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The Politics of Trade in Latin America

The Political Economy of Uruguayan International Insertion

Edited by José Raúl Perales,* Senior Program Associate

Trade policy decisions in a small, open economy highly dependent on international trade are generally a sensitive issue for political actors, and for society in general. At times of intense international economic crisis, and in periods leading up to presidential elections, as in Uruguay in 2009, perspectives on international economic scenarios and policy options take on special importance.

To examine these options and implications, and their lessons for regional integration and trade policy in South America, the Latin American Program of the Woodrow Wilson International Center for Scholars and the Uruguayan Council for International Relations (Consejo Uruguayo para las Relaciones Internacionales, or CURI) organized a seminar entitled "The Political Economy of Uruguayan International Insertion," which was held in Montevideo, Uruguay, on September 14, 2009.

The seminar's agenda included three primarily technical panels covering issues—relevant to the topic of the seminar—that have been the subjects of public debate. Each panel included distinguished national and international professionals, who offered their analyses and varying perspectives on the current situation. A fourth panel, with a more political orientation, included representatives of four Uruguayan political parties—the *Frente Amplio, Partido Colorado, Partido Independiente* and *Partido Nacional*—who shared their individual views regarding Uruguay's international insertion in the multilateral and regional arenas.

The seminar opened with remarks by Sergio Abreu, President of CURI, and José Raúl Perales, of the Woodrow Wilson Center's Latin American Program.

Abreu emphasized the importance of setting aside time, in the midst of the electoral campaign, to discuss the political economy of Uruguayan international insertion with technical specialists and high-level experts in Latin America and, together, to rethink the likely implications for Uruguay in the coming year. The country was described in terms of three characteristics, namely, its openness, its vulnerability and its asymmetrical nature: open to new conditions in the economy, vulnerable to the effects of globalization, and asymmetrical in the sense that any circumstance affecting either the central or outlying areas of Uruguay does not affect the region's functioning overall, while any circumstance affecting the region or the world does, indeed, affect Uruguay.

Perales remarked that one of the objectives of the Woodrow Wilson Center's Latin American Program is to generate knowledge and promote the sharing of ideas in Washington and Latin America on the political, economic and institutional challenges created by trade agreements. He also pointed out the appropriateness of the Uruguayan case as a topic of discussion in today's environment, given that the global economic crisis, though it began in the financial market, has been experienced primarily as a trade crisis

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in Latin America. Since Uruguay has an open economy that is reliant on foreign trade—and, furthermore, is in the midst of a presidential campaign—it provides a particularly important example for understanding the confluence of these variables.

Panel 1: Uruguay and MERCOSUR: lessons learned?

Carlos Luján, Professor at Uruguay's University of the Republic, gave a talk on the general direction of the country's political economy. He invited listeners to envision 2030, when, he predicted, there would be an asymmetrical multipolar structure comprised of the United States, Europe and China. He suggested that in this new scenario, where political blocs and regions are key—and, therefore, "what we do in terms of regional construction will shape our significance or insignificance twenty years from now"—there must be a recognition of the importance of Brazil/South America. He also stated his view that a new Bretton Woods was needed, since, by 2030, capitalism would be much more highly regulated than it is today, with central banks (both national and regional) playing an important role. He also predicted that security issues would continue gaining in importance, and noted the vital importance of the relation between trade and security, pointing to the restructuring of the United Nations Security Council as a reflection of this, and further citing the possibility of a permanent Security Council seat for Brazil or, alternatively, for the region. Thus, the relation between security and political economy, and questions about how Brazil and the region will position themselves in this scenario, are also subjects deserving of inquiry and debate.

With respect to the region, and MERCOSUR in particular, Luján emphasized the challenging situation facing MERCOSUR in attempting to expand more broadly in South America without having first achieved a thorough internal integration. Looking forward, he suggested that the 2010 decade could see a breakthrough in the blocked negotiations with the European Union, and a successful conclusion of agreements with the United States, as well as the prospect of agreements with Asian countries such as Japan, China and Korea in the 2020s. This will be possible only with a continued virtuous path of progressive accumulation in those areas where progress is possible.

Luján concluded by underlining the importance of a common objective for the members of the bloc, and insisted that this can only be achieved through mutual trust, adding that this would require the involvement of

WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS
One Woodrow Wilson Plaza, 1300 Pennsylvania Avenue, NW, Washington, DC 20004-3027
tel. (202) 691-4000, fax (202) 691-4001
www.wilsoncenter.org/lap

institutions and cannot rely solely on relationships between presidents or on ideological affinities.

Pedro da Motta Veiga, Director of the Center for Integration and Development Studies and permanent consultant to Brazil's National Federation of Industry, focused on the economic component of MERCOSUR—an emphasis justified by the centrality of economy and trade to the integration process, and the fact that, without this element, the process would be "little more than rhetoric." The problem, said Motta Veiga, is that, for some time now, MERCOSUR, as an economic phenomenon, has not been working.

Motta Veiga cited MERCOSUR's origin as a causal factor in the trade liberalization movement that developed in the member countries during the 1990s. He pointed out that one of the major features of the agreement is its adoption of an evolutionary model of integration (unlike that of NAFTA). This permitted the bloc to begin very dynamically, with a relatively successful trade structure, but it has led to increasing difficulties in moving forward since 1997/1998. One of the reasons for this is the nature and degree of the countries' economic interdependence—its "nature" being the more important factor, for the most striking feature of MERCOSUR is precisely the asymmetry of its patterns of interdependence. Two large countries have very little dependence on the region, while two small countries are highly dependent on it. This creates an "asymmetry of incentives for furthering integration," with Paraguay and Uruguay being the countries with the greatest incentives to "invest" in the integration process.

Motta Veiga mentioned a number of factors that shape the success or failure of the evolutionary process. One is that there must be a commitment on the part of the countries to surrender a small portion of their economic sovereignty. Moreover, the Treaty of Asunción (which created MERCOSUR) is overly generic. The speaker highlighted ways in which it differs from the far more specific Treaty of Rome (which gave rise to the European Community). He also explained that unless a regional vision is developed—a "fifth view" to supplement the four national views—the integration process will find itself unable to advance. He explained that he was not necessarily referring to supranationality, but, rather, citing the need for inter-governmentality. Another factor is the degree to which members are committed to economic liberalism, since this is an absolute prerequisite to furthering the integration process.

Speaking of Brazil's current situation, Motta Veiga explained that the nation's foreign policy has a far more political than economic orientation, citing the Union of South American Nations (Union de Naciones Suramericanas, or UNASUR) as an example of this. Brazil's approach shows that it intends to become a global player, and it is for this reason that "South America, and particularly MERCOSUR, is less important to Brazil."

Álvaro Ons, Director of Trade Policy Advisory Services for Uruguay's Ministry of Economy and Finance, began with comments on international economic insertion and the role of Uruguay and MERCOSUR. The specific objectives of countries, he said, depend on their individual characteristics. In Uruguay's case, MERCOSUR is an essential element of its growth and development strategy, for a number of reasons, including the small size of its economy, the inadequacy of its domestic sources of capital, its geographical location and the commitments it has made in international agreements.

Sustained growth requires sustained expansion of investment, and Uruguay's lack of capital makes foreign investment essential. Similarly, trade in goods and services, insertion in the region and in the rest of the world, and regional public goods (e.g., energy, connectivity and communications infrastructure) are essential to the country.

Ons regards MERCOSUR as the appropriate instrument for achieving Uruguay's basic objectives with regard to international insertion, since it targets a broader market, provides access to third markets, can play a decisive role in providing regional public goods and has room for regional cooperation initiatives in areas that are not strictly economic.

He described as "critical contradictions" various anomalies in areas such as market access (non-tariff barriers), public policy (no progress achieved), negotiation with third parties (agreements not concluded; no increase in the bloc's negotiating power), institutional weakening (failure to comply with regulations and rulings; absence of a roadmap, etc.), FOCEM[1] (problems in gaining approval for the project to provide electrical interconnection between Uruguay and Brazil) and regional cooperation (multiplicity of bodies and institutions).

Finally, Ons set forth lines of action that Uruguay should pursue, including the restructuring of MERCOSUR, since the current structure is not consistent with Uruguay's development strategy. The starting points for the changes must include: a realistic and honest recognition of the fact that certain commitments cannot be met; an acceptance of the reality that national strategies differ on key issues; an acknowledgement that strong structural and policy asymmetries exist; and a determination not to confuse ends with means. The basic objectives of this restructuring should be to restore credibility and certainty by establishing rules that member countries will be able to comply with, and to move the regional integration process beyond the limited area of trade.

Marcel Vaillant, Professor at Uruguay's University of the Republic, opened by referring to MERCOSUR as an "incredible" agreement, noting that it remains unclear whether this should be construed in the sense of "remarkable" or, rather, as something that is "difficult to believe," will "fulfill our aspirations." He described MERCOSUR as an "unfinished building" in which the work "needs to be recycled." To illustrate this, he presented a table showing the different stages of the MERCOSUR integration process, comparing what was said about each of the stages (pinpointing the year in which the comments were made) with how the various issues have been handled, and specifying where each stage had strayed from its course. As a way of remedying these detours, he recommended work in four major areas: credibility, relationships with third parties, free movement of goods and services, and "new issues."

He also examined the issues confronting small countries in a globalizing world. Globalization gives small countries many opportunities, he explained, since "it is more sustainable to be small in an open, globalized international economy than in a world of economies that are closed to world trade." He mentioned Chile as an example of the phenomenon in which each country "has its own size of [trade] agreements" and in which "a small country without [trade] agreements is a small country," whereas a small country *with* [trade] agreements is a large country."

In remarks on the possibility of a trade agreement with the United States, Vaillant underlined the importance of Uruguay's existing agreements—particularly concerning investment—with the United States. An agreement with the United States, he said, serves as a signal to other partners, and is an asset in developing further agreements. This path has both obstacles and opportunities, with one of the key challenges being that of convincing MERCOSUR partners to participate. For Uruguay, reaching an agreement on international insertion is also indispensable on the domestic (electoral) front.

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Panel 2: Choosing whether to trade with the United States and other countries, a matter of political economy

José Botafogo Gonçalves, President of the Brazilian International Relations Center (Centro Brasileiro de Relações Internacionais, or CEBRI), questioned how beneficial a trade agreement with the United States would be to Brazil, specifically in terms of boosting Brazil's trade. He also pointed out that it would be problematic for a MERCOSUR member country to sign a free trade agreement without first withdrawing from the customs union, a move that would mean foregoing the preferential treatment that São Paulo's industrial firms receive from Argentina, Paraguay and Uruguay.

In the case of Uruguay, Ambassador Botafogo does not believe it likely that particular sectors, or types of economic activity, would be substantially reshaped by an agreement with the United States. Moreover, he emphasized, a country's geographical location imposes strong constraints on its exports, and a country cannot separate itself from its region. A free trade agreement is, in any case, more than merely a matter of products, and Uruguay, with its far more open economy—and, therefore, less defensive stance—than Brazil's——is in a better position to embrace free trade.

Botafogo also remarked on the internationalization of Brazil's businesses (in both the public and private sectors), which works to reduce protectionist tendencies. He believes, however, that investment in infrastructure should be given even greater emphasis, and underlined the importance of moving quickly to restructure MERCOSUR, citing "the importance of our investing in infrastructure," since this, in conjunction with the internationalization of firms, will transform MERCOSUR.

Finally, he indicated that he understands Uruguay's frustration with the bloc, mentioning that Brazil, for instance, had failed to meet its commitment to open its economy to Uruguayan products. Nevertheless, he believes that dismantling the customs union for the sake of a trade agreement with the United States would not produce major benefits for Uruguay.

Elbio Fuscaldo, President of the Foreign Trade Commission of the Chamber of Industries of Uruguay, emphasized that trade agreements do not automatically bring well-being, and that for this to occur they must be properly guided. He cited two examples. One is Chile, which experienced the smallest growth precisely when its process of internationalization was most intense. The other example is Switzerland, which "has no trade agreements with anyone," and yet "[the Swiss] live better than the Uruguayans." Thus, a country's openness to trade and its development are not necessarily linked.

Fuscaldo also pointed out that unemployment is not a good measure of a country's development. In his opinion, what should be measured is job quality, not quantity, since "one of the things that happens with asynchronic liberalization is that job quality declines."

The strategy of international insertion is one more tool in a country's development, and unfortunately we do not see an explicit development strategy functioning as State policy [in Uruguay].

He told the audience that while "the strategy of international insertion is one more tool in a country's development," in the case of Uruguay "unfortunately, we do not see an explicit development strategy functioning as State policy."

Suggesting that the world has ceased to be pro-liberalization, he stated that "business is created by firms, not by countries." Uruguay should take advantage of its small and medium enterprises (SMEs) and "should opt for a guerrilla strategy [at the international level], with 'trade commandos' rather than large-scale negotiations." In this sense, he agreed with Botafogo that the internationalization of products is being replaced by the internationalization of firms.

Javier Silva, of the Instituto Cuesta Duarte, PIT-CNT (Plenario Intersindical de Trabajadores y Convención Nacional de Trabajadores) offered his thoughts on the issues from a union perspective, examining trade and integration issues in a regional context, since they "cannot be analyzed from the perspective of our individual national realities." Thus, the central strategy of the union movement is to build a regional bloc "not only for trade, but also socially, and in the areas of policy and production."

He also stated that at the center of our countries' problems is the question of "how to change the trade pattern that has been assigned to us [within the international economic system]," which means "changing the production matrix."

Another key point cited by Silva is the fact that the concepts of "trade, geopolitics and geography are closely related." In this connection, he explored the opportunity that South America has to become one of the new poles in the transition towards a global political balance, as the world moves "from a system of unipolar hegemony to one of multipolarism." He predicted that the multipolar system will be a balanced one, not one weighted in favor of the north (United States, the European Union, Japan-China).

On the subject of a free trade agreement with the United States, Silva indicated that he regards this as problematic, stating that it would be politically costly, in that it would mean withdrawing from the customs union, and would not be beneficial to Uruguay in terms of quality and quantity of trade.

Thus, he concluded, support should be given to a geopolitical bloc within MERCOSUR. He emphasized that instruments to accomplish this already exist, though he made clear his desire for the presence of supranational decision-making bodies in the region.

Roberto Porzecanski, of Tufts University, focused on whether free trade with the United States represents a viable economic policy for Uruguay, without offering an opinion on whether or not such an agreement would be a good thing.

He spoke first of four possible options for free trade between Uruguay and the United States: a free trade agreement (on the table in 2002/2003 and 2006); a non-reciprocal preferential agreement between developed countries and developing countries (which would require approval by members of the WTO); a generalized system of preferences (an approach that is on the decline); and specific concessions in the framework of multilateral negotiations. He pointed to the first two of these as the only likely choices, and explained that the Trade and Investment Framework Agreement (TIFA)[2] is not an option for a complete trade policy.

As to the viability of a free trade agreement with the United States, he pointed out that Washington does not, at present, seem inclined towards this type of agreement and, moreover, such an agreement would be incompatible with MERCOSUR since it would formally violate the Treaty of Asunción and the Ouro Preto Protocol. It would also be politically incompatible with membership in MERCOSUR (as long as the current presidents of Argentina and Brazil are in office). He added that the members of the *Frente Amplio* are overwhelmingly opposed to the free trade agreement, for two reasons: its incompatibility with MERCOSUR, and the fact that its costs (non-trade provisions) are greater than its benefits (market access). Thus, as long as the *Frente Amplio* is in power, a free trade agreement between Uruguay and the United States is not a real option.

Finally, he stated that Uruguay's current strategy should be to deal with health measures through TIFA, while addressing market issues through unilateral concessions.

Panel 3: Economic liberalization in Uruguay: distributive and sectoral effects

Rodrigo Arim, of the Economics Institute of the University of the Republic (Uruguay), spoke on the distributive effects of economic liberalization, explaining that the relationship between trade and inequality is not an obvious one. He pointed out, however, that in international relations "trade cannot be considered neutral from the point of view of income distribution," despite the fact that other factors also affect distribution.

Arim indicted that since the mid-1980s and early 1990s, inequality has increased in the developed world (and also, generally, in the under-developed world), with three variables accounting, in combination, for this effect. The first of these is technological change, which displaces labor demand towards skilled-labor sectors. The second is institutional framework (reduction of minimum wages and de-unionization) and the third is globalization. He emphasized, however, that there is no clear proof that globalization, or trade in particular, is principally responsible for the increase in inequality. Rather, "technological change and institutional frameworks would appear to be more important."

The speaker pointed out that changes in the Gini index in Uruguay for the 1981-2007 period, which rose (i.e., inequality increased) after the turn of the century, does not necessarily mean that integration was to blame. He presented a breakdown of the Theil index, showing that the labor market is the major factor accounting for inequality in the country.

Gustavo Bittencourt, Coordinator of the Development and Planning Area of Uruguay's Office of Planning and Budget, entitled his talk "Opening and distribution: questions on political economics for an inclusive development model in Uruguay."

One of the themes of his talk was the link between trade opening and the functional distribution of income. He stated that the type of production prevailing in Uruguay is clearly determined by the country's abundant natural resources. This means that an increase in exports of the country's most abundant resources, as a result of trade opening—primarily trade in natural resources—would benefit owners of one of the factors of production (land), while there would not necessarily be a corresponding positive effect on wages. There could, however, be "improvements in wages as a result of productivity and efficiency gains" associated with greater international insertion.

Bittencourt pointed out that, ultimately, reducing poverty and improving income distribution will not be the result of static effects, but rather of dynamic ones—in other words, of "how we manage to change the allocation of the factors of production, how we accumulate capital, how we educate."

He explained that combating poverty requires sustained growth and improved distribution, and that the determinants of growth go beyond mere trade liberalization.

Other important aspects of the issue are the wealth and income effect of rising land (and land rental) prices, and the problems associated with increased foreign direct investment, of which Uruguay receives a disproportionately large amount—above the regional average—given its size.

Fernando Borraz, a researcher at the Central Bank of Uruguay, spoke on trade, poverty and inequity, beginning with a brief introduction on the liberalization of trade policy that began in the 1970s, with particular emphasis on the creation of MERCOSUR in the 1990s. He explained that these instances of increased openness do not necessarily benefit all of the country's inhabitants, unless there are policies in place to protect everyone. He also stressed that "poverty" is not equivalent to "inequity," although the two concepts are related. In this context, he compared Uruguay's Gini index, which has risen since the 1990s, with the country's poverty and extreme poverty indices, which have declined over the same period.

Borraz pointed out that there are various ways of determining whether trade policy is associated with changes in poverty and income distribution. As an example, he pointed to a study on one of Uruguay's main exports, meat, examining the impact of the liberalization of the world meat trade on household incomes, employment, poverty and inequality. The study concluded that "[domestic] adjustments to international prices are imperfect." With regard to foreign trade reforms, Borraz does not believe that they have major impacts on poverty in Uruguay with respect, specifically, to the meat sector, although they do affect inequality.

The speaker concluded with a description of an ideal scenario in which sectoral outcomes could be analyzed using different methodologies.

Inés Terra, of the Economics Department of Uruguay's University of the Republic, began her presentation by stating that all traditional trade theories recognize that trade produces winners and losers, and that changes in the relative prices of goods have an amplified effect on remuneration to the factors of production. Distributive effects, she said, will be significant in a country like Uruguay, where much of the trade is based on comparative advantages.

According to Terra, these effects create a problem of political economy, since the owners of the factors that are losers demand protection from the government, and these groups normally have more ability than others to organize and pressure government. They therefore influence public policy, with the public interest suffering as a result of their pressure.

She also pointed out that the composition of trade varies considerably as a function of export destination. For example, services play a predominant role in Uruguay's exports to Argentina, and manufactured products predominate in its exports to Brazil, unlike its exports to the rest of the world. Because of differences in the intensity with which the factors of production are involved in these trade relationships, the distributive effect of trade depends on how the liberalization is implemented.

In conclusion, Terra stated that trade can have a significant impact on income distribution, but that this depends on the type of trade, as well as on factors such as external shocks. In general, increased trade with Argentina benefits skilled workers, while increased trade based on comparative advantages (e.g., in meat or dairy products) benefits landowners and unskilled workers.

Panel 4: Uruguay's external insertion, in the multilateral and regional context: a discussion with Uruguay's political parties

Roberto Conde, National Deputy for the *Frente Amplio*, began his presentation by reaffirming "the concept of regional integration as a strategic issue for the country's development"—one that goes beyond MERCOSUR's current difficulties. He also stated that this reaffirmation was not a matter of ideological affinities, but, rather, was primarily a response to strategic issues and, secondarily, a matter of situational adjustments.

He also spoke of the complex situation that MERCOSUR is experiencing, but suggested that the integration process should not be abandoned, and that efforts must be made to find ways of solving the problems. Turning to Brazil, he explained that, given its new position as an aspiring global player, it often regards issues related strictly to regional integration as being of secondary importance.

Conde also spoke of the importance of making MERCOSUR more flexible, "in order to move it forward in a realistic way," and stated that Uruguay should not leave the bloc. He added that MERCOSUR should incorporate "speed-differentiated foreign agendas" along the lines of a proposal once considered in the European Union.

In regards to Venezuela's membership in MERCOSUR, he indicated that "our foreign policy is not governed by principles of ideological solidarity, but rather by the need to protect the interests of the States, given a world that has, by necessity, become multipolar."

Javier de Haedo, of the *Partido Nacional*, stated that, to be efficient, "the smaller [an economy] is, the more open it must be." If Uruguay's economy were more open, he added, it could decrease its dependence on the region. However, he also referred to Uruguay as a "province of the region" in terms of its geographical location and its consequent economic links with the region. He agreed with Inés Terra that the country's exports to Argentina are essentially composed of services, and explained that manufactured goods "go exclusively, or almost exclusively, to Argentina, due to the fact that we cannot export them elsewhere, since they are the result of a regional import substitution process that originated with CAUCE and PEC—especially CAUCE."[4]

Our foreign policy is not governed by principles of ideological solidarity, but rather by the need to protect the interests of the States, given a world that has, by necessity, become multipolar.

The State, he said, should have a policy regarding MERCOSUR, since "it is not an issue to be resolved by whatever majority happens to hold power at a given time." He added that Uruguay must not act unilaterally, but rather from a position within MERCOSUR, although Uruguay (and the region) must recognize the asymmetries that exist within the bloc.

In this context, Haedo emphasized that Uruguay should rethink its status within the bloc, rather than leaving it, and must persuade its partners to allow it to move more quickly towards reducing its common external tariff (CET) structure. According to Haedo, this means that Uruguay must convince its MERCOSUR partners of the need to adopt an efficient CET structure for the long term, and then persuade the other members of the bloc to "let us, as a small economy, move more quickly towards that objective."

Finally, he added that Uruguay must succeed in persuading its MERCOSUR partners to permit it to enter into free trade agreements with countries, such as Mexico and Israel, with which the bloc has previously had framework treaties.

Julio Lacarte Muró, of the *Partido Colorado*, emphasized that Uruguay's international insertion is not limited to MERCOSUR or to the subregion.

Focusing on this, he began his talk by outlining the context of the current global situation—one of the major points, in this regard, being the possibility that the World Trade Organization's Doha Round will end in 2010. He expressed confidence that the results of that negotiation will be reasonable but unspectacular, and that, therefore, it will "not provide the large market that Uruguay needs." The likely consequence is that there will be a drive towards concluding free trade agreements at the international level. However, he emphasized that "MERCOSUR has not opened itself to negotiation with the world," that negotiations with the European Union remain at a standstill, and that the outlook for negotiations with the United States is even less encouraging.

He indicated that Uruguay has wagered strongly on integration, and cited various arguments for

MERCOSUR has not opened itself to negotiation with the world.

integration, with particular emphasis on the argument that integration is the "way to realize the role of our small country, with its advantageous geographical position in the subregion." He made it clear, however, that Uruguay has major reasons to be dissatisfied with MERCOSUR.

Lacarte Muró emphasized the need for a national dialogue, regardless of what party is in power, in order to define a position for Uruguay vis-à-vis the integration process, so that it can attempt, along with the other MERCOSUR members, to redesign the bloc to make it useful to all involved.

He concluded by stressing the importance of bringing about a closer relationship between MERCOSUR and the United States, and the need for a State policy on trade and integration issues, given the wide divergence of opinions. He also observed that it is essential to work to move UNASUR "in the directions that, in our judgment, are best for Latin America and for Uruguay." Finally, he advocated providing greater resources for Uruguay's Ministry of Foreign Relations, in light of its very modest current budget, in order to ensure that its activities achieve maximum results.

Gonzalo Pérez del Castillo, of the *Partido Independiente*, began by speaking of the need for all of Uruguay's political parties to agree on the issue of international insertion.

He emphasized that "what Uruguay does or does not do will have a relatively small effect on the world," but that "what is happening in the world has an enormous effect on Uruguay." This, in his view, is why the country needs to gain a better knowledge of how the world is changing, which, in turn, requires an intelligence team to closely monitor world events, in order to be able to effectively analyze and plan for the future.

He added that Uruguay needs to employ a highly aggressive policy vis-à-vis multilateral bodies, since those bodies remain its sole venue for exercising international influence.

With regard to international relations, he remarked on "our need not to be tied down by commitments that place conditions on our development and national interests." He added that, due to Uruguay's small size, the country's citizens "have no need for a free trade agreement with China" or with the United States "in order to solve our export problems." On the subject of MERCOSUR, he expressed the view that Uruguay must avoid making precipitous decisions (such as leaving the bloc), since success depends on the large countries, and if "they [Argentina and Brazil] are not overly interested in MERCOSUR's achieving the level of activity and prominence that it should have in the world, I think we simply have to wait," "develop our foreign trade policy and economic relationships, and act according to our best interests."

The seminar concluded with reflections by the moderator of the fourth panel, Ambassador Carlos Pérez del Castillo. The participants expressed agreement on the usefulness of various initiatives and fora for exchange and dialogue of this type, in an area that is key for national development.

Notes

1. MERCOSUR's four members include Argentina, Brazil, Paraguay, and Uruguay. Venezuela has applied for full membership.

2. Fund for the Structural Convergence of MERCOSUR (Fondo para la Convergencia Estructural del MERCOSUR). Created in 2005, its purpose is to reduce asymmetries between different regions of MERCOSUR through the Financing of projects (infrastructure, institutions, social policy, and competitiveness) in the less economically developed regions within the bloc. It operates under the MERCOSUR Secretariat and has a 10-year lifetime.

3. A TIFA is a type of bilateral framework agreement that the United States concludes with certain trade partners. Its primary purpose is to establish a common framework of principles and rules to guide future investment and trade projects or initiatives.

4. The Argentine-Uruguayan Economic Cooperation Agreement (Convenio Argentino-Uruguayo de Cooperación Económica) and the Trade Expansion Program (Programa de Expansión Comercial) are trade agreements signed by Uruguay in 1974 and 1980 with Argentina and Brazil, respectively. Both agreements provide preferential treatment for Uruguayan exports in those markets, and include a number of protocols and regulations applicable to trade in certain products. The agreements were later modified, in 1986, in the prelude to what would becomee MERCOSUR. Some of its terms remained in effect even after the creation of MERCOSUR in 1991.

About the Contributors

Rodrigo Arim is a professor at the Economics Institute of the Universidad de la República in Uruguay.

Gustavo Bittencourt is coordinator of the Development and Planning Area of Uruguay's Office of Planning and Budget.

Fernando Borraz is a researcher at the Central Bank of Uruguay.

José Botafogo Gonçalves is president of the Brazilian International Relations Center (Centro Brasileiro de Relações Internacionais, or CEBRI.)

Roberto Conde is National Deputy from the *Frente Amplio.*

Pedro da Motta Veiga is director of the Center for Integration and Development Studies in Brazil.

Javier de Haedo is a member of the *Partido Nacional*.

Elbio Fuscaldo is president of the Foreign Trade Commission of the Chamber of Industries of Uruguay.

Julio Lacarte Muró is a member of the *Partido Colorado*.

Carlos Luján is a professor at Universidad de la República in Montevideo.

Álvaro Ons is director of Trade Policy Advisory Services for Uruguay's Ministry of Economy and Finance.

Gonzalo Pérez del Castillo is a member of the *Partido Independiente*.

Roberto Porzecanski is an Uruguayan analyst and recent PhD graduate in International Relations at the Fletcher School of Law and Diplomacy, Tufts University.

Javier Silva is director of the Instituto Cuesta Duarte of the Plenario Intersindical de Trabajadores y Convención Nacional de Trabajadores (PIT-CNT).

Inés Terra is a professor of economics at Uruguay's Universidad de la República.

Marcel Vaillant is a profesor of economics at Uruguay's Universidad de la República.

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Lee H. Hamilton, President and Director

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ONE WOODROW WILSON PLAZA, 1300 PENNSYLVANIA AVENUE, NW, WASHINGTON, DC 20004-3027

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