

The Land of Oxo

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“Never will I accept being photographed with my wrists in handcuffs on the courthouse stairs”. Those defiant words were spoken by Jacques Medecin, a former corrupt mayor of Nice in France, who fled to South America in 1990 to avoid arrest. He chose the continent’s smallest country, the Eastern Republic of Uruguay, to give it its proper name.

He had, fruitlessly, hoped to avoid extradition once there but he was sent back to France where he served a prison sentence for fiscal fraud. Once he had served his sentence, however, he did not forget Uruguay and it was where he eventually died. What, then, attracted him back to this tiny territory famous a century ago for its Fray Bentos corned beef and Oxo cubes, both of which I remember well as a child?

Like so many other countries in Latin America, Uruguay has an interesting history. It is a tale of two nations struggling for supremacy over the country during which its indigenous population, the Charrúa Indians, were either eradicated or forced to leave, thus making Uruguay the only country in Latin America today without an indigenous population.

First the Spanish arrived in 1516 and the explorer, Juan Díaz de Solís, including most of his party, was promptly killed by the Charrúa Indians. During the 17th century, however, the Indians, who were enjoying a period of prosperity, ceased hostilities and began trading with the Spanish. Little did they know what lay ahead.

The Portuguese entered the scene and clashed with the Spaniards such that during the 17th and 18th centuries the territory changed hands several times. Although Uruguayan independence in 1825 was fully recognised by 1828, the country came under constant military threat during the 19th century from Argentina, Brazil and England. The English already had strong commercial interests in the region which were made even more vital after Napoleon’s Continental Blockade against England was imposed in an attempt to cut off his arch-enemy’s access to trade.

Once the threats passed, however, and Uruguayans were left to their own devices, two main political parties emerged, namely, the land-owning Blancos (Whites) and the urban Colorados (Reds). Political friction led to civil rebellion that only ended in 1904. Stability brought a period of sustained economic growth during which the population, mainly of European origin (especially Spanish and Italian), prospered and which formed the foundation upon which a large middle class was built. The country today is mainly free of serious income inequality, although the minority, who are of African or mixed European-indigenous descent, do form a higher proportion of its poorest people.

Under José Batlle y Ordoñez, who was twice president (1903-7 and 1911-15), the country became Latin America’s model welfare state. Despite George Bernard Shaw’s view that every man over 40 is a scoundrel, the president brought in legislation which imposed the eight-hour working day, social insurance and free secondary education. As a consequence of this, Uruguay, for a long time, has been the continent’s most egalitarian country. The population has access to a wide range of political views delivered through more than 100 private daily and weekly newspapers, not to mention the availability of over 100 radio stations and some 20 television channels. The rights body, Reporters without Borders, said last year that Uruguay was free from the “media polarisation” found in many other South American countries and, therefore, scored highly in press freedom rankings.

Due to its middle class society, economic stability and use of referendums, Uruguay has proudly called itself the Switzerland of South America (not to be confused with Costa Rica’s claim of being the Switzerland of Central America) where Brazilians and Argentines

particularly have kept their money in its banks. I was reminded recently by a visiting lawyer from Argentina that his country's tax authorities regard taxpayers with suspicion if they have bank accounts in Uruguay.

The banks have had to endure political and economic upheavals, such as a period of dictatorship (1973-1984) and when the financial system fell victim in 2002 to Argentina's USD95 billion default and devaluation which caused a run on Argentine deposits in Uruguayan banks. At the time the private banking sector represented a quarter of the country's economy. Since then the banks have recovered and operate within a very liquid banking system with low credit risks.

Besides banking, Uruguay has a history of producing first class beef as well as high quality wool, resulting in increased exports (and prices). In the previous century, production was bolstered by two world wars, including the Korean War, and by 1950 the country accounted for 3.5% of all Latin American economic activity. The era has been called Uruguay's golden age, capped by its victory over Brazil in the 1950 football World Cup Final – 20 years after it staged and won, playing Argentina, international football's first World Cup tournament.

It has had less success with Brazil and Argentina in the case of trade and would probably agree with Charles de Gaulle: "Treaties, you see, are like girls and roses: they last while they last". The Mercosur Customs Union was formed in 1991 by Argentina, Brazil, Paraguay and Uruguay and the Union's permanent secretariat is today based in Montevideo, Uruguay's capital. Although things went well at first, Uruguay and Paraguay (the latter was featured in Issue 191, November 2008 – 'The End of Forever') were often sidelined, with the two larger countries sometimes making bilateral deals with each other. Consequently, whilst Uruguay's exports have doubled since 2002, sales to Brazil and Argentina have fallen significantly. The country now only purchases 38% of its imports from Brazil and Argentina, some 5% less than nine years ago. In fact, discouragingly, by 2005 intra-Mercosur exports represented only about one-eighth of the four countries' total exports.

Since the fateful banking events of 2002, Uruguay has enjoyed steady growth which has enabled it to pre-finance its debt until 2010; the country, in fact, has recorded average annual economic growth of 8% for the last three years. Significantly, Uruguay has overtaken Argentina as an exporter of beef and has more than

halved its previous exposure to Argentina for trade and foreign currency deposits. Clearly, the economic landscape has changed significantly and an over-dependency on Argentina has long ended; this is just as well as that country might be heading towards another debt crisis amidst the worst global economic downturn in perhaps 75 years. It follows that 2009 is fraught with uncertainty for Uruguay and a significant slow down for its regional trading partners, not to mention lower commodity prices (Uruguayan farmers have been earning four to six times more for soya than from raising cattle) as well as more costly credit (with less access to it), will all take their toll.

In March 2005 Tabaré Vázquez from the Broad Front coalition became president. A cancer specialist and former mayor of Montevideo, he is the country's first left-wing leader and reflects the regional trend towards the emergence, in varying degrees, of left-wing governments, such as in Brazil, Venezuela, Chile and Argentina. The doctor's prescription for the body politic includes taking a moderate political course and alleviating poverty. Since coming to office he has restored diplomatic ties with Cuba which were broken by his predecessor, Jorge Batlle, following Uruguay's sponsorship of a United Nations human rights vote criticising Cuba. The ensuing war of words between the two countries rivalled some of Hugo Chavez's rhetoric and at one point Fidel Castro described Batlle as that "hungover, abject Judas who presides over Uruguay".

Just as Uruguay has won the World Cup twice, perhaps the country's first left-leaning party will again take power in March next year. Events in 2009 will be the key and former president Batlle (a direct descendant of José Batlle y Ordóñez) knows all about them. He was faced in 2000 with a deep regional economic crisis, including an outbreak of foot-and-mouth disease that decimated beef exports; public disenchantment at that time has been blamed in large part for the country's dramatic political shift since.

History reveals how circumstances can determine any politician's fate and I suspect that it will again be economic, rather than political, events that will concentrate voters' minds in Uruguay. The World Cup tournament is also held in 2010 and a victory on the field and at the polls for his party would surely be just what the doctor ordered.

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