



U.S. Department of State FY 2000 Country Commercial Guide: Uruguay

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CHAPTER I. EXECUTIVE SUMMARY

THIS COUNTRY COMMERCIAL GUIDE (CCG) PRESENTS A COMPREHENSIVE LOOK AT URUGUAY'S COMMERCIAL ENVIRONMENT, USING ECONOMIC, POLITICAL, AND MARKET ANALYSIS. THE CCGS WERE ESTABLISHED BY RECOMMENDATION OF THE TRADE PROMOTION COORDINATING COMMITTEE (TPCC), A MULTI-AGENCY TASK FORCE, TO CONSOLIDATE VARIOUS REPORTING DOCUMENTS PREPARED FOR THE U.S. BUSINESS COMMUNITY. COUNTRY COMMERCIAL GUIDES ARE PREPARED ANNUALLY AT U.S. EMBASSIES THROUGH THE COMBINED EFFORTS OF SEVERAL U.S. GOVERNMENT AGENCIES.

URUGUAY IS A MARKET OF OVER THREE MILLION PEOPLE. IT IS THE GEOGRAPHICAL CENTER OF MERCOSUR'S (THE SOUTHERN CONE COMMON MARKET CREATED IN 1991 AND COMPOSED OF ARGENTINA, BRAZIL, URUGUAY, AND PARAGUAY, WITH CHILE AND BOLIVIA AS ASSOCIATE MEMBERS) MOST DENSELY POPULATED ZONE, WHICH CONCENTRATES THE LARGEST BLOCK OF PURCHASING POWER IN THE REGION. URUGUAY'S CAPITAL, MONTEVIDEO, IS THE ADMINISTRATIVE CAPITAL OF MERCOSUR, AND IS FAST BECOMING A BUSINESS HUB FOR FIRMS LOOKING TO EXPORT TO THE MERCOSUR REGION.

URUGUAY HAS TRADITIONALLY BEEN A MARKET-ORIENTED ECONOMY. ECONOMIC LIBERALIZATION IS SUPPORTED BY THE PRESENT ADMINISTRATION AND WAS SUPPORTED BY THE PREVIOUS ONE. REGIONAL INTEGRATION (MERCOSUR AND FTAA), REDUCED DEFICIT SPENDING, DOWNSIZED GOVERNMENT AND LOWERED INFLATION ENJOY STRONG SUPPORT FROM THE TWO POLITICAL PARTIES WHICH MAKE UP THE RULING COALITION.

GDP GREW 4.5 PERCENT IN 1998, FINISHING THE YEAR AT USD 21 BILLION. THE GOVERNMENT PROJECTS 2.0 PERCENT DECLINE IN GDP FOR 1999 BUT SOME PRIVATE ANALYSTS ANTICIPATE A LARGER DECLINE OF ABOUT 3 PERCENT. REASONS FOR THE GDP DECLINE INCLUDE REDUCED URUGUAYAN EXPORT COMPETITIVENESS IN BRAZIL AFTER THE DEVALUATION OF BRAZIL'S CURRENCY, THE REAL, AND REDUCED ECONOMIC ACTIVITY IN BOTH BRAZIL AND ARGENTINA.

URUGUAY'S INFLATION RATE DECREASED FROM 130 PERCENT IN 1990 TO 8.6 PERCENT IN 1998. IN 1999, THE INFLATION RATE SHOULD BE CLOSE TO FOUR PERCENT.

IN 1998, EXPORTS INCREASED BY A MODEST 1.4 PERCENT TO USD 2.8 BILLION, AND IMPORTS (FOB) ROSE 2.8 PERCENT TO USD 3.6 BILLION. TRADITIONALLY A SUBSTANTIAL PERCENTAGE OF URUGUAY'S TRADE HAS BEEN WITH NEIGHBORING ARGENTINA AND BRAZIL AND THIS INCREASED EVEN MORE WITH INTEGRATION INTO MERCOSUR. TODAY TRADE WITH BRAZIL AND ARGENTINA ACCOUNTS FOR MORE THAN HALF OF URUGUAY'S OVERALL TRADE. THE UNITED STATES IS THE FOURTH LARGEST EXPORTER TO URUGUAY AFTER BRAZIL, ARGENTINA, AND THE EUROPEAN UNION.

URUGUAY WAS GIVEN INVESTMENT GRADE STATUS BY MAJOR RISK-RATING AGENCIES IN 1997 AND THE RATINGS WERE MAINTAINED IN 1998 AND 1999. AS OF JULY 1999 STANDARD & POOR'S OUTLOOK ON URUGUAY IS "STABLE."

U.S. EXPORTERS SHOULD NOT OVERLOOK THE EXCELLENT BUSINESS AND INVESTMENT OPPORTUNITIES THAT EXIST IN THE COUNTRY. THE CLOSE PROXIMITY TO BRAZIL AND ARGENTINA, COMBINED WITH MANAGEABLE MARKET SIZE AND COMPLEXITY MAKE URUGUAY A GOOD TEST MARKET FOR COMPANIES CONSIDERING MERCOSUR.

U.S. PRODUCTS AND SERVICES ARE HIGHLY REGARDED. THE U.S. IS SEEN AS A PROVIDER OF HIGH QUALITY GOODS AND SERVICES WITH A GOOD REPUTATION FOR PRODUCT BACKING.

BEST PROSPECTS FOR U.S. PRODUCTS ARE CHEMICALS (INCLUDING AGRICULTURAL), MANUFACTURED GOODS AND MACHINERY, TRANSPORT EQUIPMENT, FOOD PROCESSING MACHINERY, COMPUTER HARDWARE AND SOFTWARE (PENDING PASSAGE OF COPYRIGHT LEGISLATION PRESENTLY BEFORE THE PARLIAMENT), OFFICE MACHINERY, TELECOMMUNICATIONS, AND MEDICAL AND LABORATORY EQUIPMENT. URUGUAY'S GROWING ELDERLY POPULATION SHOULD BE A GOOD MARKET FOR GERIATRIC EQUIPMENT AND SERVICES. THE GROWTH OF TOURISM, FORESTRY, AND AGRIBUSINESS (ESPECIALLY OFF-SEASON FRUIT GROWING) ALSO PROVIDE EXCELLENT OPPORTUNITIES FOR EXPANDING U.S. EXPORTS. OPPORTUNITIES FOR SALES OF EQUIPMENT OR SERVICES AND/OR INVESTMENT EXIST IN SEVERAL MAJOR PROJECTS INCLUDING THE PARANA-PARAGUAY RIVER TRANSPORTATION SYSTEM, THE COLONIA-BUENOS AIRES BRIDGE, CONSTRUCTION AND OPERATION OF POWER PLANTS, AIRPORTS, AND SUBURBAN RAILWAY TRANSPORTATION SYSTEMS.

COUNTRY COMMERCIAL GUIDES ARE AVAILABLE FOR U.S. EXPORTERS FROM THE NATIONAL TRADE DATA BANK'S CD-ROM OR VIA THE INTERNET. PLEASE CONTACT STAT-USA AT 1-800-STAT-USA FOR MORE INFORMATION. COUNTRY COMMERCIAL GUIDES CAN BE ACCESSED VIA THE WORLD WIDE WEB AT WWW.STATE.GOV, AND WWW.MAC.DOC.GOV. URUGUAY'S CCG MAY BE ACCESSED ON THE EMBASSY'S WEB PAGE AT WWW.EMBEEUU.GUB.UY. THEY CAN ALSO BE ORDERED IN HARD COPY OR ON DISKETTE FROM THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS) AT 1-800-553-NTIS. U.S. EXPORTERS SEEKING GENERAL EXPORT INFORMATION/ASSISTANCE AND COUNTRY-SPECIFIC COMMERCIAL INFORMATION SHOULD CONTACT THE U.S. DEPARTMENT OF COMMERCE, TRADE INFORMATION CENTER BY PHONE AT 1-800-USA-TRADE. END EXECUTIVE SUMMARY.

CHAPTER II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

THE SANGUINETTI ADMINISTRATION HAS DEEPENED THE ECONOMIC LIBERALIZATION INHERITED FROM THE PREVIOUS GOVERNMENT. THE COALITION GOVERNMENT HAS IMPLEMENTED PUBLIC SECTOR AND SOCIAL SECURITY REFORMS TOGETHER WITH A LONG-TERM EDUCATIONAL REFORM. IT ALSO HAS ADVOCATED MORE PRIVATIZATION AND DEREGULATION, GIVING THE PRIVATE SECTOR ACCESS TO MANY ACTIVITIES PREVIOUSLY RESERVED FOR THE STATE.

ACCORDING TO THE UN'S ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN (ECLAC), BETWEEN 1990 AND 1998 POVERTY IN URUGUAY DECREASED FROM 12 PERCENT TO 6 PERCENT. URUGUAY ALSO ENJOYS THE MOST EVEN INCOME DISTRIBUTION IN LATIN AMERICA, ONE SIMILAR TO DENMARK'S.

OVERALL, THE ECONOMY HAS PERFORMED WELL IN THE LAST THREE YEARS. IN 1998, GDP GREW AT A GOOD RATE, INFLATION CONTINUED ITS DOWNWARD TREND, FOREIGN TRADE ROSE (ALTHOUGH MILDLY,) BUDGET AND CURRENT ACCOUNT DEFICITS WERE LOW, AND DEBT SERVICE WAS MANAGEABLE.

PERSPECTIVES FOR 1999 ARE, HOWEVER, NOT SO ENCOURAGING. THE INTERNATIONAL FINANCIAL TURMOIL, AND SPECIALLY BRAZIL'S DEVALUATION OF THE REAL WILL HIT URUGUAY ADVERSELY. GDP IS

EXPECTED TO DECLINE BY 2-3 PERCENT UNDER CREDIT RESTRICTIONS GENERATED BY STRICTER CENTRAL BANK REGULATIONS, INCREASED PRIVATE BANKS' CAUTIOUSNESS AND HIGHER INTEREST RATES. FURTHERMORE, AN ELECTION YEAR THAT CREATES UNCERTAINTY, TOGETHER WITH HIGHER UNEMPLOYMENT AND REDUCTIONS OF REAL SALARIES IN THE PRIVATE SECTOR, WILL AFFECT THE ECONOMY ADVERSELY. IN THE FIRST HALF OF 1999 URUGUAY'S EXPORTS DECLINED BY 25 PERCENT (YEAR OVER YEAR), A DROP WHICH IS ALREADY REVERBERATING THROUGH THE ENTIRE ECONOMY. THE DURATION OF URUGUAY'S RECESSION WILL DEPEND ON THE DURATION OF THE RECESIONS IN BRAZIL AND ARGENTINA.

INVESTMENT GRADE: AS OF 1999, URUGUAY IS THE ONLY MERCOSUR (SOUTHERN CONE COMMON MARKET) COUNTRY WITH INVESTMENT GRADE STATUS (AND ONE OF THREE IN LATIN AMERICA). STANDARD & POOR'S GRANTED URUGUAY A BBB- GRADE, MOODY'S A BAA3 GRADE, IBCA A BBB- GRADE, AND DUFF & PHELPS A BBB- GRADE IN LATE 1997/EARLY 1998. THE RATING HAS BEEN RATIFIED IN 1998 AND 1999 BY THE FOUR FIRMS. AS OF JUNE 1999 STANDARD & POOR'S OUTLOOK ON URUGUAY IS "STABLE."

MERCOSUR INTEGRATION: MERCOSUR FACED SEVERAL PROBLEMS IN LATE 1998 AND 1999 THAT HAVE AFFECTED THE TRADE FLOWS AMONGST ITS PARTNERS. PROBLEMS INCLUDE THE DEVALUATION OF BRAZIL'S REAL, LACK OF EFFECTIVE MACROECONOMIC COORDINATION IN MERCOSUR, POLITICAL PROBLEMS IN PARAGUAY, AND THE IMPOSITION OF TRADE-RESTRICTIVE MEASURES IN ARGENTINA AND BRAZIL.

IN THE LONG RUN, HOWEVER, MERCOSUR HAS PERFORMED WELL FOR URUGUAY'S INTERESTS. MERCOSUR'S INTEGRATION HAS FOSTERED TRADE BETWEEN ITS MEMBERS. TRADITIONALLY HIGH LEVELS OF TRADE WITH NEIGHBORING ARGENTINA AND BRAZIL INCREASED TO EVEN HIGHER LEVELS AFTER THE ONSET OF THE COMMON MARKET. EXPORTS TO MERCOSUR PARTNERS (USD 1.5 BILLION) HAVE GROWN TO 55 PERCENT OF TOTAL EXPORTS, WHILE IMPORTS FROM MERCOSUR PARTNERS (USD 1.6 BILLION) REMAINED A STABLE 43 PERCENT OF TOTAL IMPORTS. URUGUAY'S TRADE WITH MERCOSUR COUNTRIES DOUBLED SINCE 1992 WHILE TRADE WITH THE UNITED STATES GREW BY 56 PERCENT.

INVESTMENT LAW: A LAW ON PROMOTION AND PROTECTION OF INVESTMENT WAS APPROVED IN 1997. THE LAW ESTABLISHES SOME AUTOMATIC TAX EXEMPTIONS AND INCENTIVES FOR SEVERAL INDUSTRIAL SECTORS. THE EXEMPTIONS AND INCENTIVES INCLUDE: ACCELERATED DEPRECIATION, A REDUCTION OF THE EMPLOYERS' CONTRIBUTION TO SOCIAL SECURITY, THE EXONERATION OF CORPORATE INCOME AND NET-WORTH TAX PAYMENTS DURING A SPECIFIED PERIOD OF TIME (DEPENDING ON THE PROPOSED INVESTMENT SECTOR), AND THE EXONERATION OF IMPORT TARIFFS ON EQUIPMENT WHICH DOES NOT COMPETE WITH EQUIPMENT PRODUCED LOCALLY.

PRIVATIZATION AND DEREGULATION: COMPARED TO OTHER COUNTRIES IN THE REGION, THE PROGRESS IN PRIVATIZATION HAS BEEN SLOW. IN DECEMBER 1992, 72 PERCENT OF VOTERS OVERTURNED SUBSTANTIAL PARTS OF A STATE-ENTERPRISE PRIVATIZATION LAW, WHICH PREVENTED THE PRIVATIZATION OF THE STATE-OWNED PHONE COMPANY, ANTEL. NEVERTHELESS, THE GOVERNMENT HAS GIVEN THE PRIVATE SECTOR ACCESS TO AREAS FORMERLY RESERVED FOR THE STATE SUCH AS INSURANCE AND MORTGAGE, ROAD CONSTRUCTION AND REPAIR, PIPED-GAS DISTRIBUTION, WATER SANITATION AND DISTRIBUTION, CELLULAR TELEPHONY AND AIRLINE TRANSPORTATION. A LAW ON THE REFORM OF THE ENERGY SECTOR THAT INCLUDED THE PRIVATE GENERATION OF ENERGY WAS APPROVED IN 1997. TRANSMISSION AND DISTRIBUTION RIGHTS (WHEELING RIGHTS) REMAIN A STATE MONOPOLY. THE LAW WAS BROUGHT TO PUBLIC REFERENDUM ON JUNE 17, 1998 AND WAS RECONFIRMED.

INFLATION: URUGUAY'S INFLATION RATE IS MIDDLE-RANKED WITH RESPECT TO LATIN AMERICA. THE INFLATION RATE HAS BEEN DECLINED STEADILY FOR THE LAST EIGHT YEARS FROM 130 PERCENT IN 1990 TO 8.6 PERCENT IN 1998. INFLATION FURTHER DECLINED (ON A 12-MONTH BASIS THROUGH JUNE 1999,) TO 6.1 PERCENT, THE LOWEST IN MORE THAN FOUR DECADES. THE IMF AND PRIVATE ANALYSTS CONCUR WITH THE GOVERNMENT'S PROJECTION OF 4-6 PERCENT INFLATION FOR 1999.

BUDGET DEFICIT: THE 1998 BUDGET DEFICIT WAS 0.9 PERCENT OF GDP, SIGNIFICANTLY LOWER THAN 1997'S 1.4 PERCENT. MOST OF THE OVERALL FISCAL DEFICIT WAS PART OF STRUCTURAL REFORM PROGRAMS AND WAS FINANCED BY PRE-ARRANGED EXTERNAL LOANS. THE GOU PROJECTS THE 1999 BUDGET DEFICIT TO INCREASE TO

1.8 PERCENT OF GDP. THE DEFICIT MAY BE LARGER, HOWEVER, UNDER FALLING TAX REVENUES AND INCREASED SPENDING.

EXTERNAL DEBT: URUGUAY'S NET EXTERNAL DEBT HAS BEEN DECREASING STEADILY AS A PERCENTAGE OF GDP SINCE 1988. AS OF DECEMBER 1998, IT WAS USD 2.9 BILLION (OR 14.4 PERCENT OF GDP.) DEBT SERVICE IS MANAGEABLE AT 4 MONTHS OF EXPORTS. ALMOST 90 PERCENT OF NET EXTERNAL DEBT IS PUBLICLY HELD. PUBLIC DEBT IS EXPECTED TO INCREASE IN 1999 BUT IT SHOULD REMAIN AT A MANAGEABLE LEVEL.

A HIGHLY DOLLARIZED ECONOMY: URUGUAY'S ECONOMY IS HIGHLY DOLLARIZED. THE VAST MAJORITY (90 PERCENT) OF THE PRIVATE SECTOR'S DEPOSITS IN THE BANKING SYSTEM ARE DOLLAR-DENOMINATED. ALSO, TWO-THIRDS OF THE OVERALL CREDIT TO THE PRIVATE SECTOR IS DENOMINATED IN DOLLARS. FURTHERMORE, PEOPLE USUALLY CARRY OUT MOST OF THEIR PURCHASES OF DURABLE GOODS IN DOLLARS.

CAPITAL MARKET: THE URUGUAYAN CAPITAL MARKET IS SMALL (OPERATIONS ACCOUNT FOR LESS THAN 5 PERCENT OF GDP,) HIGHLY DOLLARIZED, UN-DIVERSIFIED AND WITH PREDOMINANTLY PUBLIC RATHER THAN PRIVATE DEBT. PRACTICALLY NO SHARES ARE TRADED IN THE STOCK MARKET. IN 1996 AND 1997, AN UNPRECEDENTED NUMBER OF FIRMS ISSUED COMMERCIAL PAPER TO CAPTURE FUNDS FOR INVESTMENT PROJECTS UNDER A NEW CAPITAL MARKET LAW. IN 1998, HOWEVER, THE COMMERCIAL PAPER MARKET WAS SEVERELY HIT BY THE CLOSURE OF A WELL-KNOWN LOCAL FIRM. NEW ISSUANCES DECLINED FROM USD 212 MILLION IN 1997, TO ONLY USD 25 MILLION IN 1998. THE USE OF INVESTMENT FUNDS PLUNGED BY 32 PERCENT IN 1998 UNDER THE INTERNATIONAL FINANCIAL TURMOIL. THE FIRST RISK-RATING FIRMS ESTABLISHED PRESENCES IN URUGUAY IN 1998.

INTEREST RATES: FIRST-LINE INTEREST LOAN RATES IN DOLLAR-TERMS HAVE INCREASED MILDLY (ONLY 1 PERCENT SINCE DECEMBER 1997 UP TO 8.13 PERCENT/YEAR IN JUNE 1999) UNDER THE INTERNATIONAL FINANCIAL TURMOIL, INCREASED UNCERTAINTY IN ARGENTINA AND BRAZIL, AND POOR ECONOMIC EXPECTATIONS FOR 1999. ALSO, CONSUMER LOAN RATES ARE AT THEIR HIGHEST REAL LEVELS SINCE 1991. FOR THE SAME REASONS INTEREST RATES IN LOCAL CURRENCY CHARGED BY BANKS BROKE THE DOWNWARD TREND IN

LATE 1998. THESE RATES DECREASED STEADILY FROM 1995 TO 1998, ACCOMPANYING THE SLOWDOWN IN INFLATION AND THE REDUCTIONS IN THE DEPRECIATION OF THE PESO AGAINST THE DOLLAR.

EXCHANGE RATE POLICY: THE URUGUAYAN GOVERNMENT HAS A POLICY OF FIXED BUT DECLINING DEVALUATION OF THE PESO VIS-A-VIS THE U.S. DOLLAR. EXPECTED LOCAL CURRENCY DEPRECIATION IN 1999 IS 7.4 PERCENT. THE AVERAGE EXCHANGE RATE IN 1999 IS EXPECTED TO BE 11.3.

LABOR MARKET: UNEMPLOYMENT HAS REMAINED ABOVE ITS HISTORICAL FRICTIONAL RATE OVER THE PAST YEARS DESPITE GOOD GROWTH PERFORMANCE. AS A RESULT OF URUGUAY'S INTEGRATION TO MERCOSUR, SOME FIRMS WERE EITHER FORCED TO CLOSE DUE TO LACK OF COMPETITIVENESS OR UNDERGO TECHNICAL RECONVERSION PROGRAMS. ALSO, AS A RESULT OF HIGH LABOR COSTS, MOST FIRMS RECONVERTING BECAME MORE CAPITAL-INTENSIVE. DESPITE THE ECONOMY'S RELATIVELY GOOD PERFORMANCE, IN 1998 UNEMPLOYMENT REMAINED AT 10.1 PERCENT. AS OF MAY 1999, UNEMPLOYMENT HAS RISEN TO 11.7 PERCENT AND IS EXPECTED TO CONTINUE RISING. THE NUMBER OF LABOR CONFLICTS HAS INCREASED DRAMATICALLY (IT GREW SEVEN-FOLD) IN THE FIRST HALF OF 1999 COMPARED TO THE FIRST HALF OF 1998. PLEASE REFER TO THE INVESTMENT CLIMATE/LABOR MARKET SECTION FOR A DETAILED DESCRIPTION OF THE LABOR MARKET.

PUBLIC SECTOR REFORM: A MILD CENTRAL ADMINISTRATION REFORM HAS ELIMINATED REDUNDANT FUNCTIONS AND DIVESTED NON-ESSENTIAL ACTIVITIES. AS OF SEPTEMBER 1998, MORE THAN USD 130 MILLION HAD BEEN SPENT TO ENCOURAGE THE RETIREMENT OF MORE THAN 10,000 PUBLIC EMPLOYEES (OUT OF A TOTAL OF 240,000), MOST OF WHOM QUIT VOLUNTARILY. THE NUMBER OF GOVERNMENT OFFICES HAS BEEN REDUCED BY MORE THAN ONE THIRD. NO NEW EMPLOYEES ARE BEING HIRED DIRECTLY.

SOCIAL SECURITY REFORM: A SOCIAL SECURITY REFORM WAS IMPLEMENTED IN 1996. PRIOR TO THE REFORM, THE GOVERNMENT FINANCED AN ANNUAL SOCIAL SECURITY DEFICIT EQUIVALENT TO MORE THAN 6 PERCENT OF GDP. A GROWING POPULATION OF PENSIONERS INCREASED THE BURDEN YEARLY. THE REFORM IS CONVERTING THE HIGHLY DEFICIT-RIDDEN PUBLIC SYSTEM INTO A SOLID, BIFURCATED SYSTEM OF PUBLIC AND PRIVATE PROVIDERS

(KNOWN LOCALLY AS AFAPS.) ITS SHORT-TERM FISCAL COST IS BEING FINANCED PRIMARILY BY EXTERNAL LOANS. IN THE MEDIUM-TO-LONG TERM, THE REFORM IS EXPECTED TO REDUCE THE SOCIAL SECURITY'S DEFICIT TO 1 PERCENT OF GDP. MORE THAN 500,000 PEOPLE HAVE JOINED PRIVATE PENSION PLANS (OUT OF A 1.5 MILLION WORKING POPULATION), WHICH MANAGE MORE THAN 400 MILLION DOLLARS OF SAVINGS.

PRINCIPAL GROWTH SECTORS

URUGUAY'S ECONOMY GREW 4.5 PERCENT IN 1998, WITH A YEAR-END USD 21 BILLION GDP. PRIVATE INVESTMENT --LED BY INVENTORIES VARIATION--AND AN INCREASE IN PRIVATE CONSUMPTION EXPLAIN SUCH GROWTH. URUGUAY'S ECONOMY HAS GROWN AT A 3.6 PERCENT ANNUAL RATE FOR THE LAST FIVE YEARS.

GIVEN THE ECONOMIC SLOWDOWN IN URUGUAY'S PRINCIPAL EXPORT MARKETS, THE GOVERNMENT AND THE INTERNATIONAL MONETARY FUND (IMF) EXPECT A 2.0 PERCENT DECLINE IN GDP FOR 1999. SOME PRIVATE ANALYSTS EXPECT, HOWEVER, A STRONGER DECLINE OF ABOUT 3 PERCENT. THE DURATION OF URUGUAY'S RECESSION WILL DEPEND ON THE DURATION OF BRAZIL'S AND ARGENTINA'S.

IN 1998, MANUFACTURING (18 PERCENT OF GDP) GREW BY 2.3 PERCENT LED BY OIL REFINERY ACTIVITIES, CAR PRODUCTION AND PRODUCTION OF FOOD PRODUCTS. SEVERAL INDUSTRIAL SECTORS, HOWEVER, EXPERIENCED DECLINES IN THEIR ACTIVITY.

COMMERCE, RESTAURANTS AND HOTELS (12 PERCENT OF GDP) GREW BY 2 PERCENT IN 1998. ALTHOUGH COMMERCE GREW, RESTAURANTS AND HOTELS DID NOT PERFORM WELL IN VIEW OF A POOR TOURIST SEASON.

THE AGRICULTURE AND LIVESTOCK SECTOR (8 PERCENT OF GDP,) GREW 6 PERCENT IN 1998. INCREASED LIVESTOCK AND DAIRY PRODUCTION AND EXPORTS WERE THE LEADERS. CEREAL (MAINLY RICE) PRODUCTION ALSO SHOWED A GOOD PERFORMANCE.

TRANSPORTATION AND COMMUNICATIONS (7 PERCENT OF GDP) HAS BEEN THE MOST DYNAMIC SECTOR OVER THE LAST DECADE, WITH AN EIGHT-PERCENT AVERAGE ANNUAL GROWTH. IN 1998, IT GREW 5 PERCENT UNDER INCREASED DEMAND FOR BOTH TRANSPORTATION AND COMMUNICATIONS.

THE ELECTRICITY, GAS AND WATER UTILITIES SECTOR--THAT ACCOUNTS FOR 4 PERCENT OF GDP--GREW 14 PERCENT IN 1998. GROWTH WAS LED BY INCREASED PRODUCTION OF ELECTRICITY AND THE INAUGURATION OF A NEW GAS PLANT. THIS SECTOR IS EXPECTED TO CONTINUE ITS EXPANSION IN THE NEAR FUTURE. PLEASE REFER TO CHAPTER V FOR A DETAILED DESCRIPTION OF THE OPPORTUNITIES IN THE GAS SECTOR.

CONSTRUCTION (4 PERCENT OF GDP) GREW 14 PERCENT IN 1998, IN FACE OF A STRONG INCREASE IN PUBLIC CONSTRUCTION.

GOVERNMENT ROLE IN THE ECONOMY

URUGUAY'S ECONOMY IS BASED ON THE PRINCIPLE OF FREE ENTERPRISE AND PRIVATE OWNERSHIP, ALTHOUGH INVESTORS ARE OFTEN FACED WITH CUMBERSOME BUREAUCRATIC PROCEDURES. THE GOVERNMENT OWNS, OUTRIGHT OR PARTIALLY, COMPANIES IN THE SECTORS OF INSURANCE, WATER SUPPLY, ELECTRICITY, TELEPHONE SERVICE, PETROLEUM REFINING, AIRLINES, POSTAL SERVICE, RAILWAYS, AND BANKING. THESE ACTIVITIES GENERATE ABOUT 18 PERCENT OF THE GROSS DOMESTIC PRODUCT AND EMPLOY A SIMILAR PERCENTAGE OF THE TOTAL LABOR FORCE.

BALANCE OF PAYMENTS SITUATION

URUGUAY'S PRINCIPAL TRADING PARTNERS (EXPORTS PLUS IMPORTS) IN DESCENDING ORDER IN 1998 WERE BRAZIL, ARGENTINA, THE EUROPEAN UNION, AND THE UNITED STATES. THE UNITED STATES BOUGHT 5.6 PERCENT OF URUGUAY'S EXPORTS IN 1998 AND PROVIDED 12.1 PERCENT OF THE COUNTRY'S IMPORTS.

IN 1998 THE TRADE DEFICIT INCREASED SLIGHTLY TO USD 762 MILLION ON A FREIGHT-ON-BOARD (FOB) BASIS. IMPORTS (FOB) GREW 2.8 PERCENT TO USD 3.6 BILLION, LED BY IMPORTS OF

CAPITAL GOODS. SUCH IMPORTS GREW 5.4 PERCENT (DOWN FROM A 14 PERCENT GROWTH IN 1997), SIGNALING A SLOWDOWN IN INVESTMENT. EXPORTS GREW 1.6 PERCENT TO USD 2.8 BILLION. THE SECTORS WHICH CONTRIBUTED THE MOST WERE AUTOMOTIVES, DAIRY PRODUCTS, TOBACCO AND PROCESSED MEAT.

THE LEADING SUPPLIERS OF URUGUAYAN IMPORTS IN 1998 WERE ARGENTINA (USD 840 MILLION,) BRAZIL (USD 793 MILLION,) THE EUROPEAN UNION (USD 788 MILLION--MAINLY ITALY AND FRANCE,) AND THE UNITED STATES (USD 460 MILLION.)

THE LEADING IMPORT CATEGORIES (BY THEIR SHARE IN TOTAL IMPORTS) AND THEIR PERCENTAGE INCREASES IN 1998 WERE:

	SHARE IN TOTAL (PERCENTAGE)	GROWTH (PERCENTAGE)	IMPORTS USD MILLIONS
TRANSPORTATION EQUIPMENT	14.5	17.3	1,554
ELECTRICAL APPARATUS AND MACHINERY	22.4	1.3	853
CHEMICAL PRODUCTS	13.5	4.2	240
PLASTIC PRODUCTS	6.8	1.5	258
GAS AND OILS	5.9	-33.7	222
TOTAL IMPORTS (CIF)		2.5	3,808

URUGUAY'S LEADING EXPORT MARKETS IN 1998 WERE BRAZIL (USD 935 MILLION), ARGENTINA (USD 513 MILLION,) THE EUROPEAN UNION (USD 456 MILLION--MAINLY GERMANY AND THE U.K.,) AND THE UNITED STATES (USD 158 MILLION).

URUGUAY'S EXPORTS ARE HIGHLY CONCENTRATED IN A FEW PRODUCTS. THE LEADING CATEGORIES OF URUGUAYAN EXPORTS (BY

THEIR SHARE OF TOTAL EXPORTS), AND THEIR PERCENTAGE INCREASES IN 1998, WERE:

	SHARE IN TOTAL (PERCENTAGE)	GROWTH (PERCENTAGE)	IMPORTS USD MILLIONS
BEEF AND OTHER ANIMAL PRODUCTS	30	13.9	823
WOOL AND TEXTILE MANUFACTURES	13	-26	357
MILLS (MAINLY RICE)	16	-8	448
LEATHER AND LEATHER MANUFACTURES	9	-11	250
TOTAL EXPORTS		1.6	2,769

THE CURRENT ACCOUNT DEFICIT WORSENERD IN 1998 BY USD 113 MILLION, GROWING TO USD 400 MILLION (AND FROM 1.4 TO 1.9 PERCENT OF GDP.) THIS DEFICIT IS EXPECTED TO BE SLIGHTLY HIGHER IN 1999. FINANCING OF THE CURRENT ACCOUNT DEFICIT SO FAR HAS NOT BEEN A PROBLEM AS URUGUAY USUALLY RECEIVES CAPITAL INFLOWS IN TIMES OF REGIONAL FINANCIAL TURMOIL. ALSO, THE GOVERNMENT HAS PLACED DEBT IN THE INTERNATIONAL MARKET AT SIGNIFICANTLY LOWER RATES THAN THE ONES PAID BY ANY LATIN AMERICAN COUNTRY (EXCEPT CHILE.)

IN 1998 URUGUAY RECEIVED A NET INFLOW OF USD 685 MILLION, MOSTLY FOR USE BY THE PUBLIC SECTOR. IN 1998 CENTRAL BANK'S NET FOREIGN RESERVES GREW BY USD 362 MILLION UP TO USD 2.43 BILLION (AS OF DECEMBER 31, 1998.) SUCH RESERVES ARE EQUIVALENT TO EIGHT MONTHS OF IMPORTS, AND ENOUGH TO PAY TOTAL EXTERNAL DEBT SERVICE FOR TWO YEARS.

INFRASTRUCTURE

LAND TRANSPORTATION: LOCATED BETWEEN TWO LATIN-AMERICAN GIANTS, URUGUAY IS THE GEOGRAPHICAL CENTER OF MERCOSUR'S MOST DENSELY POPULATED ZONE. MERCOSUR INTEGRATION HAS FOSTERED TRADE AMONG ITS PARTNERS AND TRANSPORTATION-RELATED INFRASTRUCTURE IS EXPECTED TO CONTINUE TO GROW. SOME ROADS THAT RECEIVE TRAFFIC BETWEEN ARGENTINA AND BRAZIL ARE NARROW AND IN A POOR STATE OF REPAIR. INVESTMENT IN THEIR IMPROVEMENT IS UNDERWAY WITH THE PARTICIPATION OF THE PRIVATE SECTOR. THE REHABILITATION OF CERTAIN STRETCHES OF THE RAILWAY NETWORK THAT WILL TRANSPORT LUMBER FROM THE INTERIOR OF THE COUNTRY TO THE SEAPORTS IS BEING STUDIED. TAKING INTO ACCOUNT THE COST OF FUEL, TOLLS, ROAD TAXES, ETC., URUGUAY'S FREIGHT SHIPMENT COSTS ARE THE HIGHEST IN MERCOSUR.

WATER TRANSPORTATION: URUGUAY IS THE NATURAL GATEWAY TO THE 1.2 MILLION SQ. MILE PARANA-PARAGUAY RIVER TRANSPORTATION SYSTEM INHABITED BY 40 MILLION PEOPLE. THE WATERWAY SYSTEM GOES NORTH UP TO PARAGUAY AND BOLIVIA AND DEEP INTO ARGENTINA AND BRAZIL. A MAJOR SEAPORT IS LOCATED IN MONTEVIDEO; MOST OF ITS SERVICES HAVE BEEN PRIVATIZED OR IN THE PROCESS OF BEING PRIVATIZED. SMALL PORTS ARE LOCATED IN THE FREE ZONES OF NUEVA PALMIRA AND COLONIA, AND IN THE TOWNS OF PIRIAPOLIS, PUNTA DEL ESTE AND LA PALOMA. THE NUEVA PALMIRA PORT IS EXPECTED TO EXPERIENCE A STRONG GROWTH AS IT IS THE TERMINAL PORT OF THE PARANA-PARAGUAY WATERWAY. THE GOVERNMENT PLANS MAJOR RENOVATION AND EXTENSION FOR THE PORT OF LA PALOMA.

AIR TRANSPORTATION: URUGUAY IS CONNECTED TO THE REST OF THE WORLD VIA AN INTERNATIONAL AIRPORT LOCATED IN MONTEVIDEO, WHICH IS SERVICED BY APPROXIMATELY TEN REGULARLY SCHEDULED FOREIGN AIRLINES AND ONE NATIONAL AIRLINE. INTERIOR AIR SERVICE, WHILE RECENTLY PRIVATIZED, IS NOT VERY RELIABLE.

THE GOVERNMENT HAS FORMED A COMMISSION AND HAS ALLOCATED FUNDS TO INVESTIGATE AND ADDRESS THE YEAR 2000 PROBLEM RELATED TO COMPUTER SOFTWARE MALFUNCTIONING.

CHAPTER III. POLITICAL ENVIRONMENT

NATURE OF POLITICAL RELATIONSHIP WITH THE U.S.

RELATIONS BETWEEN THE UNITED STATES AND URUGUAY ARE EXCELLENT. URUGUAY IS AN ACTIVE PARTICIPANT IN INTERNATIONAL FORA. THE GOVERNMENT OF URUGUAY HAS TAKEN A VERY ACTIVE ROLE IN THE 1994 AND 1998 SUMMIT OF THE AMERICAS AND FOLLOW-UP WORKING GROUPS. URUGUAY SUPPORTS THE ESTABLISHMENT OF A FREE TRADE AREA OF THE AMERICAS. THE TWO GOVERNMENTS COOPERATE ON A WIDE RANGE OF ISSUES, INCLUDING COUNTER-NARCOTICS, TECHNOLOGY, DEFENSE, ENVIRONMENT AND DEVELOPMENT PROJECTS.

MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

IMMEDIATELY UPON TAKING OFFICE ON MARCH 1, 1995, THE GOVERNMENT OF PRESIDENT JULIO MARIA SANGUINETTI (COLORADO PARTY/FORO BATLLISTA) INTRODUCED A VIGOROUS LEGISLATIVE PROGRAM TO ADDRESS THE MOST PRESSING PROBLEMS FACING THE COUNTRY. A PARLIAMETARY COALITION WITH THE OPPOSITION BLANCO PARTY ASSURED PASSAGE OF THE ADMINISTRATION'S ECONOMIC PLAN WHICH TOOK EFFECT MAY 1 OF THAT YEAR.

THE MAIN OPPOSITION TO THE GOVERNMENT'S PROGRAMS COMES FROM THE FRENTE AMPLIO, A GROUPING OF LEFTIST PARTIES AND FACTIONS, AND FROM THE NATIONAL LABOR CONFEDERATION. PRESIDENTIAL CANDIDATES FROM THE FRENTE, COLORADO, BLANCO, AND THE NEW SPACE PARTY ARE COMMITTED TO DEMOCRATIC PRINCIPLES AND A MIXED ECONOMY WITH PRIVATE SECTOR PARTICIPATION.

BRIEF SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE OF ELECTIONS AND ORIENTATION OF MAJOR POLITICAL PARTIES

URUGUAY IS A CONSTITUTIONAL DEMOCRACY WITH AN ELECTED PRESIDENT AND PARLIAMENT. THE COUNTRY IS DIVIDED INTO NINETEEN DEPARTMENTS (STATES) INCLUDING MONTEVIDEO, THE CAPITAL.

NATIONAL ELECTIONS ARE HELD EVERY FIVE YEARS AND THE NEXT GENERAL ELECTIONS ARE SCHEDULED FOR OCTOBER, 1999. THE

NEW SYSTEM PROVIDES FOR SIMULTANEOUS PARTY PRIMARY ELECTIONS TO BE HELD ON THE LAST SUNDAY OF APRIL OF THE ELECTION YEAR. ALL PARTIES MUST NOMINATE ONE CANDIDATE AND A LIST OF PARTY OFFICIALS. TO SECURE THE PARTY'S ENDORSEMENT, A CANDIDATE MUST OBTAIN EITHER A SIMPLE MAJORITY OF VOTES OR FORTY PERCENT OF THE VOTES WITH AT LEAST A TEN PERCENT ADVANTAGE OVER THE SECOND PLACE CANDIDATE. IF NEITHER OF THESE RESULTS OCCUR, A PARTY CONVENTION WOULD NOMINATE THE CANDIDATE. THE FIRST ROUND OF NATIONAL ELECTIONS IN WHICH THE PRESIDENT, VICE-PRESIDENT, SENATORS AND DEPUTIES ARE ELECTED IS HELD ON THE LAST SUNDAY OF OCTOBER OF THE SAME ELECTION YEAR. TO WIN, A PRESIDENTIAL CANDIDATE MUST OBTAIN A MINIMUM OF 51 PERCENT OF THE VOTES CAST. THE SYSTEM INCLUDES A SECOND ROUND OF NATIONAL ELECTIONS IF NO PRESIDENTIAL CANDIDATE OBTAINS A SIMPLE MAJORITY IN THE FIRST ROUND. IN THIS CASE, A SECOND ROUND BETWEEN THE TOP TWO CANDIDATES WOULD BE HELD ON THE LAST SUNDAY OF NOVEMBER.

THE ELECTION OF STATE GOVERNORS TAKES PLACE ON THE SECOND SUNDAY OF MAY IN THE YEAR FOLLOWING A NATIONAL ELECTION YEAR. UP TO TWO CANDIDATES PER PARTY CAN BE NOMINATED.

THE PRESIDENT MAY NOT STAND FOR IMMEDIATE RE-ELECTION, BUT MAY BE RE-ELECTED AFTER AT LEAST ONE TERM OUT OF OFFICE. STATE GOVERNORS MAY BE RE-ELECTED ONE TIME, BUT THERE IS NO LIMIT ON THE RE-ELECTION OF SENATORS AND DEPUTIES. ALL ELECTED OFFICES ARE FOR A FIVE-YEAR TERM. THE JUDICIARY, ONE OF THE MOST INDEPENDENT IN LATIN AMERICA, IS HEADED BY A FIVE-MEMBER SUPREME COURT. DEPARTMENTAL GOVERNMENTS HAVE BUDGETARY INDEPENDENCE FROM THE CENTRAL GOVERNMENT AND MAY SET LOCAL TAX RATES.

THE 1994 ELECTION RESULTS PRODUCED A PARLIAMENT DIVIDED AMONG THE THREE MAIN POLITICAL FORCES. THE TWO TRADITIONAL PARTIES, THE COLORADO AND THE BLANCO (NATIONAL), HAVE EXISTED IN THEIR PRESENT FORM FOR MOST OF THIS CENTURY. THE THIRD, THE FRENTE AMPLIO (BROAD FRONT), A LEFTIST COALITION OF NUMEROUS PARTIES AND FACTIONS, WAS FOUNDED IN 1971. FACTIONALISM WITHIN PARTIES MAKES DEFINING THEIR ORIENTATIONS SOMEWHAT

DIFFICULT, NEVERTHELESS THE FOLLOWING GENERAL OBSERVATIONS HOLD TRUE.

COLORADO PARTY: THE COLORADO PARTY IS THE TRADITIONAL PARTY OF THE URBAN AREAS AND, UNTIL BEING USURPED BY THE FRENTE AMPLIO, WAS THE PARTY OF THE WORKING CLASS AND OF MONTEVIDEO. THE LARGEST FACTION OF THE PARTY, THE FORO BATLLISTA, IS LED BY PRESIDENT JULIO MARIA SANGUINETTI, A SELF-PROCLAIMED SOCIAL DEMOCRAT WHO ADVOCATES GRADUAL ECONOMIC REFORM WHILE PROTECTING BASIC URUGUAYAN SECTORS, SUCH AS AGRICULTURE. CONTRARY TO ITS TRADITIONAL PRINCIPLES OF STATE-OWNED AND STATE-CONTROLLED ENTERPRISES, THIS COLORADO ADMINISTRATION IS OPEN TO FOREIGN INVESTMENT; OFFERED STATE SERVICES ON A PRIVATE CONCESSION BASIS; AND ELIMINATED SOME STATE MONOPOLIES. IN THE APRIL 1999 INTERNAL PARTY ELECTIONS, THE LEADER OF THE MINORITY GROUP "BATLLISMO RADICAL" JORGE BATLLE, WON THE PRESIDENTIAL NOMINATION. INTERNAL PARTY ELECTIONS WERE NOT COMPULSORY AND BATLLE'S SUPPORT CAME FROM NON-REGISTERED PARTY VOTERS.

NATIONAL (BLANCO) PARTY: THE NATIONAL PARTY IS THE TRADITIONAL PARTY OF THE RURAL INTERIOR. IN THE MINORITY FOR MOST OF ITS EXISTENCE, THE 1990-95 ADMINISTRATION OF PRESIDENT LUIS ALBERTO LACALLE WAS ONLY THE THIRD BLANCO ADMINISTRATION THIS CENTURY. THE LACALLE ADMINISTRATION UNSUCCESSFULLY ATTEMPTED TO PRIVATIZE A NUMBER OF UNPROFITABLE STATE-OWNED ENTERPRISES. IT REDUCED INFLATION FROM 129 PERCENT TO 44 PERCENT DURING ITS TERM OF OFFICE. WHILE PARTY IDEOLOGY RUNS FROM FISCAL CONSERVATISM TO POPULISM, THE LARGEST FACTION FAVORS ECONOMIC REFORM AND FREE ENTERPRISE. THE PARTY'S BOARD OF DIRECTORS IS HEADED BY THE PARTY'S 1999 PRESIDENTIAL CANDIDATE, DR. LUIS ALBERTO LACALLE.

ENCUENTRO PROGRESISTA-FRENTE AMPLIO (BROAD FRONT): THE LEFTIST COALITION ADVOCATES A REDISTRIBUTION OF WEALTH THROUGH THE REDUCTION OF THE VALUE ADDED TAX (NOW 23 PERCENT) COMBINED WITH THE INSTITUTION OF A PERSONAL INCOME TAX. IT ALSO SUPPORTS WEAKENING THE COUNTRY'S LEGENDARY BANK SECRECY LAWS. THE PARTY SUPPORTS MERCOSUR, BUT ONLY IF TARIFFS ARE SUFFICIENTLY HIGH TO

DEFEND DOMESTIC PRODUCTION AND EMPLOYMENT. THE COALITION WON THE CAPITAL'S MUNICIPAL GOVERNMENT FOR THE FIRST TIME IN 1989 AND WAS REELECTED IN 1994. DURING ITS EIGHT-YEAR ADMINISTRATION OF MONTEVIDEO, LAND AND PROPERTY TAXES HAVE BEEN INCREASED SIGNIFICANTLY AND SERVICES SUCH AS GARBAGE COLLECTION AND PARKS AND PLAZAS MAINTENANCE HAVE BEEN GIVEN TO PRIVATE COMPANIES ON A CONCESSION BASIS.

CHAPTER IV . MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

INFORMATION ON TYPICAL PRODUCT PRICING STRUCTURE

THE PERCENT MARK-UP FOR PRODUCTS DEPENDS ON THE PRODUCT AND THE AVAILABILITY OF COMPETING PRODUCTS.

USE OF AGENTS/DISTRIBUTORS - FINDING A PARTNER

A FOREIGN SUPPLIER SHOULD BE THOROUGH IN THE SELECTION OF AN AGENT OR LOCAL REPRESENTATIVE. FOR THIS PURPOSE, THE SUPPLIER MAY WISH TO TAKE ADVANTAGE OF THE EXPORT PROMOTION SERVICES PROVIDED BY THE U.S. DEPARTMENT OF COMMERCE THROUGH THE U.S. EMBASSY IN MONTEVIDEO. ONE SERVICE, THE AGENT/DISTRIBUTOR SERVICE (ADS), HELPS IDENTIFY PRE-SCREENED AND QUALIFIED AGENTS AND DISTRIBUTORS. THE SUPPLIER SHOULD MAKE CLEAR IN THE CONTRACTUAL AGREEMENT BETWEEN THE PARTIES WHETHER THE RELATIONSHIP IS THAT OF EMPLOYER-EMPLOYEE OR WHETHER IT IS MERELY A COMMISSION-BASED RELATIONSHIP. FAILURE TO DO SO COULD RESULT IN SUPPLIER LIABILITY FOR SEVERANCE AND RELATED BENEFITS IF HE OR SHE DECIDES TO TERMINATE THE RELATIONSHIP.

FRANCHISING

FRANCHISING IN URUGUAY HAS SO FAR BEEN LIMITED TO FOOD-RELATED OUTLETS, CAR RENTAL COMPANIES AND SOME RETAIL CLOTHING STORES. THERE ARE NO LEGAL RESTRICTIONS ON OPERATING FRANCHISES IN URUGUAY.

DIRECT MARKETING

BECAUSE OF URUGUAY'S SMALL SIZE, DIRECT MARKETING IS GENERALLY NOT COST EFFECTIVE.

JOINT VENTURES/LICENSING

BOTH JOINT VENTURES AND LICENSING ARE COMMON IN URUGUAY AND GENERALLY INVOLVE SIMILAR PROCEDURES PRACTICED IN MOST OTHER COUNTRIES.

STEPS TO ESTABLISHING AN OFFICE

THE FORMATION OF A NEW ENTERPRISE OR THE ACQUISITION OF AN EXISTING URUGUAYAN COMPANY CAN BE MADE FREELY. SHELL CORPORATIONS ALREADY FORMED BUT WITH NO OPERATIONS ARE ALSO AVAILABLE FOR ACQUISITION. IT IS ADVISABLE TO CONTRACT WITH AN EXPERIENCED ATTORNEY WHO CAN PROVIDE GUIDANCE IN COMPLETING THE LEGAL PAPERWORK REQUIRED.

SELLING FACTORS/TECHNIQUES

FOREIGN MANUFACTURERS ENJOYING SUSTAINED SALES OF THEIR PRODUCTS IMPORTED INTO URUGUAY TYPICALLY USE THE SERVICES OF AN AGENT OR DISTRIBUTOR. PRACTICALLY ALL IMPORTERS/DISTRIBUTORS ARE BASED IN MONTEVIDEO, ALTHOUGH SOME MAINTAIN SALES NETWORKS IN THE INTERIOR OF URUGUAY. A U.S. FIRM WITH A LOCAL REPRESENTATIVE HAS THE ADVANTAGE OF KEEPING UP-TO-DATE WITH LOCAL MARKET CONDITIONS, AS WELL AS WITH CHANGES IN POLICIES AFFECTING TRADE.

URUGUAY IS A GOOD MARKET FOR BOTH NEW AND USED EQUIPMENT AND MACHINERY. OFTEN, EQUIPMENT CONSIDERED OBSOLETE IN THE U.S. MAY STILL BE SOLD TO LOCAL INDUSTRY. U.S. MANUFACTURERS WILL FIND THAT THE MAJOR FACTORS AFFECTING A DECISION TO BUY THEIR PRODUCTS ARE QUALITY, PRICE, PAYMENT TERMS, DELIVERY TIME, AFTER-SALES SERVICING AND COMPATIBILITY WITH EXISTING SYSTEMS.

U.S. MANUFACTURED PRODUCTS ARE GENERALLY REGARDED AS HIGH IN QUALITY AND COMPETITIVE IN PRICE, BUT ARE SOMETIMES

RATED LOW ON AN IMPORTANT FACTOR IN THE DECISION TO BUY -
- FINANCING. AMERICAN MANUFACTURERS OFFERING FLEXIBLE,
INNOVATIVE, AND COMPETITIVE CREDIT TERMS WILL OVERCOME A
DIFFICULT HURDLE IN ACHIEVING EXPORT SALES TO URUGUAY.

ADVERTISING AND TRADE PROMOTION

ADVERTISING IN URUGUAY IS RELATIVELY EXPENSIVE BY U.S.
STANDARDS. IT IS ADVISABLE TO WORK WITH A LOCAL
ADVERTISING AGENCY. EL PAIS AND EL OBSERVADOR ECONOMICO
ARE THE LEADING NEWSPAPERS IN TERMS OF CIRCULATION;
BUSQUEDA AND CRONICAS ECONOMICAS ARE HIGHLY RESPECTED
BUSINESS JOURNALS. SEVERAL OF THE MAJOR INTERNATIONAL
ADVERTISING AGENCIES MAINTAIN OFFICES IN MONTEVIDEO.

THE EMBASSY HOSTS INDUSTRY-SPECIFIC CATALOG EXHIBITIONS.
IT ALSO PARTICIPATES WITH A COMMERCIAL BOOTH IN SOME
TRADE FAIRS. DETAILS CONCERNING THESE FAIRS MAY BE
OBTAINED FROM THE POLITICAL/ECONOMIC/COMMERCIAL SECTION,
AMERICAN EMBASSY MONTEVIDEO, UNIT 4510, APO AA 34035,
TEL: (5982) 408-7777, EXT. 2325. FAX: (5982) 408-8581.

LIST OF MAJOR NEWSPAPERS AND BUSINESS JOURNALS

BUSQUEDA: DANILO ARBILLA, EDITOR; AV. URUGUAY 1164,
MONTEVIDEO, URUGUAY; FAX: (5982) 902-2036; E-MAIL
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EL PAIS: MARTIN AGUIRRE, EDITOR; PLAZA CAGANCHA 1162,
MONTEVIDEO, URUGUAY; FAX: (5982) 908-2946. E-MAIL:
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CRONICAS ECONOMICAS: JORGE ESTELLANO, EDITOR; AV.
LIBERTADOR 1532; MONTEVIDEO, URUGUAY; FAX: (5982) 902-
0759. E-MAIL: CRONICAS@NETGATE.COM.UY; WEB PAGE:
CRONICAS.COM.UY

PRICING PRODUCT

THE URUGUAYAN MARKET PRICE STRUCTURE REFLECTS WORLD MARKET PRICES PLUS IMPORT TARIFFS AND TRANSPORTATION COSTS. IN ADDITION TO TARIFF ADVANTAGES, PRODUCTS FROM NEARBY MERCOSUR COUNTRIES LIKE ARGENTINA AND BRAZIL ENJOY SIGNIFICANTLY LOWER TRANSPORTATION COSTS THAN DO PRODUCTS FROM THE U.S., EUROPE AND ASIA.

SALES SUPPORT/CUSTOMER SERVICE

SALES SUPPORT AND CUSTOMER SERVICE ARE IMPORTANT FACTORS WHEN URUGUAYANS ARE DECIDING WHICH PRODUCTS TO BUY. U.S. MANUFACTURERS SHOULD SERIOUSLY CONSIDER APPOINTING AN AGENT IN URUGUAY TO PROVIDE CUSTOMER SUPPORT SERVICES. COMPANY REPRESENTATIVES RESIDENT IN NEIGHBORING COUNTRIES ARE LESS EFFECTIVE.

SELLING TO THE GOVERNMENT

ALTHOUGH U.S. COMPANIES MAY SELL DIRECTLY TO THE URUGUAYAN GOVERNMENT, IT IS USEFUL TO HAVE A REGISTERED LOCAL REPRESENTATIVE. REGISTRATION TAKES PLACE ONCE A YEAR DURING A SPECIFIED PERIOD OF TIME IN WHICH INTERESTED PARTIES MAY BE ADDED TO THE LIST OF OFFICIAL GOVERNMENT SUPPLIERS. COMPANIES SHOULD ALSO CONSIDER PROVIDING PRODUCT LITERATURE AND PRICE QUOTATIONS TO SELECTED GOVERNMENT PURCHASING OFFICES, AND TO THE DIFFERENT STATE ENTITIES, AS THEY FREQUENTLY REFER TO LITERATURE ON HAND WHEN DRAFTING SPECIFICATIONS FOR THEIR PROCUREMENT TENDERS. THE EMBASSY CONTINUALLY REPORTS VIA THE MAJOR PROJECTS PROGRAM AND OTHER MEANS TO THE DEPARTMENT OF COMMERCE ON MAJOR OPPORTUNITIES FOR U.S. CONTRACTORS AND MANUFACTURERS IN URUGUAY.

PROTECTING YOUR PRODUCT FROM INTELLECTUAL PROPERTY RIGHT (IPR) INFRINGEMENT

PLEASE REFER TO THE SECTION ON INTELLECTUAL PROPERTY RIGHTS IN CHAPTER VII.

NEED FOR A LOCAL ATTORNEY

IT IS ADVISABLE TO OBTAIN A LOCAL ATTORNEY BEFORE SETTING UP OPERATIONS IN URUGUAY OR CARRYING-OUT SUBSTANTIAL AMOUNTS OF BUSINESS. LOCAL ATTORNEYS CAN BE VERY HELPFUL IN SORTING THROUGH THE RED TAPE AND BUREAUCRACY WHICH MAY OTHERWISE BE FRUSTRATING FOR A NEWCOMER. A FREE LIST OF LOCAL ATTORNEYS MAY BE OBTAINED FROM THE EMBASSY'S CONSULAR SECTION (TEL: (5982) 408-7777 EXT. 2362.)

PERFORMING DUE DILIGENCE / CHECKING BONA FIDES OF BANKS / AGENTS / CUSTOMERS

CREDIT REPORTS ON URUGUAYAN FIRMS MAY BE OBTAINED THROUGH THE U.S. EMBASSY'S INTERNATIONAL COUNTRY PROFILE (ICP) SERVICE FOR A USD 150 FEE. PLEASE CALL THE EMBASSY'S POLITICAL/ECONOMIC/COMMERCIAL SECTION IN MONTEVIDEO TO RECEIVE FULL DETAILS ON HOW TO ORDER THIS SERVICE AT (5982) 408-7777 EXT. 2322, BY FAX AT (5982) 408-8581, OR BY E-MAIL AT MONTEVIDEO.OFFICE.BOX@MAIL.DOC.GOV.

CHAPTER V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENTS

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

BEST PROSPECTS FOR U.S. PRODUCTS ARE CHEMICALS (INCLUDING AGRICULTURAL), MANUFACTURED GOODS AND MACHINERY, TRANSPORT EQUIPMENT, FOOD PROCESSING EQUIPMENT, COMPUTER HARDWARE AND SOFTWARE, OFFICE MACHINERY, ALTERNATIVE ENERGY SOURCES (SUCH AS WIND ENERGY AND TO A CERTAIN EXTENT SOLAR POWER), TELECOMMUNICATIONS, AND MEDICAL AND LABORATORY EQUIPMENT. URUGUAY'S PROPORTIONALLY LARGE ELDERLY POPULATION SHOULD BE A GOOD MARKET FOR GERIATRIC EQUIPMENT AND SERVICES IN THE NEAR FUTURE. TOURISM AND FORESTRY ARE HIGH IN THE GOVERNMENT'S DEVELOPMENT PLANS AND REPRESENT EXCELLENT OPPORTUNITIES FOR U.S. EXPORTS.

BEST PROSPECTS FOR AGRICULTURAL PRODUCTS

EXPORTS OF FOOD PRODUCTS TO URUGUAY HAVE GOOD POTENTIAL. IMPORTED FOOD PRODUCTS FOR MASS CONSUMPTION ARE TYPICALLY PURCHASED FROM ARGENTINA, BRAZIL, AND CHILE, WHILE IMPORTS FROM EUROPE AND THE UNITED STATES ARE AIMED AT THE MIDDLE AND HIGHER INCOME SECTORS. U.S. COMPANIES WITH COMPETITIVE PRICES SHOULD CONSIDER TRYING TO ACCESS THE MASS MARKET THROUGH THE DEVELOPMENT OF THE PRIVATE LABEL CONCEPT.

SIGNIFICANT INVESTMENT OPPORTUNITIES

URUGUAY RECEIVES LOANS AND GRANTS FROM THE WORLD BANK, THE INTER-AMERICAN DEVELOPMENT BANK AND OTHER MULTILATERAL INSTITUTIONS FOR MAJOR PROJECTS AND PROGRAMS. THE EMBASSY CONTINUALLY REPORTS VIA THE TRADE OPPORTUNITY PROGRAM, THE FOREIGN GOVERNMENT TENDER PROGRAM AND THE MAJOR PROJECTS PROGRAM TO THE DEPARTMENT OF COMMERCE AND ITS DISTRICT OFFICES ON MAJOR OPPORTUNITIES IN URUGUAY FOR U.S. CONTRACTORS AND MANUFACTURERS. BRIEF DESCRIPTIONS OF THESE OPPORTUNITIES FOLLOW:

PARANA-PARAGUAY RIVER TRANSPORTATION SYSTEM - THE GOVERNMENTS OF URUGUAY, ARGENTINA, BRAZIL, PARAGUAY, AND BOLIVIA ARE JOINTLY WORKING TOGETHER ON WHAT HAS BECOME THE LARGEST LATIN-AMERICAN "REGIONAL INTEGRATION" PROJECT -- THE JOINT USE OF THE 2,500-MILE LONG PARANA-PARAGUAY-URUGUAY RIVERS FOR THE TRANSPORTATION OF GOODS FROM THE FIVE COUNTRIES TO THE ATLANTIC OCEAN. THE ONGOING PROJECT, CALLS FOR INVESTMENTS ON THE ORDER OF USD 935 MILLION INCLUDING CIVIL CONSTRUCTION (USD 120 MILLION), DREDGING AND MAINTENANCE (USD 150 MILLION), PORTS (INCLUDING EQUIPMENT, USD 115 MILLION), AND FLEET (USD 550 MILLION). FURTHER OPPORTUNITIES FOR U.S. INVOLVEMENT LIE IN THE DEVELOPMENT OF THE ADMINISTRATION OF THE WATERWAYS. INFORMATION ON THE STATUS OF THIS PROJECT MAY BE OBTAINED FROM JORGE SANGUINETTI, PRESIDENT, COMISION HIDROVIA, TEL: (5982) 908-3386; FAX: (5982) 902-1678.

COLONIA-BUENOS AIRES BRIDGE - IF THE BILATERAL TREATY TO CONSTRUCT THE BRIDGE IS RATIFIED BY BOTH GOVERNMENTS, THE COLONIA-BUENOS AIRES BRIDGE ADMINISTRATION HOPES TO ISSUE

THE TENDER TO CONSTRUCT THIS 24- TO 32-MILE LONG BRIDGE JOINING BUENOS AIRES, ARGENTINA, AND COLONIA, URUGUAY LATER IN 1999. POSSIBILITIES FOR U.S. INVOLVEMENT WILL EXIST IN ALL ASPECTS OF THIS MULTI-BILLION DOLLAR BRIDGE PROJECT. IT IS PLANNED THAT THE BRIDGE WILL BE CONSTRUCTED AND OPERATED BY A PRIVATE CONCESSION UNDER A BUILD-OPERATE-TRANSFER (BOT) REGIME. FURTHER INFORMATION ON THIS PROJECT MAY BE OBTAINED BY CONTACTING: ING. JOSÉ SERRATO, PRESIDENTE, COMISION BINACIONAL PUENTE BUENOS AIRES - COLONIA, TEL: (5982) 902-0876, 900-7801, 900-7437, FAX: (5982) 902-0876.

SUBURBAN PASSENGER RAILWAY SYSTEM AND METROPOLITAN UNDERGROUND - A SUBURBAN RAILWAY SYSTEM EXTENDING OUTWARDS FROM THE CAPITAL CITY OF MONTEVIDEO INTO THE NEARBY BEDROOM COMMUNITIES ALONG THE RIVER PLATE MAY BE BUILT UNDER A BUILD-OPERATE-TRANSFER (BOT) SYSTEM. THE PROPOSED SYSTEM WOULD EXTEND FOR A STRETCH OF APPROXIMATELY 33 MILES AND BE BUILT ALONG (OR OVER, IN CASE AN ELEVATED SYSTEM WERE SELECTED) THE CENTER, DIVIDING LANE, OF A PRE-EXISTING FOUR LANE HIGHWAY. RECENT PRESS ARTICLES HAVE ALSO INFORMED ABOUT THE PLANS TO CONSTRUCT AN UNDERGROUND RAILWAY SYSTEM IN THE CITY OF MONTEVIDEO. FURTHER INFORMATION MAY BE OBTAINED FROM: SR. BOLIVAR LISSIDINI, PRESIDENT, ADMINISTRACION DE FERROCARRILES DEL ESTADO (AFE), TEL: (5982) 924-0815; FAX: (5982) 924-0807.

POWER PROJECTS - PROJECTS BEING EXAMINED INCLUDE THE UPGRADE OF THE POWER TRANSMISSION AND DISTRIBUTION GRID, A USD 7 MILLION PROJECT PROPOSAL TO CONVERT BOILERS (CURRENTLY USING FUEL OIL) TO NATURAL GAS WITH CONSUMPTION CAPACITY OF 3,000,000 CUBIC METERS OF GAS PER DAY; A USD 106 MILLION PROPOSAL TO TRANSFORM A POWER PLANT INTO A COMBINED CYCLE 119MW PLANT; AND THE CONSTRUCTION OF AN INTERCONNECTION GRID WITH THE POWER DISTRIBUTION SYSTEM OF BRAZIL.

GOOD OPPORTUNITIES EXIST IN THE SALE OF SMALL-SCALE WIND AND SOLAR POWER GENERATORS.

FEASIBILITY STUDIES FUNDED BY THE U.S. TRADE AND DEVELOPMENT AGENCY (TDA) FOR THE CONSTRUCTION OF A RICE-HUSK POWERED PLANT WERE RECENTLY COMPLETED. IT IS EXPECTED THAT A CALL FOR THE CONSTRUCTION OF THIS POWER PLANT WILL TAKE PLACE LATER IN 1999.

FURTHER INFORMATION ON ON-GOING OR PLANNED POWER PROJECTS MAY BE OBTAINED BY CHECKING THE INTERNET AT WWW.UTE.COM.UY OR BY CONTACTING: ING. JAIME PARADA, DIRECTOR TECNICO, DIRECCION NACIONAL DE ENERGIA, MINISTERIO DE INDUSTRIA, ENERGIA Y MINERIA, TEL: (5982) 908-5929, 901-2968, FAX: (5982) 901-9382.

INTERNATIONAL AIRPORT - THE GOVERNMENT OF URUGUAY HAS DECIDED TO RENOVATE THE EXISTING CARRASCO INTERNATIONAL AIRPORT IN MONTEVIDEO AT AN ESTIMATED COST OF USD 60 MILLION DOLLARS. THREE INTERNATIONAL CONSORTIA HAVE ALREADY PREQUALIFIED. INFORMATION ON THIS AND OTHER AIRPORT PROJECTS MAY BE OBTAINED FROM: DR. JUAN LUIS STORACE, MINISTER, MINISTRY OF DEFENSE AND PRESIDENT OF THE CARRASCO AIRPORT SELECTION COMMITTEE. AV. 8 DE OCTUBRE 2628, MONTEVIDEO, URUGUAY, TEL: (5982) 487-0491; FAX: (005982) 481-4833.

PORT RENOVATIONS - FROM TIME TO TIME THE NATIONAL PORT ADMINISTRATION ISSUES TENDERS FOR PORT RENOVATION PROJECTS, CHANNEL DEEPENING PROJECTS, AND WAREHOUSE CONSTRUCTION PROJECTS. INFORMATION ON THE RENOVATION OF THE LA PALOMA PORT PROJECT MAY BE ACCESSED IN THE INTERNET AT WWW.PORT-URUGUAY.ORG/AGRANDES-FRAMES.HTM. FURTHER INFORMATION ON ANY OF THESE MAY BE OBTAINED FROM: DR. EDISON GONZALEZ LAPEYRE, PRESIDENT, ADMINISTRACION NACIONAL DE PUERTOS ANP, TEL: (5982) 916-1123; FAX: (5982) 916-1704, E-MAIL ANPPRESI@ADINET.COM.UY.

THE GOVERNMENT OF THE UNITED STATES ACKNOWLEDGES THE CONTRIBUTION THAT OUTWARD FOREIGN DIRECT INVESTMENT CAN MAKE TO THE U.S. ECONOMY. U.S. FOREIGN DIRECT INVESTMENT IS INCREASINGLY VIEWED AS A COMPLEMENT OR EVEN A NECESSARY COMPONENT OF TRADE. NEARLY SIXTY PERCENT OF TOTAL U.S. EXPORTS ORIGINATE WITH AMERICAN FIRMS WITH INVESTMENTS ABROAD. RECOGNIZING THE BENEFITS THAT U.S.

OUTWARD INVESTMENT BRING TO THE U.S. ECONOMY, THE GOVERNMENT OF THE UNITED STATES UNDERTAKES INITIATIVES, SUCH AS OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) PROGRAMS, BILATERAL INVESTMENT TREATY NEGOTIATIONS AND BUSINESS FACILITATION PROGRAMS, THAT SUPPORT U.S. INVESTORS.

CHAPTER VI. TRADE REGULATIONS AND STANDARDS

TRADE BARRIERS, INCLUDING TARIFF AND NON-TARIFF BARRIERS

URUGUAY'S TARIFF STRUCTURE FOLLOWS THE "HS" OR HARMONIZED SYSTEM OF TARIFF NOMENCLATURE. ALL CUSTOMS DUTIES, SURCHARGES, SERVICE AND OTHER CHARGES ARE CONSOLIDATED IN A CUSTOMS UNIFIED RATE OR "TASA GLOBAL ARANCELARIA" (TGA).

URUGUAYAN IMPORTERS ARE REQUIRED TO PAY A FOUR PERCENT AD VALOREM TAX ON ALL FREIGHT ARRIVING VIA FOREIGN-REGISTERED AIRLINES. FREIGHT WHICH ARRIVES BY THE NATIONAL AIRLINE IS EXEMPT FROM THE TAX. A CIVIL AVIATION AGREEMENT BETWEEN URUGUAY AND THE UNITED STATES PROVIDES FOR EQUAL TREATMENT BETWEEN U.S. AND URUGUAYAN AIR FREIGHT CARRIERS. U.S. CARRIERS ARE THEREFORE ALSO EXEMPT FROM THIS TAX.

AREAS IN WHICH FOREIGN EQUITY PARTICIPATION REQUIRES PRIOR GOVERNMENTAL APPROVAL ARE DISCUSSED IN CHAPTER VII.

CUSTOMS VALUATION

CUSTOMS VALUATION MAY BE APPLIED BY THE OFFICE OF THE DIRECTOR GENERAL OF CUSTOMS WHEN THERE IS A QUESTION CONCERNING A SUPPLIER'S CLASSIFICATION AND/OR VALUATION. VALUATION CRITERIA ARE THOSE FOLLOWED BY THE WORLD TRADE ORGANIZATION (WTO). DECEPTION ON THE PART OF THE IMPORTER OR ALTERING THE VALUE OF IMPORTS IS CONSIDERED FRAUD.

TARIFF RATES

GOODS ENTERING FROM MERCOSUR COUNTRIES GENERALLY PAY NO TARIFFS. A FEW EXCEPTIONS EXIST BUT THEY ARE BEING PROGRESSIVELY REDUCED AND SHOULD BE ELIMINATED BY THE YEAR 2001.

THE MERCOSUR MEMBER COUNTRIES AGREED ON A COMMON EXTERNAL TARIFF (CET) IN DECEMBER 1994. ON JANUARY 1, 1995, THE CET ENTERED INTO EFFECT ON IMPORTS FROM NON-MEMBER COUNTRIES, AT RATES RANGING (WITH SOME EXCEPTIONS) BETWEEN 0 AND 20 PERCENT. AT THE END OF 1997, THE MAXIMUM CET WAS RAISED TO 23 PERCENT (WHICH SHOULD BE REDUCED AGAIN TO 20 PERCENT IN DECEMBER, 1999).

CAPITAL GOODS FOR THE INDUSTRIAL, HOTEL AND FORESTRY SECTORS ARE EXEMPT FROM TARIFFS.

IMPORT TAXES

IN ADDITION TO TARIFF RATES, A (REFUNDABLE) VALUE-ADDED TAX OF 23 PERCENT IS APPLIED OVER CUSTOMS VALUATION PLUS IMPORT SURCHARGES.

THE MAXIMUM IMPORT DUTY RANGES FROM 0 TO 27 PERCENT.

IMPORT LICENSES

CERTAIN IMPORTS REQUIRE SPECIAL LICENSES OR CUSTOMS DOCUMENTS. AMONG THESE ARE DRUGS, CERTAIN MEDICAL EQUIPMENT AND CHEMICALS, FIREARMS, RADIOACTIVE MATERIALS, FROZEN EMBRYOS, LIVESTOCK, BULL SEMEN, ANABOLICS, SUGAR, SEEDS, HORMONES, MEAT AND WHEAT.

EXPORT CONTROLS

THERE ARE NO EXPORT CONTROLS CURRENTLY IN FORCE. EXPORT SALES OF CERTAIN DOMESTIC PRODUCTS ENJOY TAX EXEMPTIONS AND SPECIAL CREDITS.

IMPORT/EXPORT DOCUMENTATION REQUIREMENTS

ONLY COMMERCIAL FIRMS, INDUSTRIAL FIRMS OR INDIVIDUALS LISTED IN THE REGISTRY OF IMPORTERS MAY LEGALLY IMPORT

PRODUCTS INTO URUGUAY. NO UNUSUAL DOCUMENTS ARE REQUIRED TO IMPORT MERCHANDISE.

TEMPORARY ENTRY

PRODUCTS MAY BE IMPORTED UNDER THE TEMPORARY ADMISSION OR DRAWBACK PROVISIONS. PRODUCTS IMPORTED UNDER TEMPORARY ADMISSION PROVISIONS MUST BE RE-EXPORTED WITHIN 18 MONTHS.

LABELING, MARKING REQUIREMENTS

LABELING AND MARKING REQUIREMENTS ARE SET AND CONTROLLED BY TWO FEDERAL AND SEVERAL MUNICIPAL AGENCIES. BASICALLY, LABELS MUST CONTAIN A DESCRIPTION IN SPANISH OF THE MAIN INGREDIENTS OF A PRODUCT, ITS COUNTRY OF ORIGIN, EXPIRATION DATE AND THE FULL NAME AND ADDRESS OF THE URUGUAYAN IMPORTER.

PROHIBITED IMPORTS

FROM TIME TO TIME THE GOVERNMENT BANS THE IMPORTATION OF CERTAIN FOOD ARTICLES ORIGINATING FROM AREAS DECLARED BY THE WORLD HEALTH ORGANIZATION TO BE UNFIT. THE MUNICIPALITY OF MONTEVIDEO IMPOSES STRICT, AND AT TIMES OUTDATED AND ARBITRARY REGULATIONS REGARDING THE COMPOSITION OF FOOD ARTICLES (DYES, ETC.).

STANDARDS

URUGUAY USES THE METRIC SYSTEM OF WEIGHTS AND MEASURES. THE LABORATORIO TECNOLOGICO DEL URUGUAY (LATU) IS THE OFFICIALLY APPROVED AGENCY THAT CONTROLS STANDARDS AND QUALITY CONTROL OF IMPORTS AND EXPORTS. A NATIONAL QUALITY COMMITTEE REVIEWS AND RECOMMENDS ISSUANCE OF ISO 9000/9001 CERTIFICATES IF WARRANTED.

FREE TRADE ZONES/WAREHOUSES

PLEASE REFER TO THE SECTION ON FREE ZONES IN CHAPTER VII.

SPECIAL IMPORT PROVISIONS

THERE ARE NO SPECIAL IMPORT PROVISIONS OR RESTRICTIONS.
ALL GOODS MAY BE IMPORTED EXCEPT FOR A VERY LIMITED LIST
OF GOODS WHICH MAY REQUIRE SPECIAL AUTHORIZATION.

MEMBERSHIP IN FREE TRADE ARRANGEMENTS

URUGUAY IS A MEMBER OF THE WORLD TRADE ORGANIZATION (WTO)
AND THE LATIN AMERICAN INTEGRATION ASSOCIATION (ALADI).
IT IS ALSO A FOUNDING MEMBER OF THE SOUTHERN COMMON
MARKET (MERCOSUR) COMPOSED OF BRAZIL, ARGENTINA, URUGUAY
AND PARAGUAY. CHILE AND BOLIVIA ARE ASSOCIATE MEMBERS OF
MERCOSUR. SEPARATE INTERIM FREE TRADE ARRANGEMENTS FOR
CERTAIN PRODUCTS ARE ALSO IN EFFECT WITH BRAZIL AND
ARGENTINA BUT WILL EXPIRE IN 2001.

CUSTOMS CONTACT INFORMATION

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CHAPTER VII. INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

THE GOVERNMENT OF URUGUAY (GOU) RECOGNIZES THAT FOREIGN
INVESTMENT HAS AN IMPORTANT ROLE TO PLAY IN THE CONTINUING
DEVELOPMENT OF THE ECONOMY AND MAINTAINS A FAVORABLE POLICY
THROUGH A NUMBER OF INCENTIVES, THOUGH IT OFFERS NO SPECIAL
BENEFITS VIS-A-VIS FOREIGN INVESTORS. ASIDE FROM A FEW SECTORS
IN WHICH FOREIGN INVESTMENT IS NOT PERMITTED, THERE IS NEITHER
DE JURE NOR DE FACTO DISCRIMINATION TOWARDS INVESTMENT BY
SOURCE OR ORIGIN.

IN 1998, THE GOU APPROVED AN INVESTMENT PROMOTION AND
PROTECTION LAW (NO. 16,906) WHICH DECLARES THAT THE
PROMOTION AND PROTECTION OF NATIONAL AND FOREIGN

INVESTMENT IS IN THE NATION'S INTEREST. THE MAIN ASPECTS OF THE LAW ARE THAT: FOREIGN AND NATIONAL INVESTMENTS ARE TREATED ALIKE, INVESTMENTS ARE ALLOWED WITHOUT PRIOR AUTHORIZATION OR REGISTRATION, THE GOVERNMENT DOES NOT PREVENT THE ESTABLISHMENT OF INVESTMENTS IN THE COUNTRY AND IT GUARANTEES THE FREE TRANSFER ABROAD OF CAPITAL AND PROFITS RESULTING FROM THE INVESTMENT. THERE ARE NO RESTRICTIONS ON TECHNOLOGY TRANSFER.

ONE HUNDRED PERCENT FOREIGN OWNERSHIP IS PERMITTED EXCEPT WHERE RESTRICTED FOR NATIONAL SECURITY PURPOSES (MAINLY OIL AND TELECOMS).

THE GOU DOES NOT GENERALLY REQUIRE SPECIFIC AUTHORIZATION IN ORDER TO SET UP A FIRM, TO IMPORT AND EXPORT, TO EFFECT DEPOSITS AND BANKING TRANSACTIONS IN ANY CURRENCY, OR TO OBTAIN CREDIT. NO SPECIAL GOVERNMENT AUTHORIZATION IS NEEDED FOR ACCESS TO CAPITAL MARKETS OR TO FOREIGN EXCHANGE.

THERE ARE NO RESTRICTIONS ON TECHNOLOGY TRANSFER.

URUGUAY HAS A HISTORY OF MAINTAINING STATE MONOPOLIES IN A NUMBER OF AREAS IN WHICH, BY LAW, DIRECT FOREIGN EQUITY PARTICIPATION IS PROHIBITED. SEVERAL STATE-OWNED ENTITIES, HOWEVER, HAVE ASSOCIATED THEMSELVES WITH FOREIGN-OWNED COMPANIES TO PROVIDE SPECIFIC SERVICES FOR A SPECIFIED PERIOD OF TIME. ALTHOUGH PRIVATE POWER GENERATION IS NOW ALLOWED, THE STATE-OWNED POWER COMPANY, UTE, STILL HOLDS A MONOPOLY ON WHEELING RIGHTS. THE STATE-OWNED OIL COMPANY, ANCAP, IS THE ONLY IMPORTER AND REFINER OF PETROLEUM PRODUCTS IN THE COUNTRY. THE RETAIL GASOLINE INDUSTRY WAS PRIVATIZED, BUT IT IS SUBJECT TO EXTENSIVE REGULATION AND COMPETITION FROM ANCAP. WHILE ALL FREIGHT SHIPMENT BY RAIL IN URUGUAY IS CONTROLLED BY THE STATE RAILROAD COMPANY, AFE, THE TRANSPORTATION OF FORESTRY-RELATED PRODUCTS IS DUE TO BE GRANTED TO A PRIVATE OPERATOR BY THE END OF 1999. THE STATE TELEPHONE COMPANY, ANTEL, CONTROLS THE TELEPHONE AND TELECOMMUNICATIONS INDUSTRY. CELLULAR SERVICE IS PROVIDED BY ANTEL AND A PRIVATE FIRM REGULATED BY ANTEL. A LOCAL WIRELESS LOOP SYSTEM, THE INSTALLATION AND MAINTENANCE OF PUBLIC PHONES, DATA TRANSMISSION, AND SOME VALUE-ADDED SERVICES HAVE BEEN AWARDED TO THE PRIVATE SECTOR. ALL

URUGUAYAN PORTS ARE OPERATED BY AND ADMINISTERED THROUGH THE NATIONAL PORT ADMINISTRATION, ANP. MANY PORT SERVICES WERE PRIVATIZED IN 1992. THE OPERATION OF THE MONTEVIDEO PORT CONTAINER TERMINAL, HOWEVER, HAS BEEN IN THE PROCESS OF BEING TENDERED TO A PRIVATE OPERATOR ON A THIRTY-YEAR BUILD OPERATE AND TRANSFER (BOT) CONTRACT SINCE 1996. A STATE ENTERPRISE, OSE, CONTROLS MOST WATER AND SEWAGE SERVICES IN URUGUAY EXCEPT IN SOME RESORT AREAS ON THE ATLANTIC COAST. FIFTY-ONE PERCENT OF THE STATE-OWNED AIRLINE PLUNA WAS SOLD TO THE PRIVATE SECTOR IN 1996. THE INSURANCE AND THE MORTGAGE SECTORS WERE ALSO DEMONOPOLIZED IN 1996. THE PRODUCTION OF ALCOHOL WAS ALSO DEMONOPOLIZED IN 1998.

FOREIGN INVESTORS ARE TREATED AS NATIONALS IN THE PRIVATIZATION/CONCESSION PROGRAMS AND ARE ALLOWED TO PARTICIPATE IN ANY STAGE OF THE PRIVATIZATION/CONCESSION.

CONVERSION AND TRANSFER POLICIES

THERE ARE NO RESTRICTIONS ON THE PURCHASE OF FOREIGN CURRENCY OR REMITTANCE OF PROFITS ABROAD. FOREIGN EXCHANGE CAN BE FREELY OBTAINED.

EXPROPRIATION AND COMPENSATION

IN THE EVENT OF EXPROPRIATION, THE URUGUAYAN CONSTITUTION PROVIDES FOR THE PROMPT PAYMENT OF FAIR COMPENSATION. THERE HAS BEEN NO EXPROPRIATION ACTION TAKEN IN THE RECENT PAST.

DISPUTE SETTLEMENT

THE INVESTOR IS GIVEN THE OPTION OF CHOOSING BETWEEN ARBITRATION AND RECOURSE TO THE COURTS FOR THE SETTLEMENT OF DISPUTES.

URUGUAY IS NOT A MEMBER OF THE ICSID (INTERNATIONAL CENTER FOR THE SETTLEMENT OF INVESTMENT DISPUTES), ALTHOUGH THE GOVERNMENT HAS REQUESTED THAT PARLIAMENT AGREE TO MEMBERSHIP. ONE INVESTMENT DISPUTE INVOLVING A JOINT VENTURE WHICH TURNED SOUR

IS CURRENTLY BEING INVESTIGATED. URUGUAY'S LEGAL SYSTEM IS BASED ON A CIVIL LAW SYSTEM DERIVED FROM THE NAPOLEONIC CODE. THERE ARE EFFECTIVE MEANS FOR ENFORCING PROPERTY AND CONTRACTUAL RIGHTS. THERE IS NO GOVERNMENT INTERFERENCE IN THE COURT SYSTEM. THE JUDICIARY IS INDEPENDENT, BUT SOMETIMES SLOW.

THERE IS BOTH A COMMERCIAL AND A BANKRUPTCY LAW. IN THE CASE OF BANKRUPTCIES, CREDITORS WITH REAL GUARANTEES COLLECT FIRST, FOLLOWED BY STATE-OWNED ENTERPRISES, FOLLOWED BY PRIVATE CREDITORS.

PERFORMANCE REQUIREMENTS/INCENTIVES

THERE ARE NO SPECIFIC PERFORMANCE REQUIREMENTS ON WHICH FOREIGN INVESTMENT IS CONDITIONED. THE CURRENT INVESTMENT LAW DOES NOT PROVIDE PREFERENTIAL TAX DEFERRALS, GRANTS, OR SPECIAL ACCESS TO CREDIT TO FOREIGN INVESTORS. THERE ARE NO DISCRIMINATORY OR EXCESSIVELY ONEROUS VISA, RESIDENCE, OR WORK PERMIT REQUIREMENTS INHIBITING FOREIGN INVESTORS. IMPORT PRICE CONTROLS ARE APPLIED ON TEXTILES.

BY LAW, THE GOVERNMENT HAS ESTABLISHED CERTAIN ASSET, VALUE-ADDED, AND INTERNAL TAX BENEFITS, AS WELL AS SOCIAL SECURITY PAYMENT REDUCTIONS TO CERTAIN ACTIVITIES. ALSO, IT PROVIDES PREFERENTIAL TREATMENT FOR CAPITAL GOODS IMPORTS AND TAX DEFERRAL FOR EXPORTS. NO EXPORT OR IMPORT QUOTAS ARE APPLIED. INVESTMENTS IN SECTORS SUCH AS FORESTRY, HOTELS, AND AGRO-INDUSTRIES ARE SUBJECT TO ADDITIONAL SPECIFIC INCENTIVES.

A GOVERNMENT DECREE ESTABLISHES THAT LOCAL PRODUCTS OR SERVICES OF EQUAL QUALITY, AND NO MORE THAN TEN PERCENT MORE EXPENSIVE THAN FOREIGN GOODS OR SERVICES, SHALL BE GIVEN PREFERENCE IN GOVERNMENT TENDERS.

THERE IS NO REQUIREMENT THAT NATIONALS OWN SHARES, THAT THE SHARE OF FOREIGN EQUITY BE REDUCED OVER TIME, OR THAT TECHNOLOGY BE TRANSFERRED ON CERTAIN TERMS. THERE ARE NO GOVERNMENT-IMPOSED CONDITIONS ON PERMISSION TO INVEST.

U.S. AND OTHER FOREIGN FIRMS ARE ABLE TO PARTICIPATE IN GOVERNMENT FINANCED AND/OR SUBSIDIZED RESEARCH AND DEVELOPMENT PROGRAMS ON A NATIONAL TREATMENT BASIS.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

THERE ARE NO RESTRICTIONS ON PRIVATE OWNERSHIP, THE ESTABLISHMENT OF A BUSINESS AND/OR ON ENGAGING IN ANY FORM OF REMUNERATIVE ACTIVITY, EXCEPT IN AREAS DECLARED TO BE OF NATIONAL SECURITY INTEREST, OR IN WHICH THE GOVERNMENT MAINTAINS A LEGAL MONOPOLY.

PROTECTION OF PROPERTY RIGHTS

SECURED INTERESTS IN PROPERTY, BOTH CHATTEL AND REAL, ARE RECOGNIZED AND ENFORCED. ALTHOUGH URUGUAY ADHERED TO THE WTO TRIPS TREATY ON INTELLECTUAL PROPERTY RIGHTS (TRIPS), THE NATION'S INTELLECTUAL PROPERTY RIGHTS (IPR) REGIME DOES NOT YET MEET INTERNATIONAL TRIPS STANDARDS. THE MOST SERIOUS LACK OF IPR PROTECTION IS THE SPECIFIC EXCLUSION OF PHARMACEUTICALS AND CHEMICAL PRODUCTS FROM PATENT PROTECTION. URUGUAY'S COPYRIGHT LAW DATES TO 1937; THE EXTENT TO WHICH IT PROTECTS COMPUTER SOFTWARE IS SUBJECT TO JUDICIAL INTERPRETATION EACH TIME A CASE IS PRESENTED. DRAFT LAWS ON PATENTS AND COPYRIGHTS ARE BEING DISCUSSED IN PARLIAMENT. USG EXPERTS FIND THAT THE DRAFT PATENT LAW UNDER CONSIDERATION, WHILE A DEFINITE IMPROVEMENT, DOES NOT MEET TRIPS STANDARDS.

URUGUAY IS A MEMBER OF THE WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO) AND A PARTY TO THE BERN CONVENTION, THE UNIVERSAL COPYRIGHT CONVENTION (UCC) AND THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY.

THE GOU APPROVED A TRADEMARK LAW ON SEPTEMBER 25, 1998. THE LAW PUTS INTO PRACTICE ELEMENTS CONTAINED IN THE PARIS CONVENTION AND IN TRIPS THAT WERE NOT BEING IMPLEMENTED IN URUGUAY, AND UPGRADES TRADEMARK LEGISLATION TO TRIPS' STANDARDS. INNOVATIONS IN THE LAW INCLUDE REGISTERING SLOGANS AND NON-GRAPHIC SIGNS, COLLECTIVE AND CERTIFYING TRADEMARKS, ALONG WITH

GEOGRAPHICAL INDICATIONS. THE LAW ALSO CREATES REGISTRIES OF ORIGIN AND OF TRADEMARK LICENSING TOGETHER WITH A NEW OFFICIAL PUBLICATION EXCLUSIVE FOR TRADEMARKS. THE LAW PROVIDES THAT THE REGISTRATION OF A TRADEMARK WILL LAST TEN YEARS AND THAT IT CAN BE RENEWED AS MANY TIMES AS DESIRED. IT ALSO PROVIDES FOR SIX MONTH-TO-THREE YEARS-PRISON PENALTIES TO LAW-BREAKERS. REGISTERING A FOREIGN TRADEMARK WITHOUT PROVING A LEGAL COMMERCIAL CONNECTION WITH THE TRADEMARK IS NO LONGER A POSSIBILITY; ENFORCEMENT OF TRADEMARK RIGHTS IS EXCELLENT.

URUGUAY WAS LISTED IN THE "WATCH LIST" CATEGORY DURING THE 1999 SPECIAL 301 PROCESS DUE TO THESE DIFFICULTIES IN PATENT AND COPYRIGHT PROTECTION.

TRANSPARENCY OF THE REGULATORY SYSTEM

LAWS AND PROCEDURES REGULATING FOREIGN INVESTMENT ARE TRANSPARENT AND STREAMLINED. FROM TIME TO TIME THE GOVERNMENT HAS CREATED A SERIES OF REGULATIONS THAT ALLOWS DEBTORS TO REFINANCE DEBT ON EXTREMELY FAVORABLE TERMS AND CONDITIONS. THIS PRACTICE HAS THE EFFECT OF SUSTAINING INEFFICIENT FIRMS WHICH COMPETE WITH WELL-MANAGED FIRMS.

EFFICIENT CAPITAL MARKET AND PORTFOLIO INVESTMENT

FOREIGN INVESTORS HAVE EASY ACCESS TO CREDIT ON MARKET TERMS IN THE LOCAL MARKET. THE PRIVATE SECTOR HAS ACCESS TO A VARIETY OF CREDIT INSTRUMENTS BUT ACCESS TO LONG TERM CREDITS IN THE BANKING SECTOR MAY BE DIFFICULT. URUGUAYAN ACCOUNTING SYSTEMS ARE TRANSPARENT AND CONSISTENT WITH INTERNATIONAL NORMS.

AS THE STOCK MARKET IS UNDERDEVELOPED, THERE IS NO EFFECTIVE REGULATORY SYSTEM ESTABLISHED TO ENCOURAGE AND FACILITATE PORTFOLIO INVESTMENT NOR ARE THERE "CROSS SHAREHOLDING" OR "STABLE SHAREHOLDER" ARRANGEMENTS USED BY PRIVATE FIRMS TO RESTRICT FOREIGN INVESTMENT.

THERE ARE NO PRACTICES BY PRIVATE FIRMS TO RESTRICT FOREIGN INVESTMENT, PARTICIPATION, OR CONTROL IN/OF DOMESTIC ENTERPRISES.

POLITICAL VIOLENCE

WITHIN THE INSTITUTIONAL MEMORY OF THE EMBASSY, THERE HAVE BEEN NO SIGNIFICANT INCIDENTS INVOLVING POLITICALLY-MOTIVATED DAMAGE TO PROPERTY AND/OR INSTALLATIONS. URUGUAY IS A STABLE DEMOCRACY WHERE RESPECT FOR THE RULE OF LAW IS THE NORM.

CORRUPTION

THERE ARE SPECIFICALLY DESIGNED LAWS TO PREVENT BRIBERY AND OTHER CORRUPT PRACTICES. THE GOVERNMENT HAS TAKEN THE INITIATIVE TO STRENGTHEN THESE LAWS. A LAW ON CORRUPTION IN THE PUBLIC SECTOR WAS APPROVED IN 1998. ACCEPTANCE OF A BRIBE IS A FELONY IN URUGUAY'S PENAL CODE. U.S. FIRMS HAVE NOT IDENTIFIED CORRUPTION AS AN OBSTACLE TO FOREIGN DIRECT INVESTMENT. AS OF JUNE 1999, URUGUAY IS RANKED 42ND IN THE TRANSPARENCY INTERNATIONAL SCALE AMONGST 109 COUNTRIES AND 85 POSITIONS. ON THE SAME SCALE, DENMARK IS RANKED FIRST AND THE U.S. SEVENTEENTH.

SOME FORMER HIGH-LEVEL GOVERNMENT OFFICIALS HAVE BEEN OR ARE UNDER INVESTIGATION FOR ALLEGED BRIBES, CORRUPTION, OR ABUSE OF POWER CHARGES.

BILATERAL INVESTMENT AGREEMENTS

THE GOVERNMENT OF URUGUAY HAS SIGNED INVESTMENT PROTECTION AGREEMENTS WITH CANADA, ITALY, KOREA, POLAND, GREAT BRITAIN, CHINA, GERMANY, SWITZERLAND, THE NETHERLANDS, HUNGARY, ROMANIA, FRANCE AND SPAIN. DOUBLE TAXATION AGREEMENTS HAVE BEEN SIGNED WITH GERMANY, KOREA AND HUNGARY.

URUGUAY HAS SIGNED BILATERAL INVESTMENT TREATIES WITH CHINA, SPAIN, FRANCE, GREAT BRITAIN, CHILE, BELGIUM, LUXEMBOURG, HUNGARY, ITALY, MEXICO, PANAMA, THE NETHERLANDS, POLAND, RUMANIA AND SWITZERLAND. IN ADDITION, BILATERAL INVESTMENT TREATIES WITH THE FOLLOWING COUNTRIES ARE AWAITING PARLIAMENTARY APPROVAL: ISRAEL, MALAYSIA, PORTUGAL, THE CZECH REPUBLIC, SWEDEN, AND VENEZUELA.

URUGUAY DOES NOT HAVE A BILATERAL INVESTMENT TREATY WITH THE UNITED STATES.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

THE URUGUAYAN GOVERNMENT SIGNED AN INVESTMENT INSURANCE AGREEMENT WITH THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) IN DECEMBER 1982. THE AGREEMENT ALLOWS OPIC TO INSURE U.S. INVESTMENTS AGAINST RISKS RESULTING FROM EXPROPRIATION, INCONVERTIBILITY, WAR OR OTHER CONFLICTS AFFECTING PUBLIC ORDER. OPIC PROGRAMS ARE CURRENTLY USED IN URUGUAY.

LABOR

THE URUGUAYAN LABOR FORCE OF SOME 1.5 MILLION IS WELL-EDUCATED AND ADEPT IN THE APPLICATION OF MODERN INDUSTRIAL TECHNIQUES. THE GOVERNMENT HAS INSTITUTED TECHNICAL TRAINING PROGRAMS TO HELP MEET INDUSTRY'S SKILLED LABOR REQUIREMENTS. A LAW APPROVED IN MAY 1998 PROVIDES INCENTIVES FOR COMPANIES WHICH HIRE YOUNG PEOPLE INCLUDING A REDUCTION OF BETWEEN 12 AND 18 PERCENT IN EMPLOYER SOCIAL SECURITY AND HEALTHCARE CONTRIBUTIONS.

THE SOCIAL SECURITY OVERHEAD IN URUGUAY IS HIGH, INCREASING BASIC WAGE COSTS OF AN EMPLOYER BY ALMOST 50 PERCENT. THE SOCIAL SECURITY SYSTEM CURRENTLY ALLOWS FOR RETIREMENT AT AGE 60 FOR BOTH MEN AND WOMEN. DISABLED WORKERS RECEIVE PAYMENT FROM THE GOVERNMENT OF 70 PERCENT OF THEIR SALARIES PLUS FREE MEDICINE AND MEDICAL CARE. THE VALUE OF LOCAL MANUFACTURED GOODS REFLECTS A RELATIVELY HIGH PERCENTAGE OF LABOR CONTENT. LEGISLATED LABOR AND SOCIAL SECURITY BENEFITS ADD SIGNIFICANTLY TO A FIRM'S COST STRUCTURE.

THE COUNTRY'S AVERAGE ANNUAL UNEMPLOYMENT RATE IN 1998 WAS 10.1 PERCENT, DOWN FROM 11.4 PERCENT IN 1997. THE UNEMPLOYMENT RATE WAS HIGHER THAN URUGUAY'S HISTORICAL RATE OVER THE PAST YEARS AS SOME FIRMS WERE EITHER FORCED TO CLOSE DUE TO LACK OF COMPETITIVENESS OR TO TECHNICAL RECONVERSION PROGRAMS IN ORDER TO GAIN EFFICIENCY. AS A RESULT OF HIGH LABOR COSTS AND A RIGID LABOR MARKET, MOST FIRMS RECONVERTING BECAME MORE CAPITAL-INTENSIVE.

URUGUAY HAS THE HIGHEST LITERACY RATE IN LATIN AMERICA AT 97 PERCENT, THE SAME AS IN THE U.S.

ORGANIZED LABOR HAS BEEN DECLINING IN INFLUENCE AND CURRENTLY AN ESTIMATED FIFTEEN PERCENT OF THE WORK FORCE IS UNIONIZED. UNION LEADERS OFTEN ARE RADICAL, ALTHOUGH UNIONS ARE BEGINNING TO RECOGNIZE THAT JOB PROTECTION CAN BE AS IMPORTANT AS WAGE LEVELS. STRIKES AND LABOR-MANAGEMENT CONFLICT HAVE DIMINISHED SLIGHTLY, AND SOME OF THE UNION LEADERSHIP APPEARS TO BE SEEKING METHODS OF COOPERATION AND NEGOTIATION. IN 1998, MAN HOURS LOST TO STRIKES NOSE DIVED BY HALF OVER 1997 FIGURES TO 4.8 MILLION HOURS, COSTING THE ECONOMY ROUGHLY 50 MILLION DOLLARS.

UNIONIZATION IS HIGH IN THE PUBLIC SECTOR (OVER EIGHTY PERCENT) AND VERY LOW IN THE PRIVATE ONE (BELOW FIVE PERCENT). ORGANIZED LABOR HAS TRADITIONALLY RESISTED ANY REGULATION OF ITS ACTIVITIES. THE PERCENTAGE OF EXCLUSIVELY SALARY-MOTIVATED CONFLICTS DECREASED FROM 64 PERCENT BETWEEN 1985-1989 TO 18 PERCENT IN 1996-1997, WHILE THE NUMBER OF NON-SALARY RELATED CONFLICTS INCREASED FROM 0.1 PERCENT TO 15 PERCENT DURING THE SAME PERIOD. IN 1998, MORE THAN TWO-THIRDS OF ALL CONFLICTS TOOK PLACE IN THE PUBLIC SECTOR, MAINLY IN HEALTH AND EDUCATION, AND ALMOST HALF OF THE CONFLICTS HAD A NATIONAL SCOPE.

THE URUGUAYAN CONSTITUTION GUARANTEES WORKERS THE RIGHT TO ORGANIZE AND STRIKE, AND UNION LEADERS ARE PROTECTED BY LAW AGAINST DISMISSAL FOR UNION ACTIVITIES. LABOR UNIONS ARE INDEPENDENT OF GOVERNMENT AND POLITICAL PARTY CONTROL. SYMPATHY STRIKES ARE NOT ILLEGAL. URUGUAY HAS RATIFIED A LARGE NUMBER OF ILO CONVENTIONS PROTECTING WORKER RIGHTS AND GENERALLY ADHERES TO THEIR PROVISIONS.

WORKERS MAY INITIATE A LABOR CLAIM UP TO ONE YEAR AFTER THE LABOR RELATIONSHIP CEASED. CLAIMS CAN ONLY INCLUDE COMPLAINTS WHICH HAPPENED UP TO TWO YEARS PRIOR TO THE TERMINATION OF THE LABOR RELATIONSHIP.

A GOVERNMENT-SPONSORED TRIPARTITE "SOCIAL DIALOGUE" WAS LAUNCHED IN 1997 TO DISCUSS SUBJECTS SUCH AS LABOR FLEXIBILITY, COMPETITIVENESS, PRODUCTIVITY, AND UNION

RIGHTS IN LIGHT OF MERCOSUR INTEGRATION AND THE GLOBALIZATION OF THE WORLD ECONOMY. KEY GOVERNMENT OFFICIALS, REPRESENTATIVES FROM THE INDUSTRIAL SECTOR AND LEADERS OF THE UMBRELLA LABOR FEDERATION (PIT/CNT) HAVE MET SINCE THEN BUT THE "DIALOGUE" HAS BEEN INTERRUPTED, IN SOME CASES FOR UP TO EIGHT MONTHS. THE GOVERNMENT'S STATED GOAL FOR THESE NEGOTIATIONS WAS TO ACHIEVE CONSENSUS ON IMPORTANT SUBJECTS THAT COULD COMPLEMENT ITS ECONOMIC POLICIES AND AVOID LABOR DISPUTES. THIS HAS NOT YET BEEN ACHIEVED.

FOREIGN TRADE ZONES/FREE PORTS

LAW NO. 15,921 OF DECEMBER 17, 1987, REGULATES THE OPERATION OF FREE TRADE ZONES WITHIN THE COUNTRY. THE LAW ALLOWS STORAGE AND WAREHOUSING, MANUFACTURING, AND FINANCIAL, DATA PROCESSING OR OTHER RELATED ACTIVITY TO TAKE PLACE WITHIN FREE TRADE ZONES. STATE-OWNED AND OPERATED, STATE-OWNED BUT PRIVATELY OPERATED, AND PRIVATE SECTOR-OWNED FREE TRADE ZONES ARE LOCATED THROUGHOUT THE COUNTRY. FREE ZONE LOCATIONS INCLUDE COLONIA, NUEVA PALMIRA, SAN JOSE, MONTEVIDEO, FRAY BENTOS, FLORIDA, RIVERA, NUEVA HELVECIA AND LIBERTAD. MERCOSUR REGULATIONS TREAT PRODUCTS MANUFACTURED IN ALL MEMBER-STATE FREE TRADE ZONES AS EXTRA-TERRITORIAL AND THUS MANUFACTURING IN URUGUAYAN FREE TRADE ZONES BY A URUGUAYAN OR FOREIGN FIRM WILL NOT BENEFIT FROM MERCOSUR CUSTOMS UNION ADVANTAGES AND WILL HAVE TO PAY THE MERCOSUR COMMON EXTERNAL TARIFF.

THE FOLLOWING ADVANTAGES ARE GRANTED BY LAW TO BOTH LOCAL AND FOREIGN-OWNED INDUSTRIES OPERATING IN A FREE ZONE:

A. USERS OF FREE TRADE ZONES ARE EXEMPT FROM ALL DOMESTIC TAXES IN EFFECT OR WHICH MAY BE CREATED. THE ONLY TAX NOT COVERED BY THIS EXEMPTION IS THE EMPLOYER CONTRIBUTION TO SOCIAL SECURITY FOR URUGUAYAN EMPLOYEES. URUGUAYANS MUST COMPRISE 75 PERCENT OF THE LABOR FORCE EMPLOYED BY THE USER OF THE ZONE. THE EMPLOYER IS FREE FROM PAYMENT OF SOCIAL SECURITY TAXES FOR NON-URUGUAYAN EMPLOYEES IF THOSE EMPLOYEES WAIVE COVERAGE UNDER THE URUGUAYAN SOCIAL SECURITY.

B. GOODS, SERVICES, PRODUCTS OR RAW MATERIALS OF FOREIGN AND URUGUAYAN ORIGIN MAY BE ENTERED INTO THE ZONES, HELD THERE,

PROCESSED, AND RE-EXPORTED WITHOUT PAYMENT OF URUGUAYAN CUSTOMS DUTIES AND IMPORT TAXES (GOODS OF URUGUAYAN ORIGIN RE-ENTERING INTO FREE ZONES WILL BE TREATED AS URUGUAYAN EXPORTS FOR ALL TAX AND OTHER LEGAL PURPOSES). GOODS ENTERING INTO URUGUAYAN CUSTOMS TERRITORY FROM FREE ZONES ARE SUBJECT TO CUSTOMS DUTIES AND IMPORT TAXES.

C. INDUSTRIAL OR COMMERCIAL GOVERNMENT MONOPOLIES ARE NOT HONORED WITHIN FREE TRADE ZONES.

FOREIGN DIRECT INVESTMENT STATISTICS

FOREIGN DIRECT INVESTMENT (FDI) IN URUGUAY HAS BEEN RELATIVELY LOW. FEW PRIVATIZATIONS HAVE TAKEN PLACE. PRELIMINARY ESTIMATES INDICATE THAT, IN 1998 FDI AMOUNTED TO USD 164 MILLION. IN 1997, IT AMOUNTED TO USD 160 MILLION (100 MILLION OF FDI AND 60 MILLION OF FOREIGN INVESTMENT IN REAL ESTATE). SINCE 1992, THE INVESTMENT FLOW HAS BEEN STABLE AT AROUND USD 150 MILLION PER YEAR. THE ACCUMULATED STOCK (SINCE 1992) AMOUNTS TO USD 1.26 BILLION (837 MILLION OF FDI AND 425 MILLION OF REAL ESTATE INVESTMENT, MAINLY IN THE SEASIDE RESORT OF PUNTA DEL ESTE). THESE OFFICIAL FIGURES UNDERESTIMATE THE REAL INVESTMENT, AS THEY DO NOT INCLUDE ANY INVESTMENT IN THE FREE ZONES NOR PRIVATE FINANCIAL SECTOR INVESTMENTS.

IN 1997, FDI FLOW ACCOUNTED FOR LESS THAN 1 PERCENT OF GDP AND AS OF 1997, FDI ACCUMULATED STOCK (SINCE 1992) ACCOUNTED FOR 6 PERCENT OF GDP.

IN 1996, THE LAST YEAR FOR WHICH THIS INFORMATION IS AVAILABLE, THE MAIN INVESTING COUNTRIES WERE CANADA (USD 27 MILLION), ITALY (USD 15 MILLION), AND THE UK, THE NETHERLANDS & FINLAND (USD 15 MILLION). THE U.S. INVESTED ONLY USD 4 MILLION. URUGUAY DOES NOT INVEST ABROAD TO ANY SIGNIFICANT DEGREE.

ALTHOUGH OFFICIAL FIGURES ON INVESTMENT BY SECTOR ARE NOT AVAILABLE, DURING THE LAST FEW YEARS, THE PRINCIPAL DESTINATIONS OF MOST FOREIGN INVESTMENT HAVE BEEN IN CONSTRUCTION (HOTELS, OFFICE BUILDINGS, & INFRASTRUCTURE), MINING, FAST FOOD SERVICES, AND FORESTRY-RELATED ACTIVITIES INCLUDING THE CONSTRUCTION OF PAPER-PRODUCING PLANTS

AS FOREIGN INVESTORS ARE NOT REQUIRED TO REGISTER THEIR INVESTMENT AND FEW OFFICIAL RECORDS ARE KEPT, ALL FDI FIGURES ARE BEST-AVAILABLE ESTIMATES.

HOST COUNTRY CONTACT INFORMATION FOR INVESTMENT-RELATED INQUIRIES

URUGUAY XXI
DIRECCION DE PROMOCION DE EXPORTACIONES E INVERSIONES
PLAZA INDEPENDENCIA 831, OF. 611
MONTEVIDEO, URUGUAY
TEL: (5982) 900-2912 / 900-0318; FAX: (5982) 900-8298
E-MAIL: URUXXI@ADINET.COM.UY; WEB PAGE: WWW.URUGUAYXXI.GUB.UY

CHAPTER VIII. TRADE AND PROJECT FINANCING

BRIEF DESCRIPTION OF BANKING SYSTEM

URUGUAY'S BANKING SYSTEM IS SOUND. THE DELINQUENCY RATE IS APPROXIMATELY 6 PERCENT AND THE RATIO OF UNPAID CREDIT/OVERALL CREDIT IN THE PRIVATE BANKING SYSTEM IS LESS THAN 2 PERCENT. BOTH FIGURES ARE LOW BY INTERNATIONAL STANDARDS. IN 1998, THE CENTRAL BANK IMPOSED INCREASED PRUDENTIAL MEASURES TO THE BANKING SYSTEM AND CREDIT GROWTH (ESPECIALLY TO CONSUMPTION), STARTED TO SLOW DOWN.

THE PRIVATE COMMERCIAL BANKING SYSTEM IS COMPOSED OF 21 BANKS, 10 FINANCIAL INSTITUTIONS, 11 OFF-SHORE BANKS, AND SIX SAVINGS AND LOANS ORGANIZATIONS. THEY JOINTLY SUPPLY ABOUT HALF OF OVERALL BANKING CREDIT TO THE PRIVATE SECTOR. THE PRIVATE BANKING SECTOR BASICALLY PROVIDES URUGUAY'S PRIVATE SECTOR WITH SHORT-TERM, DOLLAR-DENOMINATED CREDIT. IT ALSO RECEIVES FROM THE PRIVATE SECTOR MAINLY DOLLAR-DENOMINATED DEPOSITS (FYI: ALMOST NINETY PERCENT OF THE PRIVATE SECTOR'S DEPOSITS IN THE PRIVATE COMMERCIAL BANKING SYSTEM ARE DOLLAR-DENOMINATED.)

URUGUAY HAS TRADITIONALLY RECEIVED DEPOSITS IN TIMES OF REGIONAL FINANCIAL TURMOIL. NON-RESIDENTS' DEPOSITS ACCOUNT FOR 40 PERCENT OF OVERALL DEPOSITS.

OFFSHORE FINANCIAL INSTITUTIONS OPERATE WITH LIMITED FUNCTIONS -- THEY MAY NEITHER ACCEPT RESIDENT DEPOSITS NOR OFFER CHECKING ACCOUNT SERVICES. THEY ENGAGE PRIMARILY IN INTERMEDIATING FOREIGN CURRENCY DENOMINATED FUNDS FROM ABROAD IN THE DOMESTIC FINANCIAL MARKET.

THE PUBLIC BANKING SYSTEM IS COMPRISED OF THREE BANKS: THE CENTRAL BANK, THE BANCO DE LA REPUBLICA ORIENTAL DEL URUGUAY, AND THE BANCO HIPOTECARIO DEL URUGUAY.

THE CENTRAL BANK OF URUGUAY (BCU) IS CHARGED WITH THE RESPONSIBILITY FOR FORMULATING AND EXECUTING MONETARY AND CREDIT POLICIES, SUPERVISING AND CONTROLLING THE BANKING SYSTEM, ISSUING CURRENCY, AND MANAGING INTERNATIONAL RESERVES. THE BCU IS NOT INDEPENDENT FROM THE GOVERNMENT IN OFFICE.

THE BANK OF THE REPUBLIC OF URUGUAY (BROU) IS A MULTI-PURPOSE GOVERNMENT-OWNED BANK AND THE LARGEST CREDIT INSTITUTION IN URUGUAY. THE BANK RECEIVES ROUGHLY ONE-THIRD OF OVERALL DEPOSITS FROM THE PRIVATE SECTOR AND GIVES OUT ALMOST 40 PERCENT OF OVERALL CREDITS TO THE PRIVATE SECTOR.

THE BANCO HIPOTECARIO DEL URUGUAY IS THE LARGEST MORTGAGE BANK IN URUGUAY AND THE PRINCIPAL INTERMEDIARY OF MEDIUM AND LONG-TERM FUNDS FOR HOUSING IN THE COUNTRY. A 1996 LAW ALLOWS PRIVATE BANKS TO COMPETE WITH THE BANCO HIPOTECARIO.

FOREIGN EXCHANGE CONTROLS AFFECTING TRADING

THERE ARE NO FOREIGN EXCHANGE CONTROLS WHICH SIGNIFICANTLY AFFECT TRADING.

GENERAL AVAILABILITY OF FINANCING

MAJOR PROJECT FINANCING IS PROVIDED BY SUCH AGENCIES AS THE WORLD BANK, THE INTER-AMERICAN DEVELOPMENT BANK AND THE EXIM BANK. FOREIGN INVESTORS ALSO HAVE READY ACCESS TO LOCAL FINANCING SOURCES SUCH AS THE BANCO DE LA REPUBLICA AND OTHER BANKS, GOVERNMENT SECURITIES AND THE USE OF REPATRIATED FUNDS. DEBT-EQUITY SWAP ARRANGEMENTS ARE ALSO IN USE.

HOW TO FINANCE EXPORTS/METHODS OF PAYMENT

U.S. EXPORTS ARE GENERALLY FINANCED BY THE INTERNATIONAL BANKING DEPARTMENTS OF MAJOR U.S. BANKS, EXIM, OPIC, AND THE SMALL BUSINESS ADMINISTRATION. EXPORTS ARE USUALLY FINANCED THROUGH EXPORT LETTERS OF CREDIT, SALES ON OPEN ACCOUNT OR DRAFTS ON FOREIGN BUYERS.

TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE

THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) OFFERS INVESTORS INSURANCE AGAINST CURRENCY INCONVERTIBILITY, DAMAGE OR INTERRUPTION OF OPERATIONS FROM WAR, EXPROPRIATION AND POLITICAL RISK. OPIC ALSO PROVIDES U.S. LENDERS WITH PROTECTION AGAINST BOTH COMMERCIAL AND POLITICAL RISK BY GUARANTEEING REPAYMENT OF PRINCIPAL AND INTEREST ON LOANS MADE TO ELIGIBLE INVESTORS.

PROJECT FINANCING AVAILABLE, INCLUDING LENDING FROM MULTILATERAL INSTITUTIONS AND TYPES OF PROJECTS SUPPORTED

SOME OF THE MAJOR SOURCES OF PROJECT FINANCING INCLUDE:

A. EXPORT-IMPORT BANK (EXIMBANK): EXIMBANK PROVIDES U.S. EXPORTERS WITH SEVERAL FINANCING PROGRAMS INCLUDING WORKING CAPITAL GUARANTEES, EXPORT CREDIT INSURANCE, COMMERCIAL BANK GUARANTEES, MEDIUM-TERM CREDITS, SMALL BUSINESS CREDITS, DIRECT LOANS TO FOREIGN PURCHASERS, AND FINANCIAL GUARANTEES. FURTHER INFORMATION ON EXIMBANK'S PROGRAMS MAY BE OBTAINED AT 1-800-565-EXIM. EXIM'S URUGUAY DESK OFFICER, VERONIQUE CAVAILLIER, MAY BE CONTACTED BY PHONE AT 202-565-3913, FAX: 202-565-3931, E-MAIL: VERONIQUE.CAVAILLIER@EXIM.GOV.

B. OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC): OPIC'S PROGRAMS INCLUDE LOANS AND LOAN GUARANTEES, INVESTMENT FUNDS, AND POLITICAL RISK INSURANCE (CURRENCY INCONVERTIBILITY, EXPROPRIATION, AND POLITICAL VIOLENCE). OPIC MAY BE CONTACTED AT 202-336-8799.

C. COMMODITY CREDIT CORPORATION (CCC): THE CCC FINANCES EXPORTS OF U.S. AGRICULTURAL COMMODITIES. THE CCC MAY BE REACHED AT 202-447-4274.

D. SMALL BUSINESS ADMINISTRATION (SBA): SBA'S EXPORT REVOLVING LINE OF CREDIT LOAN HELPS SMALL BUSINESSES EXPORT THEIR PRODUCTS. SBA MAY BE CONTACTED AT 202-653-7794.

E. WORLD BANK AND INTER-AMERICAN DEVELOPMENT BANK: BOTH THESE BANKS OFFER PROGRAMS WHICH ALLOW U.S. COMPANIES TO COMPETE IN INTERNATIONAL MAJOR INFRASTRUCTURE PROJECTS. THE PUBLIC INFORMATION CENTERS OF BOTH BANKS MAY BE CONTACTED THROUGH 202-458-5454 AND 202-623-2096 RESPECTIVELY.

SEVERAL STATES ALSO HAVE THEIR OWN EXPORT FINANCING PROGRAMS.

TYPES OF PROJECTS RECEIVING FINANCING SUPPORT

MOST GOVERNMENT TENDERS RECEIVE FINANCING SUPPORT.

LIST OF BANKS WITH CORRESPONDENT U.S. BANKING ARRANGEMENTS

U.S. BANKS OPERATING IN URUGUAY INCLUDE THE:
AMERICAN EXPRESS BANK (TEL: 5982-916-0092, FAX: 5982-916-2245; E-MAIL: AEBURUGUAYA@AEXP.COM), CITIBANK (TEL: 5982-915-5687; FAX: 5982-916-0645; WEB: WWW.CITIBANK.COM/URUGUAY), BANKBOSTON (TEL: 5982-916-0076; FAX: 916-2209), AND THE REPUBLIC NATIONAL BANK OF NEW YORK (TEL: 5982-915-3393; FAX: 5982-916-0125).

CHAPTER IX. BUSINESS TRAVEL

BUSINESS CUSTOMS

BUSINESS DRESS AND APPEARANCE, AS WELL AS ONE'S GENERAL APPROACH TO BUSINESS RELATIONS, SHOULD BE VERY CONSERVATIVE. AN ADVANCE APPOINTMENT FOR A BUSINESS VISIT IS USUALLY NECESSARY AND CONSIDERED CUSTOMARY COURTESY. PUNCTUALITY IS OBSERVED. TYPICALLY, BUSINESS IS DISCUSSED AFTER SOCIAL AMENITIES. BUSINESS COCKTAILS AND LUNCHESES ARE COMMON. AT SUCH MEETINGS, PERSONAL MATTERS SHOULD NOT BE DISCUSSED ON YOUR INITIATIVE. BUSINESS BREAKFASTS, WHILE NOT UNHEARD OF, ARE NOT COMMON.

TRAVEL ADVISORY AND VISAS

U.S. CITIZENS NEED A VALID AMERICAN PASSPORT, BUT VISAS ARE NOT REQUIRED FOR HOLDERS OF REGULAR PASSPORTS. THOSE TRAVELING ON DIPLOMATIC OR OFFICIAL PASSPORTS MUST HAVE A VALID VISA IN ADDITION TO THE PASSPORT.

BUSINESS AND TOURIST STAYS ARE LIMITED TO 90 DAYS AND MAY BE EXTENDED FOR AN ADDITIONAL 90 DAYS.

NO INOCULATIONS ARE CURRENTLY NECESSARY FOR ENTRY. INTERNATIONAL TRAVELERS ARE ADVISED TO CONTACT THEIR LOCAL PUBLIC HEALTH DEPARTMENT, PHYSICIAN OR TRAVEL AGENT AT LEAST TWO WEEKS PRIOR TO DEPARTURE TO OBTAIN CURRENT INFORMATION ON HEALTH REQUIREMENTS.

HOLIDAYS

JAN. 01 NEW YEAR'S DAY
JAN. 06 EPIPHANY
FEB/MAR. TWO DAYS FOR CARNIVAL (6 WEEKS BEFORE HOLY WEEK)
MAR/APR. FIVE DAYS FOR HOLY WEEK (DATES VARY FROM YEAR TO YEAR)
APR. 19 LANDING DAY OF THE 33 "ORIENTALES"
MAY 01 LABOR DAY
MAY 18 BATTLE OF LAS PIEDRAS
JUN. 19 BIRTHDAY OF ARTIGAS

JUL. 18 CONSTITUTION DAY
AUG. 25 INDEPENDENCE DAY
OCT. 12 COLUMBUS DAY
NOV. 02 ALL SAINTS DAY
DEC. 25 CHRISTMAS

NOTE: SOME HOLIDAYS, WHEN FALLING ON A TUESDAY, WEDNESDAY, OR THURSDAY, ARE TRANSFERRED TO THE PRECEDING MONDAY OR FOLLOWING FRIDAY.

WORK WEEK

NORMAL BUSINESS HOURS ARE MONDAY THROUGH FRIDAY 09:00 - 19:00. BANKS OPEN TO THE PUBLIC MONDAY THROUGH FRIDAY FROM 13:00 TO 17:00. COMMERCIAL SHOPS ARE ALSO OPEN ON SATURDAYS FROM 09:00 TO 13:00. SHOPS IN THE SHOPPING CENTERS ARE OPEN EVERY DAY FROM 09:00 UNTIL 22:00.

BUSINESS INFRASTRUCTURE

INTERNATIONAL TELEPHONE AND FAX SERVICE IS EFFICIENT THOUGH EXPENSIVE. URUGUAY'S PHONE SYSTEM IS FULLY DIGITIZED. THERE IS WIDESPREAD USE OF CELLULAR PHONES. INTERNATIONAL PHONE CARDS WITH "DIAL-USA" FEATURES, SUCH AS ATT, MCI AND SPRINT ARE ACCEPTED.

A COUPLE OF FIVE-STAR CATEGORY HOTELS IN MONTEVIDEO HAVE BEEN RECENTLY INAUGURATED, ALTHOUGH THE LEADING HOTEL IN TOWN IS IN A DANGEROUS SECTION OF THE CITY. THERE ARE TWO U.S.-MANAGED HOTELS IN MONTEVIDEO AND (TWO MORE ARE EXPECTED TO OPEN LATER IN 1999) AND TWO IN THE SEASIDE RESORT OF PUNTA DEL ESTE.

SEVERAL AIRLINES HAVE SERVICE TO MONTEVIDEO'S CARRASCO INTERNATIONAL AIRPORT FROM EUROPE, AND OTHER PARTS OF LATIN AMERICA. THERE ARE CURRENTLY TWO U.S.-CARRIER DAILY FLIGHTS TO AND FROM THE U.S. (WITH A THIRD POSSIBLE IN THE FUTURE). INTERNAL TRANSPORTATION IS MAINLY BY CAR OR BUS. THERE IS VERY LIMITED INTERNAL PASSENGER RAILWAY SERVICE AND NO INTERNAL AIRLINE SERVICE OTHER THAN

PRIVATELY CHARTERED. WITHIN MONTEVIDEO, BUS AND TAXI SERVICES ARE EXTENSIVE AND INEXPENSIVE.

URUGUAY OBSERVES STANDARD TIME. THIS IS THREE HOURS BEHIND GREENWICH MEAN TIME, TWO HOURS AHEAD OF EASTERN STANDARD TIME, AND ONE HOUR AHEAD OF EASTERN DAYLIGHT TIME.

ELECTRICAL CURRENT IS ALTERNATING 50 CYCLE, 220 VOLTS, SINGLE AND TRIPLE PHASE. SPECIALLY REQUESTED ELECTRIC POWER SUPPLY TO INDUSTRY MAY BE THREE-PHASE, 380 OR 415 VOLTS, 50 CYCLES.

TEMPORARY ENTRY OF GOODS

THERE ARE NO RESTRICTIONS ON THE TEMPORARY ENTRY OF BUSINESS-RELATED EQUIPMENT. REFUNDABLE DEPOSITS MAY BE REQUIRED, PAYABLE AT THE POINT OF ENTRY.

U.S. BUSINESS TRAVELERS ARE ENCOURAGED TO OBTAIN A COPY OF THE "KEY OFFICERS OF FOREIGN SERVICE POSTS: GUIDE FOR BUSINESS REPRESENTATIVES" AVAILABLE FOR SALE BY THE SUPERINTENDENT OF DOCUMENTS, U.S. GOVERNMENT PRINTING OFFICE, WASHINGTON, D.C. 20402. TEL: (202) 512-1800; FAX: (202) 512-2250. BUSINESS TRAVELERS TO URUGUAY SEEKING APPOINTMENTS WITH U.S. EMBASSY MONTEVIDEO OFFICIALS SHOULD CONTACT THE COMMERCIAL SECTION IN ADVANCE. THE COMMERCIAL SECTION CAN BE REACHED BY TELEPHONE AT (5982) 408-7777 EXT. 2325, FAX (5982) 408-8581, OR E-MAIL AT MONTEVIDEO.OFFICE.BOX@MAIL.DOC.GOV.

CHAPTER X. ECONOMIC AND TRADE STATISTICS

APPENDIX A: COUNTRY DATA

POPULATION: 1998 - 3.2 MILLION
POPULATION GROWTH RATE ESTIMATED YEARLY AVERAGE 1985-98:
0.57 PERCENT

RELIGIONS: ROMAN CATHOLIC 66 PERCENT, PROTESTANT 2 PERCENT, JEWISH 2 PERCENT, NON-PROFESSING OR OTHER 30 PERCENT

GOVERNMENT SYSTEM: URUGUAY IS A DEMOCRATIC REPUBLIC WITH THREE SEPARATE GOVERNMENT BRANCHES: A) THE EXECUTIVE BRANCH MADE UP OF THE PRESIDENT AND TWELVE CABINET MINISTERS; B) THE LEGISLATIVE BRANCH, A BICAMERAL SYSTEM WITH A 30-MEMBER SENATE AND 99-MEMBER CHAMBER OF DEPUTIES; AND, C) THE JUDICIARY COMPOSED OF THE SUPREME COURT, LOWER COURTS, AND JUSTICES OF THE PEACE.

LANGUAGE: SPANISH

WORK WEEK: MAXIMUM 48 HOURS

APPENDIX B: DOMESTIC ECONOMY

(USD MILLIONS, EXCEPT WHERE NOTED)

	SOURCE OF DATA	1997	1998	1999 PROJ.
GDP	2/3	20,000	20,800	20,280
GDP GROWTH RATE (PERCENT)	2/3	5.1	4.5	- 2.5
GDP PER CAPITA (USD)	2/3	6,200	6,600	6,340
CENTRAL GOVERNMENT SPENDING AS PERCENT OF GDP	2/3	22	22	23
INFLATION (PERCENT)	1/3	15.2	8.6	4-5
UNEMPLOYMENT (PERCENT)	1/3	11.5	10.1	11-12
FOREIGN EXCHANGE RESERVES	2/3	2,205	2,427	2,100
AVERAGE EXCHANGE FOR USD 1.00	2/3	9.45	10.47	11.3

NET FOREIGN DEBT	2/3	2,928	2,998	3,350
DEBT SERVICE RATIO (SHARE OF GDP, PERCENT)	2/3	5.2	5.8	6.5
U.S. ECONOMIC ASSISTANCE	4	0.2	1.2	N/A
U.S. MILITARY ASSISTANCE	4			
EXCESS DEFENSE ARTICLES		0.6	6.1	1.8
GRANTS		0.3	0.8	0.8

APPENDIX C: TRADE

TRADE (USD MILLIONS, EXCEPT WHERE NOTED)

		SOURCE OF DATA	1997	1998	1999 PROJ.
TOTAL COUNTRY EXPORTS (FOB)	2/3		2,793	2,832	2,266
TOTAL COUNTRY IMPORTS (FOB)	2/3		3,497	3,594	3,055
EXPORTS TO U.S. (FOB)	2/3		161	158	134
IMPORTS FROM U.S. (CIF)	2/3		432	460	414

SOURCES OF DATA:

- 1 -NATIONAL INSTITUTE OF STATISTICS (INE)
- 2 -CENTRAL BANK OF URUGUAY (CB)
- 3 -EMBASSY COMPUTATIONS BASED ON CB DATA, GOU ECONOMIC PROGRAM SUBMITTED TO I.M.F AND ESTIMATES
- 4 -EMBASSY OFFICES

APPENDIX D: INVESTMENT STATISTICS

FOREIGN DIRECT INVESTMENT (FDI) IN URUGUAY HAS BEEN RELATIVELY LOW. FEW PRIVATIZATIONS HAVE TAKEN PLACE. PRELIMINARY ESTIMATES INDICATE THAT, IN 1998 FDI AMOUNTED TO USD 164 MILLION. IN 1997, IT HAD AMOUNTED TO USD 160 MILLION (100

MILLION OF FDI AND 60 MILLION OF FOREIGN INVESTMENT IN REAL ESTATE). SINCE 1992, THE INVESTMENT FLOW HAS BEEN STABLE AT AROUND USD 150 MILLION PER YEAR. THE ACCUMULATED STOCK (SINCE 1992) AMOUNTS TO USD 1.26 BILLION (837 MILLION OF FDI AND 425 MILLION OF REAL ESTATE INVESTMENT, MAINLY IN THE SEASIDE RESORT OF PUNTA DEL ESTE). THESE OFFICIAL FIGURES UNDERESTIMATE THE REAL INVESTMENT, AS THEY DO NOT INCLUDE ANY INVESTMENT IN THE FREE ZONES NOR PRIVATE FINANCIAL SECTOR INVESTMENTS.

IN 1997, FDI FLOW ACCOUNTED FOR LESS THAN 1 PERCENT OF GDP AND AS OF 1997, FDI ACCUMULATED STOCK (SINCE 1992) ACCOUNTED FOR 6 PERCENT OF GDP.

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ALTHOUGH OFFICIAL FIGURES ON INVESTMENT BY SECTOR ARE NOT AVAILABLE, DURING THE LAST FEW YEARS, THE PRINCIPAL DESTINATIONS OF MOST FOREIGN INVESTMENT HAVE BEEN IN CONSTRUCTION (HOTELS, OFFICE BUILDINGS, & INFRASTRUCTURE), MINING, FAST FOOD SERVICES, AND FORESTRY-RELATED ACTIVITIES INCLUDING THE CONSTRUCTION OF PAPER-PRODUCING PLANTS

AS FOREIGN INVESTORS ARE NOT REQUIRED TO REGISTER THEIR INVESTMENT AND FEW OFFICIAL RECORDS ARE KEPT, ALL FDI FIGURES ARE BEST-AVAILABLE ESTIMATES.

CHAPTER XI. U.S. AND COUNTRY CONTACTS

APPENDIX E: U.S. AND COUNTRY CONTACTS

U.S. EMBASSY TRADE RELATED CONTACTS:

AMERICAN CHAMBER OR BILATERAL BUSINESS COUNCILS

JORGE LEPRA, PRESIDENT

AMERICAN CHAMBER OF COMMERCE
PLAZA INDEPENDENCIA 831, OF. 209
TEL: (5982) 908-9186
FAX: (5982) 908-9187
E-MAIL AMCHAMURU@ZFM.COM

RUPERT COATES, PRESIDENT
ASOCIACION PRO-INTENSIFICACION DEL COMERCIO URUGUAY-
ESTADOS UNIDOS
APICUE
RINCON 454, OF. 520.
TEL: (5982) 915-1807; FAX: (5982) 915-7982

COUNTRY TRADE OR INDUSTRY ASSOCIATIONS IN KEY SECTORS

CR. RODOLFO MERZARIO, PRESIDENT
UNION OF EXPORTERS
RINCON 454, PISO 2
MONTEVIDEO, URUGUAY
TEL: (5982) 915-6050; FAX: (5982) 916-1117

GUALBERTO ROCCO, PRESIDENT
CHAMBER OF INDUSTRIES
AV. LIBERTADOR LAVALLEJA 1672
MONTEVIDEO, URUGUAY
TEL: (5982) 901-5000; FAX: (5982) 902-2567

VICTOR ANGENSCHIEDT, PRESIDENT
URUGUAYAN CHAMBER OF COMMERCE
RINCON 454
MONTEVIDEO, URUGUAY
TEL: (5982) 916-1277; FAX: (5982) 916-1243

COUNTRY GOVERNMENT OFFICES RELATING TO KEY SECTORS AND/OR
SIGNIFICANT TRADE RELATED ACTIVITIES

MINISTRY OF INDUSTRY, ENERGY, AND MINING
RINCON 747
MONTEVIDEO, URUGUAY
TEL: (5982) 900-0231; FAX: (5982) 902-1245

MINISTRY OF ECONOMY AND FINANCE

COLONIA 1089, PISO 3
MONTEVIDEO, URUGUAY
TEL: (5982) 902-1017; FAX: (5982) 901-3820

MINISTRY OF TOURISM
AV. DEL LIBERTADOR 1409, PISO 4-6
MONTEVIDEO, URUGUAY
TEL: (5982) 900-4148; FAX: (5982) 902-1624

MINISTRY OF TRANSPORT AND PUBLIC WORKS
RINCON 561
MONTEVIDEO, URUGUAY
TEL: (5982) 915-7386; FAX: (5982) 916-2893

MINISTRY OF AGRICULTURE AND FISHING
CONSTITUYENTE 1476
MONTEVIDEO, URUGUAY
TEL: (5982) 408-2256; FAX: (5982) 409-9623

COUNTRY MARKET RESEARCH FIRMS

AIM/BURKE-ADD
COLONIA 933, PISO 4
MONTEVIDEO, URUGUAY
TEL: (5982) 902-6470; FAX: (5982) 902-1911

COOPERS AND LYBRAND
TREINTA Y TRES 1374, PISO 5
MONTEVIDEO, URUGUAY
TEL: (5982) 916-0820; FAX: (5982) 916-3381

EQUIPOS CONSULTORES
BULEVAR ARTIGAS 1098
MONTEVIDEO, URUGUAY
TEL: (5982) 707-2698; FAX: (5982) 708-6599

ERNST AND YOUNG
18 DE JULIO 984, PISO 4
MONTEVIDEO, URUGUAY
TEL: (5982) 902-3147; FAX: (5982) 902-1331

OIKOS CONSULTORA

SORIANO 898, ESC. 401
MONTEVIDEO, URUGUAY
TEL: (5982) 900-1504; FAX: (5982) 901-3975

MONTALDO Y ASOCIADOS
18 DE JULIO 841, ESC. 301
MONTEVIDEO, URUGUAY
TEL: (5982) 902-0944; FAX: (005982) 902-1716

COUNTRY COMMERCIAL BANKS

COMMERCIAL BANKS OPERATING IN URUGUAY INCLUDE:

THE AMERICAN EXPRESS BANK (TEL: 5982-916-0092, FAX: 5982-916-2245; E-MAIL: AEBURUGUAYA@AEXP.COM),

CITIBANK (TEL: 5982-915-5687; FAX: 5982-916-0645),

BANKBOSTON (TEL: 5982-916-0076; FAX: 5982-916-2209), AND
THE

REPUBLIC NATIONAL BANK OF NEW YORK (TEL: 5982-915-3393;
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CHAPTER XII. MARKET RESEARCH AND TRADE EVENTS

APPENDIX E. MARKET RESEARCH

THE EMBASSY DOES NOT PREPARE COMPLETE MARKET RESEARCH REPORTS BUT CAN ARRANGE WITH A PRIVATE CONTRACTOR TO DO SO AT A CLIENT'S REQUEST. THE EMBASSY, HOWEVER, REPORTS INTERNATIONAL MARKET INSIGHTS (IMI) ON AN AD HOC BASIS TO THE U.S. DEPARTMENT OF COMMERCE'S NATIONAL TRADE DATA BANK. SUBJECTS CURRENTLY REPORTED INCLUDE ENERGY SECTOR OVERVIEW, INVESTMENT CLIMATE, AIRPORT CONSTRUCTION

PROJECT, DIAGNOSTIC/ELECTRONIC MEDICAL EQUIPMENT, TRUCK PURCHASING, TRAVEL CONDITIONS, BRIDGE CONSTRUCTION PROJECTS, ECONOMIC TRENDS, THERMAL POWER PROJECTS, ROAD INFRASTRUCTURE DEVELOPMENTS, MERCOSUR AUTOMOBILE UPDATE, AND DREDGING OF RIVERS. A COMPLETE LIST OF MARKET RESEARCH IS AVAILABLE ON THE NTDB. THE EMBASSY ALSO PREPARES INDUSTRY SECTOR ANALYSES (ISA) ON THE FOLLOWING GROWTH SECTORS WHICH ARE BEST PROSPECTS FOR U.S. EXPORTERS: FORESTRY, MEDICAL EQUIPMENT, AGRO-INDUSTRIES AND TOURISM.

APPENDIX F. TRADE EVENT SCHEDULE

U.S. FIRMS INTERESTED IN PARTICIPATING IN FAIRS IN URUGUAY SHOULD CONTACT THE EMBASSY'S COMMERCIAL SECTION (TEL: 5982-408-7777- EXT. 2325) OR CONSULT THE EXPORT PROMOTION CALENDAR ON THE NTDB OR THE NEAREST DEPARTMENT OF COMMERCE DISTRICT OFFICE FOR THE LATEST INFORMATION OR TO ARRANGE INDIVIDUAL TRADE PROGRAMS.