

Southern Cone Countries

Basic Information

**Compiled from recent issues of Background Notes, a series published by
United States Department of State.**

F701 "South America's Southern Cone"

OLLI At George Mason University

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Introduction

Any regional course depends on access to large amounts of basic information, and a brief course on five countries does not allow time to discuss more than a small amount of that information in class. The US Department of State publishes a useful series of concise country studies called **Background Notes** with some basic data and brief narratives on the history, society, economy, and government of each country along with notes in US Diplomatic issues and useful addresses in the US and the specific country. In general at least one note is published annually for every country with which the United States has diplomatic contact (including some without US embassies, e.g. North Korea and Iran). The series is continually updated, and sometimes there will be two or more notes published on a country in any given year. The series is intended for use by State Department employees, other government agents, private businesses, and citizens with interests in the region, and it is a concise and reasonably reliable source of basic information.

This handout is a lightly edited reproduction of the most recent **Background Notes** for Argentina (pp.3-12), Bolivia (pp.14-29), Chile (pp.30-43), Paraguay (44-51), and Uruguay (pp.52-60) available at the time of its compilation, 22 November 2009. It is worth noting that it is not always possible to compare the countries based on the data provided in the **Background Notes**. As an example, trade data for Argentina is reported for the European Union and North American Free Trade Association (NAFTA, including the United States, Canada, Mexico), while that for Chile is reported for specific countries.

The complete **Background Notes** series is available online at

<http://www.state.gov/r/pa/ei/bgn/>

[The Economist Intelligence Unit \(EIU\)](#), a branch of the company that publishes the weekly newsmagazine [The Economist](#), also publishes several series of frequently updated bulletins with basic data on the various countries: Country Profiles, Country Reports, and Country Commerce are available for all five Southern Cone countries, and additional information is available through EIU for Argentina and Chile, the two largest economies. Those publications, intended mostly for businesses, are also useful sources of basic information. The State Department **Background Notes** are in the public domain and thus can be freely reproduced. The EIU publications are under copyright and can only be obtained by visiting a site which has access rights or purchasing those rights yourself. Most university libraries (including George Mason) and better public libraries offer online access to EIU publications.

E. O. Pederson, Ph.D.

22 November 2009

Argentina (10/09)

State Department Press Release

Fri, 16 Oct 2009

Background Note: Argentina

PROFILE

OFFICIAL NAME:

Argentine Republic

Geography

Area: 2.8 million sq. km. (1.1 million sq. mi.); about the size of the U.S. east of the Mississippi River; second-largest country in South America.

Climate: Varied; predominantly temperate, with extremes ranging from subtropical in the north to arid/sub-Antarctic in far south.

People

Nationality: Noun and adjective--Argentine(s).

Population (July 2007 est.): 40.3 million.

Annual population growth rate (2001): 1.05%.

Ethnic groups: European 97%, mostly of Spanish and Italian descent; mestizo, Amerindian, or other nonwhite groups 3%.

Religions: Roman Catholic 70%, Protestant 9%, Muslim 1.5%, Jewish 0.8%, other 2.5%.

Language: Spanish.

Education: Compulsory until age 18. Adult literacy (2001)--97%.

Health: Infant mortality rate--16.16/1,000. Life expectancy (2000 est.)--75.48 yrs.

Work force: Industry and commerce--35.8%; agriculture--9.5%; services--54.7%.

Government

Type: Republic.

Constitution: 1853; revised 1994.

Independence: 1816.

Branches: Executive--president, vice president, cabinet. Legislative-- bicameral Congress (72-member Senate, 257-member Chamber of Deputies). Judicial--Supreme Court, federal and provincial trial courts.

Administrative subdivisions: 23 provinces and one autonomous district (Federal Capital).

Political parties: Justicialist (Peronist), Radical Civic Union (UCR), numerous smaller national and provincial parties.

Suffrage: Compulsory universal adult.

Economy (2008)

GDP (2008): \$326.7 billion.

Annual real growth rate (2008): +6.8%.

Per capita GDP (2008 estimate): \$8,219.

Natural resources: Fertile plains (pampas); minerals--lead, zinc, tin, copper, iron, manganese, oil, and uranium.

Agriculture (10% of GDP; including agribusiness, about 58% of exports by value): Products--oilseeds and by-products, grains, livestock products.

Industry (21% of GDP): Types--food processing, oil refining, machinery and equipment, textiles, chemicals and petrochemicals.

Trade: Exports (\$70.6 billion)--oilseed by-products, vegetable oils, cars, fuels, grains. Major markets--MERCOSUR 23%; EU 19%; NAFTA 10%. Imports (\$57.4 billion)--machinery, vehicles and transport products, chemicals. Major suppliers--MERCOSUR 35%; EU 17%, NAFTA 16%. Imported goods from the United States totaled approx. 12% of Argentine imported goods.

PEOPLE

Argentines are a fusion of diverse national and ethnic groups, with descendants of Italian and Spanish immigrants predominant. Waves of immigrants from many European countries arrived in the late 19th and early 20th centuries. Syrian, Lebanese, and other Middle Eastern immigrants number about 500,000 to 600,000, mainly in urban areas. Argentina's population is overwhelmingly Catholic, but it also has the largest Jewish population in Latin America, estimated at between 280,000 and 300,000. In recent years, there has been a substantial influx of immigrants from neighboring countries, particularly Paraguay, Bolivia, and Peru. The indigenous population, estimated at 700,000, is concentrated in the provinces of the north, northwest, and south. The Argentine population has one of Latin America's lowest growth rates. Eighty percent of the population resides in cities or towns of more than 2,000, and over one-third lives in the greater Buenos Aires area.

HISTORY

Europeans arrived in the region with the 1502 voyage of Amerigo Vespucci. Spanish navigator Juan Diaz de Solias visited what is now Argentina in 1516. Spain established a permanent colony on the site of Buenos Aires in 1580, although initial settlement was primarily overland from Peru. The Spanish further integrated Argentina into their empire by establishing the Vice Royalty of Rio de la Plata in 1776, and Buenos Aires became a flourishing port. Buenos Aires formally declared independence from Spain on July 9, 1816. Argentines revere Gen. Jose de San Martin--who campaigned in Argentina, Chile, and Peru--as the hero of their national independence. Following the defeat of the Spanish, centralist and federalist groups waged a lengthy conflict between themselves to determine the future of the nation. A modern constitution was promulgated in 1853, and a national unity government was established in 1861.

Two forces combined to create the modern Argentine nation in the late 19th century: the introduction of modern agricultural techniques and integration of Argentina into the world economy. Foreign investment and immigration from Europe aided this economic revolution. Investment, primarily from Britain, came in such fields as railroads and ports. As in the United States, the migrants who worked to develop Argentina's resources--especially the western pampas--came from throughout Europe.

From 1880 to 1930, Argentina became one of the world's ten wealthiest nations as a result of the rapid expansion of agriculture and foreign investment in infrastructure. Conservative forces dominated Argentine politics until 1916, when their traditional rivals, the Radicals, won control of the government. The Radicals, with their emphasis on fair elections and democratic institutions, opened their doors to Argentina's rapidly expanding middle class as well as to groups previously excluded from power. The Argentine military forced aged Radical President Hipolito Yrigoyen from power in 1930 and ushered in another decade of Conservative rule. Using fraud and force when necessary, the governments of the 1930s attempted to contain the currents of economic and political change that eventually led to the ascendance of Juan Domingo Peron (b. 1897). New social and political forces were seeking political power, including a modern military and labor movements that emerged from the growing urban working class.

The military ousted Argentina's constitutional government in 1943. Peron, then an army colonel, was one of the coup's leaders, and he soon became the government's dominant figure as Minister of Labor. Elections carried him to the presidency in 1946. He created the Partido Unico de la Revolucion, which became more commonly known as the Peronist or Justicialista party (PJ). He aggressively pursued policies aimed at empowering the working class and greatly expanded the number of unionized workers. In 1947, Peron announced the first five-year plan based on the growth of industries he nationalized. He helped establish the powerful General Confederation of Labor (CGT). Peron's dynamic wife, Eva Duarte de Peron, known as Evita (1919-52), played a key role in developing support for her husband. Peron won reelection in 1952, but the military sent him into exile in 1955. In the 1950s and 1960s, military and civilian administrations traded power, trying, with limited success, to deal with diminished economic growth and continued social and labor demands. When military governments failed to revive the economy and suppress escalating domestic terrorism in the late 1960s and early 1970s, the way was open for Peron's return.

On March 11, 1973, Argentina held general elections for the first time in ten years. Peron was prevented from running, but voters elected his stand-in, Dr. Hector Campora, as President. Peron's followers also commanded strong majorities in both houses of Congress. Campora resigned in July 1973, paving the way for new elections. Peron won a decisive victory and returned as President in October 1973 with his third wife, Maria Estela Isabel Martinez de Peron, as Vice President. During this period, extremists on the left and right carried out violent acts with a frequency that threatened public order. The government resorted to a number of emergency decrees, including the implementation of special executive authority to deal with violence. This allowed the government to imprison persons indefinitely without charge.

Peron died on July 1, 1974. His wife succeeded him in office, but a military coup removed her from office on March 24, 1976, and the armed forces formally exercised power through a junta composed of the three service commanders until December 10, 1983. The armed forces applied harsh measures against those they considered extremists and many suspected of being their sympathizers. While they were able to gradually restore basic order, the human costs of what became known as "El Proceso," or the "Dirty War," were high. Official sources have identified approximately 9,000 persons who were "disappeared" during the 1976-83 military dictatorship, while some human rights groups put the figure as high as 30,000. Serious economic problems, mounting charges of corruption, public revulsion in the face of human rights abuses and, finally, the country's 1982 defeat by the United Kingdom in an unsuccessful attempt to seize the Falklands/Malvinas Islands all combined to discredit the Argentine military regime. The junta lifted bans on political parties and gradually restored basic political liberties.

Democracy returned to Argentina in 1983, with Raul Alfonsin of the country's oldest political party, the Radical Civic Union (UCR), winning the presidency in elections that took place on October 30, 1983. He began a six-year term of office on December 10, 1983. In 1985 and 1987, large turnouts for mid-term elections demonstrated continued public support for a strong and vigorous democratic system. The UCR-led government took steps to resolve some of the nation's most pressing problems, including accounting for those who disappeared during military rule, establishing civilian control of the armed forces, and consolidating democratic institutions. However, failure to resolve endemic economic problems and an inability to maintain public

confidence undermined the effectiveness of the Alfonsín government, which left office six months early after Justicialista Party (PJ) candidate Carlos Saul Menem won the 1989 presidential elections.

President Menem imposed peso-dollar parity (convertibility) in 1992 to break the back of hyperinflation and adopted far-reaching market-based policies. Menem's accomplishments included dismantling a web of protectionist trade and business regulations and reversing a half-century of statism by implementing an ambitious privatization program. These reforms contributed to significant increases in investment and growth with stable prices through most of the 1990s. Unfortunately, widespread corruption in the administrations of President Menem and his successor President Fernando De la Rúa, who won election in 1999 at the head of a UCR-led coalition of center and center-left parties known as the "Alianza", shook confidence and weakened the recovery. Also, while convertibility defeated inflation, its permanence undermined Argentina's export competitiveness and created chronic deficits in the current account of the balance of payments, which were financed by massive borrowing. The contagion effect of the Asian financial crisis of 1998 precipitated an outflow of capital that gradually mushroomed into a four-year depression that culminated in a financial panic in November 2001. In December 2001, amidst bloody riots, President De la Rúa resigned.

After a period of political turmoil and several provisional presidents, a legislative assembly elected Eduardo Duhalde (PJ) President on January 1, 2002 to complete the term of former President De la Rúa. Duhalde assumed office in the midst of a widespread public rejection of the "political class" in Argentina. Duhalde--differentiating himself from his three predecessors--quickly abandoned the peso's ten-year-old link with the dollar, a move that was followed by a sharp currency depreciation and rising inflation. In the face of increasing poverty and continued social unrest, Duhalde moved to bolster the government's social programs and to contain inflation. He stabilized the social situation and advanced presidential elections by six months in order to pave the way for a president elected with a popular mandate.

In the first round of the presidential election on April 27, 2003, former President Carlos Menem (PJ) won 24.3% of the vote, Santa Cruz Governor Nestor Kirchner (PJ) won 22%, followed by RECREAR candidate Ricardo Lopez Murphy with 16.4% and Affirmation for an Egalitarian Republic (ARI) candidate Elisa Carrió with 14.2%. Menem withdrew from the May 25 runoff election after polls showed overwhelming support for Kirchner in the second round of elections. After taking office, Kirchner focused on consolidating his political strength and alleviating social problems. He pushed for changes in the Supreme Court and military and undertook popular measures, such as raising government salaries, pensions, and the minimum wage. On October 23, 2005, President Kirchner, bolstered by Argentina's rapid economic growth and recovery from its 2001/2002 crisis, won a major victory in the midterm legislative elections, giving him a strengthened mandate and control of a legislative majority in both the Senate and Chamber of Deputies.

Although Kirchner enjoyed approval ratings of over 60%, he announced in July 2007 that he would not seek reelection and declared his wife, then-Senator Cristina Fernandez de Kirchner, to be a candidate to succeed him. Fernandez de Kirchner has a decades-long pedigree in politics, having served in the Chamber of Deputies and the Senate. She won 45% of the vote in the

October 2007 presidential election and defeated her closest competitor, Elisa Carrio of the Civic Coalition, by 22.25 points. Thus, Cristina Fernandez de Kirchner became the first Argentine woman elected to the presidency. "Cristina," as Argentines often refer to her, was sworn into office on December 10, 2007.

Argentina held mid-term congressional elections in June 2009, in which the ruling Victory Front (FpV) lost its majority in both houses of Congress. The new Congress will convene in December 2009.

GOVERNMENT AND POLITICAL CONDITIONS

Argentina's constitution of 1853, as revised in 1994, mandates a separation of powers into executive, legislative, and judicial branches at the national and provincial level. Each province also has its own constitution, roughly mirroring the structure of the national constitution. The president and vice president are directly elected to four-year terms. Both are limited to two consecutive terms; they are allowed to stand for a third term or more after an interval of at least one term. The president appoints cabinet ministers, and the constitution grants him considerable power, including authority to enact laws by presidential decree under conditions of "urgency and necessity" and the line-item veto.

Since 2001, senators have been directly elected, with each province and the Federal Capital represented by three senators. Senators serve six-year terms. One-third of the Senate stands for reelection every two years. Members of the Chamber of Deputies are directly elected to four-year terms. Voters elect half the members of the lower house every two years. Both houses are elected via a system of proportional representation. By decree, one-third of the candidates for both houses of Congress must be women. As a result, Argentina's female representation in Congress ranks among the world's highest, with representation comparable to European Union (EU) countries such as Austria and Germany.

The constitution establishes the judiciary as an independent government entity. The president appoints members of the Supreme Court with the consent of the Senate after a public vetting process. The president, on the recommendation of a magistrates' council, appoints other federal judges. The Supreme Court has the power to declare legislative acts unconstitutional.

Political Parties

The two largest traditional political parties are the Justicialist Party (PJ-- also called Peronist), founded in 1945 by Juan Domingo Peron, and the Union Civica Radical (UCR), or Radical Civic Union, founded in 1891. Traditionally, the UCR has had more urban middle-class support and the PJ more labor support, but both parties have become more broadly based. Although both parties are currently undergoing a process of dramatic change and restructuring, they have maintained their nationwide structures. New political forces, like the Civic Coalition (CC) and the Republican Proposal (Propuesta Republicana, or PRO), are concentrated in the urban centers and are working to build national party structures. PRO is mostly based in the city of Buenos Aires, where its leader, Mauricio Macri, won the mayoral elections in June 2007.

Historically, organized labor--largely tied to the Peronist Party--and the armed forces also have played significant roles in national life. However, the Argentine military's public standing suffered as a result of its perpetration of human rights abuses, economic mismanagement, and defeat by the United Kingdom during the period of military rule (1976-83). The Argentine military today is a volunteer force fully subordinate to civilian authority.

Principal Government Officials

President--Cristina Fernandez de Kirchner

Minister of Foreign Affairs--Jorge Taiana

Ambassador to the United States--Hector Timerman

Ambassador to the Organization of American States--Rodolfo Gil

Ambassador to the United Nations--Jorge Arguello

Argentina maintains an embassy in the United States at 1600 New Hampshire Ave. NW, Washington DC 20009; tel. (202) 238-6400; fax (202) 332-3171.

ECONOMY

Argentina's economy sustained a robust recovery following the severe 2001/2002 economic crisis, with five consecutive years of over 8% real growth in gross domestic product (GDP). In 2008, local and international factors undermined local activity, which resulted in an official real growth rate of 6.8%. Official figures show that Argentine GDP reached U.S. \$326.7 billion in 2008, approximately U.S. \$8,219 per capita, with investment increasing an estimated 9% for the year and representing approximately 23% of GDP. Government of Argentina statistics showed unemployment was 8.4% in the first quarter of 2009. Poverty dropped in the aftermath of the economic crisis of 2001/2002, after it reached a record high of over 50%. In the last half of 2008, the official poverty level was 15.3% in the 31 largest urban areas. Some unofficial estimates suggest that unemployment and poverty levels may be higher.

Argentina benefits from rich natural resources, a highly educated population, a globally competitive agricultural sector, and a diversified industrial base. Argentina's post-crisis move to a more flexible exchange rate regime, along with sustained global and regional growth, a boost in domestic aggregate demand via monetary, fiscal, and income distribution policies, and favorable international commodity prices and interest rate trends were catalytic factors in supporting renewed growth between 2003 and 2007. The economic resurgence also enabled the government to accumulate substantial official reserves (over \$44.9 billion as of late August 2009) to help insulate the economy from external shocks. A higher tax burden, improved tax collection efforts, and the recovery's strong impact on tax revenues supported the government's successful efforts to maintain primary fiscal surpluses since 2003.

Global financial turmoil and rapid declines in world commodity prices and economic growth during 2008 and 2009 brought Argentina's rapid rate of economic expansion to an end. In 2009, Argentina has experienced a deterioration of both domestic and international demand, complicating the fiscal situations of both the federal government and the provinces. The global economy's recovery could ameliorate those pressures.

Argentina's exchange rate policy is based on a managed float, with an average exchange rate of 3.16 pesos per dollar in 2008, and 3.87 pesos per dollar in early September 2009. Market analysts considered the peso's real exchange rate undervalued in previous years, which, along with historically high global commodity prices, helped lift export volumes and values to record levels, resulting in a \$13.2 billion trade surplus in 2008. Foreign trade was approximately 39% of GDP in 2008 (up from only 10% in 1990) and played an increasingly important role in Argentina's economic development. Exports totaled approximately 22% of GDP in 2008 (up from 15% in 2002), and key export markets included MERCOSUR (23% of exports), the EU (19%), and NAFTA countries (10%). Two-way trade in goods with the U.S. in 2008 totaled about \$13.3 billion according to the U.S. International Trade Commission. Total two-way trade in services in 2008 was \$3.4 billion (according to the Bureau of Economic Analysis, U.S. Department of Commerce). The production of grains, cattle, and other agricultural goods continues to be the backbone of Argentina's export economy. High-technology goods and services are emerging as significant export sectors. The decline in global commodity prices, slower global and domestic growth, and some changes in trade policy in late 2008 and in 2009 had an impact on foreign trade, with imports and exports falling 39% and 21% annually, respectively, in January-July 2009.

Nearly 500 U.S. companies are currently operating in Argentina, employing over 155,000 Argentine workers. U.S. investment in Argentina is concentrated in the manufacturing, information, and financial sectors. Continuing Argentine arrears to international creditors and a large number of arbitration claims filed by foreign companies are legacies of the 2001/2002 economic crisis that remain to be resolved. Outstanding debts include over \$20 billion in default claims by international bondholders and between \$7 billion and \$8 billion owed to official creditors. President Cristina Fernandez de Kirchner announced in September 2008 that the government intended to pay debts to Paris Club creditors using Central Bank reserves. The Government of Argentina is at present launching a debt swap of up to ARS8.3 billion in inflation-linked debt for a new 2014 floating rate bond.

NATIONAL SECURITY

The president, through a civilian minister of defense, commands the Argentine armed forces. The Justice and Security Ministry controls the Federal Police, the Gendarmeria (border police), the Prefectura Naval (coast guard), and the Airport Security Police. The Argentine armed forces maintain close defense cooperation and professional military education relationships with the United States. Other countries also have military relationships with the Argentine forces, including Israel, Germany, France, Spain, Italy, Brazil, Chile, and Venezuela.

The current Minister of Defense has pursued an aggressive restructuring program based on the Argentine 1988 defense law. Priorities include emphasis on joint operations and peacekeeping.

There has been minimal recapitalization due to budget constraints experienced over the past 5 years.

FOREIGN RELATIONS

Argentina's foreign policy priorities are focused on increasing regional partnerships, including expanding the MERCOSUR regional trade bloc by integrating Venezuela as a new full member, and institutionalizing the Union of South American Nations (UNASUR). Argentina has played a positive role in promoting human rights and democratic institutions in the hemisphere, particularly in Haiti. Argentina currently has nearly 600 peacekeeping troops in Haiti in support of MINUSTAH, reflecting its traditionally strong support of UN peacekeeping operations. As a member of the Board of Governors of the International Atomic Energy Agency, Argentina has been a strong voice in support of nuclear non-proliferation efforts.

U.S.-ARGENTINE RELATIONS

The positive bilateral relationship between the United States and Argentina is based on many common strategic interests, including non-proliferation, counternarcotics, counterterrorism, the fight against human trafficking, and issues of regional stability, as well as the strength of commercial ties. Argentina is a participant in the Three-Plus-One regional mechanism (Argentina, Brazil, Paraguay, and the U.S.), which focuses on coordination of counterterrorism policies in the tri-border region where Argentina, Brazil, and Paraguay meet. Argentina supports the Container Security Initiative to ensure that cargo bound for the United States is secure, and it operates a Trade Transparency Unit with support from the U.S. Department of Homeland Security/Immigration and Customs Enforcement (ICE) to identify trade-based money laundering. In 2004, Argentina signed a Letter of Agreement with the Department of State opening the way for enhanced cooperation with the U.S. on counternarcotics issues and enabling the U.S. to begin providing financial assistance to the Government of Argentina for its counternarcotics efforts. In recognition of its contributions to international security and peacekeeping, the U.S. Government designated Argentina as a major non-NATO ally in January 1998. The Office of the Secretary of Defense and the Argentine Ministry of Defense hold an annual Bilateral Working Group Meeting, alternating between Argentina and Washington, DC. Furthermore, the two nations exchange information through alternating annual Joint Staff Talks, military educational exchanges, and operational officer exchange billets.

U.S.-Argentine cooperation also includes science and technology initiatives in the fields of space, peaceful uses of nuclear energy, and the environment. In June 2007, the U.S. and Argentina modernized a bilateral civil aviation agreement to update safety and security safeguards and allow a significant increase in flight frequencies between the two countries, which hold excellent potential for increased tourism and business travel. An active media, together with widespread interest in American culture and society, make Argentina a receptive environment for the information and cultural exchange work of the U.S. Embassy. The Fulbright scholarship program has more than tripled the annual number of U.S. and Argentine academic grantees since 1994, and the U.S. Embassy is actively working to increase other education exchanges.

U.S. Embassy Functions

The U.S. Mission in Buenos Aires carries out the traditional diplomatic function of representing the U.S. Government and people in discussions with the Argentine Government, and more generally, in relations with the people of Argentina. The Embassy is focused on increasing people-to-people contacts, and promoting outreach and exchanges on a wide range of issues. Political, economic, and science officers deal directly with the Argentine Government in advancing U.S. interests but are also available to brief U.S. citizens on general conditions in the country. Officers from the U.S. Foreign Service, Foreign Commercial Service, and Foreign Agricultural Service work closely with the hundreds of U.S. companies that do business in Argentina, providing information on Argentine trade and industry regulations and assisting U.S. companies starting or maintaining business ventures in Argentina.

The Embassy's Consular Section monitors the welfare and whereabouts of some 34,000 U.S. citizen residents of Argentina and almost 400,000 U.S. tourists each year. Consular personnel also provide American citizens passport, voting, notary, Social Security, and other services. With the end of Argentine participation in the visa waiver program in February 2002, Argentine tourists, students, and those who seek to work in the United States must have nonimmigrant visas. The Consular Section processes nonimmigrant visa applications for persons who wish to visit the United States for tourism, studies, temporary work, or other purposes, and immigrant visas for persons who qualify to make the United States a permanent home.

Attaches accredited to Argentina from the Department of Justice (including the Drug Enforcement Administration and the Federal Bureau of Investigation), the Department of Homeland Security (including Immigration and Customs Enforcement, and Customs and Border Protection), the Federal Aviation Administration, and other federal agencies work closely with Argentine counterparts on international law enforcement cooperation, aviation security, and other issues of concern. The Department of Defense is represented by the U.S. Military Group and the Defense Attache Office. These organizations ensure close military-to-military contacts, and defense and security cooperation with the armed forces of Argentina.

Principal U.S. Embassy Officials

Ambassador--Vilma Martinez

Deputy Chief of Mission--Thomas Kelly

Political Counselor--Alexander Featherstone

Economic Counselor--John Fennerty

Public Affairs Counselor--Robert Howes

Commercial Counselor--James Rigassio

Consul General--Jennifer Noronha

Science, Technology and Environment Counselor--James Perez

Management Counselor--Dorothy Sarro

Defense Attache-Col. Mark Alcott

U.S. Military Group Commander--Col. Edwin Passmore

Legal Attache--Beth McConn

Drug Enforcement Administration Country Attache--John Cohen

Deputy Attache of Immigration and Customs Enforcement--Stephen Kleppe

Agricultural Counselor--David Mergen

The U.S. Embassy in Buenos Aires, Argentina, is located at 4300 Colombia Avenue in the Palermo district of Buenos Aires. Mission offices can be reached by phone at (54)(11) 5777-4533/34 or by fax at (54)(11) 5777-4240. Mailing addresses: U.S. Embassy Buenos Aires, APO AA 34034; or 4300 Colombia, 1425 Buenos Aires, Argentina.

Other Contact Information

American Chamber of Commerce in Argentina

Viamonte 1133, 8th floor

Buenos Aires, Argentina

Tel (54)(11) 4371-4500; Fax (54)(11) 4371-8400

Bolivia (09/09)

State Department Press Release

Background Notes: **Bolivia** (09/09)

Flag of **Bolivia** is three equal horizontal bands of red at top, yellow, and green with the coat of arms centered on the yellow band.

PROFILE

OFFICIAL NAME:

Plurinational State of **Bolivia**

Geography

Area: 1.1 million sq. km. (425,000 sq. mi.); about the size of Texas and California combined.

Cities: Capital--La Paz (administrative--pop. 800,385); Sucre (constitutional--292,080). Other major cities--Santa Cruz (1,486,115), Cochabamba (587,220), El Alto (858,716). (Population est. 2004.) La Paz is the highest of the world's capital cities--3,600 meters (11,800 ft.) above sea level. The adjacent city of El Alto, at 4,200 meters (13,800 ft.), is one of the fastest-growing in the hemisphere. Santa Cruz, the nation's industrial and commercial hub in the eastern lowlands, is also experiencing rapid population and economic growth.

Terrain: High plateau (altiplano), temperate and semi-tropical valleys, and tropical lowlands.

Climate: Varies with altitude--from humid and tropical to semi-arid and cold.

People

Nationality: Noun and adjective--Bolivian(s).

Population (July 2009 est.): 9,775,246.

Annual population growth rate: 1.77%.

Religions: Predominantly Roman Catholic; minority Protestant.

Languages: Spanish, Quechua, Aymara, Guarani.

Education (2001): Years compulsory--ages 7-14. Literacy--86.7%.

Health (2008): Infant mortality rate--44.6 per 1,000 births.

Work force (2008, 4.46 million): Nonagricultural employment--2.48 million; services, including government--42%; industry and commerce--58%.

Ethnic groups (2001): 55% indigenous (primarily Aymara and Quechua), 30% mestizo or mixed, 15% European.

Government

Type: Republic.

Independence: August 6, 1825.

Constitution: 1967; revised 1994; voters approved a new constitution on January 25, 2009.

Branches: Executive--president and cabinet. Legislative--bicameral. Judicial-- five levels of jurisdiction, headed by Supreme Court with a separate Constitutional Tribunal, and a National Electoral Court which rules on matters related to the electoral process.

Subdivisions: Nine departments (similar to states), headed by elected governors.

Major political parties: Movement Toward Socialism (MAS), Social Democratic Power (PODEMOS), Nationalist Revolutionary Movement (MNR), National Unity (UN), Social Alliance (AS).

Suffrage: Universal adult (age 18), compulsory.

Economy (2008 est.)

GDP: \$18.94 billion.

Annual growth rate: 5.6%.

Per capita income: \$4,500.

Natural resources: Hydrocarbons (natural gas, petroleum); minerals (zinc, silver, lead, gold, and iron).

Agriculture (11.3% of GDP): Major products--Soybeans, cotton, potatoes, corn, sugarcane, rice, wheat, coffee, beef, barley, and quinoa. Arable land--27%.

Industry (36.9% of GDP): Types--Mineral and hydrocarbon extraction, manufacturing, commerce, textiles, food processing, chemicals, plastics, mineral smelting, and petroleum refining.

Services, including government: 51.8% of GDP.

Trade: Exports (2008 est.)--\$6.8 billion. Major export products--natural gas, tin, zinc, coffee, silver, wood, gold, jewelry, soybeans, and soy products. Major export markets (2007)--U.S. (9.8%), Brazil (46%), Argentina (5.8%), Republic of Korea (4.8%), Peru (4.1%), and Japan (7.6%). Imports (2008 est.)-- \$4.9 billion. Major products--machinery and transportation equipment, consumer products, construction and mining equipment. Major suppliers (2007)--U.S. (9.8%), Argentina (16.2%), Brazil (29.9%), Chile (10.5%), Peru (8.1%).

PEOPLE

According to the 2001 census, **Bolivia's** ethnic distribution is estimated to be 55% indigenous, 15% European, and 30% mixed or mestizo (all categories are self-identified and answers vary widely depending on how questions are phrased). The largest of the approximately three dozen indigenous groups are the Quechua (29% or 2.5 million), Aymara (24% or 2 million), Chiquitano (1% or 180,000), and Guarani (1% or 125,000). No other indigenous groups represent more than 0.5% of the population. German, Croatian, Serbian, Asian, Middle Eastern, and other minorities also live in **Bolivia**. Many of these minorities descend from families that have lived in **Bolivia** for several generations.

Bolivia is one of the least developed countries in South America. Almost two-thirds of its people, many of whom are subsistence farmers, live in poverty. Population density ranges from less than one person per square kilometer in the southeastern plains to about 10 per square kilometer (25 per sq. mi.) in the central highlands. The annual population growth rate is about 1.77%.

The great majority of Bolivians are Roman Catholic, although Protestant denominations are expanding rapidly. Many indigenous communities interweave pre-Columbian and Christian symbols in their religious practices.

Approximately 90% of the children attend primary school but often for a year or less. The literacy rate is low in many rural areas. Under President Morales, a number of areas have been declared "illiteracy free" but the level of literacy is often quite basic, restricted to writing one's name and recognizing numbers.

The socio-political development of **Bolivia** can be divided into three distinct periods: pre-Columbian, colonial, and republican. Important archaeological ruins, gold and silver ornaments, stone monuments, ceramics, and weavings remain from several important pre-Columbian cultures. Major ruins include Tiwanaku, Samaipata, Incallajta, and Iskanwaya. The country abounds in other sites that are difficult to reach and have seen little archaeological exploration.

The Spanish brought a tradition of religious art which, in the hands of local indigenous and mestizo builders and artisans, developed into a rich and distinctive style of architecture, painting, and sculpture known as "Mestizo Baroque." The colonial period produced the paintings of Perez de Holguin, Flores, Bitti, and others as well as the skilled work of unknown stonecutters, woodcarvers, goldsmiths, and silversmiths. An important body of native baroque religious music from the colonial period was recovered and has been performed internationally to wide acclaim since 1994.

Important 20th century Bolivian artists include, among others, Guzman de Rojas, Arturo Borda, Maria Luisa Pacheco, and Marina Nunez del Prado. **Bolivia** has rich folklore. Its regional folk music is distinctive and varied. The "devil dances" at the annual Oruro carnival are among the great South American folkloric events, as is the lesser known carnival at Tarabuco.

HISTORY AND POLITICAL CONDITIONS

The Andean region has probably been inhabited for some 20,000 years. Around 2000 B.C., the Tiwanakan culture developed at the southern end of Lake Titicaca. The Tiwanakan culture centered around and was named after the great city Tiwanaku. The people developed advanced architectural and agricultural techniques before disappearing about 1200 A.D., probably because of extended drought. Roughly contemporaneous with the Tiwanakan culture, the Moxos in the eastern lowlands and the Molloos north of present-day La Paz also developed advanced agricultural societies that had dissipated by the 13th century. Around 1450, the Quechua-speaking Incas entered the area of modern highland **Bolivia** and added it to their empire. They controlled the area until the Spanish conquest in 1525.

During most of the Spanish colonial period, this territory was called "Upper Peru" or "Charcas" and was under the authority of the Viceroy of Lima. Local government came from the Audiencia de Charcas located in Chuquisaca (La Plata--modern day Sucre). Bolivian silver mines produced much of the Spanish empire's wealth. Potosi, site of the famed Cerro Rico--"Rich Mountain"--was, for many years, the largest city in the Western Hemisphere. As Spanish royal authority weakened during the Napoleonic wars, sentiment against colonial rule grew. Independence was proclaimed in 1809. Sixteen years of struggle followed before the establishment of the republic, named after Simon Bolivar, on August 6, 1825.

Independence did not bring stability. For nearly 60 years, short-lived, weak institutions and frequent coups characterized Bolivian politics. The War of the Pacific (1879-83) demonstrated **Bolivia's** weakness when it was defeated by Chile. Chile took lands that contained rich nitrate fields and removed **Bolivia's** access to the sea.

An increase in world silver prices brought **Bolivia** prosperity and political stability in the late 1800s. Tin eventually replaced silver as the country's most important source of wealth during the early part of the 20th century. Successive governments controlled by economic and social elites followed laissez-faire capitalist policies through the first third of the century.

Indigenous living conditions remained deplorable. Forced to work under primitive conditions in the mines and in nearly feudal status on large estates, indigenous people were denied access to education, economic opportunity, or political participation. **Bolivia's** defeat by Paraguay in the Chaco War (1932-35) marked a turning point. Great loss of life and territory discredited the traditional ruling classes, while service in the army produced stirrings of political awareness among the indigenous people and more of a shared national identity generally. From the end of the Chaco War until the 1952 revolution, the emergence of contending ideologies and the demands of new groups convulsed Bolivian politics.

Revolution and Turmoil

Bolivia's first modern and broad-based political party was the Nationalist Revolutionary Movement (MNR). Denied victory in the 1951 presidential elections, the MNR led a successful revolution in 1952. Under President Victor Paz Estenssoro, the MNR introduced universal adult suffrage, carried out a sweeping land reform, promoted rural education, and nationalized the country's largest tin mines.

Twelve years of tumultuous rule left the MNR divided. In 1964, a military junta overthrew President Paz Estenssoro at the outset of his third term. The 1969 death of President Rene Barrientos, a former junta member elected president in 1966, led to a succession of weak governments. The military, the MNR, and others installed Col. (later General) Hugo Banzer Suarez as president in 1971. Banzer ruled with MNR support from 1971 to 1974. Then, impatient with schisms in the coalition, he replaced civilians with members of the armed forces and suspended political activities.

The economy grew impressively during most of Banzer's presidency, but human rights violations and fiscal crises undercut his support. He was forced to call elections in 1978, and **Bolivia** again entered a period of political turmoil. Elections in 1978, 1979, and 1980 were inconclusive and marked by fraud. There were coups, counter-coups, and caretaker governments.

In 1980, Gen. Luis Garcia Meza carried out a ruthless and violent coup. His government was notorious for human rights abuses, narcotics trafficking, and economic mismanagement. Later convicted in absentia for crimes, including murder, Garcia Meza was extradited from Brazil and began serving a 30-year sentence in 1995 in a La Paz prison.

After a military coup forced Garcia Meza out of power in 1981, three separate military governments in 14 months struggled unsuccessfully to address **Bolivia's** growing problems. Unrest forced the military to convoke the Congress elected in 1980 and allow it to choose a new chief executive. In October 1982--22 years after the end of his first term of office (1956-60)--Hernan Siles Zuazo again became president. Severe social tension, exacerbated by hyperinflation and weak leadership, forced him to call early elections and relinquish power a year before the end of his constitutional term.

Return to Democracy

In the 1985 elections, Gen. Banzer's Nationalist Democratic Action Party (ADN) won a plurality of the popular vote (33%), followed by former President Paz Estenssoro's MNR (30%) and former Vice President Jaime Paz Zamora's Movement of the Revolutionary Left (MIR, at 10%). With no majority, the Congress had constitutional authority to determine who would be president. In the congressional run-off, the MIR sided with MNR, and Paz Estenssoro was selected to serve a fourth term as president. When he took office in 1985, he faced a staggering economic crisis. Economic output and exports had been declining for several years. Hyperinflation meant prices grew at an annual rate of 24,000%. Social unrest, chronic strikes, and drug trafficking were widespread.

In four years, Paz Estenssoro's administration achieved a measure of economic and social stability. The military stayed out of politics; all major political parties publicly and institutionally committed themselves to democracy. Human rights violations, which tainted some governments earlier in the decade, decreased significantly. However, Paz Estenssoro's accomplishments came with sacrifice. Tin prices collapsed in October 1985. The collapse came as the government moved to reassert control of the mismanaged state mining enterprise and forced the government to lay off over 20,000 miners. Although this economic "shock treatment" was highly successful from a financial point of view and tamed devastatingly high rates of hyperinflation, the resulting social dislocation caused significant unrest.

MNR candidate Gonzalo Sanchez de Lozada finished first in the 1989 elections (23%), but no candidate received a majority of popular votes. Again, Congress would determine the president. The Patriotic Accord (AP) between Gen. Banzer's ADN and Jaime Paz Zamora's MIR, the second- and third-place finishers (at 22.7% and 19.6%, respectively), led to Paz Zamora's assuming the presidency.

Even though Paz Zamora had been a Marxist in his youth, he governed as a moderate, center-left president, and marked his time in office with political pragmatism. He continued the economic reforms begun by Paz Estenssoro. Paz Zamora also took a fairly hard line against domestic terrorism, authorizing a 1990 attack on terrorists of the Nestor Paz Zamora Committee and the 1992 crackdown on the Tupac Katari Guerrilla Army (EGTK).

The 1993 elections continued the growing tradition of open, honest elections and peaceful democratic transitions of power. The MNR defeated the ruling coalition, and Gonzalo "Goni" Sanchez de Lozada was named president by a coalition in Congress.

Sanchez de Lozada pursued an aggressive economic and social reform agenda, relying heavily on successful entrepreneurs-turned-politicians like him. The most dramatic program-- "capitalization," a form of privatization under which investors acquired 50% ownership and management control of the state oil corporation, telecommunications system, airlines, railroads, and electric utilities--was used to generate funds for a new pension and healthcare system called BonoSol. BonoSol funding was popular in the country but the concept of capitalization was strongly opposed by certain segments of society, with frequent and sometimes violent protests from 1994 through 1996. During his term, Sanchez de Lozada also created the "popular participation law," which devolved much of the central government's authority to newly created municipalities, and the INRA law, which significantly furthered land redistribution efforts begun under the MNR after the 1952 revolution.

In the 1997 elections, Gen. Hugo Banzer, leader of the ADN, returned to power democratically after defeating the MNR candidate. The Banzer government continued the free market and privatization policies of its predecessor. The relatively robust economic growth of the mid-1990s continued until regional, global, and domestic factors contributed to a decline in economic growth. Job creation remained limited throughout this period, and public perception of corruption was high. Both factors contributed to an increase in social protests during the second half of Banzer's term.

Rising international demand for cocaine in the 1980s and 1990s led to a boom in coca production and to significant peasant migration to the Chapare region. To reverse this, Banzer instructed special police units to physically eradicate the illegal coca in the Chapare. The policy produced a sudden and dramatic four-year decline in **Bolivia's** illegal coca crop, to the point that **Bolivia** became a relatively small supplier of coca for cocaine. In 2001, Banzer resigned from office after being diagnosed with cancer. He died less than a year later. Banzer's U.S.-educated vice president, Jorge Quiroga, completed the final year of the term.

In the 2002 national elections, former President Sanchez de Lozada (MNR) again placed first with 22.5% of the vote, followed by coca union leader Evo Morales (Movement Toward Socialism, MAS) with 20.9%. The MNR platform featured three overarching objectives: economic reactivation (and job creation), anti- corruption, and social inclusion.

A four-year economic recession, difficult fiscal situation, and longstanding tensions between the military and police led to the February 12-13, 2003, violence that left more than 30 people dead and nearly toppled Sanchez de Lozada's government. The government stayed in power, but was unpopular.

Trouble began again in the so-called "Gas Wars" of September/October 2003. A hunger strike by Aymara leader and congressional deputy Felipe "Mallku" Quispe led his followers to begin blocking roads near Lake Titicaca. About 800 tourists, including some foreigners, were trapped in the town of Sorata. After days of unsuccessful negotiations, Bolivian security forces launched a rescue operation, but on the way out, were ambushed by armed peasants and a number of people were killed on both sides. The incident ignited passions throughout the highlands and united a loose coalition of protestors to pressure the government into halting a proposed project to export liquefied natural gas, most likely through Chile. Anti-Chile sentiment and memories of three major cycles of non-renewable commodity exports (silver through the 19th century, guano and rubber late in the 19th century, and tin in the 20th century) touched a nerve with many citizens. Tensions grew and La Paz was subjected to protesters' blockades. Violent confrontations ensued, and approximately 60 people died, most of them when security forces tried to bring supplies into the besieged city.

In the end, large demonstrations forced Sanchez de Lozada to resign on October 17, 2003. Vice President Carlos Mesa Gisbert assumed office and restored order. Mesa appointed a non-political cabinet and promised to revise the constitution through a constituent assembly, revise the hydrocarbons law, and hold a binding referendum on whether to develop the country's natural gas deposits, including to service the export market. The referendum took place on July 18, 2004, and Bolivians voted overwhelmingly in favor of development of the nation's hydrocarbons resources. But the referendum did not end social unrest. In May 2005, large-scale protests led to the congressional approval of a law establishing a 32% direct tax on hydrocarbons production, which the government used to fund new social programs. After a brief pause, demonstrations resumed, particularly in La Paz and El Alto. President Mesa offered his resignation on June 6, and Eduardo Rodriguez, the president of the Supreme Court, assumed office in a constitutional transfer of power. Rodriguez announced that he was a transitional president, and called for elections within six months.

Current Administration

On December 18, 2005, the Movement Toward Socialism (MAS) candidate Juan Evo Morales Ayma was elected to the presidency by 54% of the voters. **Bolivia's** first president to represent the indigenous majority, Morales continued to serve as leader of the country's coca unions. During his campaign, Morales vowed to nationalize hydrocarbons, to alleviate poverty, and to empower the indigenous population. Morales was highly critical of what he termed "neo-liberal" economic policies implemented in **Bolivia** over the past several decades. On January 22, 2006, Morales and Vice President Alvaro Garcia Linera were inaugurated.

Since then, President Morales has moved to fulfill his campaign promises. On May 1, 2006, the government issued a decree nationalizing the hydrocarbons sector and calling for the renegotiation of contracts with hydrocarbons companies. In November 2006, the government and companies signed new contracts that were expected to result in higher revenues for the government; however, the contracts required further negotiations and clarification. Morales continues to promote greater state control of natural resource industries, particularly hydrocarbons and mining, and of the telecommunications sector (see Economy section). These policies have pleased Morales' supporters but have complicated **Bolivia's** relations with some of its neighboring countries, foreign investors, and members of the international community.

Fulfilling another campaign promise, Morales secured passage of legislation convoking a special election for delegates to a constituent assembly to draft a new constitution. The MAS performed well in those elections, capturing 137 of 255 seats. The assembly convened on August 6, 2006, and planned to complete its work by August 2007; however, the Congress extended its mandate to December 14, 2007 after the constituent assembly faced political deadlock over its voting rules. Although rules were ostensibly clarified in February 2007, the subject reemerged in August, after the legality of a vote on the location of the capital was contested by the opposition. An agreement could not be reached, and the opposition delegates walked out of the assembly. The MAS approved a constitution without the opposition vote in November 2007, in a controversial assembly session in which opposition delegates were blocked from voting by demonstrators and the armed forces. On December 14, 2007, Morales presented the constitutional text to the National Congress to request a referendum for its approval in 2008. The opposition-controlled Senate prevented the referendum legislation from moving forward.

Under the administrative decentralization law of 1995, **Bolivia's** nine departments had received greater autonomy, and on December 18, 2005, Bolivians elected their departmental prefects (similar to governors) by popular vote for the first time in history. In a July 2006 referendum, **Bolivia's** four eastern departments voted in favor of increasing regional autonomy, and the other five provinces opposed the measure. The autonomy movement rallied around Sucre's August 2007 demand that the constituent assembly consider moving all branches of government back to the traditional capital of Sucre. Civic committees in six departments (Santa Cruz, Tarija, Beni, Pando, Cochabamba, and Chuquisaca) supported hunger strikes and protests in Sucre. The strikes led to government-sponsored talks between Sucre and La Paz leaders. The talks were inconclusive. The Santa Cruz government approved an autonomy statute in December 2007; the governments of the other eastern departments followed Santa Cruz's lead. Santa Cruz held a popular referendum on its autonomy statute on May 4, 2008, in which the majority of voters

voted for autonomy. Voters in Beni, Pando, and Tarija also voted for increased autonomy in referenda that followed the Santa Cruz referendum. The Bolivian Government considered these referenda to be illegal and refused to recognize the results.

In May 2008, the Senate endorsed MAS-introduced legislation for a recall referendum on the mandates of the President, Vice President, and eight of nine departmental prefects, held on August 10, 2008. President Morales was ratified with 67% of the vote. Opposition prefects in the so-called "Media Luna" departments of Santa Cruz, Tarija, Beni, and Pando were also ratified with substantial majorities. Political tensions between the government and the opposition over the new constitution, the autonomy statutes passed in some department legislatures, and the division of tax proceeds from the hydrocarbon industry led to civil unrest, including incidents of violence and sabotage. Shortly thereafter, a conflict between government supporters and opposition members in the northern department of Pando left 13 dead over two days and led to the declaration of martial law. The government accused Pando prefect Leopoldo Fernandez of being responsible for the deaths. Although the constitution grants prefects immunity from prosecution, the government detained him without trial and appointed an interim prefect. Fernandez remained imprisoned without trial as of July 2009.

In late September 2008, the government and opposition prefects began a "national dialogue" in Cochabamba, but talks collapsed with no agreement. The dialogue moved to the Congress, and President Morales called on his social movement supporters to surround the Congress to pressure opposition members of Congress to vote for the government-sponsored approach. On October 21, 2008, the government and congressional opposition reached a compromise scheduling a constitutional referendum in exchange for textual modifications. Voters approved the new constitution on January 25, 2009.

The new constitution calls for elections on December 6, 2009 for president, vice president, and members of the new Plurinational Assembly (formerly called National Congress) and April 2010 for governors and municipal leaders.

GOVERNMENT ORGANIZATION

A new Bolivian constitution was promulgated February 8, 2009, replacing **Bolivia's** 1967 constitution. The 2009 constitution provides for legislative, executive, judicial, and electoral branches of government. It strengthens the executive branch and centralizes political and economic decision-making. It also provides new powers and responsibilities at the departmental, municipal, and regional levels, as well as in newly-created indigenous autonomous areas.

The executive consists of the president, vice president, and the ministers of state. The president and vice president are selected through national elections. The ministers of state are appointed.

The Plurinational Assembly (formerly called National Congress) is composed of two bodies: the Chamber of Deputies and the Chamber of Senators. The Chamber of Deputies has 130 members, and the Chamber of Senators has 36 members (4 from each of the 9 departments). Within the Chamber of Deputies, 70 members will be selected by direct vote, 62 by party list, and eight in special indigenous areas.

The judiciary consists of a Supreme Court, an independent Constitutional Tribunal, and departmental and lower courts. The 2009 constitution reformed the selection of judicial officials, who will now be elected by the Assembly. Under President Morales, a number of judicial bodies including the Supreme Court and the Constitutional Tribunal (which is responsible for deciding questions of constitutionality) have been substantially weakened. After lawsuits initiated by the executive branch, a wave of resignations, and an impasse in appointments, the Constitutional Tribunal has none of its 10 members left, effectively leaving **Bolivia** with no judicial oversight on constitutional questions.

Bolivian cities and towns are governed by directly elected mayors and councils. Municipal elections were held in December 2004, with councils elected to 5-year terms. The popular participation law of April 1994, which requires a 20% allocation of national revenues to municipalities for discretionary use, has enabled previously neglected communities to make improvements in their facilities and services.

Principal Government Officials

President--Juan Evo MORALES Ayma

Vice President--Alvaro GARCIA Linera

Minister of Foreign Affairs--David CHOQUEHUANCA Cespedes

Charge d'Affaires of the Bolivian Mission to the United States--Erika DUE--AS

Ambassador to the Organization of American States--Jose Enrique PINELO Navarro

Charge d'Affaires to the United Nations--Pablo SOLON Romero

Bolivia maintains an embassy in the United States at 3014 Massachusetts Ave., NW, Washington, DC 20008 (tel. 202-483-4410); consulates in Los Angeles, San Francisco, Miami, New Orleans, and New York; and honorary consulates in Atlanta, Chicago, Cincinnati, Houston, Mobile, Seattle, St. Louis, and San Juan.

ECONOMY

Bolivia's estimated 2008 gross domestic product (GDP) totaled \$18.94 billion. Economic growth was estimated at about 5.6%, and inflation was estimated at about 11.5%.

In 1985, the Government of **Bolivia** implemented a far-reaching program of macroeconomic stabilization and structural reform aimed at maintaining price stability, creating conditions for sustained growth, and alleviating poverty. The most important change involved the "capitalization" (privatization) of numerous public sector enterprises. Parallel legislative reforms locked in place market-oriented policies that encouraged private investment. Foreign investors were accorded national treatment, and foreign ownership of companies was virtually unrestricted. Many of these reforms are currently under review. President Morales nationalized

the hydrocarbon sector and expropriated some large international companies, including Entel (telecommunications) and Vinto (tin smelting). Increased state control of the economy continues to be a primary goal of the Morales administration. Foreign direct investment (FDI) inflows have dwindled, as has long-term investment across most industrial sectors.

The hydrocarbon sector provides the most prominent example of the current investment climate. **Bolivia** has the second-largest natural gas reserves in South America. The Bolivian state oil corporation, Yacimientos Petroliferos Fiscales Bolivianos (YPFB), has contracts to supply Brazil with natural gas through existing pipelines until 2019. Moreover, in 2006, YPFB signed a "ramp-up" contract with Argentina that steadily increases export levels until 2010, when gas deliveries to Argentina should be more than four times current levels. However, lack of substantial investment between 2005 and 2008 meant that gas production stagnated; increasing by less than 10% over four years (2008 production level was estimated at 960 million cubic feet). Companies appeared to be investing only what was necessary to maintain current operations.

Bolivian exports were approximately \$6.8 billion for 2008, up from \$652 million in 1991. Imports were \$4.9 billion in 2008. **Bolivia** enjoyed an estimated \$1.9 billion trade surplus in 2008. Hydrocarbons made up 50% of the exports, minerals 22.2% and manufacturing 23.65%. Bolivian tariffs are low, however, manufacturers complain that the tax-rebate program which allows some companies to claim refunds of import taxes on capital equipment is inefficient, with many companies now owed millions of dollars by the Bolivian Government, which can take years to recover.

Bolivia's trade with neighboring countries is growing, in part because of several regional preferential trade agreements. **Bolivia** is a member of the Andean Community (CAN) and enjoys nominally free trade with other member countries (Peru, Ecuador, and Colombia). **Bolivia** is also an associate member of Mercosur (Southern Cone Common Market). **Bolivia** currently is focused on developing markets through its membership in Bolivarian Alliance for the Americas (ALBA) whose members include Venezuela, Cuba, and Nicaragua.

Until recently, the Andean Trade Promotion and Drug Eradication Act (ATPDEA) allowed numerous Bolivian products to enter the United States duty-free, including alpaca and llama products and, subject to a quota, cotton textiles. Effective December 15, 2008, President George W. Bush suspended **Bolivia's** participation in the program based on its failure to meet international counternarcotics obligations; meeting those obligations is a criteria in the U.S. statute which created the preference program. On June 30, 2009, President Barack Obama determined that **Bolivia** was not meeting the program's eligibility criteria. This determination does not affect **Bolivia's** eligibility for benefits under the Generalized System of Preferences (GSP), which covers most of **Bolivia's** exports to the United States.

In 2008 the United States exported \$511 million of merchandise to **Bolivia** and imported \$393 million. **Bolivia's** major exports to the United States are tin, gold, jewelry, and wood products, with textiles playing an increasingly important role. Its major imports from the United States are electronic equipment, chemicals, vehicles, wheat, and machinery. A bilateral investment treaty (BIT) between the United States and **Bolivia** came into effect in 2001. While the Morales

government has stated that it will respect all current BITs, officials have also publicly expressed **Bolivia's** intent to "re-open" these treaties to align them with the new constitution.

Agriculture accounts for roughly 11.3% of **Bolivia's** GDP. The amount of land cultivated by modern farming techniques is increasing rapidly in the Santa Cruz area, where climate permits two crops a year. Soybeans are the major cash crop, sold in the CAN market. The extraction of minerals and hydrocarbons accounts for another 14% of GDP and manufacturing around 11%.

The Government of **Bolivia** remains heavily dependent on foreign assistance to finance development projects. Estimates indicate that as of 2008, the government owed \$4.6 billion to foreign creditors. Between 1986 and 1998, **Bolivia** attended seven rounds of negotiations with Paris Club creditors and received U.S. \$1.35 billion of bilateral debt forgiveness. The United States forgave almost all of **Bolivia's** bilateral debt between 1999 and 2002 and strongly supported efforts to have multilateral institutions do the same. **Bolivia** received U.S. \$1.95 billion in debt relief from HIPC (Heavily Indebted Poor Countries) in 1998 and HIPC II in 2001, including almost complete bilateral debt forgiveness.

In June 2005, the G-8 countries decided to provide renewed World Bank and International Monetary Fund (IMF) debt relief for the 18 participant nations of HIPC I and II through the Multilateral Debt Relief Initiative (MDRI). **Bolivia** received U.S. \$232.5 million in debt relief from the IMF in January 2006 and approximately U.S. \$1.5 billion in debt relief from the World Bank in June 2006. The Inter-American Development Bank (IDB) forgave \$1 billion in debt in March 2007. **Bolivia** was one of three countries in the Western Hemisphere selected for eligibility for the Millennium Challenge Account in 2004. **Bolivia** qualified again in 2005 and 2006, and presented a proposal to the Millennium Challenge Corporation (MCC) in December 2005, which was superseded by a new proposal submitted September 2007. An MCC assessment scheduled for December 2007 was postponed due to unrest surrounding the constituent assembly process. MCC's technical engagement with **Bolivia** remained paused for a year due to internal political instability. In December 2008, the MCC Board of Directors decided to not select **Bolivia** as eligible for compact assistance.

FOREIGN RELATIONS

Bolivia traditionally has maintained normal diplomatic relations with all hemispheric states except Chile. Relations with Chile, strained since **Bolivia's** defeat in the War of the Pacific (1879-83) and its loss of the coastal province of Atacama, were severed from 1962 to 1975 in a dispute over the use of the waters of the Lauca River. Relations were resumed in 1975, but broken again in 1978, over the inability of the two countries to reach an agreement that might have granted **Bolivia** sovereign access to the sea. They are maintained today below the ambassadorial level. Relations with Chile have improved during the Bachelet administration. In June 2009, Peru recalled its ambassador over accusations of Bolivian involvement in its internal political affairs and personal attacks by President Morales on Peruvian President Alan Garcia.

In the 1960s, relations with Cuba were broken following Fidel Castro's rise to power, but resumed under the Paz Estenssoro administration in 1985. Under President Morales, relations between **Bolivia** and Cuba have improved considerably, and Cuba has sent doctors and teachers

to **Bolivia**. Relations with Venezuela are close, with the Venezuelan Government providing financial assistance to Bolivian municipalities, the armed forces, and the police since Morales took office. The Bolivian Government announced in September 2007 that it would pursue diplomatic relations with Iran and Libya, with plans to cooperate in the petrochemical industry and increase Bolivian exports to both countries.

Bolivia is a member of the UN and some of its specialized agencies and related programs, the Organization of American States (OAS), CAN, Non-Aligned Movement, International Parliamentary Union, Latin American Integration Association (ALADI), World Trade Organization (WTO), Rio Treaty, Rio Group, Amazon Pact, UNASUR, and an associate member of Mercosur. As an outgrowth of the 1994 Summit of the Americas, **Bolivia** hosted a hemispheric summit conference on sustainable development in December 1996. UNASUR's "parliament" will be located in Cochabamba, in the geographic center of **Bolivia**.

U.S.-BOLIVIAN RELATIONS

The United States and **Bolivia** have traditionally had cordial and cooperative relations. Development assistance from the United States to **Bolivia** dates from the 1940s; the U.S. remains a major partner for economic development, improved health, democracy, and the environment. In 1991, the U.S. Government forgave a \$341 million debt owed by **Bolivia** to the U.S. Agency for International Development (USAID) as well as 80% (\$31 million) of the amount owed to the Department of Agriculture for food assistance. The United States has also been a strong supporter of forgiveness of **Bolivia's** multilateral debt under the HIPC initiatives.

The United States Government channels its development assistance to **Bolivia** through USAID. USAID is well known in **Bolivia**, especially in rural areas where thousands of projects have been implemented. USAID has been providing assistance to **Bolivia** since the 1960s and works with the Government of **Bolivia**, the private sector, and the Bolivian people to achieve equitable and sustainable development. In 2008 USAID/**Bolivia** provided about \$85 million in development assistance through bilateral agreements with the Bolivian Government and unilateral agreements with non-governmental organizations. USAID's programs support **Bolivia's** National Development Plan and are designed to address key issues, such as poverty and the social exclusion of historically disadvantaged populations, focusing efforts on **Bolivia's** peri-urban and rural populations. USAID's programs in **Bolivia** provide economic opportunities for disadvantaged populations through business development and trade, provide farmers with alternatives to illicit coca cultivation, improve food security, improve family health, strengthen democratic institutions, and promote sustainable use of natural resources and biodiversity conservation.

Bilateral relations have deteriorated sharply during the Morales administration, as the Bolivian Government escalated public attacks against the U.S. Government and began to dismantle key partnerships. In June 2008, the government endorsed the expulsion of USAID from **Bolivia's** largest coca-growing region. In a dramatic action which culminated a period of intense Bolivian Government hostility toward the United States, in September 2008, President Morales accused Ambassador Philip S. Goldberg of conspiring against the government, declared him "persona non grata," and expelled him from **Bolivia**. President Morales never offered proof for his

accusation, which the U.S. Government rejected as baseless. In a reciprocal action, the Department of State expelled Bolivian Ambassador Gustavo Guzman later that month. In November 2008, President Morales expelled the Drug Enforcement Administration (DEA) from the country, ending a 35-year history of engagement against narcotics production and trafficking.

Bolivia's international obligation to control illegal narcotics is a major issue in the bilateral relationship. For centuries, a limited quantity of Bolivian coca leaf has been chewed and used in traditional rituals, but in the 1970s and 1980s the emergence of the drug trade led to a rapid expansion of coca cultivation used to make cocaine, particularly in the tropical Chapare region in the Department of Cochabamba (not a traditional coca growing area). In 1988, a new law, Law 1008, recognized only 12,000 hectares in the Yungas as sufficient to meet the licit demand of coca. Law 1008 also explicitly stated that coca grown in the Chapare was not required to meet traditional demand for chewing or for tea, and the law called for the eradication, over time, of all "excess" coca.

To accomplish that goal, successive Bolivian governments instituted programs offering cash compensation to coca farmers who eradicated voluntarily, and the government began developing and promoting suitable alternative crops for peasants to grow. Beginning in 1997, the government launched a more effective policy of physically uprooting the illegal coca plants. **Bolivia's** illegal coca production fell over the next 4 years by up to 90%.

This "forced" eradication remains controversial, however, and well-organized coca growers unions have blocked roads, harassed police eradicators, and occasionally used violence to protest the policy. In response, previous government security forces have used force. In some cases confrontations between security forces and coca growers or distributors have resulted in injuries and fatalities, raising human rights concerns. The Morales government has embarked on a policy of voluntary eradication and social control. Although violent confrontations between police and coca growers/distributors have decreased under the new approach, its long-term efficacy remains to be proven.

Bolivia plans to expand legal coca production to 20,000 hectares and stresses development of legal commercial uses for coca leaf. The United States prefers long-term limits that track more closely with current estimated legal domestic demand of around 4,000 to 6,000 hectares. Current cultivation has oscillated between about 23,000 and 29,000 hectares since 2001.

The United States has supported efforts to interdict the smuggling of coca leaves, cocaine, and precursor chemicals, as well as investigate and prosecute trafficking organizations. However, these efforts have been significantly constrained after the expulsion of DEA. The U.S. Government continues to finance alternative development programs and the counter-narcotics police effort.

In addition to working closely with Bolivian Government officials to strengthen bilateral relations, the U.S. Embassy provides a wide range of services to U.S. citizens and businesses. Political and economic officers interact directly with the Bolivian Government in advancing U.S. interests, but are also available to provide information to American citizens on local economic and political conditions in the country. Commercial officers work closely with numerous U.S.

companies that operate direct subsidiaries or have investments in **Bolivia**. The officers also provide information on Bolivian trade and industry regulations and on administering several programs intended to aid U.S. companies starting or maintaining businesses in **Bolivia**.

The Consular Section of the Embassy, and the two consular agencies in Cochabamba and Santa Cruz, provide vital services to the estimated 13,000 American citizens who reside in **Bolivia**. Among other services, the Consular Section and the consular agencies assist Americans who wish to participate in U.S. elections while abroad and also provide notarial services. Additionally, some 40,000 U.S. citizens visit **Bolivia** annually. The Consular Section also offers passport and emergency services to tourists as needed during their stay in **Bolivia**. In 2008, the Bolivian Government began requiring that U.S. citizens obtain visas to visit **Bolivia**; more information about visa procedures can be found at <http://bolivia.usembassy.gov>. In addition to the services provided to U.S. citizens, the Consular Section adjudicates thousands of immigrant and non-immigrant visas at the Embassy in La Paz each year.

Principal U.S. Embassy Officials

Charge d'Affaires--John S. Creamer

Deputy Chief of Mission--Patrick Moore (acting)

Political/Economic/Commercial Officer--William J. Mozdierz

Director, Narcotics Affairs--Gwen Llewellyn (acting)

Public Affairs Officer--David Hodge

Consul General--Cynthia Haley

Defense Attache--Col. John Alvarez

Commander, U.S. Military Group--Col. Gary Garay

Director, USAID Mission--John Niemeyer (acting)

U.S. Embassy

Avenida Arce #2780

La Paz, **Bolivia**

Tel. 591-2-216-8000

U.S. Consular Agency in Santa Cruz

Tel. 591-3 -351-3477

U.S. Consular Agency in Cochabamba

Tel. 591-4-411-6313

USAID/Bolivia

P.O. Box 4530

Calle Nueve No. 104, Obrajes

La Paz - **Bolivia**

Tel. 591-2-278-6544

<http://bolivia.usaid.gov/>

Internet: Country Commercial Guide for **Bolivia** - <http://www.buyusainfo.net/docs/x3201945.pdf>

<http://www.buyusainfo.net/docs/x3201945.pdf>

U.S. exporters seeking general export information/assistance or country- specific commercial information should consult with the nearest Export Assistance Center or the U.S. Department of Commerce's Trade Information Center at (800) USA-TRADE or go to the following website:

<http://www.export.gov> [<http://www.export.gov>]

American Chamber of Commerce in **Bolivia**

Edificio Hilda, Oficina 3

Avenida 6 de Agosto

Apartado Postal 8268

La Paz, **Bolivia**

Tel: 591-2-2432573

Fax: 591-2-2432472

Chile (09/09)

PROFILE

OFFICIAL NAME:

Republic of Chile

Geography

Area: 756,945 sq. km. (302,778 sq. mi.); nearly twice the size of California.

Cities: Capital--Santiago (metropolitan area est. 6.25 million). Other cities--Concepcion-Talcahuano (840,000), Vina del Mar-Valparaiso (800,000), Antofagasta (245,000), Temuco (230,000).

Terrain: Desert in north; fertile central valley; volcanoes and lakes toward the south, giving way to rugged and complex coastline; Andes Mountains on the eastern border.

Climate: Arid in north, Mediterranean in the central portion, cool and damp in south.

People

Nationality: Noun and adjective--Chilean(s).

Population (2008): 16.8 million.

Annual population growth rate: 1.0%.

Ethnic groups: Spanish-Native-American (mestizo), European, Native-American.

Religions: Roman Catholic 89%; Protestant 11%.

Language: Spanish.

Education: Years compulsory--12. Attendance--3 million. Adult literacy rate-- 96%.

Health: Infant mortality rate--8.9/1,000. Life expectancy--71 yrs. for men, 78 for women.

Work force (6.94 million); employed 6.45 million: Community, social and individual services--26%; industry--14.4%; commerce--17.6%; agriculture, forestry, and fishing--13.9%; construction--7.1%; financial services--7.5%; transportation and communication--8.0%; electricity, gas and water--0.5%; mining--1.2%.

Government

Type: Republic.

Independence: September 18, 1810.

Constitution: Promulgated September 11, 1980; effective March 11, 1981; amended in 1989, 1993, 1997, and 2005.

Branches: Executive--president. Legislative--bicameral legislature. Judicial-- Constitutional Tribunal, Supreme Court, court of appeals, military courts.

Administrative subdivisions: 14 numbered regions including two numbered and made operative October 8, 2007--Region XIV Los Rios and Region XV Arica--and the Santiago metropolitan region, administered by appointed "intendentes." Regions are divided into provinces, administered by appointed governors; provinces are divided into municipalities administered by elected mayors.

Political parties: Major parties are grouped into two large coalitions: 1) the center-left "Concertacion", which includes the Christian Democrat Party, the Socialist Party, the Party for Democracy, and the Radical Social Democratic Party; and 2) the center-right "Alliance for Chile", which includes the National Renewal Party and the Independent Democratic Union. The Communist Party joined the Humanistic Party and a number of smaller parties to form the "Together We Can" coalition in 2004, but none of these leftist parties have recently elected congressional representatives. A new center-left party, "Chile-First," was established in October 2007.

Suffrage: Universal at 18, including foreigners legally resident for more than 5 years.

Economy (2008)

GDP (official exchange rate): \$172.7 billion.

Annual real growth rate: 3.2%.

Per capita GDP (purchasing power parity): \$14,688.

Forestry, agriculture, and fisheries (6% of GDP): Products--wheat, potatoes, corn, sugar beets, onions, beans, fruits, livestock, fish.

Commerce (8% of GDP): Sales, restaurants, hotels.

Manufacturing (17% of GDP): Types--mineral refining, metal manufacturing, food processing, fish processing, paper and wood products, finished textiles.

Electricity, gas, and water: 3% of GDP.

Transportation and communication: 7% of GDP.

Construction: 8% of GDP.

Financial services (12% of GDP): Insurance, leasing, consulting.

Mining (13% of GDP): Copper, iron ore, nitrates, precious metals, and molybdenum.

Trade: Exports--\$66.5 billion: copper, fruits and nuts, fish and seafood, and wood products. Major markets--U.S., Japan, China, Netherlands, South Korea, Brazil, Italy, Mexico. Imports--\$57.6 billion: fuels, heavy industrial machinery, motor vehicles, electrical machinery, plastic. Major suppliers-- U.S., China, Brazil, Argentina, South Korea.

GEOGRAPHY

The northern Chilean desert contains great mineral wealth, principally copper. The relatively small central area dominates the country in terms of population and agricultural resources. This area also is the cultural and political center from which Chile expanded in the late 19th century, when it incorporated its northern and southern regions. Southern Chile is rich in forests and grazing lands and features a string of volcanoes and lakes. The southern coast is a labyrinth of fjords, inlets, canals, twisting peninsulas, and islands. The Andes Mountains are located on the eastern border.

PEOPLE

About 85% of Chile's population lives in urban areas, with 40% living in greater Santiago. Most have Spanish ancestry. A small, yet influential number of Irish and English immigrants came to Chile during the colonial period. German immigration began in 1848 and lasted for 90 years; the southern provinces of Valdivia, Llanquihue, and Osorno show a strong German influence. Other significant immigrant groups are Italian, Croatian, Basque, and Palestinian. About 800,000 Native Americans, mostly of the Mapuche tribe, reside in the south-central area. The Aymara and Diaguita groups can be found mainly in Chile's northern desert valleys.

HISTORY

About 10,000 years ago, migrating Indians settled in fertile valleys and along the coast of what is now Chile. The Incas briefly extended their empire into what is now northern Chile, but the area's barrenness prevented extensive settlement. The first Europeans to arrive in Chile were Diego de Almagro and his band of Spanish conquistadors, who came from Peru seeking gold in 1535. The Spanish encountered hundreds of thousands of Indians from various cultures in the area that modern Chile now occupies. These cultures supported themselves principally through slash-and-burn agriculture and hunting. The conquest of Chile began in earnest in 1540 and was carried out by Pedro de Valdivia, one of Francisco Pizarro's lieutenants, who founded the city of Santiago on February 12, 1541. Although the Spanish did not find the extensive gold and silver they sought, they recognized the agricultural potential of Chile's central valley, and Chile became part of the Viceroyalty of Peru.

The drive for independence from Spain was precipitated by usurpation of the Spanish throne by Napoleon's brother Joseph in 1808. A national junta in the name of Ferdinand--heir to the deposed king--was formed on September 18, 1810. The junta proclaimed Chile an autonomous republic within the Spanish monarchy. A movement for total independence soon won a wide following. Spanish attempts to reimpose arbitrary rule during what was called the "Reconquista" led to a prolonged struggle.

Intermittent warfare continued until 1817, when an army led by Bernardo O'Higgins, Chile's most renowned patriot, and Jose de San Martin, hero of Argentine independence, crossed the Andes into Chile and defeated the royalists. On February 12, 1818, Chile was proclaimed an independent republic under O'Higgins' leadership. The political revolt brought little social change, however, and 19th century Chilean society preserved the essence of the stratified colonial social structure, which was greatly influenced by family politics and the Roman Catholic Church. A strong presidency eventually emerged, but wealthy landowners remained extremely powerful. Toward the end of the 19th century, the government in Santiago consolidated its position in the south by suppressing the Mapuche Indians. In 1881, it signed a treaty with Argentina confirming Chilean sovereignty over the Strait of Magellan. As a result of the War of the Pacific with Peru and Bolivia (1879-83), Chile expanded its territory northward by almost one-third and acquired valuable nitrate deposits, the exploitation of which led to an era of national affluence. Chile established a parliamentary democracy in the late 19th century, but degenerated into a system protecting the interests of the ruling oligarchy. By the 1920s, the emerging middle and working classes were powerful enough to elect a reformist president, whose program was frustrated by a conservative congress. In the 1920s, Marxist groups with strong popular support arose.

Continuing political and economic instability resulted with the rule of the quasi-dictatorial Gen. Carlos Ibanez (1924-32). When constitutional rule was restored in 1932, a strong middle-class party, the Radicals, emerged. It became the key force in coalition governments for the next 20 years. During the period of Radical Party dominance (1932-52), the state increased its role in the economy.

The 1964 presidential election of Christian Democrat Eduardo Frei-Montalva by an absolute majority initiated a period of major reform. Under the slogan "Revolution in Liberty," the Frei administration embarked on far-reaching social and economic programs, particularly in education, housing, and agrarian reform, including rural unionization of agricultural workers. By 1967, however, Frei encountered increasing opposition from leftists, who charged that his reforms were inadequate, and from conservatives, who found them excessive. At the end of his term, Frei had accomplished many noteworthy objectives, but he had not fully achieved his party's ambitious goals. In 1970, Senator Salvador Allende, a Marxist and member of Chile's Socialist Party, who headed the "Popular Unity" (UP) coalition of socialists, communists, radicals, and dissident Christian Democrats, won a plurality of votes in a three-way contest and was named President by the Chilean Congress. His program included the nationalization of private industries and banks, massive land expropriation, and collectivization. Allende's program also included the nationalization of U.S. interests in Chile's major copper mines.

Elected with only 36% of the vote and by a plurality of only 36,000 votes, Allende never enjoyed majority support in the Chilean Congress or broad popular support. Domestic production declined; severe shortages of consumer goods, food, and manufactured products were widespread; and inflation reached 1,000% per annum. Mass demonstrations, recurring strikes, violence by both government supporters and opponents, and widespread rural unrest ensued in response to the general deterioration of the economy. By 1973, Chilean society had split into two hostile camps.

A military coup overthrew Allende on September 11, 1973. As the armed forces bombarded the presidential palace, Allende reportedly committed suicide. A military government, led by General Augusto Pinochet, took over control of the country. The first years of the regime in particular were marked by serious human rights violations. A new Constitution was approved by a plebiscite on September 11, 1980, and General Pinochet became President of the Republic for an 8-year term. In its later years, the regime gradually permitted greater freedom of assembly, speech, and association, to include trade union activity. In contrast to its authoritarian political rule, the military government pursued decidedly laissez-faire economic policies. During its 16 years in power, Chile moved away from economic statism toward a largely free market economy that fostered an increase in domestic and foreign private investment. In a plebiscite on October 5, 1988, General Pinochet was denied a second 8-year term as president. Chileans voted for elections to choose a new president and the majority of members of a two-chamber congress. On December 14, 1989, Christian Democrat Patricio Aylwin, the candidate of a coalition of 17 political parties called the Concertacion, was elected president. Aylwin served from 1990 to 1994 and was succeeded by another Christian Democrat, Eduardo Frei Ruiz-Tagle (son of Frei-Montalva), leading the same coalition, for a 6-year term. Ricardo Lagos Escobar of the Socialist Party and the Party for Democracy led the Concertacion to a narrower victory in the 2000 presidential elections. His term ended on March 11, 2006, when President Michelle Bachelet Jeria, of the Socialist Party, took office.

GOVERNMENT AND POLITICAL CONDITIONS

Chile's Constitution was approved in a September 1980 national plebiscite. It entered into force in March 1981. After Pinochet's defeat in the 1988 plebiscite, the Constitution was amended to ease provisions for future amendments to the Constitution. In September 2005, President Ricardo Lagos signed into law several constitutional amendments passed by Congress. These include eliminating the positions of appointed senators and senators for life, granting the President authority to remove the commanders-in-chief of the armed forces, and reducing the presidential term from six to four years.

Presidential and congressional elections were held December 2005. In the first round of presidential elections, none of the four presidential candidates won more than 50% of the vote. As a result, the top two vote-getters--center-left Concertacion coalition's Michelle Bachelet and center-right Alianza coalition's Sebastian Pinera--competed in a run-off election on January 15, 2006, which Michelle Bachelet won. This was Chile's fourth presidential election since the end of the Pinochet era. All four have been judged free and fair. The President is constitutionally barred from serving consecutive terms. President Bachelet and the new members of Congress took office on March 11, 2006.

The next round of presidential and congressional elections are scheduled for December 2009. President Bachelet is constitutionally precluded from running again. Sebastian Pinera, a member of the National Renewal Party (RN), will again be the presidential candidate of the Alianza coalition. Former president Eduardo Frei will be the Concertacion candidate. Marco Enriquez-Ominami, a member of Chile's Chamber of Deputies, is running as an independent candidate.

Chile has a bicameral Congress, which meets in the port city of Valparaiso, about 140 kilometers (84 mi.) west of the capital, Santiago. Deputies are elected every 4 years, and Senators serve 8-year terms. Chile's congressional elections are governed by a unique binomial system that rewards coalition slates. Each coalition can run two candidates for the two Senate and two Deputy seats apportioned to each electoral district. Historically, the two largest coalitions (Concertacion and Alianza) split most of the seats in a district. Only if the leading coalition ticket out-polls the second-place coalition by a margin of more than 2-to-1 does the winning coalition gain both seats.

In the December 11, 2005 congressional elections, the Concertacion coalition won a majority in both the Senate and the Chamber of Deputies. In the 38-member Senate, the Concertacion coalition now holds 15 seats and the Alianza opposition holds 16. There are seven independents. In the 120-member Chamber of Deputies, the Concertacion coalitions holds 56 seats, the Alianza holds 52, and the Independent Regionalist Party holds three. There are nine independents. On October 26, 2008, elections were held nationwide for municipal offices. Widely seen as a bellwether of the national political mood, they delivered mixed results. The center-right coalition, Alianza, made significant gains in the number of mayoral posts it holds, exceeding the number held by Concertacion for the first time in two decades and capturing the most important municipal position in the country: mayor of Santiago. However, in the city council races, which are seen as a more reliable indicator of party strength, Alianza failed to significantly close the 10-point lead Concertacion enjoyed after the last municipal election.

Chile's judiciary is independent and includes a court of appeal, a system of military courts, a constitutional tribunal, and the Supreme Court. In June 2005, Chile completed a nation-wide overhaul of its criminal justice system. The reform has replaced inquisitorial proceedings with an adversarial system, similar to that of the United States.

Principal Government Officials

President--Michelle BACHELET Jeria

Minister of Interior--Edmundo PEREZ YOMA

Minister of Foreign Affairs--Mariano FERNANDEZ

Ambassador to the United States--Jose GO--I

Ambassador to the Organization of American States (OAS)--Pedro OYARCE Yuraszeck

Ambassador to the United Nations--Heraldo MU--OZ Valenzuela

Chile maintains an embassy in the United States at 1732 Massachusetts Avenue, NW, Washington, DC 20036; tel: 202-785-1746, fax: 202-659-9624, email: embassy@embassyofchile.org.

DEFENSE

Chile's Armed Forces are subject to civilian control exercised by the President through the Minister of Defense. The President appoints to four-year terms and has the authority to remove the commanders-in-chief of the armed forces. Legislation has been introduced to the Chilean Congress to restructure and strengthen the Defense Ministry and to create a Joint Staff.

Army

The commander-in-chief of the Chilean Army is General Oscar Izurieta Ferrer. The Chilean Army is 45,000 strong and is organized with an Army headquarters in Santiago, seven divisions throughout its territory, an Air Brigade in Rancagua, and a Special Forces Command in Colina. The Chilean Army is undergoing a modernization process that will transform it from a territorial-based organization to a deployable, capability-based organization. The Chilean Army is one of the most professional and technologically advanced armies in Latin America.

Navy

Admiral Edmundo Gonzalez Robles directs the 23,000-person Navy, including 2,500 Marines. Of the fleet of over 85 surface vessels, only eight are operational major combatants (frigates). The eight frigates are based in Valparaiso. The Navy operates its own aircraft for transport and patrol; there are no Navy fighter or bomber aircraft. The Navy also operates four submarines based in Talcahuano. The Chilean Navy Coast Guard is responsible for environmental protection of the sea and search and rescue responsibility of an area over 26.4 million square kilometers.

Air Force (FACH)

Gen. Ricardo Ortega Perrier heads a force of 12,500. Air assets are distributed among five air brigades headquartered in Iquique, Antofagasta, Santiago, Puerto Montt, and Punta Arenas. The Air Force also operates an airbase on King George Island, Antarctica and at Quintero, near Valparaiso. The FACH has one of the most capable air forces in Latin America with 10 Block 50 F-16s, all purchased new from the U.S., and 18 reconditioned Block 15 F-16s from the Netherlands. The FACH is currently in the process of purchasing 18 additional Dutch F-16s.

Carabineros

After the military coup in September 1973, the Chilean national police (Carabineros) were incorporated into the Defense Ministry. With the return of democratic government, the police were placed under the operational control of the Interior Ministry but remained under the nominal control of the Defense Ministry. Gen. Eduardo Gordon is the head of the national police force of 30,000 men and women who are responsible for law enforcement, traffic management, narcotics suppression, border control, and counter-terrorism throughout Chile.

ECONOMY

Chile has pursued sound economic policies for nearly three decades. Chile's Government has received high marks from economists and its citizens for its countercyclical spending in 2009 (financed largely from saved copper revenues) to offset the effects of the global economic crisis. The government's role in the economy is mostly limited to regulation, although the state continues to operate copper giant CODELCO and a few other enterprises (there is one state-run bank). Chile is strongly committed to free trade and has welcomed large amounts of foreign investment. Chile has signed trade agreements with 59 countries, including a free trade agreement (FTA) with the United States, which was signed in 2003 and implemented in January 2004. A new FTA with Australia went into effect in early 2009, and Chile concluded an FTA with Turkey in mid-2009.

At present, the consensus among Chilean economists is that Chile has passed through the worst of its recession resulting from the global economic downturn. Negative economic growth is expected in 2009 (-1.2%), though a return to moderate growth is forecast for 2010 (3.4%). Unemployment remains a concern, reaching almost 11% in mid-2009. Many international observers place some of the blame for Chile's consistently high unemployment rate on complicated and restrictive labor laws. Wages have risen faster than inflation as a result of higher productivity, boosting national living standards. The percentage of Chileans with incomes below the poverty line--defined as twice the cost of satisfying a family of four's minimal nutritional needs--fell from 46% in 1987 to around 18% by 2005.

Chile's independent Central Bank currently pursues an inflation target of 3%. However, in 2007, inflation inched towards 8%--the first time inflation had exceeded 5% since 1998. In 2008, inflation increased further, hitting a high of 9.9% in October 2008, before moving lower again at the end of the year. In recent years, the Chilean peso's rapid appreciation against the U.S. dollar had helped dampen inflation. However, as the global financial crisis accelerated toward the end of 2008, the Chilean peso depreciated significantly against the U.S. dollar. Most wage settlements and loans are indexed, reducing inflation's volatility. Under the compulsory private pension system, most formal sector employees pay 10% of their salaries into privately managed funds.

Beyond its general economic and political stability, the government also has encouraged the use of Chile as an "investment platform" for multinational corporations planning to operate in the region, but this will have limited value given the developing business climate in Chile itself. Chile's approach to foreign direct investment is codified in the country's Foreign Investment Law, which gives foreign investors the same treatment as Chileans. Registration is simple and transparent, and foreign investors are guaranteed access to the official foreign exchange market to repatriate their profits and capital. Net foreign direct investment in Chile in 2008 was \$12.1 billion, up 64% over 2007.

While Chile and the EU have signed a double taxation treaty, no such agreement exists between the U.S. and Chile. The lack of such a treaty is due largely to concern over existing bank secrecy laws in Chile. The Chilean Government has proposed legislation that would reform bank secrecy and bring national standards in line with those mandated by the Organization for Economic

Cooperation and Development (OECD), to which Chile formally applied for membership in 1995. In 2007, the OECD approved a "roadmap to accession" for Chile, which may occur as early as late 2009 or early 2010.

Foreign Trade

Successive Chilean governments have actively pursued trade-liberalizing agreements. The United States and Chile signed a comprehensive trade agreement in June 2003 that will lead to completely duty-free bilateral trade within 12 years. The U.S.-Chile FTA entered into force January 1, 2004 following approval by the U.S. and Chilean congresses. The bilateral FTA has greatly expanded U.S.-Chilean trade ties, with total bilateral trade jumping by over 200% during the FTA's first five years.

In January 8, 2007, Chile was placed on the U.S. Trade Representative's Priority Watch List due to its poor record on protecting intellectual property rights. Chile is only the second U.S. FTA partner ever to be placed on the Priority Watch List. Chile has a poor record of protecting copyrighted music, films, and software. Combined with this is its institutional structure allowing local companies to produce and market pharmaceutical generics that violate existing patents.

Chile's overall trade profile has traditionally been dependent upon copper exports. The state-owned firm CODELCO is the world's largest copper-producing company, with recorded copper reserves of 200 years. Chile has made an effort to expand nontraditional exports. The most important non-mineral exports are forestry and wood products, fresh fruit and processed food, fishmeal and seafood, and wine. In 2008 total exports were \$66.4 billion, down slightly from 2007 (\$67.6 billion), while imports increased from \$44.0 billion in 2007 to \$57.6 billion in 2008, driven in large part by higher petroleum prices. In 2008, China was Chile's largest export market, followed by the United States, Japan, the Netherlands, and Brazil. Chile's most important sources of imports are the United States, China, Brazil, Argentina, and South Korea.

Finance

Chile's financial sector has grown quickly in recent years, with a banking reform law approved in 1997 that broadened the scope of permissible foreign activity for Chilean banks. The Chilean Government implemented a further liberalization of capital markets in 2001, and there is pending legislation proposing additional liberalization. Over the last 10 years, Chileans have enjoyed the introduction of new financial tools such as home equity loans, currency futures and options, factoring, leasing, and debit cards. The introduction of these new products has also been accompanied by an increased use of traditional instruments such as loans and credit cards. The global financial crisis affected liquidity in the Chilean banking system, making it harder for some companies to maintain access to capital. Chile's private pension system, with assets worth roughly \$70 billion at the end of 2008, has been an important source of investment capital for financial markets. Chile maintains one of the best credit ratings (S&P A+) in Latin America. There are three main ways for Chilean firms to raise funds abroad: bank loans, issuance of bonds, and the selling of stocks on U.S. markets through American Depository Receipts (ADRs). Nearly all of the funds raised through these means go to finance domestic Chilean investment.

High domestic savings and investment rates helped propel Chile's economy to average growth rates of almost 8% during the 1990s. The privatized national pension system (AFP) has encouraged domestic investment and contributed to high gross domestic savings rates, almost 26% of GDP in 2007. However, the AFP is not without its critics, who cite low participation rates (only 55% of the working population is covered), with groups such as the self-employed outside the system. There has also been criticism of the inefficiency and high costs due to a lack of competition among pension funds. The Bachelet administration still plans to reform the AFP during its last year in office.

The government is required by law to run a fiscal surplus of at least 1% of GDP; however, this rule was changed to 0.5% of GDP in 2008, and waived for 2009, given the pressures from the global economic crisis. In 2008, the Government of Chile ran a surplus of \$11.3 billion, equal to almost 8% of GDP. The Government of Chile continues to pay down its foreign debt, with public debt only 2.25% of GDP at the end of 2007.

Energy and Environment

Chile is facing a series of energy and environmental policy challenges, including how to supply the projected additional 12,000 MW of electricity it needs over the next 10 years with appropriate concern for climate change impacts. Chile-U.S. collaboration in these areas includes projects under the Environment and Climate Partnership of the Americas (ECPA) announced at the April 2009 Summit of the Americas and a memorandum of understanding (MOU) on clean energy and energy efficiency cooperation signed during the June 2009 U.S. visit of President Bachelet. Cooperation on energy issues bolsters our partnership in key areas, including actively promoting the use of U.S. renewable energy technologies (solar, wind, and geothermal), science and technology (S&T), innovation, education, and ways to address greenhouse gas emissions and climate change.

U.S.-Chile collaboration on the environment focuses on issues identified in the U.S.-Chile Free Trade Agreement environment chapter and environmental cooperation agreement, e.g., sustainable development, air pollution, energy efficiency, conservation and wildlife management, marine protected areas, environmental law enforcement, and agricultural best practices. In 2008, Chile's premier national park, Torres del Paine, and the U.S. Yosemite National Park signed a sister park agreement to promote information and expert exchanges; in April 2009, Santiago's Parque Metropolitano and San Francisco's Golden Gate Park also became sister parks.

FOREIGN RELATIONS

Since its return to democracy in 1990, Chile has been an active participant in the international political arena. Chile completed a two-year non-permanent position on the UN Security Council in January 2005. Jose Miguel Insulza, a Chilean national, was elected Secretary General of the Organization of American States in May 2005. Chile served as a member of the International Atomic Energy Agency (IAEA) Board of Governors in 2007-2008, and as the Union of South American Nations (UNASUR) president pro tempore until August 2009. The country is an active member of the UN family of agencies and participates in UN peacekeeping activities; Chile currently has over 500 peacekeepers in Haiti. Chile hosted the Asia Pacific Economic Cooperation (APEC) summit and related meetings in 2004. It hosted the Ibero-American Summit in November 2007 and the Progressive Governance Network in March 2009. An associate member of Mercosur, a full member of APEC, a member of the Arco del Pacifico, and a member of the Pathways to Prosperity, Chile has been an important actor on international economic issues and hemispheric free trade. Chile will host the Americas Competitiveness Forum in September 2009.

The Chilean Government has diplomatic relations with most countries. It settled its territorial disputes with Argentina during the 1990s. Chile and Bolivia severed diplomatic ties in 1978 over Bolivia's desire to reacquire territory it lost to Chile in 1879-83 War of the Pacific. The two countries maintain consular relations and are represented at the Consul General level. In January 2008, Peru submitted a case to the International Court of Justice in The Hague asking for a decision on a new maritime border with Chile. Chile acceded to the International Criminal Court in June 2009.

In May 2008, President Bachelet announced government plans to significantly increase scholarships for Chileans to study abroad. The new Government of Chile scholarship program was launched with a goal of sending over 1,000 students/scholars overseas in 2008 and 2,500 in 2009. Program leaders estimate that approximately one-third may choose to study in the U.S.

U.S.-CHILEAN RELATIONS

Relations between the United States and Chile are better now than at any other time in history. The U.S. Government applauded the rebirth of democratic practices in Chile in the late 1980s and early 1990s and sees the maintenance of a vibrant democracy and a healthy and sustainable economy as among the most important U.S. interests in Chile. Besides the landmark U.S.-Chile FTA, the two governments consult frequently on issues of mutual concern, including in the areas of multilateral diplomacy, security, culture, and science.

The U.S. Government and the Government of Chile have frequent high-level interaction. President Bachelet met with President Obama at the Summit of the Americas in April 2009 and traveled to Washington for another visit in June 2009. Vice President Biden traveled to Chile in March 2009 to participate in meetings of the Progressive Governance Network and hold bilateral talks with President Bachelet.

In June 2008, President Bachelet and Gov. Arnold Schwarzenegger launched the Chile-California Partnership for the 21st Century. The partnership will foster collaboration between individuals, government, and the private sector in areas such as agriculture, energy efficiency, environmental resource management, and education.

The U.S. Chile Equal Opportunities Scholarship Program, inaugurated in 2007, was established to sponsor English and academic studies for Chilean PhD students who come from disadvantaged and rural areas that have not traditionally had access to English language schools or study abroad opportunities. The program has been quite successful, becoming a model for other international scholarships programs with Chile.

U.S. Embassy Functions

In addition to working closely with Chilean Government officials to strengthen our bilateral relationship, the U.S. Embassy in Santiago provides a wide range of services to U.S. citizens and businesses in Chile. (Please see the embassy's home page for details of these services.) The Embassy also is the locus for a number of American community activities in the Santiago area.

The Public Affairs Section cooperates with universities and non-governmental organizations (NGOs) on a variety of programs of bilateral interest. Of special note are extensive U.S. Speaker, International Visitor, and Fulbright academic exchange programs. Themes of particular interest include energy and environmental issues, trade, intellectual property rights, international security, democratic governance in the region, educational quality, law enforcement, and the teaching of English. The Public Affairs Section works daily with Chilean media, which has a keen interest in bilateral and regional relations. It also assists visiting foreign media, including U.S. journalists, and is regularly involved in press events for high-level visitors. The Public Affairs Section, largely through the Information Resource Center, disseminates information about U.S. policies, society, and culture.

Attaches at the Embassy from the Foreign Commercial Service, Foreign Agricultural Service, and the Animal and Plant Health Inspection Service (APHIS) work closely with the hundreds of U.S. companies who export to or maintain offices in Chile. These officers provide information on Chilean trade and industry regulations and administer several programs intended to support U.S. companies' sales in Chile.

The Consular Section of the Embassy provides vital services to the more than 10,000 U.S. citizens residing in Chile. It assists Americans who wish to vote in U.S. elections while abroad, provides U.S. tax information, and facilitates government benefits/social security payments. Besides those U.S. citizens resident in Chile, about 170,000 U.S. citizens visit Chile annually. The Consular Section offers passport and emergency services to U.S. tourists during their stay in Chile. It also issued about 66,000 visitor visas in FY 2008 to Chilean citizens who planned to travel to the United States.

The Consular Section carefully monitors three email accounts and responds to questions:

Non-immigrant visa questions - Santigovisa@state.gov

Immigrant visa and U.S. residency questions - santiagoimmigration@state.gov

Questions about American Citizen Services - santiagoamcit@state.gov.

Principal U.S. Embassy Officials

Ambassador--Paul E. Simons

Deputy Chief of Mission--Carol Urban

Public Affairs Counselor--Laurie B. Weitzenkorn

Management Counselor--Steven Hunt

Commercial Counselor--Mitchell G. Larsen

Economic and Political Counselor--David Edwards

Consul General--Christian Bendsen

Senior Defense Officer --Captain Richard W. Goodwyn, USN

Agricultural Counselor--Joseph Lopez

APHIS Attache--George Ball

Legal Attache--Stanley Stoy

Drug Enforcement Administration--Sean Waite

The U.S. Embassy and Consulate in Santiago are located at 2800 Andres Bello Avenue, Las Condes, (tel. 562-330-3000; fax: 562-330-3710; website: <http://chile.usembassy.gov>). The mailing address is 2800 Andres Bello Avenue, Las Condes, Santiago, Chile. The Embassy Facebook link provides useful information to U.S. and Chilean youths interested in overseas education opportunities: www.facebook.com/usdos.chile[<http://www.facebook.com/usdos.chile>]

Other Contact Information

American Chamber of Commerce in Chile

Avenida Presidente Kennedy 5735, Oficina 201

Torre Poniente, Las Condes

Santiago

Tel: 562-290-9700

Fax: 562-212-2620

Email: amcham@amchamchile.cl

Website: <http://www.amchamchile.cl> [<http://www.amchamchile.cl>] (Spanish)

<http://www.amchamchile.cl/english> [<http://www.amchamchile.cl/english>] (English)

Comite de Inversiones Extranjeras (Foreign Investment Committee)

Andres Culagovski, Acting Executive Vice President

Teatinos 120, P. 10; Santiago, Chile

Tel: 562-698-4254

Fax: 562-698-9476

Website: <http://www.foreigninvestment.cl> [<http://www.foreigninvestment.cl>]

Chilean Government Agencies

Website: <http://www.chileangovernment.cl/> [<http://www.chileangovernment.cl/>]

U.S. Department of Commerce

Trade Information Center

International Trade Administration

14th and Constitution Avenue, NW

Washington, DC 20230

Tel: 800-USA-TRADE

Fax: 202-482-4726

Website: <http://trade.gov>

Additional information regarding U.S. and U.S.-Chile trade can be found at the following websites: <http://www.export.gov/> [<http://www.export.gov/>] and <http://www.buyusa.gov/chile/en/> [<http://www.buyusa.gov/chile/en/>].

Paraguay

OFFICIAL NAME:

[Republic of Paraguay](#)

Geography

Area: 406,752 sq. km. (157,047 sq. mi.); about the size of California.

Cities: *Capital*--Asuncion (pop. 518,945). *Other cities*--Ciudad del Este, Concepcion, Encarnacion, Pedro Juan Caballero, Coronel Oviedo.

Terrain: East of the Paraguay River there are grassy plains, wooded hills, tropical forests; west of the Paraguay River (Chaco region) is low, flat, marshy plain.

Climate: Temperate east of the Paraguay River, semiarid to the west.

People

Nationality: *Noun and adjective*--Paraguayan(s).

Population (2008): 6,163,913.

Annual population growth rate (2008): 2.2%. (Paraguayan Directorate of Statistics, Surveys, and Censuses)

Ethnic groups: Mixed Spanish and Indian descent (mestizo) 95%.

Religions: Roman Catholic 89.6%; Mennonite and other Protestant denominations.

Languages: Spanish (language of business and government), Guarani (spoken and understood by 90% of the population).

Education: *Years compulsory*--9. *Attendance*--89%. *Literacy*--94.7%. (Paraguayan Directorate of Statistics, Surveys, and Censuses)

Health: *Infant mortality rate*--32.00/1,000. *Life expectancy*--73 years male; 78.26 years female. (Paraguayan Directorate of Statistics, Surveys, and Censuses)

Work force (2008, 2.9 million): *Agriculture*--26.5%; *manufacturing and construction*--18.5%; *services and commerce*--54.9%; *government*--8.8%. (Paraguayan Directorate of Statistics, Surveys, and Censuses)

Government

Type: Constitutional Republic.

Independence: May 1811.

Constitution: June 1992.

Branches: *Executive*--President. *Legislative*--Senate and Chamber of Deputies. *Judicial*--Supreme Court of Justice.

Administrative subdivisions: 17 departments, 1 capital city.

Political parties: National Republican Association/Colorado Party (ANR), Authentic Radical Liberal Party (PLRA), Beloved Fatherland (PPQ), National Union of Ethical Citizens (UNACE), National Encounter Party (PEN), The Country in Solidarity Party (PPS), Progressive Democratic Party (PDP), Tekojoja Movement, and numerous small parties not represented in Congress.

Suffrage: 18 years of age; universal and compulsory by law up to age 75.

Economy (source: Central Bank of Paraguay and the IMF)

GDP (2008): \$16.1 billion.

Annual growth rate (2008): 5.8%.

Per capita GDP (2008): \$2,593.

Natural resources: Hydropower, timber, iron ore, manganese, limestone.

Agriculture (20% of GDP): *Products*--soybeans, cotton, beef, pork, cereals, sugarcane, cassava, fruits, vegetables. *Arable land*--9 million hectares, of which 35% is in production.

Manufacturing and construction (17% of GDP): *Types*--sugar, cement, textiles, beverages, wood products.

Trade (2008): *Exports*--\$4.4 billion: soybeans and soy-related products, cereals, beef, wood, leather, cotton, sugar, apparel, tobacco. *Major markets*--Uruguay (17%), Argentina (16%), Brazil (14%), Chile (8%); the United States in 10th place with 2%. *Imports*--\$8.4 billion: machinery and mechanical appliances; electrical machinery, equipment, and materials; mineral fuels and lubricants; motor vehicles, tractors, parts and accessories; plastics and articles thereof; fertilizers; beverages and tobacco; toys, games, and sporting equipment; chemical products; rubber and articles thereof; paper, paperboard and articles thereof. *Major suppliers*--China (28%), Brazil (27%), Argentina (14%), Japan (8.5%), and U.S. (6.3%).

PEOPLE

Paraguay's population is distributed unevenly throughout the country. The vast majority of the people live in the eastern region, most within 160 kilometers (100 mi.) of Asuncion, the capital and largest city. The Chaco, which accounts for about 60% of the territory, is home to less than 2% of the population. Ethnically, culturally, and socially, Paraguay has one of the most homogeneous populations in South America. About 95% of the people are of mixed Spanish and Guarani Indian descent. Little trace is left of the original Guarani culture except the language, which is understood by 95% of the population. About 90% of all Paraguayans speak Spanish. Guarani and Spanish are official languages. Brazilians, Argentines, Germans, Arabs, Koreans, Chinese, and Japanese are among those who have settled in Paraguay with Brazilians representing the largest number.

HISTORY

Pre-Columbian civilization in the fertile, wooded region that is now Paraguay consisted of numerous seminomadic, Guarani-speaking tribes, who were recognized for their fierce warrior traditions. They practiced a mythical polytheistic religion, which later blended with Christianity. Spanish explorer Juan de Salazar founded Asuncion on the Feast Day of the Assumption, August 15, 1537. The city eventually became the center of a Spanish colonial province. Paraguay declared its independence by overthrowing the local Spanish authorities in May 1811.

The country's formative years saw three strong leaders who established the tradition of personal rule that lasted until 1989: Jose Gaspar Rodriguez de Francia, Carlos Antonio Lopez, and his son, Francisco Solano Lopez. The younger Lopez waged a war against Argentina, Uruguay, and Brazil (War of the Triple Alliance, 1864-70) in which Paraguay lost half its population; afterward, Brazilian troops occupied the country until 1874. A succession of presidents governed Paraguay under the banner of the Colorado Party from 1880 until 1904, when the Liberal party seized control, ruling with only a brief interruption until 1940.

In the 1930s and 1940s, Paraguayan politics were defined by the Chaco war against Bolivia, a civil war, dictatorships, and periods of extreme political instability. Gen. Alfredo Stroessner took power in May 1954. Elected to complete the unexpired term of his predecessor, he was re-

elected president seven times, ruling almost continuously under the state-of-siege provision of the constitution with support from the military and the Colorado Party. During Stroessner's 35-year reign, political freedoms were severely limited, and opponents of the regime were systematically harassed and persecuted in the name of national security and anticommunism. Though a 1967 constitution gave dubious legitimacy to Stroessner's control, Paraguay became progressively isolated from the world community.

On February 3, 1989, Stroessner was overthrown in a military coup headed by Gen. Andres Rodriguez. Rodriguez, as the Colorado Party candidate, easily won the presidency in elections held that May, and the Colorado Party dominated the Congress. In 1991 municipal elections, however, opposition candidates won several major urban centers, including Asuncion. As president, Rodriguez instituted political, legal, and economic reforms and initiated a rapprochement with the international community.

The June 1992 constitution established a democratic system of government and dramatically improved protection of fundamental rights. In May 1993, Colorado Party candidate Juan Carlos Wasmosy was elected as Paraguay's first civilian president in almost 40 years in what international observers deemed fair and free elections. The newly elected majority-opposition Congress quickly demonstrated its independence from the executive by rescinding legislation passed by the previous Colorado-dominated Congress. With support from the United States, the Organization of American States, and other countries in the region, the Paraguayan people rejected an April 1996 attempt by then-Army Chief Gen. Lino Oviedo to oust President Wasmosy, taking an important step to strengthen democracy.

Oviedo became the Colorado candidate for president in the 1998 election, but when the Supreme Court upheld in April his conviction on charges related to the 1996 coup attempt, he was not allowed to run and remained in confinement. His running mate, Raul Cubas Grau, became the Colorado Party's candidate and was elected in May. The assassination of Vice-President Luis Maria Argana and the killing of eight student anti-government demonstrators, allegedly carried out by Oviedo supporters, led to Cubas' resignation in March 1999. The President of the Senate, Luis Gonzalez Macchi, assumed the presidency and completed Cubas' term. Gonzalez Macchi offered cabinet positions in his government to senior representatives of all three political parties in an attempt to create a coalition government that proved short-lived. Gonzalez Macchi's government suffered many allegations of corruption, and Gonzalez himself was found not guilty in a Senate impeachment trial involving corruption and mismanagement charges in February 2003.

In April 2003, Colorado candidate Nicanor Duarte Frutos was elected president. He was inaugurated on August 15. Duarte's administration established a mixed record on attacking corruption and improving the quality of management. Duarte worked constructively with an opposition-controlled Congress, removing six Supreme Court justices suspected of corruption from office and enacting major tax reforms. Macroeconomic performance improved significantly under the Duarte administration, with inflation falling significantly, and the government clearing its arrears with international creditors. In June 2004, Oviedo returned to Paraguay from exile in Brazil and was imprisoned for his 1996 coup-plotting conviction. In November 2007, Oviedo's criminal charges were overturned by the Supreme Court, and he was allowed to participate in the

April 2008 presidential elections.

On April 20, 2008, former Roman Catholic bishop Fernando Lugo (representing a coalition of opposition parties) was elected President. According to the National Election Tribunal (TSJE), Lugo won 40.8% of the vote. Colorado candidate Blanca Ovelar came in second with 30.6% of the vote, and UNACE's Lino Oviedo came in third with 21.9% of the vote. President Lugo assumed office on August 15, 2008. Lugo has identified reduction of corruption and economic inequality as two of his priorities.

GOVERNMENT AND POLITICAL CONDITIONS

Paraguay's highly centralized government was fundamentally changed by the 1992 constitution, which provides for a division of powers. The president, popularly elected for a 5-year term, appoints a cabinet. The bicameral Congress consists of an 80-member Chamber of Deputies and a 45-member Senate, elected concurrently with the president through a proportional representation system. Deputies are elected by department and senators are elected nationwide. Paraguay's highest judicial body is the Supreme Court. A popularly elected governor heads each of Paraguay's 17 departments.

Principal Government Officials

President--Fernando Armino Lugo Mendez

Vice President--Luis Federico Franco Gomez

Minister of Foreign Affairs--Hector R Lacognata

Ambassador to the U.S.--James Spalding Hellmers

Ambassador to the OAS--Bernardino Hugo Saguier Caballero

Ambassador to the UN--José Antonio Dos Santos

Paraguay maintains an [embassy](#) in the United States at 2400 Massachusetts Avenue, NW, Washington, DC 20008 (tel. 202-483-6960). Consulates are in Miami, New York, and Los Angeles.

ECONOMY

Paraguay has a predominantly agricultural economy, with a struggling commercial sector. There is a large subsistence sector, including sizable urban unemployment and underemployment, and a large underground re-export sector. The country has vast hydroelectric resources, including the world's second-largest hydroelectric generation facility built and operated jointly with Brazil (Itaipu Dam), but it lacks significant mineral or petroleum resources. The government welcomes foreign investment in principle and accords national treatment to foreign investors, but widespread corruption is a deterrent. The economy is dependent on exports of soybeans, cotton, grains, cattle, timber, and sugar; electricity generation, and to a decreasing degree on re-exporting to Brazil and Argentina products made elsewhere. It is, therefore, vulnerable to the vagaries of weather and to the fortunes of the Argentine and Brazilian economies.

Paraguay's real GDP in 2008 of \$16.1 billion (in 2000 dollars) represented an increase of 26% from \$12.8 billion in 2007. The per capita GDP rose to \$2,593 in current U.S. dollar terms in 2008, up from \$1,928 in 2007 and \$1,793 in 1996. Given the importance of the informal sector, accurate economic measures are difficult to obtain. In 2007, Paraguay had a current account

deficit of \$73 million, derived from a small deficit in the trade of goods, but accompanied by a significant increase in agriculture exports and services (electricity), reflecting favorable market prices for agricultural commodities and exports of electricity from the hydroelectric dams. In July 2009, official foreign exchange reserves rose to \$3.2 billion, an increase of 33% over 2008, and over five times the figure for 2002 (\$582.8 million). Foreign official debt rose slightly from \$2.1 billion in 2007 to \$2.2 billion in 2008. Inflation in 2008 was 7.5%, up from 6.0% in 2007, but down from 12.5% in 2006.

Agriculture and Commerce

Agricultural activities, most of which are for export, represent about 20% of GDP and employ about one quarter of the work force. More than 250,000 families depend on subsistence farming activities and maintain marginal ties to the larger productive sector of the economy. In addition to the commercial sector with retail, banking, and professional services, there is significant activity involving the import of goods from Asia and the United States for re-export to neighboring countries. The underground economy, which is not included in the national accounts, may be almost twice the size of the formal economy in size, although greater enforcement efforts by the tax administration and customs are having an impact on the informal sector.

DEFENSE

The constitution designates the president as commander in chief of the armed forces. Military service is compulsory, and all 18-year-old males--and 17 year olds in the year of their 18th birthday--are eligible to serve for one year on active duty. However, the 1992 constitution allows for conscientious objection. Of the three services, the army has the majority of personnel, resources, and influence. With about 7,000 personnel, it is organized into three corps, with six infantry divisions and three cavalry divisions. The military has two primary functions: national defense (including internal order) and engaging in civic action programs as directed by the president. The navy consists of approximately 2,000 personnel and in addition to its fleet, has an aviation section, a prefecture (river police), and a contingent of marines (naval infantry). The air force, the smallest of the services, has approximately 1,200 personnel.

FOREIGN RELATIONS

Paraguay is a member of the United Nations and several of its specialized agencies. It also belongs to the Organization of American States, the Latin American Integration Association (ALADI), the Rio Group, INTERPOL, and MERCOSUR (the Southern Cone Common Market). Paraguay is closely aligned with its MERCOSUR partners on many political, economic, and social issues. It is the only country in South America that recognizes Taiwan and not the People's Republic of China.

U.S.-PARAGUAY RELATIONS

U.S. Interests in Paraguay

The United States and Paraguay have an extensive relationship at the government, business, and personal level. Paraguay is a partner in hemispheric initiatives to improve counternarcotics cooperation, combat money laundering, trafficking in persons, and other illicit cross-border activities, and adequately protect intellectual property rights. The United States looks to

Paraguay, which has tropical forest and riverine resources, to engage in hemispheric efforts to ensure sustainable development. The United States and Paraguay also cooperate in a variety of international organizations.

Paraguay has taken significant steps to combat illegal activity in the tri-border area it shares with Argentina and Brazil. It participates in antiterrorism programs and fora, including the Three Plus One Security Dialogue, with its neighbors and the United States.

The United States strongly supports consolidation of Paraguay's democracy and continued economic reform, the cornerstones of cooperation among countries in the hemisphere. The United States has played important roles in defending Paraguay's democratic institutions, in helping resolve the April 1996 crisis, and in ensuring that the March 1999 change of government took place without further bloodshed.

Bilateral trade with the United States has increased over the last 7 years, after a steady decline over several years due to a long-term recession of the Paraguayan economy. Although U.S. imports from Paraguay were only \$78.4 million in 2008, up from \$68 million in 2007, U.S. exports to Paraguay in 2008 were \$1.6 billion, up from \$1.2 billion in 2007, according to U.S. Customs data. (Not all exports and imports are reflected in Paraguayan Government data.) More than a dozen U.S. multinational firms have subsidiaries in Paraguay. These include firms in the computer, agro-industrial, telecom, banking, and other service industries. Some 75 U.S. businesses have agents or representatives in Paraguay, and more than 3,000 U.S. citizens reside in the country.

U.S. Assistance

The U.S. Government has assisted Paraguayan development since 1942. In 2006, Paraguay signed a \$34.9 million Millennium Challenge Corporation's (MCC) Threshold Country Program (TCP) with the U.S. focused on supporting Paraguay's effort to combat impunity and informality. A second MCC Threshold program for \$30 million was approved in July 2009. Also in 2006, Paraguay signed and ratified an agreement with the U.S. under the Tropical Forest Conservation Act that provides Paraguay with \$7.4 million in relief and zeroing out its remaining bilateral debt in exchange for the Paraguayan Government's commitment to conserve and restore tropical forests in the southeastern region of the country. Separately, the U.S. Agency for International Development ([USAID](#)) supports a variety of programs to strengthen Paraguay's democratic institutions in the areas of civil society, local government and decentralization, national reform of the state, rule-of-law, and anti-corruption. Other important areas of intervention are economic growth, the environment and public health. The total amount of the program was approximately \$17.8 million in fiscal year 2009.

The U.S. Department of State, the Drug Enforcement Administration, the Department of Justice, and the Department of Treasury provide technical assistance, equipment, and training to strengthen counternarcotics enforcement, combat trafficking in persons, promote respect for intellectual property rights, and to assist in the development and implementation of money laundering legislation and counterterrorism legislation.

- On December 19, 2003, U.S. and Paraguayan officials signed a new memorandum of understanding (MOU) to strengthen the legal protection and enforcement of intellectual property rights in Paraguay. The MOU was renewed in early 2008.
- Since 2003 the U.S. Government has had a Resident Justice Advisor in Paraguay to support efforts to combat money laundering and terrorist financing and other financial crimes as well as organized crime and corruption.
- Starting in 2004, a Resident Public Debt Advisor, a Resident Budget Advisor, and a Resident Tax Advisor from the Department of Treasury have been working with Paraguayan counterparts to implement essential reforms.

The U.S. Department of Defense (DOD) provides technical assistance and training to help modernize and professionalize the military, including by promoting respect for human rights and obedience to democratically elected civilian authorities. DOD also provides assistance to impoverished communities through its Humanitarian Assistance Program.

The [Peace Corps](#) has about 200 volunteers working throughout Paraguay on projects ranging from agriculture and natural resources to education, rural health, and urban youth development. 2007 marked the 40th anniversary of the Peace Corps in Paraguay.

The Office of Public Diplomacy also is active in Paraguay, funding Fulbright and other scholarships to the U.S., U.S. scholars to Paraguay, other short- and long-term exchanges, English scholarship programs, donations of books and equipment, and a cultural preservation project to restore Paraguay's National Library.

Principal U.S. Officials

Ambassador--[Liliana Ayalde](#)

Deputy Chief of Mission--Perry L. Holloway

Political/Economic Chief--Joan Shaker

Consul--Ernest Abisellan

Management Officer--Mona Kuntz

USAID Director--Rosmary Rakas

Public Affairs Officer--James Russo

Defense Attache--LTC Patrick Mathes

Office of Defense Cooperation--Col. Timothy Hodge

The [U.S. Embassy](#) in Paraguay is located at 1776 Avenida Mariscal Lopez, Asuncion (tel. (595) (21) 213-715, fax (595) (21) 213-728). The embassy's home page address on the World Wide Web is: <http://paraguay.usembassy.gov/>

Other Contact Information

U.S. Department of Commerce

International Trade Administration

Office of Latin America and the Caribbean

14th and Constitution Ave., NW

Washington, DC 20230

Tel: (202) 482-0477, 800-USA-TRADE

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<http://www.pamcham.com.py/>
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E-mail: amcham@telesurf.com.py
Ciudad del Este, Paraguay

Uruguay (10/09)

State Department Press Release

Background Notes : Uruguay (10/09)

Flag of Uruguay is nine equal horizontal stripes of white (top and bottom) alternating with blue; a white square in the upper hoist-side corner with a yellow sun bearing a human face with 16 rays that alternate between triangular and wavy.

PROFILE

OFFICIAL NAME:

Oriental Republic of Uruguay

Geography

Area: 176,220 sq. km. (68,000 sq. mi.); slightly smaller than the state of Washington.

Cities: Capital--Montevideo (est. pop. 1.34 million).

Terrain: Plains and low hills, fertile coastal lowland; 84% agricultural.

Climate: Temperate.

People

Nationality: Noun and adjective--Uruguayan(s).

Population (July 2008): 3.3 million.

Annual growth rate: 0.3%.

Ethnic groups (1997): European descent 93.2%, African descent 5.9%, indigenous descent 0.4%, Asian descent 0.4%.

Religions: Roman Catholic 66%, Protestant and other Christian 2%, Jewish 1%, non-professing or other 31%.

Language: Spanish.

Education: Literacy (2007)--98%.

Health (2007): Life expectancy--75.85 yrs. Infant mortality rate (2006)-- 10.5/1,000.

Work force (1.6 million, 2008): Commerce, restaurants, and hotels--21%; manufacturing, gas, and electricity--14%; agriculture, fishing, and mining-- 11%; construction--7%.

Government

Type: Constitutional republic.

Independence: August 25, 1825.

Constitution: First 1830, current 1967, most recently amended January 1997.

Branches: Executive--president (chief of state and head of government). Legislative--General Assembly elected by proportional representation consisting of a 99-seat Chamber of Deputies and a 30-seat Senate. Judicial-- Supreme Court of Justice.

Administrative subdivisions: 19 departments with limited autonomy.

Political parties/coalitions: Colorado Party, Blanco (National) Party, Frente Amplio, Independent Party.

Suffrage: Universal and compulsory at 18.

Economy

Gross domestic product (GDP): \$32.3 billion (2008); \$24.3 billion (2007); \$20.0 billion (2006); \$17.4 billion (2005); 13.7 billion (2004).

Annual growth rate: +8.9% (2008); +7.6% (2007); +4.6% (2006); +7.5% (2005); +5.0% (2004).

Per capita GDP: \$9,660 (2008); \$7,300 (2007); \$6,044 (2006); \$5,254 (2005); \$4,146 (2004).

Natural resources: Arable land, pastures, hydroelectric power, granite, marble, fisheries.

Agriculture (10% of GDP): Products--beef, wool, rice, wheat, barley, corn, soybeans, fish, forestry.

Industry (16% of GDP): Types--food processing, electrical machinery, wool, textiles, leather, leather apparel, beverages and tobacco, chemicals, cement, petroleum products, transportation equipment.

Services: About 60% of GDP.

Trade: Exports (2008, f.o.b.)--\$6.0 billion (\$7.2 billion including exports of cellulose pulp and beverage concentrates from free trade zones): beef, rice, dairy products, wood, soy and leather. Major markets--Brazil, Argentina, Nueva Palmira Free Trade Zone, Russia, Spain, Venezuela,

U.S. Imports (2008, c.i.f.)--\$7.1 billion: oil, planes, telephony equipment, insecticides, vehicles. Major suppliers--Brazil, Argentina, China, United States, Canada, Russia, Venezuela.

PEOPLE

Uruguayans share a Spanish linguistic and cultural background, even though about one-quarter of the population is of Italian origin. Most are nominally Roman Catholic although the majority of Uruguayans do not actively practice a religion. Church and state are officially separated.

Uruguay is distinguished by its high literacy rate, large urban middle class, and relatively even income distribution. The average Uruguayan standard of living compares favorably with that of most other Latin Americans. Metropolitan Montevideo, with about 1.3 million inhabitants, is the only large city. The rest of the urban population lives in about 20 towns. During the past two decades, an estimated 500,000 Uruguayans have emigrated, principally to Argentina and Spain. Emigration to the United States also rose significantly. As a result of the low birth rate, high life expectancy, and relatively high rate of emigration of younger people, Uruguay's population is quite mature.

HISTORY

The only inhabitants of Uruguay before European colonization of the area were the Charrua Indians, a small tribe driven south by the Guarani Indians of Paraguay. The Spanish discovered the territory of present-day Uruguay in 1516, but the Indians' fierce resistance to conquest, combined with the absence of gold and silver, limited settlement in the region during the 16th and 17th centuries. The Spanish introduced cattle, which became a source of wealth in the region. Spanish colonization increased as Spain sought to limit Portugal's expansion of Brazil's frontiers.

Montevideo was founded by the Spanish in the early 18th century as a military stronghold; its natural harbor soon developed into a commercial center competing with Argentina's capital, Buenos Aires. Uruguay's early 19th century history was shaped by ongoing conflicts between the British, Spanish, Portuguese, and colonial forces for dominance in the Argentina-Brazil-Uruguay region. In 1811, Jose Gervasio Artigas, who became Uruguay's national hero, launched a successful revolt against Spain. In 1821, the Provincia Oriental del Rio de la Plata, present-day Uruguay, was annexed to Brazil by Portugal. The Provincia declared independence from Brazil in August 25, 1825 (after numerous revolts in 1821, 1823, and 1825) but decided to adhere to a regional federation with Argentina.

The regional federation defeated Brazil after a 3-year war. The 1828 Treaty of Montevideo, fostered by the United Kingdom, gave birth to Uruguay as an independent state. The nation's first constitution was adopted in 1830. The remainder of the 19th century, under a series of elected and appointed presidents, saw interventions by neighboring states, political and economic fluctuations, and large inflows of immigrants, mostly from Europe. Jose Batlle y Ordonez, president from 1903 to 1907 and again from 1911 to 1915, set the pattern for Uruguay's modern political development. He established widespread political, social, and economic reforms such as

a welfare program, government participation in many facets of the economy, and a plural executive. Some of these reforms were continued by his successors.

By 1966, economic, political, and social difficulties led to constitutional amendments, and a new constitution was adopted in 1967. In 1973, amid increasing economic and political turmoil, the armed forces closed the Congress and established a civilian-military regime, characterized by repression and widespread human rights abuses. A new constitution drafted by the military was rejected in a November 1980 plebiscite. Following the plebiscite, the armed forces announced a plan for return to civilian rule. National elections were held in 1984. Colorado Party leader Julio Maria Sanguinetti won the presidency and served from 1985 to 1990. The first Sanguinetti administration implemented economic reforms and consolidated democracy following the country's years under military rule.

Sanguinetti's economic reforms, focusing on the attraction of foreign trade and capital, achieved some success and stabilized the economy. In order to promote national reconciliation and facilitate the return of democratic civilian rule, Sanguinetti secured public approval by plebiscite of a controversial general amnesty for military leaders accused of committing human rights violations under the military regime, and sped the release of former guerrillas.

The National Party's Luis Alberto Lacalle won the 1989 presidential election and served from 1990 to 1995. Lacalle executed major structural economic reforms and pursued further liberalization of the trade regime. Uruguay became a founding member of MERCOSUR in 1991 (the Southern Cone Common Market, which includes Argentina, Brazil, and Paraguay). Despite economic growth during Lacalle's term, adjustment and privatization efforts provoked political opposition, and some reforms were overturned by referendum.

In the 1994 elections, former President Sanguinetti won a new term, which ran from 1995 until March 2000. As no single party had a majority in the General Assembly, the National Party joined with Sanguinetti's Colorado Party in a coalition government. The Sanguinetti government continued Uruguay's economic reforms and integration into MERCOSUR. Other important reforms were aimed at improving the electoral system, social security, education, and public safety. The economy grew steadily for most of Sanguinetti's term, until low commodity prices and economic difficulties in its main export markets caused a recession in 1999, which continued into 2003.

The 1999 national elections were held under a new electoral system established by constitutional amendment. Primaries in April decided single presidential candidates for each party, and national elections on October 31 determined representation in the legislature. As no presidential candidate received a majority in the October election, a runoff was held in November. In the runoff, Colorado Party candidate Jorge Batlle, aided by the support of the National Party, defeated Frente Amplio candidate Tabare Vazquez.

The legislative coalition of the Colorado and National parties that held during most of Batlle's administration ended in November 2002, when the Blancos withdrew their ministers from the cabinet. Throughout most of his administration, President Batlle had to handle Uruguay's largest economic crisis in recent history, which impacted on poverty and led to increased emigration.

Aside from successfully addressing the crisis, Batlle increased international trade, attracted foreign investment and tried to resolve issues related to Uruguayans who disappeared during the military government.

The two traditional political parties, the National ("Blanco") and Colorado parties, which were founded in the early 19th century, in the past garnered about 90% of the vote but have seen their share decline over the past decades. At the same time the share of the Frente Amplio, a coalition of various left- of-center factions that became the largest political force in 1999, was on the rise. In October 2004 presidential elections, Tabare Vazquez ran against the Blanco candidate Jorge Larranaga, a former state governor and senator who got 34.3% of votes, and against the Colorado candidate, former Interior Minister Stirling who got 10.4%. President Vazquez won the elections in the first round, with 50.5% of ballots, and his party achieved parliamentary majority. The Frente Amplio has ruled Montevideo since 1990.

During its years in power, the Vazquez administration made good on its campaign promise to re-examine the human rights abuses committed during the period of military dictatorship and uncovered important forensic evidence. Bilateral relations with Argentina were strained by an ongoing dispute over the construction in Uruguay of a large wood pulp mill on a shared river. Legislation, including a controversial tax reform bill, tended to pass easily as the Frente Amplio enjoyed majorities in both houses of congress.

Presidential and parliamentary elections will be held October 25, 2009. If no party gains more than 50% of the votes in the first round, there will be a run-off round between the two top presidential candidates on November 29, 2009. Municipal elections will be held in May 2010.

GOVERNMENT AND POLITICAL CONDITIONS

Uruguay's 1967 constitution institutionalizes a strong presidency, subject to legislative and judicial checks. The president's term is 5 years. The term is non-consecutive, but former presidents may run again later in subsequent elections. Thirteen cabinet ministers, appointed by the president, head executive departments. The constitution provides for a bicameral General Assembly responsible for enacting laws and regulating the administration of justice. The General Assembly consists of a 30-member Senate, presided over by the vice president of the republic, and a 99-member Chamber of Deputies.

The highest court is the Supreme Court; below it are appellate and lower courts and justices of the peace. In addition, there are electoral and administrative ("contentious") courts, an accounts court, and a military judicial system.

Principal Government Officials

President--Tabare Ramon Vazquez Rosas

Minister of Foreign Affairs--Pedro Humberto Vaz Ramela

Ambassador to the United States--Carlos Alberto Gianelli Derois

Ambassador to the United Nations--Jose Luis Cancela

Ambassador to the OAS--Dr. Lujan Flores

Uruguay maintains an Embassy in the United States at 1913 "I" Street NW, Washington, DC 20006 (tel. 202-331-1313, fax 202-331- 8142). Uruguay maintains consulates in Chicago, Miami, Los Angeles, New York and San Juan, Puerto Rico.

ECONOMY

Uruguay's economy remains dependent on agriculture and services. Agriculture and agri-industry account for 23% of GDP, and for over two-thirds of total exports. Leading economic sectors include meat processing, agribusiness, wood, wool, leather production and apparel, textiles, and chemicals. Though still small, the information software industry is growing rapidly.

In 2002, Uruguay went through the steepest economic and financial crisis in recent history, which developed mostly from external factors. Devaluation in Brazil in 1999 made Uruguayan goods less competitive, and an outbreak of foot and mouth disease in 2001 curtailed beef exports to North America. Starting in late 2001, an economic crisis in Argentina undermined Uruguay's economy, with exports to Argentina and tourist revenues falling dramatically. In mid-2002 Argentine withdrawals from Uruguayan banks started a bank run that was overcome only by massive borrowing from international financial institutions. This, in turn, led to serious debt sustainability problems. A successful debt swap helped restore confidence and significantly reduced country risk.

Uruguay's economy resumed mild growth in 2003--with a mild 0.8% rise in GDP-- and accelerated in 2004 and 2005 with growth rates of 5.0% and 7.5%, respectively. Growth equaled 4.6% in 2006, and reached 7.6% in 2007 and 8.9% in 2008. Uruguay's spectacular recovery over the past couple of years has been based on increased exports. Uruguay enjoys a positive investment climate, with a strong legal system and open financial markets. It grants equal treatment to national and foreign investors and, aside from very few sectors, there is neither de jure nor de facto discrimination toward investment by source or origin.

Uruguay has traditionally favored substantial state involvement in the economy, and privatization is still widely opposed. Recent governments have carried out cautious programs of economic liberalization similar to those in many other Latin American countries. They included lowering tariffs, controlling deficit spending, reducing inflation, and cutting the size of government. Uruguay's economy is based on free enterprise and private ownership. In spite of some de-monopolization and privatization over the past 10 years, the state continues to play a major role in the economy, owning either fully or partially companies in insurance, water supply, electricity, telephone service, petroleum refining, airlines, postal service, railways, and banking.

Uruguay has largely diversified its trade in recent years and reduced its longstanding dependency on Argentina and Brazil. It is a founding member of MERCOSUR, the Southern Cone trading bloc also composed of Argentina, Brazil, and Paraguay. The MERCOSUR Secretariat is located in Montevideo.

The investment climate is generally positive. Investments are allowed without prior authorization, foreign and national investors are treated alike, and there is fully free remittance of capital and profits. About 100 American firms operate in Uruguay and, according to the U.S. Department of Commerce, the stock of U.S. direct investment amounts to \$656 million.

NATIONAL SECURITY

The armed forces are constitutionally subordinate to the president through the minister of defense. By offering early retirement incentives, the government has trimmed the armed forces to about 14,500 for the army, 6,000 for the navy, and 3,000 for the air force. Uruguay ranks first in the world on a per capita basis for its contributions to the UN peacekeeping forces, with 2,531 soldiers and officers in 11 UN peacekeeping missions. As of August 2009, Uruguay had 1,138 military personnel deployed to Haiti in support of MINUSTAH and 1,371 deployed in support of MONUC in the Congo.

FOREIGN RELATIONS

Uruguay traditionally has had strong political and cultural links with its neighbors and Europe. With globalization and regional economic problems, its links to North America have strengthened. Uruguay is a strong advocate of constitutional democracy, political pluralism, and individual liberties. Its international relations historically have been guided by the principles of non-intervention, multilateralism, respect for national sovereignty, and reliance on the rule of law to settle disputes. Uruguay's international relations also reflect its drive to seek export markets and foreign investment. It is a founding member of MERCOSUR, the Southern Cone Common Market also composed of Argentina, Brazil, and Paraguay.

Uruguay is a member of the Rio Group, an association of Latin American states that deals with multilateral security issues (under the Inter-American Treaty of Reciprocal Assistance). Uruguay's location between Argentina and Brazil makes close relations with these two larger neighbors and MERCOSUR associate members Chile and Bolivia particularly important. Usually considered a neutral country and blessed with a professional diplomatic corps, Uruguay is often called on to preside over international bodies. Uruguay is a member of the Latin American Integration Association (ALADI), a trade association based in Montevideo that includes 10 South American countries plus Mexico and Cuba.

U.S.-URUGUAYAN RELATIONS

U.S.-Uruguayan relations traditionally have been based on a common outlook and emphasis on democratic ideals. In 2002, Uruguay and the U.S. created a Joint Commission on Trade and Investment (JCTI) to exchange ideas on a variety of economic topics. In March 2003, the JCTI identified six areas of concentration: customs issues, intellectual property protection, investment, labor, environment, and trade in goods. In late 2004, Uruguay and the U.S. signed an Open Skies Agreement, which was ratified in May 2006. In November 2005, they signed a Bilateral Investment Treaty (BIT), which entered into force on November 1, 2006. A Trade and Investment Framework Agreement (TIFA) was signed in January 2007. About 100 U.S.-owned companies operate in Uruguay, and many more market U.S. goods and services. In April 2008, Secretary of State Condoleezza Rice met with Foreign Minister Fernandez to sign a science and technology agreement. A memorandum of understanding on renewable energy and energy efficiency was signed in October 2008. Uruguay cooperates with the U.S. on law enforcement matters such as regional efforts to fight drug trafficking and terrorism. It has also been very active in human rights issues.

From 1999 through early 2003 Uruguayan citizens were exempted from visas when entering the United States under the Visa Waiver Program. This exemption was withdrawn on April 16, 2003, based on the high overstay rates for Uruguayans and worldwide national security concerns.

Principal U.S. Embassy Officials

Charge d'Affaires--Robin H. Matthewman

Acting Deputy Chief of Mission and Political/Economic Counselor--Alfred Schandlbauer

Economic/Commercial Section Chief--Jack Doutrich

Consul--Mary F. Fisk-Telchi

Chief, Management Section--David M. Thomas

Public Affairs Officer--Robert Zimmerman

Chief, Office of Defense Cooperation--Col. Derek Dickey

Defense Attache--Maj. Scott Roberts

The U.S. Embassy in Uruguay is located at Lauro Muller 1776, Montevideo (tel: 598-2 418-7777; fax: 598-2-410-0022). The mailing address for the embassy is UNIT 4500, APO AA 34035. The Embassy also has an Internet web page at <http://montevideo.usembassy.gov/>

Other Contact Information

U.S. Department of Commerce

Trade Information Center

International Trade Administration

14th and Constitution Avenue, NW

Washington, DC 20230

Tel: 800-USA-TRADE

Home page: <http://www.export.gov/>

American Chamber of Commerce in Uruguay

Plaza Independencia 831, Oficina 209

Edificio Plaza Mayor

11100 Montevideo, Uruguay

Tel: (5982) 908-9186

Fax: (5982) 908-9187

Home page: <http://www.ccuruguayusa.com/>

E-mail: info@ccuruguayusa.com

TRAVEL AND BUSINESS INFORMATION FOR ALL COUNTRIES

The U.S. Department of State's Consular Information Program advises Americans traveling and residing abroad through Country Specific Information, Travel Alerts, and Travel Warnings. Country Specific Information exists for all countries and includes information on entry and exit requirements, currency regulations, health conditions, safety and security, crime, political disturbances, and the addresses of the U.S. embassies and consulates abroad. Travel Alerts are issued to disseminate information quickly about terrorist threats and other relatively short-term conditions overseas that pose significant risks to the security of American travelers. Travel Warnings are issued when the State Department recommends that Americans avoid travel to a certain country because the situation is dangerous or unstable.

For the latest security information, Americans living and traveling abroad should regularly monitor the Department's Bureau of Consular Affairs Internet web site at <http://www.travel.state.gov>, where the current Worldwide Caution, Travel Alerts, and Travel Warnings can be found. Consular Affairs Publications, which contain information on obtaining passports and planning a safe trip abroad, are also available at <http://www.travel.state.gov>. For additional information on international travel, see <http://www.usa.gov/Citizen/Topics/Travel/International.shtml>.

The Department of State encourages all U.S. citizens traveling or residing abroad to register via the State Department's travel registration website or at the nearest U.S. embassy or consulate abroad. Registration will make your presence and whereabouts known in case it is necessary to contact you in an emergency and will enable you to receive up-to-date information on security conditions.

Emergency information concerning Americans traveling abroad may be obtained by calling 1-888-407-4747 toll free in the U.S. and Canada or the regular toll line 1-202-501-4444 for callers outside the U.S. and Canada.

The National Passport Information Center (NPIC) is the U.S. Department of State's single, centralized public contact center for U.S. passport information. Telephone: 1-877-4-USA-PPT (1-877-487-2778); TDD/TTY: 1-888-874-7793. Passport information is available 24 hours, 7 days a week. You may speak with a representative Monday-Friday, 8 a.m. to 10 p.m., Eastern Time, excluding federal holidays.

Travelers can check the latest health information with the U.S. Centers for Disease Control and Prevention in Atlanta, Georgia. A hotline at 800-CDC-INFO (800-232-4636) and a web site at <http://www.cdc.gov/travel/default.aspx> give the most recent health advisories, immunization recommendations or requirements, and advice on food and drinking water safety for regions and countries. The CDC publication "Health Information for International Travel" can be found at <http://www.cdc.gov/travel/contentYellowBook.aspx>.

Further Electronic Information

Department of State Web Site. Available on the Internet at <http://www.state.gov>, the Department of State web site provides timely, global access to official U.S. foreign policy information, including Background Notes and daily press briefings along with the directory of key officers of Foreign Service posts and more. The Overseas Security Advisory Council (OSAC) provides security information and regional news that impact U.S. companies working abroad through its website <http://www.osac.gov>

Export.gov provides a portal to all export-related assistance and market information offered by the federal government and provides trade leads, free export counseling, help with the export process, and more.

STAT-USA/Internet, a service of the U.S. Department of Commerce, provides authoritative economic, business, and international trade information from the Federal government. The site includes current and historical trade-related releases, international market research, trade opportunities, and country analysis and provides access to the National Trade Data Bank.

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