Uruguay

RISK & COMPLIANCE REPORT

DATE: March 2018

KNOWYOURCOUNTRY.COM

Executive Summary - Uruguay	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering assessment Not on EU White list equivalent jurisdictions Offshore Finance Centre
Medium Risk Areas:	Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

soybeans, rice, wheat; beef, dairy products; fish; lumber, cellulose

Industries:

food processing, electrical machinery, transportation equipment, petroleum products, textiles, chemicals, beverages

Exports - commodities:

beef, soybeans, cellulose, rice, wheat, wood, dairy products; wool

Exports - partners:

Brazil 18.5%, China 17.9%, Argentina 6.8%, Germany 4.3% (2012)

Imports - commodities:

refined oil, crude oil, passenger and other transportation vehicles, vehicle parts, cellular phones

Imports - partners:

China 16.1%, Argentina 15.8%, Brazil 14.6%, US 8.9%, Paraguay 7.6% (2012)

Investment Restrictions:

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

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

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 Competition from State Owned Enterprises). One hundred percent foreign ownership is permitted, except where restricted for national security purposes.

Contents

Section 1 - Background

Montevideo, founded by the Spanish in 1726 as a military stronghold, soon took advantage of its natural harbor to become an important commercial center. Claimed by Argentina but annexed by Brazil in 1821, Uruguay declared its independence four years later and secured its freedom in 1828 after a three-year struggle. The administrations of President Jose BATLLE in the early 20th century launched widespread political, social, and economic reforms that established a statist tradition. A violent Marxist urban guerrilla movement named the Tupamaros, launched in the late 1960s, led Uruguay's president to cede control of the government to the military in 1973. By yearend, the rebels had been crushed, but the military continued to expand its hold over the government. Civilian rule was not restored until 1985. In 2004, the left-of-center Frente Amplio Coalition won national elections that effectively ended 170 years of political control previously held by the Colorado and Blanco parties. Uruguay's political and labor conditions are among the freest on the continent.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Uruguay is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Uruguay was undertaken by the Financial Action Task Force (FATF) in 2009. According to that Evaluation, Uruguay was deemed Compliant for 13 and Largely Compliant for 22 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 1 of the 6 Core Recommendations.

US Department of State Money Laundering assessment (INCSR)

Uruguay is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Uruguay uses the U.S. dollar, often as a business currency; about 75 percent of deposits and 55 percent of credits are denominated in U.S. dollars. Laundered criminal proceeds are derived primarily from foreign activities related to drug trafficking. Local drug dealers participate in a range of other illicit activities, including violent crimes. Law enforcement officials and the judiciary assess that Colombian, Italian, Mexican, Paraguayan, and Russian criminal organizations operate locally. Officials are concerned about growing transnational organized crime originating from Brazil and Peru.

Uruguay continues to make progress combating money laundering by passing new legislation, enforcing laws, and strengthening relevant regulatory agencies. The result is an overall improvement in fiscal transparency and international cooperation. In 2017, Uruguay completed a new risk assessment and as of December 2017 it was finalizing its 2020 AML strategy. On November 1, Uruguay transitioned from the inquisitorial legal system to the accusatorial penal code system, a change the government believes will help advance AML/CFT investigations.

Uruguay needs to increase transparency regarding non-financial entities, improve its AML system of analysis, provide for criminal liability for legal persons, and improve the management and disposition of seized assets and funds.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Given the longstanding free mobility of capital and the high degree of dollarization of the economy, the formal financial sector (onshore and offshore) is likely involved in money laundering. Uruguay does not permit offshore trusts. There are 14 representatives of offshore financial entities and one offshore bank. Uruguay's offshore financial services cater primarily to Argentine clients.

In recent years there have been several high-profile money laundering cases, including one related to the International Federation of Football Association (FIFA) and several linked to alleged laundering of funds from Argentina, Brazil, Mexico, Peru, and Spain. Publicized money laundering cases relate to narcotics and/or involve real estate. Government officials state local corruption is not a factor in money laundering in Uruguay.

There are 11 FTZs in Uruguay. Some of the warehouse-style FTZs and Montevideo's free port are likely transit points for containers of counterfeit goods or raw materials bound for Brazil and Paraguay. In 2016, Uruguayan Customs gained authority to inspect FTZs and monitor their movements of goods in real time.

Due to Uruguay's porous borders with Argentina and Brazil, bulk cash smuggling and TBML are likely to occur frequently.

KEY AML LAWS AND REGULATIONS

On December 20, 2017, the Parliament passed an integrated AML law. The new law consolidates all previous AML-related legislation into a single code and addresses several notable deficiencies. The law requires new entities, particularly certified public accountants, notaries, and non-profit organizations, such as political parties, churches, and soccer clubs, to report suspicious transactions. Along with other changes to local legislation, it also defines new money laundering predicate crimes, including tax evasion. The law also improves procedures to seize and administer assets, and the exchange of information with financial units abroad.

Earlier in 2017, parliament passed Law 19,484 on International Fiscal Transparency and AML/CFT. The law implements an automatic exchange of tax information with countries with which Uruguay has tax agreements, which does not include the United States. This law represents another major shift in Uruguayan policies by significantly relaxing Uruguay's previous longstanding protections that allowed bank secrecy. The law also discourages the use of tax havens by companies that operate locally.

Since 2012, Uruguay has intensified controls over bearer shares corporations. In 2017, Uruguay set up a registry of ultimate individual beneficiaries of corporations. Also in 2017, the Anti-Money Laundering Secretariat continued strengthening its controls over DNFBPs. Inspections surged from zero in 2015 to several hundred in 2017. The government took action in the form of warnings or fines in approximately 10 percent of inspections in 2017.

Other recent, significant developments include progress in developing an AML consolidated statistical system, perfecting and increasing the use of a risk matrix at the Central Bank´s financial analysis unit, and development of AML online courses.

Uruguay has comprehensive CDD and STR requirements and enhanced due diligence procedures for PEPs.

Uruguay is a member of the GAFILAT, a FATF-style regional body.

AML DEFICIENCIES

Legal persons are not subject to criminal liability under Uruguayan law.

Banks continue to file the vast majority of the STRs. Uruguay should undertake efforts to increase reporting from DNFBPs.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

From January to September 2017, the Information and Financial Analysis Unit, Uruguay's FIU, fined one securities intermediary and froze U.S. $60 million in funds. The government prosecuted seven individuals and convicted four on money laundering charges from January 2016 through September 2017.

Uruguay needs to continue working with DNFBPs, amend its legislation to provide for criminal liability for legal persons, continue improving its statistical system of analysis, and improve the management and disposition of seized assets and funds.

Current Weaknesses in Government Legislation (INCRS Comparative Tables):

According to the US State Department, Uruguay conforms with regard to the government legislation required to combat money laundering and the terrorism of financing.

EU White list of Equivalent Jurisdictions

Uruguay is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Uruguay is considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2017:

Uruguay is not a major narcotics producing country and has low levels of drug-related corruption. Foreign drug traffickers take advantage of Uruguay's strategic location, porous borders, numerous international ports, and limited interdiction capabilities. Most cocaine shipped through Uruguay originates in Peru and Bolivia and is smuggled into Uruguay for onward movement to world markets.

In 2016, the government seized 144 kilograms (kg) of cocaine, 138 kg of the highly-addictive cocaine base product known as "pasta base," and 4.31 metric tons of marijuana. In August, the Senate approved a bill for a Plan in the Fight Against Drug Trafficking and Organized Crime, which remained pending with the House of Representatives at the end of 2016. If approved, the Plan would establish sentences of between two and 10 years for those who produce or traffic illicit substances; improve scientific analyses of illicit substances seized; and create an interagency committee to improve coordination to drug trafficking.

The Uruguayan government passed legislation in 2013 to regulate the legal sale and distribution of marijuana. The current system grants licenses to private producers for large-scale farming and regulates distribution at a controlled price through registered pharmacies. In early 2016, the government opened the registry for pharmacies wishing to sell marijuana legally. By October, out of 1,200 pharmacies in Uruguay, the government reported that 50 had registered. The Uruguayan Pharmacy Center cited an even lower figure, claiming that fewer than 10 pharmacies had registered. Pharmacies must install fingerprint recognition software to identify consumers. As of September 2016, consumers must register with the government and can purchase up to 10 grams per week. Private individuals are allowed up to six marijuana plants at home and can harvest up to 480 grams per year. Up to 45 individuals can jointly produce marijuana in greater quantities, as long as it is not for sale.

Uruguay's demand-reduction strategy focuses on prevention, rehabilitation, and treatment. The National Anti-Drug Secretariat coordinates demand-reduction policies, researches and investigates drug use, provides treatment and rehabilitation for drug users, and encourages debate on narcotics issues.

U.S. assistance provided administrative support and training to Uruguayan law enforcement agencies in 2016, including airport interdiction training and dog-handler training. The United States and Uruguay are parties to a bilateral extradition treaty (1984), a mutual legal assistance treaty (1994), and a letter of agreement for the United States to support counternarcotics and law enforcement programs.

US State Dept Trafficking in Persons Report 2016 (introduction):

Uruguay is classified a Tier 2 country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Uruguay is a source, transit, and destination country for men, women, and children subjected to forced labor and sex trafficking. Uruguayan women and girls—and to a more limited extent transgender adults and male adolescents—are subjected to sex trafficking within the country. Uruguayan women are forced into prostitution in Spain, Italy, Argentina, and Brazil; however, the number of identified Uruguayan victims exploited abroad has decreased in recent years. Women from the Dominican Republic, and to a lesser extent from South American countries, are subjected to sex trafficking in Uruguay. Foreign workers, particularly from Bolivia, Paraguay, Brazil, the Dominican Republic, and Argentina, are subjected to forced labor in construction, domestic service, wholesale stores, textile industries, agriculture, and lumber processing. In 2014, some foreign fishermen aboard foreign-flagged commercial boats docked in Uruguay reported indicators of forced labor, such as non-payment of wages and physical and verbal abuse. Uruguayan officials have identified citizens of other countries, including China and the Dominican Republic, transiting Uruguay en route to other destinations, particularly Argentina, as potential victims of sex and labor trafficking.
The Government of Uruguay does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Authorities prosecuted an increased number of suspected traffickers and identified and assisted an increased number of potential foreign sex and labor trafficking victims. Nonetheless, government funding for victim services, particularly for lodging, continued to be inadequate. The extent of efforts to assist internal trafficking victims and investigate internal trafficking cases was unclear, in part because Uruguayan law prohibits only transnational forms of trafficking.

Latest US State Dept Terrorism Report

Uruguay was a willing partner of the United States in counterterrorism efforts and improved its ability to fight international crime through legislation, better protection of its borders, and military training. The Government of Uruguay focused its efforts to promote global security through collective action within multinational organizations such as the U.N. and Organization of American States (OAS). Uruguay is a member of the MERCOSUR Permanent Working Group on terrorism, together with Argentina, Brazil, Chile, Paraguay, and Bolivia. The group facilitates cooperation and information sharing. Uruguay has also been active in a range of international counterterrorism efforts, particularly in the Rio Group and the OAS.

A new money laundering law passed in 2009 further defined money laundering, including as it relates to terrorist financing.

Uruguay's level of cooperation and intelligence sharing on counterterrorism-related issues improved. The political leadership in the Ministries of Defense and Interior increasingly saw terrorism as a significant issue for Uruguay, and working level officers in law enforcement and security services recognized the importance of conducting pro-active investigations and intelligence sharing with the U.S. government and other Latin American countries.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	70
World Governance Indicator – Control of Corruption	89

Corruption is a low risk for companies operating in Uruguay, which is considered the least corrupt country in Latin America. Uruguay has a strong rule of law and transparent institutions, and it actively prosecutes corruption offenses. Corruption-related obstacles are most likely to occur when operating in the public procurement sector. The Anti-Bribery Law (in Spanish) prohibits public officials from accepting bribes or facilitation payments, while individuals who offer or pay the bribe or facilitation payment will be held criminally liable. The maximum punishments are fines or jail of up to six years, but companies cannot be held liable. Facilitation payments and gifts are rare in practice. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Department

Uruguay signed and ratified the UN's Anticorruption Convention. It is not a member of the, OECD and therefore not party to the OECD's Convention on Combating Bribery.

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

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

Uruguay was ranked as the least corrupt country in the Latin America and the Caribbean region in the 2013 edition of Transparency International's Corruption Perception Index. Uruguay shared the 19th position globally (among 177 countries) with the United States.

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

The Transparency and Public Ethics Committee (http://www.jutep.gub.uy/) is responsible for combating corruption. There is no major local "watchdog" organization.

Section 3 - Economy

Uruguay has a free market economy characterized by an export-oriented agricultural sector, a well-educated workforce, and high levels of social spending. Uruguay has sought to expand trade within the Common Market of the South (Mercosur) and with non-Mercosur members, and President VAZQUEZ has maintained his predecessor's mix of pro-market policies and a strong social safety net.

Following financial difficulties in the late 1990s and early 2000s, Uruguay's economic growth averaged 8% annually during the period 2004-08. The 2008-09 global financial crisis put a brake on Uruguay's vigorous growth, which decelerated to 2.6% in 2009. Nevertheless, the country managed to avoid a recession and keep positive growth rates, mainly through higher public expenditure and investment; GDP growth reached 8.9% in 2010 but slowed in 2012-13 as a result of a renewed slowdown in the global economy and in Uruguay's main trade partners and Mercosur counterparts, Argentina and Brazil.

Agriculture - products:

soybeans, rice, wheat; beef, dairy products; fish; lumber, cellulose

Industries:

food processing, electrical machinery, transportation equipment, petroleum products, textiles, chemicals, beverages

Exports - commodities:

beef, soybeans, cellulose, rice, wheat, wood, dairy products; wool

Exports - partners:

China 15%, Brazil 14.4%, US 6.5%, Argentina 4.9% (2015)

Imports - commodities:

refined oil, crude oil, passenger and other transportation vehicles, vehicle parts, cellular phones

Imports - partners:

Brazil 18.2%, China 17.4%, Argentina 12.6%, US 9.1%, Germany 4.5%, Nigeria 4.1% (2015)

Banking

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. Most private banks, including U.S. – owned ones at the time, successfully weathered the 2002-banking crisis and honored all deposits in timely manner.

There has been a consolidation of private commercial banks. In August 2006, Brazilian bank Itau bought U.S. Bank Boston. In January 2009 Spanish Santander bought Dutch ABN, and in January 2010 Spanish BBVA bought French Credit Agricole's operations in Uruguay.

Uruguay's financial sector currently consists of one government owned commercial bank (Banco de la Republica) and one government owned mortgage bank (BHU). Government-owned banks have traditionally held a major share of the banking market, with Banco de la Republica accounting for about 44% of total deposits and 41% of total credits. There are also 12 foreign-owned banks, 4 offshore banks, 10 other financial institutions, 13 credit administrators, 84 exchange houses. The four offshore banks are subject to the same laws, regulations, and controls as local banks, with the GOU requiring them to be licensed through a formal process that includes a background investigation. Offshore financial institutions operate with limited functions as they cannot operate with residents. International financial firms also operate in Uruguay within a free trade zone.

Private banks supply Uruguay's private sector with short-term, dollar-denominated credit and receive mostly dollar-denominated deposits (about 75% of the private sector's deposits in the commercial banking system are dollar-denominated.)

Uruguay had traditionally been a common destination for Argentine depositors, and before the 2002-banking crisis, Argentines held over 40% of total deposits. However, many Argentine depositors withdrew their funds in 2002 and as of December 2010 they accounted for 17% of total deposits, limiting Uruguay's exposure to its neighbor. Credits started to recover from the crisis in mid-2005, well after deposits which had started in mid-2002. Deposits have surpassed pre-crisis levels but credits remain substantially below.

The Central Bank formulates monetary and exchange policies in coordination with the Executive Branch. Since the 2002 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. The banking sector has not been hit by the global 2008- 2009 global financial crisis.

Stock Exchange

There are two stock exchanges. Bolsa Electronica de Valores de Uruguay is an electronic exchange, which encompasses over 90% of transactions, concentrates on the money market and public securities. The other, Bolsa de Valores de Montevideo, is a traditional exchange focuses on sovereign bonds. Only 12 firms are registered in the traditional stock exchange. Trading in shares and commercial paper is virtually nil, severely limiting market liquidity. There is no effective regulatory system to encourage and facilitate portfolio investment.

Section 4 - Investment Climate

Executive Summary

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

Uruguay has a stable legal system in which foreign and national investments are treated alike, most investments are allowed without prior authorization and investors may freely transfer abroad their capital and profits from their investment. Investors can choose between arbitration and the judicial system to settle disputes. The World Bank's 2016 "Doing Business" Index placed Uruguay 4th out of eleven countries in South America.

There are significant tax incentives for investors which, together with strong economic growth and booming commodities prices, contributed to a strong increase in foreign and local investment over the past decade. Foreign Direct Investment (FDI) rose from an average of $0.3 billion in 2000-2004 to $2.5 billion in 2010-2014. Over the past decade, Uruguay received the third largest inflow of FDI in South America adjusted by Gross Domestic Product (GDP), especially in pulp mills, construction, agriculture and industry.

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

Uruguay is a stable democracy. Political risk is low and there have been no recent cases of expropriation. U.S. firms have not identified corruption as a problem for investment.

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

Uruguay has bilateral investment treaties with over 30 countries, including the United States. The two countries have also signed agreements or Memorandums of Understanding (MOU) on Open Skies, Trade and Investment, Cooperation in Science and Technology, Promotion of Small and Medium Firms and Customs Mutual Assistance. As of April 2016, both governments are negotiating an agreement on social security. The United States does not have a double-taxation treaty with Uruguay.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

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

Uruguay and the United States signed a Bilateral Investment Treaty (BIT) in November 2005, which entered into force on November 1, 2006. Uruguay and the United States also signed an Open Skies Agreement in late 2004 (ratified in May 2006), a Trade and Investment Framework Agreement (TIFA) in January 2007, and a Science and Technology Cooperation Agreement in April 2008. Under the TIFA, both countries signed two additional protocols on business facilitation and on the environment in 2008. In 2014, Uruguay and the United States signed agreements or MOUs to foster scientific and technological exchange, promote Small and Medium Firms, and facilitate the mutual assistance of their Customs. As of April 2016, both governments are negotiating an agreement on social security that would, among other things, facilitate the temporary stay of expats and workers in each country.

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

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

Other Investment Policy Reviews

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

The World Bank's 2016 Doing Business Report ranks Uruguay 4th out of 11 countries in South America for its ease of doing business.

Laws/Regulations of Foreign Direct Investment

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

Law 16,906 (passed in 1998) declares promotion and protection of investments made by national and foreign investors to be in the nation's interest. The law states that: (1) foreign and national investments are treated alike; (2) investments are allowed without prior authorization or registration; (3) the government will not prevent the establishment of investment in the country; and (4) investors may freely transfer abroad their capital and profits from the investment. Decree

002/12 (passed in January 2012 superseding Decree 455/007 from 2007) regulates Law 16,906 and provides significant incentives to investors, which have contributed to a strong increase in foreign and local investment.

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

Business Registration

Uruguay receives high marks in electronic government. It was ranked third in the entire Western Hemisphere according to the UN's 2014 electronic government development index, (after the United States and Canada), and third globally according to the UN's electronic participation index.

Domestic and foreign businesses can fully register their operations in days and without a notary at http://empresas.gub.uy

Uruguay's investment promotion agency, Uruguay XXI (http://www.uruguayxxi.gub.uy/) facilitates foreign investment to all investors, irrespective of the amount of investment or number of employees. Preferences to facilitate investment and business operations are available to domestic and foreign-owned MSMEs.

Uruguay defines micro, small and medium-sized enterprises (MSMEs) according to the number of employees and revenues. Micro firms employ between one and four workers and have annual revenues of about $213,000. Small firms employ between five and twenty workers and have annual revenues of about one million dollars. In turn, medium firms employ between twenty and ninety-nine workers and have annual revenues of about eight million dollars. (Revenues figures were converted into dollars at the April 2016 exchange rate).

Industrial Promotion

Uruguay has special regimes to promote the following activities: tourist industry; audiovisuals; exploration and exploitation of hydrocarbons, production of biofuels and generation of renewable energies; biotechnology; call centers and shared services centers; foreign financial intermediation; forestry; communications; electronics and electronic equipment; printing; naval and aeronautic industries; construction of vehicles, auto parts, freight vehicles or agricultural machinery; industrial solid waste; and software.

None of the promotion systems described above differentiates between foreign and national investors.

Limits on Foreign Control and Right to Private Ownership and Establishment

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

Privatization Program

Uruguay has not undertaken any major privatization program in the recent past. While some previously government-run monopolies have been opened to private-sector competition, the government continues to have a monopoly in several key sectors (please refer to section 9 for more information).

Private-Public Partnerships are governed by Law 18,786, which was passed in Parliament by consensus in July 2011, and Decrees 07/12 and 251/15 passed in 2012 and 2015. As of April 2016 there is one ongoing project and several in the pipeline.

Screening of FDI

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.

Competition Law

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

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

An Audiovisual Communications Law, known locally as the media bill (No 19,307 passed in December 2014 and pending regulation as of April 2016) includes provisions on market caps for cable TV providers that could limit competition. In April 2016, Uruguay's Supreme Court ruled these market caps and some local content requirements unconstitutional.

Investment Trends

Uruguay´s traditionally low levels of investment rose significantly over the last decade following an increase in domestic investment and a surge in Foreign Direct Investment (FDI).

Domestic investment rose from 15% of GDP in 1996-2005 to 20% of GDP in 2006-2015. In turn, FDI surged from an average of $0.3 billion in 2000-2004, to $1.5 billion in 2005-2009 and $2.5 billion in 2010-2014. The historical record was at $3.1 billion in 2013. With a 5.7% FDI to GDP ratio in 2005-2014, Uruguay ranked third in South America (after Guyana and Chile) and received twice as much FDI/GDP as neighboring Brazil and three-fold Argentina's.

In recent years, Uruguay has received unusually large-scale investments. In 2005-06, the Finnish firm UPM (formerly Botnia) made Uruguay's largest-ever foreign investment with the construction of a $1.2 billion pulp mill. In 2011-14, Finnish-Swedish-Chilean Montes del Plata invested an even larger projected sum –$1.9 billion in plant and $0.7 billion in land– in another pulp mill project. The other sectors that received the greatest amount of FDI, besides pulp mills, were construction (real estate in Punta del Este, hotels, and office buildings), agriculture (forestry, ranching, farming, and slaughterhouses), and industry (food and beverages and chemicals).

U.S. investment in Uruguay has risen to an annual average of $90 million in 2012-2014 from an annual average of $69 million in 2009-2011. About 130 U.S. firms operate in Uruguay and directly employ over 15 thousand workers. Major firms include Weyerhaeuser (forestry), Coca Cola (beverages), Conrad Hotels (tourism and gambling), Sabre (call center), McDonald's (restaurants) and Pepsi (syrups).

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	21 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	92 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	68 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2015	1,478/956	BEA/Uruguay's government
World Bank GNI per capita	2014	16,350	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

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

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

Remittance Policies

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

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

Uruguay is considered a Jurisdiction of Primary Concern for money laundering in the US

Department of State's International Narcotics Control Strategy Report (INCSRII).

3. Expropriation and Compensation

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

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

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

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

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

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

Bankruptcy

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

The World Bank’s 2016 Doing Business Report ranks Uruguay 4th out of 11countries in South America for its ease of “resolving insolvency.”

Investment Disputes

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

In February 2010, the tobacco company Philip Morris International sued the Government of Uruguay, arguing that new health measures involving cigarette packaging amounted to unfair treatment of the firm. The case was filed under the Uruguay-Switzerland Bilateral Investment Treaty and, as of April 2016, remains before ICSID.

International Arbitration

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

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

ICSID Convention and New York Convention

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

Duration of Dispute Resolution

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

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The WTO's Trade Policy Review on Uruguay (2012) does not mention any measures that are inconsistent with Trade Related Investment Measures (TRIMs) requirements.

Investment Incentives

The investment promotion regime is regulated by Law 16,906 (passed in 1998) and Decree

002/12 (passed in January 2012) that grants significant tax incentives to investors in a wide array of sectors and activities.

Law 16,906 grants automatic tax incentives of up to 40% of corporate income tax to several activities, including personnel training; research, scientific and technological development; reinvestment of profits; and investments in industrial machinery and equipment. Other benefits provided exclusively to industrial and agricultural firms by law have in practice been superseded by the regulating decree.

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

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

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

There are also special regimes to promote specific sectors (please refer to Industrial Promotion section).

A detailed document on incentives to investment is available, in English, at http://www.uruguayxxi.gub.uy/guide/schemes.html and http://www.uruguayxxi.gub.uy/guide/descargas/Investment%20promotional%20schemes.pdf

Research and Development

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

Performance Requirements

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

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

Data Storage

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

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

6. Protection of Property Rights

Real Property

Secured interests in property and contracts are recognized and enforced. Mortgages exist and Uruguay has a recognized and reliable system of recording such securities. Uruguay's legal system protects the acquisition and disposition of all property, including land, buildings and mortgages.

Traditional Use Rights are not applicable as there is no relevant indigenous community in

Uruguay. The vast majority of land has clear property titles.

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

Intellectual Property Rights

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

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

Uruguay was included in USTR's 2014 Notorious Markets Report for an increase in reports of counterfeiting and piracy from its free trade zones, and removed from the Report in 2015 due to the passage of a decree that imposed stricter customs controls on free zones. The 2015 decree gave Customs officials the authority to operate inside free trade zones, control the flow of in-coming and out-going goods and fine both the owners of counterfeit goods and the storage providers that facilitate distribution of counterfeits.

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

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

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

Uruguay tracks and reports on Custom's seizures of goods, some of which are counterfeit. Information is available at http://www.aduanas.gub.uy/innovaportal/v/10500/4/innova.front/incautacion-de-mercaderias.html. Notwithstanding there is no centralized reporting system on seizures of counterfeit goods.

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

Resources for Rights Holders

Post's Economic Officer covering IP issues is: Mr. Andrew Winkelman
Chief of the Economic-Commercial Section
Tel: (5982) 1770-2429
e-mail: winkelmanag@state.gov

Post's public list of local lawyers is available at
http://uruguay.usembassy.gov/uscitizenservices- notary-attorneys.html

7. Transparency of the Regulatory System

Transparent and streamlined procedures regulate local and foreign investment.

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

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

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

8. Efficient Capital Markets and Portfolio Investment

A capital markets law (No. 18,627) was passed in 2009 to try to jumpstart the local capital market. However, despite some very successful bond issuances by public firms, the local capital market remains underdeveloped and highly concentrated in sovereign debt, making it difficult to finance through the local equity market. Trading in shares and commercial paper is virtually non-existent (only six firms are registered with BVM to issue shares), severely limiting market liquidity.

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

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

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

Money and Banking System, Hostile Takeovers

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

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

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

9. Competition from State-Owned Enterprises

The State still plays an important role in the economy and Uruguay maintains government monopolies in several areas, including importing and refining of oil, workers' compensation insurance, landline telephony, internet services and water sanitation.

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

Uruguay is not a party to the WTO's Plurilateral Agreement on Government Procurement. State-run monopolies sometimes contract with foreign-owned companies to provide specific services over a period of time under Build-Operate-Transfer (BOT) systems. Road construction and maintenance, and the construction and operation of both Montevideo's port container terminal and the international airport, are examples of BOT projects. The state-owned oil company ANCAP has also established associations with foreign partners for off-shore and on-shore exploration.

In an attempt to address its major infrastructure shortage while preserving fiscal balance, in 2011

Uruguay passed a Public-Private-Partnerships (PPP) law (No. 18,786). The law allows various kinds of contracts that enable private sector companies to design, build, finance, operate and maintain certain infrastructures, including brownfield projects. With some exceptions (such as medical services in hospitals or educational services in schools), PPPs can also be applied to social infrastructure. The return for the private sector company may come in the form of user payments, government payments or a combination of both. Interested PPP bidders must demonstrate the background and financial strength asked for in the terms of reference of the PPP procurement process.

The PPP law was launched with high hopes that it would attract private sector participation in major infrastructure projects such as highway and railway construction and operation, waste disposal, and energy. However, as of April 2016, only one PPP project is underway and another is at an advanced stage. Given the minimal use of the system, a tighter fiscal situation and an urgency to address infrastructure needs, in 2015 the government passed new regulations (Decree 251/15) to simplify the procedures and speedup the process. As of April 2016, the simplification has resulted in three projects in the pipeline and major plans to undertake roads and school construction projects under PPPs.

OECD Guidelines on Corporate Governance of SOEs

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

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

The multi-million dollar losses of the government-owned oil company ANCAP, which were investigated by a parliamentary commission in 2015, triggered a debate about the need to reform the corporate governance of SOEs. As of April 2016, the government is receiving assistance from the World Bank to strengthen the management of selected SOEs.

Sovereign Wealth Funds

There are no Sovereign Wealth Funds in Uruguay.

10. Responsible Business Conduct

The concept of Responsible Business Conduct (RBC) is relatively new to producers, consumers and the government, which does not have a high-profile plan to encourage it.

Many companies do abide by the principles of RBC as a matter of course. Many multinational companies develop RBC strategies and made significant contributions in promoting safety awareness, better regulation, a positive work environment and sustainable environmental practices.

U.S. companies have proven to be leaders in promoting a greater awareness of and appreciation for RBC in Uruguay. In fact, in 2015 a U.S. company was awarded the Secretary of State’s Award for Corporate Excellence for its work on Environmental Sustainability.

Consumers tend to pay attention to the RBC image of companies, especially as it relates to a firm’s work with local charities or community causes. The Catholic University (Universidad Catolica) has a program in place to monitor RBC matters (www.ucu.edu.uy/es/rse).

OECD Guidelines for Multinational Enterprises

The government does not play an active role in promoting generally accepted CSR principles.

11. Political Violence

Uruguay is a stable democracy in which respect for the rule of law is the norm and the majority of the population is committed to non-violence. There have been no cases of political violence or damage to projects/installations over the past decade.

In 2016, The Economist magazine ranked Uruguay as the only “full democracy” in Latin America, and one of only two in the world “outside of the rich western countries of Europe, North America and Australasia”.

12. Corruption

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

Together with Chile, Uruguay was ranked as the least corrupt country in Latin America in the 2015 edition of Transparency International's Corruption Perception Index.

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

Laws 17,835, 18,494 and 19,355 (passed in 2004, 2009 and 2015, respectively) establish a strong framework against money laundering and terrorism finance and include corruption as a preceding crime. Money laundering is penalized with sentences of up to ten years (and also applies to Uruguayans living abroad). Prosecutions have been gradually increasing since 2005. More detailed information on legislation and cases is available at https://www.presidencia.gub.uy/antilavado/inicio/

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

UN Anticorruption Convention, OECD Convention on Combating Bribery

Uruguay signed and ratified the UN's Anticorruption Convention. It is not a member of the OECD and therefore not party to the OECD's Convention on Combating Bribery.

Resources to Report Corruption

Contact at government agency or agencies responsible for combating corruption: Name: Mr. Luis Yarzabal

Title: President
Institution: Junta de Transparencia y Etica Publica
Address: Rincon 528, 8th floor, ZC 11000
Tel: (598) 2917 0407
e-mail: secretaria@jutep.gub.uy

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

13. Bilateral Investment Agreements

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

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

Besides the United States, Uruguay has Bilateral Investment Agreements with the following countries: Armenia; Australia; the Belgium-Luxembourg Economic Union (BLEU); Canada;

Chile; China; Czech Republic; El Salvador; Finland; France; Germany; Hungary; India; Israel; Italy; Japan; South Korea; Malaysia; Mexico; Netherlands; Panama; Poland; Portugal; Romania; Spain; Sweden; Switzerland; United Kingdom; Venezuela and Vietnam. Uruguay also has BIT with Argentina, Brazil and Paraguay (a general agreement signed in MERCOSUR in 1994).

In 2009, the OECD included Uruguay in a grey list of jurisdictions that had not "committed to implement the internationally agreed tax standard." Since then, the government has endorsed OECD standards on transparency and exchange of information and upgraded several regulations to meet such standards. Main measures include signing several tax information exchange agreements, relaxing bank secrecy provisions, and modifying its bearer shares system. In October 2012, the OECD acknowledged the GOU's progress and allowed Uruguay to move on to the second phase of the review process, consisting of a survey of the practical implementation of the standards. In December 2015, the government announced that, starting in 2017, Uruguay will begin implementing an automatic exchange of tax information with countries with which it has tax information exchange agreements (TIEAs).

Bilateral Taxation Treaties

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

OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes indicates that, as of April 2016, Uruguay had signed 36 TIEAs, 20 of which include double taxation provisions, and 24 of which are in force. Ten of the TIEAs, three of which include double taxation provisions, are pending parliamentary ratification.

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

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

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Free trade zones (FTZs) were created in 1987 (by Law 15,921). Key legislation and regulations of free zones can be found at http://zonasfrancas.mef.gub.uy/.

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

Goods, services, products, and raw materials of foreign and Uruguayan origin may be brought into the FTZs, held, processed, and re-exported without payment of Uruguayan customs duties or import taxes. Firms operating in FTZs are also exempted from national taxes. Government monopolies are not honored within FTZs. Local and foreign-owned industries alike enjoy several advantages in an FTZ, including exemption from all domestic taxes. Additionally, the employer does not pay social security taxes for non-Uruguayan employees who have waived coverage under the Uruguayan social security system. However, Uruguayans must comprise at least 75 percent of a company's labor force to qualify for FTZ tenancy. Goods of Uruguayan origin entering into FTZs are treated as Uruguayan exports for tax and other legal purposes.

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

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

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

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

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country	2015	$ 53,533	2014	$57,471	http://www.bcu.gub.uy/Estadisticas e Indicadores/Paginas/Default.aspx

Gross Domestic Product (GDP) ($M USD)					www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2014	$956	2014	$1,478	http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx http://bea.gov/international/direct_investment_ multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2014	$741	http://bea.gov/international/direct_investment_ multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2014	37%	N/A	N/A	N/A

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

Table 3: Sources and Destination of FDI

Five countries accounted for half of total investment stock in 2014. Argentina was the largest investor with 28 percent of total FDI, followed by Spain (8 percent), Brazil (7 percent), and the United States (4 percent). Annual average U.S. investment rose to $90 million in 2012-2014 from $69 million in 2009-2011.

Uruguay's Central Bank reports that the United States held the 3rd largest stock of investment in

2014 –$956 million (the U.S. Department of Commerce's Bureau of Economic Analysis indicates an investment stock of $1.5 billion). U.S. investment is distributed among a wide array of sectors, including forestry, tourism and hotels, services (e.g. call centers or back office) and telecommunications.

Direct Investment from/in Counterpart Economy Data, 2013

From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*	
Inward Direct Investment Outward Direct Investment	
Total Inward 19,564 100%	Total Outward N/A 100%
Argentina 5,357 27%	
Brazil 1,423 7%	
Spain 1,157 6%	
United States 899 5%	
Netherlands 807 4%	
"0" reflects amounts rounded to +/- $500,000.	

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets, 2014		
Top Five Partners (Millions, US Dollars)		
Total Equity and Inv. Fund Shares Total Debt Securities		
All Countries 4,794 100%	All Countries 810 100%	All Countries 3,789 100%
United States 1,093 23%	Luxembourg 248 31%	United States 926 23%
Luxembourg 425 9% 7%	United States 167 21% 23%	Brazil 317 8%
U.K. 358 7%	U.K. 143 18%	Netherlands 246 6%
Brazil 330 7%	Spain 82 10%	Canada 225 6%
Netherlands 256 5%	Bermuda 81 10%	Sweden 193 5%

Source: IMF Coordinated Portfolio Investment Survey

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

civil law system based on the Spanish civil code

International organization participation:

CAN (associate), CD, CELAC, FAO, G-77, IADB, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, LAES, LAIA, Mercosur, MIGA, MINURSO, MINUSTAH, MONUSCO, NAM (observer), OAS, OPANAL, OPCW, PCA, UN, UNASUR, UNCTAD, UNESCO, UNIDO, Union Latina, UNISFA, UNMOGIP, UNOCI, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

No exchange controls are in force in Uruguay. All remittances to foreign countries can be carried without limitations through banks, financial institutions and authorised currency exchange houses.

Treaty and non-treaty withholding tax rates

Uruguay has signed **26 agreements** (**14 DTC** and **12 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Argentina	TIEA	23 Apr 2012	7 Feb 2013	Yes	Yes
Australia	TIEA	10 Dec 2012	not yet in force	Yes	Yes
Belgium	DTC	23 Aug 2013	not yet in force	Unreviewed	Yes
Brazil	TIEA	24 Oct 2012	not yet in force	Yes	Yes
Canada	TIEA	5 Feb 2013	not yet in force	Yes	Yes
Denmark	TIEA	14 Dec 2011	not yet in force	Yes	Yes
Ecuador	DTC	26 May 2011	15 Nov 2012	Unreviewed	Yes
Faroe Islands	TIEA	14 Dec 2011	not yet in force	Unreviewed	Yes
Finland	DTC	13 Dec 2011	6 Feb 2013	Yes	Yes
France	TIEA	28 Jan 2010	31 Dec 2010	Yes	Yes
Germany	DTC	9 Mar 2010	1 Jan 2011	Yes	Yes
Greenland	TIEA	14 Dec 2011	not yet in force	Unreviewed	Yes
Hungary	DTC	25 Oct 1988	1 Jan 1994	Yes	No
Iceland	TIEA	14 Dec 2011	14 Nov 2012	Yes	Yes
India	DTC	8 Sep 2011	21 Jun 2013	Yes	Yes
Korea, Republic of	DTC	29 Nov 2011	22 Jan 2013	Yes	Yes
Liechtenstein	DTC	18 Oct 2010	3 Sep 2012	Yes	Yes
Malta	DTC	11 Mar 2011	13 Dec 2012	Yes	Yes
Mexico	DTC	14 Aug 2009	29 Dec 2010	Yes	Yes
Netherlands	TIEA	24 Oct 2012	not yet in force	Yes	Yes
Norway	TIEA	14 Dec 2011	not yet in force	Yes	Yes
Portugal	DTC	30 Nov 2009	13 Sep 2012	Yes	Yes

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Romania	DTC	14 Sep 2012	not yet in force	Unreviewed	Yes	
Spain	DTC	10 Sep 2009	24 Apr 2011	Yes	Yes	
Sweden	TIEA	14 Dec 2011	not yet in force	Yes	Yes	
Switzerland	DTC	18 Oct 2010	28 Dec 2011	No	Yes	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

DISCLAIMER

Part of this report contains material sourced from third party websites. This material could include technical inaccuracies or typographical errors. The materials in this report are provided "as is" and without warranties of any kind either expressed or implied, to the fullest extent permissible pursuant to applicable law. Neither are any warranties or representations made regarding the use of or the result of the use of the material in the report in terms of their correctness, accuracy, reliability, or otherwise. Materials in this report do not constitute financial or other professional advice.

We disclaim any responsibility for the content available on any other site reached by links to or from the website.

RESTRICTION OF LIABILITY

Although full endeavours are made to ensure that the material in this report is correct, no liability will be accepted for any damages or injury caused by, including but not limited to, inaccuracies or typographical errors within the material, Neither will liability be accepted for any damages or injury, including but not limited to, special or consequential damages that result from the use of, or the inability to use, the materials in this report. Total liability to you for all losses, damages, and causes of action (in contract, tort (including without limitation, negligence), or otherwise) will not be greater than the amount you paid for the report.

RESTRICTIONS ON USE

All Country Reports accessed and/or downloaded and/or printed from the website may not be distributed, republished, uploaded, posted, or transmitted in any way outside of your organization, without our prior consent. Restrictions in force by the websites of source information will also apply.

We prohibit caching and the framing of any Content available on the website without prior written consent.

Any questions or queries should be addressed to: -

Gary Youinou

Via our Contact Page at KnowYourCountry.com