



# Uruguay: Political and Economic Conditions and U.S. Relations

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## Summary

On November 29, 2009, Senator José “Pepe” Mujica of the ruling center-left Broad Front coalition was elected president of Uruguay, a relatively economically developed and politically stable South American country of 3.5 million people. Mujica, a former leader of the leftist Tupamaro urban guerilla movement that fought against the Uruguayan government in the 1960s and 1970s, defeated former President Luis Alberto Lacalle (1990-1995) of the center-right National Party in the country’s sixth consecutive democratic election since its 12-year dictatorship ended in 1985. Mujica was forced to contest a runoff after he failed to win an absolute majority of the vote in the October 2009 first-round election. In legislative elections held concurrently with the first-round vote, the Broad Front retained its majorities in both houses of the Uruguayan Congress. The new legislature and President are to be inaugurated to their respective five-year terms on February 15 and March 1, 2010.

Mujica will replace popular incumbent President Tabaré Vázquez, who was constitutionally ineligible to run for a second consecutive term. Vázquez’s 2004 victory ended 170 years of political domination by the National and Colorado parties. Throughout his term, Vázquez has followed the moderate social democratic paths of the left-of-center governments of Brazil and Chile, advancing market-oriented economic policies while instituting social welfare programs intended to reduce poverty and inequality. The Vázquez Administration’s policies appear to have been reasonably successful, as they—along with a boom in global commodity prices—have contributed to several years of strong economic growth and considerable reductions in poverty. Beyond economic and social welfare policy, Vázquez has done much to address Uruguay’s dictatorship-era human rights violations and expand rights to the country’s homosexual population.

Uruguay has enjoyed friendly relations with the United States since its transition back to democracy, though it traditionally has had closer ties to Europe and its South American neighbors, Argentina and Brazil. Commercial ties between Uruguay and the United States have expanded substantially in recent years, with the countries signing a bilateral investment treaty in 2004 and a Trade and Investment Framework Agreement in January 2007. The United States and Uruguay have also cooperated on military matters, with both countries playing significant roles in the United Nations Stabilization Mission in Haiti. Relations are likely to remain close in the coming years as the Obama Administration and President-elect Mujica have announced their mutual desire to further strengthen bilateral ties.

On September 14, 2009, the ATPDEA Expansion and Extension Act of 2009 (S. 1665, Lugar) was introduced in the Senate. Among other provisions, the bill would amend the Andean Trade Promotion and Drug Eradication Act (Title XXXI of the Trade Act of 2002, P.L. 107-210) to provide unilateral trade preferences to Uruguay. Under the bill, certain Uruguayan products, such as wool-based textiles, would be eligible to receive duty-free or reduced tariff treatment until December 31, 2012.

This report examines recent political and economic developments in Uruguay as well as issues in U.S.-Uruguayan relations.

## **Contents**

Political and Economic Situation.....	1
Vázquez Administration.....	2
Economic and Social Welfare Policy .....	2
Human Rights .....	4
Social Issues .....	4
2009 Elections .....	5
Results .....	5
Prospects for the Mujica Administration.....	7
U.S.-Uruguay Relations .....	8
Trade .....	8
Peacekeeping Operations .....	10

## **Figures**

Figure 1. Map of Uruguay .....	1
Figure 2. Party Affiliation in Uruguay’s Lower House .....	6

## **Tables**

Table 1. U.S.-Uruguay Merchandise Trade, 2003-2008.....	9
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## **Contacts**

Author Contact Information .....	11
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Figure 1. Map of Uruguay



Source: Map Resources. Adapted by CRS Graphics.

## Political and Economic Situation

On November 29, 2009, Senator José “Pepe” Mujica of the ruling center-left Broad Front (FA) coalition was elected president of Uruguay in a second-round runoff vote. In legislative elections held concurrently with the October 25, 2009, first-round vote, the FA retained its majorities in both houses of the Uruguayan Congress. The new legislature and President are to be inaugurated to their respective five-year terms on February 15 and March 1, 2010. Mujica will replace popular incumbent President Tabaré Vázquez, who was constitutionally ineligible to run for a second consecutive term. Most analysts expect broad policy continuity from the Mujica Administration.

## Vázquez Administration

President Tabaré Vázquez was inaugurated to a five-year term in March 2005. By winning the presidency and securing FA majorities in both houses of the Uruguayan Congress, Vázquez ended 170 years of political domination by the National (PN) and Colorado (PC) parties and ushered in the country's first left-leaning government.<sup>1</sup> Throughout his term, President Vázquez has followed the moderate social democratic paths of the left-of-center governments of Brazil and Chile, advancing market-oriented economic policies while instituting social welfare programs intended to reduce poverty and inequality. He has maintained considerable popular support, receiving a 80% approval rating in December 2009.<sup>2</sup>

## Economic and Social Welfare Policy

Although Uruguay has long been one of Latin America's most stable economies, it experienced a major economic and financial crisis between 1999 and 2002. During the crisis—which was principally the result of the spillover effects of the economic problems of its much larger neighbors, Argentina and Brazil—Uruguay's economy contracted by 11%, unemployment climbed to 21%, and over one-third of the country's 3.5 million citizens found themselves living below the poverty line.<sup>3</sup> While economic stability returned to Uruguay prior to the 2004 election, some international investors were worried about the possible economic policies of the Vázquez government. In order to calm investor fears, Vázquez signed a three-year, \$1.1 billion stand-by arrangement with the International Monetary Fund (IMF) shortly after taking office. The agreement committed Uruguay to a substantial primary fiscal surplus, low inflation, considerable reductions in external debt, and several structural reforms designed to improve competitiveness and attract foreign investment. Although Uruguay terminated the agreement in 2006 following the early repayment of its IMF debt, it has maintained a number of the policy commitments.<sup>4</sup>

The Vázquez Administration has also done much to address poverty and inequality throughout its term, though it has been criticized by some of the more leftist sectors of the FA for allegedly subordinating social welfare concerns to the maintenance of market-friendly economic policies. In the first months of his administration, Vázquez created a ministry of Social Development and sought to reduce the country's poverty rate with a \$240 million National Plan to Address the Social Emergency (PANES). PANES provided a monthly conditional cash transfer of approximately \$75 to over 100,000 households in extreme poverty. In exchange, those receiving the benefits were required to participate in community work and ensure that their children attended school daily and had regular health checkups. PANES included a number of other initiatives as well, such as food purchase cards, new homeless shelters, an expansion of free health coverage, and job training programs. In late 2007, PANES was replaced with the Plan for

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<sup>1</sup> The PN and PC were historically ideologically heterogeneous parties, with the PC affiliated with urban groups and the PN representing rural areas. The PC and PN have become more ideologically homogenous (both center-right) since the 1971 foundation of the FA, however, as the center-left coalition has attracted the left-leaning sectors of the traditional parties. *Uruguay: a country study*, ed. Rex A. Hudson & Sandra W. Meditz, 2nd ed. (Washington, DC: Federal Research Division, Library of Congress, 1992).

<sup>2</sup> Yanina Olivera, "Vázquez, con 80% de popularidad, busca reafirmar su huella en Uruguay" *Agence France Presse*, December 23, 2009.

<sup>3</sup> "Uruguay: Leftist Coalition Takes Power," *Latin America Data Base NotiSur*, March 4, 2005; Pablo Alfano, "Uruguay: A Chance to Leave Poverty Behind," *Inter Press Service*, September 3, 2009.

<sup>4</sup> "Country Profile: Uruguay," *Economist Intelligence Unit*, 2008.

Social Equity. Vázquez has recently introduced two programs designed to expand opportunity through technology: *Plan Ceibal*, which provides all public school students in Uruguay with a free personal computer, and *Plan Cardales*, which provides low-income families with subsidized access to telephone, television, and Internet services.<sup>5</sup>

In addition to the administration's social welfare programs, Vázquez passed a law forbidding discrimination against workers for labor activities, and reestablished tripartite wage councils—composed of representatives of government, businesses, and unions—to negotiate wages for approximately 100,000 firms and 600,000 workers.<sup>6</sup> The labor reforms have considerably increased the power of unions, playing a substantial role in the percentage of unionized workers more than doubling between 2005 and 2007 to approximately 24% of the labor force. Moreover, the Vázquez Administration and the FA have overhauled the tax system to make it more progressive, reducing the value-added tax and replacing the tax on wages with a personal income tax that exempts the poorest 60%.<sup>7</sup>

The Vázquez Administration's economic and social welfare policies, along with the recent boom in commodity prices—which significantly affect Uruguay's primarily agricultural economy<sup>8</sup>—have contributed to several years of strong economic growth and considerable reductions in poverty. Since 2005, Uruguay's real gross domestic product (GDP) has grown by an average of 7% per year, the country's debt has fallen from 66% of GDP to 26% of GDP, and investment has increased to 19% of GDP, the highest rate in the country's history.<sup>9</sup> Likewise, between 2004 and 2009, the poverty rate in Uruguay fell from 31.9% to 20.3% and extreme poverty fell from 4.2% to 1.4%, while real wages increased 18% and household income increased 30%.<sup>10</sup> Uruguay remains one of the most developed countries in Latin America, with an adult literacy rate of nearly 98%, a life expectancy of 76 years, and a 2008 per capita income of \$8,260.<sup>11</sup> Although the global financial crisis has significantly slowed the Uruguayan economy with a 2.3% contraction in the first quarter of 2009, economic growth returned in the second quarter and the economy is expected to have grown 0.6% in 2009.<sup>12</sup>

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<sup>5</sup> Pablo Alfano, "Uruguay: A Chance to Leave Poverty Behind," *Inter Press Service*, September 3, 2009; "Uruguay: Growth uptick boosts FA's electoral hopes," *Oxford Analytica*, September 21, 2009.

<sup>6</sup> The tripartite wage councils—created in 1943—were disbanded by the country's authoritarian government before being reestablished by President Sanguinetti (1985-1990, 1995-2000) at the return to democracy. Between 1991 and 2006, however, councils were only convened for the construction, health, transport, and state sectors. "Uruguay risk: Labour market risk," *Economist Intelligence Unit*, January 15, 2009.

<sup>7</sup> "Country Profile: Uruguay," *Economist Intelligence Unit*, 2008.

<sup>8</sup> While nearly all of Uruguay's territory is dedicated to agricultural production (primarily beef, dairy products, rice, wheat, and soy), the country also has a small manufacturing sector (e.g., leather and cellulose pulp), an important regional financial sector, and a services sector specializing in a wide variety of activities, including tourism. "Country Profile: Uruguay," *Economist Intelligence Unit*, 2008.

<sup>9</sup> "Country Report: Uruguay," *Economist Intelligence Unit*, September 2009; "Astori: Uruguay necesita otro gobierno de izquierda para 'profundizar logros,'" *EFE News Service*, October 13, 2009.

<sup>10</sup> "Tabaré: 'La gente que recibió apoyo del Panes no dilapidó, lo necesitaba,'" *La Republica* (Uruguay), August 26, 2009; Pablo Alfano, "Uruguay: A Chance to Leave Poverty Behind," *Inter Press Service*, September 3, 2009.

<sup>11</sup> United Nations Development Program, "Human Development Report," 2009; World Bank, "World Development Report," 2010.

<sup>12</sup> "Uruguay: Growth uptick boosts FA's electoral hopes," *Oxford Analytica*, September 21, 2009; International Monetary Fund, "World Economic Outlook," October 2009.



## Human Rights

Vázquez and the FA have done much to address Uruguay's dictatorship-era (1973-1985) human rights violations, which had been largely ignored by other administrations. During the country's 12 years of authoritarian rule, tens of thousands of Uruguayan citizens were forced into political exile, 3,000-4,000 were imprisoned, and several hundred were "disappeared" or killed. Nonetheless, the only official action taken by previous governments to investigate the country's past was the creation of a peace commission, which was active between 2000 and 2003, and only looked into those who had been "disappeared."<sup>13</sup> Furthermore, the peace commission only had an investigative mandate since the country's amnesty law—passed in 1986 and ratified in a national referendum in 1989—treats dictatorship-era crimes with impunity.

Immediately after his election, Vázquez initiated investigations into the government's human rights abuses during the authoritarian period. Since then, excavations of military barracks have turned up the remains of some of the "disappeared," files from the dictatorship have been released to the public, and the state has agreed to provide compensation to the those who were imprisoned for political reasons and the families of those who were killed. The Vázquez Administration also reinterpreted the amnesty law to exclude crimes committed outside Uruguay as a part of the regional coordination plan to eliminate political dissidents known as "Operation Condor." As a result, a number of former members of the military and police have been tried and jailed, including former dictators Juan María Bordaberry (1973-1976) and Gregorio Álvarez (1981-1985).<sup>14</sup> Some former members of the security forces, who believe that their actions were necessary to defend the country from ideological subversives, have criticized the FA for allegedly seeking to rewrite the country's history.<sup>15</sup> Although a referendum to repeal the country's amnesty law was rejected in the October 2009 general election, an Uruguayan Supreme Court ruling issued several days before the election found the application of the amnesty law in a case involving the 1974 death of a political prisoner to be unconstitutional. The ruling potentially could lead to the reopening of additional cases.<sup>16</sup>

## Social Issues

Social issues have figured prominently in Uruguayan politics in recent years. In December 2007, Uruguay became the first Latin American nation to approve civil unions between homosexuals. The law grants civil unions inheritance, pension, and child custody rights similar to those of Uruguayan marriages. Uruguay has since lifted its ban on homosexuals serving in the military and approved a law allowing homosexuals to adopt children, another Latin American first.<sup>17</sup> In

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<sup>13</sup> Eugenia Allier, "The Peace Commission: A Consensus on the Recent Past in Uruguay?," *European Review of Latin American and Caribbean Studies*, vol. 81 (October 2006).

<sup>14</sup> Although Bordaberry was elected in 1971 and inaugurated in 1972, he entered into a pact with the military in 1973 that dissolved Congress and installed an authoritarian government. Four different leaders governed Uruguay over the course of the 12-year dictatorship. *Uruguay: a country study*, ed. Rex A. Hudson & Sandra W. Meditz, 2nd ed. (Washington, DC: Federal Research Division, Library of Congress, 1992).

<sup>15</sup> "Uruguay Investigates Human Rights Crimes From Dictatorship Era," *Latin America Data Base NotiSur*, July 1, 2005; "Dictatorship files made public in Uruguay," *Latin News Daily*, June 8, 2007; "Uruguay reconoce responsabilidad del Estado en represión durante la dictadura," *EFE News Service*, September 10, 2009; "Court sentences Uruguayan ex-security agents for Condor crimes," *EFE News Service*.

<sup>16</sup> "Uruguay court rules against amnesty law," *Latin News Daily*, October 20, 2009.

<sup>17</sup> "Uruguay OKs gay unions in Latin American first," *Reuters*, December 18, 2007; Yanina Olivera, "Uruguay approves Latin America's first gay adoption law," *Agence France Presse*, September 9, 2009.



November 2008, the Uruguayan Congress passed a bill to legalize abortion in the first 12 weeks of pregnancy under certain circumstances, such as the woman's health being at risk or extreme poverty. Although the bill was supported by the FA and a majority of Uruguayans, President Vázquez vetoed it. Following the veto, Vázquez resigned his position as head of the Socialist Party<sup>18</sup> due to differences on the issue. Under existing Uruguayan law, abortion is illegal but a woman does not face sanction if the pregnancy resulted from rape or endangered the woman's life.<sup>19</sup>

## 2009 Elections

### Results

On November 29, 2009, Senator José "Pepe" Mujica of the ruling center-left FA coalition was elected president of Uruguay in a second-round runoff vote. Mujica defeated former President Luis Alberto Lacalle (1990-1995) of the center-right PN, 53% to 43%.<sup>20</sup> The runoff was triggered after none of the candidates received an absolute majority of the vote in the October 25, 2009, first-round election. Mujica was the leading presidential vote-getter in the first round, winning the support of 48% of the electorate, while Lacalle took 29%, Pedro Bordaberry of the center-right PC won 17%, Pablo Mieres of the centrist Independent Party (PI) won 2.5%, and Raúl Rodríguez of the leftist Popular Assembly (AP) took 0.7%. Bordaberry and the PC backed Lacalle in the second round, while Mieres and the PI remained neutral and Rodríguez and the AP called on their supporters to cast spoiled ballots in rejection of both candidates.<sup>21</sup>

Since voters in Uruguay must cast party-line presidential and legislative votes, congressional representation closely reflects the first-round presidential vote. When the new Congress takes office on February 15, 2010, the FA will maintain its legislative majorities, with 50 seats in the 99-seat House of Representatives and 16 seats in the 30-seat Senate.<sup>22</sup> Likewise, the PN will remain the principal opposition force with 30 seats in the House and nine seats in the Senate, while the PC will once again be the third-largest political force in the Congress with 17 seats in the House and five seats in the Senate. The PI will hold two seats in the House.<sup>23</sup> While the PC significantly increased its representation in both houses, its gains came largely at the expense of the PN, and the ideological balance of power of the Uruguayan Congress will remain roughly the same as it has been for the past five years (See **Figure 2**).

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<sup>18</sup> The FA is composed of several parties or factions, including the Socialist Party.

<sup>19</sup> Veronica Psetizki, "Abortion move divides Uruguay," *BBC News*, November 12, 2008; "Vázquez resigns as party head in Uruguay," *Latin News Daily*, December 4, 2008.

<sup>20</sup> "Mujica 52,59% y Lacalle 43,32% con 100% de las mesas escrutadas en Uruguay," *Agence France Presse*, November 30, 2009.

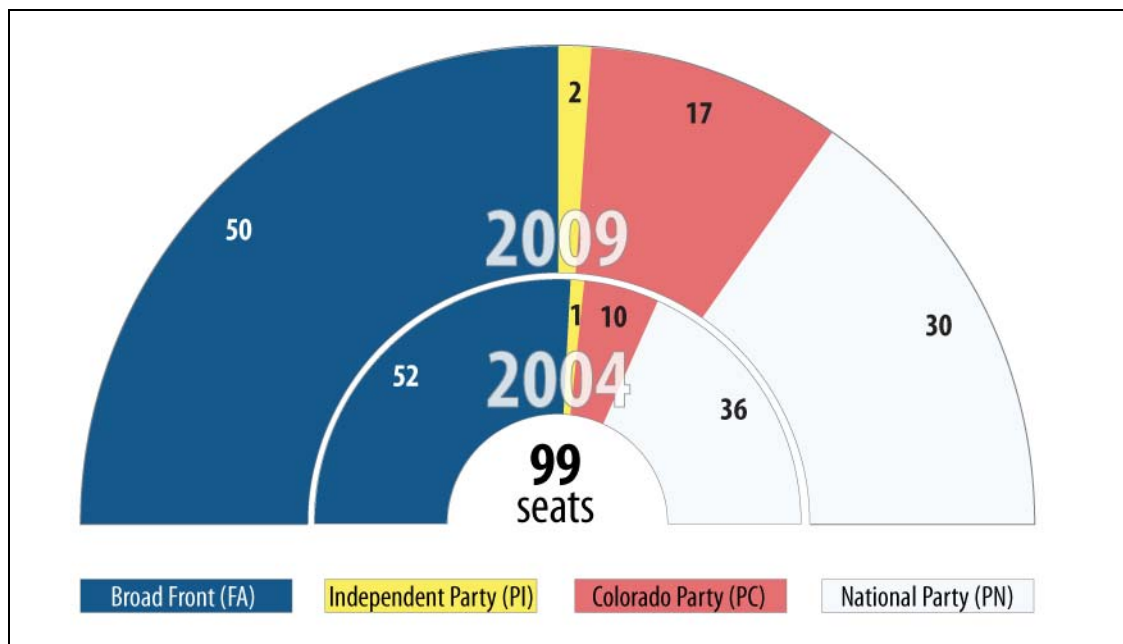
<sup>21</sup> "Tendencias: FA dejó de crecer; blancos oscilan," *El País* (Uruguay), October 27, 2009; "Uruguay: Partido Colorado apoyó a Lacalle para segunda vuelta electoral," *Agence France Presse*, October 28, 2009. "Uruguay: Partido Independiente neutral en balotaje Mujica-Lacalle," *Agence France Presse*, October 30, 2009.

<sup>22</sup> Vice President-elect Danilo Astori will preside over the Senate as its 31<sup>st</sup> member, providing the FA with a 17<sup>th</sup> vote.

<sup>23</sup> "Hoy proclaman balotaje; banca 50 para el Frente," *El País* (Uruguay), November 1, 2009.

**Figure 2. Party Affiliation in Uruguay's Lower House**

2004 and 2009 Election Results



Source: CRS Graphics.

Two referenda were held along with the October 2009 first-round election. One would have granted the more than 500,000 Uruguayan citizens residing abroad the right to vote absentee. Currently, Uruguayans must return to the country in order to cast a ballot. This extension of voting rights was opposed by the PC and PN since most of those living abroad—such as citizens who fled the country's right-wing dictatorship (1973-1985)—are perceived to be more sympathetic to the FA. Some also argued that those who reside abroad should have no say in the policies that will affect the lives of those actually living in Uruguay.<sup>24</sup> The other referendum would have annulled the amnesty that was granted to the military and police following the return to democracy for crimes committed during the country's dictatorship. Those opposed to annulling the amnesty law noted that it was ratified with 56% of the vote in a 1989 referendum. Some also alleged that the referendum fomented persecution of the security forces while ignoring the crimes that were committed by the country's leftist guerilla group.<sup>25</sup> Both referenda failed to gain the absolute majorities needed to be approved, with the extension of voting rights to citizens abroad and the amnesty repeal winning the support of 37% and 47% of Uruguayans, respectively.<sup>26</sup>

<sup>24</sup> Claudio Aliscioni, "Un plebiscito que puede cambiar el sistema electoral de los uruguayos," *Clarín* (Argentina), October 24, 2009.

<sup>25</sup> Juan Antonio Sanz, "Uruguay decide sobre crímenes de la dictadura y el voto de sus emigrantes," *EFE News Service*, October 16, 2009.

<sup>26</sup> "Plebiscitos: falta de difusión del Frente Amplio," *El País* (Uruguay), October 27, 2009.

## **Prospects for the Mujica Administration**

President-elect José Mujica was imprisoned for 14 years as a result of his activities as one of the leaders of the Tupamaro National Liberal Movement, a leftist urban guerilla group that operated in Uruguay during the 1960s and 70s, but he has adopted a more moderate profile since the end of the country's authoritarian period. Following the return to democracy, Mujica helped found the Popular Participation Movement (MPP), which is currently the largest faction within the FA coalition. He was elected to Uruguay's lower house in 1994 and to the Senate in 1999, before serving as minister of livestock, agriculture, and fisheries during the Vázquez Administration. Although he hails from a more left-leaning faction of the FA, Mujica has developed a reputation as a pragmatist and consensus-builder. He has already reached out to the political opposition, offering appointments to state companies and autonomous entities, and setting up multi-partisan technical commissions to develop security, education, energy, and environmental policy.<sup>27</sup>

While his campaign opponents attacked Mujica's past to portray him as a radical departure from the Vázquez government, most analysts maintain that the Mujica Administration's policies are likely to closely resemble those of his predecessor.<sup>28</sup> Mujica selected Danilo Astori—a competitor for the FA presidential nomination who served as economy minister during the Vázquez Administration—as his running-mate in order to reassure voters and investors that he was committed to maintaining Uruguay's market-oriented economic policies. Mujica has said that he intends to delegate economic policy to Astori, and economic posts in the administration are expected to be filled by leaders associated with Astori's more centrist faction of the FA, the Líber Seregni Front (FLS). Members of the FLS have reportedly been selected to head the economy, tourism, and transportation ministries.<sup>29</sup> Analysts also expect Mujica to broadly maintain the Vázquez Administration's social welfare and foreign policies, though he may place more emphasis on domestic redistribution and regional integration.<sup>30</sup> The more left-leaning sectors of the FA, such as Mujica's MPP, will reportedly control the foreign and defense ministries, as well as the majority of the social ministries.<sup>31</sup>

Although FA majorities in both houses of Congress will enable the Mujica Administration to advance its legislative agenda without needing to negotiate with the political opposition, policies will likely be moderated by the need to establish consensus among the various ideological factions of the coalition. Some analysts have suggested that divisions within the FA—both in the Cabinet and the Congress—may arise if the economic environment inhibits increases in public spending. Uruguay's economic growth in the near term is unlikely to equal that of recent years despite the country experiencing only a minor recession as a result of the global financial crisis. Private analysts have predicted that GDP growth will average 3% in 2010 and 2011.<sup>32</sup>

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<sup>27</sup> "Uruguay: Mujica makes big gesture to opposition," *Latin American Weekly Report*, December 10, 2009.

<sup>28</sup> "Mujica tiene un pensamiento chavista, castrista, sesentista, orgánico, completo," *El País* (Uruguay), September 27, 2009; "Uruguay politics: Mujica wins, continuity ahead," *Economist Intelligence Unit*, November 30, 2009; "Uruguay: Mujica promises more continuity than change," *Oxford Analytica*, December 2, 2009.

<sup>29</sup> "Presidente electo de Uruguay comienza a definir su futuro gabinete," *EFE News Service*, December 5, 2009.

<sup>30</sup> Oscar Vilas, "Continuidad en economía sin que se descarten herramientas nuevas," *El País* (Uruguay), November 30, 2009; Patricia Avila, "Fórmula izquierda Uruguay considera 'estratégico' al Mercosur," *Reuters*, October 24, 2009.

<sup>31</sup> "Presidente electo de Uruguay comienza a definir su futuro gabinete," *EFE News Service*, December 5, 2009.

<sup>32</sup> "Uruguay politics: Mujica wins, continuity ahead," *Economist Intelligence Unit*, November 30, 2009 "Country Report: Uruguay," *Economist Intelligence Unit*, December 2009.

## U.S.-Uruguay Relations

Uruguay enjoys friendly relations with the United States, though it traditionally has had closer ties to Europe (the origin of the vast majority of the population)<sup>33</sup> and its South American neighbors. Ties between Uruguay and the United States have increased in recent years, especially since the administration of Jorge Batlle (2000-2005), which closely aligned itself with the United States. In 2002, the United States provided Uruguay with a one week balance of payments loan to assist the country in countering the fallout from the Argentine financial crisis. Moreover, Batlle laid the groundwork for ongoing trade discussions with the United States through the 2002 creation of a Joint Commission on Trade and Investment (see “Trade” below).

While many analysts expected the Vázquez Administration to distance the country from the United States and forge closer relations with fellow members of the Common Market of the South (Mercosur)<sup>34</sup> once it took office, those predictions have not been borne out. Ongoing disputes within Mercosur over trade asymmetries and a bitter conflict with Argentina over the construction of a cellulose pulp mill along the shared Uruguay River have led to frosty relations between Uruguay and its neighbors. Likewise, the Vázquez Administration has sought to strengthen ties with the United States in order to diversify its trade relations and reduce its economic reliance on Argentina and Brazil, which played a significant role in the country’s 1999-2002 recession.

President-elect Mujica has indicated that he will prioritize relations with Uruguay’s neighbors and push for increased regional integration through Mercosur. Nonetheless, he has also expressed his desire to continue strengthening U.S.-Uruguay relations and will likely build upon the bilateral agreements signed during the Vázquez Administration.<sup>35</sup> Additionally, Mujica may attempt to amplify Uruguay’s growing trade relations with Asia, as he has reportedly designated former Ambassador to China Luis Almagro as his foreign minister.<sup>36</sup>

## Trade

Trade ties between the United States and Uruguay have grown substantially since 2002, when the countries created a Joint Commission on Trade and Investment. The joint commission has provided the means for ongoing U.S.-Uruguay trade discussions, which led to the signing of a bilateral investment treaty in October 2004 and a Trade and Investment Framework Agreement (TIFA) in January 2007. The TIFA is a formal commitment to pursue closer trade and economic ties. It established a Council on Trade and Investment, which serves as the formal mechanism for liberalizing bilateral trade and investment between the two countries. Protocols to the TIFA on trade facilitation and public participation in trade and environment were signed by the United

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<sup>33</sup> 88% of the population is of European (primarily Spanish and Italian) descent, 8% is mestizo or mixed-race, and 4% is of African descent. The indigenous population is practically non-existent. Central Intelligence Agency, “The World Factbook: Uruguay,” October 28, 2009.

<sup>34</sup> Mercosur is a common market composed of Brazil, Argentina, Paraguay, and Uruguay that was established in 1991 to promote economic integration and political cooperation. Venezuela, currently a non-voting member of Mercosur, will become a full member once the Paraguayan legislature ratifies its accession. For more information, see CRS Report RL33620, *Mercosur: Evolution and Implications for U.S. Trade Policy*, by J. F. Hornbeck.

<sup>35</sup> “Candidato uruguayo Mujica se declara ‘admirador’ de Lula da Silva,” *EFE News Service*, September 10, 2009; Patricia Avila, “Fórmula izquierda Uruguay considera ‘estratégico’ al Mercosur,” *Reuters*, October 24, 2009.

<sup>36</sup> “Presidente electo de Uruguay comienza a definir su futuro gabinete,” *EFE News Service*, December 5, 2009.

States and Uruguay in October 2008.<sup>37</sup> Although President Bush and President Vázquez initially sought to negotiate a free trade agreement (FTA), internal pressure from the more leftist sectors of the FA and external pressure from fellow members of Mercosur ultimately led the Vázquez Administration to back away from the FTA and sign the more flexible TIFA. While a FTA may be possible at some point in the future, it is unlikely that Mujica would pursue such an agreement and the Obama Administration has indicated that it prefers to move forward within the TIFA framework for now.<sup>38</sup>

**Table 1. U.S.-Uruguay Merchandise Trade, 2003-2008**

(In millions \$US)

	2003	2004	2005	2006	2007	2008	% Change 2003-2008
<b>Total U.S. Exports</b>	<b>326.5</b>	<b>326.1</b>	<b>356.7</b>	<b>482.2</b>	<b>640.8</b>	<b>893.1</b>	<b>173.5%</b>
Machinery	91.2	73.1	91.4	126.0	147.7	216.3	137.2%
Electrical Machinery	48.5	44.8	55.0	70.9	94.2	92.9	91.5%
Cosmetic Products	18.5	25.9	39.0	41.5	59.1	68.0	268.0%
Plastic	17.8	22.7	21.0	29.3	62.4	62.1	248.9%
Optical/Medical Instruments	27.2	22.5	27.7	32.1	49.4	48.1	76.8%
Other	123.3	137.1	122.6	182.4	228.0	405.7	229.1%
<b>Total U.S. Imports</b>	<b>255.7</b>	<b>580.0</b>	<b>732.3</b>	<b>512.3</b>	<b>491.9</b>	<b>244.3</b>	<b>-4.5%</b>
Meat	60.3	303.9	419.8	249.2	287.0	89.0	47.6%
Repaired Goods	26.1	19.0	14.6	17.7	25.7	30.8	18.0%
Hides and Skins	37.4	44.2	33.9	25.2	21.7	16.4	-56.1%
Wood	6.4	14.7	19.1	25.6	29.7	15.1	135.9%
Fish and Seafood	17.4	17.8	20.7	19.3	14.7	11.9	-31.6%
Other	108.1	180.4	224.2	175.3	113.1	81.1	-25.0%
<b>U.S. Trade Balance</b>	<b>70.8</b>	<b>-253.9</b>	<b>-375.6</b>	<b>-30.1</b>	<b>148.9</b>	<b>648.7</b>	

**Source:** U.S. Department of Commerce data, as presented by Global Trade Atlas, November 2009.

In 2008, U.S. exports to Uruguay totaled \$893 million, a 39% increase from 2007, while U.S. imports from Uruguay totaled \$244 million, a 50% decline from 2007. Capital goods, such as heavy and electrical machinery, comprised a substantial portion of U.S. exports, while beef, repaired goods, leather, wood, and fish accounted for the majority of U.S. imports (see **Table 1**). In 2008, the United States was Uruguay's sixth-largest trade partner, after Argentina, Brazil,

<sup>37</sup> "Uruguay: President Tabare Vazquez Takes Step Back From Free Trade Treaty with the U.S.," *Latin America Data Base NotiSur*, October 27, 2006; U.S. Department of State, "United States and Uruguay Further Advance Bilateral Trade Relations," October 2, 2008.

<sup>38</sup> "Uruguay y EEUU deben seguir su relación en el TIFA," *La Republica* (Argentina), September 9, 2009.

Russia, China, and Venezuela. The same year, Uruguay was the United States' 96<sup>th</sup>-largest trade partner, representing just 0.3% of total U.S. trade.<sup>39</sup>

On September 14, 2009, the ATPDEA Expansion and Extension Act of 2009 (S. 1665, Lugar) was introduced in the Senate.<sup>40</sup> Among other provisions, the bill would amend the Andean Trade Promotion and Drug Eradication Act (Title XXXI of the Trade Act of 2002, P.L. 107-210) to provide unilateral trade preferences to Uruguay. Under the bill, certain Uruguayan products, such as wool-based textiles, would be eligible to receive duty-free or reduced tariff treatment until December 31, 2012.<sup>41</sup>

## Peacekeeping Operations

Uruguay is one of the top 10 per capita contributors of forces to U.N. peacekeeping missions. It currently has between 2,500 and 3,000 soldiers deployed in 15 countries worldwide.<sup>42</sup> Uruguay's largest deployment is part of the U.S.-supported United Nations Stabilization Mission in Haiti (MINUSTAH), which it has participated in since 2004. It is the second-largest contributor of forces to MINUSTAH, with some 1,100 soldiers currently deployed.<sup>43</sup> Uruguay is currently pushing for an extension of MINUSTAH's mandate and a more comprehensive focus that includes long-term development.<sup>44</sup>

Although Uruguay does not receive substantial amounts of U.S. foreign assistance as a result of its relatively high level of development, it does receive military assistance designed to provide equipment and training to improve Uruguay's interoperability with U.S. and international peacekeeping forces. The United States provided Uruguay with \$238,000 in International Military Education and Training (IMET) in FY2008 and \$250,000 in IMET in FY2009. Under the Obama Administration's FY2010 request, Uruguay would receive \$1.7 million in U.S. assistance, including \$1 million in Foreign Military Financing (FMF) and \$480,000 in IMET.<sup>45</sup>

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<sup>39</sup> U.S. Department of Commerce and Central Bank of Uruguay data, as presented by *Global Trade Atlas*, November 2009.

<sup>40</sup> For more information, see U.S. Congress, Senate Committee on Foreign Relations, *Uruguay Trade Preferences: A Strategic Opportunity in the Southern Cone*, committee print, prepared by Senate Foreign Relations Committee minority staff, 111th Cong., 1st sess., June 29, 2009, S.Prt. 111-21 (Washington: GPO, 2009).

<sup>41</sup> Colombia, Ecuador, and Peru currently benefit from ATPDEA. Bolivia, formerly a beneficiary, was suspended from the program in 2008. In addition to Uruguay, the ATPDEA Expansion and Extension Act of 2009 would extend trade preferences to Paraguay.

<sup>42</sup> "ONU adeuda 35 millones de dólares a Uruguay," *Associated Press*, July 10, 2009.

<sup>43</sup> "Un avión militar uruguayo se estrelló en Haití: 11 muertos," *El País* (Uruguay), October 10, 2009.

<sup>44</sup> "Uruguay impulsa plan de largo plazo para Haití, no solo prórroga de Minustah," *Agence France Presse*, October 15, 2009.

<sup>45</sup> U.S. Department of State, "FY2010 Congressional Budget Justification for Foreign Operations," May 28, 2009.

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