

TRADE IS CENTRAL FOR URUGUAY

THE DEBATE IN LATIN AMERICA IS MAINLY ABOUT WHETHER IT MAKES ANY DIFFERENCE AT ALL WHO MOVES INTO THE WHITE HOUSE IN JANUARY.

BY LUCÍA BALDOMIR

The upcoming presidential election is the talk of the town in Washington these days, but not in my home country. Tucked under Brazil, far from the United States, Uruguay has long been known as the Switzerland of South America. Its 3.4 million people are middle class by world standards, dependent on agricultural exports, and are more interested in what happens in Argentina or Brazil, their closest neighbors and biggest trade partners, than in the U.S.

Sure, Washington matters. The U.S. government offered a key loan to help Uruguay out of its 2002 financial crisis and, more recently, has become a strategic partner at a time of difficulties for Mercosur (the Southern Cone Common Market), an organization comprised of Brazil, Argentina, Paraguay and Uruguay. But while Washington sees Montevideo as a friendly capital in a hostile backyard, the biggest concern for most Uruguayans, and most Latin Americans, is making ends meet amid rising food and gas prices.

Of course, regional governments and business leaders have longer-term horizons, worrying about the impact of the U.S. slowdown on their national economies. As the saying goes: “When the United

States sneezes, Latin America catches a cold.”

Although a U.S. recession could trigger a decline in foreign investment, Uruguay is less dependent on American business in today’s global economy than it used to be. Its exports to the United States fell \$75 million in the first five months of this year, a 69 percent drop compared to the same period last year, as the country shifted beef sales to Europe. The United States slipped from the No. 1 spot among Uruguay’s export markets to No. 8, with Uruguay importing more from the U.S. market than it sold.

U.S. companies such as United Airlines, Texaco and Bank Boston have closed or sold their Uruguayan operations in recent years. Others, including plywood maker Weyerhaeuser, have scaled back. But the country’s economy still grew by more than 7 percent last year, as other businesses — both foreign and local — helped make up the gap.

The long-term role of the United States in Uruguay’s economy remains uncertain. Relations depend on a U.S. economic rebound and on how much Washington agrees to open its market to Uruguayan goods and services, especially sensitive agricultural products. Meanwhile, the country is moving to become more globally competitive and less U.S.-focused.

Lucía Baldomir is a business reporter for Montevideo’s El País newspaper.

Close Ties Will Continue

No matter who wins the White House in November, Uruguay is among the Latin American countries with the most to gain from good relations. In a region filled with populist hardliners such as Hugo Chavez (Venezuela), Evo Morales (Bolivia), Rafael Correa (Ecuador) and Nestor and Cristina Kirchner (Argentina), Uruguayan President Tabaré Vázquez stands out as a moderate leader alongside Brazil's Luiz Inácio Lula da Silva.

Although Vázquez is Uruguay's first leftist president, he has built on the solid U.S. ties developed by his more market-oriented predecessor, Jorge Batlle. The Bush administration even offered to negotiate a free trade agreement with Montevideo. Though that initiative fizzled due to differences within Vázquez's ruling coalition, the fact that the president even tried to discuss such a proposal shows how far the terms of the debate have shifted. Before the 2004 Uruguayan elections, the most radical wing within Vázquez's coalition promoted the idea of not paying Uruguay's debt to the International Monetary Fund at all. Some even taunted visiting IMF officials with signs that read, "Yankee, go home!"

Earlier this year, Pres. Vázquez signed a Trade and Investment Framework Agreement with Washington to expand economic opportunities. That agreement has already helped open the U.S. market for Uruguayan blueberries, allowed U.S. turkey imports into Uruguay and increased cooperation in science and technology. But hopes for the long term are bigger: The government considers the TIFA a first step toward more open trade, even if the chance of signing a free trade agreement was discarded before Uruguayans' eyes.

Another clear sign of the deepening relationship is the fact that more top U.S. officials visited Montevideo in the past four years than ever before, including President George W. Bush, who saluted Pres. Vázquez as one of America's friends in the region.

The Best Choice?

It's tough to gauge who would be the best U.S. president for Uruguay or Latin America. Some Uruguayans believe they would be better off dealing with a

Earlier this year, Uruguay signed a Trade and Investment Framework Agreement with Washington to expand economic opportunities.

Republican administration willing to sign trade agreements, but others would prefer a Democratic president with a different foreign policy.

Anti-Bush feelings rose with the Iraq War and fueled growing anti-U.S. sentiment in the region. For instance, last year I had to choose between going to the United States or Spain for a six-month journalism fellowship. I asked friends, family and other contacts for their input. Almost everyone urged me to choose Europe, citing the arrogance of "los Yankees," but I came to the

U.S. anyway.

Changing Latin American attitudes toward the United States won't be easy for the new administration. It will take a friendlier and more humble U.S. foreign policy that pays more attention to regional concerns; but hopes for that are not high. After all, when Bush was elected, he promised to make Latin America a top priority. However, after 9/11, the war against terrorism became his overriding concern. As a result, the region has become more self-reliant and critical of the Bush administration.

In fact, some regional commentators are convinced that Latin America will never be a priority for any U.S. administration. Sooner or later, the region always ends up disappointed by too little attention — or the wrong kind.

McCain's greatest strength in Uruguay, and elsewhere in Latin America, is his commitment to boost relations with the region and sign as many trade agreements as possible, continuing Bush's approach. For countries that already have free trade pacts with Washington, the challenge is how to build on those accords and enhance their impact. As for Uruguay, the question is how to reach political consensus over free trade and make the most of the Bush administration's final year.

Yet even if Uruguay embraces free trade and McCain wins, many wonder whether the Republican leader can fulfill his pledges. They note that the Bush administration negotiated and signed a free trade pact with Colombia, but couldn't even get the Democratic-controlled Congress to vote on it this year. And the Democrats are expected to pick up legislative seats in November.

Few Uruguayans knew much about Barack Obama until recently. Early this year, local newspaper headlines

FOCUS

focused mainly on McCain, known as a Vietnam War veteran, and Hillary Clinton, recognized for her years as first lady. It came as a surprise to most Uruguayans that Obama beat Clinton, but now they consider him the favorite in November.

Obama stands out because he opposes most of Bush's policies. Most Uruguayans also believe that he and his fellow Democrats are more inclined than the Republicans to pass legislation that will help legalize the status of immigrants in the United States and welcome them. On the other hand, his protectionist rhetoric stirs real concerns, both within the Uruguayan government and the private sector. Some fear he would add barriers to international trade, perhaps imposing restrictions on beef or other farm products by alleging potential pests or diseases.

It is possible that Obama would be willing to negotiate trade benefits with Mercosur or bigger economic groups rather than doing so bilaterally. Of course, multilateral talks would favor larger countries such as Brazil, with 192 million people, and Argentina, with 40 million, diluting

Uruguay's ability to promote its own interests. But the good news is that Obama shares many of our priority concerns, such as development of alternative energy sources. So negotiations with Mercosur would likely end up helping all its members, even tiny Uruguay.

The Future

The big question for most Latin Americans is whether the next U.S. president will pay more attention to their concerns. Or to put it another way: The debate does not center on who would be better for the region, but on whether it makes any difference at all who moves into the White House in January.

This election comes at a time when the United States is losing ground in the hemisphere. The war in Iraq has damaged its image outside its borders, the U.S. economy is in recession, and China is emerging as a key business competitor. The Bush administration has focused so much time and money on fighting terrorism that its total aid to Latin America last year was roughly equivalent to

VOICES OF EXPERIENCE

Career Diplomacy

Life and Work in the U.S. Foreign Service

Harry W. Kopp and Charles A. Gillespie

"[Career Diplomacy] is the best description of life in the foreign service—its challenges, dangers, satisfactions, and fun—I have ever seen. It paints a superb picture of life abroad and at home, including both its good and bad aspects, and does a brilliant job of pointing out how our diplomacy must change if it is to meet the tremendous changes and challenges of the twenty-first century."

—Lawrence S. Eagleburger, former Secretary of State

978-1-58901-219-6, \$26.95, paperback



Working World

Careers in International Education, Exchange, and Development

Sherry L. Mueller and Mark Overmann

"Any young professional seeking to explore or to enter a career in international exchange will find this book invaluable. Mueller and Overmann provide tried and true advice from the voices of experience. The cross-generational, multiperspective approach is both practical and exemplary of the spirit of the field."

—Catherine Pfaffenroth, editor-in-chief, The Fletcher Forum of World Affairs

978-1-58901-210-3, \$24.95, paperback



GEORGETOWN UNIVERSITY PRESS
800.537.5487 • www.press.georgetown.edu

just one week's spending in Iraq.

Meanwhile, the region is diversifying its relations and faring well, posting some of its best economic growth rates in decades. Sales of food products, minerals and other basics to China, India and Europe helped the region grow by 5.6 percent last year, even as the U.S. housing market tanked. Oil-exporting Venezuela is picking up some of the slack by buying Argentine debt, promoting a new development bank called Banco del Sur and providing long-term loans for oil sales in the region, among other measures. It also bought up a struggling Uruguayan cooperative bank known as Cofac, financed the development of the sugar cane industry, and reached an agreement with state-oil company Ancap to tap Venezuela's massive oil reserves in the Orinoco belt.

Despite the recent economic growth, many Latin Americans remain dissatisfied with democracy. After the end of anti-communist dictatorships in the 1980s, including many backed by Washington during the Cold War,

hopes ran high that democracy could bring prosperity and slash poverty. But progress has been slower than expected, with economic gains unequally distributed and corruption widespread in some countries. The latest annual survey by respected pollster Latinobarometro found only 54 percent of respondents support democratic governments — a finding that suggests limited importance will be placed on the U.S. election results.

The next president of the United States faces a serious challenge in Uruguay and across Latin America: to gain the respect and trust of the majority of the region's 562 million residents and build support for democracy. A failure to integrate the United States with the rest of the Americas could strengthen the populist and socialist governments now actively working to diminish the U.S. role in the region. It could also push Latin America to accelerate the pursuit of ties with Europe and Asia. But most of all, a failure to bond with the rest of the hemisphere would leave the United States more isolated. ■

STRATEGIC STUDIES QUARTERLY

CALL FOR ARTICLES

Strategic Studies Quarterly is a peer-reviewed forum for military, government, and civilian academic professionals to exchange ideas related to national security, international relations and air, space, and cyberspace power.

Prospective authors should submit 5,000-15,000 word articles for consideration in Microsoft Word-compatible format. Articles submissions should be sent in electronic format to strategicstudiesquarterly@maxwell.af.mil or submitted via regular mail and should include a hard copy of the article and a disk with the article in Microsoft Word format to:

Managing Editor, *Strategic Studies Quarterly*
Air War College
325 Chennault Circle
Maxwell AFB, AL 36112-6427

Website: <http://www.maxwell.af.mil/au/ssq>
Free electronic subscription: <http://www.af.mil/subscribe>

