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## FEATURED Q&A

# What Factors Are Shaping Uruguay's Economic Growth?



Uruguay's economy experienced growth of 2.7 percent last year and 2 percent year-on-year in the fourth quarter, according to the country's central bank, which is headed by Mario Bergara. // File Photo: Uruguayan Government.

**Q** Uruguay's gross domestic product grew 2.7 percent in 2017, the central bank announced March 22. Last year marked the country's 15th consecutive year of economic growth, the longest in its history. What factors have done most to fuel Uruguay's economic growth, and what lessons can other countries in Latin America learn from it? How well has Uruguayan President Tabaré Vázquez managed the country's economy? What are the biggest headwinds that Uruguay's economy faces, and what is at stake in next year's presidential election?

**A** Julissa Reynoso, partner at Winston & Strawn and former U.S. ambassador to Uruguay, and Ariel Flint, associate at Winston & Strawn: "Uruguay's growth over the last 15 years has been a product of both circumstance and pragmatism. Coming off an economic crisis that resulted in an almost 20 percent contraction in the early 2000s, Uruguay's economy was able to rebound in large part due to a spike in commodity prices, particularly in the agricultural sector. And though historically tied to the upswings and downturns of the Argentine and Brazilian economies, Uruguay has made important structural changes, and it has positioned itself to maintain economic growth. In particular, the Frente Amplio government has made important policy decisions to diversify its trade partners to go beyond its Mercosur neighbors. Today, with the United States and China imposing tariffs on one another's agriculture industries, Uruguay has an opportunity to deepen its ties and increase its exports to what are already two of its three top

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The daughter of U.S. President Donald Trump, Ivanka Trump will visit with women business leaders and entrepreneurs at Lima's stock exchange this week.

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Suffering their worst drought in years, Argentine soybean processors have turned to the United States for supply, purchasing the largest amount in 20 years in order to make up for the expected shortfall later this year.

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### POLITICAL

## Pope Francis Invites Chile Sex Crime Victims to Vatican

Pope Francis this week apologized for "grave errors" in the handling of sexual abuse cases in Chile.

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Francis. // File Photo: Long Thien via Creative Commons.

## POLITICAL NEWS

## Ivanka Trump to Promote Women's Empowerment at Summit in Lima

Senior White House advisor Ivanka Trump told reporters Wednesday she plans to promote women's economic empowerment and female-owned businesses during the Summit of the Americas this week in Lima, the Associated Press reported. "When women are empowered economically, it contributes to increased economic growth, peace and global stability," she said. The daughter of U.S. President Donald Trump, Ivanka Trump is scheduled to join the delegation led by Vice President Mike Pence.



Trump // File Photo: Michael Vaden.

Among her stops will be a visit to Lima's stock exchange to meet with women business leaders and entrepreneurs. The president pulled out of the two-day summit, which starts tomorrow, only earlier this week, saying he needed to oversee potential U.S. military action in Syria instead. The decision marks the first time a U.S. president has not attended the summit, which President Bill Clinton started in 1994. U.S. Sen. Marco Rubio (R-Fla.), who ran unsuccessfully against Trump for the Republican Party's nomination for president in 2016, told reporters on Tuesday he plans to attend, McClatchy reported. Others en route from the United States include Acting Secretary of State John Sullivan; newly confirmed Permanent Representative to the Organization of American States Carlos Trujillo; as well as Acting Assistant Secretary for the Bureau of Western Hemisphere Affairs Francisco Palmieri.

## Pope Francis Invites Chile Sex Crime Victims to Vatican

In a letter to the bishops of Chile made public on Wednesday, Pope Francis apologized for "grave errors" in the handling of sexual abuse cases in the South American country, the New York Times reported. Francis had previously defended a bishop accused of covering up abuse by a notorious pedophile priest. In the face of criticism, the remorseful pontiff in his letter invited representatives of abuse victims to Rome so that he could personally apologize and individually ask for their forgiveness. Francis, 81, also summoned the country's 32 bishops to meet at the Vatican in May to discuss clerical sex abuse. The controversy started when Pope Francis, on a visit to Chile in January, defended a local bishop, Juan Barros, who stands accused of hiding abuses by a priest. Defending Barros, he said, "there is not a single piece of proof against him. Everything is slander," BBC News reported. Investigators at the Vatican have interviewed 64 people affected by the scandal and documented more than 2000 pages of material related to the case. An Argentine by birth, Francis is the first pontiff ever to be elected from Latin America.

## ECONOMIC NEWS

## Drought in Argentina Cuts Deep Into Soy, Cattle Production

Suffering their worst drought in years, Argentine soybean processors have turned to the United States for supply, purchasing the largest amount in 20 years in order to make up for the expected shortfall later this year, Reuters reported. The drought has prompted crushers in Argentina to buy up some 240,000 metric tons of U.S. soybeans over the past two days. In recent years Argentina has been a major soybean exporter to countries around the

## NEWS BRIEFS

## Canadian Solar Wins Projects in Brazil Auction

Ontario-based Canadian Solar announced Wednesday that it has won three solar photovoltaic projects, totaling 364 megawatt peak, in Brazil's April 4 energy auction. Once connected to the grid, the plants will generate approximately 706,000 megawatt hours of electricity every year. Canadian Solar said it will develop and build the projects, targeting commercial operation by 2022. Brazil's Electric Energy Trading Board announced this month that wind power prices fell to the lowest ever in Brazil at the April 4 auction, nearly reaching the Latin American record set in Mexico last November, Bloomberg News reported.

## Moody's Sees Less Risk for Mexico's Economy

Moody's Investors Service on Wednesday changed its outlook on the government of Mexico's ratings to stable from negative. The debt ratings agency said the change in status for Mexico's A3 ratings was driven by lower risks to growth from the renegotiation of the North American Free Trade Agreement. "Engagement between members of the treaty has remained solid despite a challenging negotiation process," Moody's said. The company added that the probability is low that the next administration, to be elected July 1, will bring a sharp change in economic policy.

## In Reversal, Brazilian Regulators to Study Vale-Yara Deal More Closely

Brazil's antitrust regulator, CADE, on Wednesday overturned an earlier ruling, deciding to study more closely the sale of a fertilizer complex from mining giant Vale to Norway's Yara International, Reuters reported. Yara had agreed in November to buy Vale's fertilizer complex in Cubatão, Brazil, for \$255 million in cash.

world. But the U.S. Department of Agriculture this week lowered its estimate for Argentina's soybean crop by 7 million metric tons to 40 million metric tons because of reduced harvested area and yield. A wave of hot, dry weather since November has cut 40 percent off overall grains production, the Associated Press reported. Argentina's herd will shrink by up to 1 million head of cattle next year as ranchers decide to slaughter females rather than grow their herds, according to the report. Meanwhile, in neighboring Brazil, northern regions of the country have received above average rainfall, leading to record production of soybeans there.

## Peruvian Mining Investments Rise 50 Percent in Feb.

Peru's Energy and Mines Ministry said Wednesday that mining investment grew 50.3 percent in February as compared to the same month last year, state news agency Andina reported. The \$293 million invested in February brings the year-to-date total to \$525 million, up 23.4 percent over the same term last year. "This upward trend is expected to continue during the coming months," the ministry said, citing projects scheduled to start production. Peru's new President, Martín Vizcarra, has a record as a conciliator who defused protests that have blocked billion-dollar natural resource projects over community opposition in recent years, Bloomberg News reported last week.

### BUSINESS NEWS

## Brazil Currency Woes Hit Carrefour First Quarter Results

French retailer Carrefour on Wednesday said sales growth slowed in the first quarter of the year, with negative trends in Brazil particularly affecting the company's results. Unfavorable currency exchange rates with the Brazilian real helped bring overall quarterly sales at current

exchange rates down 2.4 percent. Continued "sharp food deflation" in Brazil also hurt results, the company said. Inflation in South America's largest economy ended 2017 below the target range for the first time ever, mostly because of an unexpectedly steep food price declines driven by a record harvest, Reuters reported. Last month, Carrefour executives in Brazil announced plans to aggressively expand the company's store network, with potential acquisitions and partnerships as part of that drive. A total of 50 new stores will be opened in Brazil, according to the report, including 20 Atacadão wholesale outlets, ten Carrefour supermarkets and 20 Carrefour Express convenience stores, Chief Financial Officer Sébastien Durchon told reporters. In related news, in

neighboring Argentina, Carrefour has reached a deal for voluntary buyouts with workers as part of a crisis prevention plan that aims to end three years of losses, a union representative said on Wednesday, Reuters reported. Like-for-like sales in Argentina were up 21.2 percent during the first quarter, reflecting the country's persistently high inflation rate, while volumes continued to gradually increase during the quarter, Carrefour said. In Latin America overall, Carrefour said total sales rose by 9.1 percent at constant exchange rates and by 4.5 percent on a like-for-like basis, to 3.98 billion euros, or \$4.91 billion. The company is betting that Latin America's growing middle class and economic growth will outpace more mature markets in Europe.

# Subscriber Notice

## A Conversation with Mauricio Cárdenas

### WITH

**Mauricio Cárdenas**  
Colombia's Minister of  
Finance and Public Credit

### MODERATED BY

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Dialogue

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## FEATURED Q&amp;A / Continued from page 1

export markets. Although the Frente Amplio governments have managed the economy with a steady hand, polls indicate that the center-right Partido Nacional stands a legitimate chance of unseating the left-wing Frente Amplio. All eyes are on each party's primaries as the two prepare to face off. The issue for many Uruguayans will likely not be how much the economy is growing, but rather how much they feel that growth in their daily lives."

**A Héctor B. Viana, partner at Jiménez de Aréchaga, Viana & Brause in Montevideo:** "Uruguay's growth last year can be explained by an increase in exports (7.6 percent) and in internal consumption (4.4 percent). The biggest headwinds it faces—namely a surging fiscal deficit (3.7 percent of GDP) and a high debt level (65 percent of GDP, though with a reasonable duration)—have so far been manageable due to the availability of low-priced international financing. However, Uruguay knows it cannot rely forever on these conditions, and that immediate action to control its fiscal account and to recover investment flows—still at a low level—is critical. Whether the government will tackle its fiscal deficit (with control of expenditures, more taxes, and/or further increases of public tariffs), is still to be seen, particularly in light of an election campaign. Prioritizing votes over taking these necessary though unpopular actions, while politically appealing, will not only hold back but also arguably jeopardize the country's further expected recovery. On the commercial side, the government needs to gain control of its internal differences and sign commercial treaties at hand (with China, Chile and the European Union). This will permit Uruguay's exports to further grow. Today, Uruguay has only 31 percent of its exports with preferential access to other countries, a low rate if compared to other competing Latin American countries. And though competitive conditions with neighboring Brazil and Argentina have lately

avored Uruguay, this may soon be changing. We may expect these topics to be central in the coming presidential campaigns, together with debates on internal security and education."

**A Thomas Andrew O'Keefe, president of Mercosur Consulting Group:** "Uruguay's decade and a half of steady economic growth since the devastating recession that coincided with the start of the 21st century is, in part, attributable to the old maxim that 'small is beautiful.' With an educated population of just over three million, of which more than half reside in metropolitan Montevideo, it is easier to reach a national consensus to readjust priorities in response to a crisis. Undoubtedly, President Tabaré Vázquez has also been a very astute politician, successfully walling off economic decision-making from more radical elements within his Frente Amplio coalition in favor of market-oriented economists. That is not to say that there have not been domestic criticisms of the economic policies and reforms pursued by the Frente Amplio as being too tepid, particularly when José Mujica was president. But, overall, Uruguay has successfully pursued niche opportunities for its exports both regionally and globally such as grass-fed beef that can be traced back to a specific cow. In addition, it has successfully marketed the country as a choice destination for tourists seeking outdoor adventure that is compatible with the country's natural environment. The country has also made great strides in expanding and diversifying its renewable energy matrix, reducing its reliance on expensive imported fossil fuels. For Uruguay to continue its current growth trajectory, it will need to remain nimble and quickly adjust to changes in the economic fortunes of its two neighbors, Argentina and Brazil, and those of its global trading partners."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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