. These transformations into unity effect an arrangement/consolidation of political and economic and social processes at a regional scale.

## Chapter 8

### Paraguayan Triptychs, Two Allegories of Good Government via Itaipú

Ambrogio Lorenzetti, before succumbing to the plague in 1348, decorated the walls of Siena's *Sala dei Nove* with a series of frescoes called the *Allegory of Good Government* and the *Allegory of Bad Government*. Each details the same city, the same countryside, even the same people, under very different rulers—one a temperate, wise grandfather figure accompanied by faith, hope, and charity; the other a younger tyrant sprouting devil-like horns and teeth, seated with avarice, pride, and vainglory. The parallel scenes show well-built versus dilapidated Sienese buildings, women dancing in the streets versus robbery and debauchery, verdant fields at harvest versus marauding soldiers on untilled hills. So were the contests over how to achieve a prosperous future linked to the state's proper administration of natural, human, and built resources even in that prelude to modernity, the Italian renaissance. Itaipú functions as a Paraguayan allegory for government, both good and bad. This chapter, in fact, presents two Paraguayan “allegories of good government” in triptych form—a Liberal Triptych and a Leftist Triptych.<sup>178</sup>

The three panels that make up each of these two metaphorical triptychs—the past, the present, and the future—focus on the central drama of how to spend Itaipú money (and, to a much lesser extent, how to use the Itaipú electricity) for the benefit of the Paraguayan nation. In the middle panel—the present—of the Liberal Triptych, imagine a

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<sup>178</sup> I use “Liberal” here not to refer to the PLRA, the Liberal Party of Paraguay, but instead to refer to ideas inspired from classical liberalism: free market capitalism (though modulated by some government intervention), representative democracy.

middle-aged man in a well-made suit, seated behind a large, imposing desk in a capacious corner office, hearing what another well-dressed middle-aged man is saying to him. And, still in the same panel is another image, this time of the same two men in a conference room along with half a dozen others, seated around a table of dark-stained wood at night—much later than normal working hours in Paraguay—with stacks of papers, debating a matter. The middle panel of the Leftist Triptych has some similar elements, but in a very different setting. Instead, envision a large ballroom in a hotel where a group of presenters (all male) sits before hundreds of listeners from all walks of life—men, women, children, dressed as professionals, as campesinos, as students. But the audience does not just listen, they have their hands raised to pose questions to the presenters. Another scene next to the first is of the same conference room, but the chairs are arranged in smaller circles, scenes of lively discussion where everyone has a copy of the presentations, with someone writing a summary of the smaller conversations on large bolts of paper, and on one side of the room, some of the sheets of paper of other groups are already gathered and arranged next to one another. These two scenes of discussion and decision-making—each idealized as what “good government” in Paraguay would look like—actually occurred as Paraguayans in the post-Lugo transition deliberated over how to invest Itaipú’s wealth in development.

Itaipú trades not in energy, but in hope. As we come to the closing of this dissertation, the dam’s past and present have shown that it is about much more than megawatts in Paraguay, that it is a way of imagining a future different from the past and the present. As a kind of Paraguayan *deus ex machina*, Itaipú can pluck Paraguay out of its current trajectory and bestow upon the country an entirely new path. It does this

already for individual employees who, seeming to produce nothing, still walk away with houses and pensions greater than their compatriots. After all, in Paraguay only the land (nature?) is seen as productive. Everywhere else, money is made of magic or extortion and so any labor that is not agricultural or physical seems unproductive, wages a gift from a patron for attendance. The regular stories of “corruption” and impunity in the dam only add to this perception. Moreover, even what the dam purportedly produces—electricity—is so unreliable in Paraguay, with daily blackouts, that Itaipú does not seem to make a difference in how people lead their daily lives, as the vast majority of energy consumed comes from combustion of hydrocarbons and burning of biomass. Why not similar prosperity for the entire nation? It is this quality, the mystical power to change the future for the many—coming from the larger-than-life monumentality of the physical dam and of the amount of energy produced by it, in addition to mystifications around the money, electricity, and inner-workings of the bureaucracy—that enables Itaipú to serve as an allegory for the Paraguayan government at large.

From the very beginning of Lugo’s tenure, the pledge to invest Itaipú’s bounty (financial and electric) in the nation as opposed to previous administrations’ cronyism distilled the *promise* of the nation. On the one hand, the new administration of previously-marginalized groups vowed to use the state apparatus to serve the nation—“promise” in the sense of commitment from the state to the nation. On the other, “promise” also describes potential for the future, as when adults say, “that child has great promise.” With the vast Itaipú resources now in new hands, there was a sense that Paraguay had promise, that the country’s future could be prosperous, equitable, different from its past.

Stories of Itaipú's physical size accompany stories of other mystifications that grant the dam the power to endow good fortune. Throughout Paraguay, majestic images of Itaipú dam taken from above, spillways open to the left (a sign of excess water being discarded as the turbines in the middle spin at full capacity) as proof of its ability to deliver the future decorate government propaganda, brochures intended to woo foreign investors, and postcards to lure tourists. The dam features in videos streaming in television programming and as important stop on all journeys to Paraguay of international luminaries, dating from the Stroessner regime to the present as visitors admire the thunderous spillways and cycling turbines where once the waters of the imposing Salto del Guairá stood—nature sacrificed for modernity. The lack of transparency about how much money was spent in Itaipú and how people attained employment and access to this wealth was an outcome of decades of ANR patrimonial administration. The nature of electricity—an unseen power coming almost magically from lines that at other moments are entirely dead and somehow coming from water—was also poorly understood, adding to the mystique of the dam.

But this is more than mere fairytale. If Itaipú in the Paraguayan imaginary is what brought wealth and the creation of a middle class in the past, in the present it renders two tangible offerings: money and electricity. In 2008, Itaipú annually paid \$2.064 billion (\$1.032 billion for each side) toward its construction debt and \$240 million to the treasuries of each country in the form of royalties. Each General Director had as his responsibility an annual budget of \$307 million out of which to pay salaries, operations, maintenance (of the dam and other facilities), and for social programs. Paraguay's treasury also received \$117 million in compensation for its excess energy ceded to Brazil.

And once the Joint Declaration were to be ratified, an additional \$240 million (for a total of more than \$600 million) would be injected into the Paraguayan treasury.

How to administer these royalties and ceded energy payments (a decision made by the executive branch) and how to administer the Itaipú budget for social programs (a decision made by the General Director) lay at the center of expectations of what the Paraguayan state ought to do for the Paraguayan nation. Under the Colorado administrations prior to Lugo, these were parceled out according to personalist logics and party loyalty—thus the ongoing petitioning of favors and the slippery slope into irregular fiscal practices. But with the election of Lugo, this, too, was up for grabs. In a country where the central government's budget was \$8.47 billion in 2010 and the GDP was \$17 billion that same year, these amounts have the real capacity to effect a dramatic shift—a financial order of magnitude that would be felt almost immediately. In the Lugo transition, calls for Itaipú to fulfill its destiny in helping Paraguay fulfill *its* destiny reached their apex.

Yet the course of political change never did run smooth and in a coalition government such as Lugo's, where drastically different parties governed together, an ongoing debate about how to actually spend millions of dollars exposed drastic ideological differences and set the stage for the drama in our two triptychs. Within Lugo's administration, two different sectors were given responsibility for steering the dam: first, a team of leftist activists concentrated in the Ministry of Foreign Relations's Commission on Binational Hydroelectric Entities (CEBH) headed by Ricardo Canese and, second, a team of liberal-minded technocratic experts (many educated abroad) who, like Carlos Mateo Balmelli, worked in Itaipú, Yacyretá, and ANDE and were often

affiliates of the two traditional parties, the Colorado Party and the Liberal Party. These two groups, the source of the two allegories of good government via Itaipú, planned what Itaipú should do in the present in order to deliver development to Paraguay and thus bring modernity at last. What these intended developments looked like is the subject of this chapter.

The two groups had few points of convergence other than the general agreement that Paraguay's politics (in Itaipú and beyond) had been an example of bad government with all the attendant ramifications in urban and rural life, and that, in the present, some new way of administering the dam (i.e., good government) would lead to a prosperous future. Both concurred that the past—the first panel in both of our triptychs—was wrong and denounced the bad practices and disastrous results of what had gone on before during the six decades of Colorado rule, but could not agree on *why* it was wrong, what was the nature and cause of bad government. They both agreed that Itaipú could and should set a new course in the present—the second panel and the focus of this chapter—but not on how this should be set. And they both claimed a triumphant future—the final panel—fostered by the state doing what it was supposed to on behalf of the nation. In the two triptychs presented here, the difference between socialist dreams and liberal hopes become starkly clear: disagreement around the best way for citizens to relate to their governors and for political leaders to govern the citizenry, most clearly evinced in the difference between “participatory” and “representative” democracy; distinct styles of leadership and decision-making processes; differences in the organization of the economy and how the state should intervene in it; and ultimately differences in what characterized the ideal state to nation relationship. The two allegories in triptych form are the different

images—one from the liberal perspective, the other from the leftist—of how Itaipú would develop Paraguay in the present and what the outcome of this would be in the future.

If modernity as a project is fundamentally future-oriented as a result of its concern for progress, then Latin America is doubly-damned for its failure to achieve the political and economic promise of material abundance and peaceful civic engagement. For not only does it want, it has failed to achieve its promise because the entire colonial project began with a vision to realize on earth the utopian ideals of the Spanish Empire, whether described in mythic stories of El Dorado or the slightly more realistic hopes engraved into the civilizing cities built throughout the continent. Whatever Paraguay's problems, whatever the causes for this failure to achieve modernity (demonstrated in a history of coups and rampant poverty), the solution to the country's ills was "development." *Desarrollo* (development) has become the hegemonic cure as *subdesarrollo* (underdevelopment) has become the commonly accepted diagnosis of the country's failings. The usual trappings of development discourse, on the other hand, have not been as broadly accepted and so what this development consists of is still open, the site of contention, and the theme of the two triptychs. Any narrative about development in Latin America—even from the Left—must contend with modernization theory assessments and condemnations of "inadequate culture" and with even older eugenicist explanations that fault "undesirable races" for the continent's failure to achieve modernity.<sup>179</sup>

Paraguay's dominant engagement with this is a deft sleight of hand—it acknowledges and accepts the verdict of deficient cultural and racial backgrounds while absolving Paraguay through the hermeneutic of the War of the Triple Alliance. That is, the destructive effects of lower races were meted upon Paraguay in the actions of the

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<sup>179</sup> Examples of these eugenicist narratives can be found in Shumway (1991).

Argentines and Brazilians during the War, who were in part populated in their past by “villains” and “slaver pirates” (i.e., the bad raced inhabitants in Latin America were to be found in Argentina and Brazil). And the subsequent government built in Paraguay, because the country had lost so many of its honorable men in the War, was made up of the weak-willed and easily-bribed traitors who served as puppets for Argentina and Brazil, thus ensuring that Paraguay’s [political] culture was deficient because it was subservient to foreign interests of the worst kind. The inversion here was that the Guaraní mixture and isolated development of Paraguay were what led to its nobility and prosperity rather than its impediments. And so, “development,” whatever else it meant, had to take into account Paraguayan exceptionalism—the past of the War and the present of its landlockedness.

Politicians and parties, citizens and social movements fill the empty category of “development” with scenes from futures they envisioned, elements taken from development futures of the past, or from new futures spun in the region’s leftward turns and refracted through the national history. Itaipú, for its numerous qualities as a Paraguayan wish-granting genie, featured prominently in whatever futures were depicted because it had the power to bring development and thus claim modernity. And so it sits at the center of our triptychs, as an image of a prosperous future attained through the proper disposition of resources, typical of modernist yearnings. In part III, as we discussed favors and corruption/transparency, we obliquely referenced Itaipú’s social investments—the ways that the dam’s financial and energy resources were distributed within Paraguay. Now we focus directly on the application of Itaipú’s wealth to meet needs within Paraguayan society. If both the Liberal Triptych and the Leftist Triptych

agreed that development would be the cure to Paraguay's underdeveloped ills, conflicts abounded over what "good government" was and what its effects on city and country would be. These [images] reflected the ideological commitments of the two sectors. Here, politics is not just practical necessity, but interpreted through pre-existing hermeneutics.

While Itaipú contributes hundreds of millions of dollars to the national economy through employee salaries, third-party contracts, and indirectly through ANDE's sale of cheaper energy (as well as through wages and contracts at the national energy company that commercializes the energy), one of the most difficult balances Paraguay's rulers have had to strike is one of business objectives versus social needs. Itaipú was agreed upon to resolve an international dilemma; it was advertised as the solution to a national one—that of development. As a government-owned dam, the property of the public energy company, Itaipú's central mission is the development of Paraguay (and Brazil) through providing cheap and abundant energy and through reinvestment of the proceeds of energy sales into a variety of projects. Lula's explicit creation of socio-environmental funds was but the latest incarnation of this value. That in Paraguay the word "environmental" was quickly removed from how these expenditures were to be referenced reflects the expectations on how the budget of Itaipú administered by the General Director should be spent.

The middle panel of good government in the Leftist Triptych is a scene of participatory democracy. Tekojoja and other members of Lugo's progressive base used "participatory democracy" to describe the political project that the new government would implement. This phrase has gotten a lot of traction in Latin America's leftward turn, from Porto Alegre (Corrêa Leite 2005) to Venezuela, but, like the term "freedom" in

post-9/11 United States, has often functioned as an unexplained stand-in for concepts and practices that should be elaborated. Explicitly differentiated from “representative democracy,” in Paraguay a participatory democracy was both the means and the ends for a proper relationship of government to people as opposed to the thinly-masked oligarchy that resulted from employing a North American model. Lugo’s public meetings during his electoral campaign were an example later followed by Tekojoja with campesino groups to anticipate agrarian reform and by the Commission on Binational Hydroelectric Entities (CEBH) both in its country-wide international negotiation campaign prior to the Joint Declaration and, as we will see, in preparing for what would come after the changes following the Joint Declaration. Participatory democracy, however, was not the only model for new governance advocated for by members of the post-ANR government. A new breed of politicians across several parties called for a rationalization of politics according to “modern” (i.e., liberal democratic) lines in the tradition of Brazil’s technocratic expertise, the representative democracy that is the central scene of good government in the Liberal Triptych.<sup>180</sup> In Itaipú, the circle of advisors around Mateo hoped to see technical qualifications and “rational” expediency as the basis for how the dam should be administered, where skilled and principled leadership was the lynchpin for a state that did right by its citizenry.

The two triptychs explore different answers to the question “What should Itaipú do for Paraguay?” by looking in and outside the dam’s administration. At the heart of the middle panel of the Liberal Triptych is the decision-making process of a multi-million dollar project in agrarian relief under Mateo’s tenure. Mateo’s team of technocrats openly advocated for a form of government-led development that focused on attracting industry

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<sup>180</sup> Notably, parts of the Liberal Party, Castiglioni’s faction in the ANR, and Patria Querida.

and investment, expanding energy consumption and removing partisan or personalist criteria for projects. “Good government” would be achieved through determined and qualified leadership that was committed to rational liberal democratic principles and a Brazil-esque market economy. A very different decision-making process stands at the center of the middle panel in the Leftist Triptych—this one administered by the CEBH around the question of what to do with the additional monies (from ceded energy) that would come following the Joint Declaration between Lugo and Lula. For the CEBH, the ideal type of government to succeed the ousted Colorado machine was one from the grassroots up, a Venezuela-style participatory democracy that not only represented but emanated from the citizenry. This accompanied an international vision of popular sectors united across national boundaries, demanding government action that met the expectations and interests of the citizenry and not just a ruling “neoliberal” or “caudillo” elite. But since both visions of a post-ANR nation-state had to contend not just with one another, but with the lively remnants of a political economic apparatus that perdured for more than six decades, this process proved fraught with perhaps unreconcilable difficulty.

In this chapter, we will look at specific debates held over how to spend Itaipú money for the sake of developing Paraguay and what economic plans were drafted in light of the coming changes once the Joint Declaration was approved. Each section below focuses on one decision-making moment where the two sectors of Lugo’s government debated (but never with each other) how to spend Itaipú money to meet Paraguay needs. As our eyes gaze closely on the central panel of the triptychs, the two other side panels will come into focus in our peripheral vision; more than just a budget is being decided, but, rather, strategies for development through Itaipú. Strategies to reform government

embed the critique of what was wrong with what had come before and Paraguay's underdevelopment was cast a result of bad government, the mismanagement of the past shown in the first panel. As Itaipú sits at more than just a crossroads of regional political economic processes, the signing of the Joint Declaration inflamed disagreements already underway in Paraguay over how to use Itaipú for development. This broader contest within the Paraguayan government, over the ideal nature of state to nation relations and obligations, how to manage the economy and resources, and how to achieve progress, strikes to the very heart of what kind of future is being imagined. Here, I argue, we will see what characterizes two Paraguayan narratives—our Liberal Triptych and our Leftist Triptych—about development, good government, and the ideal future that are in competition to attain hegemonic control over the way politics is thought and practiced after the Lugo election. And as we do so, we will answer broader questions about political transformations in Latin America's leftward turns, about how new narratives of futures are fashioned out of older ones, and about the concrete political and economic solutions that arise from ideologies bundled in liberalism and leftist politics.

*Tríptico Liberal: Strong Leadership, Electrification, and Market Integration as Development Strategies*

The Itaipú Paraguay budget for 2008 was entirely spent by Lugo's ascension, the beginning of the new Executive Directorate Board's tenure in mid-August, leaving barely enough for salaries and planned expenditures. Yet by late October, some additional \$15 million had been found in a supposedly nearly bankrupt budget, merely by instituting accounting controls and laying off political hires from the recent ANR presidential

campaign. Because this money was part of the operational budget for the Paraguayan side, any money not spent by the end of the fiscal year would be returned to the binational, to offset the cost of the energy rate for both countries for the following year. Thus, not spending the money budgeted to Paraguay would mean that the money would then go, in part, back to Brazil. But in Paraguay, needs abounded, and none more politicized than the agricultural crisis in the country. Much of Lugo's campaign support had come from campesino and rural groups; expectations ran high that he would implement "agrarian reform" once in office. Increased mobilization by agricultural sectors had led to land occupations triggered by the ever-expanding soy frontier controlled by large multi-nationals or by farmers (many of them foreign-born brasiguayos) who had displaced smaller-scale producers, often in violation of land titles. Protests and mobilization followed the harvest cycle in Paraguay—periods of sowing, like September through November, that required less maintenance than harvest allowed campesinos the time to organize occupations or travel to urban centers.

Though this dissertation centers on urban questions, Paraguay's agricultural issues were unavoidable throughout my research and provided necessary context. Not only were there regular protests in the cities as campesinos blocked streets and as large-scale producers responded with a street-block "tractorazo," the issues of Itaipú and agrarian reform were historically linked in several ways. Lugo had campaigned on twin promises of recovering hydroelectric sovereignty and agrarian reform and leaders of Tekojoja explicitly told me that agrarian reform would be financed by hydroelectric sovereignty. Moreover, the westward expansion of the soy frontier by Brazilians was part of the development of Paraguay's eastern border with Brazil, timed with the construction of

Itaipú and deeper ties between both countries encouraged by Stroessner. While previous governments had turned a blind eye (or extended a bribe-seeking hand) to Brazilian (and Argentine) farmers who cleared forests of natural hardwoods (and indigenous communities) in order to plant cash crops or who forced campesinos off their land, Fernando Lugo was expected to change this. With a broader agricultural crisis in the Southern Cone (tensions in Argentina led to blockades leaving urban grocery stores empty), the pitch in Paraguay grew severe. Another campesino was killed during an occupation, leaving a grieving widow and many children. But instead of promised changes, Lugo's government allowed the forced removal of occupiers.

This political tension was exacerbated by the global financial crisis in 2008 which forced even more rural residents further into poverty. The Lugo administration needed to placate the large agricultural base—a sector that wields veto power electorally, considerable enough in size that this constituted an unignorable voting block wooed by all political parties. With increased pressure on all sides, Lugo created CEPRA, the Executive Coordination for Agrarian Reform, a council that would contain representatives from almost all of the Ministries (Interior, Education and Culture, Agriculture and Livestock, Public Works and Communications, Industry and Commerce, Health, and the Treasury) and representatives of campesino organizations. CEPRA's charge was to evaluate the situation in the *campo* (countryside), design plans to solve those problems, and execute them. Lugo and Mateo decided to allocate the additional Itaipú \$15 million to emergency agricultural relief and approached the Paraguayan Episcopal Conference (CEP), the official Roman Catholic assembly of Paraguay's bishops, with the offer to administer the aid. The money was to be targeted on San Pedro

and Caaguazu, two departments which had seen the greatest conflict between agribusiness and campesinos, and aimed at purchasing land for settlements for landless (and mobilized) peasants. Mateo later explained that the CEP was chosen because it was a “respected institution that shows we have moved away from corruption and patronage” and so that “people won’t say ‘Mateo is campaigning for 2013.’” But days later, the rumor came to the Executive Directorate that the CEP was reluctant to accept the task.

Karl, an old campaign ally of Mateo (and a Paraguayan Mennonite) who spent time managing a business between Canada and Germany, came to visit him in the late afternoon. The opening small talk that day was the financial crisis engulfing the United States as sub-prime mortgages failed and Wall Street crumbled. Other than my opinion about the U.S. presidential election, the most common small-talk question I got in late 2008 when I introduced myself was, “So, what about this financial crisis?” Karl’s (a proud fiscal conservative) analysis attributed the crisis to Wall Street greed, which should not have been rewarded with a large, unsupervised, unregulated bailout. And then he turned to Mateo and began, “Do you know what you should do with this \$15 million? It should be administered by Itaipú.” His suggestion was to call a meeting between Itaipú and Lugo’s newly created CEPRA to hear their priorities and suggestions and then implement a plan for how to address these concerns—but overseen and financially controlled (audited) by the dam itself. Mateo dismissed this as too juridically complicated and under too short a time frame (the money needed to be allocated and disbursed before the end of 2008).

The following day, the rumors were confirmed.<sup>181</sup> The CEP published a statement

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<sup>181</sup> Something very typical for Paraguay where meetings and public debates take place *after* decisions have been made and so the outcome is often known.

thanking Itaipú and the Paraguayan government for the trust shown in making the offer, but declined to accept responsibility for administering the \$15 million, saying that such undertakings were not permitted by the Paraguayan constitution, claiming that this would violate the separation of church and state.<sup>182</sup> At this, the financial team of Itaipú called a spontaneous meeting at 6:30pm on a Friday night to discuss how to spend the money. The Director of Finance—a man with years of experience working in the non-profit sector—made a different proposal. “Why don’t we hold a competition?” he said. “Distribute \$50,000 to each municipality to host a social justice contest.” The plan was to encourage municipalities to start programs with the seed money from Itaipú and then, in a few months, evaluate the progress of each municipality and grant \$1 million to the winning municipality to further implement their project. But Mateo thought this too vague—in order to get approval to disburse the \$15 million, the Brazilian half of the directorate—which would be meeting the following week—had to also pass the proposal.<sup>183</sup> In the end, under such an accelerated timeline, the money went to various government ministries and agencies, who pledged to apply the \$15 million to alleviating the plight of rural workers. Yet with no oversight from Itaipú or accountability on this matter, it remains unclear whether the money actually went to subsidize seed and land purchases for campesinos or if it was used to paint office buildings, install air conditioners, and buy new vehicles for government functionaries. This experience was distasteful and enlightening for the new crop of leaders in Itaipú: depending on traditional government paths led to a repeat of previous practices.

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<sup>182</sup> A concern for the constitution not demonstrated in many other situations, where members of the clergy happily accepted funds from Yacyretá in Encarnación and Itaipú in Alto Paraná to help fund church-based social programs, even during Lugo’s presidency.

<sup>183</sup> Expenditures on both halves of the dam at this scale had to be approved by the whole board, even though the money would be spent on only one side.

Complaints about the never-ending stream of favor requests accompanied invectives against the patrimonialism of the previous system which had encouraged it within Paraguay. The technocrat experts in engineering and law that frequented Mateo's office and chatted together in the meeting rooms of Paraguay's Itaipú Executive Directorate often lamented the expectation of patronage and favor-granting that prevented them from doing their duties and that characterized not only the government of Paraguay, but the administration of every aspect of the dam. The problem with the past (the first panel in the triptych) was that politicians were short-sighted and lured by the quick fix of stealing from government coffers and, every so often, redistributing some to clients to ensure their loyalty. While this might seem like easy money for both patron and client, its long-term effects were to keep Paraguay dependent on Brazil's technical expertise and knowing acquiescence and ultimately to stifle industrialization within Paraguay. "I got so tired of it that one day, I installed a fake camera in the air conditioner above my desk," said Nicolás, the engineer who had worked at Yacyretá and in the Vice-Ministry of Mines and Energy. Because of his technical expertise—including vast overseas experience—and his knowledge of political bureaucracy within Paraguay as well as the international relations dimension of working in Yacyretá, Nicolás had been loaned to Itaipú at Mateo's behest. He was a key advisor on the feasibility of developing Paraguay's energy output and a chief source of financial and electricity projections. "It had a red flashing light," he continued, "And when people came into my office to ask me for favors, I would point to it and explain that we were being filmed. That way they stopped asking" (Personal communication, June 2009).

But the problem was not just that patronage interrupted the flow of work or

diverted resources from the dam and social projects into personal accounts. Rather, it was that because of the ease of patronage, political elites and ordinary Paraguayans did not realize how much money could be made if the entire country were developed. “Paraguay sells itself for cheap,” I was often told in these conversations when the subject turned to Brazil’s indulgence of practices in the Paraguayan half of Itaipú.<sup>184</sup> Not realizing that much more wealth would be generated by selling energy than by asking for bribes, Paraguay’s political class from all parties (with tacit tolerance from Brazil) had created a system where government was rent-seeking and where individuals within government institutions were rent-seeking.

From this point on, the technocrat team in Itaipú’s Executive Directorate was insistent on pursuing a politics of investment and development that circumvented deliberation in the parliament or ministries or that depended on any other Paraguayan negotiators. With this in mind they met with representatives of international organizations in Paraguay (such as the World Bank) to discuss development strategies that could be implemented once the plan they were advocating to Brazil (what eventually became the Joint Declaration) was approved by both congresses. Building the electrical capacity of Paraguay would be the way to modernize and develop the country. This way, once the agreement was approved, Brazilian (and other) businesses which had been primed through international organizations and Mateo’s team would come and immediately begin installing factories (maquila-style) in Paraguay’s eastern frontier. This proposal was attractive to non-traditional business interests even within Paraguay, who hoped for a

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<sup>184</sup> Since annual budgets were approved by both Boards of Directors and expenditures of more than a few hundred thousand had to pass approval from both Boards, it was an open secret that the Brazilian Board of Directors knew that the Paraguayan Board of Directors used hundreds of thousands of Itaipú dollars for personal gain and the Colorado Party campaign.

liberalization and “rationalization” of business in Paraguay via an energy-subsidized industrialization.

“I was reading Arendt’s *On Revolution*,” Mateo said to me one afternoon months later, “That is her best book. She quoted Lenin, who asks how you will solve the... in Spanish we say ‘*cuestión social*’” (Personal Interview, February 19, 2009). “That’s how we say it in English, too—the social question,” I said. “How will you solve the social question?” he continued, “‘*Electrificando*’ [electrification] was Lenin’s answer. Have you seen *Doctor Zhivago*?” “No.” “You need to correct that. Omar Sharif leaves a big energy plant. Lenin electrified Russia. This means my ideas are right. Russia was a traditional society. With this decision, the revolution, they industrialized.” He saw this as the only way out of Paraguay’s poverty: of the three important economic sectors in Paraguay, the first two—cattle and agribusiness—were “excluyente” (excluding) and would not have a trickle-down effect to impact the people. But because electrification included the people, it would give them electricity as the tool to modernize and end poverty.

Electrification was actually only part of a multi-pronged strategy being planned by the team of technocrats. They prepared for it by reading Brazilian history (analyses of Baron Rio Branco’s international diplomacy by Brazilian scholars and Steven Topik; Nicolás gave me a copy of what he was reading--excerpts from the memoirs of Mario Gibson Barboza) and examining the present and future energy situation of Brazil to both learn from Brazil’s model but also to be able to form arguments that would convince a Brazilian audience. As mentioned in chapter 7, this group of technocrats saw integration with Brazil as the most viable linkage for economic development, counting on the

increased expansion of Brazil on its ascent as a “global player.” What had only been mentioned indirectly before the Joint Declaration became the core platform of Itaipú-based lobbying in Brazil after July 2009: to attract Brazilian industry to Paraguay through three incentives, cheap energy from Itaipú (and possibly other dams), cheap labor costs, and a low tax burden. This message was presented by Mateo and his team to audiences of business elites throughout Brazil in the second half of 2009: at the American Chamber of Commerce in Curitiba (AMCHAM), at the Federation of Industries of the State of São Paulo (FIESP)—two of the most powerful consortia of business interests in the country.

To this end, the *Parque Tecnológico de Itaipú* (Itaipú Technology Park, PTI) was revamped on the Paraguayan side. In 2003, the PTI was established on both the Brazilian and the Paraguayan side. Though, per the 1973 Treaty, equal monies were disbursed to both halves, by a 2008 visit in November, the state of the park on the two sides was incomparable. In Brazil, we were shown advanced biotechnology laboratories where vaccines were being manufactured and a nascent pharmaceutical industry (a public-private partnership) was working to develop new drugs.<sup>185</sup> We were led to sterilized advanced computer programming rooms with the latest designs and to well-equipped high-tech classrooms for teaching computer engineering at the new university being built in the PTI, intended to be the MIT of Latin America. On the Paraguayan side, empty buildings with no doors poked out from wild jungle overgrowth, red mud splattered on the walls with no indication of how the millions of dollars distributed to the Paraguayan PTI had been spent. One year later, the Paraguayan PTI was being planned as a

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<sup>185</sup> These industries are so important within the Brazilian government that they are referenced as a matter of national security in the Brazilian National Defense Strategy working paper that Lula signed on December 18, 2008, as noted in the wikileaks cable 09Brasilia34 “BRAZIL,S NEW DEFENSE STRATEGY--STRATEGY FOR DEVELOPMENT” (sic) January 9, 2009. This was distributed to US Southern Command, not just the usual “diplomatic” recipients.

technology research facility to employ Paraguayan science Ph.D.s whose scholarships were to be funded by Itaipú and the Fulbright commission. And the site was being shopped to potential Brazilian investors as the future location of the maquila industry in Paraguay, using the proximity of the border department of Alto Paraná as well as the ease of access via waterways to distribute goods to the Brazilian market. Appended to this were infrastructural projects throughout Paraguay. Not only were various 500 kilovolt transmission lines planned as construction on the Paraguayan Itaipú substation continued, but the engineers on the team (including Nicolás) proposed to build dams on Paraguay's internal rivers to commercialize this energy in Brazil without the controversy of Itaipú and the Joint Declaration.<sup>186</sup>

Development of this kind placed decision-making power in the hands of a few technocratic elites who had specialized training in business and finance and who would directly woo foreign investors. Though this allowed for a speedy process, only the select few who had access to Mateo's schedule could make suggestions and conjecture as to what the needs on the ground might be and offer how best to address them. Underlying the image of development here was the expectation that modernity would come through the experience of working in efficient, market-driven industries and through the education process that was required for employment in technologically advanced sectors. The clientelistic past—a feature of all political parties, not just the ANR—was the enemy to this progress. Because its practitioners controlled most government institutions and even Paraguayan business interests, direct foreign investment in an area headed by a team of market-oriented experts would be the only way to circumvent rent-seeking behavior and bring development. Aside from questions about whether a maquila-based

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<sup>186</sup> These plans abruptly stopped as soon as Mateo was removed from office by Lugo in 2010.

industrialization oriented toward the Brazilian market would successfully bring development in a “trickle down” effect, another critique of this top-down decision-making process is that it replicated the practice of the previous system, leaving those most affected by decisions unaware of how they came to be made, unfamiliar with the factors and considerations. While the goal might be different, because the method looked similar, it lent itself easily to accusations of the same excesses of previous governments and reinforced the dependency and expectation of patronage that the new Lugo appointees in Itaipú saw as the obstacle.

*Tríptico Izquierdista: Participatory Democracy, Government-Led Investment, and International Energy Integration as Development Strategies*

But the government by experts practiced within Itaipú, opposed to the previous style of government through personal relationships, as we saw in whose opinions were solicited while trying to decide how to spend the \$15 million, differed sharply from the model of participatory democracy advanced by Tekojoja and the CEBH. Even before seeing participatory law-making and democracy at work in regards to Itaipú, I encountered it early in my extended fieldwork. As I waited for a meeting with Sixto Pereira, the senator from Tekojoja and eventual president of the political party, a group of men exited the senator’s chambers. Pereira explained to me that he and other leaders of Tekojoja were meeting with leaders of campesino groups from across the country in order to workshop proposals for agrarian reform (even before Lugo created the CEPRA). In our interview, Pereira described participatory democracy and the election of Lugo as a change in the “imaginario” (imaginary) and collective thinking of the Paraguayan people

who sought change, not merely alternation in government. Claiming that the neoliberal model had not worked, he said that “the people” wanted a political change and so they (the people) were “armando” (preparing) their own cabinet, forming their own policies and ideas rather than the way it was done in the past, “impuesta vertical” (imposed from above) and client-patron based.

These values carried into the CEBH, which continued Lugo’s model of circulating throughout Paraguay, holding public meetings about the negotiations with Brazil, and listening to feedback from anyone who showed up at the meetings. Once the Joint Declaration was signed (July 2009), they embarked on yet another series of public discussions, this time about what to do with the *beneficios*, the increased monies Paraguay would gain from Itaipú. In August 2009, the CEBH conducted a workshop where sixty energy and development experts from various government ministries, political parties, and labor groups gathered to discuss Paraguay’s development needs and from there to discuss how the new income could be best used for a long-term vision. They quickly published and freely distributed a copy of the proceedings. This served as the basis for a series of public seminars held after the Paraguayan congress passed the Joint Declaration which explored three themes in greater depth than a one-day seminar could: 1) the environmental impact of Itaipú and Yacyretá, 2) the use of the additional proceeds from Itaipú, and 3) international energy integration.

On a Saturday in December 2009 in one of Asunción’s most exclusive hotels (here Lugo and Franco had held their international press conference after winning the election), more than one hundred-fifty men and women participated in a day-long program on how to use the additional monies from Itaipú. I had been invited to attend by

the CEBH's communication team after a series of interviews on what had been achieved in the agreement between Lugo and Lula and on what Itaipú's ideal role in Paraguay should be. The morning centered on two panel discussions (each followed by lengthy questions and answers from the audience). The first was a lengthy PowerPoint presentation by an expert in the Ministry of the Treasury who discussed the chief dangers risks facing Paraguay as a result of the anticipated increase in income following the increase for cession of energy. One central concern was that local governments would use the income to pay general expenditures—salaries, recurring expenses for infrastructure, unproductive outlays of capital etc. He raised the same troubling statistic in public as had one member of the CEBH to me in private a few weeks before: in parts of the interior of the country (i.e., not Asunción), royalties from the dams provided forty percent of the income for municipalities. And because local governments had become used to depending on royalties to meet their expenses, there was a risk that they would get into greater debt and an eventual systematic default as they expected an increase following the Joint Declaration.

The danger was *enfermedad holandesa* (Dutch Disease)—that with the increased exploitation of natural resources (in this case, hydroelectric energy), Paraguay would become increasingly more dependent on the proceeds of these sales to the detriment of development in other sectors of the economy. Because the additional beneficios had a limited time span (until 2023—at which point the 1973 Treaty was up and Paraguay was to fully control its half of the energy), if Paraguay did not take advantage of them in strategic ways, the country would suddenly find itself in a lurch. There were a number of compounded difficulties having to do with the end of the treaty, when everything, from

baseline prices for Paraguay's ceded energy to royalty amounts, would no longer be valid. If Paraguay used compensation for cession of energy and revenues from sales on the Brazilian market for ordinary government expenses, rather than building up the capacity to absorb the dam's energy or at least have enough capital to pay the baseline price for its half of the energy before commercializing it to Brazil's market or other markets in the region, then it would find itself atop of a vast energy surplus. And lacking any preset agreement on how the energy should be paid for, it could find itself forced to sell at a disadvantageous price. Instead, what should be done, in addition to investing in energy infrastructure, was the creation of several funds—an Economic and Social Development Fund, an Anticyclic Fund, and an Emergency Fund.<sup>187</sup> This, in the middle of inscrutable technocratic jargon, made a visible impression on the audience.

Ricardo Canese was present at the seminar in person, giving expositions throughout the day and taking questions during breaks. His first order of business, since the Saturday meeting would inaugurate several days' worth of discussions, was to present findings from surveys conducted by the CEBH during their nationwide tour to explain the negotiations. One interesting result was the answer to the question, "On what should the royalties and compensation be used?" Out of hundreds surveyed, 0 percent had said "only on recurring expenses," 22 percent had replied "only on capital investments," but a full 77 percent had said "on both capital investments and recurring expenses" (with 2 percent not responding).<sup>188</sup> That this 77 percent supported spending finite resources on recurring

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<sup>187</sup> The anticyclic fund followed the example of Chile, which invested additional income from bountiful mineral sales years that gave them a buffer that they could use when economic crises struck—as occurred in 2009. The emergency fund was for unforeseen disasters. Again, Chile has one of these which President Bachelet accessed following the earthquake of 2010.

<sup>188</sup> Other notable findings of this survey were the answers to two related questions regarding the ways responders perceived the present and previous use of royalties and compensación from Itaipú. The first question, "Are they used with transparency?" garnered the responses: 3 percent saying "a lot [of

costs served as the subtext for the day's presentations as not just the Treasury technocrat, but Canese, and almost all of the rest of the presenters (with one notable exception) reiterated the danger of Dutch Disease and the need to invest the additional royalties and compensation solely in a development fund. To that end Canese explained in detail the law the CEBH was proposing, to create a "Fund for the Promotion of Economic and Social Development," to be administered by the Treasury. With a sense, based on anonymous surveys, of what the perception was of how Itaipú dollars should be spent, the CEBH set about explaining why the current practice (of depending on royalties for what would otherwise come from a tax base) would be disastrous in the long term for Paraguay and how the proposed Fund would work.

During the question and answer session, members of the audience challenged the Treasury technocrat on how he could dare call plazas and public fitness centers "unproductive" uses of capital—an instance where the economic terminology led to misunderstanding. But no one questioned the assessment against increasing royalty-based support to current municipal expenses or the plan to create renewable funds. Then a representative from OPACI, the Paraguayan Organization for Intermunicipal Cooperation, began his presentation by saying, "We are not basing this on 'statistics,' 'analysis,' 'graphs,' or 'scientific rigor,' but rather pragmatism, real facts, and conversations with mayors."<sup>189</sup> He proceeded to enumerate the needs local governments had that should be met by the additional income: hiring and training the staff of

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transparency]," 78 percent saying "little," and 16 percent saying "none" (with 3 percent not responding). The follow up question, "How are the expenditures used?" received 16 percent "badly," 74 percent "normally," 5 percent "very well" (and 4 percent no response). That is to say, although 94 percent of Paraguayans surveyed said that the Itaipú funds had hitherto been spent with little to no transparency, 79 percent of them said that the quality of the expenditures (the way the money had been spent) was normal or very good. Only 16 percent said they were badly spent. "Transparency" does not seem to be a fundamental criterion of good administration of public spending.

<sup>189</sup> The official organization of mayors and municipal governments.

municipalities, improving the technology and equipment in these offices, encouraging citizenship participation in identifying needs, and, listed lastly, “productive” capital investments.

Lunch was provided after Bolivia’s former Minister of Mines and Hydrocarbons spoke on their experience “of consensus” in deciding what to do with additional income from energy and natural resources. Even as he critiqued Morales’ “social spending” in the head-of-family bonus (calling it “vote buying”—which set him at odds with some members of the audience who supported a Chávez-Morales Bolivarian Revolution and who later interrogated him during the question period), he cautioned, “Brazil acts as an empire, I’ll show you. Not with the military, but with negotiations....They may do to Paraguay what they did to Bolivia.” Then he explained that, once Bolivia had demanded national control of its natural gas—which had been controlled and processed by Brazilian companies—and having gained that, celebrated an anticipated boon in revenue, Brazil entered negotiations with Peru to develop that country’s natural gas resources. This would mean that in just a few years, Brazil would turn to Peru instead of Bolivia and then Bolivia would find itself without its main market, forcing it to lower its price on gas or else not sell. “I wonder what Brazil has planned with all the hydroelectric plants it’s constructing in the Amazon,” he added. The implication was that once Paraguay controlled its half of Itaipú’s energy fully, it would find that the main energy market in South America no longer needed it and thus the price of energy would plummet.

The afternoon was spent in smaller working groups assigned to debating the tentative solutions offered from various panelists and proposing objectives and to answer the guiding question “how to generate consensus.” My group, of more than a dozen men

(who were urban and rural workers and an Italian journalist), reiterated what had been said many times during the open question session: that Itaipú money should be invested in three things, job creation, education, and health care. When the OPACI representative talked about municipal government needs, the men in our circle listened, but disagreed after letting him speak. The teaching point of “additional monies should go to a dedicated development fund, not on recurring expenses” had taken root. Instead they talked about how to use a development fund to create jobs in the city and in the country and in this way, diminish crime and violence and avoid the “favela-ization of Paraguay.” With a four-page sample transcript of the law that would outline the goals and evaluation criteria for how the Development Fund should be used, the group—none of which were energy or finance experts—wrote their ideas on a large piece of newsprint and also took notes to give to the organizers of the seminar. While “productive capital investments” and “anticyclical precautions” were not expressions used by the large audience, the notion of short-term, strategic investments for long-term results was oft-repeated and the basis for calls for education and job creation. And as for how to generate consensus, the concrete suggestion offered by the group was to have meetings like this throughout the country.

The benefits of the CEBH’s campaign were multiple. By paying more than lip service to “hearing from the people,” but by holding public meetings and anonymous surveys, the CEBH was able to craft a tailored response that engaged the broader Paraguayan public where they actually stood. While much import might be laid on “transparency” in the new government, this was a concrete example where perhaps an overwhelming amount of data and information were made accessible to everyone. If Canese does indeed campaign for 2013, this may increase his electoral support—he was

already perceived as the national expert on issues of hydroelectricity and a defender of Paraguayan interests. By hosting nearly 150 public debates throughout the country for the negotiations in 2009 and by initiating another round for how to use the additional revenue, the CEBH was able to frame the debate around Itaipú—sufficient to shape the media around it. This open conversation did not mean, though, that all issues were equally discussed. The warning by the Bolivian former minister about Brazil’s circumvention of Bolivia’s gas via Peru (and potentially Paraguay through its to-be-built internal dams) went unheeded in the discussions in late 2009. And at no time in any presentation did I hear anyone mention that hydroelectric dams have a lifespan—that, yes, the water means that they are “renewable” resources but that sedimentation over the years will fill the reservoir rendering the dams unusable. One of Itaipú’s original engineers told me that the dam’s lifespan had been estimated at one hundred-fifty years. This means that, while the world’s petroleum resources are slated to run out earlier, hydroelectric energy is by no means the never-ending renewable energy resource claimed. And so the investment that it could bring to the country, while lasting for generations, was not permanent.

If, in the CEBH’s open seminars, participatory democracy was the decision-making process of “good government,” the Leftist triptych also displayed the ideal structure of economic practice. The law proposed by the CEBH signals a discrete understanding of how economic development comes about. And the contrast with the plans of the technocrats in ANDE and Itaipú is notable, even in just the fact that the very proposal for guiding economic growth took the form of a law to be passed by Congress and not of, say, a contract between firms. The law called for the creation of a permanent

Fund for the Promotion of Economic and Social Development under the administration of the “executive branch,” which it specified as the Ministry of the Treasury. The destination for these monies was broken down [See Table 7]. Nearly half was to finance construction projects and only 25 percent was designated for business development under the rubric of “Development of the Productive Sector and the Environment,” but even under that, there was an explicit provision for the construction of low-income housing. Presumably, job creation would occur as a part of the construction boom anticipated by the bill.

**Table 7 From the Law for the Fund for the Promotion of Economic and Social Development (Article 4).**

- a) 25% on projects for the transmission and distribution of electricity
- b) 20% on infrastructure projects in general, with an emphasis on infrastructure for potable and sanitary water; rural roads and infrastructure for agrarian reform; infrastructure for education and health; infrastructure for scientific and technological research.
- c) 5% as collateral for international loans
- d) 25% for the Fund for the Development of the Productive Sector and the Environment, with an emphasis on small and medium-sized producers, particularly for impoverished sectors; for the construction of lower-income housing, with a preference for mechanisms of self-administration. In the case of productive projects, those that generate the most employment of highest quality will be prioritized.
- e) 5% for the Fund for Education and Scholarships
- f) 10% to subsidize the electricity tarifa and a pension for the elderly
- g) 5% for the Anticyclic Fund for Economic and Social Stability
- h) 5% for the Emergency Fund, for catastrophes and epidemics

Building consensus takes time, especially across professional and educational differences, as was obvious in the Saturday debate. An Energy Integration seminar days later was attended by a different crowd—energy experts and not a cross-section of Paraguayan society that chose to attend the Saturday meeting. Definitional misunderstandings did not take up time, though “consensus” on the best plan was not necessarily easier to achieve. So determined was the CEBH to disseminate information about the additional Itaipú revenue and energy integration that, in addition to distributing

cd-roms and bound reports of all the presentations (for free), they created a website where hundreds of pages of information on Paraguay's legal codes, development needs, energy market analyses for the continent—all the content from all the seminars and public debates—might be freely downloaded. While internet access in Paraguay is severely limited, the combined effect of printed publications, online information, and meetings held in municipalities throughout the country was to increase the sense of ownership and transparency/knowledge across the citizenry. By summarizing the preceding events and findings—the way he opened each of his presentations, whether at the National Congress debate, the Saturday “Additional Benefits” seminar, or the focused workshop for international energy experts—Ricardo Canese was able to bring the audience on board.

As Itaipú was an allegory for good government and prosperity in this triptych, it seems that what was wrong with the past was that Paraguayan elites allied with business interests (especially those from abroad) and instead of developing the country for “the people,” developed it according to the profit-motive for the benefit of capital. The remedy was a state in defense of the citizenry, investing in and (partially) directing the economy. Whereas in the Liberal Triptych the experience of education abroad and employment in competitive, efficient industries was to foster a new political-economic orientation, in the Leftist Triptych, this was to come through the state. By “participating” in political decisions, Paraguay's citizenry would mature beyond the patron-client system of the past. Employment would come as a corollary of state-led expenditures and education out of conscious-raising experiences with the state. If the new socialism of Latin America in the 21<sup>st</sup> century proclaimed energy sold at market-based prices as “fair,”

it was still the state that would usher in the proper distribution of resources and the right disposition toward the proper relationship of nation to state. The “participatory democracy” of the CEBH was how the state would be “occupied” by the people to serve a popular agenda of development.

*Political [Mis]Steps: Paraguayan Government Responses to the Joint Declaration*

Fernando Lugo and the rest of the left trumpeted the victory of the Joint Declaration as proof that, in ten months in office, more had been accomplished in Itaipú for the Paraguayan people by the new government than under thirty years of Colorado rule. But the question posed by the BBC was one repeated by many outside observers: why would Brazilian president Lula concede so much to a president with so little bargaining power? Lugo, in July 2009, was not the same figure he had been at the beginning of his presidency or on the day of his electoral victory. The Catholic clergyman was embroiled in multiple paternity scandals (a special government office had to be created to handle the accusations), severely damaging his moral credibility. And the Supreme Court, rather than being removed, had declared itself permanent (effectively autonomous from the power of the legislature)—a sign of how impossible governance had become. Lula’s concession was a shot in the arm for Lugo’s presidency—staving off threats of impeachment—and seen as a gift from one left-of-center president to another, to check the ability of conservative political elements to regain power. But from within Paraguay, this was seen as a deserved, though partial, victory, though the country should keep pushing for even more benefits.

During the final stages of the negotiations and in the signing of the Joint

Declaration, the sectarian tendencies within the Lugo government were in full effect. Though Jorge Samek (the Brazilian General Director of Itaipú) was present among the Brazilian negotiators flown into Asunción, Carlos Mateo Balmelli, his counterpart, had been explicitly not invited to the final meetings in July. These meetings were, on the Paraguayan side, managed by the Ministry of Foreign Relations (with its new Foreign Minister, Héctor Lacognata) and the CEBH (headed by Ricardo Canese)—both were in the hands of Tekojoja, progressive Alianza Patriótica members (which the Liberal Party had just recently left following the rupture caused by the leftist-Colorado Party deal for control of the Senate). Nevertheless, the Paraguayan Executive Directorate had been instrumental in originally devising the components that became the Joint Declaration: selling Itaipú energy in Brazil via ANDE; planning the electrical infrastructure projects to augment Paraguay's ability to consume its electricity, to be funded by Itaipú and not by debt held by the Paraguayan government; implementing the Control (Point Four) and Coadministration (Point Five) by formally allowing the Paraguayan comptroller to access the daily books and by signing the agreement to equalize the power of the two directorates. So instrumental were they that when the Brazilian team landed in Asunción for the meetings, they contacted Mateo personally about points of tension, holding late night conversations.

In what happened after the presidents signed the Joint Declaration, the distance between the internally-oriented discourse of Tekojoja, Canese, the CEBH, and progressive groups within Paraguay and the externally-oriented one of Itaipú's directorate became starkly clear. By not substantially challenging the construction debt, the declaration was seen as vastly (perhaps woefully) incomplete, an instance of Paraguay's

leaders not insisting on its sovereignty. And the lengthy timeline (of only gradually selling to the Brazilian market and only after 2023 being permitted to sell to third party countries) also tested the patience of the Paraguayan public. For the technocratic administrators of Itaipú and ANDE, the construction debt was a millstone to be borne from bad management in the 80s and early 90s while it grew as the principal was not paid off in a time of soaring inflation and wild interest rates on defaulted debt (the Lost Decade), but not an achievable goal of renegotiation with Brazil. Moreover, it was a millstone being borne, for the most part, by the Brazilian consumer. 93 percent of the total construction debt (and 86 percent of Paraguay's half of it) was being paid by end-users in Brazil. But the rhetoric of “renegotiating the Treaty” in order to “recover sovereignty” had taken hold popularly and so the results achieved smacked of capitulation and did not match expectations (CEBH 2009). The raised expectations of renouncing a \$30 billion debt and selling its electricity at market prices (worth almost \$2 billion, annually) were to be a problem for Lugo's government. And by shunting the Paraguayan Itaipú leadership out of the final step in the negotiations, Lugo and the Left would receive all the credit and all the blame for what happened in the fallout from these negotiations.

Formal *notas reversales* (amendments) to adjust the implementation of the Itaipú Treaty were then drawn up by the Ministries of Foreign Relations, to be submitted to the respective legislatures of Paraguay and Brazil. On October 22, 2009, the Paraguayan congress unanimously approved the changes and the CEBH launched the next phase in its project—a public debate campaign to discuss how to best utilize the forthcoming financial increase from Itaipú, an instance of popular democracy. What followed as the

strategy of the CEBH, the ministry of Foreign Relations, and Lugo's closest associates regarding Brazil and the declaration was surprising. After July 2009 Lugo's closest allies—Canese, the CEBH, and even Lacognata within the Ministry of Foreign Relations—exerted almost no effort to convince the Brazilian congress to approve the changes. Instead, Lugo and Tekojoja turned their attention to preparing for the 2010 midterm elections.

With no Paraguayan ambassador to Brazil and with no CEBH or Foreign Relations activity toward Brazil, only Mateo and his close team of advisors consistently lobbied (“*hacer lobby*”) powerbrokers in Brazil.<sup>190</sup> After having been sidelined in July, he embarked on almost weekly trips to Brazil to meet with the leaders of a broad range of political parties in Congress and to speak to business and industry moguls about how to invest in Paraguay once its energy infrastructure was improved. The international orientation of the Itaipú directorate, evident from the beginning of their attempts to shift Brazil from Itaipú, meant that they expected that there was more to be done and won in Paraguay's negotiations with Brazil—that the powerbrokers were not just the president, but the legislature that would have to sign an unpopular agreement.<sup>191</sup> Their actions signaled that they thought this might be more palatable if the business community saw an opportunity for investment where energy and labor would be cheaper than in Brazil. This lobbying continued until the end of January 2010, while Mateo was meeting with the

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<sup>190</sup> As of May 2011, there was still no ambassador from Paraguay to Brazil. Lugo's initial nominee had been rejected by congress months before and no other name was even being debated—this neglect is almost unimagineable... It would be akin to Mexico neglecting to send an ambassador to Washington, DC while the two countries were negotiating a border conflict/water/energy deal that would result in significant financial loss to the United States government and would bring an increase of almost five percent of Mexico's GDP.

<sup>191</sup> Public opinion in Brazil holds that Brazil's actions toward its neighbors, particularly Paraguay, are benevolent and thus the Paraguayan complaints about imperialism were unfounded. Moreover, in granting a financial boon to an ungrateful Paraguay, Lula had acted against the interests of Brazil.

president of the Brazilian Socialist Party in Recife, Brazil, at which he received a phone call from one of Lugo's underlings, informing him that he had been dismissed from his position as General Director.

This situation laid bare very different notions within the Paraguayan government of how to treat with Brazil and of how power is distributed within the Brazilian government and within the international state system. Lugo, the CEBH, and much of the Paraguayan government (including his progressive base) acted as if the main gatekeeper was the president of Brazil—that once the document was signed, the Joint Declaration had only to be formally ratified by Congress. The Paraguayan experience of government holds that formal, public signings happen only after decisions have been made in private meetings and after assurance of necessary votes has been gotten. And in Paraguay—especially, but not only, among popular sectors—the threat of international arbitration was conceived as a realistic escalation measure to force Brazil's hand. Perhaps this was because the progressive campaign had focused so much on making Itaipú a national cause that the international character of the dilemma seemed less immediate. Very few saw the need to continually lobby in Brazil for passage of the Joint Declaration and nearly no one I spoke to in Paraguay was even aware that Paraguay lacked (and as of May 2011 still did) an ambassador to Brazil. By acting as the de facto advocate for Paraguay and the adoption of the Joint Declaration during weekly trips to Brazil, Mateo evinced a very different understanding of political pressures within Brazil. He and his team of technocratic advisors considered individual political parties and business sectors as powerbrokers whose consent would be necessary and thus the stepped-up lobbying to these audiences. Here there was no notion that any kind of “threat” would work in

Paraguay's favor, only wooing self-interest and the promise of economic benefit through industry.

Progress on the Joint Declaration slowed for nearly two years. After Mateo's dismissal, Paraguayan efforts to lobby Brazilian elected officials diminished into a few exceptional moments many months later—a trip by the Minister of Foreign Relations, a trip by a few Senators. As time passed, the grumbling began in Paraguay—that Lula had lied or that Brazil at large had no intention of fulfilling the declaration. And when it was announced that neither Itaipú nor Brazil would finance the construction of the 500 kilovolt line and that the one year anniversary of signing the document would pass without even a vote in Brazil's congress, the tenor of the complaints in Paraguay grew bitter. 2010 came and went with no advance on the Joint Declaration. No ambassador to Brazil was named and Lula stepped down from office to be replaced by Dilma Rousseff, his chosen successor who nevertheless lacked his popularity. The Brazilian congress repeatedly postponed discussion of the amendments. Rather than beginning to receive the increase in energy payments by the end of 2009, Paraguay instead saw 2011 begin without a planned vote and no additional income. It was not until April 6, 2011 that the Brazilian lower house and May 11, 2011 that the Senate approved the amendments that ratified the Joint Declaration.

Whereas in 2009 an important political figure had described the Joint Declaration as the end of the War of the Triple Alliance, the stalemate was now explained as yet another instance of patterns seen in that war. This was Brazil, again, casting its imperialist weight around, using deceit to get whatever it wanted out of Paraguay, and never intending to keep its promises. It is important to note the role of the War in

Paraguay's imaginary of its position in the region—Laino's allusion to the War's end was not merely an opportunistic appeal to the nation's central epic, it revealed the core paradigm used to interpret all international activity. Perhaps, however, the stalemate arose not because of a determined Brazilian predilection for deceit but, in part, out of the choices arising from Paraguayan government assumptions about how political decisions are made and implemented in Brazil. Perhaps the international strategy of the Paraguayan government (of both Lugo's progressive allies and the opposition)—to assume that Lula's signature on the document assured its passage in Congress and that no ambassador or regular advocacy campaign to Brazil's political and economic elites would be needed—was partially responsible. Cynics might even say that perhaps "hydroelectric sovereignty" was only a campaign promise—useful in getting elected, but not important enough an objective to be seen through to the end. Nevertheless, the negative experiences from the aftermath of the Joint Declaration, rather than calling into question the foreign policy strategy, merely psychologically reinforced the master narrative that this was a continuation of the War of the Triple Alliance, Brazil looking for a way to take advantage of Paraguay.

### *Conclusion*

Returning to Siena, the walls of the Palazzo Pubblico bear eerie witness to the bubonic plague. Many of its frescoes are incomplete, their creators struck down before being able to finish them, leaving only the outlines of people and buildings in imagined but now never attainable scenes. The two Paraguayan triptychs of good government through Itaipú were similarly frozen in time. Neither of the ideal development futures

described here occurred, a function of partisan politics within the coalition government and of an ill-suited approach to how political decisions are made in Brazil. The two-pronged strategy of the Lugo government in negotiation with Brazil—to have one group and rhetoric engage the Paraguayan public and another to engage Brazil—was not deliberate and it collapsed under tensions as loyalties and networks unraveled within Paraguay. The coalition did not survive the first year of government as ideals collided with actually-existing political practice.

Since political writing began—arguably since the beginning of writing itself—the welfare of society has been imagined as linked to the state. Future hopes of prosperity are so frequently expressed in terms of government. For Paraguay in Itaipú, the hydroelectric dam was the solution to underdevelopment and the means to bring modernity in a number of competing narratives. At the heart are not just what policies should be implemented, but fundamental questions about ideal futures. These debates begun with the election of Lugo were only exacerbated with the Joint Declaration, as the possibility of more revenue—from cession of energy and direct energy sales—brought the debates around how best to use Itaipú money to serve the Paraguayan nation to an intensified pitch. No longer were these hypothetical discussions fantasized over asado and chilled beers, but real budgets and investments needed to be planned as new political processes were decided.

To come full circle around the story begun in chapter 3—of Lugo’s election, the struggle to recover hydroelectric sovereignty and to clean up corruption—here in chapter 8 we looked at the after-shocks of the Joint Declaration in Paraguay. Within the cobbled-together ruling alliance of the new government there were different responses of

engagement and disengagement to the national and international developments that surrounded the culmination of the negotiations. The (not merely discursive, but practiced) distinction between representative and participatory democracy resulted in uneven connections between government/citizenry. And if the stakes of these debate before passage of the declaration were about \$600 million in monies spent by the central government and by Paraguay's Itaipú Executive Directorate, they were about \$1 billion afterwards—not to mention the greater amounts that might come from selling energy on the Brazilian market directly.

The decision-making moments at the centers of both triptychs—planning agrarian relief and planning how to spend the additional benefits (royalties and compensation)—were situations where the political values and convictions about how government should (and politics did) work expressed by different sectors of Lugo's government were materialized in concrete choices and actions. And these enactments of political ideologies—in points of engagement and disengagement—resulted in material effects in the ways money was spent, in the ways new government institutions received and distributed resources, and ultimately in the delays in accomplishing the changes called for in the Joint Declaration.

## Conclusion

Paraguay celebrated the bicentennial of independence on May 14, 2011. In anticipation, plazas throughout the country were festooned in red, white, and blue. School children, dressed in costumes *de época* (of the *époque*) paraded down main thoroughfares. Festive lights beamed onto the Panteón and days of concerts, art exhibits, helium balloon flights commenced as newspapers and professors retold the stories of Paraguay's national heroes. It was not until May 11, 2011—three scant days before the bicentennial—that the Brazilian Senate voted to approve the amendments that ratified the Joint Declaration after hours of vociferous debate. Despite attempts by the opposition to stall the vote, the Brazilian lower house had passed it the month before on April 6, 2011. Unlike in Paraguay, these votes were not unanimously in favor of an agreement that raised the amount paid for ceded energy by three. The defensive claim, “Paraguay did not put one cent to building the dam,” once again reared its head, although, interestingly, no opposition was made to the even more potentially lucrative proposal to have ANDE commercialize Itaipú energy directly on the Brazilian market.

Celebration erupted once more within Paraguay. A triumphant Fernando Lugo—whose allies had not fared well in the midterm elections—beamed as he presided over the bicentennial activities. And while some in Congress eagerly looked to adding the additional \$240 million to the general budget, Lugo's allies instead proposed passage of the law to create the development fund discussed in the previous chapter. What will happen with the Itaipú resources in Paraguay—whether it will be dispersed along patron-client networks (even within the Left) or invested in a fundamental restructuring of the

economy—will demonstrate, once again, how Paraguayan nation-state making can be read through changes in Itaipú Binacional. The goals of permanent agrarian reform or hydroelectric-led development encounter severe obstacles because of the resilience of the old structure and because of the popular disaffection that has come from Lugo-related corruption scandals. Nonetheless, the experience of a peaceful alternation between parties and the fact that even with control of the state apparatus, a ruling party may lose, mean that democracy has been strengthened in Paraguay and that parties have to be accountable in a new way.

If, in the Introduction, I claimed that states draw power from exercising claims over human bodies and territories, then what we have seen in the Itaipú example is that this power comes in forms both material and symbolic. One of the most notable properties of energy is that it is converted from one form to another in order to be useful—from sunshine to sugar in the leaves of plants, from unrefined petroleum to moving pistons in a car that turn wheels, from water in a reservoir into electricity that lights a bulb. Similarly, a series of conversions between material and symbolic forms of power characterize politics. Rather than trying to identify definitively what one form of this is state power, I have instead focused on how various materialities (water, torture) have been used in these very forms to dominate and have, at other times, been converted into other forms of power (hope, fear, industrialization, legal precedent, foreign exchange). One of the most important transformations we have seen via Itaipú is the formation of a new regional scale of political-economic action. Throughout the history of the dam, there has been a shift not only in quantity or geographical expanse to a political economic formation that transcends the nation-state. There is a fundamental difference—

one that is qualitative and not merely quantitative—when a certain amount of natural resources is involved. In physics, for example, there are different processes at play at certain masses.<sup>192</sup>

My argument is that, at the scale and kind of energy needed and produced in Itaipú and throughout the continent, the kind of governing apparatus must be different than either the nation-state or a conjoined assembly of nation-states as they currently exist. The Joint Declaration, as a bilateral agreement before an audience of other countries, points to a new way of organizing rights, markets, decision-making, and energy extraction. The relative and absolute scale of renewable energy in countries like Brazil, where economies and demand are growing at a brisk pace, necessitate land-based and yet international transport, infrastructure that is fixed (akin to railroads) but solely dedicated (unlike the train) to the transportation of energy and an international supply chain. The Joint Declaration follows in a line of international, legal agreements that reinforce law as the means to solve problems. While the Declaration was not obviously detrimental for Paraguay, in the future, we may see the Brazilian government turn to law a way to push Paraguay out of Itaipú because of Paraguayan “corruption”—mishandling of the energy (or even Guaraní aquifer) resources reminiscent of “inferior culture” arguments from the 16<sup>th</sup> century. But the Joint Declaration is only the latest in a series of international agreements where Itaipú Binacional is central.

Chapter 1 showed how hydroelectricity became the solution to an international conflict over possession of the Salto del Guairá (although it may have been desire to access the Paraná’s hydroelectric potential that was the original match in the tinderbox).

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<sup>192</sup> The most familiar, of course, is the example of Jupiter which, if it were eighty times more massive, would have the mass necessary to initiate fusion—thus the processes around mass that obtain within Earth and other planets are fundamentally different from what happens inside stars.

Though the dam was stipulated as shared equally between the two countries, inequities between the two were internalized in to the physical, energetic, financial, and administrative structure of the dam. While Brazil provided the collateral for all the debt (including Paraguay's half), Paraguay only accessed a fraction of its half of the energy. Other asymmetries were internalized and continued by the decision-making process of how to manage the dam's most critical components (the finance and the energy production), which were governed by the Brazilian Executive Directorate. Or, perhaps, it is the very fact that these two areas were stipulated as under the direction of Brazil's half that itself demonstrates that these two functions were deemed the most important. Nevertheless, over the course of the negotiation, construction, and operation of Itaipú Binacional, it has served a global metric for international water agreements, engineering standards, record-breaking electricity production. The influx of energy and dollars was converted into political dominance of the ANR elite in Paraguay and the industrial growth of Curitiba, São Paulo, and Rio de Janeiro in Brazil.

Chapter 2 revealed a much less familiar role of the hydroelectric dam—its place in the Paraguayan state's intelligence and surveillance services. Because even a nominally independent energy-producing entity still reflects the characteristics of the state structure into which it is set, not only did Itaipú reflect the asymmetries between Paraguay and Brazil, it fully participated in the larger system of surveillance and detention of the Paraguayan state under Alfredo Stroessner. The dam was a justification—on the part of the government and on the part of the opposition—for action: detention without cause, protest. And it served as a node within the circulation of secret information—gathering, storing, receiving, and transmitting intelligence about

suspicious individuals and activities beyond the Paraguayan national territory. As yet another “organ” in Paraguay’s political body, through its imposing size and mystifying numbers as well as through the psychological affect produced through hidden (but known) surveillance and physical experiences of detention and abuse, Itaipú was a way that the ruling coterie controlled the citizenry, opposition and affiliates alike.

Chapter 3 documented the rise of an unlikely presidential candidate and the mainstreaming of what had hitherto been a marginal critique. Superficially part of the leftward turn in Latin America, Fernando Lugo’s election in 2008 actually had as much (if not more) to do with a repudiation of the ANR establishment status quo as it did an embrace of 21<sup>st</sup> century Latin American socialism. Memory of and distance from the Stroessner dictatorship were the crucible for a national, grassroots movement to unseat the ANR and elect a recognized yet apolitical leader as President Nicanor Duarte initiated a series of tactics to cement his long-term dominance. Lugo rode to power on a wave of discontent over what was wrong with the status quo: “corruption” in the government, lack of jobs, and mismanagement of Itaipú and Yacyretá. The close circle of community organizers around the bishop had their start in the opposition to Stroessner from chapter 2. The narrative (revised and expanded by Ricardo Canese over the years) of Itaipú as emblem and cause of Paraguay’s poverty because of bad Paraguayan management and Brazilian “imperialism” found a receptive audience in ABC Color and the broader public. A nationwide discussion (that hearkened to the War of the Triple Alliance) over “hydroelectric sovereignty” as what had been lost and needed to be regained ensued. Itaipú became the silver bullet solution for Paraguay’s underdevelopment. This narrative was attractive because it promised wealth and prosperity (already demonstrated in the

fortunes made by ANR elites in the early years of the dam) with little social cost to the status quo and because its chief villain was Brazil. That, and the “big tent” nature of Lugo’s coalition, where progressives and more traditional sectors banded together, attained victory in spite of electoral fraud.

Chapter 4 outlined the negotiating strategies of two very different sectors in the new government that had been tasked with renegotiating the power/money-sharing relationship with Brazil. Both of the groups employed tactics and set goals based on their previous experience with state power both at a national and international level. One group, led by Ricardo Canese and based in a new commission within the Ministry of Foreign Relations, applied their history of grassroots organizing to launch a campaign for “hydroelectric sovereignty” that levied “moral” arguments about compensation for the War of the Triple Alliance. I have argued that this is not only a strategy familiar to the progressive activists within the CEBH, but actually indexes an epistemology of “the state.” “The state” and the “international state system” are configured as dominated by international capital which has stolen the sovereignty of the people by bribing the politicians who should oversee the resources of the nation. In order to set things aright, the institutions of government must be “occupied” by the people and forced to embark on an agenda that serves the people. Thus the state imagined here is a site of intense (warlike) conflict where change must be forced through and the most useful tactics to achieving that aim are moral arguments based on historical guilt, protests from popular sectors, threats of international arbitration and unilateral renunciations of financial and legal commitments. The other group of negotiators worked within Itaipú’s Executive Directorate and the broader energy sector in Paraguay under the leadership of former

Itaipú General Director Carlos Mateo Balmelli. With training in law and engineering and finance, they employed a tactic of interfacing with political and economic elites in Brazil in order to demonstrate through legal precedent and earnings projections that changes in the distribution of energy and dollars made long-term business sense. “The state,” in this perspective, was controlled by representatives whose opinions could be swayed by legal and financial arguments.

Chapters Five and Six turned to the practices of statecraft common within Paraguay and the way a certain affective expectation toward the Paraguayan state is constructed through the personalism that constitutes the most common interaction with the state. Paraguay’s state has been criticized as corrupt by politicians scoring points, international NGOs, foreign governments, and within Paraguay. Although Carlos Menem (the former president of Argentina) used the expression “a monument to corruption” to describe Paraguay’s other binational dam, Yacyretá, “corruption” was often the hermeneutic through which Itaipú was viewed within Paraguay. Immediately after the commencement of the tenure of Lugo’s appointed Executive Directorate Board in Itaipú, stories of the diversion of Itaipú funds to party and personal use spilled forth. Although the stories focused on ANR misdealings and just a handful of high profile party elite, ongoing public spectacles of corruption scandals had willing accomplices—the media who published the stories, assuming a tone of outrage, and the individuals within Itaipú who leaked the information. As proof of suspected practices that had previously led to the enrichment of party loyalists emerged, public opinion underwent a number of affective responses: first outrage, then frustration as accusations were dismissed, then cynicism and hopelessness as transparency and the justice department proved insufficient to halt

corruption.

But one of the chief reasons the attempt to “transparentize” Itaipú failed was the larger expectation about how state functionaries administered their domains. Because patrimonial control of state resources is an open secret and because of the impenetrable complexities of government bureaucracies in Paraguay, a complex system of patronage has arisen, even in the supposedly neutral dam. Favor-requesting and favor-granting are not an exceptional part of politics—there are rules for how to ask and grant them and government structures that superintend them. I have argued that experiences with personalism in the state and the disposition of state resources as if they were the personal property of individual functionaries leads to a certain political culture within Paraguay where rather than “failing” as a state, this is the way the Paraguayan state functions.

Chapter 7 explored the new political structures and ideological inclinations cemented through and for the 21<sup>st</sup> century management of transnational hydraulic and hydroelectric resources in South America. As “carbon democracy” points to the material and ideological effects of energy extraction in the 19<sup>th</sup> and 20<sup>th</sup> centuries, a different kind of state is being crafted in South America in the Joint Declaration. The Joint Declaration is not merely a text, but does work on a number of levels: affirming ideological trends, creating new legal precedent, dis- and re-articulating processes, chiefly in the formation of an “integrated region” where energy, agribusiness, and commerce (and the individuals who work in them) are united on a regional scale while populations and rights are linked on national scale. The Joint Declaration harmonizes new arrangements of decision-making, production, and, ultimately, of power.

Chapter 8 closed the dissertation with the most recent apparition of Itaipú as a

*deus ex machina* in Paraguay, the singular key able to unlock the door of development and grant prosperity to Paraguay. With Itaipú, two sectors of the new government—each representative of competing interests—painted an image of what a developed Paraguay would look like and what role Itaipú (and they) would play in this. Far from 20<sup>th</sup> century definitions of socialism and neoliberalism, the leftist and liberal sectors both advocated a blend of market mechanisms and state-led social investment. And yet, the fundamental ideological difference on what would be the force for change remained: would it be participation in government decision-making or employment in a productive industry that would effect a shift not only in political economics, but a change within “Paraguayans” themselves.

As Brazil’s economy continues to expand, racing to become the world’s sixth largest, its industrialization is predicated upon hydroelectricity, unlike the other G20 countries. And so, in Latin America, hydroelectricity—the source of 70 percent of the continent’s electricity—plays a steering role in political economics, akin to the role of carbon and petroleum in the North Atlantic. New studies on energopolitics have asserted that it is not just the monopoly rent gained from an energy resource that has shaped its impact on government styles. The organization of the systems of extraction and what the fuel is used for also play key roles. Though much of the work already done has focused on hydrocarbons and though Paraguay’s economy is still predominantly directly dependent on solar energy—that captured by agriculture—the political economy of Paraguay is shaped by where it is inserted into the energy matrix of South America.

The political machinery that is emerging to govern hydroelectricity, within Paraguay and within the region, includes appointed councils and boards that draft law,

sign loan agreements equivalent to national GDPs, and ultimately orient development. The argument of this dissertation has been that the government and economy of Paraguay, since 1966, have been formed by the management of the Paraná's hydroelectric potential. This has been intimately tied to international politics and economics. Through Itaipú, Paraguay's government was not only shaped by but also reciprocally influenced the region's political economy. Hydroelectricity—and perhaps renewable energy resources in general (especially when they are not merely supplemental to hydrocarbons)—requires a kind of political structure not associated with the traditional nation-state structure of the 20<sup>th</sup> century because it is not a movable energy commodity that can be dug out of the ground, stored, shipped, and then sold. In South America, renewable energy is regionally integrated energy.



**Photograph 17** Itaipú Reservoir, Brazil on the right, Paraguay on the left. Photograph by Author. April 2007.

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