

REPORT
**FOREING
DIRECT
INVESTMENT**



JUNE 2022



Uruguay XXI
INVESTMENT, EXPORT AND COUNTRY
BRAND PROMOTION AGENCY

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WHY INVEST IN URUGUAY?

ACCESS

#1 BUSINESS HUB IN LATIN AMERICA

- Uruguay is positioned as Latin America's number one business hub and gateway to the region, from which trade, leadership and regional business support can be centralized, either distributing or producing goods and services for the region and the world.
- Uruguay's strategic location positions it as a gateway to the region. Its time zone and cultural affinity facilitate doing business with major global markets.
- Traditionally an agro-exporting and tourism country, in recent years it has also become consolidated as an exporter of global services, which today account—together with trading—for 30% of total exports.
- The country offers first-class logistics infrastructure, state-of-the-art telecommunications technology and the best energy supply in Latin America based on renewable sources.
- Uruguay is a regional leader in technological infrastructure, in terms of connectivity, Internet access and ICT development index.

RELIABLE COUNTRY

#1 IN LAC

#1 DEMOCRACY EIU 2021

#1 RULE OF LAW World Justice Project 2021

- Uruguay is a country with a long track record of political, democratic, and social stability, as well as macroeconomic soundness. The country has the most stable and reliable business environment in Latin America.

**#1 ESG
PERFORMANCE**
JP Morgan, April
2022

- Uruguay has an outstanding performance in environmental, social and governance (ESG) factors, outperforming developed countries in many cases. As a result, it is among the most reliable emerging economies and is one of the highest rated in the ESG-adjusted EMBI country risk index.

**#1 RESPONSE TO
COVID**
Lowy Institute,
2021

- The Uruguayan institutions allow the country to be resilient in the face of external shocks. Uruguay coped with the COVID-19 pandemic without resorting to mandatory confinement.

TALENT AND QUALITY OF LIFE

**#1 CIVIL
LIBERTIES**
Freedom House
2021

- With universal and free access to all levels of education, Uruguay's human resources are of high technical and professional quality. In addition, companies have incentives for the implementation of tailored training programs for existing staff or new recruits. The quality of Uruguayan human resources is recognized by investors and stands out for their ability to adapt to new technologies, versatility in a range of programming languages and development tools, and high specialization in vertical sectors.

#1 PROSPERITY
Legatum Institute,
2021

- Uruguay is a safe country, offering excellent living conditions for executives and their families, with access to first-class health and education services. It is the best country to live in Latin America according to the Legatum Prosperity Index (2020) and the Mercer Index (2019). More and more foreigners are choosing Uruguay as their country of residence. Workers can reside and work legally in the country and receive assistance in processing their visa and residency applications in a timely manner.¹

**#1 QUALITY OF
LIFE**
Mercer, 2019

For more information, go to the following link: [Live in Uruguay](#).

¹ [Investor's Guide](#).

LONG-TERM POLICIES

- Investment in Uruguay, both domestic and foreign, has been declared of national interest. Foreign and local investors are treated equally, with a wide range of incentives available to suit different types of activities, whether industrial, commercial or services. Thus, investors have clear rules of the game.
- Investment strategies are framed within national and long-term economic policies throughout the country. For example, in the global services sector, there are important tax exemptions (also available for other sectors) and the possibility of operating under the free trade zone regime. Regarding the energy sector, the National Green Hydrogen Strategy was presented in 2021, which promotes public-private cooperation for the decarbonization of the energy matrix.
- The country offers a coordinated and accessible technological and entrepreneurial ecosystem with investment opportunities, not only for existing companies (mergers and acquisitions opportunities), but also for the development of new ventures. Given its characteristics as a small, orderly, open, and transparent country with access to advanced technology, Uruguay is an ideal destination to innovate and test new technologies.

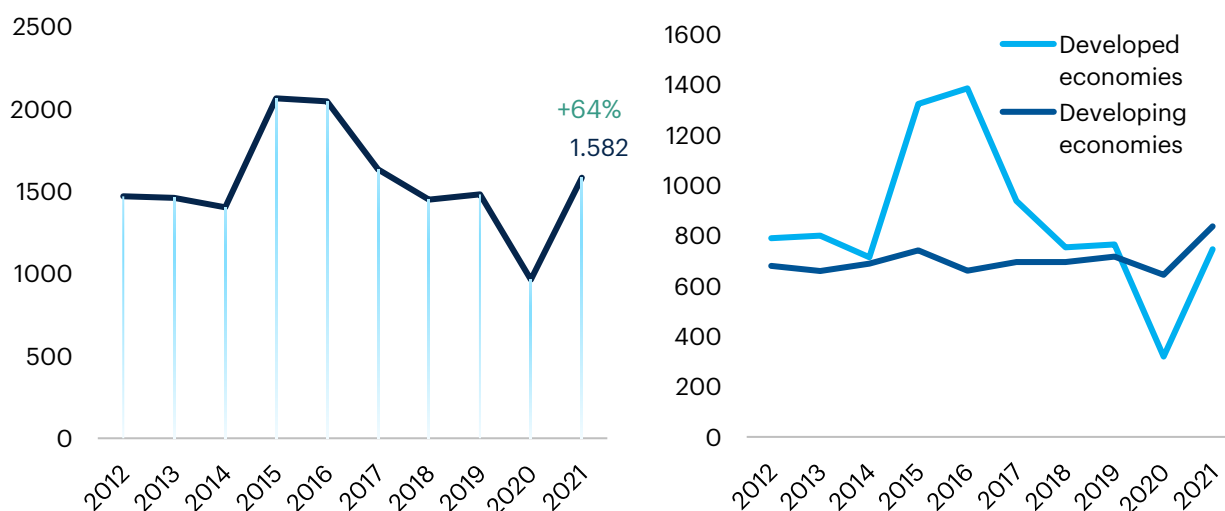
EXECUTIVE SUMMARY

- In 2021, global foreign direct investment flows grew 64% over 2020 and totaled USD 1.58 trillion, slightly exceeding pre-pandemic values (7%). In 2020, as a result of the pandemic, flows were significantly reduced, and fell short of USD 1 trillion.
- FDI **inflows** to Latin America and the Caribbean grew 56% in 2021 and totaled USD 134 billion. Significant investments were registered in the automotive sector, financial and insurance services, electricity generation and information technology (ICT). Particularly in Latin America and the Caribbean, FDI in 2021 grew 74% and reached USD 88 billion.
- Investment **outflows** from Latin American countries recovered in 2021. Greenfield projects increased compared to 2020, although they remain below 2019 levels. Mergers and acquisitions, which had been the strategy chosen by Latin American companies in the first year of the pandemic, remained at similar levels in 2021.
- Direct investment flows from Uruguay totaled USD 1.307 billion in 2021 and showed a recovery compared to 2020 figures. Several investments were made from Uruguay to the region, with projects in Colombia, Chile, Brazil, Peru, Bolivia, and Mexico.
- Uruguay is a country open to foreign investment and has an adequate investment climate, which ensures a friendly environment for doing business, an attractive and stable legal regime, and a regulatory and institutional framework that adapts to the needs of investors.
- FDI received in Uruguay amounted to USD 1.403 billion in 2021, which represented a significant increase compared to 2020.
- Between 2020 and 2021, the country attracted more than 100 investment projects from foreign companies. Of the investment announcements reported, 75% were for new investments and the remaining 25% for mergers or acquisitions. Of the announced investments, 60% are for activities in the Trade & Services Hub sector, 19% are for industrial production activities, and the remaining 21% are for investments focused on serving the domestic market.

1. FOREIGN DIRECT INVESTMENT RECOVERY

Global foreign direct investment flows showed a recovery in 2021. FDI inflows reached USD 1.58 trillion and grew 64% compared to 2020. After the shock of the pandemic, flows declined significantly in 2020, standing at just under USD 1 trillion. In 2021, they slightly exceeded pre-pandemic values (7%) and reached similar levels to 2017. The 2021 rebound is mainly explained by two trends: the booming merger and acquisition market and retained earnings of multinational companies. Greenfield investments showed more limited growth. UNCTAD expects this recovery to be short-lived and flows to fall or remain stable in 2022, mainly due to the uncertain international context.

Chart 1.1
Global FDI Inflows
 (Thousands of Millions of USD)



Source: prepared by Uruguay XXI based on UNCTAD (2022).

The FDI increase in 2021 was due to a more pronounced growth in the reinvestment component of companies. Equity investment also grew, but to a lesser extent. The decline in 2020 and the subsequent rebound in 2021 was reflected in the trend of flows toward developed economies. The financial flow component of FDI and transactions closely linked to the behavior of financial markets contributed to the

fluctuations in flows in the two years of the pandemic. As a result, the percentage of inward flows to developed economies rose from 33% in 2020 to 47% in 2021, a level similar to pre-pandemic times. In developing economies, the variability was lower. In 2021, there was a 30% increase in inward FDI. Thus, FDI inflows received by developing economies exceeded those of developed economies in both years, obtaining a share of 67% in 2020 and 53% in 2021.

Regarding the origin of flows, developed economies are the main investors worldwide and in 2021 their multinational companies significantly increased their investment compared to 2020. Furthermore, in 2021 there is greater diversification in terms of origins, which were highly concentrated in the first year of the pandemic. The United States increased its outward investment and was the major source of FDI in 2021. Flows from the United States to Europe and Mexico grew significantly. Germany was the second largest investor worldwide, followed by Japan, with 9% in both cases. China is the emerging country with the largest share as a global investor and was the second largest investor economy in 2020. In 2021 it ranked fourth.

Table 1.1
Main Sources of FDI
 (Share % of Total Global Flows)

TOP 10 2020		TOP 10 2021	
United States	30.1%	United States	23.6%
China	19.7%	Germany	8.9%
Luxembourg	13.1%	Japan	8.6%
Hong Kong	12.9%	China	8.5%
Japan	12.3%	United Kingdom	6.3%
Germany	7.8%	Canada	5.3%
Canada	6.0%	Hong Kong	5.1%
France	5.9%	Russia	3.7%
Virgin Islands	5.4%	Ireland	3.6%
Korea	4.5%	Korea	3.6%

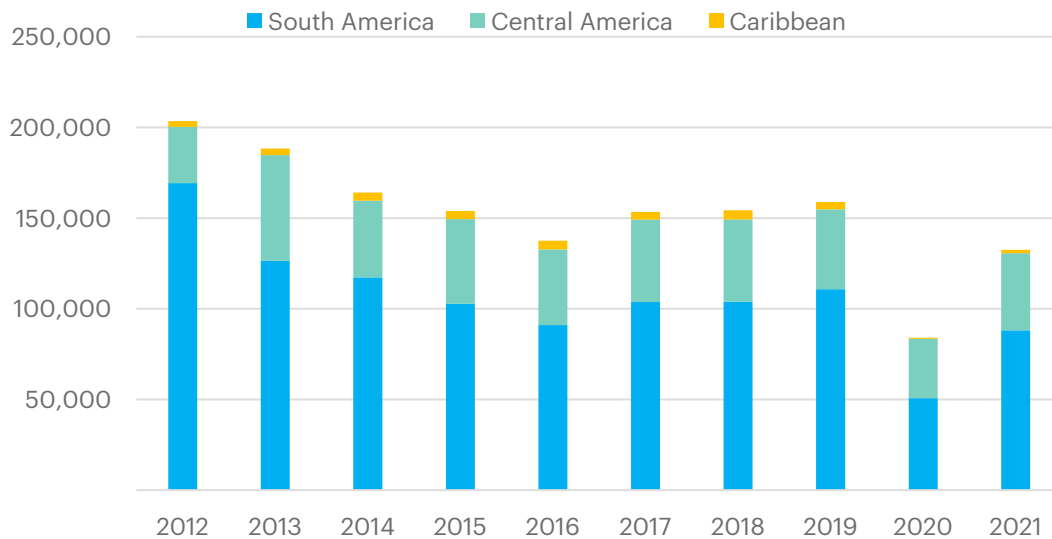
Source: Prepared by Uruguay XXI based on UNCTAD (2022).

1.1. FDI IN LATIN AMERICA AND THE CARIBBEAN

After the low levels recorded in the first year of the pandemic, FDI received by Latin America and the Caribbean grew 56% in 2021, totaling USD 134 billion. Significant inflows were registered in the

automotive sector, financial and insurance services, electricity generation and information technology (ICT). In South America, FDI totaled USD 88 billion in 2021, growing 74% year-on-year.

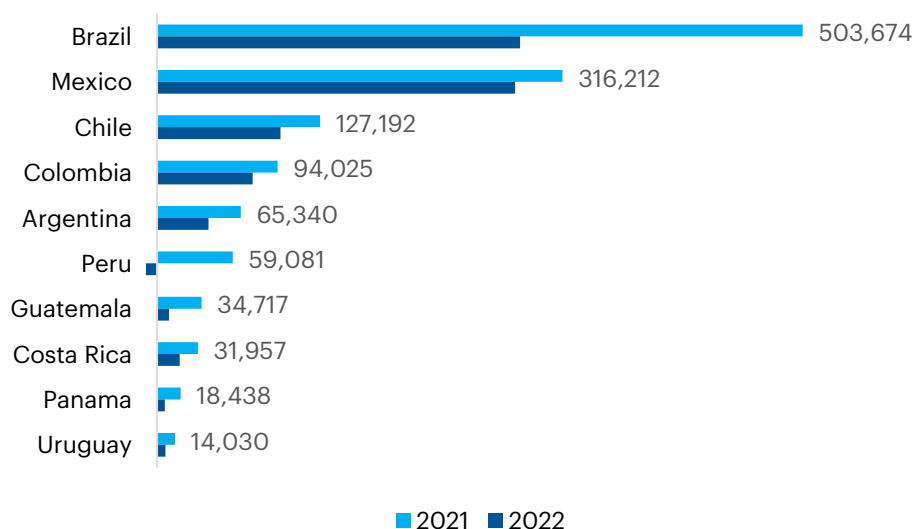
Chart 1.2
FDI Inflows to LAC
 (Millions of USD)



Source: Prepared by Uruguay XXI based on UNCTAD (2022).

Brazil was the country with the largest FDI inflows. Flows grew significantly compared to 2020, with investments in the agribusiness, automotive, electronics, information technology and financial services sectors. Investments to Mexico grew 24% year-on-year with investments in the mining industry and the automotive sector. There was also a significant increase in investment announcements, with a significant rise in the ICT sector. Chile was the third largest recipient in the region and inflows to the country grew 9% compared to 2020. It was followed by Colombia and Argentina, also with year-on-year increases.

Chart 1.3
FDI Inflows to Latin America by Country – Top 10
 (Millions of USD)



Source: Prepared by Uruguay XXI based on UNCTAD (2022).

1.2. OUTLOOK FOR FDI

According to the latest OECD projections (which has revised down all forecasts), the world economy will grow 3% in 2022 and 2.8% in 2023. This trend implied sharp corrections in the projections of the main economies at global level. In the United States, forecasts and Federal Reserve estimates are being continuously adjusted, suggesting a less than 2% growth in 2022 and 2023. In China, economic activity slowed down as a result of a very restrictive anti-COVID strategy. Recent health improvements are encouraging, but there is still no change in the “zero-COVID” policy. Beyond 2023, global growth will be around 3% in the medium term. This assumes that the conflict will have limited effects, that future sanctions on Russia will exempt the energy sector and that the health and economic impact of the pandemic will fade over the course of 2022.

The conflict between Russia and Ukraine took place in a context in which the world economy was beginning to get back on its feet, but without having fully recovered from the pandemic, and in which there were already differences between the recovery of advanced economies and that of emerging and developing economies. In addition, inflation had been escalating even before the war, due to the increase in raw material prices and the imbalances between supply and demand caused by the

pandemic. The war is amplifying the inflationary effects. Fuel and food prices have risen rapidly in the first half of 2022. All this has led countries to adopt a more restrictive monetary policy, raising interest rates. This is impacting emerging economies, as they could experience capital outflows and exchange rate depreciations.

This international context creates an uncertain outlook for global FDI flows in 2022. This year, the business and investment climate has changed dramatically. Other factors include renewed pandemic impacts, higher interest rates in major economies, an uncertain climate in the financial markets, among others. In fact, UNCTAD forecasts that global FDI flows in 2022 will have a downward trend (compared to 2021), remaining flat “at best”. Even if flows were to remain relatively stable in value terms, there would probably be fewer investment projects due to increased uncertainty and risk aversion among investors.

As mentioned above, FDI in Latin America and the Caribbean grew considerably in 2021, but a recovery of similar extent in 2022 is uncertain. It should be remembered that Latin America is one of the regions that has suffered the most from the pandemic and its economic recovery is one of the most lagging. In addition to this, there is political uncertainty, since between 2022 and 2023 there are presidential elections in some of the main FDI recipient economies, which could delay investment decisions in these countries of the region².

² In June 2022, there were presidential elections in Colombia and there will be elections in Brazil (October 2022) and Argentina (October 2023). Also, a constitutional referendum will be held in Chile in September 2022.

2. LATIN AMERICAN INVESTMENT ABROAD³

This section details investment flows from Latin America and the Caribbean to the world, with a special focus on flows from Uruguay. In a complex and uncertain context, marked by the economic and health crisis of 2020, Latin American companies were extremely cautious in investing abroad. In 2021, FDI outflows recovered, driven by mergers and acquisitions, but also due to greenfield investment projects⁴.

Latin American companies invest primarily in the United States and the region, while Spain is the main gateway to the European market. In 2021, Latin American investments abroad were registered mainly in those sectors less impacted by the pandemic, which shows that the Covid crisis left winners and losers and accelerated the growth of digital companies. Thus, the sectors that lead Latin American international investment (by number of projects) are information technologies, financial services, and food and beverages.

2.1. RECOVERY OF INVESTMENT OUTFLOWS FROM LATIN AMERICA IN 2021

Prior to the pandemic, Latin American investments abroad showed a significant increase and totaled USD 45 billion in 2019. However, this trend slowed down significantly in 2020, as a consequence of the economic crisis caused by the coronavirus pandemic. That year, foreign investment from Latin America fell by 73% in value, reaching USD 17.185 billion, which represented minimum levels with respect to those registered in the past decade.

In 2021, investment abroad by the main Latin American countries showed a significant recovery, totaling USD 40.766 billion. This implied that FDI outflows increased fourfold compared to 2020. This is a high record compared to the last ten years, in particular, it was 8% below the 2019 pre-pandemic level (which, in turn, had been better than previous years). This was in part explained by the halting of business

³ Based on [GLOBAL LATAM 2021](#)

⁴ The analysis is carried out along three dimensions, considering different sources of information: investment outflows from the Central Banks of each country, greenfield investment projects (surveyed by FDI Markets) and mergers and acquisitions (published by ORBIS).

investment projects in 2020, which remained pending an improvement in the economic outlook for 2021.

Chart 2.1
FDI Outflows from Latin America
 (Millions of USD)



Source: prepared by Uruguay XXI based on Global LATAM 2021. Includes: Brazil, Argentina, Mexico, Chile, Colombia, Guatemala, Honduras, Costa Rica, Panama, Peru, and Uruguay.

Table 2.1 shows the evolution of FDI outflows from Latin America over the last decade, disaggregated by country of origin⁵. **Brazil, Mexico, Colombia, Chile, and Argentina are the largest economies in the region and have generally been the main sources of FDI. In fact, these five countries together account for 90% of total FDI outflows from the region⁶.**

FDI flows from **Brazil** showed a strong recovery in 2021, reaching USD 19.157 billion. This figure consisted mainly of equity investments, which showed that Brazilian investors regained confidence in the dynamism of the global economy in the medium term (however, intra-group loans were in negative values). Brazil, which had been the country that accounted for the reduction of flows in 2020, returned to position itself in 2021 as the main source of FDI in Latin America. In 2021, Brazilian companies carried out many large investment projects in different sectors. The largest was that of Topper (sports equipment), which invested USD 500 million in Tucumán, Argentina. It was followed by the USD 400 million investment developed by the chemical company Braskem in partnership with IDESA in

⁵ It should be noted that, by construction methodology, FDI flow figures are very volatile, since they depend on changes in contributions, reinvestment and profits imputed by central banks based on the movements made by transnational companies.

⁶ According to ECLAC's report, [Foreign Direct Investment in Latin America and the Caribbean 2021](#), direct investment outflows from all Latin American countries stood at USD 12,343 in 2020.

Mexico. The investment of Companhia Siderurgica Nacional (CNS), which will build a long steel production plant in the United States, with an investment of USD 350 million, also stood out.

Table 2.1
FDI Outflows - Main Countries in Latin America
 (Millions of USD)

COUNTRY	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Brazil	16,067	2,083	15,644	20,607	3,134	14,694	21,341	2,025	22,820	-3,467	19,157
Argentina	1,488	1,055	890	1,921	875	1,787	1,156	1,726	1,539	1,294	1,363
Mexico	11,573	18,775	18,032	5,644	10,978	7,870	3,083	12,121	5,969	6,023	854
Chile	16,892	19,935	9,323	10,080	15,851	7,876	2,535	1,847	10,345	6,705	14,454
Colombia	8,420	-606	7,652	3,899	4,218	4,517	3,690	5,126	3,153	1,656	3,362
Guatemala	-263	174	73	20	155	-119	64	142	374	222	181
Honduras	7	0	4	3	0	3	319	421	53	8	0
Costa Rica	405	894	804	424	414	493	273	581	24	459	453
Panama	176	-274	331	329	1,091	933	-338	570	725	-2,800	-285
Peru	-343	-1,756	-492	-1,107	-189	-1,156	-500	-136	-941	-503	-80
Uruguay	7	4,154	-2,058	1,838	1,898	1,308	4,724	2,268	12	-582	1,307

● Maximum ● Minimum

Source: GLOBAL LATAM 2021.

Chile is one of the Latin American countries with more experience in the internationalization of its companies abroad, as a result of an economic opening process prior to that of other Latin American countries. Between 1990 and 2020, Chilean investment abroad was distributed among more than 60 countries, mainly the United States and Latin America, and to a lesser extent Europe, Oceania, Asia, and Africa. In 2021, Chile ranked second in the region in FDI outflows with USD 14.545 billion, growing 116% compared to 2020 and 40% compared to 2019. This increase was due to higher investments in capital contributions, which accounted for 60% of total outward investment. Reinvested earnings showed a strong year-on-year increase after being negative in 2020. In turn, intercompany loans had been more important in 2020, showing that Chilean companies chose to lend capital to their subsidiaries in the context of the health crisis. This shows an active internationalization strategy of Chilean companies, which have established an important network of subsidiaries abroad in many sectors, such as retail, with companies like Falabella, and forestry, with Arauco. In 2021, the forestry and paper holding company CMPC was responsible for Chile's largest project abroad, with the announcement of a USD 530 million investment in one of its pulp mills in Brazil.

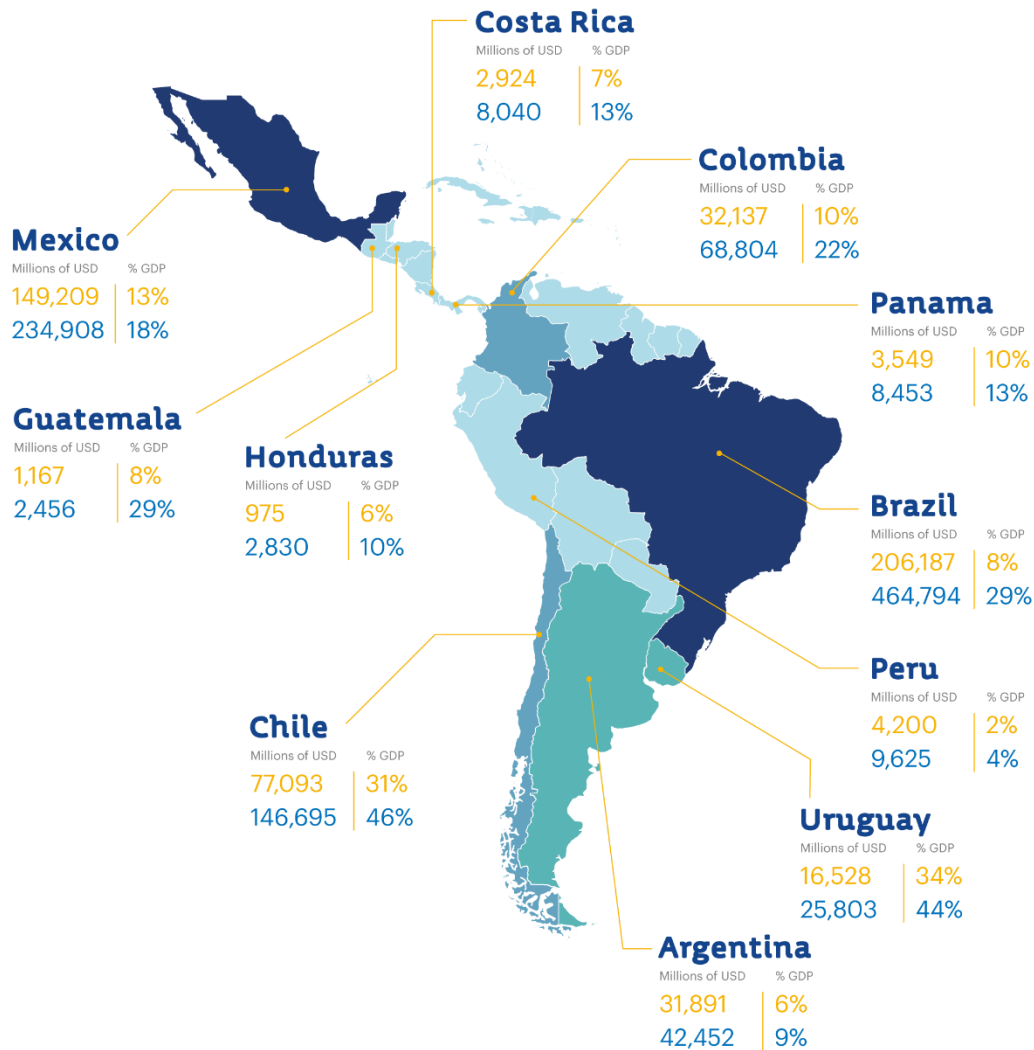
In 2021, outward investments from **Mexico** totaled USD 854 million, a drop of 87% in the year-on-year comparison. Capital contributions showed a sharp decline in the last quarter of the year, resulting in negative values for that year. Meanwhile, reinvestments and intercompany loans also fell. Due to the increase of its shale oil investment projects in Vaca Muerta (Argentina), Vista Oil & Gas, which produces and sells crude oil, was responsible for the largest Mexican investment, worth USD 250 million. There were also strong investments in the communications sector (mainly by América Móvil and its subsidiaries).

In 2021, investment flows from **Colombia** amounted to USD 3.362 billion, almost doubling compared to 2020 and 7% higher than in 2019. This increase was due to a reversal in loans from Colombian companies to their subsidiaries (which went from negative to positive) and higher profit reinvestments. At the project level, the investment of Internexa, a subsidiary of the Colombian electricity group ISA, which in 2021 opened a new data center in Santiago de Chile with an estimated USD 113 million investment, stood out. FDI from **Argentina** showed a modest increase in 2021, with flows of USD 1.363 billion.

Finally, direct investment flows from **Uruguay** totaled USD 1.307 billion in 2021 and showed a recovery compared to 2020 figures. This increase was observed for all investment components. However, it should be considered that Uruguay sometimes acts as a transit country for capital, so the ultimate owner of companies may be resident in other locations.

Since data on FDI flows are very volatile, it is worth complementing the above information by analyzing the foreign direct investment position (stock) by country. This allows us to obtain a more accurate and structural picture of the reality of FDI flows from the different countries. Brazil led the 2021 ranking as source country of FDI with USD 464.794 billion (29% of GDP). Mexico followed with USD 234.908 billion (18% of GDP) and Chile with USD 146.695 billion (46% of GDP). In the last ten years, the investment position showed significant increases in most of the countries analyzed. Argentina was the country showing the smallest increase in this comparison.

Figure 2.1
Foreign Direct Investment Position
 (Millions of USD and % of GDP)



Note: Direct investment assets are taken.

Source: GLOBAL LATAM 2021.

It should be noted that the information from the balance of payments (collected by central banks) is an indicator of the internationalization strategies of companies in the region. However, as this process progresses and companies become integrated into international financial circuits, the data on direct investment abroad undervalue and distort the process dimension. It is therefore essential to complement it with information on investment project announcements and acquisitions made by Latin American companies abroad. This provides a much more comprehensive and detailed picture of the

strategies of Latin American companies abroad. Below is a detail of Latin American companies' investment through greenfield projects and mergers and acquisitions.

2.2. INVESTMENT PROJECTS (GREENFIELD)

This section presents information on greenfield project announcements made by Latin American companies in economies within and outside the region (with data from FDI Markets). As can be seen from Table 2.2, in the last two years prior to the pandemic, investment projects by Latin American companies abroad reached peak levels, not only in numbers of projects (430 average projects in 2018-2019) but also in investment amounts (USD 21.57 billion average in 2018-2019) and in estimated employment created (average of almost 65,000 jobs). Clearly, as a result of the economic crisis caused by the pandemic, Latin American companies reduced their investment plans. In 2021, 330 projects were announced, with a total investment of almost USD 10 billion and the creation of almost 36,000 jobs.

Table 2.2
Greenfield Projects from Latin America

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Projects	344	258	260	232	254	435	424	300	330
Companies	213	186	178	165	181	263	256	208	230
Jobs	59,321	27,425	45,462	32,696	30,596	65,472	62,48	2,871	35,903
Investment (Mill. USD)	18,047	9,165	15,458	8,722	8,864	21,362	21,228	8,857	9,896

● Maximum

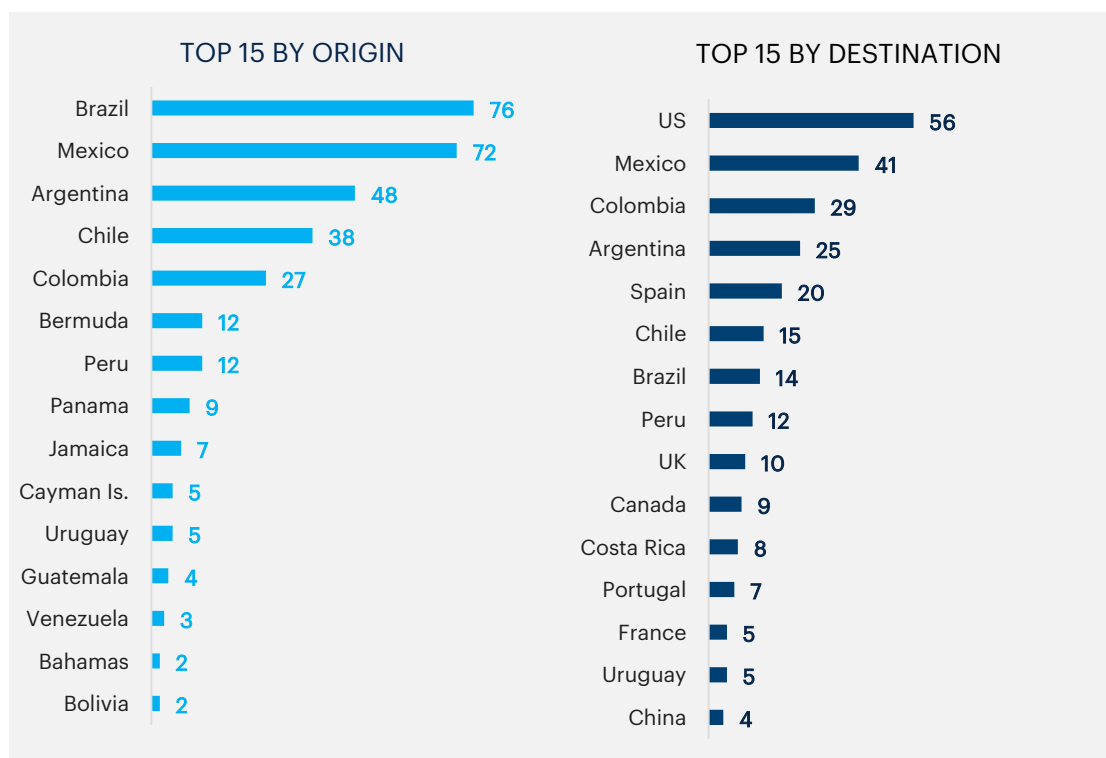
Source: Own elaboration based on FDI Markets.

Looking at the investment projects by country of origin, the same structure can be observed as in the central bank data detailed above. **Brazil, Mexico, Argentina, Chile, and Colombia are the countries from which the main investment projects originate.** The following chart presents the disaggregation of the 15 main origins of investment projects announced in 2021.

On the other hand, it is also relevant to analyze where projects are targeted. In this regard, the investment pattern of Latin American companies has not changed in the last decade. **That is, Latin American companies invest mainly in the United States and the region.** Of the 330 projects announced in 2021, the United States accounts for almost 20%, followed by Mexico (12%), Colombia (9%) and Argentina (8%). This trend has an important destination/sector pattern and also reflects the economic, political, and social conditions of each Latin American country. Meanwhile, Spain is the top

non-American investment destination and is the first in Europe, accounting for 6% of the total projects announced in 2021.

Chart 2.2
Greenfield Projects from Latin America by Origin and Destination
 (2021)



Source: Own elaboration based on FDI Markets.

In 2021, investment projects from Latin America have focused primarily on high value-added services and food and beverages. Of the total number of projects, almost 25% are investments in Software & IT. In addition, there are investments in financial services (9%), communications services (9%) and corporate services (7%). Thus, half of the projects are associated with the service sector. Projects announced in the food and beverage and consumer goods sectors account for 22% of total investment announcements. This is in line with the sectors that have been less affected by the pandemic: information technology services, corporate services, and telecommunications, among others. As expected, greenfield projects in the industrial, energy, transportation and infrastructure sectors are smaller in terms of number of projects but are the most relevant in terms of investment amounts and jobs. On the other hand, investment projects in services are far more numerous, but less intensive in terms of investment values.

The three largest investment projects in 2021 were from companies linked to the forestry, textile and chemical sectors and together accounted for almost USD 1.5 billion. The most important investment is that of the Chilean company CMPC, which invested USD 530 million to modernize its pulp mill in Guaíba, Brazil. Meanwhile, the Brazilian sports apparel company Topper announced a major investment of USD 500 million in its production plant in Tucumán, Argentina. It was followed by the USD 400 million investment developed by the Brazilian company Braskem in partnership with IDESA in Mexico.

Uruguay's outbound projects follow a pattern similar to that of Latin America in terms of destination. Several investments were made into the region, with projects in Colombia, Chile, Brazil, Peru, Bolivia, and Mexico. Outside the region, the United States and Spain are the countries receiving investments from Uruguay. Some cases stand out, such as that of the Uruguayan hostel chain El Viajero, which has expanded to several Latin American destinations: in 2019, it announced its arrival in Colombia and Argentina and, in 2021, in Mexico. In 2022, the company announced that it will be opening its doors in the United States. In the retail sector, Urban House announced its expansion to several Central American countries, while the sports fashion company Fitpoint announced the opening of a store in Peru. GU Trade, a software company focused on trade, expanded into Peru and Bolivia in 2020. Another interesting case is that of the technology company KONA, which in 2020 opened its own office in Toronto, Canada, after closing a deal with a bank in that country. In 2021, the Uruguayan technology company was acquired by the multi-Latin company Technisys (which was later acquired by the US-based technology giant Sofi Technologies in 2022). Other companies that expanded in 2020 were Grupo RAS, GU Trade and dLocal.

Table 2.3
Announcements of Investments by Uruguayan Companies Abroad

Date	Company	Destination	Sector	Investment (Millions of USD)
2021	El Viajero Hostels	Mexico	Hotels and tourism	94.9
2021	Urban House	El Salvador, Panama, Costa Rica, Nicaragua, Honduras, Guatemala and Belize	Textile	1.5
2020	KONA	Canada	Software and computer services	9.3
2020	Grupo RAS	Ecuador	Transport and storage	0.7
2020	GU Trade	Bolivia	Software and computer services	4.5

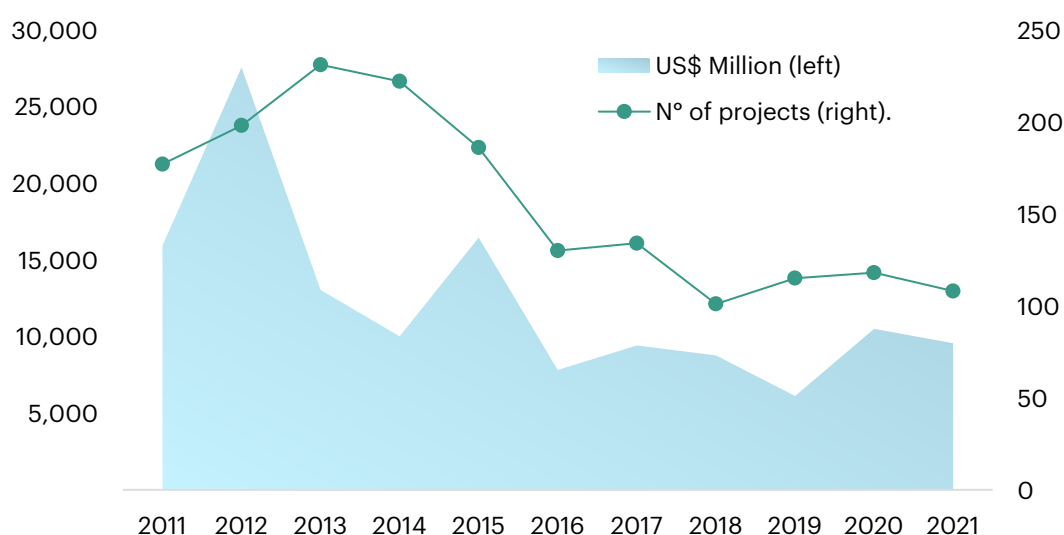
2020	GU Trade	Peru	Software and computer services	1.5
2020	dLocal	Chile	Software and computer services	
2019	UruIT	Colombia	Software and computer services	8.8
2019	Espacio Magma	Chile	Textiles	3.1
2019	El Viajero Hostels	Colombia	Hotels and tourism	7.4
2019	El Viajero Hostels	Colombia	Hotels and tourism	34.3
2019	El Viajero Hostels	Argentina	Hotels and tourism	23.6
2019	El Viajero Hostels	Colombia	Hotels and tourism	34.3
2019	Vik Retreats	Chile	Hotels and tourism	13.5
2019	Abstracta	United Kingdom	Software and computer services	2.8
2019	Software Testing Bureau	Colombia	Software and computer services	8.8
2019	IN Switch Solutions	Israel	Software and computer services	25.1
2019	IN Switch Solutions	Brazil	Software and computer services	2.4
2019	Garimport	Argentina	Trade and distribution	
2018	UruIT	Colombia	Software and computer services	8.8
2018	Grupo Lolita	Spain	Textiles	0.9
2018	Symphorine	Spain	Textiles	5.8
2017	dLocal	India	Software and computer services	7.4
2017	inConcert	France	Software and computer services	0.56
2017	Garimport	Paraguay	Trade and distribution	
2016	CREAR Comunicacion	Chile	Business services	2.1
2016	Ferrere Abogados	Ecuador	Business services	2.1
2016	Ferrere Abogados	Bolivia	Business services	0.3
2016	Overactive Inc	United States	Software and computer services	1
2016	Ferrere Abogados	Bolivia	Business services	2.1
2016	Ferrere Abogados	Ecuador	Business services	2.1
2016	Moove It	United States	Software and computer services	6.9
2013	Costa Oriental	Paraguay	Transport and storage	7
2013	Metropolis Films	Colombia	Communications	9.7
2011	Antel USA	United States	Communications	5.1

Source: prepared by Uruguay XXI based on FDI Markets and press data.

2.3. CROSS-BORDER ACQUISITIONS

In the context of the pandemic, Latin American companies with financial capacity strengthened their presence abroad by acquiring foreign companies. Information obtained from Orbis shows that the value of mergers and acquisitions (M&As) closed in 2020 at around USD 10.5 billion (almost 130 transactions were completed). This figure is higher than in previous years, although it remains far from the records of 2011 and 2012. In 2021, M&As of Latin American companies totaled USD 9.563 billion with 108 transactions.

Chart 2.3
M&As - Buyers from Latin America
 (Millions of USD)



Source: own elaboration based on Orbis.

Once again, the main countries buying Latin American companies are Brazil, Mexico, Chile, and Colombia. These four account for 90% of the total value of M&As carried out in the last decade. Meanwhile, in 2021, Brazilian companies were the ones that bought the most companies. Brazil alone accounted for 80% of total acquisitions in 2021.

With respect to Uruguay, in the last decade the vast majority of acquisitions by Uruguayan companies of foreign companies were made in Brazil and Argentina. In most cases these were partial purchases.

Table 2.4
M&As - Buyers from Latin America (2021)

BUYER	BY BUYER			ACQUIRED COMPANY COUNTRY	BY DESTINATION		
	N°	Mill. USD	Share %		N°	Mill. USD	Share %
Brazil	29	7,572	79%	Colombia	5	5,798	61%
Mexico	12	770	8%	United States	22	1,820	19%
Argentina	10	504	5%	El Salvador	2	648	7%
Chile	11	473	5%	Spain	7	389	4%
Panama	38	210	2%	Chile	5	239	3%
Peru	2	19	0%	Brazil	8	157	2%
Uruguay	3	15	0%	United Kingdom	35	135	1%
Colombia	3	-	0%	Paraguay	1	122	1%
				Netherlands	1	120	1%
				Canada	2	75	1%
				Other	17	60	1%
Total	108	9,563	100%	Total	105	9,563	100%

Source: Own elaboration based on Orbis.

Table 2.5 shows the deals involving buyers from Uruguay. These are mostly investment funds, looking for start-ups with growth potential to invest (VC) and mainly Brazilian companies were acquired.

Table 2.5
M&As - Buyers from Uruguay

Year	Buyer	Acquired company	Deal type	Target country code
2022	ACPE ADVISORS SA	ASCENDER SA	Acquisition 100%	Colombia
2021	ACPE ADVISORS SA	RECH IMPORTADORA E DISTRIBUIDORA SA	Acquisition 100%	Brazil
2021	KASZEK MANAGEMENT SA	GRUPO VALOREO SA DE CV	Minority stake	Mexico
2021	KASZEK MANAGEMENT SA	FINTUAL INC.	Minority stake	United States
2020	ACPE ADVISORS SA	NEO VIDA COMERCIO E IMPORTACAO DE PRODUTOS NATURAIS LTDA	Minority stake	Brazil

2020	ACPE ADVISORS SA	VERDE AGRICOLA COMERCIO DE PECAS LTDA	IBO	Brazil
2020	KASZEK MANAGEMENT SA	GRINGO AGENCIA DE SERVICOS RELATIVOS A AUTOMOVEIS LTDA	Minority stake	Brazil
2019	KASZEK MANAGEMENT SA	CAMINO EDUCATION CORPORATION BRAZIL SA	Minority stake	Brazil
2018	ACPE ADVISORS SA	RURAL BRASIL SOLUCOES	IBO	Brazil
2018	ACPE ADVISORS SA	LAC LELO	Acquisition	Brazil
2018	KASZEK MANAGEMENT SA	HASH LAB SOLUCOES PAGAMENTO LTDA	Minority stake	Brazil

Note: An institutional buyout (also known as IBO) is a type of acquisition in which an institutional investor such as a venture capital firm, private equity firm, or a financial institution (e.g., bank) purchases a controlling interest (at least 51%) in a company. The institutional buyout is a common way to make a public company private.

Source: Prepared by Uruguay XXI based on Orbis M&As.

3. FOREIGN DIRECT INVESTMENT IN URUGUAY

3.1. FOREIGN DIRECT INVESTMENT IN URUGUAY

Uruguay joined the Investment Committee of the Organization for Economic Cooperation and Development (OECD) in 2021⁷. According to the [Investment Policy Review](#), Uruguay faces similar challenges to OECD countries in achieving a goal of sustained economic growth based on innovation and productivity, which is also sustainable and equitably distributed.

The report highlights the strength and resilience of the Uruguayan institutions. Despite an unstable international context, Uruguay consistently scores well in terms of political and social stability. This is thanks to its institutional strength, which is an essential factor in attracting FDI. [Lanzilotta, Leira and Miranda \(2022\)](#)⁸ analyzed the role of institutional quality in attracting foreign investment and found a positive correlation between governance quality and FDI.

In addition, the country has macroeconomic stability and has shown strong economic growth in the 21st century. However, there has been a cooling of the economy in recent years when the external context became less favorable. The imperative goal is to return to a path of sustained growth, for which the government must address fiscal accounts and productivity, among other dimensions.

In the report, the OECD makes a series of recommendations aimed at generating an efficient and coherent incentive system that establishes a balance between attracting investment and its impact on the country's development.

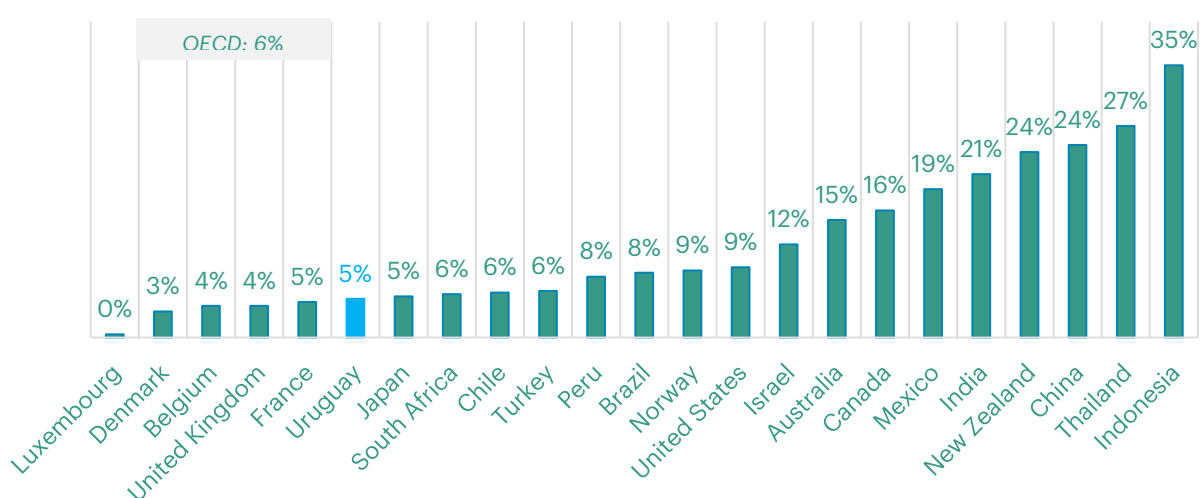
FDI is one of the factors that allowed driving the country's economic development, which is reflected in the importance of investments in the economy. FDI stock was USD 29.642 billion in 2021, accounting for 55% of GDP. Indeed, Uruguay is a country open to FDI and numerous efforts have been made to maintain a regulatory framework with fair conditions in line with international experiences and standards. The FDI

⁷ [Uruguay became the 50th Adherent to the Declaration on International Investment and Associate Member of the Investment Committee](#) – Presidency.

⁸ Lanzilotta, B, Miranda, R, Leira, E, "Inversión extranjera directa y calidad del gobierno: Evidencia para los países de América Latina y la OECD", DT 11/22 Instituto de Economía, FCEA, UdelAR.

Regulatory Restrictiveness Index developed by the OECD⁹, which is based on regulatory measures, shows that the degree of discrimination against foreign investors in Uruguayan regulations is lower than in most of the 70 countries it includes (Chart 3.1). Uruguay is substantially more open to FDI than the average of emerging markets and Latin America.

Chart 3.1
FDI Regulatory Restrictiveness Index
 (Selected Countries – 2019)



Note: 0% is less restrictive and 100% is more restrictive.

Source: OECD

A favorable framework for investment and good economic performance explains the significant FDI flows received in the last decade. FDI in Uruguay has had several effects, including a strong boost to the export sector. Many foreign companies invest in foreign-oriented sectors and have helped diversify the country's export basket¹⁰.

In turn, the export of non-traditional services has gained importance in the last decade, also thanks to the FDI engine. Most of these activities are carried out by subsidiaries of multinational companies that provide services to the parent company or other subsidiaries. The opening of a subsidiary in another country clearly represents a FDI flow¹¹.

⁹ The [FDI Regulatory Restrictiveness Index](#) measures statutory restrictions on foreign direct investment in 22 economic sectors across 69 countries, including all OECD and G20 countries.

¹⁰ For more information, see: [Boom de IED en Uruguay y su impacto en las exportaciones de bienes](#).

¹¹ For more information, see: [Global Services Report](#).

Uruguay has consolidated in recent years as a reliable and attractive destination for foreign investors. FDI inflows showed an upward trend since 2001, increasing almost every year until reaching a peak in 2013. Then, the trend reversed, and even negative values were recorded between 2016 and 2018, which are mainly explained by loans from companies installed in Uruguay to their parent companies abroad. Since 2019, a positive inflow of FDI has returned to Uruguay.

Chart 3.2
GDP Uruguay
(Base 2016 - Annual % Var.)

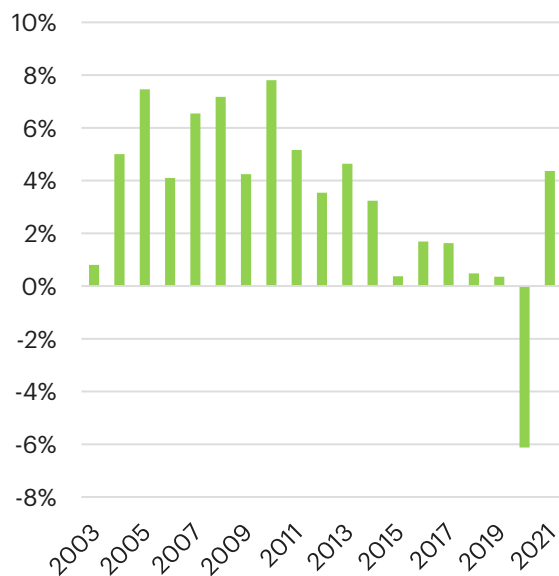
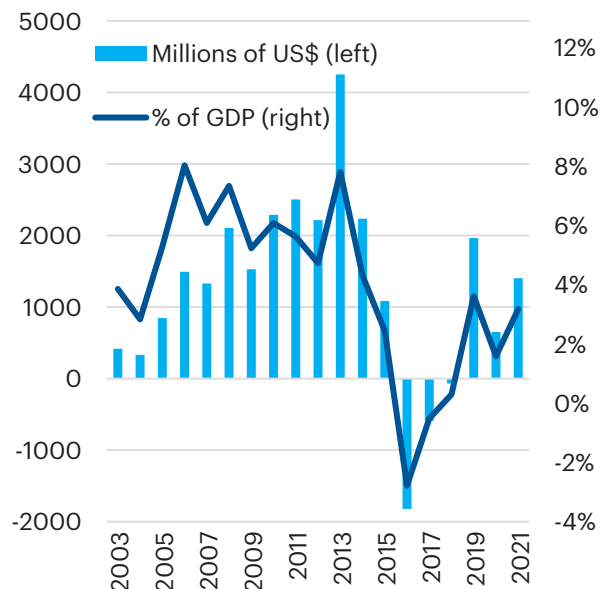


Chart 3.3
FDI Received in Uruguay
(Mill. of USD and % of GDP)



Source: Prepared by Uruguay XXI based on Central Bank of Uruguay (BCU).

In 2021, the net FDI received by Uruguay was USD 1.403 billion and showed an increase compared to 2020 figures. FDI flows are divided into three modalities: capital contributions, reinvestment of earnings and intercompany loans (see Table 3.1). Capital contributions (the most genuine part of FDI) were positive throughout the period and totaled USD 807 million in 2021. Meanwhile, the reinvestment of earnings reached USD 2.565 billion, a peak that had not been observed in the last decade. This figure represents a strong rebound from the 2020 record of negative values in the amount of USD 285 million. Reinvestments are the FDI component that most quickly reflected the effects of the pandemic, as the activity of companies was reduced by the confinement, with a direct impact on their profit margins. Meanwhile, intercompany loans were negative by USD 1.968 billion. These loans make up the most

volatile component of FDI, since they consist of flows between subsidiaries and their parent companies abroad.

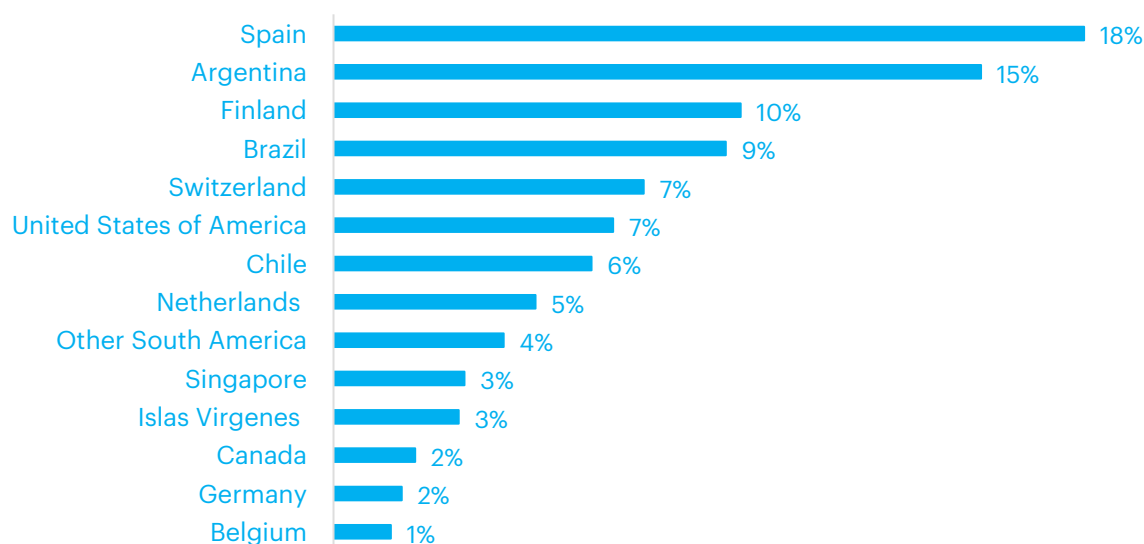
Table 3.1
FDI Received by Modality
 GDP (Millions of USD)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Contributions	1,228	2,069	1,731	1,390	1,009	637	195	554	866	807
Reinvestment	2,476	634	809	-1,250	-610	1,187	1,091	-602	-285	2,565
Loans	-1,488	1,548	-303	945	-2,220	-2,414	-1,353	2,014	72	-1,968
Directional FDI	2,216	4,251	2,236	1,085	-1,821	-590	-67	1,965	653	1,403

Source: Prepared by Uruguay XXI based on BCU.

As regards the origins of FDI, Spain is the country that accumulates the most investment in Uruguay, followed by Argentina, Finland and then Brazil.

Chart 3.4
FDI Position by Origin
 (Share %, 2020)



Note: Only equity investments are considered. Panama is an international financial center where many Panamanian companies appear as investors, although the final investors are actually from other countries, but these are unknown.

Source: Prepared by Uruguay XXI based on BCU.

Spanish companies have invested in Uruguay mainly in industry and global services. Within the industry sector, energy generation projects stand out, mainly wind power, which are large and generally require

a lot of investment. At the services level, there are several initiatives related to financial services, fintech and business services. However, Spanish investments are also seen in other sectors, such as the food industry, tourism, agro-industrial production, and trade¹². Argentine companies have invested in industry in a wide variety of subsectors. There are several investments in agribusiness, the food industry, and the pharmaceutical industry. In recent years, there has been a growing interest of Argentine capital flows in the corporate services sector in Uruguay. Finland's position is essentially due to investments in pulp mills, which are very large projects. Meanwhile, Brazil's position is explained by industrial projects, with a focus on the agro-industrial sector.

In recent years, BCU data show that the financial and insurance sector was the sector that attracted the most investment flows, with 41% of total flows. It is followed by manufacturing industries with 30% and trade with 15%.

Table 3.2
FDI Received by Sector
 (Millions of USD)

Sector	2012-2020		2020
	Millions of USD	Share %	Millions of USD
Financial and insurance	5,444	41%	-57
Manufacturing industries	4,038	30%	682
Trade	2,048	15%	225
Transport and storage	414	3%	10
Real estate activities	404	3%	-68
Electricity	315	2%	-6
Professional, scientific and technical activities	299	2%	-30
Information and communications	263	2%	-10
Agro	200	1%	-89
Accommodation	-8	0%	-15
Administrative and support services	-32	0%	-127
Construction	-205	-2%	15
Unclassified	196	1%	10
TOTAL	13,375	100%	541

Note: Capital contributions and reinvestment are considered. Intercompany loans are not considered. The 2012-2020 figure is the sum of flows for all years.

Prepared by Uruguay XXI based on BCU.

¹² The BCU data does not show the cross-referencing by destination and by sector, so complementary information from COMAP, FDI Markets and EMIS is used.

FDI Methodology and Criteria (Asset/Liability vs. Directional)

Balance of payments (BP) data collected by central banks are the main source of official information for estimating foreign direct investment flows. In 2017, the Central Bank of Uruguay (BCU) adopted the new methodology of the 6th Balance of Payments Manual (BPM6). This implied a major change in FDI figures. Following international recommendations, the BCU publishes annual FDI data according to the **asset/liability principle** in the balance of payments. According to this criterion, the investment is determined under the logic of the resident and non-resident in the country. Inward investment is made up of all financial obligations (liabilities) of resident companies with non-resident foreign companies, whether they are direct investment companies (resident foreign subsidiaries) that have obligations with their non-resident foreign investors (parent company or other related companies), or resident investment companies that invest abroad and have obligations with their subsidiaries abroad. This criterion is useful for macroeconomic analysis, for example, to estimate the impact of investment on a country's balance of payments. It is also useful for international comparisons since the international recommendation is to present data under the BPM6.

The **directional criterion** used in the previous manual (BPM5) operates under the logic of who is the investor (parent company or sister companies with another non-resident parent company) and who is the direct investment company (subsidiary). Thus, a different treatment is given to reverse investment, i.e., when direct investment companies invest in their direct investor, netting these flows. In the case of inward investment, the directional criterion is then made up of the liabilities that resident direct investment companies have with their non-resident direct investors and subtracts the assets that these resident direct investment companies have with their non-resident direct investors. Thus, net flows are obtained. This reverse investment component is observed in the form of intercompany loans. In Uruguay, the BCU publishes a detailed version of the Balance of Payments (BPM6) that allows FDI to be determined according to the directional principle (the detailed version is not published by all LAC countries). In addition, the BCU publishes FDI by country of origin and target sector based solely on the directional criterion. Therefore, this is usually the criterion used in Uruguay XXI reports. The directional criterion is useful for identifying the influence and motivation of FDI flows and is therefore appropriate for assisting investment policymakers. Under the new methodology, the data recorded reflect net flows, and may therefore take negative values.

FOREIGN DIRECT INVESTMENT RECEIVED IN URUGUAY (FLOWS IN MILLIONS OF USD)

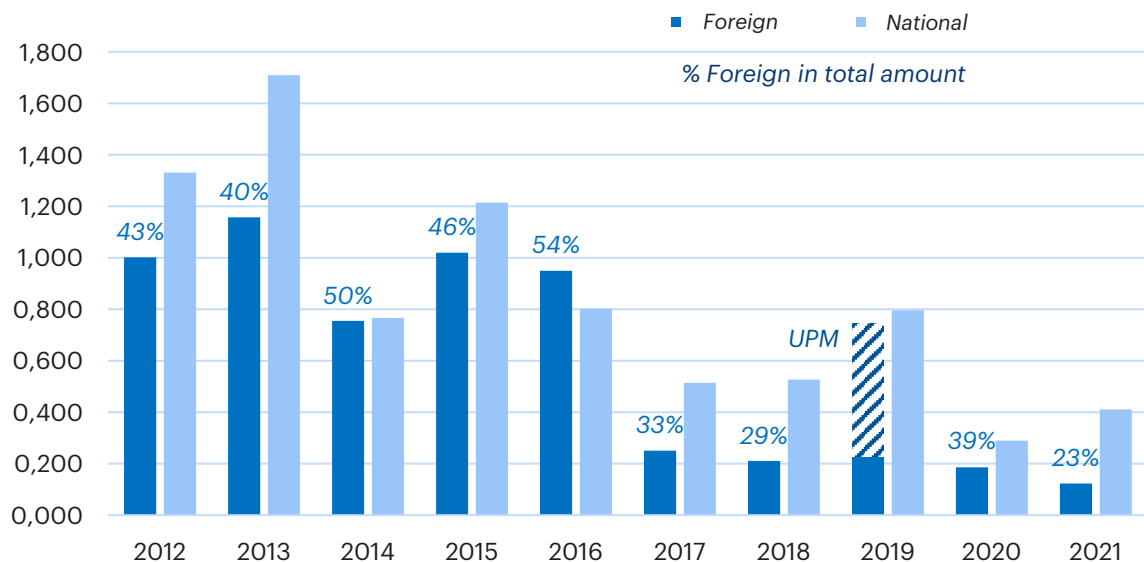
CRITERION	MODALITY	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
DIRECTIONAL	Contributions	1,228	2,069	1,731	1,390	1,009	637	195	554	866	807
	Reinvestment	2,476	634	809	-1,250	-610	1,187	1,091	-602	-285	2,565
	Loans	-1,488	1,548	-303	945	-2,220	-2,414	-1,353	2,014	72	-1,968
	FDI	2,216	4,251	2,236	1,085	-1,821	-590	-67	1,965	653	1,403
ASSET/ LIABILITY	Contributions	1,242	2,057	1,708	1,422	1,019	646	203	566	889	790
	Reinvestment	2,476	634	809	-1,250	-610	1,187	1,091	-602	-285	2,565
	Loans	2,676	-1,704	1,569	2,501	-924	854	265	1,445	-194	-768
	FDI	6,394	987	4,085	2,673	-516	2,687	1,559	1,409	410	2,587

Source: Prepared by Uruguay XXI based on BCU.

3.1.1. PROJECTS PROMOTED BY COMAP

Uruguay's investment promotion regime provides a set of tax benefits for investment projects submitted to the Investment Law Enforcement Commission (COMAP), which upon compliance with certain requirements are promoted by the Executive Power (see Regulatory Framework Annex)¹³. The projects that have been recommended for approval by COMAP are published in the following [link](#). Since it entered into force in 2006, the regime has been widely used by both domestic and foreign companies.

Chart 3.5
Projects Recommended by COMAP by Origin of Capital
 (Millions of USD)



Source: Prepared by Uruguay XXI based on COMAP.

Since 2019 there has been a decrease in the amount invested in projects recommended by COMAP, which can be explained by several reasons. First, because 2019 includes UPM's investment project in the port of Montevideo for USD 484 million, a large-scale project that was not repeated in subsequent years. Furthermore, it should be clarified that for a project to be recommended by COMAP it is necessary to go through a number of administrative processes that may take some time to materialize. Therefore, projects recommended in a given year may have been submitted in previous years. Also, in the last three years there were two relevant processes that affected companies' expectations and thus their investment decisions: the election year in Uruguay may have postponed some investment decisions,

¹³ Although the Investment Promotion Law does not distinguish whether the investor is national or foreign, it is possible to analyze the use of this incentive by foreign companies thanks to Uruguay XXI's register of foreign companies.

while the year 2020 was characterized by the strong uncertainty associated with the pandemic. Given that the recommended projects are published somewhat later than when they were submitted, the 2020 and 2021 figures for recommended projects may reflect the 2019 and 2020 effects. Taking this into account, the recovery of FDI received should also start to materialize in the COMAP recommendations for 2022 and 2023. In fact, there was an increase in the number of projects submitted to COMAP that have not yet been recommended.¹⁴

Table 3.3
Projects Promoted by Origin - Foreign Capital
 (Millions of USD - Share%)

2020		2021	
France	25%	United States	48%
Sweden	20%	Norway	20%
United States	20%	Chile	11%
Chile	18%	Sweden	8%
Spain	5%	British Virgin Islands	3%
Brazil	3%	Belize	2%
Italy	3%	Argentina	2%
Argentina	2%	Italy	2%
Denmark	1.1%	Spain	2%
Belgium	1.0%	China	1.0%
United Kingdom	0.5%	Switzerland	0.3%
Netherlands	0.2%	France	0.3%
China	0.1%	Cayman Islands	0.2%
		Denmark	0.2%
Total (millions of USD)	186	Total (millions of USD)	123

Source: Prepared by Uruguay XXI based on COMAP.

In 2020, 287 projects were promoted for USD 475 million, of which 38 were from foreign companies (USD 185 million). France was the main origin of investing companies, with projects mainly related to trade, but also to construction and the dairy industry. Swedish companies invested in agribusiness and security services. US companies invested in the forestry sector. In 2021, 504 projects were recommended, with a total investment of USD 534 million. Of these projects, 22 were from foreign companies and together account for USD 123 million. The United States was the leading origin of recommended investments in 2021, thanks to a project linked to the production and transmission of

¹⁴ Data on projects submitted to COMAP were presented by the Ministry of Economy and Finance in the following [presentation](#).

electric power. Norway was second, with a project related to the fishing industry, followed by Chile with investments in trade.

Table 3.4
Projects Promoted by Sector - Foreign Capital

2020		2021	
Manufacturing Industry	28%	Manufacturing Industry	68%
Trade	22%	Trade	19%
Agricultural/Agro-Industrial	19%	Other Services	5%
Food Industry	10%	Agricultural/Agro-Industrial	4%
Trade	10%	Food Industry	2%
Other Services	9%	Transport	1%
Tourism	1%		
Transport	1%		
Total (millions of USD)	186	Total (millions of USD)	123

Source: Prepared by Uruguay XXI based on COMAP.

3.2. RECENT FDI TRENDS IN URUGUAY

3.2.1. INVESTMENT ANNOUNCEMENTS AND OPPORTUNITIES¹⁵

In order to characterize the most recent FDI trends in Uruguay, this section presents information on investment announcements by foreign companies¹⁶ and investment opportunities assisted by Uruguay XXI between 2019 and 2021. Based on the investor assistance process carried out by Uruguay XXI, information is gathered on the origin of potential investors, the characteristics of their projects and the activities they are interested in investing in. Based on this information, the following trends are analyzed.

1. Investment Announcements

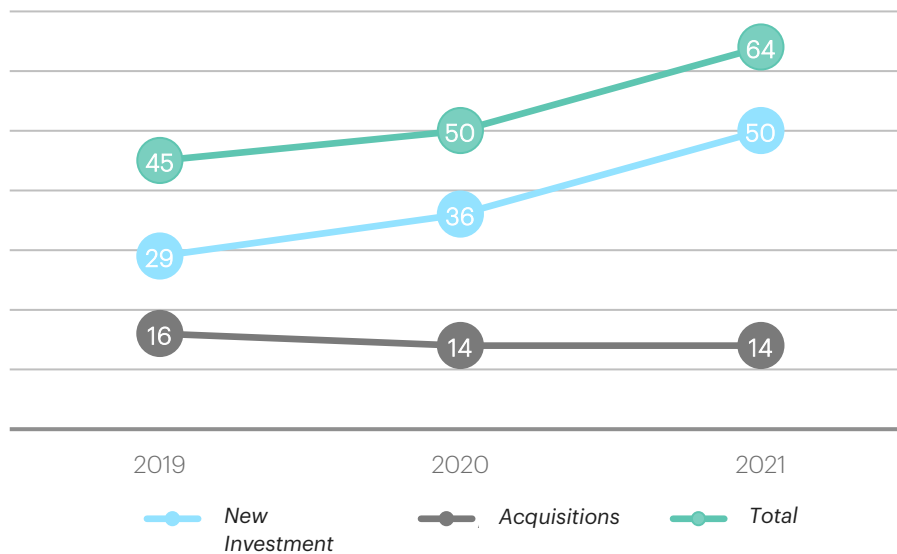
Between 2020 and 2021, Uruguay attracted more than 100 investment projects from foreign companies. Seventy-five percent (75%) of the investment announcements were for new investments and the

¹⁵ For more information, see [Informe de Anuncios y Oportunidades de Inversión 2019-2021](#)

¹⁶ The database is made from three sources: investment opportunities assisted by Uruguay XXI, investment projects collected by FDI and M&A operations obtained from Emis and Orbis.

remaining 25% for mergers or acquisitions (M&A).¹⁷ Although this compilation is not intended to include all FDI received by Uruguay, it is a good estimate of the number of investment projects announced on an annual basis.

Chart 3.6
Investment Announcements



Source: Uruguay XXI.

Comparing 2020-21 with 2019 (pre-pandemic), a growing trend in investment is observed, with increases in the order of 42% by the end of the period. The increase in investment is mostly driven by new companies setting up in the country.

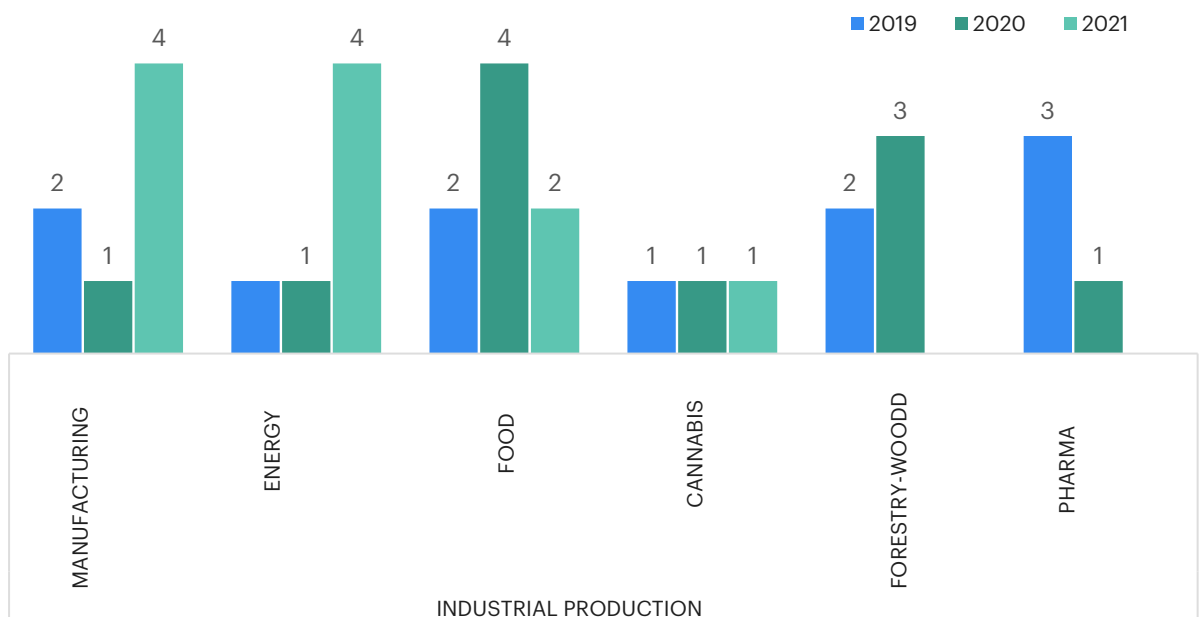
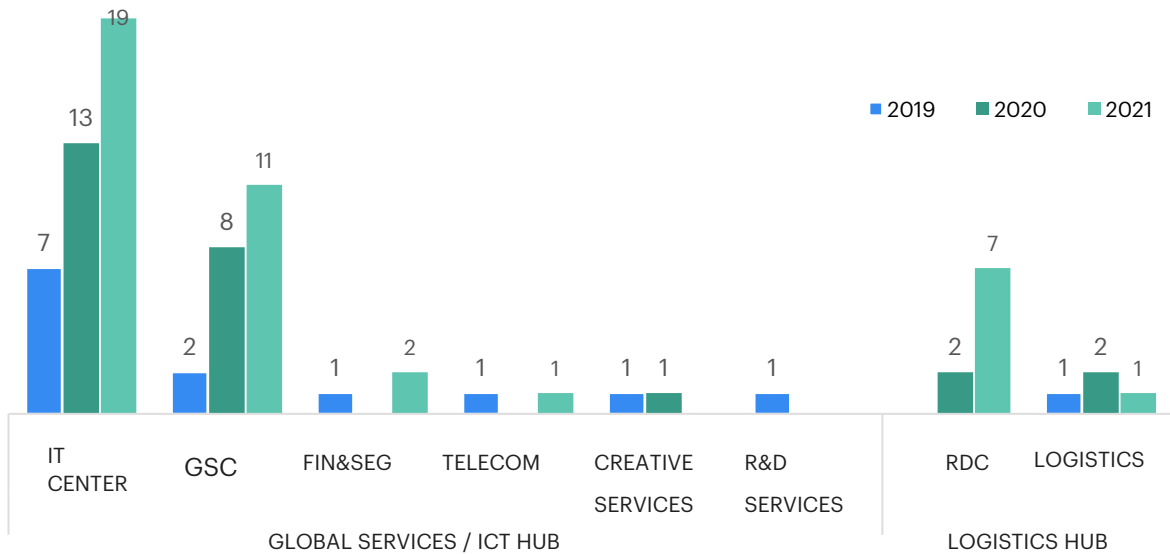
Uruguay XXI classifies the investment announcements and opportunities according to the business model or platform to be developed by the company in the country.¹⁸ For the 2020-21 period, 60% of the announced investments are for activities that can be grouped under the concept of trade & services hub

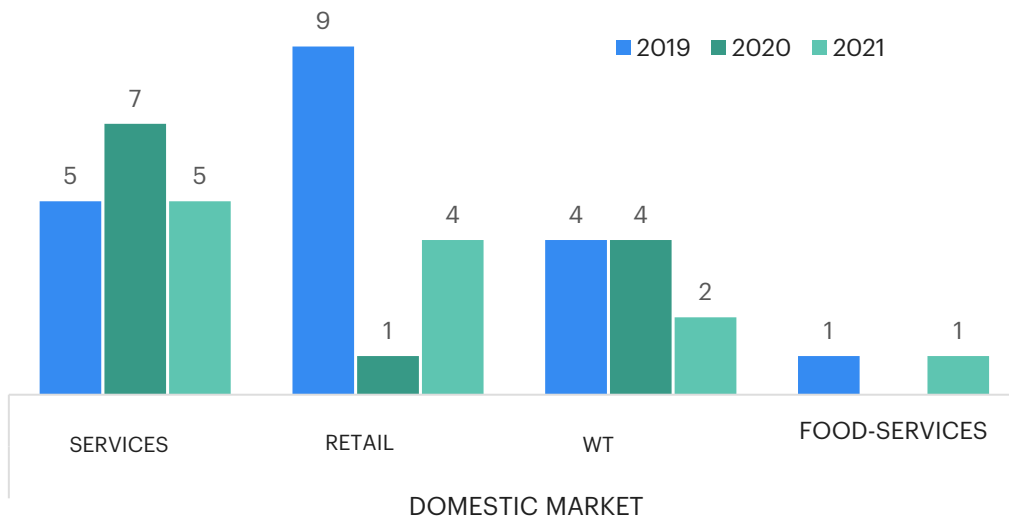
¹⁷ Definition: (i) New Investment Announcements - operations of new companies to be installed in the country and/or expansion or diversification in foreign companies already in the country. (ii) M&A Announcements - transactions in which a foreign company acquires all or part of a local company.

¹⁸ Four main platforms are defined: Global Services/ICT (includes operations of service centers, ICT development centers, financial services, telecommunication services, creative or R&D services), Logistics (includes investments in regional distribution or logistics operators' centers), Industrial Production (includes manufacturing industry in its different areas, for example, chemical or metal-mechanic, pharmaceutical industry, food products, forestry-wood, energy, among others), Agricultural Production and Other (includes investments in the primary agricultural, forestry and mining chain), Domestic Market (includes activities focused on the domestic market such as retail, wholesale trade and distribution, other services).

(global services/ICT 49%, logistics 11%). Industrial production activities account for 19%, while investments focused on serving the domestic market account for 21%.

Chart 3.7
Investment Announcements by Investment Platform in Uruguay
(2019-2021)

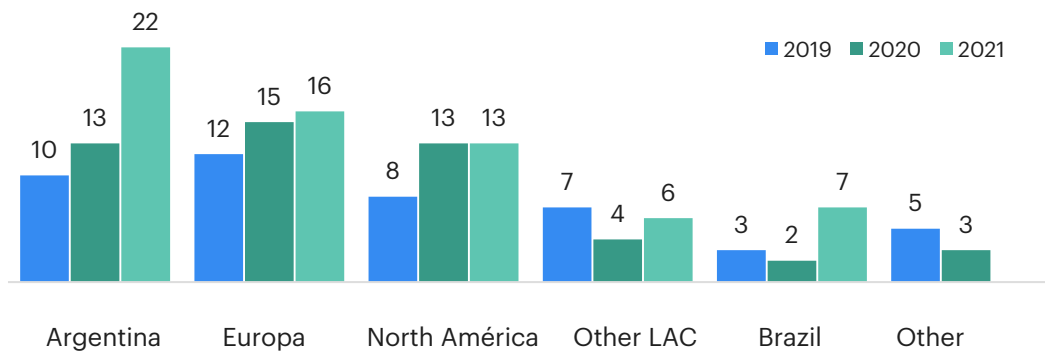




Note: WT refers to wholesale trade.
Source: Uruguay XXI

Europe and Argentina were the main origins of investment announcements during the period, accounting for approximately 28%.

Chart 3.8
Investment Announcements by Origin of Capital
(2019-2021)



Source: Uruguay XXI.

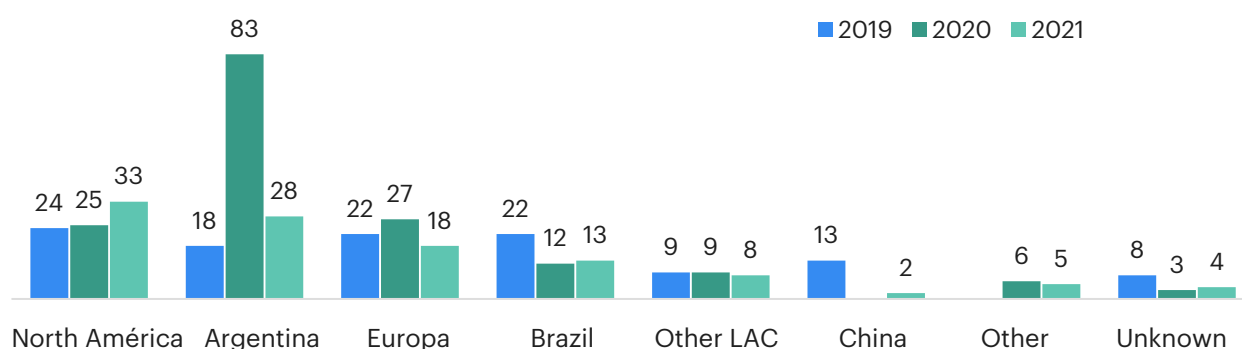
2. Investment Opportunities in Uruguay

The global pandemic scenario, its effects in the region and—in particular—in Uruguay, created a special context regarding the dynamics of Investment Opportunities (ODIS) managed by Uruguay XXI. On the one hand, the timing of companies' investment decisions and their implementation was affected, but on the other hand, the flow of inquiries increased substantially (especially during 2020 and the first half of 2021). In 2020, the interest of foreign investors in Uruguay increased by 44% compared to 2019, returning in 2021 to levels similar to the years prior to the pandemic.

In 2021, more than 300 investment opportunities were assisted, of which 35% were initiated that year.

A marked increase in potential investment projects from Argentina is observed, especially during 2020, which is directly related to the increase in new investment announcements. There is also an increase in ODIS from North America and a decrease from Brazil.

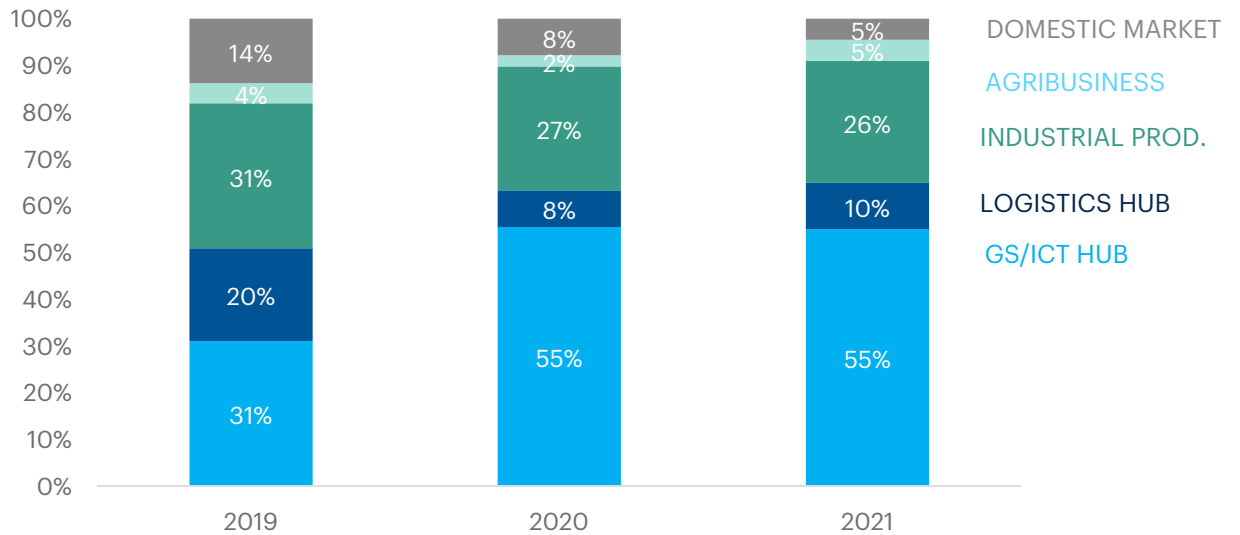
Chart 3.9
Investment Opportunities by Origin of Capital
 2019-2021



Source: Uruguay XXI.

The preponderance of the trade and services hub platforms in terms of inquiries received in 2021 is similar to that reflected at the level of announcements (65%).

Chart 3.10
Investment Opportunities by Activity in Uruguay
 2019-2021



Source: Uruguay XXI.

Looking at ODIS by sector, there is a consolidation of the Global Services/ICT sector as the main attractor of potential investments. There is a tendency to set up service centers focused on higher value-added activities. In addition, ICT-related activities are being incorporated into global service centers and there is a tendency to set up regional Top Management centers. Also, there is an increase in investment inquiries for customer service centers with many positions (BPOs). The ICT sector remains dynamic with inquiries and incorporation of new companies mainly from Argentina, but also from the United States and Canada. The arrival of new players increases the challenge of access to talent, although the landing of some companies also implies the relocation of part of their teams from their country of origin.

Uruguay is also positioning itself in the pharmaceutical sector as a hub for the Southern Cone, complementary to Panama. In particular, there are activities of pharma companies focused on regional distribution operations to provide supply solutions for the Southern Cone. Initially, these are small operations through logistics operators, which then progress through direct installation and the addition of new service operations. Likewise, Argentine pharmaceutical and veterinary companies are expanding and channeling their growth to Uruguay.

Within Agribusiness, there is a growing trend focused on the mechanical transformation of wood, as well as the production of fuels from forest residues, generating a new impulse in this chain and especially

using pine as an input. Work is also being done to develop opportunities linked to the dairy and meat chains, with an integrated approach (land, primary production and industry).

In the Energy sector, there is interest from business groups in the production of biofuels, as well as in the production of green hydrogen and derivatives, with relevant projects and, in some cases, with substantial progress. There is also growing interest in the assembly of electric vehicles.

Finally, with respect to the investment portfolio being developed by Uruguay XXI, relevant opportunities have been identified in the meat, dairy, cannabis, food and beverage, glass and technology industries¹⁹.

3.2.2. RELEVANT SECTORS FOR INVESTMENT IN URUGUAY

The following are some of the sectors that stand out for their attractiveness for foreign companies to develop their activities.

Agribusiness: Uruguay has comparative advantages in food production at international level, with a well-known international reputation in the production process and the quality of several agricultural products, based on safe production under strict sanitary controls. **The country has great potential to increase the production of agro-industrial goods. With a population of 3.5 million inhabitants, it produces food for 28 million people. Global demand for agricultural goods will remain strong in the coming decades, supported mainly by increased consumption of proteins, fats, and sugars in developing countries. For more information, see: [Agricultural Report](#)**

Forestry: In Uruguay, there are important opportunities for the installation of industries that add more value to wood. **The large supply of pine wood, coming from managed and certified plantations, is a great attraction for the installation of first and second mechanical transformation companies.** The annual availability of this wood exceeds three million cubic meters per year, far exceeding the country's industrial capacity. For more information, see: [Forestry Report](#)

Cannabis: Uruguay was the first country in the world to regulate the production of cannabis for recreational, medicinal, and industrial use. **The activity of companies linked to the cannabis industry in Uruguay is increasingly reaching a wider range of possibilities, and the associated services are multiplying. In particular, authorizations by the Institute for Regulation and Control of Cannabis (IRCCA) and the Ministry of Public Health cover cultivation (psychoactive and non-psychoactive),**

¹⁹ For more information, see [Uruguay XXI Investment Portfolio](#)

research and industrialization. Although the activity of the main companies is explained by these activities, many others provide related services and complete the sector's business map. For more information, see: [Cannabis Report](#)

Global Services: In recent years, the dynamism of a business segment known as global export services has stood out in Uruguay. **These, which are provided from Uruguay to the world, are the result of a company's decision to offshore an activity or process and transfer it abroad. Global services proved to be one of the most resilient sectors in the face of the health and economic crisis caused by the mandatory quarantines implemented in most countries.** In Uruguay in particular and in this context, one of the most important lessons learned for global service companies was their ability and flexibility to adapt and maintain continuity of operations by using different tools and showing the possibility of being able to implement remote work quickly. For more information, see: [Global Services Report](#)

Energy Transformation: The transformation of Uruguay's energy matrix, driven by the public sector in coordination with the private sector and with a significant contribution from foreign investment, places Uruguay at the forefront of the use of renewable energies worldwide. The share of renewable energies in the primary matrix and especially in the electricity matrix is well above the world average (less than 20%). In the coming years, the country plans to advance in the second stage of energy transition, which will present opportunities in the direct electrification of end uses, in the development of the hydrogen economy, in consolidating a smart electricity grid, in the energy recovery of agricultural, industrial and urban waste, and in incorporating clean technologies in the transport sector, among others. For more information, see: [Renewable Energies Report](#)

Pharmaceutical Sector: In Uruguay, the pharmaceutical sector has grown significantly in the last 30 years, reaching 80 human health companies and 37 animal health companies operating in different modalities. **Pharmaceutical and veterinary companies operate in Uruguay under different business platforms and combinations of these. In the country there is a critical mass of companies and institutions that allow covering multiple processes and products, which together with a wide network of academic research groups and service provider startups form a functional innovation ecosystem for the development of R&D projects and centers. Uruguay offers a set of complementary services and investment opportunities, which range from the genesis of the drug to the most advanced services in the value chain of regional distribution and administrative back office or customer service (business service centers), forming a cluster focused on foreign direct investment. Hub activities have been**

concentrated in free trade zones (mainly Parque de las Ciencias and Zonamerica). For more information, see: [Pharmaceutical Sector](#)

If you want to learn more about the sectors offering investment opportunities in Uruguay, please click on the following [link](#).

Investment Projects: Beyond the highlighted sectoral opportunities, Uruguay XXI compiles investment opportunities in specific projects for various sectors: agribusiness, manufacturing industry, retail, real estate, and infrastructure, among others. These projects correspond to operating companies seeking to restructure or expand operations, investment ideas and projects, companies in difficulty, or projects tendered by the State, where the private sector is expected to make an investment or provide management services. For more information, see: [Project Portfolio](#)

4. INSTITUTIONAL FRAMEWORK FOR FDI IN URUGUAY



It is Uruguay's investment and export promotion agency. Among other functions, Uruguay XXI provides free support and advice to foreign investors, both those who are evaluating where to make their investment and those who are already operating in Uruguay. In this way, it works to attract new productive investment and increase re-investment, playing an articulating role between the public-private sector to improve the business climate.

Website: www.uruguayxxi.gub.uy

COMAP

The purpose of the Investment Law Enforcement Commission (MEF) is to promote and protect investments made by domestic and foreign investors in the country. The COMAP centralizes the attention to the investor—national or foreign—aimed at the development of the Private Sector. It provides information and advice on the new tax exemptions available to an investment, as well as on the rest of the programs offered by the State in this area. It assists the investor in the process of submitting the project and advises on all the requirements, making the process agile and simple.

Website: www.mef.gub.uy



The Single Window for Foreign Trade (VUCE) is a foreign trade facilitation tool that allows all formalities related to import, export, and transit operations to be carried out electronically and from a single point of entry. The development of a VUCE implies a substantial modification of the foreign trade processes in which the State intervenes to make them simpler and more efficient, without undermining controls and security and without altering the functional concept of the agencies involved.

The VUCE allows the user to identify all the documentation requirements associated with a foreign trade operation and, for each of the procedures in question, to send the electronic application and attach the digitalized documents needed as a requirement for the procedure. Through the platform, the information is forwarded to the corresponding competent body, which acts electronically on the procedure and may approve, reject or

observe it. Once the permit or final electronic document is granted, the user is notified, and it is automatically sent (when applicable) to the National Customs Authority.

Website: vuce.gub.uy



Facilitating the completion of procedures with public sector intervention, which involve the creation of companies and the development of different businesses, is a success factor for the attraction of new companies, the emergence of local enterprises and competitiveness in general.

The Single Window for Investment (VUI) is a facilitation tool that helps improve the business climate and contributes to the country's attractiveness as an investment destination by simplifying and streamlining processes. In Uruguay, its creation is contemplated in the Accountability Bill 2022 (Article 459).

The VUI's objective is to enable the expeditious completion—by eliminating the use of paper and unnecessary travel and waiting times—of those procedures with public sector intervention, which are necessary for the creation of companies. The creation of the VUI is intended to establish the necessary instruments and mechanisms to reduce times and requirements, as well as to increase the quality, efficiency, and productivity levels of public services, facilitating access to information and ensuring absolute transparency in State institutions.

The VUI will complement the work carried out by the VUCE as a facilitation instrument.

ANNEX: REGULATORY FRAMEWORK

Please go to the following link: [Regulatory Framework](#).

URUGUAY IN BRIEF

URUGUAY IN FIGURES

Official name	República Oriental del Uruguay
Geographical location	South America, bordering Argentina and Brazil
Capital	Montevideo
Area	176,215 km ² - 95% of said territory is productive land suitable for agriculture and livestock farming
Population (2021)	3.54 million
Population growth (2021)	0.3% (annual)
GDP per capita (2021)	USD 16,774
Currency	Uruguayan peso (\$)
Literacy rate	0.98
Life expectancy at birth	77.6 years
Form of government	Democratic republic with presidential system
Political division	19 departments
Time zone	GMT - 03:00
Official language	Spanish

MAIN ECONOMIC INDICATORS

Indicators	2017	2018	2019	2020	2021	2022
GDP (Annual % Variation)	1.63%	0.48%	0.35%	-6.12%	4.37%	4.23%
GDP (USD Millions)	64,223	64,431	61,176	53,507	59,288	69,580
Population (Millions of people)	3.49	3.51	3.52	3.53	3.54	3.55
GDP per Capita (USD)	18,385	18,377	17,387	15,154	16,734	19,573
Unemployment Rate - Annual Average (% EAP)	7.9%	8.3%	8.9%	10.4%	9.4%	7.5%
Exchange Rate (Pesos per USD, Annual Average)	28.7	30.8	35.3	42.1	43.6	42.0
Exchange Rate (Annual Average Variation)	-4.8%	7.3%	14.7%	19.2%	3.6%	-3.6%
Consumer Prices (Annual Cumulative % Variation)	6.6%	8.0%	8.8%	9.4%	8.0%	8.5%
Exports of Goods and Services (USD Millions)**	16,845	17,084	17,087	13,596	18,874	21,063
Imports of Goods and Services (USD Millions)**	13,367	13,815	13,336	11,213	15,073	18,194
Trade Surplus / Deficit (USD Millions)	3,478	3,268	3,751	2,383	3,802	2,869
Trade Surplus / Deficit (% of GDP)	5.4%	5.1%	6.1%	4.5%	6.4%	4.1%
Overall Fiscal Balance (% of GDP)*	-3.2%	-3.9%	-4.4%	-5.8%	-4.1%	-
Gross Capital Formation (% of GDP)	15.8%	15.0%	14.6%	17.4%	18.4%	-
Gross Public Sector Debt (% of GDP)	60.5%	59.6%	60.8%	74.6%	71.5%	-
Foreign Direct Investment (USD Millions)**	-590	-67	1965	653	1403	-
Foreign Direct Investment (% of GDP)	-0.9%	-0.1%	3.2%	1.2%	2.4%	-

Sources: BCU, INE, MEF and estimated data in red. (*) Fiscal balance data include the effect of Law No. 19,590 (known as "Cincuentones Law"). In 2017, the BCU adopted the methodology of the 6th balance of payments manual. (**) Data based on this new methodology include purchase and sale of goods and re-exports and are available since 2012. Data are net flows that may result in negative values.



Uruguay XXI

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