

Investment opportunities

# AUTOMOTIVE AND AUTO PARTS SECTOR



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**Uruguay XXI**  
INVESTMENT AND EXPORT  
PROMOTION AGENCY

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# 1. Why invest in the Uruguayan automotive sector?

- » Uruguay has a consolidated democratic system, through which the three main parties in government have alternated, maintaining a commitment to respect the business climate and clear rules of the game. In addition, it is currently one of the most equitable countries with the highest per capita income in Latin America and the Caribbean.
- » In 2019 the economy grew 0.2%, consolidating 17 years of sustained growth, the longest period of expansion in history. Although it has shown moderate growth, Uruguay has shown resilience to the region's instability. Macroeconomic soundness, prudent policies, export diversification, reduced banking sector vulnerabilities and ample reserves allowed it to preserve stability in a more turbulent global and regional environment.
- » Uruguay is the only Mercosur country with an investment grade, which reflects the confidence generated by the country's institutional framework and the conduct of economic policy.
- » There are attractive regimes for the investor. The Investment Promotion and Protection Law No. 16,906 establishes that foreign investment receives the same treatment as national investment; there are no restrictions on the repatriation of capital, nor on the transfer of profits, dividends and interest. A favorable framework for investment and good economic performance, explain the significant flows of FDI received in the last decade. Between 2008 and 2018, Uruguay has positioned itself as one of the main recipients of FDI in the region (3.5% of GDP).
- » There is total freedom to buy and sell foreign currency. No prior authorization is required for the entry or exit of foreign currency, nor are there any restrictions on the entry or exit of capital, transfer of profits, dividends, interest, etc.
- » Our country offers special regimes for the installation of companies in Industrial Parks<sup>1</sup> and Free Trade Zones<sup>2</sup> that have various benefits for investors.
- » The manufacturing industry represents 11.7% of the economy as a whole. Uruguay's industrial sector grew at an average rate of 1.6% in the five-year period from 2013 to 2018.
- » **The country has access to an expanded market of over 400 million people.**
- » In this regional sphere, Uruguay has free access to the Argentine and Brazilian markets for products from the automotive sector<sup>3</sup>, with origin regimes for exports to both countries with zero tariffs. Under one of the agreements, new models require only a 25% minimum regional content for the first year, reaching 40% from the third year. Within this regime - which has quantitative limitations - there is still an important margin for companies that want to export to both Argentina and Brazil.

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<sup>1</sup> For more information see: [Informe de Parques Industriales – Uruguay XXI](#).

<sup>2</sup> For more information see: [Informe Zonas Francas – Uruguay XXI](#).

<sup>3</sup> Motorcycles are excluded and road and agricultural machinery is included.

- » Regional special agreements have been very successful and have established a good track record for the continued development of the sector<sup>4</sup>.
- » A Free Trade Agreement with Mexico<sup>5</sup> was also signed in 2003, allowing Uruguayan automotive products to enter that country at zero tariff.
- » **Important benefit for vehicle assembly companies.** Exemption from the extra-zone and intra-zone Global Tariff Rate for SKD Kits<sup>6</sup> and CKD Kits<sup>7</sup> for vehicle assembly<sup>8</sup>.
- » **Uruguay has extensive experience in vehicle assembly and in the manufacture of auto parts.** Several vehicle assembly plants and auto parts manufacturers have been set up in Uruguay, both of national and foreign capital. There are currently more than 30 companies operating, several of which have international quality certification.
- » **The Uruguayan automotive industry has important companies such as** PSA, Joyson Safety Systems, Yazaki, Affinia, Bader, Faurecia, Fischer and JBS, some of which supply the regional and global market from industrial plants located in Uruguay.

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<sup>4</sup> ACE 2 with Brazil, ACE 57 with Argentina and Additional Protocols See: [Acuerdos actuales de Uruguay](#).

<sup>5</sup> ACE 55 and Additional Protocols.

<sup>6</sup> SDK: Semi-Completely Knocked Down, a collection of pieces with some minimum disarmament.

<sup>7</sup> CKD: Completely Knocked Down, collection of completely dismantled pieces.

<sup>8</sup> [Decreto N° 251/019](#)

## 2. The automotive sector in the world

### 2.1. World production

The automotive sector is considered one of the most globalized sectors within the world economy. Despite this, the sector presents a high degree of concentration at the company level, with few actors handling the total production and world trade. In recent years, the entry of emerging economies and the high levels of foreign direct investment have allowed a significant boost in the production of the sector.

Vehicle production has had a growing trend since the financial crisis of 2008. In 2018 the total number of units produced exceeded 95 million, but it represented the first retraction in the decade, which is attributed to a lower demand in China -the world's largest producer-, among other markets, such as Brazil, Russia and India. Likewise, greater environmental awareness has an impact on demand, and consequently on production, which translates into regulations and industrial standards and cultural changes such as the use of public transport or new mobility schemes such as car-sharing or transport applications<sup>9</sup>.

**Chart N°1 - World vehicle production - Millions of units**



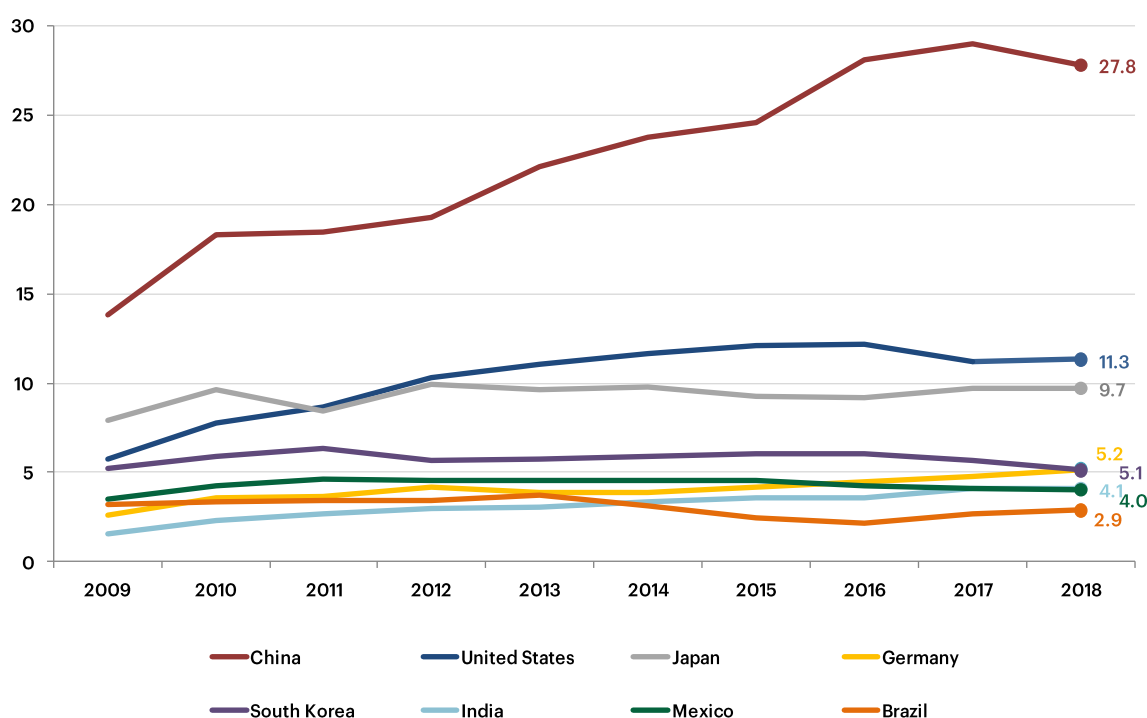
Source: Uruguay XXI based on OICA.

China has remained the world's leading vehicle producer since 2009, although in 2018 it recorded a drop in units produced. However, among the main world producers, Germany was the country that registered the highest rate of retraction in its production, with 8% fewer units than in 2017. On the other hand, other developing markets presented interesting growth rates, such as the case of India - it grew 8%, with increasing investments in the sector, and a demand driven by a higher income in the middle class and an expanding young population<sup>10</sup> -, and Brazil - it grew 7%, driven by domestic demand, and despite the fact that external sales were affected by the economic context of Argentina, the main destination of its exports.

<sup>9</sup> Source: CNBC – [“Global car sales expected to slide by 3.1 million this year in steepest drop since Great Recession”](#)

<sup>10</sup> Source: IBEF – [“Indian Automobile Industry Analysis”](#)

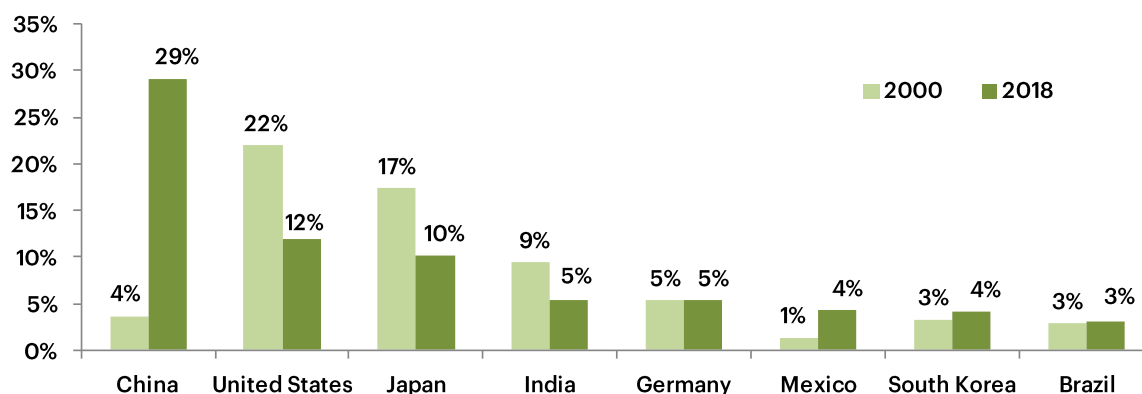
**Chart Nº2 - World vehicle production by country - Millions of units**



Source: Uruguay XXI based on OICA.

Vehicle production in China began to be dynamic from the beginning of the 21st century, and especially from 2001, when it became a member of the WTO. In this way, its participation as a vehicle producer grew enormously as can be seen in Chart No. 3. Likewise, other markets such as Mexico and Korea increased their participation in the period.

**Chart Nº3 - World vehicle production by producing country (Part.%)**



Source: Uruguay XXI based on OICA

Thus, the three main producers - China, the United States and Japan - account for more than half of the world's vehicle production.

Moreover, it is worth noting the growth that the electric car market has been experiencing for the last 10 years. Although it still maintains a relatively low scale, its participation in the vehicle market has had a sensitive growth, currently occupying 5% of the total measured in units.



Although they still have a long way to go to achieve scales capable of having a significant influence on the demand for fossil fuels, research, development and production on a larger scale are generating a gradual decrease in the price of batteries. This phenomenon should be supported by policies with key actors to mitigate the risks of investment in research and development, especially focused on batteries. The continuous improvements in technologies confirm that the trend will continue, narrowing the cost competitiveness gap between electric and internal combustion vehicles. In 2018, the world stock of electric cars stood at 5.1 million units. China is the main market for electric cars, followed by Europe and the United States. Norway is the country where electric cars have the largest market share within the automotive fleet, with 46%<sup>11</sup>.

## 2.2. World trade

Germany has been the world's leading exporter over the last seventeen years<sup>12</sup>, with an export value of over US\$ 260 billion in 2018 and a 17% share of the total. Germany's exports were just over US\$ 100 billion higher than those of Japan, the world's second largest exporter (10% share in 2018). Additionally, vehicle exports from the United States are in third place with US\$ 134 billion, although Mexico stands out (fourth place), due to high growth rates in the last five years.

**Table 1 - Main world exporters of vehicles<sup>13</sup>**  
(Billions of US\$)

Country	2013	2014	2015	2016	2017	2018
Germany	243	259	242	241	255	260
Japan	149	142	134	142	146	154
United States	134	137	128	125	133	134
Mexico	81	89	94	92	105	119
South Korea	73	74	70	64	63	62
Canada	60	61	62	66	63	61
Spain	51	54	52	56	57	59
France	50	51	46	48	54	59
United kingdom	53	57	53	54	56	57
China	41	45	44	43	48	55
Belgium	47	44	40	43	48	49
Italy	36	37	37	38	43	44

Source: Uruguay XXI based on Trade Map.

In 2018, exports from Mercosur represented 1.2% of world exports, with a total of US\$ 18 billion exported, with Brazil being the main exporter. The block's sales are directed to the same countries within it (49%), the rest of South America (15%) and the remaining 25% includes Mexico, the United States, South Africa, Indonesia, Germany and Australia.

<sup>11</sup> Source: [Global EV Outlook 2019 – International Energy Agency](#)

<sup>12</sup> TradeMap data from that year.

<sup>13</sup> Codes used for international vehicle trade: 8407.31; 8407.32; 8407.33; 8407.34; 8408.20; 8701; 8702; 8703; 8704; 8705; 8706; 8707; 8708.

Meanwhile, imports at a global level also present a significant market. In this case, as shown in the table below, the United States leads the ranking with purchases for almost US\$ 308 billion in 2018, half of which come from its main regional partners: Mexico and Canada. Other relevant importers are Germany, China, Canada and the United Kingdom.

As mentioned above, Mexico, but also Spain are the countries that have presented the most dynamic growth rates in the last 5 years.

**Table 2 - Main world importers of vehicles**

(US\$ billions)

Importadores	2011	2012	2013	2014	2015	2016	2017	2018
United States	208	246	255	269	287	288	297	308
Germany	101	95	98	105	99	107	120	126
China	68	72	76	91	70	73	80	83
Canada	64	71	72	70	67	69	75	75
United Kingdom	69	59	66	76	77	74	72	73
France	63	54	55	56	52	57	63	71
Belgium	46	42	49	44	42	47	53	55
Mexico	33	37	38	41	42	41	47	50
Italy	43	31	31	35	35	42	47	49
Spain	37	29	34	41	41	43	46	49
Australia	25	31	28	25	24	25	28	29
Netherlands	24	21	21	22	21	20	23	26

Source: Uruguay XXI based on Trade Map.

Intraregional agreements are essential for cross-sectoral trade. While the main supplier markets of the United States were Mexico and Canada with 50%, in the case of Germany, the countries of the European bloc provided 78% of purchases.

As part of the process of productive offshoring, both Mexico and Canada, as well as some Central European countries -Hungary, the Czech Republic, Poland- were recipients of significant FDI flows from the United States and the main European producer countries<sup>14</sup>.

It should be noted that a large part of imports correspond to the relocation of production by large companies in the automotive sector, especially of smaller vehicles, which have a lower profit margin than trucks, vans or SUVs. In this sense, several companies have announced changes in the location of their production: thus, Toyota and Ford announced plans to produce some models in Mexico and China, respectively, despite the U.S. policy to boost U.S. manufacturing. Likewise, production in the sector has become more complex and requires the construction and assembly of hundreds of different components in several countries.

<sup>14</sup> Source: "[Análisis Del Sector Automotriz](#)" - Department of Economic Studies - Uruguayan Chamber of Industries

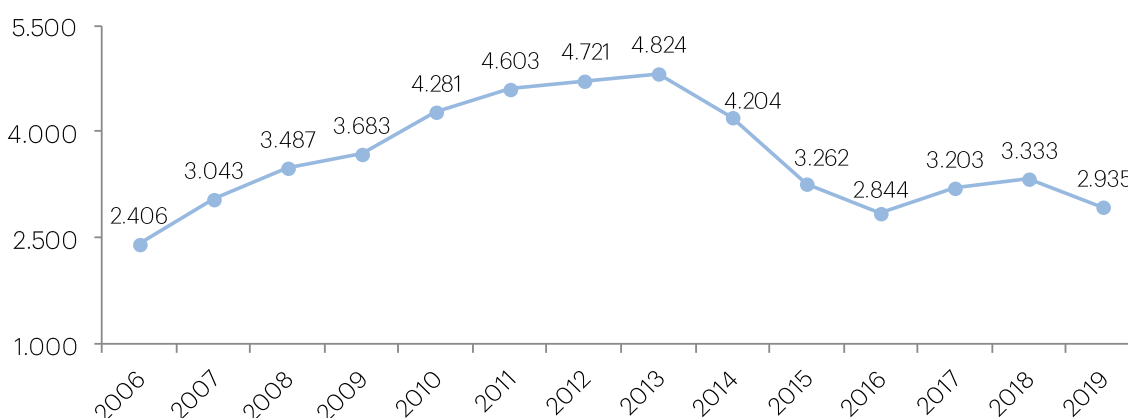


## 3. The automotive sector in Mercosur

### 3.1. Domestic sales

The economic growth that the region had in the last decade, especially in domestic consumption, was reflected, among other indicators, in the dynamism of the automotive market. Between 2006 and 2013, sales of 0km vehicles doubled, reaching 4.8 million units in 2013. However, from that year on, the general economic context of the region, added to the particular conditions of the sector, produced a downward trend in sales that continued until 2016. From that year onwards, the sector has experienced a very slight recovery, although in 2019 it has again suffered. These latest fluctuations are mainly explained by fluctuations in sales in the Brazilian domestic market.

**Graph N°3 - Vehicle sales 0 Km in Mercosur - Thousands of units <sup>15</sup>**



According to Anfavea, from 2013 the Brazilian automotive sector underwent a major retraction due to the country's complex political and economic situation. This has led to investors and consumers postponing their purchase decisions. The association also identifies access to credit as a determining factor in the retraction of sales, with greater selectivity on the part of financial institutions<sup>16</sup>.

Meanwhile, Argentina has experienced a significant drop in sales, which were seriously affected by the sharp devaluation of the Argentine peso, which lost 51.76% of its value against the dollar during 2018. In addition, in September 2019 the government lifted the subsidy plan for the sector in June, July and August that year<sup>17</sup>. As a result, several automakers were forced to lay off staff, open voluntary redundancy or suspend activities at least one day a week. In the particular case of Argentina, 2019 closed compared to 2018 with a drop of 45%.<sup>18</sup>.

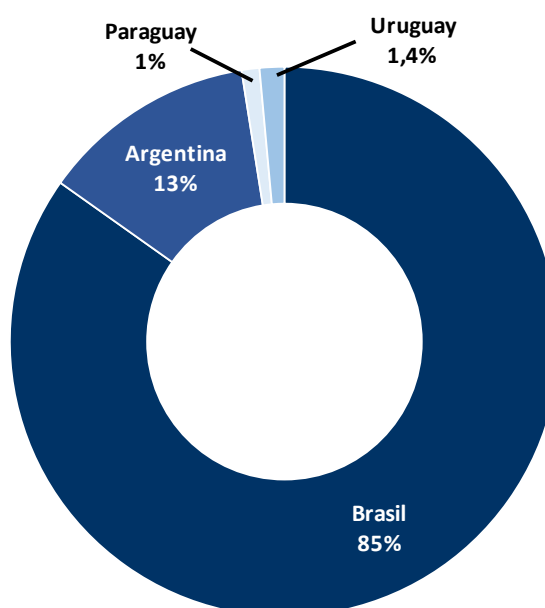
<sup>15</sup> Source: Anfavea (Brazil), Adefa (Argentina), Cadam (Paraguay) and Ascoma (Uruguay). Includes cars, light utilities, trucks and buses.

<sup>16</sup> Source: [Anfavea](#)

<sup>17</sup> Source: Autoblog – [“Las automotrices le reclaman al Gobierno 1.300 millones en subsidios”](#)

<sup>18</sup> Source: Autoblog – [“La Argentina se desploma en el ranking de ventas de autos por habitante”](#)

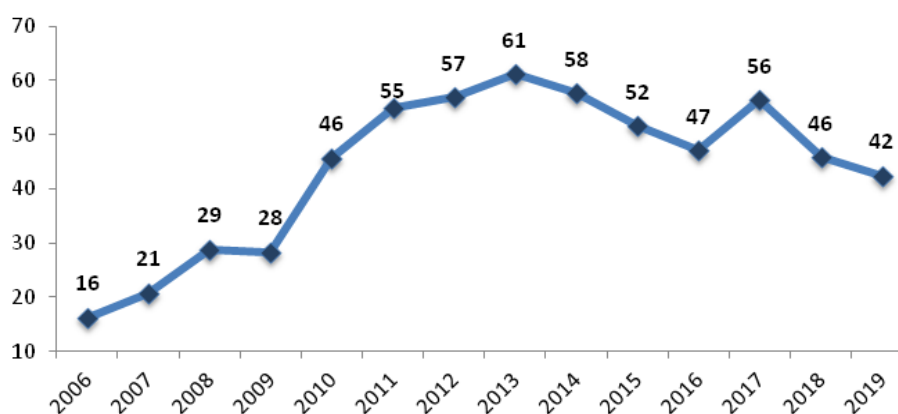
**Graph Nº4 - Vehicle sales 0 Km in Mercosur by country - Part. % 2019**



Graph 4 clearly shows what Brazil means in the automotive market for Mercosur, its participation is five times greater than the weight of the united block.

In the case of Uruguay, in 2019, zero kilometer car sales experienced a drop of nearly 7% compared to the previous year. This is mainly due to the fact that car sales fell by 16% (3,149 units less), thus overshadowing the increase in SUVs and SUVs<sup>19</sup>.

**Graph Nº5 - Vehicle Sales 0 Km in Uruguay - Thousands of units**



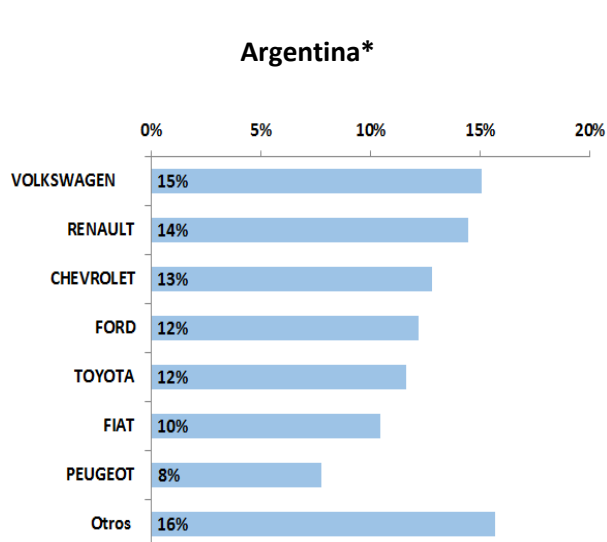
Source: Uruguay XXI based on data from Ascoma. Includes cars, light utilities, trucks and buses.

<sup>19</sup> Source: ACAU

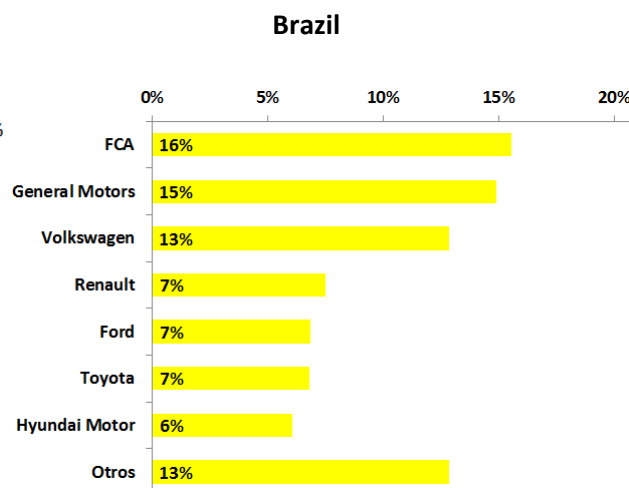
### 3.1.1. Car sales 0 km per brand

General Motors -Chevrolet -, Volkswagen, Fiat and Ford are the best selling car brands in Mercosur. In Uruguay, sales of Volkswagen and Renault stand out, with similar participations in 2019 sales. On the other hand, there is a decrease in the participation of cars of Chinese origin, since they went from representing more than 20% of sales in 2014 to approximately 7% in 2019.

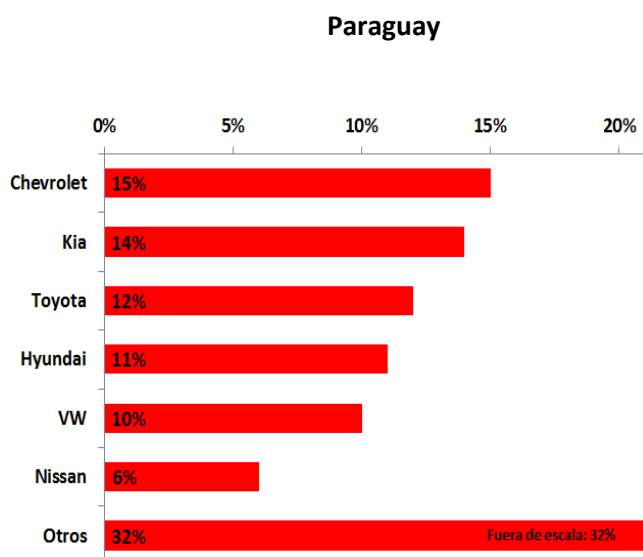
**Chart N°6- Car sales 0 km by MERCOSUR brand - (Part %. 2019)**



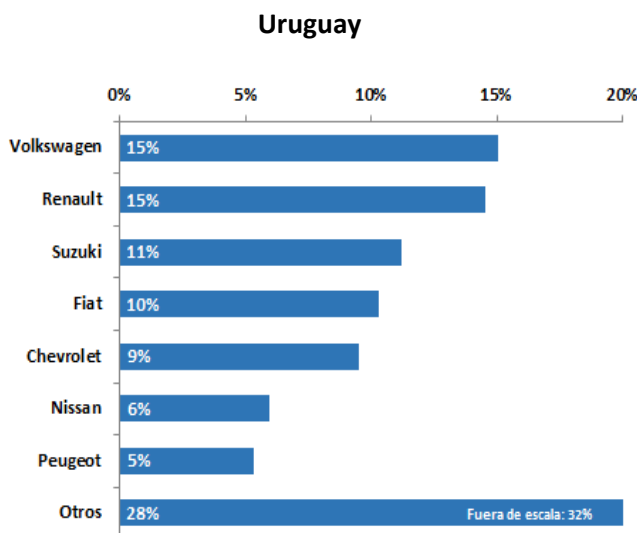
Source: Uruguay XXI based on Adefa. Includes cars and utilities. \*Data 2018



Source: Uruguay XXI based on Anfavea. Includes automobiles and light commercial vehicles.



Source: Uruguay XXI based on Anfavea. Includes light cars

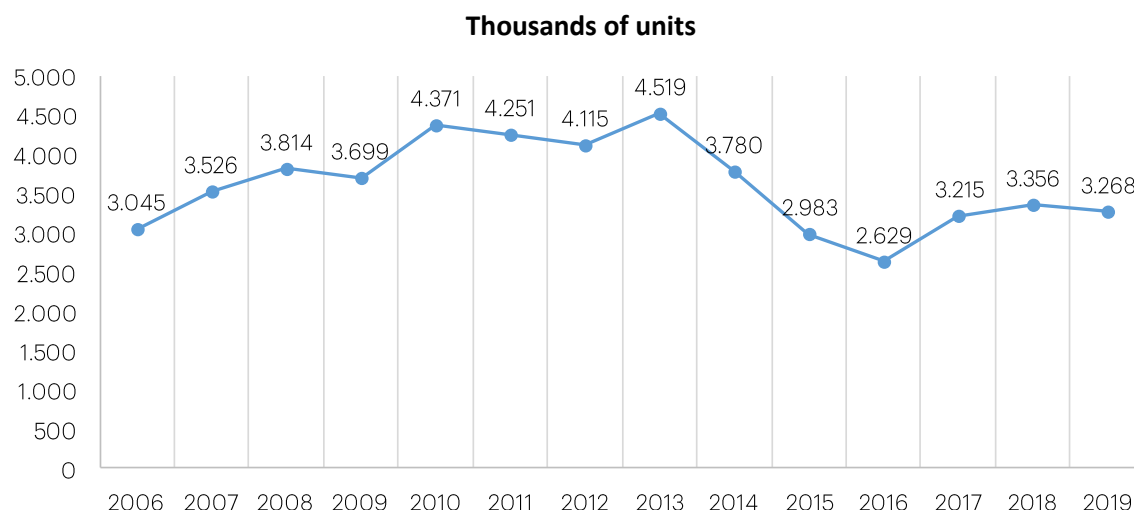


Source: Uruguay XXI based on Ascoma. Includes cars and light commercials.

## 3.2. Vehicle production in Mercosur

Automotive production in Mercosur, as of 2016, began to show good signs after what had been a deep downward trend until that year, reaching 3.268 million units in 2019. As mentioned above, these fluctuations are mainly due to the performance of the Brazilian market.

**Graph N°7 - Vehicle Production in Mercosur**



Source: Anfavea (for Brazil), Adefa (for Argentina) and CIAU (for Uruguay) Includes cars, light utilities, trucks and buses.

In Brazil, a domestic market that has deteriorated due to the economic and political conditions it is going through explains this drop in production, and has led companies to aim at exports, mainly to the Argentinean market.

In the case of Argentina, last year was the worst year of the decade in terms of automotive production. As mentioned above, the main cause of this decline is the decrease in sales to Brazil, which presented 35.5% lower figures compared to 2018. To this decrease was added the poor performance of the domestic market, which presented figures 45% lower than those of 2018, with a total of 372 thousand units.

Meanwhile, the Uruguayan industry clearly suffers the effects of its neighbors, direct buyers of the sector, which affects exports to those markets. In any case, both production -with the increase in some plants- and sales have been on the rise since 2017 after what was the sharp drop in 2016. Including 2019, this is three years in a row of growth in vehicle production. In 2019, it grew 12% in the year-on-year comparison.

**Table 3 - Mercosur: annual vehicle production by country. Thousands of units**

Year	Brazil	Argentina	Uruguay	Total
2009	3.183	513	2,5	3.699
2010	3.647	717	7,4	4.371
2011	3.408	829	13,9	4.251
2012	3.343	765	7,0 <sup>20</sup>	4.115
2013	3.712	791	15,9	4.519
2014	3.146	617	16,5	3.780
2015	2.428	543	10,6	2.983
2016	2.177	473	0,1	2.629
2017	2.737	473	4,8	3.215
2018	2.881	467	7,5	3.356
2019	2.945	315	8,4	3.268

Source: Anfavea (for Brazil), Adefa (for Argentina) and CIAU (for Uruguay) Includes cars, light utilities, trucks and buses.

Each Mercosur country has national policies to encourage this activity, in order to improve the competitiveness of national production and attract investment in the sector.

In the case of Paraguay, the Law [4.838/12](#) The "National Automotive Policy" establishes tax incentives for capital investment of national and foreign origin to promote the manufacture and assembly of vehicles and auto parts. The incentives include, among others, exemption from import customs duties and liquidation of import VAT.

In Brazil, Law No. 13,755/2018 establishes the conditions for the Rota 2030 program, which is in force since 2018 and extends until December 2032. The program seeks to define technical and efficiency requirements for the automotive sector, as well as support for the development of the entire chain (assemblers, systemists, auto parts). Its objectives are to increase energy efficiency, structural performance and the availability of technologies for vehicles marketed and produced in Brazil; increase investment in research, development and innovation; and stimulate and automate production processes. To this end, it grants reductions in the rates of the Industrialized Product Tax (IPI) on commercialized vehicles that meet pre-established technical requirements; tax benefits for companies based in Brazil that make expenditures on research and development; exemption from the Import Tax for auto parts without domestic production intended for the industrialization of automotive products, including auto parts and systems<sup>21</sup>.

Regarding Argentina, Law n° 27263 Law [N° 27.263](#) called "*Régimen de Desarrollo y Fortalecimiento del Autopartismo Argentino*" establishes the payment of an electronic bond for tax credit, for an amount equivalent to a percentage of the ex factory value of the Argentine auto parts. Such percentage will be between 4% and 15%, depending on the National Content of the goods.

<sup>20</sup> Problems of access to regional markets impacted a marked decline in vehicle production and exports in 2012.

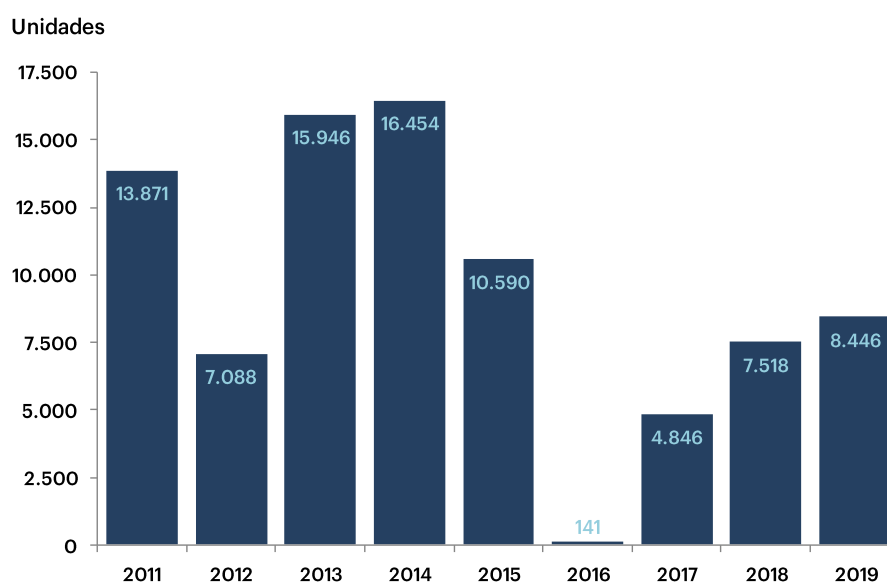
<sup>21</sup> See more at [Rota 2030](#)

Meanwhile, the incentives for production in Uruguay are contained in Section 5 of this report, highlighting the refund of 10% on the FOB value of exports of vehicles and auto parts, and the exemption of tariffs for imports of vehicle kits CKD, and SKD.

### 3.3. Automotive production in Uruguay

Uruguay's automotive sector experienced a singular growth at the beginning of the decade, when foreign investments were consolidated both in the assembly of vehicles and in the manufacture of auto parts, destined largely to the Brazilian and Argentine markets. The challenging regional context around the middle of the decade threatened the development of the sector in Uruguay, reaching an almost negligible production in 2016. However, in the course of 2017 the sector showed encouraging signs again, with the reactivation of some engine and assembly production lines that allowed production to continue increasing in 2018 and 2019.

**Table Nº4 - Uruguay: Vehicle production**



Source: Uruguay XXI based on CIAU.

In 2019, production was only in the Nordex factory, which focuses on Kia and EASA SUVs, working for the Peugeot and Citroën brands. The total was 8,446 vehicles, destined for the Brazilian market.





Source: Uruguay XXI based on CIAU data.

In terms of employment, the number of people employed totalled 3,007 in 2019. The auto parts manufacturing sector employs the largest number of workers, with 64% of the total in 2019. It should be noted that in 2020 Lifan's production is expected to resume and Joyson Safety System's production will increase, which will employ 80 and 180 people, respectively<sup>22</sup>. On the other hand, almost half of the companies linked to the sector are engaged in the manufacture of automobiles.

**Table Nº 5 - Employed staff - August 2019**

CIU 4	Description	Employed	Companies
2910	Manufacture of motor vehicles	974	40
2920	Manufacture of bodies, trailers and semi-trailers	113	24
2930	Manufacture of parts and accessories for motor vehicle engines	1.920	27
<b>Total</b>		<b>3.007</b>	<b>91</b>

Source: Uruguay XXI based on BPS.

<sup>22</sup> Source: Presidency – [“Fábricas de sector automotor anuncian ampliación de sus actividades para 2020 en Uruguay”](#)  
adn La Diaria – [“Lifan firmó acuerdo con la estatal china Brilliance y reabrirá la planta de Uruguay en 2020”](#)

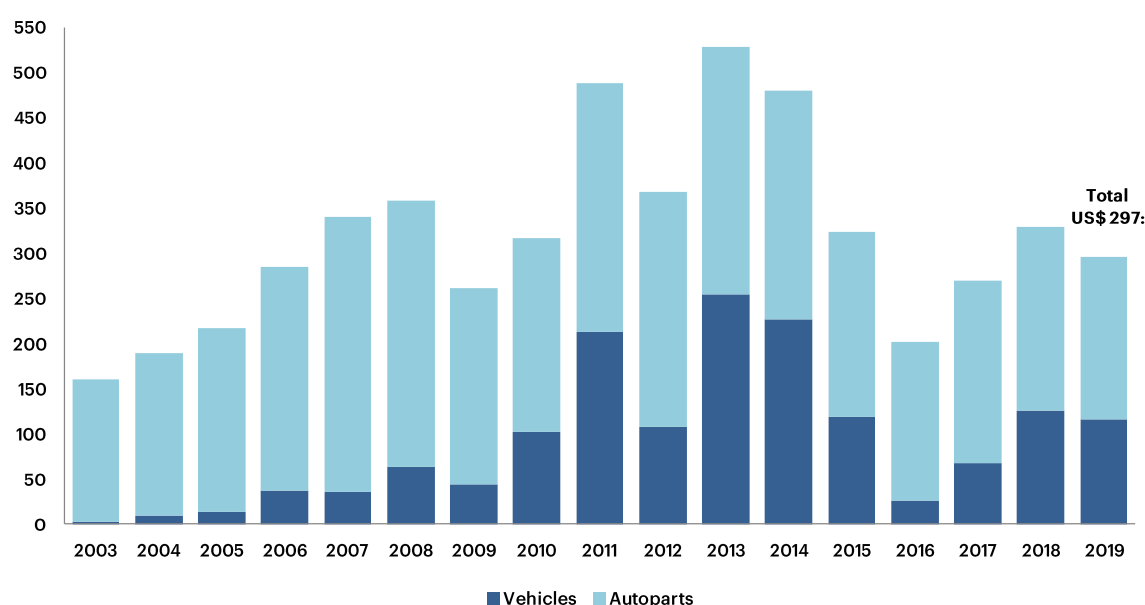
## 4. Uruguayan exports in the automotive sector

Exports from the Uruguayan automotive sector totaled US\$297 million in 2019. In total, some 20 companies participated in automotive exports.

Vehicle exports totaled US\$ 116 million in 2019, with more than 8,300 units exported. Brazil was the main destination for placements, while Argentina had a marginal share, as a result of sending 100 Peugeot and 100 Citroën units to that market.

Exports were focused on auto parts, which represented 61% of total exports. In total, they reached US\$ 182 million. In this segment, Argentina and Brazil are also the main export destinations, representing between them 87.8% of total sales.

**Graph Nº10 - Uruguay: Exports of Vehicles and Auto Parts - Millions of US\$**

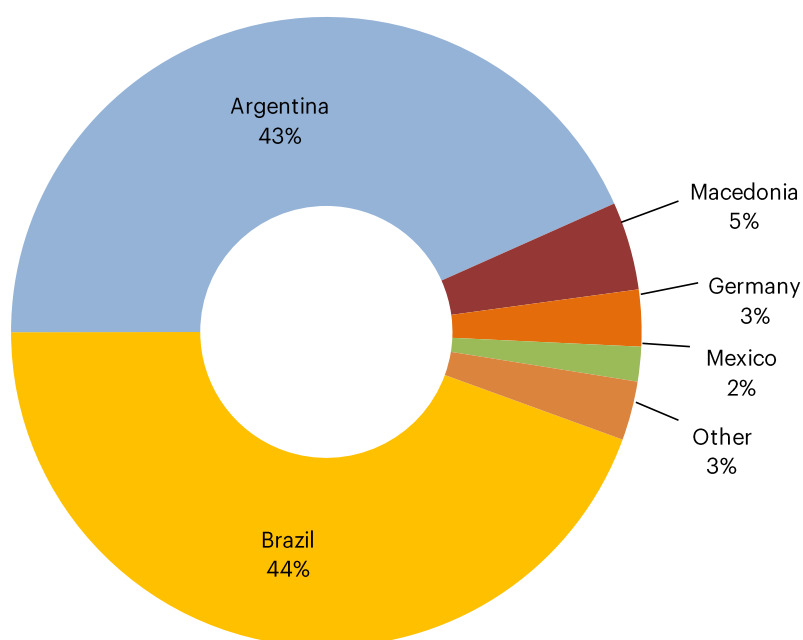


Source: Uruguay XXI based on DNA and MIEM.

88% of Uruguayan auto parts are exported within South America<sup>23</sup>, which is explained by the economies of scale of the companies installed. Brazil was the main destination of exports, with 44% of the total, while Argentina concentrated 43%. The most important extra-regional destinations are Macedonia, Germany and Mexico, where mainly moulded leather for upholstery is sent.

<sup>23</sup> In addition to Argentina and Brazil, exports to Colombia, Bolivia, Ecuador, Chile and Peru were recorded, together representing 0.5% of the total.

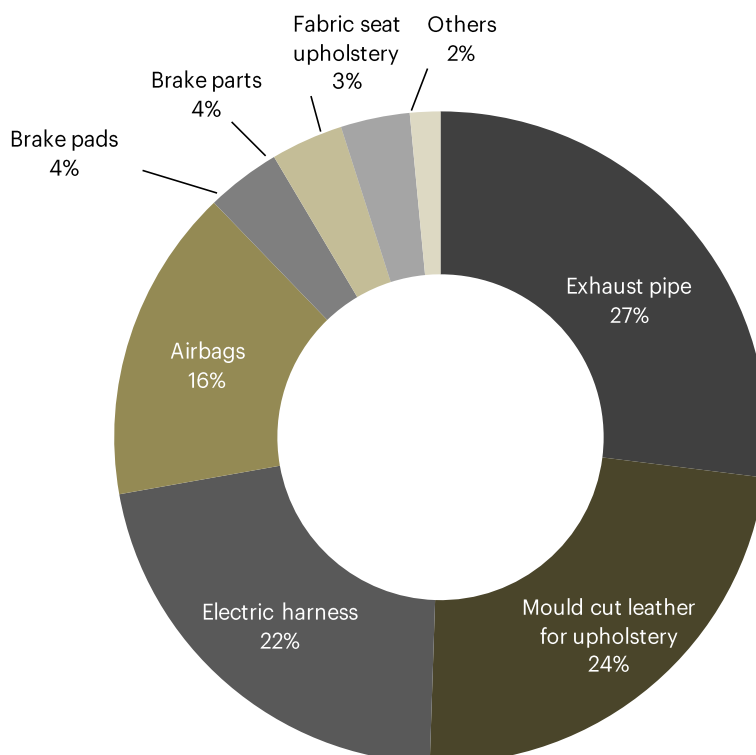
**Graph N°11 - Auto parts exports by destination - (Part. % 2019)**



Source: Uruguay XXI based on National Customs Directorate.

The main auto parts exported in 2019 were exhaust pipes, followed by upholstery leathers, electrical harnesses (low voltage electrical wiring), and airbags.

**Graph N°12 - Exports of auto parts by class - (Part. % 2019)**



Source: Uruguay XXI based on DNA

## 5. Regulatory framework and trade agreements

In addition to having various Trade and Investment Protection Agreements that link it to a large number of countries<sup>24</sup>, Uruguay has a set of legal regimes and regulations - among which the Free Zone and Temporary Admission regimes stand out, as well as the reimbursement of VAT on imported inputs - that aim to promote investments and exports<sup>25</sup>.

In turn, and by virtue of its importance to the economy, the automotive sector has historically been the subject of specific industrial policies. Given that industry generates spills, the need for value chains, regional integration -at the Mercosur level- in the productive and commercial sphere acquires a determining weight in this sector.

The industrial policies that have favoured trade agreements have been developed with the initiative and participation of the business sector. This effort was consolidated in the framework of the Regional Mercosur Agreement, through which it was possible to attract companies to produce and sell in Uruguay, as well as to distribute at a regional level.

These policies are applied precisely in the area of foreign trade, and in appropriate combination with general promotion rules, they constitute an important stimulus for the establishment of assembly and manufacturing plants for vehicles and auto parts in Uruguay.

### 5.1. Export refunds

There is a refund of 10% on the FOB value of exports of vehicles and auto parts through credit certificates issued by the Government, which can be used both for payment of customs duties (which can be reduced by up to 13 points of the TGA on car imports) and for payment of taxes collected by the Tax Authority (DGI) or for payment of obligations to the Social Security Organism (BPS), and the right can be assigned to third parties. This refund cannot be applied in conjunction with the "Tax refund" applicable to exports of goods<sup>26</sup>.

### 5.2. Benefit for vehicle manufacturers<sup>27</sup>

The automotive terminals that comply with an assembly process in the country are exempt from the payment of the extra-zone and intra-zone Global Tariff Rate for both the import of CKD Kits (collection of completely disassembled parts) and SKD Kits (collection of parts with certain minimum disarmament) for the assembly of vehicles.<sup>28</sup>

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<sup>24</sup> Source: [Uruguay XXI - Acuerdos internacionales de Uruguay](#).

<sup>25</sup> See [Anexo](#).

<sup>26</sup> [Decreto 316/92](#)

<sup>27</sup> [Decreto 340/996](#)

<sup>28</sup> [Decreto 251/019](#)

### 5.3. Trade agreements in Mercosur<sup>29</sup>

Based on the regulations applied by the countries of the block, the extra-zone tariffs in Mercosur for automobiles and light vehicles are 23% in Uruguay<sup>30</sup> and 35% in Argentina and Brazil. In Uruguay, trucks pay a tariff of 23%<sup>31</sup>, diesel buses pay 6% and buses run on gasoline 23%. Auto parts pay a tariff of between 14% and 18%, and road and agricultural machinery in general between 0% and 2%. Although, as mentioned above, there are certain benefits for the assembly companies (See Section 5).

In the case of auto parts (except sets and sub-sets which are governed by the ICR), Uruguay may export to Argentina and Brazil without quantitative limitations if they comply with the Mercosur General Rule of Origin:

#### i. Argentina

- 1) Uruguay may export automotive products to Argentina with a zero tariff and without quantitative limitations, if it complies with the determined Rules of Origin. In the agreement with Argentina, the minimum Regional Content Index (RCI) is 60%<sup>32</sup>.

**Definition of Regional Content in the Agreement with Argentina:**  

$$ICR = [1 - (\text{imports of auto parts from outside MERCOSUR-CIF/sales price of the product "exfactory"})] * 100.$$

**The minimum regional content must be 60%.**

- 2) In the case of new vehicle models or auto part assemblies or sub-assemblies, approved in the Progressive Integration Program (PIP) for each exporter, the zero tariff also applies without quantitative limitations and lower regional content is allowed:
  - » at the beginning of the first year- 40%
  - » at the beginning of the second year- 50%
  - » at the beginning of the third year- 60%<sup>33</sup>

<sup>29</sup> See ALADI's page– [Link](#). - AAP.CE Nº 2, Protocol 69, Protocol 70 and Protocol 75 and Protocol 76 (with Brazil) and AAP.CE Nº 57, Protocol 1 and Protocol 2 (with Argentina).

<sup>30</sup> Except electric vehicles which have a 0% tariff - [Decreto Nº34/015](#).

<sup>31</sup> Excepto los camiones frigoríficos, que tienen un arancel de entre 7% y 8%.

<sup>32</sup> Art. 8 of ACE Nº 57.

<sup>33</sup> ACE Nº57 – Art. 11

- 3) It is also possible to export with a zero tariff and an even lower regional content than in the previous case but with the following quantitative limitations:
- » vehicles and light commercials: up to 20,000 units per year
  - » trucks and tractor-trailers: up to 800 units per year
  - » armoured vehicles: up to 500 units per year
  - » auto parts sub-assemblies: up to US\$ 60 million

The requirements are:

a) Automotive products (vehicles, assemblies and sub-assemblies of auto parts) and armoured vehicles, a minimum Regional Content Index of 50%<sup>34</sup>.

b) For new models of vehicles or auto parts assemblies or subassemblies, included in the Progressive Integration Program approved for each exporter, the minimum Regional Content Index is:

- » 30% for the first year of the project,
- » 35% for the second year,
- » 40% for the third,
- » 45% for the fourth and
- » 50% for the fifth year onwards<sup>35</sup>.

**Table 6 - Uruguay: regimes of origin of automotive products for exports to Argentina**

	Existing Model	New Models
No quantitative limitations	60%	1st year: 40%
		2nd year: 50%
		3rd year: 60%
With quantitative limitations	50%	1st year: 30%
		2nd year: 35%
		3rd year: 40%
		4th year: 45%
		>= 5th year: 50%

<sup>34</sup> ACE Nº 57, Article 9.

<sup>35</sup> ACE Nº 57, Article 12.



## ii. Brazil

1) Uruguay may export automotive products to Brazil with a zero tariff and without quantitative limitations, if it complies with the Rules of Origin determined in each case. In the agreement with Brazil, the minimum Regional Content Index (RCI) is 50%<sup>36</sup>. The regional content is lower compared to the agreement with Argentina given the elements taken into account for the regional content formula.

### Definition of regional content in the agreement with Brazil:

$$ICR = [1 - (\text{CIF value of port of destination of non-originating materials (imports outside Mercosur)} / \text{FOB value of final product})] * 100$$

2) It can also be exported with a zero tariff and even lower regional content than in the previous case but with a limit of US\$ 650 million per year, for automotive products originating in Uruguay, according to the following specifications:

- a) Trucks and buses - maximum of 10% of the quota
- b) Armoured cars and light commercial vehicles - maximum 5% of the quota
- c) Auto parts - maximum 30% of the quota<sup>37</sup>.

The requirements are:

a) Automotive products (vehicles, assemblies and sub-assemblies of auto parts) and armoured vehicles, a minimum Regional Content Index of 40%.<sup>38</sup>.

b) For new models of automotive products, covered by the New Model concept and produced under the Progressive Integration Program, the minimum Regional Content Index is:

- » 25% for the first year,
- » 33% for the second year,
- » 40% for the third year<sup>39</sup>.

### Uruguay: regimes of origin of automotive products for exports Brazil

	ICR	PIP New Models
No quantitative limitations	50%	
With quantitative limitations	40%	1st year: 25%
		2nd year: 33%
		3rd year: 40%

<sup>36</sup> Art. 8 of Protocol 76° of ACE No. 2.

<sup>37</sup> The quotas can be increased as from the second annual period - as from the entry into force (04/03/2016) - by the Bilateral Automotive Committee.

<sup>38</sup> ACE Nº 2, Articles 5 b) and 11 and ACE Nº 57, Article 9.

<sup>39</sup> Protocol 76 of ACE Nº 2, Articles 5 II, 9 and 10.

## 5.4. Mercosur-Mexico trade agreement

In 2002, a specific agreement was signed with Mexico for the automotive sector, allowing exports to that country of auto parts and vehicles at zero tariff, with very favourable origin regimes for Uruguay, especially for new products (50% in the general case and 30% for the first year of a new product, Annex II of ECA No. 55)<sup>40</sup>.

## 5.5. Mercosur - European Union Agreement<sup>41</sup>

In June 2019, Mercosur and the European Union announced the texts of the Strategic Association Agreement between the two blocks. With respect to vehicles, these texts establish that exports from Mercosur to the European Union will reach full relief within a maximum period of 10 years from the entry into force of the agreement, depending on the type of vehicle. In the case of auto parts, full relief will be achieved within a period of up to 7 years, depending on the product.

For exports from the European Union to Mercosur, vehicles will reach full liberalization within 15 years, with a 7-year grace period and a quota of 50,000 cars per year for the EU during that period (the subquota for exports to Uruguay is 1,750 cars per year). The tariff for this intra-quota is 50% of the base tariff defined at the Mercosur country level. For auto parts, the process of total tariff reduction will be completed after 10 or 15 years, depending on the product in question.

## 5.6. Mercosur-EFTA Agreement<sup>42</sup>

In August 2019, Mercosur and the European Free Trade Association (EFTA) successfully concluded negotiations for a trade agreement<sup>43</sup>. For the automotive sector, the agreement completely and immediately liberalizes 100% of exports from Mercosur to EFTA, both auto parts and vehicles.

## 5.7. Other trade agreements

Uruguay has preferences to export automotive products in most of the trade agreements it has signed. In particular, it can enter with preferences, in some cases total and other partial, to the markets of Chile, Bolivia, Ecuador, Peru, Colombia and Venezuela.

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<sup>40</sup> ACE Nº 55 de 27/9/2002, [Acta de rectificación del I Protocolo Adicional 12/7/2004](#) and FTA between Mexico and Uruguay of 15/11/2003.

<sup>41</sup> Source: MRREE - [Acuerdo de Asociación MERCOSUR-UNIÓN EUROPEA: Síntesis del Acuerdo Conformen el EFTA Noruega, Suiza, Islandia y Liechtenstein](#)

<sup>42</sup> Source: MRREE - [MERCOSUR-EFTA - Síntesis del Acuerdo](#)

<sup>43</sup> The Agreement may enter into force bilaterally, once a member country of EFTA and a State Party of Mercosur ratify it.

## 6. Investments in the sector

Foreign Direct Investment (FDI) in Uruguay has increased considerably in recent years. This was based on the favorable investment environment in the country, as well as the good macroeconomic performance.

In particular, for the automotive sector, several leading international companies such as General Motors, Ford, Fiat and others had vehicle assembly plants in Uruguay even before the formation of Mercosur. More recently, Asian companies started to produce vehicles in the country, thus gaining experience in internationalization from Uruguay.

Around them and taking advantage of the advantages that Uruguay offers for exports, there is a flow of foreign investment to the auto parts sub-sector, which already had experience in exporting products such as leather seats for high-end vehicles, metal structures for seats, electrical wire harnesses, brake pads and other products. All these products are destined for regional and global auto parts terminals.

### 6.1. Assembly plants

In recent years there have been dynamic investment processes by Asian vehicle manufacturers. These companies are using the old national plants by making agreements with their owners or acquiring them -Nordex-, while others are building new plants, as in the case of Lifan.

#### 6.1.2. Chongqing Lifan

The plant of the Chinese company Chongqing Lifan, has a production capacity of 20,000 units per year. In 2012, with an investment of US\$ 55 million, this factory was built with facilities that meet the high standards of the brand and the Uruguayan government<sup>44</sup>. While the company experienced difficulties in 2018 that led to the cessation of production throughout 2019, in November 2019 an agreement was announced between Lifan and China Brilliance Auto for the production of Brilliance vehicles at Lifan Motors' assembly plant in San Jose. The initial objective is to start production in 2020 with the goal of being able to reach the production of 10,000 vehicles per year in the future, having as a destination mainly the Brazilian market.

#### 6.1.3. Nordex

##### Kia Motors

The Korean company Kia Motors made an agreement with the Nordex assembly plant, located in Colón (Montevideo), to produce “Kia Bongo” light trucks from 2010. The plant's production capacity is 12,000 vehicles per year and demanded an initial investment of US\$ 25 million. In 2019, it exported more than 3,900 units to Brazil.

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<sup>44</sup> Lifan's plant is located on Route 1, in the Department of San José, where it has 15 hectares and 30,000 m2 of roofed area.

## PSA (Peugeot – Citroen)

Two light commercial vehicles, “Peugeot Expert” and “Citroen Jumpy”, will also be assembled at the Nordex plant from the second half of 2017. In 2019, more than 4,400 units were exported to Argentina and Brazil.

## 6.2. Auto parts

In the auto part sub-sector, national companies that mainly supply the domestic replacement market coexist, as well as foreign companies, focused on exports. Some of the latter have been in the country for many years (Bader), while others have recently invested in new industrial plants (Fischer, Takata -bought by Joyson-, Yazaki), as well as in the acquisition of existing plants (Affinia).

### 6.2.1. Foreign auto parts

#### Bader

Bader is a German company founded in 1872 that produces fine automotive leather upholstery. It employs 12,100 people in 11 plants worldwide, of which three are in Latin America, two in Mexico and one in Uruguay. The factory in Uruguay, located in the department of San José, began processing leather for car upholstery in 1999, expanding in 2001, 2002 and 2007 and employs 390 people<sup>45</sup>. The company produces the finished leathers from wetblue and wetwhite. In 2019, its exports linked to the sector amounted to US\$ 25 million. The main destinations were Macedonia (32%), Brazil (32%) and Germany (18%)<sup>46</sup>.

#### Aperam

Aperam is a steel group that concentrates on the production of stainless steel. The company is a world leader in the manufacture of high value-added specialty products, such as electric steel and nickel alloys. It has operations in more than 30 countries, although the six main plants are located in Belgium, Brazil and France. It has a steel production capacity of 2.5 million tonnes and has 9,800 employees<sup>47</sup>.

In Uruguay, Aperam acquired the existing company Cinter S.A., which produces stainless steel, aluminized steel and hot and cold rolled carbon steel tubes. It is the largest exporter of auto parts in Uruguay and is also a key player in the exhaust pipe market in Argentina and is the leading stainless steel producer in Brazil. In Uruguay, its exports amounted to US\$ 42 million in 2019<sup>48</sup>. Brazil was the main destination, with 88% of sales and Argentina represented 10%.

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<sup>45</sup> Source: [Bader](#)

<sup>46</sup> Source: Uruguay XXI based on DNA and DNI- MIEM data.

<sup>47</sup> Source: [Aperam](#)

<sup>48</sup> Source: Uruguay XXI based on DNA and DNI- MIEM data.

## Fanacif Uruguay – Fras-Le

Fras-Le is a Brazilian company with more than 65 years in the market, and is one of the five largest manufacturers of friction materials in the world. It has industrial plants in Brazil, the United States, Argentina, Uruguay, India and China.

In 2017 it acquired the plant of Fanacif (Fábrica Nacional de Cintas de Frenos), located in Montevideo, from Affinia Group Inc. It manufactures mainly friction materials, such as brake pads, tapes, discs and hoods. The production is sold in the domestic market although most of it is exported. In 2019 its exports amounted to US\$ 14 million, and Argentina represented 88% of its sales, followed by Brazil<sup>49</sup>.

## Faurecia

Faurecia is a French company, world leader in 4 lines of business: car seats, car emission control products (silencers, headers, catalytic converters, etc.), car electricity, and car interior systems (instrument panels, consoles, etc.). It has 300 production and R&D plants in 34 countries<sup>50</sup>.

In Uruguay, Faurecia Automotive del Uruguay S.A. started its activities in 2010, installing an industrial plant in San José, for the manufacture of car seat upholstery. The company exported US\$ 16 million in 2019. Its exports were almost exclusively to Argentina<sup>51</sup>.

## Fischer

Fischer Group from Germany established in 2009 in Uruguay its fourth branch in the Americas, after Canada, USA and Mexico. The company, which has 2,800 employees in 9 countries, specializes in steel pipes for automotive exhaust systems.

From Uruguay, in a factory located in Montevideo, it supplies plants of the Peugeot, Volkswagen, Chevrolet, Fiat, Renault, Honda and Citroën brands located in the Mercosur. In 2019, the company's exports totaled US\$ 7 million to Brazil (72%) and Argentina (22%), in addition to a minimum export to Colombia (7%).<sup>52</sup>

## Maxion Montich

Maxion Montich is an Argentinean company, which has four plants in South America; two in Argentina, one in Brazil and one in Uruguay. The company has been working with steel manufactures especially for vehicles for 50 years. The plant in Uruguay manufactures chassis and components, and is located at Km. 24,200 of Route 101, in Canelones. It has a built area of 1,200 m<sup>2</sup>, in which 30 people work.

<sup>49</sup> Source: Uruguay XXI based on DNA and DNI- MIEM data.

<sup>50</sup> Source: [Faurecia](#)

<sup>51</sup> Source: Uruguay XXI based on DNA and DNI- MIEM data.

<sup>52</sup> Source: Uruguay XXI based on DNA and DNI- MIEM data.

## Joyson Safety Systems

Joyson Safety Systems is a Chinese company, a world leader in mobility safety that manufactures quality automotive safety products, including airbags, seat belts, steering wheels and child restraint systems. The company is headquartered in Michigan and has a global network of more than 50,000 employees in 25 countries. It is a subsidiary of Ningbo Joyson Electronic Corp<sup>53</sup>.

In 2017 it bought Takata, located in the department of San José, with the first and most modern airbag production plant in Latin America. The initial investment was US\$ 12 million and the official inauguration took place in May 2012. Joyson Safety Systems' plant in Uruguay supplies the Brazilian market with air modules, as a result of the approval of the law in that country which obliges all automotive manufacturers to include driver and passenger airbags in all cars. Currently the plant has 640 employees, a number that is expected to increase in the next two years by 820, thanks to an investment of approximately 5 million dollars by JSS. Exports to the Brazilian market totaled US\$ 28 million in 2019.

## Yazaki

The Japanese company Yazaki employs over 250,000 workers in 45 countries. It mainly produces auto parts (electrical cable assemblies or harnesses), general cables and other items<sup>54</sup>. In Uruguay, Yazaki was installed in 2006, in the department of Colonia in a state property near the port. It is currently the largest exporter of auto parts in the country.

In 2010, Yazaki opened its second factory in Uruguay in the Canary Islands Technological Park, Las Piedras (Canelones), with the support of the City Hall, the Ministry of Labor and Public Works (MTOP), the Ministry of Industry, Energy and Mining (MIEM) and the National Development Corporation (CND), also producing electrical cable harnesses and electronic elements for the automotive industry. The two plants serve customers such as Toyota, Renault, Honda, Volkswagen and Peugeot. The company's exports totaled US\$ 39 million in 2019, almost all of which were exported to Argentina<sup>55</sup>.

## Zenda Leather - JBS

Established in 1890 under the name of Curtiembre Branáa, Zenda is an emblematic producer of high quality leather in Uruguay. Since 2013, Zenda belongs to the Brazilian group JBS<sup>56</sup>. World leader in beef, sheep and poultry processing. The company operates in the area of food, leather, biodiesel, collagen, metal packaging and cleaning products<sup>57</sup>.

The upholstery produced by Zenda in Uruguay, is used as original equipment in high-end vehicles of the brands Audi, BMW, Peugeot, Toyota and others. In 2019 the company exported a total of US\$ 3 million.

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<sup>53</sup> Source: [Joyson Safety Systems](#)

<sup>54</sup> Source: [Yazaki](#)

<sup>55</sup> Source: Uruguay XXI based on DNA and DNI- MIEM data.

<sup>56</sup> Source: [El Observador – 11/06/2013.](#)

<sup>57</sup> Source: [JBS](#)



## 6.2.2. National Autoparts

### Aluminios del Uruguay

The company was founded in 1957 and is dedicated to the manufacture of aluminium profiles, used in the construction industry as well as in various other industries. It also works with the lamination and printing of aluminium foil and plastic films for the manufacture of flexible packaging<sup>58</sup>.

The company's annual production exceeds 5,000 tons in a built area of 20,000 m<sup>2</sup>. The company exported aluminum alloy profiles for the automotive sector for almost US\$ 1.4 million in 2019 to Brazil, Argentina and Bolivia<sup>59</sup>.

### Ayax - Lucca Design<sup>60</sup>

Lucca Desing belongs to the Uruguayan group Ayax, a company with more than 60 years of experience. It is a family business of Italian origin, which has represented throughout its history General Motors, Fiat, Suzuki, and currently Toyota. It started its activities in 2003 and in 2005 it began to export to Argentina leather for the manufacture of vehicle seats. It also specializes in leather upholstery with and without airbags, fabric and PVC upholstery and automotive accessories. Its installed production capacity is 41,000 upholstery items per year in one shift. In 2019, the company's exports exceeded US\$ 4.6 million.

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<sup>58</sup> Source: [Aluminios del Uruguay](#)

<sup>59</sup> Source: Uruguay XXI based on DNA and DNI- MIEM data.

<sup>60</sup> Source: [Lucca Design](#)

## 7. Electric transport in Uruguay

Uruguay has been pursuing an energy policy approved by all political sectors since 2010. This policy is divided into major areas from a geopolitical, economic, technological, ethical, environmental and social point of view. On the basis of this policy, the energy sector has incorporated energy from non-traditional renewable sources into the national electricity grid, and energy efficiency measures in all sectors of activity.

In the quest to reduce dependence on oil in the transport sector and to reduce emissions of polluting gases into the atmosphere, Uruguay is promoting electric transport. The country has the infrastructure of electrical distribution and transmission networks adequate to supply the resulting energy demand. Since 2012, measures have been developed to have different types of more efficient vehicles. In order to meet the objectives proposed in 2015, the "inter-institutional group on energy efficiency in transport"<sup>61</sup> was created. The aim is to generate, align and promote policies towards more efficient and sustainable mobility.

The main actions in these years have been from the generation of an electric recharge network to be expanded nationwide, the generation of incentives for the replacement of combustion taxis by electric ones and more recently the implementation of a subsidy for public transport operators to change their diesel buses to electric ones.

Another action of this group was to apply to the GEF funds and with their approval implement the MOVÉS Project. This GEF project is implemented by UNDP, executed through MIEM in partnership with MVOTMA and aims to promote efficient and sustainable mobility. The main axes of the project are the generation of capacities and a regulatory framework that promotes electric mobility, generating concrete actions so that companies and institutions can test electric vehicles, and through the cultural change of people, companies and institutions, promoting sustainable mobility for both cargo and passengers.

### 7.1 Economic benefits for the incorporation of electric vehicles

#### 1) Subsidy for the incorporation of electric buses

Article 349 of Law 19.670 created the subsidy that will cover the price gap between a diesel engine bus and an electric one, in order to lift the main barrier to the adoption of this technology in urban public transport. Thus, a public transport operator will be indifferent to buying a diesel bus and an electric one, but will be able to count on the savings of the electric bus in operation and maintenance, in addition to the greater benefits and comfort for users provided by the electric units. From the State's point of view, the subsidy for the purchase of electric buses will replace the subsidy for diesel for public transport, implying a total expenditure equal to or less than the sum of the useful life of an electric bus, but allowing the reduction of emissions and the replacement of the consumption of an imported energy source with one of national production, also taking advantage of the night surpluses of renewable generation. This law was regulated by decree 165/019, and the first call for subsidies was opened during the month of October 2019. It

<sup>61</sup> The group consists of: Ministry of Industry, Energy and Mining (MIEM), Ministry of Economy and Finance (MEF), Ministry of Transport and Public Works (MTO), Ministry of Housing, Land Planning and Environment (MVOTMA); the state-owned electricity and fuel companies UTE and Ancap; and the Municipality of Montevideo (IM).

is expected to subsidize the purchase of more than 30 electric buses thanks to this first call, all with improved service characteristics compared to the old diesel buses.

## **2) Reduction of Excise Tax (IMESI) (Decree 246/012) for hybrids and electricity**

- a. Electric passenger vehicles: IMESI 5.75% versus 115% diesel and gasoline vehicles between 23 and 46%
- b. Electric utility transport: IMESI 2.3%, lower than all other utilities.
- c. Electric vehicles pay between 75% and 95% less IMESI than conventional vehicles.

## **3) Investment Promotion Law ([Decree 143/018](#))<sup>62</sup>**

The Law grants benefits to projects whose investment generates benefits in different sectors. In particular, if the company presents a project where there is investment in electric utility vehicles, it is reduced from 30% to more than 70% through IRAE (Income Tax) exoneration. In the most auspicious cases, the return on the project exceeds 40%. Examples of these benefits can be found in the document "[Electric Utility Vehicles: a profitable investment](#)".

In addition, during 2019 an amendment to the regulatory decree was approved that enabled access to benefits by rental companies in the purchase of electric vehicles, considering that they are a very important player in the management of company fleets. It also reduced the requirement for maintenance of ownership of the electric vehicle by the company from 10 to 4 years.

## **4) Energy efficiency certificates**

MIEM's economic instrument for the energy efficiency measures carried out. In particular, electric vehicles are rewarded more. Economic benefit: from 3 to 30% of the investment.

## **5) Exemption from flat-rate tariffs (TGA)**

- a. Cars and goods transport only with electric motor: 0% TGA.

Uruguay has no domestic production of electric vehicles, so imports were promoted by reducing import tariffs from 23 to 0%.

- b. Exemption from the TGA for the import of lithium batteries and charging systems with and without current transformation for electric vehicles.

## **6) Patent**

New electric vehicles pay 2.5% of the vehicle's value excluding VAT (5% for combustion vehicles).

## **7) Commercial discount from UTE (Electricity)**

- a. Change of the contracted power of the supply without cost.
- b. Rate in valley (0 to 7 am) at 50% in UTE's recharging stations.
- c. Medium consumer rates and double residential rate at 50% off-peak hours (outside 6 to 10 pm).

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<sup>62</sup> It applies to investment projects submitted until April 30, 2021.

## 7.2 Infrastructure for electric vehicles

### 1) Energy matrix

Electricity generation matrix: 90% from renewable sources (hydro, biomass and wind). In addition, there is a surplus of energy in the night hours due to the greater participation of wind energy.

### 2) Electric route - public chargers "Plan for the implementation of the National Electric Vehicle Recharge Network in Uruguay".

- a. During 2020, coverage of all routes in the country will be completed with electric vehicle chargers, available every 60 km maximum.
- b. Agreement with DUCSA (distribution company, fuel stations) to install refueling stations in ANCAP service stations throughout the country.

## 8. Capacity and development in Uruguay

Uruguay has a public university (UdelaR), which has been developing scientific research for 100 years. In addition, Universidad del Trabajo del Uruguay (UTU) and Universidad Tecnológica del Uruguay (UTEC), have specific training in areas of computer science, mechanics, electronics that are supported by several centers of automation and mechatronics where students apply the theoretical concepts.

The country has prestigious national R&D institutes, such as the Pasteur Institute in Paris, institutes associated to the production of primary goods, and also within the Technological Laboratory of Uruguay (LATU) projects adapted to the needs of the industry and the country are carried out.

The country has developed a software industry in Uruguay, with more than 350 companies in the ICT sector that export services to more than 50 countries.

Therefore, Uruguay, due to its size and the talent of its human resources, is a country where developing products finish their maturation and technical maintenance facilities are generated for the region and Latin America.

### 8.1 Market

As of August 2019 there are 206 electric vehicles sold, of which 92 are in operation at the national energy company UTE and 56 are taxis. Some 60 correspond to private-sector sales. As for hybrids (both plug-in and non-plug-in), 1,005 units were sold by 2018, with no record of them being in operation in the public sector.

### 8.2 Projections

The estimates for the increase in the electric vehicle fleet are based on the study of [Prospective Energy Demand - DNE - MIEM](#) carried out by the division of Planning, Statistics and Balance of the National Energy Directorate. This study is public and is based on 4 different scenarios. This report presents the different scenarios of electric vehicle penetration

## 8.3 Brands and segments

The UTE website offers an [updated list](#) of pure electric vehicles and plug-in hybrid electric vehicles that are present in the Uruguayan market.

## 8.4 SAVE Suppliers

At the same time, the same website presents a [list of the different suppliers](#) of Electric Vehicle Power Supply Systems (SAVE).

## 8.5 Buses and taxis

Currently, there are two electric buses in operation, as well as 11 hybrids:

- 3) A BYD K9 in CUTCSA
- 4) One ANKAI HFF6855GO3EV1 in CODELESTE
- 5) Eleven Yutong Hybrid ZK6125 units at COETC.

Additionally, there are 56 taxis in operation in Montevideo, and in 2020 it is expected the arrival of 30 more electric buses of the brands (Ankai, BYD and Yutong).

## 9. Institutions linked to the sector



**Ministerio de Industria, Energía y Minería (MIEM)**

[www.miem.gub.uy](http://www.miem.gub.uy)



**Dirección Nacional de Industrias (DNI)**

[www.dni.gub.uy](http://www.dni.gub.uy)



**Cámara de Industrias del Uruguay (CIU)**

[www.ciu.com.uy](http://www.ciu.com.uy)



**Cámara de Autopartes en la CIU**

[www.autopartes.org.uy](http://www.autopartes.org.uy)

compaut@ciu.com.uy



**Cámara de Industriales Automotrices del Uruguay (CIAU) en la CIU**



**Asociación de Concesionarios de Marcas de Automotores (ASCOMA)**

[www.ascoma.com.uy](http://www.ascoma.com.uy)



**Asociación del Comercio Automotor del Uruguay**

[www.acau.com.uy](http://www.acau.com.uy)



**Mercoparts**

Mercoparts (Mercosur Autoparts Council) was created by the autoparts entities of four Mercosur countries (Argentina, Brazil, Paraguay and Uruguay), in October 2004, in São Paulo, Brazil.



## 10. Annexes

### 9.1 Government export incentives

#### 1) Refund of VAT paid on purchases of inputs <sup>63</sup>

The recovery of VAT paid on purchases is generally made by deducting it from the VAT invoiced on sales, with only the difference being paid to the State. As no such tax is invoiced on exports, refund of the VAT included in purchases of inputs is authorised, directly at the request of the company. The Tax Authority (DGI) issues credit certificates which can be used for payment of other taxes.

#### 2) Refund of other taxes <sup>64</sup>

The State refunds other internal taxes that are part of the cost of an exported product through a fictitious percentage over its FOB value determined by the Executive Branch.

#### 3) Temporary Admission <sup>65</sup>

The import of inputs and parts, packaging and dies that will be incorporated into the production of exported goods is exempt from both customs duties and value added tax. It is only required to make the export within a period not exceeding 18 months.

#### 4) Free Zones <sup>66</sup>

There are eleven Free Zones in the country to carry out manufacturing activities or provide services to third countries in which no customs duties are paid on the entry and exit of goods and services. Likewise, the activities of users of FFZs are exempt from any national tax, created or to be created, with the sole exception of social security taxes for national personnel.

The only requirement to be met is to hire a minimum of 75% of Uruguayan citizens among the total staff, although this percentage may be reduced with the prior authorization of the Executive Branch.

#### 5) Free port, free airport and port warehouses <sup>67</sup>

The port of Montevideo and other ports in the country, as well as Carrasco International Airport, operate under a regime of free circulation of goods, being exempt from taxes and surcharges applicable to imports for activities such as warehousing, repackaging, re-marking, classification, grouping and ungrouping, consolidation and deconsolidation, handling and fractionation that do not involve manufacturing.

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<sup>63</sup> See Ordered Text 1996, Title 10 (VAT), Article 9.

<sup>64</sup> Decree 147/14 of 23/5/2014.

<sup>65</sup> Law 18.184 of 27/10/2007 regulated by Decree 505/2009 of 3/11/2009.

<sup>66</sup> Law No. 15.921 of 17 December 1987. Law 15.921 (Article 2), Decree No. 71/001 (Article 3) and Decree No. 84/006 (Article 1).

<sup>67</sup> Law Nº 16.246 of 8 April 1992 for Ports and by its regulatory decree Nº 412/992 and Law Nº 17.555 of 18 September 2002 for Airports.

## Uruguay in brief (2019)

<b>Official name</b>	República Oriental del Uruguay
<b>Geographical location</b>	South America, bordering Argentina and Brazil
<b>Capital</b>	Montevideo
<b>Surface area</b>	176,215 km <sup>2</sup> . 95% of the territory is productive land suitable for farming
<b>Population (2018)</b>	3.51 million
<b>Population growth (2018)</b>	0,6% (annual)
<b>GDP per capita (2018)</b>	US\$ 17.232
<b>Currency</b>	Uruguayan Peso (\$)
<b>Literacy rate</b>	0,98
<b>Life expectancy at birth</b>	77 years
<b>Form of government</b>	Democratic Republic with a presidential system
<b>Political division</b>	19 departments
<b>Time Zone</b>	GMT - 03:00
<b>Official language</b>	Spanish

### Main economic indicators 2014-2019\*

Indicators	2014	2015	2016	2017	2018	2019e
<b>GDP (Annual % change)</b>	3,2%	0,4%	1,7%	2,6%	1,6%	0,2%
<b>GDP (Millions of US\$)</b>	57.180	53.182	52.734	59.170	60.415	55.995
<b>Population (Millions)</b>	3,45	3,47	3,48	3,49	3,51	3,52
<b>GDP per Capita (US\$)</b>	16.556	15.339	15.152	16.939	17.232	15.914
<b>Unemployment Rate - Annual Average (% EAP)</b>	6,6%	7,5%	7,8%	7,9%	8,3%	8,9%
<b>Exchange Rate (Pesos per US\$, Annual Average)</b>	23,3	27,4	30,1	28,7	30,8	35,3
<b>Exchange Rate (Annual Average Variation)</b>	13,4%	17,6%	10,1%	-4,8%	7,4%	14,7%
<b>Consumer Prices (Annual cumulative % change)</b>	8,3%	9,4%	8,1%	6,6%	8,0%	8,8%
<b>Exports of goods and services (Millions of US\$)**</b>	18.380	15.591	14.649	16.329	16.406	16.012
<b>Imports of goods and services (Millions of US\$)**</b>	16.767	13.912	11.810	12.271	12.863	12.376
<b>Trade Surplus / Deficit (Millions US\$)</b>	1.613	1.679	2.839	4.059	3.543	3.636
<b>Trade surplus / deficit (% of GDP)</b>	2,8%	3,2%	5,4%	6,9%	5,9%	6,5%
<b>Overall Fiscal Result (% of GDP)</b>	-3,5%	-3,3%	-3,8%	-3,5%	-3,8%	-3,3%
<b>Gross capital formation (% of GDP)</b>	21,2%	19,7%	17,8%	15,2%	16,5%	-
<b>Gross Public Sector Debt (% of GDP)</b>	58,6%	59,1%	63,2%	65,4%	63,4%	-
<b>Foreign Direct Investment (Millions of US\$) ***</b>	2.328	917	-1.181	-911	-626	-
<b>Foreign Direct Investment (% of GDP)</b>	4,1%	1,7%	-2,2%	-1,5%	-1,0%	-

\* Sources: Data on GDP were taken from the IMF; data on foreign trade, FDI, exchange rate, international reserves and external debt were taken from the BCU; rates of population growth, literacy, unemployment and inflation were taken from the National Institute of Statistics. Data estimated for 2018 based on BCU and Deloitte surveys.

\*\* 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 from 2012.

\*\*\* In 2017, the BCU adopted the methodology of the 6th Balance of Payments Manual. The data are net flows and can therefore take negative values.