



## POLITICS

### **The Economist: lack of "full democracies" in L. America**

**Uruguay** and Costa Rica were the only Latin American countries deemed as "full democracies" according to *The Economist's* "The World in 2007" analysis of democracies around the world. Most Latin American states were listed as "flawed democracies," though a few were labeled as "hybrid regimes" (e.g. Venezuela and Haiti) and Cuba was placed as an "authoritarian regime."

### **Uruguay Signs Agreement with Ecuador to Import Oil**

Uruguay agreed with PetroEcuador, Ecuador's state oil company, to participate in bids to buy crude next year, said Ivan Rodriguez, Ecuador's energy minister.

The agreement also includes the sale of Uruguayan gasoline to Ecuador, Rodriguez told reporters in a news "Savings," said Rodriguez. "A country that needs education, health, imagine what it could do with that money."

For another perspective on democracy and Latin America check out this 2004 report from the United Nations entitled "Democracy in Latin America: Towards a Citizens' Democracy."

***Links- MercoPress, Vcrisis, The Economist, United Nations Development Program***

Rodriguez said Ecuador will seek to follow Uruguay's policies to save 10 percent of energy, which will allow Ecuador to save \$100 million per year.

"Sometimes we have energy shortages because we are too dependant on the rains, so we need to have reserves and for that we have to encourage

Uruguay, which imports **15 million barrels of oil per year**, has an annual gasoline surplus that can reach 300 million liters (79,156 gallons), which will now have a

market, said Daniel Martinez, president of Uruguay's **ANCAP**, the country's state-run energy company.

``It's spectacular, the possibility of buying crude from Ecuador, because it generates a strong flow of trade and strengthens our capacity to be open to the world," Martinez said.

### **Iberoamerican summit ends with call to boost development**

The 16th summit of the Ibero-American Nations Organization ended in the Uruguayan capital, Montevideo, yesterday with the signing of the Montevideo Commitment - calling on donors to promote development, especially in vulnerable communities, to slow migration.

"Governments have to work hard to prevent migration forced on citizens for political and economic motives, so that no one should feel obliged to leave their home country," Uruguay's President Tabaré Vazquez told the conference's closing session.

The Commitment said that remittances should not be viewed as official aid, because they are sent by individuals to their families. It added that when states exercise their normal right to control who comes and goes from their territory, they must respect international law, human rights, and international law respecting refugees.

The heads of state also signed the so-called Montevideo Declaration stating

their support for United Nations principles including democracy and respect for sovereignty; and restated their support for human rights, multilateralism and international law.

They also expressed support for Panama's plan to improve the nation's Canal; condemned a United States plan to build a wall on the border with southern neighbor Mexico; and expressed support for a Cuban bid to extradite Luis Posada Carilles, a Venezuelan citizen wanted in connection with a bomb attack that killed 73 people traveling on a Cuban airline.

The also called for Britain and Argentine to return to talks over the Falkland Islands, known in Argentina as the Malvinas. The two nations went to war over the South Atlantic island group, which is ruled by London, in the early 1980s.

"Looking to the future the region could find points... where the region can work together, without hegemonies, using instead the common heritage that unites all Ibero-Americans," Enrique Iglesias, secretary general of the organization said.



### **Uruguay Accepts Spain Mediation in Argentina Row**

Uruguayan President **Tabaré Vazquez**

announced that his government supports the

Spanish king's initiative to arbitrate an Argentine-Uruguayan dispute on paper mills.

Uruguay and its government supported the Spanish proposal since it was first announced, Vazquez said, clearing up any doubt on the real stance of Uruguayan authorities on the issue.

However, "we will not make any comment until we perceive the results," said the president in a press conference after the closing of an Ibero-American Summit in Montevideo.

Relations between Buenos Aires and Montevideo have strained after the two paper plants began to be built in a Uruguayan locality very close to the border with Argentina.

### **Corruption: Chile and Uruguay have lowest regional levels**

**Chile and Uruguay were the best ranked countries in the latest edition of the "Corruption Perceptions Index"** (CPI) released Monday by the nongovernmental corruption watchdog Transparency International

The index ranks 163 countries by their perceived levels of domestic

corruption in the public sector. As usual, at the top of the list are several Scandinavian countries, such as Finland, Iceland, and Denmark

Among the major world powers, UK came in 11th, Germany 16th, Japan 17th, the United States was 20th and Spain 23rd.

In Latin America Chile ranked 20 and **Uruguay 28** followed by Costa Rica, 55; El Salvador, 57, Colombia 59 and Cuba 66.

Further down comes in Brazil in position 70 similar to that of Mexico and Peru; Argentina, 93; Bolivia, 105; Paraguay and Nicaragua, 111 and Venezuela 138.

The top six of the list are Finland, Iceland, New Zealand, Denmark, Singapore and Sweden.

The Berlin based Transparency International said there was a "strong correlation between corruption and poverty." Most of the world's low-income countries -- especially in Africa -- fared poorly.

Ukraine and Georgia are 99th and Russia is in 121st place. Armenia is in 93rd place, while Azerbaijan is in 130th place. Kazakhstan is ranked 111th.

Near the very bottom of this year's list are Iraq, in 160th place, and Uzbekistan and Belarus, tied for 151st place. Turkmenistan and Tajikistan tied for 142nd place.

"Corruption traps millions in poverty," said Transparency International Chair Huguette Labelle. "Despite a decade of progress in establishing anti-

corruption laws and regulations, today's results indicate that much remains to be done before we see meaningful improvements in the lives of the world's poorest citizens".

Almost three-quarters of the countries in the CPI score, including all low-income countries and all but two African states, are evidence that most countries in the world face serious perceived levels of domestic corruption.

In seventy-one countries - nearly half - corruption is perceived as rampant. Haiti has the lowest score; Guinea, Iraq and Myanmar share the penultimate slot.

Countries with a significant worsening in perceived levels of corruption in this year's report include: Brazil, Cuba, Israel, Jordan, Laos, Seychelles, Trinidad and Tobago, Tunisia and the United States.

Countries with a significant improvement in perceived levels of corruption include: Algeria, Czech Republic, India, Japan, Latvia, Lebanon, Mauritius, Paraguay, Slovenia, Turkey, Turkmenistan and **Uruguay**.

### **Uruguay among top ten contributors to UN blue helmets.**

United Nations peacekeeping deployment reached a historic high at the end of October, with nearly 81,000 military and police personnel and some 15,000 civilians serving in peace operations around the world in 18 different missions, and a budget that could reach 7 billion US dollars, reported the UN Department of

Peacekeeping Operations reported today.

Mercosur junior member Uruguay is among the top ten contributors to the UN Peacekeeping forces.

"The unprecedented growth represents a growing confidence in United Nations peacekeeping as a means to help build stability after conflict," Under-Secretary-General for Peacekeeping Operations Jean-Marie Guéhenno said.

The previous peak in the 58 years of UN peace operations was in July 1993, when 78,444 so-called "blue helmets" were deployed, almost one third of them in the UN Protection Force in Bosnia and Herzegovina.

"These new demands have also brought unprecedented challenges to the United Nations, including in the areas of personnel, resources, management, logistical support, quality assurance, professionalism and oversight, as well as the challenge of maintaining the political engagement of Member States," Mr. Guéhenno said.

The current surge began in October 2003, with the deployment of five major operations -to Liberia, Côte d'Ivoire, Haiti, Burundi and the Sudan - and the expansion of the mission in the Democratic Republic of the Congo (DRC).

Over the past three months, the newly established UN Integrated Mission in Timor-Leste (UNMIT) and the increased deployment in the UN Interim Force in Lebanon (UNIFIL) contributed to the record-breaking number of uniformed personnel in the field. The 18 DPKO missions are in

Africa, the Caribbean, the Middle East, Europe and Asia.

Peacekeeping personnel come from some 112 countries. As of 31 October, the top 10 troop contributors were: Pakistan (9,790), Bangladesh (9,655), India (9,276), Jordan (3,819), Nepal (3,522), Ghana (2,674), **Uruguay (2,583)**, Ethiopia (2,568), Nigeria (2,429) and South Africa (2,077).

Peacekeeping is paid for by all Member States, according to an agreed upon formula which they established.

### **World Bank to fund controversial Uruguay pulp mill**

(Reuters) - The World Bank agreed to finance a pulp mill project in Uruguay that soured relations with neighboring Argentina over concerns it will cause environmental damage to a river they share.

The financing by the bank's private-sector lender, International Finance Corp and guarantee agency Multilateral Investment Guarantee Agency will provide up to \$520 million in loans and insurance for Finnish pulp-making firm Metsa-Botnia's Orion mill on the Uruguay River, which separates the two countries.

"The decision paves the way for us to move forward and engage with stakeholders to maximize economic, environmental and social benefits to local communities on both sides of the river," IFC Executive Vice President Lars Thunell said in a statement after the decision.

The IFC recommended the project saying it complied with the bank's environmental and social guidelines, after an independent study concluded

the project was unlikely to cause long-term harm to the environment.

A World Bank board official, speaking on condition of anonymity, said Tuesday's decision won the backing of 23 out of 24 directors, with the lone opposition coming from Argentina, which represents a constituency of six Latin American countries that includes Uruguay.

In the run-up to the board meeting, Uruguay had considered moving to another constituency, possibly led by Brazil, to ensure it got a fair representation over the pulp mills issue, but decided to stay put because of time constraints.

A statement by the Uruguayan government to the board directors said the project represents huge economic benefits, jobs and development opportunities for the country.

Uruguay suggested one way to mend the rift would be to allow local communities from both cities to monitor environmental and other standards at the Orion plant.

The Orion mill, which is the largest foreign investment in Uruguay's history, is expected to add more than **2 percentage points to Uruguay's GDP**, increase exports by 8 percent and add around 12,000 jobs during the construction phase.

"The project is in itself a turning point of the overall development process of Uruguay," it said.

## **Metsä-Botnia's Uruguay mill causes "no environmental harm" -IFC**

22.11.2006 at 11:10

The boards of the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (Miga), both part of World Bank group, on Tuesday approved a 170-million-dollar investment by the former and a guarantee of up to 350 million dollars by the latter for Metsä-Botnia's pulp mill in Uruguay.

"The two organizations, after completing a thorough review of the facts, are convinced that the mill will generate significant economic benefits for Uruguay and cause no environmental harm," the IFC said in a statement.

The claimed environmental impact of the Finnish company's mill in Fray Bentos has sparked a diplomatic crisis between Argentina and Uruguay.

"IFC and MIGA are not taking any position on the eventual outcome of the case brought by Argentina pending with the International Court of Justice in The Hague," the statement added.

## **ECONOMICS**

### **Uruguay to Repay \$1.08 Billion IMF Debt**

Uruguay' Government said it will repay \$1.08 billion in debt with the International Monetary Fund (IMF) ahead of schedule thanks to the

country's strong recovery from a 2002 economic meltdown.

Economy Minister Danilo Astori said Uruguay is repaying the debt it took on in a June 2005 standby agreement with the IMF. The accord was set to expire in 2008 and he said Uruguay is canceling its 2006 and 2007 obligations early.

Astori said repayment would help Uruguay reduce public debt now totaling about \$13 billion. He said a plan for implementing repayment would be released in coming weeks.

Uruguay's foreign reserves were \$3.3 billion at the end of October as the country has reaped revenue from strong demand for its agricultural exports, according to the central bank data.

The nation of 3.3 million people was hit by an economic crisis in 2002 after its neighbors Brazil and Argentina plunged into recession. Uruguay, like other South American economies, has since recovered and Astori said the repayment plan would help keep the country in good standing with the Washington-based IMF.

In March, Astori announced the early repayment of some \$630 million to the IMF

### **Uruguay and the Beef Market**

Learn about the "perfect beef-cow lease," Uruguay's surging presence on the global beef market, and the array of assistance programs designed to help mitigate the effects of the 2006 drought. Those are just a few of the offerings available in the November issue content of *BEEF* magazine, now

available at [www.beef-mag.com](http://www.beef-mag.com).

In "Surviving Dry Times," *BEEF* Senior Editor Clint Peck tells how federal officials are stepping up to the plate to assist cattle producers impacted by the nation's ongoing drought.

Meanwhile, Wes Ishmael reports that, despite the fact there are more quality-based branded programs and buying grids available today than ever before, fewer U.S. cattle are grading Choice or better than in 1975. In fact, insufficient marbling represents the single greatest quality challenge in the eyes of purveyors, retailers, restaurateurs and packers.

### **Uruguay: more sheep and fewer cattle**

Heading for a record year of beef exports, over a billion US dollars, Uruguay's cattle herd is experiencing the impact of the efforts and it's doubtful it can sustain in the coming years such a level of production. According to the annual Ministry of Agriculture, Livestock and Fisheries 2005/06 livestock survey, Uruguay currently has 11.7 million head of cattle and 11.2 million sheep which represents an overall 2% decrease and 3% decrease compared to the previous census.

With a record extraction level of 25%, (almost 3 million head), cattle in the different categories experienced declines with the exception of calves that increased 3%. Another positive side in spite of the record beef production, (over 600.000 tons) is that half the cattle stock is made up of cows in breeding condition which

makes current production sustainable in the medium term.

The current boom in Uruguay's beef industry with live cattle prices the highest in the region and comparable to **Chicago**, plus an excellent sanitary condition, has also been helped by neighboring (competitor) countries' problems.

In Argentina limits and bans on beef exports have been imposed to contain inflation and in Brazil several states have proved to have endemic foot and mouth disease.

Of the 11.7 million head, 4.5% are 3 year old steers; 7.6% steers between 2 and 3 years; 10% between 1 and 2 years; calves 23% heifers 15%.

The record level of extraction is also indicating that the age of the three million head sent to abattoirs was mainly in the range of 2 to 3 years, with the rest above 3 years.

Regarding sheep, after almost a decade (1994) of a declining stock which seems to have peaked down in 2004 with 11.2 million, farmers are again showing confidence in wool and lamb and are retaining breeding age ewes. The ovine stock is made up of 55% ewes.

The number of sheep slaughtered jumped from 880.000 last year to 1.4 million in 2006

### **American Airlines to Fly Nonstop Between Miami and Montevideo**

American Airlines will begin seasonal nonstop service between its Miami hub and Montevideo, Uruguay, this November. The seasonal service was

originally introduced in December 2004, and is being renewed this year as a result of its success.

American's nonstop flight will operate from **Nov. 17, 2006, to April 10, 2007**, and will be flown three times weekly in each direction. On days the nonstop flight does not operate, American will continue to fly its current schedule of service to Montevideo via Buenos Aires, Argentina.

"All of us at American Airlines are proud and excited to be the first carrier to operate nonstop service between Miami and Montevideo," said Peter J. Dolara, American's Senior Vice President-Miami, Caribbean and Latin America. "As the capital and largest city in Uruguay, Montevideo has long been an important part of American's extensive Latin American route network. Nonstop service between Montevideo and our international gateway in Miami makes it more convenient than ever to travel to and from this wonderful South American city and country."

American will operate Miami-Montevideo service with Boeing 767 aircraft configured with 30 Business-Class seats featuring a spacious 60-inch pitch, and 182 seats in the Main Cabin. In both cabins, travelers will enjoy large overhead-storage bins that allow carry-on luggage to be stored "wheels first," creating more overall storage space and making it easier to stow and remove bags.

### **China's Chery to make cars in Uruguay from 2007**

(Reuters) - China's Chery Automobile and Socma S.A. will

start making two car models in Uruguay next year with an initial investment of \$100 million, the Argentine group said on Tuesday.

Chery Mercosur, which aims to meet growing demand in South American countries belonging to the Mercosur trade bloc, will import parts from Brazil, Argentina and China. The Chinese firm will hold a 51 percent stake, and the Argentine company the remaining 49 percent.

"In the first stage, which is seen lasting three years, 25,000 cars will be assembled per year and, once sufficient market penetration has been achieved, that goal is expected to expand to 100,000 cars," a Socma spokeswoman said.

"The investment is for \$100 million," she said, adding that production of a high-end vehicle called the Tiggo and a mass-market model called the QQ was scheduled to start in the second-half of next year.

Socma, which is one of Argentina's biggest conglomerates, owns a car-assembly plant in the Uruguayan capital Montevideo where Fiat and Peugeot assembled cars in the 1990s.

The Socma spokeswoman said a second-phase envisioned establishing a plant in neighboring Argentina and "analyzing the demand for other Chery projects in the region."

Chery produces some 400,000 vehicles per year and exports to 53 countries, Socma said.

# MERCOSUR



## **Mercosur and EU willing to compromise on trade**

Mercosur and European Union delegates celebrated a two-day meeting in Rio de Janeiro with the purpose of re-launching negotiations for a free trade agreement.

Negotiations have been stalled for almost two years and Mercosur expects the EU to improve its agriculture proposal, anticipated Brazilian negotiator Regis Arslanian.

"We expect a clear signal from the EU by showing us what they have to propose regarding agriculture. That's the purpose of the meeting", said Arslanian.

EU-Mercosur negotiations for a free trade zone with 700 million people were launched in 1999 and should have been on track by 2004 but negotiations have been suspended over differences in agriculture and services.

A resumption attempt last September didn't take off since negotiations seemed to be conditioned to the Doha Round from the World Trade Organization, where anyhow both sides are also confronted.

But during October the European Commission and Mercosur seemed to agree that there's a "window of

opportunity" to advance parallel to Doha and therefore the Monday meeting in Brazil.

"The meeting is basically to keep hope alive. What can change if the EU does not come up with an improved proposal?", asked a skeptical Argentine diplomat.

According to Brazilian sources Mercosur wants the EU to admit access for 300,000 tons of beef; 200,000 tons of sugar; a million tons of ethanol and 3.5 million tons of corn and sorghum, according to reports in the Brazilian press.

But in the Rio meeting, "nothing will be written or printed" and "no formal exchange of proposals will take place", anticipated Arslanian.

"Anyhow we expect the meeting helps us reach a negotiation package that is evidence of both sides' flexibility", said Arslanian.

The Brazilian delegate also revealed that Mercosur's major members, Brazil and Argentina are ready to advance and reach an agreement, no matter what happens with the Doha round.

"If Europeans are willing to open their agriculture market, Mercosur is prepared to improve its services and automobile industries proposals, which is of EU interest", said Arslanian.

"We're ready to explain and detail our proposal. We have all the numbers and are ready to discuss them", he insisted.

## **Mercosur addresses regional migration legalization**

**Over 330.000 undocumented immigrants have become legal residents of Argentina in the last six months according to Interior Minister Alberto Fernandez. Most come from Paraguay, Bolivia and Peru.**

The announcement was done in Brazil during a Mercosur and associate members' ministerial level meeting on migration. Mr. Fernandez said the "Large Motherland Plan" was successfully launched last April.

Mr Fernandez revealed that until last Friday, 332.000 people had taken advantage of the legalization program of which 80% were Paraguayans and Bolivians, and the rest from Peru, Uruguay and Brazil.

Data shows that most immigrants are women, adults, and only 26% children which differs significantly from the population pyramid of those countries, thus meaning the majority walked into Argentina from neighboring countries looking for jobs.

Apparently the success of the Argentine program has moved Brazil into adopting a similar bilateral reciprocity plan which should help 300.000 Argentines in Brazil legalize their situation.

The Argentine plan was praised and supported by Brunson Mackinley, Director General of the International Organization for Migration.

At the meeting of Interior and Justice Ministers it was agreed that during the six months Paraguay has the chair of Mercosur, the so-called "Montevideo

Act" to combat people traffic and the sale of babies, be fully implemented.

## **MERCOSUR DELEGATION TO WATCH OVER VENEZUELA PRESIDENTIAL VOTE**

The Common Market of the South (Mercosur) is sending an observation mission to monitor the Venezuelan presidential election next December 3rd, Thursday said the bloc's Committee of Permanent Representatives (CRPM).

The committee, based in Montevideo, Wednesday decided to send the mission, which will be headed by its president, Carlos Álvarez, and comprises the representatives of Mercosur member countries Argentina, Brazil, Paraguay, Uruguay and Venezuela, but the latter will not be represented at the delegation, AFP reported.

Mercosur is taking steps to organize the Observatory of Democracy, the creation of which was announced at the Mercosur Summit in Cordoba last July, and which is intended to strengthen and reinforce democratic performance in the bloc's member countries.

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