SUMMARY

1. During the period under review, Uruguay implemented policies geared towards ensuring macroeconomic stability. Between 2011 and 2017, the country experienced economic growth in keeping with its potential growth, with an average annual increase in real GDP of about 3%. From 2011 to 2014, GDP growth was backed by strong domestic demand as well as a benign external environment, characterized by high international prices for agricultural raw materials. In 2015 and 2016 GDP growth was weak owing to the fall in domestic demand which, in its turn, was partly due to the erosion of the population's purchasing power as a result of the depreciation of the Uruguayan peso. Net exports compensated only partly for the decline in domestic demand. In 2017, GDP growth began to recover, largely thanks to the increase in exports of both goods (soya, meat, rice) and services (tourism).

2. Uruguay's per capita GDP is one of the highest in Latin America: in 2017 it had reached close to US$17,000, with a relatively equitable distribution of income. The poverty rate has fallen in recent years, from 18.5% in 2010 to 9.4% in 2016. However, though the economy grew during the review period, the unemployment rate increased, from 6.3% in 2011 to 8.1% during the third quarter of 2017. This was partly due to an increase in the activity rate, as well as to the fact that the most dynamic sectors of the economy over the past few years have been the least labour-intensive sectors.

3. During most of the review period, Uruguay's fiscal policy has been expansive. While current expenditure in low priority areas was kept under control, it increased in key areas such as education, health and social security. Although fiscal targets were set with a view to gradually reducing the fiscal deficit, those targets have been breached. In 2016, the consolidated public sector deficit stood at 3.9% of GDP, falling to 3.5% in 2017 with the increase in revenue. The authorities are confident that the further revenue increases resulting from the higher business and personal income taxes introduced in 2016 will help to reduce the fiscal deficit to 2.5% of GDP in 2019. At 31 December 2017, the gross debt of the consolidated public sector stood at 65% of GDP, while the net debt totalled only 28% of GDP owing to the high level of assets held by the public sector.

4. The main objective of Uruguay's monetary policy is to maintain price stability. To that end, Uruguay has adopted an inflation-targeting regime with a range for the consumer price index (CPI) currently set at 3% to 7%. Although inflation spent most of the period slightly above the upper band of the target range, in 2017 it remained within the range at 6.6%. Uruguay operates a floating exchange rate policy, with interventions in the market to moderate volatility. During the period under review, the Uruguayan peso depreciated in both nominal and real effective terms – in the latter case by about 27% from the start of 2011 until end-2016. Nonetheless, in 2017, the domestic currency appreciated by 1.5% relative to its year-earlier level.

5. Uruguay's balance of payments ran a current account deficit until 2015. Surpluses of 0.8% and 1.6% of GDP respectively were recorded in 2016 and 2017 thanks to a greater surplus in the balance of trade in goods. The balance of trade in goods and services was positive throughout the review period.

6. International trade is extremely important for Uruguay, although its overall volume declined relative to GDP during the period under review. The sum of merchandise exports and imports was equivalent to 30.8% of GDP in 2017, compared to 38.9% in 2011. Uruguay's exports continue to consist mainly of commodities, chiefly food, wood and agricultural raw materials. Bovine meat and oilseeds remain the leading export products, accounting for 21.4% and 15.6% of the 2017 total, respectively. Manufacturing saw its share of total exports decline from 31% in 2011 to 27% in 2017. On the import side, the share of manufactures increased over the review period, while imports of mineral products declined. The main import items in 2017 were machinery and electrical appliances (18.9% of the total), chemical products (14.3%), mineral products (13.0%) and transport equipment (10.8%).

7. Uruguay's exports to its partners in the Southern Common Market (MERCUSOR) declined during the review period, although they still accounted for 23.7% of the total in 2017 compared to 30% in 2011. China overtook Brazil to become Uruguay's leading export destination in 2017, absorbing 18.8% of the total compared to Brazil's 16.5%. The European Union's share fell

from 15% in 2011 to 11% in 2017, while exports to the United States increased from 3.3% of the total in 2011 to 5.7% in 2017. On the import side, Brazil and Argentina lost market share, accounting for 19.5% and 12.6% of Uruguay's imports in 2017, respectively, compared to 19.4% and 18.7% recorded in 2011. The United States' share of total imports grew slightly, while there was an increase in shipments from Europe and China, which supplied 17.2% and 20.0% of the total in 2017, respectively.

8. Uruguay's trade policy is closely linked to its participation in MERCOSUR. One of the main objectives of its trade policy is to ensure stable and predictable market access. The authorities consider that Uruguay's integration in international markets should be addressed simultaneously through bilateral, regional and multilateral trade negotiations. Uruguay believes that achieving successful integration in international markets calls for increased competitiveness of its economy, which is why it has sought to transform its production system, promoting innovative activities with higher levels of value added and greater domestic technological content.

9. Uruguay is a founding Member of the WTO, and during the period under review it continued to participate actively in the Organization. In July 2014, Uruguay notified the WTO of its acceptance of the Protocol Amending the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Likewise, in January 2016, Uruguay notified the WTO Council for Trade in Services that it was granting preferential treatment to services and service suppliers of least developed countries. Uruguay deposited the instrument of ratification of the Trade Facilitation Agreement in August 2016. It is neither a party nor observer to the plurilateral Agreements on Government Procurement and on Trade in Civil Aircraft, nor is it party to the Information Technology Agreement (ITA). During the review period Uruguay was not involved in any dispute as a complainant or as a respondent; it participated as a third party in six disputes.

10. Uruguay, together with other MERCOSUR members, signed several trade agreements which entered into force during the review period: with Chile, with the Arab Republic of Egypt and with the Southern African Customs Union. These agreements were notified to the WTO. In addition, Uruguay signed two other agreements during the review period as a member of MERCOSUR, with Palestine (2011) and with Colombia (2017). These agreements have not entered into force.

11. Uruguay has an open investment regime and provides for national treatment of foreign investment with a few exceptions, such as the provision of radio and broadcasting services, air and maritime cabotage, and fishing within its territorial waters. No prior authorization or registration is required in order to make an investment in Uruguay. Foreign companies may operate in the country, either through a branch, or through incorporation in any form of corporate structure provided for in domestic law. The State guarantees legal stability of exemptions, benefits and rights accorded to the investor and the free transfer of capital, profits and other gains associated with investment. In 2012, the tax concessions granted under the Investment Law (Law No. 16.906 of 1998) were extended to new activities such as construction, renewable energy production, biotechnology and tourism.

12. During the period under review, Uruguay introduced a series of measures to facilitate trade. These include: electronic payment of duties and taxes; use of the digital Single Customs Document (DUA); introduction of the Foreign Trade Single Window (VUCE); automated control of port access to the Port of Montevideo; the sea and air electronic manifest; and the Authorized Economic Operator (AEO) programme.

13. Uruguay's tariff is based on the MERCOSUR common external tariff (CET), with some exceptions. Uruguay only applies *ad valorem* tariffs. Its applied tariffs range from 0% to 30%, while its bound tariffs fluctuate between 6% and 55%. Some 14% of its tariff lines are zero-rated. The simple average of applied MFN duties was 9.4% in 2017, the same as in 2011. Agricultural products (WTO definition) were subject to an average tariff of 9.6% in 2017, only slightly higher than the average tariff for non-agricultural products (9.4%). The products with the highest tariff average are clothing, with a 20% tariff, followed by dairy produce (17.9%), sugars and sugar confectionery (17.2%), textiles (16.1%) and leather, rubber and footwear (15.3%). Uruguay does not use tariff quotas within the WTO framework, but maintains a number of quotas under its preferential trade agreements.

14. Uruguay applies certain duties and charges exclusively to imports: the consular fee, the fees of the customs clearing agents and the port authorities, and the single tax on imports of newsprint. In 2018, Uruguay increased the consular fee from 2% to 5%. Imports, together with goods produced in Uruguay, are also subject to Value Added Tax (VAT), the Specific Internal Tax (IMESI), and the Tax on the Sale of Agricultural Goods (IMEBA).

15. Uruguay imposes import restrictions and prohibitions to protect national security, public health, plant and animal health, and the environment. The number of products subject to prohibition decreased during the review period from 652 in 2012 to 323 in 2017. Uruguay uses both automatic and non-automatic import licences. The automatic licences are used for statistical purposes (textiles, footwear and oils), for granting tariff preferences to third parties (paper for publishing, vehicles) or for monitoring the price of imports. Non-automatic licences are used for granting tariff exemptions to domestic producers (sugar and diesel engines and kits) and for human healthcare (acetic acid). In 2017, 378 ten-digit tariff lines of the HS2017 required import licences, 371 of them automatic licences.

16. Uruguay seldom uses trade defence measures. During the review period, it initiated only two anti-dumping investigations, one of which lead to the imposition measures and the other to the imposition of an *ad valorem* duty. It did not initiate any countervailing or safeguard investigations during the period, nor did it adopt any measures.

17. As in the case of imports, the free export of goods is guaranteed, with the exception of those that might affect public health, national security, preservation of the environment, sanitary conditions or consumer protection. Measures can also be taken to ensure that domestic demand for basic necessities is satisfied and to comply with Uruguay's commitments within the context of the various international agreements to which it is a signatory.

18. Uruguay continues to implement special export promotion procedures. The main procedures operating in Uruguay include temporary admission, stock replacement, drawback and the indirect tax refund procedure that enables the exporter to recover a percentage of customs export value (VAE) established by government decree. This percentage varies according to the difficulties faced by different sectors and the non-tariff restrictions in the export markets. During the review period, the percentage increased from 2% in 2012 to a maximum of 6% in 2017. In 2013, Uruguay notified the WTO of two programmes related with subsidies granted to the automotive and clothing industries. Uruguay also grants other tax concessions for investments in general or to certain specific sectors, such as the forestry sector; parts and components for capital goods; the ship-building industry; the electronics industry; biotechnology; tourism; construction; and renewable energy.

19. Each of the agencies that issue technical regulations in Uruguay follows its own procedures for preparing them. The drawing up of technical regulations may be initiated *ex officio* or at the request of a third party. There is no mandatory procedure for revising technical regulations: they are revised to the extent that there are changes in the circumstances that led to their being issued. Revision may be *ex officio* or at the request of an interested party. A proportion of the technical regulations adopted by Uruguay involve the adoption of regulations issued at the regional level by MERCOSUR. During the period from January 2012 to December 2017, Uruguay submitted 15 technical regulation notifications to the WTO Committee on Technical Barriers to Trade. Most of the notified regulations relate to food, marking and labelling, and to household cleaning products. No questions relating to the measures imposed by Uruguay were raised in the Committee during this period.

20. During the period 2012-2017, Uruguay submitted 13 notifications to the Committee on Sanitary and Phytosanitary Measures. Most of the measures are based on international standards; in two cases only, Uruguay indicates that there is no relevant international standard or that they deviate from international regulations. The measures apply to all of Uruguay's trading partners. Some of the measures notified to the Committee were adopted for the sole purpose of protecting animal health, but most of them have multiple purposes, aiming both to preserve food safety and to protect animal health and Uruguayan territory from harmful pests. No questions relating to the measures imposed by Uruguay were raised in the Committee during the period under review.

21. Under the Law on the Promotion and Protection of Competition, all Uruguayan or foreign public or private natural or legal persons engaged in economic activities on Uruguayan territory must follow the principles of free competition. The Commission for the Promotion and Protection of Competition applies the Law in all sectors of the economy, except those which have dedicated regulatory bodies that discharge this responsibility, such as the financial sector, communications, and energy and water. In the period 2012-2017, a total of 46 complaints of anti-competitive practices were lodged with the Commission. The complaints related to practices such as collusion, tied sales, predatory pricing and restricting the provision of services. The practices investigated concerned both goods markets (livestock, meat, milk, beer and construction materials) and services markets (financial, port, and distribution services). Of the 40 investigations concluded by March 2018, in 28 cases the alleged anti-competitive conduct was not confirmed; in six cases the Commission issued a recommendation; in five cases it ordered cessation of the practice and sanctioned the offender; and in one case it did not proceed with the investigation.

22. Prices in Uruguay are generally set by the market. However, certain goods and services, for example fuel and specified port services, are subject to ceiling prices. Tariffs are also set for the supply of electricity, water, pipe gas and fixed telephony. Likewise, the Ministry of Economy and Finance has the administrative authority under the law to regulate prices of goods and services produced by private entities, except in the case of prices of agricultural and fishery products marketed in their natural state. During the period under review, administered prices were applied to pasteurized liquid milk packaged for sale to the public without additives. Basic contribution for medical services, public transport and taxi fares, as well as toll fees and airport usage fees were also subject to price control under a price ceiling adjustment policy.

23. Public enterprises continue to play an important role in Uruguay's economy, operating in the financial services, transport, telecommunications and posts, electricity, and water and sanitation subsectors. The number of public enterprises has not changed significantly since 2012, insofar as no new state-owned enterprises have been created and only one, the airline company PLUNA E.A., was liquidated. In 2013, Uruguay notified the WTO that the only state-owned enterprise covered by the provisions of Article XVII of the GATT 1994 was the National Fuel, Alcohol and Portland Cement Authority (ANCAP), which has the exclusive right to import and refine crude petroleum and its by-products and to import and export liquid, semi-liquid and gaseous fuels when state refineries produce at least 50% of the country's gasoline consumption.

24. Uruguay has not signed the WTO Agreement on Government Procurement and does not participate as an observer in the Committee on Government Procurement. Apart from the occasional exception, the government procurement regime is essentially decentralized, although there are some common guidelines set forth in the Harmonized Text of the Law on Accounting and Financial Administration of the State (TOCAF). Foreigners are free to take part in government procurement procedures without any specific requirements. The law grants preference margins of between 4% and 16% to the domestic industry. A minimum of 35% local content is required for goods, services or works to be considered Uruguayan. In the case of goods, it is also required that the end product be classified under a different tariff heading from that assigned to the inputs used to produce them or, if that is not the case, that the local content of the goods be at least 50%. During the review period, Uruguay continued with the reform of the government procurement regime undertaken in 2011, with a view to streamlining procurement procedures and enhancing the transparency of the system in general. While open tendering is the method generally used, the TOCAF provides the administrator with a wide range of exceptions, in terms of both the quantity and the object of the procedure.

25. Uruguay is a member of the World Intellectual Property Organization (WIPO) and is party to a number of international agreements administered by that organization. In 2014, Uruguay ratified the Marrakesh Treaty. The patent and trademark legislation stipulates application of the principle of international exhaustion of rights. Although there has been some improvement in recent years, the average time taken to grant a patent continues to be long (ten years). Uruguay protects geographical indications, indications of source and appellations of origin under various articles of its Trademark Law. In order to enjoy protection for an indefinite term, appellations of origin must be registered, while indications of source are protected indefinitely without having to be registered. In order to secure protection for a period of 20 to 25 years, a plant variety has to be listed in the National Register of Cultivars. Uruguayan law provides for civil and criminal sanctions for infringement of intellectual property rights. Monitoring enforcement of intellectual property law is the responsibility of the National Customs Directorate, which has implemented a new procedure

that enables a trademark holder to lodge a preventive complaint with the customs authorities concerning the potential entry of fraudulent goods into the country and to request suspension of their clearance. The National Customs Directorate keeps a register of seizures of goods.

26. The agricultural sector is of primary importance to Uruguay. Agricultural products (WTO definition) accounted for some two thirds of total exports in 2017, with meat and soya as the main export products, followed by diary produce and cereals. Uruguay's agricultural policy is seeking to foster competitiveness in order to achieve sustainable development, taking into account social integration and environmental conservation. The idea is to create high-value niche markets, distinct from the traditional commodity markets, and to improve export products through the use of new technology in primary activities. The average tariff applied to agricultural products (WTO definition) was 9.6% in 2017, the same as in 2012. Agricultural products in their natural state are subject to a suspended VAT regime (zero rated). Uruguay notified the WTO that domestic support provided to agriculture during 2012-2015 included: research, extension and advisory services; pest and disease control programmes; marketing and promotion services; and environmental programmes.

27. Uruguay does not currently have any crude petroleum or natural gas reserves, but exploration is under way. Although ANCAP has a monopoly on hydrocarbon exploration and on the importation and refining of crude oil and its products, the private sector may participate in the distribution of fuels. Contracts are awarded to third parties through a tendering process. In 2012 an international tender was held, as a result of which hydrocarbon exploration and exploitation contracts were granted. Another international tender was being held in early 2018. The state continues to play a predominant role in the electricity market. The National Electricity Plants and Transmission Authority (UTE) continues to have a monopoly on the transmission and distribution of electricity in the country. However, private participation in the generation of electricity has increased considerably, particularly when it comes to generation of electricity from renewable sources. Sustained investment in windfarms has contributed towards achieving energy independence, and the generation of surpluses for export could enable Uruguay to establish itself as a net electricity exporter in the medium term.

28. Uruguay has an open financial system: there are no restrictions on capital movements, and banking secrecy is observed, although in a flexible manner. Companies wishing to provide financial intermediation services in Uruguay must obtain prior authorization from the Government as well as the authorization of the Central Bank. No distinction is made between national and foreign banks in terms of treatment with respect to operations or establishment requirements. Banks wishing to become established in Uruguay must be organized as Uruguayan public limited companies with registered shares or as branches of foreign banks. The Uruguayan banking system is made up of 11 banks (nine private and two public), and continues to be well capitalized, with high liquidity and low non-performing loan levels. The solvency of financial institutions based in Uruguay remains at high levels, and the overall level of non-performing loans has remained low. The share of the two public banks in the Uruguayan banking system is substantial, their assets accounting for close to half of the total bank assets. The private banks are wholly or majority owned by foreign banks.

29. Insurance companies must be established in Uruguay as public limited companies with registered shares and an exclusive purpose. They may operate simultaneously in all branches of insurance, life or general, provided they comply with the minimum capital requirements for each branch. There are no restrictions on foreign participation in new or existing companies set up as public limited countries in Uruguay. Once established in Uruguay, foreign-owned companies receive national treatment. They may not establish branches or representative offices for the purpose of carrying out insurance activities in Uruguay. Risks in Uruguayan territory may not be covered with premiums written abroad.

30. Telecommunication services are generally open to private participation, with the exception of the fixed telephony and fixed data (including fibre optic) transmission segments, which continue to be operated by the state-owned company ANTEL in monopoly conditions. Private companies may fix their rates for services offered in markets where there is competition. In the case of transport services, foreign companies may offer domestic air services by obtaining a concession based on reciprocity. For all other air services, operators must apply for authorization. Sixteen airlines are currently operating international services from and to Uruguay. Participation in the maritime transport market from and to Uruguay is generally open. Passenger and cargo cabotage is

reserved for Uruguayan-flagged vessels, although the authorities may authorize foreign participation when no Uruguayan vessels are available.

31. Tourism accounted for an annual average of approximately 7% of GDP during the review period, and was dynamic both in generating foreign exchange and in attracting investment. A new legal framework for the sector was introduced in 2014. Tourism services are supplied by the private sector, with the State stepping in only where necessary. In order to provide tourism services, foreign companies must be domiciled in the country and enrolled in the register of the corresponding ministry. The sector has its specific system of tax incentives for both domestic and foreign investors.