

BR-PA BORDER

Brazilian Colonization of the Eastern Border Region of Paraguay*

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Introduction

The Eastern Border Region (EBR) of Paraguay (defined as the present-day administrative Departments of Amambay, Canendiyú and Alto Paraná) is one of the few remaining frontier zones suitable for intensive agricultural development in the southern cone of Latin America. Comprising 35 percent (about 5.4 million has.) of the area of eastern Paraguay, its natural resources remained largely unexploited until the mid-1960s, itself a reflection of the very poor growth performance of the Paraguayan economy throughout most of the 20th century in comparison with neighbouring countries.

Economic forces outside Paraguay have been largely responsible for 'opening up' the region. The westward moving frontier of agricultural settlement in the Brazilian State of Paraná began to extend over the Paraguayan border as a result of a growing disparity in land prices on either side of the River Paraná. From a steady trickle in the mid-1960s, the immigration of Brazilian colonists into the EBR has turned into a flood from 1972 onwards. There are now estimated to be at least 300,000 Brazilian colonists in the EBR, equivalent to 60 percent of the population of the region and 10 percent of the population of Paraguay. Under the impact of Brazilian colonization, the EBR is undergoing a process of rapid economic growth, which is largely divorced from the rest of the Paraguayan economy. Although nominally within the Paraguayan nation, the economy of the EBR is now closely integrated with that of Brazil.

Historical Evolution

The EBR remained almost totally unexploited until the beginning of this century. The indigenous Mbyá, Aché and Paí-Tavyterá peoples who formerly populated the region lived off hunting and bee-keeping without recourse to

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arable cultivation. During the early colonial period attempts to establish a Jesuit *reducción* near the present-day town of Salto del Guairá on the Brazilian border were abandoned in the face of attack from Brazilian *bandeirantes* (slave-traders). Jesuit *reducciones* were subsequently established in the south-east of Paraguay, and the dense forest of the EBR remained largely unexplored save for occasional military expeditions to counter Brazilian penetration, such as that of 1776 when troops from Asunción expelled Brazilians from the settlement of Igatimí, in the present-day Department of Canendiyú. Economic activity in the EBR during the colonial period and the post-war nationalist period (1814-70) was confined to the collection of *yerba* (Paraguayan tea) around the garrison town of Curuguatay.

Following the defeat of Paraguay in the Triple Alliance War (1865-70), the widespread sale of public lands by post-war governments in 1883 and 1885 led to a rapid increase in private exploitation of the *yerba* resources of the EBR. As happened in the rest of the country, a large part of the EBR was sold to foreign buyers at very low prices. This established a highly unequal system of land tenure which remained virtually unchanged for the next 80 years. Prior to this, in 1871 a law was passed which forbade *peones* (contracted workers) from leaving the *yerbales* without permission, and providing for capture and fines if they escaped.

One of the foreign companies which benefitted most from the Paraguayan land sales of the 1880s was the Anglo-Argentine company, *La Industrial Paraguaya*, which was founded in 1886 for the exploitation of the *yerbales* of Paraguay. Among its founder members was General Bernardino Caballero who, as President of the Republic in 1885, had sanctioned the sale of the state-owned *yerbales*. The company soon became the largest employer in Paraguay, with 5,000 workers engaged in the extraction of *yerba*, logging and cattle-ranching. By 1911 *La Industrial Paraguaya* had become the largest landowner in eastern Paraguay. Over the years it had bought up 2,718,750 has. of former public lands, equivalent to 17 percent of the total land area of eastern Paraguay.¹ About three-quarters of the land belonging to the company was situated in the EBR. The largest part in the EBR was the company town of Tacurupucú, used for exporting *yerba* and logs to *La Industrial's* Argentina. The *laissez-faire* post-war governments in Paraguay carried out minimal supervision of the activities of private companies and, in the isolated forest of the EBR, *La Industrial Paraguaya* acted as a law unto itself. The system of debt peonage and extremely harsh work conditions of the *mensú*

¹ Monte Domécq, *La República del Paraguay en su Primer Centenario, 1811-1911* (Buenos Aires, 1911), pp. 211-12.

(*yerba* collectors) employed by *La Industrial Paraguaya* were a recurrent source of social protest in Paraguay during the first half of this century.² The Paraguayan Government did not expropriate the land from the company on which *Hernandarias* (ex-Tacurupucú) was built until 1941, even though by this time the company had already transferred its major port of operation up-river to Curupayty.

Two other landowners acquired vast tracts of land in the EBR and, together with *La Industrial Paraguaya*, dominated the economic structure of the region for half a century. To the north of Encarnación, a Frenchman, Domingo Barthe, bought 1,875,000 has. of virgin forest in the Alto Paraná. By 1917 Barthe employed 3,000 workers and had established a 12,000 has. *yerba* plantation, as well as considerable logging and cattle interests. He also ran a regular steamship service between Buenos Aires and Asunción, and another which served his company port at Nacunday on the River Paraná.³ The third major *latifundio* in the EBR was *La Matte Lavangeira* (later Isnardi, Alves & Co.), a Brazilian-based *yerba* company which, in 1902, purchased 800,000 has. of land around Salto del Guairá in the present-day Department of Canendiyú. By 1911 the company employed 1,000 workers in *yerba* collection and used no less than 8,000 donkeys for transporting *yerba*.⁴

While these three companies dominated the economy of the EBR for 60 years, they failed to exploit intensively the natural resources of the region. *Yerba* was the only cultivation carried out by the companies, but even this remained of little significance since most *yerba* continued to be collected wild. Logging operations rarely penetrated more than a few miles inland from the ports on the River Paraná and no road system was built. None of the companies diversified into arable farming or coffee cultivation nor did they carry out re-afforestation. They did not undertake colonization programmes in the region. The only permanent settlements of any significance were at Curuguatay and Igatimí, base camps for *yerba* expeditions, and at the ports of *Hernandarias* and Nacunday on the River Paraná. The *peones* employed in the *yerbales* of the EBR, who numbered as many as 10,000, left the region as fast as they could on completion of their contracts.

In 1943 there were only 1,582 farm units in the EBR, equivalent to only 1.7 percent of the national total. No less than 94 percent of these farmers in the EBR were squatters, occupying land owned either by the *latifundistas* or

² The most influential book on this subject was Rafael Barret, *El Dolor Paraguayo* (Buenos Aires, 1912).

³ *Album Gráfico del Paraguay* (Buenos Aires, 1920), p. 165.

⁴ R. Monte Domécq, *op. cit.*, p. 221.

the state. The total amount of land under arable cultivation in the EBR was only 7,320 has.⁶

With the fall in foreign demand for *yerba mate* from the 1940s onwards, and frequent restrictions placed by Argentina on Paraguayan timber exports, the economy of the EBR soon lost the dynamism which *yerba* had provided during the first half of the 20th century. The EBR became, like the tannin ports in the far north of the River Paraguay, an abandoned area of the country, remembered only in the popular culture for the brutal working conditions in the *selva* under the *capangas* (foremen) of the *yerba* companies. However, because of the lack of dynamism of the private sector in Paraguay, the land ownership pattern of the EBR remained virtually unchanged. As late as 1946, *La Industrial Paraguaya* still owned 2,647,727 has. in Eastern Paraguay, most of this in the EBR, and the Barthe family still owned 881,442 has. in the Alto Paraná.⁷ In addition, the virgin state lands of the EBR which had not been sold off during the speculation in the 1880s remained intact.

Economic stagnation in the EBR continued throughout the fifties. By 1956 the number of farm holdings in the EBR had risen to only 3,231, equivalent to 2.2 percent of the national total. There were only eight tractors in the EBR and only 129 farmers had access to bank credit.⁷ By 1962 the total population of the EBR was only 60,000, representing a density of 1.8 person per square kilometre. The region then held 3.2 percent of the national population.⁸

Paraguayan colonization of the EBR

Colonization of the EBR was not a primary policy objective of the Paraguayan government during the 1960s. Rather, it evolved as a solution to what was considered to be the major problem in the rural sector. From the late 1950s, the government had shown a growing concern over the spreading land conflict between *latifundistas* and *minifundistas* in the Central Zone, an area extending 100 km. to the south and east of Asunción. The Central Zone comprised 46 percent of all farms in the eastern part of Paraguay, but 63 percent of all farms with less than 5 has. The conventional belief is that population density on available land resources is very great in the Central Zone, referred to in official publications as the *zona minifundio*. However,

⁶ Ministerio de Agricultura, *Censo de Agricultura del Paraguay 1942-44* (Asunción, 1948).

⁷ Pastore, *La Lucha por la tierra en el Paraguay* (Montevideo, 1972).

⁸ Ministerio de Agricultura, *Censo agropecuario 1956* (Asunción, 1961).

⁹ Dirección General de Estadística y Censos, *Censo de Población y Vivienda 1962* (Asunción, 1965).

available data does not support this view. According to the 1956 Agricultural Census, more than 25 percent of the land in the Central Zone was owned by only 18 people, and 195 owners held 53 percent of the land. This compares with 99.7 percent of farm operators on the remaining 47 percent of the land. If the land had been evenly divided among all farm operators, there would have been 20 has. to each farm.⁹

The degree of inequality of land tenure in the Central Zone is in fact almost as great as in the rest of Paraguay. However, due to the proximity of the capital city, Asunción, the economic value of land is much higher in the Central Zone, and the conflict between *minifundio* and *latifundio* is greater. From the 1950s, peasants working overcropped and eroded small holdings to feed a growing population have increasingly clashed with neighbouring *latifundistas* over land boundaries and communal grazing rights. Their increasing awareness of the injustice of the existing land tenure system was a major factor explaining the growth of the *Ligas Agrarias* (peasant leagues) in the Central Zone.

In 1963 an official agency, the *Instituto de Bienestar Rural* (IBR) was established with the task of removing squatters and other poor farmers from the Central Zone and re-setting them in new agricultural colonies in the north and east of the country. Such a policy had been demanded since 1958 by the *latifundistas*, worried at the increase in the number of squatters occupying their land in the Central Zone. The demand originated at the First National Seminar on Land Reform held in June, 1958 under the auspices of the UN Food and Agriculture Organization and organized by the *Asociación Rural* (representing Paraguay's large landowners). The new policy was mirrored in the replacement of 'land reform' by 'rural welfare' in government propaganda.

The declared objectives of IBR were: (a) substantially to modify the structure of land distribution in favour of small farmers; (b) progressively to incorporate the newly-created colonies into the national development process, and (c) physically to extend the 'economic frontier'.¹⁰ The following analysis of the operation of the IBR colonization programme suggests that its dismal failure to achieve the first two of these objectives facilitated the subsequent massive Brazilian colonization of the EBR which did itself achieve the third objective.

⁹ A. Arnold, *Foundations of an agricultural policy in Paraguay* (Praeger, New York, 1971).

¹⁰ I.B.R., *Memoria Anual* (Asunción, 1972).

IBR colonization programme is understandable when viewed in the light of the declared intentions of its head, Dr. Juan Manuel Frutos, expressed in a book published by the *Asociación Rural*, describing how the aims and operations of IBR are in accordance with those of the large landowners. He states that, whereas the Febrerista Government expropriated 179,336 has. during its short life in 1936, IBR has only expropriated 28,561 has. from 1963-70.¹³

Development of the Colonies

The IBR pursued an extremely low-cost approach to agricultural colonization which has been responsible for the re-appearance in the EBR of the *minifundista* conditions of the Central Zone. Some 75 percent of the 600-strong staff of the IBR are employed at its headquarters in Asunción and their main function has been: (a) to arrange the transport of colonists and their belongings from the Central Zone to the new colonies, where they are provided with a *machete*, axe and hoe, and (b) the laborious paperwork involved with the issuance of provisional land titles to new colonists. Colonists have suffered from an almost total absence of technical assistance, credit provision and state marketing channels, as well as highly inadequate provision of water supply, educational and medical facilities.¹⁴ The titles issued to colonists on arrival are only provisional and do not constitute legal ownership of the land. Colonists have only seven years with a two-year grace period to pay for their land in order to obtain a legal title. In the absence of legal titles, colonists are unable to obtain agricultural credit from the *Banco Nacional de Fomento* (BNF) (National Development Bank), since the latter requires a land title as collateral. A survey of 600 colonists in 17 IBR colonies in Alto Paraná and Canendiyú in 1978 showed that only 6 percent had legal titles.¹⁵ In the absence of credit to purchase machinery, most colonists have remained at the same subsistence standard of living as before they left the Central Zone. Land clearance by hand proceeds at the rate of one ha. a year at the most. A survey of seven colonies in the Department of Alto Paraná in 1978 showed an average cultivated area per family of only 4-6 has.¹⁶

¹³ J. M. Frutos, *El IBR y la ganadería nacional* (Asunción, 1971).

¹⁴ An official report on the Department of Alto Paraná provides widespread criticism of all aspects of the IBR colonization programme. Secretaría Técnica de Planificación, *Plan de Desarrollo Regional de Alto Paraná - Diagnóstico* (Asunción, 1975).

¹⁵ IBR-SIC/PIDELTA, *Estudio de consolidación de colonias en los Departamentos de Alto Paraná y Canendiyú* (Asunción, 1978).

¹⁶ *Ibid.*

Distribution of land-holding

The distribution of land-holding in the EBR remained as highly unequal in 1972, at the start of the boom in Brazilian migration, as it had been in 1956, despite the implementation of the IBR colonization programme during the intervening period. Comparable data, which is available only in complete form for the Department of Amambay, show that holdings of over 100 has. each (15 percent of the total number of holdings) still covered 97 percent of the total farm area of the Department in 1972. One *latifundio* alone covered 405,000 has. while, at the other extreme, 257 *minifundio* plots of less than 10 has. each (9 percent of the total) together covered only 1,680 has., or 0.13 percent of the total area.¹¹

Between 1956 and 1972, the number of land-holdings in Amambay increased only by 47 percent, from 1,962 to 2,891. Although IBR had issued 970 new titles in Amambay since 1957, nevertheless the distribution of land-holding did not improve between 1956 and 1972. While holdings of between 10-50 has. increased by 87 percent, as a result of the IBR programme, and holdings of less than 10 has. fell by 54 percent, on the other hand holdings of between 50-100 has. grew by 59 percent and holdings above 100 has. increased dramatically from 110 in 1956 to no less than 432 in 1972. As a result, while in 1956, holdings over 100 has., comprising 6 percent of the total number of holdings, covered 91 percent of the farm area, by 1972 these holdings now comprised 15 percent of the total number and covered no less than 97 percent of the area.

The partial data available for Alto Paraná support the view that the distribution of land-holding in the EBR did not improve as a result of the IBR colonization programme. The number of holdings here increased much faster than in Amambay, from 790 in 1956 to 5,143 in 1972, reflecting its greater proximity to major roads.¹² Between 1962 and 1972 the IBR issued 3,486 land titles in the Department and the number of holdings of between 10-50 has. shot up from 216 to 3,411 over the period as a reflection of this. However, at the same time, the number of holdings of less than 10 has. also rose, by nearly three times, from 557 to 1,584 while the number of holdings over 100 has. increased from only 19 in 1956 to 80 in 1972. In 1956 the 19 holdings (each over 100 has.) covered no less than 98 per cent of the farm area, and the partial data cited above suggests that this extreme level of land concentration remained undiminished as late as 1972.

The lack of change in the land tenure system of the EBR as a result of the

¹¹ Ministerio de Agricultura, *Encuesta Agropecuaria por muestreo* (Asunción 1972).

¹² *Ibid.*

Brazilian migration to the EBR

In 1943 there were only 513 Brazilian farmers in the whole of Paraguay, equivalent to only 0.5 percent of the total number of farmers in the country.¹⁷ By 1956 the number had risen to 636, of which 160 were in the EBR, where they comprised only 5 percent of the total number of farmers in the region. No less than 104 of the Brazilian farmers in the EBR lived in the area around the town of Pedro Juan Caballero on the Brazilian border in the Department of Amambay, while in the whole of the Department of Alto Paraná there were only eight Brazilian farmers.¹⁸

In 1962 the EBR held only 3.2 percent of the national population. There were 2,250 Brazilians in the EBR, comprising 4 percent of the regional population. In the Department of Alto Paraná, the 750 Brazilians still constituted only 3 percent of the total population, while in the Amambay the 1,500 Brazilians constituted only 4 percent of the population.¹⁹

The migration of Brazilian colonists got under way from the mid-1960s onwards, and accelerated after 1972. The historical neglect of the region following the fall in yerba exports and the failure of the IBR colonization programme, together with structural changes on the Brazilian side of the frontier, were responsible for this migration flow which was facilitated by a series of decisions taken by the Paraguayan Government at the time.

Structural changes in Brazil

The migration of Brazilian colonists to the EBR is closely related to the structural changes taking place in the rural economy of south-eastern Brazil. The existence of fertile virgin land in the western half of the State of Paraná has fuelled a boom in soya output, turning Paraná into Brazil's leading producer of soya. However, at the same time as the availability of virgin land has diminished, the introduction of mechanized soya cultivation has stimulated the consolidation of farms into increasingly larger holdings. A combination of higher costs of mechanization and heavier taxes on soya exports have led to a gradual rise in what is considered to be the minimum farm-size necessary to ensure an 'adequate' standard of living by the ever-diminishing number of 'family farmers' in the western part of the State of Paraná. According to the President of the Cascavel Farmers Cooperative (COPAVEL), this 'necessary minimum' had already reached 125 has. by 1977.²⁰

Smaller farmers whose holdings increasingly fall below this rising level

¹⁷ Ministério de Agricultura, *Censo de Agricultura del Paraguay 1942-44* (Asunción, 1948).

¹⁸ Ministerio de Agricultura, *Censo Agropecuario 1956* (Asunción, 1961).

¹⁹ Dirección General de Estadística y Censos, *Censo de Población, 1962* (Asunción, 1965).
²⁰ Quoted in *Journal do Brasil*, 7 July 1977.

have constituted the bulk of Brazilian migrants to the EBR. For farmers with 50 has. or less, the high cost per ha. makes mechanization uneconomic. At the same time, these farmers are unable to increase their cultivated area because of soaring land prices. They are attracted to the EBR primarily by the availability of very fertile virgin land at a price many times lower than the price of land in Paraná.

The sale of their land in Brazil enables Brazilian colonists to arrive in Paraguay with considerable liquid capital, which is sufficient to buy a much larger amount of land in the EBR as well as to buy the minimum equipment required for mechanized production. The following very typical experience of a Brazilian colonist recently arrived in Villa Aurora, Alto Paraná, in 1977 reveals a disparity in land prices of 1:7.6:

'I sold 7 alqueires (17½ ha.) which I owned in Terra Roxa, Paraná for Cr\$ 520,000 and with the money I bought 30 alqueires (75 ha.) here for Cr\$ 293,000. I am going to use the remaining Cr\$ 227,000 to build a house, and pay for removal expenses, clearing, and planting 10 alqueires (25 has.) of soya, and I will keep what is left over to buy a tractor next year'.²¹

In addition to the disparity in land prices, the disparity in two other factors - taxation and credit - has contributed to the migration flow from Brazil to the EBR. Income tax is virtually non-existent in Paraguay, while nominal tax rates on land ownership are extremely low and actual receipts even lower because of administrative corruption. More significantly, there is no tax on Paraguayan soya exports. Conversely, in Brazil, income taxation and land taxes are substantial while the tax on soya exports has risen to appreciable levels over the past decade. According to Brazilian authorities in Paraná, the introduction of *confisco cambial* export duty on soya in 1977 led to an acceleration in the migration of colonists to the EBR. The difference in producer price for soya is now so large that a growing illicit trade in soya has developed, whereby Brazilian soybean is smuggled into Paraguay, from where it is re-exported through the Brazilian port of Paranaguá where Paraguay has customs privileges, thus avoiding the Brazilian export tax.

A striking disparity has also developed between the cost of medium-term agricultural credit (for land preparation and purchase of agricultural machinery) for Brazilian farmers in the EBR and in Brazil. In Brazil in recent years agricultural credit terms have hardened, with interest rates of 22-24 percent per annum and for periods of five years with a one-year grace period. Conversely, in the EBR, Brazilian colonists have been able to obtain much softer loan terms for agricultural development from the Paraguayan State Development Bank, *Banco Nacional de Fomento* (BNF) through

²¹ *Ibid.*

generous credit lines on-lent from international institutions, such as the World Bank and Inter-American Development Bank. Interest rate on BNF agricultural loans are generally 13 percent, with payments over eight years with a three-year grace period.

As mentioned above, the BNF lends only to farmers with legal titles to their land. Since Brazilian colonists in the EBR usually purchase their land in cash, unlike Paraguayan colonists who pay over a number of years, the former have in practice had preferential access to BNF credit. In 1974 the BNF lent US\$ 2.5 million to the agricultural sector in the Alto Paraná. Loans for mint and soya cultivation comprised 76 percent of the total area financed by the BNF in the Department. Since the bulk of output of these two crops is produced by Brazilian colonists, it is reasonable to conclude that Brazilians are receiving the bulk of the credit made available by the BNF. In addition, the rapidly growing short-term credit needs of the Brazilian colonists (for seed and fertilizer) are being met by five Brazilian commercial banks now operating in Paraguay. Four of these banks - Bradesco, Banespa, Interbanco and Banco Real - began operations in Paraguay since 1972 and all of them have concentrated their branch facilities in Asunción and in the EBR, to the exclusion of the rest of the country.

Events in Paraguay

In the mid-1960s, the Paraguayan Government took a series of decisions which greatly facilitated Brazilian migration to the EBR. Communications with the region were rapidly improved by the construction of an all-weather tared road through the EBR which linked Asunción in the west with the Brazilian border in the east. A road bridge financed by Brazil was built across the River Paraná between the new Paraguayan border town of Puerto Presidente Stroessner and the Brazilian town of Foz de Iguazú. This provided a direct highway link from the EBR to the Brazilian ports of Paranaguá and Santos on the Atlantic seaboard where Paraguay was granted 'free zone' custom privileges for exports.

A noticeable shift in Paraguayan foreign policy also took place which strengthened ties with Brazil. For decades relations between the two countries had been overshadowed by a boundary dispute over possession of the Guairá Falls, the largest waterfalls in the world on the border between the two countries in the EBR. In May 1964, Brazil militarily occupied the Falls and relations cooled considerably when the Paraguayan Deputy Foreign Minister was unceremoniously expelled from the area by Brazilian troops during a fact-finding mission. Over the next two years Brazil consolidated its position, assuming *de facto* control over both sides of the River Paraná surrounding

the Falls. Despite growing resentment in Paraguay at what was seen as Brazilian aggression, President Stroessner of Paraguay and President Castelo Branco of Brazil signed the Act of Iguazú on June 22, 1966, which stated that the harnessing of the enormous energy potential of the Guairá Falls would be shared in equal parts between the two countries in the form of a condominium. This joint declaration constituted a diplomatic triumph for Brazil since it signified an implicit relinquishment by Paraguay of its former claim to sole possession of the Guairá Falls. This diplomatic reverse was a crucial step leading to the subsequent realization of the Itaipú project under Brazilian hegemony, something which would later provide a strong stimulus to Brazilian immigration to the EBR.

In exchange for the withdrawal of Brazilian troops from the Falls, agreed in the Act of Iguazú, the Paraguayan Government removed existing restrictions on Brazilian colonization of the EBR. In 1967 the Paraguayan Government repealed an Agrarian Statute which had formerly prohibited the sale to foreigners of land lying within 150 kms. of the national frontier. Soon after this the IBR began to sell large tracts of virgin state lands in the EBR to Brazilian land companies.

In the space of only five years (1962-67) communications between the EBR and Brazil had been dramatically improved, the border conflict between the two countries had been resolved in favour of Brazil, and legal restrictions had been removed on Brazilian land-buying in the EBR. In view of the migratory forces already emanating from within Brazil itself, the stage was now set for rapid Brazilian migration to the EBR from the late nineteenth-sixties onwards.

Acceleration in the Seventies

By 1972 the population of the EBR had risen to around 160,000, representing an annual increase of 8.5 percent during the previous ten years. A comparison of the 1962 and 1972 census data show that a considerable part of this rapid population increase in the EBR during the decade 1962-1972 is explained by immigration from Brazil. As a result, the number of Brazilians in the total population of the EBR rose considerably, reaching nearly 30,000, and comprising 18 percent of the regional population in 1972. In the Department of Canendiyú, Brazilians already constituted 43 percent of the total population by 1972. (Table 1.)

Most of the Brazilians in the EBR in 1972 were living in thirteen private colonies, the oldest of which at Marangatú had been founded in 1962.²²

²² 'Brazilian Colonists in Paraguay' in *Migration News*, No. 4 (1972), I.C.M.C., Geneva, pp. 12-20.

TABLE 1
Population of EBR, 1972

	Total	Foreigners	of which Brazilians	Share of Brazilians
Canendiyú	27,825	12,268	12,028	43%
Amambay	65,111	10,736	10,027	15%
Alto Paraná	69,044	9,516	7,130	10%
EBR	161,980	32,520	29,185	18%

Source: Dirección General de Estadística y Censos, Censo Nacional de Población y Vivienda 1972, (Asunción, 1975).

Several of these colonies, such as Paraguasil, Mbaracayú, Corpus Christi and Marangátú, became the focal point of attraction for the subsequent acceleration of Brazilian migration to the EBR.

In April 1973 President Stroessner of Paraguay and President Medici of Brazil signed the Treaty of Itaipú to construct the largest hydro-electric plant in the world on the River Paraná. Itaipú will have an installed capacity of 12,600 MW, six times bigger than the Aswan Dam. It is estimated that the project will have cost at least US\$ 10 billion by the time of its scheduled implementation in 1983. The terms of the treaty revealed the consolidation of Brazilian influence in Paraguay. The Paraguayan share of the cost of the project would be financed by loans from Brazil, which would be paid back through the sale of part or all of Paraguay's 50 percent share of the electricity generated. The price at which Paraguay would export electricity to Brazil was set well below comparable international standards and would be fixed for the next fifty years.

Paraguay lacks effective control over the cost of the project (which has escalated from US\$ 1,800 million in 1973 to US\$ 10,000 million in 1979) and the bulk of the construction contracts have been placed with Brazilian companies, with Paraguayan companies obtaining only 15 percent of the total to date.

There are strong indications that Brazilian migration to the EBR has intensified since 1972 when the last national population census was carried out. The sharp increase in world soybean prices since 1973 has enhanced the attractiveness of the EBR, where soil conditions are particularly suitable for its cultivation. Another important factor explaining the intensification of Brazilian migration is the start of construction activity on the Itaipú project in 1975. As shown in Table 2, the EBR has attracted a growing share of foreign private investment in Paraguay since 1972, reaching 50 percent by

TABLE 2

Foreign Investment in EBR 1972-78
(in US \$ mn constant 1972)

	1972	1973	1974	1975	1976	1977
EBR	1.3	3.0	17.9	7.7	13.6	28.0
Paraguay	11.4	10.6	49.9	22.7	40.3	55.5
Share	12%	28%	36%	34%	34%	50%

Source: Paraguay Economía, Vol. 1 Number 5, (Asunción 1979).

1977. Over the whole period 1971-78, 44 percent of this foreign investment in the EBR was in agriculture and forestry, sectors dominated by Brazilian private enterprises.²³

Very few of the Brazilian colonists now entering Paraguay are officially registered as immigrants. Consequently, official immigration statistics grossly understate the numbers who have migrated to the EBR since 1972. Only 3,281 Brazilians were officially recorded as immigrants to Paraguay in 1973.²⁴ However the National Council for Social Progress of the Paraguayan Government estimated that 40,000 Brazilian colonists entered Paraguay in 1973, twelve times the number of officially-registered immigrants.²⁵ There were around 300,000 Brazilian immigrants living in the EBR at mid-1979.²⁶ This represents a sustained average annual migratory inflow of 40,000 over the period since 1972.

Economic transformation of the EBR

During the ten-year period 1967-77 the EBR sold off almost all of the remaining virgin state lands of the EBR, mostly to leading officials in the Armed Forces and in the ruling Colorado Party at *precios fiscales* (official prices) far below the market value. In turn, these buyers have re-sold to Brazilian land companies based in São Paulo and Curitiba, realizing considerable capital gains as a result. The major *latifundistas* of the region also began to sell off large areas of the land under their control, again almost exclusively to Brazilian land companies. Between 1965-77, *La Industrial Paraguaya* sold off 986,119 has. of its property,²⁷ and the heirs of the Barthe estate sold off

²³ Paraguay Economía, Vol. 1, No. 5 (Asunción, 1979).

²⁴ Colonización y migraciones, Primer simposio nacional sobre asentamientos humanos (Asunción, April 1976).

²⁵ Consejo Nacional de Progreso Social, Programa Integrado de Desarrollo Rural - Región del Paraná 1975-80 (ONPS, Asunción, 1974).

²⁶ Own estimate based on official and unofficial sources.

²⁷ La Industrial Paraguaya, Memoria Anual, 1965 and 1977.

another 287,000 has. Some 450,000 has. of the Matte Larangeira property had previously been sold in 1952 to a leading Brazilian landowner, Geremia Lunardelli, who in turn had sold off all but 45,000 has. by 1975.²⁸

Before dividing their holdings into smaller plots for resale, the Brazilian land companies extract the commercially valuable timber species (*cedro*, *lapacho*, *perobá* and *urunday*), the profit from which is normally sufficient to pay for the original land purchase. As a result, there has been a rapid but temporary upsurge in sawmill activity in the EBR which is likely to disappear as soon as the prized species have been exhausted. From a total of only 32 in 1965, the number of sawmills rose to 209 by 1975, by which time they represented almost half of the total installed capacity of Paraguay. (Table 3.)

TABLE 3
Sawmill Capacity, EBR 1975

	Volume (in m ³ of log p.a.)	Share	Number
Alto Paraná	262,245	20%	98
Amambay	278,680	22%	81
Canendiyú	85,540	7%	30
EBR	626,265	49%	209
Paraguay	1,272,060	100%	431

Source: UNDP, *Censo de las industrias madereras del Paraguay*, (Asunción, 1976).

The sawmill industry in the EBR is overwhelmingly under Brazilian control. In 1974, only 7 out of 40 sawmills in Pedro Juan Caballero were Paraguayan, and in 1976 all 10 of the sawmills operating in Capitan Bado, Amambay were Brazilian-owned. Not all of the timber currently extracted from the EBR is sawn inside Paraguay. Following a ban on the export of unsawn timber introduced in 1972, a flourishing smuggling trade in logs has developed between the EBR and Brazilian sawmills in the adjoining States of Matto Grosso and Paraná. In 1974 the Association of Paraguayan Timber Merchants denounced the presence in the area of Pedro Juan Caballero of 500 Brazilian lorries, which they accused of smuggling logs valued at US\$ 1 million a year across the border. In the same year only 100 of the 600 timber lorries registered with the local authorities of Pedro Juan Caballero were Paraguayan. In 1975 local business associations in Amambay and Canendiyú unsuccessfully petitioned the Paraguayan Armed Forces to patrol the border region in order to halt the illegal export of logs to Brazil.

²⁸ *Veja* magazine, Brazil, 24 September 1975.

Following the extraction of commercially valuable species, the Brazilian land companies divide their holdings into smaller plots (usually of between 50-200 has.) which are advertised and sold in the State of Paraná by a network of land-agents. On taking possession of the new land, Brazilian colonists cut down the bulk of the remaining forest cover, usually with portable electric saws. In the process (known as *rozado*) the cut timber is then burned *in situ*. No trees are left standing and tree stumps are destroyed by burning at night with old tyres.

Rapid Brazilian colonization has produced massive and indiscriminate destruction of the forest cover of the EBR, estimated to contain 2.5 million has. of dense subtropical forest, equivalent to more than half of the forest reserves of eastern Paraguay. A forest inventory of eastern Paraguay published by FAO in 1971 concluded that 'the country's forest reserves will be used up within ten years if the present policy of destruction without re-forestation is maintained'.²⁹ Despite this warning, indiscriminate and uncontrolled forest clearance has speeded up. Between 1971-75 the cultivated area in the EBR grew at an estimated rate of 14 percent a year. The pace has accelerated dramatically since then. The cultivated area (excluding coffee) increased by no less than 60 per cent in one year, from 117,000 has. in 1975/76 to 187,000 has. in 1976/77.³⁰

A national Forestry Service was established in 1975 but the meagre legal powers and financial resources with which it was endowed have proved grossly insufficient to enable it to reduce the pace of de-forestation. Nor has it been able to enforce a compulsory re-forestation programme. Already the ecological balance of the EBR has been upset as enormous quantities of valuable timber have literally 'gone up in a puff of smoke'. The catchment area of the River Acaray in the Departments of Alto Paraná and Caaguazú was rapidly deforested in the 1970s, a factor which contributed to the complete drying up of its river bed for the first time in recorded history during a severe drought in 1977. As a result, the hydroelectric power plant on the River Acaray which previously provided Asunción with most of its electricity supply came to a complete standstill for nearly two years.

Agricultural production

The EBR contains some of the most suitable soils in Latin America for intensive crop production - deep, well-drained and with good percolation and permeability. The region contains 58 percent of all Grade 1 soil in eastern

²⁹ UNDP, *Forest Inventory of Paraguay* (Asunción, 1971, mimeo).

³⁰ Ministerio de Agricultura, *Encuesta Agropecuaria por municipios* (Asunción, various years, 1971-1977).

Paraguay and 44 percent of all Grade 2 soil. In fact some 2.8 million has. of Grade 1 soil comprise no less than 52 percent of its total area (Table 4).

TABLE 4
Soil distribution of Eastern Paraguay
(in million ha.)

Region	1	2	3-5	Total
EBR	2.79	1.38	1.21	5.38
Rest	1.99	1.76	6.82	10.57
Total	4.78	3.14	8.03	15.95

* Class 1 - Suitable for intensive use.
Class 2 - Suitable for moderate agricultural and livestock use
Class 3 - Suitable for extensive, mainly live-stock use
Class 4 - Limited to forest use
Class 5 - Soils not identified

Source: Maria Pilar Sánchez Fauquier, *Estudio Agrobiológico*, (Asunción, Secretaría Técnica de Planificación, 1969).

The immigration of Brazilian colonists has produced a rapid increase in agricultural production in the fertile EBR. Three cash crops - soya, mint and upland rice, none of which is native to Paraguay, have been introduced by Brazilian colonists and are now the major crops grown in the region. Their combined farmgate value reached US\$ 33 million in 1976/77.³¹

Soya production now dominates the agricultural economy of the EBR. The area under soya rose from only 5,400 has. in 1972 to over 67,000 has. in 1976. The output of soya in the EBR increased sixfold in the four-year period 1972-76, and the regional share of national soya output nearly doubled over the same period, to reach 28 percent in 1976 (Table 5). As a result of this rapid increase in production in recent years, Paraguay is now the fifth largest exporter of soya in the world.

Multinational agribusiness corporations such as Gulf and Western and Brooke Bond Liebig have also purchased land in the EBR for soya production. Another agribusiness corporation, Florida Peach Corporation,

³¹ *Ibid.*

TABLE 5
EBR-Production of Major Crops 1972-1976
(in tons)

	1972/73	1973/74	1974/75	1975/76	1976/77
<i>Soya</i>					
EBR	17,916	33,495	40,462	63,825	106,537
Nat. Total	122,637	181,262	220,086	283,547	376,859
Share	15%	18%	18%	23%	28%
<i>Mint</i>					
EBR	168	234	551	981	1,142
Nat. Total	181	263	567	1,009	1,169
Share	93%	97%	97%	97%	98%
<i>Upland Rice</i>					
EBR	4,536	7,021	7,233	12,013	18,314
Nat. Total	7,753	11,796	11,694	16,995	23,668
Share	58%	60%	62%	75%	79%

Source: Ministerio de Agricultura, *Encuesta Agropecuaria por muestras*, Various years, 1972-1976.

which has bought land in the EBR for soybean production, has vividly explained the attractions of the region for the foreign investor:

The natural fertility of the soil is so great that we will not have to spend large sums of money on fertilizer, as we do in America. Yields per acre are greater than the yields for soybeans produced elsewhere. Our naturally-fertilized soybeans will have a higher oil content than soybeans grown elsewhere, thus making them more valuable. The cost of growing in Paraguay is less than in the USA. For example farm labour in Paraguay is 90 percent cheaper than farm labour in America.³²

The production of mint and upland rice have also expanded rapidly in the EBR as a result of Brazilian colonization. Paraguayan output of mint which is produced almost exclusively in the EBR, has risen sixfold from 1972/73 to over 1,100 tons by 1976/77 (Table 5). Meanwhile mint output in the neighbouring Brazilian State of Paraná, where almost all Brazilian mint production is concentrated, has fallen from 6,000 tons in 1974 to 2,500 tons in 1977. The output of upland rice in the EBR has trebled over the period 1972-76. The EBR now accounts for 80 percent of national production of upland rice (Table 5).

³² Letter to clients, Florida Peach Corporation, Geneva, 30 September 1976.

Smuggling

A large part of this new agricultural production by Brazilian colonists in the EBR is smuggled across the border and commercialized in Brazil. This traffic, combined with the smuggling of timber from the EBR, accounts for most of the rapid expansion in the smuggling of Paraguayan goods to Brazil in recent years. For the whole period 1967-75, Brazilian registered imports from Paraguay were over five times greater than Paraguayan registered exports to Brazil. As shown in Table 6, the bulk of this illegal traffic occurred after

TABLE 6
Estimate of Smuggling of Paraguayan goods to Brazil
(in US \$ mn)

	Paraguayan Exports to Brazil (a)	Brazilian Imports from Paraguay (b)	Smuggling Estimate
1967	0.2	1.0	0.8
1968	0.2	0.4	0.2
1969	0.1	0.4	0.3
1970	1.1	1.4	0.3
1971	0.8	2.6	1.8
1972	0.7	6.2	5.5
1973	2.9	23.1	20.2
1974	6.1	35.8	29.7
1975	5.7	29.4	23.7
1967-75	17.8	100.3	82.5

(a) Source: Paraguayan Trade Statistics

(b) Source: Brazilian Trade Statistics

Source: R. A. Nickson, 'El Comercio ilegal entre Paraguay y Brasil: un intento de aproximación cuantitativa', *Revista Crítica*, No 1, Segunda Época (Asunción, March, 1977).

1972, when an acceleration took place in the rate of Brazilian migration to the EBR. The smuggling trade has reached such proportions that in 1977 the World Bank began to make independent estimates of 'non-registered trade' in order to obtain a more realistic picture of the size of the Paraguayan foreign trade sector than that provided by the official trade statistics.³³

The widespread smuggling of agricultural production from the EBR into Brazil must be viewed in the context of the very weak integration of the

³³ World Bank, *Economic Memorandum on Paraguay*, 14 June 1977.

region with the rest of the Paraguayan economy and the prior familiarity with and preference for Brazilian marketing channels amongst the Brazilian colonists who account for the bulk of production in the EBR. This weak integration is most clearly shown by monetary circulation in the region. The Brazilian *crucero* is the currency in more common use throughout the EBR, rather than the Paraguayan *guaraní*. Consequently smuggling does not even require the need for currency exchange.

The minimal presence of the public sector also points to the weak integration of the region. Local Government administration is only nominal throughout much of the EBR, and the poor provision of educational, health and telecommunications services bear no relation to the affluence of the region. Consequently, colonists turn to Brazil to meet their demand for these services. In similar fashion they are attracted to the cooperative marketing channels of the State of Paraná with which they are already familiar. Producer prices there tend to be higher than in Paraguay, where Paraguayan middlemen have traditionally exacted much higher margins in the absence of any State agricultural marketing system.

Impact of Brazilian migration

The rapid migration of Brazilian colonists to the EBR is having a permanent and important effect on Paraguayan society. The debate within Paraguay on their growing presence has so far been muted by the insufficient recognition of the scale of the migration process currently underway. On the one hand the Paraguayan Government actively welcomes the Brazilian colonists, and considers them to be a positive asset for the economic development of the country. In the words of Dr. Juan Manuel Frutos, head of the IBR, 'Brazilians are hardworking - Paraguay needs them'.³⁴ On the other hand, opposition politicians have stressed the threat to national sovereignty posed by their overwhelming presence in the EBR, which is already culturally an extension of Brazil. The economist Domingo Laino has been an outspoken critic of what he calls Brazilian 'expansionism' in the EBR, and cites this as a practical application of the doctrine of *fronteiras vivas* (moving frontiers) associated with the Brazilian military geopolitician, Golbery de Couto e Silva.³⁵ The Paraguayan daily press has also questioned the wisdom of uncontrolled immigration from Brazil in extensive eye-witness reporting from the EBR.³⁶ Concern has also been voiced by the Government *Consejo*

³⁴ *Veja* magazine, Brazil, *loc. cit.*

³⁵ D. Laino, *Paraguay: Fronteras y Penetración Brasileña* (Asunción, 1978).

³⁶ Of special interest is 'De espaldas al país', a 15-part report of a journey through the EBR in *ABC* newspaper (Asunción, January 1977).

Nacional de Progreso Social (National Council for Social Progress) which objected in 1977 to the siting of UNICEF - financed health clinics earmarked for the EBR in areas where the catchment population was almost exclusively Brazilian. Discontent has also manifested itself from among the now minority of Paraguayans living in the EBR. At the First National Municipal Congress in December 1977, local government administrators from the EBR called unsuccessfully for a new frontier law banning the sale of border lands to foreigners.³⁷

Apart from the threat which it poses to national sovereignty, the migration of Brazilian colonists to the EBR constitutes the major vehicle for the expansion of capitalist agriculture in Paraguay. As such it will have a profound effect on the structure of Paraguayan society. Already this expansionary process is transforming rural society in the EBR by the breakdown of semi-subsistence forms of agricultural production associated with the IBR colonization programme. The ascendancy of capitalist agriculture associated with Brazilian colonization over semi-subsistence agriculture manifests itself both through land purchase and outright eviction.

The rapid rise in land prices in the EBR, fuelled by Brazilian migration, has led to a structural crisis among IBR colonists. Land prices have soared from around US\$ 25 per ha. in 1973 to over US\$ 300 per ha. by 1976 in the Department of Alto Paraná.³⁸ Given their inability, in the absence of credit facilities, to cultivate most of their 20 ha. holdings, Paraguayan colonists are increasingly selling out to Brazilian buyers. As a result of this process, some IBR colonists are being pushed by lack of capital to farm marginal and less fertile areas of the EBR while others seek employment with Brazilian land companies in land clearance. The decomposition of the IBR colonies in the EBR has reached such a point that international lending agencies have recently made loans to the Paraguayan Government for their 'consolidation', an implicit recognition, albeit late, of the gross deficiencies of the IBR colonization programme.³⁹

In addition to land purchase, ascendancy of capitalist agriculture increasingly manifest itself through the outright eviction of Paraguayan *campesinos* and indigenous peoples with uncertain land titles, as the 'frontier' of Brazilian migration moves westward across the EBR into areas of longstanding Paraguayan agricultural settlement. Land sales to Brazilian companies are nor-

³⁷ ABC newspaper, 18 December, 1977.

³⁸ World Bank, *Paraguay - Regional Development in eastern Paraguay* (Washington, 1978), p. 19.

³⁹ The Inter-American Development Bank is currently negotiating a US\$14 million loan and the World Bank a US\$25 million loan for consolidation of IBR colonies in the EBR.

mally negotiated 'free of occupants'. On a number of occasions *campesinos* and indigenous peoples have been forcibly evicted by Paraguayan troops acting on behalf of Brazilian buyers.⁴⁰

The breakdown of semi-subsistence agriculture, whether by land purchase or eviction, creates a ready supply of highly mobile labour in the EBR, which is currently fully absorbed by the demand from Brazilian land companies and transnational agribusiness ventures in the region.⁴¹ To what extent this demand is a temporary phenomenon and likely to fall with land clearance has been the subject of a debate among Paraguayan economists, concerned with evaluating the prospects of a rapidly growing rural proletariat.⁴² It will not be possible to answer this question until far more is known about the changing character of Brazilian agricultural production in Paraguay - more specifically, about the relative importance and relationship between 'family farmers' and agribusiness.

In conclusion, there is considerable evidence to suggest that since its formation in 1963 the IBR has served in such a way as to smooth the path for the introduction of capitalist agriculture in Paraguay under Brazilian control. Its policy of not expropriating existing *latifundios* and its decision to sell off virgin state lands in the region were both instrumental for the subsequent transfer of the major part of the EBR to Brazilian ownership within little more than a decade. At the same time, by reproducing *minifundio* living conditions and insecurity of land tenure among the Paraguayan colonists under its charge, the IBR has ensured the availability of a cheap and highly mobile labour force to meet the growing demand for labour by burgeoning capitalist agriculture in a region which until very recently was largely uninhabited.

⁴⁰ The largest eviction of this kind so far was at Yhu, Caaguazú in 1976 when ranches and crops belonging to 300 *campesino* families were burnt by Paraguayan troops. During 1968-74 over 300 Aché died as a consequence of manhunts in the EBR.

⁴¹ For example, labour demand for the Gulf and Western 54,000 has. soya project in the Department of Alto Paraná has been met almost totally from two neighbouring IBR colonies.

⁴² See J. C. Herken, 'Desarrollo capitalista, expansión brasilera y condiciones del proceso político en el Paraguay', *Revista Nueva Sociedad*, No. 17 (Costa Rica, 1975), and R. Medina, 'Paraguay y Brasil, el mito del desarrollo integrado', *Cuadernos, Revista Argentina de Ciencias Sociales*, No. 1 (Paris, 1979).