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Uruguay: An Overview

Uruguay, with a population of 3.6 million people, is located on the Atlantic coast of South America between Brazil and Argentina (see **Figure 1**). The country stands out in Latin America for its strong democratic institutions; high per capita income; and low levels of corruption, poverty, and inequality. Due to 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 Luis Lacalle Pou of the center-right National Party took office for a five-year term in March 2020, bringing to an end 15 consecutive years of governance by the center-left Broad Front coalition. A former legislator and the son of a former president, Lacalle Pou narrowly defeated the Broad Front’s Daniel Martínez (50.8% to 49.2%) in a 2019 runoff election. Lacalle Pou’s coalition, which, in addition to his National Party, includes the centrist Colorado Party, the right-wing populist Open Town Hall party, and two smaller parties, also won majorities in both houses of the Uruguayan General Assembly. The government coalition holds 56 of 99 seats in the Chamber of Representatives and 17 of 30 seats in the Senate.

Shortly after taking office, Lacalle Pou’s multiparty coalition passed a far-reaching legislative package that enacted many of the market-oriented economic reforms and hardline security policies included in the president’s campaign platform. Among other changes, the legislation established a fiscal rule to limit public expenditures, made structural changes to the education system, created a new environment ministry, increased some criminal penalties, gave greater powers to the police, banned blockades that prevent the free movement of persons or goods, and prohibited labor unions from impeding workers or owners from entering businesses during strikes. The political opposition, led by the Broad Front and the national labor federation, sought to repeal portions of the law through a national referendum held in March 2022. The referendum received nearly 49% of valid votes but fell short of the absolute majority needed to repeal the reforms.

Figure 1. Uruguay at a Glance

Population: 3.6 million (2022 est.)
Area: 68,000 square miles (slightly smaller than Washington)
Race or Ethnicity: 87.7% White, 4.6% Black, 2.4% Indigenous, 0.2% Asian, 5.0% other/none (2011)
Religion: 49.4% unaffiliated, 32.4% Catholic, 10.0% other Christian, 4.4% other, 3.9% unknown (2020)
GDP/GDP per capita: \$71.9 billion/\$20,220 (2022 est.)
Top Exports: Beef, soybeans, wood, dairy products, and cereals (2022)
Poverty Rate: 9.9% (2022)



Sources: CRS Graphics, *Instituto Nacional de Estadística de Uruguay*, *Latinobarómetro*, International Monetary Fund, and Trade Data Monitor.

In August 2022, the government proposed major reforms of the pension and education systems. A key feature of the pension reform is the phased increase of the retirement age from 60 to 65 for most workers. Although it would bring Uruguay closer to the regional norm for retirement age, a March 2023 poll conducted by the Uruguayan firm Cifra concluded that 27% of Uruguayans support the reform, while 54% oppose it.

President Lacalle Pou’s popularity has suffered as a result of the political battles over labor and pension reforms, questions about his cabinet’s role in a corruption scandal involving the sale of falsified passports by the presidential head of security, and concerns about rising crime and drug trafficking. In Cifra’s March 2023 poll, 44% of respondents approved of Lacalle Pou’s performance in office and 42% disapproved—an 11-point decline in his net approval rating compared with February 2022. Uruguay’s next general elections for a new president and congress are scheduled for October 2024.

Uruguay’s economy is heavily dependent on agriculture and tourism, with agricultural products accounting for 60% of the country’s exports. Uruguay has a small but growing information technology sector. From 2003 to 2019, Uruguay experienced the longest economic expansion in the country’s history; per capita gross domestic product (GDP) nearly doubled, from \$9,000 to over \$16,000, fueled by a boom in commodity prices and the diversification of Uruguay’s trade with Asia and the European Union (EU).

The Coronavirus Disease 2019 (COVID-19) pandemic, which claimed 7,600 lives in Uruguay (222 deaths per 100,000 residents), contributed to a steep economic downturn. GDP declined by 6.1% in 2020, pushing the poverty rate up from 8.8% to 11.6%, according to government statistics. An emergency government support package for businesses and households prevented a more severe spike in poverty and unemployment, and helped

jump-start Uruguay's economic recovery; GDP grew by 4.4% in 2021 and 3.9% in 2022, according to the International Monetary Fund (IMF). The IMF forecasts 2% economic growth for Uruguay in 2023, amid high uncertainty due to the effects of a severe regional drought that has hampered agricultural production. The IMF expects inflation, which averaged 9.1% in 2022, to ease in 2023 to around 7% in response to monetary tightening and the end of pandemic-era economic support measures.

U.S.-Uruguay Relations

The United States and Uruguay typically have enjoyed friendly relations. In November 2022, Assistant Secretary of State for Western Hemisphere Affairs Brian Nichols and Uruguayan Foreign Minister Francisco Bustillo convened the first annual Bilateral Interministerial Dialogue focused on strengthening cooperation in areas of mutual interest. The U.S. and Uruguayan delegations discussed, among other topics, cooperative efforts to expand bilateral trade and investment, promote regional and global security, address climate change, and support democracy and human rights.

Trade and Investment Relations

President Lacalle Pou took office pledging to better integrate Uruguay into the global economy. He has repeatedly pushed the Common Market of the South (Mercosur) customs union, which also includes Argentina, Brazil, and Paraguay, to reduce the common external tariff applied to non-Mercosur goods and to adopt more flexible trade rules that would allow individual members of the bloc to negotiate trade agreements with external partners. Although Argentina and Brazil have resisted such changes, Uruguay has pressed forward unilaterally and is currently negotiating free trade agreements with China and Turkey. Uruguay also has applied for membership in the 11-nation Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), raising further questions about its future role in Mercosur.

The United States and Uruguay engage on commercial issues under a 2007 Trade and Investment Framework Agreement (TIFA) and two protocols to the TIFA related to trade facilitation and the environment. Since August 2021, the countries have been negotiating a new protocol to the TIFA focused on trade rules and transparency. Some Members of Congress have advocated a deeper bilateral partnership, including pursuing a comprehensive free trade agreement with Uruguay. Such an arrangement is not among the Biden Administration's trade policy priorities; Uruguay is, however, one of 11 other countries participating in the Administration's "Americas Partnership for Economic Prosperity," intended to strengthen supply chains, competitiveness, investment, and economic growth in the Western Hemisphere.

According to U.S. Census Bureau data, total U.S.-Uruguay merchandise trade in 2022 reached a record high of \$3.8 billion, continuing a two-year growth trend. In 2022, U.S. exports to Uruguay amounted to nearly \$2.9 billion and U.S. imports from Uruguay totaled \$906 million. Mineral fuels, pharmaceutical products, and machinery were the top U.S. exports to Uruguay. Meat, wood, and fruit were the

top U.S. imports from Uruguay. According to Uruguay's Central Bank, the United States accounted for 11% of Uruguay's total merchandise trade in 2022 and was Uruguay's fourth-largest bilateral trading partner behind China (19%), Brazil (18%), and Argentina (14%); the EU accounted for 15% of Uruguay's total trade.

According to the U.S. State Department, Uruguay offers a stable investment climate that does not discriminate against foreign investors. A bilateral investment treaty between the United States and Uruguay has been in force since 2006. According to the U.S. Bureau of Economic Analysis, the accumulated stock of U.S. foreign direct investment was \$388 million in 2021 (latest U.S. data available), about a fifth of its peak value during the previous decade's export boom. About 150 U.S. firms operate in Uruguay, including in the forestry, tourism, and telecommunications sectors.

Foreign Affairs and Defense Cooperation

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 forums. Since taking office, the Lacalle Pou administration has joined the United States in supporting several U.N. and Organization of American States resolutions condemning human rights abuses and anti-democratic actions in Cuba, Nicaragua, and Venezuela. Uruguay also denounced Russia's 2022 invasion of Ukraine and joined the United States in cosponsoring a U.N. General Assembly resolution, adopted in March 2022, that demanded Russia immediately withdraw its forces.

Uruguay is one of the largest per capita contributors of forces globally to U.N. peacekeeping missions. As of December 2022, Uruguay had nearly 1,065 military troops, police, and advisers deployed to seven countries. The United States has encouraged Uruguay to maintain its contributions to U.N. peacekeeping missions and has provided more than \$35 million of equipment and training to Uruguay through the Global Peace Operations Initiative since FY2008, according to the State Department.

The United States also has provided additional military aid to Uruguay. In FY2022, the United States allocated \$347,000 of International Military Education and Training (IMET) aid to Uruguay intended to enhance the country's peacekeeping, disaster response, and national defense capabilities. The Biden Administration has requested \$400,000 of IMET aid for Uruguay in FY2024; FY2023 allocations are not yet available. In addition to providing training, in November 2022, the United States transferred three Protector Class patrol boats, worth an estimated \$8.7 million, to Uruguay under the Excess Defense Articles program to support the modernization of Uruguay's naval fleet.

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