Doing Business in Uruguay: 2015 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Uruguay

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Welcome – “Bienvenidos” The Commercial Section of the U.S. Embassy in Montevideo has compiled this guide to provide you with a brief background on the Uruguayan market as you consider export opportunities. Please do not hesitate to reach out to the Embassy at any time. The Commercial Section looks forward to assisting U.S. exporters in finding local buyers and business partners.

- Top 5 reasons why U.S. companies should consider exporting to Uruguay:

    1. Steady economic growth; private consumption has been a key driver.
    2. Open trade policy.
    3. Strategically located offering excellent opportunities as a regional distribution platform and a great test market.
    4. Both the government of Uruguay and the business community honor contracts and payments.
    5. Excellent bilateral relations between the United States and Uruguay.

- Uruguay is a market-oriented economy in which the State still plays a significant role. The economy grew robustly in the past decade registering annual average growth rates of 5.4 percent from 2004 to 2014. Growth was led by private consumption and exports, partially related to strong commodity prices. Domestic investment and foreign direct investment (FDI), which have been traditionally low, also increased significantly, led by investments in industry, agriculture and construction. From 2009-2013, Uruguay enjoyed the second largest FDI/GDP ratio in South America.

- The 2008 global financial crisis put a temporary brake on growth –mainly through lower foreign trade and investment– but Uruguay managed to avoid a recession and kept a positive growth rate of 4.2 percent in 2009. After twelve years of unprecedented high growth, the economy is gradually decelerating. Growth of about 3.0 percent is expected for 2015 and 2016. The global financial crisis has not affected Uruguay’s banking system, which remains sound. In mid-2012, Uruguay regained the investment grade status it had lost during its harsh 1999-2002 economic crisis.

- The Frente Amplio (Broad Front) administration headed by President Tabaré Vazquez will be in office until March 2020 and has prioritized investing in infrastructure, improving education and security, and enhancing competitiveness.

- A decree passed in 2007 and revised in 2012 provides significant incentives to local and foreign investors. Foreign and national investors are treated alike, there is free remittance of capital and profits, and investments are allowed without prior authorization. There are thirteen free trade zones, three of which are exclusively dedicated to services (e.g. financial, software, call centers, paper pulp and logistics).

- In 2012, Uruguay became a high-income country by World Bank's standards. Adjusted by purchasing power parity, Uruguay's per capita GDP is about 40 percent of that of the United States. Social indicators remain high by Latin American standards. According to the U.N. Economic Commission for Latin America and the Caribbean, Uruguay has the second most equal income distribution in Latin America.

- While Argentina and Brazil remain key partners, Uruguay has gradually diversified its economic partnerships in recent years. It is a founding member of MERCOSUR, the Southern Cone trading bloc also composed of Argentina, Brazil, Paraguay and Venezuela. MERCOSUR's Secretariat and Parliament are located in Montevideo. Uruguay has free trade agreements, both on a bilateral basis and as a member of MERCOSUR, with most countries in South America plus Mexico.

- Imports from the United States have risen in recent years following robust growth. The U.S. is Uruguay's 4th largest supplier of goods, mainly fuels, telephony equipment, electricity generators and agricultural machinery. Uruguay offers U.S. firms significant advantages as a regional distribution platform for the MERCOSUR trade bloc. Uruguay sells mostly beef and other agricultural products to the United States. Sales to the U.S. have risen substantially since 2009, at a pace that almost doubled exports' global growth (19% vs. 11% p.a.). The U.S. is currently Uruguay's 4th largest export destination.

- Uruguay has bilateral investment treaties with several countries – including one with the United States (signed in 2005) – and several Double Taxation Agreements (none with the United States). Uruguay and the United States also have agreements on Open Skies (2004), Science and Technology (2008), and Promotion of Small and Medium Enterprises (2014). A Customs Mutual Assistance Agreement was signed in 2014 but final ratification is still pending parliamentary approval. A Trade and Investment Framework Agreement signed in 2007 provides the basis for the bilateral economic and commercial relationship.

- Almost 120 American firms operate in Uruguay. The U.S. Dept. of Commerce reports a $1.3 billion stock of U.S. investments in Uruguay and a $327 million stock of Uruguayan investment in the United States.

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The challenges Uruguay faces in promoting its local market are its small size (3.3 million inhabitants) and the lack of trade-related financing. Uruguay is consequently unfamiliar to many U.S. companies.

Local companies have traditionally looked first to neighboring MERCOSUR countries to develop trade. In recent years, their attention has turned increasingly to China, causing the U.S. to lose market share to China in many sectors. U.S. exporters need to be flexible in their minimum sales and payment requirements. The distance and added cost in shipping products from the U.S. (vis-à-vis neighboring countries) can at times be a deterrent when sourcing imports.

Government procurement and bidding processes are generally transparent, but slow. The bureaucracy for obtaining official investment information and procedures can be sluggish at times.

President Tabaré Vazquez took office on March 1, 2015 and will serve through March 2020. No major changes or challenges are expected in the economic/financial arena.

In 2011, Uruguay passed a Public-Private Partnership (PPP) law that could provide market opportunities for U.S. companies, but the country is experiencing a steep learning curve. Both public and private sectors need to learn from PPP success stories in other countries, best practices, potential problems, and financing opportunities.

A labor law passed during the previous Administration that emphasizes safety and security measures for employees has major legal implications for violations.

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Uruguay has little corruption; it is one of the 21 top countries that were ranked by Transparency International as having the lowest perceived levels of corruption in 2014. It has a strong banking sector; it is strategically located, is a leader in Internet connectivity and has proven political stability. The current administration is maintaining an open trade policy with strong economic fundamentals.

A combination of favorable exchange rates, higher wages, historically low unemployment, and consumer confidence in Uruguay's economy fueled increasing demand for imported products during 2013 – 2014. Cellular phones, information technology, agricultural machinery, and chemicals are the top non-commodity U.S. exports to Uruguay. Uruguay offers good opportunities as a test market for the region, given the small sample size, respect for the rule of law, and sound investment climate.

In late 2011, the Uruguayan Parliament approved a Public-Private Partnership (PPP) law. While this type of association had already existed, this PPP legislation formalized the procedures, responsibilities, and obligations of the State and private investors. The Government of Uruguay (GOU) anticipated that this law could further attract foreign investment, mainly in much-needed infrastructure projects. Among these are:

- Road and highway rehabilitation;
- Renewable energy;
- River ports;

- Building of Public Schools

For detailed information regarding these projects please see Chapter 4.

Market Entry Strategy Return to top

All import channels are available -- agents, distributors, importers, trading companies, subsidiaries, and branches of foreign firms. Sales outlets and supermarkets are traditional storefronts. There are very few discount general merchandisers.

U.S. suppliers should be thorough in their selection of an in-country agent or representative. The contractual relationship (employer-employee or commission-based) should be made clear from the start. Failure to do so could result in supplier liability for severance if the U.S. company decides to end the business relationship.

The recommended strategy to enter the local market is for interested parties to visit Uruguay, interview potential partners, and name a representative/agent. Business relationships and creative financing terms are very important.

U.S. exporters are encouraged to take advantage of the export promotion services provided by the Commercial Section of the U.S. Embassy in Montevideo. Please check http://export.gov/uruguay/servicesforu.s.companies/index.asp for the full list of services provided. For more information please visit: http://export.gov/uruguay/index.aspor contact Office.Montevideo@trade.gov

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/2091.htm

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor Return to top

Most exporters to Uruguay will find that a local distributor or representative is necessary to penetrate the market. A helpful way to find a local agent is to take advantage of the export promotion services provided by the U.S. Department of Commerce through the Commercial Section of the U.S. Embassy in Uruguay. For a low fee, the Commercial Section will provide a Customized Contact List (CCL) with up to 10 potential partners with additional information, such as a contact name, e-mail, brief description of the firm, approximate number of employees, products/services, foreign companies represented, year established, and sales revenue if available.

Our Gold Key Service (GKS) is another great way to open doors and allows U.S. executives to travel to Uruguay efficiently and effectively for face-to-face meetings with potential business partners. The Commercial Section will prepare a customized schedule of appointments with pre-screened potential agents, distributors, or other business contacts according to the company's needs.

In addition, the International Company Profile (ICP) is an in-depth confidential background report on a local firm. The report includes the local company's contact information, its size/approximate number of employees, products/services, financial and business references, company reputation, and the Commercial Section's comments/evaluation.

For the full list of services provided, please check the following link:
http://export.gov/uruguay/servicesforu.s.companies/index.asp

Establishing an Office

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The founding of a new enterprise or the acquisition of an existing Uruguayan company can be done freely. It is advisable to contract an experienced attorney who can provide guidance in completing the necessary legal paperwork. The foreign investor is free to adopt any desired legal organizational structure. Corporations or branches are the most common forms, but a personal partnership is also possible. The Commercial Section of the U.S. Embassy can provide a list of attorneys who regularly work with foreign corporations wishing to establish a presence in Uruguay.

Franchising

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Franchising in Uruguay is a small but growing sector. The franchising concept has been developing over the years. Initially limited mainly to food-related services, the sector has grown to include outlets in the clothing, hardware, industrial cleaning, pest control, health-care, IT supplies, and several other industries. There are no legal restrictions on operating a franchise in Uruguay. For general information, please consult the Uruguayan Franchising Chamber http://www.caufran.org/. The Chamber organizes events open to the participation of U.S. companies wishing to enter the market. For more information or assistance, please e-mail office.montevideo@trade.gov.

Direct Marketing

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U.S. exporters may sell and ship directly to Uruguayan consumers. Courier packages containing CDs, DVDs, books, and personal items valued up to $200 (CIF) are exempt from import tariffs. Courier regulations, however, are not always uniformly applied and may change periodically. The use of telemarketing and e-mail campaigns is on the rise. Direct marketing is also popular on heavily-transited street corners and during the summer at beach resorts, where hired promoters distribute flyers and samples of all types of products and services. Inserts in the Sunday edition of major newspapers are also a popular form of direct marketing. Catalog sales are not common as Uruguayans prefer to window shop and personally choose the goods to be purchased. The use of discount coupons (“daily-deals”) is on the rise.

Joint Ventures/Licensing

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Both joint ventures and licensing are common in Uruguay. Joint ventures are usually seen in major infrastructure projects when several national and international firms combine their expertise in providing the necessary solutions. Recently enacted legislation also allows for joint partnerships between government entities and private-sector enterprises (PPP). While not as widespread, licensing arrangements are commonly used in media and retail.

Selling to the Government

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A Government-to-Business (G2B) website, http://www.comprasestatales.gub.uy , is available and aims to increase transparency and reduce government procurement costs. All government agencies issue tenders for the purchase of products and services.

Multilateral Development Banks (World Bank, Inter-American Development Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the World Bank and the Inter-American Development Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the World Bank (http://export.gov/worldbank) and to the Inter-American Development Bank (http://export.gov/idb).

Web Resources

Commercial Liaison Office to the World Bank http://export.gov/worldbank

Commercial Liaison Office to the Inter-American Development Bank http://export.gov/idb

Distribution and Sales Channels Return to top

All customary import channels exist in Uruguay – agents, distributors, importers, trading companies, subsidiaries, and branches of foreign firms, among others. Sales outlets are usually traditional storefronts and supermarkets. Very few discount general merchandisers operate in Uruguay.

Selling Factors/Techniques Return to top

Foreign manufacturers with sustained sales in Uruguay generally use the services of an agent or distributor. Nearly all importers/distributors are based in Montevideo, although some maintain sales networks in the interior of the country as well. A U.S. firm with a local representative has the advantage of keeping up-to-date with local market conditions as well as changes in policies affecting trade.

Uruguay is a good market for both new and used equipment and machinery. Pre-owned and/or refurbished equipment from the U.S. may be marketable to local industry. When making purchase decisions, Uruguayan consumers consider quality, price, payment terms, delivery time, after-sales servicing, and compatibility with existing systems.

U.S. manufactured products are regarded as high in quality but occasionally lose price competitiveness vis-à-vis regional products. In addition, they often rate poorly when it comes to financing, which is an important factor in sales in Uruguay. U.S. manufacturers offering flexible, innovative, and competitive credit terms will overcome a difficult hurdle to achieve export sales to Uruguay.

Electronic Commerce Return to top

Uruguay has one of the highest levels of Internet penetration in Latin America. Data released in April 2015 showed that 83 percent of Uruguayan households had at least one computer and 74 percent had access to and used the internet. Usage was mainly to navigate social media (85 percent), read news (72 percent), watch videos and/or download music (71 percent), and secure information on products and services (60 percent).

Thirty-eight percent of internet users purchased products on-line. Attempts to increase the use of e-commerce clash with a cultural reality: many Uruguayans prefer to deal face-to-face and distrust the electronic format. Only 22 percent of those who purchased through the internet did so using their credit cards as forms of payment. Forty percent met the seller and paid cash and 38 percent paid through bank deposits. Nonetheless, the implementation in July 2012 of new Customs regulations that allow citizens to import duty-free up to five shipments per year (up to a maximum of $200/shipment CIF) provoked a substantial jump in e-commerce imports from the United States as well as payments with credit cards. During 2012 – 2014, the number of packages imported increased by a factor of fifteen. This triggered strong criticisms from local businesses that felt a direct hit on their sales. However, stricter government controls since December 2014 and unfavorable exchange rates have already provoked a 27 percent decrease in e-commerce.

Local advertisers agree that the Internet serves as an effective means to promote their products and services, but not necessarily to close business transactions. Companies have increased website use seeking to increase on-line sales. Sales of computer accessories, appliances, clothing, and furniture have the lead, followed by books, hotel/restaurant reservations, and cellular phones. It is not unusual, however, that e-mails sent to addresses published on websites go unanswered. The items most frequently purchased online from overseas include clothing and shoes, videogames, auto-parts, and sporting-goods. In most cases, these items are purchased because they are unavailable locally. Other factors include lower prices, convenience, and the items' novelty.

Trade Promotion and Advertising

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It is advisable to work with a local advertising agency. "El Pais," "El Observador," and "La Republica" are the leading newspapers in terms of circulation, while "Busqueda" is a highly-respected weekly business-oriented journal. Several major international advertising agencies maintain offices in Montevideo. Television and radio advertising are also popular. During the summer months of December-March, light aircraft with trailing banners are commonly used to promote new products along the coast. Several local ad agencies produce TV commercials for foreign clients.

The Embassy periodically hosts industry-specific and/or horizontal trade missions. Details on how to participate in these trade missions may be obtained from the Commercial Section, U.S. Embassy Montevideo, Tel: (5982) 1770 2776, Fax: (5982) 418 8581 or by e-mail at Office.Montevideo@trade.gov.

Pricing

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The Uruguayan market price structure reflects world market prices plus import tariffs, taxes, and transportation costs. In addition to tariff advantages, products from nearby MERCOSUR countries like Argentina and Brazil enjoy significantly lower transportation costs than do products from the U.S., Europe, and Asia.

For information on foreign exchange rates year and monthly averages check in http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Promedio-Mensual-de-Arbitrajes.aspx. A typical price structure for an item imported from the United States is as follows (i.e., shipment of 1 domestic kitchen mixer HS code 8509.40.20.00):

Price (CIF)		1.000.00
Tariff Duty	10%	100.00
Import Tax	10%	100.00
Extraordinary taxes	- -	12.00
T.S.A	- -	2.00
V.A.T. (recoverable upon sale)	32%	384.00
Corporate Tax (IRAE)	4%	48.00
Consular Tax	2%	20.00
Customs Transit guide	- -	6.48
Total Surcharges		**672.48**
TOTAL IMPORTED COST		**1.672.48**

Sales Service/Customer Support

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Uruguayans consider sales support and customer service important factors when deciding which products to buy. U.S. manufacturers should seriously consider using an agent in Uruguay to provide customer support services. Company representatives resident in neighboring countries are less effective.

Protecting Your Intellectual Property

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Protecting Your Intellectual Property in Uruguay:

Several general principles are important for effective management of intellectual property ("IP") rights in Uruguay. First, it is important to have an overall strategy to protect your IP. Second, IP may be protected differently in Uruguay than in the United States. Third, rights must be registered and enforced in Uruguay under local laws. For example, your U.S. trademark and patent registrations will not protect you in Uruguay. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions; these conditions have been greatly simplified by international copyright treaties and conventions.

Granting patents is generally based on a first-to-file (or first-to-invent, depending on the country), first-in-right basis. Similarly, registering trademarks is based on a first-to-file (or first-to-use, depending on the country), first-in-right basis, so you should consider how to obtain patent and trademark protection before introducing your products or services to the Uruguay market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Uruguay. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Uruguay law. A list of local lawyers is available on the Embassy's website – http://uruguay.usembassy.gov/uscitizenservices-notary-attorneys.html

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the U.S. Government (USG) can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Uruguay require constant attention. Work with legal counsel familiar with Uruguayan laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Uruguay or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit **www.STOPfakes.gov**.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit http://www.uspto.gov/.

- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**, or visit http://www.copyright.gov/.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the "Resources" section of the STOPfakes website at http://www.stopfakes.gov/resources.

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.stopfakes.gov**/businesss-tools/country-ipr-toolkits. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. For the IP attaché who covers Uruguay contact: Albert.Keyack@trade.gov

- Contacts for local IP registration and enforcement include:

    - National Directorate for Industrial Property, Ministry of Industry (trademark and patents), Dirección Nacional de la Propiedad Industrial

    - Copyright Council, Ministry of Education – Consejo de Derechos de Autor

    - General Authors Association of Uruguay - Asociación General de Autores del Uruguay – AGADU

    - Uruguayan Disc Chamber – Camara Uruguaya del Disco – CUD

    - Association of Video Producers - Asociación de Productores y Realizadores de Cine y Video del Uruguay – ASOPROD

For information on protecting your intellectual property in Uruguay please see Chapter 6, Protection of Property Rights.

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Foreign manufacturers with sustained sales in Uruguay generally use the services of an agent or distributor. Nearly all importers/distributors are based in Montevideo, although some maintain sales networks in the interior of the country as well. A U.S. firm with a local representative has the advantage of keeping up-to-date with local market conditions as well as changes in policies affecting trade.

It is advisable to contract the services of a local attorney before setting up operations in Uruguay or carrying-out substantial amounts of business. Local attorneys can be very helpful in sorting through the red tape and bureaucracy, which may otherwise be frustrating for a newcomer. A list of local attorneys may be obtained from the Embassy's website at http://uruguay.usembassy.gov/uscitizenservices-notary-attorneys.html. For questions or further assistance, please contact Office.Montevideo@trade.gov.

Credit reports on Uruguayan firms may be obtained from the Commercial Section through the International Company Profile (ICP). For more information, please click on http://export.gov/uruguay/servicesforu.s.companies/eg_uy_028844.asp

Local Professional Services Return to top

Equifax:	http://www.clearing.com.uy / http://www.equifax.com
PWC:	http://www.pwc.com/uy/en/index.jhtml
Commercial Defense *:	http://www.lideco.com.uy/online/html/index.php

Note: * Local equivalent of Better Business Bureau – BBB

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Daily Newspapers

El Observador	http://www.observa.com.uy
El Pais	http://www.elpais.com.uy
La Republica	http://www.larepublica.com.uy/
La Diaria	http://www.ladiaria.com.uy

Weeklies

Busqueda	http://www.busqueda.com.uy/home.asp(On-line subscription only)
Crónicas	http://www.cronicas.com.uy
Brecha	http://www.brecha.com.uy

Television

Channel 4	http://www.canal4.com.uy/
Channel 5 (TN)	http://www.tnu.com.uy/
Channel 10	http://www.canal10.com.uy/
Channel 12	http://www.teledoce.com/
VTV Uruguay	http://www.vtv.com.uy/

Major AM and FM radios

690 AM Radio Sarandi	http://www.sarandi690.com.uy/

810 AM Radio El Espectador	www.espectador.com
850 AM Radio Carve	www.carve850.com.uy/
870 AM Radio Universal	http://www.22universal.com/
770 AM Radio Oriental	http://www.oriental.com.uy/
930 AM Radio Montecarlo	http://www.radiomontecarlo.com.uy/
1410 AM Libre	http://www.1410amlibre.com/
22 Radio Universal	www.22universal.com.uy
Alfa FM	www.alfafm.com.uy
Oceano FM	www.oceanofm.com.uy

On-line only

Ultimas Noticias	http://www.ultimasnoticias.com.uy/
Montevideo.com	http://www.montevideo.com.uy/index.html
El Diario	http://www.eldiario.com.uy
Radio El Espectador (Business)	http://www.espectador.com.uy

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

Agricultural Sectors

Telecommunication Equipment

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	2012	2013	2014
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	0	0	0
Total Imports	389	431	538
Imports from the U.S.	56	63	98

Source: Transaction database – USD million

The U.S. market share of telecommunications equipment has grown from 14 percent in 2012 to 18 percent in 2014. In 2014, the U.S. was the second largest supplier of products and equipment after China (which commanded a 51 percent market share) and followed by France and Korea each with 4 percent. In 2014, the major importers were the three cellular carriers, which continue to subsidize sales of handsets. State-owned ANTEL was the largest importer with 47 percent of the total, followed by Spain's Telefonica with 15 percent and México's Claro with 7 percent.

Telecommunications represents 1.7 percent of Uruguay's GDP, continuing a decreasing trend which began in 2006 (3.26 percent). Sector-wise, growth of telecommunications was 3.5 percent in 2014, down from 5.1 percent in 2013.

Uruguay's landline density is 33 landlines per 100 people. Cellular density is 169 lines per 100 people. Seventy percent of cellular services are pre-paid. HTSUS 8517 (cellular handsets) represents 65 percent of total telecommunications imports. Three carriers share the Uruguayan cellular market: The state-owned carrier ANTEL – 51 percent market share, Spain's Telefonica/Movistar – 35 percent market share, and Mexico's America Movil/CTI/Claro -14 percent market share. BellSouth introduced cellular service in Uruguay in 1991. ANTEL began service in 1994 and America Movil/CTI/Claro in 2005. Stiff competition among the three cellular carriers forced the state-owned telecommunications company ANTEL to discontinue national long distance landline service. All long distance calls from one Uruguayan location to another Uruguayan location are billed as local calls.

Fueled by aggressive commercial promotions, the number of cellular clients continues to rise towards near-saturation. Notwithstanding, experts believe growth is still possible through the sale of new services, especially for smart-phone users. Content for teenagers and children also continues to grow strongly. All three carriers offer Wireless Application Protocol (WAP), General Packet Radio Services (GPRS), and Enhanced Data rates for GSM Evolution (EDGE). Long Term Evolution (LTE – 4G) is also offered by the three carriers but mainly along coastal areas between the capital city of Montevideo and Punta del Este. Local consumers change their handsets approximately once every 1.5 years.

The three carriers interconnected their systems to allow for the exchange of short message services (SMS) in December 2005. The subsequent explosion in SMS messages resulted in network saturation and long message delivery times, especially during holidays. An average of 450 million SMSs are sent per month among the three carriers at a cost of $0.03 per message. SMS communications is the principal use of cell phones among teenagers, followed closely by social-media navigation. The use of free SMS services is increasing rapidly and in 2014 provoked a twenty percent decrease in paid SMS services.

There were 15,000 public phones in operation in Uruguay 2007, but by the end of 2014, only 5,500 were still in service.

Sub-Sector Best Prospects

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Overall, the United States maintains a market share of approximately 18 percent in telecommunications-related products, up from 7 percent in 2008. The use of fiber optics throughout the country for Internet connection and the new HDTV channels expected to begin transmission in late 2015 may present opportunities for U.S. companies providing content and equipment.

Opportunities

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In December 2010, Uruguay dropped its former decision of adopting the European HDTV standard and announced the adoption of the hybrid Japanese/Brazilian (ISDB-T) standard. Implementation is due by late 2015.

In mid-2011 ANTEL announced a $100 million investment in order to expand the fiber optic network to reach approximately 240,000 new households in by late 2014 and is well on its way to reaching its target. It will also ensure universal access to internet through the use of fixed lines.

Web Resources

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Embassy Contact: Robert Gorter, Sector Specialist – gorterrh@state.gov
http://www.export.gov/Uruguay

URSEC – Unidad Reguladora de Servicios de Comunicación
http://www.ursec.gub.uy

Movistar (Telefónica):	http://www.movistar.com.uy
CLARO (América Móvil):	http://www.claro.com.uy
ANTEL:	http://www.antel.com.uy
Dedicado:	http://www.dedicado.com.uy

Security

Overview

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	2012	2013	2014
Total Exports	11.0	10.7	9.1
Total Imports	133.0	154.0	178.0
Imports from the U.S.	20.0	20.0	18.4

Source: Transaction database – USD million

The increase in demand for security products and the robust economic recovery that Uruguay has experienced in recent years assures that this sector will generate business opportunities. The electronic security sector increased by 15.5 percent during the period 2013 – 2014. U.S. products enjoy a 10.3 percent market share and compete directly with lower-priced products from China, Brazil, Argentina, Mexico and Spain.

Imported electronic components play a very important role in locally manufactured products. Local security importers will continue to import high-tech components to be used in the production of alarms, closed - circuit television (CCTV), panels, and many other related products.

Sub-Sector Best Prospects

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Sub-sectors like access control systems and intrusion alarms systems grew significantly in 2014, reaching $168 million. Major construction projects are underway in Montevideo and Punta del Este (Uruguay's principal seaside resort) in which electronic security products will play a very important role. According to the Uruguayan Chamber of Electronic Security Systems (CIPSES), the electronic security business has a promising future in commercial and industrial fields.

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The Uruguayan electronic safety and security market relies heavily on imported products and services. In order to import security equipment and technology, local companies form joint ventures with international firms or become authorized dealers. Uruguayan Customs is the official institution that regulates the importation of all safety and security items, and local importers have to report all imports to Customs. The following chart shows the dollar value of all imports made during 2014 in the following four sub-sectors: access control, CCTV, intrusion alarm systems, and fire detection systems.

2014 Uruguay's Electronic Security Imports	
Access Control Systems	81.0
CCTV	3.0
Intrusion Alarm Systems	87.0
Fire Detection Systems	7.0
Total	**178.0**

Source: Transaction Database – USD millions

The following products are best prospects in the four sub-sectors:

- Access Control Systems: smart cards, biometrics, controllers, local area network (LAN) devices, readers, digital processors.
- Intrusion Alarms: indicator panels, signaling devices, key pad LEDs, batteries, sirens, and magnetic contacts.
- CCTV: cameras, domes, monitors, transmission devices, television transmission apparatus, TV receivers, multiplexers, and CCTV systems.
- Fire Detection: sensors, smoke detectors, conventional control panels, and conventional detectors.

Traditionally, U.S. goods have competed very successfully in Uruguay. However, there is significant competition on price from China, Brazil, Argentina, Mexico and Spain.

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National Statistics Institute (Instituto Nacional de Estadísticas) - INE
http://www.ine.gub.uy

Uruguay Chamber of Industry (Cámara de Industrias del Uruguay) – CIU
http://www.ciu.com.uy

Ministry of Interior (Ministerio del Interior)
http://www.minterior.gub.uy

Uruguayan Security Association (Asociación Uruguaya de Seguridad) – AUSPA
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IT – Computer Hardware

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	2012	2013	2014
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	0	0	0
Total Imports	197	203	172
Imports from the U.S.	50	43	38

Products under HS codes 8471 and 8473
Source: Transaction database – USD million

Imports of information technology (IT) hardware and accessories declined in 2014, but an increase is expected in 2015 due to educational programs, increased Internet access, and continuing modernization of both the private and public sectors. U.S. market share declined in 2014. U.S. companies must offer good products at competitive prices in order to cope with China and other competitors. China had over 50 percent market share in 2014 and over 60 percent in 2012 and 2013.

Distributors of hardware normally sell both equipment assembled abroad and products assembled locally using imported components and parts. Imports of hardware are mainly handled by distributors. Brands such as Apple, Dell, HP, IView, Lenovo, Samsung, and Sony, among others, are easily found, including in hypermarkets. Data about market share by brand is not available, but buyers have become very price conscious. Pricing and financing are key factors when deciding which brand to purchase.

Uruguay has one of South America's highest literacy rates (over 98 percent), the telecoms network is 100 percent digital, and the Internet penetration rate is one of the highest in Latin America. Since Uruguay does not manufacture computer hardware, further growth in Internet usage is expected to generate greater demand for computer imports. In terms of computers per 100 people, Uruguay is third in Latin America after only Chile and Argentina and is ahead of the region's two largest economies, Mexico and Brazil.

Multinationals consider Uruguay an excellent IT hub for back offices as well as data and call centers. Companies such as Colgate-Palmolive, Microsoft, Sabre, and PWC are among the many companies that have set up their operations in Uruguay.

There are no tariffs for items from MERCOSUR; for third countries, the Common External Tariff (CET) ranges from 0 to 16 percent. However, Information Technology and Telecommunications fall under a special regime until 2019 – the majority of items under HS codes 84.71 have 0 to 2 percent CET, and most items under 84.73 are exempt from import tariffs.

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Hardware and accessories traditionally had been the number one import from the U.S. While the market share has dropped, local clients still prefer U.S. distributors. Items under HS code 8471 such as CPUs, monitors, magnetic discs, printers, ATM equipment, hubs, network, and digital equipment are key imports. For items under HS code 8473, the key items are boards, memory cards, ink cartridges, parts and accessories, discs, and magnetic heads, among others. Due to low cost imports from third markets, U.S. exporters must be able to offer competitive prices. The drop in market share has also been a consequence of U.S. multinationals shipping from Asia.

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The Uruguayan government made the One Laptop per Child (OLPC) program a top priority (locally known as Plan CEIBAL). Hence, sector analysts estimate that imports of hardware will continue to increase since a computer will be considered a basic necessity. Local IT businesses are confident that demand for equipment and qualified workers will continue to rise over the next few years. Refurbished equipment is readily accepted by consumers, particularly for first time users. The current Administration will also supply tablets to all retirees as part of the OLPC program and will require health institutions to transition to having only electronic medical records, further increasing the need for IT updates.

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Fertilizers

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	2012	2013	2014
Total Exports	29.0	28.0	15.0
Total Imports	351.0	329.0	302.0
Imports from the U.S.	17.0	56.0	28.0

Source: Transaction database – USD million

Uruguay is essentially an agricultural country, and the use of fertilizers is very important to maintain good pastures and increase soil fertility. Within the chemical sector, fertilizers play a significant role in Uruguay's imports; the country imports almost 80 percent of its fertilizer consumption.

From 2012 to 2014, imports of fertilizers decreased by 9 percent per year. As a consequence, imports from the United States were also affected and fell sharply (50 percent) in the same period. In 2014, the main suppliers of raw materials for fertilizers (HS codes 3102/3105/3103/3104) were China (19 percent market share), Russia (15 percent), the United States (9 percent), Saudi Arabia (8 percent), and Lithuania (4 percent). Other countries supply the remaining 45 percent market share.

The most important products imported were:

- Fertilizers, mineral or chemical nitrogenated (urea)
- Diammonium Hydrogenorthophosphate
- Ammonium Dihydrogenorthoposphate
- Potassium chloride
- Granulated superphosphates with more than 45% by weight of phosphorus pentoxide.

The poor growth of natural pasture in winter, their medium-to-low quality, and deficiencies in phosphorus and nitrogen in the great majority of soils have led to the introduction of nitrogen to the ecosystem through the application of inorganic fertilizers. The use of fertilizers has increased in pasturelands and agricultural crops since the elimination of the 22 percent value added tax, aided by zero import tariffs. The cost in Uruguay to fertilize adequately a hectare of land can vary from US $60 to $150, depending on the kind of crop being cultivated.

In Uruguay, the amount of fertilized land varies according to the world price of livestock products. When beef prices decline, ranchers decrease the quantities of fertilizers used for agriculture.

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Imports of fertilizers were $302 million in 2014. Agriculture in Uruguay continues to be a very important sector, with positive trends expected to continue over the medium to long term.

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The best prospects are for U.S. exports of diammonium hydrogen orthophosphate, which is used in grasslands in an average of 150 to 200 kilograms per hectare. Ammonium sulfate and urea are also in great demand. U.S. manufactures of urea, ammonium sulfate, (diammonium hydrogen orthophosphate) and many other related products will have good sales opportunities in the Uruguayan market.

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Ministry of Agriculture
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Renewable Energy Equipment

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As a country that lacks coal, oil, and natural gas, Uruguay has historically relied on hydroelectric power, imported oil, and imported electricity from its neighbors, Argentina and Brazil. The fact that 40 percent of Uruguay's imports are energy products, primarily petroleum, has left the economy extremely vulnerable to external shocks as oil prices rise and fall. Although the government's main focus is to become one of the leading countries in renewable energy generation, primarily from wind, solar, and biofuels, Uruguay is also pursuing increased interconnectivity in the Southern Cone region as a strategy to maintain energy supplies in the medium term.

Uruguay is in the midst of a clean energy revolution that will result in generation of 90 percent of its electricity from renewable resources by the end of 2015, compared to just 40 percent as recently as 2012. Traditionally, Uruguay's generating system has been based upon hydropower and imported petroleum, which resulted in some of the most expensive electricity in the Americas. As a result, alternatives such as wind and solar have become cost-competitive. Aided by aggressive power purchase agreements (PPA) to promote renewables, the country has gone from an importer to an exporter of electricity in just a few years.

Uruguay is one of the most electrified countries in the hemisphere, with 99.6 percent of homes receiving electricity; Uruguay is now making that electricity among the greenest in the world.

Under the 2005-2030 Energy Plan, Uruguay began to move away from petroleum-based generation. As of late 2014, hydroelectric capacity was 1500 MW, but this is unlikely to grow significantly given that the country is already exploiting all of its large-scale hydro resources. Uruguay also has more than 400 MW of installed wind capacity, which is expected to grow to over 1200 MW by the end of 2015 when there will be 23 wind farms operating in 11 of the country's 19 Departments. This conversion has created a unique situation in which Uruguay could become the first country in the world to use wind energy for base power and hydroelectric to meet peak demand. This will allow the country to keep hydroelectric reservoirs at near maximum capacity. When needed, the reservoirs can be opened with as little as 15 minutes' notice to meet the additional demand. Once a liquefied natural gas (LNG) terminal comes online in 2016, the country will have a reserve to their back-up should hydro resources be reduced due to drought.

Although overall renewable energy import statistics are not currently significant, wind energy equipment imports soared in 2013 and projects in the pipeline justify paying attention to the local market. As the government of Uruguay continues to promote greater energy independence and improved efficiency from renewable sources there will be a favorable market for new opportunities.

A driving force behind the diversification of Uruguay's energy sector is a desire for energy security and independence. The government also has a long-term social goal that it would like to meet by 2030: To provide basic energy requirements in terms of both quantity and quality for the entire population of 3.3 million.

Investments in wind, solar and other renewables have outpaced other energy projects. The National Director of Energy noted that the government's target for renewable sources is to provide 55 percent of the energy by the end of 2015; it currently represents 47 percent. The government is also strongly encouraging the production of bio-diesel and ethanol, in addition to its focus on wind and solar energy.

According to government reports, since the beginning of the 2005 – 2030 Energy Plan the total investment in renewable energy (public and private) has been approximately $7 billion, which represents 17 percent of GDP. This ratio quintuples the average Latin America GNP investment ratio. As per the Renewables 2014 Global Status Report, Uruguay, Mauritius, and Costa Rica were among the top countries for investment in new renewable power and fuels relative to annual GDP. Several projects in both the private and public sector, especially in the areas of biomass, wind and solar generation, are bringing the country closer to actually being able to capitalize on its strategic location, regional partnerships and stable investment climate.

- **BIOMASS**

  Uruguay has great potential for the development of renewable energies from biomass; 30 percent is from agricultural residue (from agro industries and forestry). Although forestry is the main source of biomass, Uruguay has other sources available from the beef industry and edible oil.

- **WIND**

  The potential to harness wind energy in Uruguay is significant. The national electricity utility (UTE) has proposals in the pipeline worth $2 billion. Adequate sites for wind energy in the country have exceeded expectations. The government also designed a wind map available on-line at http://www.energiaeolica.gub.uy/index.php?page=mapa-eolico-de-uruguay. Average wind profile measures at heights of 90m show speeds of 6 to 9 m/second. Further information is available in Spanish only at http://www.energiaeolica.gub.uy

  Imports of wind energy equipment soared in 2013 and are expected to double by 2015 considering projects that are underway. In 2012, the United States had a 6% share; in 2013 it had 51 percent but in 2014 dropped to fourth place with a 12 percent share. Traditionally, wind equipment is imported from Spain, Denmark and China, among others. The increase in U.S. market share in 2013 was primarily due to EU companies shipping from their manufacturing plants in the U.S. Both EXIM and OPIC financing contributed to sourcing equipment from the United States.

Imports	2011	2012	2013	2014
Wind generators	0.1	5	127	192
Total generators	6	12	136	201

Source: Transaction database – USD million

- **SOLAR**

The potential for solar power in Uruguay is encouraging; Uruguay receives an average of 1700 KW/m^2 of sunlight a year. This puts it on a par with Mediterranean countries and makes solar energy a viable option. Legislative support for solar power exists through a law that promotes the use of solar energy. Benefits are also available under the Investment Promotion Law that offers incentives for investing in manufacturing, implementing, and utilizing solar energy. There is a strong emphasis on local production, and the priorities for solar energy include rural areas – particularly rural schools far from the grid, hospitals, hotels, sports clubs, and new public buildings.

For Uruguay's solar map see: http://les.edu.uy/servicios/mapa-solar-del-uruguay/. Information on the GOU' solar plan is available only in Spanish at https://www.energiasolar.gub.uy/cms/

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All of the projects in the pipeline, both public and private, predict high growth with a definite need for imported equipment. Potential buyers for biomass equipment are turning to U.S sources since the Brazilian industry is focused on sugarcane and the available equipment is too large for the Uruguayan market. Solar equipment traditionally imported from China started to lose market share to the European Union and the United States.

The National Directorate of Energy housed within the Ministry Industry, Energy and Mining, has also been focusing on promoting the installation of small power plants throughout the country.

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Uruguay is committed to moving forward rapidly on setting up biodiesel, ethanol and solar plants as well as continued investments in wind energy. Import duties are applied to CIF values. For renewable energy, generators and equipment (if classified as capital goods) do not pay import duties. In other cases, a 14 percent duty is applied to products that are not from the MERCOSUR member countries (Argentina, Brazil, Paraguay, Venezuela, and Uruguay).

Uruguay is a good market for both new and used/refurbished equipment and machinery. When making purchase decisions, Uruguayan buyers consider quality, price, payment terms, delivery time, after-sales servicing, and compatibility with existing systems.

U.S. manufactured products are regarded as high in quality but occasionally lose price competitiveness vis-à-vis regional products. Sometimes they rate poorly when it comes to financing, an important factor in sales in Uruguay. U.S. manufacturers offering flexible, innovative, and competitive credit terms will have an advantage.

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Ministry of Industry, Energy and Mining:

http://www.miem.gub.uy

National Directorate of Energy:
http://www.miem.gub.uy/web/energia

National Electricity Utility - UTE:
http://www.ute.com.uy

Chemicals

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	2012	2013	2014
Total Exports	125.0	113.0	92.0
Total Imports	400.0	428.0	411.0
Imports from the U.S.	40.0	39.0	42.0

Source: Transaction database – USD million

In 2014, the five top suppliers of chemicals falling within HS codes 3808-3907-3824-3101 were: China (36 percent), Argentina (23%), the United States (10 percent), Brazil (7 percent), and Taiwan (6 percent). In the period 2013 – 2014, Uruguay's worldwide imports of chemical products decreased by 4 percent. However, imports from the United States increased by 7.7 percent in the same period. The main imports were:

- 3907600090 - Polylatic Acid
- 3808932400 - Weed-killers based on Paraquat Dichloride
- 3808929990 - Weed-killers to be used in sanitary domestic operations
- 4382902900 – Preparations containing fatty alcohols or carboxylic acids
- 3808919990 - Fungicides for direct use in sanitary domestic operations
- 3808911900 – Insecticides based on acephate or bacillus thuringiensis

The local chemical industry basically processes imported raw materials. Subsidiaries of multinationals account for approximately 60 percent of the chemical industry. During the last five years, the chemical sector underwent important transformations in research and development of new products, and the use of new technologies.

Uruguay's chemical industry is composed of three major sub-sectors:

1. Petrochemical industries (including the production of fertilizers).
2. Fine chemistry and production of specialties, including production of pesticides for the agricultural sector, pharmaceuticals and hygiene articles.
3. Production of plastics.

Uruguay does not produce basic raw materials such as ethylene, propylene, etc. The Uruguayan industry is only involved in the final processing stages.

Fertilizers: ISUSA (Industria Sulfurica Sociedad Anonima) controls Uruguay's fertilizer production. This company has several plants producing sulphuric acid and oleum with a maximum capacity of 180 tons/day. Fifty percent of the production of sulphuric acid is for the production of fertilizers, while the other 50 percent is for the production of other chemical products.

Chemical industries and especially "fine chemistry" have been particularly dynamic in Uruguay since the 1980s. Eighty-five companies comprise Uruguay's pharmaceutical industry.

Of these, ten command 47 percent of the country's sales. However, none of them has gained more than 10 percent of the market. There are 65 laboratories, and small and medium firms control a third of the market. Uruguay's pharmaceutical industry sells more than $250 million per year.

Small and medium-size companies make up the cosmetic industry. Many multinational companies have purchased small local firms to market their brand perfumes and cosmetics.

The plastics sector invoices more than $260 million per year and employs approximately 4,000 people. Raw material is almost entirely imported from different countries and represents between 40 percent and 50 percent of the finished product price. Uruguay's Plastic Association is comprised of 60 of the 120 companies in the country's plastics sector. The sector processes 150,000 tons of plastic material; an important part of that production is for export.

The plastic industry is one of the fastest growing industries in Uruguay. Plastic products range from simple articles like bottles and cups to specialized molded parts for the automotive, agriculture, and medical products industries. In Uruguay, the most important sub-sector is containers and packaging, followed by construction products like PVC pipes.

In the last five years, the manufacture of plastic films in the agricultural sector has significantly increased, especially products used to collect grains and cereals as well as products to protect crops from frost. There are also a considerable number of companies engaged in the manufacture of plastic housewares products. Plastics also play an important role in medicine with the manufacture of syringes, catheters, and many other plastic-related products.

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In the plastics sector, there are good opportunities for U.S. producers of resins for the manufacturer of PET containers. Since almost all the raw material used for the production of fertilizers is imported, this is also a very promising market for U.S. firms.

The investment climate is generally positive. Foreign and national investors are treated the same, there is completely free remittance of capital and profits, and investments are allowed without prior authorization. A 2007 decree offers significant tax benefits to investors.

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Chamber of Industry - http://www.ciu.com.uy

Uruguayan Plastic Association – within the Chamber of Industry
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Construction – Heavy Equipment and Hand Tools

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	2012	2013	2014
Total Exports	0.5	1.9	8.0
Total Imports	315.0+(17.0*)	370.0+(17.0*)	337.0+(24.0*)
Imports from the U.S.	44.0+(3.0*)	47.0+(2.8*)	51.0+(3.0*)

Source: Transaction database – US$ million - (* hand tools figures)

The construction machinery market in Uruguay depends predominantly on imports. In 2014, total imports of heavy machinery and related equipment were valued at $337 million. Brazil held a 33 percent market share with $111 million, followed by China (15%), Argentina (10%), the United States (10%), Germany (5%), and the rest of the world (27%). Investment in heavy equipment is likely to continue over the next few years to support important growth in infrastructure construction activity.

Construction is one of Uruguay's most promising sectors. The capital city of Montevideo and the resort of Punta del Este are the most important areas for development, with the largest increases occurring in the market for luxury apartment buildings. However, construction of middle-class and low-cost buildings also grew significantly.

The major construction-related projects in the pipeline are:

- Hotels
- Residential Construction
- New Arena
- Convention Center in Punta del Este
- Industrial, Science and Technology, Business and Service Parks
- Roads

Brazil dominates the heavy equipment segments (bulldozers, levelers, scrapers, and excavators). The major U.S. manufacturers currently present in the Uruguayan market are Caterpillar, Case, New Holland, John Deere, and Ingersoll-Rand.

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Uruguay is an attractive market for U.S. construction machinery companies wanting to explore new opportunities in South America. Investment in heavy construction machinery is likely to continue over the next few years to support rapid growth in infrastructure development (private and public). Some major projects (hotels, roads, buildings, new arena, etc.) accounting for more than $400 million are being proposed for the capital city of Montevideo, Punta del Este, and other cities in the interior of the country.

Currently, the construction sector employs around 56,000 people. The cost of construction per square meter can vary from $1,900 to $4,000, depending on site conditions, local regulations, and the availability of qualified workers. Construction in

Uruguay has historically used traditional materials (concrete and bricks), but lately new construction technologies and methods have emerged.

U.S. manufacturers offering flexible, innovative, and competitive credit terms fare best in achieving export sales to Uruguay.

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According to local sources, the highest demand in construction machinery is for mobile cranes, machinery for public works, off-highway dumpers, self-propelled bulldozers, graders/levelers, fork-lifts, tractors, mechanical shovels, excavators, and road rollers. Many other pieces of construction related machinery and equipment could find a market, as well.

End users of construction equipment include both public sector enterprises and private sector contractors. They are involved in privately and publicly funded projects, such as infrastructure improvements as well as residential and non-residential developments. Used construction machinery has good market opportunities in Uruguay, since it competes in price with new equipment from China and some European countries.

Hand Tools for Construction Return to top

Uruguay has practically no local production of hardware products except for paint, shovels, spades, folding stairs, and carts. China is the main supplier of overall hardware products, followed by the United States, Brazil, and Germany. The Uruguayan market for hardware products includes hand and power tools (HS codes 8205-8206-8207-8407). In 2014, total Uruguayan imports for this sector were valued at $24 million. China is the main supplier of hardware products to Uruguay, with 52 percent market share, followed by the United States (12 percent), Brazil (9 percent), and Germany (4 percent). Other countries together account for 23 percent market share.

The hand and power tools market is divided into large, medium and small equipment segments. Large equipment is used in construction projects; medium tools in electricity and sewerage work; and small tools for residential maintenance and repair work. Power tools can be electric or pneumatic. Product categories include: drills, screwdrivers, staplers, nail guns, hammers, impact wrenches, shears, polishers, sanders, circular saws, jigsaws, chainsaws, and grinders. Hand tools include a wide variety of products like: presses, guillotine shears, hammers, brushes, shovels, spades, rakes, hoes, forks, picks, and cutting tools (manual hedge shears/trimmers).

According to local distributors, innovative U.S. products at competitive prices show significant potential in the Uruguayan hardware market.

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Uruguayan Construction Chamber (CCU)
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Association of Private Promoters of Construction (AAPCU)
http://www.appcu.org

Chamber of Industries (CIU)
http://www.ciu.com.uy

National Statistics Institute (INE)
http://www.ine.gub.uy

Uruguayan Real Estate Chamber (CIU)
http://www.ciu.org.uy

Uruguayan Hardware Association
http://www.afbadu.org.uy

Construction Publications:

"En Obra" - http://www.appcuy.org

"Ciudades" – http://www.ciu.org.uy

Agricultural Equipment

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	2012	2013	2014
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Imports	394	491	432
Imports from the U.S.	86	110	104

Source: Transaction database – USD million
Products under HS codes: 8424,8432,8433,8434,8435,8436,8437,8479,8701,8716.

Agriculture, which represents about 8 percent of GDP, plays a leading role in Uruguay's economy, politics, and society. Stimulated by rising prices of international agricultural commodities and Uruguayan land prices, Uruguayan farmers have been investing heavily in the renewal of their agricultural machinery and equipment. Imports of agricultural equipment jumped 25 percent from 2012 to 2013 but declined in 2014 due to droughts and commodity-price uncertainties. U.S. market share remained a near steady 19 to 24 percent during the last three years. U.S. brands manufactured in Brazil and Argentina dominate the market.

Uruguay should continue to present opportunities for U.S. suppliers of agricultural machinery during the next several years, a market in which it has traditionally been the third largest supplier, preceded by neighbors Brazil and Argentina. In 2014 the United States increased its market share and came in second after Brazil (27 percent) and ahead of Argentina (9 percent). Agricultural machinery is not subject to any import duties. Although not as much as in previous years, there is still demand for pre-owned and refurbished machinery. Apart from tractors which are imported mostly from Europe, U.S. machinery is highly regarded and competes very well. Uruguay is the world's fifth largest exporter of rice, sixth exporter of soybeans and the eighth largest exporter of malt.

Sub-Sector Best Prospects

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The market for agricultural equipment is virtually 100 percent supplied by imports. The best sales prospects for U.S. equipment are as follows (not ranked):

- Data collection equipment such as global positioning systems, yield monitoring, soil sampling, crop and field scouting, and remote sensing technologies used for monitoring soil properties and crop conditions. Only a fraction of agricultural producers currently operate such equipment.
- Laser-controlled earth-leveling machinery.
- Computerized management systems (such as used for livestock). Agri-food machinery and equipment used by food processing companies may also provide

opportunities. These could include grain processing equipment, fruit and vegetable processing equipment (separation, cleaning, etc.), meat processing equipment, poultry production equipment, etc.

- Chutes to discharge harvested grains into different storage devices.
- Advanced turbine sprayers (and associated pumps.)
- Combines and other harvesting equipment.
- Agricultural tractors: sales of refurbished tractors have been increasing heavily. U.S. brands lead the market, but approximately 80 percent are imported from Europe.
- Parts and accessories for harvesters and tractors: demand is expected to increase in line with increased utilization of machinery.
- Cultivators and other solid preparation equipment (including plows, harrows, cultivators, seeders, and fertilizer spreaders).
- Pre-owned and refurbished machinery with good post-sales service will find good prospects if a supplier will ensure reliable and steady part supplies.
- Greenhouse and other vegetable production equipment.
- Irrigation equipment: increasingly used to improve yields in Uruguay's unpredictable rainfall environment.
- Dairy equipment: Uruguay is a major producer of dairy products and the world's 9th largest exporter.
- Of particular interest is the growth of greenhouse production of organic products that according to some estimates has more than doubled over the last five years. Uruguay has officially branded its natural and organic products "*Uruguay Natural*."
- Storage buildings, silos, etc. Prefabricated, light, inexpensive farm storage buildings have a good market in Uruguay.

Opportunities Return to top

Given the increasingly frequent periodic droughts in Uruguay, irrigation and well-drilling equipment should also have excellent market opportunities. The GOU has announced incentives for the use of irrigation equipment, though implementation will only take place in late 2015.

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Uruguayan Rural Association - http://www.aru.org.uy

Environmental Technologies – Water Sanitation

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Potable water is provided by Obras Sanitarias del Estado (OSE) throughout the country. OSE is also in charge of sanitation, except in the Department of Montevideo where the Municipality of Montevideo (population of 1.5 million out of a total of 3.3 million) provides the service. Ninety-eight percent of the population has access to potable water, yet only about 34 percent is connected to the sanitation systems (where Imhoff tanks prevail). The Government of Spain and World Bank financing are the main sources of funds for OSE projects.

Uruguay has a good environmental record overall. However, freshwater use is a key issue for the future sustainability of Uruguay and the region. In recent decades, Uruguay had an abundance of water resources for human consumption as well as for ecosystem preservation, leading to a minimization of water stress issues and an overall good water quality level.

However, the country's economic boom in the last decade has increased competing needs for alternative uses of water, such as crop irrigation, industry, water consumption, and nature conservation. As a result, the country is now suffering a deterioration of surface water quality, together with an increasing public awareness and demand for immediate solutions. The increased demand for irrigation water, recurrent droughts, the increased area devoted to crop production, intensive farming techniques, and feedlot usage have raised concern about the quantity, quality, and value of these resources and, therefore, about their management.

This is a crucial issue, with particular emphasis on the Santa Lucía river watershed, water source for Montevideo and the metropolitan area. The pollution issues in the area range from toxic agrochemicals (resulting from the excessive use of fertilizers and pesticides) to eutrophication-induced cyanobacteria, as well as conflicts over use on different spatial and temporal scales. Potential impacts of climate change represent a new threat to this and other watersheds.

The National Environment Office of the Ministry of Environment is in charge of monitoring the water resources throughout the year. Only physical and chemical parameters have been recorded and monitored so far. The level of phosphorus recorded during the 2009-2013 period has exceeded the maximum permitted level. In the case of phosphorus, the maximum level that is allowed is 25 micrograms per liter in those watersheds that provide water for human consumption. The level of phosphorus in the Santa Lucia River Basin has reached values well over 150 micrograms per liter. While phosphorus is not toxic, high levels of phosphorus in the water foster the development of large algae communities, including cyanobacteria.

Sub-Sector Best Prospects

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All of the projects in the pipeline predict a high growth rate with a definite need for imported equipment to improve water sanitation.

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The following products are best prospects – (not ranked):

- Activated Carbon Filters (Ionization).
- Sensors for monitoring water quality.
- Treatment systems to remove nitrogen and phosphorus.
- Decontamination systems for the Laguna del Sauce and Laguna Cisne.
- Soil erosion control systems.
- National Water Quality Monitoring System

Uruguay is committed to moving forward. Although the Government will be working on several tenders, due to the urgency, some of the above mentioned purchases will not be tendered. U.S. suppliers that wish to sell to OSE directly or via tender must first register in OSE's Supplier Registry, which is valid for two years. A local representative must also be appointed (mainly for correspondence purposes) and once appointed, must be registered in the National Registry of Foreign Company Representatives at the Ministry of Economy and Finance. Alternatively, U.S. exporters may establish any sort of business relationship with a local importer, agent, distributor, representative, etc.

The recommended strategy to enter the local market is to visit Uruguay, interview potential partners, and name a representative/agent. Business relationships and financing terms are very important.

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Embassy Contact: Maria Pacheco, Sector Specialist – maria.pacheco@trade.gov
http://www.export.gov/Uruguay

Uruguay Ministry of Housing, Land Management and Environment
http://www.mvotma.gub.uy

Uruguayan Ministry of Livestock, Agriculture and Fisheries
http://www.mgap.gub.uy

Overview Infrastructure Projects

Overview

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The Uruguayan Parliament approved a Public-Private Partnership (PPP) law in late 2011. While this type of association already existed, the new PPP legislation formalized the procedures, responsibilities, and obligations of the State and private investors. The GOU trusted that this law would further attract foreign investment, mainly in much-needed infrastructure projects. Previously, the GOU had announced it would maintain its objective of investing in priority infrastructure projects to improve the country's competitiveness. Among those were the construction of low-cost housing projects, the building of jails, road refurbishing, railway modernization, and deep-water port construction and operation. To date, only the construction of a new prison and the rehabilitation of portions of two heavily-used roads have attracted any private sector interest. The Ministry of the Interior awarded a PPP concession to build a new jail and proposals for the road rehabilitation remain under study.

The appearance in 2013 and again in early 2015 of microorganisms that put the potability of water resources in the limelight, has created the need for urgent government investments in upgrading and monitoring water quality. Besides equipment such as sensors and filters, the government plans to construct a new dam to supply water to the population.

There is talk about using the PPP mechanism for the construction of public schools.

For other infrastructure projects in the pipeline that U.S. exporters of goods and services should follow-up on as well as for updates and more information, please contact Office.Montevideo@trade.gov.

Opportunities

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Highways: The GOU plans to use the PPP regime to rehabilitate highways that are highly transited by cargo trucks taking commodities to nearby ports. These include Route 21 (115 miles), Route 24 (60 miles) and the east-west Route 26 (250 miles). Proposals for two of these projects have already been received and will be awarded in 2015.

Port projects: The tender for the construction and operation of a third major container terminal in March 2010 (the two current terminals are operated by a Uruguayan consortium – Montecon, and Belgium's Katoen-Natie) attracted no bidders. The GOU, however, has not totally discarded the idea of rewriting the conditions and specifications and calling for a new round of bids. There is much discussion concerning the need for this third container terminal and even more so after new regulations were passed by the Government of Argentina in 2014 forbidding transshipment of Argentina goods through Uruguayan Ports. The construction of new fishing docks and forestry terminals in Montevideo are some of the Port Administration's other objectives for the next few years. Dredging projects are frequently tendered. However, larger and badly-needed projects that fall under the bi-national (Uruguay-Argentina) river administration jurisdiction and that would give better access to the Port of Nueva Palmira have been stalled. The need for a new deep-water port on the Atlantic coast in or near La Paloma has been discussed for several years but has been put in the back burner by the current Administration.

Paraná-Paraguay River Transportation System: The governments of Uruguay, Argentina, Brazil, Paraguay, and Bolivia are working together on one of the largest Latin-American "regional integration" projects: the joint use of the 2,500-mile long Paraná-Paraguay-Uruguay river system for the transportation of goods from these five countries to the Atlantic Ocean. The ongoing project calls for investment in civil construction, dredging and maintenance, ports (including equipment), and fleet. Further opportunities for U.S. involvement exist in the development of waterway administration. While the fate of the waterway remains uncertain due to environmental concerns, intensive work is being done in dredging and rock removal.

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Embassy Contacts: Robert Gorter, Sector Specialist, gorterrh@state.gov

National Ports Administration (ANP)
http://www.anp.com.uy

National Railway Administration (AFE)
http://www.afe.com.uy

Education – New leading sector that will require follow-up with sector specialist

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The number of Uruguayans interested in studying in the United States is increasing. Since 2011, Embassy Montevideo has seen a 60% increase in the number of student visas it issues to Uruguayans, with a concentration in agricultural-related fields of study. The Uruguayan Government has also increased its support for students interested in studying in the United States in recent years.

In support of President Obama's 100,000 Strong in the Americas Initiative, Embassy Montevideo has expanded its network of advisors that work with Uruguayan students, giving them direction on how to go about applying to U.S. universities. In September 2014, the Embassy held its second annual EducationUSA University Fair in September 2014. Approximately 2,500 students registered and more than 1,200 students attended the event, which featured representatives from 30 U.S. universities. The government of Uruguay highlighted the importance of this fair and issued an official notice encouraging people to attend. A third edition of the Fair will be held in Montevideo in September 2015.

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Embassy Contact: Robert Gorter, Sector Specialist – gorterrh@state.gov
http://www.export.gov/Uruguay

Ministry of Education: http://www.mec.gub.uy

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Information on Food, Beverages and Food Ingredients is prepared by USDA Foreign Agricultural Service.

Processed Food and Beverages, and Food Ingredients

Market Overview

Uruguay will continue to be a net importer of several foods & beverages (F&B) and ingredients that it does not produce domestically. Due to the sharp increase in local purchasing power in recent years, the best prospects are for food ingredients, high-value F&B products, and "commodity-type" products which are not manufactured locally.

Imported F&B which are not produced locally, or whose production is inadequate to supply the domestic market include:

- Spices, condiments, bananas, kiwifruit, grapefruit, tomato paste/ketchup, confectionery products, chocolates, coffee, snacks, sauces, prepared foods, dehydrated potatoes, alcoholic beverages (whisky, beer, and wine), energy drinks, prepared beverages, cookies/pastries, and pet food.

Food ingredients, especially those used for the manufacturing of more sophisticated products include:

- Nutritional ingredients, dried fruits and nuts, cocoa paste/butter, additives, ingredients for the dairy and processed meat industries.

Uruguay has no quotas or restrictions, and reasonably transparent labeling and sanitary requirements. Most FDA-approved processed F&B can be imported into the country. However, some products of animal and vegetable origin may have sanitary restrictions.

Exports of U.S. food products to Uruguay have very good potential. Imported food products for mass consumption are typically purchased from Argentina, Brazil, and Chile which together accounted for almost 80 percent of the total imports. Imports from Europe and the U.S. are aimed at the middle and higher income sectors. The recent opening of the Uruguayan market for US beef and poultry products presents a good opportunity for American exporters since several Uruguayan importers have expressed interest in bringing those products into the country, and some have already brought the first containers into Uruguay.

The USDA Foreign Agricultural Service Office, based in Buenos Aires and with regional coverage of Argentina, Paraguay, and Uruguay, foresees increased opportunities for U.S. food ingredients, especially for the dairy and processed meat sectors as most local companies have been focusing on increasing production and expanding exports. The privileged sanitary status of Uruguay has much to do with the growth of these sectors. In addition, because many food ingredients are not produced locally, they must be imported. Food ingredients from the U.S. are considered to be high quality and innovative.

OUTLOOK FOR U.S. EXPORTS OF F&B PRODUCTS

Advantages

- Most Uruguayan consumers are aware of the wide variety and high quality of U.S. foods and beverages.
- Influence of U.S. culture is significant and transmitted through cable TV, the Internet, and Uruguayans traveling or studying in the United States.
- Supermarkets are willing to have imported F&B on the shelves as a tool to differentiate from other retailers.
- During the past few years, the self-serve format and the display of food products have improved remarkably.
- Large supermarket chains are logistically ready to import foods directly.
- Cold storage facilities are good and can easily meet manufacturers´ requirements.
- The expansion of the food processing industry (especially the beef and dairy sectors), primarily to supply export markets, created very good opportunities for U.S. food ingredient imports.
- There has been greater exposure of local retailers to U.S. exporters and products through USDA/FAS-sponsored marketing activities.

Challenges

- Imported food products from the U.S. are more expensive than regionally-produced products.
- In general, MERCOSUR intra-regional trade pays zero import tariffs, which prompts strong competition primarily from Argentina and Brazil. Import tariffs for other countries vary between 20-23 percent for most F&B.
- The relatively small size of the market and small import volumes many times discourage U.S. suppliers.

Uruguayan official entities regulating F&B imports are as follows:

Montevideo Municipality - Food and Health Service (*Intendencia Municipal de Montevideo – Bromatología* and *Regulacion Alimentaria*)
Web: http://www.montevideo.gub.uy <http://www.montevideo.gub.uy/>

Uruguay's Technological Laboratory (*Laboratorio Tecnológico del Uruguay - LATU*)
Web: http://www.latu.org.uy <http://www.latu.org.uy/>

Ministry of Livestock, Agriculture, and Fisheries (*Ministerio de Ganaderia, Agricultura y Pesca - MGAP*)
Web: http://www.mgap.gub.uy <http://www.mgap.gub.uy/>

National Meat Institute (*Instituto Nacional de Carnes - INAC*)
Web: http://www.inac.gub.uy <http://www.inac.gub.uy/>

National Wine Institute (*Instituto Nacional de Vitivinicultura -- INAVI*)
Web: http://www.inavi.com.uy <http://www.inavi.com.uy/>

Ministry of Public Health (*Ministerio de Salud Publica - MSP*)
Web: http://www.msp.gub.uy <http://www.msp.gub.uy/>

For more information please check with USDA Foreign Agricultural Service in Buenos Aires - Agricultural Counselor Melinda D. Sallyards – Melinda.Sallyards@fas.usda.gov
After July 2015 please contact Agricultural Counselor David.Mergen@fas.usda.gov

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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A MERCOSUR Common External Tariff (CET) on imports from non-member countries entered into effect in 1995. MERCOSUR´s general rule is to apply a higher CET on higher value-added imports. The CET rates range between 0 and 20 percent, with an average of 10.3 percent.

There are **numerous** sectorial and national exceptions to MERCOSUR's CET. Sectorial exceptions apply to capital, information technology, and telecommunication goods. At a national level, each MERCOSUR member is also allowed to exempt a certain number of goods from the CET. The list of exceptions for each Mercosur member is available at Mercosur's Secretariat webpage
http://www.mercosur.int/sim/es/siaec/view_list/search_exceptions

These exceptions and the number of special import regimes in member countries have greatly eroded the bloc's CET. A Mercosur Customs Code was approved in 2010 but has not yet taken effect since it lacks Parliamentary ratification of all members. Mercosur also lacks other mechanisms to become an effective Customs Union such as a mechanism to distribute tariff revenues. As a result, a good imported into a Mercosur country has to pay another duty if re-exported to another member.

Uruguay applies 2,335 lines of exceptions to Mercosur's CET. The tariff structure that is effectively applied is available at its Ministry of Economy webpage
http://apc.mef.gub.uy/711/3/areas/nomenclatura-y-aranceles.html

The government of Uruguay also gives special treatment to imports of raw materials and other inputs for the production of export goods. Uruguay applies preferential tariffs on some imports such as equipment for agriculture and hotels, as well as on goods for projects that have been declared of national interest and are also eligible for tax exemptions. Capital goods are exempt from import duties. The GOU applies tariffs that are lower than the bloc's CET for the vast majority of goods included in the sectorial and national lists. Most goods entering Uruguay from MERCOSUR countries are exempt from tariffs.

Uruguay has bound all its tariff lines before the WTO, with an average 31 percent (35 percent for agricultural products and 30 percent for non-agricultural ones). The WTO reports that Uruguay has 1,672 duty-free items and applies a mean (simple average) tariff of 9.3 percent. Tariffs range from 2-55 percent. Tariffs on non-locally-produced raw materials, intermediate goods, and consumer goods range from 2-6 percent, 8-9 percent and 10-20 percent, respectively.

Trade Barriers

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In addition to tariffs, Uruguay levies other charges exclusively on imports, for example, a commission for the government-owned Banco de la Republica Oriental del Uruguay on Cost, Insurance, and Freight (CIF) value. The tax burden on imports is therefore higher than the average tariff.

There are special requirements for customs procedures and/or documentation in certain cases, for example, certain food products, textiles and motor vehicles, as well as for various goods in transit. Some of these products, such as oils, vehicles, crude and refined sugar, textile products and printing paper, are also subject to import licenses. Certain imports (e.g. firearms, radioactive materials, fertilizers, vegetable products and frozen embryos) require special licenses or customs documents. Some products require prior authorization from a government authority for sanitary or phytosanitary, safety, or environmental protection reasons. Other products, such as oil, can only be imported by the government.

Import quotas were eliminated in the mid-1970s and non-tariff barriers, including reference and minimum import prices, were substantially reduced in the 1990s. Reference prices and a few remaining minimum export prices were eliminated in 1994 and 2002, respectively.

For detailed information on import barriers please refer to Uruguay's WTO Trade Policy Review, http://www.wto.org/english/tratop_e/tpr_e/tp363_e.htm

Import Requirements and Documentation

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Only commercial firms, industrial firms, or individuals listed in the registry of importers may legally import products into Uruguay. A pro-forma invoice is required to start the import procedures. Importers must use an agent to handle their customs entries. Required documents are standard and must include certificate of origin.

U.S. Export Controls

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A list that consolidates eleven export screening lists of the Departments of Commerce, State and Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here:
http://developer.trade.gov/consolidated-screening-list.html

Temporary Entry Return to top

Products may be imported under temporary admission or drawback provisions.

Products imported under temporary admission provisions are exempt from import duties but must be re-exported within 18 months. Temporary admission is for processing, assembling, transforming, or integrating imported inputs to the final production of exported goods. This system aims to improve Uruguay's foreign competitiveness while it reduces costs of imported items. The system covers: raw materials; parts and accessories; motors; packaging and packaging materials; matrix, molds, and models; intermediate goods; agricultural products; and products that are part of production processes.

Labeling and Marking Requirements Return to top

The Laboratorio Tecnologico del Uruguay (LATU - Uruguay's Technical Laboratory), the Ministry of Public Health, and Municipal offices control labeling and marking requirements for all imported products. They must contain a Spanish-language description of the main ingredients or components of the product, country of origin, expiration date, net weight, and the full name and address of the Uruguayan importer, plus validity and cooking instructions in the case of foodstuffs.

Imported products may include the original label of the country/language of origin but must also have a sticker/label attached to the package with the information requested by Uruguayan authorities. Manuals, product literature, and other written materials, while not required, will be more useful if written in Spanish. A consumer defense law, approved in 2000, regulates labeling requirements. U.S. companies that can adapt their labels to local standards have a competitive advantage.

Prohibited and Restricted Imports Return to top

Occasionally, the government bans imports of certain food articles and pet food containing ingredients that are prohibited or are originating from areas declared by the World Health Organization to be unfit. Imports of used cars are prohibited.

Customs Regulations and Contact Information Return to top

The National Customs Directorate, which falls under the Ministry of Economy and Finance, dictates all customs regulations. In March 2015, Uruguayan Customs began implementing a new Custom's Code that was passed by parliament in September 2014.

Contact Information:

Mr. Enrique Canon (CPA)
National Customs Director (Director Nacional de Aduanas)

Address:	Rambla 25 de Agosto de 1825 s/n Montevideo, Uruguay
Tel:	011 598 2 916 – 2141; Fax: 011 598 2 916 – 4691
URL:	http://www.aduanas.gub.uy

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- Product Certification
- Publication of Technical Regulations

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Uruguay uses the metric system of weights and measures. The Laboratorio Tecnologico del Uruguay (LATU – http://www.latu.org.uy) is the officially approved agency that controls standards and quality control of imports and exports. A national quality committee reviews and recommends issuance of ISO 9000/9001 certificates, if warranted.

The Uruguayan Institute of Technical Norms (UNIT – http://www.unit.org.uy) carries out certification and elaborates technical norms. It is the exclusive representative of ISO, IEC, and the World Quality Council (WQC) in Uruguay.

Standards Organizations Return to top

Laboratorio Tecnologico del Uruguay - LATU Uruguay's Technical Laboratory	http://www.latu.org.uy
Uruguayan Institute of Technical Norms (UNIT)	http://www.unit.org.uy

NIST Notify U.S. Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Product Certification Return to top

UNIT and ASTM signed a Memoranda of Understanding (MOU) in November 2001. UNIT (http://www.unit.org.uy) is the official Certification office for all industries with the exception of beef, which is the National Institute of Beef (INAC http://www.inac.gub.uy).

Publication of Technical Regulations Return to top

Uruguayan Institute of Technical Norms (UNIT)	http://www.unit.org.uy

Trade Agreements

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Uruguay is a member of the World Trade Organization (WTO) and the Latin American Integration Association (ALADI). ALADI is a Montevideo-based trade association that includes ten South American countries plus Cuba, Mexico and Panama, and to which Nicaragua has applied for full membership.

Uruguay holds numerous bilateral trade agreements of different scopes with ALADI partners. It grants tariff preferences for imports from Bolivia, Chile, Colombia, Cuba, Ecuador, Mexico, Peru, and Venezuela under ALADI Economic Complementation Agreements. ALADI's general regional tariff preference mechanism (PAR by its Spanish acronym) applies for goods not covered by these agreements,

Uruguay is a founding member of MERCOSUR, the Southern Cone Common Market composed of Argentina, Brazil, Paraguay and Venezuela. Montevideo is the headquarters of its Secretariat and its Parliament. MERCOSUR has free trade agreements with Chile, Bolivia, Ecuador, Peru, Colombia, Israel, Egypt and Palestine. It has less ambitious agreements that include fixed preferences with India, Cuba, and the South African Customs Union. The latter two are considered building blocks towards comprehensive agreements. MERCOSUR also has a sectoral agreement with Mexico and framework agreements with Jordan, Morocco, Turkey, Pakistan and Syria.

In 2004, Uruguay and Mexico deepened a 1999 agreement, which resulted in Uruguay's first comprehensive trade agreement with a non-MERCOSUR country. Long-stalled negotiations between MERCOSUR and the European Union (EU) were re-launched in 2010 but made little progress. The new administration has identified a new EU-MERCOSUR agreement as a priority but must work with the other MERCOSUR members to make this a reality.

Over the past decade, Uruguay has diversified its exports away from MERCOSUR and faced major problems in exporting to Argentina. However, trade relations with Argentina and Brazil are still important as both countries account for 22 percent and 30 percent of Uruguay's exports and imports, respectively. In addition to MERCOSUR, there are separate bilateral agreements providing for administered trade of certain products, mainly vehicles. For more information, check the Trade Policy tab in http://www.mef.gub.uy/portada.php (available only in Spanish)

Web Resources

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Web Resources for Trade

Central Bank	http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Intercambio-Comercial-.aspx and http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx
Uruguay XXI	http://www.uruguayxxi.gub.uy

Customs http://www.aduanas.gub.uy/innovaportal/v/12861/8/innova.front/sistema_lucia.html

Chamber of Industries
http://www.ciu.com.uy/innovaportal/v/15505/1/innova.front/informes_de_comercio_internacional.html

Union of Exporters http://www.uruguayexporta.com/Infocoex/default.aspx

Trade Policy Advising Unit at the Ministry of Economy and Finance
http://apc.mef.gub.uy/

Other Web Resources

Uruguayan Technological Lab (LATU)	http://www.latu.org.uy
Uruguayan Institute of Technical Norms (UNIT)	http://www.unit.org.uy
Diario Official (national gazette)	http://www.impo.com.uy
Communication Regulatory Agency:	http://www.ursec.gub.uy
Energy and Water Regulatory Agency:	http://www.ursea.gub.uy
Ministry of Public Health	http://www.msp.gub.uy

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Chapter 6: Investment Climate

The government of Uruguay recognizes the important role foreign investment plays in economic development and maintains a favorable investment climate that does not discriminate against foreign investors.

Uruguay has a stable legal system in which foreign and national investments are treated alike, most investments are allowed without prior authorization and investors may freely transfer abroad their capital and profits from their investment. There are also significant tax incentives for investors which, together with strong economic growth and booming commodities prices, have contributed to a strong increase in foreign and local investment over the past decade.

Uruguay is a stable democracy. Political risk is low and there have been no recent cases of expropriation. U.S. firms have not identified corruption as a problem for investment. The World Bank's 2014 "Doing Business" Index, which ranks countries according to the ease of doing business, placed Uruguay 9th out of thirty-two Latin American and Caribbean countries.

Uruguay has free trade agreements with its Mercosur partners (Argentina, Brazil, Paraguay and Venezuela), as well as Chile, Bolivia, Colombia, Ecuador, Mexico and Peru. Its strategic location (in the center of Mercosur´s wealthiest and most populated area) and its special import regimes (such as free zones and free ports) also make it a well-situated distribution center for U.S. goods into the region. Several U.S. firms warehouse their products in Uruguay´s tax free areas and service their regional clients effectively. With a market of 3.3 million high-income consumers, Uruguay is a good test market for U.S. products.

Investors can choose between arbitration and the judicial system to settle disputes.

Uruguay has bilateral investment treaties with over 30 countries, including the United States. Both countries also have agreements on Open Skies, Trade and Investment, Cooperation in Science and Technology, Promotion of Small and Medium Firms and Customs Mutual Assistance. As of March 2015, both governments are negotiating an agreement on social security. The United States does not have a double-taxation treaty with Uruguay.

With the fourth largest stock of foreign investment in 2013, the United States is an important investor in Uruguay. Currently about 130 U.S. firms operate locally and distribute their investments amongst a wide array of sectors, including forestry, tourism and hotels, other services, and telecommunications.

Openness to Foreign Investment

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The government of Uruguay (GOU) has traditionally recognized the important role that foreign and local investment plays in economic and social development and works to maintain a favorable investment climate.

Uruguay and the United States signed a Bilateral Investment Treaty (BIT) in November 2005, which entered into force on November 1, 2006. Uruguay and the United States also signed an Open Skies Agreement in late 2004 (ratified in May 2006), a Trade and Investment Framework Agreement (TIFA) in January 2007, and a Science and Technology Cooperation Agreement in April 2008. Under the TIFA, both countries signed two additional protocols on business facilitation and on the environment in 2008. In 2014, Uruguay and the United States signed agreements to foster scientific and technological exchange, promote Small and Medium Firms, and facilitate the mutual assistance of their Customs. As of March 2015, both governments are negotiating an agreement on social security that would, among other things, facilitate the temporary stay of expats and workers in each country. The United States does not have a double-taxation treaty with Uruguay.

Local and foreign investors are treated equally. There are no preferential tax deferrals, grants, or special access to credit for foreign investors. Foreign investors are not required to meet any specific performance requirements. Moreover, foreign investors are not inhibited by discriminatory or excessively onerous visa, residence, or work permit requirements. The government does not require that nationals own shares or that the share of foreign equity be reduced over time, and does not impose conditions on investment permits.

In tenders for private sector participation in state-owned sectors, foreign investors are treated as nationals and allowed to participate in any stage of the process. Bidders on tenders should be prepared for a lengthy adjudication process. Although U.S. firms have not encountered major obstacles in Uruguay's investment climate, some have been frustrated by the length of time it takes to complete bureaucratic procedures and tenders. In addition, the ease by which losing parties may ask for annulment of bid results and force a rebid can result in significant delays in the process.

The most recent investment policy review on Uruguay was done by the World Trade Organization (WTO) in 2012 and is available at http://www.wto.org/english/tratop_e/tpr_e/tp363_e.htm

Investors may choose between arbitration and the judicial system to settle disputes. Uruguay's legal system is based on a civil law system derived from the Napoleonic Code, and the Judiciary is transparent and remains independent of the executive branch.

Law 16,906 (passed in 1998) declares promotion and protection of investments made by national and foreign investors to be in the nation's interest. The law states that: (1) foreign and national investments are treated alike; (2) investments are allowed without prior authorization or registration; (3) the government will not prevent the establishment of investment in the country; and (4) investors may freely transfer abroad their capital and profits from the investment. Decree 002/12 (passed in January 2012 superseding Decree 455/007 from 2007) regulates Law 16,906 and provides significant incentives to investors, which have contributed to a strong increase in foreign and local investment.

Uruguay's Investment and Promotion agency's website helps potential investors navigate the laws, rules and incentives available to both foreign and local investors. http://www.uruguayxxi.gub.uy/index_en.html. In 2010 the GOU created a program to create firms in 24 hours, http://empresaeneldia.portaldelaempresa.gub.uy/Apia/index.htm

Uruguay has special regimes to promote tourism, communications, call centers, production of electronics and electronic equipment, software exports, biotech, printing activity, naval and aeronautic industries, forestry, production of vehicles or auto parts, and construction of agricultural machinery. The exploration and exploitation of hydrocarbons is also incentivized, as well as the production of biofuels and the generation of renewable energies. None of the promotion systems described above differentiates between foreign and national investors.

Aside from a few limited sectors involving national security and limited legal government monopolies in which foreign investment is not permitted, there is neither de jure nor de facto discrimination toward investment by source or origin, with national and foreign investors treated equally. In general, the GOU does not require specific authorization for firms to set up operations, import and export, make deposits and banking transactions in any particular currency, or obtain credit. Screening mechanisms do not apply to foreign or national investments, and special government authorization is not needed for access to capital markets or to foreign exchange.

Uruguay has not undertaken any major privatization program in the recent past. While some previously government-run monopolies have been opened to private-sector competition, the government continues to have a monopoly in several key sectors (please refer to section 10 for more information).

Private-Public Partnerships are governed by Law 18,786, which was passed in Parliament by consensus in July 2011. Implementing agencies established relevant regulations in January 2012 by Decree 07/12, but as of March 2015 only three projects have been developed.

Screening mechanisms do not apply to foreign or national investments, and special government authorization is not needed for access to capital markets or to foreign exchange.

Uruguay has policies and laws to foster competition. The two pillars are Law 18,159 and Decree 404, both from 1997. The Ministry of Economy has a special division to promote and defend competition.

Two regulatory agencies for telecommunications (URSEC) and water and energy (URSEA) were created in 2001 to, among others things, regulate and control their respective markets. In 2010, the Executive Branch transferred URSEC's policy-design capacity to the National Telecommunications Directorate (DINATEL), leaving it only with control attributes.

The Audiovisual Communications Law, known locally as the media bill, which, as of April 2015, is pending regulation, includes provisions on market caps for cable TV providers that could limit competition.

Uruguay´s traditionally low inflow of Foreign Direct Investment (FDI) surged in the last decade with a seven-fold growth from about USD 0.4 billion in 2003 to USD 2.8 billion in 2013. Except for a drop in 2008, FDI has not been hit by the global economic and financial crisis. In 2005-2013, Uruguay ranked second in South America after Chile in its FDI to GDP ratio, but has a level two-and-a-half times that of neighboring Brazil or Argentina

The sectors that receive the greatest amount of FDI are pulp mills, construction (real estate in Punta del Este, hotels, and office buildings), agriculture (forestry, ranching, farming, and slaughterhouses), and industry (food and beverages and chemicals).

In recent years, Uruguay has received unusually large-scale investments. In 2005-06, the Finnish firm UPM (ex-Botnia) made Uruguay's largest-ever foreign investment with the construction of a USD 1.2 billion pulp mill. In 2011-14, Finnish-Swedish-Chilean Montes del Plata invested an even larger projected sum –USD 1.9 billion in plant and USD 0.7 billion in land– in another pulp mill project.

U.S. investment in Uruguay has risen to an annual average of USD 77 million in 2009-2013 from an annual average of USD 58 million in 2004-2008. About 130 U.S. firms operate in Uruguay and directly employ over 15 thousand workers. Major firms include Weyerhaeuser (forestry), Conrad Hotels (tourism and gambling), Sabre (call center), McDonald's (restaurants) and Pepsi (syrups).

See Table 1

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	21 of 175	transparency.org/cpi2014/results
World Bank’s Doing Business Report “Ease of Doing	2015	82 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	72 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	15,180	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Conversion and Transfer Policies

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Uruguay maintains a long tradition of not restricting the purchase of foreign currency or the remittance of profits abroad. Free purchases of foreign currency and remittances were preserved even during the severe 2002 banking and financial crisis.

Uruguay does not engage in currency manipulation to gain competitive advantage. Since 2002, the peso has floated freely, albeit with intervention from the Central Bank aimed at reducing the volatility of the price of the dollar. Foreign exchange can be freely obtained at market rates and there is no black market for currency exchange. The U.S. Embassy uses the official rate when purchasing local currency.

Expropriation and Compensation

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Uruguay maintains a long tradition of not restricting remittance of profits abroad.

Article 7 of the U.S.-Uruguay BIT provides that both countries "shall permit all transfers relating to investments to be made freely and without delay into and out of its territory." The agreement also establishes that both countries will permit transfers "to be made in a freely usable currency at the market rate of exchange prevailing at the time of the transfer."

Uruguay is considered a Jurisdiction of Primary Concern for money laundering in the US Department of State’s International Narcotics Control Strategy Report (INCSRII).

Uruguay's Constitution declares property rights an "inviolable right" subject to legal determinations that may be taken for general interest purposes, and states that no individuals can be deprived from this right –except in case of public need and with a previous and fair compensation.

Article 6 of the U.S.-Uruguay BIT rules out direct and indirect expropriation or nationalization, except under certain very specific circumstances. The article also contains detailed provisions on how to compensate investors, should expropriation take place.

There have been no cases of expropriation of investment –neither from the United States nor from other countries– in the past five years.

Dispute Settlement

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Uruguay's legal system is based on a civil law system derived from the Napoleonic Code and includes written commercial law. Two courts specialized on Organized Crime deal with intellectual property claims.

The Judiciary is transparent and remains independent of the executive branch. However, it has sometimes been criticized for being slow. The executive branch rarely interferes directly in judiciary matters, but at times has voiced its dissatisfaction of court rulings.

A Bankruptcy Law passed in 2008 (No. 18,387) sought to expedite bankruptcy procedures, encouraged arrangements with creditors before a firm goes definitively bankrupt, and provided the possibility of selling the firm as a single productive unit.

The World Bank's 2014 Doing Business Report ranks Uruguay 6th out of 29 countries in Latin America and the Caribbean for its ease of "resolving insolvency."

Over the past 10 years, no U.S. citizens or corporations have been involved in an investment dispute.

In February 2010, the tobacco company Philip Morris International sued the government of Uruguay, arguing that new health measures involving cigarette packaging amounted to unfair treatment of the firm. The case was filed under the Uruguay-Switzerland Bilateral Investment Treaty and, as of April 2015, remains before ICSID. The United States does not support Philip Morris International, its position on this issue or the sales of its product.

Investors may choose between arbitration and the judicial system to settle disputes. Local courts recognize and enforce foreign arbitral awards

The U.S.-Uruguay BIT devotes over ten pages to establish detailed and expedited dispute settlement procedures. There have been no claims under the agreement.

ICSID Convention and New York Convention

Uruguay became a member of the International Center for the Settlement of Investment Disputes (ICSID) in September 2000 and is also a signatory of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Uruguay's Judiciary is independent, albeit sometimes slow according to private sector representatives. Courts' decisions are enforced and international arbitration awards are respected.

Performance Requirements and Incentives

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The WTO's Trade Policy Review on Uruguay (2012) does not mention any measures that are inconsistent with Trade Related Investment Measures (TRIMs) requirements. The investment promotion regime is regulated by Law 16,906 (passed in 1998) and Decree 002/12 (passed in January 2012) that grants significant tax incentives to investors in a wide array of sectors and activities.

Law 16,906 grants automatic tax incentives to several activities including personnel training; research, scientific and technological development; reinvestment of profits; and investments in industrial machinery and equipment. Other benefits provided exclusively to industrial and agricultural firms by Law 16,906 have in practice been superseded by the regulating decree.

On top of the referred automatic tax incentives, there are special regimes to promote specific sectors (please refer to Industrial Promotion section).

Certain activities –such as the purchasing of land, real estate or private vehicles– are not eligible for the benefits. The principal incentive consists of the deduction from corporate income tax of a share of total investment (up to 100%) over a certain period. The amount of the deduction depends on the score the project gets in a matrix of pre-defined criteria. The matrix takes into account the project's: (1) generation of jobs (quantity and quality); (2) contribution to research and development and innovation, or increase in the usage of clean technologies; (3) increase of exports; (4) contribution to geographic decentralization away from the capital Montevideo; and (5) sectoral indicators that vary according to the nature of the investment (e.g. capital market development, hiring of workers from vulnerable groups or contribution to tourism services and infrastructure).

Other incentives include: 1) exoneration from tariffs and taxes (including VAT) on imports of capital goods and materials for civil works that do not compete against local industry; 2) exoneration from the patrimony tax on personal property and civil works; 3) refunding of VAT paid on local purchases of materials and services for civil works; and 4) special tax treatment of fees and salaries paid for research and development.

A government decree establishes that government tenders will favor local products or services, provided they are of equal quality and not more than 10 percent more expensive than foreign goods or services. U.S. and other foreign firms are able to participate in government-financed or subsidized research and development programs on a national treatment basis.

U.S. and other foreign firms are able to participate in government financed or subsidized research and development programs. However, given the relatively infrequent nature of such funding opportunities, examples of U.S. firms actual receiving funding are quite rare.

Foreign investors are not required to meet any specific performance requirements, and are not inhibited by discriminatory or excessively onerous visa, residence, or work permit requirements. The government does not require that nationals own shares or that the share of foreign equity be reduced over time, and does not impose conditions on the number of foreign workers or on investment permits.

Article 8 of the U.S.-Uruguay Bilateral Investment Treaty bans both countries from imposing seven forms of performance requirements on new investments, or tying the granting of existing or new advantages to performance requirements.

Uruguay does not require foreign investors to use local content in goods or technology in order to invest. However, local content may be required in some sectors in order to become eligible for special tax treatment or government procurements. For instance, the state-owned electric utility recently offered a number of long-term purchase agreements for wind and solar generated electricity that included 20% local content requirements.

Uruguay does not require foreign IT providers to turn over source code or provide access to surveillance.

Right to Private Ownership and Establishment Return to top

Private ownership does not restrict a firm or business from engaging in any form of remunerative activity, except in two areas: national security interests and legal government monopolies (see Competition from State Owned Enterprises). One hundred percent foreign ownership is permitted except where restricted for national security purposes.

A 2014 law (No. 19,283) bans foreign States' public companies or their sovereign funds (directly or indirectly) from purchasing land locally.

Protection of Property Rights Return to top

Real Property

Secured interests in property and contracts are recognized and enforced. Mortgages exist and Uruguay has a recognized and reliable system of recording such securities. Uruguay's legal system protects the acquisition and disposition of all property, including land, buildings and mortgages.
Traditional Use Rights are not applicable as there is no relevant indigenous community in Uruguay. The vast majority of land has clear property titles.

Since 2005, there has been a debate over the government´s and unions´ position to consider occupations of workplaces as an extension of workers' right to strike – thus enabling workers to lawfully occupy workplaces – which has been opposed by business chambers. (See Labor Section for further information)

Intellectual Property

Uruguay is a member of the World Intellectual Property Organization (WIPO), and a party to the Bern and Universal Copyright Conventions, as well as the Paris Convention for the Protection of Industrial Property.

The quality of IP protection and level of enforcement within Uruguay has gradually improved over time and in 2006 the Office of the U.S. Trade Representative (USTR) removed Uruguay from its Special 301 Watch List due to progress in enforcing

Intellectual Property Rights, especially with respect to copyright enforcement (which represented a significant improvement over the previous 1937 law).

Patents are protected by a 1999 Law (No. 17,164). Invention patents have a twenty-year term of protection from the date of filing. Patents for utility models and industrial designs have a ten-year term of protection from the filing date and may be extended for an additional five years. The law defines compensation as "adequate remuneration" to be paid to the patent-holder. Some industry groups criticize the slowness of the patent-granting process as well as the lack of data protection.

A 1999 trademark law (No. 17,011) upgraded trademark legislation to TRIPS standards. Registered trademarks last ten years and the license can be renewed as many times as desired. The law provides prison penalties of six months to three years for violators, and requires proof of a legal commercial connection to register a foreign trademark. While enforcement of trademark rights has improved in recent years, local citizens have sometimes managed to register trademarks without owners' prior consent.

Uruguay was included in USTR's 2014 Notorious Markets Report for an increase in reports of counterfeiting and piracy from its free trade zones. The report specifically mentions two of the twelve free trade zones as being of concern. A recent Customs Decree will grant Uruguay's National Customs Agency the authority to operate within free trade zones.

Customs officers have ex officio authority to seize and destroy counterfeit goods but they usually act upon right holders' request. Right holders are responsible for paying for the storage and destruction of the counterfeit goods.

Uruguay tracks and reports on Custom's seizures of goods, some of which are counterfeit. Information is available at http://www.aduanas.gub.uy/innovaportal/v/10500/1/innova.front/incautacion_de_mercaderias.html. Notwithstanding there is no centralized reporting system on seizures of counterfeit goods.

For additional information about treaty obligations and points of contact at local IP offices, please see Uruguay's country profile at WIPO at http://www.wipo.int/directory/en/details.jsp?country_code=UY

The U.S. Commerce Department has positioned IP attachés in key markets around the world. For the IP attaché who covers Uruguay contact: Albert.Keyack@trade.gov

A list of local lawyers is available at http://uruguay.usembassy.gov/uscitizenservices-notary-attorneys.html. The State Department's Economic Officer at the U.S. Embassy in Montevideo covering IP issues is:

Mr. Andrew Winkelman
Chief of the Economic-Commercial Section
Tel: + (5982) 1770-2429
e-mail: winkelmanag@state.gov

Transparency of Regulatory System

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Transparent and streamlined procedures regulate local and foreign investment.

Uruguay has transparent legislation and a special Commission at the Ministry of Economy to foster competition. The main legal pillars (Law No. 18,159 and decree 404, both passed in 2007) are available at the Commission's website: https://www.mef.gub.uy/578/5/areas/defensa-de-la-competencia---uruguay.html

Accounting, legal, and regulatory procedures are transparent and consistent with international norms. Proposed laws and regulations are only occasionally published in draft form for public comment. It is common that parliamentary commissions receive stakeholders while discussing a bill. There are no informal regulatory processes managed by non-governmental organizations or private sector associations

Article 10 of the Uruguay-U.S. BIT mandates both countries to publish promptly or make public any law, regulation, procedure or adjudicatory decision related to investments. Article 11 sets transparency procedures that govern the accord.

Efficient Capital Markets and Portfolio Investment

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A capital markets law (No. 18,627) was passed in 2009 to try to jumpstart the local capital market. However, as of 2015, the local capital market remains underdeveloped and highly concentrated in sovereign debt, making it difficult to finance through the local equity market. Trading in shares and commercial paper is virtually non-existent (only six firms are registered with BVM to issue shares), severely limiting market liquidity. However, in early 2015 the state-owned electric power company (UTE) had a successful bond issuance in which demand greatly exceeded supply and the value of the bonds immediately rose over 10 percent, indicating an unmet need for investment opportunities.

As a result of such underdevelopment and the lack of enough liquidity in the markets to enter and exit sizeable positions, Uruguay regularly receives “active” investments oriented to establishing new firms or gaining control over existent ones, but lacks “passive” investments from investment funds.

The government maintains an open attitude towards foreign portfolio investment but there is no effective regulatory system to encourage and facilitate it. Uruguay does not impose any restrictions on payments and transfers for current international transactions.

Bearer shares, which had been widely used, were banned in 2012 as part of the process of complying with OECD requirements (see Bilateral Investment Agreements section). Private firms do not use "cross shareholding" or "stable shareholder" arrangements to restrict foreign investment, nor do they restrict participation in or control of domestic enterprises.

The banking system is generally sound. After undergoing a massive crisis in 2002, the local system has been largely unaffected by the 2008 global financial crisis and has good capital, solvency and liquidity ratios.

With over 40 percent of the market, government-owned Banco de la Republica is the nation's largest and only Uruguayan-owned bank. The rest of the banking system is comprised of ten international banks.

Credit is allocated on market terms, but long-term banking credit has traditionally been difficult to obtain. Foreign investors can access credit on the same market terms as nationals.

Competition from State Owned Enterprises Return to top

Uruguay is not a party to the WTO's Plurilateral Agreement on Government Procurement.

Uruguay maintains state monopolies in a number of areas where direct foreign equity participation is prohibited by law. These include the importing and refining of oil, workers' compensation insurance, and landline telephony. Water sanitation, which had been opened to private-sector participation in the mid-1990s, returned to government control in 2004 after a referendum determined that water is a natural resource to be administered exclusively by the State.

Some traditionally government-run monopolies were opened to private-sector competition in recent decades. Cellular and international long distance services, insurance, and media services are now open to local and foreign competitors. Despite competition, state-owned companies have the largest market share in all the aforementioned sectors. Private-sector generation of power is allowed and increasing, especially in renewable energies, but the state-owned power company UTE holds a monopoly on wheeling rights.

State-run monopolies sometimes contract with foreign-owned companies to provide specific services over a period of time under Build-Operate-Transfer (BOT) systems. Road construction and maintenance, and the construction and operation of both Montevideo's port container terminal and the international airport, are examples of BOT projects. The state-owned oil company ANCAP has also established associations with foreign partners for off-shore and on-shore exploration.

In an attempt to address its major infrastructure shortage while preserving fiscal balance, in 2011 Uruguay passed a Public-Private-Partnerships (PPP) law (No. 18,786). The law, passed in Parliament by consensus and regulated in January 2012 by Decree 07/12, formalizes the procedures, responsibilities, and obligations from the State and private investors.

The law allows various kinds of contracts that enable private sector companies to design, build, finance, operate and maintain certain infrastructures, including brownfield projects. With some exceptions (such as medical services in hospitals or educational services in schools) PPPs can also be applied to social infrastructure. The return for the private sector company may come in the form of user payments, government payments or a combination of both. The procurement process is clear in the law and requires fair and open competition. Interested PPP bidders must demonstrate the background and financial strength asked for in the terms of reference of the PPP procurement process.

The PPP law was launched with high hopes that it would attract private sector participation in major infrastructure projects such as highway and railway construction and operation, waste disposal, and energy. However, as of April 2015, only three PPP projects are underway.

State-owned firms are required by law to publish an annual report, and their balances are audited by independent firms.

Most state-owned firms are defined as autonomous but in practice coordinate certain issues, mainly tariffs, with their respective ministries and the Executive Branch. SOE boards are appointed by the Executive Branch, require Parliamentary ratification and remain in office for the same term as the Executive Branch.

There are no Sovereign Wealth Funds in Uruguay.

Corporate Social Responsibility

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The concept of Corporate Social Responsibility (CSR) is relatively new to producers, consumers and the government, but many companies do abide by the principles of CSR as a matter of course.

Many multinational companies find it advantageous to stake out a CSR strategy and have made significant contributions in promoting safety awareness, better regulation, a positive work environment and sustainable environmental practices. U.S. companies have proven to be leaders in promoting a greater awareness of and appreciation for CSR in Uruguay.

Consumers tend to pay attention to the CSR image of companies, especially as it relates to a firm’s work with local charity or community causes.

Political Violence

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Uruguay is a stable democracy in which respect for the rule of law is the norm and the majority of the population is committed to non-violence.

There have been no cases of political violence or damage to projects/installations over the past decade.

A 2013 Latinobarometro study (available at http://www.latinobarometro.org/latContents.jsp) pointed to Uruguay as the country that is most supportive of democracy (among 18 Latin American countries) and the one with the civic and political culture most similar to European countries.

Corruption

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Overall, U.S. firms have not identified corruption as an obstacle to investment.

Together with Chile, Uruguay was ranked as the least corrupt country in Latin America in the 2014 edition of Transparency International's Corruption Perception Index.

Uruguay signed and ratified the UN's Anticorruption Convention and has laws to prevent bribery and other corrupt practices. A law against corruption in the public sector was approved in 1998 and acceptance of a bribe is a felony under Uruguay's penal code. Some high level Uruguayan officials, from the Executive, Parliament and the Judiciary, have been prosecuted for corruption in recent years.

Laws 17,835 and 18,494 (passed in 2004 and 2009) and Decree 226/10 establish a strong framework against money laundering and terrorism finance and include corruption as a preceding crime. Money laundering is penalized with sentences of up to ten years (and also applies to Uruguayans living abroad). Prosecutions have been gradually increasing since 2005.

The Transparency and Public Ethics Committee (http://www.jutep.gub.uy/) is the government office responsible for combating public sector corruption.

UN Anticorruption Convention, OECD Convention on Combating Bribery

Uruguay is not a member of the OECD and therefore not party to the OECD's Convention on Combating Bribery.

Contact at government agency or agencies responsible for combating corruption:

Mr. Luis Yarzabal
President
Board of Transparency and Public Ethics (Junta de Transparencia y Etica Publica)
Rincon 528, 8th Floor - CP 11000, Montevideo,
Tel: + (598) 2917 0407
e-mail: secretaria@jutep.gub.uy

The local branch of Transparency International is http://www.uruguaytransparente.org.uy

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which generally makes it unlawful for U.S. persons and businesses (domestic concerns), and U.S. and foreign public companies listed on stock exchanges in the United States or which must file periodic reports with the Securities and Exchange Commission (issuers), to offer, promise or make a corrupt payment of anything of value to foreign officials to obtain or retain business. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. In addition to the anti-bribery provisions, the FCPA contains accounting provisions applicable to public companies. The accounting provisions require issuers to make and keep accurate books and records and to devise and maintain an adequate system of internal accounting controls. The accounting provisions also prohibit individuals and businesses from knowingly falsifying books or records or knowingly circumventing or failing to implement a system of internal controls. In order to provide more information and guidance on the statute, the Department of Justice and the Securities and Exchange Commission published *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, available in PDF at: http://www.justice.gov/criminal/fraud/fcpa/guidance/. For more detailed information on the FCPA generally, see the Department of Justice FCPA website at: http://www.justice.gov/criminal/fraud/fcpa/.

Other Instruments: It is U.S. government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (negotiated under the auspices of the OECD), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements.

OECD Antibribery Convention: The Antibribery Convention entered into force in February 1999. As of January 2015, there are 41 parties to the Convention, including the United States (see http://www.oecd.org/corruption/oecdantibriberyconvention.htm). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Antibribery Convention. The Antibribery Convention obligates the Parties to criminalize bribery of foreign public officials in international business transactions, which the United States has done under U.S. FCPA.

UN Convention: The UN Convention entered into force on December 14, 2005, and there are 174 parties to it as of March 2015 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption, from basic forms of corruption such as bribery and solicitation, embezzlement, and trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of January 2015, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html) and the follow-up mechanism created in 2001 (MESICIC) has 31 members including Uruguay (see http://www.oas.org/juridico/english/mesicic_intro_en.htm

Council of Europe Criminal Law and Civil Law Conventions on Corruption: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention on Corruption, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on whistleblower protection, compensation for damage relating to corrupt acts, and nullification of a contract providing for or influenced by corruption, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). See http://www.coe.int/t/dghl/monitoring/greco/general/about_en.asp. As of January 2015, the Criminal Law Convention has 44 parties and the Civil Law Convention has 35 (see http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=173; http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=174).

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize "active bribery" of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic "passive bribery" (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. The U.S. and Uruguay do not have a FTA.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. and Foreign Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at www.trade.gov/cs.

The United States provides commercial advocacy on behalf of exporters of U.S. goods and services bidding on public sector contracts with foreign governments and government agencies. An applicant for advocacy must complete a questionnaire concerning its background, the relevant contract, and the requested U.S. Government assistance. The applicant must also certify that it is in compliance with applicable U.S. law, that it and its affiliates have not and will not engage in bribery of foreign public officials in connection with the foreign project, and that it and its affiliates maintain and enforce a policy that prohibits bribery of foreign public officials. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel, and reported through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp. Potential violations of the FCPA can be reported to the Department of Justice via email to FCPA.Fraud@usdoj.gov.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals and issuers to request a statement of the

Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding actual, prospective business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa and general information is contained in Chapter 9 of the publication *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, at http://www.justice.gov/criminal/fraud/fcpa/guidance/. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general information to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the General Counsel, U.S. Department of Commerce, website, at http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives. More general information on the FCPA is available at the websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, translations of the statute into numerous languages, documents from FCPA related prosecutions and resolutions, and press releases are available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa and http://www.justice.gov/criminal/fraud/fcpa/guidance/

- The U.S. Securities and Exchange Commission FCPA Unit also maintains an FCPA website, at: https://www.sec.gov/spotlight/fcpa.shtml. The website, which is updated regularly, provides general information about the FCPA, links to all SEC enforcement actions involving the FCPA, and contains other useful information.

- General information about anticorruption and transparency initiatives, relevant conventions and the FCPA, is available at the Department of Commerce Office of the General Counsel website:http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives

- The Trade Compliance Center hosts a website with anti-bribery resources, at http://tcc.export.gov/Bribery. This website contains an online form through which U.S. companies can report allegations of foreign bribery by foreign competitors in international business transactions

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at:http://www.oecd.org/corruption/oecdantibriberyconvention.htm See also Antibribery Recommendation http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm and Good Practice Guidance Annex for companies: http://www.oecd.org/daf/anti-bribery/44884389.pdf.

- GRECO monitoring reports can be found at: http://www.coe.int/t/dghl/monitoring/greco/evaluations/index_en.asp

- MESICIC monitoring reports can be found at: http://www.oas.org/juridico/english/mesicic_intro_en.htm

- The Asia Pacific Economic Cooperation (APEC) Leaders have also recognized the problem of corruption and APEC Member Economies have developed anticorruption and ethics resources in several working groups, including the Small and Medium Enterprises Working Group, at http://businessethics.apec.org/, and the APEC Anti-Corruption and Transparency Working Group, at http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Anti-Corruption-and-Transparency.aspx. For more information on APEC generally, http://www.apec.org/.

There are many other publicly available anticorruption resources which may be useful, some of which are listed below without prejudice to other sources of information that have not been included. (The listing of resources below does not necessarily constitute U.S. Government endorsement of their findings.)

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in approximately 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/research/cpi/overview. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents, and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/research/gcr.

- The World Bank Institute's Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996-2013, for six dimensions of governance (Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption). See http://info.worldbank.org/governance/wgi/index.aspx#home. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS. See also the World Bank Group *Doing Business* reports, a series of annual reports measuring regulations affecting business activity, available at: http://www.doingbusiness.org/

- The World Economic Forum publishes every two years the *Global Enabling Trade*

Report, which assesses the quality of institutions, policies and services facilitating the free flow of goods over borders and to their destinations. At the core of the report, the Enabling Trade Index benchmarks the performance of 138 economies in four areas: market access; border administration; transport and communications infrastructure; and regulatory and business environment. See http://www.weforum.org/reports/global-enabling-trade-report-2014.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which typically assesses anti-corruption and good governance mechanisms in diverse countries. (The 2012 and 2013 reports covered a small number of countries as the organization focused on re-launching a modernized methodology in mid-2014.) For more information on the report, see https://www.globalintegrity.org/global-report/what-is-gi-report/.

Bilateral Investment Agreements Return to top

In November 2005, Uruguay and the United States signed a Bilateral Investment Treaty (BIT) to promote and protect reciprocal investments that entered into force on November 1, 2006. The full text of the agreement is available at www.ustr.gov/Trade_Agreements/BIT/Section_Index.html.

The BIT grants national and most-favored-nation treatments to investments and investors sourced in each country. The agreement also includes detailed provisions on compensation for expropriation, and a precise procedure for settling bilateral disputes. The annexes include sector-specific measures that are not covered by the agreement and specific sectors or activities which governments may restrict further.

Besides the United States, Uruguay has Bilateral Investment Agreements with the following countries: Armenia; Australia; the Belgium-Luxembourg Economic Union (BLEU); Canada; Chile; China; Czech Republic; El Salvador; Finland; France; Germany; Hungary; India; Israel; Italy; Japan; South Korea; Malaysia; Mexico; Netherlands; Panama; Poland; Portugal; Romania; Spain; Sweden; Switzerland; United Kingdom; United States of America; Venezuela and Vietnam. Uruguay also has BIT with Argentina, Brazil and Paraguay (a general agreement signed in MERCOSUR in 1994).

In 2009, the GOU reacted to its inclusion by the OECD in a grey list of jurisdictions that had not "committed to implement the internationally agreed tax standard." Since then, the government has endorsed OECD standards on transparency and exchange of information and upgraded several regulations to meet such standards. Main measures include signing several tax information exchange agreements, relaxing bank secrecy provisions, and modifying its bearer shares system. In October 2012, the OECD acknowledged the GOU's progress and allowed Uruguay to move on to the second phase of the review process, consisting of a survey of the practical implementation of the standards.

According to the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes, as of March 2015 Uruguay had signed 31 TIEAs, 16 of which include double taxation provisions. Ten of the TIEAs, three of which include double taxation provisions, are pending parliamentary ratification as of March 2015.

Uruguay has TIEAs with double taxation provisions with Ecuador, Finland, Germany, Hungary, India, Liechtenstein, Malta, Mexico, Portugal, Romania, South Korea, Spain and Switzerland. Agreements with Belgium, United Arab Emirates and Vietnam are pending parliamentary ratification.

Uruguay also has TIEAs in effect –without double taxation provisions– with Argentina, Australia, Canada, Denmark, France, Greenland, Iceland and Norway. TIEAs with seven other countries are pending parliamentary ratification (Brazil, Chile, Faroe Islands, Guernsey, The Netherlands, Sweden and the United Kingdom).

Uruguay and the United States do not have double taxation or tax information agreements in place.

OPIC and Other Investment Insurance Programs Return to top

Overseas Private Investment Corporation (OPIC) programs are active in Uruguay, though few U.S. companies/projects request their services as due to the country's stability, access to foreign currency, etc., they see little need for them. The GOU signed an investment insurance agreement with OPIC in December 1982.

In 2014, the average exchange rate was USD 23.15 Uruguayan Pesos to the Dollar.

Labor Return to top

Over the past couple of years, the labor market has operated at virtually full employment, and there has been a shortage of labor in some sectors. Unemployment is structurally higher among youth, especially young women.

Salary Councils - consisting of a three party board including representatives from unions, employers, and the government - are responsible for setting wage increases at a sectoral level that are then applied by individual firms in the sector. If unions and employers fail to reach an agreement to determine the wage increase to be applied for sectors, the government makes the final decision. Labor costs have been increasing over time.

Social security payments are approximately 30 percent of workers' basic salary. Private sector employers are prohibited from firing workers for discriminatory or anti-union reasons. It is not uncommon that dismissals result in labor conflicts. The employer must pay the worker one month for each year of work, with a cap of six months.

Despite its very high literacy rate and tradition of quality public education, Uruguay is currently experiencing a high dropout rate in high school and poor performance in the OECD's Program for International Student Assessment (PISA) that have the potential to reduce the number of qualified workers available over the mid-term. In 2008, the government launched a special institute, INEFOP, to help train the workforce.

Some foreign investors have also reported concerns about the productivity level of Uruguay's workforce. Productivity is usually not included in the negotiations that take place in the salary councils. Given the strong economic growth over the past decade, very low current unemployment (that limits future growth based on labor accumulation) and inflationary pressures, the government is concerned about fostering productivity and intends to include productivity measures in upcoming wage negotiations.

Unionization has tripled from about 110,000 in 2003 to over 350,000 in 2013 (approximately 21 percent of employed workers), and is particularly high in the public sector and some private sectors, such as construction and banks.

Since 2005, the government has introduced several changes to the labor market, including:

– In 2005, the government rescinded a decree that enabled employers to request police action to evict occupying workers.
– In December 2010, the government passed a decree providing expedited procedures for evicting occupants of public-sector workplaces.
– The law on the “Promotion and Protection of Labor Unions,” passed in 2006, provides for the immediate reinstatement of the employee if any infringement of the law is proven.
– Law 18,099 passed in 2007, on outsourcing increased employers' responsibility for labor violations by third-party firms that were contracted by the employers.
– A September 2009 law on Collective Bargaining (No. 18,566) which established a bargaining system structured at three levels: national scope; branch of activity or productive chain; and bipartite collective bargaining at the company level.
– Law 19,196, passed in March 2014, provides penal sanctions ranging from three months to two years imprisonment for those employers or their representatives who fail to adopt labor safety standards and thus generate a grave and concrete danger to the life or physical integrity of workers.

Uruguay has ratified numerous International Labor Organization (ILO) conventions that protect worker rights, and generally adheres to their provisions. The Uruguayan constitution guarantees workers the right to organize and strike, and union members are protected by law against dismissal for union activities. Sympathy strikes are legal.

In labor trials, the Judiciary tends to rule in favor of the worker, as s/he is considered to be the weaker party. Labor unions are nominally independent from the government but in practice have a close affinity with the ruling Frente Amplio party.

Foreign-Trade Zones/Free Ports Return to top

Twelve free trade zones (FTZs) are located throughout the country (https://www.mef.gub.uy/8913/4/areas/ver-todas.html). Most FTZs host a wide variety of tenants performing various services (e.g., financial, software, call centers, warehousing and logistics). One FTZ was created exclusively for the development of pharmaceuticals, and two for the production of paper pulp. Since MERCOSUR regulations treat products manufactured in most member states’ FTZs (with the exception of Tierra del Fuego and Manaus located in Argentina and Brazil) as extra-territorial –and hence charge them the common external tariff upon entering any member country– industrial production in local FTZs is destined to non-MERCOSUR countries.

Goods, services, products, and raw materials of foreign and Uruguayan origin may be brought into the FTZs, held, processed, and re-exported without payment of Uruguayan customs duties or import taxes. Firms operating in FTZs are also exempted from national taxes.

Government monopolies are not honored within FTZs. Local and foreign-owned industries alike enjoy several advantages in an FTZ, including exemption from all domestic taxes. Additionally, the employer does not pay social security taxes for non-Uruguayan employees who have waived coverage under the Uruguayan social security system. However, Uruguayans must comprise at least 75 percent of a company's labor force to qualify for FTZ tenancy. Goods of Uruguayan origin entering into FTZs are treated as Uruguayan exports for tax and other legal purposes.

Information in Spanish only is available in: https://www.mef.gub.uy/1209/4/areas/marco-normativo.html

Key regulations of free zones include:

• The operation of free trade zones (FTZs) is regulated by Law 15,921 (from 1987) and the Ministry of Finance's Free Trade Zone Directorate.

• Decree 344/010 passed in November 2010 introduced some changes in the free zone regime in order to discourage the establishment of shell or "paper" corporations in free zones for tax evasion purposes. The Decree requires companies to submit a business plan and limits the term of the authorization to ten years, which is renewable upon GOU review.

• Article 309 of Law 18,996 (passed in November 2012) regulates the kind of activities that FTZ users can perform outside the FTZs. For instance, the law prevents them from performing commercial activities of substantial nature (e.g. selling, exhibiting or delivering) related to goods destined to Uruguay's regular (i.e. non-free zone) territory. The law also requires users to request a GOU permit to perform non-substantive activities outside FTZs.

• In July 2013, the Executive Branch submitted a bill introducing changes to the FTZ regime –including authorization for Customs´ inspections in FTZ, newly permitted industrial and services-related activities, and new regulations on transfer prices. The bill was not voted in the 2010-2015 parliamentary term and, should the Executive insist with the changes, it would have to submit a new bill. Customs´ inspections in FTZs were subsequently authorized by Decree 97/015 from March 2015.

Law 17,547 passed in August 2002 allows for the establishment of Industrial Parks. Several decrees signed since 2007 have made Industrial Parks more attractive and since then a number, some of which are sector-specific, have been created. Advantages include fiscal exemptions and tax benefits. Industrial Parks can be established by the private sector or the national or local governments.

Uruguay has other special import regimes in place, including Temporary Admission, Private Customs Deposits and Free Ports. The Temporary Admission regime allows manufacturers to import duty-free the raw materials, supplies, parts and intermediate products they will use to manufacture products that will later be exported. The system requires a government authorization and that final products be exported within a period of 18 months. Firms do not have to be located in a specific location to benefit from Temporary Admission.

The Free Port and Bonded Warehouses are special areas where goods that are kept within the premises are exempted from all import-related duties and tariffs. While in the premises, merchandise may be labeled, fractioned and re-packaged. The two differences between the Free Ports and the Bonded Warehouses regimes are that goods can stay for an unlimited amount of time in Free Ports (Bonded Warehouses restrict the stay to one year), and processes done in Free Ports cannot modify the nature of the good (industrialization is allowed in Bonded Warehouses).

The GOU has been increasingly promoting Uruguay as a regional world-class logistics and distribution center. In December 2010, it created the National Logistics Institute (INALOG by its Spanish acronym), a public-private sector institution that seeks to coordinate efforts towards establishing Uruguay as the leading MERCOSUR distribution hub. Uruguay's Investment Promotion Agency, Uruguay XXI, has several reports on Uruguay's role and advantages as a logistics hub.

Foreign Direct Investment Statistics Return to top

Key Macroeconomic Data, U.S. FDI in Host Country/Economy –

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	57.6 billion	2013	55.7 billion	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or internationalSource of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2013	899	2013	1,307	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2013	327	BEA data available 3/19/14 at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm

Total inbound stock of FDI as % host GDP	2013	34%

* http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx

Sources and Destination of FDI:

Five countries accounted for half of total FDI in 2009-13. Argentina was the largest investor with 30 percent of total FDI, followed by Brazil (7 percent), Spain (6 percent), The Netherlands (5 percent) and the United States (4 percent). Annual average U.S. investment rose to USD 77 million in 2009-2013 from USD 58 million in 2004-2008.

Uruguay's Central Bank reports that the United States held the 4th largest stock of investment in 2013 –USD 899 million (the U.S. Department of Commerce's Bureau of Economic Analysis indicates an investment stock of USD 1.3 billion). U.S. investment is distributed among a wide array of sectors, including forestry, tourism and hotels, services (e.g. call centers or back office) and telecommunications.

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*

Inward Direct Investment			**Outward Direct Investment**		
Total Inward	17,547	100%	Total Outward	N/A	100%
Argentina	4,717	27%			
Brazil	1,338	8%			
Spain	1,173	7%			
United States	894	5%			
Netherlands	738	4%			
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey

Sources of Portfolio Investment: - Table follows in next page

Portfolio Investment Assets

Top Five Partners (Millions, US Dollars)

Total	**Equity Securities**	**Total Debt Securities**

All Countries	4,456	100%	All Countries	667	100%	All Countries	3,789	100%
United States	1,410	32%	United States	157	24%	United States	1254	33%
Brazil	318	7%	Luxembourg	156	23%	Brazil	306	8%
Luxembourg	272	6%	U.K.	126	19%	Cuba	190	5%
U.K.	250	6%	Spain	83	12%	Sweden	168	4%
Cuba	190	4%	Bermuda	80	12%	Netherlands	151	4%

Source: IMF Coordinated Portfolio Investment Survey

Contact Point at Post

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Uruguay’s Investment Promotion Agency, Uruguay XXI, also provides relevant information on the investment and trade regimes to potential investors.

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Chapter 7: Trade and Project Financing

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Exports to Uruguay are usually financed through export letters of credit, sales on open account, or drafts on foreign buyers. Local business practices do not generally include paying for goods in cash in advance. Payments by credit cards or PayPal-type mechanisms are gaining popularity.

There are no foreign currency restrictions in Uruguay. Payment for any kind of imports can be made on the terms agreed by the parties (i.e., a letter of credit or a sight draft with deferred payment, etc.). The international banking departments of major U.S. banks and special programs under the Export-Import Bank of the United States (EXIM Bank), the Overseas Private Investment Corporation (OPIC), and the Small Business Administration (SBA) generally finance U.S. exports.

For local credit rating agencies see links below:

Equifax:	http://www.clearing.com.uy, http://www.equifax.com
Commercial Defense:	http://www.lideco.com.uy – BBB equivalent
PriceWaterhouseCoopers:	http://www.pwc.com/uy

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The banking system is generally sound and has good capital, solvency, and liquidity ratios. Profitability, in a context of low international interest rates and low demand for credit, is a problem. The largest bank is the government-owned Banco de la Republica, which accounts for over 40 percent of total credits and deposits. Long-term banking credit has traditionally been difficult to obtain. Foreign investors can access credit on the same market terms as nationals.

The financial sector in Uruguay is open to foreign participation and is sustained by a transparent supervisory and regulatory system. A severe banking crisis in 2002 put the entire system under risk, but proper management allowed the system to get back on track. The crisis was overcome with timely U.S. and IMF support. After the crisis Uruguay reformed its Central Bank’s Charter and enhanced its regulation and supervisory roles. At present the local banking sector is sound as it was unaffected by the 2008/2009 global financial crisis.

Uruguay's financial sector currently consists of one government-owned commercial bank (Banco de la Republica) and one government-owned mortgage bank (BHU). Government-owned banks have traditionally held a major share of the banking market. The market has foreign banks, cooperatives, offshore banks, external financial institutions, credit administrators, foreign exchange houses and financial service companies. For list of institutions and more details please check in http://www.bcu.gub.uy/Servicios-Financieros-SSF/Paginas/Default.aspx

Offshore banks are subject to the same laws, regulations, and controls as local banks, with the GOU requiring them to be licensed through a formal process that includes a background investigation. Offshore financial institutions operate with limited functions as they cannot operate with residents. U.S. financial firms such as Raymond James operate in Uruguay, mainly within free trade zones.

For more information, please check the Central Bank's website at http://www.bcu.gub.uy (Some information is also available in English).

Foreign-Exchange Controls Return to top

Uruguay does not apply foreign exchange controls.

U.S. Banks and Local Correspondent Banks Return to top

Citibank (Citi)

Citibank is the only U.S bank currently operating in Uruguay. The bank has had a presence in Uruguay since 1915. Web: http://www.citibank.com.uy

Citibank is currently operating only in corporate banking since it sold its private banking operation to Itau in 2013.

All local banks have correspondent banking arrangements with some major U.S. bank. All of them, including government-owned Banco de la Republica and private banks, which are either subsidiaries or branches of international banks, are in the process of adapting to the Foreign Account Tax Compliance Act (FATCA) regulations. For more see in: http://www.irs.gov/Businesses/Corporations/Foreign-Account-Tax-Compliance-Act-FATCA

Project Financing Return to top

Some of the major sources of project financing include:

A. EXIM Bank: Provides U.S. exporters with several financing programs, including working capital guarantees, export credit insurance, commercial bank guarantees, medium-term credits, small business credits, direct loans to foreign purchasers, and financial guarantees. EXIM Bank finances all types of U.S. goods and services as long as they contain at least 50 percent U.S. content and are not military-related. Further information on the bank's programs may be obtained at 1-800-565-EXIM – http://www.exim.gov.

B. Overseas Private Investment Corporation (OPIC): OPIC's programs include loans and loan guarantees, investment funds, and political risk insurance (currency inconvertibility, expropriation, and loss of assets or income caused by political violence). OPIC may be contacted at 202-336-8400 or at www.opic.gov

C. Commodity Credit Corporation (CCC): The CCC finances exports of U.S. agricultural commodities. The CCC may be reached by phone at 202 720-6301 or by fax at 202 690-0727 or at http://www.fsa.usda.gov/ccc.

D. Small Business Administration (SBA): SBA's export revolving line of credit loan helps small businesses export their products. SBA may be contacted at 1-800-827-5722 or at www.sba.gov.

Several States also have their own export financing programs.

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Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team: http://www.export.gov/tradefinanceguide/index.asp

Export-Import Bank of the United States: http://www.exim.gov

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: http://www.opic.gov

Trade and Development Agency: http://www.tda.gov/ -

SBA's Office of International Trade: http://www.sba.gov/oit/

Multilateral Development Banks (World Bank, Inter-American Development Bank**)**

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the World Bank and the Inter-American Development Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders.

Learn more by contacting the Commercial Liaison Offices to the World Bank (http://export.gov/worldbank) and to the Inter-American Development Bank (http://export.gov/idb).

Web Resources
Commercial Liaison Office to the World Bank http://export.gov/worldbank
Commercial Liaison Office to the Inter-American Development Bank http://export.gov/idb

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Chapter 8: Business Travel

Business Customs Return to top

Business dress and appearance, as well as one's general approach to business relations, should be very conservative. An advance appointment for a business visit is usually necessary and considered a customary courtesy. Punctuality is generally observed. Typically, business is discussed after social niceties. Business breakfasts, cocktails, and lunches are common. Dinners are common for closing a business agreement.

Travel Advisory Return to top

For travel advisories, if any, please check http://uruguay.usembassy.gov and/or http://travel.state.gov/travel/cis_pa_tw/cis/cis_1054.html

No inoculations are currently necessary for entry. International travelers are advised to contact their local public health department, physician, or travel agent at least two weeks before departure to obtain current information on health requirements.

Visa Requirements Return to top

U.S. citizens need a valid American passport, but visas for temporary visits of less than 90 days, not to reside in or work permanently in Uruguay, are not required for holders of regular passports. Those traveling on diplomatic or official passports must have a valid visa in addition to the passport. For more information, please check the following website: http://travel.state.gov/travel/travel_1744.html

Business and tourist stays are limited to 90 days and may be extended for an additional 90 days. U.S. companies that require travel of foreign businesspersons to the United States should be advised that visa-related security opinions are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/

U.S. Embassy in Uruguay, Consular Section: http://uruguay.usembassy.gov/visas2.html

Telecommunications

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Uruguay has a fixed line tele-density of almost 80 percent, one of the highest in Latin America. Telephony is fully digitalized. Only ANTEL, the state owned company, can provide basic telephony. Eight other companies compete with ANTEL for international calls. There are three cellular providers with GSM/GPRS, TDMA, and/or CDMA services. High-speed Internet is easily accessible in major hotels and airports, and cyber-cafes are readily available. AT&T, MCI, and Sprint calling cards are accepted.

Transportation

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American Airlines is the only U.S. carrier with flights to and from the United States using their own aircraft. They operate 6 days a week during the months of May and September (except for Wednesdays).The rest of the year, American Airlines operates direct flights between Montevideo and Miami seven days a week. Both Delta and United Airlines service Montevideo on a daily basis with codeshare flights: United using a Copa aircraft coming and going to Panama and Delta using a GOL flight through San Pablo.

Internal transportation is mainly by car or bus. Within Montevideo, bus and taxi services are extensive, safe, and inexpensive.

Language

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Spanish is the official language. Although many in the business community speak English or other languages, interpreters are commonly used during business meetings.

Health

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There are no major health hazards. Uruguay enjoys high health standards for food and drinking water.

Local Time, Business Hours, and Holidays

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Uruguay observes standard time (GMT-3) from March-October. From October-March, Daylight Savings Time is in effect (GMT-2).

Normal business hours are Monday through Friday from 9:00 a.m. – 6:00 p.m. Banks are open to the public Monday through Friday from 1:00 – 5:00 p.m. Stores are also open on Saturdays from 9:00 a.m. to 1:00 p.m. Shopping centers open daily from 10:00 a.m.-10:00 p.m.

Local Holidays for Calendar Year 2015

Jan. 1	New Year's Day
Jan. 6	Three King’s Day
Feb. 16-17	Two days for Carnival (6 weeks before Holy/Easter Week)

Mar. 1	President's Inauguration Day
Mar. 30-Apr.3	Five days for Holy Week / Easter (dates vary from year to year)
May 1	Uruguayan Labor Day
May 18	Batalla de Las Piedras
Jun. 19	Birthday of Artigas
July 18	Uruguayan Constitution Day
Aug. 25	Uruguayan Independence Day
Oct. 12	Columbus Day
Nov. 2	All Souls Day
Dec. 25	Christmas Day

Temporary Entry of Materials and Personal Belongings

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There are no restrictions on the temporary entry of business-related equipment (i.e. laptops, etc.) Refundable deposits may be required and are payable at the point of entry.

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U.S. Embassy in Uruguay:	http://uruguay.usembassy.gov
Ministry of Tourism:	http://www.turismo.gub.uy

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Chapter 9: Contacts, Market Research and Trade Events

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http://www.export.gov/uruguay
Embassy web site: http://uruguay.usembassy.gov

Uruguay – U.S. Chamber of Commerce (AmCham)
e-mail: info@ccuruguayusa.com
http://www.ccuruguayusa.com

Country Trade or Industry Associations in Key Sectors

Chamber of Industries:	http://www.ciu.com.uy
Chamber of Commerce and Services:	http://www.camaradecomercio.com.uy
Chamber of Agro-Industries:	http://www.camaramercantil.com.uy
Union of Exporters:	http://www.uruguayexporta.com
Uruguay XXI:	http://www.uruguayxxi.gub.uy
Uruguayan IT Chamber:	http://www.cuti.org.uy

Government

Ministry of Industry, Energy, and Mining	http://www.miem.gub.uy
Ministry of Economy and Finance	http://www.mef.gub.uy
Ministry of Tourism	http://www.turismo.gub.uy
Ministry of Transport and Public Works	http://www.mtop.gub.uy
Ministry of Livestock, Agriculture and Fishing	http://www.mgap.gub.uy
Office of the President of Uruguay	http://www.presidencia.gub.uy
Parliament	http://www.parlamento.gub.uy

Market Research Return to top

To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

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Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp

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Chapter 10: Guide to Our Services

SelectUSA:

SelectUSA was created by President Obama in June 2011 through Executive Order 13577, as the U.S. government-wide program to promote and facilitate business investment into the United States, including foreign direct investment (FDI) and reshoring.

The program is housed within the Commerce Department and coordinates investment-related resources across more than 20 federal agencies through the Interagency Investment Working Group (IIWG).

SelectUSA provides services to two types of clients: investors and U.S. economic development organizations at the state and local level. Services include:
Information Assistance:

- SelectUSA provides information to investors on the benefits of establishing operations in the United States, as well as the information needed to move investments forward. Investors can access facts, data and local contacts for the U.S. market.

- SelectUSA also works closely with state, local and regional economic developers to provide counseling on strategy, best practices, and on-the-ground intelligence from the Foreign Commercial Service network across more than 70 foreign markets.

Ombudsman Services: SelectUSA coordinates federal agencies to address investor concerns relating to a wide range of federal regulatory issues – helping them to navigate an unfamiliar system.

Investment Advocacy: U.S. state and local governments often find themselves competing with a foreign location for a project. SelectUSA can coordinate senior U.S. government officials to advocate to the investor to bring those jobs to the United States.

Promotional Platform: SelectUSA brings the power of the “USA” brand to high-profile events, such as, such as the upcoming 2015 Investment Summit, to attract investors to learn about our nation’s investment opportunities.

SelectUSA organizes international Road Shows and missions to trade fairs, while also offering tailored on-the-ground assistance in more than 70 markets.

Note: SelectUSA exercises strict geographic neutrality, and represents the entire United States. The program does not promote one U.S. location over another U.S. location.

For more information on SelectUSA and services provided for investors and economic development organizations please click on the following link: http://selectusa.commerce.gov/

National Export Initiative:

The President's National Export Initiative/NEXT marshals Federal agencies to provide customer service-driven services and actionable information resources that ensure American businesses are able to capitalize on expanded opportunities to sell their goods and services abroad.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: **http://www.export.gov/**

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link:

http://export.gov/uruguay/servicesforu.s.companies/index.asp

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact **(800) USA-TRADE.**

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