



Doing Business In Uruguay: A Country Commercial Guide for U.S. Companies.

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Chapter 1: Doing Business In Uruguay

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Market Overview

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- Uruguay is a market-oriented economy in which the state still plays an important role. The country suffered the steepest crisis in recent history from 1999 through 2002 due to an adverse combination of external and internal factors. The crisis was overcome with timely U.S. and IMF support.
- Growth resumed in 2003 and was particularly robust in 2004 (11%) and 2005 (over 6%), driving GDP close to its pre-crisis levels. The 2005 GDP amounted to \$ 16.8 billion, and GDP per capita was \$5,100. Initial estimates registered a 4 – 5 percent growth rate for 2006 but final figures are closer to 7 percent.
- Debt rating was upgraded in 2003 after a successful voluntary debt exchange, which, along with political stability, contributed to reduce country risk. As of early 2006, country risk stands at about 300 basis points.
- The left-of-center Frente Amplio, which took office in March 2005, continued implementing an orthodox macroeconomic policy, and promptly signed agreements with the IMF, the World Bank and the IDB. The administration continues to favor increased foreign investment in order to sustain the economic recovery and, in late 2005, it signed a Bilateral Investment Treaty (BIT) with the U.S. The BIT was also ratified by the U.S. and has been in effect since November 1, 2006.
- As a founding member of MERCOSUR, Uruguay shares a common external tariff with Argentina, Brazil and Paraguay. The MERCOSUR Secretariat is located in Montevideo.
- Preliminary 2006 figures show that Uruguay's exports (FOB) totaled \$3.8. Brazil was the largest buyer with 14 percent, the U.S. was the second with 13 percent and Argentina third with 8 percent of the total exported.

Exports are concentrated in meat, oil products, leather and dairy products.

- Preliminary 2006 import figures show that total imports (CIF) amounted to \$4.1 billion. The U.S. came in fifth with an 8 percent market share, just below China. Top markets are Brazil (21%), Argentina (20%), Venezuela (14%) and China (8%). U.S. sales are highly concentrated on high-tech goods.

Please refer to Chapter 2 or the following links for further economic information:

<http://uruguay.usembassy.gov>; <http://uruguay.gub.uy>; <http://www.bcu.gub.uy>;
<http://www.ine.gub.uy>; <http://www.presidencia.gub.uy>; <http://www.uruguayxxi.gub.uy>;
<http://www.mercosur.org.uy>

Market Challenges

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- 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.
- 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, clashes do occur within the ruling coalition at times, as more radical leftist members and trade unions have challenged the market-oriented economic team on some of its policies. A clear example is the opposition to a Free Trade Agreement with the U.S. yet, the Government has not deleted the idea of negotiating an agreement with the U.S. as well as with other countries.
- 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, ANCAP, PLUNA).
- Government procurement and bidding processes are transparent yet slow.
- Tax reform has been the priority in 2006, and the reform submitted by the Executive Office only faced minor adjustments at the Parliament since the ruling party had a vast majority. It was originally expected to be in place as of January 1, 2007 but has been moved forward to July 1, yet timelines are still

to be clearly defined. The business community is a fervent opponent to the changes but the opposition has not been able mitigate their fears.

- The level of labor conflicts was high in 2006, in comparison with previous years due to national budget discussions in Parliament, wage negotiations, union opposition to negotiations of an FTA with the U.S., and the death of several construction workers in labor accidents.

Market Opportunities

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- 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.
- Taking advantage of the small size of the market as well as the stable conditions, Uruguay offers good opportunities as a test market for the region.
- The major infrastructure projects in the pipeline are:
 - Paraná-Paraguay River Transportation System
 - Energy Projects (combined power plant, transmission, wind)
 - Railway Rehabilitation
 - New Airport Terminal
 - Port Projects
 - Cellulose and Wood Chipping Plants

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

Market Entry Strategy

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- 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>.

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Chapter 2: Political and Economic Environment

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

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

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Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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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

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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

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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.mtgrou-uy.com>. For more information or assistance, please e-mail montevideo.office.box@mail.doc.gov.

Direct Marketing

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U.S. exporters may sell and ship directly to Uruguayan consumers. Courier packages containing CDs, DVDs, books, and personal items valued 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

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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

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Although U.S. companies may sell directly to the Uruguayan government, a local address is required for all correspondence. It is advisable to have a local representative duly registered as a government supplier. Companies should consider providing product literature and price quotations to selected government purchasing offices and the different state-owned entities; these offices and entities frequently refer to literature on hand when drafting the specifications for their procurement tenders. Government entities usually do their own procurement. Uruguayan law requires bids for purchases above \$ 100,000. Nevertheless, procurement by negotiation is permitted in certain cases.

A G2B website, <http://www.comprasestatales.gub.uy>, has been established to increase transparency and reduce government procurement costs. Thus, due to severe budget cutbacks, however, most government procurement has been put on hold. Government agencies issue tenders for the purchase of the products and services.

Distribution and Sales Channels

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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

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Foreign manufacturers with sustained sales in Uruguay generally use the services of an agent or distributor. Nearly all importers/distributors are based in Montevideo, although some maintain sales networks in the Interior 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. Equipment often considered obsolete in the U.S. may still 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

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Uruguay has the highest Internet density level of Latin America, yet its e-commerce figures tend to be very low.

According to a local study dated 2004, only 11 percent of Uruguay's 600,000 Internet users have purchased products on-line. Of these 11 percent, 40 percent tend to be one-time shoppers while the remaining 60 percent have shopped on-line more than once.

Between 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 is recovering, companies are starting to go back to using websites and trying to increase sales on-line. Local supermarkets and home appliances sales have been the first to pick-up their sales over the Internet. The items most frequently purchased on-line from overseas include books, CDs, clothing, hardware, sporting goods, home appliances,

toys, games/DVSs, 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.

Trade Promotion and Advertising

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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) 418-8581 or by e-mail at montevideo.office.box@mail.doc.gov.

Catalogs may be sent via regular U.S. mail to American Embassy Montevideo, Econ – Unit 4510, APO AA 34035.

Pricing

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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
Import tariff	10.0%	50.00
IMADUNI	6.0%	30.00
Bank Charges	2.5%	12.50
VAT (recoverable on sale)	33.0%	191.40
Import surcharge (COFIS)	3.0%	21.18
Consular tax	2.0%	10.00
TSA		1.00
Transit Guide		2.92
Total Surcharges		319.00
Final equipment price		819.00
Profit margin:	10.0%	82.00
Final Sale price:		901.00

Sales Service/Customer Support

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Uruguayans consider sales support and customer service important factors when deciding which products to buy. U.S. manufacturers should seriously consider using an agent in Uruguay to provide customer support services. Company representatives resident in neighboring countries are less effective. A local U.S. firm is selling warranty protection that supplements that provided by the original equipment manufacturer.

Protecting Your Intellectual Property

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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.

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." However, IPR enforcement remains ineffective and the GOU fails to provide adequate TRIPS consistent protection for confidential test data.

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. In its 2005 Special 301 Report, USTR commended the passage of implementing regulations on copyrights that "have been largely put into effect and appear to be contributing to the strengthening of Uruguay's copyright regime", but noted that Uruguay still "fails to provide adequate protection of confidential test data from unfair commercial use as required by TRIPS." Various IPR chambers, which founded an umbrella organization in 2004, have implemented aggressive anti-piracy campaigns, resulting in several successful prosecutions.

Due Diligence

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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

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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

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Government Procurement: <http://www.comprasestatales.gub.uy>,

Uruguayan Chamber of Industry: <http://www.ciu.com.uy>

Uruguayan Chamber of Commerce and Services: <http://www.camaradecomercio.com.uy>

Uruguayan IT Chamber: <http://www.cutu.org.uy>

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>.

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 Uruguay:

<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>

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

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Commercial Sectors

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Agricultural Machinery

Overview

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	2004	2005	2006 *
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	60.8	76.3	51.1
Imports from the U.S.	7.7	9.3	6.2 *

Source: Transaction database

Preliminary figures, January – November 2006

The market for agricultural equipment is virtually 100 percent supplied by imports. In 2006, the top three suppliers of agricultural equipment were Brazil (49%), Argentina (14%), and the U.S. (12%). Imports of agricultural equipment are exempt from all import tariffs. Largest import categories were HTSUS 8701 (tractors) 31%, and HTSUS 8433 (harvesting, threshing and sorting equipment) 25%.

Due to their proximity, Brazil and Argentina are expected to continue their lead of agricultural machinery exports to Uruguay. Notwithstanding, it is U.S. brands manufactured in those countries that are sales leaders in Uruguay. John Deere, Massey-Ferguson and Case/New Holland are market favorites. Uruguayan farmers are becoming more technologically conscious and prefer U.S.-made technology to that of its giant neighbors. The use of high-tech equipment such as GPS and infrared is beginning to catch on among local farmers.

Best Products/Services

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Forestry goods will soon become one of the three top export sectors. In 2006, exports already surpassed the \$150 million benchmark. With a 24% market share, the U.S. is the second largest supplier of forestry-related equipment to Uruguay after Brazil (also 24%) and above Sweden (23%) and Argentina (10 %.) Best prospects for U.S. manufacturers include those producing technology and equipment for the sawing and drying processes – i.e. sawmills, drying sheds, kilns, debarkers, branch saws, log-moving equipment, dryers, (all within HS codes 8465.91 and .92) and chip-producing machinery, mechanized planting and harvesting equipment, and machinery for pulp and cellulose plants.

Advances in farm technology, and weather uncertainties are increasing the sales of irrigation systems. In 2006, U.S. exports of irrigation machinery to Uruguay (HS code 8424.81) totaled \$1.4 million (up from \$641,000 in 2005) from a world-wide total of \$7 million. Argentina (42%), Brazil (15%), the U.S. (15%) and Israel (11%) were the top four irrigation suppliers. Total imports of irrigation systems in 2005 were \$6.5 million (U.S. 9.9% market share.) In 2004 imports were \$8 million (U.S. 10% market share).

Opportunities

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Given the boom in forestry activity and the projected construction of major pulp plants by two (and possibly three) European investors (worth well over 1.5 billion dollars), those U.S. manufacturers of pulp, cellulose, and chip-making equipment will have good sales opportunities. U.S.'s Weyerhaeuser, already a major market player, is also planning additional large investments in wood-working plants by 2008.

U.S. manufacturers of prefabricated wooden houses will find a growing market for their products in Uruguay.

U.S. exporters should not discard the possibility of selling pre-owned and/or refurbished machinery.

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

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

Forestry Division
<http://www.mgap.gub.uy/Forestal/DGF.htm>

Telecommunications Equipment (TEL)

Overview

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	2004	2005	2006 *
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	63	135.5	125.2
Imports from the U.S.	16.3	26.0	13.3 *

Source: Transaction database.

Preliminary figures, January – November 2006

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 mid 2006, there were 998,747 landline connections and 1.5 million cellular subscribers (80% of which are pre-paid.)

The Uruguayan market is shared by three carriers: the dominant state-owned ANCEL (48% market share), Spain's Telefónica / Movistar (formerly BellSouth - 36% market share), and Mexico's América Móvil / CTI (16% market share.) BellSouth began service in 1991, ANCEL in 1994, and CTI in 2005.

Fueled by aggressive commercial promotions, between October 2005 and October 2006 the number of subscribers almost doubled and Uruguay will end the year with over 1.5 million subscribers (a 47% penetration.)

In December 2005 the three carriers interconnected their systems to allow for the exchange of short message services (SMS.) The subsequent explosion in SMS messages resulted in network saturation and as of November 2006 the problem had not been completely resolved. An average of 115 million SMSs are sent per month among the three carriers at a cost of \$0.04 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.

All three operators agree that the market will stabilize at 2 million units.

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.

The vast majority (80%) 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 national long distance that remains 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 stronghold 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; the rest is divided among three major and five minor competitors. It 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 8525 (transmitters) and 8517 (telephone sets) command the import charts with 69% and 16% of the total values.

Best Prospects/Services

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Overall, the U.S. maintains an approximately 14% market share in telecommunications-related products.

Opportunities

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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 will most likely rise considerably. Both Telefónica and CTI are increasing their network to provide national coverage. Telefónica has announced investments of \$ 30 million to update and expand its network and progressively change it from CDMA to GSM. CTI has announced total investments of approximately \$100 million through mid 2007.

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 2007. Foreign ownership of cable TV is allowed by law.

Uruguay is in the process of selecting a HDTV standard. While the decision was to be taken in conjunction with the other MERCOSUR members, Brazil jumped ahead in June 2006 by opting for the Japanese standard. This does not necessarily mean Uruguay will

follow suit. Uruguay will favor the standard which allows it for greater in-house value-added content.

Resources

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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>

Teléfono
<http://www.movicom.com.uy>

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

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

Fertilizers

Overview

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	2004	2005	2006 *
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	17.0	5.0	3.8
Total Imports	54.4	60.0	56.8
Imports from the U.S.	16.3	4.3	11.0 *

Source: Transaction database

* Preliminary figures, January – November 2006

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 percent of the fertilizers it consumes. Between 1980 and 1990, artificial grasslands increased by 32 percent.

In 2006, the top four suppliers of raw materials for fertilizers (HS code 3105) were Russia with a 44 percent market share, the U.S. with a 20 percent, Lithuania with a 13 percent, and Tunisia with a 10 percent market share. The 61% of HS Code 3105 imports were 3105.30.90.00 (diammonium hydrogenorthophosphate, and 31% were from 3105.40.00.00 (ammonium dihydrogenorthophosphate and mixtures thereof). In 2005, Uruguay's total imports were \$60 million and again Russia had a 74 percent market share followed by Morocco (16%), the U.S. (7%), Brazil (1%), and other countries (2%).

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 \$33. However, it is estimated that import of raw material for the production of fertilizers will increase 15 percent in 2006.

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Import of fertilizers from the U.S. were worth 11 million dollars in 2006 - (period Jan/Nov). Agriculture in Uruguay is experiencing a favorable situation, and important growth in the fertilizer sector is expected.

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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 sulphate and urea are also considered as two essential fertilizers used by Uruguay's agriculture sector. The increased rotation of crops generated in 2006 considerably increased the quantity and variety of chemical products imported for the production of fertilizers. U.S. manufactures of Urea, ammonium sulphate, (diammonium hydrogen orthophosphate) and many other related products, will have good sales opportunities in the Uruguayan market.

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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

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	2004	2005	2006 *
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	21.3	27	27
Imports from the U.S.	9.0	9.9	9.4 *

Source: Transaction Database

* Preliminary figures, January – November 2006

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 as well as pediatric care are key priorities.

Approximately 35% of Uruguay's total medical equipment imports are for the public sector while 65% are for the private sector. Imports in this sector grew by 27 percent vis-à-vis 2004 and the U.S. market share grew by 10 percent.

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.

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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 (35%), 90.19 (33%), 90.21 (27%) and, second place under 90.22 (39%). 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 scalpels, 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.

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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. Currently, neither the Inter-American Development Bank (IADB) nor the World Bank (WB) have projects in the pipeline that would fund procurement in the medical sector. For project updates please check in Resources.

Resources

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

Inter-American Development Bank:
<http://www.iadb.org/exr/doc98/pro/paisur.htm>
<http://itsdc16.iadb.org/idbppi/asp/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

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	2004	2005	2006 *
Total Market Size	60.5	70.8	80.2
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	60.5	70.8	82
Imports from the U.S.	37.3	42.7	39

Source: Transaction Database

* Preliminary figures, January – November 2006.

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. 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. Until 2002, the U.S. accounted for approximately 70 percent of total hardware imports. It still maintains first place but its share has dropped due to imports from China and Mexico amongst others. In 2006, the market share is at 48 percent and China came in as second with over 30 percent.

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 percent. Information Technologies and Telecommunications fall under a special regime within the MERCOSUR agreement.

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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 49 percent market share yet, imports from China, Mexico, Japan and Taiwan are 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.

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Demand for hardware and accessories continues to 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.

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<http://www.buyusa.gov/Uruguay/en>

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

Uruguay in Network: www.uruguayenred.gub.uy

Technological Development Program: <http://www.pdt.gub.uy/pdt.html>

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.

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- ❑ **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 Projects:** UTE's (Uruguay's state-owned power company) plans to bid for the purchase of a new combined-cycle power plant have been temporarily put on stand-by. The project for a natural gas-powered plant to replace the existing Batlle y Ordóñez plant that uses fuel oil and diesel generation equipment is still under consideration, yet UTE is currently studying other opportunities such as coal. UTE is also focusing on renewable resources. UTE would like to set-up a wind-generated facility with a power capacity between 5MW and 30MW. Renewable energy sources are starting to play an important role in the future of Uruguay. The country needs to strengthen its energy security in order to avoid another crisis like in 2004-2005. In addition, the Ministry of Industry and Energy is analyzing a project that would increase the electrical interconnection with Brazil. The project foresees the construction of a 500 kV line about 400 kilometers long with a capacity in the range of 500 to 1000 MW. UTE has also been authorized to purchase energy from renewable resources generated from wind, biomass and small hydraulic power plants. Private power generation companies installed in Uruguay will be able to sell up to 20 MW of each of the three sources of energy.

The Government of Uruguay currently considers convenient to promote the installation of small power plants throughout the country. The total power installed cannot be greater than 60MW, and operations should start with 20MW of each source. The power generation companies will not be able to sell to third parties energy from the plants that supply UTE, but they will not be charged distribution nor transmission fees. Contracts will have a 20-year validity, starting at the time the plant begins to operate. Total investment is estimated at \$60 million guaranteed by UTE's purchases. There is still disagreement as to the prohibition to sell energy to third parties. UTE argues that investors will have purchases guaranteed without any fees.

- ❑ **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.

- **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.

The consortium is now seeking proposals from firms interested in providing a full turnkey operation for the new terminal and/or equipment and supplies. Specifically, it is interested in acquiring such articles as carpeting, passenger lounge seating, luggage belt conveyors, high-tech security equipment, jet ways, billboards, monitors, etc. It is essential that an attractive financing package accompany the proposal. According to the consortium's contract with the Uruguayan Government, the new passenger terminal must be operational by 2008. A Uruguayan architect has completed the design of the new terminal.

- **Construction and outfitting of cellulose and chipping plants:** In mid-2005, two of the largest forestry investors in Uruguay, Spain's ENCE and Finland's Botnia, began construction of 1.5 billion-dollar cellulose plants. While ENCE's plant should have been operational by 2008 and had an estimated investment tag of \$500,000, it has been put on hold. Botnia's operation calls for an investment of \$ 1 billion for the construction of its short-fiber cellulose plant. It should be completed in approximately 15 months. U.S.'s Weyerhaeuser, in Uruguay since 1997, is currently the largest forestry operator in the country. Weyerhaeuser completed the construction of a major plywood plant and plans on constructing an additional dozen throughout the country in the next few years. Finland's Stora-Enso is also planning the construction of a pulp processing plant.
- **Port projects:** The construction of a new fishing dock and forestry terminal in Montevideo, and a passenger terminal in Colonia are the Port Administration's major projects for 2007. Dredging projects are always being tendered.

Resources

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Chemicals

Overview

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	2004	2005	2006 *
Total Market Size	n/a	n/a	n/a
Total Local Production	n/a	n/a	n/a
Total Exports	6.7	5.5	12.5
Total Imports	101.0	127.0	130.0
Imports from the U.S.	9.1	10.2	13.5 *

Source: Transaction database

* Preliminary figures, January –November 2006

In 2006, the four top suppliers of chemicals falling within HS code 3808 were: Argentina (34%), China (29%), Brazil (10%), and the U.S. with (5%) market share. Principal imports corresponded to 3808.30.23.00 (herbicides -- 31%), 3808.30.29.00 (other herbicides -- 17%), 3808.20.29.90 (fungicides -- 16%) and 3808.10.29.90 (insecticides -- 10%).

Principal suppliers falling within HS code 3907 were: South Korea (31%), Argentina (26%), Taiwan (15%), the U.S. (14%), and China with (6%) market share. Principal imports corresponded to: 3907.60.00.00 (polyethyleneterephthalate -- 90%) and 3907.20.30.00 (other polyesters and resins 10%).

The chemical industry is basically an industry of imported raw material transformation. Companies that are subsidiaries of multinationals firms 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 millions, while fertilizers and pesticides invoiced \$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 approximately \$180 million per year. Raw material is almost entirely imported from different countries and it 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.

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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

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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, there is a 60 million dollar market for U.S. firms in that sector.

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Chamber of Industry
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Uruguayan Plastic Association
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MARKET OVERVIEW

As the economy continues to recover, U.S. F&B imports will increase due to:

- 1) High sanitary standards compared to European products,
- 2) Higher competitiveness because of the depreciation of the Euro as compared to the dollar, 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 30-35 percent higher than their counterparts manufactured locally. Price is 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 food products to Uruguay have 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 livestock sectors, as most local companies, after the devaluation of 2002, have become very competitive in world markets and are focusing on increasing production and expanding exports. 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 food ingredients, which it does not produce domestically. Under the current economic situation, which combines a strong dollar compared to the Uruguayan peso, and a weak purchasing power, best prospects are for high-value F&B products and "commodity-type" products which are not manufactured locally, and food ingredients.

- l) 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, chewing gum, candy, bonbons, snacks, sauces, food preparations, chocolate, dehydrated potatoes, alcoholic beverages, energy drinks, beverage preparations, pet food.

II) Food ingredients:

- pork, frozen, soup preparations, raw nuts, cocoa paste/butter, additives, ingredients for the dairy and meat industries

Some well-known brands 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.	Weaker purchasing power and a high unemployment rate limit 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, creates 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:

Municipality of Montevideo – 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 Ganadería, 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 Pública – MSP)

Web: <http://www.msp.gub.uy>

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Animal Genetics (Bovine Semen)

In Thousand US\$ (FOB)	2003	2004	2005
Total Imports	514	663	999
Imports from the US/US mkt. Share %	247/48	275/41	391/39

In 2005, Uruguay imported bovine semen for almost \$1 million, up 50 percent compared to the previous year.

Uruguay has approximately 390,000 dairy cows (mostly Holstein) and 4.3 million beef cows (roughly 70 percent Hereford and 30 percent Angus). Of the total imported semen, dairy breeds account for about 70 percent (Holstein), and beef breeds account for the remaining 30 percent, of which 60 percent is Hereford semen and 40 percent, Angus semen. During the past few years, there has been an increasing demand for imports of Angus semen.

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

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Goods entering from MERCOSUR countries are exempt of import tariffs. Tariffs on non-locally-produced raw materials, intermediate goods and consumer goods range from 2 – 6%, 8 – 6% and 10 – 2 0%, respectively.

MERCOSUR member countries agreed on a Common External Tariff (CET) in December 1994. On January 1, 1995, the CET entered into effect on imports from non-member countries, with rates ranging (with some exceptions) between 0 and 20%. Changes have been in effect several times during the first ten-year, raising the CET up to 23% but since January 1, 2004 the maximum CET has been back to 20%.

All MERCOSUR countries have requested exceptions to the CET. Uruguay applies preferential tariffs on the import of vehicles and supplies for agriculture, forestry, and hotels. The Uruguayan Government also gives special treatment to imports of raw materials and other inputs for the production of export goods. Moreover, in December 2001, the Uruguayan Government unilaterally decided not to increase tariffs on capital goods, telecommunications and IT equipment as mandated by the MERCOSUR convergence schedule for the CET. Uruguay has applied tariff exemption to imports of capital goods from all origins. These exemptions are valid until December 30, 2006. Historically, on January 1 of each year these exemptions are extended for a full year. Finally, MERCOSUR partners may apply tariffs different from the CET in a number of telecommunication and information related goods until 2006. For the vast majority of Uruguayan requests, the Uruguayan Government applies import tariffs that are lower than the bloc's CET.

Trade Barriers

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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-VARIG, 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

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Only commercial firms, industrial firms, or individuals listed in the registry of importers may legally import products into Uruguay. A pro-forma invoice is required to start 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

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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.bxa.doc.gov/PoliciesAndRegulations/index.htm>

Temporary Entry

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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

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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 consider adapting their labels to local standards have a competitive advantage.

Prohibited and Restricted Imports

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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 Contact Information

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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

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Overview

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Uruguay uses the metric system of weights and measures. The Laboratorio Tecnológico 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

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Laboratorio Tecnológico del Uruguay - LATU – <http://www.latu.org.uy>
Uruguayan Institute of Technical Norms (UNIT – <http://www.unit.org.uy>

Product Certification

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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+gsw7960 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

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Labeling and Marking

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

Trade Agreements

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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 with ALADI partners. In June 2004, the Uruguayan Government broadened the comprehensive trade agreement originally signed with Mexico in 1999. Uruguay is a founding member of MERCOSUR and Montevideo is the headquarters of its Secretariat. Trade relations with neighboring Argentina and Brazil are particularly important and Uruguay holds separate trade arrangements for certain products with Brazil and Argentina (PEC and CAUCE, respectively), which are renewed periodically.

Web Resources

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Uruguayan Technological Lab (LATU) <http://www.latu.org.uy>

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

Diario Oficial (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>

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Chapter 6: Investment Climate

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- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
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Openness to Foreign Investment

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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.

The left-of-center Frente Amplio administration, which took office in 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 implementing existing legislation. The administration has sent positive signals to investors and is doing its utmost to promote foreign investment. Uruguay has acted responsibly in a dispute with Argentina over the construction of pulp mills on a shared river, by defending the right of foreign investors. However, the government has also passed labor legislation, which, in the view of most business chambers, overly protects workers' rights and has led to a few widely publicized labor conflicts. An effort to restrain excesses appears to be underway through regulation of the controversial labor legislation.

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 (other than an environmental impact study in certain cases,) (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. There are no restrictions on technology transfer. The government is perfecting a single-window mechanism to channel all investment requests. One hundred percent foreign ownership is permitted, except where restricted for national security purposes.

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. Also, despite various commitments to the IMF, the state-owned oil company, ANCAP, remains the only importer and refiner of petroleum products. The government is 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. The GOU sold 51% of its airline PLUNA to Brazilian private airline Varig in 1996, but Varig recently returned these shares. The GOU is currently looking for interested private sector buyers. 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 World Bank's "Doing Business" Index, which ranks 175 countries according to the ease of doing business in each one of them, ranks Uruguay 64th globally and 10th within the Latin American & Caribbean region (31 countries). Uruguay gets high scores in the

categories "getting a credit" and "dealing with licenses", and low scores in "enforcing contracts" and "starting a business".

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.

Conversion and Transfer Policies

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

Expropriation and Compensation

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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

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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.

Bankruptcy

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In the case of bankruptcies, creditors with preferred shares collect first, followed by the firm's employees and the government. Since local firms usually wait too long to initiate bankruptcy proceedings, few firms that enter into bankruptcy manage to pay their debts, with the majority closing after some years. The GOU is working on an upgrade of Chapter 11 legislation.

Performance Requirements and Incentives

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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 decentralization. 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

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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

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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 its 2005 "Doing Business" report, the World Bank gave Uruguay low marks in its "Registering Property" and "Enforcing Contracts" categories.

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. However, the past and the current administration opposed the initiatives 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.

-- 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. In its 2005 Special 301 Report, USTR commended the passage of implementing regulations on copyrights that "have been largely put into effect and appear to be contributing to the strengthening of Uruguay's copyright regime", but noted that Uruguay still "fails to provide adequate protection of confidential test data from unfair commercial use as required by TRIPS." Various IPR chambers, which founded an umbrella organization in 2004, have implemented aggressive anti-piracy campaigns, resulting in several successful prosecutions.

-- 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 an 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

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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

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Foreign investors can access credit on the same market terms as nationals. Long-term banking credit has traditionally been difficult to obtain and became scarcer after the 2002 financial crisis.

Uruguay's capital market is underdeveloped and concentrated in public paper. 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

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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

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Uruguay has strong laws to prevent bribery and other corrupt practices. In 2006, Uruguay ranked 28th in Transparency International's Corruption Perception Index, and was second only to Chile in Latin America. 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

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In late 2004, Uruguay and the United States signed an Open Skies Agreement, which was ratified in May 2006. 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, France, Germany, Great Britain, Hungary, Israel, Italy, Luxembourg, Malaysia, Mexico, The Netherlands, Panama, Poland, Romania, Spain, Switzerland and Venezuela. BITs with Armenia, Portugal and Sweden are pending ratification. In addition, Uruguay signed Double Taxation Agreements with Germany, Korea and Hungary.

OPIC and Other Investment Insurance Programs

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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. There is no black market for currency exchange and the U.S. Embassy uses the official rate when purchasing local currency.

Labor

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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 labor market improved in 2006 with the unemployment rate dropping to 10.9% over the first nine months of the year. 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. Sympathy strikes are legal.

Congress passed a Law on the Promotion and Protection of Labor Unions on January 2, 2006, which 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.

On May 30, 2006 the government approved a decree on the "Prevention of Conflicts and Regulation of Worker Occupation of the Workplace", which provides for obligatory negotiations between employer and employees prior to employees resorting to occupation of the workplace. Still, the decree validates the occupation of the workplace as a legitimate extension of the right to strike, provided that all previous steps have been followed.

The current 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 determined the wage increase to be applied in the groups that failed to reach agreement.

The level of labor conflicts was high in 2006, in comparison with previous years due to national budget discussions in Parliament, wage negotiations, union opposition to negotiations of an FTA with the U.S., and the death of several construction workers in labor accidents.

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.

Foreign-Trade Zones/Free Ports

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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. Nine FTZs are located throughout the country (one public, one mixed ownership, and seven private). MERCOSUR regulations treat products manufactured in all member state FTZs as extra-territorial. 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

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Foreign Direct Investment (FDI) in Uruguay has been low 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. Uruguay's FDI/GDP ratio of 1.8% is well below the Latin American/Caribbean average of 3.2%, and that of its Southern Cone neighbors Argentina (2.2%), Brazil (3.2%) and Chile (6.0%). (All figures in this paragraph refer to 2000-2004 averages based on World Bank's Development Indicators)

According to the Central Bank, FDI stock declined from \$2.41 billion in 2001 to \$1.4 billion in 2002, mostly due to decreased asset values following the sharp 2002 economic contraction and devaluation. Since then, surging inflows of FDI have led the stock of FDI to above its pre-crisis levels (\$2.9 billion in 2005). Annual inflows of FDI rose from \$332 million in 2004 to \$710 million in 2005, and to \$1,045 as of June 2006 (on a 12-month basis), in face of booming real estate, major purchases of land by Argentines and

especially a large investment by Finnish cellulose producer Botnia. Botnia's construction of a \$1.2 billion pulp mill in 2005-2007 is Uruguay's largest-ever foreign investment. Also in 2005-2007, another cellulose producer, Spanish firm Ence, was expected to build another pulp mill worth \$500 million but has postponed the project, as of late 2006. A harsh dispute between Argentina and Uruguay over these investments, leading to a significant deterioration of relations between the two countries, may have played a role in Ence's postponement. Uruguay has acted responsibly in a dispute with Argentina over the construction of pulp mills on a shared river, by defending the right of foreign investors.

A 1999 governmental study (which has not been updated) concluded that the United States was the largest single investor in Uruguay (33% of the stock of FDI). In 2001-2003 US-sourced investors invested \$78 million, accounting for 9% of total FDI inflows. According to the U.S. Department of Commerce, the 2005 stock of U.S. direct investment in Uruguay amounted to \$599 million. Although figures on investment by sector are unavailable, most foreign investment in recent years has gone into forestry-related activities, service industries, construction (i.e. hotels, residences, office buildings), and mining.

Host country contact information for investment-related inquiries:

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web page: <http://www.uruguayxxi.gub.uy>

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

Copyright Association: <http://www.agadu.com.uy>

Software Legal del Uruguay: <http://www.softlegal.org>

Uruguayan Chamber of Music Records: <http://www.cudisco.org>

Uruguayan Society of Artists and Interpreters: <http://www.sudei.org.uy>

University of Montevideo IPR Group: <http://www.gpi.espaciolibre.net>

National IPR Directorate: <http://dnpi.gub.uy>

Uruguay XXII – (Export and Investment Promotion) <http://www.uruguayxxi.gub.uy>

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Chapter 7: Trade and Project Financing

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- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

How Do I Get Paid (Methods of Payment)

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Exports to Uruguay are usually financed through export letters of credit, sales on open account or drafts on foreign buyers. Local business practices do not 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

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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, 16 financial institutions (including offshore banks), 7 credit management institutions and 71 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 percent 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 BankBoston Uruguay in August 2006. The Uruguayan Government is planning to de-dollarize the economy and to create a market for deposits and credits in an account unit to shield against inflation (*Indexed units* - - "*Unidades Indexadas*" – *UI*).

Uruguay had traditionally been regarded as a safe-haven for Argentine depositors, and before the 2002-banking crisis, Argentines held over 50 percent of total deposits. However, many Argentine depositors withdrew their deposits in 2002 and their share dropped to about 30 percent by the end of 2004. Total deposits, which dropped 50 percent 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 June 2006 were at 27 percent of total deposits in foreign currency.

Credits, which plummeted by 40 percent during 1999 – 2002, have not yet picked up but they are on the rise. Only in recent months have consumer and housing loans started to show some activity both in dollars and in UIs. Credit cards continue to remain at very low levels, at approximately 30 percent of pre-crisis levels, but during 2006 the increase in activity has 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

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Uruguay does not apply foreign exchange controls.

U.S. Banks and Local Correspondent Banks

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Citibank

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, it 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>

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

Project Financing

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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 by fax at 202 690-0727 or at <http://www.fsa.usda.gov/cc>.
- 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.

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Embassy Contact: Lilian Amy, Sector Specialist – lilian.amy@mail.doc.gov

<http://www.buyusa.gov/Uruguay/en>

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>

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>

U.S. 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/cc/default.htm>

World Bank: <http://www.worldbank.org>

Inter American Development Bank: <http://www.iadb.org>

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Chapter 8: Business Travel

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Business Customs

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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

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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

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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 allow sufficient time for visa issuance if required. 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

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Uruguay has a fixed line teledensity of almost 80 percent, one of the highest in Latin America. Its 100 percent digitalized, only ANTEL the state owned company provides basic telephony and eight additional companies compete with ANTEL in 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

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There are currently two daily U.S.-carrier (American Airlines and United Airlines) flights to and from the U.S. There is one seasonal, American Airlines non-stop flight to Miami from Montevideo on Tuesdays, Thursdays, and Saturdays from November through March; all other flights 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

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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

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

Local Time, Business Hours, and Holidays

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Uruguay observes standard time (GMT-3). From 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.

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

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

Web Resources

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

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Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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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.cutl.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

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

Trade Events

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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

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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>

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>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.