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The U.S. Should Cozy Up to Uruguay. Here's Why.

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Montevideo, Uruguay's surprisingly strategic capital.
Pedro Ugarte/AFP/Getty Images

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Want to get a laugh from Washington's foreign-policy experts? Tell them Uruguay is strategic for the United States. Tiny Uruguay, nestled between giants Brazil and Argentina in South America, often confused by North Americans with Paraguay, whose heyday some might say was during the 1930's when the nation won the first World Cup and witnessed the scuttling of the Nazi raider Graf Spee; yes, that [Uruguay](#) now occupies a strategic position in the Western Hemisphere.

The world has changed a bit since the 1930s. Indeed, it has changed dramatically just since the beginning of this century. That's when China first began to spread its wings across [emerging markets](#) and some in Latin America tried but failed to create a region devoid of a U.S. presence, and the internet and social media came to dominate our lives. China is the top trade partner of most South American nations, displacing the United States and Europe. Chinese investment has ballooned in 20 years from essentially zero. Political and social ties are growing.

None of this is necessarily concerning in and of itself; sovereign nations are free to engage with virtually anyone, and diversification is sound economic strategy. But that is only the beginning. The implications for such ties go well behind the exchange of goods and services.

As [emerging markets](#) around the world are quickly coming to understand, importing Chinese business practices and political influence, bolstered by advanced technology, contributes across the Western Hemisphere to advancing Chinese government-promoted narratives both about China and the West, allows massive data harvesting and aggregation, promotes snooping, and introduces new techniques for domestic social control in a region that struggles with rule of law and, at times, human rights protections. It also sets back regional efforts to address corruption, labor rights, and environmental protections.

The United States has looked away as [China](#) has moved with intentionality into the Western Hemisphere. Regional observers find difficulty in articulating any coherent U.S. policy strategy for the Americas since the beginning of the war on terror, despite many good intentions, beyond efforts to keep terrorism, drugs, and illegal migrants out of the country. Meanwhile, regional currents have shifted, making politics more volatile. A pending round of national elections in Brazil, Chile, Colombia, and Honduras, along with recent results in Peru, could fundamentally remake the region's political character. Add in an Argentina that continues to wrestle with the legacy of Peronism and a [Mexico](#) whose leader seeks to return to the "democratic authoritarian" practices of the 1960s and 1970s. Latin America is in ferment.

Chastened by the Afghanistan pullout, Washington is unlikely for the foreseeable future to go beyond crisis management. The anticipated 2022 Summit of the Americas would be a logical moment to promote a new agenda supported by real resources, but in the

current environment, dramatic proposals are unlikely. In the past, trade expansion would have been the primary tool to use. It remains the best option today.

If the United States is to [compete](#) with China in the Americas, Washington must have a compelling economic agenda to present to nations eager to recover from the still-raging Covid pandemic to build back better. In addition to vaccine availability, debt forbearance, new lending, and a rejection of protectionist temptations, Latin America is desperate for greater opportunities for economic growth built on value-added production and manufacturing, not just the sale of raw materials to China. This will become increasingly urgent even as the U.S. Federal Reserve before long begins a new cycle of interest rate increases that could hit Latin America hard.

Latin American nations are asking for such an agenda, notably [Brazil](#), the largest regional economy by far. It has been a traditional trade rival of the United States but now seeks partnership. Washington would do well to consider enhanced economic engagement with Brasilia, although the politics of the moment make that unlikely.

And then there is Uruguay, a strong democracy that has been sending signals for years that it seeks freer trade with the United States. Predictably, Washington has brushed aside these entreaties. It's too far away. Too small. Too locked into the regional trade group Mercosur to have much negotiation flexibility. Not worth the effort.

These objections suddenly lost resonance in early September as Uruguay's pragmatic conservative, pro-market president, Luis Lacalle Pou, announced his intention to undertake a three month "feasibility study" to decide whether a trade agreement with China would make sense. Presumably, this will be followed by formal negotiations toward a free-trade agreement. Already, China is Uruguay's top trade partner, and the inability of Mercosur to advance on any trade front coupled with political rifts within the block have given Uruguay the opening it needed to pursue a more independent path.

As a nation with a small internal market, Uruguay has long relied on an outward-facing trade strategy to build its economy. The last successful trade negotiation at the World Trade Organization was even dubbed the Uruguay Round, where negotiations began. Montevideo must build external links to flourish. Its only option is to open to the world and compete. Within this reality, one concrete option presents itself: China. A decision to negotiate with China faces little internal opposition. It's relatively simple to make a choice when there is only one option to consider.

Still, even as he publicly announced the China feasibility study, Lacalle Pou explicitly invited the United States as well as other nations to begin similar discussions. He has also now indicated that Uruguay would explore the possibility of joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which China has also applied to join and already includes another suitor, Japan. This is a logical next step that would reposition Uruguay effectively in the emerging Indo-Pacific-Americas

(IndoPacLAC) economic space. For its part, the United States walked away from the deal formerly known as the Trans-Pacific Partnership at the beginning of the Trump administration and continues to express no desire to rejoin the group.

Uruguay is moving ahead with those who want to go along, holding out the possibility of deeper relations with the United States without being subject to Washington's timetable or interests. It's a significant development from a nation that has long sought deeper partnership with the United States and has been left wanting. Montevideo would prefer to develop ties with Washington over Beijing. But so far, that option has been unavailable. And Uruguay is far from unique across the Americas.

Washington now has a choice. It can lead, follow, or get out of the way. How it responds to new developments with Uruguay will tell a lot about the broader desire to contend for the Americas. If the United States turns its back on an offer to deepen economic relations with a friendly, liberal, democratic, relatively prosperous, stable country situated between South America's two largest economies, others across Latin America will quickly draw their own conclusions.

The China challenge is real. Nations in the Americas are realigning in real time. The United States is being left behind in its own hemisphere. And time is quickly running out.

Still laughing, experts?