

Uruguay: In Brief

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Summary

Uruguay is a small nation of 3.4 million people located on the Atlantic coast of South America between Brazil and Argentina. The country stands out in Latin America for its strong democratic institutions; high per capita income; and low levels of corruption, poverty, and inequality. As a result of its domestic success and commitment to international engagement, Uruguay plays a more influential role in regional and international affairs than its size might suggest.

Uruguay has drawn increased congressional attention in recent years as a result of several high-profile and controversial decisions. Some Members of Congress are tracking the implementation of Uruguay's cannabis-legalization measure as they consider the implications of marijuana-legalization initiatives in a growing number of U.S. states. Uruguay's decision to grant refugee status to six individuals who had been detained at the U.S. Naval Station at Guantanamo Bay, Cuba, in 2014 also has drawn congressional scrutiny. Some Members contend that the Obama Administration failed to ensure that the Uruguayan government would take steps to "substantially mitigate the risk" of the transferred individuals engaging in activities that threaten the United States as required by the National Defense Authorization Act for FY2014 (P.L. 113-66). The Administration disputes that assertion.

Domestic Situation

The center-left Broad Front (*Frente Amplio*) coalition has governed Uruguay since 2005, having won the presidency and legislative majorities in three consecutive elections. Since taking office, the coalition has pursued a social democratic policy mix that has combined market-oriented economic policies with progressive taxation, an expansion of the social welfare system, and union-empowering labor reforms. The Broad Front also has enacted several far-reaching social policy changes, legalizing abortion; expanding rights for lesbian, gay, bisexual, and transgender (LGBT) individuals; and legalizing and regulating Uruguay's marijuana market.

President Tabaré Vázquez, who began his second nonconsecutive five-year term in March 2015, has spent much of his time in office dealing with Uruguay's deteriorating economic situation. After nearly a decade of strong growth, the Uruguayan economy has slowed dramatically as a result of softening global commodity prices and economic turbulence in Argentina and Brazil—Uruguay's main trading partners and fellow members of the Mercosur customs union. This economic weakness has depressed tax collection and contributed to growing fiscal deficits but has not brought down Uruguay's persistently high inflation. Vázquez has sought to address these economic challenges by reducing expenditures, increasing taxes, holding down wage increases, and investing in infrastructure through public-private partnerships. As economic growth has continued to slow in 2016 to an estimated 0.1%, the Vázquez Administration's approval rating has fallen to 33% and its disapproval rating has risen to 45%.

U.S.-Uruguayan Relations

U.S.-Uruguayan relations have strengthened over the past decade despite initial expectations by some analysts that ties would deteriorate following the Broad Front's assumption of power. The United States and Uruguay signed a bilateral investment treaty in 2005 and a Trade and Investment Framework Agreement in 2007. In 2015, the stock of U.S. foreign direct investment in Uruguay reached \$1.6 billion and bilateral merchandise trade amounted to \$1.9 billion. The United States and Uruguay also collaborate on efforts to address international security concerns. Uruguay is serving alongside the United States on the U.N. Security Council for the 2016-2017 term and is one of the largest per capita contributors globally to U.N. peacekeeping missions. The United States has provided more than \$14.6 million in assistance to Uruguay over the past four years to bolster the country's peacekeeping capabilities.

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Uruguay is a small nation of 3.4 million people located on the Atlantic coast of South America. The country emerged as an independent state in 1828 following a three-year war between Brazil and Argentina over control of the disputed territory. Uruguay has a long democratic tradition but experienced 12 years of authoritarian rule following a 1973 coup. During the dictatorship, tens of thousands of Uruguayan citizens were forced into political exile, 3,000-4,000 were imprisoned, and several hundred were killed or “disappeared.”¹ The country restored civilian democratic governance in 1985 and is now considered to be one of the strongest democracies in the world.² Uruguay has drawn increased congressional attention in recent years as a result of the country’s controversial decisions to legalize cannabis and grant refugee status to six men who had been detained at the U.S. Naval Station at Guantanamo Bay, Cuba.

Domestic Situation

President Tabaré Vázquez of the center-left Broad Front (*Frente Amplio*) coalition was inaugurated to a five-year term on March 1, 2015. This is his second term in office—he previously served as president from 2005 to 2010—and the third consecutive term in which the Broad Front holds the presidency and majorities in both houses of the Uruguayan General Assembly. The coalition holds 50 seats in the 99-member Chamber of Representatives and 15 seats in the 30-member Senate; Vice President Raúl Sendic, who presides over the Senate, provides the Broad Front with a 16th vote in the upper chamber.³ Vázquez’s initial election ended 170 years of political domination by the center-right National and Colorado parties.⁴

Since taking power in 2005, the Broad Front has maintained market-oriented economic policies while gradually expanding social welfare programs, establishing a more progressive tax system, and implementing union-empowering labor reforms. This policy mix, combined with a boom in international prices for Uruguay’s agricultural commodity exports, produced several years of strong economic growth and considerable improvements in living standards.

The Broad Front also has enacted several far-reaching social policy reforms, some of which have been controversial domestically. The coalition has positioned Uruguay on the leading edge of lesbian, gay, bisexual, and transgender (LGBT) rights in Latin America by allowing LGBT individuals to serve openly in the military, legalizing adoption by same-sex couples, allowing individuals to change official documents to reflect their gender identities, and legalizing same-sex marriage. Additionally, the Broad Front has legalized abortion in the first trimester of pregnancy and has enacted legislation that legalizes and regulates every aspect of the cannabis market, from production to consumption (see “Security Concerns and Marijuana Legalization,” below). President Vázquez and former President José “Pepe” Mujica (2010-2015) often have compared the Broad Front administrations to those of former President José Batlle y Ordóñez (1903-1907, 1911-1915), who strongly influenced Uruguay’s trajectory in the 20th century by pushing for labor protections, a comprehensive social welfare system, women’s rights, and a strict separation between church and state.

¹ 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).

² See, for example, Economist Intelligence Unit, *Democracy Index 2015, Democracy in an Age of Anxiety*, 2016; and Freedom House, *Freedom in the World 2016*, January 2016.

³ Parlamento del Uruguay, 2016, at <https://parlamento.gub.uy/>.

⁴ Although historically the National and Colorado parties were ideologically heterogeneous, they have become more ideologically homogenous (both center-right) since the 1971 foundation of the Broad Front, which has incorporated left-leaning sectors from the traditional parties.

Figure 1. Uruguay at a Glance



Leadership	<p>President: Tabaré Vázquez (Broad Front)</p> <p>Vice President and President of the Senate: Raúl Sendic (Broad Front)</p> <p>President of the Chamber of Representatives: Dr. Gerardo Amarilla (National Party)</p>
Geography	<p>Land Area: 68,000 square miles (slightly smaller than Missouri)</p>
People	<p>Population: 3.4 million (2016 est.)</p> <p>Percentage of Population Living in Urban Areas: 95.4% (2016 est.)</p> <p>Principal Racial/Ethnic Identification: 90.7% white; 4.8% black, 2.4% indigenous, 0.2% Asian (2011)</p> <p>Religious Identification: 42% Catholic; 37% unaffiliated; 15% Protestant; 6% other (2014)</p> <p>Literacy Rate: 98.8% (2015)</p> <p>Life Expectancy: 78 years (2015)</p>
Economy	<p>Gross Domestic Product (GDP): \$53.1 billion (2015 est.)</p> <p>GDP per Capita: \$15,547 (2015 est.)</p> <p>Top Exports: Beef, soybeans, wood, dairy products, cereals, and leather (2015)</p> <p>Poverty Rate: 9.7% (2015)</p>

Sources: Population, literacy, and life-expectancy data from U.N. Economic Commission for Latin America and the Caribbean; land area, racial/ethnic identification, and poverty data from Uruguay's National Statistics Institute (*Instituto Nacional de Estadística*); religious identification data from Pew Research Center; GDP data from International Monetary Fund; export data from Global Trade Atlas. Map created by CRS.

Economic Challenges

Uruguay has experienced significant economic growth and improvements in living standards over the past decade. The country's real gross domestic product (GDP) has grown by an average of 4.9% per year since 2005, and per capita GDP has nearly tripled from \$5,263 in 2005 to \$15,547 in 2015.⁵ The World Bank now classifies Uruguay as a "high-income" country. The poverty rate, which had spiked during a 1999-2002 economic and financial crisis, has fallen dramatically. Between 2004 and 2015, the percentage of Uruguayans living in poverty declined from 39.9% to 9.7%. Some groups continue to face more challenging circumstances, however, as nearly 22% of Afro-Uruguayans remain below the poverty line.⁶ In relative terms, Uruguay's middle class is the largest in Latin America, encompassing 60% of the population.⁷

Although President Vázquez sought to build on Uruguay's socioeconomic advancements with campaign pledges to improve the quality of the education system and create a Comprehensive National Care System to address the needs of infants, the disabled, and the elderly, he has spent much of his second term dealing with the country's deteriorating economic situation. Uruguay's economic growth decelerated to less than 1% in 2015, down from 3.2% in 2014 and 4.6% in 2013. The economy is expected to continue slowing in 2016, with 0.1% growth.⁸ The slowdown appears to be largely the result of external conditions, including declines in international prices for Uruguay's agricultural commodity exports and economic recessions in Argentina and Brazil, which are two of Uruguay's top trading partners as fellow members of the Common Market of the South (Mercosur) customs union.

The economic deceleration has depressed revenue collection and contributed to growing fiscal deficits. In 2015, Uruguay's annual deficit widened to 3.6% of GDP and general government gross debt climbed to 64.3% of GDP.⁹ The labor market has remained relatively strong, but between August 2014 and August 2016 unemployment increased from 6.7% to 7.7% and the labor force participation rate declined slightly.¹⁰ Despite this economic weakness and low international energy prices, annual inflation has risen above the Uruguayan Central Bank's target range of 3%-7%. Persistent high inflation is reportedly the result of various factors, including the depreciation of the Uruguayan *peso* and the country's widespread practice of indexing wages to the cost of living.¹¹

The Vázquez Administration has taken steps to respond to these challenges. To reduce the fiscal deficit to 2.5% of GDP by 2019 and stabilize public-debt levels, the government has deferred some public spending and introduced a fiscal reform that aims to increase income taxes on middle- and high-income earners and to reduce corporate tax exemptions and tax evasion. The Vázquez Administration also has sought to reduce inflationary pressures by using its position on tripartite salary councils to hold down wage growth.¹² At the same time, the government is

⁵ International Monetary Fund, *World Economic Outlook Database, October 2016*, October 4, 2016. (Hereinafter IMF, October 2016).

⁶ Instituto Nacional de Estadística (INE), *Estimación de la Pobreza por el Método del Ingreso, Año 2015*, March 2016.

⁷ World Bank, "Uruguay: Overview," September 27, 2016.

⁸ IMF, October 2016.

⁹ Ibid.

¹⁰ INE, *Encuesta Continua de Hogares, Agosto 2016: Actividad, Empleo y Desempleo*, October 5, 2016.

¹¹ "Lo 'Peor de Ambos Mundos': Cómo Salir de la Estancflación," *El País* (Uruguay), June 21, 2016.

¹² Uruguayan law empowers the government to convene salary councils comprised of union representatives, employers, and government officials to negotiate wages, classify jobs, and consider other labor-management issues.

attempting to boost economic growth by using public-private partnerships to invest \$12 billion over four years in transportation, communications, energy, and port infrastructure.¹³

These policy priorities have generated tension within the Broad Front. Some leftist legislators and a portion of the coalition's base opposes the Vázquez Administration's efforts to reduce government expenditures, increase taxes on middle-income earners, and limit cost-of-living wage adjustments. Some also oppose private-sector participation in public works. Vázquez has tried to convince Uruguayans that these policies are necessary to maintain the country's investment-grade credit rating, attract foreign investment, and keep inflation under control.¹⁴ Opponents have pushed back. In July 2016, for example, Uruguay's umbrella trade union, the PIT-CNT (*Plenario Intersindical de Trabajadores-Convención Nacional de Trabajadores*), which is closely affiliated with the Broad Front, organized the largest general strike since the country's return to democracy to push for higher wages and a reversal of the government's austerity policies.¹⁵

Polls indicate that although most Uruguayans accept the Vázquez Administration's argument that economic adjustments are necessary, many are unsatisfied with the government's management of the economy.¹⁶ This discontent, combined with rising security concerns, has taken a toll on Vázquez's approval rating. Between July 2015 and October 2016, the percentage of Uruguayans approving of Vázquez's performance in office fell from 51% to 33% and the percentage of Uruguayan's disapproving of Vázquez's performance increased from 20% to 45%.¹⁷

Security Concerns and Marijuana Legalization

Uruguay has some of the strongest and most trusted criminal justice institutions in Latin America and is among the safest countries in the region. Nevertheless, perceptions of insecurity have increased in recent years, along with rates of crime and violence. Uruguay experienced a 5% increase in robberies and an 8% increase in homicides in 2015.¹⁸ Although crime rates remain low by Latin American standards, Uruguayans consistently rank crime as one of the top problems facing their country.¹⁹ Security analysts and Uruguayan officials have linked much of the criminality to small-scale drug trafficking and gang activity.²⁰

In response, the Vázquez Administration has increased police patrols in areas where crime is most concentrated and committed more resources to social development programs that provide opportunities to youth at risk of being recruited by gangs or other criminal elements. Additionally, the government has continued efforts under way since 2010 to incorporate new technologies and equipment into policing and investigatory practices, including expanded video surveillance, the use of geospatial technology to identify crime locations and deploy police resources, and the establishment of a DNA bank and a fingerprint-identification system.²¹

¹³ "Vázquez Announces US\$12bn Infrastructure Programme for Uruguay," *Latin News Daily*, July 28, 2015.

¹⁴ "Vázquez: Mantener Firme Rumbo de Crecimiento con Justicia Social," *La República* (Uruguay), March 2, 2016.

¹⁵ "Uruguay: General Strike Bodes Trouble for Vázquez," *Latin News Daily*, July 15, 2016.

¹⁶ CIFRA, "La Economía y el Ajuste," June 27, 2016.

¹⁷ CIFRA, "La Gestión de Vázquez: Juicios Divididos," October 26, 2016.

¹⁸ Observatorio Nacional sobre Violencia y Criminalidad de Uruguay, *Informe Anual Sobre Violencia y Criminalidad en Todo el País, Año 2015*, 2016.

¹⁹ Corporación Latinobarómetro, *Informe 2016*, September 2, 2016; and Latinobarómetro, "Análisis Online," at <http://www.latinobarometro.org/latOnline.jsp>.

²⁰ "Uruguay Profile" *Insight Crime*, February 18, 2016.

²¹ "Uruguay Security: Record Homicide Figures," *Latin American Regional Report: Brazil & Southern Cone*, February (continued...)

Uruguayan officials argue that the country's cannabis-legalization initiative also will improve security conditions by taking a market worth an estimated \$30 million-\$40 million out of the hands of drug traffickers and improving the government's ability to address the negative social, economic, and health impacts of drug use.²² The law, enacted in December 2013, allows Uruguayan citizens who are at least 18 years of age to register with the government to grow up to 480 grams of marijuana per year, purchase up to 40 grams of marijuana per month from licensed dispensaries, or join smoking clubs that provide marijuana for members. The law also empowers a new government agency to regulate the entire cannabis production chain, including planting, cultivation, harvesting, processing, storage, distribution, and sales. At the same time, the law provides for educational and health efforts to prevent and treat problematic drug use.²³ Uruguay decriminalized all drug possession for personal use in 1974.

Although much of the marijuana legalization law has been implemented, the Uruguayan government is still finalizing a key component—sales to registered users at licensed dispensaries. This step has proven challenging, as only 50 of the country's 1,200 pharmacies had registered with the government to sell marijuana as of August 2016. Moreover, most of those pharmacies are concentrated in the Montevideo metropolitan region, potentially leaving large portions of the country without a single dispensary. Many pharmacies reportedly are concerned that marijuana sales could generate security problems or damage their image among socially conservative clients.²⁴ Polls have consistently found that about 60% of Uruguayans are opposed to the legalization initiative.²⁵ Despite these challenges, sales are expected to begin before the end of 2016.

Once implementation is complete, the Uruguayan government will face several challenges as it attempts to supplant the illegal marijuana market. Although state-regulated marijuana is expected to be competitive in price and superior in quality compared to illegal marijuana, the Uruguayan government has acknowledged that it may not be able to satisfy demand when sales first begin.²⁶ Even once a sufficient supply of state-regulated marijuana exists, some users may turn to the black market to sidestep government caps on purchases. Additionally, many marijuana users may be hesitant to register with the government. According to a 2015 study of frequent marijuana users in Montevideo, 40% of those surveyed stated that they were unlikely to register. Some were concerned about the confidentiality of their information, some were philosophically opposed to the registry, and some did not think there was anything to be gained by registering.²⁷ The extent to which legalization will impact the finances of drug traffickers and dealers likely will depend on the Uruguayan government's ability to bring marijuana users into the state-regulated market.

(...continued)

2016; "Desde Abril, las Rapiñas Bajaron 2% desde 1985 Gracias al Sistema PADO," *La República* (Uruguay), June 23, 2016.

²² Pablo Fernandez, "Uruguay Ponders Making Government Legal Pot Dealer," Associated Press, August 10, 2012.

²³ Ley N° 19.172.

²⁴ "Marijuana Legal sin Puntos de Venta en Ocho Departamentos," *El Observador* (Uruguay), August 18, 2016.

²⁵ See, for example, María Fernanda Boidi, Rosario Queirolo, and José Miguel Cruz, *Uruguayans are Skeptical as the Country Becomes the First to Regulate Marijuana Market*, AmericasBarometer Topical Brief, Vanderbilt University, Latin American Public Opinion Project, March 25, 2015.

²⁶ "Gobierno Estima que Marijuana Estatal No Alcanzará para Cubrir la Demanda," *El Observador* (Uruguay), August 16, 2016.

²⁷ María Fernanda Boidi, Rosario Queirolo, and José Miguel Cruz, "Marijuana Consumption Patterns among Frequent Consumers in Montevideo," Paper to be presented at the 9th Conference of the International Society for the Study of Drug Policy (ISSDP), May 19-22, 2015.

During the debate over legalization, opponents warned that legalization would lead to increased consumption of marijuana and other drugs. Proponents, on the other hand, argued that creating legal channels for marijuana sales could facilitate efforts to treat those with the most problematic consumption habits and prevent Uruguayans from coming into contact with more dangerous drugs, such as “*pasta base*,” a highly addictive cocaine derivative that some observers have linked to rising crime rates.²⁸ In 2014 (the most recent year for which data are available), 9.3% of Uruguayans reported they had consumed marijuana in the previous year, up from 8.3% in 2011. It is unclear if the legalization initiative played a role in the increase, however, because marijuana consumption had been growing steadily since 2001. Increased marijuana consumption does not appear to have led to increased consumption of other drugs. In 2014, 1.6% of Uruguayans reported using cocaine in the previous year, down from 1.9% in 2011.²⁹

U.S.-Uruguayan Relations

U.S.-Uruguayan relations are strong and have grown closer in recent years. Some analysts predicted that bilateral relations would deteriorate following the Broad Front’s assumption of power, given ideological opposition to working with the United States by some sectors of the coalition. However, those predictions have not been borne out.³⁰ Over the past decade, the United States and Uruguay have forged closer trade and investment ties and have worked together to promote stability and security in Latin America and around the world. Since taking office for a second term, President Vázquez has expressed his desire to continue forging closer relations with the United States by strengthening and building upon the various bilateral cooperation mechanisms currently in place.³¹

Trade and Investment

Commercial ties between the United States and Uruguay have grown considerably over the past decade. In 2007, during President Vázquez’s first term, the countries signed a Trade and Investment Framework Agreement (TIFA), which ensures ongoing consultations on issues such as trade facilitation, food safety, intellectual property rights, trade in services, and government procurement.³² Although President Vázquez and then-President George W. Bush initially sought to negotiate a free trade agreement, internal pressure from the more leftist sectors of the Broad Front and external pressure from fellow members of Mercosur ultimately led the Uruguayan government to pursue the TIFA instead.³³

In his second term, President Vázquez has placed increased emphasis on improving Uruguay’s access to international markets. He has pushed for the conclusion of a free trade agreement between Mercosur and the European Union and recently initiated negotiations for a bilateral free trade agreement with China. Some members of the Vázquez Administration also have expressed

²⁸ Linda Pressly, “The Battle Against ‘Pasta Base,’” *BBC News Magazine*, March 4, 2014.

²⁹ Presidencia de la República de Uruguay, Junta Nacional de Drogas, *VI Encuesta Nacional en Hogares sobre Consumo de Drogas*, 2016, 2016.

³⁰ Daniel Isgleas, “FA: Del ‘Yanquis Go Home’ al Bienvenidos,” *El País* (Uruguay), September 21, 2013.

³¹ “Vázquez: Uruguay Cada Vez Más Cerca de EE.UU.,” *El País* (Uruguay), June 19, 2015.

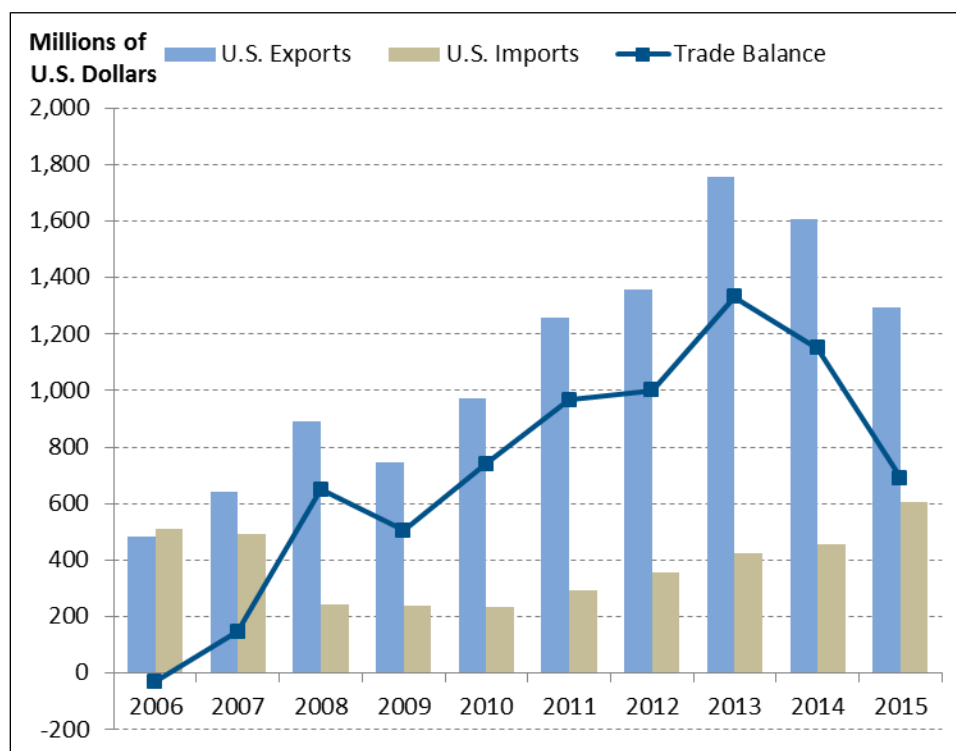
³² The Trade and Investment Framework Agreement is available at https://ustr.gov/sites/default/files/uploads/agreements/tifa/asset_upload_file566_15163.pdf.

³³ Mercosur, established in 1991, includes Argentina, Brazil, Paraguay, Uruguay, and Venezuela. The bloc was created with the intention of incrementally advancing toward full economic integration, but only a limited customs union has been achieved thus far.

support for a free trade agreement with the United States. The majority of the Broad Front remains opposed to such an agreement, however, and U.S. officials have indicated that the United States is now focused on concluding regional trade agreements, such as the Trans-Pacific Partnership, which Uruguay could potentially join at a later date.³⁴ It also remains unclear if the ascension to power of more market-oriented governments in Argentina and Brazil will lead Mercosur to emphasize forging trade agreements as a bloc and/or to relax its rules to allow members to pursue bilateral trade agreements. Uruguay pulled out of a potential Trade in Services Agreement with the United States and more than 20 other nations in September 2015 after the Broad Front overwhelmingly voted in favor of withdrawing from the negotiations.³⁵

Figure 2. U.S. Trade with Uruguay: 2006-2015

(in millions of U.S. dollars)



Source: CRS presentation of data from U.S. International Trade Commission, “Interactive Tariff and Trade DataWeb,” July 2, 2016.

Total U.S.-Uruguayan merchandise trade has nearly doubled since 2006, growing from \$994 million to \$1.9 billion in 2015 (see **Figure 2**). Bilateral trade declined by 13% between 2013 and 2015, however, largely as a result of the slowing Uruguayan economy. In 2015, U.S. exports to Uruguay totaled \$1.3 billion and U.S. imports from Uruguay totaled \$605 million. Machinery,

³⁴ “Uruguay ‘Abirto’ a Firmar TLC con EEUU,” *La República* (Uruguay), March 17, 2016; “Relación entre Uruguay y EEUU tendrá Continuidad Gane Quien Gana en las Elecciones, Opinó Alta Jерarca del Departamento de Estado,” *El Observador* (Uruguay), June 1, 2016. For more information on the Trans-Pacific Partnership, see CRS Report R44489, *The Trans-Pacific Partnership (TPP): Key Provisions and Issues for Congress*, coordinated by (name redacted) and (name redacted).

³⁵ For more information on the Trade in Services Agreement, see CRS Report R44354, *Trade in Services Agreement (TiSA) Negotiations: Overview and Issues for Congress*, by (name redacted).

cosmetics, medical equipment, and pharmaceutical products were the top U.S. exports to Uruguay. Beef, leather, wood, medical equipment, and dairy products were the top U.S. imports from Uruguay. In 2015, the United States accounted for 8% of Uruguay's total trade and was Uruguay's fourth-largest trading partner behind China (16%), Brazil (16%), and Argentina (9%). Uruguay was the United States' 80th-largest trading partner in 2015, accounting for 0.05% of total U.S. merchandise trade.³⁶

Uruguay traditionally has benefited from the Generalized System of Preferences (GSP) program, which provides nonreciprocal, duty-free tariff treatment to certain products imported from designated developing countries. Uruguayan imports will no longer be eligible for the GSP program as of January 1, 2017, however, since the Trade Act of 1974, as amended, (19 U.S.C. §2462) requires the President to terminate a country's eligibility for the program if the World Bank classifies the country as "high income."³⁷ In 2015, Uruguay's duty-free imports to the United States under the GSP program were valued at \$87 million, equivalent to about 14% of all U.S. imports from Uruguay.³⁸

Foreign direct investment has increased substantially since the United States and Uruguay signed a bilateral investment treaty in 2005. The accumulated stock of U.S. foreign direct investment in Uruguay increased from \$609 million in 2005 to \$1.6 billion in 2015. During the same time period, the accumulated stock of Uruguayan foreign direct investment in the United States increased from \$88 million to \$391 million.³⁹ According to the U.S. Department of State, "the government of Uruguay recognizes the important role foreign investment plays in economic development and maintains a favorable investment climate that does not discriminate against foreign investors."⁴⁰ The State Department notes that Uruguay is strategically located between Mercosur's largest economies (Argentina and Brazil) and that the country's special import regimes make it a well-situated distribution center for U.S. goods into the region. The State Department also asserts that Uruguay's middle-class consumers make the country a good test market for U.S. products.⁴¹ About 120 U.S.-owned companies currently operate in Uruguay.⁴²

Security Cooperation

Despite its small size, Uruguay plays an active role in promoting stability and security in the Western Hemisphere and around the world. Uruguay is a strong proponent of democracy and human rights, the peaceful resolution of disputes, international law, and multilateralism, and it often seeks to advance those values by serving as a consensus builder and mediator in

³⁶ U.S. Department of Commerce and Central Bank of Uruguay data, as presented by *Global Trade Atlas*, accessed October 2016.

³⁷ President Barack Obama, *Message to the Congress on Terminating the Designations of Seychelles, Uruguay, and Venezuela as Beneficiary Developing Countries under the Generalized System of Preferences Program*, September 30, 2015.

³⁸ U.S. International Trade Commission, "Interactive Tariff and Trade DataWeb," July 2, 2016.

³⁹ U.S. Department of Commerce, Bureau of Economic Analysis, "Balance of Payments and Direct Investment Position Data," accessed September 2016.

⁴⁰ U.S. Department of State, Bureau of Economic and Business Affairs, *2016 Investment Climate Statement: Uruguay*, July 5, 2016, at <http://www.state.gov/e/eb/rls/othr/ics/investmentclimatestatements/index.htm?year=2016&dliid=254563>.

⁴¹ Ibid.

⁴² U.S. Department of State, Bureau of Western Hemisphere Affairs, "U.S. Relations with Uruguay," fact sheet, September 7, 2016, at <http://www.state.gov/r/pa/ei/bgn/2091.htm>.

international institutions.⁴³ Partially as a result of Uruguay's international reputation, the nations of the Western Hemisphere elected Luis Almagro, Uruguay's former foreign minister, to a five-year term as Secretary General of the Organization of American States in 2015.⁴⁴

According to the State Department, "Uruguay's commitment to international engagement makes it an important U.S. partner" in a variety of global efforts.⁴⁵ Current areas of U.S.-Uruguayan security cooperation include collaboration on the U.N. Security Council and support for U.N. peacekeeping operations. The Uruguayan government also has supported the Obama Administration's efforts to close the detention center at the U.S. Naval Station at Guantanamo Bay, Cuba.

U.N. Security Council

In 2015, Uruguay won the support of the rest of Latin America and the Caribbean to secure one of the 10 non-permanent seats on the 15-member U.N. Security Council for the 2016-2017 term. Since joining the Security Council, Uruguay has emphasized promoting human rights and international humanitarian law, putting forward as its first draft resolution a measure to condemn attacks against medical facilities and humanitarian personnel in conflict zones. The Security Council adopted the measure unanimously as Resolution 2286 in May 2016.⁴⁶ Uruguay also has used its seat on the Security Council to push for greater transparency regarding Security Council practices and a greater focus on the root causes of conflict.⁴⁷ Uruguay has voted the same way as the United States on nearly every resolution that the Security Council has adopted in 2016.⁴⁸

Peacekeeping Operations

Reflecting the country's commitments to international law and peaceful dispute resolution, Uruguay is one of the largest per capita contributors of forces globally to U.N. peacekeeping missions. Since 1952, more than 45,000 Uruguayans have served under the U.N. flag and 34 have been killed while deployed.⁴⁹ Uruguay currently has nearly 1,500 military troops, police, and advisers deployed to five countries, including nearly 1,200 as part of the U.N. Organization Stabilization Mission in the Democratic Republic of the Congo and nearly 260 as part of the U.N. Stabilization Mission in Haiti.⁵⁰ The country also has established a National Peace Operations Training Institute (*Escuela Nacional de Operaciones de Paz de Uruguay*), which provides specialized peacekeeping training to Uruguayans and foreign students.

⁴³ Ibid.

⁴⁴ For more information about the Organization of American States and Secretary General Almagro's leadership, see CRS Report R42639, *Organization of American States: Background and Issues for Congress*, by (name redacted)

⁴⁵ U.S. Department of State, *Congressional Budget Justification, Foreign Operations, Appendix 3, Fiscal Year 2017*, February 26, 2016, p.487, at <http://www.state.gov/documents/organization/238222.pdf>.

⁴⁶ Resolution 2286 is available at [http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2286\(2016\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2286(2016)).

⁴⁷ República Oriental del Uruguay, Ministerio de Relaciones Exteriores, *Uruguay en el Consejo de Seguridad de las Naciones Unidas: Balance del Primer Semestre del Año 2016*, August 2, 2016.

⁴⁸ Uruguay voted against Resolution 2285, which extended the mandate of the U.N. Mission for the Referendum in Western Sahara. United Nations, "Security Council Extends Mandate of United Nations Mission for Referendum in Western Sahara by 10 Votes in Favour, 2 Against, with 2 Abstentions: Opposing Members Voice Concerns about Wording, Transparency in Consultations," April 29, 2016, at <http://www.un.org/press/en/2016/sc12346.doc.htm>.

⁴⁹ Marcos Ommati, "Uruguay Discusses the New Military Roles in Latin America," *Diálogo*, September 6, 2016; National Peace Operations Training Institute of Uruguay, "Casualties," December 28, 2015.

⁵⁰ United Nations, "U.N. Mission's Summary Detailed by Country," August 31, 2016.

The United States has urged Uruguay to maintain its contributions to U.N. peacekeeping missions and has sought to strengthen Uruguay's peacekeeping capabilities. Over the past four years, the U.S. government has obligated \$14.6 million in assistance for Uruguay through the Global Peace Operations Initiative, which aims to increase the international community's capacity to carry out U.N. peacekeeping missions (see **Table 1**). U.S. assistance has been used to provide pre-deployment training for Uruguayan peacekeepers and to strengthen and expand Uruguay's peacekeeping training center. U.S. assistance also has provided Uruguay with equipment, such as communications gear, vehicles, night-vision devices, aviation equipment, and patrol boots.⁵¹

Table 1. U.S. Assistance to Uruguay Through the Global Peace Operations Initiative: FY2013-FY2016

(obligations in millions of current U.S. dollars)

FY2013	FY2014	FY2015	FY2016
0.1	3.1	5.5	6.0

Source: Data provided to CRS by U.S. Department of State, Bureau of Political-Military Affairs, October 2016.

Notes: Congress appropriates funding for the Global Peace Operations Initiative under the Peacekeeping Operations (PKO) account.

The United States also provides International Military Education and Training (IMET) aid to Uruguay, focused on strengthening Uruguay's peacekeeping, disaster response, and national defense capabilities. IMET appropriations for Uruguay totaled \$427,000 in FY2013; \$725,000 in FY2014; \$550,000 in FY2015; and an estimated \$500,000 in FY2016. The Obama Administration requested \$500,000 in IMET aid for Uruguay in FY2017 to bolster the professionalization of the Uruguayan Armed Forces and their interoperability with the U.S. Armed Forces, foster stronger military-to-military ties, promote democratic values and respect for human rights, and enhance peacekeeping operations.⁵²

Guantanamo Bay Detainee Transfers⁵³

In December 2014, Uruguay accepted six men who had been held for alleged terrorism links at the U.S. Naval Station at Guantanamo Bay, Cuba, since 2002. The interagency Guantanamo Review Task Force cleared all six men for transfer in 2010, and the State Department reportedly assured the Uruguayan government that "there is no information that the [former detainees] were involved in conducting or facilitating terrorist activities against the United States or its partners or allies."⁵⁴ Then-President Mujica, who himself was imprisoned for 14 years during the 1970s and 1980s for his activities with the *Tupamaro* guerilla movement,⁵⁵ granted refugee status to the

⁵¹ White House, Office of the Press Secretary, "Fact Sheet: The United States and Uruguay – A Growing Bilateral Relationship," May 12, 2014.

⁵² U.S. Department of State, *Congressional Budget Justifications for Foreign Operations, FY2015-FY2017*, at <http://www.state.gov/f/releases/iab/index.htm>; and "FY2016 653(a) Allocations—Final," provided to CRS in August 2016.

⁵³ For more information on detainee transfers, see CRS Report R40139, *Closing the Guantanamo Detention Center: Legal Issues*, by (name redacted) et al.

⁵⁴ Josh Rogin, "Obama's Push to Close Gitmo is Stuck on 'Uruguay Six,'" *Bloomberg*, October 20, 2015.

⁵⁵ The National Liberation Movement-Tupamaros was a leftist insurgent group that operated in Uruguay during the 1960s and 1970s and carried out robberies, political kidnappings, bombings, and assassinations to advance its political objectives.

detainees to demonstrate support for President Obama's efforts to close the detention facility, which Mujica has referred to as a "human disgrace."⁵⁶

The former detainees' integration into Uruguayan society has not gone as smoothly as the Uruguayan government hoped. Although a local union provided the former detainees with housing and the government provided them with a monthly stipend, the men (four Syrians, a Tunisian, and a Palestinian) reportedly struggled to adjust to the Spanish-speaking and largely secular country, which has a Muslim population of about 300. Several of the men carried out a three-week protest outside the U.S. embassy in Montevideo to demand financial compensation from the U.S. government for detaining them for more than 12 years without criminal charges or convictions. They concluded the protest in May 2015 after reaching an agreement with the Uruguayan government that reportedly provides them with additional housing and financial support in exchange for seeking language and job training. The former detainees' public displays of dissatisfaction and failure to integrate more quickly alienated many Uruguayans and reportedly led several Latin American governments that were on the verge of accepting other Guantanamo detainees to change their minds.⁵⁷

Although some of the former detainees have begun to establish new lives in Uruguay, finding employment and starting families, one has engaged in several high-profile acts of protest over his situation. Jihad Ahmed Mujstafa Diyab, a 45-year-old Syrian citizen, has repeatedly criticized the Uruguayan government for not moving quickly enough to reunite him with his family. He maintains that he could never support his wife and children in Uruguay and has demanded to be transferred to Turkey, where his family fled as a result of the Syrian civil war, or another Middle Eastern nation. Diyab disappeared from Uruguay in June 2016, resurfacing nearly two months later in Venezuela, reportedly in an attempt to travel to Turkey. The Venezuelan government returned Diyab to Uruguay in August 2016, leading Diyab to launch a hunger strike. Diyab reportedly ended his hunger strike in October 2016 after receiving permission to travel to another—currently unnamed—country.⁵⁸

Some Members of Congress have criticized the transfer of the six former detainees to Uruguay. These Members maintain that the former detainees are "hardened fighters who've been trained as suicide bombers and document forgers" and that the Obama Administration misled Uruguayan officials about the detainees' ties to terrorism.⁵⁹ Some Members also are concerned that Uruguay's decision to grant the men refugee status has prevented the Uruguayan government from properly monitoring the former detainees or restricting their travel. Those concerns were exacerbated by the former detainees' protest outside the U.S. embassy and Diyab's temporary disappearance from Uruguay.

The apparent lack of restrictions on the former detainees' movement has led some Members to question whether the detainee transfers were conducted in accordance with U.S. law. The

⁵⁶ Presidencia de la República Oriental del Uruguay, "Mujica Dijo que Ayudará a Desmantelar una 'Vergüenza Humana' sin afectar Seguridad de País," press release, September 12, 2014.

⁵⁷ Joshua Partlow, "After Years in Guantanamo, Ex-Detainees find Little Solace in Uruguay," *Washington Post*, March 21, 2015; Leonardo Haberkorn and Peter Prengaman, "Former Guantánamo Detainees' Protests Frustrate Uruguayans," *Miami Herald*, May 8, 2015; "Ex-Guantanamo Inmates End U.S. Embassy Protest in Uruguay," Reuters, May 19, 2015; Marian Blasberg, "Freedom Elusive after 12 Years at Guantanamo," *Spiegel Online*, May 21, 2015; "Mujica: La Conducta de los Expresos de Guantánamo fue 'Pésima'," *El País* (Uruguay), April 5, 2016.

⁵⁸ "El Sirio Diyab Reapareció en Venezuela y no quiere Volver," *El País* (Uruguay), July 28, 2016; "Ex-Guantanamo Detainee Ends Hunger Strike, to Leave Uruguay: Activists," Agence France Presse, October 22, 2016.

⁵⁹ House Foreign Affairs Committee, "Will the White House Repeat Mistakes that Allowed a Dangerous Jihadist to go Missing," August 4, 2016.

National Defense Authorization Act for FY2014 (P.L. 113-66) required the Secretary of Defense to determine that steps would be taken to “substantially mitigate the risk” that transferred individuals would engage in activities that threaten the United States, U.S. citizens, or U.S. interests.⁶⁰ Obama Administration officials maintain that Uruguay is “taking steps to substantially mitigate the risk of the six detainees that were transferred to its custody,” but officials have been unwilling to discuss those steps publicly.⁶¹

Outlook

Uruguay historically was referred to as “the Switzerland of South America,” as scholars highlighted the country’s peaceful and democratic tradition, comprehensive social safety net, and relatively high standard of living to differentiate Uruguay from its neighbors. That perceived exceptionalism began to fade by the middle of the 20th century, as prolonged economic stagnation tore at the country’s social fabric, generating increased class conflict and ultimately giving rise to an authoritarian government. Thirty years after the end of the dictatorship and fifteen years after a major economic crisis, Uruguay once again stands out in Latin America for its strong democratic institutions and comparatively prosperous and egalitarian society.

The center-left Broad Front coalition has benefitted politically from presiding over more than a decade of strong economic growth and improvements in living standards. It now faces a much tougher economic and political environment, however, as deteriorating economic conditions and fatigue with Broad Front governance have eroded popular support for the coalition. The difficult economic situation likely will limit President Vázquez’s ability to enact far-reaching policy changes and could lead to increased disenchantment among his coalition’s base. The Broad Front’s chances of winning a fourth consecutive election likely will depend on the pace of Uruguay’s economic recovery and the extent to which opposition political parties and their supporters are willing to unite for the 2019 elections.

U.S.-Uruguayan relations likely will remain strong in the coming years, bound together by shared values and common interests. Short-term commercial cooperation may focus on the removal of trade barriers under the TIFA; the conclusion of a bilateral social security agreement to eliminate double taxation and fill gaps in benefit protection for individuals who have worked in both countries; and Uruguay’s entry into the Visa Waiver Program, which would allow temporary, visa-free travel by Uruguayan and U.S. citizens. Although Uruguay’s exit from the GSP program in 2017 may generate renewed Uruguayan interest in entering into a bilateral or regional free trade agreement with the United States, significant sectors of the Broad Front are likely to remain opposed to such an accord. Cooperation on international affairs likely will continue as the countries support international peacekeeping efforts and collaborate on the U.N. Security Council and in other multilateral institutions. At the same time, Uruguay is likely to continue pursuing closer commercial and diplomatic ties with a range of other partners, including fellow members of Mercosur, the European Union, and China.

⁶⁰ Letter from Edward R. Royce, Chairman of the House Committee on Foreign Affairs, to Honorable John Kerry, Secretary of State, April 29, 2015, at https://foreignaffairs.house.gov/files/Royce.4.29.15.Kerry_Uruguay.Gitmo_.pdf.

⁶¹ U.S. Congress, House Committee on Foreign Affairs, *Demanding Accountability: The Administration’s Reckless Release of Terrorists from Guantanamo*, testimony of Lee S. Wolosky, Special Envoy for Guantanamo Closure, U.S. Department of State, 114th Cong., 2nd sess., July 7, 2016, at <https://foreignaffairs.house.gov/hearing/hearing-demanding-accountability-administrations-reckless-release-terrorists-guantanamo/>.

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