EUROPEAN UNION
REPORT



SEPTEMBER 2024

EXECUTIVE SUMMARY

- The European Union has been a strategic international partner for Uruguay. In 2023, exports of goods to the EU totaled USD 1.93 billion, being the third largest export destination with 17% of total exports. Pulp and beef were the main products exported to the European bloc; together they accounted for more than 66% of the total.

- In 2022, USD 73 million were paid in tariffs associated with exports of goods to the European Union. Of this total, beef accounted for 60%, followed to a much lesser extent by tariffs associated with rice, dairy products and honey, among other products.

- The European Union is the main investor in Uruguay. Its countries represented 42% of FDI stock in 2023. **European investments have been critical for the development of some strategic sectors in Uruguay, such as agriculture, forestry, energy or global services.** These investments were mainly comprised of Spanish and Finnish capital. Spanish companies invested mainly in energy (especially wind power) and services (financial, fintech and business services). They also invested in other sectors such as the food industry, tourism, agricultural production and trade.

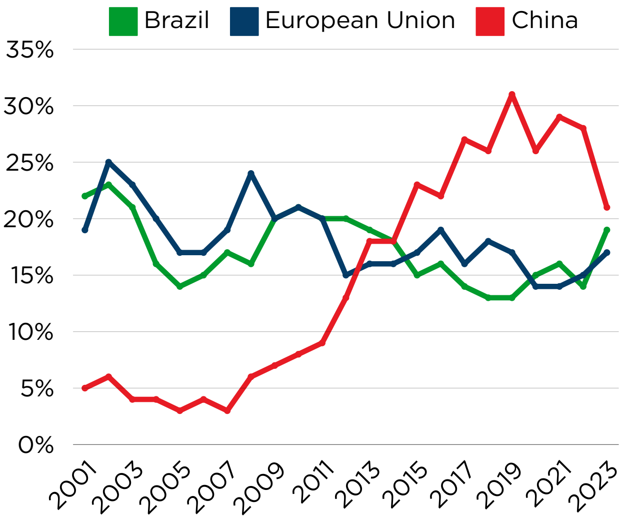
- The Strategic Association Agreement between Mercosur and the European Union is expected to increase trade and investment between the two blocs. It will also boost innovation, foster greater integration of the production chains of both parties and promote sustainable development.

Uruguay XXI
INVESTMENT, EXPORT AND COUNTRY BRAND PROMOTION AGENCY

EUROPEAN UNION: STRATEGIC TRADING PARTNER FOR URUGUAY[1]

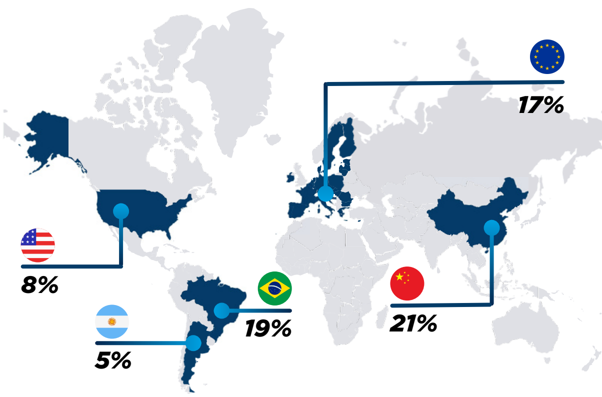
The European Union has historically been a strategic trading partner for Uruguay. In 2023, exports of goods to this destination reached USD 1.93 billion, only USD 56 million less than the record registered in 2022. In 2023, the European Union was the third destination for Uruguayan exports with a 17% share behind China and Brazil. In the last two decades, the bloc has positioned itself among the top three export destinations and, between 2002 and 2008, it ranked first. As China became the main partner since 2013, the European Union began shifting second and third place with Brazil.

Graph No. 1
Uruguayan exports of goods
Percentage share, main destinations



Source: Uruguay XXI based on data from National Customs Directorate, Central Bank of Uruguay (BCU), Montes del Plata and SiGes Nueva Palmira

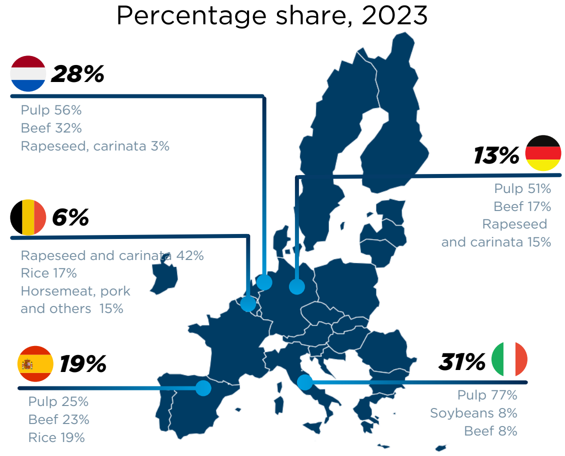
Graph No. 2
Main export destinations
Percentage share, 2023



Source: Uruguay XXI based on data from National Customs Directorate, Central Bank of Uruguay (BCU), Montes del Plata and SiGes Nueva Palmira

Regarding destinations within the bloc, Italy ranked first in 2023, with a share of 31%, mainly due to a 33% year-on-year decrease in pulp purchases from the Netherlands, pushing it out of first place (a position it had held since 2007). As a result, the Netherlands[2] became the second largest export destination (28%).

Chart No. 3
Main export destinations
Percentage share, 2023



Source: Uruguay XXI based on data from National Customs Directorate, Central Bank of Uruguay (BCU), Montes del Plata and SiGes Nueva Palmira

1 Statistical data in this section include the United Kingdom within the European Union up to and including 2020.

2 In this case, it is worth mentioning the role of the port of Rotterdam as a regional logistics center receiving and distributing products to the other countries of the continent.

In terms of **products**[3], pulp has been the main export product to the bloc since 2013. Whereas a decade ago this product represented 25% of the total exported value (USD 339 million) in 2023 its share was 48% (USD 927 million). This can be explained by the growth of pulp exports in absolute terms as well as the exports decrease in other products (soybeans, leather, auto parts, among others).

In 2023, beef and its by-products ranked second in exports to the bloc, totaling USD 337 million in sales (17% of total exports). Its highest record was observed in 2008, when sales reached USD 446 million (33% of the total). In the subsequent period, its annual share averaged 24%. Rapeseed and carinata ranked third, with exports representing a 9% share in 2023 (USD 165 million). There was also a significant increase in rice sales to the bloc, with an increase in value of 70% in the year-on-year comparison (USD 111 million in 2023).

Regarding the products that experienced declines in the last decade, soybean shipments stood out, from USD 147 million in 2013 to USD 64 million in 2023. Purchases of leather and leather products fell from USD 78 million to USD 13 million in the same period, while auto parts went from USD 58 million to almost USD 2 million in 2023.

As shown in the following table, during the last decade there has been a change in the composition of exported goods to the European Union, which coincided with the change in Uruguay's exportable supply: more pulp, rapeseed, carinata, while less leather, soybeans and auto parts were exported.

Table N°1

Exports to EU by product

Million USD

PRODUCTS	2013	2023
Pulp	339	927
Beef and by-products	353	337
Rapeseed and carinata	-	165
Wood and by-products	86	114
Rice	27	111
Soybeans	147	65
Wood and textiles	66	55
Horsemeat, pork and others	10	29
Other products	339	127
Total	**1,367**	**1,930**

Source: Uruguay XXI based on data from National Customs Directorate, Central Bank of Uruguay (BCU), Montes del Plata and SiGes Nueva Palmira

Particularly in the month of August 2024, the European Union ranked second in exports, with an export value of USD 248 million[4], representing an increase of 77% year-on-year. This increase was largely due to a significant increase in pulp shipments, which totaled USD 160 million, and higher purchases of rice, which totaled almost USD 14 million – four times the value achieved in the same month of 2023.

Tariffs paid to the European Union on exports of goods amounted to USD 73 million; this represented 14% of the total tariffs paid (in 2022 they were USD 538 million). Sixty percent of the total paid to that market

3 As of December 31, 2024 the European Union's Deforestation-Free Products Regulation will come into force. Uruguay exports sawn timber in compliance with European regulations on deforestation. Ministry of Livestock, Agriculture and Fisheries (MGAP).

4 The first destination in August 2024 was China, with an export value of USD 263 million.

corresponded to beef, which gained access through various fees established to regulate its entry. The average tariff rate paid by Uruguay to this region was 4% in 2022, with average peaks in dairy products, honey and beef.[5]

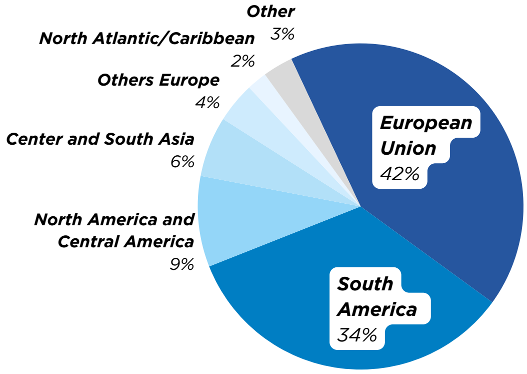
On the other hand, during the past 20 years, the European Union has also been one of the main import origins along with China, Brazil, the United States and Argentina. Between 2013 and 2023, the share of the European Union in Uruguay's total imports ranged between 13% and 18%. In 2023, Germany, Spain, France and Italy had a combined share of 66% of imports from the EU. The two main categories that year were machinery and equipment with a 20% share and auto parts vehicles, which accounted for 13% of total imports. France and Germany accounted for 45% of the share of these categories, with sales totaling USD 222 million.

EUROPEAN UNION: STRATEGIC INVESTMENT PARTNER FOR URUGUAY

Foreign direct investment (FDI) is one of the factors that have driven Uruguay's economic development in recent decades. Investments from the European Union[6] have been crucial for the development of some strategic sector such as agriculture, forestry, energy and information technology. The European Union represents 42% of the FDI stock in Uruguay, with almost USD 18 billion[7]. Thus, the European Union is the leading investor region in Uruguay, followed by South America.

Graph N°4

FDI position in Uruguay by region of origin (2023)



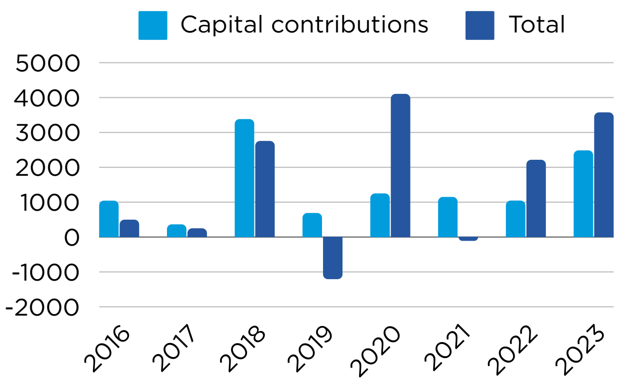
Source: Central Bank of Uruguay (BCU)

FDI inflows from the European Union to Uruguay totaled USD 3,575 million in 2023, a sharp increase compared to 2022. In any case, this increase is largely attributable to the type of loans between related companies, which is the most volatile component of FDI. Considering only capital contributions – which constitute the most genuine part of the investment- positive records were observed throughout the period, with a peak in 2018 that came essentially from Spanish investments.

Graph N°5

FDI received in Uruguay from the EU

Million USD



Source: Central Bank of Uruguay (BCU)

5 For more information, see: Tariffs paid

6 This section does not include the United Kingdom within the UE.

7 Only capital shares are considered, which totaled USD 43,096 million by 2023. Considering also loans from related companies, FDI from the European Union reaches 47%.

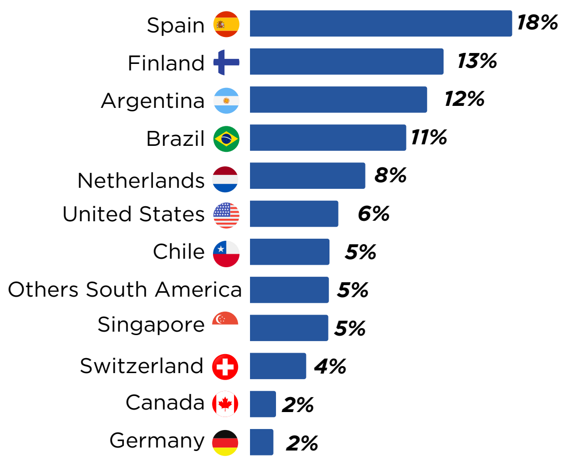
This investment was mainly represented by Spanish, Finnish and Dutch capital, positioning these countries as the main investors in Uruguay. Spain led the ranking with an investment stock of USD 7.56 billion, followed by Finland in second place with USD 5.58 billion and the Netherlands in fifth place with USD 3.32 billion.[8]

Spanish companies have invested in Uruguay mainly in industry and global services. Within industry, energy generation projects stood out, mainly in wind power, which are largescale projects and generally require large amounts of investment. At the services level, there were several initiatives related to financial services, fintech, and business services.

However, Spanish investments were also recorded in other sectors such as the food industry, tourism, agricultural production and trade.[9]

Graph N°6

FDI position in Uruguay by country of origin (2023)



Source: Central Bank of Uruguay (BCU)

Table N°2

European FDI position in Uruguay by country of origin

Country	2023	
	USD million	Share %
Spain	7,560	44%
Finland	5,580	33%
Netherlands	3,319	13%
Germany	665	4%
Belgium	349	3%
Luxembourg	266	2%
France	174	1%
Switzerland	43	0%
Denmark	37	0%
Italy	6	0%
European Union	**18,000**	**100%**

Source: Central Bank of Uruguay (BCU)

Finland's position is essentially due to investments in pulp mills, which are very large projects. Other European Union countries that invested in Uruguay are Germany, Belgium, Luxembourg and France.

An analysis of foreign companies installed in Uruguay shows results that are in line with data from the BCU. The European Union is a major investor, with Spain as the country with the largest number of companies established in the country. Thirty percent of the foreign companies registered in Uruguay XXI[10] come from a European Union member country, totaling 416 companies. The European Union is the second region in the world with the most companies installed in Uruguay, preceded by Latin America (36%) and followed by North America (19%). Among the companies from the EU, 28% are from Spain, 17% from France, 14% from Germany, 7% from

8 The Netherlands, along with other countries such as Luxembourg, are transit centers for investments made from third countries. Many international companies channel their investments through so-called Special Purpose Entities (SPEs), companies with no physical presence in these countries that use them as a source of financing or for holding assets and liabilities.
9 The BCU opening does not show the cross-referencing by destination and sector, so complementary information from COMAP, FDI Markets and EMIS is being used.
10 The register of foreign companies prepared by Uruguay XXI is not exhaustive and does not constitute an official register. It is an internal work tool, compiled from various publicly available sources of information, as well as information shared by embassies and binational chambers. It is updated annually.

the Netherlands, and 6% from Sweden.[11]

Spanish companies are distributed in various sectors such as trade, construction, global services and ICT, financial sector, other services, agricultural industry, manufacturing industry and energy. French companies can be found in agricultural industry, food industry, trade and retail (mainly supermarkets), pharmaceuticals and other services, to name a few. German companies are present in the pharmaceutical, service, trade and logistics sectors, among others.

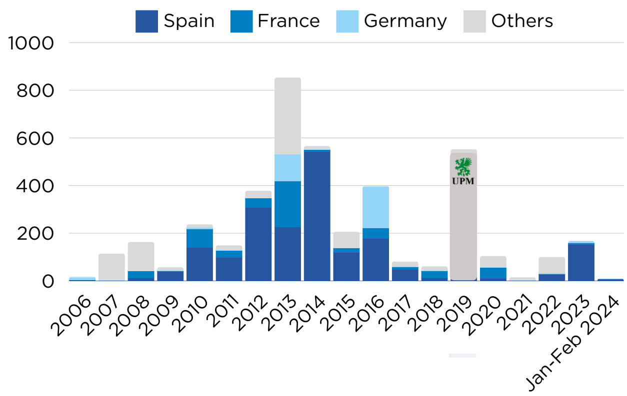
Recently, the German company BASF Services Americas announced the deployment of a new digital services hub in Uruguay. Meanwhile, Dutch companies are in the global trade and services sector.

European companies in Uruguay also use the country's investment promotion regime. Investments promoted by COMAP of European Union capital represented 44% of total investments in projects between 2006 and February 2024.

Graph N°7

Promoted investment projects of European capital

Million USD



Source: COMAP

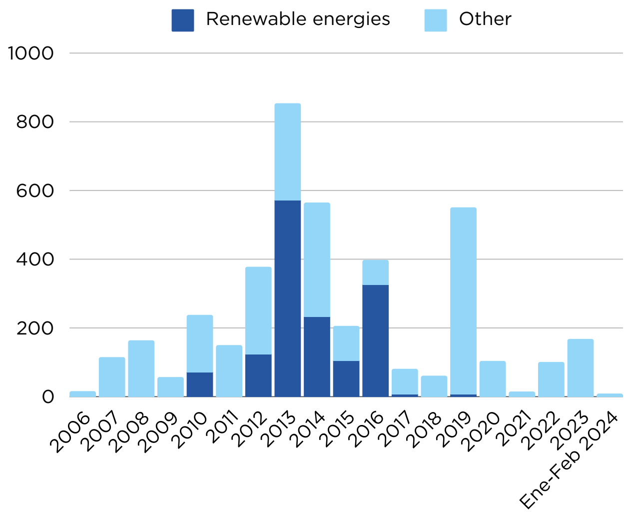
Once again, Spain was the country that made most use of the regime for different types of projects, with a predominance of renewable energy generation projects, since they require a lot of investment. It was followed by Finland, with outstanding projects such as the construction and operation of the free trade zone infrastructure, investments aimed at installing the port terminal and investments related to forestry operations. French large-scale projects in the retail and renewable energies sectors were also significant.

Investments from the European Union have been very important for the transformation of Uruguay's electricity matrix towards renewable sources. Between 2010 and 2016, several projects of European origin were developed for electric power generation, mainly wind and, to a lesser extent, biomass and solar energy.

Graph N°8

Promoted investment projects of European capital

Million USD



Source: COMAP

11 It should be noted that Finland, in this case, does not appear as a relevant destination because its investment, despite being large, does not involve a large number of companies.

The previous analysis is complemented with information on European Union capital greenfield projects in Uruguay, compiled by FDI Markets. Of the 391 projects that were announced in Uruguay between 2003 and July 2024, 136 corresponded to European Union member countries (35%). Spain was again the main investor in Uruguay, with several projects linked to global services (business, technology and financial), retail and renewable energies. Germany invested mainly in renewable energy, retail, transportation and life sciences projects. French companies launched projects in the retail, agribusiness, financial services and renewable energies sectors.

Table N°3
Greenfield projects in Uruguay of European capital
2003-2024*

Origin	#
Spain	52
Germany	19
France	18
Finland	14
Netherlands	6
Denmark	6
Switzeland	6
Luxembourg	4
Italiy	3
Cyprus	2
Belgium	2
Portugal	1
Austria	1
Andorra	1
Ireland	1
Total	**136**

Sector	#
Retail	23
Renewable energies	19
Professional services	14
Financial services	14
Wood, clothing and related products	13
ICT and electronics	10
Agricultural	6
Transportation and storage	6
Physical sciences	6
Consumer goods	5
Transport equipment	5
Tourism	4
Construction	4
Life sciences	3
Energy	2
Creative industries	1
Industry	1
Total	**136**

(*) January-July 2024.
Source: FDI Markets.

Lastly, some of the recent investment projects of European Union companies in Uruguay are mentioned below.

In the first half of 2024, two retail projects from Spain were announced. In 2024, following the boost of the Olympic Games, the company Joma Sport plans to open international stores in countries such as Italy, Cuba and Uruguay. Likewise, at the beginning of 2024, the clothing company Brownie announced its landing in Uruguay. The Spanish women's youth fashion brand Brownie will open its first store in the country, which will be located in Punta del Este. The landing of the Spanish company will require an initial investment of USD 300.000.[12]

The project Garnica Plywood Group S.A. stood out in 2023. The Spanish company and global benchmark in plywood production will invest USD 55 million to open a plywood plant in the department of Treinta y Tres. This is the company's first plant in the Americas, joining the five plants it already owns in Spain and the two it has in France.[13]

In May 2022, the German company Enertrag announced the first green hydrogen exploitation project in Uruguay, called “Tambor Green Hydrogen Hub”.

In Uruguay, the development of green hydrogen is part of the second stage of the energy transition, which aims to decarbonize energy generation beyond the electricity matrix. European companies in Uruguay were the driving force behind the first part of this transition, which was to reconvert the electricity matrix towards renewable sources.

12 Spanish fashion brand will disembark in Punta del Este and announces stores in Montevideo - El País

13 Española Garnica will invest USD 55 million in Treinta Tres to open a plywood factory - El País

Uruguay also has certain advantages for the development of green hydrogen, which allows the decarbonization of many sectors that cannot be supplied with energy based on electricity.

Table N°4
Greenfield projects in Uruguay of European
2022-2024*

Date	Company	Origin	Sector	Employment	Mill. USD	Source
Jul 2024	Joma	Spain	Retail	60	2.9	Source
Jan 2024	BROWNIE	Spain	Retail	60	2.9	Source
Nov 2023	SCHRYVER Logistics	Germany	Transportation and storage	13	0.7	Source
Aug 2023	Grupo Alonso	Spain	Transportation and storage	16	2.6	Source
Jul 2023	OUR/ECOLUTION	Sweden	Construction	30	20.0	Source
Apr 2023	BOLTENDAHL International Partners	Spain	Financial services	34	32.5	Source
Apr 2023	KIABI la mode à petits prix	France	Retail	60	2.9	Source
Apr 2023	ECIJA	Spain	Professional services	8	0.6	Source
Apr 2023	garnica	Spain	Wood, clothing and related products	150	54.9	Source
Mar 2023	Movistar	Spain	Retail	42	0.7	Source
Oct 2022	Goodwings	Denmark	Tourism	24	4.8	Source
Aug 2022	exness	Cyprus	Financial services	34	32.5	Source
May 2022	PRINTFACTORY	Netherlands	ICT and electronics	61	3.2	Source
May 2022	ENERTRAG Una energía por delante	Germany	Renewable energies	326	627.7	Source

(*) January-July 2024.
Source: FDI Markets.

Developed countries, particularly European countries, are very interested in this process. The International Energy Agency (IEA) has identified four projects in Uruguay: H24U in Pueblo Centenario, Tambor Green Hydrogen Hub in Tambores, HIF Global in Paysandú and H2U Offshore Ancap (in public tender process).

H24U is a pilot project for the development of green hydrogen for heavy cargo transport in Uruguay, an initiative of the companies Saceem, CIR, Air Liquide and Fraylog.

The "Tambor" project, mentioned above, is a development of the German company Enertrag in association with the Uruguayan SEG Ingeniería, which foresees that most of the hydrogen produced will be transformed into by-products, mainly methanol for export purposes.

Chile's HIF Global plans to install a plant to produce synthetic fuels (e-fuels) from green hydrogen in Paysandú.

Besides H2U Offshore Ancap, there is the "Kahirós" project, entirely of private participation, led by Ventus, Fraylog and Fidocar, which consists of the conversion of forestry trucks to run on hydrogen instead of diesel.[14]

In March 2024, Uruguay XXI presented the results of its third survey of foreign companies established in Uruguay[15]. The purpose of the study was to find out how foreign companies evaluate the business climate across its different dimensions and to analyze the use and assessment of investment promotion regulations. Thirty-seven percent of the companies that completed the survey had a European country as their capital origin.

When respondents were asked about the key factors for investing in Uruguay, they highlighted stability and institutional framework. Eighty percent of European companies that completed the survey mentioned macroeconomic, political and social stability as one of the main reasons why their company invests in Uruguay. Seventy-four percent considered institutional and legal security to be another relevant aspect. In third place, they highlighted foreign exchange

14 Uruguay can become a "green hydrogen venture territory": opportunities and critics - El País

15 Foreign investors survey results - Uruguay XXI

freedom and ease of repatriating dividends (46%), followed by access to qualified human capital (43%).

Eighty-nine percent of the European companies that participated in the survey were satisfied or very satisfied with Uruguay as a country to develop their business.

Satisfaction with other dimensions of the investment climate was also evaluated in this edition. European companies were highly satisfied with the quality of life in Uruguay. There was high satisfaction with visas, residences and other permits required for the entry of foreign personnel.

MERCOSUR - EUROPEAN UNION STRATEGIC ASSOCIATION AGREEMENT[16]

After twenty years of initiation, the negotiations of the Association Agreement between Mercosur and the European Union were concluded at the end of June 2019. The agreement established a timetable for tariff reductions, simplification of procedures (including customs and technical procedures), facilities for the sale of services and the establishment of companies outside their countries of origin, as well as greater openness in the bidding process for public contracts.

With predictable and transparent rules, the agreement will increase trade and investment, boost innovation, foster greater integration of production chains on both sides and promote sustainable development. The agreement establishes a modern framework to address the major challenges the world faces today and has great geostrategic and business significance.

In 2023, negotiations between the two blocs were resumed at the request of the European Union to include additional provisions on trade and sustainable development. Negotiations have been intense since mid-2023 and have continued throughout 2024.

Once finalized, the text will have to complete the legal review stage. Subsequently, it will have to be translated into the different languages of the European Union and submitted for ratification to the parliaments of the Mercosur and European Union countries.

16 For more information, enter the following link

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