

INFORME

# FOREIGN DIRECT INVESTMENT

## REPORT



OCTOBER 2023



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

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## WHY INVEST IN URUGUAY?

A long history of **political, social, and macroeconomic stability**, as well as a range of advantages in different business platforms, have turned Uruguay into the ideal regional hub for the Americas. This concept encompasses not simply platforms for support services and commercial activities, but also for more sophisticated and innovative operations.

Its **strategic location** as a gateway into the region, its time zone and cultural affinity facilitate doing business with major global markets. The country offers first-class logistics infrastructure and state-of-the-art telecommunications technology, is a regional leader in technological infrastructure, both in terms of connectivity and Internet access, and in the ICT development index.

**Accessible and coordinated technological and business ecosystem.** The country offers a coordinated and accessible technological and business ecosystem, with investment opportunities not only for existing companies (mergers and acquisitions), but also for the development of new ventures. As a small, orderly, open, and transparent country with access to advanced technology, Uruguay is an ideal destination for providing high quality services.

**Favorable regulatory framework.** Investment in Uruguay, both domestic and foreign, is declared of national interest. The country guarantees equal treatment for local and foreign investors, while a wide range of incentives are available to suit diverse types of activities. For the global export services sector, there are significant tax exemptions and the possibility of operating in an export-oriented free trade zone regime.

**Sustainability.** Uruguay is a top-performing country in ESG dimensions. As a country, it is making progress in incorporating sustainability criteria in different areas of public management and making new international commitments.

**Talent.** Uruguay provides universal and free access to all levels of education. This has made it possible to train generations of highly qualified and multilingual talent. Companies exporting services from Uruguay receive support to implement training programs.

**Quality of life.** Uruguay is a safe country, offering excellent living conditions for executives and their families, with access to first-rate health and education services. Montevideo is the city with the best quality of life in Latin America according to the Mercer Index. An increasing number of foreigners are choosing Uruguay as their place of residence. Workers can legally reside and work in the country and are assisted in processing their visa and residency applications in an expeditious manner. A residence permit for digital nomads was recently approved by Uruguay, seeking to encourage the arrival of more foreign talent to live and work in the country.

# EXECUTIVE SUMMARY

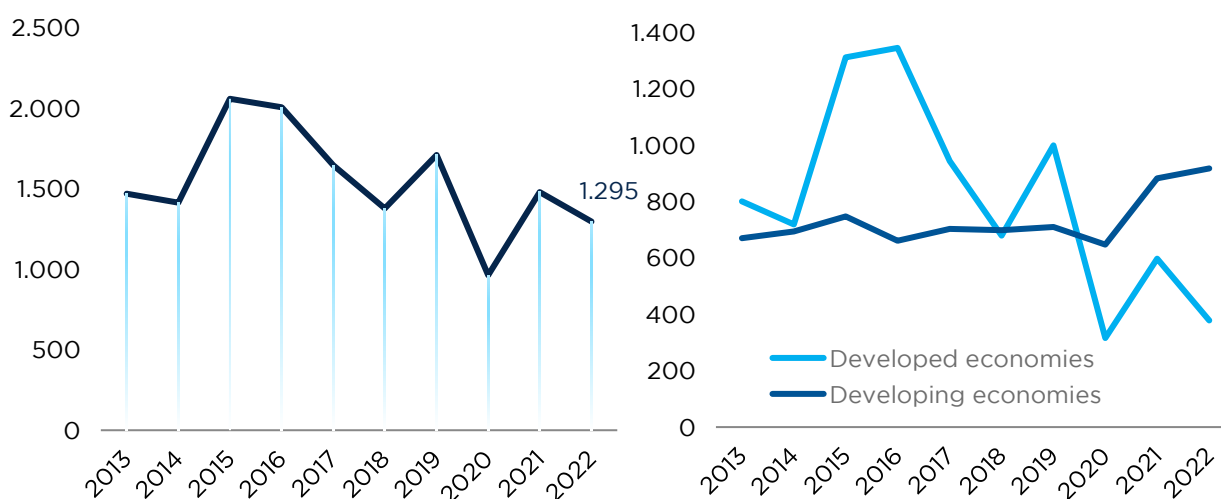
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- In 2022, global foreign direct investment (FDI) flows decreased 12% from 2021 and totaled US\$ 1.29 trillion. Investment trends were better, with growth in new investment project announcements in most regions and sectors.
- FDI invested in Latin America and the Caribbean grew 51% in 2022 and totaled US\$ 208.454 billion. It has been more than 10 years since FDI inflows to the region exceeded US\$ 200 billion, making the 2022 recovery an important milestone for investments in the last decade.
- Profit reinvestment was the main component of FDI in the region, accounting for 43% of the total and showing a 50% increase over 2021. This can be explained by the fact that many companies probably retained their profits in 2020 because of the pandemic and in 2021 and 2022 directed those profits to the re-establishment of their activities.
- Uruguay is the emerging country with the best performance in the ESG Score (Verisk Maplecroft), which reflects the country's compliance with these dimensions. Furthermore, in 2022 Uruguay issued its first sovereign bond indexed to climate change indicators.
- Uruguay is a country open to foreign investment and has a suitable investment climate, which ensures a friendly environment for doing business, an attractive and stable legal regime, and a regulatory and institutional framework that is adaptable to investor needs.
- In 2022, FDI received by Uruguay amounted to US\$ 3.675 million and marked a significant increase with respect to 2021, almost reaching the maximum levels received in 2013.
- In 2022 Uruguay secured almost 70 investment projects from foreign companies, displaying an increasing trend since 2019. Of the announcements surveyed in 2022, 62% are new investments and 38% are acquisitions (M&A). A total of 63% of the announced investments pertained to activities that can be grouped under the concept of Trade & Services Hub (Global Services/ICT + Logistics).

# 1. GLOBAL FDI IN 2022

Global foreign direct investment (FDI) decreased by 12% in 2022 falling to US\$ 1.29 trillion. Real investment trends were better, with growth in new investment project announcements in most regions and sectors. Higher inflation and interest rates, fear of recession and financial market turbulence put many investment plans on hold in early 2022. While international investment flows suffered, they proved more resilient than expected.

Graph 1.1  
**Global FDI inflows**  
 (US\$ Billions)



Source: compiled by Uruguay XXI based on UNCTAD (2023).

The global FDI outlook was mixed in 2022. The drop in FDI was due to lower volumes of financial flows and transactions in developed countries, which recorded a 37% decline in 2022. FDI in developing countries increased by 4%, although growth was focused on a few large emerging economies. Inflows to many smaller developing countries stagnated and FDI in the least developed countries declined.

Trends showed an increase in the number of infrastructure projects and in the number of industries facing supply chain restructuring pressures such as electronics, automotive and machinery. Three of the five largest investment projects were in semiconductor development, in response to the global chip shortage.

In terms of the source of flows, developed economies are the main investors worldwide, accounting for almost 70% of global investment, despite the deterioration evidenced in the last year. In 2022, the United States increased its outward investment and was the main FDI issuer, accounting for 25% of the total. Flows from the United States to Europe and Mexico grew significantly. Japan was the second largest investor worldwide, followed by China, with 10.8% and 9.8%, respectively. China is the emerging country with the largest share as a global investor and was the second largest investor economy in 2022.

Table 1.1  
**Main FDI issuers**  
 (Share % of total global flows)

TOP 10 2022	
United States	25,0%
Japan	10,8%
China	9,8%
Germany	9,6%
United Kingdom	8,7%
Australia	7,8%
Hong Kong	7,0%
Canada	5,3%
Republic of Korea	4,5%
Sweden	4,2%

Source: compiled by Uruguay XXI based on UNCTAD (2023).

## 1.1. FDI IN LATIN AMERICA AND THE CARIBBEAN<sup>1</sup>

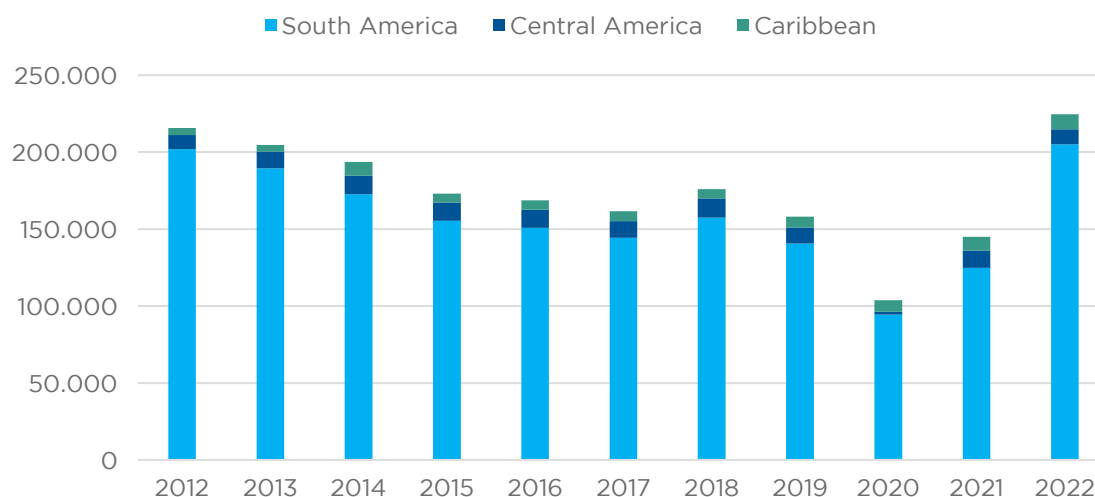
Foreign direct investment reached record levels in Latin America and the Caribbean. In 2022, the region received US\$ 224.579 billion, registering a 55% growth with respect to 2021, reaching the highest value since records have been kept. Over 10 years ago, FDI inflows to the region did not exceed US\$ 200 billion, which makes the 2022 recovery an important landmark for investments in the last decade.

This recovery was seen in the main recipient economies and was characterized by a marked interest in investments in services and hydrocarbons and by the continuity of investments in manufacturing in the countries where the greatest capacities were accumulated.

<sup>1</sup> ["Foreign Direct Investment in Latin America and the Caribbean 2023"](#)- ECLAC



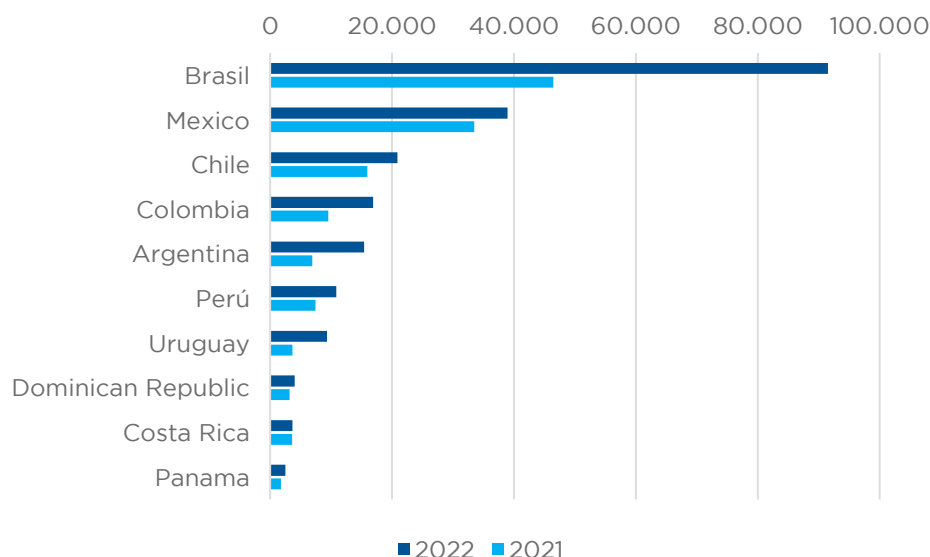
Graph 1.2  
**FDI received by LAC**  
 (US\$ Millions)



Source: compiled by Uruguay XXI based on ECLAC (2023).

In 2022, there was an increase in all FDI components compared to 2021, highlighting the growth of reinvested earnings and intercompany loans. Profit reinvestment was the main component of FDI in the region, which reached 43% of the total, evidencing a 50% increase compared to 2021. This may be because many companies probably retained their profits in 2020 due to the pandemic, and in 2021 and 2022 directed those profits to the re-launch of their activities. Equity inflows, the second largest component, accounted for 36% of FDI inflows to the region in 2022, up 22% compared to 2021. Finally, inter-company loans had the highest percentage growth among the different components (283%) and reached a share of 21% of total FDI inflows in the region.

Graph 1.3  
**FDI received by Latin America by country- Top 10**  
 (US\$ Millions)



Source: compiled by Uruguay XXI based on ECLAC (2023).

Brazil was the leading recipient country in the region (with 41% of the total), followed by Mexico (17%). Both countries received higher FDI than in 2021, although the increase in FDI inflows in Brazil was greater and explained 57% of the year-on-year variation for the entire region. As a result, South America was the sub-region in Latin America and the Caribbean that recorded the largest increase in FDI inflows compared to 2021.

## 1.2. OUTLOOK FOR FDI

The global environment for business and foreign investment remains within a complex juncture in 2023. Although the economic headwinds that shaped investment trends in 2022 eased somewhat, they have not yet disappeared. Recent turbulence in the financial sector in some developed countries, and persistently high debt levels limiting fiscal space in developing countries, add to investor uncertainty. Furthermore, raw material prices - which rose sharply with the conflict in Ukraine - abated, but the war continues, and geopolitical tensions persist.

In April 2022, the U.S. Treasury held that companies should locate supply chains in countries with ideological affinity. More recently, the European Commission proposed the Net Zero Emissions Industry Act to counter subsidies provided by the U.S. Inflation Reduction Act.



Meanwhile, China aims to replace imported technology with local alternatives to reduce its dependence on geopolitical rivals. According to the International Monetary Fund (IMF), over the last ten years the proportion of FDI flows between economies with geopolitical affinity did not stop growing, even more than the proportion destined to countries with geographic proximity. This suggests that the geographic location of FDI increasingly responds to geopolitical preferences.<sup>2</sup>

In this context of uncertainty, UNCTAD expects the downward trend in global FDI to continue in 2023. The first quarter of the year confirmed the negative outlook for investment flows. According to preliminary data, the number of international project finance transactions in the first three months of the year fell significantly, while cross-border M&A activity also dropped.

With regards to Latin America and the Caribbean, ECLAC highlights that investment opportunities in the energy sector continue to be very important. The amount allocated each year to renewable energy projects between 2010 and 2021 exceeded that of non-renewable sources, and the share of non-renewable energy went from 24% of total announcements in 2005 to only 5% in 2021. The region has great energy potential, both in traditional energy sources such as hydrocarbons as well as in clean and modern renewable energy sources such as solar, wind and green hydrogen.

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<sup>2</sup> [“Fragmenting foreign direct investment hits emerging economies hardest”](#) - IMF

## 2. SUSTAINABLE INVESTMENTS

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### 2.1. ESG ASPECTS (ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

In a setting of growing concern for sustainability and corporate responsibility, environmental, social and governance (ESG) standards have gained prominence. These terms focus on promoting sustainable and responsible practices at both the global and corporate levels. The concept of sustainability refers to the ability to generate economic growth and well-being without compromising the well-being of future generations.

ESG criteria are used as a sustainability performance indicator for companies to measure the impact of an investment, beyond the monetary aspect, as well as a proxy for measuring the SDGs<sup>3</sup>. One of the problems for measurement is that there is still no international consensus on the compliance of these dimensions.

#### Investment criteria

ESG investments are those that seek favorable economic results with positive long-term impacts on society. In the case of investment projects, these dimensions are identified as follows:

- **Environmental:** greenhouse gas emissions, waste management, energy efficiency and water use. Investment in renewable energy and how to make the use of energy resources more efficient are also considered.
- **Social:** this includes aspects such as employment conditions, human rights, data and privacy protection. The company's relationship with the communities it impacts and the average satisfaction of customers when they buy products or use services are also important.

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<sup>3</sup> "ESG and global services. An opportunity for Latin America and the Caribbean." – Latin American Association for Services Exports (ALES, for its acronym in Spanish)

- **Governance:** corruption issues, political contributions and the composition of the board of directors. A board of directors that has a diverse gender composition and is constantly audited generally scores well.

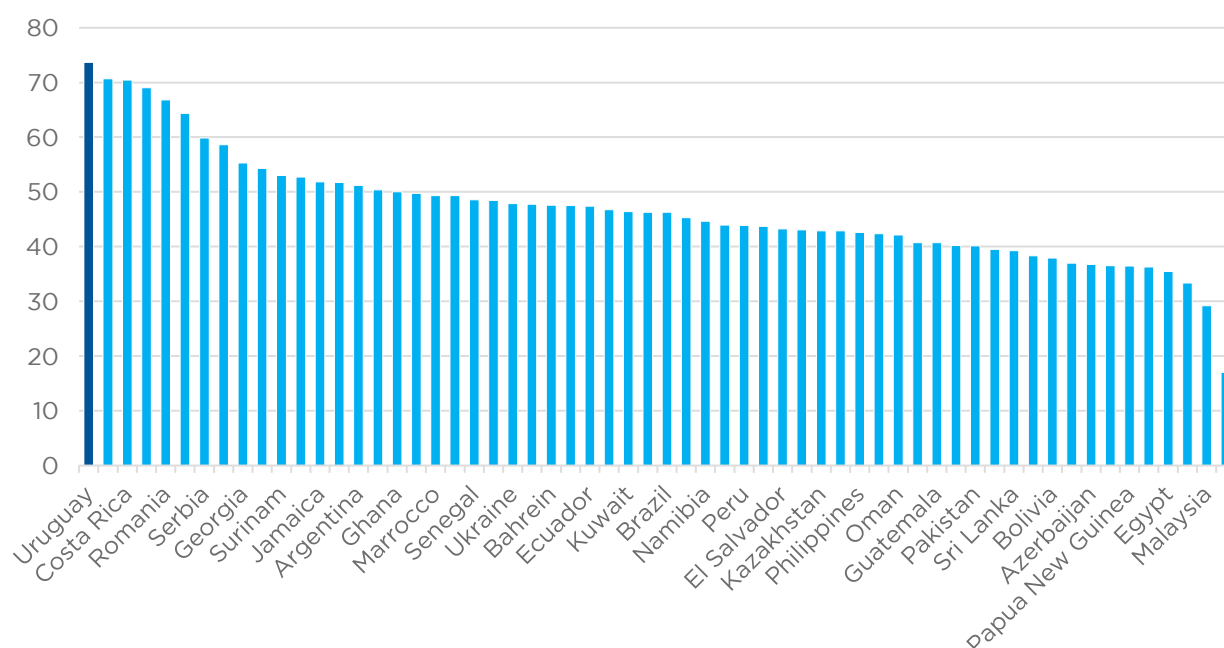
In this regard, a wide variety of ESG databases, products and services have been generated to meet the demand for investments. Among the providers of ESG-focused information are credit agencies, investment banks, universities, and international organizations. Some examples of ESG-focused data or indicator providers are the World Bank, S&P, Fitch Ratings, J.P. Morgan Chase & Co. among others.

## 2.2. URUGUAY AND THE ESG ASPECTS

The countries of the region must improve the design of investment attraction policies and strengthen institutional capacities in this field. It is essential to advance the coordination of efforts to attract FDI with productive development strategies and to begin to use FDI as a strategic tool for advancing sustainable development processes with greater directionality. In particular, Uruguay's institutional framework has incorporated sustainability criteria in different areas of public management and the country has also made international commitments.

In fact, Uruguay is one of the countries with the best ESG results; it is positioned as the emerging country with the highest performance according to the index prepared by J.P. Morgan.

Graph 2.1  
**ESG Index for emerging markets<sup>4</sup>**  
 (Index 100 = high performance; August 2023)



Source: J.P. Morgan Chase & Co.

While countries create a viable regulatory framework for sustainable finance, they also use incentives as a tool to develop a sustainable financial market. Incentives can take on different forms: financial, fiscal, and administrative incentives (e.g., simplifying administrative procedures and facilitating investment or product issuance). The use of incentives for sustainable finance is most frequent in supporting the development and issuance of sustainable financial products, in particular green or social bonds.<sup>5</sup>

In this respect, at the end of October 2022, Uruguay issued an innovative bond indexed to climate change indicators (BIICC, for its acronym in Spanish) maturing in 2034. This operation seeks to fulfill the government's funding needs in the international market and to link the sovereign financing strategy with environmental objectives<sup>6</sup>. This is the first time that finances and the environment have come together and the first time that Uruguay has defined a financing cost linked to environmental performance. The bond has two associated environmental objectives; the first is the reduction of greenhouse gases and the second is the conservation of native forests. In addition, the instrument will allow the country to have more

<sup>4</sup> "ESG Report" (August 2023). Public Debt Management Unit - Ministry of Economy and Finance of Uruguay.

<sup>5</sup> [World Investment Report 2023](#) - UNCTAD

<sup>6</sup> [Uruguay issued US\\$ 1.5 billion in bonds indexed to climate change indicators](#) - Office of the President

climate information, with annual measurements in the case of greenhouse gases and every four years in the case of native forest conservation.<sup>7</sup>

Another milestone is the creation of the Sustainable Finance Roundtable (SFR)<sup>8</sup>, a permanent space for dialogue between public and private entities to promote a financial system capable of accompanying the transition to a fair, low-carbon and climate-resilient economy. This initiative, led jointly by Uruguay's Central Bank and the Ministry of Economy and Finance, is supported by the Inter-American Development Bank (IDB) and the United Nations Development Program (UNDP). This roundtable -which initiated activities in December 2021- has an agenda that includes actions to accelerate the inclusion of environmental, social and governance sustainability criteria in the savings, credit, and investment decisions of financial agents. Within the framework of this inter-institutional roundtable, work is being conducted in preliminary stages on the development of a taxonomy to classify sectors, activities, and projects, among others, as being green or environmentally sustainable.

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<sup>7</sup> [New Climate Change Indicator Index-linked Bond \(CCIB\) in dollars with final maturity in 2034](#) – Ministry of Economy and Finance

<sup>8</sup> For further information, click [here](#).

## 3. FOREIGN DIRECT INVESTMENT IN URUGUAY

### 3.1. FOREIGN DIRECT INVESTMENT IN URUGUAY

In 2021 Uruguay joined the Investment Committee of the Organization for Economic Cooperation and Development (OECD)<sup>9</sup>. According to the [Investment Policy Review](#), Uruguay faces similar challenges to OECD countries to achieve a goal of sustained economic growth based on innovation and productivity, which is also sustainable and equitably distributed. This report highlights the robustness and resilience of the Uruguayan institutions. Despite an unstable international context, Uruguay consistently scores well in terms of political and social stability. Thanks to its institutional strength, an essential factor for attracting FDI<sup>10</sup>.

Investment in Uruguay, both domestic and foreign, is declared of national interest. Investors have clear rules; both foreign and local investors are treated equally and have a wide range of incentives that are adapted to different types of activities: industrial, commercial or services.

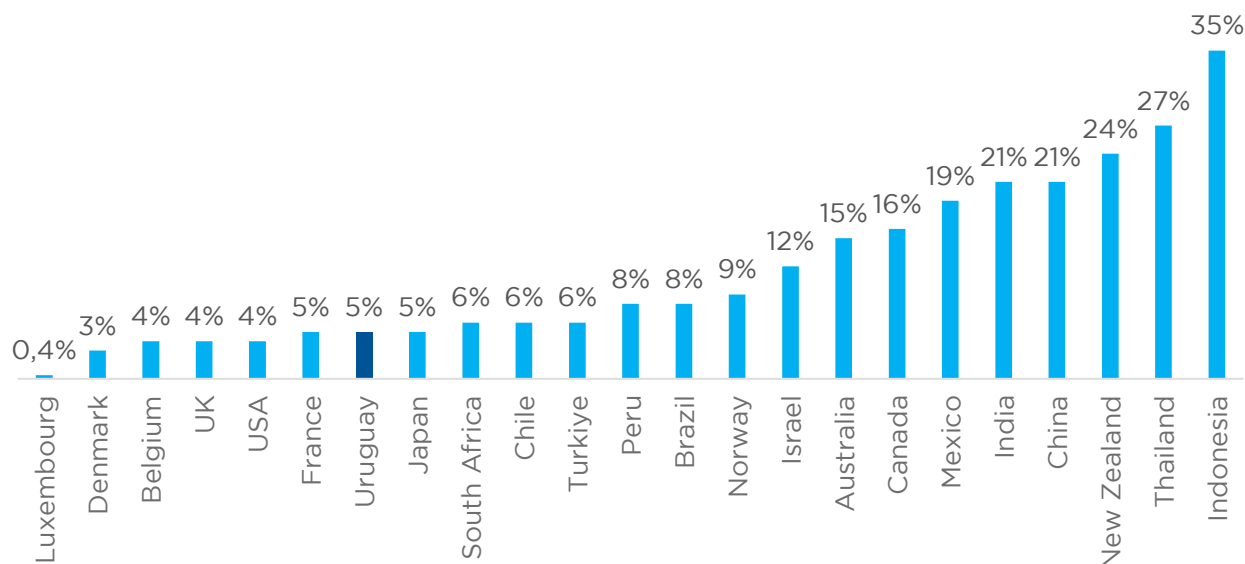
FDI is one of the factors that has driven the country's economic development, reflecting the importance of investment in the economy. The FDI stock was US\$ 3.079 billion in 2022, which represents 42% of the GDP. Uruguay is a country open to FDI and numerous efforts have been undertaken to maintain a regulatory framework with fair conditions in line with international experiences and standards. The OECD's FDI Regulatory Restrictiveness Index<sup>11</sup>, which is based on regulatory measures, shows that the degree of discrimination against foreign investors in Uruguay's regulations is lower than in most of the 84 countries it includes (Graph 3.1). Uruguay is more open to FDI than most emerging markets and Latin America.

<sup>9</sup> [Uruguay became the 50th Adherent to the Investment Declaration and an Associate Member of the Investment Committee](#) - Ministry of Economy and Finance

<sup>10</sup> Lanzilotta, B, Miranda, R, Leira, E, ["Foreign direct investment and quality of governance: Evidence for Latin American and OECD countries"](#) DT 11/22 Institute of Economics, FCEA, UdelaR.

<sup>11</sup> The FDI Regulatory Restrictiveness Index measures legal restrictions on foreign direct investment in 22 economic sectors in 69 countries, including all OECD and G20 countries.

Graph 3.1  
**FDI Regulation Restrictiveness Index**  
 (Selected Countries - 2020)



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

Both a favorable framework for investment and a positive economic performance explains the significant inflows of FDI received in the last decade. FDI in Uruguay has had several effects, including a strong boost to the export sector. Many foreign companies invest in outward-oriented sectors and help diversify the country's export basket.<sup>12</sup>

Thanks to the FDI boost, non-traditional service exports have gained relevance in the last decade. Most of these activities are conducted by subsidiaries of multinational companies that provide services to the parent company or other subsidiaries. The opening of a subsidiary in another country clearly configures a flow of FDI<sup>13</sup>.

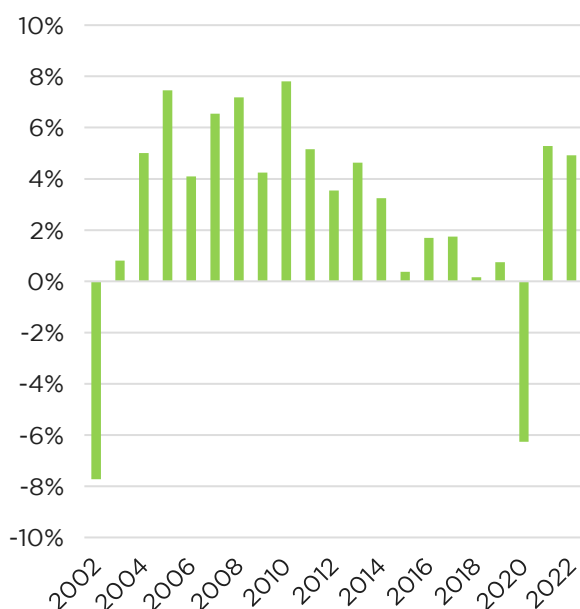
In recent years, Uruguay has consolidated its position as a reliable and attractive destination for foreign investors. Inward FDI flows showed a growing trend since 2001, increasing almost every year until reaching a peak in 2013. Then the trend reversed, and negative values were recorded between 2016 and 2018, which were explained by loans made from companies established in Uruguay to their parent companies abroad. Since 2019, a positive FDI flow returned to Uruguay, reaching almost maximum values in 2022.

<sup>12</sup> For further information, visit: [Foreign Trade Report August 2023. Uruguay XXI](#)

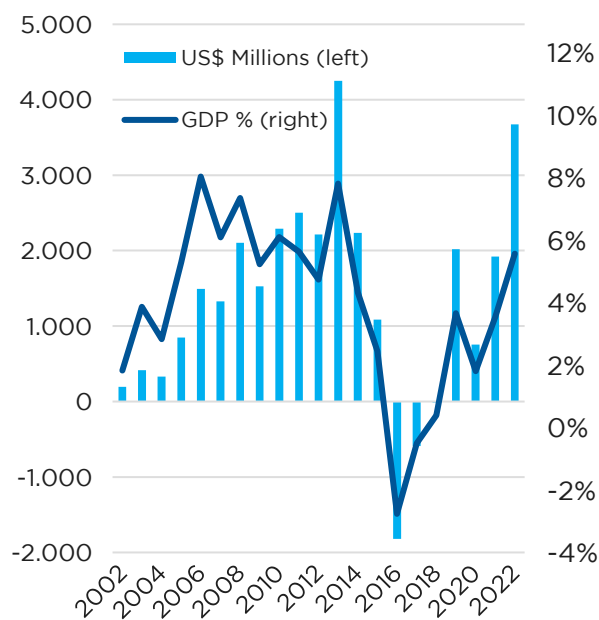
<sup>13</sup> For further information, visit: [Global Services Report](#)



Graph 3.2  
**GDP in Uruguay**  
 (Base 2016 - Annual % change)



Graph 3.3  
**FDI inflow to Uruguay**  
 (US\$ Millions and GDP %)



Source: compiled by Uruguay XXI based on the Central Bank of Uruguay.

In 2022, the net FDI value received by Uruguay amounted to US\$ 3.675 billion and showed a strong increase compared to the figures for 2021. It is important to note that FDI flows are divided into three categories: capital contributions, reinvestment of profits and loans between related companies (see Table 3.1). Capital contributions (the most genuine part of FDI) were positive throughout the period and totaled US\$ 1.026 billion in 2022. Although the Central Bank does not disclose information at the company level, this component surely reflects a large part of the contributions received by UPM's second pulp mill in Paso de los Toros. Profit reinvestment reached US\$ 3.285 billion; a peak not seen in the last decade. This figure implies a strong rebound with respect to the record of 2020, which had been negative for US\$ 192 million. Meanwhile, loans between related companies reached a negative value of US\$ 636 million. These loans are the most volatile component of FDI, since they are composed of flows between affiliated companies and their parent companies abroad.

For the first half of 2023, foreign direct investment reached US\$ 2.803 billion, almost doubling the figure observed in the first half of 2022. This growth was due to the fact that loans between related companies were at positive values, while in 2021 the values were negative.

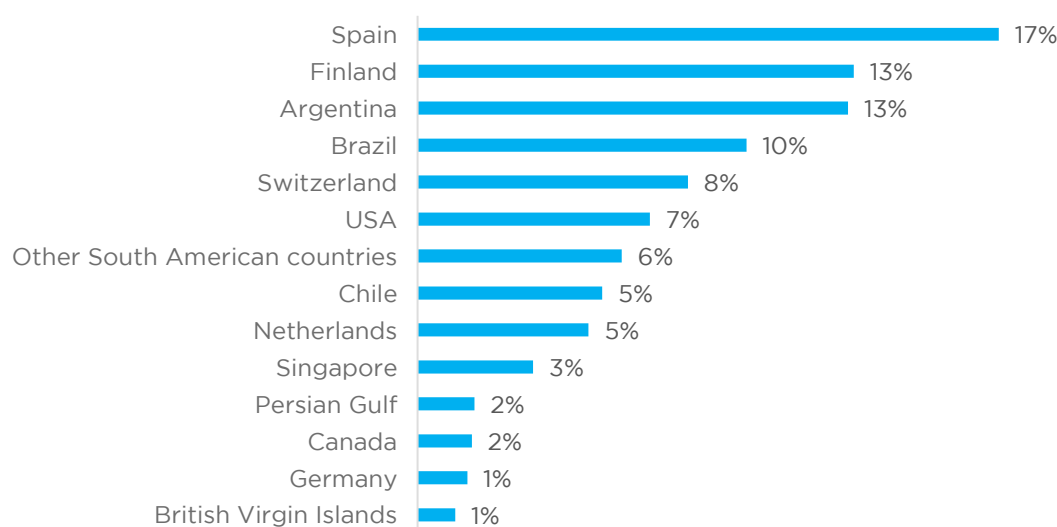
Table 3.1  
**FDI received by type**  
 (US\$ Millions)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Week 1 2023
<b>Contributions</b>	1,228	2,069	1,731	1,390	1,009	637	269	624	904	732	1,026	464
<b>Reinvestment</b>	2,476	634	809	-1,250	-610	1,187	1,117	-611	-192	3,261	3,285	1,846
<b>Loans</b>	-1,488	1,548	-303	945	-2,220	-2,414	-1,397	2,005	42	-2,070	-636	494
<b>Directional FDI</b>	<b>2,216</b>	<b>4,251</b>	<b>2,236</b>	<b>1,085</b>	<b>-1,821</b>	<b>-590</b>	<b>-11</b>	<b>2,018</b>	<b>753</b>	<b>1,923</b>	<b>3,675</b>	<b>2,803</b>

Source: compiled by Uruguay XXI based on Uruguay's Central Bank.

Regarding the origins of FDI, Spain is the country that accumulates the most investment in Uruguay, followed by Finland, Argentina and Brazil. These countries together account for more than half of the FDI received by Uruguay.

Graph 3.4  
**FDI position by origin**  
 (Share %, 2022)



Note: only equity stakes are considered.

Source: prepared by Uruguay XXI based on Uruguay's Central Bank.

Spanish companies have invested in Uruguay mostly in industry and global services. Within industry, energy generation projects stand out, mainly wind power, which are large scale projects and generally require a lot of investment. At the services level, there are several initiatives related to financial services, fintech and business services. However, Spanish

investments can also be seen in other sectors, such as the food industry, tourism, agro-industrial production and trade<sup>14</sup>. Finland's position is essentially due to investments in pulp mills, which are very large projects. Argentine companies have also invested in various sectors. There are several investments in agribusiness, the food industry and the pharmaceutical industry. In recent years, there has been a growing interest of Argentine capital flows in the corporate services sector. For Brazil, this is explained by projects in industry, with a focus on the agro-industrial sector.

At the sector level, the latest data published by Uruguay's Central Bank show that the manufacturing sector attracted most of the investment flows, with 33% of the total. It is followed by the financial and insurance sectors with 30% and commerce with 26%.

Table 3.2  
**FDI received by sector**

Sector	2012-2022		2022
	US\$ Millions	% Share	US\$ Millions
Manufacturing industries	7,247	33%	1,625
Financial and insurance	6,578	30%	841
Commerce	5,608	26%	1,328
Professional, scientific and technical activities	600	3%	65
Transportation and Storage	521	2%	216
Real estate activities	343	2%	43
Electricity	286	1%	-22
Unclassified	283	1%	92
Information and communications	218	1%	45
Agro	99	0%	9
Lodging	0	0%	10
Construction	-24	0%	26
Administrative and support services	-35	0%	33
<b>TOTAL</b>	<b>21,724</b>	<b>100%</b>	<b>4,311</b>

Note: Capital contributions and reinvestment are considered. Loans between related companies are not considered. The 2012-2022 figure corresponds to the sum of flows for all years.

Source: compiled by Uruguay XXI based on Uruguay's Central Bank data.

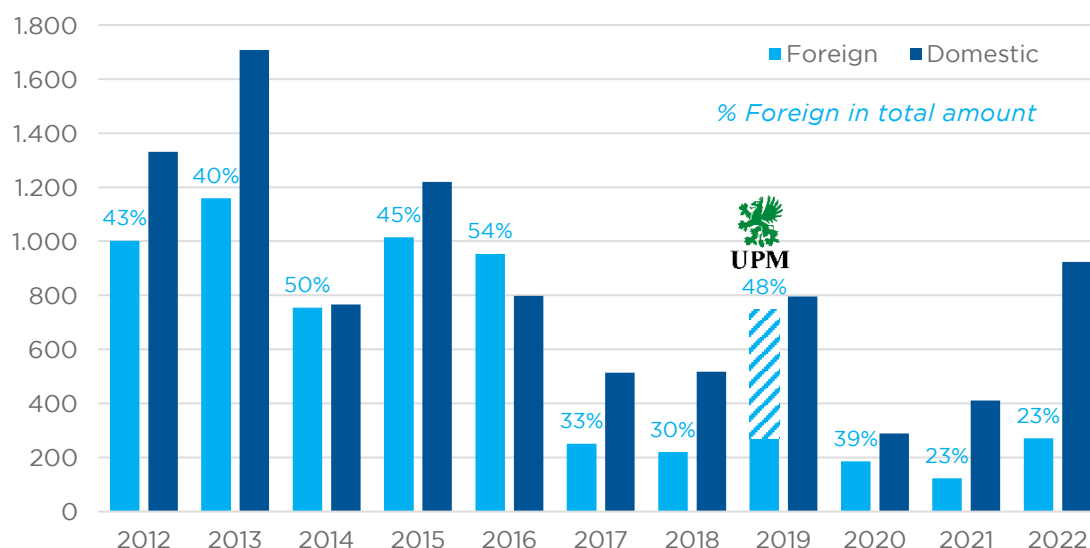
### 3.1.1. PROJECTS PROMOTED BY THE COMMISSION FOR THE APPLICATION OF THE INVESTMENT LAW

Uruguay's investment promotion regime provides for a set of tax benefits for those investment projects submitted to the Commission for the Application of the Investment Law (COMAP, for its acronym in Spanish), which, if certain requirements are met, are promoted by the Executive

<sup>14</sup> Uruguay's Central Bank data does not show the cross-referencing by destination and sector, so complementary information from the Commission for the Application of the Investment Law, FDI Markets and EMIS is used.

Branch (see Annex of the regulatory framework)<sup>15</sup>. The projects that have been recommended for approval by COMAP are published in the following [link](#). Since its entry into force in 2006, the regime has been widely used by both local and foreign companies.<sup>16</sup>

Graph 3.5  
**Recommended projects by COMAP by capital origin**  
 (US\$ Millions)



Source: compiled by Uruguay XXI based on COMAP data.

Since 2019 there has been a decrease in the amount invested in projects recommended by COMAP, which can be explained for various reasons, but the most important one is that 2019 includes UPM's investment project in the port of Montevideo for US\$ 484 million, a large-scale project that was not repeated in subsequent years. The years 2020 and 2021 were characterized by the uncertainty associated with the pandemic, which delayed investment decisions. By 2022, the number of projects declared to be of national interest had recovered both in number (40%) and amount (124%). A total of 708 projects were promoted for a total of US\$ 1.194 billion, of which 47 involved foreign companies (US\$ 271 million).

<sup>15</sup> Although the Investment Promotion Law does not distinguish between domestic and foreign investors, it is possible to analyze the use of this incentive by foreign companies thanks to Uruguay XXI's register of foreign companies.

<sup>16</sup> It is important to note that for a project to be recommended by COMAP, it is necessary to go through a series of administrative processes that may take time to materialize. Therefore, projects recommended each year may be investment initiatives from previous years.

Table 3.3  
**Promoted projects by origin - Foreign capital**  
 (US\$ Millions Share % 2022)

Country of origin	US\$ Millions	Percentage 2022
Argentina	101	37%
Sweden	35	13%
Finland	29	11%
Spain	27	10%
Brazil	17	6%
Mexico	9	3%
Peru	9	3%
United States	8	3%
Others	35	13%
<b>Total</b>	<b>271</b>	<b>100%</b>

Source: compiled by Uruguay XXI based on COMAP data.

Argentina was the main origin of the investing companies, with projects mainly linked to the pharmaceutical sector, but also to transportation. Meanwhile, Swedish companies invested in agribusiness and trade. In third place, Finland stood out exclusively for the free trade zone project where the new UPM plant is located. If we analyze the projects of foreign companies by sector, we observe a greater participation of the manufacturing industry (37%), where the majority corresponds to a project in the pharmaceutical sector.

Table 3.4  
**Promoted projects by sector - Foreign capital**

Sector	Share % 2022
Manufacturing Industry	37%
Agriculture/Agro-Industry	13%
Commerce	12%
Free Trade Zone	11%
Financial	8%
Services	6%
Construction	5%
Transportation	4%
Food Industry	3%
<b>Total (US\$ Millions)</b>	<b>271</b>

Source: compiled by Uruguay XXI based on COMAP data.

## 3.2. RECENT FDI TRENDS IN URUGUAY

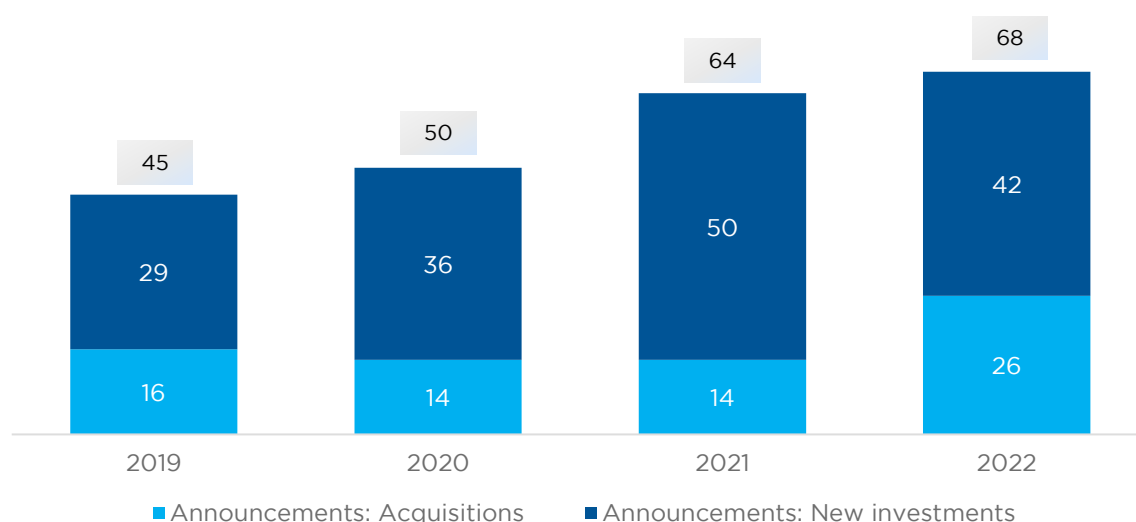
### 3.2.1. INVESTMENT ANNOUNCEMENTS AND OPPORTUNITIES<sup>17</sup>

To characterize the most recent FDI trends in Uruguay, information on investment announcements by foreign companies<sup>18</sup> and investment opportunities assisted by Uruguay XXI are presented.

#### 1. INVESTMENT ANNOUNCEMENTS

In 2022 Uruguay secured almost 70 investment projects from foreign companies, showing an increasing trend since 2019. The average growth rate was 15% and there was an increase of 6% in 2022 compared to 2021. Sixty-two percent of the announcements surveyed in 2022 are new investments and 38% are acquisitions (M&A).<sup>19</sup>

Graph 3.6  
**Investment Announcements**



Source: Uruguay XXI.

<sup>17</sup> For further information, click here: [Investment Announcements and Opportunities Report 2019-2022](#)

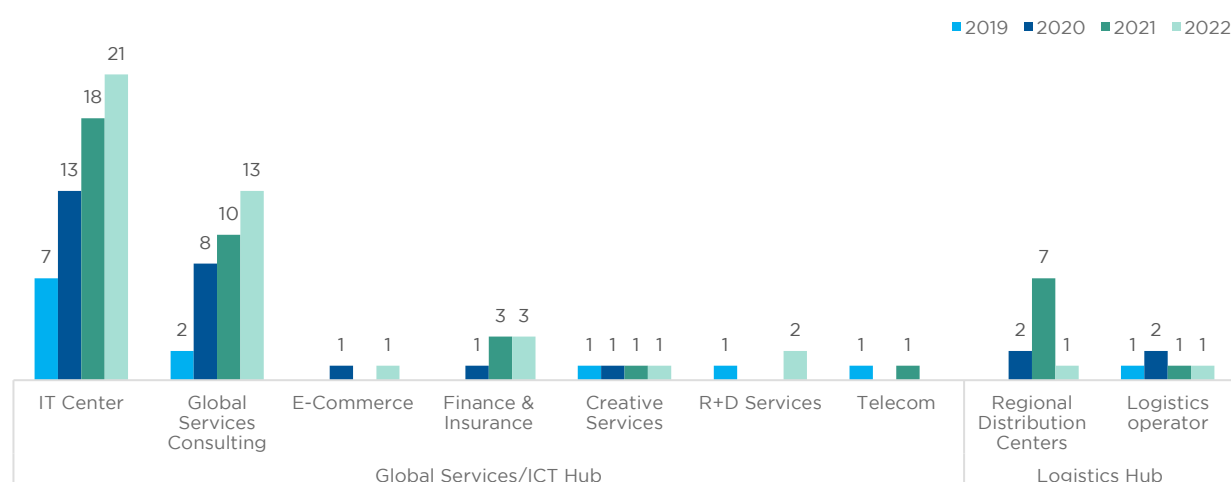
<sup>18</sup> The database is compiled from various sources: investment opportunities assisted by Uruguay XXI, investment projects collected by FDI markets and M&A transactions obtained from Emis and Orbis. Although this compilation does not claim to include all FDI received by Uruguay, it is a good approximation of the number of investment projects announced per year.

<sup>19</sup> It is defined as: (i) New Investment Announcements - operations of new companies to be established in the country and/or expansion or diversification in foreign companies already in the country. (ii) M&A Announcements - transactions in which a foreign company acquires all or part of a local company.

It is important to note the trend change in 2022 compared to previous years. While the weight of new investments remains higher in the total, they decrease compared to 2021. That is, M&A transactions drove the increase in announcements observed in 2022. This is in line with the global trend, in which the increase in FDI was driven by M&A transactions.<sup>20</sup>

Uruguay XXI classifies announcements and investment opportunities according to the business model or platform that the company will develop in the country.<sup>21</sup> The period was characterized by a growing interest in activities focused on the foreign market. In 2022, 63% of the announced investments related to activities that can be grouped under the concept of Trade & Services Hub (Global Services/ITC + Logistics). Production Hub activities (Industrial + Agro and Others) accounted for 20%, while 16% had to do with investments focused on the domestic market.

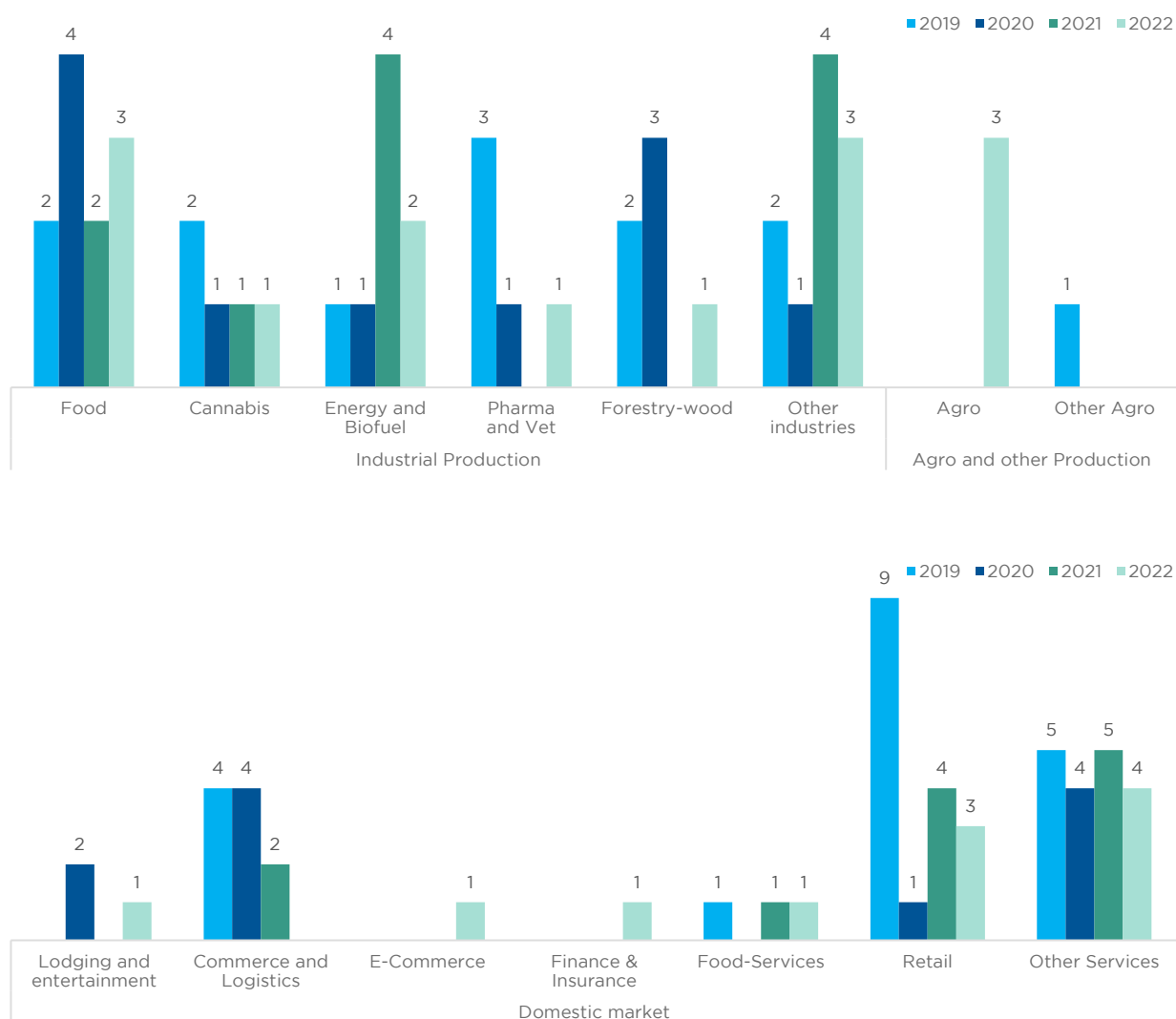
Graph 3.7  
**Investment announcements by investment platform in Uruguay**  
 (2019-2022)



<sup>20</sup> [World Investment Report 2022](#) - UNCTAD

<sup>21</sup> Four main platforms are defined: Global Services/ICT (includes operations of service centers, ICT development centers, e-commerce, financial services, telecommunications services, creative services or R&D), Logistics (includes investments in regional distribution centers or logistics operators), Industrial Production (includes manufacturing industry in its different branches- for example chemical or metal-mechanic, pharmaceutical industry, food products, forestry-wood, energy, among others), Agro and Other Production (includes investments in the primary agricultural, forestry and mining chain), Domestic Market (includes activities focused on the domestic market such as retail, wholesale trade and distribution, and other services including tourism).

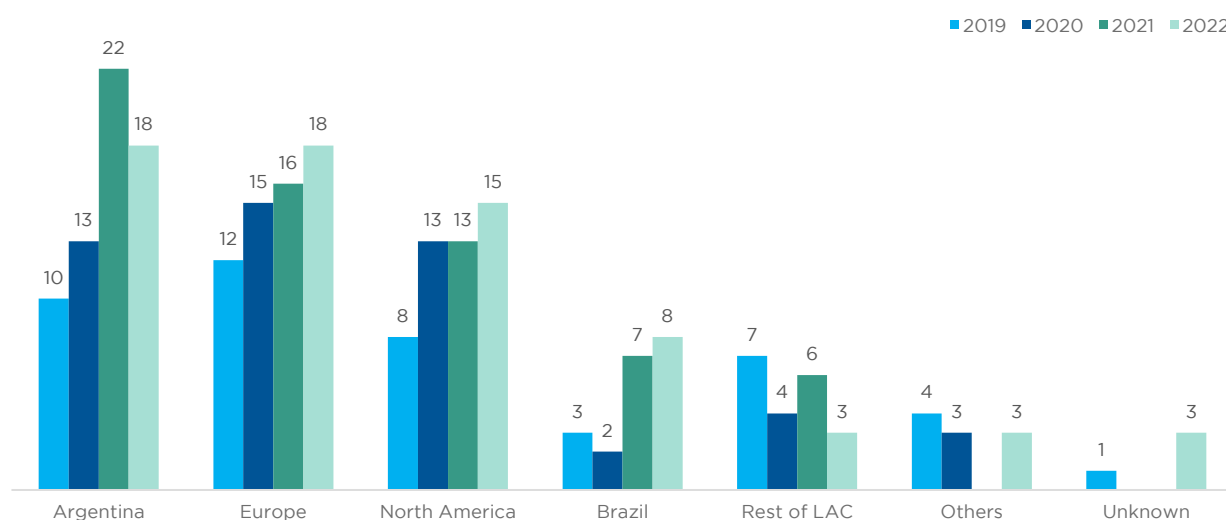




Source: Uruguay XXI.

Argentina (26%), Europe (26%) and North America (22%) as a group and Brazil to a lesser extent (12%) are the main sources of capital for investment announcements in Uruguay in 2022, maintaining a similar pattern to previous years. The main sources of capital of the announcements present an increasing trend in the analyzed period, explained by the growth of M&A.

Graph 3.8  
**Investment announcements by origin of capital**  
 (2019-2022)



Source: Uruguay XXI

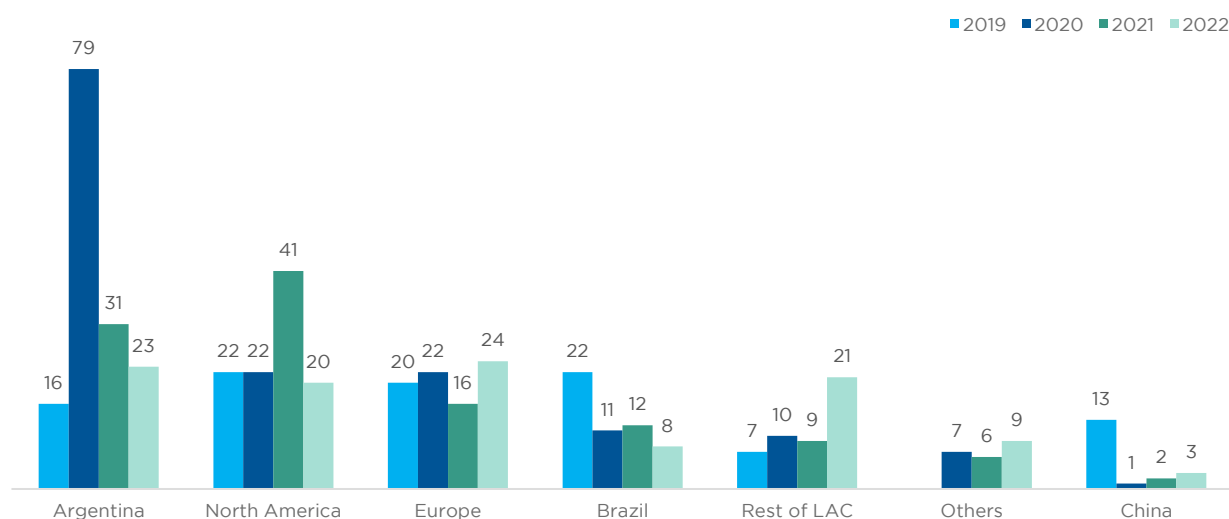
## 2. INVESTMENT OPPORTUNITIES IN URUGUAY

The survey also includes the Investment Opportunities (IO's) supported by Uruguay XXI that were initiated in each year<sup>22</sup> under consideration. After the peak of inquiries recorded between the second half of 2020 and the first half of 2021 -driven mostly by inquiries from Argentina-, the number of IO's initiated annually returned to levels like pre-pandemic numbers. In 2022, more than 250 IO's were handled, 42% of which were initiated that same year.

Investment opportunities that were launched show a distribution pattern like that of the announcements, but without the same growing trend. There was a decline in the case of Argentina, Brazil and North America compared to 2022, while European countries and other Latin American countries increased their interest in investing in Uruguay. Among these, Chile, Germany and Spain stood out, representing 12%, 8% and 5% respectively.

<sup>22</sup> An opportunity may or may not become an announcement.

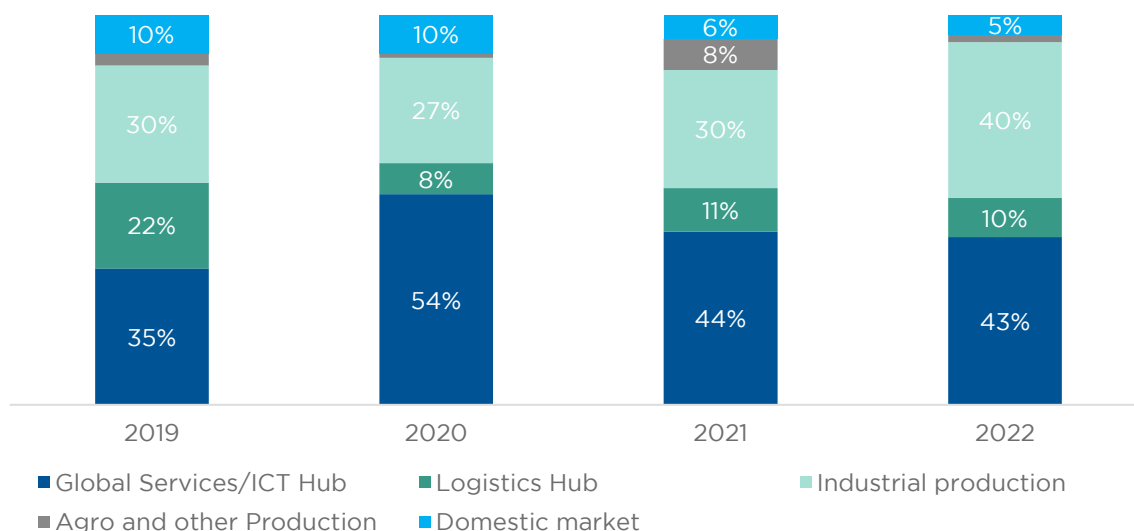
Graph 3.9  
**Investment opportunities by origin of capital**  
 2019-2022



Source: Uruguay XXI.

IO's are classified according to the same criteria as the activities to be carried out by the companies in Uruguay. The distribution is like that of the announcements, with a slightly higher participation of those linked to distribution centers and industrial activities.

Graph 3.10  
**Investment opportunities by activity in Uruguay**



Source: Uruguay XXI.

### 3.2.2. TRENDS AND RELEVANT SECTORS TO INVEST IN URUGUAY

#### Global Services and Technology

- In the past decade, the dynamism of providing services from Uruguay to the world (global export services) has stood out. These services are the result of a company's decision to offshore an activity or process and transfer it abroad.
- In recent years -in the post-pandemic period especially- there is a growing trend where U.S. companies offshore and prefer to provide nearshoring services (understood not only as geographical distance but also as time zone and cultural affinity).
- Shared Service Centers (SSCs) are shifting from a model focused on cost reduction and centralization of core activities, to one focused on improving the customer experience by offering higher value-added solutions (through digital transformation and process automation).
- The ICT sector continues to maintain the momentum of previous years, with particular interest in software development activities in areas linked to cybersecurity, artificial intelligence, data science and gaming. It is worth mentioning that, in mid-2023, Microsoft and LATU presented the first artificial intelligence laboratory in Latin America in Uruguay (Microsoft AI Co-Innovation Lab).

- This past year, because of the international situation, Eastern European companies and companies from other Latin American countries (Peru and Chile) are expressing increased interest in centralizing operations in Uruguay.

For more information, go to: [Global Services Report](#) and [ICT Report](#)

## **Life Sciences**

- The pharmaceutical sector has grown significantly in Uruguay in the last 30 years, now having 79 human health companies and 31 animal health companies operating in different modalities.
- Pharmaceutical and veterinary companies operate in Uruguay under different business platforms and under a combination of these platforms.
- In recent years, multinational and multi-Latin companies have shown interest in regional distribution operations to solve supply issues in the Southern Cone. Uruguay is emerging as a hub for the southern cone, together with Panama. In a first stage, these are small operations through logistics operators, which then advance through direct installation and the addition of new service operations (supply chain, trading, procurement, quality control, regulatory affairs, human resources, among others).
- There are opportunities to capitalize on the growth of Argentine companies by channeling their growth to Uruguay. Examples of this include veterinary production plants, distribution and trading of pharmaceutical products. Even for vaccine and/or biotechnological active ingredient production plants.
- Uruguay offers a set of complementary services and investment opportunities, following a logic that goes from the genesis of the drug to the most advanced services in the value chain of regional distribution and administrative back office or customer service (business service centers), forming a cluster focused on foreign direct investment.
- In the country there is a critical mass of companies and institutions that allow coverage for a multiplicity of processes and products, and that together with a wide network of academic research groups and service provider startups form a functional innovation ecosystem for the development of R&D projects and centers.

For further information, go to: [Pharmaceutical Sector Report](#)

## Agribusiness and Food

- Uruguay has comparative advantages in food production at the international level, with a recognized worldwide prestige for its production process and for the quality of several agricultural products, which are based on safe production under strict sanitary controls.
- The country has great potential to increase its production of agro-industrial goods. With a population of 3.5 million inhabitants, it produces food for 28 million people.
- The expected increase of global population by 2050 opens the door to the production of functional ingredients and alternative protein-based foods (mainly plant based). At the global level, in view of the emergence of startups in the alternative protein segment (Beyond Meat, Impossible Foods, etc.) international companies in the sector such as Nestlé, Unilever or Lidl decided to include the alternative protein business unit.
- In the swine sector, there are signs that Uruguay could capitalize on the opportunities generated by swine fever in China. The government has made progress in actions (negotiations for the opening of the Chinese market, development of a health regulatory framework) to enable the development of the pork chain for export and the investment of Valls Company, which bought La Constancia and will build a pork slaughterhouse for export, has been confirmed. At the same time, another export project is moving forward in negotiations with the National Meat Institute (INAC, for its acronym in Spanish) and the Municipality of Treinta y Tres.
- The production of ingredients for the region or the world is a business opportunity in which Uruguay is relatively unknown and it is expected that Uruguay may reap opportunities due to promotional efforts that began in 2022.

For further information, please go to: [Agriculture Report](#) and [Livestock Report](#)

## Forestry

- In Uruguay there are important opportunities for the establishment of industries that add greater value to timber. The large supply of pine wood from managed and certified plantations is a great attraction for the establishment of first and second mechanical processing companies. The annual availability of this wood exceeds three million cubic meters per year, far exceeding the country's industrial capacity.
- In the forestry-wood sector, important opportunities and announcements related to mechanical transformation have arisen with sawmill projects for different products (high quality boards, plywood, CLT), as is the case of Garnica and K-Lumber.

- Structural timber is making headway in Uruguay. The company Arboreal (USA) -which in 2020 bought Frutifor and expanded its processing capacity- manufactured a solid wood production line - CLT and glulam- and in 2023 the first productions were carried out.

For further information, go to: [Forestry Report](#)

### Energy Transition

- The transformation of Uruguay's energy matrix has positioned the country at the forefront of the use of renewable energies in the world. The participation of renewable energies in the primary matrix and especially in the electricity matrix is well above the world average (less than 20%).
- There is a lot of interest from foreign companies in the production of green hydrogen and derivatives in the Southern Cone; Uruguay competes mostly with Chile and Brazil. Uruguay has a great advantage in the availability of biogenic carbon dioxide (for methanol) but there is also interest in production from biomethane, for which it also has the primary source. These are relevant projects and, in some cases, with substantial progress.
- There have also been several inquiries related to the assembly of electric vehicles and biofuels.
- For the next few years, the country plans to advance in the second stage of the energy transition, which will present opportunities in the direct electrification of end uses, in the development of the hydrogen economy, in consolidating a smart electricity grid, in the energy recovery of agricultural, industrial and urban waste and in incorporating clean technologies to the transportation sector, among others.

For further information, go to: [Renewable Energies Report](#)

### 3.2.3. INVESTMENT PROJECTS

- Beyond the sectoral opportunities highlighted, Uruguay XXI compiles investment opportunities in specific projects for various sectors: agribusiness, manufacturing, retail, real estate, and infrastructure, among others.
- These projects involve operating companies that are growing, seeking to restructure or expand operations, investment ideas and projects, or projects tendered by the State where the private sector is looking to make an investment or management.



- Uruguay XXI recently launched its [Investment Projects Portfolio Portal](#), where investment projects and investors interested in them are registered.
- In 2022 the Uruguayan Private Equity Association (URUCAP, for its acronym in Spanish) was created, which brings together VC funds, CVC, PE, angel investors, and accelerators.
- In 2022 the Uruguay Innovation Hub program was launched, an initiative from the Ministry of Industry, Energy and Mining (MIEM, for its acronym in Spanish), National Agency for Research and Innovation (ANII, for its acronym in Spanish) and Uruguay XXI. It is a national program that seeks to position the country as an innovation hub through the implementation of various instruments and the development of initiatives that promote and strengthen the innovation ecosystem in Uruguay.
- In recent years, Uruguay has positioned itself as a place of residence for Argentine entrepreneurs, which has contributed to the presence of VC funds in Uruguay. In addition to the creation of the Uruguay Innovation Hub program, it is likely that in the future there will be a strengthening of the innovation ecosystem in Uruguay, which will result in greater M&A operations, as well as greater investment options for startups.
- Investment inquiries related to the Project Portfolio have been mainly focused on agribusiness and technology companies.

For further information, go to: [Project Portfolio](#)

For further information, go to: [M&A Report for Uruguay](#).

If you want to learn more about the sectors that present investment opportunities in Uruguay, access the following [link](#).

## 4. INSTITUTIONAL FRAMEWORK FOR FDI IN URUGUAY

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This is Uruguay's investment, export and country image promotion agency. Among other tasks, it supports and advises foreign investors free of charge, both for those who are evaluating where to invest as well as for those who are already operating in Uruguay. Thus, it works to attract new productive investment, increase reinvestment, and improve the business climate by acting as an intermediary between the public and private sectors.

Webpage: [www.uruguayxxi.gub.uy](http://www.uruguayxxi.gub.uy)

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### COMAP

The purpose of the Commission for the Application of the Investment Law (COMAP) is to promote and protect investments made by domestic and foreign investors in the country. COMAP centralizes the attention on the investor -domestic or foreign- aimed at the development of the private sector. It provides information and advice on the new tax exemptions to which they may access, as well as on the rest of the programs offered by the government in this matter. It accompanies the investor in the process of presenting the project and advises on all the requirements, with the goal of making the process as agile and simple as possible.

Webpage: [www.mef.gub.uy](http://www.mef.gub.uy)

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The Foreign Trade Single Window (SW) is an instrument for facilitating foreign trade that allows all procedures related to import, export and transit operations to be carried out electronically and from a single point of entry. The development of a SW implies a substantial alteration of the foreign trade processes where the government intervenes to make them simpler and more efficient, without undermining controls and security and without altering the functional conception of the agencies involved.

The SW allows the user to identify all the documentary requirements associated with a foreign trade operation and, for each of the procedures in

question, to send the electronic request and attach the digitalized documents required for the procedure. Through the platform, the information is forwarded to the appropriate competent body, which acts electronically on the procedure and may approve, reject or observe the process. Once the permit or final electronic document is granted, the user is notified, and it is automatically sent (when applicable) to the National Customs Directorate.

Webpage: [vuce.gub.uy](http://vuce.gub.uy)



The ease of carrying out procedures with the intervention of the public sector, which contributes to the creation of companies and the development of different businesses, is a success factor for the attraction of new companies, the emergence of local entrepreneurship and competitiveness overall.

The One-Stop Investment Window (OSIW) is a facilitation tool that helps improve the business atmosphere and contributes to the appeal of the country as an investment destination through the simplification and optimization of processes. In Uruguay, its creation is foreseen in the proposed 2022 Accountability Law (Article 459).

The purpose of the OSIW is to enable the streamlining -through the elimination of the use of paper, travel and unnecessary delays- of the necessary procedures to establish a business, with the intervention of the public sector. The creation of the OSIW tries to establish the necessary instruments and mechanisms to reduce time and requirements, as well as to increase the levels of quality, efficiency and productivity of public services, facilitating access to information and ensuring absolute transparency in government institutions.

The OSIW will complement the work carried out by the SW as a facilitation instrument.



**Uruguay Innovation Hub** - is a public-private and inter-institutional program supported by the National Agency for Research and Innovation, the Office of Planning and Budget, Uruguay XXI and the Ministries of Economy and Finance, Industry, Energy and Mining, and Education and Culture. It has an **acceleration program** that will provide financial support for the establishment of international technology and biotechnology accelerators, offering mentoring, training and access to contact networks for the selected projects; a **fund of funds**, a public-private co-investment tool that will enable startups to access international funding sources, as well as contact networks and mentoring; with an **innovation campus**, which will promote the deployment of projects from different innovation disciplines in the same physical space; and finally, with **open labs** where startups can develop proofs of concept to validate their ideas, applying cutting-edge technologies.

Webpage: <https://www.uruguayinnovationhub.uy>

# METHODOLOGICAL ANNEX

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## FDI CRITERIA (ASSET/LIABILITY VS. DIRECTIONAL)

Balance of payments (BoP) data collected by central banks are the main source of official information for estimating foreign direct investment flows<sup>23</sup>.

Following international recommendations, Uruguay's Central Bank publishes annual FDI data according to the **asset/liability principle** in the balance of payments. According to this approach, investment is determined under the logic of resident and non-resident in the country. Inward investment is composed of all financial obligations (liabilities) of resident companies with non-resident foreign companies, whether they are direct investment companies (resident foreign affiliates) that have obligations with their non-resident foreign investors (parent company or other related parties), or resident investment companies that invest abroad and have obligations with their affiliates abroad. This criterion is useful for macroeconomic analysis, for example, to estimate the impact of investment on a country's balance of payments. It is also useful for international comparisons, since the international recommendation is to present the data with the BPM6.

The **directional criterion** used in the previous manual (BPM5) operates under the logic of who the investor is (parent company or sister companies with another non-resident parent company) and who the direct investment company (subsidiary) is. For this reason, it regards investment in the opposite direction differently, i.e., when direct investment enterprises invest in their direct investor, netting these flows. In the case of inward investment, the directional criterion is then composed of the liabilities that resident direct investment companies have with their non-resident direct investors and the assets that these resident direct investment companies have with their non-resident direct investors are subtracted. Thus, net flows are obtained. This reverse investment component is observed in the form of loans between related companies. In Uruguay, the Central Bank publishes a detailed version of the Balance of Payments (BPM6) that allows FDI to be derived according to the directional principle (the detailed version is not published by all LAC countries). In addition, the Central Bank in Uruguay publishes FDI by country of origin and sector of destination based solely on the directional criterion. For this reason, this criterion is usually used in Uruguay XXI reports. The directional

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<sup>23</sup> In 2017 the Central Bank of Uruguay adopted the methodology of the 6th Balance of Payments Manual, and the 7th Manual is scheduled to be adopted by 2025.

criterion is useful to identify the influence and motivation of FDI flows and is therefore appropriate to assist investment policy makers. Under the new methodology, the data recorded reflects net flows, so they may take negative values.

## **ANNEX: REGULATORY FRAMEWORK**

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See the following link: [Regulatory Framework](#).

## 5. URUGUAY AT A GLANCE

### URUGUAY IN NUMBERS

Official name	Oriental Republic of Uruguay
<b>Geographic location</b>	South America, borders with Argentina and Brazil
<b>Capital</b>	Montevideo
<b>Surface area</b>	176,215 km <sup>2</sup> . 95% of the territory is productive soil, suitable for agricultural and livestock farming
<b>Population (2022)</b>	3.57 million
<b>Population growth</b>	0.3% (annual)
<b>GDP per capita (2022)</b>	US\$ 20,043
<b>Currency</b>	Uruguayan Peso (\$)
<b>Literacy rate</b>	0.98
<b>Life expectancy at birth</b>	77.9 years
<b>Government type</b>	Democratic Republic with presidential system
<b>Political division</b>	19 departments
<b>Time Zone</b>	GMT - 03:00
<b>Official language</b>	Spanish

### MAIN ECONOMIC INDICATORS

Indicators	2018	2019	2020	2021	2022	2023*
<b>GDP (Annual Var %)</b>	0.16%	0.74%	-6.26%	5.28%	4.92%	1.00%
<b>GDP (Millions US\$)</b>	65,118	61,992	53,613	61,380	71,250	81,303
<b>Population (Million people)</b>	3.51	3.52	3.53	3.54	3.55	3.57
<b>GDP per Capita (US\$)</b>	18,573	17,619	15,184	17,324	20,043	22,796
<b>Unemployment rate - Annual Average (% PIA)</b>	8.3%	8.9%	10.4%	9.3%	7.9%	8.1%
<b>Exchange Rate (Pesos per US\$, Annual Average)</b>	30.8	35.3	42.1	43.6	41.1	38.8
<b>Exchange Rate (Annual Average Variation)</b>	7.3%	14.7%	19.2%	3.6%	-5.6%	-5.6%
<b>Consumer Prices (Annual Cumulative % Variation)</b>	8.0%	8.8%	9.4%	8.0%	8.3%	6.7%
<b>Exports of goods and services (Millions US\$)**</b>	17,253	17,228	13,782	19,397	22,495	24,144
<b>Imports of goods and services (Millions US\$)**</b>	13,973	13,504	11,354	14,911	18,711	21,773
<b>Trade Surplus / Deficit (Millions US\$)</b>	3,280	3,724	2,428	4,486	3,784	2,371
<b>Trade Surplus / Trade Deficit (% of GDP)</b>	5.0%	6.0%	4.5%	7.3%	5.3%	2.9%
<b>Overall Fiscal Result (% of GDP)</b>	-3.9%	-4.4%	-5.8%	-4.1%	-3.4%	-
<b>Gross Capital Formation (% of GDP)</b>	14.9%	14.3%	16.4%	19.2%	18.8%	-
<b>Public Sector Gross Debt (% of GDP)</b>	59.1%	60.1%	74.5%	69.1%	66.9%	-
<b>Foreign Direct Investment (Millions US\$)***</b>	-11	2,018	753	1,923	3,675	-
<b>Foreign Direct Investment (% of GDP)</b>	0.0%	3.3%	1.4%	3.1%	5.2%	-

\*Data shown in red.

Sources: Uruguay Central Bank, National Statistics Institute, Ministry of Economy and Finance and estimated data (\*). Fiscal result data include the effect of Law N°19.590 (fifty-year-olds). In 2017 the Uruguayan Central Bank adopted the methodology of the 6th balance of payments manual. This methodology includes purchase and sale of goods and re-exports and has been available since 2012. Data are net flows so they may take negative values (\*\*).





**Uruguay XXI**  
PROMOCIÓN DE INVERSIONES,  
EXPORTACIONES E IMAGEN PAÍS

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