

# Free Zones in Uruguay

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## 1. Executive Brief

Free Trade Zones (FZs) play a key role in the attraction of investment, the generation of qualified employment and the diversification of the country's exports.

The export of goods from Uruguay to the FZs went from representing 3% of total sales in 2004 to 18% in 2014 when they amounted to US\$ 1,659 million. This increase is mainly explained by the sale of grains to Nueva Palmira and Fray Bentos FZs respectively. Moreover, since 2014 the sales of wood to Punta Pereira FZ gained importance due to Montes del Plata beginning operations.

When analyzing the total exports of goods from Uruguay, including the FZs, it is estimated that the figure reached US\$ 10,074 million in 2014, which represented a new historic record for the country.

The great investments in the FZs – favored by the current regulatory framework – have been the force behind their development. Based on estimates from the Ministry of Economy and Finances, total accumulated investment between 2006 and 2013 was US\$ 3,983 million.

FZs play a major part in the generation of employment, with high training and qualification levels. They employ around 15,000 people directly, according to estimates from the Uruguayan Chamber of Free Zones.

Around 1,560 companies operate in the FZs, 54% of which conduct trade and logistics related activities, followed by those in the service sector.

This report describes the main activities conducted in the Uruguayan FZs and their development growth, with special

emphasis on those where goods are exchanged or moved, as a way to estimate their contribution to the total exports of goods in Uruguay.

In this regard, the report details the current applicable law governing FZs in Uruguay (Act 15,921) and the proposal for its amendment. Moreover, the advantages of FZs in the country are indicated and both the exports from Uruguay to the FZs and the sales from the Uruguayan FZs to the world are analyzed.

## 2. Applicable Law

### 2.1. Act 15,921 on Free Zones

Free Zones are part of a set of policies that have as their main goal the promotion of investment in Uruguay, among which the Investment Promotion and Protection Act, the Free Port and Airport regimes, the Public-Private Partnership Act (PPP) and the Industrial Parks Act, among others, are included.

The first two Free Zones in Uruguay were established in 1923 pursuant to Act 7,593 and aimed at developing industrial clusters in the Uruguayan provinces. They were later reformulated under Act 15,921 dated 17 December 1987<sup>1</sup> and Regulatory Decree 454/988 dated 8 July 1988.

The first article of the Act, which states its objectives, include: "...the promotion of investment, expansion of exports, the increase of use of local labor force and the encouragement of international economic integration".

Free Zones may be operated by the State or private duly authorized individuals. Private FZs are managed by individuals and authorized by the Government, which supervises and monitors them through the Free Zone Department within the Directorate General of Commerce<sup>2</sup>.

Setting up a FZ in Uruguay requires a government resolution with information on: operating license period, total area occupied by the FZ, the minimum investment that operators are committed

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<http://www.parlamento.gub.uy/leyes/AccesoTextoLey.asp?Ley=15921&Anchor=>

2 <http://www.zfrancas.gub.uy/>

to make, and the fees that they must pay, among others.

Those interested in conducting activities in FZ territory must submit an application to the Executive Branch along with an investment project detailing the economic viability and its benefits to the country.

Free Zones allow for any kind of activity: whether related to trade, industrial or services. Activities may involve processing of goods, storage, assembly and disassembly of cargo and provision of services from Free Zones to other countries and, in some cases, to Uruguay.

Companies authorized to develop activities in Free Zones can be either natural or legal persons under any type of partnership, including bearer shares' companies. Concerning legal persons, there are no restrictions on form but their purpose must be unique and exclusive. There is no distinction between domestic and foreign investments and the latter are not required to follow any special procedures or requirements.

Sales from all other areas of the country to the respective Free Zones are considered exports from Uruguay, and sales from the Free Zones to the Uruguayan territory are considered imports, and as such, subject to applicable customs and national duties.

Sales from FZ to MERCOSUR are subject to the Common External Tariff (AEC for its Spanish acronym) of the block, which applies to goods from other countries. This is because goods from the FZ do not have preferential access, except for specific cases established in bilateral agreements entered into by Uruguay.

Uruguay has agreements in place with Argentina and Brazil for certain products from the Colonia and Nueva Palmira FZ (including goods produced by PepsiCo, wheat, barley, barley malt and soy)<sup>3</sup>. Sales from FZs are also included in trade agreements with Chile, Israel, Mexico, India, Ecuador, Venezuela and Colombia (see Table 1 on page 6).

Activities from FZ users are exempt from all national tributes, existing or to be created and in particular include the following benefits:

- » Exemption from Corporate Income Tax (IRAE, for its Spanish acronym) and Wealth Tax (IP, for its Spanish acronym) as well as any other national tax.
- » Exemption from taxes on dividends distributed among shareholders domiciled abroad.
- » Possibility to exempt contribution towards Uruguayan social security for foreign personnel (up to 25% of those employed<sup>4</sup>).
- » Value Added Tax (VAT) is not levied on foreign sales and purchases of goods and services, nor on sales and services rendered within the FZ.
- » Goods traded by Free Zones with the rest of the world are exempted from customs duties.

Furthermore, and as stipulated under Article 25 of the Act: “The State, under responsibility for damages, ensures users,

for the duration of their contract, the tax exemptions, benefits and rights granted”.

Finally, it is worth mentioning that Uruguay has signed 31 Agreements for the Promotion and Mutual Protection of Investments (APPRI by the Spanish acronym) with other countries, and therefore many foreign companies which operate and use FZs are covered by them.

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<sup>3</sup> Agreement with Argentina only applies to FZ Colonia.

<sup>4</sup> In justified cases, the percentage may be higher, with previous Government authorization.

## 2.2. Law reform project: Special Economic Zones

The Free Zones regulatory framework has been successful in attracting investments, generating employment and diversifying exports since its creation 27 years ago. However, the need to adapt it to the national and international context has currently been observed.

The Special Economic Zones Bill which amends Act 15,921 and was sent to Parliament, seeks, in general, to make two adjustments. On one hand, it updates and further specifies the outlined purposes and on the other hand, it expands the regime in order to foster activities which are of interest to the country enhancing national development within a context of deep transformations at both local and global levels.

In order to provide stability and continuity to the regime, which has been maintained during six government periods headed by three different political parties, it was decided that the existing law should be amended, rather than repealed and replaced by a new one. The project includes a modification of the name of the regime which would be changed to “Special Economic Zones”, whereas “operators” of the regime would become “developers”.

Moreover, new objectives have been introduced in addition to existing ones, such as the increase of national labor capacities, increase of national added value, promotion of high-tech and innovation activities, decentralization of economic activities and regional development.

The authorization of projects for the development of new Special Economic Zones shall be considered only if located outside the Metropolitan Area<sup>5</sup> and if the respective projects involve any of the following:

- ❖ Investments of great economic significance, equal to or over 7.000.000.000 UI (greater than seven billion indexed units, currently equivalent, to U\$S 843 million dollars approximately).
- ❖ Investments of less economic significance (amounts equal to or above one billion indexed units, equivalent to U\$S 120 million) but which aim at conducting projects with high technological content in the country, contributing to national development in the fields of science, technology and innovation.

A new and specific form is included in the amendment, called Service Thematic Zones, which seek to promote activities in three key areas: a) health care, b) leisure and entertainment, and c) audiovisual activities. Due to the very nature of the services mentioned, some regulatory in the current Act are relaxed, such as the ban on conducting retail business within the zones and the restriction on performing activities in the rest of the country.

The minimum percentage of 75% of national workforce for industrial and commercial activities is maintained and its reduction to 50% for service activities is proposed. The service sector has undergone a major transformation in recent years which make these amendments necessary to promote the development of Global Export Services.

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<sup>5</sup> In the law reform bill, the Metropolitan area is considered to be the geographic area located within 40 km of Montevideo.

Moreover, as a way to develop significant economic processes at regional level, developers who submit projects for the provinces are granted additional benefits.

Although developers are not covered by the benefits granted to users, they still may access benefits provided for in Act 16,906 of the Investment Act. However, developers located outside the Metropolitan Area, after assessment of the Executive Branch, may be exempt from all national taxes except for Corporate Income Tax (IRAE by its Spanish acronym), Special Contributions to Social Security and legal benefits of a pecuniary nature.

**Table 1: Free Zones in Uruguayan Trade Agreements**

Country	Agreement	ZF Inclusion Status
<b>Argentina</b>	Protocol 45 to ACE 18	Partially included
<b>Brazil</b>	Protocol 64 to ACE 18	Partially included
<b>Paraguay</b>	ACE 18	No
<b>Chile</b>	Protocol 55 to ACE 35	Yes
<b>Bolivia</b>	ACE 36	No
<b>Peru</b>	ACE 58	No
<b>Ecuador</b>	ACE 59	Not expressly excluded
<b>Venezuela</b>	ACE 59	Not expressly excluded
<b>Colombia</b>	ACE 59	Yes
<b>Mexico</b>	ACE 60	Yes
<b>Cuba</b>	ACE 62	No
<b>India</b>	Fixed preferences agreement MS - INDIA	Yes
<b>SACU</b>	Fixed preferences agreement MS - SACU	No
<b>Israel</b>	Free Trade Agreement MS - ISRAEL	Yes

Source: The Free Zone System in Uruguay - Trade Policy Advisory (TPA) Study Series, Ministry of Economy and Finances and ALADI.

### 3. Description of Free Zones in Uruguay

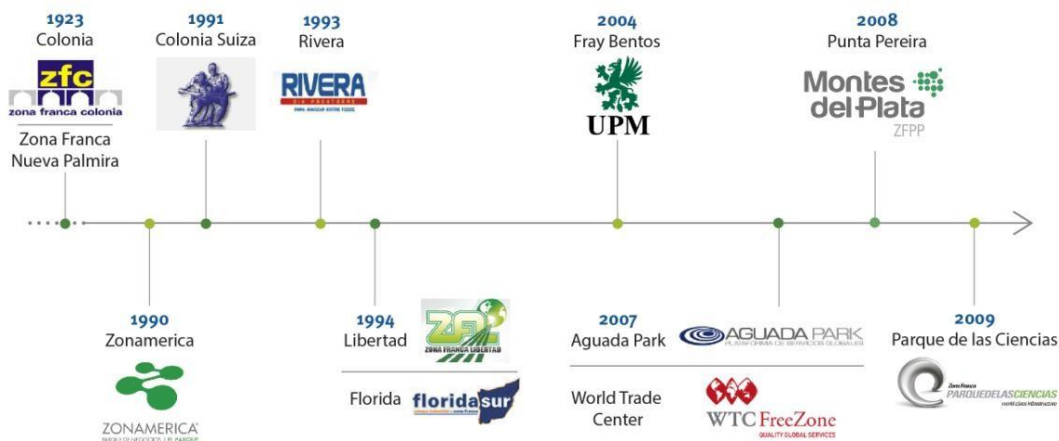
There are currently 12 FZs in Uruguay: Nueva Palmira (State), Fray Bentos (UPM), Libertad, Punta Pereira (Montes del Plata), Colonia, Colonia Suiza, Floridasur, Rivera (under state control), Zonamerica, WTC Free Zone, Parque de las Ciencias and Aguada Park.

Two of them were created before the FZ Act, in connection to the port in the Colonia province (Nueva Palmira and Colonia).

Image 1: Free Zones in Uruguay



Image 2: Development of Free Zones in Uruguay





Free Zones form part of the drivers of the growth of Uruguayan economy and are job-intensive, often with high levels of training. According to the fourth FZ census<sup>6</sup>, the Gross Added Value (GAV) of FZs amounted to U\$S 1,427 million in 2010, which represented 3.7% of GDP<sup>7</sup>.

**Table 2: GAV of Free Zones (% of GDP)**

	2007	2008	2009	2010
<b>GAV/GDP %</b>	2.7	3.3	2.9	3.7

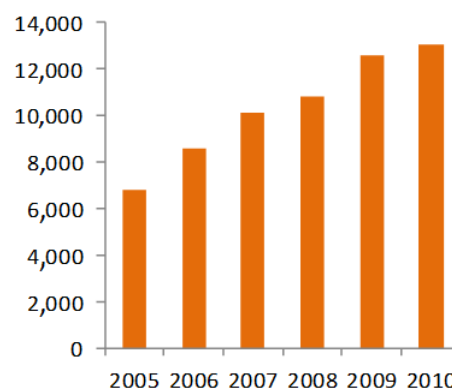
Source: INE and BCU.

Free Zones directly employ approximately 15,000 people according to estimations of the Uruguayan Chamber of Free Zones (CZFUY-2012), while in the last INE census this figure exceeded 13,000 people taking into account direct and non-direct staff. Based on census data, the annual average growth of personnel was 12% (between 2006 and 2010). FZ personnel is higher qualified than personnel in other areas of the national economy. Within the FZs personnel with University/Tertiary Education surpassed 43% in 2010. This impacts on the average monthly remuneration, as FZ salaries are significantly higher than the average of contributors to BPS (Social Security).

<sup>6</sup> Source: "4th Free Zone Census 2009 - 2010 Final Report - December 2012", INE (National Institute of Statistics), Directorate General of Commerce of the Ministry of Economy and Finance (MEF, for their Spanish acronyms) and the Central Bank of Uruguay. Adjustments to the CEPAL Report "A Case of Productive and Commercial Transformation – Free Zones in Uruguay (Vaillant and Lalanne) have been considered.

<sup>7</sup> The census does not include data on Aguada Park and WTC since they were not operational at the time. Neither does it include data on Parque de las Ciencias FZ which began operations in late 2011.

**Chart 1: Personnel employed in Free Zones**



Source: Uruguay XXI based on data gathered in FZ Census conducted by INE.

With regard to the number of users, there are currently 1,560 companies approximately operating in FZs, 54% of which perform activities related to trade and logistics. Activities related to other services follow in importance, including financial and IT sectors, among others<sup>8</sup>.

Favored by the existing regulatory framework, foreign investments have been the driving force of the development of Free Zones and have greatly impacted the entire national economy. Based on estimates by the Ministry of Economy and Finance (MEF), the total cumulative investment was US\$ 3,983 million between 2006 and 2013, led by the pulp production sector.

<sup>8</sup> Source: Presentation by the Director General for Commerce of the MEF, Economist Rosa Osimani at the 1st meeting of Industrial Logistics Parks and Free Zones – 6 November 2012.

**Table 3: Accumulated Investment in FZs (2006-2013)<sup>9</sup>**

Free Zone	US\$ Million
Montes del Plata	2,075
UPM	1,062
Nueva Palmira	372
Zonamerica	173
Parque de las Ciencias	95
WTC	57
Aguada Park	53
Others	96
<b>Total</b>	<b>3,983</b>

Source: Estimates by AZZF – MEF based on data from INE.

### 3.1. Classification of Free Zones<sup>10</sup>

The first Free Zones in Uruguay began as logistics clusters, but over the years other FZs emerged, providing services to foreign countries and Uruguay, as is the case of outsourced administrative activities, call centers and software development activities, among others. Currently, FZs conduct an ample variety of activities, with a high potential for future growth.

Based on their characteristics, Free Zones can be classified into four types: **Industrial; Trade and Logistics; Global Services; and Mixed.**

**A- Industrial:** These are the FZs where most of their production value is industrial. In Uruguay they are: Rivera, Colonia (PepsiCo), Fray Bentos (UPM) and Punta Pereira (Montes del Plata).

#### Rivera Free Zone:

It was created in 1993 and is currently under



government control. It is located in a forest area 7 km. away from the city of Rivera and 400 km. away from Montevideo. It has a 14,000 sq. m. warehouse area for storage. The main company in the FZ, Tingelsur S.A., conducts sawmilling activities.

#### Colonia Free Zone:

Managed by Grupo Continental Zona Franca S.A., is a modern 22 hectare



park with 130,000 built sq m. A vast array of activities in this FZ revolve around industrial sector activities, although other types of commercial and logistics activities

<sup>9</sup> Source: Presentation by the Ministry of Economy and Finances – Company Managers Christian Association (ACDE) – 2013 - [Link](#).

<sup>10</sup> Source: Uruguay XXI based on data from Free Zone Department – General Directorate for Commerce – MEF and Free Zone Chamber.–

are also carried out. Strategically located just 50 minutes from Buenos Aires, the FZ has access to several roads.

Website: <http://www.zonafrancacolonia.com/>

PepsiCo has been located in Colonia FZ since 1993, from where it produces concentrates for the manufacturing of beverages, generating the majority of the FZ's added value. It currently employs 118 people<sup>11</sup>.



Website: <http://www.pepsico.com.uy/>

### UPM Free Zone -Fray

**Bentos S.A.:** This is where the Finnish enterprise UPM operates from. It has a production capacity of 1.3 million tons of bleached short-fiber eucalyptus pulp.



At a global level, UPM has production plants in 17 countries and its annual sales exceed € 10 billion. In 2009 UPM acquired the majority shares of Botnia S.A. The plant, located in Uruguay, began operations in 2007 and is the company plant with greater production capacity.

In Uruguay, UPM employs 550 people directly and over 2,800 in its production chain, among which nurseries, forest plantations, transport, plant and port operations are included.

Apart from pulp, the UPM plant produces energy, equivalent to approximately 11% of the total energy produced annually in Uruguay. The annual waste is used by the UTE (Uruguay's electricity company)

networks to provide electricity to over 150,000 homes.

Website: <http://www.upm.com/uy>

### Punta Pereira Free

**Zone:** It is located in the province of Colonia, where the Montes del Plata



pulp mill operates. This company is integrated by two of the most relevant companies in the forest sector in the world; Arauco, with Chilean capitals and Swedish-Finnish Stora Enso. The plant has a production capacity of 1.3 million tons of eucalyptus dry pulp. About 700 people work at the plant on a daily basis and the production chain employs about 5,000 people permanently.

Plant facilities include an electricity generating unit for self-sufficiency and surplus clean energy exports to the national grid (up to 80 MW approximately), as well as a port terminal.

Website: <http://www.montesdelplata.com.uy/>

<sup>11</sup> Source: Information provided by PepsiCo.

**B- Trade and Logistics:** These include Florida, Libertad and Nueva Palmira.

#### Florida Free

**Zone:** Located in the province of Florida, 93 km. north of Montevideo, it mainly operates as a distribution center and warehouse. There are currently over 500 companies in this FZ with an area of over 70,000 sq m.



Website: <http://www.floridasur.com.uy/>

#### Libertad Free Zone

**(Lideral S.A.):** It is located on km. 49 of national Route 1, which begins in the



Port of Montevideo and connects it to Libertad FZ in approximately 30 minutes, allowing for agile logistics at highly competitive costs. It has a plot with container, vehicles and machinery storage areas, storage warehouses for goods and a wide variety of services.

Website: <http://www.zonafranca.com.uy/>

**Nueva Palmira Free Zone:** This zone is a few meters away from the Nueva Palmira port, next to the mouth of the



Uruguay River, a strategic place to access the Parana-Paraguay-Uruguay waterway, one of the main river outflows from Brazil and Paraguay. The FZ can be accessed through route 21, 53 and 12. It is located 270 km away from Montevideo and 110km from Colonia by road.

It has a covered grain storage capacity of approximately 280,000 tons. A large amount of goods from other countries in the region are exported from the Nueva Palmira port, particularly soy, wheat, corn and pulp.

Facilities of the Nueva Palmira Port<sup>12</sup>:

- » M320 m. long "T" shaped pier.
- » Exterior Draft: 32".
- » Interior Draft: 5 meters.
- » Grain conveyor belt.
- » Access from the River Plate by Martin Garcia canal with 32" draft.
- » Automated environmental control for bulk storage of cereals.
- » Strategic location in Parana-Paraguay waterway.

<sup>12</sup> Source: National Port Administration.

### C- Services<sup>13</sup>



**Aguada Park:** Located in the Aguada neighborhood, opposite the Montevideo port and very close to the City Center and the Old City. The FZ is located between the ANTEL Tower (national telecommunications company) and UTE (national electricity company). It has a cutting edge 30,000 sq m. complex specially designed for services.

Main clients operate in various sectors, such as software development, call centers, BPO and shared services, financial services, professional services and trading sectors, all aimed at the export of services.

The most outstanding ones include: EGS Expert Global Solutions, Globant, MercadoLibre, Corporación Navíos, Banco Itaú, Teyma, Sabre Holdings, Travel Leaders, among many other companies. Aguada Park companies currently employ approximately 2,500 people.

Website: <http://www.aguadapark.com/>

#### WTC Free Zone:

It is strategically located in the city of



Montevideo with a world-class building infrastructure which provides customers the possibility of working in the first and only LEED (certified) tower in Uruguay. It has 17,000 sq m. office space, from where currently about 100 leading companies offer their services to the world, some of which are: PwC, Deloitte, TCI Delivery Center, Estudios Energéticos Consultores,

<sup>13</sup> For further information on global export services, see: [Global export services - Uruguay XXI](#)

Catalent Uruguay, Baker Tilly, Latinbroker, Towers Watson, MVD Consulting, Graco, Bestseller, Galante & Martins Internacional, Trillonario.com, Contract Global Services, G&R Zona Franca among others.

Additionally, three of the four major grain traders, leading regional consultants in financial advice and professional studios of various kinds, also render services from this FZ.

Website: <http://www.wtcfreezone.com/>

### D- Mixed

**Zonamerica:** Located in Montevideo, near Carrasco International Airport, Zonamerica is a place where



infrastructure, corporate services and its modern business environment offer clients major competitive advantages to conduct business with the region and the world.

Zonamerica recently won the Best Free Zone in the Americas for small and medium companies awarded by FDI Magazine from the Financial Times Group.

Zonamerica also operates as a magnet to attract qualified talents with technical skills and language competence, essential for the global services industry. There are currently 9,500 people working in Zonamerica in over 300 companies.

Companies located in Zonamerica operate in several business areas: Logistics, Financial Services, Information Technology, Call Centers, Regional Offices, Biotechnology, Consulting and Trade in general. Some of the companies in the Park are: Sabre Holdings, Ricoh, Merck, Ocwen,

Tata Consultancy Services, Verifone, PWC, Finning, Despegar.com, RCI, among others.

Zonamerica has 28 buildings to cater for its clients' needs. The Celebra Building was recently inaugurated with over 8,000 sq. m. of premium offices. These will have LEED Gold certification, which will make Celebra one of the most emblematic buildings in the country.

Website: <http://www.zonamerica.com/>

**Parque de las Ciencias:** It



covers an area

of 55 hectares in the province of Canelones, on Route 101 and only 1 km. away from Carrasco International Airport, in a unique strategic location.

Parque de las Ciencias has capacity to accommodate trade, industrial and service activities. It stands out for its modern infrastructure and variety of services, specially designed to enable industrial, scientific, high technology and added value ventures. It also provides facilities for service providers of these ventures.

Construction work began mid-2010, and currently there are approximately 50,000 built sq m. in the FZ. The most remarkable buildings are: two modern office buildings, of 6,500 sq. m. and 3,500 sq. m. respectively, a 23,000 sq m. pharmaceutical manufacturing plant, and a state-of-the-art research and development center, unique in the country. There is also a logistics building specialized in pharmaceutical products and medical devices with areas for fractionating, preparation and other related services, and other two buildings for logistics and/or industrial general activities.

Construction work began in 2014 for the building of a second pharmaceutical plant, exclusively devoted to manufacturing oncology injections, and a new building for logistic services.

Parque de las Ciencias currently has over 25 users, among which there are several pharmaceutical companies, companies in the technology sectors, suppliers of raw materials, medical equipment trading companies, logistics operators and service providers in various areas such as intellectual property, marketing, design and engineering, among others.

Website: <http://www.parquedelasciencias.net/es/>

**Colonia Suiza:** It is located in the city of Nueva Palmira and was developed by a mainly industrial



business group, with more than 80 years of experience in our country and the region.

It has an industrial, commercial, and service park which allows the development of a wide variety of activities. In 2004 one of the largest and most modern publishing industries in South America became part of the park, where hardcover books and high quality graphic material exported globally are produced. Among its client list are: Santillana, Alfaguara, Random House, SM and Planeta.

Website: <http://www.zonafrancacolonia-suiza.com/>

## 4. Trade of Goods in Uruguayan Free Zones

### 4.1. Exports from Uruguay to the Free Zones

In the past few years, exports of Uruguayan goods have presented great dynamism, triplicating in the last decade. Additionally, markets have diversified and FZs have gained relevance as intermediate destinations.

The importance of FZs lies in the characteristics which make them ideal locations for the creation of industrial complexes, the installation of manufacturing industries on the basis of foreign or national raw materials, or their use as logistic or operation centers to offer different services to the world.

Exports of goods from Uruguay to FZs in the last decade went from accounting for 3% of the country's sales in 2004, to 18% in 2014, when they amounted to US\$ 1,659 million<sup>14</sup>.

This increase is mainly explained by the sales to Nueva Palmira and Fray Bentos FZs. Moreover, since 2014 the sales of timber to the Punta Pereira FZ gained importance, due to Montes del Plata beginning operations.

Of 2014's total exports to the FZs, 97% were concentrated in Nueva Palmira FZ, Fray Bentos FZ and Punta Pereira FZ. The former is one of the main exit doors for Uruguay's growing agricultural production, whereas the remaining two include the pulp mills from UPM and Montes del Plata.

**Table 4: Exports of goods from Uruguay to FZs  
(Market Share % and US\$ million)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Exports to FZs</b>	94	100	182	294	567	823	939	1.056	1.417	1.519	1.659
<b>Total exports</b>	2.969	3.421	3.992	4.515	5.970	5.425	6.725	7.999	8.690	9.121	9.101
<b>Share. %</b>	<b>3%</b>	<b>3%</b>	<b>5%</b>	<b>7%</b>	<b>9%</b>	<b>15%</b>	<b>14%</b>	<b>13%</b>	<b>16%</b>	<b>17%</b>	<b>18%</b>

Source: Uruguay XXI based on data from Customs (DNA).

<sup>14</sup> Source: Uruguay XXI based on data from DNA (Customs).

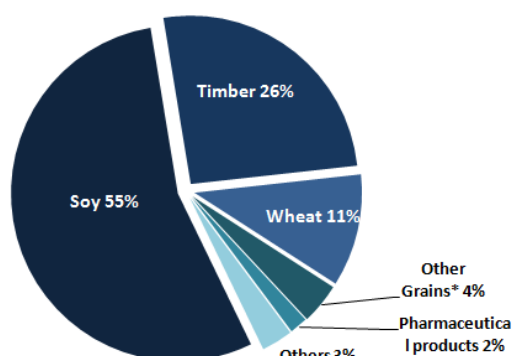
**Table 5: Exports of Goods from Uruguay to the FZs (US\$ million)**

Destination	US\$ mill.	Share %
Nueva Palmira FZ	1,151	69%
Fray Bentos FZ	291	18%
Punta Pereira FZ	172	10%
Parque de las Ciencias FZ	28	2%
Montevideo FZ	9	1%
Others	7	0%
<b>Total</b>	<b>1,659</b>	<b>100%</b>

Source: Uruguay XXI based on DNA.

Exports of crops (soy, wheat, barley and corn), timber and pharmaceutical products concentrated 97% of total exports to the FZs in 2014.

**Chart 2: Export of goods from Uruguay to FZs. 2014 (Part. %)**



(\*): Includes barley malt, barley and corn.

Source: Uruguay XXI based on data from DNA.

## 4.2. Exports from Nueva Palmira FZ

Nueva Palmira FZ is a state-owned FZ located a few meters away from the Nueva Palmira port. It has 100 hectares and an important infrastructure of silos for storage of grains from Uruguay and countries in the region, which take advantage of the port and the facilities for the storage and movement of barges to bulk carriers.

The grain and oleaginous sector has gained great importance in the Uruguayan and regional economies in the past few years. Improvements in logistics related to the movement of these goods contributed to the exponential growth of portuary activity. Moreover, Nueva Palmira FZ receives the barges with pulp production from Fray Bentos FZ for its re-shipment to vessels with greater draft. It also includes general loading operations: citrus fruits for export, import and export of bulk fertilizers, sugar vehicles and other goods.

### 4.2.1. Soy Exports

The soy sector has been gaining importance in Uruguayan economy and for several years it has been the main rain-fed crop in the country. Although the volume exported in 2014 experienced a 10% decline compared to the record reached in 2013, oleaginous products remained the main export product in the country accounting for US\$ 1,621 million and in spite of the decline in the value exported, it remains historically high.

In this scenario, the Nueva Palmira FZ plays a key role as intermediate destination of soy exports from Uruguay and countries in the region. In 2014 the volume of soy cargo and its derivatives shipped from the FZ, reached a historic record of 3.23 million



tons, 1.3% higher than 2013. Apart from Uruguayan soy, cargo from Bolivia and Paraguay were also mobilized.

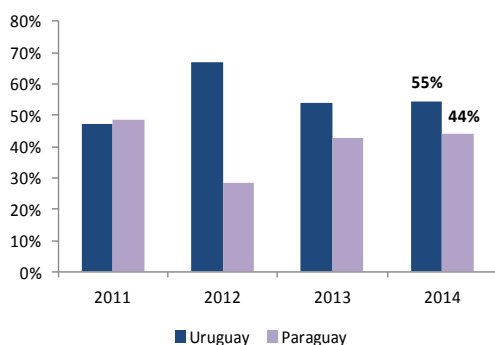
**Table 6: Soy Cargo shipped from Nueva Palmira FZ (Million tons)**

	2011	2012	2013	2014
Millions tons	2.26	2.16	3.19	3.23

Includes beans, flour and soy pellets. Source: Uruguay XXI based on DNA and INALOG.

Uruguayan soy represented 55% of total sales from Nueva Palmira FZ in 2014, due to a volume of 1.8 million tons.

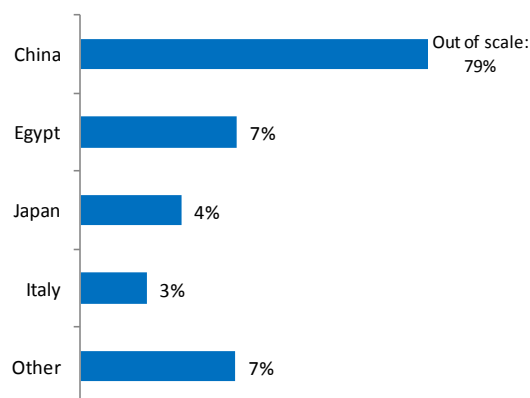
**Chart 3: Soy shipments from Nueva Palmira FZ by origin (Share. %)**



Source: Uruguay XXI based on DNA and INALOG.

With regard to final destinations of Uruguayan soy, the ranking is led by China, both in 2013 and 2014, when it had a participation of 79% of the total sold.

**Chart 4: Uruguayan soy cargo shipped from Nueva Palmira FZ by destination (Share % 2014)**



Source: Uruguay XXI based on DNA.

#### 4.2.2. Wheat Exports

Problems in the harvest and quality of wheat in 2013 were reflected in the volume shipped from Nueva Palmira FZ to the world. The 396 thousand tons placed represented a 71% decline compared to the previous year.

Uruguayan wheat represented 86% of the total, whereas the remaining 14% was of Paraguayan origin.

However, during 2014, the placed volume from FZ recovered, with an 80% growth compared to 2013. The total of 711 thousand tons corresponded to Uruguayan wheat.

**Table 7: Wheat cargo shipped from Nueva Palmira FZ by origin (Thousands of tons)**

Origin	2011	2012	2013	2014
Uruguay	729	1,129	339	711
Paraguay	266	257	57	--
<b>Total</b>	<b>996</b>	<b>1,386</b>	<b>396</b>	<b>711</b>

Source: Uruguay XXI based on DNA and INALOG.

When considering only wheat of Uruguayan origin, Brazil concentrated purchases, with an 86% share over the 2014 total. Sales to Peru (5%), Mauritania (4%) and Ecuador (4%) followed.

#### 4.2.3. Barley and corn exports

Exports of corn, feed barley and barley malt, despite not being as significant as soy and wheat, were also exported from the Nueva Palmira FZ.

Corn comes both from Uruguay and Paraguay, while feed barley and malt are entirely of Uruguayan origin.

**Chart 5: Corn cargo from Nueva Palmira (Thousands tons.)**



Source: Uruguay XXI based on data from DNA.

**Table 8: Feed barley and malt cargo shipped from Nueva Palmira FZ (tons)**

Product	2012	2013	2014
Feed Barley	--	55,147	48,000
Barley Malt	68,735	59,965	66,529

Source: Uruguay XXI based on data from DNA.

### 4.3. Pulp Exports

The forestry sector has experienced great dynamism in recent years, originally due to existing legislation and later to the arrival of important investments to the country. These include the establishment of UPM, Montes Del Plata and Weyerhaeuser among others.

Moreover, the sector offers diverse opportunities for the implementation of new projects, as the great offer of national raw materials notoriously exceeds the country's industrial processing capacity<sup>15</sup>.

Fray Bentos FZ is the place where the UPM project in Uruguay is developed, whereas Montes del Plata conducts activities from Punta Pereira FZ. Specifically within those FZs are the plants where wood pulp is manufactured while other activities such as port operations take place.

The main input for the production of pulp is round wood, exported from national territory to both FZs. Once the wood is turned into pulp it is sold in large amounts worldwide.

Whereas pulp produced by Montes del Plata leaves the country straight from the port in Punta Pereira, in the case of UPM, pulp is transported as goods in transit from Fray Bentos FZ to Nueva Palmira FZ, where it is finally exported to other destinations.

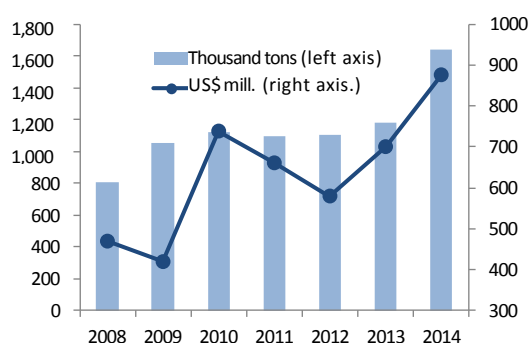
Pulp is the main component in the manufacturing of paper and cardboard. It can also be found in small quantities in diverse products such as photographic film, cellophane and explosives.

<sup>15</sup> For further information on the forestry sector, see: [Forestry Sector Report - Uruguay XXI August 2014.](#)

Pulp exports averaged slightly over a million tons between 2008 and 2013, whereas in 2014, with the start of operations of the Montes del Plata plant, the exported volume raised to 1.6 million tons, which signified a 39% growth compared to the previous year.

In this regard, pulp exports amounted to US\$ 877 million in 2014, 25% more than the previous year. Thus, pulp became the third exported good by Uruguay in 2014, after soy and beef<sup>16</sup>.

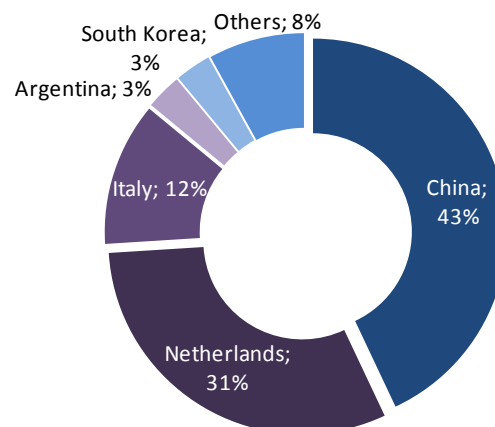
**Chart 6: Pulp Exports (2008-2014)**



Source: Uruguay XXI based on DNA.

The following chart shows an estimation of the destinations for pulp for 2014. The chart shows that sales are concentrated in the EU and China with shares of 45% and 43% respectively.

**Chart 7: Pulp Exports (Destinations- Part. % 2014)**



Source: Estimations of Uruguay XXI based on data from DNA.

From 2015 onwards, the Montes del Plata plant will start producing at full capacity throughout the year. With an estimated production of 1.3 million tons, pulp will possibly rank higher in Uruguay’s exports by product.

#### 4.4. Goods in transit<sup>17</sup>

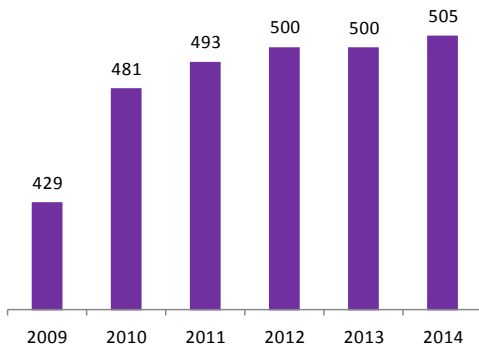
##### 4.4.1. Colonia Free Zone

PepsiCo is the main company in Colonia FZ. From that venue, the company exports concentrates for the production of beverages. Its sales reached US\$ 505 million in 2014, which entailed a new historic record for the company. Compared to the previous year, sales grew 1.1%.

<sup>16</sup> Source: Uruguay XXI based on DNA. Data on pulp exports gathered by marine cargo and road shipments from Fray Bentos FZ, Nueva Palmira FZ and Punta Pereira FZ, with an average export price.

<sup>17</sup> Goods in transit of Uruguayan origin are considered.

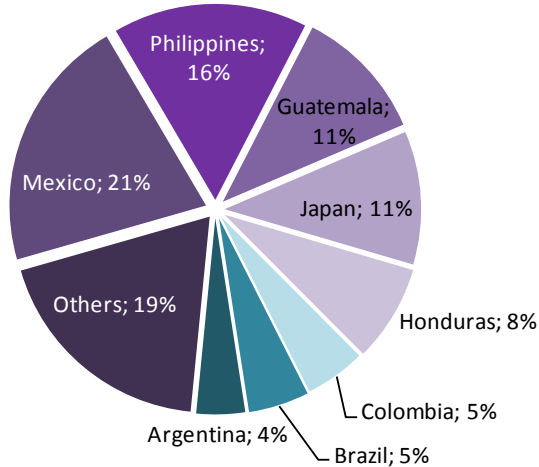
**Chart 8: Goods in transit from PepsiCo (US\$ millions)**



Source: Uruguay XXI based on data from DNA.

With regard to markets, the company exported to 28 destinations in 2014, and Mexico has led the ranking since 2011. In the last year, the Aztec country had a 21% participation in the total sales.

**Chart 9: Goods in transit from PepsiCo by destination (2014 – Share %)**



Source: Uruguay XXI based on data from DNA.

**4.4.2. Parque de las Ciencias and Zonamerica**

At Zonamerica and Parque de las Ciencias diverse activities related to the provision of logistics and packaging services for the pharmaceutical industry are conducted, among others. This sector has been one of the most dynamic in the last decade and

has gained increasing significance in the Uruguayan economy, not only because of the skilled workforce it employs, but also because it is an industry that promotes research and innovation in Uruguay.

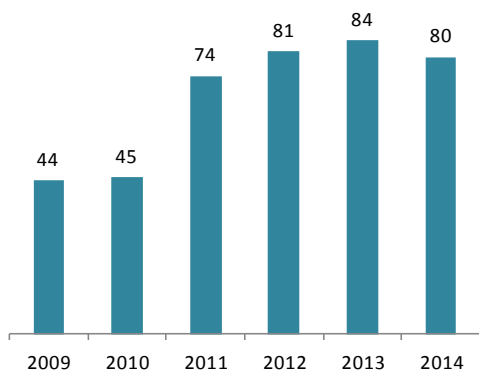
Operations consist of the shipment of pharmaceutical products, their excipients or raw materials to the FZs, from where, after different added value processes (fractioning, preparation, etc) they are re-shipped to other countries, declaring the goods as in transit to Uruguay. The main company concentrating exports of this kind under the in transit regime is Mega Pharma. This transnational company was formed through a strategic alliance of pharmaceutical companies between Roemmers, Rowe, Poen, Medihealth, Panalab and Raymos laboratorios, among others.

Sales in transit of pharmaceutical products have grown considerably, at an average annual rate of 25% between 2004 and 2014. In the past year (2014) they amounted to US\$ 80 million, which implied a 5.5% decline compared to the previous year<sup>18</sup>.

With regard to origin, sales from Parque de las Ciencias FZ have been consistently gaining importance since the beginning of activities in 2012. While that year they represented 47% of sales, in 2014 market-share rose to 96%.

<sup>18</sup> To consider sector sales, the following items from the Harmonized System are included: 2936, 2937, 2939 and 2941 “Organic Chemical Products” from chapter 29, as well as all items in Chapter 30 “Pharmaceutical Products”.

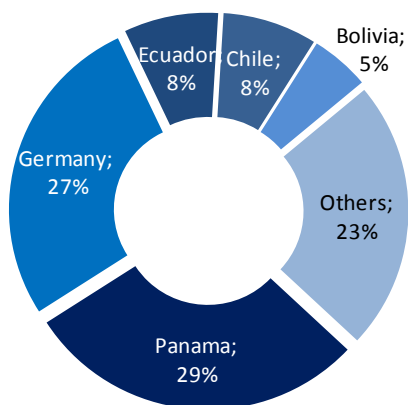
**Chart 10: In transit sales – Pharmaceutical sector (US\$ million)**



Source: Uruguay XXI based on data from DNA.

The main destinations for pharmaceutical sales are Latin American countries, among which Panama leads for being a logistics hub. Outside the continent, sales to Germany stand out<sup>19</sup>.

**Chart 11: Goods in transit in the pharmaceutical sector by destination (US\$ million)**



Source: Uruguay XXI based on data from DNA.

<sup>19</sup> For further information on the pharmaceutical sector see: [Pharmaceutical industry - Uruguay XXI](#)

## 5. Exports of Goods from Uruguay including FZs

In order to measure exports from Uruguay, including the sales of goods from FZs, goods exported from the national territory to the rest of the world are contemplated, deducting the input used for the production of goods within the FZs. For this estimation, the following are considered:

- » Exports of wood pulp from Montes del Plata and UPM, after deducting exports of round wood and other goods sent to Punta Pereira FZ and Fray Bentos FZ, respectively.

- » Exports of pharmaceutical products sent from Parque de las Ciencias FZ and Zonamerica to third countries – after deducting sales from Uruguay to both FZs.
- » Goods in transit from PepsiCo – which is the main company in Colonia FZ - after deducting sales from Uruguay to said FZ.

Thus, upon examination of Uruguay's total exports of goods, we observe that they reached US\$ 10,074 million in 2014, a new historic record for the country.

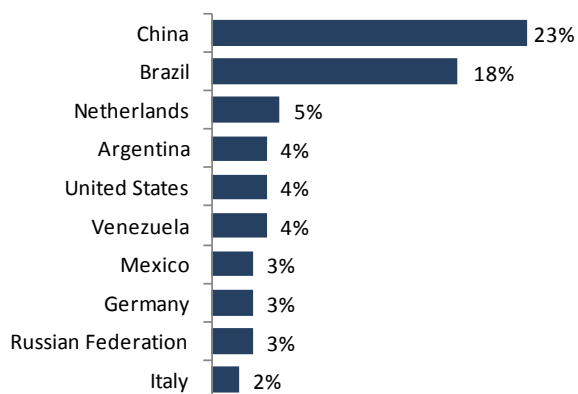
**Table 9: Total Exports of Goods from Uruguay (with FZs) – US\$ Millions**

Description	2009	2010	2011	2012	2013	2014
<b>Exports from Uruguayan territory (1)</b>	5,425	6,725	7,999	8,690	9,121	9,101
Exports of pulp	405	716	624	576	686	873
Exports from Uruguay to Fray Bentos FZ and Punta Pereira FZ	-186	-218	-227	-262	-301	-454
<b>Subtotal of pulp exports (2)</b>	219	498	397	315	384	420
Exports of pharmaceutical products from Parque de las Ciencias FZ and Zonamerica FZ	44	45	74	81	84	80
Exports of pharmaceutical products from Uruguay to Parque de las Ciencias FZ and Zonamerica FZ	-27	-24	-28	-35	-36	-29
<b>Subtotal of pharmaceutical products exports (3)</b>	17	21	46	46	48	51
Exports of PepsiCo from Colonia FZ	429	481	493	500	500	505
Exports from Uruguay to Colonia FZ	-2	-4	-4	-3	-3	-3
<b>Subtotal of PepsiCo exports (4)</b>	427	477	489	497	497	502
<b>Subtotal of exports from FZs (2+3+4)</b>	663	996	932	858	929	973
<b>Total exports of Uruguay with FZs (1+2+3+4)</b>	<b>6,088</b>	<b>7,721</b>	<b>8,931</b>	<b>9,548</b>	<b>10,051</b>	<b>10,074</b>

Source: Uruguay XXI based on data from DNA.

Based on the Institute’s estimations, with data from DNA (Customs) when considering total exports of goods from Uruguay by markets (including sales from FZs), it is worth mentioning that China is, since 2013, the main destination for sales, with a market share of 23% over the total exports for 2014.

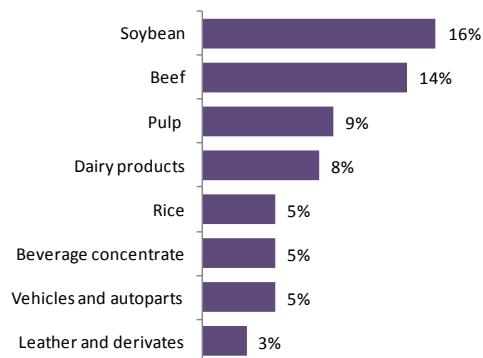
**Chart 12: Exports of Goods from Uruguay with FZs. By main destination**



Source: Uruguay XXI based on data from DNA.

Moreover, when conducting the same analysis by product both pulp and beverage concentrates, produced in FZs, stand out in the top ten Uruguayan exported products.

**Chart 13: Exports of Goods from Uruguay with FZs by main products (Share % 2014)**



Source: Uruguay XXI based on data from DNA.

Throughout the period where the regime was implemented, FZs have been successful in increasing commercial flow with other markets which previously had less market share in Uruguay’s export offer.

Furthermore, FZs have greatly contributed to the country’s development, thanks to the attraction of investment and generation of quality employment.

## Uruguay at a glance (2014)<sup>20</sup>

<b>Official name</b>	Oriental Republic of Uruguay
<b>Geographical location</b>	South America, bordered by Argentina and Brazil
<b>Capital City</b>	Montevideo
<b>Area</b>	176,215 sq mts. 95% of its territory is productive land apt for farming exploitation
<b>Population (2014)</b>	3.45 million
<b>Population growth (2014)</b>	0,4% (annual)
<b>GDP per capita (2014)</b>	US\$ 16,640
<b>Currency</b>	Uruguayan Peso (\$)
<b>Literacy index</b>	98%
<b>Life expectancy at birth</b>	77 years
<b>Form of Government</b>	Democratic republic with presidential system
<b>Political Division</b>	19 provinces or departments
<b>Time Zone</b>	GMT - 03:00
<b>Official Language</b>	Spanish

## Key economic indicators 2009-2014

Indicators	2009	2010	2011	2012	2013	2014
<b>GDP (Var % per year)</b>	4.2%	7.8%	5.2%	3.3%	5.1%	3.5%
<b>GDP (US\$ Million)</b>	31,661	40,285	47,962	51,385	57,525	57,471
<b>Population (Millions of people)</b>	3.38	3.40	3.41	3.43	3.44	3.45
<b>GDP per Capita (US\$)</b>	9,372	11,860	14,054	14,996	16,722	16,640
<b>Unemployment rate – Annual Average (% EAP)</b>	7.7%	7.2%	6.3%	6.5%	6.5%	6.6%
<b>Exchange rate (Pesos per US\$, Annual Average)</b>	22.6	20.1	19.3	20.3	20.5	23.2
<b>Exchange rate (Annual Average Variation)</b>	7.7%	-11.1%	-3.7%	5.2%	0.8%	13.5%
<b>Consumer Prices (Var % annually accumulated)</b>	5.9%	6.9%	8.6%	7.5%	8.5%	8.3%
<b>Exports of goods and services (US\$ millions)</b>	8,711	10,719	12,868	13,398	13,638	13,595
<b>Imports of goods and services (US\$ millions)</b>	8,191	10,089	12,779	14,685	14,848	14,511
<b>Commercial Surplus/Deficit (US\$ millions)</b>	520	630	89	-1,287	-1,210	-917
<b>Commercial Surplus/Deficit (% of GDP)</b>	1.6%	1.6%	0.2%	-2.5%	-2.1%	-1.6%
<b>Overall Fiscal Balance (% of GDP)</b>	-1.6%	-1.1%	-0.9%	-2.7%	-2.3%	-3.5%
<b>Gross capital formation (% of GDP)</b>	18.7%	19.1%	19.1%	22.2%	21.8%	21.4%
<b>Gross Debt (% of GDP)</b>	72.6%	59.4%	56.3%	60.6%	57.6%	60.5%
<b>Foreign Direct Investment (US\$ millions)</b>	1,529	2,289	2,504	2,536	3,032	2,755
<b>Foreign Direct Investment (% of GDP)</b>	4.8%	5.7%	5.2%	4.9%	5.3%	4.8%

<sup>20</sup> Sources: GDP data were taken from the IMF, foreign trade data from IED, foreign exchange rates, international reserves, and foreign debt from BCU, the population growth, literacy, unemployment and inflation rates provided by INE, National Institute of Statistics.