

## Country Report of the Revolutionary Communist Party of Uruguay

### The Situation in Uruguay

#### Economic Situation

The economic situation in Uruguay is characterized by a revival since the middle of 2003 which seemingly has ended a cyclical crisis (and its depression and recession phases) that started in September 1998.

To Marxists, economic crises are cyclical crises of a relative overproduction; this crisis we experienced is part of an international, continental and regional crisis which also hit the imperialist centers at that time. We know that the causes of the crisis lie in the contradiction between the social character of production and the capitalist form of appropriation of its fruits. This leads to a steady growth of production capacities and at the same time a decrease in the living standard of the working masses.

When the crisis started it was not only negated by the ruling classes, but also by opportunism, which is always prettifying and justifying the system, and there were and are discussions on this issue even within the revolutionary camp.

Our party together with many fraternal parties has stated that it is important to show to the proletariat that we are experiencing a crisis, that crises are still occurring and that these crises are cyclical ones. By this we tell them mainly that there will be a particular intensification of exploitation and misery, that all the contradictions of the system are intensifying, and that political crises will be on the agenda. Therefore the "bad" can bring about better objective and subjective preconditions, and this implicates tactical changes and especially more responsibilities for the party of the working class. In this sense, and also to denounce this as an inevitable consequence of capitalism, the significance of the discussion lies, in our view, in the need to point out the necessity of revolution, of national liberation and socialism.

On the other hand, there are also tendencies which maintain that these crises constantly exist or that there will be a last crisis. This poses the danger that one thinks that the depression will become more and more aggravated

As we have said, the crisis in Uruguay started with a recession in the last quarter of 1998; it grew rapidly in January 1999 with the devaluation and the Brazil crisis, and then again with the Argentine crisis of 2001, leading to a bank crisis in the financial sector in the middle of 2002.

Liquidity problems and closures of big banks, withdrawal from the country of half of the US\$15 billion that were deposited there, freezing of the deposits with fixed deadlines at the state bank and at private banks which went bankrupt ("corralito"), a rapid fall of production (11 percent this year), an inflation of 30 percent; and after years of being forced not to adjust the exchange rate, a devaluation of 90 percent; a rapid increase in the unemployment rate to 20 percent.

The GDP (gross domestic product) fell from \$22.371 billion in 1998 to \$11.177 billion in 2003 (including the revival in the first half of the year), so almost by a half (in dollars). The GDP decreased by 25 percent between the beginning and the end of the recession. The pro capita GDP was reduced by half from \$6,801 to \$3,283. According to official figures, wages decreased by 25 percent and family incomes by 30 percent. In this period, exports fell from \$2.768 billion to \$2.172 billion. Debts increased from 40 percent of the GDP to 113 percent, and the interest per year from 13 to 30 percent of the exports. This is the consequence of the fact that the financial crisis has been overcome mainly by incurring huge debts, on the one hand in order to save the financial center by means of loans, and on the other hand to finance the repayment of debts to the holders of bonds and to the IMF.

There was a sharp increase in poverty, which affects 30 to 40 percent, and between 15 and 20 percent live in extreme poverty. This situation has worsened on the whole continent. According to the International Development Bank, poverty has reached a level of about 44 percent. 225 million people live on less than 2 dollars per day, and the unemployment rate is 10.7 percent. In our country more than half of the children are poor. Many people have emigrated, and suicide problems as well as other problems have increased.

Hundreds of public soup kitchens reflect the spread of starvation; there are in addition bad housing conditions, and tens of thousands of people live from refuse and garbage. There is a historical crisis in the public and private health system.

The present revival, 2.5 percent in 2003, is being favored by international factors like the increase in the prices for raw materials, which amounts to about 15 percent according to economic experts. E.g., the price for beef from Uruguay rose from US\$ 0.53 per kilo in 2001 (also due to the foot-and-mouth disease) to now US\$ 0.80. This is an increase corresponding to a certain revival and especially to the very big growth in China, the low international interest rates and the regional revival. Last year the economy of Argentina recorded an increase of 8.4 percent, and even though in Brazil there was a drop of 0.2 percent, Brazil also recorded a growth of industrial production and of the most important agricultural products.

The revival is also based on the low wages and the flexibilization of work, which significantly reduce the costs.

The absolute production of goods and services has very much increased, especially in the last quarter of the previous year, and this trend has not ceased. This growth applies to nearly all sectors, to agriculture, where we already mentioned the beef prices, but also to soy, rice and other cereals where there were high increases. Fishing has increased, and there was a significant increase also in industrial production (as far as it has survived), especially in the leather and textile sector. Also, tourism recorded a growth of 50 percent in the last season (compared to the previous year).

Important investments have been made in the ports for bulk carriers and warehouses, and various factories for vegetable oil, a port for wood products, two cellulose factories and a fishing port are in planning. They have also reopened refrigerated storage buildings, etc.

Unemployment has decreased to some extent; in March 2004 the rate was about 14.2 percent. Nevertheless, in 2003 wages dropped by 12.4 percent, the inflation was 10.2 percent, deflation 6 percent and the budget deficit about 3 percent, figures that prove that the prescriptions of the IMF have been "followed".

The International Development Bank forecasts a growth of 4 percent for Latin America and at least 5 percent for Uruguay for the year 2004.

This relative revival can go over into a (more permanent) phase of growth, even though important factors still speak against this. The low interest rates can probably not be maintained for long, various economic experts are speaking about the possibility that the growth in China will be impeded, and on the regional level there are many factors of political instability, especially on grounds of the struggles of the masses.

In our country the financial situation is still unstable according to the IMF; indebtedness has reached high levels, and high unemployment, low wages and the drop in incomes limit the internal market to a great extent. On the other hand, the elections themselves are bringing further factors of political crises and instability.

#### **THE ELECTIONS OF 2004**

This year internal preliminary elections will take place in June; the first ballot is in October, the second in November, and the municipal elections in May 2005. In the elections of 1999 the ruling classes pushed through the election reform and the second (run-off) ballot, and they succeeded in beating the Broad Front (Frente Amplio), a front of reformist leftists and progressive forces, in the second ballot by 7 percent by rallying the traditional parties of the oligarchy, the Partido Colorado of the present president Battle (one of the most pro-American of the continent, who broke off the relations with Cuba and is a great promoter of FTAA, etc.) as well as the Partido Nacional. In 1994 the Broad Front lost 20,000 votes, that is about 1 percent, and in 1989 it lost because it split. We will see now what happens this year. The polls forecast 50 percent for the FA (Frente Amplio), about 20 percent for the Partido Nacional and 17 percent for Partido Colorado. It does not seem probable that the FA will lose this time, but there is a certain economic recovery, which alleviates the social crisis a little. There will be much money from the IMF, the International Development Bank, etc., for investments, and on the other hand the traditional parties are running for election with candidates who are less worn-out. The former president has "decided" not to stand for reelection.

Within the FA the polls forecast 22 to 30 percent for the MPP (today MLN, moderate and reformist), for PS 20 percent, for the other social-democratic groups VA and AU 10 percent respectively, the revisionist PCU 5 percent, for other reformists 20 percent, and for radical groups about 2 to 3 percent all together.

The FA is a front where the social-democratic and reformist groups are very dominant, but where there are still some radical circles which are more determined, and many militant rank-and-file people. At the 4<sup>th</sup> Congress in December last year, opportunism, taking the road of Lula, adopted a program with many good intentions and uncertainties in order to have as

much free rein as possible. Every attempt to include concrete arrangements regarding the non-payment of foreign debts, for wages and an agrarian reform, etc., was prevented.

## **THE WORKING-CLASS AND PEOPLE'S MOVEMENT**

In these years of crisis many struggles were waged. An outstanding role was played by the strike of the employees of the city of Montevideo, ADEOM, against the municipal government of the FA for the fulfillment of the collective agreement; this strike lasted 12 days; and the big general strike with the occupation of universities and mass demonstrations against the governmental policy and for a fair budget policy. Last year mainly the strike of the workers in the public health system, during which hospitals were occupied and which lasted for 2 months and ended with an important victory, stands out: the workers got a fixed amount of 1,000 pesos (\$35) as wage increase.

These struggles, the struggle of the bank employees who lost thousands of jobs due to the crisis, the closures and further job cuts, as well as the struggles of other trade unions enhanced the class-consciousness within the trade union movement. This became evident at the last two congresses of the trade union center PIT-CNT. At the 8<sup>th</sup> Congress at the end of October last year, reformism succeeded in completely eliminating the radical program of the previous congress that had called for a minimum wage of 5,500 pesos (\$180) and the non-payment of foreign debts. This despite the fact that the class-conscious workers were strongly represented there with 25 to 30 percent. A vague program was pushed through that would be useful for a "future" "progressive" government.

## **THE STRUGGLE MAKES HEADWAY**

Nevertheless, the struggle is getting the upper hand. On December 7, the people of Uruguay gained an important victory by the success of the referendum that prevented the privatization of ANCAP, the state enterprise having a monopoly position in importing and refining oil. The result was 65 percent for "Yes", against the government and the privatization, and 35 percent for "No". This referendum achieved its goals against the reformist majority which cooperated in the elaboration of this rejected law. A referendum is being prepared against the privatization of drinking water and sewage disposal plants. The signatures have already been collected and in the elections in October there will be a vote on it. Until now the reformists are looking in the other direction.

In these years several general strikes took place, as well as big demonstrations involving thousands of people, and some with tens of thousands workers, to support strikes, or in the matter of "disappeared" persons, or against the aggressive war of US imperialism on Iraq, especially last year.

Since the beginning of this year struggles have developed in the private health sector and in the education sector, and under the circumstances of poverty and unemployment, low wages, etc., it is imaginable that this year will also become a year of important workers' and people's struggles.

## **THE PARTY**

Our party is still focusing its activities on the trade union movement. There we form class-conscious and militant groups, which are united with other class-conscious sectors and the

student movement. Starting basically from this position we have advanced a line of struggle to implement a national emergency program by an uprising. In the political field of the elections we even cooperated with the MPP during the last elections, together with the MLN, and now we have decided to support the FA in the elections and especially some of the radical, most resolute circles which still exist within it.

April 2004