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COUNTRY REPORT

Uruguay

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1. General information: Uruguay

Geography

- Uruguay is a country in South America. It shares borders with Argentina to its west and southwest and Brazil to its north and northeast, while bordering the Río de la Plata to the south and the Atlantic Ocean to the southeast. It is part of the Southern Cone region of South America. Uruguay covers an area of approximately 181,034 square kilometers (69,898 sq mi) and has a population of around 3.4 million, of whom nearly 2 million live in the metropolitan area of its capital and largest city, Montevideo.
- Capital city: Montevideo

Population

- Total Population: 3,444,263 (2023)
- Uruguay ranks number 132 in the list of countries (and dependencies) by population.
- The population density in Uruguay is 19.5/km^2 (50.5/sq mi).

Ethnic Origins: 87.7% White, 4.6% Black, 2.4% Indigenous, 0.2% East Asian, 5.1% other / unspecified

Religion: 54.3% Christianity, 44.8% Catholicism, 9.5% other Christian, 44.5% no religion, 1.2% other / unspecified

Official Language: Spanish, Uruguayan Sign Language

Government: Unitary presidential republic

• **President:** Luis Lacalle Pou

• **Vice President:** Beatriz Argimón

National Currency: Uruguayan peso (UYU)

Overview

Uruguay stands out in Latin America for being an egalitarian society and for its high income per capita, low level of inequality and poverty and the almost complete absence of extreme poverty. In relative terms, its middle class is the largest in America and represents more than 60% of its population.

Sound macroeconomic management and favorable external conditions supported an economic expansion that has lasted for two decades, except for the COVID-19 that induced recession in 2020. The country experienced robust economic growth coming out of the pandemic and, thanks to prudent fiscal management, currently enjoys the lowest sovereign spreads in the region.

The economy grew by 4.9% in 2022. GDP growth is expected to decelerate to 1.5% in 2023 due to a historic drought but is projected to recover to 3.2 % in 2024. The percentage of households living in poverty currently stands at 6.4%, measured using the US$6.85 per capita per day international poverty line. This figure is 1.3% points higher than the levels recorded before the pandemic.

Despite its economic and social stability, significant social and economic disparities still persist, due to structural limitations that prevent the country from further closing development gaps. Lagging education outcomes, a weak integration into global trade, an insufficiently competitive environment, shallow financial markets, and chronically high inflation rank among the most relevant.

A record drought that affected agricultural production and the provision of drinking water in the capital, Montevideo underscores Uruguay's reliance on its natural capital and its exposure to climate change.

Uruguay is a pioneer in financial instruments that reward climate action, such as the issuance of a sustainability-linked bond in 2022, with concessional financial conditions linked to the overaccomplishment of selected Nationally Determined Contribution (NDC) targets. Nowadays, the country is working to extend innovative climate-finance arrangements to lending from multilateral financial institutions.

2. Economy

2.1. Economic and Political Overview

The Uruguayan economy is significantly dependent on its neighbours, Brazil and Argentina. In 2022, GDP increased by an estimated 5.3%, mainly due to an increase in tourism and in agricultural production. The economy is expected to continue growing in the coming years, albeit at a slower pace, with the IMF predicting growth of 3.6% for 2023 and 2.7% for 2024.

In 2022, inflation remained above the target of 7%, reaching an estimated 9.1%. However, that rate should decrease in 2023 and 2024, to 7.8% and 6.4%, respectively. Public debt decreased to 61.2% of GDP in 2022, but it's expected to increase to 62.6% in 2023 and 63.9% in 2024. Moreover, the fiscal deficit slightly increased to 2.7% in 2022, but it should slightly fluctuate in the coming years, reaching 2% in 2023 and 2.3% in 2024. Furthermore, the current account went into an estimated 1.2% deficit in 2022, and that rate is expected to increase to 1.9% in 2023 and 2% in 2024. The economy has diversified in the past few years with the development of the industry sector (particularly the paper industry), as well as commerce and services. The government's fiscal policies are focused on restoring business profitability as a way to encourage investment and foster economic growth. Its priorities include reducing the large fiscal deficit through a program involving austerity and rationalisation of public spending (particularly through a better management of state-owned companies), while maintaining benefits for the most vulnerable sectors. Other key elements are the commitment to open trade, the reform of labour relations, and regulatory and management changes in public enterprises. Although the pandemic has impacted the Uruguayan economy, it had relatively little impact when compared to other countries in the region. Still, Uruguay's fiscal measures implemented to mitigate the impacts of the pandemic have been effective in boosting economic activity, which has been gradually recovering. Looking ahead, recovery should continue, albeit at a slower pace, due to the fading impact of a low base effect, tighter monetary policy and heightened inflationary pressures.

Uruguay has one of the highest levels of GDP per capita in South America and a developing middle class. The country has had strong political and social stability for years, backed by a consolidated democracy and strong legal security, which makes it attractive to investors. Furthermore, the population living below the poverty line has decreased significantly in the past decade, from 40% in 2004 to 6.2% in 2016, due to a solid social contract and economic openness. However, there is still room for improvement in terms of financial transparency. The unemployment rate decreased to 7.9% in 2022, as the country recovered from the impacts of the pandemic, and it should remain stable in 2023 and 2024.

Table 1: (Uruguay Economic Forecasts - 2022-2026 Outlook)

Main Indicators	2022	2023	2024	2025	2026
GDP (billions USD)	71.18	76.24	81.07	85.13	89.15
GDP (Constant Prices, Annual % Change)	4.9	1.0	3.3	2.9	2.6
GDP per Capita (USD)	20,022	21,378	22,659	23,721	24,766
General Government Balance (in % of GDP)	-2.0	-2.9	-2.5	-2.3	-2.1
General Government Gross Debt (in % of GDP)	59.3	61.6	61.4	61.7	61.6
Inflation Rate (%)	n/a	6.1	5.9	5.5	5.2
Unemployment Rate (% of the Labour Force)	7.9	8.1	8.0	8.0	8.0
Current Account (billions USD)	-2.50	-2.85	-2.71	-2.51	-2.31
Current Account (in % of GDP)	-3.5	-3.7	-3.3	-2.9	-2.6

Source: IMF – World Economic Outlook Database, October 2021

2.2. SWOT Analysis

Strengths

- The rule of law is strong, including very low corruption in comparison to most other markets in Latin America.
- The government remains keen to encourage foreign direct investment and offers tax breaks in order to encourage economic development.
- Intellectual property legislation is among the most extensive in Latin America, ensuring that property rights are well protected.

Weaknesses

- The capital market is underdeveloped, which limits the possibilities for portfolio investment.
- The slow judicial process hampers the effectiveness of contract enforcement.

Opportunities

- Uruguay offers better trade openness and lower labor costs than Brazil and Argentina, boosting its competitive appeal.
- Uruguay has a less onerous tax regime than some of the larger economies in the region.
- The 2014 Financial Inclusion Law will widen the demand for formal financial services and improve the development of the potential consumer market.

Threats

- Larger markets in the region, such as Brazil and Argentina, will continue to present more investment opportunities and be favoured locations for foreign direct investment.
- Still slow development of domestic financial markets means that the liquidity necessary for businesses to start up will continue to be hard to obtain.
- Limited protection of minority shareholders and few disclosure requirements increase the risks for portfolio investors.

2.3. Structure of the Economy

Uruguay’s natural resources are very limited, mainly due to country's size. There is a significant mining industry in the country, which mainly revolves around basalt, dolomite, limestone, quartz, granite and marble. There is only one gold-producing mine in Uruguay, and the country is a major producer of cement and semi-precious stones, particularly agate and amethyst. Even though only around 10% of the land is arable, agriculture is the largest export sector in Uruguay. It accounts for 6.9% of the GDP and employs 8.4% of the active population. Uruguay has rich agricultural land and almost 90% of it is devoted to livestock breeding (cattle, sheep, horses and pigs). Rice is the main crop, followed by wheat, maize, sugar cane, soybeans, and tobacco. Vegetable and fruit farming are also present throughout the country, as well as a prominent wine industry along the coast of the Rio de la Plata. Overall, 2022 was a good year for the sector, which had a triple success: good prices, good yields and good climatic conditions.

The industrial sector contributes to 18.9% of the country's GDP and employs 18.8% of the active population. Agriculture and animal food processing account for half of the industrial activity. Other manufacturing activities include beverages (especially wine), textiles, construction materials, chemicals, oil and coal. Additionally, Uruguay has recently invested heavily in the paper industry, which is expanding. Industrial activity in Uruguay registered was satble in 2022, registering the stronger growth in the construction industry.

The services sector contributes to 62% of the GDP and employs 72.8% of the active population, mainly in finance and tourism. Particularly, the region around Punta del Este attracts many visitors, which has driven the rise in building, leading to a construction boom in the area in recent years. Although the services sector was hit the hardest during the pandemic, the sector registered an overall growth in 2022, with the recovery being mainly driven by commerce, restaurants, hotels, and transport.

Table 2: Breakdown of Economic Activity By Sector

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	8.4	18.9	72.6
Value Added (in % of GDP)	7.3	17.6	63.2
Value Added (Annual % Change)	-2.9	1.8	6.4

Source: World Bank, Latest Available Data. Because of rounding, the sum of the percentages may be smaller/greater than 100%.

2.4. Investment

According to UNCTAD's 2022 World Investment Report, inflows of FDI to Uruguay increased by 151% to USD 1.6 billion in 2021, compared to USD 635 million in 2020. Uruguay has a dynamic technology industry which, together with the increase in various tax breaks granted to eligible projects under the investment promotion scheme, has led to a significant increase in inflows. The total stock of FDI was estimated at USD 31.4 billion in 2021, increasing from USD 29.7 billion in 2020. The number of Greenfield Investments in the country also increased, going from 16 in 2020 to 22 in 2021. The Uruguayan government extended its economic plan by pursuing a cautious budget and monetary policy, accompanied by a structural reform program aiming to attract foreign investment, which eventually reassured businesses. Foreign investors enjoy the same rights and fiscal incentives as local investors. FDI are free from any restrictions and are not subject to any declaration. Moreover, there is no limit regarding the transfer of profits or the repatriation of capital. Uruguay is a member of MIGA, the Multilateral Investment Guarantee Agency of World Bank. FDI influx comes mainly from Argentina, Brazil, Spain, the Netherlands, and the United States, and investment is directed towards manufacturing, construction, agriculture and the tertiary sector. Looking ahead, the doubling of the number of greenfield projects in information and communication in 2020 to over 37% of all announced projects indicates a thriving industry.

Uruguay is keen on attracting FDI and has an investment promotion agency, Uruguay XXI. There is also an investment promotion law in the country that guarantees equal treatment for local and foreign investors. Individuals and corporations can set up businesses without having to comply with prerequisites, obtain special permits from the state, or have a local counterpart. Additionally, there is no distinction between national and foreign capital, and investment promotion incentives are available to both. Foreign investors are attracted to the country's political stability, business climate, and skilled workforce. Uruguay is a regional hub with a strategic location to access the rest of the region. Also, as a member of Mercosur, and having free trade agreements with other Latin American countries, Uruguay provides access to a market of more than 400 million people and represents a flow of foreign trade of almost 74% of Latin America's total. Other strengths of Uruguay include the highest literacy rate in Latin America (98% of the population), and modern infrastructure. However, there are also some challenges, such as limited flexibility in setting wages, strict hiring and firing practices, a small population, and vulnerability to the economic situation of its neighbors - mainly Brazil and Argentina. Some of the most important foreign investment projects and M&A transactions that took place in the last few years in Uruguay involved banks, such as the acquisition of the Crédit Uruguay Banco by BBVA, the acquisition of the ABN AMRO Bank by Santander, and the buyout of Uruguayan Pension Fund Afinidad AFAP by Grupo Sura. According to an Uruguay XXI report, financial and insurance is the sector that most attracts investment (35% of flows), followed by manufacturing (27%), and commerce (18%). Other significant investments made in the country recently include the construction of a pulp mill by the Finnish group UPM - which is the largest private investment ever made in the country, worth nearly USD 3 billion - and the acquisition of Petrobras Uruguay (a subsidiary of the Brazilian National Oil Company) by the Spanish Disa Corporación Petrolífera, for USD 68.17 million.

Table 3: Foreign Direct Investment - UNCTAD, 2022

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow (million USD)	753	2,241	3,839
FDI Stock (million USD)	30,439	31,084	36,183
Number of Greenfield Investments*	16	22	25
Value of Greenfield Investments (million USD)	156	1,131	934

Source: UNCTAD, Latest available data

Strong points for FDI in Uruguay:

The main assets of the country for attracting foreign investment are:

- A democratic and stable political system.
- Effective education and health systems.
- Abundant agricultural resources.
- A highly skilled workforce.
- Economic stability. Uruguay was among the first nations in Latin America to achieve a certain level of stability and economic well-being, maintained through relatively high taxes on the industrial sector.
- In recent years, the Uruguayan economy has benefited from a favorable international scenario for the exports of its agricultural production.
- The country has comfortable foreign exchange reserves.
- Favorable growth prospects. Uruguay benefits from increases in domestic consumption, the development of its exports, the high level and the diversification of its investments.
- Privileged trade relations with members of Mercosur, the EU and the United States generate a level of FDI.
- Wide range of tax exemptions for investments, free zones, attractive ports and airports.

Weaknesses for FDI in Uruguay include:

Disadvantages for FDI in Uruguay include:

- A high level of external debt that is subject to trade fluctuations and external shocks
- A high level of inflation that is difficult to curb (8.3% in 2021 - IMF)
- Public debt above the regional average (68% of GDP in 2021 - IMF)
- Vulnerability to the economic situation of its neighbours and fellow Mercosur members, Argentina and Brazil, in particular, vis-à-vis its exports and links between their financial sectors.
- Commodity price sensitive economy.

Government Measures to Motivate or Restrict FDI:

In Uruguay, foreign investors can develop any type of business and are treated the same as local investors. The government is encouraging foreign investment by offering tax exemptions for investment and the country has also established an investment promotion agency, Uruguay XXI. Also, at the end of 2017, President Vazquez announced significant investments (of €12 billion) in infrastructure (transportation, renewable energy, housing and telecommunications) to boost economic growth and job creation. Eleven free zones are located throughout Uruguay. Companies can import goods, services, products and raw materials of foreign or Uruguayan origin. Companies operating in free zones are exempt from national taxes.

2.5. Taxation

Company Tax: 25%

Tax Rate for Foreign Companies. Uruguay applies a territorial system of taxation, hence resident and non-resident entities are subject to taxation on their income realised in Uruguay. A company is considered resident if it is established according to Uruguayan law. A 12% withholding tax is imposed on Uruguayan-sourced income obtained by non-residents, except in cases where the income is obtained through the operations of a permanent establishment in the country.

Capital Gains Taxation: Capital gains are taxed as ordinary income at the corporate tax rate of 25%. Bearer title transfer and nominative titles capital gains are subject to a 12% tax rate, applicable to a notional 20% of the transfer price (20% of the market value of the titles transferred if there is no price).

Main Allowable Deductions and Tax Credits: Documented expenses necessary to obtain and preserve gross taxable income are generally tax-deductible. Depreciation (using the straight-line method) is deductible at variable rates depending on the nature of the asset. On the other hand, goodwill cannot be deducted for tax purposes. Start-up costs can be amortised over a period of three to five years (to be determined by the company). Interest charges and bad debts (for debts not recovered within 18 months or longer) are generally deductible. Donations to charities give rise to deductions at variable rates depending on the recipient organisation. Donations to certain types of organisation (educational services, health, youth support) are deductible up to 25% of the amount, the rest is converted into a tax credit. Fines and penalties paid are not tax-deductible. Taxes are generally deductible, except for corporate income tax and net wealth tax. Tax losses can be carried forward up to five years (up to 50% of net taxable income for tax years beginning on or after 1 January 2017), once adjusted for inflation. However, as of 2021 the aforementioned cap has been eliminated. The carryback of losses is not permitted.

Other Corporate Taxes: Other taxes on corporations include: Employers are required to withhold payroll taxes on behalf of their employees at rates ranging from 18.1% to 23.1% (depending on the employee's family status). Employers contribute 12.625% of the salary. A property tax is levied by municipalities on real estate at variable rates. Property transfer taxes are payable by both the seller (2%) and the buyer (2%). All enterprises are required to pay a wealth tax of 1.5% (which applies only to property and securities domiciled in Uruguay). At the moment of incorporation, companies are required to pay a flat tax at a rate of 1.5% on the basis of a notional amount updated every year (ICOSA tax - UYU 44,777 in 2022). Furthermore, the tax is also due annually for corporations at the end of each fiscal year at a rate of 0.75% on the basis of the same notional amount.
If a company does not distribute net taxable income after three fiscal years, such amounts are treated as a deemed distribution and are subject to a 7% deemed dividend tax.

3. Buying and Selling

3.1. Marketing opportunities

Consumer Profile: With its population of almost 3.5 million people, Uruguay is a relatively small but active market. Uruguay’s per capita gross income (UYU 25,440 per month in 2021 - National Institute of Statistics of Uruguay) and spending levels rank amongst the highest for major Latin American economies. However, the real growth of the Uruguayan consumer market eased in recent years, as a result of the country’s economic slowdown during this period. After a few years of sluggish growth, the economy accelerated and is of 3% in 2021 (IMF). The urban dwellers are different from the rural population because of the income gap. The urban population displays a rather Western consumer behavior, while the rural population is less demanding and are more interested in traditional products. However, the income inequality between urban and rural areas is narrowing, and the middle-class segment is expanding. The median age of the Uruguayan population is 35.5 years (CIA World Factbook, 2020 est.). Touristic centers are characterized by luxurious consumption. The average consumer is characterized by a rather conservative behavior.

Consumer Behavior: When making purchase decisions Uruguayan consumers consider price as the main criteria. This is especially true for foodstuff and everyday products, while for durable goods and services quality remains central. According to a survey by Nielsen, 58% of Uruguayans said they changed their shopping habits in recent years in order to save money on day-to-day expenses. Of these, 55% actively seek promotions and discounts, while 48% claim to buy only what is necessary (latest data available). Uruguayan consumers often check several distribution channels to find the most convenient one. E-commerce in Uruguay is still in an early stage but is growing rapidly. In most cases, consumers purchase online because of better prices or since they can find products that are not available in local stores.

3.2. Internet and Ecommerce

Internet access: As of June 2018, Uruguay had a population of 3.45 million people, out of which 3 million Internet users, placing the penetration rate at 88.2%. Furthermore, 85% percent of Uruguayan households have access to at least one computer, but when smartphones are included, that percentage increases to 94%. Smartphone adoption has increased substantially, as 74% of the population owned a smartphone in 2017, as opposed to 27% of the population in 2013 (El Pais). Tablets are the second fastest-growing internet access platform, especially among 65 years or older individuals, as there was a 375% usage increase from 2013 to 2017 in that age group. According to Nearshore Americas, more than 83% of households have access to the Internet. However, the government aims to provide Internet access to 90% of homes by 2020. Additionally, 43% of homes have high speed fiber optic cables, a rate that the government plans to increase to 65% by 2020. The government also provides early retirees with tablets so they can work online (170,000 tablets had been delivered by the end of 2017). In August 2017, Uruguay inaugurated its first submarine cable to the US to increase online speed (12,000 kilometers from Punta del Este, Uruguay to Fortaleza, Brazil and Boca Raton, Florida). Uruguay ranks first in Latin America in terms of broadband download speeds, with 20.11 Megabits per second, according to Net Index. As of July 2018, the most popular browser in the country by market share was Chrome (83.12%), followed by Safari (6.29%), Samsung Internet (3.03%, Firefox (2.49%), Android (1.21%), and Opera (1.13%). As for search engines, Google dominates the market Google (98.36%), followed by bing (1.04%) and Yahoo! (0.86%).

E-commerce market: There aren't any official figures on the e-commerce market value in Uruguay. However, it's estimated that the market represents 3.3% of Uruguay's total retail, and it grows 25% a year, exceeding the region's average (El País). According to the findings from Grupo Radar, more than eight out of ten users navigate the Internet to research brands and companies, and it is estimated that almost 1.3 million Uruguayans made an online purchase in 2017. Given that only 45% of the population has a bank account and 40% of people have a credit card, cash on delivery is the popular payment method in Uruguay. 49% of orders are paid in cash, while 35% of payments are made by card, 9% bank transfers, and 5% e-wallets. The most popular items bought online are clothes, airline tickets, sporting goods, spare parts for vehicles and goods that are not easily found in-store or that are much cheaper online. Consumers in Uruguay tend to prefer picking up the products they bought over the internet, rather than having them delivered. Some of the most popular online stores are MercadoLibre, OLX and Woow.

3.3. Distribution: Uruguay has moved up the table in a global ranking of attractiveness for the retail sector, taking the third spot, according to AT Kearney's Global Retail Development Index. Business development incentives in the sector come in a context of foreign capital and brands developing in the country, alongside strong dynamics in mergers and acquisitions among leading domestic supermarket chains. The main commercial area of the country is located in Montevideo and its suburbs. Big malls are recent and can all be found in Montevideo: "3 Cruces Shopping", "Punta Carretas Shopping", "Montevideo Shopping", "Portones Shopping". Other important commercial areas are: Punta del Este, Paysandu, Salto and Colonia.
Traditional distribution networks are small shops, rather family businesses spread out all around the country. The image of a wholesaler is unlikely, and the modern distribution is dominated by importers-distributors delivering big retail chains and smaller retailers. The market of modern distribution is composed by these 3 players: Disco, Devoto et Tienda Inglesa. There is only one superstore, Groupe Casino, owned by the French same called group. Franchising models have started being developed in the country. Industrial semi-finished or finished goods are operated by distributor agents (no specialized distribution chain).

Market share: Uruguay's tax legislation has attracted many investments that have favored the growth of retail. The growth gained momentum when the government opened the market to supermarkets and hypermarkets in 2009. According to Euromonitor data, the supermarket and department stores' market in Uruguay is composed of almost 30,000 shops. Furthermore, small and independent supermarkets account for 67% of sales, while the remaining 33% corresponds to large supermarkets.
The pioneers of the market are Disco SA and Ta-Ta SA, which quickly invested in this market segment. Disco targets the densely populated, low-income areas of Montevideo, while Ta-Ta is more active in the interior of the country where it faces less competition. Minor competitors include Supermercados Devoto Hnos SA, Tienda Inglesa and Multi Ahorro. After establishing a strong presence in the supermarket sector, Disco and Ta-Ta are now investing heavily in shopping centres in order to consolidate their control of the retail sector.
Multinationals own a large part of the major retail chains. The Disco-Dévoto group is the largest as it owns the DISCO supermarkets (27 branches), DEVOTO (25 branches) and the Géant hypermarket. In terms of market share, the following are the Henderson & Cia group with the Tienda Inglesa chain (9 branches), the Multi Ahorro chain (30 medium-sized stores), the TA-TA chain (20 small and medium-sized stores), the El Dorado chain of the Polakof & Cia group located mainly in the interior of the country (40 branches, supermarkets and convenience stores).
The non-food retail market is divided between several small independent retailers such as Chic Parisien SA, leader of the clothing and footwear market (Parisien, Indian and DNK), and the runner-up Coboe SA.

3.4. Customs

International Conventions: Member of the World Trade Organization (WTO) Party to the Kyoto Protocol

Party to the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora

Party to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal

Party to the Montreal Protocol on Substances That Deplete the Ozone Layer

International Economic Cooperation: Uruguay is member of the Latin American Integration Association. It also belongs to the Mercosur and has signed a free trade agreement with Mexico. The country has signed a trade agreement with 21 other countries in the São Paulo Round of the Global System of Trade Preferences among Developing Countries (GSTP).

Non-Tariff: Uruguay has a liberal import policy. There is no quota system. A license is required for the import of products such as medical equipment, chemicals, cattle, sugar, cereals, meat and flour. All importers should nevertheless be registered with the Central Bank and declare all their imports by filing an import declaration. Recording Certificates are valid for 180 days. The deadline for customs clearance of the goods is fixed.

Customs Duties and Taxes on Imports: Uruguay applies the Harmonized Customs System (SH)**.**

Customs Classification: Uruguay applies the harmonized Customs System, based on the World Customs Organization's system. Customs duties are calculated Ad valorem on the CIF value of the goods. However, Uruguay applies some minimum price for textile and clothing imports. Importers have to pay the difference between the amount of the invoice and the minimum price. The custom duties are payable at that minimal price. Uruguay is not part of the WTO.

Uruguay is a member of the MERCOSUR (Mercado Comun del Sur, gathering Argentina, Brasil, Paraguay and Uruguay), aimed at creating a free trade zone, a common external tariff and a free circulation zone for goods, services, capitals and persons. Customs duties between member countries were theoretically abolished in 1994, with nevertheless a lot of exceptions, according to the "adaptation regime" (Regimen de adecuacion).

The common external tariff (CET) does ot concern all products, currently: only 75% of the tariff lines benefit from a single tariff. The goods still outside the system, for the 4 countries are: equipment goods, IT, telecommunications, cars and sugar sectors.

Import Procedures: Only commercial firms, industrial firms, or individuals listed in the registry of importers may legally import products into Uruguay. A proforma invoice is required to start the import procedures, and importers must use an agent to handle their customs entries. Required documents are commercial invoice, transportation document, and certificate of origin. However, the country may require other certificates depending on the type of product (HS Code).

The Mercosur common external tariff applies to ad valorem CIF value of imported goods. This customs policy may be subject to exceptions based on the type of goods. It is also important to mention that re-exporting within a Mercosur member country does not give rise to an exemption from customs duties: For instance, if you export a product to Uruguay, and sell it to Brazil later, you would have to pay Uruguayan customs fees, and later Brazilian customs fees. To avoid such a situation, it is highly recommended to use free zones.

3.5. Transport

Main Useful Means of Transport: The main mode of transport for goods is by sea. Road shipping and railway are also used, but to a lesser extent. Air shipping is mainly used for lighter goods.
Ports: The ports of Uruguay
Airports: International Carrasco Airport, Montevideo
Air Transport Organisations: National Office of civil aviation and aeronautical infrastructure
Road Transport Organisations: Ministry of transportation
Rail Transport Organisations: Railway transport administration

3.6. Suppliers

Type of Production: Industry accounts for 30% of the GDP. Principally dealing with agriculture, breeding and ore production.
Multi-sector Directories:

- Directorio Uruguay - Uruguay business directory
- Duns Guide - Uruguay business directory by industry
- Guía Comercial - Business directory in Uruguay.
- Guía Industrial - Business directory in Uruguay
- Yellow pages - Business directory in Uruguay.

4. International Trade (doing business)

4.1. Imports - Exports

Uruguay has an open economy and foreign trade represents 56.8% of the GDP. The country mainly exports meat (21%), soya beans (9.4%), wood (7.4%), milk and cream (5.8%), and electrical energy (5.5%). The main imports include petroleum oils (13.1%), motor vehicles (6.5%), telephone sets (2.6%), insecticides (2.1%), and mineral or chemical nitrogenous fertilizers (2%). According to IMF Foreign Trade Forecasts, the volume of exports of goods and services increased by 14.4% in 2022, while the volume of imports of goods and services increased by 20.9%.

Uruguay's main trade partners are China, Brazil, Argentina, the United States, Nigeria, and the Netherlands. The Uruguayan economy is based on industry, trade and banking services (in the capital Montevideo), as well as agriculture, livestock farming (in the centre of the country) and tourism (in the East). Uruguay is a founding member of MERCOSUR, upon which it strongly depends. The country is also a member of ALADI, a trade association that includes ten South American countries as well as Cuba, Mexico, and Panama. Under ALADI’s Economic Complementation Agreements, Uruguay enjoys and grants special preferential access to trade with Bolivia, Chile, Colombia, Cuba, Ecuador, Mexico, Peru, and Venezuela. Additionally, trade relations with Argentina and Brazil are extremely important, as those countries account for over half of Uruguay's exports and imports, combined.

As Uruguay mainly exports agricultural products, they are highly vulnerable to international price fluctuations. In 2021, the country's exports of goods amounted to USD 9.5 billion, while imports totaled USD 10.3 billion. As for services, imports equaled USD 3.9 billion, while exports reached USD 3.7 billion. As a result, the country had a trade surplus in terms of goods of USD 3.9 billion and a trade surplus including services of USD 3.7 billion.

Table 4: Uruguay's Foreign Trade Indicators

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade (in % of GDP)	47.9	49.6	46.0	54.4	57.2
Trade Balance (million USD)	2,385	3,113	2,153	4,473	3,452
Trade Balance (Including Service) (million USD)	3,280	3,724	2,428	4,486	3,784
Imports of Goods and Services (Annual % Change)	0.6	1.3	-12.2	18.2	12.5
Exports of Goods and Services (Annual % Change)	-1.1	4.6	-16.3	11.7	11.1
Imports of Goods and Services (in % of GDP)	21.4	21.7	20.8	23.9	25.9
Exports of Goods and Services (in % of GDP)	26.5	27.8	25.2	30.5	31.3

Source: World Bank; Latest available data

Table 5: Uruguay's Foreign Trade Values

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	8,893	8,246	7,564	10,320	12,973
Exports of Goods (million USD)	7,498	7,680	6,864	9,541	11,185
Imports of Services (million USD)	4,580	4,751	3,450	3,687	5,101
Exports of Services (million USD)	5,471	5,357	3,722	3,699	5,449

Source: World Bank; Latest available data

Table 6: Uruguay's Foreign Trade Forecasts

Foreign Trade Forecasts	2023 (e)	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	-5.7	5.4	3.1	2.4	2.2
Volume of imports of goods and services (Annual % change)	-0.7	6.3	3.7	3.4	3.2

Source: IMF, World Economic Outlook; Latest available data

4.2. Greece – Uruguay Trade Relations

The total value of Greek exports to Uruguay in 2022 reached €8,7 million (versus €5 million in 2021), presenting a remarkable increase of 73.4%. At the same time, the total value of imports from Uruguay amounted to €1,69 million (versus €2 million in 2021), showing a decrease of 19%. The total amount of the bilateral trade balance reached €10,4 million (versus €7,1 million in 2021), showing an increase of €3,29 million or by 46.3%.

Table 7: Value of Greek Imports from Uruguay (Eurostat, 2023)

IMPORTS - Value in Euro (€)	2020	2021	2022
Food and Live Animals	1.132.230	943.954	247.212
Beverages and Tobacco	8.300	9.265	14.020
Crude Materials, Inedible, Except fuels	1.707.897	1.079.813	1.361.196
Mineral Fuels, Lubricants and Related Materials	:	30	:
Animal and Vegetable, Oils, Fats and Waxes	:	:	:
Chemical and Related Products, N.E.S.	:	:	226
Manufactured Goods Classified Chiefly by Material	45	2.745	12.417
Machinery and Transport Equipment	6.413	34.806	37.490
Miscellaneous Manufactured Articles	59.378	13.426	13.556
Commodities and Transactions not Classified Elsewhere in the SITC	:	:	:
Total	**2.914.263**	**2.084.039**	**1.686.117**

Table 8: Value of Greek Exports to Uruguay (Eurostat, 2023)

EXPORTS - Value in Euro (€)	2020	2021	2022
Food and Live Animals	458.541	475.563	1.275.550
Beverages and Tobacco	1.384.404	2.031.963	2.077.674
Crude Materials, Inedible, Except fuels	21.341	22.211	20.359
Mineral Fuels, Lubricants and Related Materials	:	:	1.550.620
Animal and Vegetable, Oils, Fats	:	:	1.895

and Waxes			
Chemical and Related Products, N.E.S.	141.882	180.569	736.104
Manufactured Goods Classified Chiefly by Material	812.700	838.816	1.155.919
Machinery and Transport Equipment	616.582	1.188.665	613.481
Miscellaneous Manufactured Articles	278.576	264.451	205.187
Commodities and Transactions not Classified Elsewhere in the SITC	59.280	13.842	1.065.157
Total	**3.773.306**	**5.016.080**	**8.701.946**

4.3. Leading Sectors for Exporters

Agricultural Products: Agriculture, which makes up about 12 percent of Uruguay's GDP (though roughly 70 percent of exports are agriculture-based), plays a leading role in Uruguay's economy, politics, and society. Rising prices of international agricultural commodities and increased land prices incentivized Uruguayan farmers to invest heavily in machinery and equipment over the past several years. These factors also promoted the development of an incipient domestic agricultural machinery production industry. There are currently 20 agricultural machinery manufacturers around the country, which mainly export to countries in the region such as Ecuador or Paraguay. The Government of Uruguay gives tax incentives to the domestic agricultural machinery sector to promote investment in the sector.

During 2021, agriculture equipment imports increased significantly for a few important reasons. First, from 2019 to 2021 there was reduced investment because of the COVID-19 pandemic. Second agricultural producers had a very good harvest season, followed by a nearly 15 percent increase of international commodity prices. These factors created a tailwind for industry professionals to import more agricultural equipment.

Energy: Uruguay dramatically shifted its energy matrix from petroleum-based electricity generation to renewable sources beginning in 2005. The country currently generates over 98 percent of all electricity from renewable sources, primarily wind and hydropower. Uruguay is one of the most electrified countries in the hemisphere, with 99.9 percent of homes connected to the electric grid.

According to data from the Ministry of Industry and Energy (National Balance Report) Uruguay's energy matrix, which includes energy from both fossil and renewable sources, was 4,928 MW in 2021. The distribution of the energy matrix is 31 percent hydro, 31 percent wind, 24 percent fossil, 9 percent biomass and 5 percent solar. Please note these statistics refer to all energy generation versus only electricity.

In terms of electricity generation, Uruguay is one of the leading countries in renewable energy. 2021 was an exception due to a severe drought that impacted the region and required fossil fuel-based electricity generation to neighboring country demand. In 2021, electricity matrix distribution consisted of 37 percent of hydropower generation, 35 percent wind, 18 percent fossil, 7 percent biomass and 3 percent from solar.

Typically, Uruguay generates a surplus of electricity due to an excess of wind-power capacity. The country seeks to identify additional domestic uses for excess electricity and potentially increase exports to Argentina and Brazil. According to 2021 data from the Ministry of Energy and Mines, Uruguay generated 14.04 TW of electricity (a 20 percent increase from 2020), 1119 TW for internal demand and exported 2,200 MW to Brazil plus 627 MW to Argentina. This represents $529 million in electricity exports for the country and was one of the largest amounts of electricity exported since 2014, making electricity Uruguay's sixth most exported product for the year. These increases were primarily due to a severe drought adversely affecting generations in other parts of the region. One of the limiting factors for electricity exports to Brazil are the number of cross-border connections, currently 570 MV from Melo and 70 MV from Rivera. The connection to Argentina has historically gone through the binational Salto Grande hydroelectric plant.

Information & Communications Technology (ICT): Uruguay has one of South America's highest literacy rates (over 98 percent), the telecommunications network is 100 percent digital, and the internet penetration rate is one of the highest in Latin America (90 percent). Since Uruguay does not manufacture computer hardware, further growth in Internet usage is expected to generate greater demand for computer and other hardware imports.

In 2021, state-owned ANTEL was the largest overall importer of telecommunications equipment with 16.4 percent of the total, followed by Spain's Telefonica with 6.7 percent and México's Claro with 3.1 percent.

Uruguay's **landline density** is 35 landlines per 100 people (85 percent residential and 15 percent commercial). Cellular density is 159 lines per 100 people and cellular handsets make up 31 percent of the total telecommunications imports. Three carriers share **Uruguay's mobile market**: ANTEL has a 54 percent market share, Spain's Telefonica/Movistar has 28 percent of the market, and Mexico's Claro has an 18 percent market share.

Over 90 percent of the population has access to the internet and 4G/LTE is available in 92 percent of the country. Household broadband internet access is 88 percent; 81 percent of it through fiber-to-the-home (FTTH) systems. ANTEL plans to bring wireless broadband and additional fiber optic cable to replace old copper connections and connect rural areas of the country to the internet. Uruguay is currently discussing opening ANTEL's network to other operators, which is part of a bill that proposes to reform the audiovisual communication services law.

While mobile penetration is already high, experts believe growth is still possible through the sale of new services, especially for smartphone users. Content for teenagers and children continues to show strong growth and all three mobile carriers offer LTE–4G services. In April 2019, Uruguay became the first country in Latin America to implement a pre-commercial 5G service though a small-scale pilot project with a 3.5-3.6GHz range band auction expected in the future. In terms of Internet of

Things development, public and private stakeholders launched the "**Open Digital Lab**" test space for IOT technologies and applications. In June 2022, Microsoft announced its intention for Uruguay to host its AI & IoT Insider Lab, the first of its kind in Latin America and the third outside the United States. This lab will help solve various technological challenges for organizations in the region, as well as obtain expert guidance and recommendations to realize the full potential of artificial intelligence and the internet of things.

In May 2021, Uruguay approved the 2025 Digital Agenda, the country's roadmap for future digital development. The program is managed by Uruguay's e-Government and Knowledge Management Agency, AGESIC, and will create opportunities for software and hardware providers, as well as telecom and network services companies, among others. The plan includes expansion of fiber-to-the-home (FTTH) networks to locations with less than 3,000 inhabitants, the assignment of new spectrum bands for mobile technology, increasing 5G coverage and the adoption of digital health services. In telehealth, opportunities are expected for the development of digital prescription services, the integration of electronic medical records, and the modernization of the medical communication processes. Since June 2022, five cable operators have been granted permission to offer Internet services, ending the telecommunications state-owned company's monopoly in the subsector.

Healthcare: Pharmaceuticals are the leading industry in the life science sector. Uruguay has a long history in pharmaceuticals and has over 30 pharmaceutical facilities. Approximately 77 percent of the national production is produced for the domestic market and 23 percent for export markets. The workforce is highly skilled and knowledgeable, and the government has established a transparent regulatory framework in which companies and laboratories operate. International firms have raised concerns about Uruguay's pharmaceutical intellectual property regime, which can take up to 10 years to grant intellectual property rights to international pharmaceutical producers.

In 2021, Uruguay's pharmaceutical exports amounted to USD $193 million, predominantly sold to other Latin American countries, primarily Argentina. Uruguay's contraceptive pharmaceutical production is the main pharmaceutical export, followed by medicines. Additionally, Uruguay's pharmaceutical industry exports vaccines and serums, primarily for veterinary use and packaged for retail sale. Pharmaceutical laboratories are dependent on imported raw materials, mainly from China, because Uruguay and other countries in the region do not produce these chemicals.

In 2021, Uruguay's main imports were medicines, followed by immunologic reagents. 13 percent of the pharmaceuticals imported from the United States were medicines, followed by veterinary vaccines at 11 percent. Uruguay's regulatory framework offers important advantages for logistics operations, with incentives for the installation of regional distribution centers that handle goods in transit. In 2021, the transit of pharmaceutical products in Uruguay reached $792 million, which is almost four times the amount exported by the sector. This business model has grown over the last decade and has become an important option for companies serving the region. The transit of pharmaceuticals through Uruguay shows an important flow of goods from the northern hemisphere, primarily Europe and the United States, through Uruguay to final destinations around South and Central America.

5. Accessing the local market

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 financing terms are important for success in Uruguay. Typically, in-person meetings are preferred, however in circumstances where in-person meetings are not possible, alternatives exist, such as hosting meetings using video conferencing technologies.
Most companies that export to Uruguay find that a local distributor or representative is necessary to penetrate the market, although it is not legally required. Distributors provide strategic support for positioning brands in the market through promotion, advertising, and post-sale service. All import product sales channels are available: agents, distributors, importers, trading companies, subsidiaries, and branches of foreign firms. Sales outlets and supermarkets are traditional storefront retail locations.
Uruguay is a tech-savvy market. Internet penetration is high and social media and e-commerce platforms for business product and service marketing are extensive.

6. Business Culture and Communication

Business Customs: Business dress and appearance, as well as one's general approach to business relations, should be conservative. Many businesspeople orient themselves more towards European markets. Many Uruguayans, however, are positively disposed towards the United States and they value its high-quality products. An advance appointment for a business visit is usually necessary and considered a customary courtesy. Punctuality is generally observed in business settings and business is discussed after social niceties. Business breakfasts, cocktails, and lunches are common. Dinners are common for closing a business agreement.

Visa Requirements: Citizens need a valid passport, but Uruguay does not require visas for temporary visits of less than 90 days for holders of tourist passports. Those traveling on diplomatic or official passports must have a valid visa in addition to the passport. Business and tourist stays are limited to 90 days and may be extended for an additional 90 days.

Currency: Uruguay's local currency is the Uruguayan peso as of May 2022. Purchases of large items such as real estate and automobiles are always quoted in dollars, as are appliances and many types of household goods and services.

Most shops and restaurants accept credit and debit cards. Credit and debit card payments for certain tourist services, such as restaurants, or car rentals, receive a 9 percent reduction in the 22 percent value-added-tax. Other kinds of credit card payments receive a 2 percent reduction of the value-added-tax. Argentine and Brazilian currency is accepted mainly in border towns. Uruguay maintains a long tradition of not restricting the purchase of foreign currency or the remittance of profits abroad. Since 2002, the peso has floated freely, albeit with periodic intervention from the Central Bank aimed at reducing volatility against the dollar. Foreign exchange can be readily obtained at market rates and there is no foreign currency black market.

Telecommunications/Electric: Uruguay has a fixed line telephone density of almost 80 percent, one of the highest in Latin America. However, mobile communications are rapidly replacing fixed line communications. Telephony is fully digitalized and only state-owned ANTEL can provide basic telephony, although eight other companies compete with ANTEL for international calls. There are three cellular providers with GSM/GPRS, TDMA, and/or CDMA services. The state-owned company ANTEL has 51 percent of the mobile contracts followed by Movistar and Claro. Uruguay has some of the highest internet speeds in Latin America due to its widely spread fiber optic networks. In February 2022 it reported a median download speed of fixed internet connection of 73.65 Mbps., having increased 65 percent from the previous year. Regarding mobile internet service, the median download speed is 29.76 Mbps, 12 percent higher than in 2021. Wi-Fi internet connection is accessible for free in major hotels, airports, cyber-cafes, shopping centers, and some public parks.

7. Useful contacts

Embassy in Montevideo
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Web-Site: www.mfa.gr/montevideo
Head of Mission : Nafsika Nancy Eva Vraila

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Fax : (00598) 27098959
E-mail : gremb.mvd@mfa.gr
Web Site : www.mfa.gr/montevideo
Head: Michael Manousakis

8. Sources

- European Commission
- Euromonitor International
- Fitch Solutions: BMI Research
- IMF
- OECD
- Societe Generale
- Statista
- The World Bank Group
- TradingEconomics
- UNCTAD
- StandardTrade
- Doingbusiness
- U.S. Department of Commerce, International Trade Administration
- World Economic Forum

Financial Institutions

- Eurobank: Export Gate

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