

COMMERCIAL PROFILE OF URUGUAY

Trade Practices - Imports/Exports Exports: US \$ 2.2 billion f.o.b. (2003 est.). Exports - commodities: meat, rice, leather products, wool, fish, dairy products. Exports - partners: US 17.3%, Brazil 16%, Germany 6.3%, Argentina 6.2%, Mexico 4.2% (2004). Imports: US\$2.071 billion f.o.b. (2003). Imports - commodities: machinery, chemicals, road vehicles, crude petroleum. Imports - partners: Argentina 19.5%, Brazil 19%, Paraguay 12.9%, US 9.2%, China 6% (2004).

Free Trade Zones The promotion and development of Free Trade Zones (FTZ) with the purpose of promoting investments, exports, employment and the international economic integration, have been declared by law to be of national interest. Law No.15921 of December 17, 1987 regulates the operation of FTZs within the country. The law allows storage and warehousing, manufacturing, and financial and data processing, and related activities to take place within FTZs. Nine FTZs are located throughout the country (one public, one mixed ownership, and seven private). The free zones can be public or private and in both cases should be authorized and controlled by the National Office of Free Zones. Currently, FTZ have been established in the locations of Colonia, Florida, Nueva Helvecia, Nueva Palmira, Río Negro, Rivera, San José, Libertad and Montevideo. The FTZ system has been set up basically to develop the following activities: 1. Trading, storing, selecting, classifying, splitting, assembling, disassembling and other operations which do not imply manufacturing goods and raw materials. 2. Installation and functioning of manufacturing establishments. 3. Services in the areas of financing, information, maintenance and repairs, professional advice and others. Corporations operating as users of the FTZ are exempted from: - all national taxation created or to be created except, as applicable, for the withholding tax from dividends credited or paid abroad; - outgoing and ingoing goods are exempted from all taxes; - tax exemptions do not apply to social security contributions, except for foreign personnel who may opt not to join the national social security system; - at least 75 percent of their personnel must be composed by Uruguayan citizens, this percentage can be reduced through specific authorization by the Executive Power. It is worth mentioning that state utility monopolies are not in force inside the FTZ. The goods introduced into FTZ from Uruguayan territory, which is not FTZ, are considered to be exports. Likewise, goods introduced into non- FTZ Uruguayan territory are considered to be imports, thus paying the corresponding tariffs. Goods sourced from FTZs entering third countries will be subject to tariffs, which in the case of MERCOSUR (The Southern Common Market (MERCOSUR) was created by Argentina, Brazil, Paraguay and Uruguay in March 1991) is the CET (Common External Tariff) applicable to goods sourced out of the MERCOSUR area. However the ample tax exemptions of the companies operating in FZ continue to represent a significant advantage.

Free Ports Pursuant to the Port Act, Law No. 16,246 of May 1992 - and the subsequent regulations thereon, Montevideo is the first sea terminal on the

Atlantic coast of South America to start operating as a 'Free Port'. This regime is also applicable to the ports of Nueva Palmira, Fray Bentos and Colonia. The above act provides for the free movement of goods in Montevideo, without the need to obtain any formal authorizations or undertake cumbersome procedures. While within the port customs area, the bonded goods shall be exempt from the payment of any duties or surcharges applicable to imports, unless and until they are actually imported into Uruguay. Inside the relevant port premises, the destination of the goods may be changed at will, and no restrictions, constraints, permits or prior reporting formalities apply. Warehousing, re-packaging, re-marking, classification, grouping and re-grouping, consolidation, handling and splitting operations are permitted, as long as they do not involve any change in the nature of the goods. There are likewise no limits concerning the duration of the storage of the goods in the port, nor regarding the volume of the goods stored. For the provision of port services, the legal system foresees a range of solutions under the guiding principle of private sector participation. This participation can be materialised in several ways: through the granting of concessions or permits to private companies in exchange for a fee for them to use or occupy public property, or through administrative authorizations for them to carry out certain activities, or through the establishment of partnerships in which the National Port Administration (ANP) shares in the equity and management. At present, a broad range of port services are being offered, and these are complemented with the other logistic services of Uruguay, that have been developed to a significant degree. In addition to the port premises, 'out-of-port terminals' have been created. The existence of these terminals prevents the port area from becoming overcrowded and speeds-up foreign trade operations. The 'Free Port' system is supplemented - to a large extent- by the 'Free Zones' regime.