VALE COLUMBIA CENTER
ON SUSTAINABLE INTERNATIONAL INVESTMENT
A JOINT CENTER OF COLUMBIA LAW SCHOOL AND
THE EARTH INSTITUTE AT COLUMBIA UNIVERSITY

Columbia FDI Profiles

Country profiles of inward and outward foreign direct investment
issued by the Vale Columbia Center on Sustainable International Investment
August 22, 2012
Editor-in-Chief: Karl P. Sauvant
Editor: Padma Mallampally
Managing Editor: Ana-María Poveda-Garcés

Inward FDI in Uruguay and its policy context

by

Graciana del Castillo and Daniel García*

An analysis of trends in foreign direct investment (FDI) in Uruguay is difficult due to data problems. Nevertheless, balance-of-payments data reveal that inward FDI (IFDI) increased sharply in the second half of the decade 2002-2011 under analysis. IFDI flows relative to GDP rose annually on average to close to 6% in 2005-2011. This compares favorably with annual average flows of only 1% in the decade before the banking crisis and the sharp devaluation of the Uruguayan peso in 2002. At the time, investment in natural resources, including in farmland and real estate in Punta del Este, became very attractive. IFDI flows peaked at 7.5% of GDP in 2006, with the investment in the construction of the first cellulose plant in the country by a multinational enterprise (MNE) from Finland. The rapid increase in IFDI in the second half of the past decade took place amid high rates of economic growth (averaging about 6% a year on average), in combination with an adequate policy and regulatory framework and fiscal incentives to foreign investors. So far, Uruguay remains primarily a host country for FDI, with outward FDI (OFDI) that has been and continues to be insignificant.

Trends and developments

Changes in methodology and other data problems, resulting largely from the lack of a FDI registry, make a rigorous analysis of FDI trends in Uruguay difficult. Nevertheless, it is evident that FDI in the country has increased sharply since the 2002 crisis. In 2009-2011, the

---

* Graciana del Castillo (gd14@columbia.edu) is a founding partner of the Macroeconomics Advisory Group and a former Senior Research Scholar and Adjunct Professor of Economics at Columbia University; Daniel García (garcia.daniel@uy.pwc.com) is a partner of PwC in Uruguay and a former Professor of Taxation at the Universidad de la República, Universidad de Montevideo and Universidad Católica. The authors are grateful to Eliana Sartori and Adriana Vierci for their excellent contributions. The authors are also grateful to Umberto Della Mea, Álvaro Inchauspe and Adrián Zak for their comments. Columbia FDI Profiles (ISSN 2159-2268) is a peer-reviewed series.

stock of FDI in Uruguay represented a third of the country's GDP on average, a figure slightly higher than that of Colombia but significantly lower than the one for Costa Rica, an economy of comparable size (annex table 1). This ratio is much higher than that for Argentina, Brazil and particularly Paraguay, other Mercosur members, but much smaller than those of Chile and Panama. Uruguay remains primarily a host rather than a home country for FDI, with an outward FDI stock of US$ 0.3 billion as compared with an IFDI stock of nearly US$ 17 billion in 2011 (annex table 1a). Data also reveal rapid IFDI growth and important changes in the sectoral and geographical distribution of IFDI flows since the country's 2002 crisis.

Country-level developments

As compared to other countries in the region, Uruguay failed to attract significant IFDI in the 1990s, even when the economy was booming, the Government's debt was blessed with an investment-grade rating,[1] the FDI regime offered important tax incentives, and the region was attracting large FDI flows into manufacturing and services. This reflected in part the Government's decision not to privatize state-owned enterprises (SOEs), in contrast to other countries in the region. However, Costa Rica also maintained its SOEs and attracted much higher levels of FDI through aggressive and effective international investment promotion, particularly regarding export-oriented, high-tech and labor-intensive sectors.

Balance-of-payments data show that the volume and types of IFDI flows into Uruguay changed drastically following the 2002 crisis. During the 2009-2011 global crisis, Uruguay received higher IFDI flows relative to GDP on average than other comparable countries considered, except for Chile and Panama (annex table 2). IFDI flows rose steadily from US$ 0.3 billion in 2001 to US$ 2.3 billion in 2010 (or from 1.4% to 5.9% of GDP). While in terms of value IFDI flows fell only slightly in 2011, as a share of GDP they dropped below 5%, the lowest level since 2005. Nevertheless, after averaging 1.4% of GDP a year during the crisis of 2001-2002, IFDI flows jumped to over 5% in 2003-2011. In terms of types of flows, while reinvested earnings peaked at 80% of FDI inflows in 2001, in 2009-2011 it represented about 30%. On the other hand, the share of equity capital in annual IFDI flows increased from 12% to 82% during the period (annex table 2a).

The sectoral composition of IFDI has changed drastically since 2002 (annex table 3), as has the distribution of IFDI by main types of recipients (annex table 3a). In the 1990s and until 2001, a large part of inflows were directed toward service industries, particularly tourism and banking (including offshore banking). The share of financial services, which surpassed 61% in 2001, averaged only 9% in 2002-2010. Since the 2002 crisis, export-oriented IFDI in land- and natural resource-based sectors, together with related infrastructure, was predominant.

[1] Although having an investment-grade rating affects portfolio flows, it does not seem to be a factor in FDI decisions. In fact, IFDI grew spectacularly after the country lost its investment-grade rating in 2002. Only in April 2012 did S&P return Uruguay to investment grade, but the other rating agencies still have the country ranked lower.

Investments involving acquisitions of land peaked at roughly half of all IFDI flows in 2003 and have fallen sharply since (annex table 3a). On the other hand, the share of non-financial enterprises in total IFDI which amounted to less than a quarter in 2001, represented about 55% on average in 2002-2010 and will likely remain high in 2011-2012. This is due to a large extent to the construction of a cellulose plant by the Finnish MNE Metsa-Botnia (with the investment estimated at $1.2 billion over 2005-2007, the largest IFDI project ever in the country by that time), and an even larger investment by Montes del Plata (Chile and Finland) in another plant estimated at $1.9 billion (which started construction in 2011).

IFDI in real estate[2] also grew rapidly since the crisis, representing close to 30% of total FDI inflows in 2007-2010 (annex table 3a), with investors increasingly coming from Europe, Brazil and the United States, rather than mostly from Argentina as in the past. Although investment in this sector does not create significant recurrent employment and may not contribute to technology transfers often associated with IFDI, it has been key, together with investments in luxury hotels, in developing the tourism industry and given it a privileged international status.

Important changes have taken place as well in the geographical composition of IFDI by source economy (annex table 4). With the 2002 crisis affecting all Mercosur countries, the share of fellow-Mercosur economies in Uruguay's total IFDI flows collapsed from 36% in 2001 to 7% in 2003; they only regained their pre-crisis share in 2007, although the share fell again in 2010. The share of Europe has fallen in recent years and is likely to continue to decrease.

The corporate players

Annex table 5 lists a sample of foreign affiliates located in Uruguay, by industry. A ranking of the affiliates by assets or other indicators of size could not be done due to the lack of data. The affiliates are spread over a range of industries and activities, from natural-resources-based industries such as forestry, pulp and wood, mining and meat processing, to banking, information technology and tourism, as well as privately-held free trade zones (FTZs) in services.

Almost a third of all M&As in manufacturing in Latin America by foreign MNEs in 2009 took place in Uruguay, according to the Economic Commission for Latin America and the Caribbean (ECLAC).[3] Those transactions, however, had a negligible impact on Uruguay's IFDI since they represented deals involving incoming MNEs on the one hand and foreign affiliates already present on the other; hence they represented an exchange of local assets between foreign firms.

---

[2] IFDI in real estate reflects only investment in the construction of new housing in Punta del Este, an international resort.

[3] See ECLAC, *Foreign Direct Investment in Latin America and the Caribbean, 2009* (Santiago, Chile: ECLAC, 2009*)*, table I.6, p. 33, available at: http://www.eclac.org/publicaciones/xml/2/39422/2010-414-LIEI-Book_WEB.pdf.

Annex table 6 lists M&As by foreign MNES in Uruguay during 2008-2011 with transaction values of more than US$ 50 million. In December 2008, Banco Santander Uruguay (BSU) became the largest foreign bank in the country, after its parent company in Spain acquired the local branch of ABN AMRO Bank N.V. of The Netherlands. In January 2011, BBVA Uruguay concluded the acquisition of the local subsidiary of Crédit Agricole S.A., becoming the second largest private bank in Uruguay by market share. In 2011, the largest acquisition of the year took place when the Scotiabank of Canada acquired the Nuevo Banco Comercial. When UPM-Kymmene, a forestry company from Finland, acquired the Uruguayan affiliate of Metsa-Botnia, also from Finland, for $2.4 billion in 2009, it represented the largest M&A transaction in Latin America during that year. Also in 2009, Arauco (Chile) and Stora Enso (Finland) established a joint venture, Montes del Plata, which acquired a large part of the investment of ENCE (Spain) in forestry and also a port.

Annex table 7 lists top greenfield FDI projects undertaken by foreign MNEs in Uruguay in 2010-2011, ranked by their reported investments. The largest is an investment undertaken jointly by Arauco (Chile) and Stora Enso (Finland) in a cellulose plant. Others include projects in a number of manufacturing and service activities by MNEs from Europe, Japan, Latin America, and the United States. Some are by companies that have been in Uruguay for a long time, such as IBM.

Effects of the recent global crises

Uruguay's economy weathered the 2008-2009 sub-prime financial crisis in the Unite States and its aftermath relatively well, managing to grow at 2.4% in 2009, 8.9% in 2010 and 5.7% in 2011, despite the worsening crisis in Europe in the second half of the year. In 2012, the economy is expected to grow about 4% with the continuing crisis in Europe and its repercussions affecting exports, tourism and capital flows. FDI, however, will remain strong as a result of the construction of the new cellulose plant mentioned earlier, and this will allow the economy to continue growing at a reasonable rate, albeit significantly lower than in the recent past. For rapid growth to be sustainable in light of the European crisis, deceleration in China and India which is lowering the price of commodities, and slower growth as well as increased protectionism in Brazil and Argentina, the Government will have to engage in a dynamic process in which investments—both domestic and foreign—in infrastructure, innovation, education, employment generation, and public security would reinforce each other. In this regard, a new public-private partnership law (see below) could play an important role in attracting investment into infrastructure, which is critical for improving productivity and the potential growth rates for the economy.

The policy scene

Uruguay provides a basic legal and institutional framework favorable to foreign investment and has a number of competitive advantages as a location for FDI vis-à-vis neighboring countries.[4] A long-standing tradition of political and social stability, a solid legal and property

[4] See Uruguay XXI, The Investment and Export Promotion Institute**,** Montevideo, Uruguay, at: http://www.uruguayxxi.gub.uy/innovaportal/file/821/1/invest_in_uruguay_-_uruguay_xxi_-_oct_2011.pdf.

rights framework and respect for contracts over the years has made Uruguay a country attractive to FDI, despite its small domestic market, the unfocused and often-chaotic way in which export-oriented IFDI has been promoted in the past and the bureaucratic red tape that investors still have to face once foreign firms are established in the country.

Uruguay's competitive advantages also include its strategic location between Argentina and Brazil; solid institutions, low levels of corruption, high levels of transparency, and better security conditions as compared to its neighbors; adequate infrastructure, and levels of education comparable to or higher than those of other countries in Latin America.[5] Other attractive factors include an abundant supply of qualified professionals; productive agricultural and grazing land, other natural resources (including untapped reserves of iron ore of high purity), an attractive coastline, and good fishing conditions. The country also offers excellent living conditions and possibilities for amenities and leisure as a result of its proximity to Buenos Aires and Rio de Janeiro, as well as excellent schools for expatriates' children.

A natural and well-located port, a new airport that started operations in 2010, good roads, and competitive facilities have made Uruguay a hub for transportation and logistics in the Southern-Cone region. Electricity, mostly from renewable resources, and drinkable water are widely available in most of the territory. The country ranks well on a wide number of indices related to business climate issues of concern to investors, particularly in relation to other countries in the region.[6]

With regard to the legal framework, foreign investors receive equal treatment with domestic ones, IFDI does not require previous registration and the Government provides a large number of incentives for investment. There are no capital or exchange controls and contracts can be made and enforced in any foreign currency. There are no limitations on financial and commercial activities or on buying or selling properties. Although foreigners are allowed to purchase land or other real estate, controls on money laundering have been strengthened.

The basic investment framework was established in 1974 under the Industrial Promotion Law (Law 14.178), which promotes investment in industries of national interest (tourism, fishing, certain manufacturing industries) and the Foreign Investment Law (Law 14.179), which establishes a parallel set of preferences for foreign investors. The latter law constitutes the legal framework regulating foreign investors. In 1998, a new Investment Promotion and Protection Law (Law 16.906) declared that the promotion and protection of national and

---

[5] Despite this favorable comparison, the education gap in Uruguay is large, including in technical education geared toward the needs of the private sector. The gap is also large between private and public education, a main factor impeding social progress and justice.

[6] For information on how the country ranks on different indices, see Uruguay XXI (the export and foreign investment promotion office), at: http://aplicaciones.uruguayxxi.gub.uy/innovaportal/file/821/1/invest_in_uruguay_-_uruguay_xxi_-_feb_2012.pdf. For a detailed analysis of business climate issues (in Spanish only), see Graciana del Castillo, "El Clima de Negocios en la República Oriental del Uruguay", in Eduardo Fernández-Arias and Silvia Sagari, eds., *Una Nueva Era de Crecimiento Económico en Uruguay* (Washington: Inter-American Development Bank, 2006).

foreign investment was in the national interest. The law is regulated by Decree 59/998, which was subsequently supplemented by several other decrees.

Since August 2011, a new Public-Private Partnership Law (Law 18.786) establishes the regulatory framework for public-private contracts for the building of infrastructure and the provision of related services.

Historically, Uruguay has maintained a number of state monopolies in which direct foreign equity participation is prohibited. Some industries have been de-monopolized (for example, telecommunications in 2001), although others remain monopolies (including importation and refining of petroleum products, electricity and water supply). Some of these industries, such as the generation of electricity, however, have segments opened to private players. There are also important investment projects in the pipeline, particularly in the generation of electricity through wind farms.

Income is taxed on a territorial basis (i.e., only on activities carried out in the national territory or on assets utilized in that territory). However, starting January 2011 the income tax applies also to income from certain assets located abroad, but only to the extent that those assets and income are held or obtained by individuals resident in Uruguay.

Uruguay's free trade zone (FTZ) regime (Law No. 15.921) was enacted in 1987. Under this regime, foreign and national investors enjoy a stable policy framework and are able to benefit from substantial tax and tariff incentives. Firms operating within FTZs are exempted from all taxes currently in effect, or that may be created in the future, for the full term of their contracts. Furthermore, Montevideo is the only free port on South America's Atlantic coast (Law No. 16.246 of 1992).

Since 2004, the Government has allowed large investors such as Metsa-Botnia to construct and operate their plants from their own FTZs. Zonamérica, the largest private FTZ in services, has been operating in the country since 1990. FTZ survey data for 2009 indicate that these zones generated exports of about $1.5 billion (roughly 4.5% of GDP) and direct employment of 12,000 to 15,000 (of which Zonamérica claims about 8,000). There are two new private FTZs in services, the Aguada Park (2010) and the World Trade Center (2011). Mega Pharma, a consortium of Latin American pharmaceutical companies, with German capital, invested in a Science Park that was inaugurated in 2011 and operates as a FTZ for the industry.

Uruguay has signed a number of double taxation treaties, treaties for the promotion and protection of investment and other such treaties.[7]

Conclusions

[7] See Pricewaterhouse Coopers, *Doing Business in Uruguay,* for information on these treaties and related investment issues; available at: http://www.pwc.com.uy/en/doing-business/index.jhtml.

Uruguay has stopped being the marginal player in attracting FDI flows that it was in the past. It has attracted large IFDI into land, forestry and tourism; if opposition is overcome, the country may start attracting FDI into mining iron ore in the near future. In 2011, however, a $3 billion project proposed by Aratirí (representing 7.5% of 2010 GDP) was put on hold because of strong opposition to open-pit mining in the country, with the Government considering putting the project up to a referendum. At the same time, Uruguay is vulnerable to a deceleration in global economic growth and rising protectionism within Mercosur that will affect its exports and natural resource-based IFDI, as it will investment in land and real estate in Punta del Este. This reinforces Uruguay's need to promote seriously the type of IFDI in manufacturing and services that is high-tech and labor- and skill-intensive and to address its shortcomings in infrastructure, including education. This is essential to create better and well-paid jobs and to expand, diversify, add value, and increase competitiveness of its exports of goods and services. Without this, the country will fail to become more dynamic and inclusive.

Additional readings

Bittencourt, Gustavo, Gastón Carracelas, Andrea Doneschi, and Nicolás Reig Lorenzi, "Tendencias recientes de la inversión extranjera directa en Uruguay" (Montevideo: Facultad de Ciencias Sociales, Universidad de la República, 2009), mimeo, available at: http://www.bcu.gub.uy/autoriza/peiees/jor/2009/iees03j3421009.pdf.

del Castillo, Graciana, "Promotion of export-oriented foreign direct investment in Uruguay." Study prepared for the Inter-American Development Bank (New York: Macroeconomics Advisory Group, 2003), available at: http://www.macroadvisory.com/gdc_publications.html.

Useful websites

Central Bank of Uruguay, data on FDI and GDP available at: http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx.

Central Bank of Uruguay, data on FDI stocks available at: http://www.bcu.gub.uy/Paginas/Default.aspx.

PricewaterhouseCoopers (PwC), *Doing Business in Uruguay*: available at: http://www.pwc.com/uy/es/doing-business/assets/doing-business-10.pdf.

US Embassy, Montevideo, Uruguay, "Uruguay – Investment Climate Statement 2010," available at: http://montevideo.usembassy.gov/usaweb/paginas/Pdf/Investment_Climate_2010.pdf.

Uruguay XXI, available at: http://www.uruguayxxi.gub.uy.

* * * * *

For further information please contact: Vale Columbia Center on Sustainable International Investment, Ana-María Poveda-Garcés, ap2817@caa.columbia.edu.

The Vale Columbia Center on Sustainable International Investment (VCC –www.vcc.columbia.edu), led by Lisa Sachs, is a joint center of Columbia Law School and The Earth Institute at Columbia University. It seeks to be a leader on issues related to foreign direct investment (FDI) in the global economy. VCC focuses on the analysis and teaching of the implications of FDI for public policy and international investment law.

Statistical annex

Annex table 1. Uruguay: inward FDI stock, 2002-2011 [a]

(US$ billion and per cent of GDP [b])

Economy	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Uruguay	1.4 (10.5)	1.8 (14.9)	2.1 (15.4)	2.8 (16.3)	3.9 (19.9)	6.4 (27.1)	8.0 (26.3)	10.7 (35.0)	12.6 (31.9)	14.9 (31.7)
Memorandum: comparator economies [c]										
Brazil	100.9 (20.2)	132.8 (23.9)	161.3 (24.2)	181.3 (20.4)	220.6 (20.2)	309.7 (22.5)	287.7 (17.4)	400.8 (25.0)	472.6 (22.6)	669.7 (26.9)
Chile	42.3 (62.9)	54.0 (73.1)	60.5 (63.3)	74.2 (62.8)	80.3 (54.7)	99.4 (60.5)	99.4 (58.2)	121.4 (75.4)	139.5 (68.6)	158.1 (63.6)
Colombia	18.0 (18.4)	20.5 (21.7)	24.8 (20.9)	36.9 (25.2)	45.2 (28.1)	56.5 (26.8)	67.3 (28.7)	75.1 (32.4)	82.4 (28.9)	95.7 (29.1)
Argentina	43.1 (42.0)	48.3 37.3)	52.5 (34.3)	55.1 (30.1)	60.3 (28.2)	67.6 (25.8)	77.1 (23.5)	79.9 (25.8)	86.7 (23.4)	95.1 (21.2)
Panama	7.4 (60.4)	8.2 (63.6)	9.3 (65.2)	10.2 (65.7)	12.7 (74.2)	14.5 (73.3)	16.9 (73.5)	18.7 77.6)	20.9 (78.2)	23.2 (75.8)
Costa Rica	3.7 (22.2)	4.3 (24.3)	4.6 (24.9)	5.4 (27.1)	6.8 (30.1)	8.8 (33.4)	10.9 (36.5)	12.4 (42.4)	13.5 (37.7)	16.3 (39.9)
Paraguay	0.9 (17.7)	1.1 (19.6)	1.5 (16.6)	1.3 (17.1)	1.8 (19.7)	2.2 (18.2)	2.4 (14.2)	2.7 (18.7)	3.1 (16.8)	3.4 (14.6)

Source: Central Bank of Uruguay (BCU), UNCTAD, IMF, and authors' own calculations.

[a] BCU data on FDI stock (net investment position) available at: http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx. BCU reports stock data starting in 2002 only. In analyzing the stock of IFDI in relation to that of other countries it should be noted that, starting in 2007, BCU data on FDI stock include accumulated flows in real estate since 1992 and in land since 2003. In addition to that methodological change, the end-of-period exchange rate almost doubled in value in 2002.
[b] Figures within brackets show inward FDI stock as a percentage of GDP. IMF WEO (April 2012) data on GDP available at: http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/download.aspx.
[c] UNCTAD data available at: http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=89.

Annex table 1a. Uruguay: Inward and outward FDI stock, 2002-2011 [a]

(US$ billion and per cent of GDP [b])

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Inward FDI [c]	1.4 (10.5)	1.8 (14.9)	2.1 (15.4)	2.8 (16.3)	3.9 (19.9)	6.4 (27.1)	8.0 (26.3)	10.7 (35.0)	12.6 (31.9)	14.9 (31.7)
Outward FDI	0.1 (0.8)	0.1 (0.9)	0.1 (0.9)	0.2 (0.9)	0.2 (1.1)	0.3 (1.4)	0.3 (0.9)	0.3 (1.3)	0.3 (0.9)	0.3 (0.7)

Source: Central Bank of Uruguay (BCU), IMF, and authors' own calculations.

[a] BCU data on FDI stock available at: http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx. BCU reports stock data starting in 2002 only.
[b] Figures within brackets show inward FDI stock as a percentage of GDP. IMF WEO (April 2012) data on GDP available at: http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/download.aspx.
[c] Starting in 2007, BCU data on stock of IFDI include accumulated flows in real estate since 1992 and in land since 2003. This, together with a large devaluation in 2002, makes an analysis of stocks over time difficult.

Annex table 2. Uruguay: inward FDI flows, 2001-2010 [a]

(US$ billion and per cent of GDP [b])

Economy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
US$ million											
Uruguay	0.3	0.2	0.4	0.3	0.8	1.5	1.3	2.1	1.6	2.3	2.2
Memorandum: comparator economies [c]											
Brazil	22.5	16.6	10.1	18.1	15.1	18.8	34.6	45.1	26.0	48.4	66.7
Chile	4.2	2.6	4.3	7.2	7.0	7.3	12.5	15.1	12.9	15.1	17.3
Colombia	2.5	2.1	1.7	3.0	10.3	6.7	9.0	10.6	7.1	6.8	13.2
Argentina	2.1	2.2	1.7	4.1	5.3	5.5	6.5	9.7	4.0	6.3	7.2
Panama	0.4	0.1	0.8	1.0	1.0	2.5	1.8	2.2	1.8	2.4	2.8
Costa Rica	0.5	0.7	0.6	0.8	0.8	1.5	1.9	2.1	1.3	1.4	2.1
Paraguay	0.1	0.0	0.0	0.0	0.1	0.2	0.2	0.3	0.2	0.4	0.3
Inward FDI flows as percentage of GDP											
Uruguay	1.4	1.4	3.5	2.4	4.9	7.5	5.5	6.7	5.1	5.7	4.7
Memorandum: comparator economies											
Brazil	4.1	3.3	1.8	2.7	1.7	1.7	2.5	2.7	1.6	2.3	2.7
Chile	6.1	3.8	5.8	7.5	5.9	5.0	7.6	8.9	8.0	7.4	7.0
Colombia	2.6	2.2	1.8	2.5	7.0	4.1	4.3	4.5	3.1	2.4	4.0.
Argentina	0.8	2.1	1.3	2.7	2.9	2.6	2.5	3.0	1.3	1.7	1.6
Panama	3.4	0.6	6.0	7.1	6.2	14.6	9.0	9.5	7.4	8.8	9.2
Costa Rica	2.8	3.9	3.3	4.3	4.3	6.5	7.2	7.0	4.6	3.9	5.0
Paraguay	1.3	0.2	0.5	0.5	0.7	1.9	1.5	1.9	1.5	2.3	1.4

Source: Central Bank of Uruguay (BCU), UNCTAD, IMF, and authors' own calculations.

[a] BCU data on FDI available at: http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx.
[b] Figures within brackets show inward FDI stock as a percentage of GDP. IMF WEO (April 2012) data on GDP available at: http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/download.aspx.
[b] UNCTAD data on inward FDI flows to comparator countries is available at: http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=88.

Annex table 2a. Uruguay: inward FDI flows, by type of flow, 2001-2011[a]

(US$ million and per cent of total [b])

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Inward FDI, total	296.8 (100.0)	193.7 (100.0)	416.4 (100.0)	332.4 (100.0)	847.4 (100.0)	1,493.5 (100.0)	1,329.5 (100.0)	2,105.7 (100.0)	1,528.6 (100.0)	2,289.1 (100.0)	2,191.2 (100.0)
Equity capital	36.4 (12.3)	27.2 (14.0)	222.8 (53.5)	138.7 (41.7)	231.0 (27.3)	576.3 (38.6)	550.5 (41.4)	1,011.6 (48.0)	993.6 (65.0)	1,625.3 (70.6)	1,793.7 (81.9)
Reinvested earnings	240.4 (81,0)	62.8 (32.5)	172.9 (41.5)	142.1 (42.7)	132.6 (15.7)	218.6 (14.6)	331.3 (24.9)	553.8 (26.3)	458.6 (30.0)	663.8. (28.9)	666.2 (30.4)
Inter-company loans [c]	20.0 (6.7)	103.8 (53.6)	20.7 (5.0)	51.6 (15.5)	483.8 (57.1)	698.5 (46.8)	447.7 (33.7)	540.3 (25.7)	76.4 (5.0)	22.9. (0.1)	-268.7* (-12.3)
Memorandum: GDP and exchange rates [d]											
GDP (US$ billion)	20.9	13.4	12.1	13.7	17.5	19.6	23.4	30.4	30.5	39.4.	46.9
Real GDP growth (%)	-3.8	-7.7	0.8	5.0	7.5	4.3	6.5	7.2	2.4	8.9	5.7
Exchange rate [e]	13.3	21.6	28.2	28.6	24.3	24.1	23.5	20.9	22.6	20.1	19.2
Inward FDI (% of GDP)	1.4	1.4	3.5	2.4	4.9	7.5	5.5	6.7	5.1	5.7	4.7

Source: Central Bank of Uruguay (BCU), IMF, and authors' own calculations.

[a] BCU balance of payments data on FDI are available at: http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx.
[b] Figures within brackets show percentage share in total IFDI.
[c] This line is now reported as "other capital".
[d] IMF WEO (April 2012) data on US$ GDP are available at: http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/download.aspx and average exchange rate data was calculated using the same data bank. Data on GDP real growth calculated using BCU data on GDP at constant 2005 prices available at: http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Cuentas%20Nacionales/1trim2012/presentacion05.htm.
[e] Uruguayan pesos per U.S. dollar.

Annex table 3. Uruguay: sectoral distribution of inward FDI flows, 2001-2010 [a]

(US$ million and per cent of total [b])

Sector/industry	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
US$ million										
All sectors/ Industries	**296.**8	**193.**7	**416.4**	**332.4**	**847.4**	**1,493.5**	**1,329.5**	**2,105.7**	**1,528.6**	**2,289.1**
Primary	**-15.1**	**47.6**	**198.**3	**141.**8	**263.**6	**327.**8	**338.**5	**604.**0	**253.1**	**329.0**
Agriculture and livestock	-1.4	1.1	205.5	104.9	115.4	116.5	158.1	421.6	168.3	261.9
Forestry	-13.8	46.5	-7.2	36.8	148.1	185.7	176.9	179.3	84.7	52.5
Mining	0.0	0.0	0.0	0.0	0.0	25.5	3.5	3.0	0.0	14.6
Secondary	**48.7**	**81.1**	**50.1**	**59.8**	**144.3**	**369.1**	**656.1**	**873.9**	**683.0**	**745.5**
Manufacturing	**12.1**	**54.0**	**39.6**	**23.0**	**26.2**	**95.8**	**262.6**	**261.2**	**254.3**	**130.5**
Food, beverages, tobacco	-6.2	3.7	15.0	1.2	7.5	15.3	100.4	177.9	160.5	59.2
Textiles, leather, wood	-0.1	1.3	4.7	-2.5	6.7	5.3	22.1	9.9	0.0	14.0
Paper and printing	-1.1	1.1	3.5	-0.4	0.1	0.0	0.0	7.3	2.9	9.1
Chemicals, rubber, plastics	20.8	45.0	10.8	20.4	13.5	66.5	129.1	47.0	43.7	12.2
Metals and machines	-1.2	3.0	5.5	4.3	-1.6	8.7	11.0	19.1	47.2	36.0
Construction	**36.5**	**27.1**	**10.5**	**36.7**	**118.1**	**273.3**	**393.5**	**612.7**	**441.2**	**615.0**
Tertiary	**244.9**	**118.1**	**137.7**	**106.7**	**130.7**	**317.2**	**192.5**	**336.6**	**480.1**	**378.6**
Financial services	181.5	38.1	56.7	53.3	31.0	212.3	23.0	122.3	54.1	92.9
Non-financial Services	63.3	80.0	81.0	53.4	99.7	104.9	169.5	214.3	426.1	285.7
Electricity, gas and water	0.0	0.0	-4.9	-0.5	-3.0	4.0	16.8	14.9	5.1	19.6
Wholesale and retail trade	1.3	22.1	16.7	9.5	22.2	-3.1	41.5	87.5	269.2	-24.8
Hotels and restaurants	54.9	54.3	55.0	30.6	28.0	56.9	44.9	46.6	31.6	205.9
Transport and other [c]	7.1	3.6	14.3	13.7	52.6	47.1	66.4	65.3	120.1	84.9
Other [d]	18.4	-53.1	30.3	24.2	308.8	479.4	142.4	291.3	118.9	835.6
In percent of total										
All sectors/ Industries	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary	**-5.1**	**24.6**	**47.6**	**42.7**	**31.1**	**21.9**	**25.5**	**28.7**	**16.6**	**14.4**
Agriculture and	-0.5	0.6	49.3	31.6	13.6	7.8	11.9	20.0	11.0	11.4

livestock										
Forestry	-4.6	24.0	-1.7	11.1	17.5	12.4	13.3	8.5	5.3	2.3
Mining	0.0	0.0	0.0	0.0	0.0	1.7	0.3	0.1	0.0	0.6
Secondary	**16.4**	**41.9**	**12.0**	**18.0**	**17.0**	**24.7**	**49.4**	**41.5**	**44.7**	**32.6**
Manufacturing	4.1	27.9	9.5	6.9	3.1	6.4	19.8	12.4	15.8	5.7
Food, beverages, tobacco	-2.1	1.9	3.6	0.4	0.9	1.0	7.6	8.4	10.1	2.6
Textiles, leather, wood	0.0	0.7	1.1	-0.7	0.8	0.4	1.7	0.5	0.0	0.6
Paper and printing	-0.4	0.6	0.8	-0.1	0.0	0.0	0.0	0.3	0.2	0.4
Chemicals, rubber, plastics	7.0	23.2	2.6	6.1	1.6	4.5	9.7	2.2	2.9	0.5
Metals and machines	-0.4	1.5	1.3	1.3	-0.2	0.6	0.8	0.9	3.1	1.6
Construction	12.3	14.0	2.5	11.0	13.9	18.3	29.6	29.1	31.7	26.9
Tertiary	**82.5**	**61.0**	**33.1**	**32.1**	**15.4**	**21.2**	**14.5**	**16.0**	**31.4**	**16.5**
Financial services	61.2	19.7	13.6	16.0	3.7	14.2	1.7	5.8	3.5	4.1
Non-financial Services	21.3	41.3	19.5	16.1	11.8	7.0	12.8	10.2	27.9	12.5
Electricity, gas and water	0.0	0.0	-1.2	-0.2	-0.4	0.3	1.3	0.7	0.3	0.9
Wholesale and retail trade	0.4	11.4	4.0	2.9	2.6	-0.2	3.1	4.2	17.6	-1.1
Hotels and restaurants	18.5	28.0	13.2	9.2	3.3	3.8	3.4	2.2	2.1	9.0
Transport and other [c]	2.4	1.9	3.4	4.1	6.2	3.2	5.0	3.1	7.5	3.7
Other [d]	6.2	-27.4	7.3	7.3	36.4	32.1	10.7	13.8	7.3	36.5

Source: Central Bank of Uruguay (BCU) and authors' own calculations.

[a] BCU data on FDI are available at: http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx and they are based on surveys.
[b] Figures within brackets show percentage share in total IFDI.
[c] Includes storage and communications.
[d] Includes statistical discrepancies.

Annex table 3a. Uruguay: sectoral distribution of inward FDI flows, by main types of recipients, 2001-2010 [a]

(US$ million and per cent of total [b])

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
US$ million										
All recipients	296.8	193.7	416.4	332.4	847.4	1,493.5	1,329.5	2,105.7	1,528.6	2,289.1
Enterprises	260.4	166.6	193.6	193.6	616.4	1,103.7	779.0	1,094.1	957.0	1,458.0
Banks	188.4	35.7	61.6	53.0	31.2	210.2	14.5	111.7	40.5	76.2
Non-financial	72.0	130.9	131.9	140.6	585.3	893.5	764.5	982.4	916.5	1,381.8
Real estate [c]	36.4	27.2	18.2	34.3	115.6	273.9	393.0	607.6	433.9	599.5
Land [d]	0.0	0.0	204.7	104.4	115.4	115.9	157.5	404.0	137.7	231.6
In percent of total										
All recipients	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Enterprises	87.7	86.0	46.5	58.3	72.7	73.9	58.6	52.0	62.6	63.7
Banks	63.5	18.4	14.8	15.9	3.7	14.1	1.1	5.3	2.5	3.3
Non-financial	24.3	67.5	31.7	42.3	69.1	59.8	57.5	46.7	60.0	60.4
Real estate [c]	12.3	14.0	4.4	10.3	13.6	18.3	29.6	28.9	28.4	26.2
Land [d]	0.0	0.0	49.2	31.4	13.6	7.8	11.8	19.2	9.0	10.1

Source: Central Bank of Uruguay (BCU) and authors' own calculations.

[a] BCU data on FDI are available at: http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx and they are based on surveys.
[b] Figures within brackets show percentage share in total IFDI.
[c] Data on IFDI in real estate reflect only investments in new housing in Punta del Este, an international resort.
[d] BCU reports data on IFDI in land starting only in 2003.

Annex table 4. Uruguay: geographical distribution of inward FDI flows, 2001-2010 [a]

(US$ million and per cent of total [b])

Economy/region	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
					US$ million					
World	296.8	193.7	416.4	332.4	847.4	1,493.5	1,329.5	2,105.7	1,528.6	2,289.1
Developed economies										
Europe	37.5	113.2	97.2	84.5	268.8	111.1	327.6	376.4	271.1	329.6
Spain	-6.1	40.0	-0.1	38.3	202.9	81.5	153.5	232.2	54.7	75.2
France	-0.7	32.5	43.8	12.1	9.8	6.9	25.3	17.2	23.4	35.4
United Kingdom	2.4	4.1	38.3	20.2	21.7	32.9	66.3	82.1	14.1	134.6
Belgium	0.0	0.0	0.0	0.0	0.0	1.0	46.0	-2.3	53.1	54.9
United States	76.7	13.9	-2.8	1.6	35.4	66.7	42.5	143.5	167.2	-36.3
Developing economies										
Mercosur	106.6	41.1	30.8	42.4	131.0	348.2	473.6	748.1	568.2	721.6
Argentina	102.8	36.9	31.2	28.4	105.6	281.9	372.6	533.9	432.3	587.8
Brazil	2.2	2.9	-1.2	12.4	20.4	55.8	85.5	183.2	109.6	108.2
Paraguay	1.6	1.2	0.8	1.5	5.1	10.6	15.5	31.0	26.3	25.6
OIC [a]	61.9	54.0	21.1	21.8	14.7	-9.6	41.2	105.8	299.7	68.6
Bahamas	60.3	54.0	17.9	16.9	11.7	-12.9	12.2	34.1	44.1	35.9
Bermuda	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.2	223.5	-59.4
Chile	0.0	0.0	0.0	0.0	0.0	3.6	21.3	3.4	-42.9	12.4
ONIC [b]	14.1	-28.4	270.1	182.1	397.4	977.0	441.0	704.7	216.5	1205.6
					In percent					
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed economies										
Europe	12.7	58.4	23.3	25.4	31.7	7.4	24.6	17.9	18.1	14.4
Spain	-2.1	20.7	0.0	11.5	23.9	5.5	11.5	11.0	3.6	3.3
France	-0.3	16.8	10.5	3.6	1.2	0.5	1.9	0.8	1.5	1.5
United Kingdom	0.8	2.1	9.2	6.1	2.6	2.2	5.0	3.9	0.9	5.9
Belgium	0.0	0.0	0.0	0.0	0.0	0.1	3.5	-0.1	3.5	2.4
United States	25.8	7.2	-0.7	0.5	4.2	4.5	3.2	6.8	10.9	-1.6
Developing economies										
Mercosur	35.9	21.2	7.4	12.8	15.5	23.2	35.6	35.5	37.2	31.5
Argentina	34.6	19.1	7.5	8.6	12.5	18.9	28.0	25.4	28.3	25.7
Brazil	0.7	1.5	-0.3	3.7	2.4	3.7	6.4	8.7	7.2	4.7
Paraguay	0.5	0.6	0.2	0.5	0.6	0.7	1.2	1.5	1.7	1.1
OIC [c]	20.8	27.9	5.1	6.6	1.7	-0.6	3.1	5.0	19.6	3.0
Bahamas	20.3	27.9	4.3	5.1	1.4	-0.9	0.9	1.6	2.9	1.6
Bermuda	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	14.6	-2.6
Chile	0.0	0.0	0.0	0.0	0.0	0.2	1.6	0.2	-2.8	0.5
ONIC [d]	4.8	-14.7	64.9	54.8	46.9	65.4	33.2	33.5	14.2	52.7

Source: Central Bank of Uruguay (BCU) and authors' own calculations.

[a] BCU data on FDI are available at: http://www.bcu.gub.uy/Estadisticas-e-Indicadores/Paginas/Default.aspx and they are based on surveys.

[b] Figures within brackets show percentage share in total IFDI.
[c] Other identified countries (OIC).
[d] Other non-identified countries (ONIC) include countries with foreign companies that are unique in their respective countries, the identity of which is not revealed while reporting their FDI in Uruguay so as to respect statistical confidentiality.

Annex table 5. Uruguay: selected foreign affiliates in the economy, by industry, 2011 [a]

Name	Home economy	Industry
UPM-Kymmene (ex Botnia)	Finland	Pulp mills
Montes del Plata (Arauco-StoraEnso)	Chile/Finland	Pulp mills
Weyerhaeuser	United States	Forestry and wood
GMO Renewable Resources	New Zealand	Forestry and wood
RMK Timberland Group	United States	Forestry and wood
Forestal Atlántico Sur	Chile/Uruguay	Forestry and wood
Sierras Calmas (ex Ence)	Spain	Forestry and wood
Kemira	Finland	Chemical
Santander Bank	Spain	Banking
BBVA	Spain	Banking
Citibank	United States	Banking
Scotiabank	Canada	Banking
Itaú	Brazil	Banking
Discount Bank	United States	Banking
Lloyds	United Kingdom	Banking
HSBC	United Kingdom	Banking
Heritage	Switzerland	Banking
Merrill Lynch	United States	Financial services
América Móvil	Mexico	Telecommunications
Telefónica	Spain	Telecommunications
Verifone	United States	Telecommunications
Sabre Holdings	United States	Call centers
Gol	Brazil	Call centers
The Coca Cola Company	United States	Beverages
Pepsico	United States	Beverages
IBM	United States	IT
Tata Consulting	India	IT
Microsoft	United States	IT
Chery	China	Automobiles
Zonamérica	Belgium	FTZ in services
Aguada Park	United States/Argentina/Denmark	FTZ in services
World Trade Center	Argentina [b]	FTZ in services
Mega Pharma	Germany	FTZ in pharmaceuticals
Katoen Natie	Belgium	Port terminal
Corporación Navios	Greece	Maritime and port
Danone	France	Food products
Kraft	United States	Food products
Breeders & Packers	United Kingdom	Meat processing
Marfrig	Brazil	Meat processing
Minerva	Brazil	Meat processing
Aratirí (Zamin Ferrous)	United Kingdom/Switzerland	Mining
Orosur mining	Canada	Mining
Arcelor Mittal	India	Steel
Radisson	United States	Hotel [c]
Four Seasons	United States	Hotel [c]
Petrobras	Brazil	Oil and gas

Source: Authors' compilation.

[a] Given the lack of FDI, this is only a sample of (unranked) foreign companies operating in different sectors in Uruguay. Uruguay XXI lists other companies including: Nestle; ABInBev; Gerdau; Dana; Sanofi Aventis; Telmex; Yazaki; Renault; Air Liquide; Ricoh; El Tejar; Mapfre; Huawei; Tenaris; Schreiber Foods; Olam; Yutong; Camil; Abengoa; Wanli; Atento; Hilton; Los Grobo; Merck Serono, Akzo Nobel; Bimbo; Towers Watson; Casino; Finning; Avanza; Roche; and Abbott.
[b] This information could not be confirmed.
[c] Hotels are typically franchises, with local and Argentinean investors.

Annex table 6. Uruguay: main M&A deals, by inward investing firm, 2008-2011 [a]

Year	Acquiring company	Home economy	Industry of acquiring company	Target company	Target industry	Shares acquired (%)	Transaction value (US$ million)
2011	Scotiabank	Canada	Banking	Nuevo Banco Comercial/Pronto	Banking	100	300
2011	BBVA	Spain	Banking	Crédit Agricole [b]	Banking	100	125
2010	Olam Group	Singapore	Farming	NZ Farming Systems Uruguay Limited [b]	Farming	85	89
2010	Marfrig	Brazil	Slaughterho use	Grupo Zenda	Leather goods	50	50
2009	UPM-Kymmene	Finland	Forestry	Metsa-Botnia [b]	Pulp mill	100	2,404
2009	Arauco StoraEnso	Chile/Finland	Investor Group	Grupo Empresarial ENCE [b]	Forestry/port	>50	340
2008	Santander	Spain	Banking	ABN-AMRO [b]	Banking	100	250

Source: Authors' compilation with support from Uruguay XXI.

[a] Only M&As with a value larger than US$50 million where the information could be confirmed were included.
[b] These target companies are Uruguayan affiliates of foreign companies from the following home economies: The Netherlands (ABN-AMRO); Finland (Metsa-Botnia); Spain (Grupo Empresarial ENCE); New Zealand (NZ Farming Systems Uruguay Limited) and France (Crédit Agricole).

Annex table 7. Uruguay: main greenfield projects, by inward investing firm, 2010-2011 [a]

Date	Investing company	Home economy	Sector/industry	Business activity	Reported investment value (US$ million)
2011	Bom Gosto	Brazil	Manufacturing	Food products	43.0
2011	Takata	Japan	Automotive	Plant (airbags)	13.0
2010	Stora Enso/Arauco [b]	Chile/Finland	Forestry/construction	Cellulose plant	1,900.0
2010	IBM	United States	Software & IT services	Shared services centre	36.0
2010	OW Bunker	Denmark	Energy/transport	Marine fuel suppliers and traders	74.0
2010	America Móvil	Mexico	Communications	ICT and internet infrastructure	25.0
2010	Itochu	Japan	Manufacturing	Plastics	44.0
2010	Gandini Group	Brazil	Manufacturing	Trucks	25.0
2010	Globant	Argentina	Manufacturing	Software and IT	12.0
2010	Sofitel	France	Services	Hotel	64.0
2010	Setai Group	United States	Services	Hotel	11.0
2010	Grupo Fasano	Brazil	Services	Hotel	11.0

Source: Information compiled by Uruguay XXI, Montevideo, Uruguay, from secondary sources and their own research.

[a] Given the lack of FDI registry, this this is only a sample of reported greenfield projects of over US$10 million.
[b] This investment will take place over two-to-three years.