



Doing business in Uruguay

For Dutch entrepreneurs

With a population of only 3.4 million spread over 176,000 square km, Uruguay is a relatively small country located in the southern part of South America. Although a relatively young nation with less than 200 years since it's foundation, Uruguay has managed to differentiate through its education, social security and health coverage, strong political system and democratic culture, ranking as first country among Latin America in most indicators in those areas. The country has experienced continued growth of its GDP during the last fifteen years averaging a 4.5% annual rate which permitted reaching the investment grade and having the largest GDP per capita in the region.

Based on political stability, clear and solid rules, a well-trained labor force along with international conditions, foreign investment has jumped hitting almost 5% of GDP in recent years. Investments in food production facilities, pulp mill, agricultural and retail business fueled the economy. Private companies from many countries decided to invest and seize the opportunity to establish in a stable country located in one of the most economically promising regions of the world. The government, fully aware of the fundamental role of investment in the economy to support the continued growth that can nourish a still unsatisfied breadth of social needs, is permanently seeking to improve conditions for investors and willing to support projects, which boost employment, R&D and innovation, and specially reinvigorates infrastructure for the medium and long term.

Localisation and weather

Uruguay is located in South America with coasts on the Atlantic Ocean, between Brazil and Argentina. It has a land surface area of 176,215 km² and a total area of 318,413 km², when considering rivers and territorial waters. The country is divided geographically into 19 states (Departamentos) with Montevideo as its capital. The largest cities are Montevideo, Salto and Paysandú, this last two both on the shore of Río Uruguay, the river that is the borderline with Argentina.

It is the only South American country that lies entirely in a temperate zone. Due to this fact, it has small variations in temperature, precipitation and other climatic factors. There are no remarkable topographic features. Most of the country consists of gently undulating plains crossed by long rivers. The climate is mild and healthy throughout the year. In the southern region of the territory (which concentrates a large portion of the population), average temperatures vary from 17° to 28°C in summer and 6° to 14°C in winter. Rainfall occurs in all seasons but is generally heavier in the autumn months. Its weather and topography is especially suitable for agriculture, forest and livestock production.

Population and language

According to the last census (2011), the population of Uruguay is approximately 3.4 million. Around 95% of the population lives in urban areas, about 60% live in Montevideo and its surrounding areas.



There is no indigenous population; most Uruguayans are descendant from Europeans (mainly Spanish and Italian). Spanish is the official and most used language. English is the most used foreign language by the business community. Portuguese is also widespread, as a result of having a long border with Brazil and because of trade and tourism between both countries.

Political system and government

Uruguay has long-standing traditions of democracy, with legal and social stability; it also has a solid financial and legal framework that is attractive to foreign investors contemplating business ventures in the region.

Politically, Uruguay has a democratic republic system with a presidential regime and three consolidated political parties. The government is divided into three independent branches: Executive, Legislative and Judicial.

Living in Uruguay

In Uruguay, people enjoy a safe and healthy environment. Public meetings take place peacefully. Traffic in vehicles, even in urban centres, is fluid. Cities have large green spaces and, because of the continuity of the wind and the absence of polluting industries, there is not substantial pollution. Epidemics of any kind are practically nonexistent. The distances to access recreational areas (e.g. the countryside, beaches and shores of rivers) are short. The most popular resort town (Punta del Este) is 140 km east of Montevideo. All major cities are connected by routes that have origin in Montevideo (South - North). In addition, there are some important routes East - West across the country. The national sport is soccer. There are many private clubs where to practice sports, including golf, tennis, soccer, rugby, squash, etc. There is also cultural activity, which results in an adequate range of theatres, cinemas and music shows.

According to the 2017 Legatum Prosperity Index, Uruguay is the best place to live in Latin America. Ranked 28th, ahead of Chile, Argentina and Brazil. The ranking is based on a variety of factors including wealth, economic growth and quality of life, covering 142 countries, 96% of the world's population and 99% of the world's GDP. According to the 2017 Global Peace Index; that ranks 163 countries by measuring security in society, the extent of conflict and the degree of militarization; Uruguay is in the highest ranks in Latin America and 35th globally. Also Uruguay maintains a high level of human development, ranking in 2016 among the top three in the region and 54th worldwide, according to the United Nations Index that each year reflects the quality of life in different countries. In accordance with the Mercer 2017 Quality of Living Worldwide City Rankings that surveys 231 global cities -using New York as the base city for comparisons-, Montevideo ranks number 79 overall, and emerges as the number one city in South America.

Factors such as internal stability, law enforcement effectiveness, crime levels, medical facilities, infrastructure and public transportation, are taken into consideration by the Mercer research team.

A solid economy

Although Uruguay's economy is strongly rooted in raw material production (meat, grains, wool, wood, cellulose pulp), other strategic sectors have developed because of high human capital standards. These sectors, including services related to tourism, information technology, finance, logistics and transportation, construction, call centers, and shared service centers, have shown significant growth. Most companies are small and closely held by controlling families, but state-owned companies and multinationals are an indispensable part of the Uruguayan economy. In the beginning of the 21st century, Uruguay has gone through one of the highest growth periods in its history, sustained by a favourable context of prices for primary products and the implementation of stable macro-economic policies.

Promotion for investing

Foreign and domestic investors receive the same treatment. Promotion and protection of investments has been a consistent state policy in Uruguay. Investors may access a series of tax benefits should they comply with the conditions established in the Investment Law and regulatory decrees. Uruguay also has Free Zones and industrial areas, with systems that offer an adequate framework for structuring investments with a focus on the international market for manufacturing, commercial and service activities.

Financial market

Uruguay's financial system is comprised of banks, financial houses and representative offices of foreign banks. All of the above require the authorization by Uruguay's Central Bank to operate. The largest bank is Banco República (BROU), which is state-owned; another important state bank is the Banco Hipotecario (BHU). Almost ten private banks operate in the country, most of them branches of international financial institutions. Uruguay's banking system is characterized by lack of exchange controls, allowing the transfer of funds and profit remittances with no restrictions or limits. It has an efficient process for foreign individuals or companies to open bank accounts compliant with all the international standards.

Mercosur

Currently, along with Argentina, Brazil and Paraguay, Uruguay is a full member of the Mercosur (Southern Common Market). As a general principle, imports of goods from any of the countries that are part of the Mercosur are generally free from customs tariffs. Except for goods included in exception regimes, or those pertaining to the sugar industry (which are subject to the import tariff prevailing in Uruguay) and to the automotive industry (which are subject, in some cases, to a reduced import tariff). For some goods imported from Argentina, special duties known as Specific Rights may correspond – though its application is under review –. Moreover, the Mercosur has the following associated members: Chile, Colombia, Ecuador, Guyana, Peru and Surinam.

Strategic location in the region

Uruguay's strategic location offers easy access to major business and industrial centers in the region. Approximately 70% of Brazil's, 60% of Argentina's and 56% of Chile's GDP is generated in the area surrounding Uruguayan territory. Natural conditions and an extensive infrastructure network enable full and rapid access to the entire territory. The country's port facilities are strategically located along the Atlantic Ocean and the Paraguay-Parana fluvial waterway, to access both overseas locations and the center of the continent.

Bribery and corrupt practices

Uruguay has strong laws to prevent these kind of practices. A law against corruption in the public sector was approved in 1998, and acceptance of a bribe is a felony under Uruguay's penal code. Money laundering is penalized with sentences of up to ten years (which also apply to Uruguayans living abroad). Laws 17,835 and 18,494 (passed in 2004 and 2009) established a good framework against money laundering and terrorism finance, enhanced and updated by Law 19,574 passed in December 2017. In the 2017 edition of the Transparency International's Corruption Perception Index, Uruguay ranked first in Latin America (above Chile) and 23rd globally – among 180 countries –. Uruguay has gradually been improving in the Corruption Perception Index over time, from 35th place in 2001 to the 23rd place in 2017.

Energy industry

Due to the lack of oil and natural gas, dependence on overseas imports of these energy sources has been steadily rising. Uruguay depends heavily on imports of crude oil for its basic energy supply. Offshore oil and gas exploration in Uruguayan waters is being carried on. In order to enhance energy self-sufficiency, Uruguay has placed a significant emphasis on wind, solar and biomass power, and many projects have been developed. Also, the construction of a regasification plant is under analysis.

Imports

There are no significant restrictions for importing goods. Except for a few special products that can only be imported if authorized by the Executive Power. Custom duties are imposed on Customs Value of the imported goods, which is determined in accordance with valuation criteria provided by the General Agreement on Tariffs and Trade. As a general principle, imports of goods from any of the countries that are part of the Mercosur are generally free from customs tariffs. Except for goods included in exception regimes, or those pertaining to the sugar industry (which are subject to the import tariff prevailing in Uruguay) and to the automotive industry (which are subject, in some cases, to a reduced import tariff). For some goods imported from Argentina, special duties known as Specific Rights may correspond – though its application is under review –. Meanwhile, goods from countries not belonging to Mercosur are subject to a Common External Tariff (CET) that varies between 0 and 20%, with exceptional levels that range from 23% to 35% corresponding mainly to certain types of shoes, sugar and automotive goods.

Exports

Exports are not subject to any taxes and there are almost no prohibitions regarding the type of goods exported. On the contrary, there are several instruments offered to promote exports, for instance:

- Exports are not subject to VAT.
- Reimbursement of taxes: there is a system for reimbursement of indirect taxes, whereby the exporter may recover internal taxes added to the cost of the product exported. The amount to be reimbursed is a percentage of the FOB value set by the Executive Power for the product.
- Temporary admission: supply imports for exportable products are exempt from custom tariffs provided the final products are exported within an 18-month period.
- Draw-back: for certain products, the draw-back system allows for the reimbursement of tariffs paid on imports at the time of export.
- Special financing: exporters can access credit at preferential interest rates.

Protection of the environment

The Uruguayan Constitution sets forth that the protection of the environment is a matter of general interest. The Ministry of Housing, Territory and Environment (MVOTMA) supervises all related matters, acting through the National Environment Bureau (DINAMA).

The legal framework in Uruguay establishes the civil responsibility of the individual or legal entity that causes damages or pollution to the environment or breaches environmental laws or rules. Notwithstanding the existence of administrative or criminal responsibility established by the law. The Investment Promotion Law grants tax benefits to national or foreign investment projects in the country that use non-polluting technologies ("clean technologies"). In this manner, the state promotes the protection of the environment.

Free zones system

Following the approval of the Free Zones Law in 1987, this system has become an important tool for attracting investments to Uruguay. It has been utilized both for carrying out traditional activities in the Free Zones (warehousing, logistics and distribution) and for providing services related to software, finance, call centres, etc., and manufacturing activities such as cellulose pulp and leather production.

The law defines Free Zones as privately or publicly owned isolated and fenced off areas of Uruguayan territory determined by the Executive Branch with the purpose of carrying out all types of manufacturing, commercial and service activities within the zone, while enjoying tax exemptions and other benefits envisaged in the law. Companies in these areas cannot carry out industrial, trading or service activities in the non-Free Zone Uruguayan territory, except for services expressly authorized by the government, but are allowed to render all types of services within the Free Zones or to third countries.

Free Zone users are allowed to render the following services to the non-Free Zone Uruguayan territory:

- International call centres, except for those whose main destination is the non-Free Zone Uruguayan territory.
- E-mail, distance learning, electronic signature certificate issuance.

The services mentioned below can be rendered to non-Free Zone Uruguayan territory provided the corresponding taxes are paid:

- Software production, technology consulting and related training services.

- Accounting, administration and management services rendered to related companies who carry out port and shipping logistics activities, if those services are lower than 20% of the total income obtained during the fiscal year.
- Development of filmic materials, its digitalization and colour correction.

Free Zone users are exempt from all current and future national taxes, including those taxes for which a specific legal exemption is required, in connection with the activities performed within the Free Zones territory. The Uruguayan government guarantees all the exemptions and benefits afforded by law during the term of their contracts. In order to maintain status and benefits (including tax exemptions), users must have at least 75% of Uruguayan nationals or citizens on their payrolls, in connection with the activities carried out in the Free Zones. In exceptional cases, the Executive Power may reduce this percentage.

The exemption excludes social security contributions on employee wages. These contributions are not applicable to foreign personnel working in the Free Zones, provided they declare in writing that they do not wish to use the Uruguayan social security system. If that choice is made, they will also receive more favorable treatment regarding income taxation.

Foreign personnel

In order to work in the country, foreigners must apply for legal residency, first temporary and then permanent. Residency is granted without major requirements: proof of good behavior in the country of previous residence, a certificate of good health and a certificate of means of subsistence.

Furthermore, Law 19,254 simplified the administrative procedures for getting permanent legal residence for all nationals of Mercosur member country and its associates, and for cohabitants, parents, brothers/sisters and grandchildren of Uruguayans.

The activities with restrictions for foreign workers are the following:

- Fishing: the captain and at least 50% of the crew must be Uruguayan.
- Uruguayan airlines: the crew must be Uruguayan and at least 75% of employees must be Uruguayan citizens.
- Free Zones: 75% of employees must be Uruguayan citizens in order to receive tax benefits. From March 2018 onwards, this percentage will be reduced to 50% only for those companies that provide services.

Visitor visas

Visiting businesspersons do not require any documentation other than a valid passport. Nationals of Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Paraguay and Peru require only their identity card.

Currency

The unit of local currency is the Uruguayan peso. “UYU” or “\$U” are the symbols that represent it.

Business etiquette

The People

The majority of the people are middle class; the extremes of wealth and poverty found in most other South American countries don't exist. Uruguayans take a pragmatic, utilitarian and materialistic approach to life. They have an inherent trust of people and a strong belief in social justice. A great deal of emphasis is placed on education. Uruguay has the best-educated workforce on the continent. People enjoy easy access to a good education, compulsory for nine years and free through post-graduate studies. The literacy rate is 96%, one of the highest in South America.

Meeting and Greeting

Greetings are warm and accompanied by a firm handshake. Friends kiss once on the right cheek when meeting. People do not greet strangers when passing on the street. Greeting or smiling at a stranger may be misunderstood.

Body Language

Uruguayans stand close when conversing, both socially and in business. People can touch shoulders and hold arms while they talk to each other.

Corporate Culture

Meetings are extremely formal, but don't usually start on time. However, be sure to arrive on time. Kinship and friendship play a major role in business transactions. Expertise and experience are less important than who you are. Present business cards to everyone in a meeting. Be ready to make small talk before the business discussions begin. Many executives will speak English, but arrange for an interpreter. Print all materials in Spanish, from business cards to brochures. Hire a local contact to help you in the business community and to navigate you through red tape.

Dining and Entertainment

People are very casual about time for social events. An invitation for 9:00 p.m. usually means to arrive by 10:00 p.m. Uruguayans usually dine at 9:00 or 10:00 p.m. Uruguayans are comfortable conducting business over lunch. Business dinners are to socialize. Do not talk business unless your host initiates the conversation.

Dress

Uruguayans dress conservatively and seldom wear the bright colors popular elsewhere in South America. If your Uruguayan colleagues do not wear ties or jackets in the summer, you may follow.

For business, men should wear conservative, dark suits and ties. Women should wear blouses with dark suits, skirts and dresses.

Helpful Hints

Ask questions about Uruguay. People are very proud of their country.

Don't confuse Paraguay and Uruguay.

Helpful contacts

For exporting from or investing in Uruguay:
UruguayXXI: www.uruguayxxi.gub.uy/en/

For assistance and information:
The Royal Dutch Embassy for
Argentina, Uruguay and Paraguay

Address: Olga Cossettini 831
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