



## POLITICS

### ► URUGUAY - Strategic partner

Some fascinating things are happening in the South American nation of Uruguay that should catch the attention of policymakers in Washington. If they don't, we run the risk of missing a historic opportunity to re-orient hemispheric relations in a manner consistent with strategic U.S. interests.

Long overlooked as a nation in the shadow of giants Brazil and Argentina, Uruguay has traditionally carved out an important international role, projecting global leadership far in excess of its relative size. From the Uruguay Round of global trade talks that created the World Trade Organization, to the long-serving tenure until recently of a Uruguayan president of the Inter-American Development Bank, to the fact that the nation has had more troops per capita engaged in global peacekeeping activities than any other nation, Uruguay has a proud history of outsized ambition and performance.

Happily, with the election of President Tabare Vazquez in 2004, the tradition of Uruguayan leadership is continuing, and indeed expanding. A medical doctor, party leader and former mayor of Montevideo, President Vazquez was supposedly at the vanguard, according to alarmists, of the leftist wave washing over the continent. Since his election by an absolute majority of votes, however, the president has set a course of strong, reasoned leadership in righting Uruguay's economy while engaging the global community.

### **Shared interests**

In fact, if the United States is sensitive and proactive in responding to the signals Montevideo is actively sending, Uruguay could become a key to improved relations with South America, creating a new dynamic in hemispheric trade relations and forging ties based on true mutual interests.

Our relations are already strong. In 2004, perhaps surprisingly, the United States became Uruguay's largest market, followed by neighbors and fellow Mercosur partners Brazil and Argentina. In fact, in

2005 Uruguay's exports to the United States almost reached its total sales to all Mercosur nations combined, \$760 million versus \$781 million, respectively. In comparison, Uruguay's exports to the European Union totaled \$587 million. Partly as a result of this expanding relationship, the United States and Uruguay have now signed the Bilateral Investment Treaty, which has been approved by the Foreign Relations Committee of the U.S. Senate. This treaty is an important step, linking our economies closer together with cutting-edge provisions that will provide important, mutual protections for business. But it is only a first step. In fact, early in August, Vazquez publicly called for a free-trade agreement with the United States, an extraordinary political move for the president who faces intense pressure from Mercosur partners on these issues, to say nothing of opponents in his own government.

### **Think strategically**

It is now up to the United States to decide how to respond. Washington should see strategic opportunity. A trade agreement with Uruguay would go well beyond trade and investment, sending a powerful signal to the hemisphere that the United States is open for business and deepening relations, even with so-called "leftist" leaders, based on shared interests.

It would provide additional global linkages for Uruguay, giving it opportunities that would complement its membership in Mercosur. And it would provide an important boost to hemispheric trade talks, since Uruguay was one of a five-nation minority to urge reconsideration of the hemispheric Free Trade Area of the Americas during last year's Summit of the Americas in Mar del Plata, Argentina.

As Secretary of State Condoleezza Rice said about the Americas, the United States charges no ideological price for partnership. The hemisphere is watching. If we move with alacrity to engage Uruguay in free-trade talks, we may be able to cement a new strategic opening in the heart of an important region of South

America. But if we fail to seize the opportunity that has been offered, we will lose an important chance to advance the strategic interests of the United States in the Western Hemisphere. The choice is ours to make.

***Eric Farnsworth** - Vice president of the Council of the Americas. From 1995-98, he served as an advisor for hemispheric affairs in the White House.*

### ► **New USA Ambassador nominated to Uruguay**

The President George W. Bush intends to nominate **Frank Baxter**, of California, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Oriental Republic of Uruguay. Most recently, he served as Chairman and Chief Executive Officer of Jeffries and Company, an investment banking firm. Previously in his career, he served as a Director of the Securities Industry Association and also as a Director of the National Association of Securities Dealers.

Mr. Baxter received his bachelor's degree from the University of California at Berkeley.

### ► **U.S. Senate Approves U.S.-Uruguay Bilateral Investment Treaty Pact will increase investment, jobs, and trade, say U.S. officials**

Washington -- The U.S.-Uruguay Bilateral Investment Treaty (BIT) will benefit the economies of both countries, is an important step toward closer economic cooperation between the two nations and reflects the United States' commitment to explore and expand economic opportunities in the Western Hemisphere, say senior U.S. officials. The BIT signed November 4, 2005, by the United States and Uruguay at the Summit of the Americas, held in Mar del Plata, Argentina, was approved by the United States Senate September 12.

U.S. Secretary of State Condoleezza Rice explained the importance of the BIT's passage September 14.

"The U.S.-Uruguay BIT will help promote prosperity for both our peoples by creating jobs, and it is an important step toward deepening our economic and trade relationship," she said.

The United States is Uruguay's largest trading partner, and U.S. direct investment in Uruguay was \$533 million in 2004. The investment protections in the treaty will offer current and future U.S. investors in Uruguay a more stable and predictable legal and regulatory environment, thereby promoting increased investment in Uruguay, greater two-way

trade, and expanded economic growth and prosperity in Uruguay, according to the Office of the U.S. Trade Representative.

"The U.S.-Uruguay BIT advances the Bush administration's policies to strengthen trade and investment ties across Latin America". "This treaty demonstrates the United States' commitment to explore new and innovative economic opportunities with our neighbors in the hemisphere."

An official added that the United States will continue to work closely with hemispheric partners that implement sound economic policies and are committed to the rule of law, citing **Uruguay** as an example.

"We are especially pleased that we were able to conclude our first BIT in several years with Uruguay, which has been a strong partner of the United States in the World Trade Organization and a longtime democratic model for the region," said Schwab.

Both houses of the Uruguayan legislature already have approved the BIT overwhelmingly, and it will enter into force 30 days after the exchange of instruments of ratification.

## ECONOMICS

► **Mercosur junior members' decision to negotiate free trade agreements with third parties received Friday the agreement of Brazil, current chair of the group, following a meeting of the Brazilian and Uruguayan presidents, Lula da Silva and Tabaré Vazquez.**



The visiting Uruguayan leader presented President Lula da Silva in Porto Alegre a package with several Mercosur review proposals, mainly regarding the common external tariff, as well as requesting backing for junior members to reach bilateral trade agreements with other parties.

President Vazquez said a copy of the proposals will be addressed to all other Mercosur members as of next Monday following President Lula's acceptance and

the fact that Brazil is also involved in bilateral trade talks with South Africa.

“We’re very pleased with President Lula’s consent for Uruguay and Paraguay to explore new paths and see how far they can reach, as long as these roads and proposal achievements do not injure the heart of the block; which means no conspiring or destruction of the regional integration process”, President Vazquez told reporters after the hour long meeting with his Brazilian counterpart.

He added that there “are no objections to talks with China, India, South Africa, or United States. Actually next September 13, Brazil is holding trade talks with India and South Africa and Brazil will let them know Uruguay and Paraguay are also interested”, added President Vazquez.

“The heart of Mercosur is based in the common foreign tariff, and this is the issue we talked about, a positive way to strengthen Mercosur”, said Vazquez who revealed the leading points of the Uruguayan proposal.

Basically they are discussion of the common foreign tariff; eliminating double taxing; request Mercosur larger members to be more flexible and accept Uruguay can explore how far it can reach with bilateral agreements. For Uruguay this means “exploring” the path for a free trade agreement negotiation with United States, to be officially launched early October and for which “we have all the support needed”, said Vazquez.

The Uruguayan president praised his Brazilian counterpart since Brazil is giving evidence of “great flexibility mainly by admitting Mercosur as it’s now, it’s not working properly for the smaller countries and this must be improved and allow junior members to be involved in other undertakings without harming Mercosur”.

Brazil’s support for Uruguay’s position was specially underlined by Uruguayan officials who pointed out that President Lula took time out of his hectic re-election campaign to meet with Vazquez for over an hour. President Lula’s delegation also included Foreign Affairs Minister Celso Amorim and his main foreign policy advisor Marco Aurelio García.

Meantime in Montevideo Uruguayan Economy minister Danilo Astori announced that in mid October Uruguay will make a formal presentation of its negotiations before Mercosur’s Council that will then decide. Currently six bilateral US/Uruguay groups are working on different fields (from government procurement to intellectual property) and should have a formal report on time for mid October.

However while this was happening in Brazil and Montevideo, Gustavo Marques, Integration and Trade Minister from Venezuela the latest incorporation to Mercosur, who is visiting Uruguay warned that “a free trade agreement with United States is a form of colonial domination and must be rejected because it’s absolutely incompatible with the process of regional integration”.

### ► **Moody's reviews Uruguay for possible upgrade**

Moody's Investors Service on Tuesday placed Uruguay's "B3" foreign- and local-currency bond ratings on review for a possible upgrade.

In a statement, the ratings agency said it is now determining "the extent to which improved growth prospects, a robust export performance, and a strengthened fiscal position will support a continued reduction in government and external debt indicators" of Uruguay.

The review will also cover the country's "B1" foreign currency country ceiling, Moody's said.

### ► **Uruguay Mineral Posts Higher Q4 EPS - Quick Facts**

**Uruguay Mineral** posted fourth quarter net income of US\$4.07 million or US\$0.090 per share compared to US\$2.54 million or US\$0.056 per share in the prior year quarter. Operating revenues for the quarter increased to US\$15.99 million from US\$10.28 million in the comparable quarter last year.

The company reported fiscal 2006 net income of US\$10.58 million or US\$0.22 per share, compared to US\$1.51 million or US\$0.031 per share in the same period last year. Net sales for the fiscal 2006 was US\$50.57 million, up from US\$30.31 million in the year ago period.

## ► Uruguay Mineral beats production target

**Uruguay Mineral Exploration** bounced off recent lows today after it said it had exceeded the group's gold production target of 100,000 ounces per annum. Figures for the year to 31 May showed production of the yellow metal hit 101,287 ounces at an average cash cost of \$210 per ounce, the first full year in which that production target from **San Gregorio** has been exceeded.

The group reported year operating revenues of US\$51.2m including gold sales of 100,395 ounces at an average price of \$486 per ounce, while net profit after tax was \$10.58m. In the last quarter gold production was 25,350 ounces at an average cash cost of \$243 per ounce, up from 24,844 ounces and \$229 a year ago. Operating revenues were \$15.99m, up from \$10.28m last time as net profit after tax came in at \$4.08m versus \$2.54m this time last year. The group is paying a maiden dividend of C\$3.5 cents per share.

## ► Uruguay livestock and Products - Annual Report (USDA)

**Uruguay's beef exports for 2007 are expected to increase to 520,000 metric tons (MT)** due to stronger demand from export markets, especially the U.S and Mexico.

Cattle exports from 2007 are expected to remain stable as domestic prices will continue to be high. Cattle stocks are forecast to decrease to 12 millions head due to a large slaughter caused by strong demand from export markets.

Uruguay has benefited greatly from its improved sanitary status after the economic crisis of 2002, compared to its neighboring competitors, Brazil and Argentina, whose beef is prohibited entry into the US due to Food and Mouth Disease (FMD) (Brazil had two new FMD outbreaks in October 2005.

The main beef cuts exported to the U.S in 2005 were frozen boneless fore and hindquarters and trimmings. In 2005, Uruguay not only exceeded its 20,000 MT US beef quota but also exported an additional 310,000 MT (CWE) outside the quota, paying 26,4 per cent out of quota tariff.

As in past years, Uruguay has filled completely its, 6,300 MT share of the Hilton beef quota.

## ► International Living Announces. The 2006 Annual Global Retirement Index - Uruguay in very good position -

For the sixth consecutive year, the same country has come out on top of International Living's Global Retirement Index. After closely reviewing eight key factors: Real Estate Prices, Special Benefits for Retirees, Cost of Living, Safety and Stability, Health Care, Climate, Culture & Entertainment, and Infrastructure, Panama came out the top destination - followed by Malta, New Zealand, **Uruguay**, and Mexico. **It should be noted that Uruguay moved up five places this year, from ninth in 2005 to fourth in 2006. This tiny country, the size of Missouri, has the lowest poverty level in Latin America, the longest life expectancy, and the second lowest level of corruption. Plus, the literacy rate in Uruguay is an astounding 98%.**

Let's go back to our winner of the past six Global Retirement Indexes, Panama. It is quite clear why this country is so appealing for North American retirees: Panama boasts the world's most generous program of special benefits for retirees, it offers easy access from the US, its cost of living is low, the landscapes and coastlines are beautiful, its population is friendly and warmly welcomes foreign residents and investors, and its capital, Panama City, is without peer in the region.

Malta, which is actually the twin islands of Malta and Gozo, takes silver in this year's Retirement Index. Steeped in history and tradition, these small islands, with near-perfect climates year-round, offer a simple, relaxed lifestyle, an affordable cost of living, and permanent foreign residents can take advantage of a 15% tax rate. Plus, property taxes don't exist in Malta, and crime too is practically non-existent. The next five countries selected in positions 6-10 are: France, Romania, Argentina, Malaysia, and Ecuador. If you are interested in the entire list or the points awarded to each of the 28 countries, the 2006 Annual Global Retirement Index is free to International Living Newsletter readers, which can be ordered by calling 1-888-884-7755, or by visiting [www.internationalliving.com](http://www.internationalliving.com).

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### ► Uruguay becomes tourism destination of Chinese citizens

China announced here Monday that **Uruguay** will become a new tourism destination of Chinese citizens. The news was made public after a meeting between Wu Bangguo, chairman of the Standing Committee of China's National People's Congress, and President of Uruguay Tabare Vazquez in the Uruguayan capital.

An official with China's Foreign Ministry said that the Chinese government had approved the move months ago after negotiations with the Uruguayan government and the two governments agreed to announce the decision during Wu's visit to Uruguay.

She said the tourism authorities of the two countries will start discussions on detailed arrangements after the decision was announced. The announcement made Uruguay another tourism destination of Chinese citizens in South America, following Brazil, Chile, Peru, Argentina and Venezuela. Statistics showed that in 2005, the number of outbound Chinese tourists reached 30 million.

### ► Uruguay Saving Energy

The Uruguayan government has permanently extended a summer daylight savings plan that it first launched two years ago in a bid to save energy.

Clocks across Uruguay will move forward an hour at 2 a.m. (0500 GMT) on the first Sunday in October and fall back 60 minutes at 2 a.m. on the second Sunday in March of each year, according to a decree posted on the presidential Web page Tuesday. During the daylight savings period, Uruguay time will be two hours behind GMT.

The government said the move will help the nation's strained energy sector meet demand during peak summer electricity usage.

The South American summer runs from late December to late March.

### ► Uruguay to get UMTS network

Following a year of testing by Huawei, state-controlled Uruguayan cellco Ancel is to purchase UMTS equipment to establish a 3G network in the country. **When completed it will be the first W-CDMA network in Latin America.** Under the deal, Huawei will provide Ancel with an end-to-end solution including so-called 3.5G HSDPA software

## MERCOSUR



### ► The Arbitration Tribunal of Mercosur accepted Uruguay's demand.

The Arbitration Tribunal of Mercosur accepted Uruguay's demand and ruled that Argentina did not take necessary action to guarantee free circulation of goods and services into Uruguay as contemplated in the block's charter.

The ruling faulted Buenos Aires for not preventing Argentines from blockading bridges into Uruguay in an attempt to prevent the construction of pulp mills that Argentina claims will pollute both sides of the fluvial border.

However the ruling does not outline "a future due conduct" for Argentina in the matter (no more blockades) nor did it contemplate Uruguay's demand for compensations arising from losses caused by the protests which lasted 72 days and allegedly cost the Uruguayan economy "**400 million US dollars**".

Uruguay's Foreign Affairs minister Reynaldo Gargano described the ruling as a victory for Uruguay given the implicit "moral and political force" and which Argentina must abide.

The president of the Arbitration Tribunal Magistrate Luis Marti Mingarro from Spain said the ruling hopes blockades as those which happened between Uruguay and Argentina **will not be repeated.**

► **MERCOSUR for Joint IMF Strategy**

Buenos Aires, Aug 31 (Prensa Latina) Argentinean Economy Minister Felisa Miceli is flying Thursday to Brazil to attend a meeting of the Common Market of the South (MERCOSUR), in which the block will define its common position regarding the International Monetary Fund (IMF).

Besides Miceli, partners from Brazil, Uruguay, Paraguay and Venezuela, MERCOSUR, plus Chile and Bolivia, associated nations, will take part in the Rio de Janeiro gathering to seek a united plan for the IMF assembly, scheduled for September in Singapore.

Previously, she announced that the government of President Nestor Kirchner will advocate for deep reorganization of that financial body.

Buenos Aires is demanding that the IMF prioritize domestic social situations and not focus on fiscal accounts of the member countries economies.

It will request the fund to implement contingent loans with automatic debits and change the representation system in the IMF leadership for emerging states to have more influence in the organization's decisions.

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In Brazil, MERCOSUR ministers will debate the importance to move towards the creation of a **Development Bank**.

That bank will focus on the need to increase integration, competitiveness and international insertion as well as issue bonuses and shares that could be acquired by non-MERCOSUR countries.