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Uruguay: An Overview

Uruguay, a small nation of 3.4 million people, is 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 global affairs than its size might suggest. Successive U.S. administrations have sought to work with Uruguay to address political and security challenges in the Western Hemisphere and around the world.

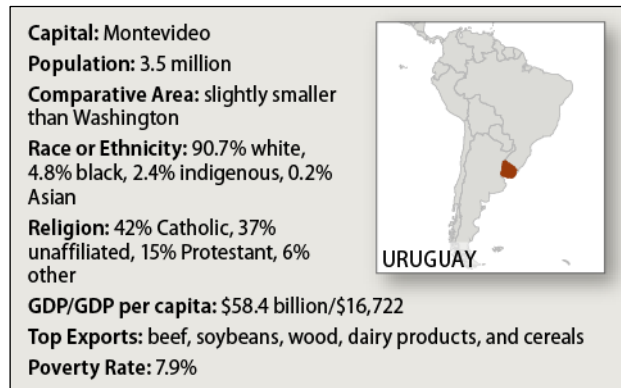
Political and Economic Situation

Uruguay has a long democratic tradition but experienced 12 years of authoritarian rule following a 1973 coup. During the dictatorship, tens of thousands of Uruguayans were forced into political exile; 3,000-4,000 were imprisoned; and several hundred were killed or “disappeared.” The country restored civilian democratic governance in 1985, and analysts now consider Uruguay to be among the strongest democracies in the world.

President Tabaré Vázquez of the center-left Broad Front was inaugurated to a five-year term in March 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 Lucía Tuplansky provides the Broad Front with a 16th vote in the upper chamber. Vázquez’s initial election ended 170 years of political domination by the center-right National and Colorado parties.

The Broad Front governments have maintained orthodox macroeconomic policies while gradually expanding social welfare programs, establishing a more progressive tax system, and implementing union-empowering labor laws. This policy mix, combined with a boom in international demand for Uruguay’s agricultural commodity exports, has contributed to strong economic growth and considerable improvements in living standards. According to the International Monetary Fund (IMF) and the International Labor Organization, respectively, Uruguay’s real gross domestic product (GDP) has grown by an average of 4.5% per year and real wages have increased by nearly 56% since 2005. Government statistics indicate that the poverty rate, which had spiked during a 1999-2002 economic and financial crisis, fell from 39.9% in 2004 to 7.9% in 2017. Some groups continue to face more challenging circumstances, however, as nearly 17% of Afro-Uruguayans remain below the poverty line.

Figure 1. Uruguay at a Glance



Sources: CRS Graphics, Instituto Nacional de Estadística de Uruguay, Pew Research Center, and the International Monetary Fund.

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. Uruguay also has legalized abortion in the first trimester of pregnancy and has become the first country in the world to legalize and regulate every aspect of the cannabis market, from production to consumption.

President Vázquez has spent much of his second term in office dealing with economic challenges. Uruguay’s economic growth slowed to an annual average of 1.6% from 2015 to 2017, depressed by a decline in international commodity prices and recessions in Argentina and Brazil—two of Uruguay’s top trading partners and fellow members of the Common Market of the South (Mercosur) customs union. The economic slowdown has led to higher levels of unemployment, depressed revenue collection, and larger fiscal deficits. In an attempt to stabilize public-debt levels, the Vázquez Administration enacted a fiscal adjustment that deferred some public spending and increased taxes on businesses and higher-income earners. At the same time, the government has sought to boost economic growth by entering into public-private partnerships and investing \$12.5 billion in infrastructure by 2020.

Although the IMF expects economic growth to accelerate to 3.4% in 2018, President Vázquez enjoys little popular support. Leftist sectors of the Broad Front have been disappointed by the government’s austerity measures and have pushed the Vázquez Administration to spend more on education and social assistance programs. Corruption scandals also have taken a toll on the president’s image. In

September 2017, then-Vice President Raúl Sendic resigned over alleged mismanagement of the state-run oil company and misuse of his corporate credit card while serving in top roles at the company between 2005 and 2015; he is now facing charges of embezzlement of public funds and abuse of authority. As of March 2018, local polls indicated that about 26% of Uruguayans approved of Vázquez's job performance and 49% disapproved.

U.S.-Uruguay Relations

U.S.-Uruguay 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. Those predictions have not been borne out. Over the past decade, the United States and Uruguay have forged closer trade and investment ties and have worked together to promote international peace and security. President Vázquez has expressed a desire to continue strengthening relations with the United States. He could face some domestic opposition to pursuing closer ties, however, as a 2017 Gallup poll found that 69% of Uruguayans disapproved of President Trump's performance in office.

Trade and Investment Relations

The United States and Uruguay have sought to forge closer commercial ties over the past decade but have faced some obstacles. In 2007, during President Vázquez's first term, the countries signed a Trade and Investment Framework Agreement, which is designed to ensure ongoing consultations on issues such as trade facilitation, food safety, intellectual property rights, trade in services, and government procurement. Vázquez initially sought to negotiate a free-trade agreement with the United States but was unable to overcome resistance from leftist sectors of the Broad Front and fellow members of Mercosur. Vázquez also withdrew Uruguay from a potential Trade in Services Agreement with the United States and more than 20 other nations in 2015 due to opposition within his coalition.

Total U.S.-Uruguay merchandise trade has increased by 90% since 2007, according to U.S. Department of Commerce data. In 2017, U.S. exports to Uruguay totaled \$1.6 billion and U.S. imports from Uruguay totaled \$585 million, resulting in a \$993 million U.S. trade surplus. Refined oil products, machinery, cosmetics, video game equipment, and pharmaceutical products were the top U.S. exports to Uruguay. Beef, works of art, wood, medical instruments, fruit, and leather were the top U.S. imports from Uruguay. In 2017, the United States accounted for 8% of Uruguay's total trade and was Uruguay's fourth-largest trading partner behind China, Brazil, and Argentina.

U.S.-Uruguayan investment ties have increased substantially since the countries signed a bilateral investment treaty in 2005. According to the Department of Commerce, the accumulated stock of U.S. foreign direct investment in Uruguay increased from \$609 million in 2005 to \$1.5 billion in 2016. During the same time period, the accumulated stock of Uruguayan foreign direct investment

in the United States increased from \$88 million to \$462 million. According to the U.S. Department of State's 2017 *Investment Climate Statement*, Uruguay "recognizes the important role foreign investment plays in economic development and continues to maintain a favorable investment climate that does not discriminate against foreign investors." 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. About 120 U.S.-owned companies currently operate in Uruguay.

International Affairs

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 international institutions. Although Uruguay and the United States often seek similar objectives in international affairs, the countries sometimes disagree on tactics. For example, the Vázquez Administration has condemned the undemocratic actions of the Venezuelan government but views U.S. and regional efforts to isolate Venezuela diplomatically as counterproductive to fostering a peaceful restoration of democracy.

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. As of March 2018, Uruguay had 935 military troops, police, and advisers deployed to five countries, 922 of whom were supporting the U.N. Organization Stabilization Mission in the Democratic Republic of the Congo. The country also has established a National Peace Operations Training Institute, which provides specialized peacekeeping training to Uruguayans and foreign students.

The United States has urged Uruguay to maintain its contributions to U.N. peacekeeping missions and has sought to strengthen Uruguay's peacekeeping capabilities. Since FY2013, the U.S. government has obligated nearly \$16 million in assistance for Uruguay through the Global Peace Operations Initiative to provide equipment and training for Uruguayan peacekeepers and support Uruguay's peacekeeping training center. 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 \$499,000 in FY2016 and \$498,000 in FY2017. It is currently unclear how much security assistance Uruguay may receive in FY2018, but the Trump Administration has requested \$300,000 in IMET aid for Uruguay in FY2019.

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