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TAGS: PGOV [Internal Governmental Affairs], PREL [External Political Relations],
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SUBJECT: PARAGUAYAN POLS PLOT PARLIAMENTARY PUTSCH

REF: A. 08 ASUNCION 00611
B. 08 ASUNCION 00598
C. 08 ASUNCION 00535
D. 07 ASUNCION 00910
E. 09 ASUNCION 00188

Classified By: DCM Michael J. Fitzpatrick; reasons 1.4 (b) and (d).

SUMMARY

¶1. (C) SUMMARY: Rumors persist that discredited General and UNACE party leader Lino Oviedo and ex-president Nicanor Duarte Frutos are now working together to assume power via (mostly) legal means should President Lugo stumble in coming months. Their goal: Capitalize on any Lugo mis-steps to break the political deadlock in Congress, impeach Lugo and assure their own political supremacy. While many predicted political shenanigans in March during the traditional social protest season that accompanies the opening of Congress, little has come of it (largely because Lugo has been careful not to provide the political or legal rope with which to hang him, thus depriving Oviedo and Duarte the numbers in Congress for their supposed "democratic coup"). But that could change quickly here. Mid-March outrage over multi-million dollar subsidies for sesame growers via a discredited NGO was considered as a possible ground for impeachment before Lugo walked away from the program (though the controversy continues). For a president already facing many challenges -- internal political struggles, corruption, and the perception that his own leadership style is ineffective -- Lugo must now also worry about making a mis-step that could

be his last. END SUMMARY.

DOWN, BUT NOT OUT?

¶2. (S) Paraguay's two-most controversial politicians -- cashiered General and UNACE party leader Lino Oviedo and discredited ex-president Nicanor Duarte Frutos -- simply refuse to go away. After using the first six months of the Lugo administration to quietly lick their electoral wounds the duo are now positioning themselves to assume power should President Lugo stumble in coming months. Sensitive reporting (and other Embassy contacts) indicate that Duarte and Oviedo would like to create circumstances which could lead to a constitutional change of government (ref A). An Oviedo-Duarte partnership began long before President Lugo's inauguration last August. As President in 2007, it was Duarte who used his control of the Supreme Court to free Oviedo from jail. (NOTE: Oviedo was serving time for involvement in the 1999 assassination of Vice President Luis Argana and the subsequent Marzo Paraguayo massacre of unarmed student protesters (ref B). END NOTE). Duarte incorrectly assumed that if Oviedo ran for president, he would split the opposition vote, thus ensuring a win for his own Colorado puppet candidate, Blanca Ovelar.

¶3. (C) In return for Oviedo's freedom, his political party UNACE supported Duarte's constitutionally dubious Senate bid (ref C). Senate President Enrique Gonzalez Quintana swore in Duarte last August in his private chambers after failing several times to get a quorum for that purpose. However, the Senate rejected Gonzalez Quintana's unilateral act and swore in Duarte's substitute in early September (ref D).

¶4. (C) Oviedo also suffered a political setback last September, when the military's congressional liaison, General Diaz, informed President Lugo that Oviedo, Duarte and others had invited him to a meeting at which they then discussed the possibility of a coup. Lugo immediately exposed the meeting, further damaging Oviedo's "democratic credentials." Oviedo since has become Lugo's principal political adversary, instructing his "troops" in UNACE party to oppose all Congressional initiatives and reforms Lugo pursues, and refusing to meet with Lugo. There is no deeper political and personal divide in Asuncion today that that between Lugo and Oviedo. And the distaste and distrust are as mutual as they are deep.

A FARFETCHED PLAN

¶5. (C) Duarte's and Oviedo's shared goal: Find a "cause celebre" to champion so as to change the current political equation, break the political deadlock in Congress, impeach

Lugo and regain their own political relevance. Oviedo's dream scenario involves legally impeaching Lugo, even if on spurious grounds. (With a two-thirds vote, the Chamber of Deputies may bring impeachment proceedings against the president. Like in the United States, the Senate tries impeachments, again requiring two-thirds vote to convict). The presidential baton would thus, in this scenario, pass to Vice President Federico Franco, who would be constitutionally required to call vice-presidential elections within 90 days. Given the institutional collapse and political fratricide reigning now within the Colorado Party, Oviedo would be the obvious leading candidate. Meanwhile, Duarte, having regained his Senate seat via Supreme Court maneuvering, would assume the Senate presidency and become number three in the line of presidential succession. The Liberal Franco would be President, but Oviedo and Duarte would control Congress -- and the courts. Farfetched? Perhaps. But not entirely unprecedented in Paraguayan politics.

BACK TO REALITY: THE HARD NUMBERS

¶6. (C) Throughout January and February, post heard increased reports of a possible "constitutional" plot against Lugo after Congress returned to session in March. However, Oviedo and Duarte have not had the public excuse -- much less the numbers in Congress -- for their supposed "democratic coup." In order to bring impeachment charges in the lower house, Oviedo/Duarte need 53 votes. Assuming the support of all 30 Colorados (not an easy assumption in light of divisions in the Colorado Party between Duarte and his former Vice President Luis Castiglioni) and 15 UNACE deputies, Oviedo/Duarte today fall at least eight short of the votes they need to bring impeachment charges. The environment in the Senate is similar: Oviedo/Duarte need 30 votes to convict but have only 24 in the best case scenario (15 Colorado senators -- six of which are led by Luis Castiglioni -- plus 9 UNACE senators).

NO BASIS (YET) FOR IMPEACHMENT

¶7. (C) Several of Embassy's key political contacts conclude that Lugo's best defense against impeachment is that most political actors prefer working with him to the alternative: Vice President Federico Franco. (BIO NOTE: Franco is known for being an old-school Liberal party politician with an oversized ego and a difficult personality. END NOTE). Additionally, Congress cannot vote to impeach Lugo without at least superficial political or legal grounds. Lugo has been in office only seven months, and the situation is not ripe for impeachment. Instead, despite rumblings about Lugo's mild-mannered leadership style and his failure to set out a

national agenda, public support for the Lugo administration remains high. The Bottom Line: Given the nightmare scenario of General Oviedo and Nicanor Duarte Frutos jointly running the show, the general political consensus here -- among rationalists, anyways -- remains strong: For all foibles, President Lugo remains Paraguay's least worst option.

COMMENT

¶8. (C) COMMENT: As history demonstrates, nothing is impossible in Paraguay. But politics here can turn on a dime. Witness Nicanor's masterful 2007 orchestration of Oviedo's release from military prison -- and the clearing of all charges -- just hours before the 2008 electoral campaign registration deadline. Lugo is now confronted by sudden political clashes after the announcement of USD 8 million in sesame subsidies to a discredited campesino-run NGO. Lugo immediately walked back the announcement, for fear (in part) of providing legal basis for impeachment, even as he still pursues subsidies for suffering sesame farmers. Campesino leaders seem to currently have the upper hand, thus forcing Lugo's Agriculture Minister to seek to quit. But this is far from over. For a president already facing many challenges -- internal political struggles, corruption, and the perception that his own leadership style is ineffective -- Lugo must now also worry about possible impeachment charges. There is no doubt that Oviedo and Duarte are bent on regaining leadership roles in Paraguayan politics (and, ahem, economics). As Defense Chief Admiral Benitez recently told Ambassador (ref E), "Oviedo has been plotting since the day he was born." Rumors and conspiracy theories are indeed the lifeblood of Paraguayan politics, and should be viewed as the norm. It is when the rumors stop that we really should start worrying.
END COMMENT.

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