Doing Business in Uruguay: 2008 Country Commercial Guide for U.S. Companies

5/14/2008

Return to table of contents

Chapter 1: Doing Business In Uruguay

Market Overview Return to top

- Uruguay is a market-oriented economy in which the State still plays a certain role. The economy performed well during most of the nineties, but in 1999-2002 underwent its steepest banking and financial crisis in recent history, mostly caused by external factors. As a result, per capita GDP plummeted from $6,300 in 1998 to about $3,700 in 2002.

- The economy recovered in 2003 and has grown robustly since 2004, with the per capita GDP climbing back above $7,000 in 2007. Recent growth has driven real GDP close to its pre-crisis levels. An estimated growth of about 5% is expected for 2008.

- Uruguay has largely diversified its trade in recent years and reduced its longstanding dependency on Argentina and Brazil. It is a founding member of MERCOSUR, the Southern Cone trading bloc also composed of Argentina, Brazil and Paraguay, which is in process of integrating Venezuela.

- Imports from the United States plunged during the crisis but, following the economic upturn, resumed a sound pace of growth. Uruguay imported $621 million from the U.S. in 2007, mostly in fuels and high-tech and capital goods. Bilateral trade exceeded $1.1 billion in 2007.

- Uruguay and the U.S. signed an Open Skies Agreement in 2004, a Bilateral Investment Treaty in 2005, and a Trade and Investment Framework Agreement in early 2007.

- Preliminary 2007 figures show that Uruguay's exports (FOB) totaled $4.5 billion, which represented a 13 percent increase vis-à-vis 2006. Brazil was the top market followed by U.S., Argentina, Mexico and Germany. Exports are concentrated in meat, rice, leather, wool, fish and dairy products. Exports to the U.S. dropped by 11 percent in 2007, for a total of $492 million.

- Preliminary 2007 import figures show that total imports (CIF) amounted to 5.5 billion. The U.S. came in third place with a 10 percent market share. The top suppliers are Brazil (22%), Argentina (18%), China (10%) and Venezuela (9%).

The U.S. was the only country to increase its market share while other countries decreased. U.S. sales are highly concentrated in high-tech goods.

Please refer to Chapter 2 or the following links for further economic information: http://uruguay.usembassy.gov; http://www.bcu.gub.uy; http://www.ine.gub.uy; http://www.presidencia.gub.uy; http://www.uruguayxxi.gub.uy; http://www.mef.gub.uy/portada.php; http://www.mercosur.int/msweb/; http://www.imf.org/external/country/URY/index.htm

Market Challenges

Return to top

- The challenges Uruguay faces in promoting its local market are its small size (3.3 million) and the lack of trade-related financing. Uruguay is largely unknown to U.S. companies, and local business has traditionally turned to MERCOSUR. U.S. exporters need to be flexible in their minimum sales requirements. Occasionally, MERCOSUR trade barriers within the region can hinder trade amongst MERCOSUR partners.

- The left-of-center government that took office in March 2005 has shown a keen interest in promoting expanded trade and investment, and the business community has been encouraged by a strong economic recovery and pro-investment signals from the government. Still, more radical leftist members and trade unions have challenged the market-oriented economic team on some of its policies. A clear example was their opposition to a Free Trade Agreement with the U.S.

- While the current administration recognizes the importance of U.S. investment and the U.S. market, it places very close attention to the regional markets. The leftist parties have traditionally opposed further privatization of the state sector. However, they are open to certain private sector participation in state-owned firms (i.e., AFE and ANCAP).

- Government procurement and bidding processes are transparent yet slow. The bureaucracy for obtaining official investment information and procedures is also slow at times.

- High interest rates, limited financing for SMEs, and an almost non-existent capital market can limit market opportunities.

- The level of labor conflicts is expected to increase in 2008 due to national budget discussions in Parliament and negotiations in Salary Councils.

Market Opportunities

Return to top

- A favorable dollar exchange rate makes U.S. imports more competitive.

- Continuous and robust GDP real growth rate since 2004; almost 12% in 2004, and 7% and over since 2005. Per capita GDP jumped by 55% percent in 2007 vis-à-vis 2004, from $3,900 to an estimated $7,100.

- Information technology, telecommunication equipment, and chemicals are the top U.S. exports to Uruguay, followed by fertilizers, medical equipment and supplies, and agricultural machinery. The U.S. is Uruguay's first provider for hardware and telecommunication equipment, second for fertilizers, and third for chemicals.

- Uruguay offers good opportunities as a test market for the region, given the small size of its market, respect for the rule of law and good investment climate.

- Uruguay also boasts a highly educated population (97% literacy rate) and a dynamic services sector. Software development in particular is a growing sector, with Uruguay being the leading software exporter in Latin America.

- New cellulose investment projects in the pipeline provide opportunities for U.S. companies in the forestry and paper and pulp sectors.

- The major infrastructure projects in the pipeline are:
    - Paraná-Paraguay River Transportation System
    - Renewable Energy Projects
    - Railway Rehabilitation
    - New Airport Terminal (Inauguration in August 2008)
    - Port Projects
    - Cellulose and Wood Chipping Plant

For detailed information regarding these projects, please refer to Chapter 4.

Market Entry Strategy Return to top

- All import channels exist -- agents, distributors, importers, trading companies, subsidiaries, and branches of foreign firms. Sales outlets and supermarkets are traditional storefronts. There are no discount general merchandisers.

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

- The best strategy recommended to enter the local market is 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 in the U.S. Embassy in Montevideo. Please check in http://www.buyusa.gov/uruguay/en/10.html for the full list of services provided. Another useful site for U.S. exporters is http://www.export.gov.

Return to table of contents

Return to table of contents

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

Return to table of contents

Return to table of contents

Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

Return to top

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 in the U.S. Embassy in Uruguay. One of the services provided is a free a Contact List with up to 10 potential Uruguayan agents, distributors, and importers of the company's product. This free list contains basic information, such as company name, address, and phone/fax numbers. For a fee, post will provide a Customized Contact List with up to 10 potential partners with additional information, such as a contact name, e-mail, a brief description of the firm, approximate number of employees, products/services, foreign companies represented, year established, and sales revenue if available.

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

For the full list of services provided, please check in
http://www.buyusa.gov/uruguay/en/10.html

Establishing an Office

Return to top

A new enterprise or the acquisition of an existing Uruguayan company can be done freely. Shell corporations already formed but with no operations are also available for acquisition and can be purchased for about $2,500. 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 organization structure. Corporations or branches are most common forms, but a personal partnership is also possible.

Franchising Return to top

Franchising in Uruguay has to date been largely limited to food-related outlets, hotels, and car rental companies. There are no legal restrictions on operating a franchise in Uruguay. For information on the Uruguayan Franchising Association, please check in http://www.mtgroup-uy.com. For more information or assistance, please e-mail montevideo.office.box@mail.doc.gov.

Direct Marketing Return to top

U.S. exporters may sell and ship directly to Uruguayan consumers. Courier packages containing CDs, DVDs, books, and personal items valued at $50 or less are exempt from import tariffs. The relevant regulations, however, are not always uniformly applied and are changed periodically. Telemarketing and e-mail campaigns are on the rise. Direct marketing is also popular in 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.

Joint Ventures/Licensing Return to top

Both joint ventures and licensing are common in Uruguay and generally involve procedures similar to those practiced in most other countries.

Selling to the Government Return to top

Both joint ventures and licensing are common in Uruguay and generally involve procedures similar to those practiced in most other countries.
A G2B website, http://www.comprasestatales.gub.uy, has been established to increase transparency and reduce government procurement costs. Government agencies issue tenders for the purchase of the products and services.

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. No 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 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. Also, they are sometimes rated poorly when it comes to financing, which is an important factor in sales in Uruguay. American manufacturers offering flexible, innovative, and competitive credit terms will overcome a difficult hurdle in achieving export sales to Uruguay.

Electronic Commerce

Return to top

Uruguay has one of the highest Internet density levels of Latin America, yet its e-commerce figures still tend to be comparatively low.

A 2006 survey among internet users reported that 51% (413,000 potential clients) would be likely to purchase products or services if they found items of interest. Eighty-two percent of those surveyed reported that they see the advertisements on the net but, of those, only 19% actually clicked on any advertisement for further information. Local advertisers agree that the Internet serves as a means to promote their products and services, but not to complete business transactions. Almost 71% of Uruguay's 850,000 Internet users live in the capital city of Montevideo and only 9% have done purchases through the Internet. Cellular phones are not used for product promotion.

In 2001-2002, Uruguayan retailers began launching their websites and sales campaigns on-line. However, they soon discovered that they were unable to attract on-line business due to the ongoing recession and the lack of interest among their clients. Because the costs of maintaining their websites became too expensive, many of these companies subsequently removed their websites from the Internet. As the economy began recovering since 2005, companies started to go back to using websites and trying to increase sales on-line. By mid 2007 there were approximately 13,000 ".uy" domains in operation. Local supermarkets and home appliances sales have been the first to pick-up sales over the Internet. The items most frequently purchased on-line from overseas include books, CDs, clothing, hardware, sporting goods, home appliances, toys, games/DVDs, and software. In most cases, the items purchased are unavailable locally. Other factors include lower prices, convenience, and the items' novelty.

The growth of e-business from abroad has also been negatively impacted by the Government of Uruguay's attempts to impose taxes and measures that affect the door-to-door delivery of goods arriving via international couriers. Goods arriving via couriers that cost under $50 enter free of duties.

Trade Promotion and Advertising
Return to top

It is advisable to work with a local advertising agency. "El Pais" and "El Observador" are the leading newspapers in terms of circulation followed by Cronicas Economicas" ; "Busqueda" is a highly respected weekly 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 aircrafts with banners are commonly used to promote new products along the coast. Several local ad agencies produce TV commercials for clients abroad.

The Embassy periodically hosts industry-specific catalog exhibitions and trade missions. It also participates with a commercial booth in some trade fairs. Details concerning these fairs may be obtained from the Commercial Section, U.S. Embassy Montevideo, Tel: (5982) 418-7777, ext. 2325, Fax: (5982) 418-8581or by e-mail at montevideo.office.box@mail.doc.gov.

Catalogs may be sent via regular U.S. mail to :
Econ/Commercial Officer
U.S. Embassy Montevideo
PLEC 4502
APO AA 34035
USA

Pricing
Return to top

The Uruguayan market price structure reflects world market prices plus import tariffs 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.

A typical price structure for an item imported from the U.S. is as follows
(i.e., safety boxes HS code 83.03.00.00):

Price (CIF)		**500.00**
Import tariff	10.0%	50.00
IMADUNI	6.0%	30.00
VAT (recoverable on sale)	32.0%	185.60
Consular tax	2.0%	10.00
TSA Transit Guide		1.00 4.75
Total Surcharges		**281.35**
Final equipment price		781.35
Profit margin:	10.0%	72.13
Final Sale price:		**859.48**

Sales Service/Customer Support
Return to top

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. A local U.S. firm is selling warranty protection that supplements that provided by the original equipment manufacturer.

Protecting Your Intellectual Property

Return to top

Uruguay is a member of the World Intellectual Property Organization (WIPO), and a party to the Bern and Universal Copyright Conventions, and the Paris Convention for the Protection of Industrial Property. In 1998 and 1999, Uruguay passed trademark and patent legislation. In 2003, coordinating closely with U.S. and international IPR organizations, Uruguay also passed new TRIPS-compliant copyright legislation. In 2006, USTR removed Uruguay from the Special 301 Watch List, thanks to significant progress in IPR, especially with respect to copyright enforcement. The USTR statement commended the “positive progress” and was “encouraged that Uruguay has set a positive example by its efforts to combat piracy and counterfeiting.”

-- Copyrights: The 2003 copyright law represented a significant improvement over the 1937 law and led the United States Trade Representative (USTR) to upgrade Uruguay from the "Priority Watch List" to the "Watch List." Uruguay signed the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) in 1997. Parliament ratified the WCT in August 2005, but WPPT was filed in February.

-- Patents: Patents are protected by Law No.17164 of September 2, 1999. Invention patents have a 20-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 and additional five. The law provides a lax definition of compulsory licensing and vaguely defines compensation as "adequate remuneration" to be paid to the patent-holder. Some U.S. industry groups believe that the law's compulsory licensing requirements are not TRIPS consistent. On average, filing a medical patent takes two years longer than in the United States.

-- Trademarks: The GOU approved a trademark law on September 25, 1998 upgrading trademark legislation to TRIPS standards. Under this law, a registered trademark lasts ten years and can be renewed as many times as desired. It provides prison penalties of six months to three years for violators, and requires proof of a legal commercial connection to register a foreign trademark. Enforcement of trademark rights is adequate and has improved in recent years as a result of an intense anti- smuggling campaign.

Due Diligence

Return to top

It is advisable to obtain 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 free list of local attorneys may be obtained from the Embassy's website at http://uruguay.usembassy.gov, under American Citizen Services. For questions or further assistance, please contact montevideo.office.box@mail.doc.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://www.buyusa.gov/uruguay/en/11.html.

Local Professional Services

Return to top

Equifax: http://www.clearing.com.uy, http://www.equifax.com/
Commercial Defense: http://www.lideco.com.uy/online/html/index.php
D&B Uruguay: http://www.mr.com.uy

For additional services, please click on http://www.buyusa.gov/uruguay/en/17.html

Web Resources

Return to top

Newspapers:
Busqueda: e-mail busqueda@adinet.com.uy Web site not available.
El Observador: http://www.observa.com.uy.
El Pais: http://www.diarioelpais.com.
Crónicas Económicas: http://www.cronicas.com.uy.
La Republica: http://www.larepublica.com.uy/
Ultimas Noticias: http://www.ultimasnoticias.com.uy/

T.V.
Channel 4
http://www.canal4.com.uy/
noticieros@montecarlo.com.uy

Channel 5 (TVEO):
tveo@hotmail.com

Channel 10:
http://www.canal10.com.uy/
subrayado@canal10.com

Channel 12:
http://www.teledoce.com/
telemundo@teledoce.com

VTV Uruguaya:
http://www.vtv.com.uy/
prensa@vtv.com.uy

Major AM radios
1410 AM Libre
http://www.1410amlibre.com/

690 AM Radio Sarandí
http://www.sarandi690.com.uy/scripts/am/template.asp

810 AM Radio El Espectador
http://www.espectador.com/index_home.php

850 AM Radio Carve
http://www.carve.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/index.asp

Return to table of contents

Return to table of contents

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

Commercial Sectors

Telecommunications Equipment (TEL)

Overview
Return to top

	2005	2006	2007
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	156.3	170.1	207.2
Imports from the U.S.	29.5	19.4	27.1

Source: Transaction database

The growth of mobile communications in Uruguay greatly surpasses the growth of fixed communications (which has become almost stagnant.) In 1997 there were 761,000 landline connections and 100,000 cellular subscribers. By late 2007, there were 998,747 landline connections and almost three million cellular subscribers (85% pre-paid.) In 2007, telecommunications represented 3.81% of GDP.

The Uruguayan market is shared by three carriers: the dominant state-owned ANCEL (42% market share – down from 60% two years ago), Spain's Telefónica / Movistar (formerly BellSouth - 40% market share), and Mexico's América Móvil / CTI (18% market share.) BellSouth began service in 1991, ANCEL in 1994, and CTI in 2005. Stiff competition from the three cellular carriers forced the state-owned telecommunications company ANTEL to discontinue national long distance landline service. All calls within Uruguay are now charged as local calls.

Fueled by aggressive commercial promotions, between October 2006 and October 2007 the number of subscribers almost doubled. 2007 closed with almost 3 million subscribers representing a 70.6% mobile teledensity. It is expected that the cellular penetration will surpass 100% by 2011.

In December 2005 the three carriers interconnected their systems to allow for the exchange of short message services (SMS – a possibility not yet available for multi-media message MMS.) The subsequent explosion in SMS messages resulted in network saturation and as of November 2007 the problem had not been completely resolved, especially at peak holidays. An average of 115 million SMSs are sent per month among the three carriers at a cost of $0.05 per message. ANCEL recently reported that message sending has become one of the principal uses of cell phones among teenagers -- more time is spent on sending SMSs than in making actual calls.

Total invoicing in 2007 reached $723 million and is expected to increase to $1.1 billion by 2012 at an annual growth of over 4%. The two private carriers reported investments of $42 million during 2007.

ANCEL and Movistar operate on 1800MHz and CTI on 1900MHz frequencies. GSM leads the market with 58% participation; CDMA follows with 24%, TDMA with 16%, and

AMPS with a 2% share. In a recent press conference, CTI reported an average return per user (ARPU) of $12 per month (against a U.S. industry average of $43,) but consistent with an $11.00 average in the rest of Latin America. According to CTI, this low ARPU could be increased by offering more value-added services (SMS, MMS, mobile TV, etc.) especially to regional tourists during the summer vacation months. 3.5G services were introduced in mid 2007 yet high costs have kept development slow.

The vast majority (85%) of subscribers are pre-paid. Depending on the carrier and time of day, costs per minute in U.S. Dollars range from $0.16 to $0.60. Plans as those offered in the U.S. which include 2,000 anytime free minutes, etc., are unheard of in Uruguay even for subscribers with monthly contracts. An average 70 minute contract fractioned every ten seconds costs approximately $11.

Except for landline calls that remain a state monopoly, Uruguay liberalized the telecommunications market in 2001. The liberalization also created a new regulatory entity (URSEC -- the Unidad Reguladora de Servicios de Comunicaciones) to regulate and oversee the Uruguayan telecommunications market. However, largely because of its significant political influence, the state-owned telephone company ANTEL continues to have a strong grip on the sector. ANTEL also dominates other aspects of the country's telecommunications market through its ISP and cellular subsidiaries ADINET and ANCEL respectively.

ANTEL commands a 77% market share in international long distance calls; the rest is divided among three major and five very minor competitors that cater principally to businesses. ANTEL's ISP subsidiary ADINET commands a similar market share in ISP services. Fixed line teledensity is 80%, one of the highest in Latin America.

Due to its 100% digitalization, advanced telecommunications infrastructure, highly trained population, and relatively low salaries, Uruguay is quickly positioning itself as a preferred location for regional call centers.

HTSUS 8517 (telephone sets) represent 72% of total telecommunications imports.

Best Prospects/Services Return to top

Overall, the U.S. maintains an approximately 13% market share in telecommunications-related products.

Opportunities Return to top

Given the strong entry of CTI in late 2004, combining beefy promotion and low prices, the market for cellular phones and transmission antennas and equipment has risen considerably. Both Telefónica and CTI are increasing their network to provide national coverage. The carriers have not yet announced their investment plans for 2008.

Opportunities may also exist for new cable TV operators in Montevideo (population 1.5 million.) URSEC has announced it will make a call for interested cable operators in early 2008. Foreign ownership of cable TV is allowed by law.

In August 2007, Uruguay became the second country in South America to select an HDTV standard. Europe's DVB-T standard was preferred over Japan's ISDB or the U.S.'s ATSC on the assumption that DVB-T allowed the greatest possibilities for local value-added content.

Resources	Return to top

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

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

Telfónica
http://www.movistar.com.uy

CTI
http://www.ctimovil.com.uy

ANCEL
http://www.ancel.com.uy

Fertilizers

Overview

Return to top

	2005	2006	2007
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	5.0	4.0	16.6
Total Imports	60.0	57.0	126.0
Imports from the U.S.	4.3	20.0	17.0

Source: Transaction database

Uruguay is essentially an agricultural country, and the use of fertilizers is increasingly important to maintain good pastures and increase soil fertility levels. Within the chemical sector, fertilizers play a significant role in Uruguay's imports. Uruguay imports 75% of the fertilizers it consumes. Between 1980 and 1990, artificial grasslands increased by 32%.

In 2007, the top four suppliers of raw materials for fertilizers (HS code 3105) were Russia with a 64% market share, the U.S. with 17%, Morocco with 7%, and Tunisia with a 5% market share. Over 61% of HS Code 3105 imports were 3105.30.90.00 (diammonium hydrogenorthophosphate, and 36% were 3105.40.00.00 (ammonium dihydrogenorthophosphate and mixtures thereof). In 2006, Uruguay's total imports were $57 million. Russia had a 44% market share followed by the U.S. (20%), Lithuania (13%), Tunisia (10%), and other countries (13%).

The poor growth of natural pasture in winter, their medium to low quality, and deficiencies in phosphorus as well as nitrogen in the great majority of soils, has 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 23 percent value added tax and zero import-tariffs.

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.

The cost in Uruguay to adequately fertilize a hectare of land is estimated at $35.

Best Prospects/Services

Return to top

Imports of fertilizers from the U.S. were worth 17 million dollars in 2007. Agriculture in Uruguay is experiencing a favorable situation, and important growth in the fertilizer sector is expected.

Opportunities

Return to top

Best prospects are for U.S. producers 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 considered as two essential fertilizers used by Uruguay's agriculture sector. The increased rotation of crops generated in 2007 considerably increased the quantity and variety of chemical products imported for the production of fertilizers. U.S. manufactures of urea, ammonium sulfate, (diammonium hydrogen orthophosphate) and many other related products, will have good sales opportunities in the Uruguayan market.

Resources

Return to top

Embassy Contact: Jorge Balparda, Commercial Assistant – balpardajj@state.gov
http://www.buyusa.gov/Uruguay/en

Ministry of Agriculture
http://www.mgap.gub.uy

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

Medical Equipment

Overview
Return to top

	2005	2006	2007 *
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	27	27	32
Imports from the U.S.	9.9	9.4	11

Source: Transaction Database
Products under HS codes 9018, 9019, 9021 an 9022
* Preliminary figures

Uruguay's demographic picture ensures that the demand for medical supplies and equipment is relatively steady and will continue to be so. Compared to other Latin American countries, Uruguay has an aging society. More than 20% of the population is 65 years and over, and the average life expectancy is 75.

Cardiovascular problems and cancer are the two leading causes of death among Uruguayans over 45 years old. Oncology and pediatric care are key priorities.

Approximately 35 percent of Uruguay's total medical equipment imports are for the public sector while 65 percent are for the private sector.

Customs duties for medical equipment range from 0% to 20%.

All medical products and importers have to be registered and approved by the Ministry of Public Health (MPH). Only local companies approved by the MPH can register equipment, supplies, and pharmaceuticals. The MPH must also approve all purchases; both for the public sector and for private health institutions and clinics.

Best Prospects/Services
Return to top

The majority of products for local distribution are imported from the U.S., Argentina, Brazil and, the EU and Japan. The U.S. is the number one origin of total imports for products that fall under HS codes 90.18 (36%), 90.19 (33%), 90.21 (28%) and, second place under 90.22 (39%). Germany, Brazil and Argentina are the major competitors, with China and Switzerland catching up as suppliers. These imports include: CT scanners, X-ray equipment, angiography and angioplasty, optical and dental instruments and supplies, supplies for blood transfusions and IV, all cardiology and surgical equipment and supplies, catheters, probes and scalps, prosthesis and implants as well as other medical equipment and supplies in general.

Very little production occurs in Uruguay. Except for low-tech monitors, almost none of the medical equipment and surgical supplies sold in Uruguay are produced locally.

There is a demand for new, technologically advanced supplies and equipment, particularly those related to non-invasive procedures, ultrasound, magnetic resonance imaging and CT scans.

Opportunities

Return to top

During the past decade, the private sector has been investing in equipment and facilities in an effort to provide better and more competitive services. Both public and private institutions turn to U.S. sources for supplies and training/management services. U.S. suppliers should take advantage of these opportunities since professionals and patients value U.S. expertise and equipment. The current administration is undertaken a major health reform that will also require institutions to update their facilities and equipment.

Resources

Return to top

Embassy Contact: Lilian Amy, Sector Specialist – lilian.amy@mail.doc.gov
http://www.buyusa.gov/Uruguay/en

Ministry of Public Health: http://www.msp.gub.uy
National Fund of Resources (procurement) http://www.fnr.gub.uy

For project and procurement updates check at the Inter-American Development Bank (IADB) and/or World Bank in:

Inter-American Development Bank:
http://www.iadb.org/exr/doc98/pro/paisur.htm
http://itsdc16.iadb.org/idbppi/aspx/ppProcurement.aspx

World Bank:
http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,menuPK:115635~pagePK:64020917~piPK:64021009~theSitePK:40941,00.html

IT - Computer Hardware

Overview

Return to top

	2005	2006	2007
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	70.8	82	78
Imports from the U.S.	42.7	39	31

Source: Transaction Database

* Preliminary figures.

Government and private sector initiatives to develop technological parks, a growing and strong software sector, combined with increasing Internet usage in Uruguay, have maintained hardware imports at high levels. Although total imports in 2007 declined vis-à-vis 2006, projections show an increase for 2008-2010. There is no local production of hardware. At the end of 2004, a company launched the first local brand but it just assembles equipment with imported parts. It is important to highlight that until 2002, the U.S. accounted for approximately 70 percent of total hardware imports. It still maintains first place but its share continues to drop due to imports from China and Mexico amongst others. In 2006, the U.S. market share stood at 48%, but dropped to 40% in 2007, while China came in as second in both years but went from a 30% share in 2006 to 37% in 2007.

Various multinationals consider Uruguay as a hub for their data and call centers. Colgate-Palmolive International, Sabre, and Ta-Ta Consultancy Services, for example, are already using Uruguay's centers in direct network with their head offices. The number of call centers is increasing rapidly.

There are no tariffs for items of MERCOSUR origin; for third countries, the Common External Tariff (CET) ranges from 0 to 16%. However, Information Technologies and Telecommunications fall under a special regime. Items under HS codes 84.71 have a 2% tariff and under 84.73 are exempt of import tariffs.

The current administration has made the One Laptop Per Child (OLPC) program a top priority. Hence, sector specialists estimate that imports of hardware will increase since the need for a computer will be considered a basic necessity. Local IT businesses are confident that the demands for equipment and qualified workers will rise over the next few years. In order to achieve the goal set by the Uruguayan IT Chamber (CUTI) of exporting software for $500 million by the year 2010, the industry will need to hire 2,500 employees each year and there will definitely be an increasing demand for equipment.

Best Prospects/Services

Return to top

Hardware equipment and accessories have been the number one import from the U.S.

Items under HS code 8471 such as CPUs, monitors, magnetic discs, printers, ATM equipment, hubs, network and digital equipment are key imports. The U.S. remains in first position with a 40% market share, yet imports from China, Mexico, Japan and Taiwan continue to be on the rise. For items under HS code 8473, the key items are boards, memory cards, ink cartridges, parts and accessories, discs, magnetic heads and cards among others. Due to low cost imports from third markets, U.S. exporters must be able to offer competitive prices. The drop is also a consequence of U.S. multinationals shipping from Asia.

Opportunities

Return to top

Demand for hardware and accessories will increase due to educational programs, increased Internet access, and continuing modernization of both the private and public sectors. Products need to have competitive prices due to the rise of imports from countries like China, Mexico, Taiwan and Singapore.

Resources

Return to top

Embassy Contact: Lilian Amy, Sector Specialist – lilian.amy@mail.doc.gov
http://www.buyusa.gov/Uruguay/en

Uruguayan IT Chamber: http://www.cuti.org.uy

Renewable Energy Equipment

Overview

Return to top

Renewable energy sources will play an important role in the future of Uruguay. The country needs to strengthen its energy security in order to avoid a recurring energy crisis. Import statistics may be somewhat misleading, as the country has not imported much equipment but projects in the pipeline justify paying attention to the local market.

The Government of Uruguay (GOU) strives to reduce energy costs and reduce the overwhelming dependency on imported resources. Uruguay has no known oil resources and must import 100% of its fuel needs. It also imports energy from Argentina and Brazil. Although the majority of the energy in Uruguay is hydraulic, recent and recurring draughts have caused major energy crises.

The major targets of the current administration (2005 – 2010) have been:

- To focus on production and consumption efficiencies as well as on the security and quality of energy supply.
- To cover basic energy requirements both in terms of quantity and quality for the entire population (3.3 million inhabitants).
- To focus on diversifying energy sources, including the capacity to include natural gas and renewable resources.

The main objective is to develop a matrix that will allow the use of different and/or combined technologies and resources. Improving and increasing the electrical interconnection with Brazil is another priority. The government is currently analyzing the use of coal, and strongly encouraging the production of bio-diesel and ethanol.

The government is also in the process of designing a wind map. First estimates show that the country could install between 200 to 300 MW of wind energy.

Biodiesel and ethanol production provide an opportunity to leverage efforts to achieve energy independence in support of the country's agricultural sector.

Best Products/Services

Return to top

Import statistics are almost non-existent because Uruguay has not imported much equipment for renewable energy. Existing biodiesel plants have been manufactured locally with some imports from the region. However, all of the projects in the pipeline, both public and private, predict a high growth rate with a definite need for imported equipment. Potential buyers are turning to U.S sources since the Brazilian industry is focused only on sugarcane and the equipment available is too large for the Uruguayan market. The need for equipment is supported by government policies to increase bio-diesel production and the need to start with ethanol, as well as making blends with gasoline for vehicles, mandatory by 2012.

The GOU currently is focused on promoting the installation of small power plants throughout the country. The total power installed cannot be greater than 60 MW, and operations should start with 20 MW of each source.

Opportunities

Return to top

Import duties are applied to CIF values. For renewable energy, generators and equipment classified as capital goods do not pay import duties. In other cases, a 14% duty is applied to products that are not from the MERCOSUR member countries (Argentina, Brazil, Paraguay and Uruguay). Best prospects are (in alphabetical order, not ranked):

- ☑ Boilers (local manufacturing exists)
- ☑ Centrifuges
- ☑ Distillery
- ☑ Drying units
- ☑ High efficiency transformers
- ☑ Installation and maintenance training
- ☑ Off-grid generation products and equipment
- ☑ Plant safety
- ☑ Power generation equipment and components
- ☑ Pumps
- ☑ Reactors
- ☑ Research, design and project management
- ☑ Security devises
- ☑ Seed press
- ☑ Settlers
- ☑ Signal conditioners
- ☑ Spare parts and accessories
- ☑ Storage steel tanks
- ☑ Turn-key projects for bio-diesel and ethanol plants
- ☑ Washing equipment

Resources

Return to top

Embassy Contact: Lilian Amy, Sector Specialist – lilian.amy@mail.doc.gov
http://www.buyusa.gov/Uruguay/en

Ministry of Industry Energy and Mining: http://www.miem.gub.uy

National Directorate of Energy: http://www.dnetn.gub.uy

Chemicals

Overview

Return to top

	2005	2006	2007
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	5.5	47.0	64.0
Total Imports	127.0	144.0	199.0
Imports from the U.S.	10.2	10.0	13.0

Source: Transaction database

In 2007, the four top suppliers of chemicals falling within HS code 3808 were: China (35%), Argentina (32%), Brazil (15%), and the U.S. with (5%) market share. Principal imports corresponded to 3808.93.23.00 (herbicides -- 35%), 3808.93.29.00 (other herbicides – 14%), 3808.92.29.90 (fungicides -- 16%) and 3808.90.29.90 (insecticides -- 15%).

Principal suppliers falling within HS code 3907 were: The U.S. (22%), Argentina (21%), Taiwan (14%), and India with (9%) market share. Principal imports corresponded to: 3907.60.00.00 (polyethyleneterephthalate -- 90%) and 3907.91.00.00 / 3907.50.10.00 (other polyesters and resins10%).

The chemical industry is basically an industry of imported raw material transformation. Subsidiaries of multinationals form approximately 60% of the chemical industry. During the last few years, the chemical sector underwent important transformations in investigation and development of new products, and the use of new technologies.

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

- Petrochemical industries (including the production of fertilizers),
- Fine Chemistry and production of specialties including production of pesticides for the agricultural sector, pharmaceuticals and hygiene articles, and
- Production of plastics.

Uruguay has no petrochemical industry. It does not produce basic raw materials such as ethylene, propylene, etc. The Uruguayan industry is only involved in the final processing stages.

Invoicing of chemical products was approximately $70 million, resins and artificial fibers $36 million, and fertilizers and pesticides about $50 million.

Fertilizers: ISUSA (Industria Sulfurica Sociedad Anonima) controls Uruguay's fertilizer production. This company has plants of sulphuric and oleum with a maximum capacity of 170 tons/day. Fifty-five percent of the production of sulphuric acid is for the production of fertilizers, while the other 45 % is for the production of other chemical products.

Chemical industries and specially “fine chemistry” have been particularly dynamic in Uruguay since the 1980’s. Eighty-five companies integrate Uruguay’s pharmaceutical industry. From these, 10 command 47% of the country’s sales. However, none of them has gained more than the 10% of the market. There are 65 laboratories, and small and medium firms that have 1/3 of the market. Uruguay’s pharmaceutical industry invoices approximately $250 million per year.

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

The plastic sector invoices about $180 million per year. Raw material is almost entirely imported from different countries and represents between the 40-50% of the finished product price. Uruguay’s Plastic Association is formed by 60 of the 120 companies acting in the country’s plastics sector. The sector processes 150,000 tons of plastic material; an important part of that production is for export.

Best Products/Services Return to top

Regulatory issues:

A special program with the National Environment Office – DINAMA has been implemented for the recycling of plastics. As Uruguayans become more environmentally conscious, plastic recycling equipment may be a good opportunity for U.S. exports.

Opportunities Return to top

In the Plastic 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 a very promising market for U.S. firms.

Resources Return to top

Embassy Contact: Jorge Balparda, Commercial Assistant – balpardajj@state.gov
http://www.buyusa.gov/Uruguay/en

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

Uruguayan Plastic Association
E-mail: auip@ciu.com.uy

Overview Infrastructure Projects

There are major infrastructure projects in the pipeline that U.S. exporters of goods and services should follow-up on. For up-dates and more information, please contact montevideo.office.box@mail.doc.gov.

Opportunities

Return to top

- **Paraná-Paraguay River Transportation System:** The governments of Uruguay, Argentina, Brazil, Paraguay, and Bolivia are working together on what has become the largest Latin-American "regional integration" project, 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 lay in the development of waterway administration

- **Energy:** The main objective of the current administration is to develop a matrix that will allow the use of different and/or combined technologies and resources. Improving and increasing the electrical interconnection with Brazil is another priority. The government is currently analyzing the use of coal, and strongly encouraging the production of bio-diesel and ethanol. The government is also in the process of designing a wind map. First estimates show that the country could install between 200 to 300 MW of wind energy. Biodiesel and ethanol production provide an opportunity to leverage efforts to achieve energy independence in support of the country's agricultural sector.

- **Railway Rehabilitation:** The railway system has been in constant decline for several decades. Except for very short stretches of the suburban grid, passenger service was discontinued in 1988. Besides sporadic purchases of cargo wagons, passenger wagons, and signaling systems, the current administration plans to call for the total revamping of the railway system and investors are being actively sought. This would include the rehabilitation and maintenance of approximately 650 miles of Uruguay's railroad grid and the association of a private operator for cargo transportation (basically wood.)

  The Ministry of Transportation has identified the following stretches for the rehabilitation project:

  - Montevideo Metropolitan grid: approximately 16 miles,
  - Montevideo - Rivera stretch (on the border with Brazil): approximately 350 miles, for the transportation of lumber;
  - Montevideo - Rio Branco stretch (on the border with Brazil): approximately 280 miles, for the transportation of rice;
  - Montevideo - Minas stretch: approximately 80 miles, for the transportation of minerals (mainly cement).

  Calls for expressions of interest were issued in December 2006. As of December 2007, no final awards had been made for either the railway rehabilitation project or the private-sector association project for the transportation of wood products.

- **Construction of new Airport Terminal:** At an auction held on August 27, 2003, Puerta del Sur, a consortium comprised of American International Airports (U.S.), SEA (Italy), and Grupo Eurnekian (Argentina) won a 20-year concession to remodel and operate Montevideo's Carrasco International Airport and build a brand new terminal.

  According to the consortium's contract with the Uruguayan Government, the new passenger terminal must be operational by 2008. The civil construction is in its final stages but there may still be some opportunities for providing equipment and supplies such as carpeting, lounge seating, luggage belt conveyors, high-tech security equipment, jet ways, billboards, monitors, etc. It is essential that attractive financing packages accompany any proposal.

- **Construction and outfitting of cellulose and chipping plants:** In late 2007 Finland's forestry firm Botnia began operating its brand-new 1.5 billion-dollar cellulose plant (Uruguay's largest-ever foreign investment). Spain's firm ENCE began construction of a $2.0 billion plant in January 2008, which should be ready by 2010. Weyerhaeuser, a U.S. company in Uruguay since 1997, completed the construction of a major plywood plant in 2007 and has plans to build additional plants over the next few years. Finland's Stora-Enso, Portugal's Portucel, Japan's Nippon Paper, and the U.S.'s International Paper have also expressed interest in constructing pulp-processing plants in Uruguay.

- **Port projects:** The construction of a new fishing dock and a forestry terminal in Montevideo are the Port Administration's (ANP) major projects for 2008. Dredging projects are continuously being tendered. The ANP has also announced the possibility of requesting bids for the construction and operation of a third major container terminal (the two current terminals are operated by a Uruguayan consortium – Montecon, and Belgium's Katoen-Natie.)

Resources Return to top

Embassy Contacts:
Robert Gorter, Sector Specialist – gorterrh@state.gov
Lilian Amy, Sector Specialist – (Energy only) lilian.amy@mail.doc.gov

Construction Equipment - Machinery

Overview

Return to top

	2005	2006	2007
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	18.0	41.0	36.0
Total Imports	118.9	124.8	189.0
Imports from the U.S.	6.7	5.3	7.0

Source: Transaction database

The construction machinery market in Uruguay depends predominantly on imports. In 2007, total imports were valued at US$ 189 million. The U.S. held a 7% market share, with US$ 13 million worth of exports, behind Brazil's 46%, Argentina's 14%, and China's 8% market share. 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 today, contributing about 3.2% of Gross Domestic Product. The capital city of Montevideo and resort of Punta del Este are the most important areas for construction, followed by the cities of Fray Bentos, Colonia, Salto and Paysandú. The biggest increase was in the construction of luxury apartment buildings. However, construction of high middle-class and lower-level buildings grew 110% and 60%, respectively.

The major construction-related projects in the pipeline are:

- New Airport Terminal
- Cellulose Plants
- Port Projects
- Hotel/Casinos
- Residential Construction

Brazil is the main supplier of construction equipment and machinery to Uruguay, with a 46% market share and 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.

Best Prospects

Return to top

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 a rapid growth in infrastructure construction (private and public). According to local source, the highest demand in construction machinery is for mobile cranes, machinery for public works, off-highway dumpers, self-propelled bulldozers, grader/levelers, fork-lifts, tractors, mechanical shovels, excavators, road rollers and many other construction related machinery and equipment.

Used construction machinery has good market opportunities in Uruguay, since it competes in price with new equipment from Japan, China and some countries from Europe.

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

Resources Return to top

Embassy Contact: Jorge Balparda, Commercial Assistant – balpardajj@state.gov
http://www.buyusa.gov/Uruguay/en

Uruguayan Construction Chamber (CCU) – www.ccu.com.uy

Association of Private Promoters of Construction (AAPCU) – www.appcu.org

Chamber of Industries (CIU) – www.ciu.com.uy

National Statistics Institute (INE) – www.ine.gub.uy

Uruguayan Real Estate Chamber (CIU) – www.ciu.org.uy

Construction Publications:

- En Obra - www.appcuy.org
- Ciudades – www.ciu.org.uy

Agricultural Sectors	Return to top

Processed Food and Beverages, and Food Ingredients

MARKET OVERVIEW

As the economy continues to recover, U.S. food and beverage (F&B) imports will increase due to:

1) High sanitary standards compared to European products,
2) Higher competitiveness because of the depreciation of the U.S. dollar vis-à-vis the euro, and
3) The influence of U.S. culture, encouraged by cable TV, the Internet, and Uruguayans traveling and studying in the United States.

Best prospects are for products of well-known brands, commodity-type products that are not produced domestically, and ingredients for the food processing industry, especially the meat and dairy sectors. There are also good prospects for those ingredients that, during the crisis, had been replaced by local inexpensive brands and are again demanded for their higher quality.

Prices of U.S. F&B products are significantly higher than their counterparts manufactured locally. However, prices are not expected to be an obstacle for imported foods among the most affluent segment of the population.

Uruguay has no quotas or restrictions, and reasonable transparent labeling and sanitary requirements. Most FDA-approved processed F&B can be imported into the country.

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, while imports from Europe and the United States are aimed at the middle and higher income sectors. U.S. companies with competitive prices should consider tapping the mass market through the development of the private label concept.

Post foresees increased opportunities for U.S. food ingredients, especially for the dairy and processed meat sectors due to the following: (1) most local companies, after the devaluation of 2002, have become very competitive in world markets and are focusing on increasing production and expanding exports; (2) the privileged sanitary status of Uruguay has also fostered a higher demand of ingredients for the manufacturing of products of animal origin to supply export markets. In addition, because many food ingredients are not produced locally, they must be imported. Food ingredients from the U.S. are considered as high quality and innovative.

Best High-Value Product Prospects

Traditionally, Uruguay was, and will continue to be, a net importer of several F&B and ingredients, which it does not produce domestically. Under the current economic situation, which combines a strong dollar compared to the Uruguayan peso, and a gradually recuperating purchasing power, best prospects are for high-value F&B products and “commodity-type” products which are not manufactured locally, and food ingredients.

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

- pepper and other condiments, kiwifruit, grapefruit, tropical fruits, chewing gum, candy, bonbons, snacks, sauces, food preparations, chocolate, dehydrated potatoes, alcoholic beverages, energy drinks, beverage preparations, and pet food.

II) 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.

Some well-known types of F&B, which traditionally have a stable demand in Uruguay, are imported and packaged domestically (e.g., scotch, which accounts for the highest level of consumption in the region).

Outlook for U.S. Exports of Food and Beverage Products

ADVANTAGES	CHALLENGES
Most Uruguayan consumers are aware of the wide variety and high quality of U.S. F&B.	Recession and the economic crisis fostered import substitution with domestically produced F&B, whose quality improved significantly as a result of technological investments during the 1990´s.
Influence of U.S. culture is significant and felt through cable TV, the Internet, and Uruguayans traveling or studying in the United States.	While purchasing power is on the rise, a still relatively high unemployment rate limits sales of imported F&B.
Supermarkets are willing to have imported F&B on the shelves as a tool to differentiate from other retailers.	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.
During the past few years, the self-serve format and the display of food products have improved remarkably.	The relatively small size of the market and small import volumes discourage U.S. suppliers.
Large supermarket chains are logistically ready to import foods directly.	There has been a lack of interest/ responsiveness of U.S. F&B suppliers vis-à-vis the Uruguayan market.

Cold storage facilities are good and can easily meet manufacturers´ requirements.	
After the competitiveness gained with the devaluation of the Uruguayan peso against the dollar, the expansion of the food processing industry, 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 FAS-sponsored marketing activities.	

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

Montevideo City Hall – Food and Health Service (Intendencia Municipal de Montevideo – Bromatología)
Web: http://www.montevideo.gub.uy

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

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

National Meat Institute (Instituto Nacional de Carnes – INAC)
Web: http://www.inac.gub.uy

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

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

Return to table of contents

Animal Genetics (Bovine Semen)

Thousand US$ (FOB)	2004	2005	2006
Total Imports	675	561	809
Imports from the U.S./U.S. market share %	259/38	256/38	311/41

Source: Global Trade Atlas

In 2006, Uruguay imported bovine semen for over $800,000, with a U.S. market share of 41%, compared to 38% in both 2004 and 2005.

Uruguay has approximately 390,000 dairy cows (mostly Holstein) and 4.1 million beef cows (roughly 70% Hereford and 30% Angus). Of the total imported semen, dairy breeds account for about 70% (Holstein), and beef breeds account for the remaining 30%, of which 60% is Hereford semen, and 40% Angus semen. During the past few years, there has been an increasing demand for imports of Angus semen.

Return to table of contents

Return to table of contents

Chapter 5: Trade Regulations and Standards

Import Tariffs

Return to top

A MERCOSUR Common External Tariff (CET) on imports from non-member countries entered into effect on January 1, 1995. As of 2008, the CET rates range between 0% and 20%, with an average of 10.4%. MERCOSUR´s general rule is to apply a higher CET on higher value-added imports.

The number of special import regimes in member countries, and national and sector lists of exceptions have greatly eroded the bloc's CET. According to recent estimates, the CET is effectively charged on under 40% of MERCOSUR´s extra-bloc imports. Each MERCOSUR member is free to choose the goods to include in its national lists of exceptions. Uruguay has 100 exceptions allowed until 2016 and 125 additional ones until 2010. In turn, sector lists grant differential treatment to imports of capital goods, IT and telecommunications in MERCOSUR countries. Uruguay´s list of capital goods is due to expire in 2009 and its list on telecommunications and IT goods in 2016. However, in the past MERCOSUR has frequently extended the term of such lists. For further information on MERCOSUR´s CET visit http://www.mercosur.int

The GOU applies import tariffs that are lower than the bloc's CET for the vast majority of goods included in the lists. Most goods entering Uruguay from MERCOSUR countries are exempt from import tariffs. Tariffs on non-locally-produced raw materials, intermediate goods and consumer goods range from 2 – 6%, 8 – 6% and 10 – 20%, respectively. Uruguay applies preferential tariffs on the import of vehicles and supplies for agriculture and hotels. The Uruguayan Government also gives special treatment to imports of raw materials and other inputs for the production of export goods.

Trade Barriers

Return to top

Quotas were eliminated in the mid-1970s and non-tariff barriers, including reference and minimum import prices, were substantially reduced in the 1990s. Certain imports (e.g. firearms, radioactive materials, fertilizers, vegetable products and frozen embryos) require special licenses or customs documents. Bureaucratic delays may also add to the cost of imports, although importers report that a "de-bureaucratization" commission has improved matters.

Reference prices and a few remaining minimum export prices were eliminated in 1994 and 2002, respectively. In 2002 and 2003, Uruguay imposed specific import duties and inconvenient financing terms to discourage some imports from Argentina.

Uruguayan importers are required to pay a 4% ad-valorem tax on all freight arriving via foreign-registered airlines. Freight that arrives by the national airline, PLUNA, is exempt from the tax. A civil aviation agreement between Uruguay and the United States provides for equal treatment between U.S. and Uruguayan airfreight carriers. U.S. carriers are therefore also exempt from this tax.

Import Requirements and Documentation
Return to top

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 with 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
Return to top

Most export transactions do not require specific approval from the U.S. Government. In order to legally complete certain export transactions, an exporter must obtain a special export license in advance. Licenses are required in certain situations involving national security, foreign policy, short supply, nuclear non-proliferation, missile technology, chemical, and biological weapons, regional stability, crime control, or terrorist concerns and high performance computers amongst other products.

For additional information, please check in:
http://www.bis.doc.gov/licensing/exportingbasics.htm

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; products that are part of production process.

Labeling and Marking Requirements
Return to top

Labeling and marking requirements for all imported products are controlled by LATU (Technical Laboratory), Ministry of Public Health, and municipal offices. Basically, labels must contain a Spanish-language description of the main ingredients 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 should 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. The municipality of Montevideo imposes strict, and at times, outdated and arbitrary regulations regarding the composition of food articles (e.g. dyes, etc.). 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 on all customs regulations. Decree Law 15.691 dated December 7, 1984 regulates the current system.

Capt. Luis A. Salvo
National Customs Director (Director Nacional de Aduanas)
Rambla 25 de Agosto de 1825 s/n
Montevideo, Uruguay
Tel: (5982) 916-2141; Fax: 916-4691
http://www.aduanas.gub.uy

Standards

Return to top

Overview

Return to top

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 – 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. For more information check in
http://www.astm.org/cgi-bin/SoftCart.exe/SNEWS/JANUARY_2002/intl_jan02.html?L+mystore+gswn7960 check in MOUs.

UNIT (http://www.unit.org.uy) is the official Certification office for all industries with the exception of beef it is the National Institute of Beef (INAC http://www.inac.gub.uy).

Publication of Technical Regulations Return to top

UNIT and ASTM signed a Memoranda of Understanding (MOU) in November 2001. For more information check in http://www.astm.org/cgi-bin/SoftCart.exe/SNEWS/JANUARY_2002/intl_jan02.html?L+mystore+gswn7960 check in MOUs.

UNIT (http://www.unit.org.uy) is the official Certification office for all industries with the exception of beef it is the National Institute of Beef (INAC http://www.inac.gub.uy).

Labeling and Marking Return to top

Labeling and marking requirements for all imported products are controlled by LATU (Technical Laboratory), Ministry of Public Health, and municipal offices.

Trade Agreements Return to top

Uruguay is a member of the World Trade Organization (WTO) and the Latin American Integration Association (ALADI, a Montevideo-based trade association that includes ten South American countries plus Mexico and Cuba). Uruguay holds numerous bilateral trade agreements of different depth with ALADI partners. In 2004, Uruguay and Mexico deepened a

1999 agreement, which resulted in Uruguay's first comprehensive trade agreement with a non-MERCOSUR country. Uruguay is a founding member of MERCOSUR and Montevideo is the headquarters of its Secretariat and its Parliament. Trade relations with neighboring Argentina and Brazil are particularly important and there are separate arrangements for certain products, mainly vehicles.

Web Resources Return to top

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/pagprincipal.htm
Communication Regulatory Agency:	http://www.ursec.gub.uy
Energy and Water Regulatory Agency:	http://www.ursea.gub.uy

Return to table of contents

Return to table of contents

Chapter 6: Investment Climate

Openness to Foreign Investment

Return to top

The Government of Uruguay recognizes the important role foreign investment plays in economic development and tries to maintain a favorable investment climate. Aside from a couple of sectors in which foreign investment is not permitted, there is neither de jure nor de facto discrimination toward investment by source or origin, and national and foreign investors are treated equally.

In 1998, the Uruguayan Government (GOU) approved a law (no. 16906) that declares that promotion and protection of national and foreign investment is in the national 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 does not prevent the establishment of investments in the country, and (4) investors may freely transfer abroad their capital and profits from the investment.

The left-of-center administration, which took office in March 2005, has stressed the importance of local and foreign investment for social and economic development. A strong economic team has been implementing an orthodox macroeconomic policy, with the ambitious goal of doubling Uruguay's investment/GDP ratio over the next five years, by attracting direct foreign investment, developing the local capital market and improving existing legislation on investment. The administration has sent positive signals to investors and is doing its utmost to promote foreign investment. Uruguay has been involved in a dispute with Argentina over the construction of pulp mills on a shared river.

In November 2007, the GOU regulated some aspects of the 1998 investment law with Decree 414/07, which provided new incentives to a broader base of firms and listed the

GOU´s criteria for granting incentives. The decree also streamlined procedures for firms requesting tax exemptions and established a single-window mechanism to channel investment requests and guide investors.

However, a law passed in January 2007 (Law 18,092) requiring that corporations that purchase land use registered shares held by individuals –instead of bearer shares– has caused some foreign investors to put planned investments on hold. In 2007, the GOU exempted some large foreign firms from this requirement. The government has also passed labor legislation, which, in the view of most business chambers, overly protects workers' rights and has led to some widely publicized labor conflicts with occupation of workplaces.

In general, the GOU does not require that firms receive specific authorization to set up operations, import and export, effect deposits and banking transactions in any 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. In privatization and concession programs, foreign investors are treated as nationals and are allowed to participate in any stage of the process. Bidders on tenders have to be prepared for a lengthy adjudication process.

Uruguay has a history of maintaining state monopolies in a number of areas in which direct foreign equity participation is prohibited by law. While privatization is widely opposed by the population, some progress has been achieved over the past decades in dismantling government-run monopolies and increasing private sector participation in the economy. Several state-owned entities have contracted with foreign-owned companies to provide specific services for a given period of time under Build-Operate-Transfer (BOT) regimes. While basic telephone services remain a monopoly, government-owned ANCEL, SPAIN's Telefonica, and Mexico's America Movil provide cellular services. International long distance, the installation and maintenance of public telephones, data transmission, and some value-added services are also open to the private sector. Although the Telecommunication and Postal Services regulatory agency, URSEC, aims to preserve a level playing field for private and public firms, it sometimes lacks the strength to enforce regulations on government-owned ANTEL.

Other sectors demonstrate varying levels of privatization. For instance, although private power generation is now allowed, the state-owned power company, UTE, still holds a monopoly on wheeling rights. The state-owned oil company, ANCAP, remains the only importer and refiner of petroleum products. The government has been planning to associate ANCAP with foreign partners, and negotiations are underway with Brazil's Petrobras and Venezuela's PDVSA. Ports are widely privatized, with private companies providing most services since 1992. In 2007, the GOU sold 75% of its airline PLUNA to a consortium of U.S. investors. The insurance and mortgage sectors were de-monopolized in 1996, but workers compensation insurance remains a government monopoly. While there was some private sector provision of water and sewage services in resort areas, an October 2004 constitutional amendment, approved by 64% of voters, declared water a national resource to be controlled exclusively by the State. The state-owned rail company AFE is in the process of selecting a private operator for its cargo railway system.

The World Bank's 2008 "Doing Business" Index, which ranks 178 countries according to the ease of doing business in each one of them, ranks Uruguay 98th globally and 18th

within the Latin American & Caribbean region (31 countries). Uruguay gets high scores in the categories "getting a credit" and "closing a business", and low scores in "starting a business", “registering property”, “dealing with licenses” and “paying taxes”.

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, and by numerous changes in tax codes and regulations since 2001.

Uruguay and the United States signed an Open Skies Agreement in late 2004 (ratified in May 2006), a Bilateral Investment Treaty in November 2005 (entered into force on November 1, 2006), and a Trade and Investment Framework Agreement in January 2007.

There are no restrictions on technology transfer. One hundred percent foreign ownership is permitted, except where restricted for national security purposes.

Conversion and Transfer Policies

Return to top

Uruguay maintains a long tradition of not restricting the purchase of foreign currency or the remittance of profits abroad, even during the 2002 banking and financial crisis. Foreign exchange can be freely obtained at market rates.

Expropriation and Compensation

Return to top

In the event of expropriation, the Uruguayan Constitution provides for the prompt payment of "fair" compensation.

Following the constitutional amendment on water services, the GOU took over the operations of URAGUA, the Spanish water company that had operated locally from 2000 through 2005. The GOU and URAGUA reached an agreement on a compensation package and renounced any legal actions.

Dispute Settlement

Return to top

The investor may choose between arbitration and the judicial system to settle disputes. Uruguay is a member of the International Center for the Settlement of Investment Disputes since September 2000. Uruguay's legal system is based on a civil law system derived from the Napoleonic Code, and the government does not interfere in the court system. Corruption is not a major problem and the Judiciary is independent, albeit sometimes slow.

Performance Requirements and Incentives

Return to top

Current investment law treats local and foreign investors equally and does not provide preferential tax deferrals, grants, or special access to credit for foreign investors. Consequently, foreign investors are not required to meet any specific performance requirements. Furthermore, 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. Moreover, technology can be freely transferred and the government does not impose conditions on invest permits.

For some activities, the government has established asset, value-added and internal tax benefits as well as tariff reductions. Investments in hotels and software receive additional incentives. The government provides preferential treatment for capital good imports and tax deferrals for exports. The legislation enables the government to cut social security payments to certain activities, and ties incentives to specific criteria such as job creation, export diversification, technology incorporation and geographical de-centralization. In December 2005, the government provided significant tax incentives to the installation of industrial parks in the interior of the country.

A government decree establishes that government tenders will favor local products or services, provided they are of equal quality and not more than 10% 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.

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 interest, and legal government monopolies (see Openness to Foreign Investment).

Protection of Property Rights Return to top

Secured interests in property and contracts are recognized and enforced. Mortgages exist, and there is 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. Nevertheless, execution of guarantees is usually a slow process.

In the recent past, there have been several attempts to legislate in order to alleviate the payment burden of Uruguayan dollar debtors adversely affected by the peso's 2002 devaluation, as well as debtors in the agricultural sector. Several of the proposals would have forced banks to re-negotiate the terms of their loans. The past and the current administration opposed the initiatives, however, and succeeded in negotiating an "administrative solution" with all parties.

-- Protection of Intellectual Property Rights: Uruguay is a member of the World Intellectual Property Organization (WIPO), and a party to the Bern and Universal Copyright Conventions, and the Paris Convention for the Protection of Industrial Property. In 2003, coordinating closely with U.S. and international IPR organizations, Uruguay passed new TRIPS-compliant copyright legislation. In 1998 and 1999, Uruguay also passed trademark and patent legislation. In 2006, USTR removed Uruguay from the Special 301 Watch List due to progress in IPR, especially with respect to copyright enforcement. The USTR statement commended the “positive progress” and was “encouraged that Uruguay has set a positive example by its efforts to combat piracy and counterfeiting.”

-- Copyrights: The 2003 copyright law represented a significant improvement over the 1937 law and led the United States Trade Representative (USTR) to upgrade Uruguay from the "Priority Watch List" to the "Watch List." Uruguay signed the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) in 1997. Parliament ratified the WCT in August 2005, but WPPT was filed in February.

-- Patents: Patents are protected by Law No.17164 of September 2, 1999. 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 and additional five. The law provides a lax definition of compulsory licensing and vaguely defines compensation as "adequate remuneration" to be paid to the patent-holder. Some U.S. industry groups believe that the law's compulsory licensing requirements are not TRIPS consistent. On average, filing a medical patent takes two years longer than in the United States.

-- Trademarks: The GOU approved a trademark law on September 25, 1998 upgrading trademark legislation to TRIPS standards. Under this law, a registered trademark lasts ten years and can be renewed as many times as desired. It provides prison penalties of six months to three years for violators, and requires proof of a legal commercial connection to register a foreign trademark. Enforcement of trademark rights is adequate and has improved in recent years as a result of an intense anti- smuggling campaign.

Transparency of Regulatory System Return to top

Transparent and streamlined procedures regulate foreign investment. However, long delays and repeated appeals can significantly delay the process to award international and public tenders.

Efficient Capital Markets and Portfolio Investment Return to top

Foreign investors can access credit on the same market terms as nationals. Long-term banking credit has traditionally been difficult to obtain.

Uruguay's capital market is underdeveloped and concentrated in public paper. While Uruguay is receiving “active” investments oriented to establishing new firms or gaining control over existent ones, it is missing out on major “passive” investments that are an essential source of start-up capital and of liquidity for new ventures and companies wishing to expand operations.

There is no effective regulatory system to encourage and facilitate portfolio investment. There are two stock exchanges. An electronic exchange concentrates on foreign currency transactions and a traditional exchange focuses on sovereign bonds. Only 12 firms are registered in the traditional stock exchange, and trading with shares and commercial paper is virtually nil. There are only four investment funds that mostly service domestic clients and invest their funds in Uruguayan public paper. Risk rating firms first came to Uruguay in 1998.

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.

Political Violence
Return to top

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

Corruption
Return to top

Uruguay has strong laws to prevent bribery and other corrupt practices. In 2007, Uruguay ranked 25th in Transparency International's Corruption Perception Index, and was second only to Chile in Latin America (the U.S. was ranked 20th.) 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. Money laundering is penalized with sentences of up to ten years (which also apply to Uruguayans living abroad). Despite Uruguay's favorable rating and effective legislation, public surveys indicate a widespread perception of public sector corruption. Several former Uruguayan officials and one judge were prosecuted in recent years. Overall, U.S. firms have not identified corruption as an obstacle to investment.

Bilateral Investment Agreements
Return to top

In November 2005, Uruguay and the United States signed a Bilateral Investment Treaty (BIT), which was subsequently ratified by both legislatures and entered into force on November 1, 2006. Uruguay also has BITs with Australia, Belgium, Canada, Chile, China, Czech Republic, Finland, El Salvador, France, Germany, Great Britain, Hungary, Israel, Italy, Luxembourg, Malaysia, Mexico, Portugal, The Netherlands, Panama, Poland, Romania, Spain, Sweden, Switzerland, and Venezuela. A BIT with Armenia is pending ratification as of December 2007.

The Ministry of Foreign Affairs indicates that Uruguay has Double Taxation Agreements with Argentina, Chile, Germany, Hungary, Israel, Norway, Panama, Paraguay and Switzerland. However, several of these agreements deal with air transportation.

OPIC and Other Investment Insurance Programs
Return to top

The GOU signed an investment insurance agreement with the Overseas Private Investment Corporation (OPIC) in December 1982. The agreement allows OPIC to insure U.S. investments against risks resulting from expropriation, inconvertibility, war or other conflicts affecting public order. OPIC programs are currently used in Uruguay.

In 2002, after three years of recession and in the face of devaluations in neighboring economies, Uruguay eliminated its decade-long exchange rate bands and allowed the peso to float freely, albeit with some intervention from the Central Bank. There is no black market for currency exchange and the U.S. Embassy uses the official rate when purchasing local currency.

Labor
Return to top

The Uruguayan labor force is well educated and the government has instituted technical training programs to help meet industry's skilled labor requirements. At 97%, Uruguay's literacy rate is the highest in Latin America and on par with that of the United States.

Social security payments are high and increase employers' basic wage costs by almost 50%. A law approved in May 1998 provides incentives for companies that hire young people, including a reduction of between 12-18% in employer social security and healthcare contributions. The social security system currently allows for retirement at age 60 for both men and women. Workers who become disabled on the job receive a monthly payment from the government equal to 70% of their salaries plus free medicine and medical care. The government provides six months of unemployment benefits.

Uruguay has ratified 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. Labor unions are nominally independent from the Government. They tend, however, to carry a strong leftist discourse and to opine on many issues that are not directly labor-related. Sympathy strikes are legal.

In January 2006, the Frente Amplio administration passed a law on the "Promotion and Protection of Labor Unions" that renders illegal any discriminatory action affecting the employment of unionized workers. Among other measures the law provides for the immediate reinstatement of the employee if any infringement of the law is proven. Business chambers strongly opposed the bill, arguing that it slants labor relations too heavily in favor of unions.

The level of unionization has increased steadily since the governing Frente Amplio Party took office on March 1, 2005. In October of 2006, the umbrella labor organization PIT/CNT held its National Congress, at which union leaders stated that 300 new unions had joined the organization since 2003. The PIT/CNT states it has approximately 200,000 active members.

The Frente Amplio administration also set up Salary Councils, something unseen since 1990 when the government stopped partaking as third party in labor relations with workers and businesses. The government now determines the wage increase to be applied for sectors that fail to reach agreement.

In 2005, the GOU derogated a 1966 decree that enabled employers to request police action to evict occupying workers and, in May 2006, passed a decree providing for obligatory negotiations between employer and employees prior to employees resorting to occupation of the workplace. In practice, however, occupations have been early measures in several labor conflicts. Occupations surged in early 2006 but declined significantly in 2007, as the GOU implemented regulations to restrain excesses and the courts ruled to evict occupying workers in several instances.

In January 2007, the GOU passed a law on outsourcing (No. 18099), which was adamantly opposed by the business community, as it made contracting firms responsible for possible labor infringements by the contracted firms. In response to these concerns, the GOU submitted in November 2007 a bill on outsourcing that would modify some aspects of the law. As of December 2007 the bill stands before Parliament, along with a law on Collective Bargaining.

Foreign-Trade Zones/Free Ports Return to top

Free trade zones permit all types of commercial, industrial, and service activities. These activities are considered to take place outside of the national territory. When goods from a free trade zone are introduced into the rest of the country, they are treated as "imports."

Law No.15921 of December 17, 1987 regulates the operation of FTZs within the country. The law allows storage and warehousing, manufacturing, and financial and data processing, and related activities to take place within FTZs. Ten FTZs are located throughout the country (one public, one mixed ownership, and eight private). Little manufacturing is done in FTZs since MERCOSUR regulations treat products manufactured in all member state FTZs as extra-territorial and hence charge them its common external tariff. Products manufactured by Uruguayan or foreign firms in Uruguayan FTZs are not eligible for MERCOSUR certificates of origin. Furthermore, these products do not benefit from MERCOSUR customs union advantages and must pay the MERCOSUR common external tariff when entering member countries.

Goods, services, products and raw materials of foreign and Uruguayan origin may be brought into the zones, held, processed, and re-exported without payment of Uruguayan customs duties or import taxes. Goods of Uruguayan origin entering into FTZs are treated as Uruguayan exports for tax and other legal purposes. Goods that enter Uruguayan customs territory from FTZs are subject to customs duties and import taxes. Industrial or commercial government monopolies are not honored within FTZs.

Local and foreign-owned industries alike enjoy several advantages in an FTZ. They are exempt from all domestic taxes, with exemptions granted exclusively to free trade zone tenants with approved contracts from the General Trade Authority. Customs duty exemptions are applicable to the entry and exit of goods. The only additional cost to employers is the contribution to social security for Uruguayan employees. The employer does not pay social security taxes for non-Uruguayan employees if those employees waive coverage under the Uruguayan social security system. However, Uruguayans must comprise 75% of a company's labor force to qualify for FTZ tenancy.

Foreign Direct Investment Statistics

Return to top

Foreign Direct Investment (FDI) in Uruguay has been traditionally low, even by Latin American and regional standards, because of the country's small market, the lack of major privatizations, and the small number of firms that base their MERCOSUR-wide operations locally. However, FDI has risen significantly recently to 4.3% of GDP in 2005. According to the Central Bank, surging inflows of FDI have led the stock of FDI to above its pre-crisis levels ($4.2 billion in 2006). Annual inflows of FDI rose from $397 million in 2004 to $847 million in 2005, and to $1.4 billion in 2006, in face of booming real estate, major land purchases and a massive investment by Finnish cellulose producer Botnia.

According to the Central Bank major investors in 2005 were Spain and Argentina, with 24% and 13% of FDI respectively. The U.S. was the third largest investor with $35 million or 4.2% of total FDI. According to the U.S. Department of Commerce, the 2005 stock of U.S. direct investment in Uruguay amounted to $599 million.

Most foreign investment in recent years has gone into agriculture-related activities (forestry, land purchases, and slaughter-houses), construction (real estate in Punta del Este, hotels and office buildings), and services.

Botnia's construction of a $ 1.2 billion pulp mill in 2005-2007 was Uruguay's largest-ever foreign investment. Another cellulose producer, Spanish firm Ence, plans to build a pulp mill worth $ 1.0 billion over the next 2-3 years. A harsh dispute between Argentina and Uruguay over these pulp mills investments led to a significant deterioration of relations between the two countries.

Host country contact information for investment-related inquiries:

Uruguay XXI
Investment and Export Promotion Directorate
Mr. Carlos Viera
Executive Director
Address: Yaguaron 1407, Suite 1103
Montevideo, Uruguay
Tel: (598 2) 900-2912 / 900-0318; Fax: (598 2) 900-8298;
Web page: http://www.uruguayxxi.gub.uy

Web Resources Return to top

Ministry of Economy and Finance –
Free Trade Zones: http://www.mef.gub.uy/zonasfrancas/portada.htm
Regulations:
http://www.mef.gub.uy/zonasfrancas/normativa/decretos/decreto454-988.pdf

Return to table of contents

Return to table of contents

Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

Return to top

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 include paying for goods in cash in advance.

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

For credit rating agencies see links below:
Equifax: http://www.clearing.com.uy, http://www.equifax.com/
Commercial Defense: http://www.lideco.com.uy/online/html/index.php
D&B Uruguay: http://www.mr.com.uy

How Does the Banking System Operate

Return to top

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.

Since the crisis, the Government of Uruguay has implemented financial sector reforms enforcing greater financial controls, which empowered the supervisory role of the Central Bank. According to the IMF, Uruguay's recovery was fostered by strong macroeconomic policies and structural reforms generating remarkable economic and financial results. Market confidence has been restored. Public banks dominate the market with over forty percent market share, while private banks have excess liquidity and increasing profits. Uruguay does not apply foreign exchange controls.

Uruguay's financial system is composed of the Central Bank, 2 public banks, 14 private banks, 17 financial institutions (including offshore banks), 10 credit management institutions and 81 foreign exchange firms.

Uruguay's government-owned banks have traditionally held a major share of the banking market. The Central Bank formulates monetary and exchange policies in coordination with the Executive Branch. Private banks supply Uruguay's private sector with short-term, dollar-denominated credit and receive mostly dollar-denominated deposits (almost 95% of the private sector's deposits in the private commercial banking system are dollar-denominated.) Most private banks, including U.S. – owned ones, successfully weathered the 2002-banking crisis and honored all deposits in a timely manner. Itau, a Brazilian bank, bought Bank Boston Uruguay in August 2006. Currently, Citibank is the only U.S. bank in Uruguay.

Uruguay had traditionally been regarded as a safe-haven for Argentine depositors, and before the 2002-banking crisis, Argentines held over 50% of total deposits. However, many Argentine depositors withdrew their deposits in 2002 and their share dropped to about 30% by the end of 2004. Total deposits, which dropped 50% during the crisis, are gradually returning to banks. Deposits increased by 21 percent (about $1.6 billion) from their lowest point in March 2003 through December 2004. Non-resident deposits did not return to their traditional levels, however, non-resident deposits in 2007 are estimated at 40% of total deposits in foreign currency.

Credits, which plummeted by 40% during 1999 – 2002, have not yet picked up but they are on the rise. During 2006 – 2007, consumer and housing loans started to show some activity both in dollars and in indexed units. Credit cards continue to remain at very low levels, at approximately 30% of pre-crisis levels, but during 2006 - 2007 the increase in activity remained constant.

Offshore financial institutions operate with limited functions (e.g. they may neither accept resident deposits nor offer checking account services).

For more information, please check in http://www.bcu.gub.uy (English version is available.)

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 remaining in Uruguay. The bank has had a presence in Uruguay since 1915, and according to its web site, has a consumer and corporate base of more than 57,000 individual accounts and businesses. For more information check in: http://www.latam.citibank.com/uruguay/homepage/spanish/index.htm

Tel: 5982-915-5687; Fax: 5982-916-0645; web: http://www.citibank.com.uy/

Citibank does not open personal bank accounts for U.S. citizens residing in Uruguay due to U.S. withholding tax regulations.

All local banks have correspondent banking arrangements with some major U.S. bank.

Project Financing

Return to top

Some of the major sources of project financing include:

A. Export-Import 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. Eximbank finances all types of U.S. goods and services as long as they contain at least 50% U.S. content and are not military-related. Further information on the bank's programs may be obtained at 1-800-565-exim. Eximbank's Uruguay Desk Officers may be contacted by phone at 202-565-3913, by fax at 202-565-3931, or at 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.

E. World Bank and Inter-American Development Bank: Both banks offer programs that allow U.S. companies to compete in major international infrastructure projects. The public information centers of both banks may be contacted through 202-458-5454 (or www.worldbank.org) and 202-623-2096 (or www.iadb.org) respectively.

F. Trade and Development Agency (TDA): TDA has invested several million dollars in Uruguay for feasibility studies and other activities that support infrastructure development and modernization projects. TDA may be contacted at 703-875-4357 or at www.tda.gov.

Several States also have their own export financing programs.

Web Resources

Return to top

Embassy Contact: Lilian Amy, Sector Specialist – lilian.amy@mail.doc.gov
http://www.buyusa.gov/Uruguay/en

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/

USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm

U.S. Agency for International Development: http://www.usaid.gov

Uruguay’s Central Bank: http://www.bcu.gub.uy

Equifax Uruguay: http://www.clearing.com.uy, http://www.equifax.com/

Commercial Defense: http://www.lideco.com.uy/online/html/index.php

D&B Uruguay: http://www.mr.com.uy

Return to table of contents

Return to table of contents

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 amenities. 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 in 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 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 in 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 security options are handled via an interagency process. Visa applicants should go to the following links.

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

United States Visas.gov: http://www.unitedstatesvisas.gov/

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

Telecommunications Return to top

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, airports, and cyber-cafes are readily available. AT&T, MCI, and Sprint call cards are accepted

Transportation Return to top

American Airlines is the only U.S.-carrier with flights to and from the U.S. During the period November – April, it offers direct flights between Montevideo and Miami five days a week, with two additional weekly flights that stopover in Buenos Aires. During the rest of the year, direct flights are three times a week while the rest have a stopover in Buenos Aires. Internal transportation is mainly by car or bus. Within Montevideo, bus and taxi services are extensive, safe, and inexpensive.

Language Return to top

Spanish is the official language. Although a vast majority of the business community speaks English or other languages, interpreters are commonly used during business meetings.

Health Return to top

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

Local Time, Business Hours, and Holidays Return to top

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

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 AM - 10:00 PM.

Local Holidays

Jan. 1	New Year's Day
Jan. 6	Epiphany

Feb/Mar.	Two days for Carnival (6 weeks before Holy Week)
Mar/Apr.	Five days for Holy Week (dates vary from year to year)
Apr. 19	Landing Day of the "33 Orientales"
May 1	Labor Day
May 18	Battle of Las Piedras
Jun. 19	Birthday of Artigas
July 18	Constitution Day
Aug. 25	Independence Day
Oct. 12	Columbus Day
Nov. 2	All Saints Day
Dec. 25	Christmas

Temporary Entry of Materials and Personal Belongings

Return to top

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.

Web Resources

Return to top

Ministry of Tourism: http://www.turismo.gub.uy

Return to table of contents

Return to table of contents

Chapter 9: Contacts, Market Research, and Trade Events

Contacts Return to top

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Tel: (5982) 418-7777 ext. 2329
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or Montevideo.office.box@mail.doc.gov
http://www.buyusa.gov/uruguay/en

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 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/marketresearch.html 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, but free of charge.

`Trade Events

Return to top

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

http://www.export.gov/tradeevents.html

For events in Uruguay, please click on the link below
http://www.buyusa.gov/uruguay/en/19.html

For further assistance, please contact: montevideo.office.box@mail.doc.gov

Return to table of contents

Return to table of contents

Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. 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

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

http://www.buyusa.gov/uruguay/en

Return to table of contents

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: http://www.export.gov