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LADB Staff

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Referendum Vote Boosts Left

by LADB Staff

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Uruguayans voted overwhelmingly in a Dec. 7 referendum against privatizing the state oil company Administracion Nacional de Combustibles, Alcohol y Portland (ANCAP). The results were a significant win for the left and a boost to the chances of Frente Amplio leader Tabare Vazquez in next year's presidential election.

ANCAP workers, the Frente Amplio, and other opponents of privatizing ANCAP came together in the Defense of ANCAP Committee and gathered more than 600,000 signatures to bring about the referendum. They said from the beginning it would be a vote on the social and economic policies of President Jorge Batlle.

An ample majority of Uruguayans 62.21% vs 35.42% put the brakes on attempts to privatize ANCAP, overturning the law that would have ended its monopoly and opened its doors to private capital. In doing so, the voters again confirmed their opposition to privatization of state enterprises.

In 1991, voters defeated a government attempt to reform the state and sell off state companies. The law that voters rescinded was passed at the end of 2001, the result of a long legislative process that reached a consensus with all political parties, including the political left, represented by Sens. Danilo Astori and Alberto Curiel. It eliminated ANCAP's monopoly, which it held since 1931, to import, export, and refine oil. And, it opened the possibility of "association" the text never used the word "sale" with private firms for a period of 30 years.

ANCAP is the major industry in the country, with annual sales of close to US\$1 billion. Proponents of maintaining the law said it would have reduced fuel prices, which are the highest in the region. But ANCAP managers and workers, who opposed the law from the beginning, gathered enough signatures to convoke a referendum. In the end, most of the political left supported their position, while the traditional parties supported the market opening.

ANCAP president Jorge Sanguinetti said in a radio interview the day after the referendum that he was letting those firms interested in "associating" with ANCAP know the results of the vote. Those companies included Repsol YPF of Argentina, Petrobras of Brazil, PEMEX of Mexico, and Petroleos de Venezuela (PDVSA). Sanguinetti said it remained to be seen what would happen with ANCAP, which is facing debts for remodeling the refineries at a cost of US\$140 million.

Hugo de Mello, president of Federacion ANCAP, said the vote "showed that what the majority of lawmakers decide is not always the will of the people. This was a law that gave away the national patrimony and we were not going to accept it."

Some analysts commented that, for many Uruguayans, this was more a referendum on the Batlle administration than on ANCAP. "To win, the 'no' vote [not to overturn the law] had an uphill climb, which was overcoming the vote against the administration," said analyst Gerardo Caetano.

On the day of the vote, the only administration voice heard was that of Vice President Luis Hierro. "Obviously, in Uruguay everything is very politicized, but this is nothing more than the expression of the people for or against a law," said Hierro, trying to downplay the importance of the vote that many saw as a test for the 2004 general elections.

On Dec. 8, Batlle said that his government would respect the results of the referendum, which many analysts called a "punishment vote" against him. He said "the expression of the citizenry was very clear and very loud." Vazquez called for the formation of a new legislative commission of all parties to "design a plan for a new energy policy" to replace the rescinded law. He said that the commission would act "in consultation with the actors directly involved to achieve major national agreements," and added that the new law must be better than the old one and must be beneficial for Uruguay and the oil company.

Batlle accepted Vazquez's proposal but said he had little interest in lengthy discussions. What he wanted from Vazquez was an alternative proposal, which Vazquez had indicated he would present if the law were rescinded. Batlle said that enough time had been lost without his hearing "a concrete proposal" from the left.

Meanwhile, Jorge Larranaga, a presidential hopeful of the Partido Nacional and critic of the Batlle administration, said in a radio interview that Vazquez's suggestion to create a commission was "the best way to do nothing."

Referendum is big boost to left

The parties of Batlle's coalition government the Partido Colorado, Partido Nacional (Blanco), and the Partido Independiente were the big losers in supporting the law that allowed transnational corporations to participate in the oil sector. The strong rejection of the market-opening law was a real boost to the left.

"New winds are blowing in the southern region...perhaps these old leaders have not noticed," said Vazquez at the close of the referendum campaign. The referendum put the Frente Amplio a step closer to taking power in the national government for the first time in history. The leftist coalition, founded in 1971, would win the presidential election in the first round if the election were held today, according to the most recent polls.

Vazquez was the candidate who received the most votes in the 1999 election, but lost the runoff to Batlle because the Partidos Colorado and Blanco came together to defeat the left. The Blanco and Colorado parties have alternated in power for 173 years, since Uruguay became independent in 1830.

Twenty years ago, the left only had the support of about 20% of the population, while it now has about 48%. That has led to a marked polarization of society. For two-time former President Julio Maria Sanguinetti (1985-1990, 1995-2000), the Frente Amplio is the refuge of those nostalgic for a "protector" government, a consequence of the state socialism promoted by the founder of modern Uruguay, Jose Batlle y Ordonez, at the beginning of the 20th century. The major impact of the referendum will be on the party primaries scheduled for June 2004.

Some candidates for the Partidos Colorado and Nacional, who campaigned strongly to maintain the ANCAP law, were hurt by the results and must adjust their positions or face defeat in the primaries. Those figures include former Presidents Sanguinetti of the Partido Colorado and Luis Alberto Lacalle (1990-1995) of the Partido Nacional, both of whom were very active in the campaign to keep the law. Both have indicated an interest in running again. The referendum victory also boosted Vazquez's position within the left coalition and was a setback for Astori, one of the authors of the defeated law and another important figure within the Frente Amplio.

Signs of economic recovery

Uruguay is closing the year amid political uncertainty but with signs of economic recovery from the crisis that began in mid-2002 and had a high social cost. The per capita GDP, US\$5,543 in 2001, was US\$3,645 in 2002, from a high of US\$6,812 in 1998, the most prosperous year before the 1999 Brazilian devaluation, which has a serious effect on Uruguay's economy. The economic crisis brought the withdrawal of 45% of the bank deposits and the loss of US\$3.2 billion in international reserves.

To prevent the collapse of the financial system, Uruguay received US\$3.5 billion from the IMF, plus an additional US\$1.5 from the US Treasury, bringing the foreign debt to US\$11.5 billion, almost 94% of the GDP of the country, which in 2002 in real terms was US\$12.3 billion.

The economy was also hit hard when an outbreak of hoof and mouth disease closed its markets for beef, the nation's principal export. After a strenuous effort to control the disease, the nation was able to recover its lost markets in less than a year and will close this year with a trade surplus for the first time since 1996.

The GDP will grow between 0.5% and 1% this year, the first growth since 1999, according to Economy Minister Isaac Alfie. Year's end will see inflation at 10%, one-third less than the goal set with the IMF. At the same time, the real wages of Uruguayans remain very low, which causes uncertainty, social ills, a reduction in the quality of life, and workers' emigration to other countries. Although the elections are almost a year away, analysts are already warning that the results could bring "economic upheaval" and upset the "encouraging" economic perspectives.

In an ABN Amro Bank report called "Uruguay rising from the ashes," published in the Uruguay newspaper *El Observador* on Dec. 10, analysts presented a relatively optimistic prognosis for the Uruguayan economy in 2004, expecting a GDP growth of 4% and good fiscal indicators thanks to increased tax revenues. But they warn that the optimism is conditioned on the "behavior of the leftist candidate Tabare Vazquez," who they acknowledge could win the presidency, and "the attitudes and policies that the government that takes office in March 2005 adopts."

For ABN Amro, if the traditional parties lose, the "only hope" is that Vazquez "has learned the lesson of the past year in Brazil." The report said the left must begin to develop policies that will build confidence "before investors become nervous."

A Vazquez victory could help MERCOSUR

A victory by Vazquez in 2004 would significantly strengthen MERCOSUR, said analyst Alberto Cimadamore, academic coordinator of the Maestria MERCOSUR in the Universidad de Buenos Aires, in late October. Cimadamore said Batlle has been ambivalent regarding the bloc, which includes Argentina, Brazil, Paraguay, and Uruguay, with Bolivia and Chile as associate members. If Vazquez wins, Uruguay would join Argentina and Brazil in the move to strengthen MERCOSUR that began this year with the arrival of the governments of Nestor Kirchner in Argentina and Luiz Inacio Lula da Silva in Brazil.

The friction between Uruguay and Brazil regarding the FTAA negotiations and between Uruguay and Argentina regarding human rights issues show Batlle to be increasingly isolated within the Southern Cone nations. Batlle, who took office in March 2000, is part of the more liberal wing of the center-right Partido Colorado and is surrounded by governments that describe themselves as leftist or progressive: Lula in Brazil; Kirchner in Argentina; Nicanor Duarte in Paraguay; and Ricardo Lagos in Chile.

Gerardo Caetano, director of the Instituto de Ciencia Politica at the Universidad de la Republica de Uruguay, said that Kirchner and Batlle "are two very different presidents, almost antagonists, for their thoughts, their style, and their generation." The friction with Argentina stems in part from Batlle's personal style.

In 2002, during an interview with Bloomberg TV, Batlle said that Argentine politicians were "all thieves" and that then President Eduardo Duhalde "doesn't know what he's doing." He also predicted that former President Carlos Saul Menem (1989-1999), a political enemy of Duhalde and Kirchner, would win the 2003 election. Batlle's subsequent apology evidently has not healed the wounds for the Kirchner administration.

Later, pressure from Argentine poet Juan Gelman pushed Kirchner to take up the cause of finding the remains of the poet's daughter-in-law Maria Claudia Garcia, who disappeared after being detained in Buenos Aires in 1976. She was taken to Montevideo, where she gave birth to a daughter. Then she was killed and either buried in Montevideo or returned to Buenos Aires. Batlle promised Kirchner in October that he would continue the investigation to determine what happened to Garcia's remains, but early this month he said that the case was covered by the amnesty laws that benefitted the repressors of the dictatorship (1973-1985).

Kirchner replied, through his spokesperson, that he preferred to discuss the matter with Vazquez, making clear his take on Uruguay's political future. Argentine Foreign Minister Rafael Bielsa said "what goes around, comes around," referring to Batlle prediction of a Menem victory in the election that Kirchner won.

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