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FEATURED Q&A

Should Uruguay's Government Do More for Farmers?



Uruguayan President Tabaré Vázquez has faced criticism over his government's agricultural policies. // File Photo: Uruguayan Government.

Q Tens of thousands of Uruguayan farmers filled the streets of the city of Durazno in mid-January in protest of President Tabaré Vázquez's policies toward the agriculture sector. Farmers are seeking tax cuts for the sector, and are protesting what they say is excess government spending on things such as vehicles and office rent, as well as high prices for energy and fuel, which farmers say have raised the cost of crop production. Why do farmers feel unsupported by the government? What policies should the government address in order to provide conditions for the agriculture sector that would appease farmers? How well is Vázquez managing Uruguay's economy overall?

A Charles H. Blake, professor of political science at James Madison University's School of Public & International Affairs: "These recent protests should be examined within Uruguay's economic context more broadly. After a fairly sound recovery during between 2010 and 2014 from the 2008-2009 global financial crisis, the Uruguayan economy slowed markedly from 2015 through 2017—framed by the recession and stagnation of the Brazilian and Argentine economies, which comprise Uruguay's principal markets. Although the Uruguayan economy has slightly outperformed its larger neighbors during this bleak period, that is cold comfort to an agricultural sector that has been stagnant during these past three years. A loose coalition of 'self-convoked' agricultural producers organized the January protests in Durazno. Their leaders stem from the dairy and horticultural

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British Judge Upholds Assange's Arrest Warrant

The judge rejected a request that would have allowed Wikileaks founder Julian Assange to leave Ecuador's embassy in London.

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Peru Defends China as a Good Trade Partner

Peru's trade minister made the remarks after U.S. Secretary of State Rex Tillerson warned countries against reliance on trade relations with the Asian nation.

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POLITICAL

Tillerson Calls for Regional Support on Venezuela's Crises

U.S. Secretary of State Rex Tillerson called for regional support to end Venezuela's crises. In Bogotá, Tillerson called for a free and fair presidential election in Venezuela, and also praised the anti-drug efforts of Colombian President Juan Manuel Santos' government.

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Santos and Tillerson met Tuesday in Bogotá. // Photo: Colombian Government.

POLITICAL NEWS

Tillerson Calls for Regional Support on Venezuela's Crises

U.S. Secretary of State Rex Tillerson on Tuesday called for regional support to end Venezuela's political and economic crises, the Miami Herald reported. Speaking in Colombia, his fourth stop on a tour of Latin America, Tillerson said the United States' top priority for Venezuela is for the country to hold a presidential election that is free and fair. "This is our only objective, to see Venezuela return to its Constitution, to return to its duly elected assembly and to hold free and fair elections—to give Venezuelans the right for their voices to be heard," Tillerson said alongside Colombian President Juan Manuel Santos in Bogotá. Santos' remarks about Venezuelan President Nicolás Maduro were more pointed. "Along with the grave humanitarian crisis that the dictatorial regime refuses to recognize, now we have a call for presidential elections—elections that, for us, are not valid, because they provide no [democratic] guarantees," said Santos.

"Maduro would never accept free and transparent elections because he knows he would lose them." On the steps of the Miraflores presidential palace in Caracas, Maduro blasted Tillerson. "Rex Tillerson has failed. He's failed on this tour of Latin America. Even the right has turned its back on him because he came here with extreme ideas," said Maduro. Negotiations between Maduro's government and Venezuela's opposition were perilously close to failure on Tuesday after the two sides failed to reach an agreement on the upcoming elections, the Associated Press reported. The two sides have held talks in the Dominican Republic for weeks, but there was still no deal, and Julio Borges, the delegation head for the opposition, said he would not sign any agreement that puts Venezuela's democracy at risk. "We haven't signed, nor will we, any agreement that isn't dignified and worthy of the Venezuelan people," he said late Tuesday night, appearing frustrated. During his visit to Colombia, Tillerson also said Colombia's efforts to fight drug trafficking were encouraging, Reuters reported. "We will continue to work with Colombia to support these efforts where we can be of assistance as well; this is a shared challenge for both of our nations," Tillerson said. Tillerson is also to visit Jamaica before concluding his tour.

NEWS BRIEFS

British Judge Upholds Assange's Arrest Warrant

A British judge on Tuesday upheld Wikileaks founder Julian Assange's arrest warrant, rejecting a request that would have allowed him to leave the Ecuadorean embassy in London, where he has been living since 2012, The New York Times reported. Earlier in January, Ecuador granted Assange citizenship, and Ecuadorean Foreign Minister María Fernanda Espinosa asked Britain to recognize him as a diplomatic agent, which would have granted him immunity to leave the country, BBC News reported. Assange has remained in the embassy out of concern that he would be extradited to the United States, where he would be charged for releasing classified diplomatic cables.

Nestlé to Stop Buying Palm Oil From Guatemalan Supplier Accused of Graft

Multinational food and beverage company Nestlé on Tuesday said it would stop buying palm oil from Guatemalan company Reforestadora de Palmas del Petén, or REPSA, because the palm oil company is facing allegations of paying bribes to receive tax credits, Reuters reported. In December, Minnesota-based agriculture giant Cargill cut ties with REPSA after the supplier was accused of environmental degradation and human rights violations, the Star Tribune reported.

Chevron May Participate in Brazil Oil Auction

Multinational oil company Chevron is considering participating in Brazil's oil auction next month as part of a consortium of companies, Brazilian oil regulator ANP said on its Web site Tuesday, Reuters reported. The auction will offer 70 offshore oil blocks in the Ceará, Potiguar, Sergipe-Alagoas, Campos and Santos basins as well as the on-shore Parnaíba and Paraná basins.

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subsectors, which have faced the greatest challenges. The Vázquez government responded by proposing to provide relief from energy prices as well as tax credits. Many, but not all, of the Durazno protesters argue that the government asks the private sector to adjust to market realities, while, in their view, the government itself has not engaged in sufficient austerity measures in terms of reduction in government spending. The Vázquez government has been defending its economic approach as a steady hand amid the difficult regional economic context that shapes Uruguay's prospects. It argues that stark austerity in public spending would have deepened the crisis, and it points to Uruguay's better economic performance in 2017 as an illustration of its success. However,

many of these protesters were skeptical of public-sector activities, even prior to the recent stagnation, and their frustration has now boiled over onto the streets of Durazno."

A **Graciana del Castillo, senior fellow at the Ralph Bunche Institute for International Studies at the Graduate Center of the City University of New York:** "In Uruguay, something that is striking is the parochialism of the debate, as if the country were not a small open economy in a problematic region, much affected by commodity prices and external demand and prices. Uruguay is extremely dependent on its neighbors for trade, investment and tourism. With GDP in Argentina and Brazil contracting signifi-

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ECONOMIC NEWS

Peru Defends China as a Good Trade Partner

Peru's trade minister on Tuesday defended China as a good trade partner following a warning by U.S. Secretary of State Rex Tillerson against relying excessively on economic ties with the Asian nation, Reuters reported. Trade Minister Eduardo Ferreyros said a 2010 trade liberalization deal between Peru and China had allowed Peru to post a \$2.74 billion trade surplus with China last year. "China is a good trade partner. We're happy with the results of the trade agreement," Ferreyros told reporters in Lima as Tillerson met with President Pedro Pablo Kuczynski before heading to Bogotá. Ferreyros added that Peru is "careful" with all of its trade relations.

BUSINESS NEWS

Soros, Cohen Boost Stakes in Argentine Mobile Banking App

Investment groups owned by U.S. investors George Soros and Steve Cohen have both increased their stakes in Argentine tech start-up Ualá, a mobile banking app, Bloomberg News reported Tuesday. The app, which launched in October, raised \$10 million in a funding round of Series A stock led by Soros, which closed last week, according to Soros Fund Management. Cohen's Point72 Ventures, as well as U.S. global investment bank Jefferies Group, participated in the funding round. Less than half of all Argentines have a bank account, and Ualá aims to close the gap by offering a low-cost alternative that allows customers to bank via their smartphones without fees to open, close or maintain the accounts. Each account also provides a prepaid Mastercard. Demand for the product has exceeded Ualá's expectations since its launch in October.

THE DIALOGUE CONTINUES

Will U.S. Absence Diminish the New Trans-Pacific Partnership?

Q Negotiators from 11 countries on Jan. 23 reached an agreement on the Trans-Pacific Partnership, or TPP, trade deal.

The deal, now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, will include Canada, Chile, Peru and Mexico as members of the agreement once it is ratified in March. The consensus comes a year after U.S. President Donald Trump withdrew the United States from negotiations. Which of the Western Hemisphere countries have the most to gain from the agreement? Which industries will thrive under the TPP? Does the decision by the United States to withdraw from the talks lessen the importance of the trade agreement?

A Carlo Dade, director of the Centre for Trade and Investment Policy at the Canada West Foundation and nonresident senior associate in the Americas Program at CSIS:

"The importance of the renamed TPP is, at a minimum, threefold for all participants. First and most often overlooked is that the agreement will produce positive trade and public welfare gains for all participants. Modeling done by the Canada West Foundation shows that for Canada and Mexico, the gains are larger without the United States as part of the agreement, as both countries can take market share from the United States in markets such as Japan. But for all countries, even if the gains are smaller without the United States as part of the agreement, there are still gains. Second, the agreement allows the participants to gain competitive

Advantage by building or utilizing larger supply chains. Rules of content, phytosanitary and other regulations will apply to all 11 members, giving TPP participants a huge competitive advantage, especially where their firms compete with U.S. firms that have more limited bilateral agreements, each with different rules. A Mexican or Canadian firm can build upon or tweak existing supply and production chains to now incorporate inputs from any other TPP country to sell to all TPP countries. U.S. firms will not be able to match this advantage. The agreement also sends an important political signal that will benefit all participants—the era of multi-lateral, win-win trade is not dead, despite President Trump's rhetoric and best efforts. Finally, for Canada and Mexico, their firms will have in the TPP everything that U.S. firms have wanted and demanded in a new modern trade agreement. Their American competitors will not. Nor with E.U.-U.S. talks dead in the water will U.S. firms have any hope of gaining these advantages elsewhere. Canada and Mexico will not simply copy TPP gains into NAFTA, but may instead press the Americans for concessions in order to regain things in NAFTA that they lost when they left the TPP. This may give the two countries some leverage in NAFTA talks, or at the least move pressure to the Americans."

Approximately 50,000 cards have been issued in the app's first three months. The founder of the company, Pierpaolo Barbieri, had said he only expected 10,000 users during that period. Forty percent of Argentines have smartphones, and that percentage is expected to reach 70 percent by 2020, according to the trade group GSM Association. Ualá was the fifth-most downloaded financial app in Argentina as of Feb. 4, according to research group App Annie.

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Feb. 2 issue of the Advisor.

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cantly in 2016, Uruguay's continued growth in 2016 and 2017 was quite impressive, particularly in view of the adverse effect of Venezuela's collapse on specific exports. You need not be a rocket scientist to realize that costs in Uruguay are high. Some factors on which protesters have focused do indeed affect the sector as a whole, as they do, to different degrees, other sectors. These factors include, most notably, an appreciated peso, high state spending and the high

“You need not be a rocket scientist to realize that costs in Uruguay are high.”

— Graciana del Castillo

cost of gasoline and electricity. The latter is particularly surprising, given that about 95 percent of Uruguay's electricity comes from renewable energy. While an appreciating peso has brought inflation within the central bank's target range of between 3 and 7 percent for the first time in years, Uruguayan producers believe that productivity depends only on the exchange rate. Since 2000, agriculture accounts for less than 8 percent of GDP, but the sector is important in terms of exports and the local social fabric. With large investments by Argentines, the price of land skyrocketed, which has affected the price of leases. Large local producers sold and invested in cheap land in Chaco, Paraguay. Those who stayed did not invest much during the commodity boom. Although each specific sector has its own problems, the government should focus on small producers, which are the ones who need the most support in finding better terms for leases, price of gasoil and other basic inputs.”

A **Adolfo Garcé, professor of political science at the University of the Republic in Montevideo:**

“Since 2005, Frente Amplio has governed economic policy seriously and professionally. Danilo Astori (economy and finance minister during Vázquez's terms as well as vice president under José Mujica) assured good levels of economic growth and was able to maintain stability, both with the exchange rate and domestic prices. However, the ruling party has been less successful in controlling the fiscal deficit, and more efficient in increasing tax revenue than in managing public spending. Economic policy has been more sensitive to workers than to employers, as is often the case when a leftist party is in office. The political power of labor unions has increased significantly. Frente Amplio has strengthened social policies, labor wages and labor-market regulations. In addition, the size and the role of the state in economy has also grown. Public statements by farmers are the most visible testimony of the growing concern of Uruguayan farms (rural but also urban) regarding increasing production costs. President Vázquez underestimated rural malaise in 2016 and 2017. The resignation of Tabaré Aguerre, the minister of livestock and agriculture, at the beginning of this year, was an indicator of the forthcoming political storm. The ruling party wants to be re-elected, and elections are set for October of next year. Therefore, the Frente Amplio is trying to meet most of farmers' demands. Vázquez reacted by announcing some sectoral measures and opening dialogue with farmers' organizations. I also expect him to try to lower the price of electric power and fuels as much as possible.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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