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### **Foreign Capital in the Paraguayan Chaco**

*During the first two decades of the twenty-first century, the Paraguayan Chaco suffered profound social, productive, and ecological transformations due to investments that, through deforestation, expanded the agricultural frontier for the production of livestock and grains. This article analyzes the factors that made the Paraguayan Chaco an attractive location for capitalist expansion as well as the historical characteristics of this passage of land into foreign hands. The major findings demonstrate that this movement of capital is due to the Chaco's situation as a commodities frontier area with policies favorable to foreign investment in Paraguay, making it a haven for foreign capital.*

*En las primeras décadas del siglo XXI el Chaco paraguayo atravesó profundas transformaciones sociales, productivas y ecológicas con la expansión de inversores que, deforestación mediante, expandieron la frontera agropecuaria para la producción de ganado y granos. Este artículo analiza qué motivos volvieron al Chaco paraguayo un destino atractivo para la expansión capitalista y qué particularidades históricas tiene este proceso de extranjerización de la tierra. Los principales resultados muestran que este movimiento de capitales resulta de la condición de frontera de commodities del Chaco y de las políticas favorables a la inversión extranjera en Paraguay que lo vuelven un refugio para capitales extranjeros.*

**Keywords:** *Deforestation, Chaco, Agricultural frontier, Commodities, Foreign ownership*

At the start of the twenty-first century, the South American agricultural sector underwent a period of deep transformations due to the expansion of the Chinese economy, which increasingly required foodstuffs and raw materials, and the continual financialization of agriculture, which signified the arrival of non-agrarian capital providing liquidity to the sector while raising prices of agricultural goods (Li, 2014; Fairbairn, 2014). Paraguay was not a passive player in this process, registering a sharp expansion in the production of soybean, grain, and livestock exports. Consequently, an intensive expansion of foreign investment seeking to engage in the purchase-sale of land and/or agricultural production took place in the Paraguayan Chaco, resulting in the significant deforestation of the Chaco's woodlands. This article seeks to analyze this process, focusing on the nature of the foreign investors, the Chaco's allure for foreign investment, and the various temporalities and business strategies deployed in the process.

The environmental, social, and territorial transformations in the Paraguayan Chaco were part of a large-scale regional process resulting from the expansion of the commodity frontier towards little-anthropized ecosystems such as Amazonia, the Cerrado, and the South American Gran Chaco (le Polain de Waroux, 2019; Kröger and Nygren, 2020). These changes were driven in the framework of new business strategies conceptualized as the “agribusiness model” (Gras and Hernández, 2013). This model refers to a logic of capital accumulation involving large scale production, use of biotechnologies, connection to finance capital, and new ways of organizing production. Moreover, it indicates a globalizing logic that produces structural impacts in agricultural activity in the South. Agribusiness does not expand “in a vacuum.” On the contrary, it operates within social, economic-productive, and political systems established by specific actors, which have developed capabilities and negotiating powers to fulfill their interests (Gras, 2013).

Among other effects, these changes reconfigured the map of agrarian subjects, given the expansion of large-scale agricultural entrepreneurs (Murmis and Murmis, 2012; Oyhantçabal Benelli and Narbondo, 2019), triggering a classic process of capital concentration and centralization (Marx, 2002). In addition to growth in scale, they generated substantive changes in nationality and legal status due to the expansion of foreign companies in the form of investment funds and corporations. These trends were not exclusive to the Southern Cone, but were part of a global wave of transnational investments in lands, largely from core countries to peripheral countries and considered land grabbing or encroachment (Borras Jr. and Franco, 2012), which produced a new phase of foreign takeovers of land and space on a global level (Zoomers, 2010).

In Latin America, a significant flow of international and regional investments occurred after 2010. A relevant precedent in this regard is the Food and Agriculture Organization (FAO) report that monitored land purchase-sale processes by foreign capital in seventeen Latin America countries (Gómez, 2014). This report highlighted that, although land purchases by foreign governments were not a central issue, a process of land concentration and transfer to foreign ownership clearly existed, involving regional and international capital (Borras Jr. et al., 2012).

Of note was the increase in international capital related to investment and pension funds, especially in forestry (Gautreau, 2014), as well as the expansion of regional capital, also known as trans-Latin companies, particularly from Brazil and Argentina into Bolivia, Paraguay, and Uruguay (le Polain de Waroux, 2019). Brazilian farmers in Paraguay, also known as *brasiguayos*, provide an illustrative case, driving soybean cultivation in the eastern part of the country (Wesz Jr., 2022). Argentine agricultural entrepreneurs have also expanded throughout the entire region, with signature companies such as El Tejar, Los Grobo, and Cresud (Wesz Jr., 2016; Sosa Varrotti and Frederico, 2018).

In Paraguay, foreign investments in the agricultural sector are not a novelty. A significant presence of foreign capital has been documented since the nineteenth century (Izá Pereira, 2021). As Wesz Jr. (2016) points out, regional capital specializes in the primary phase, given that supply provision, processing, and marketing are monopolized by large transnational agricultural corporations. In the Chaco, le Polain de Waroux (2019) contends that the region’s investors were key in the expansion of the agricultural frontier. His research identified *transnational cohorts of*

*producers* as capital that originates from the same region and invest in a same venture. They came primarily from Argentina, Brazil, and Uruguay, drawn by the extraordinary rents and the possibility of developing real estate businesses and/or livestock production (Glauser, 2009; Vázquez, 2013).

Although the specialized literature has analyzed this flow of regional investments in the Chaco (Vázquez, 2013; le Polain de Waroux, 2019), in the framework of what Izá Pereira (2021) calls the third cycle of land foreignization in Paraguay, there is a lack of in-depth studies on the features that made the Chaco an attractive space for the expansion of foreign capital, the temporalities and business strategies of these investors, the diversity of capital that came to the Chaco, and their impacts on Paraguayan land owning sectors. In this study, we aim to: 1) characterize the foreign investors as part of a long process of foreign land appropriation in Paraguay; 2) understand what made the Paraguayan Chaco attractive at the start of the twenty-first century; and 3) identify the temporalities and principal business strategies employed in this process.

To do so, we held in-depth interviews with qualified sources and regional business people residing in Paraguay to gather information regarding their strategies and experiences. In carrying out these interviews, we utilized a nonprobability sample through chain sampling techniques, which allowed for identifying the subsequent cases of interest based on the statements of each person interviewed (Patton, 1990). More than forty interviews were held between 2023 and 2024 in Paraguay (Asunción and Filadelfia) and Uruguay (Montevideo and Salto). In addition, we analyzed official Paraguayan statistics (agricultural censuses, indigenous census, land registries, direct investment reports) and company information available online.

The next section of this article analyzes the evolution of the foreign presence in Paraguay; the following section deals with the Chaco's appeal as a receptor of regional capital in the early twenty-first century and its effects on the local business class. We finalize the article with concluding remarks.

## **LAND FOREIGNIZATION IN PARAGUAY**

The control and appropriation of lands by foreigners has a long history in Paraguay (Pastore, 1972; Galeano, 2012; Guereña and Rojas Villagra, 2016). Izá Pereira (2019, 2021) distinguishes three major periods. The first began with the end of the War of the Triple Alliance (1864-1870), when the private property system was established in the country and the sale of public lands was approved. The second phase took place during the military dictatorship of Alfredo Stroessner (1954-1989), in which land acquisitions were promoted, especially for Brazilians. The third phase, which stretches from 1990 to the present, is marked by economic liberalization and the consolidation of agribusiness in the country, with a large presence of regional actors.

The first period (1870-1956) initiated with the war that set Paraguay against Brazil, Uruguay, and Argentina, which had drastic effects on the Paraguayan nation (Souchaud, 2007;

Kleinpenning, 2009). The indebted country began to sell government lands, which spanned 98% of the territory (Nickson, 1981; Kleinpenning, 2009). During this period, 81% of the national territory was sold, primarily to companies of Argentine or British origin, as well as to U.S., French, and Brazilian buyers (Vázquez, 2006). Most of the corporations that were established in the Chaco were dedicated to the extraction of quebracho and the processing of tannin and livestock, but there were also many companies involved in the real estate market due to the low prices of land in the region (Izá Pereira, 2019: 194). A similar process also occurred in the eastern region, where foreign companies bought large areas and profited from the harvesting of yerba mate and lumber (Nickson, 1981).

The second period is marked by the Stroessner dictatorship. The Stroessner government structured ambitious programs of colonization and occupation in sparsely populated regions of the country, particularly on public lands that had not been marketed in the post-war period, or on the premises of large foreign companies that began to be sold for this purpose or were expropriated by the state (Nickson, 1981; Souchaud, 2008). During this period, the primary beneficiaries were Brazilian entrepreneurs, especially family businesses, who largely profited from private colonization initiatives (Wesz Jr., 2020). Initially, some experimental and transitional crops such as coffee, cotton and mint were planted. Eventually, the cultivation of grains, with emphasis on soy, was consolidated (Vázquez, 2006; Souchaud, 2007; Wesz Jr., 2022).

The third period began in 1990, affected by the democratic transition and the fall of Stroessner in 1989 in a regional economic context of neoliberalism and a major influx of financial capital (Izá Pereira, 2019). In this period, Brazilian capital was consolidated in Paraguay, Argentine capital regained part of its space, and an unprecedented rise in Uruguayan capital occurred, demonstrating the centrality of the regional actors in the foreign incursion in Paraguay (Glauser, 2009; Vázquez, 2013; Izá Pereira, 2019). Beginning in 1990, the Chaco became the new epicenter of land acquisitions in Paraguay, as we will see in the next section.

Despite the intensity with which foreign control of land in Paraguay occurred, it is difficult to grasp based on secondary data. The only source that provides some information is the *Censo Agropecuario* (Agricultural Census), which specifies the number of agricultural producers by nationality. Nevertheless, this data must be closely analyzed, since it is an undercount<sup>1</sup> and does not calculate the surface area actually controlled by each group. In any case, the information available contributes important elements for an analysis. With respect to the Brazilians, Table 1 indicates strong growth until 1991, followed by a decrease in the context of a process of return to Brazil, especially of those farmers with fewer holdings and limited productive conditions (Aquino, 2016; Wesz Jr., 2020). However, producers of other nationalities increased by 63.4% between 2008 and 2022, while Paraguayan producers remained stable, representing over 95% of the total (MAG, 2023).

**Table 1. Number of Farmers by Nationality in Paraguay (1956-2022)**

[Table 1 Here]

*Source: Author elaboration with data from Censos agropecuarios of 1956, 1981, 1991, 2008 and 2022 (MAG, 1960, 1981, 1993, 2009, 2023).*

This source displays significant limitations in monitoring foreign presence. First, the Census registers agricultural activity, excluding from the survey landowners who preserve native vegetation for various purposes (real estate speculation, conservation, etc.) and do not farm it. Second, it does not identify the origin of the capital behind associations or corporations, such as the limited liability companies (*sociedades anónimas*), as this type of information is only available for individual producers. According to the Census of 2022, the number of limited liability companies in the Chaco rose from 154 in 1991 to 925 in 2022—a 500% increase in 31 years. For 2022, we can estimate that companies or *sociedades anónimas* covered 48% of the total productive surface in the Chaco, surpassing the individual producers (physical persons) who covered 45% (MAG, 2023).

For this reason, we must draw on other sources (press, land registry, qualified respondents) in order to explore land ownership by foreign investors. A survey of various sources identified 700 large properties in Paraguay that covered 10% of its surface area. These large landowners range from major national economic groups linked to the local political powers (family groups such as Cartes, Riquelme, and Wasmosy) to foreign investors such as PAYCO of Portugal, Grupo Favero from Brasil, the International Unification Church led by the Reverend Moon (also known as the Moon Cult), and Carlos Casado S.A., originally owned by Argentine capital and currently belonging to Spain's Grupo San José (Vázquez, 2013; Guereña and Rojas Villagra, 2016).

Another report that monitors information from the Servicio Nacional de Catastro (National Land Registry Service) registers a significant presence of foreigners in the Bahía Negra District in the department of Alto Paraguay on the border with Bolivia. These foreigners control 612,570 hectares, equivalent to 33% of the available land in the district, not counting the protected areas. They are large-scale investors, with around 40,000 hectares each, including, among others, former U.S president George W. Bush, as well as Uruguayan, Dutch, and Brazilian investors (Franceschelli and Lovera, 2018).

Moreover, this research revealed other regional and international investors in the Chaco engaged in real estate investments, land development, and livestock and agricultural production. This group includes both mid-sized investors from the region, especially from Brazil, Argentina, and Uruguay, who found in the Chaco an opportunity for the expansion and/or diversification of their investments, as well as larger companies such as the German firm Agringvest GmbH and the Brasil Agro company, whose principal shareholder is the Argentine company CRESUD.

## **GEOGRAPHY, ECONOMY, AND DEMOGRAPHICS OF THE CHACO**

Paraguay is composed of two large regions: the Eastern region and the Western region, or Chaco. They are separated by the Paraguay River and have very different characteristics. While the former holds 97% of the population and 40% of the territory, the Chaco has 3% of the inhabitants and 60% of the country's surface are (INE, 2024).<sup>2</sup> According to Vázquez (2006: 16), the natural and climatic conditions in the Eastern region are subtropical, with abundant forests and waterways, fertile soils, meadows, and elevations less than 1,000 meters above sea level. In contrast, the Chaco is a great, semi-arid, and dry plain, comprising a major natural ecosystem called the South American Gran Chaco, with lowland and needle-leaf forests, little precipitation, and low population density.

This ecosystem spans around 107 million hectares mainly in Argentina and Paraguay, constituting 59% and 28% of the Gran Chaco surface area respectively, and smaller areas in Bolivia (12%) and Brazil (1%). This ecosystem is one of the primary frontiers of agricultural expansion in South America, along with the Cerrado and Amazonia. The data on deforestation for the 1985-2023 period, obtained through satellite images, show that the natural vegetation fell by 14.4 million hectares (15%) from 99 to 84.6 million hectares, while the agricultural area grew from 6 million to 20 million hectares, distributed over 10.2 million hectares of agriculture and 9.5 million hectares of pastures, more than half of which was concentrated in Paraguay (MapBiomass, 2024).

Although the Paraguayan Chaco has experienced an intense process of productive use in recent decades, it was historically largely divorced from national economy, which expanded and colonized the Eastern region (Vázquez, 2006). The first economic activities recorded in the Paraguayan Chaco hark back to the first period of foreign encroachment in the late nineteenth century, with the arrival of companies devoted to the exploitation of quebracho trees and tannin production. Among the most emblematic cases is Carlos Casado, who in 1886 acquired 5,625,000 hectares (Izá Pereira, 2021). At that time, more than 13 million hectares belonged to only 79 property owners (Kleinpenning, 2009).

Another important turning point was the establishment of Mennonite colonies in central Chaco in the 1920s. Although the Chaco had ceased totally detached from national dynamics, with increased incorporation of this region into the Paraguayan economic and political system, enormous zones were still not integrated, since the primary enterprises were located along the shores of the Paraguay River. The state's interest in populating, utilizing, and integrating the Chaco heightened in the face of Bolivia's intentions to incorporate part of the Chaco into its territory. This dispute led to the Chaco War between 1932 and 1935, with Paraguay's military victory resulting in the growing presence of the state in that region (Vázquez, 2006, 2013).

It was in this context that three Mennonite colonies were installed in central Chaco: Colonia Menno, in 1927, with a group of 1,763 people from Canada (Manitoba and Saskatchewan) who settled on an initial surface area of 56,000 hectares; Colonia Fernheim in 1930, with 1,572 people from Russia (Siberia) and Poland, installed in an area of 15,000 hectares; and Colonia Neuland in 1947, with 1,979 people from Russia (Siberia), settled in an initial area of 74,120 hectares (Stoesz, Stackley, and Ferreiro, 2000; Kleinpenning, 2009). In Vázquez's (2013) view, the Mennonite colonists inaugurated a second phase of the process of

territorialization and regional integration, shifting the productive hub from the Eastern strip of the Paraguay River to the Chaco's geographic center, where these colonies substantially changed the regional dynamic with the consolidation of agricultural production.

Construction of the Trans-Chaco Road in the 1960s played a key role in the region's further integration. This facilitated commercializing Mennonites' agricultural production, while also aiding in the expansion of the Paraguayan cattlemen who moved to central Chaco from the Humid Chaco. The route also fostered national capital's interest in controlling new areas (legally acquired or not) for speculative and not necessarily productive purposes (Vázquez, 2006, 2013).

If, until the end of the twentieth century, the Chaco's principle economic actors were the Mennonites and Paraguayan ranchers, by 1990 substantial changes occurred. A wave of foreign investors occurred, most prominently, regional capital from Brazil, Argentina, and Uruguay (Vázquez, 2013; Polain de Waroux; 2019; Izá Pereira, 2021). At first, these investors bought property titles in the Chaco forest, largely from Paraguayans tied to the dominant national groups.

The investments included the purchase of lands with formal property titles registered with the Servicio Nacional de Catastro (National Land Registry Service), as well as lands with irregular titles. Here, the "ill-gotten lands" became key. These areas, with irregularities vis à vis the agrarian law in force in Paraguay were conferred illegally, particularly during the Stroessner dictatorship, to beneficiaries who were not subject to the agrarian reform, such as the military, former presidents, businessmen, public servants, politicians linked to the country's major political parties, and foreigners (Hetherington, 2012; Rojas Villagra and Areco, 2017). According to Guereña and Rojas Villagra (2016: 7), between 1954 and 2003, the ill-gotten lands totaled around eight million hectares, 20% of which are in the Eastern region and the remaining 80% in the Chaco. These 6.4 million hectares equivalent to 35% of its agricultural area in 2022 (MAG, 2023).

Although foreign capital played a pivotal role in the productive transformation of the Chaco in the early twenty-first century, Paraguayan enterprises were also participants in this movement. These companies ranged from criollos residing in Asunción and in the Eastern region who extended their investments to the Chaco, to Paraguayan Mennonites living in the Chaco since the mid-twentieth century. The 2022 Censo Agropecuario Nacional (National Agricultural Census) reported that of a total of 8,445 agricultural establishments in the Chaco, 75% were of Paraguayan nationality, while those who declared other nationalities only comprised 2% (MAG, 2023). As we will see below, this low visibility of foreigners is due to their utilization of public limited companies, which prevents revealing their nationality.

The same source also provides evidence of the scant campesino presence in the Chaco compared to the Eastern region, which may explain the lower level of unrest in comparison to the East, where the expansion of soy set off intense land conflicts at the start of the twenty-first century (Ezquerro-Cañete, 2016, 2017; Fogel, 2023). If we consider as campesino-owned those parcels with less than 10 farmed hectares, in all of Paraguay these totaled 196,494 in 2022, of which only 0.6% (1,184) were in the Chaco. These farms totaled 2,562 hectares, representing only 0.05% of all the farmed area in the Chaco (MAG, 2023). This lesser occupation of Chaco's

territory by peasant farming is the result of a historical process in which the Paraguayan population was mostly concentrated in the East, largely due to the Chaco's dryness and high temperatures.<sup>3</sup>

In the case of the Indigenous population, the situation presents some noteworthy peculiarities. In 2022, only 2% of the Paraguayan population self-identified as Indigenous (140,000 people), 45% of whom resided in the Chaco, where they represented 30% of the region's population (INE, 2023). There are more than fifteen peoples of the linguistic families of Maskoy, Mataco Mataguayo, Guaraní, and Zamuco. The Agricultural Census of 2022 also reported a significant presence of farms under Indigenous management in the Chaco, where 86% of the 659,910 productive hectares in the hands of Indigenous groups in Paraguay were concentrated (MAG, 2023). These were agricultural establishments and mostly operated communally, not individually, located principally in the departments of Presidente Hayes and Boquerón. Although the agricultural area controlled by these establishments represented only 3% of the area in production in the Chaco in 2022, several investigations have reported hot spots of dispute between Indigenous groups, investors, and the state over the use of and access to the territory (Ortega Ríos, 2013; Glauser, 2018; Brunet-Bélanger, 2023).

## **DOING BUSINESS IN THE CHACO**

The investors who arrived in the Chaco since the end of the 1990s have developed a business strategy geared toward the buying and selling of land, deforestation of Chaco's forests and investments in livestock production and agriculture. The primary transformations that took place can be seen in the deforestation of more than 5 million hectares, and conversely, the expansion of the agricultural frontier (Caldas et al., 2015; MapBiomass, 2024). In Map 1, regarding land use in 1985 and 2023, we can see that expansion, by the reduction in native vegetation (in different shades of green) and the growth of pastures (in yellow), and to a lesser degree, of agriculture (in pink). In this period, using data from the agricultural censuses, total cattle raising in the Chaco rose from 2.3 million head of cattle in 1991 to 5.8 million in 2022, increasing the proportion of the national total of livestock in the Chaco from 30% to 44% (Vázquez, 2013; MAG, 2023). Likewise, in recent years an incipient expansion of agriculture in the Chaco occurred, led by soybeans, which reached 330,000 hectares in the 2023/2024 harvest (La Nación, 2024).

### **Map 1. Land use in the Paraguayan Chaco, 1985 and 2023**

[Map 1 here]

*Source: MapBiomass Chaco (2024)*



For foreigners, a primary appeal of the Chaco lies in its situation as a commodity frontier (le Polain de Waroux et al., 2018), that is, a little-occupied space where, in a context of commodity price increase, favorable conditions exist for the expansion of the agricultural frontier. In this case, the Chaco's large expanses of land with agricultural potential and very low prices compared to in their countries of origin. During the 1990s, if a hectare of woodland in the Chaco sold for between USD\$10 and \$20, one hectare of productive land cost an average of USD \$500 in Uruguay, \$1,000 in Mato Grosso do Sul, Brazil, and more than \$2,000 in the Argentine pampa (Sáder Neffa, 2004).

Furthermore, these investors found local landowners willing to sell their lands, mostly Paraguayans with property titles in virgin forests that, in many cases, were not even demarcated in the territory. To these landowners, selling a property title for USD\$10, \$20 or \$30 per hectare was a good deal, as much because they had obtained them free or almost free of charge (many were "ill-gotten" lands) as because they had neither the capital nor the intention of investing in land development or setting up a livestock enterprise in a territory that, in the imaginary of many Paraguayans, seemed an impenetrable desert (Vázquez, 2013).

In this scenario, the investors deploy various business strategies. One is merely speculative, which some call "land banking" (Sasu, Squires, and Javed, 2022), in which they purchase inexpensive lands in hopes of selling them at a higher price in the future, given rising land prices due to the expansion of the commodity frontier. Another strategy is aimed at the "manufacture" of lands for their future sale, which literally involves producing lands suitable for agriculture through deforestation, enclosure, water collection, and pasture planting. The businesspeople call this process "land development." And a third strategy is focused on the commodity production, making it necessary either to directly "develop lands", or purchase already "developed" land.

Towards the early 2000s, the Chaco's main economic appeal was for the production of cattle. Along with the rest of the agricultural commodities, international beef prices rose in a context of worldwide expansion of meat demand. Higher prices made cattle production in ecosystems of scant commercial use viable, as is the case of the Chaco, but also of the Cerrado and Amazonia.

The commodity frontier is attractive for both smaller-scale capital which, displaced from territories of high demand for land, decides to relocate to regions with less demand, as well as for larger-scale capital that, in not finding available land "at a good price" in their territories, on a regional level, expands into territories like these. This effect is found as much for regional capital (Brazilian, Argentine, and Uruguayan) that comes to Paraguay, as for national capital with investments in Asunción and in Eastern Paraguay that is expanding towards in the Chaco. In this last case, it is fundamentally a matter of Paraguayan and Brazilian investors who, in a context of soybean expansion and increasing land prices in the Eastern region, diversified their business portfolios in the Chaco.

In addition to these factors tied to the national and regional economy, policies promoted by the Paraguayan government to benefit foreign direct investment (FDI) were key. Noteworthy, on one hand, was the regularization and formalization of property titles through the Servicio

Nacional de Catastro (National Land Registry Service). This gave guarantees to the title holders that their investments were protected by the state, fostering the arrival of foreign investors. This factor was emphasized by several interviewees as a differential factor in favor of the Paraguayan Chaco compared to the Bolivian Chaco. On the other hand, the Paraguayan government's economic policy stands out for its decades of low inflation levels, a macroeconomic management friendly to foreign investment, and a comparatively low tax burden in the region.

Paraguay is known for its “triple 10” policy, which refers to a 10% value added tax rate as well as on income for physical persons and companies, rates that rang between 20% and 25% regionally. The lower tax burden makes Paraguay one of the countries with the least fiscal pressure on the continent, with a burden equal to 14% of GDP in 2023, against 26.5% in Uruguay, 29% in Argentina, and 33.5% in Brazil (OECD, 2023). This low fiscal burden translates into a lesser state provision (in quantity and quality) of public goods such as road infrastructure, education, and healthcare, forcing many investors to assume those costs themselves.

The lower tax pressure, along with policies defending private property and the “pro-market” stance of recent administrations, made Paraguay an attractive destination for tax shelters in the context of the progressive “Pink Tide” in South America at the start of the twenty-first century, which saw the rise of the Workers’ Party in Brazil, Peronism in Argentina, and the Frente Amplio in Uruguay (Ellner, 2019). These governments, although they did not expropriate land or investments, and in several cases had policies aimed at attracting FDI, generated distrust in the local business world, accustomed to dealing with openly neoliberal and pro-market governments. In this context, the Chaco appeared to investors as a space for diversification and/or a tax shelter. One of those interviewed was explicit in this regard:

“Depending on which country and what origin, [business groups] come to Paraguay—those from Brazil usually come displeased with a particular president or administration—and as a safeguard, the business groups have a certain amount of capital and say, we are not going to put all of our eggs in one basket, we’re going to cross over to the Chaco. They are Paulistas [(from São Paulo)] or from Minas Gerais, who are close by.”

## **TEMPORALITIES AND BUSINESS STRATEGIES**

Capitalist expansion in the Paraguayan Chaco, particularly by foreign investors, occurs in cycles of varying intensity. Our examination of records and field research indicate three distinct phases of foreign expansion from the end of the twentieth century to the early 2000s. We call these phases: 1) exploratory, from 1994 to 2004, 2) investment boom, from 2005 to 2012, and 3) consolidation, from 2013 forward.

The exploratory phase was characterized by the initial arrival of foreign investors who purchased fields from Paraguayan landowners which, in many cases, were among the so-called “ill-gotten lands.” In this process, political, business, and social ties among the landowning classes of the region were crucial. Of note are the links among regional businesspeople with the

Asociación Rural del Paraguay (Rural Association of Paraguay, ARU), which facilitated the arrival of foreign investors who bought land from national landowners. This linkage even has its own organizational expression in the Federación de Asociaciones Rurales del Mercosur (Federation of Rural Associations of Mercosur, FARM), which includes groups like the Asociación Rural del Paraguay (Rural Association of Paraguay, ARP), the Sociedad Rural Argentina (Argentine Rural Society, SRA), the Asociación Rural del Uruguay (Rural Association of Uruguay, ARU) and the Sociedade Rural Brasileira (Brazilian Rural Society, SRB).

Investors arrived in this stage in a context of very low land prices (USD\$10 per hectare of forest). In order to start production in one hectare, significant investments are necessary (deforestation, enclosure, water sources, pasture seeding). Those first investors expected those prices would not remain so low, and they developed a “real estate” style business strategy known in financial jargon as “land banking” and geared towards buying “cheap” and selling “high” (Glauser, 2009: 42). In the words of one interviewee: *“Add a zero to the purchase price.”*

If the nineties was a period of exploration of the Chaco’s productive potential, this process accelerated from 2004-2005, producing a phase change marked by a foreign investment boom. This was the result of factors that enhanced and diversified business strategies in the Chaco. The first was the high commodity prices reached since 2004, which stimulated agribusiness expansion in the Southern Cone (Gras and Hernández, 2013). The expansion entailed, among other transformations, that of the agricultural frontier towards little anthropized territories, the escalation of production by incorporating new technologies (transgenics, biocides, mechanization), foreign investments in land and agriculture, and a greater connection with the financial markets, in a process also known as land financialization (García-Arias et al., 2021).

These changes had a variety of impacts in the Paraguayan Chaco. On the one hand, they drove land price increases in the entire region, which heightened the strategy of speculation or “land banking” among investors, given the difference in prices between the Chaco and the rest of the region. This is what le Polain de Waroux (2019) has conceptualized as “abnormal or extraordinary rents,” with price differentials in the order of 20 or 25 to 1, which allowed many to sell lands in their countries of origin and buy significantly larger tracts in the Chaco. On the other hand, agribusiness expansion in the Southern Cone generated a domino effect in the agrarian social structure, as the expansion of large-scale regional and extra-regional investors displaced smaller-scale local capital which found in the Chaco a space conducive to their expansion since in their countries of origin there was much more competition for land.

A second factor operating simultaneously with low land prices was the low production costs for those investors who, in addition to buying lands, decided to develop livestock and/or agricultural activity. Interviewees highlighted the low wages<sup>4</sup> and tax burden which, along with high productivity indexes, translate into good profitability levels. This profitability was leveraged by Southern Cone capitals specialized in livestock and, to a lesser degree, in agriculture.

This boom phase closed at the beginning of the 2010s, when forest prices stabilized at around USD\$500-600, making purely speculative investment less attractive. Thus, a new phase of consolidation began, which translated into a lower intensity of new investments in the Chaco. The new scenario did not produce a massive withdrawal of investors. Instead, it fostered new

business strategies toward commodity production (livestock and, to a lesser degree, rainfed agriculture) than in merely trading in rural land. Even though this productive strategy was present during the first phase, in this stage it became essential to optimize productive management to assure profitability. Here, we identify the roll out of two complementary business strategies: land development suitable for agriculture and the production of commodities. The former entails deforesting the Chaco's woodlands, designing pastures, investing in water collection systems (rainwater or subterranean), and sowing fodder grasses or agricultural crops.

Deforestation is regulated by the state, with prior authorization from the Ministerio del Ambiente y Desarrollo Sostenible (Ministry of the Environment and Sustainable Development, MADES), which requires preserving between 45% and 50% of the woodlands. According to several interviewees, this process costs close to USD\$500 per hectare. Added to this is the subsequent maintenance of the fields, which includes clearing re-growth and reseeding pastures, as well as investment in livestock and planting the desired crops. Considering that an agricultural holding in the Chaco has a minimum area of 4,000 hectares (of which the useful area is 2,000 hectares) and that many investors manage areas of approximately 40,000 hectares, these businesses involve USD\$2 to \$20 million.

The "land development" strategy ends with the sale of a functioning agricultural establishment. For this type of investor, the core of their business is not the production of commodities but rather of lands. A textbook case of this type of company is CRESUD of Argentina (Caligaris, 2017), the principal shareholder in Brasil Agro operating in the Chaco.

In the case of commodity production, the principal commodity in the Chaco is cattle, although a significant agricultural expansion has been recorded in the last five years. For regional capital, production of agricultural goods is a profitable business due to its low production costs and high productivity, although it is less safe and less liquid than other investments. The risks are linked to climatic variability (lack of rain), threats to private property (contraband and drug trafficking) and the lack of infrastructure, while the lack of liquidity is tied to difficulties in selling the land. In the words of several interviewees, "*the entire Chaco is for sale.*"

In any case, over the last fifteen years, there have been significant investments in infrastructure that improved road connectivity and telecommunications, which allowed movement into practically unexplored territories, thus reducing the costs, time, and risks in transporting grains and livestock and facilitating remote control of properties thanks to internet expansion.

## CONCLUSIONS

This article analyzes the process growing foreign control of land and production in the Paraguayan Chaco at the beginning of the twenty-first century. As we attempted to show throughout the text, this flow of investments took place in the context of a long history of

increasing foreign ownership of land in Paraguay, but it presents characteristics that warrant a detailed treatment.

This process occurs within regional expansion of the agribusiness model in South America at the start of this century. Among other changes, these transformations involve a commodity frontier expansion of agrarian capitalism towards native ecosystems such as the South American Gran Chaco, the Cerrado, and Amazonia; the strengthening of productive processes through the incorporation of new technologies; the arrival of large-scale foreign capital, part of a global trend towards land grabbing; and the financialization of land and production. In the case of the Paraguayan Chaco, a sparsely-populated, semi-arid territory, this process involved the deforestation of over five million hectares of woodlands; the sharp expansion of cattle ranching, and, to a lesser degree, agriculture; and the arrival of diverse capitals, with the particular prominence of regional capital from Argentina, Brazil, and Uruguay.

The expansion of local, regional, and international capital into the Chaco results from a combination of various factors. Among the most significant is its condition as a commodity frontier, that is, a territory with a great deal of available land at very low prices in a regional context of agribusiness expansion and exponential increase in land prices, allowing investors who arrived towards the end of the nineties and early twenty-first century to realize exceptional rents.

This process was fostered by successive Paraguayan governments through the legalization of land ownership titles, low fiscal burden, and macroeconomic management advantageous to foreign investment. The appeal of Paraguay in general and the Chaco in particular as a tax haven was strengthened in the context of the progressive “Pink Tide” in South America, which, in the eyes of investors, made it an attractive space to protect and diversify their capital. This expansion of regional capital did not cause major conflicts with local landowners, since they became partners in this process to the extent that they sold lands, in many cases ill-gotten, or were actually part of the capitalist expansion towards the Chaco. This link between local businesspeople and landowners with foreign investors also translated into political, economic, and personal ties among the livestock elites of the countries in the region. This was manifested at both the level of trade, given the links between the Southern Cone’s rural associations, as well as the personal level, with agreements among businesspeople of various countries.

While this process began in the mid-nineties, coinciding with the third period of land appropriation by foreigners in Paraguay, it also displays its own temporality. This temporality is marked by at least three major phases, which are differentiated by their magnitude, the strategies developed by the investors, and the changes involved. The exploratory phase (1994-2004) was characterized by the arrival of the first investors, who bought land without moving into agricultural production and were essential in generating what le Polain (2019) calls a cohort of investments, given the herd effect provoked. The second phase was characterized by the investment boom (2004-2012), prompting the arrival of a great number of investors and capital with a predominantly speculative strategy and which profited from the extraordinary rents produced by the sharp increase in land prices during those years (from USD\$50 to \$500 per

hectare of forest). Lastly, in the consolidation phase (since 2013), the flow of investments slowed due to the higher price of land, which stabilized at USD\$500 for non-deforested lands, leading to a change in investor strategy toward land development and commodity production.

In conclusion, the expansion of regional capital at the end of the twentieth century and the start of the twenty-first caused a new round to foreign appropriation of the Paraguayan Chaco, a process similar to what occurred after the War of the Triple Alliance, when Paraguay sold off state lands. What is novel is that this new process land foreignization links three interrelated business strategies: real estate speculation, “land development” through deforestation, and cattle production, together with, more recently, grains. In this regard, the twenty-first century consolidated new types of businessmen and large foreign landowners in Paraguay’s Chaco. These co-exist with the *brasiguayos* who are leading the expansion of agriculture in Eastern Paraguay and with a local landowning-capitalist class organized around the Rural Association of Paraguay.

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## NOTES

<sup>1</sup> In current U.S. dollars, in 2023, rural salaries in Paraguay were equivalent to 37% of those in Uruguay and Chile and were similar to Brazil (ILO, 2024).

<sup>2</sup> In current U.S. dollars, in 2023, rural salaries in Paraguay were equivalent to 37% of those in Uruguay and Chile and were similar to Brazil (ILO, 2024).

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