

# REPORT

## EXPORTS OF GOODS WITH FREE ZONES



July 2023



**Uruguay XXI**  
INVESTMENT, EXPORT AND COUNTRY  
BRAND PROMOTION AGENCY

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# 1. EXECUTIVE SUMMARY

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- Uruguay's free trade zones are special regimes that promote investment, production and commerce of goods and services. Free trade zones are key to attracting investment, generating qualified employment and diversifying exports.
- Activities in the free trade zones span several economic activities, such as manufacturing and industry to export goods. They are also used as logistics centers for storage and distribution of goods, taking advantage of customs and logistics facilities. In recent years, they have gained relevance as intermediate destinations, and in 2022 these destinations had an unprecedented record of sales.
- Uruguay has 14 facilities authorized to operate under this regime, 12 of which are operational and two are under construction. Between 2019 and 2023, three new permits were granted to operate under the free zone regime, including UPM2, WTC Punta del Este Free Zone and Zona Franca del Plata (in Colonia).
- **Sales abroad reached US\$ 13,385 million in 2022 and grew 17% in year-over-year terms.** This increase was largely due to high international prices of many of the major goods exported by Uruguay, such as meat, soybeans and cellulose. **Of this total, 32% was exported from free trade zones (US\$ 4.268 billion), because it was produced there or due to the fact that free trade zones are used as an intermediate destination.**
- The main goods exported from free zones include cellulose, grains from the Nueva Palmira Free Trade Zone, beverage concentrates and pharmaceutical products. Exports from free trade zones are mainly destined for China and the European Union, which account for more than 60% of the total sales of goods from these free trade zones.

# 1. INTRODUCTION

Free trade zones play an important role in attracting investment, generating skilled employment and diversifying exports. This report focuses on the importance of free trade zones for goods exports from Uruguay. These areas are used as logistics centers, acting as intermediate destinations for grain exports or certain pharmaceutical products, and also function as industrial processing locations, such as for the production of cellulose and beverage concentrates.

Exports of goods from Uruguay including free trade zones showed significant growth in 2022 and obtained record levels. **Foreign sales totaled US\$13.385 billion in 2022 and grew 17% year-over-year.** This increase was largely due to the high levels of international prices of many of the main goods exported by Uruguay, such as meat, soybeans and cellulose. **Of this total, 32% was exported from free trade zones (US 4.268 billion), because it was produced or due to the fact that free trade zones are used as an intermediate destination.**

**Graph N°1: Exports of goods with free trade zones**  
US\$ Millions



Source: Uruguay XXI based on data from the National Customs Directorate, Central Bank of Uruguay, Penta Transaction, Nueva Palmira and Montes del Plata.

## 2. FREE TRADE ZONES IN URUGUAY

### 2.1. ECONOMIC RELEVANCE

There are currently 12 free trade zones in operation:

- » Nueva Palmira
- » Libertad
- » Colonia Suiza
- » WTC Free Zone
- » Fray Bentos
- » Punta Pereira
- » Floridasur
- » Parque de las Ciencias
- » Cuecar S.A.
- » Colonia
- » Zonamerica
- » Aguada Park

The Nueva Palmira and Colonia free trade zones were created prior to the Free Trade Zone Law of 1988, in close association with the port of Colonia.

**Figure N°1: Functioning Free Trade Zones**



Between 2019 and 2023, three new permits were granted to operate under the free trade zone regime. Meanwhile, the authorization of the Audiovisual Free Zone is still in process. It is expected that it will be established in the department of Maldonado.

- In April 2019 the regime was authorized for UPM's second project<sup>1</sup>, which comprises a 350-hectare site located in the suburban area of Centenario town, in Durazno (Cuecar S.A. free trade zone).
- A new free trade zone for services in Punta del Este was approved in 2021: WTC Punta del Este Free Zone<sup>2</sup>.
- In 2023, the construction of the country's first free service zone was approved, it will be located in Colonia del Sacramento, on the coast of Uruguay, and is expected to be operational as of 2025. Zona Franca del Plata will require a US\$ 20 million investment for the construction of a 11,000 m<sup>2</sup> building with over five floors for offices and business centers. It is expected to house local and foreign companies and in all will generate about 1,000 job openings<sup>3</sup>.

**Figure N°2: Free trade zones in operation and under construction**



The Free Trade Zones Department of the Ministry of Economy and Finance (MEF) is the agency in charge of the administration of the public free trade zones and the supervision and control

<sup>1</sup> See [Resolution](#)

<sup>2</sup> See [Resolution](#)

<sup>3</sup> See [Resolution](#)

of the private free trade zones. Its [web page](#) has relevant information and statistics that show the contribution of the free zones to the Uruguayan economy, focused on employment, investments and exports.

According to the latest data published by the MEF (2020), the number of people employed in free trade zones was at 16,578 in 2020. There are 1,094 companies located in free trade zones, most of which carry out trade and global services activities. Sixty-five percent of companies in free trade zones are exporters. In 2020, exports from free trade zones regarding goods and services accounted for 33% of Uruguay's total exports. In addition, investment from free trade zones exceeded US\$ 780 million in 2020, representing 9% of the total economic investment that year. The largest investment was produced by the UPM Paso de los Toros Free Trade Zone. The gross added value generated in the free trade zones stood at 5.24% of the GDP in 2020.

## 2.2. CLASSIFICATION OF FREE TRADE ZONES<sup>4</sup>

Free trade zones can be classified into four types: industrial, commercial and logistics, services -including themed zones- and mixed.

### A) INDUSTRIAL

Most of the value of their production is industrial. In Uruguay these include: Colonia (where the main company is PepsiCo), Fray Bentos (UPM), Cuecar (UPM2) and Punta Pereira (Montes del Plata).



**Zona Franca Colonia:** established in 1923 and managed by Grupo Continental Zona Franca S.A. Industrial, commercial and logistics activities are carried out there. Corporate solutions are provided to the different companies established in the premises so that they can maintain their regional headquarters. Currently engaged in consulting and financial services. Zona Franca Colonia is a modern 22-hectare park with 130,000 m<sup>2</sup> of constructed area. It is strategically located within a 50-minute boat ride from Buenos Aires and has access to several routes. Some of the companies located in Zona Franca Colonia are Pepsi-Cola, Cassis Int. Group, Cia Sienz and Arcangel Maggio.

<sup>4</sup> Source: compiled by Uruguay XXI based on data from Free Trade Zone Areas - General Commerce Directorate - Ministry of Economy and Finance (MEF) and Chamber of Free Trade Zones. The information regarding each free trade zone is provided by the respective free trade zone.

In September 2021 PepsiCo announced an investment of US\$ 64 million in order to expand its production capacity in this free trade zone. The investment will expand the industrial area by 6,000 m<sup>2</sup> and will result in a 60% increase in production capacity.



**Zona Franca UPM - Fray Bentos:** where UPM operates with the participation of Uruguayan capital. It has a production capacity of 1.3 million tons of bleached eucalyptus short-fiber cellulose.

Globally, UPM has production plants in 12 countries, more than 18,000 employees and annual sales of € 8.6 billion. In 2009 it purchased the majority of the shares of Botnia S.A. The facility located in Uruguay started operations in 2007 and is the company's largest production site.

In Uruguay, UPM employs 720 people directly and, adding indirect and induced employment, it has a total of 7,000 Uruguayan workers throughout its production chain, including operations in plant nurseries, forestry plantations, transportation, processing plant and port operations. In addition to cellulose, the UPM mill produces renewable energy equivalent to 9% of the total energy produced annually in Uruguay.



**Zona Franca UPM 2- Cuecar S.A.:** is the free zone that houses UPM's second mill in Paso de los Toros. Other companies connected to the cellulose manufacturing process have also settled there. The new cellulose plant was designed as a single production line and features the most cutting-edge technology in the industry.

The mill is designed to fully comply with Uruguay's strict environmental regulations, as well as with international standards and recommendations for modern mills. Once it is fully operational, the plant will generate a steady, predictable, and renewable energy surplus of over 110 MW, strengthening the country's energy matrix.

UPM's second mill in Uruguay<sup>5</sup> required an investment of US\$ 4 billion in order to be installed and to make logistical improvements. It also required a complementary investment of approximately US\$ 1 billion by the Uruguayan government. Among the infrastructure projects with public financing is the "Ferrocarri Central" project, which includes the construction and refurbishment of part of the railroad network. The railroad will connect Pasos de los Toros (which lies at the center of the country) with Montevideo (capital and main logistical center of the country) and will be 273 km long. The estimated value of the investment in the railroad construction is of US\$ 839 million.

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<sup>5</sup> [UPM2 Investment](#)

The government prepared a report estimating that in an average scenario, UPM's investment will increase the country's annual exports by US\$ 1.155 billion. This could translate into additional revenues of US\$ 120 million for the government. As for employment, it is estimated that the plant will contribute to the development of 10,000 permanent jobs, and of these, around 4,000 will be directly dependent on the company and its contractors<sup>6</sup>.

In terms of exports, three scenarios were developed assuming the price per ton of cellulose is between US\$ 500 and US\$ 600 and that the production capacity of the mill is between 2 and 2.3 million tons per year. In theory, the plant is expected to have an annual production capacity of 2.1 million tons, expandable by up to 11%. Annual exports would range from US\$ 1 billion to US\$ 1.38 billion and would average US\$ 1.155 billion. The report also indicates that the direct and indirect jobs generated by the project will be of high quality<sup>7</sup>.



**Zona Franca Punta Pereira:** located in Colonia, this is the free trade zone where the Montes del Plata industrial complex is located, with an annual production of 1.4 million tons of eucalyptus cellulose, making it one of the country's main exporters. The industrial complex has its own port terminal, consisting of two docks: the ocean dock, which allows the arrival of key supplies and the direct loading of ships to their final destinations, and the river dock, where wood is received on barges from its port terminal in Río Negro.

It also has a clean and renewable energy facility that positions Montes del Plata as the main private producer of electric power in the country. This energy provides the total supply for the complex and a surplus equivalent to the consumption of 200,000 homes, which is fed into the national power grid.

More than 1,000 Uruguayans work at the industrial complex on a daily basis, most from the department of Colonia. Over 6,000 people work in Montes del Plata's value chain in 13 departments, carrying out activities related to its production chain: research and development, plant nursery care, transportation by river and land, forestry operations, and related services. The highest sustainability standards are applied in all its operations: 100% of its plantations are FSC and PEFC certified, and the industrial complex is certified under ISO 9001 Quality Management Systems, ISO 14001 Environmental Management Systems, Economically Qualified Operator (OEC for its acronym in Spanish), Kosher and ISO 45001 Occupational Health and Safety Management System. The latter also certifies its forestry processes. This company is

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<sup>6</sup> [UPM2 Total investment](#)

<sup>7</sup> [Investment contract between the Government and UPM2.](#)

equally comprised of two of the world's leading forestry companies: Arauco, of Chilean capital, and the Swedish-Finnish Stora Enso.

## B) COMMERCIAL AND LOGISTIC:



**Zona Franca Libertad (Lideral S.A.):** located on Km 49 of National Route N°1, which begins at the Port of Montevideo and connects to the port of Zona Franca Libertad within approximately 30 minutes, thus enabling agile logistics with highly competitive costs. It is a commercial, industrial and service complex set on 35 hectares, where you can find warehouses for storage of goods, modern offices, multiple services, as well as container, vehicle and machinery storage areas.

**Zona Franca Nueva Palmira:** located a few meters from the Port of Nueva Palmira, near the estuary of the Uruguay River, a key location for accessing the Paraná-Paraguay-Uruguay waterway, which is one of the main fluvial arteries for some Brazilian, Bolivian and Paraguayan regions, and has therefore played a key role in moving merchandise from these areas, in addition to domestic goods. In 2022, some 7.1 million tons of goods circulated through this free trade zone, especially soybeans (34%), minerals (21%), cellulose (18%) and wheat (8%). The main destinations were China (34%), Holland (10%), Argentina (7%) and the United Kingdom (6%). In total, 42% of the merchandise was of foreign origin.

### Corporación Navíos Granos S.A.

It is the largest bulk terminal in the country and one of the largest on the waterway, with a storage capacity of 460,000 stationary tons in silos with interior separations, which guarantee the traceability, hygiene and safety of their products. They are connected to the docks through a system of tunnels and covered conveyors. The main dock is 240 meters long and has a depth of 11 meters, with the possibility of being expanded. It can receive ships of up to 85,000 DWT on its outer side. These are loaded by three davits at a rate of 30,000 tons/day. On its inner side it has a river dock that is 170 meters long with a 4m draft, allowing barges to moor on both sides. This dock has a fixed continuous cycle crane for unloading at an average rate between 10,000 to 14,000 tons per day. There are three truck unloading areas with a total of four dump platforms capable of unloading 1,200 tons/hour. Within the terminal there is a grain preparation and drying plant capable of processing 500 tons.

### Corporación Navíos S.A.

It is a multipurpose bulk terminal engaged in the movement of iron ore and manganese and is the largest mineral terminal on the Paraná-Paraguay waterway. It was commissioned in 2017, requiring a US\$ 150 million investment and led to a substantial increase in the logistics capacity of the port of Nueva Palmira.

The 290-meter-long ocean pier allows loading up of as much as 45,000 ton/day of ore through a mobile loader that moves along it. In terms of size, Baby Cape size vessels may be berthed at this dock. It also has a river dock with two modern cranes that allow two barges to be unloaded simultaneously.

The ore stockpile yard has a capacity of 700,000 static tons and is equipped with a bi-directional stacker/reclaimer, the only equipment of its kind in the country, which allows loading from barges to the stockpile at a rate of 2,400 t/h and reclaiming from the stockpile to vessels at a rate of 3,000 t/h. The terminal also has a dock that can receive and berth up to 32 barges simultaneously.

Both terminals are interconnected by conveyor belts, allowing for a unique flexibility in the region.

**Ontur:** offers a multipurpose terminal for handling general cargo, citrus, cellulose, fertilizers, minerals, construction materials, bulk and containers. It has a 7,000 m<sup>2</sup> storage area for these cargoes and a 30,000 m<sup>2</sup> cellulose warehouse. It has a 300-meter-long fluvial dock, a 4.5-meter draft and an ocean dock measuring 180 meters long and 40 meters at its head, with the possibility of reaching the foot of the ship using trucks. Its draft is 34 feet on its outer face and 28 feet on its inner face. Its fluvial dock has two cranes, a 20 ton fluvial gantry crane custom-made for forestry products and a multipurpose crane capable of handling loads of up to 45 tons at 26 meters from its axis. MAFI trailers and terminal tractors capable of moving up to 64 tons of payload are used for cargo handling. They also have 16-ton electric and fuel-powered forklifts for loading and unloading, as well as a Reach stacker crane.

### C) SERVICE<sup>8</sup>



**Aguada Park<sup>9</sup>:** first free trade zone for global services in Uruguay. Over 55,000 m<sup>2</sup> located in the heart of the capital city, in front of the bay of Montevideo, very close to universities and with high urban transportation connectivity. World-class infrastructure, with 20 floors of flexible offices,

<sup>8</sup> For further information on service activities carried out in Free Trade Zones, please refer to the Global Export Services Report - Uruguay XXI ([link](#)).

<sup>9</sup> For further information: [www.aguadapark.com](http://www.aguadapark.com)

adaptable to the needs of companies and a robust state-of-the-art datacenter with high connectivity, cybersecurity and 24-hour monitoring every day of the week, among other features.

Defined as "Montevideo's boutique free trade zone", dynamic, with a modern design and high-quality standards. The "Community and Wellness" concept is highly valued among the more than 120 companies who employ over 3,000 people. Young Uruguayan trained professionals who provide services to the world make all the difference.

Aguada Park has green common areas, a game room for recreation, cultural and corporate activities, different culinary offerings, a conference room, changing rooms, parking lots, bicycle racks and a unique rooftop with the best views of Montevideo. One of the pillars of Aguada Park is protecting the environment, with a sustainability policy in place for the future.

Some of the companies that choose Aguada Park as a hub come from diverse industries such as BPO (Business Process Outsourcing & IT), GBS (Global Business Services), Contact Centers, software development and marketing, Internet companies, the financial sector, product trading, shipping companies, professional services, advertising agencies, tradings, representations, business development, etc. Some of the standout clients include Mercado Libre, Cencosud, Alorica, Workplace Options, Terumo BCT, Corporación Navíos, Ingenious Americas, Kinesis, Protect Group, Latechco, Intraway, Bamboo Payments, Ferrere, Wunderman Thompson Studios, among others.



**WTC Montevideo Free Zone:** is the free trade zone for services of the World Trade Center complex in

Montevideo. Strategically located in an area with abundant urban development and services, a few meters away from the promenade and 20 minutes away from the Port of Montevideo and Carrasco International Airport.

It has modern infrastructure with 44 floors of offices distributed in two towers, arranged for all types of businesses and collaborators from all over the world.

Over 200 companies of 35 different nationalities have settled there, from major technology and agribusiness multinationals to leading regional financial advisory firms, professional firms of various kinds, including dLocal, Globant, PwC, Deloitte, Baker Tilly, Bestseller, Etermax, Willis Towers Watson and Nation Traffic, among others.

It has 3,200 m<sup>2</sup> of green spaces and areas designed for the community interaction, improving the quality of working life. The complex has LEED and Enterprise Certification, a first-class datacenter and a 24/7 security system.

## D) MIXED



**ZONAMERICA**

: with over 30 years of experience and presence in Uruguay and Colombia, Zonamerica specializes in the design and creation of highly competitive international business communities.

Strategically located in Montevideo, close to Carrasco International Airport, Zonamerica Uruguay is spread over 90 hectares of mixed-use land. Zonamerica provides its clients with an integral locative solution based on flexible and scalable world-class infrastructure, with modern redundant technology services, in a sophisticated business ecosystem with unique amenities and services for its collaborators, facilitating the growth of companies and people.

Considered the #1 international business community in Uruguay and with more than 7,000 employees, Zonamerica attracts and empowers the most qualified talent in the region and offers a unique setting for their development: a sustainable environment with a lively culture that stimulates creativity and networking.

Zonamerica offers an efficient and safe ecosystem with more than 500 companies from the 14 fastest growing industries in the world economy, such as the financial services, IT, pharma, biotechnology, consulting, international trade, logistics, and others. It is also a hub for the most dynamic international companies in the region: Airbus, Altisource, Assist-Card, Despegar, Finning, Insigneo, Merck, RCI, Ricoh, Sabre, Satellogic, Trafigura, UBS and Verifone, among others.



Covering an area of 85 hectares and located in the department of Canelones, it has a strategic location on Route 101 a mere 1 km away from Carrasco International Airport.

It has the infrastructure to accommodate commercial, industrial and service activities. Construction began in mid-2010 and there are currently around 55,000 m<sup>2</sup> built with an infrastructure investment of over US\$ 220 million. Some activities developed here include groundbreaking projects aimed at the production and development under the Free Trade Zone regime of medications for human use as well as others related to life sciences, animal health and more recently to the production of medical cannabis.

The anchor client is the pharmaceutical company Megalabs, which has its main 23,000 m<sup>2</sup> facility in the complex for the production of sterile, solid and ophthalmic products, as well as a state-of-the-art research and development center. In May 2021, Google LLC announced the acquisition of a 30-hectare property within the free trade zone to secure its infrastructure growth options in the region.

At Parque de las Ciencias there are currently more than 65 users operating in various fields of activity and approximately 1,000 people are employed. Among the users are several pharmaceutical companies, technology companies, raw material suppliers, medical device marketers, logistics operators and service providers in various areas such as finance, intellectual property, marketing, design and engineering, among others. It offers a wide range of spaces, from small offices to large industrial buildings, with different levels of conditioning, including turnkey options, as well as a wide variety of support services for the companies that operate there.



It is located in Nueva Helvecia, where it was developed by a primarily industrial business group, with an uninterrupted trajectory of more than 80 years of activity in the country and in the region. It has an industrial, commercial and service park where a large number of activities can be carried out.



It was the first private free trade zone in the center of the country. It is located in the department of Florida, 93 km north of Montevideo, 300 km from Argentina and 400 km from Brazil.

There are currently more than 200 companies operating there, dedicated to commercial, logistics, industrial and service activities. Among the specific activities of the users are cargo consolidation, temporary labor and forklifts, humidity and temperature control, cooling tunnels and chambers, and chemical product qualification. The cold chambers are certified by the United States, Venezuela, Cuba and Mexico.

It has more than 70,000 m<sup>2</sup> of roofed area, on a 200,000 m<sup>2</sup> site, with concrete roads, landscaped areas, electric power, drinking water, sewage and fiber optic connection throughout. This area includes offices, warehouses, container yards and an open-air goods lot.

It has a building for the administrative offices of its users in the Old Town of Montevideo, as required by Law 19,566. It is adaptable to multiple corporate spaces.

It also offers consulting services -commercial, industrial and services-, administrative control, personnel selection and remote inventory control, as well as packaging services, permit and authorization management from public agencies.

## 2.3. FREE TRADE ZONES UNDER CONSTRUCTION

### 2.3.1. WTC PUNTA DEL ESTE

**WTC Punta del Este Free Zone:** this is the free service zone in Punta del Este, which began construction in mid-2022 and is expected to be completed by August 2025. It will have a 27-level tower with a total area of 28,000 m<sup>2</sup>, distributed in 750 m<sup>2</sup> stories. The tower includes all the requirements in terms of technology, infrastructure, and energy efficiency to obtain LEED certification. The projected investment is of US\$ 65 million.

### 2.3.2. ZONA FRANCA DEL PLATA

**Zona Franca del Plata:** In June 2023, the company Zona Franca del Plata was authorized to operate a private free trade zone for services in Colonia del Sacramento. In 2021 the Municipality of Colonia and the Departmental Board approved the construction of the complex. In addition, it has environmental clearance from the Ministry of the Environment. It will consist of a five-story building in the *Real de San Carlos* area. The total investment will be around US\$ 20 million and it is expected to be operational in the second half of 2025. The site used for the construction of this enterprise is located at *Rambla de las Américas* and *Eloy Perazza*, with a total construction area of 11,200 m<sup>2</sup> and a leasable area of 8,565 m<sup>2</sup>. It will be the first free zone of the coastal area destined to the service sector and it is expected to receive 110 companies with an estimated occupation of 1,000 people <sup>10</sup>.

The building will be made of wood, which has a low environmental impact because it is a great natural insulator that results in energy savings. In addition, this type of structure has the advantage of being a product with low carbon emissions in its manufacture and a significant reduction in construction time compared to traditional construction. <sup>11</sup>

<sup>10</sup> [How will the Free Trade Zone for services planned for Colonia operate? - La Diaria](#)

<sup>11</sup> [Government approved the construction of a free trade zone for services in Colonia del Sacramento - La Diaria](#)

## 3. GOODS EXPORTS FROM FREE TRADE ZONES

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Free trade zones offer a series of advantages and benefits that allow companies to set up operations in an export-friendly environment, which can lead to improved competitiveness in new production chains or markets.

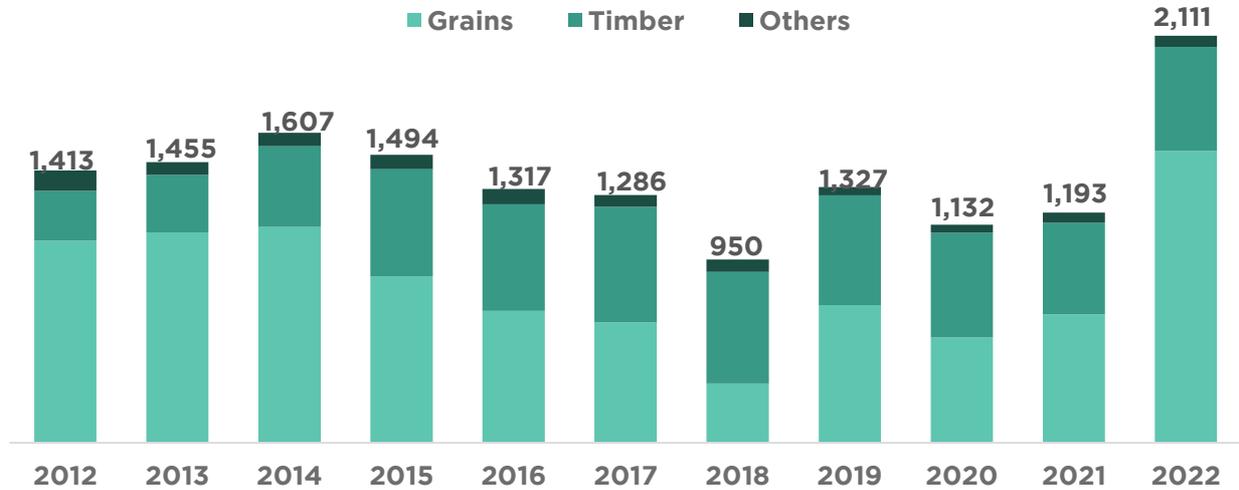
Companies located in free trade zones are often part of global supply chains. These chains entail collaboration between different stakeholders such as raw material suppliers, manufacturers and distributors for goods production and export. The establishment of companies in free trade zone regimes can create opportunities for local suppliers to advance economic and technological integration with international companies, which in turn can foster innovation and the development of local capabilities.

By becoming suppliers of companies integrated into global value chains, local companies can align themselves with international quality standards, bridging productivity gaps and gaining efficiency by scaling up their production. This contributes to the development and growth of the local business sector. The following is a breakdown of the sales that companies make to businesses located in free trade zones.

### 3.1. SUPPLY SALES TO THE FREE TRADE ZONES

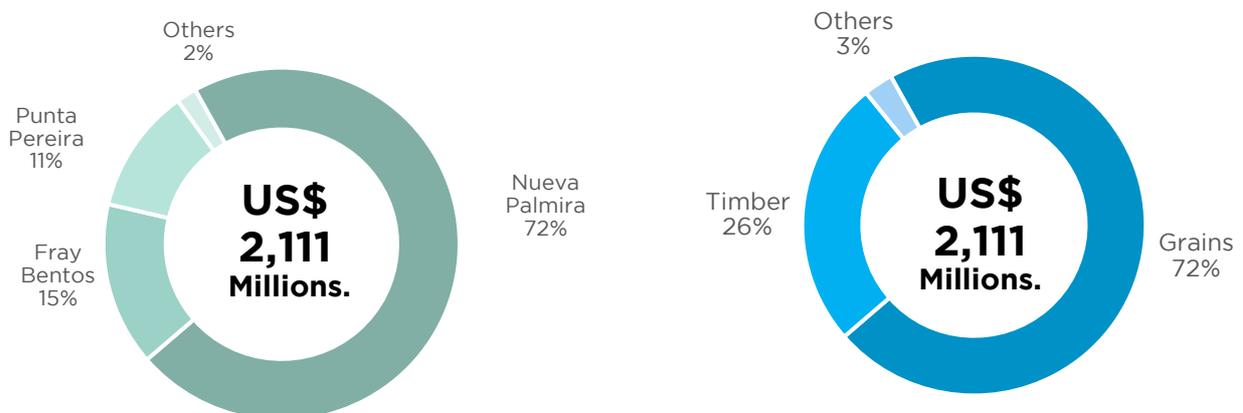
The export of goods from Uruguay has increased in the last decade, with a wide diversification of markets and products. Free trade zones have also acquired relevance as intermediate destinations, since they constitute industrial complexes and logistics or operations centers to supply a variety of goods and services to the world. In 2022, Uruguayan exports had a strong performance, within the framework of high international prices for the country's main export products. Sales of raw materials to free trade zones also recorded a significant increase of 77% in 2022, exceeding US\$ 2.1 billion, which was an all-time record for sales to these intermediate destinations.

**Graph N°2: Raw material sales to Free Trade Zones**  
US\$ Millions



Of shipments destined for free trade zones in 2022, 72% were grains bound for the Nueva Palmira Free Trade Zone. This free trade zone is one of the main gateways for Uruguay's agricultural production, where grains including soybeans, wheat and rapeseed enter and are stored and sometimes prepared for export. These are followed by timber exports, which are directed primarily to Punta Pereira Free Trade Zone and Fray Bentos Free Trade Zone, which are used as raw material in the production of cellulose.

**Graph N°3: Raw material sales towards Free Trade Zones**  
Share (%) in 2022 by zone and product

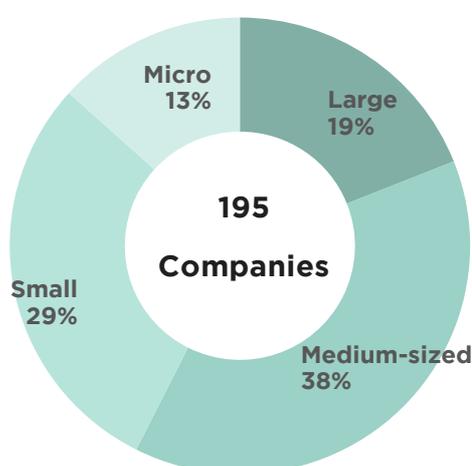


Source: Uruguay XXI based on Customs data.

### 3.1.1. COMPANIES SUPPLYING TO FREE TRADE ZONES

In 2022, around 195 companies made US\$ 2.111 billion in sales to the free trade zones. Of these companies, 57% are large or medium-sized, while the remaining 43% are micro and small companies. These companies provided more than 12,300 jobs, 86% of which were in large and medium-sized companies, while the remaining 14% were micro and small companies.

**Graph N°4:** Companies supplying to Free Trade Zones  
Share (%) in 2022 by company size



Source: Uruguay XXI based on data from Customs and the Ministry of Labor and Social Security.

In addition, 54% of the companies that sold to free trade zones were exporting companies. Significant differences were found in terms of company size. In 2022, almost 90% of the large companies supplying the Free Trade Zones (FTZs) made direct exports, but this percentage dropped to 51% for medium-sized companies, to 47% for small companies and to only 27% for micro-enterprises.

### 3.1.2. PRODUCTS SOLD TO FREE TRADE ZONES

Product sales to free trade zones are to a greater extent determined by the type of free trade zone, as well as by the main activities that are carried out and the businesses that operate in them.

**Table N°:1 Sales to free trade zones**  
 (By free trade zone and product 2022)

Free Trade Zone	Product	Millions US\$	Share (%)
Nueva Palmira	Soybeans	1,133.8	75%
	Wheat	175.7	12%
	Rapeseed	156.4	10%
	Other	48.1	3%
	<b>Total</b>	<b>1,513.9</b>	<b>100%</b>
Punta Pereira	Wood	306.4	97%
	Chemical substances	10.3	3%
	<b>Total</b>	<b>316.7</b>	<b>100%</b>
Fray Bentos	Wood	231.2	96%
	Chemical substances	8.9	4%
	Other	1.7	1%
	<b>Total</b>	<b>241.8</b>	<b>100%</b>
Parque de las Ciencias	Pharmaceutical products	10.4	68%
	Paper and cardboard	2.5	16%
	Other	2.3	15%
	<b>Total</b>	<b>15.2</b>	<b>100%</b>
Durazno	Construction supplies	8.4	93%
	Other	0.6	7%
	<b>Total</b>	<b>9.0</b>	<b>100%</b>
Zona América	Paper and cardboard	3.3	42%
	Pharmaceutical Products	0.4	6%
	Plastic	0.3	4%
	Other	3.8	48%
	<b>Total</b>	<b>7.8</b>	<b>100%</b>
Colonia	Wood	1.1	36%
	Paper and cardboard	0.6	20%
	Plastic	0.4	13%
	Other	1.0	31%
	<b>Total</b>	<b>3.1</b>	<b>100%</b>
Libertad	<b>Total</b>	<b>3.0</b>	<b>100%</b>
Florida	<b>Total</b>	<b>0.6</b>	<b>100%</b>
Nueva Helvecia	<b>Total</b>	<b>0.1</b>	<b>100%</b>
	<b>Total</b>	<b>2,111</b>	<b>100%</b>

Source: Uruguay XXI based on Customs data.

Nueva Palmira ranked first in free trade zone sales in 2022. This occurred due to last year's record agricultural production, which drove a remarkable 127% increase in the value of placements compared to 2021.

Meanwhile, the industrial free trade zones of Fray Bentos (UPM) and Punta Pereira (Montes del Plata), which specialize in cellulose, mainly require timber (97%) and, to a lesser extent, chemicals (3%) as raw materials. The main activity of the Colonia free trade zone is the production of beverage concentrate, but the main raw materials for this must be imported.

The Parque de las Ciencias and Zonamerica Free Trade Zones combine both goods and services activities. Parque de las Ciencias specializes in the medical industry, requiring pharmaceutical product supplies and paper and cardboard packaging. This activity is also present in Zonamerica (Zona Franca Montevideo), but with a lower impact on total sales.

### **3.2. EXPORTS OF URUGUAYAN GOODS INCLUDING FREE TRADE ZONES**

In order to quantify Uruguay's exports including the sales of goods from free trade zones, it is necessary to disregard shipments made to free trade zones, and consider only goods exported from the country<sup>12</sup>. Then, the export of goods produced in free trade zones are added. The following are considered in order to make this calculation:

- Cellulose pulp exports from Montes del Plata and UPM.<sup>13</sup>
- Export of pharmaceutical products.
- PepsiCo's sales of beverage concentrate.
- Grains that arrive at the Nueva Palmira Free Trade Zone<sup>14</sup>
- Other Free Trade Zone exports.

In 2022, the export of goods from Uruguay including free trade zones totaled US\$ 13.385 billion. **The value of Uruguay's free trade zone exports totaled US\$ 4.268 billion, which was a 42% increase over 2021 sales.**

<sup>12</sup> Excluding products shipped to Zona Franca Nueva Palmira other than grains.

<sup>13</sup> Part of the production of both plants will be used in Uruguay, and so does not count as an export.

<sup>14</sup> [In the 2022 Foreign Trade Annual Report, these sales are not included in the free trade zones.](#)

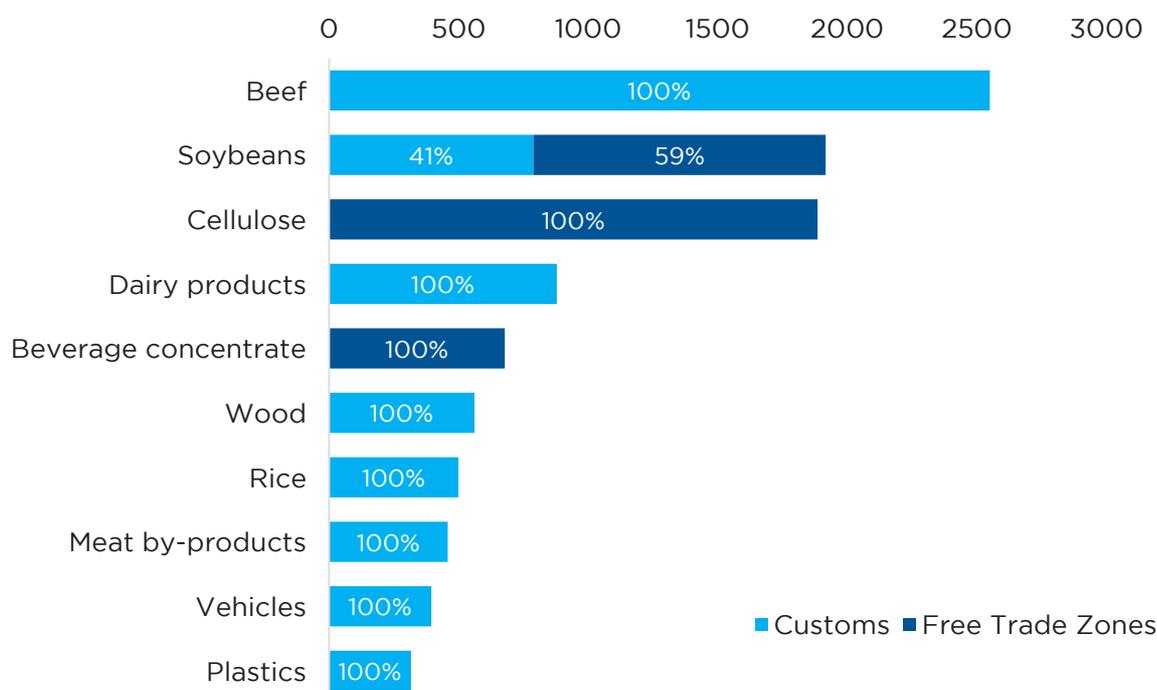
**Table N°2:** Exports of goods including free trade zones  
 (Values in US\$ Millions)

Description	2017	2018	2019	2020	2021	2022
Exports from non-free trade zones	6,602	6,568	6,357	5,780	8,389	9,117
Exports from Free Trade Zones	2,529	2,549	2,850	2,256	3,006	4,268
Cellulose paste	1,310	1,653	1,527	1,101	1,534	1,885
Pharmaceutical products	128	97	86	94	96	102
Beverage concentrate	495	472	524	501	619	678
Grains Nueva Palmira Free Trade Zone	588	315	698	524	697	1,536
Other goods	8	12	15	36	60	66
<b>Total Exports</b>	<b>9,131</b>	<b>9,117</b>	<b>9,207</b>	<b>8,037</b>	<b>11,394</b>	<b>13,385</b>
<b>Share (%) Free Trade Zones in Total</b>	<b>28%</b>	<b>28%</b>	<b>31%</b>	<b>28%</b>	<b>26%</b>	<b>32%</b>
<b>Free Trade Zone Exports Var. (%)</b>	<b>-3%</b>	<b>1%</b>	<b>12%</b>	<b>-21%</b>	<b>33%</b>	<b>42%</b>

Source: Uruguay XXI based on data from the National Customs Authority, Central Bank of Uruguay, Penta Transaction and Nueva Palmira.

Strong export growth translated into an **increase in the free trade zone share of the total, which reached an all-time high of 32% in 2022.** This figure includes products manufactured in free trade zones and products that had a free trade zone as an intermediate destination.

**Graph N°5: Top 10 export products**  
 US\$ (Million) and Share (%) 2022



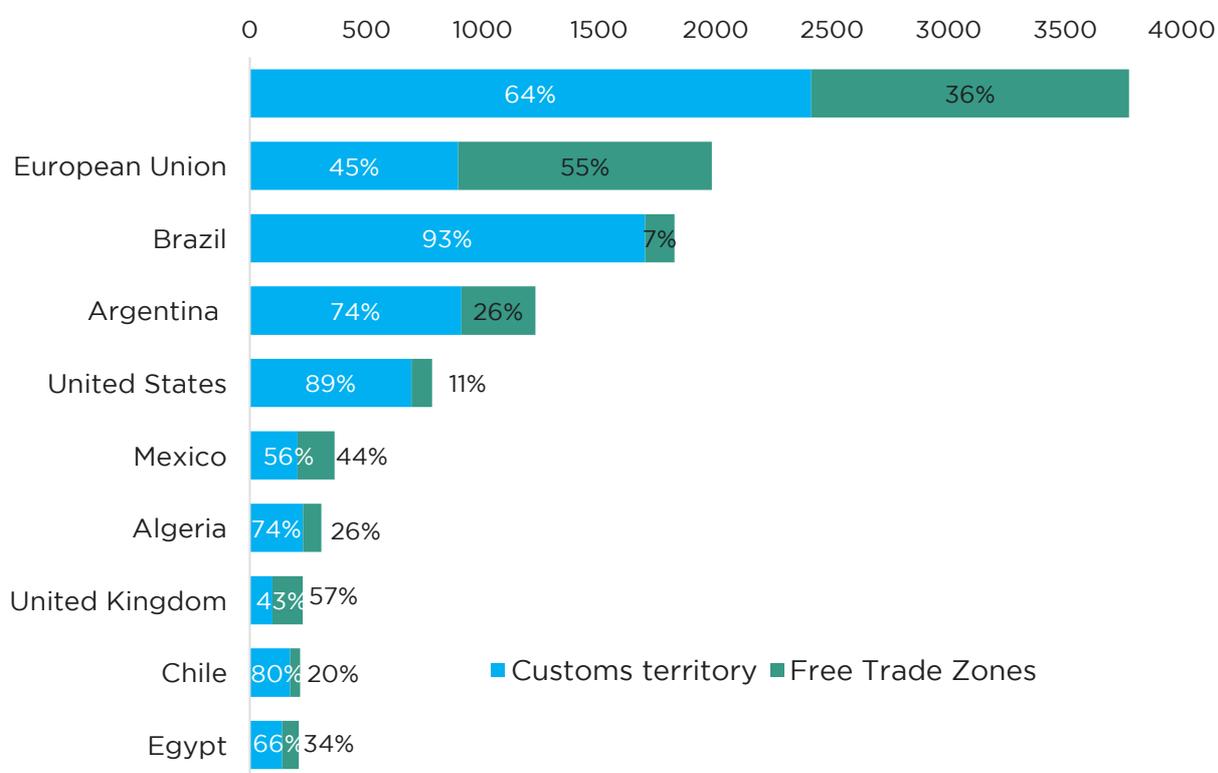
Source: Uruguay XXI based on data from the National Customs Authority, Montes del Plata and Nuevo Sistema Nueva Palmira.

China was the main export destination in 2022, with a 28% share of total sales. Exports to China totaled US\$ 3.775 billion and increased 14% compared to 2022. Growth was driven by higher soybean sales -the second most important product exported to China-, both due to improvements in export prices as well as to higher sales volumes. Sixty percent of soybean sales were from free trade zones, while the remaining 40% were from customs territory. Another product with a positive impact on exports to China from free trade zones was cellulose, which increased by 22% year-on-year. The main goods exported to China from customs territory registered a negative variation for 2022. Beef remained the main product exported to China with volumes similar to those of 2021, while meat by-products, wood and dairy products showed a marked drop in the amounts shipped to the Asian country.

Exports to the European Union amounted to US\$ 1.983 billion in 2022 and grew 26% compared to a year ago. Cellulose was the main export product for the EU at US\$ 1.027 billion and represents a large part of exports from free trade zones, which amounted to US\$ 1.088 billion. Around US\$ 895 million in products were exported from customs territory, with meat being the main export product, followed by wood, wool and rice.

**Graph N°6: Top 10 export destinations**

US\$ Million and Share (%) per destination 2022

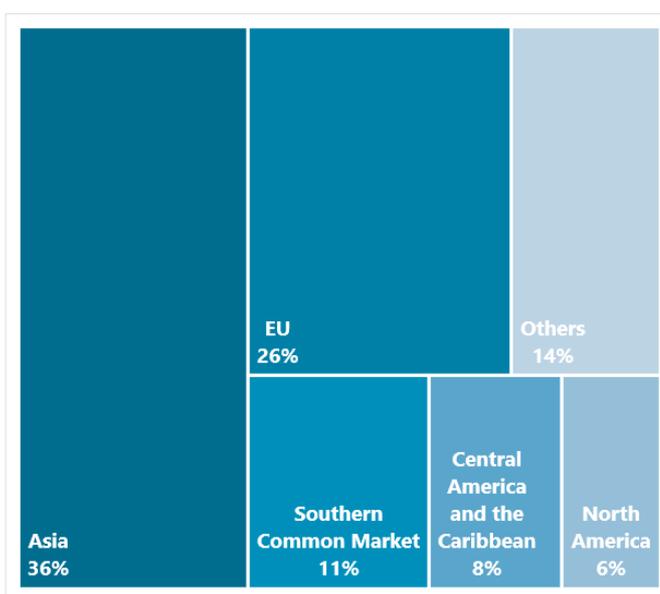
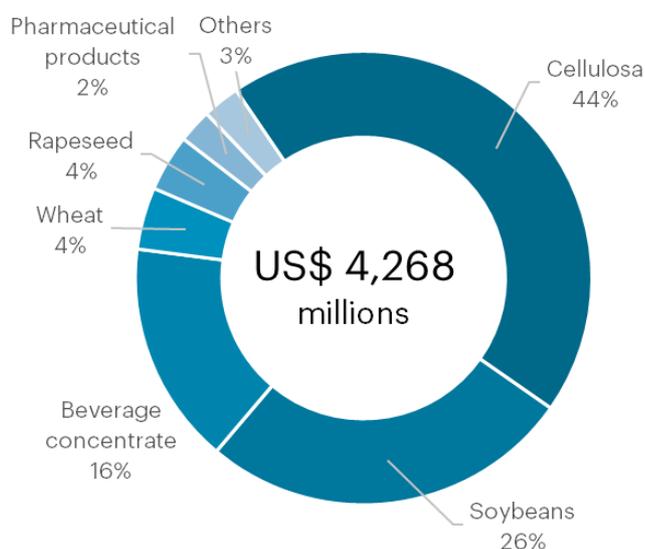


Source: Uruguay XXI based on data from National Customs Authority, Montes del Plata and Nuevo Sistema Nueva Palmira.

Brazil ranked third among export destinations in 2022 with a total of US\$ 1.824 billion. This figure represents a 14% share of total exports. The vast majority of sales to the neighboring country were made from customs territory and the main product sold in 2022 was vehicles. Vehicle sales grew significantly, reaching US\$ 290 million. Other products sold to Brazil include dairy products, plastics, and malt. Sales from free trade zones consisted mainly of wheat and beverage concentrates.

**Graph N°7: Exports from Free Trade Zones**

Share (%) by product and destination 2022



Source Uruguay XXI based on data from National Customs Authority, Montes del Plata and Nuevo Sistema Nueva Palmira.

**3.3. GRAIN EXPORTS FROM THE NUEVA PALMIRA FREE TRADE ZONE**

The Nueva Palmira Free Trade Zone is state-owned and covers an area of 100 hectares. It has an important silo infrastructure to store grains from Uruguay and other countries in the region, which allows storage and transfer from barges to bulk carriers. The grain and oilseed sector has been greatly relevant in the region’s economy for the past several years and the logistics related to the movement of these products have led to a strong growth in port activity. Moreover, the Nueva Palmira Free Trade Zone receives the barges with the pulp production coming from the Fray Bentos Free Trade Zone for subsequent re-shipment in larger vessels. General cargo operations are also carried out: citrus fruits for export, import and export of bulk fertilizers, sugar and automobiles, among other goods.

**Table N°3: Grain exports from Nueva Palmira**

Values in Tons 2022

Product	2018	2019	2020	2021	2022
Uruguayan soybeans	754,924	1,694,422	1,172,582	1,083,464	1,816,082
Foreign soybeans*	1,195,856	1,204,967	1,114,186	1,057,299	568,510
Uruguayan corn	-	-	-	-	-
Foreign corn	7,500	391,012	46,494	99,474	344,375
Uruguayan wheat	-	210,706	178,970	385,617	563,596
Foreign wheat	-	-	-	-	-
Uruguayan barley	-	-	-	36,314	166,163
Foreign barley	-	-	-	-	-
Uruguayan malt	49,974	153,486	145,439	-	-
Uruguayan rapeseed		40,902	34,371	95,506	253,092
Paraguayan rapeseed			-	20,664	-
Foreign rice			118,961	-	83,473
<b>Total from Uruguay</b>	<b>804,898</b>	<b>2,099,517</b>	<b>1,531,362</b>	<b>1,600,901</b>	<b>2,798,933</b>
<b>Total overall</b>	<b>1,918,254</b>	<b>3,695,496</b>	<b>2,811,004</b>	<b>2,778,339</b>	<b>3,795,291</b>

Note (\*): Includes soybeans, soybean flour and soybean pellets.

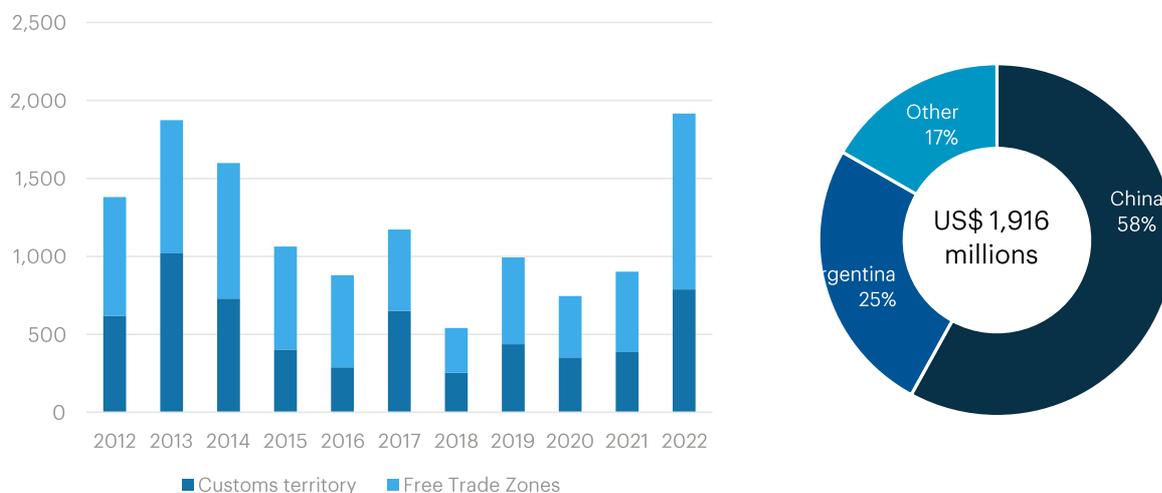
Source: compiled by Uruguay XXI based on National Logistics Institute, National Customs Directorate and Nueva Palmira data.

The total movements from Nueva Palmira amounted to 7.1 million tons, of which 3.8 million tons were agricultural goods, 1.2 million tons were cellulose, and 2.1 million tons were other products. In 2022, the volume of domestic goods was 4 million tons and represented 58% of total movements out of Nueva Palmira. If we only look at agricultural goods, 74% of the movements in the free trade zone were domestic goods and the rest were foreign goods.

This free trade zone plays a key role as an intermediate destination for soybean exports from Uruguay and the region. The volume of soybean and derivative cargoes leaving the free trade zone was 2.4 million tons, of which 1.8 million tons consisted of Uruguayan soybeans. Soybean represents 63% of the agricultural products of the Nueva Palmira Free Trade Zone.

Uruguayan grain exports from Nueva Palmira amounted to 2.8 million tons, equivalent to US\$ 1,536 million, and wheat and rapeseed were the second and third most exported grains. Other products traded from the Nueva Palmira Free Trade Zone were corn, feed barley, malt and rice.

**Graph N°8: Uruguayan soybean exports**  
US\$ Millions



Source: compiled by Uruguay XXI based on data from the National Customs Authority and Nueva Palmira.

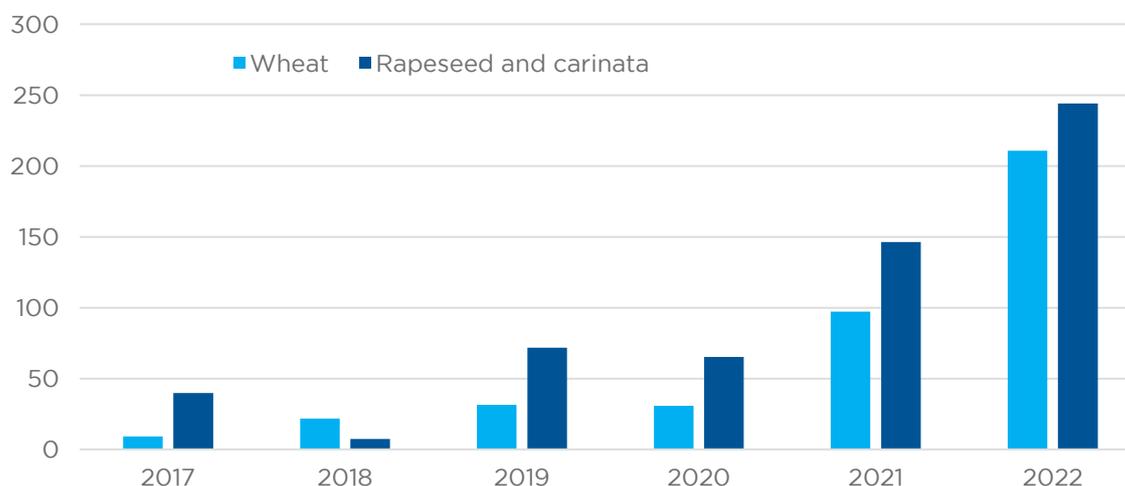
Soybean is Uruguay's main export grain and has been among the top four exported products for the last decade. The oilseed has been the country's largest dryland crop for several years. The export volume of Uruguayan soybean amounted to US\$ 1.916 billion in 2022, a very good result in a high export market price context. Of these exports, US\$ 1.128 billion (consisting of 1.8 million tons) went to Nueva Palmira Free Trade Zone as an intermediate destination. China was the main destination for Uruguayan soybeans, acquiring 59% of exports in 2022. Sales to Argentina grew significantly in the past year and the country became the second largest export destination for soybeans.

In 2022, **wheat** exports amounted to US\$ 244 million, equivalent to 738 million tons. Wheat sales were 67% higher than in 2021. The Nueva Palmira Free Trade Zone accounted for 77% of sales. Algeria was the top wheat buyer, acquiring 40% of the total and Brazil was the second largest purchaser, with 39% of the total. The remaining sales were shared between Chile, Mauritania, Cameroon and Tunisia.

Canola exports have notably increased, reaching US\$ 210 million in 2022, which corresponds to 305,000 tons of canola. The increment was due to a substantial increase in the rapeseed planted area. The United Kingdom was the top buyer for this product in 2022, acquiring a total amount of US\$ 2.137 billion. Belgium and France were next in line with US\$ 37 million and US\$ 18 million, respectively.

**Graph N°9: Uruguayan wheat and rapeseed exports**

US\$ Millions



Source: compiled by Uruguay XXI based on information from the National Customs Authority and the Nueva Palmira FTZ.

### 3.4. CELLULOSE EXPORTS (UPM AND MONTES DEL PLATA)

The forestry sector has been very active in the last twenty years. At the beginning it was driven by the Forestry Law of 1987 and then by the arrival of large investments to the country, most notably the establishment of UPM and Montes del Plata pulp mills.

UPM operates in the Fray Bentos Free Trade Zone and in Paso de los Toros (CUECAR), while Montes del Plata operates in the Punta Pereira Free Trade Zone. The production plants are located in these free trade zones and other activities such as port operations are also carried out there. The main raw material for cellulose pulp production is raw timber, which is exported from Uruguayan territory to the free trade zone.

The cellulose produced by Montes del Plata leaves the country directly from the port located at the mill<sup>15</sup>. For UPM Fray Bentos, most of its production is transported as goods in transit from the Fray Bentos Free Trade Zone to the Nueva Palmira Free Trade Zone, where it is finally exported to its final destinations. UPM Paso de los Toros has its mill in Cuecar Free Trade Zone. The cellulose produced is sent as transit cargo to UPM's new specialized cellulose terminal located in the Port of Montevideo, from where it is exported to the final destinations.

<sup>15</sup> Part of it goes to the port of Montevideo for shipment to its final destination and a small part goes to Argentina by land.

In Uruguay, short-fiber bleached cellulose (Bleached Hardwood Kraft Pulp - BHKP) is produced, extracted from broadleaf species, mainly eucalyptus, due to its adaptability and fast growth cycle in our soils. Cellulose is the main component in the manufacture of paper and cardboard. It is also present in small quantities in diverse products such as photographic film, cellophane and explosives. Uruguay has positioned itself as one of the world's leading exporters of short-fiber cellulose. In 2022, it ranked third among world exporters, selling 2.7 million tons.<sup>16</sup>

**Table N°4: Short-fiber cellulose exports**

Top world exporters (tons)

Country	Tons	Share (%)
<b>Brazil</b>	18,897,118	57%
<b>Indonesia</b>	4,369,919	13%
<b>Uruguay</b>	<b>2,670,909</b>	<b>8%</b>
<b>Chile</b>	1,620,944	5%
<b>Portugal</b>	1,150,737	3%
<b>United States</b>	900,764	3%
<b>Canada</b>	730,524	2%
<b>Other</b>	2,673,715	8%
<b>World</b>	<b>33.014.630</b>	<b>100%</b>

Source: compiled by Uruguay XXI based on data from the National Customs Directorate and Montes del Plata for Uruguay and Trade Map for the rest of the countries.

Since 2015, cellulose has been among Uruguay's leading export products in annual rankings. In April 2023, the third pulp mill in Uruguay started production. It is the second mill owned by UPM. Thus, cellulose may very well become Uruguay's top export product.

Cellulose exports totaled US\$ 1.885 billion in 2022, 23% more than the figure recorded in 2021. The increase took place against a backdrop of rising export prices, with a slight rise in tons sold, reaching 2.7 million tons. In this sense, it is worth noting that the changes in output volume are limited due to the fact that the mills currently operate at the maximum allowed production volume<sup>17</sup>. International cellulose prices, which were at historically low levels in 2020, showed significant increases in 2021 and 2022, and are now at the high end of prices.

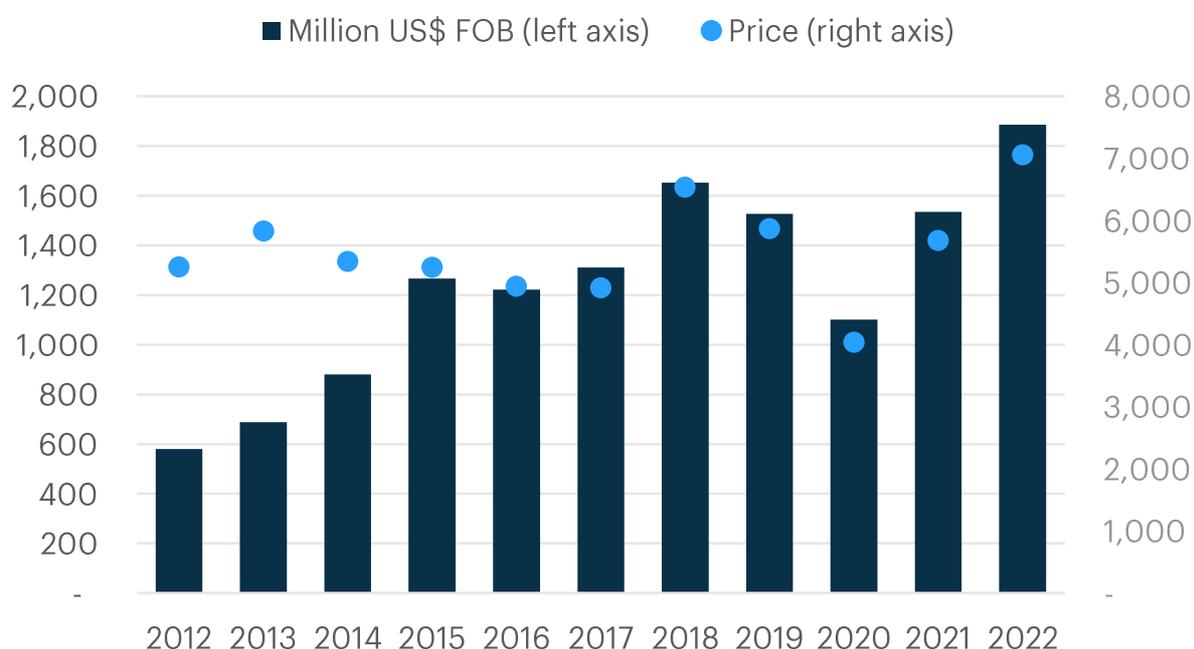
<sup>16</sup> Bleached Hardwood Kraft Pulp.

<sup>17</sup> The authorized output volumes for each mill are approximately 1.3 million tons..

With the new UPM2 plant in operation, Uruguay will produce 4.8 million tons of cellulose annually, which will make it the fourth largest cellulose exporter in the world, surpassed only by Brazil, the United States and Canada, and the second largest exporter of short-fiber cellulose in the world. In addition, cellulose may be Uruguay's main export product, with a share that should exceed 25% of total goods exports as of 2024, surpassing beef and soybeans.

**Graph N°10: Cellulose exports and average export price**

(US\$ Mill - US\$/ton)

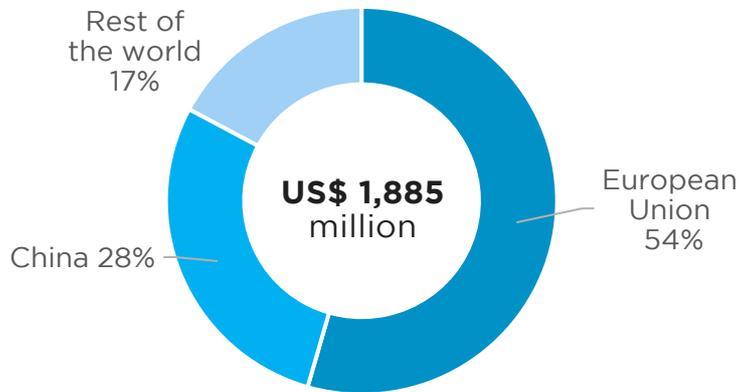


Source: Uruguay XXI based on data from the National Customs Authority and Montes del Plata.

Cellulose sales are centered in China and the European Union. Exports to the European Union totaled US\$ 1.027 billion in 2022 and grew 25% compared to 2021. The increase is explained by higher prices, since the volume exported remained unchanged. Cellulose exports to the European Union accounted for 54% of cellulose sales abroad. In 2022, sales to China totaled US\$ 535 million, an increase of 22% compared to a year ago in terms of value. Other relevant destinations for this product were the Republic of Korea with US\$ 120 million, Turkey with US\$ 81 million, and the United States with US\$ 77 million.

**Graph N°11: Cellulose exports by destination**

US\$ Million



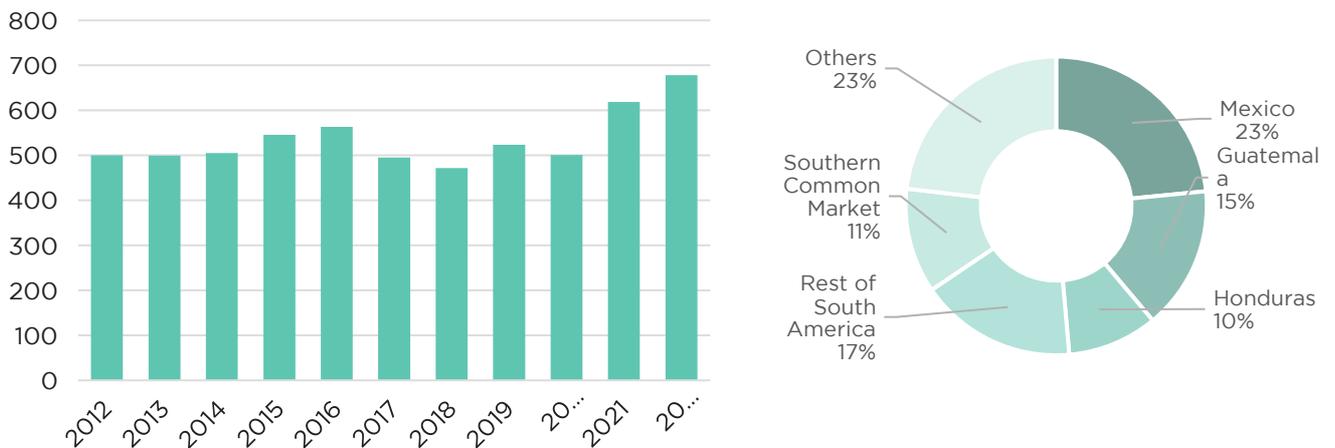
Source: Uruguay XXI based on data from the National Customs Authority and Montes del Plata.

### 3.5. EXPORTS OF BEVERAGE CONCENTRATES (COLONIA FREE TRADE ZONE)

PepsiCo is the main company located in the Colonia Free Trade Zone since 1993. From there it exports concentrate for beverage production. These sales totaled US\$ 678 million in 2022 and grew 10% in the year-on-year comparison. This increase was due to higher export volumes.

**Graph N°12: PepsiCo exports and destinations**

US\$ Millions



Source: Uruguay XXI with data from the National Customs Authority.

PepsiCo exported to 32 destinations in 2022. Mexico has led the buyer ranking since 2011 and in 2022 had a share of 24% of the total. The rest of the exports were mainly concentrated in Latin American and Caribbean countries. In 2021 PepsiCo announced a US\$ 64 million investment, which will result in an additional 69% of production capacity, expanding its industrial area by 6,000 meters. The investment will be carried out over the next five years.<sup>18</sup>

### 3.6.EXPORTS OF PHARMACEUTICAL PRODUCTS (PARQUE DE LAS CIENCIAS AND ZONAMERICA)

The pharmaceutical industry is becoming increasingly important in the Uruguayan economy and as an export industry. The sector stands out for its highly skilled labor force, for the added value it generates, and for being one of the main drivers of innovation and research.

Pharmaceutical product exports totaled US\$ 284 million in 2022. Sales from the free trade zone totaled US\$ 102 million and accounted for 36% of pharmaceutical product sales.<sup>19</sup>

**Graph N°13: Pharmaceutical product exports**  
(US\$ Millions)



Source: Uruguay XXI with data from the National Customs Authority.

<sup>18</sup> [PepsiCo will invest 64 million dollars to expand its production capacity in the free trade zone of Colonia](#) - Executive

<sup>19</sup> For further information: [Sectoral Report Pharmaceutical Sector 2023 - UXXI](#)

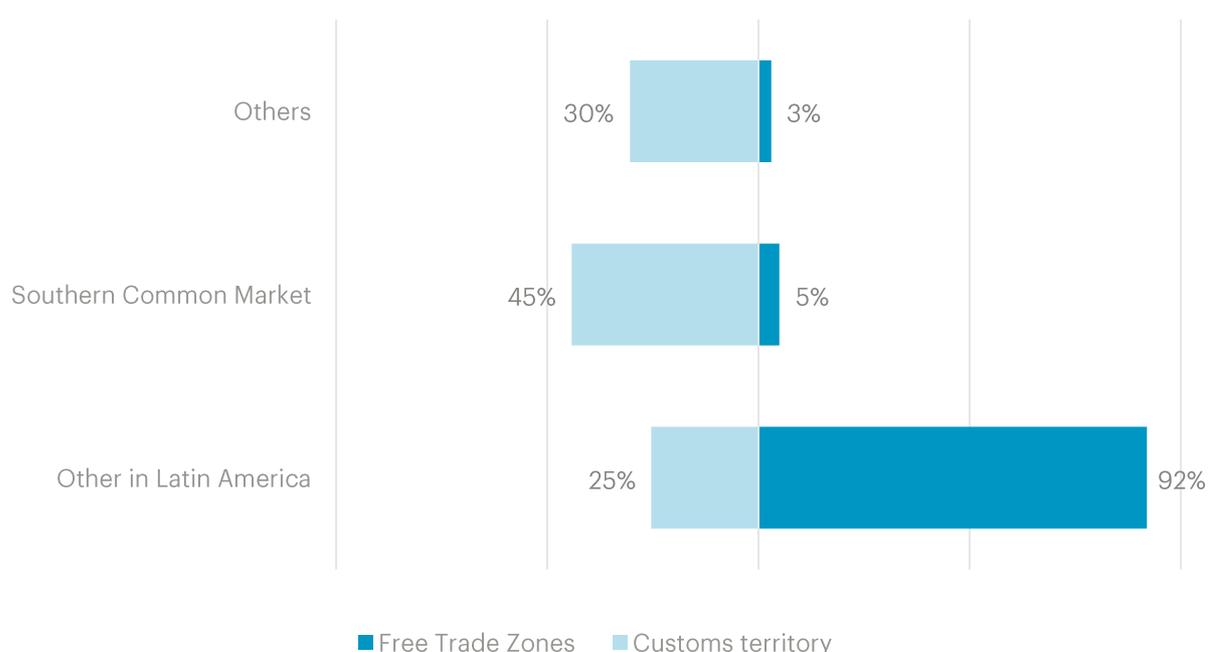
Activities related to the provision of logistics and packaging services for the pharmaceutical industry are carried out at Parque de las Ciencias and Zonamerica. The first step of the operation consists of shipping products, their excipients or materials to the free trade zones. here, different value-added processes are carried out, such as preparation and fractioning, and then they are shipped to other countries. This merchandise is computed as transit for Uruguay.

Megalabs is the main company that handles the exports of this type of products under the transit regime. The transnational company was created by a strategic alliance of pharmaceutical companies between Roemmers, Rowe, Poen, Medihealth, Panalab and Raymos laboratories, among others. The company exports its own production from their plant located in Parque de las Ciencias, the first free trade zone in the country in which the complete pharmaceutical production cycle is carried out. The plant is one of the most modern in Latin America, complying with the most demanding industry standards.

Exports of pharmaceutical products are mainly to Latin American and Caribbean countries. Sales to countries part of the Southern Common Market are mainly done through customs, while shipments to other relevant Latin American countries are mainly from free trade zones.

### Graph N°14: Pharmaceutical product exports

Share (%) of destinations by customs procedure



Source: Uruguay XXI based on information from the National Customs Authority and free trade zones.

## 4. REGULATIONS

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### 4.1. LAW N° 15,921 - FREE TRADE ZONES

The free trade zones are part of a group of policies whose main objective is to encourage investment in Uruguay, including the Investment Promotion and Protection Law, the Free Port and Free Airport regimes, the Public-Private Participation Law (PPP) and the Industrial Parks Law, among others.

The first two free trade zones established in Uruguay were set up in 1923 by Law N°. 7,593 with the purpose of developing industrial centers in the interior provinces of the country. They were later reformulated by Law N°. 15,921 of December 17, 1987 and Regulatory Decree 454/988 of July 8th, 1988. This regulatory framework proved to be successful in attracting investment, job creation and export diversification for over 30 years. However, it was necessary to adapt it to the national and international context, so in December 2017 and through Law N°. 19,566<sup>20</sup>, the regulation was updated. The main changes covered various points that included the updating of the **goals**, changes in the **requirements** to operate in the regime, expansion of the **qualified activities**, changes in the minimum national **employment** required and **tax changes** (without affecting the previously granted rights).<sup>21</sup>

Free zones may be managed by the State or by duly authorized private parties. The private ones are managed by individuals and authorized by the government, which supervises and controls them through the Free Trade Zone Department under the Ministry of Economy and Finance.<sup>22</sup>

In order to set up a free trade zone in Uruguay, a governmental decision is required, detailing information such as the period of authorization to run the free trade zone, the area to be occupied, the minimum investment to be made by the operator(s) and the fee to be paid, among others. The interested party in carrying out activities in the free trade zone must submit to the Executive Power the authorization request together with an investment project that proves the economic and financial viability of the undertaking and its benefits for the country.

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<sup>20</sup> [Law 19,566](#)

<sup>21</sup> [Law 15,921](#)

<sup>22</sup> Web page: <https://www.gub.uy/ministerio-economia-finanzas/zonas-francas>

Any type of activity may be developed in the free trade zones: commercial, industrial or services.

By decision of the Common Market Council (CMC) 8/94, free trade zones were excluded from the Agreement made with the Southern Common Market, so that all production carried out in free trade zones must pay the Common External Tariff (CET) in order to enter Argentina, Brazil or Paraguay. Uruguay negotiated bilateral agreements with Argentina and Brazil for the purpose of incorporating certain products manufactured in free trade zones so that they could process their Southern Common Market origin and therefore have access to tariff preferences.

Within this framework, a bilateral agreement between Uruguay and Brazil entered into force in 2022, extending the benefit to all products included in CET 18 (excluding sugar and the automotive sector) and to all free trade zones and special customs areas, for an indefinite period of time. In order to receive the benefit, the goods must comply with the origin regime of the Southern Common Market.

Thus, Uruguay and Brazil expanded the free trade area between them, granting preferential treatment to a broad definition of territorial scope, as provided for in the current free trade agreements. This creates opportunities for companies located in Uruguay's free trade zones to increase the export of goods to Brazil.

Commercial activities are defined as the purchase and sale of goods or merchandise that enter the free zone where the activity is carried out or another free zone and that have, both as origin and destination, the national territory or foreign territory<sup>23</sup>. Logistic activities are also included in commercial activities.<sup>24</sup>

For services, this includes the rendering of different types of services from the free trade zone, either within the same zone, to users or developers of other free trade zones, to third countries or to the rest of the territory (in this case, companies that pay Income Tax on Economic Activities). The new law extended this authorization to other types of services such as call centers, mailboxes, remote education and others that the Executive Power may approve.<sup>25</sup>

Law N°. 19,566 also broadened the activities authorized under the regime. In this sense, the main change lies in the authorization of thematic service zones (Chapter VIII). The services

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<sup>23</sup> Monopolies, state exclusivities or public concessions must be observed. Services rendered to the rest of the country will receive the same tax treatment as services rendered from abroad.

<sup>24</sup> Understood as operations that can modify the state or nature of the merchandise without involving a process of industrial transformation of any kind. Art. N° 5 - Law N° 19,566.

<sup>25</sup> Excluding services whose only or main destination is outside the free trade zone areas. / These activities will be covered by the general taxation regime, which may be established based on definitive tax withholding regimes, in accordance with the provisions of the Executive Power.

covered are audiovisual, leisure and entertainment services (with the exception of gambling and betting) as well as their related activities.

The companies authorized to carry out activities in free trade zones may be individuals or legal entities under any corporate form. The users must have as their exclusive purpose any of the activities foreseen in the law. Foreign investments do not differ in any way from national investments, and therefore do not require special procedures or requirements to become established.

The activities of free trade zone users are exempt from all national taxes, existing or to come. The following benefits are granted to them in particular:

- » Exemption from Income Tax on Economic Activities (IRAE, for its acronym in Spanish), Wealth Tax (IP, for its acronym in Spanish) and any other national tax.
- » Tax exemption for dividends paid to shareholders residing abroad.
- » Option for foreign personnel (up to 25% of the total employed) to be exempt from social security contributions in Uruguay. <sup>26</sup>
- » Sales and purchases abroad of goods and services are not subject to Value Added Tax (VAT), and neither are sales and services rendered within the free trade zone.
- » The goods exchanged by the free trade zones with the rest of the world are exempt from customs duties.



As detailed in Art. 25 of Law N°. 15,921: "the State, under liability for damages, guarantees the user, during the term of the contract, the tax exemptions, benefits and rights that are granted to him by said contract". Also, Article 22 of Law N°. 19,566 assures that, during the term of

<sup>26</sup> Natural or legal citizens are included. In justifiable cases this percentage may be increased, with prior authorization from the government. In the case of service activities, the minimum percentage of Uruguayan citizens may be 50%, with prior authorization and when the nature of the business so requires; always seeking the highest feasible levels of participation by Uruguayan citizens.

the contracts, the users of free trade zones will keep all their benefits, exemptions and rights agreed upon prior to the entry into force of the law.

Sales from the rest of the country to free trade zones are considered Uruguayan exports and sales from free trade zones to the rest of the Uruguayan territory are considered imports, subject to the applicable national customs duties and taxes.<sup>27</sup> Notwithstanding the abovementioned, sales from free zones to countries belonging to the Southern Common Market are governed by Decision 33/15 of July 2015 of the Common Market Council (CMC) of the trade bloc. This decision states that all goods originating from a member state of the Southern Common Market (or from a third country with the same rules of origin, according to an agreement with the Southern Common Market) will not lose their originating status when transiting through a free trade zone, provided that this area is under state control. In that respect, only operations intended to ensure the marketing, preservation, fractioning or other operations with a similar purpose may be carried out within the premises, without altering the tariff classification of the product or the verified originating status.<sup>28</sup>

Finally, it is important to note that Uruguay has Agreements for the Promotion and Reciprocal Protection of Investments (APPRI, for its acronym in Spanish).<sup>29</sup> Therefore, many of the foreign companies that operate and use free trade zones are covered by these agreements.

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<sup>27</sup> A system used in connection with the Free Trade Zone regime is that of transit operation. This operation involves the lifting of tax payments when the goods are in transit between premises where the Warehouse, Free Trade Zone or Free Port/Airport regime applies.

<sup>28</sup> See [http://www.adau.com.uy/innovaportal/file/13024/1/dec\\_033-2015\\_es\\_zonasfrancas.pdf//](http://www.adau.com.uy/innovaportal/file/13024/1/dec_033-2015_es_zonasfrancas.pdf//) If the merchandise is manufactured within the free trade zone, it does not have tariff preference in the Southern Common Market. There are bilateral exemption agreements for specific products.

<sup>29</sup> For further information, please go to: [International Agreements- Uruguay XXI](#)

## 5. URUGUAY AT A GLANCE

### URUGUAY IN NUMBERS

Official name	Oriental Republic of Uruguay
Geographical location	South America, shares borders with Argentina and Brazil
Capital city	Montevideo
Surface area	176,215 km <sup>2</sup> . Around 95% of the territory is productive land suitable for agricultural and livestock exploitation
Population (2022)	3.57 million
Population growth rate (2022)	-0.1% annually
GDP per capita (2022)	US\$ 21,164
Currency	Uruguayan Peso (\$)
Literacy rate	0.98
Life expectancy at birth	77.9 years of age
Type 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	2023*
GDP (Annual % Var)	1.74%	0.16%	0.74%	-6.26%	5.28%	4.92%	1.97%
GDP (US\$ Millions)	64,995	65,118	61,992	53,613	61,380	74,182	75,484
Population (Millions of individuals)	3.49	3.51	3.52	3.53	3.54	3.55	3.57
GDP per capita (US\$)	18,606	18,573	17,619	15,184	17,324	20,867	21,164
Unemployment Rate - Annual Average (% EAP)	7.9%	8.3%	8.9%	10.4%	9.3%	7.9%	8.1%
Exchange Rate (Pesos per US\$, Annual Average)	28.7	30.8	35.3	42.1	43.6	39.5	40.9
Exchange Rate (Average Annual Variation)	-4.8%	7.3%	14.7%	19.2%	3.6%	-9.4%	3.5%
Consumer Prices (Cumulative annual % Var)	6.6%	8.0%	8.8%	9.4%	8.0%	8.3%	6.7%
Goods and services exports (US\$ Millions)**	16,845	17,216	17,185	13,735	19,336	22,605	23,283
Goods and services imports (US\$ Millions)**	13,367	13,964	13,499	11,364	14,903	18,716	20,057
Trade surplus / Deficit (Millions US\$)	3,478	3,252	3,687	2,371	4,433	3,889	3,227
Trade surplus / Deficit (% of GDP)	5.4%	5.0%	5.9%	4.4%	7.2%	5.2%	4.3%
Overall Fiscal Result (% of GDP)	-3.2%	-3.9%	-4.4%	-5.8%	-4.1%	-3.4%	-
Gross capital formation (% of GDP)	16.3%	14.9%	14.3%	16.4%	19.2%	18.8%	-
Public Sector Gross Debt (% of GDP)	59.8%	59.1%	60.1%	74.5%	69.1%	64.3%	-
Foreign Direct Investment (Millions of US\$) ***	-590	-11	2,018	746	2,244	3,839	-
Foreign Direct Investment (% of GDP)	-0.9%	0.0%	3.3%	1.4%	3.7%	5.2%	-

Sources: Central Bank of Uruguay, National Institute of Statistics, MEF and estimated data (\*). The tax result data includes the effect of Law N°19590 (fifty-year-olds). In 2017 Uruguay's central bank 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 and therefore may show negative values (\*\*).



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