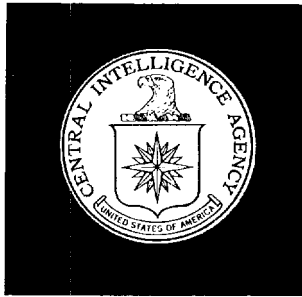


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# Uruguay Handbook

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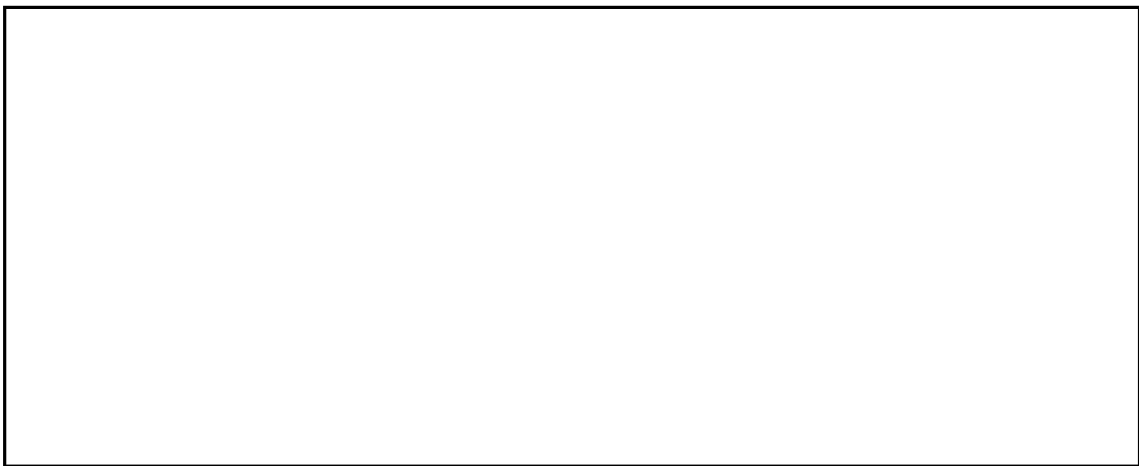
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## TABLE OF CONTENTS

	Page
<b>INTRODUCTION</b>	
<b>I. GEOGRAPHY</b>	
Location and area . . . . .	1
Topography . . . . .	1
Climate . . . . .	1
Natural resources . . . . .	2
Human resources . . . . .	2
<b>II. ECONOMIC BACKGROUND</b>	
Growth rates and trends . . . . .	1
Government economic policies . . . . .	1
Income distribution . . . . .	2
Sectors of the economy . . . . .	3
Transportation and telecommunications . . . . .	5
Foreign trade . . . . .	6
Balance of payments . . . . .	7
<b>III. POLITICAL SITUATION AND TRENDS</b>	
Historical summary . . . . .	1
Structure and functioning of governmental system . . . . .	2
Political dynamics . . . . .	4
Security system . . . . .	6



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**VI. ARMED FORCES**

Defense organization and manpower . . . . .	1
Military budget . . . . .	1
Major weapons systems . . . . .	1

**VII. FOREIGN RELATIONS**

**VIII. US INTERESTS**

**IX. CHRONOLOGY AND TABULAR DATA**

**MAP**

## INTRODUCTION

Uruguay is the smallest of the independent countries in South America and among the least populous. In the early 20th century it introduced social reforms on such a scale that it became known as Latin America's first welfare state. Its outstanding record of political stability and devotion to liberal and democratic principles began to suffer in the late 1950s, however, because of mounting economic problems and ineffective government under a plural executive. Although this system was finally replaced in March 1967 by a single president, many of the attitudes and political structures of the era of collegiate government remain, and presidents have encountered opposition to their economic recovery programs and other efforts to exercise power.

In addition, Uruguay has been plagued in recent years by strikes and student agitation. Since 1969, a small but fanatical band of Marxist extremists called the Tupamaros have subjected Montevideo to a terrorist campaign, including robberies, kidnappings, bombings, and assassinations, unprecedented in Uruguayan history. Should the President continue to be hampered by the inefficiency of the system and urban violence, an unconstitutional seizure of power is possible.

Uruguay is an agricultural nation, with flat, fertile land and a temperate climate as its only important natural resources. Wool, meat, and hides provide most of its export earnings. Although self-sufficient in most consumer products, it imports capital goods and many industrial materials.

The population of about 2.9 million has an annual growth rate of only 1.3% and is one of the most homogeneous in Latin America. It is almost all white, of European descent, Spanish-speaking, and predominantly Roman Catholic. By Latin American standards, differences in wealth are moderate, class conflict is not sharp, and the middle class is well developed. There is, however, a considerable contrast between the capital, Montevideo, with nearly half the population, and the rest of the country. Rural underdevelopment has caused much migration to the cities, creating the highest urban ratio in Latin America.

The change from the collegiate to the single presidency was induced by pressing economic problems. Until 1955 the country had long enjoyed prosperity and financial stability and had attracted foreign capital. Then, a drop in export earnings, followed by unrestrained expansion of private credit

and later by growing budgetary deficits, created an inflationary spiral, with a cumulative increase in the cost of living of more than 1,700% between 1956 and 1966. Related problems included bank closures, a massive flight of capital abroad, severe unemployment and underemployment, and much labor unrest. The legal Communist Party of Uruguay, with an estimated 30,000 members, has exploited this situation to become the strongest force in the labor movement. It has inspired many strikes and stoppages.

The administrations of President Oscar Gestido, who died nine months after taking office in 1967, and of his successor, Jorge Pacheco, have regarded inflation, the need to increase production, and internal security as the most urgent problems facing the nation. The burden of heavy debt repayments is also a serious problem. Although momentum toward economic recovery has been attained, much remains to be done in administrative and economic reform, as well as in agrarian and industrial development.

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GEOGRAPHY

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## I. GEOGRAPHY

### Location and area

Uruguay is located on the southeastern coast of South America, approximately 2,800 nautical miles from the Panama Canal and about 3,700 nautical miles from the southern tip of Florida. It is the smallest independent country in South America, covering only about one percent of the continent. The total area is approximately 72,200 square miles, roughly the size of North Dakota. The maximum dimensions are about 320 miles north-south and 290 miles east-west.

The perimeter of Uruguay totals approximately 1,250 miles, all of which is unfortified. The coastline, 410 miles long, is low, slightly irregular, and predominantly sandy. A large part of the coast is inaccessible because of shallow nearshore approaches and numerous nearshore shoals, rocks, and islets.

### Topography

The terrain of Uruguay, a transition between the flat pampas of Argentina and the uplands of Brazil, consists of extensive plains interrupted by scattered areas of hills. Most of the plains are flat to rolling and are less than 650 feet above sea level. Elevations increase inland in areas of moderately to severely dissected plains and rugged hills, mainly in the east and north. The country is drained by numerous, evenly distributed streams that originate mainly in the areas of dissected plains and hills. There are many lakes and lagoons in the southeast and two large reservoirs on the Rio Negro, the largest tributary of the Uruguay River. Most streams are perennial, are less than 3.5 feet deep and between 250 and 500 feet wide in all or most of their courses, and flow between low banks.

### Climate

The climate is characterized by hot summers (early December through February) and by mild winters (early June through August). The seasonal variations of most elements are not excessive. Annual precipitation, ranging from 40 to 60 inches, is fairly evenly distributed throughout Uruguay, and seasonal variations are relatively small. Mean daily maximum temperatures are mostly in the 80s during summer and in the high 50s and low 60s during the winter. Mean relative humidity is highest in late autumn and winter, ranging between 70% and 85%, and lowest in summer, usually in the 60s.

Uruguay

Nov 70



Cloudiness has only a slight seasonal variation—usually between 50% and 60% from May through October and between 40% and 50% the rest of the year.

### **Natural resources**

Uruguay's only important natural resources are its flat and fertile land and its temperate climate. The natural fertility of Uruguayan pastures permits a high ratio of livestock per hectare. One third of the land area contains some trees, including eucalyptus, willows, poplars, and acacias. Most of the wild animals native to the land have long since become extinct. Seals, however, congregate off the Isla de Lobos, an island near Punta del Este, which is South America's best preserve of seals.

### **Human resources**

The estimated population of Uruguay as of 1 July 1970 was 2,886,000. The average annual rate of growth is about 1.3%, the lowest in Latin America. The government is opposed to family planning, but there are two or three abortions for every live birth. The inhabitants of Uruguay are almost wholly of European descent. Between 85% and 90% are white; only about 5% to 10% are mestizos (mixed white and Indian), and they are concentrated in the northern rural areas. About 5% are Negroes, most of whom are thought to be descendants of Brazilian immigrants.

Although Uruguay has one of the highest population densities in South America, the country as a whole is underpopulated, considering that practically all of its land area can be effectively used. The government, however, has taken no action in recent years to encourage immigration and, with the rise in unemployment, does not appear likely to alter its views. The exodus from rural areas is causing great concern.

Uruguay is one of the most homogeneous countries of Latin America in terms of race, language, and religion. The country, however, is divided into two contrasting social structures: the city of Montevideo and the rest of the country. Montevideo society closely resembles that of a modern Western European nation. Social reforms introduced in the early part of this century reduced urban social inequalities and increased economic security. In recent years social conditions have worsened with a decline in the general standard of living, although it is still higher than in most other Latin American countries. There are many more social welfare and recreational facilities in Montevideo than in the interior, and the city reflects cosmopolitan influences in both style and architecture. The opportunity to rise socially and

economically is greater in the city than in rural areas. In rural society 19th century modes of life generally prevail. The large landholding unit, the *estancia*, is the center of country life, and the landowner often has semi-feudal authority. There are great differences in wealth; class lines tend to be rigid, and there is much less social mobility than in Montevideo. The rural worker has not benefited to any extent from the social reforms and welfare systems enjoyed by the city dweller, and his level of living is consequently much lower. More than 40% of the population now lives in Montevideo.

Educational and literacy levels are among the highest in Latin America. (About 90% of the population 15 years and older are literate). The labor force is estimated as slightly over one million. The estimated labor union membership is 300,000.

ECONOMIC  
BACKGROUND

## II. ECONOMIC BACKGROUND

### Growth rates and trends

The Uruguayan economy recently began to show some improvement after more than a decade of stagnation and hyperinflation, but formidable problems remain. In 1969 the inflation rate was held to 15% compared with 66% in 1968, while real gross domestic product (GDP) rose by 5 1/2%—the greatest increase since 1954. Export earnings were the highest since 1965, and foreign exchange reserves rose by 9%. Economic trends in 1970 also appear to be generally favorable. Recent economic gains reflect both the recovery of agricultural output from the poor weather of 1967-68 and the austerity program initiated by the government in late 1968.

Uruguay enjoyed a long period of prosperity and financial stability and was a haven for foreign capital. Beginning in 1955, however, falling export earnings required cuts in imports of industrial materials as well as consumer goods. Moreover, unrestrained expansion of credit to the private sector, and later to the government to cover its deficits, created an inflationary spiral that continued through 1965.

The rise in the cost of living exceeded 2,000% from 1961 to 1968 and peaked at an annual rate of 183% in June of 1968. A stabilization program had considerably reduced the inflation rate in 1966, but late that year, after crippling strikes, the government eased controls and rapid inflation soon resumed. In late 1968 the Pacheco government instituted a far more drastic stabilization program, which has had encouraging results. During the 1960s real GDP stagnated and per capita GDP declined by about 10%. Nevertheless, the estimated per capita GDP of \$980 in 1969 was still the third highest in Latin America. Fixed investment, which had averaged 19% of GDP for more than a decade after World War II, has amounted to only about 12% of GDP in recent years.

In contrast to most other Latin American countries, Uruguay has no subsistence sector; the entire population is integrated into the market economy. The labor force is homogeneous, heavily urbanized, and the best educated in Latin America. Although labor productivity has declined in recent years, it remains among the highest in Latin America.

### Government economic policies

The keystone of the government's financial stabilization effort is the wage and price freeze promulgated in 1968. Unlike previous wage and price

Uruguay

Nov 70

controls, this measure has been rigidly enforced for most goods and services. During the first month it administered the price control program, for example, the National Subsistence Council closed 60 retail establishments and fined 30 others for raising prices. Wage and price control subsequently was made the responsibility of the newly formed Productivity, Price, and Income Commission, which has been even more effective than its predecessor. The government also has fought inflation by reducing its budget deficits in some recent years and by restricting private sector credit expansion.

The government has been trying to stimulate output through various measures. Realizing that export expansion is crucial in spurring increased production, it decreed two large currency devaluations in late 1967 and early 1968. In addition, it has relied less on export retention taxes and has relaxed import restrictions on raw materials and capital goods. Although budget limitations have prevented substantially increased investment spending, some programs have been initiated to increase agricultural productivity. The government also has been trying to utilize foreign aid funds more rapidly, channel credit into the most productive fields, and encourage industrial and agricultural output by broadening price supports and subsidies.

Although the government exercises fairly extensive control over the private sector through welfare regulations, credit distribution, and wage and price controls, government ownership of enterprises is more limited than in many other Latin American countries. The principal state enterprises are the Railroad Administration, the General Administration of State Electric Power and Telephones, the Uruguayan National Airline, the Oceanographic and Fishing Service, and the National Meatpacking Plant. Except for the railroads and telephone system, the government does not have a monopoly in any field. At present, the trend appears to be toward less state ownership.

### **Income distribution**

Uruguay has long devoted a larger share of its resources to health, education, and social welfare than most other Latin American countries. As a result, Uruguayans on the average have a better education, longer life expectancy, and a more equitable share of national income than do most Latin Americans. Distortions caused by rapid inflation, however, have brought a drop in real wages, pensions, and other benefits for the lower-income groups in recent years. The government, which still relies heavily on foreign trade taxes, has made little effort to redistribute income through progressive forms of taxation.

### Sectors of the economy

Although agriculture contributes only 12% of GDP and employs only one person in five, it is the source of most raw materials for industry and 96% of exports. Agricultural production, which fluctuates considerably, showed only a moderate upward trend during the 1960s. With the return of favorable weather in 1969, following two years of drought and floods, output jumped by 15%. Even so, it was little greater in 1969 than in 1956. Sluggish agricultural growth has impeded progress throughout the economy.

Although Uruguay is no longer self-sufficient in major foodstuffs, the population still has the best diet in Latin America. The average daily food intake of 2,970 calories per capita is the region's highest, and protein content of the diet is one of the highest in the world.

The principal domestic crops are wheat, corn, sunflower seeds, potatoes, oats, and barley. The production trend of most of these crops has been downward during the past decade. Planted areas for most domestic crops decreased in the 1960s because price rises did not fully cover increases in production costs. Crop yields, which are low by US standards but somewhat above average for Latin America, vary greatly from year to year depending upon weather conditions.

Livestock raising accounts for about 80% of agricultural output. The principal livestock products are wool and beef. Wool is produced almost exclusively for export; a little more than half of the clip is exported as raw wool and most of the rest as semi-finished products. About 25% of the beef and veal output and small amounts of eggs and mutton are also exported, but all milk and pork are consumed domestically. Uruguay has one of the highest rates of beef consumption in the world—an average of about 198 pounds per capita annually during 1961-65 compared with about 88 pounds in the United States. Since 1965 the government has attempted, with little success, to restrict meat consumption by establishing several "meatless" days each week.

Except for hydroelectric power, Uruguay has few energy resources. No coal, oil, or gas has been found. Firewood is still an important fuel for homes and for small industrial establishments in the interior. Fuel imports make up about 15% of total imports.

Although Uruguay is usually a net importer of electric power, the industry can meet consumer demands under ideal conditions. In early 1970

the nominal installed capacity was 578,000 kilowatts, but effective capacity frequently is reduced by equipment failures and low water levels in reservoirs.

Uruguay possesses few known mineral resources and has a relatively small mining output. The principal products are marble and granite, some of which is exported. Half of the industry's labor force of about 4,000 is engaged in stone quarrying and processing.

Known iron ore reserves, located for the most part in north central Uruguay, are estimated at about 100 million metric tons. About 2,000 tons of this high-cost ore are mined each year for use in domestic industry. Uranium ore deposits were discovered along the Rio Negro in 1965, but are not yet exploited.

Manufacturing expanded very rapidly in the first decade after World War II, aided by high protective tariffs and worldwide shortages of consumer goods. Although output has stagnated since the mid-1950s, manufacturing still accounts for about 25% of GDP and employment.

Food processing, which makes up about 20% of output, is by far the most important branch of manufacturing. Meatpacking, flour milling, sugar refining (partly of imported raw sugar), and oil processing are the main activities. Meatpacking, the dominant industry, grew at an average annual rate of only 1 1/2% during the 1960s because exchange-rate policies and cost increases made competition abroad difficult.

Textile production, the second most important industry, grew fairly rapidly in the mid-1960s but recently cost increases, overvaluation of the peso, and worldwide competition from synthetic fibers have had an adverse effect.

Construction output, stagnant during 1956-60, has declined to about 75% of its 1961 level. In 1968, however, the sector still accounted for about 5% of GDP. Residential construction has been at a low level since the early 1950s, when numerous apartment buildings were constructed. Because of that building boom and the low rate of population growth, demand for housing has not been particularly strong. Montevideo remains one of the few large Latin American cities without an extensive slum area.

### **Transportation and telecommunications**

Uruguay has one of the best networks of rail lines and highways of any South American country. The highway mileage density is one of the highest in Latin America, and very few areas are more than 30 miles from a rail line. Despite some deficiencies, particularly in regional highways, transportation and telecommunications systems are adequate for present needs. Most systems are oriented to Montevideo and from there fan out to serve nearly all populated areas.

The transportation systems have been developed to serve the needs of agriculture and livestock raising. Highways are the most widely used transport medium. The best roads, like most of the population, are concentrated in the south and southwest. The well-distributed rail net has a significant role in Uruguayan communications, even though the rail lines generally parallel highway routes and road competition has taken a sizable volume of traffic away from the railroads. The inland waterways, made up largely of the Rio de la Plata system, complement the rail and highway nets and offer them little serious competition. The same is true of civil air activities, which are on a small scale domestically but play an important role in providing international air services. About 90% of the seaborne commerce is handled by the port of Montevideo, but only about 25% of all seaborne commerce is carried by Uruguay's merchant marine. There are no significant pipelines in the country. The telephone network is the most important telecommunication system.

Most transportation facilities are government-owned. Various government agencies administer the activities of individual modes of transportation. Civil air and merchant marine activities are controlled by agencies under the Ministry of National Defense; all other administrative agencies are under the authority of the Ministry of Public Works. Several autonomous agencies either own or control the telecommunication networks.

Government efforts to improve and develop transportation are included in a 10-year development plan (1965-74). Investment in the transport sector of the plan is set at the equivalent of US \$386.9 million. General objectives are to meet internal transport needs, to promote wide participation in the international transport market, and to obtain maximum efficiency in the transportation systems at lowest cost. Most activities have so far been devoted to highway projects, but the plan also calls for improvements in the rail lines and the telecommunication system.



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### Foreign trade

Because of its small size, lack of most industrial raw materials, and near-absence of basic industry, Uruguay is heavily dependent upon foreign trade. In the early 1900s it mainly exported unprocessed agricultural products in exchange for consumer goods. With the growth of light industry during the last three decades, however, imports of consumer goods have dropped and imports of raw materials have increased rapidly. Industrial exports, however, have risen very little. Although industrialization has not saved much foreign exchange, it has generated employment for a large part of the labor force. Agricultural exports are the main source of the foreign exchange needed to pay for essential industrial inputs.

Uruguayan exports declined substantially in the late 1950s—from an annual average of \$230 million in 1950-56 to \$130 million in 1957-59—because of slackening demand for agricultural products after the Korean War and government measures that discriminated against agriculture. Exports rose sharply from 1959 through 1961 and thereafter more slowly. In 1969 their value was about double that of 1959, although still considerably below the average of the early 1950s. Generally rising prices for most animal products sparked the export performance of the 1960s. The export decline of the late 1950s resulted in stringent government limitations of imports, which were later relaxed somewhat as export performance improved. The combination of reviving exports and restricting imports allowed trade surpluses in 1965-66 and 1968—the first since 1953.

Uruguay substantially reduced its dependence on wool exports during the 1960s. Largely in response to changing relative prices, meat and meat products rose from one fourth to one third of total exports, while wool dropped from about one half to less than two fifths of the total. Other agricultural products—mostly fats and oils—rose from 5% to 13% of exports. Although manufactured exports declined, there was a tendency towards greater processing of agricultural products. For example, whereas wool tops made up only 33% of wool exports in 1960, they made up 42% of such exports in 1969.

Since the US was displaced as the leading market for Uruguayan exports in 1966, the United Kingdom has become Uruguay's most important trading partner. Other important export markets are Italy, Spain, and various other continental West European countries. Exports to other Latin American countries have increased from 8 1/2% of the total in 1965 to 11% in 1968. Exports to Eastern Europe, mostly hides, meat, and wool, fluctuated between 7% and 17% of the total in the early 1960s but have declined sharply in recent years.

Uruguay

11 - 6

Nov 70

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The US, which is the largest single source of Uruguayan imports, supplies the country mainly with food, machinery, and chemicals. The value of imports from the US varies sharply from year to year depending upon Uruguay's food needs. The United Kingdom and the members of the European Economic Community—most importantly West Germany—supply a wide range of chemicals, iron and steel, and manufactured goods. More than a fifth of Uruguay's imports consist of raw materials and food from other Latin American nations. Imports from Eastern Europe are usually less than 1% of total imports.

Uruguay maintains extensive controls over both imports and exports. All imports must be registered with the monetary authorities prior to placing orders abroad and are subject to import duties ranging from 1 1/2% to 15% of the c.i.f. value. In addition to these duties, import surcharges ranging up to 300%, depending on the importance of the commodity imported, are levied. Many of these surcharges are reduced for products from Latin American Free Trade Association countries. The proceeds of most exports are subject to retention taxes, which are withheld by the monetary authorities and range from 0.01% to 50% of their peso value.

### **Balance of payments**

After several years of deficits, the balance of payments began to show surpluses in 1966, mainly as a result of improved trade balances. Although net earnings from travel have risen in recent years, reaching \$30 million (or 16% of commodity exports) in 1969, these receipts were largely offset by increased outflows for services and transfers.

Uruguay has not had substantial net inflows of capital since the early 1960s—in large part because poor economic conditions and discouraging prospects have frequently promoted capital flight. Direct investment remained very small during the 1960s. Drawings on long-term loans rose from an average of \$9 million in 1960-67 to \$37 million in 1968-69, when Uruguay succeeded in obtaining large loans—mostly for imports under PL 480—to compensate for small grain harvests. This gain was largely offset, however, by a loss of short-term capital. Short-term capital outflows and other negative items totaling about \$300 million since 1961 have outweighed the net long-term capital inflows and improvement in the current account balance. As a result, net reserves declined by \$140 million during 1962-69.

At the end of 1969, Uruguay's long-term foreign debt (including undisbursed loans) amounted to \$450 million, of which about \$100 million

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is due by the end of 1971. Much of the debt probably will have to be rescheduled, as was done in 1965. Official long-term debt to international development institutions is a small proportion of the total by Latin American standards because of Uruguay's failure to develop public sector investment programs that could qualify for foreign financing.

Uruguay

11 - 8

Nov 70

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POLITICAL  
SITUATION  
AND TRENDS

### III. POLITICAL SITUATION AND TRENDS

#### Historical summary

Uruguay was discovered in 1516 by the Spanish explorer Juan de Diaz Solis, and the first permanent European settlement was begun in 1527. For nearly three centuries the territory that is now Uruguay was the object of rivalry between the Portuguese in Brazil and the Spanish centered in Buenos Aires, across the Rio de la Plata from Montevideo. In 1807 the British occupied Montevideo for six months, but the city again reverted to Spanish control. Jose Artigas, a Uruguayan gaucho and the father of Uruguayan independence, led the revolution against colonial rule beginning in 1811, but Uruguayan independence—from Spain, Buenos Aires, and Portugal—was not finally recognized until 1828. A constitution was drawn in 1830 that lasted until 1919—no mean achievement in Latin America.

By 1836, Uruguay's two historic political parties—the conservative Blancos and the liberal Colorados—had been formed. Civil war plagued Uruguay throughout the 19th century, but the period from 1843 to 1851 is considered the time of "the Great War." Colorados controlled Montevideo, which was besieged by Blanco and Argentine forces for eight and one-half years. This war developed into a struggle between the urban capital and the rural countryside, a division that persists today.

In 1903 the presidency was won by the Colorado leader Jose Batlle y Ordonez. Batlle, considered to be the founder of modern Uruguay, was instrumental in instituting the plural executive and the welfare system, both of which molded Uruguayan history in the 20th century. During his first presidential term from 1903 to 1907, he obtained a considerable amount of social reform legislation. He fought for the eight-hour working day and began to establish the government corporations that play such an important part in the present economic structure.

When his term expired in 1907, he went to Switzerland where he spent the next four years. He was very impressed with the plural executive system, and, when he was re-elected in 1911, he began to press for its establishment in Uruguay. Because of Batlle's immense prestige, he was able finally to have the constitution redrawn, and in 1919 a charter providing for divided responsibility between a President and a National Council was approved. The President retained under his authority the ministries of foreign relations, war, and interior; the National Council was responsible for the ministries of

Uruguay

Nov 70

education, industry, etc. This system worked fairly well during the 1920s, but the economic crisis of the 1930s was mirrored on the political scene. In 1933, President Gabriel Terra, with the support of the armed forces, removed the Council from office because of its ineffectiveness. This was only a temporary measure, however, and constitutions that were written in 1934 and 1942 continued the divided system.

In 1952 still another constitution was drafted. This one did away completely with the separate office of the president. Instead, the council had six members of the majority party and three of the minority. The presidency of the council, and of the country, rotated among the six majority members on an annual basis. Like the constitution of 1919, that of 1952 proved inadequate in time of economic crisis. In the early 1960s the country suffered from serious inflation, combined with successive devaluations of the peso. At the November 1966 elections the voters, disillusioned by their experience with the plural executive, opted for a single president, with increased powers, to take office in March 1967.

At the same time that the new constitution was approved, the voters selected a Colorado, General (retired) Oscar Gestido, as the first president under the new system. Both his administration and that of Jorge Pacheco, who succeeded upon Gestido's death in December 1967, regarded inflation, the need to increase production, and internal security as the most urgent problems facing the nation. The burden of heavy debt repayments is also a serious problem. Although some momentum toward economic recovery has been attained, many administrative and economic reforms, as well as much agrarian and industrial development, are required to get the country moving again. During the past several years, moreover, there has been increasing discontent evidenced in labor and student agitation and strikes. Leftist extremists have carried off dramatic incidents of urban terrorism. Should the presidential system prove ineffective in coming to grips with the country's economic problems or fail to curb extreme leftist terrorists, the possibility exists of an unconstitutional seizure of power by the incumbent President.

### **Structure and functioning of governmental system**

Uruguay is a constitutional, centralized republic with legislative, executive, and judicial branches. The most important feature of the constitution, which went into effect on 15 February 1967, is that it places Uruguay again under presidential government and in various ways strengthens the executive. The terms of all popularly elected officials are lengthened from four years to five years, to be concurrent with that of the President. The constitution

retains the traditional guarantees of civil liberties that Uruguay has preserved throughout the 20th century.

The legislative branch is the General Assembly composed of two chambers: a Senate and a Chamber of Deputies. Usually each functions separately, but at times they operate jointly. Both chambers are in session from 15 March through 15 December, except in an election year, when the sessions terminate on 15 October and new sessions then begin on the following 15th of February. When the Assembly is not in session, a Permanent Commission assumes its powers.

There are 30 Senators, elected by proportional representation from a nationwide constituency. The 99 Deputies also are elected by proportional representation. The number of deputies allotted to each of the 19 departments is determined by the number of votes cast in the previous election plus new registrants, instead of by population figures.

The executive branch is headed by a president who, together with a vice president running on the same ticket, is popularly elected for a five-year term under a system that provides that the leading faction within the leading party is the winner. The 1967 constitution increased the number of ministries from nine to eleven and redistributed some Cabinet functions.

The Uruguayan bureaucracy is swollen and inefficient. Many Uruguayans appear to believe that they have a moral right to government employment. The largest sector (21%) of the active working force is made up of government employees at all levels. Both major political parties offer government jobs for patronage purposes, and in order to provide more such jobs, positions and functions are multiplied, resulting in a welter of red tape and duplication of effort.

The structure of the judicial branch—a tightly knit centralist system—reflects Uruguay's Spanish heritage. Judgments are rendered in the tradition of civil rather than common law. Custom is not a source of law, and judicial precedence is given little weight because "judge-made law" is regarded as an invasion of the legislative province. The jury system has been abolished.

Judicial power is exercised by a Supreme Court of Justice and by other tribunals and courts. The Supreme Court is composed of five members elected for 10-year terms by a two-thirds vote of the General Assembly. Justices may be re-elected only after a lapse of five years. The Supreme Court has original jurisdiction in cases involving violations of the constitution and in cases in international and admiralty law. It is the highest

court of appeal in both civil and criminal matters. It has the power of judicial review and may declare laws unconstitutional. The Supreme Court appoints the judges of all lower courts, with Senate approval.

Uruguay is divided into 19 departments, which resemble large US counties rather than states. The departments have only limited autonomy; the central government retains control over the public security system and over certain aspects of local revenue and budgetary activities. Each department has a popularly elected government consisting of a departmental board of 31 members with legislative functions and a single executive officer. The tradition of the central government's control over the smaller communities is so strong that there is little more than token decentralization at either the departmental or local level.

### **Political dynamics**

Uruguayan politics are dominated by the two major parties—the Blancos and the Colorados—that have been in existence for more than a century. A sophisticated political system has developed, with the result that Uruguay has been able to achieve a high degree of political stability, compared to most other Latin American nations, and to maintain democratic institutions. On the other hand, the system has led to an absence of clear-cut programs by the parties and to indecisive, inefficient government.

The most distinctive feature of the Uruguayan political system is the complex national electoral law, expressly designed to safeguard the existence of the two major parties by enabling them to maintain a certain degree of unity in spite of internal discord. This is the **lema law (Ley de Lema)**, under which any party may run any number of lists of candidates. At election time the voter votes not only for the party of his choice but also for the factional candidates of his choice within that party. The votes for the lists are then combined to determine the total vote for the party. This system, in effect, combines a primary with a general election. In addition, the law provides not only for the proportional representation of political parties in the legislature, but also for proportional representation of the factions within each party on the basis of their share of the party vote.

The **lema** law has encouraged political fragmentation and has permitted politicians representing the entire range of political opinions to run under the banner of either major party. This system has preserved the widely divergent factions within the major parties, but it has also virtually institutionalized factional cleavages. Alliances between factions are formed at



election time, but cooperation rarely outlasts the election. The division of official responsibility between the two major parties extends from the legislature into the legislative branch of the departmental and municipal governments. Until the 1967 constitution was adopted, divisions of responsibility extended even into the directing boards of the government autonomous enterprises, on which the minority party was guaranteed two out of the five seats. One reason this complicated system has managed to function so long has been that each party has respected previously agreed-upon patronage privilege pacts. Corruption is widespread, as each party uses its offices to create jobs for party hacks.

The political system, by favoring the two major parties, has restrained the growth of splinter parties and has hampered the Communists, Socialists, Christian Democrats, and other minority political groupings. By encouraging compromise within and between the two major parties, it has also stifled the development of clear-cut programs and has made for governmental inefficiency. In short, it is a system that serves well the short-range interests of politicians and those to whom they distribute patronage but has not produced governments capable of dealing effectively with national problems. This situation was increasingly evident after March 1952, when even executive responsibility was divided between the two major parties in the nine-member National Council of Government. Although the electorate in November 1966 rejected by a wide margin the plural executive in favor of a single president, the *lema* law has been retained, and the strengths of the two major parties are fairly evenly balanced. The passage of important legislation nearly always requires extensive political logrolling. It has been extremely difficult to secure passage of any measure that runs counter to the interests of any one of the principal party factions.

The Colorado Party was the dominant national party for 93 years, until the Blancos won the 1958 elections; the 1966 elections returned the Colorados to power. During most of the 20th century the Colorados have represented urban middle-class and labor interests. The party has no one recognized leader. It is a loose agglomeration of factions that are, in effect, smaller parties. The factions center around personalities rather than principles; they form and break off alliances opportunistically, and their members shift allegiance or form subfactions fairly frequently.

As the 1970 Congress opened, the Colorado Party consisted of seven principal factions, of which President Pacheco's was only the second largest. Although the party has only a slim majority in congress, Pacheco has exerted practically no effort to unify the disparate and disoriented elements of the party.

The other major national party, the Blancos, has generally represented upper-class and agricultural interests. Like the Colorados, it is divided into a number of fragile factions, reflecting personal allegiances more than substantive differences on political issues.

### **Security system**

The security forces include those under the Ministry of National Defense (the Army, Navy, Air Force, and General Maritime Prefecture), and those under the Ministry of Interior (the National Police and the National Firemen's Corps).

In matters of internal security, the police forces form the first line of defense. Elements under the Ministry of Interior, along with the General Maritime Prefecture under the Ministry of National Defense, are responsible for the control and suppression of riots and terrorism. They are also responsible for preventing criminal acts that could contribute to an insurgent effort such as smuggling and illegal entry of persons. The armed forces become involved when the situation grows sufficiently grave for the government to declare emergency security measures. These equate to a limited state of siege in other Latin American countries or to a very mild form of martial law in the United States.



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The Ministry of Interior has primary responsibility for public safety throughout Uruguay. With a total force of about 17,000 men in the Uruguayan Police, plus 1,200 in the National Firemen's Corps, the Ministry

Uruguay

III - 6

Nov 70

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Approved For Release 2005/04/12 : CIA-RDP79-00891A000700030001-3

Approved For Release 2005/04/12 : CIA-RDP79-00891A000700030001-3

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Approved For Release 2005/04/12 : CIA-RDP79-00891A000700030001-3

Next 3 Page(s) In Document Exempt

Approved For Release 2005/04/12 : CIA-RDP79-00891A000700030001-3

Approved For Release 2005/04/12 : CIA-RDP79-00891A000700030001-3

ARMED FORCES

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## VI. ARMED FORCES

### Defense organization and manpower

The President is the nominal commander of the armed forces, but he usually delegates control to the minister of national defense. The minister, usually a retired military officer, is assisted by the National Defense Council. This council, a consultative body, is composed of the three service commanders, their chiefs of staff, and five members appointed by the president. The minister of national defense exercises direct control over the army, navy, and air force commanders in chief.

There are 10,500 men in the army, 1,875 in the navy, and 1,360 in the air force

All personnel of the Uruguayan armed forces are volunteers and, reportedly, there are more applicants than available spaces. Few enlisted men make a career of military service, however, and there is a high turnover rate and a shortage of skilled technicians and noncommissioned officers.

### Military budget

Military budgets are prepared by the minister of national defense on a four-year basis. He must then review and adjust the budget annually, justifying his defense estimates to the Ministry of Finance, the President, and the legislature, all of whom have some latitude in adjusting funds among the services before approval of the budget. In 1969 the military budget was about \$24.3 million. This amounted to 7.0% of the national budget.

### Major weapons systems

The army is a lightly armed force, primarily infantry and cavalry, with a few armored vehicles. It is equipped with a heterogeneous collection of US and European materiel, most of which is obsolete by US standards. The army is trying to upgrade its internal security and counterinsurgency capability.

The navy's principal combatant ships are two destroyer escorts, transferred from the US in 1951. Both are in good condition. In addition, the navy has four patrol vessels, one minesweeper, two auxiliaries, and seven service craft. Naval aviation has a total of 22 prop aircraft.

Uruguay

Nov 70

The aircraft inventory of the air force includes seven F-80 jet fighters, 14 C-47 transports, one OH-13G and two OH-23E helicopters, six T-33 (jet), four PT-19 and two T-6 trainers, and 23 miscellaneous utility aircraft.

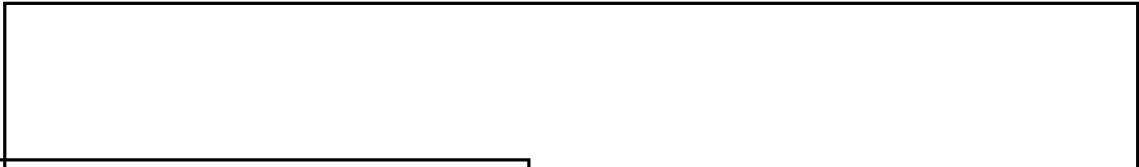
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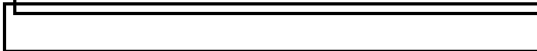
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## VII. FOREIGN RELATIONS

Uruguay, which during the 19th century often suffered from interference by Argentina and Brazil, is one of the most vigorous exponents in Latin America of the principle of nonintervention. It plays a very active role in international affairs, affords a haven for political exiles—especially from Argentina, Brazil, and Paraguay—and hosts many international meetings, including the 1967 meeting of OAS chiefs of state.



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25X1  Uruguay's relations with its two large neighbors are reasonably good, although its ties to Brazil were strained in the summer of 1970 when a Brazilian diplomat was kidnaped.

A longstanding dispute with Argentina regarding the exact demarcation of the Uruguay River boundary between the two countries crops up from time to time to disrupt relations. The latest in a series of agreements to smooth over the problem was reached in May 1969, but by early 1970 the issue was once again being disputed. Friendly talks between President Pacheco and Argentine President Ongania in March 1970 held the promise of a viable settlement of the boundary problem, as well as increased economic cooperation between the two countries. A cordial meeting between President Pacheco and Brazilian President Medici in May 1970 also foreshadowed closer economic cooperation and the sale of Brazilian military equipment to Uruguay. Among Uruguayan leaders, Brazil is considered the more benign power, more friendly, more reasonable, and more ready to support Uruguay against Argentine domination.

Except from 1935-43, Uruguay has had diplomatic relations with the Soviet Union since 1926. The Soviets maintain an embassy staff of 47

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Uruguay

Nov 70

Diplomatic relations exist between Uruguay and all Eastern European countries except East Germany and Albania. The Soviets have pushed for recognition of East Germany, but the Uruguayans have flatly refused.

Uruguay broke relations with Cuba in September 1964 after prolonged discussion, which occasioned numerous Communist-inspired demonstrations. The Cubans still operate a Prensa Latina office in Montevideo, with a Uruguayan as correspondent, and also a binational center, but there are no political or economic relations between the two countries. No inclination to change the government's official policy toward Cuba has recently been evident. Foreign Ministry officials indicated, however, that the Cuban situation should be watched to detect any sign that the Castro regime had ceased sponsoring revolutionary activities in Latin America. There are no restrictions regarding travel to and from Cuba. The Chinese Communists maintain a New China News Agency correspondent in Montevideo (a Uruguayan) and have sought for several years to open a trade office or to hold a trade exhibition.

Uruguay's role in international organizations has been out of proportion to its size and power. Jose Balle y Ordonez at the Hague Conference in 1907 proposed an "alliance" for the compulsory use of international arbitration. Uruguay was an original member of the League of Nations and was particularly active in its humanitarian and cultural activities. It has been active in the United Nations also. Uruguay is a member of the Organization of American States (OAS) and the Latin American Free Trade Association (LAFTA). Its attitude toward LAFTA, which has its headquarters in Montevideo, has been one of relative indifference, however. Mainly because of continuing large deficits in its trade within the LAFTA zone, Uruguay believes that it has not yet received reciprocity from other members in tariff concessions.

The Uruguayan Government has a somewhat ambivalent view of the Special Coordinating Committee for Latin American (CECLA), an organization established in 1969 to bring about a common Latin American position in dealing with the US. Although Uruguay prides itself on its significant role in inter-American affairs, it is interested in avoiding any suggestion of a Latin American confrontation with the US.

On 3 December 1969, Uruguay issued a decree extending its territorial waters from 12 miles to 200 miles. The decree guarantees to foreign countries free passage for surface navigation and overflight rights. The extension is aimed primarily at protecting fish stocks and underseas resources. In May 1970, Uruguay hosted a nine-nation conference attended by

those Latin American countries favoring the 200-mile limit. The conference issued a declaration upholding all countries' rights to establish their own sea limits and control their coastal natural resources.

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### VIII. US INTERESTS

The primary US interest in Uruguay is to see this practitioner of democracy achieve economic recovery and development within its democratic traditions and institutions.

US military commitments to Uruguay are those covered by the inter-American agreements, including the Rio de Janeiro Pact of 1947.

In 1969 private US investment in Uruguay was about \$101 million, with 68% in manufacturing. Largest US investors are United Merchants and Manufacturers of New York, the Lone Star Cement Company of New York, General Motors, and General Electric.

The US portion of Uruguayan imports amounted to about \$24 million, or 14% of total imports in 1967. Exports to the US in 1967 were \$12 million, or about 8% of Uruguay's total exports. Other major trading partners are the United Kingdom, the Netherlands, West Germany, and Brazil.

Total US economic assistance to Uruguay between 1946 and 1969 amounted to \$120.8 million. More than 30% of this amount came in 1968, when \$34.5 million in loans and \$2.8 million in grants were made available to Uruguay. The total assistance provided in 1969 dropped to \$3.7 million. US military assistance to Uruguay amounted to \$41.3 million between 1946 and 1969; military assistance for 1969 came to \$1.7 million.

Uruguay

Nov 70





## IX. CHRONOLOGY AND TABULAR DATA

### Chronology of Key Events

- 1943 Relations with USSR re-established; had been broken in 1935 when Uruguay discovered the Soviets were using their missions as a propaganda center for South America.
- 1951 (July) The constitution is changed to provide for a collegiate system of government with a nine-member executive council with a rotating presidency.
- 1958 (30 November) The Blanco Party, in coalition with smaller parties, wins national election for first time in 93 years.
- 1962 (25 November) Blanco coalition wins national election, but by a smaller margin than in 1958.
- 1966 (27 November) Colorado Party coalition wins national elections; basic constitutional reform, changing to single president, approved.
- 1967 (1 March) Gestido is inaugurated President.  
  
(April) Conference of chiefs of state of OAS countries meets at Punta del Este.  
  
(6 December) Gestido dies, and Jorge Pacheco Areco is installed as President.
- 1968 (13 June) Pacheco declares a limited state of siege to halt labor agitation and a series of crippling strikes.
- 1969 (9 September) Prominent banker kidnaped by Tupamaros; released more than two months later after associates pay the ransom demanded.
- 1970 (July-August) US and Brazilian officials kidnaped by Tupamaros; one US official is murdered; widespread searches fail to locate other victims.

Uruguay

Nov 70

## TABULAR DATA

### Holidays and Significant Dates

1 January	New Year
Feb or March (Mon and Tues)	Carnival
Easter Week (Thurs, Fri, Sat)	Week of Tourists
1 May	Labor Day
19 June	Birth of Artigas
18 July	Constitution Day
25 August	Independence Day (1825)
12 October	Discovery of America
1 November	All Souls' Day
25 December	Christmas
1 March (every five years)	Inauguration Day

### Selected Factual Data

#### LAND

72,172 sq. mi; 86% arable (12% cultivated), 11% desert or waste, 3% forested

Limits of territorial waters: 200 n. mi.

#### PEOPLE

Population: 2,886,000; males 15-49, 721,000; 565,000 fit for military service

Ethnic divisions: 85%-90% white, 5% Negro, 5%-10% mestizo

Religion: 66% Roman Catholic (less than half adult population attends church regularly)

Language: Spanish

Literacy: 90.5% for those 15 years of age or older; Universities and secondary schools in session March-December

Labor force: 1,015,000

Organized labor: about 25% of labor force

Time zone: EST plus 2 (GMT -3)

#### GOVERNMENT

Type of government: unitary republic

Branches of government: executive, headed by President; bicameral legislature (30 Senators plus vice president who presides and has voice and vote, and 99-member Chamber of Deputies) elected by popular vote under a complicated system using proportional representation; national judiciary headed by Supreme Court

President: Jorge Pacheco Areco (term expires in 1971)

Presidential succession: Pacheco would be succeeded by Vice President Alberto Abdala

Capital: Montevideo

Political subdivisions: 19 departments with limited autonomy

Principal political parties and chief officials: National (Blanco) Party, President of Party Directorate Alberto Heber Usher, main factions include Martin Echegoyen's "Alianza" faction, List 400 (Washington Beltran), Rocha Movement (Alberto Gallinal), Orthodox Herreristas (Alberto Heber Usher), Por La Patria (Wilson Ferreira Aldunate) and the Movimiento Popular Blanco y Progresista (Francisco Rodriguez Camusso); Colorado Party, main factions include Colorado and Batllista Union (Jorge Pacheco Areco), List 15 (Jorge Batlle), List 315 (Amilcar Vasconcellos), List 99 (Zelmar Michelini), and the Pregon faction (Alba Roballo); Leftist Liberation Front (FIDEL), Communist Front

Suffrage: universal over age 18

Voting strength (1966 elections): 49.3% Colorado, 40.3% Blanco, 5.7% FIDEL, 3% Christian Democrat, 0.9% Socialists, 0.8% Other

Communists: 18,000-20,000; Communist youth group, 6,000-8,000

Other political or pressure groups: Communist Party (PCU), Rodney Arismendi; Christian Democratic Party (PDC); Socialist Party of Uruguay (PSU) banned in 1967; Movement of the Revolutionary Left (MIR), pro-Chinese Communist Party banned in 1967; Revolutionary Movement of Uruguay (MRO) pro-Cuban Communist Party banned in 1967; National Liberation Movement (MLN-Tupamaros) Marxist revolutionary terrorist group

Elections: every 5 years; next in 1971

Member: IAEA, IBRD, ICAO, ILO, IMF, LAFTA, OAS, UN

## ECONOMY

GNP: \$2.8 billion (purchasing power parity estimate, 1969); \$970 per capita; 74% private consumption, 12% public consumption, 14% gross investment; real growth rate 1969, 5½%

Agriculture: large areas devoted to extensive livestock grazing (23 million sheep, 8 million cattle); main crops—wheat, rice, corn; self-sufficient in most basic foodstuffs; caloric intake, 3,000 calories per day per capita with high protein content

Major industries: meat processing, wool and hides, textiles, footwear, cement, petroleum refining

Crude steel: 24,000 metric tons produced (1966), 10 kilograms per capita

Electric power: 578,000 kw. capacity (1970); 1.88 billion kw.-hr. produced (1968); 653 kw.-hr. per capita (1968)

Exports: \$195.0 million (f.o.b., 1969); beef, wool, hides

Imports: \$191.6 million (c.i.f., 1969); fuels, metals, capital goods, machinery, transportation equipment

Major trade partners: exports—EEC 27%, UK 25%, US 12%, LAFTA 11%; imports—LAFTA 26%, US 22%, UK 14%, EEC 13% (1968); trade with Communist countries exports 4%; imports less than 1%

Foreign aid: economic—extensions from US (FY46-69), loans \$105.4 million, grants \$20.0 million; from international organizations, IBRD \$102.2 million, IDB \$36.7 million; \$10 million credit from Hungary (1967), \$20 million credit from USSR (1969); military—US grants \$41.2 million (FY46-69), \$.4 million credits

Exchange rate: 250 pesos=US\$1

Fiscal year: Calendar year

#### COMMUNICATIONS

Railroads: 1,850 mi., all standard gage and government owned

Highways: 23,480 mi.; 970 mi. paved; 4,160 mi. otherwise surfaced; 350 mi. improved earth; 18,000 mi. earth tracks

Inland waterways: 1,068 mi.; used by coastal and shallow-draft river craft

Freight carried: highways 80% of total cargo traffic, rail 15%, waterways 5%

Ports: 1 principal (Montevideo), 3 secondary, 6 minor

Merchant marine: 19 ships (1,000 GRT or over) totaling 134,800 GRT, 208,000 DWT; includes 13 cargo, 5 tanker (including one naval tanker sometimes used commercially), 1 bulk

Civil air: 18 major transport aircraft

Airfields: 85 total, 60 usable; 5 with permanent-surface runways; 1 with runway 8,000-11,999 ft.; 7 with runways 4,000-7,999 ft.; 2 seaplane stations

Telecommunications: ten-year plan developed to improve telecom facilities underway; most modern facilities concentrated in Montevideo; 205,000 telephones; 1 million radio and 235,000 TV receivers; 62 AM, 2 FM, and 10 TV stations; 9 submarine cables

## DEFENSE FORCES

Personnel: army 13,680, navy 2,846 (including 266 in naval air arm), air force 1,699 (including 244 pilots)

Loyalty to government: loyal, apolitical

Major ground units: 14 regiments (4 infantry, 8 horse cavalry, 2 mechanized cavalry), 9 separate combat battalions (4 field artillery, 1 armored infantry, 4 engineer) and 1 engineer communications battalion

Ships: 2 destroyer escorts, 2 patrol, 2 minesweepers, 6 auxiliary, 6 service craft

Aircraft: 84 (12 jet), including 14 in naval air, 70 (12 jet) in air force

Supply: dependent on US for current supplies, with few exceptions

Military budget: for fiscal year ending 31 December 1969, \$24.3 million; 7.0% of central government budget

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