



October | 2011

Uruguay XXI

INVESTMENT AND EXPORT
PROMOTION AGENCY



Logistics Services: Uruguay, Gateway to MERCOSUR

Investment Opportunities in Uruguay

Rincón 518/528 - CP 11000 - Montevideo - Uruguay
Tel: (5982) 9153838 - Fax: (5982) 9163059
info@uruguayxxi.gub.uy - www.uruguayxxi.gub.uy



República Oriental
del Uruguay

1. Why use Uruguay as a logistics base and invest in the sector

1.1. Advantages of Doing Business in Uruguay

- Suitable natural, geographic, economic, political and business environment. Uruguay is noted among Latin American countries for its economic freedom and security.
- Attractive cultural and educational conditions, including the use of several languages in addition to Spanish.
- Advanced communications and connectivity infrastructure.
- Reasonable wage costs.

1.2. Uruguay Offers Equal Treatment for Foreign Investment

Foreign investors receive the same treatment as domestic investors. Uruguay has agreements for the promotion and protection of investments with 27 countries, including China, Finland, France, Spain, the United Kingdom and United States.

1.3. Attractive Conditions for Logistics:

- A strategic location with regards to the transit of goods in the enlarged region (MERCOSUR plus Chile and Bolivia), between 72 and 96 hours by truck to major cities (two or three hours by air), with good connections via river (Paraná-Paraguay-Uruguay Hydroway), sea, road and air.
- Clear economic rationale for the establishment of Regional Distribution Centers (RDCs) in Uruguay. These include lower overall inventories in the region, deferral of customs duties and other taxes, decreased administrative costs for inventory management and increased safety for goods by permitting destination changes before final delivery.
- Ability to render logistics services, as seen by the experience of domestic and international companies.
- An attractive legal framework that allows the use of privately owned enclaves or a combination of various modalities (Free Zones, Free Ports and Free Airport regimes and Bonded Warehouses), where no customs duties or taxes are due on imports or exports, thus facilitating logistics operations.

2. Attractive Business Environment

Uruguay has a natural environment that is free from natural disasters. It is politically stable with a representative democracy and rotation of the three main political parties.

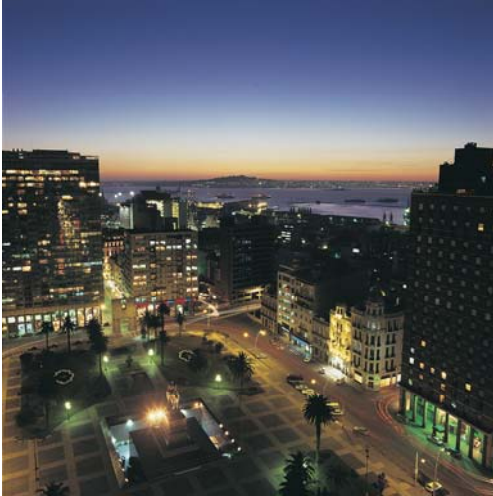


Photo: Montevideo, Plaza Independencia

Its annual GDP per capita of US\$ 12,000 in 2010 (measured in current dollars) positioned the country first in Latin America¹.

The country's GDP has grown at a rapid pace since 2004; at an average annual rate of 6.5% (in the period 2005-2010) this growth is expected to continue in following years. Since 2004, macroeconomic indicators have remained satisfactory and inflation has been under control (in the single digits). A list of major economic indicators is provided at the end of this document.

2.1. Uruguay Offers the Most Open Business Environment in the Region:

Uruguay offers the most open business environment in the region (Tholons, Report on Outsourcing in Uruguay, June 2009, situation fully in force since August, 2011).

- No restrictions on the repatriation of capital, profits, dividends or interest.
- Foreign investors do not require permits or prior authorizations. Local companies may be 100% foreign owned.
- The currency exchange market is open and there are no limits on foreign currency trading. Investments can be made in any currency.
- No restrictions on hiring foreign staff (except for companies located in Free Zones, where 75% of staff must be local).
- Residency permits can be obtained in three months and anyone who has entered the country legally can obtain one and start working, even during the application process.
- Citizens from most western nations do not require visas to enter the country.

2.2. Uruguay Offers the Safest Destination for Business and Investment in Latin America:

Several global indicators show that Uruguay is an excellent location from which to do business. The following tables illustrate some of these indicators.

¹ World Bank Data, <http://datos.bancomundial.org/indicador/NY.GDP.PCAP.CD>.

Table No. 1: Uruguay's Position in World Rankings Regarding Democracy and Political and Social Stability²

Low Corruption		Democracy Index		Global Peace Index		Business Cost of Crime and Violence	
Ireland	14	Ireland	12	Ireland	11	Ireland	28
Chile	21	United States	17	Uruguay	21	Spain	52
United States	22	Spain	18	Spain	28	Uruguay	70
Uruguay	24	Uruguay	21	Costa Rica	31	Chile	78
Spain	30	Costa Rica	24	Chile	38	United States	84
Costa Rica	41	Chile	34	Argentina	55	Costa Rica	115
Brazil	69	Brazil	47	Brazil	74	Argentina	116
Colombia	78	Argentina	51	United States	82	Brazil	123
Argentina	105	Colombia	57	Colombia	139	Colombia	134

Low impact of crime on business; The Global Competitiveness Report (GCR) from the World Economic Forum 2010/2011 compared Uruguay with Argentina, Brazil, Chile, Costa Rica and Mexico using three variables: organized crime, costs for business regarding crime and violence and costs for business regarding terrorism. Uruguay achieved the best scores in all three areas and ranked first in the world for costs for business regarding terrorism (lower global cost).

Uruguay leads in Latin America with respect to *property rights, intellectual property rights, judicial independence and regulatory framework efficiency regarding settlement of disputes*. The abovementioned GCR report (2010/2011) assesses these four variables, and in Latin America, only Chile and Costa Rica are relatively comparable to Uruguay.

On a different level, Uruguay offers an *insurance against political risk* to United States investors through a bilateral agreement between the Uruguayan government and the U.S. Overseas Private Investment Corporation (OPIC). The insurance covers all investment risks except credit risk, and claims are subject to international arbitration. This agreement is in force since 1982.

2.3. The Country's Position Regarding the Use of Modern Communications

In Latin America, Uruguay currently ranks the highest in terms of use of modern communications indicators. In order to support what is mentioned above, some of the most relevant international indicators are analyzed.

According to the World Economic Forum's 2010/2011 Global Competitiveness Report, Uruguay holds the following position among 139 surveyed countries:

- Quality of electricity supply (Average 2009/10): 2nd in Latin America, 37th position, page 394.

²Transparency International, Corruption, Economist Intelligence Unit, 2010, Institute for Economics & Peace, Global Peace Index 2011, World Economic Forum, 2010/11.

- Mobile telephone subscribers per 100 inhabitants (2009): 2nd in Latin America, 44th position, page 396.
- Fixed telephony per 100 inhabitants (2009): 2nd in Latin America, 48th position, page 395.
- Internet users per 100 inhabitants (2009): 1st in Latin America, 41st position, page 467.
- Broadband subscribers per 100 inhabitants (2009): 4th in Latin America, with the exception that for Uruguay data refers to the preceding year in contrast to other countries, page 468.

Table No.2: Uruguay's Position in Global Communications Rankings

Electricity		Mobile telephones		Fixed Telephones		Internet	
Chile	30	Argentina	25	Costa Rica	38	Uruguay	41
Uruguay	37	Uruguay	44	Uruguay	48	Colombia	47
Costa Rica	43	Chile	64	Argentina	53	Brazil	57
Colombia	57	Colombia	74	Brazil	62	Costa Rica	66
Brazil	63	Brazil	76	Chile	63	Chile	68
Mexico	91	Mexico	93	Mexico	72	Argentina	74
Argentina	93	Costa Rica	119	Colombia	77	Mexico	85

The **Internet** column refers to 2008 for Uruguay and 2009 for the rest of the countries.

Source: World Economic Forum's Global Competitiveness Report 2010/2011.

3. Attractive features of the country specific to regional logistics

Uruguay offers many attractive features for the logistics sector. Among others, we will examine the clear cost advantages for the development of a Regional Distribution Center, several attractive legal systems, Uruguay's strategic geographical location in relation to transit of goods in the region and the experience in the provision of multiple logistics services.

3.1. Clear economic rationale for logistics activities in Uruguay

3.1.1. Regional Distribution Centers (RDCs)

One of the keys for logistics activities lies in the reduction of costs made possible through the use of Regional Distribution Centers (RDCs). In Uruguay it is possible to set up such centers in the region with competitive advantages under the current rules of Free Zones, Free Ports and Free Airport regimes and Bonded Warehouses. RDCs can store and perform various processes on merchandise without customs duties or import and export taxes (and even income taxes in the case of Free Zones). Later, merchandise may be shipped to MERCOSUR countries and Chile, Bolivia and Mexico, owing to beneficial trade agreements, to arrive just a few hours after orders are made (just in time), thus preventing delays and reducing inventories required at each destination country.

Map 1 shows the distances from Montevideo to the major cities of the region and the approximate times for delivery via highway. The farthest destinations can be reached in between 72 and 96 hours. Air travel times to these destinations are between 2 and 3 hours.

Map 1: Distances in Km and Travel Time by Road



Source: Hodara, Opertti and Puntigliano (2008), Visualizing Uruguay as a Regional Logistics Center.

Let us look at an example using the "traditional" system where an Asian manufacturer ships inventories to each destination country. Given the 60 days or more needed for shipping, the manufacturer would be forced to import into each county (that is, paying customs duties and taxes) for between 90 and 120 sales days of inventory.

In turn, with a Regional Distribution Center in Uruguay, inventories in each final destination country can be substantially reduced (to 15 sales days). Shipping time from Montevideo is just three or four days by highway or just a few hours by airplane (Peru and Mexico can be reached in 22 and 20 days via maritime transit, respectively, and Santa Cruz, Bolivia is eight days away by highway). Given that the inventory now centralized in Montevideo is less than the sum of the stocks required for each country, a reduction in capital invested in inventory is achieved; in addition to the deferral of import costs (see Figures 1 and 2).

RDCs also have faster response times with just in time deliveries, customized merchandise and lower administrative costs by centralizing operations and thus avoiding duplication in various countries.

Figure 1: Traditional logistics in the region



Source: Hodara, Opertti and Puntigliano (2008), Visualizing Uruguay as a Regional Logistics Center.

Figure 2: Logistics from an RDC in Uruguay



Source: Hodara, Opertti and Puntigliano (2008), Visualizing Uruguay as a Regional Logistics Center.

Hodara, Opertti and Puntigliano (2008)³ show the specific case of an international company (pharmaceuticals and chemical products) from outside the region that operates with MERCOSUR countries and Chile. Using traditional logistics, the company used to send merchandise directly to each country, which held a domestic inventory equivalent to 3.5 months worth of sales. Later, with an RDC in Montevideo, the company was able to reduce this inventory to 0.5 months, with the total inventory in Montevideo being less than the sum of all countries' inventories. This is a "real case of the Square Root Law of the London Institute of Logistics regarding financial, logistics and supply time effectiveness of inventory centralization."

As we will see in point 3.2. of this report, another advantage of the system is that inventory stored at a Montevideo RDC does not incur customs duties or other taxes (except in certain cases explained there) as a result of the Uruguayan legal framework of Free Zones, Free Ports and Free Airports regimes and Bonded Warehouses. Any duties or taxes are deferred until their import at the destination country (once goods are sent), providing significant financial savings. In addition, these legal systems allow for the destination of the goods to be changed in Montevideo, thus protecting them from adverse and unexpected events that could occur at the final destination.

Examples of international companies that have set up RDCs in Uruguay under the Free Zone system include Merck Serono and Ricoh.

Merck Serono

Merck Serono, a subsidiary of the Merck KGaA pharmaceutical company, operates its regional distribution and secondary packing center for its biotechnology products at Zonamerica (a Free Zone located 15 km from downtown Montevideo). In Uruguay since 1997, the company exports € 100 million in highly specialized products to the region per year in the areas of fertility, multiple sclerosis and cancer (2009).



Merck Serono's decision to locate its center in Uruguay was due to the Free Zone legislation that enables this type of business in a physical space that meets world-class standards. Financial and political stability were also key factors for the company's decision to invest in Uruguay.

Merck Serono allocated an additional investment of US\$ 2.5 million in laboratory equipment for the creation of a biotechnological pole in a building constructed by Zonamérica at a cost of US\$ 5 million and it was granted to Merck in a 10-year concession. The total investment was US\$ 7.5 million and will be operating by the beginning of 2012. Exports to Latin America will be the main destination of this production.

Serono forecasts an additional US\$ 2.5 million investment in laboratory equipment. It will be located in a facility that Zonamerica will build at a cost of US\$ 5 million, which will be provided to Merck under a 10-year concession. The US\$ 7.5 million investment is planned for mid-2011. The output of the plant will be shipped to other Latin American countries.

³ Hodara, Opertti and Puntigliano (2008), Visualizing Uruguay as a Regional Logistics Center.

Ricoh South America Distribution Center⁴

Ricoh of Japan established its RDC in Zonamerica in 1993 and is currently one of **RICOH** the top five importers and exporters at this Free Zone. The RDC ships its products to Ricoh's subsidiaries and exclusive distributors in the region. Previously, the company had used Miami as a base. The company carried out a study to "determine the competitive advantages to be able to work closer to the clients and at the same time to minimize operational costs and shipping times." Ricoh also stated that "Free Zone benefits, service quality and cultural aspects" were other reasons why it chose to operate in Uruguay. The company occupies approximately 4,500 m² of Zonamerica's surface area.

3.1.2. Operational costs at Uruguayan ports

According to the World Bank's Doing Business 2010 report, Uruguay is in a solid competitive position in the region with regards to container movement (see Table 3).

Table No.3: Import and Export Costs⁵

Country	Export cost (US\$/container)	Import cost (US\$/container)
Uruguay	1,100	1,330
Argentina	1,480	1,810
Brazil	1,790	1,730

Source: Doing Business 2010, Trading Across Borders.

A list of the maximum fees charged at the Port of Montevideo for cargo management (containers, general cargo, etc.) is provided in the Appendix.

3.2. Unique and Favorable Legal Systems for Logistics Activity: Free Zones, Free Ports and Free Airport Regimes and Bonded Warehouses

Companies that wish to perform logistics activities must evaluate the legal system in effect depending on the product type, business characteristics and local conditions. Please see Table 4.

⁴ Source: www.plusultra.com.uy/ricoh

⁵ Includes documentation costs, administrative fees at Customs and transport and handling costs. Tariffs not included.

Table No.4: Comparison of Legal Systems for Logistic Activities

	FREE ZONE	FREE PORT AND FREE AIRPORT	BONDED WAREHOUSE
Duties to introduce goods to:	No	No	No
Duties upon entrance to Uruguay (import) of goods originating from MERCOSUR	Yes	No	No
Duties upon entrance to Uruguay (import) of goods with MERCOSUR origin exported from:	Yes ⁶	No	No
Duties upon entrance to other MERCOSUR member states of goods from rest of world exported from:	Yes	Yes	Yes
Ability for non-industrial logistics manipulation, including change of goods destination	Yes	Yes	Yes
Ability for industrial manipulation	Yes	No	Yes
Maximum stay	Indefinite	Indefinite	1 year
Tax payments by user (income tax, wealth tax)	No ⁷	Yes ⁸	Yes
Tax payments on circulation of goods within enclave (VAT)	No	No	No
Ability to change owners within enclave	Yes	Yes	Yes
Option to waive social security payments for foreign staff	Yes	No	No
State monopolies in force ⁹	No	Yes	Yes
Right to carry out activities requires contracts and/or special registrations in Uruguay	Yes ¹⁰	No ¹¹	No
Authorizations or formal procedures with government agencies (e.g., customs) required to carry out operations	Yes	No	Yes

Source: Developed by Uruguay XXI with support provided by Dr. Daniel Olaizola of Jaume & Seré.

⁶ Exceptions are expressly established in bilateral agreements with Brazil and Argentina for specific products from Uruguayan Free Zones, for example, grain exports from the Nueva Palmira Free Zone and soft drink concentrate from the Colonia Free Zone.

⁷ Uruguayan companies that are not Free Zone users but are owners of merchandise are subject to corporate income tax.

⁸ Income from profitable activities carried out by non-resident entities with merchandise of foreign origin when not for or from national Customs territory are exempt. If the owners are physical or legal entities located abroad, the merchandise is not included in the taxable basis for the wealth tax.

⁹ Refers mainly to government monopolies in fixed telephony, water, electricity and petroleum refining.

¹⁰ Must be direct or indirect user, signing special duly registered contracts with, and having the approval of, the Free Zones Bureau.

¹¹ Establishing commercial agreements with operators that provide services under these systems is sufficient, and no registration of the company with any Uruguayan organization is required.

3.2.1. Free Zones

The Free Zone system was originally established in 1923 with the objective of developing industrial centers in the hinterland of the country. They were reconfigured by law 15,921 of 1987. They may be privately or government owned. Private Free Zones are authorized at the request of the interested party. Free Zones are monitored by the Ministry of Economy and Finance (Free Zone Area under the General Commerce Bureau) and are managed either by private parties or by the government. There are currently 11 Free Zones in the country.

Activities that may be carried out at Free Zones include: industrial activities that imply merchandise transformation; commerce; storage; assembly and disassembly of merchandise and raw materials of domestic or foreign origin; and services both within the Free Zone as well as to other countries (including Uruguay).¹²

Tax exemptions: activities of Free Zone users are not subject to corporate income tax or wealth tax, nor any existing or future national tax. Dividend payments to shareholders domiciled abroad are not subject to withholding tax. Foreign personnel (up to 25% of all staff) can choose whether to contribute to the Uruguayan social security system or not.



Sales and purchases of goods and services to and from abroad are not subject to VAT, nor are sales and services rendered within the Free Zone.

Non-resident entities are not subject to corporate income tax for activities carried out on foreign merchandise in transit or stored at the Free Zones when the merchandise is not for the national customs territory. In addition, corporate income tax is not applicable when sales to the national territory do not exceed 5% of all merchandise sales in transit or stored at the Free Zone.

Customs duties exemptions: sales and purchases to and from the rest of the world are exempt from customs duties, no matter if the acquirer of the purchase is a Free Zone user.

Sales from the non-Free Zone national territory to a Free Zone are considered as exports from the country and sales from a Free Zone to the non-Free Zone national territory are considered imports and are subject to corresponding customs duties and national taxes.

Sales from Free Zones to MERCOSUR countries are subject to the custom union's common external tariff (AEC). The AEC tariff is in effect for goods from all countries outside the bloc, except for those explicitly established in bilateral agreements negotiated in the MERCOSUR framework with Argentina and Brazil.

As a consequence of the abovementioned regulations, it is generally appropriate to use the Free Zones for companies that add industrial value or that perform logistics operations and that export goods to the rest of the world (AEC tariff applies to exports from Free Zones to MERCOSUR, even if the origin is MERCOSUR).

¹² Services that may be rendered for the national non-Free Zone territory are as follows (while respecting State monopolies and/or public concessions): 1. international call centers (as long as the number of incoming and outgoing calls to the national territory is less than 50% of total calls); 2. electronic mail; 3. distance learning; 4. electronic signature certificate emission; 5. software support, IT consulting and training. Sources: law 15,921 (article 2), decree 71/001 (article 3) and decree 84/006 (article 1).

Government utility monopolies do not apply in the Free Zones.

3.2.2. Free Ports



Photo: Port of Montevideo

The Free Port system was established by law 16,246 (8 April 1992) and regulated by decree 412/992, both for the Port of Montevideo and other ports with the ability to receive ocean-going vessels. This legislation has enabled Montevideo to become South America's first Atlantic coast terminal to operate under the Free Port system. In addition, it has substantially modified operations at the Port of Montevideo, as port services are now provided by private companies, not by the ANP National Port Administration, as was previously the case. All other ports operating as Free Ports include all that have commercial activities: Colonia, Fray Bentos, Juan Lacaze, La Paloma, Nueva Palmira and Paysandú.

The law enables the free circulation of merchandise within the port enclave without authorizations or formal procedures. Likewise, merchandise destination may be freely changed. During its stay, merchandise is free from all duties and surcharges applicable to imports.

Within the customs enclave, merchandise circulation is exempt from domestic taxes (VAT, etc.) Likewise, services rendered are exempt from VAT.

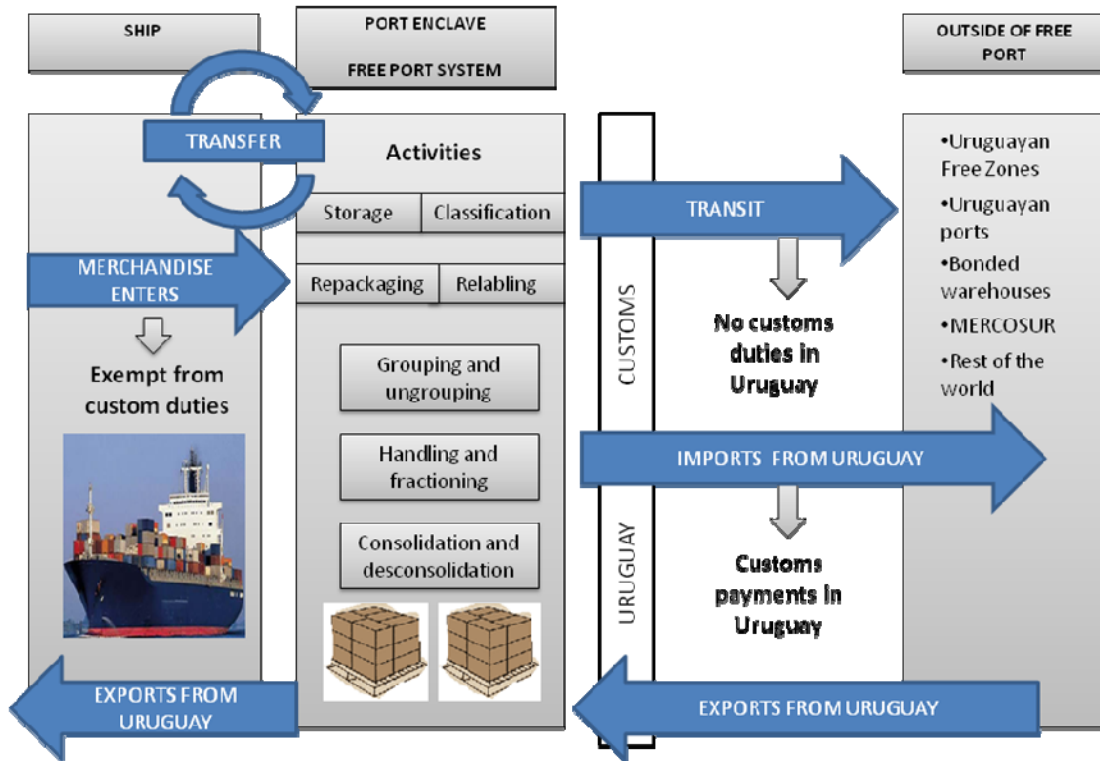
Wealth tax is not levied on foreign legal entities for stored merchandise. Likewise, corporate income tax is not levied on income associated to said merchandise.

Diverse operations may be performed on the merchandise, including warehousing, repackaging, relabeling, classification, grouping, ungrouping, consolidation, deconsolidation, manipulation or fractioning,¹³ as well as value adding tasks that do not modify the nature of the product.

Goods that enter the port enclave from abroad can remain in storage for an unlimited period tax free. Likewise, goods are not subject to taxes if re-exported on another ship (transfer or reshipment). If entered into the country, taxes must be paid upon departure from the Free Port. If the destination is another MERCOSUR country (e.g., by highway through Uruguay), customs duties are paid upon entrance to the member state if applicable (in the latter case, if the goods have MERCOSUR origin, the MERCOSUR origin is not lost due to this operation, contrary to what happens when exported from a Free Trade Zone). If the destination for the merchandise from the port enclave is a Uruguayan Free Zone (transit), no customs duties are due. In all cases, payments must be made to port operators for work performed.

¹³ Law 16.296, articles 2 and 3.

Figure No.3: High Value Added Logistics Activities Performed in Free Ports



Source: Developed by Uruguay XXI.

3.2.3. Free Airport

Law 17,555 (dated 18 September 2002) declares that the Free Port system (law 16,246) is applicable to the Carrasco International Airport. The legislation states that “airports, like ports, are areas that are especially suitable for logistics activities that add value to merchandise without modifying its nature.”¹⁴ Decree 409/008 (dated 27 August 2008) implemented said law, establishing the Free Port regulations applicable to the airport. In essence, the same considerations listed in point 3.2.2. apply to the airport.

3.2.4. Bonded Warehouses

To bolster storage and logistics activities in port areas, decree/law 15,691 (dated 7 December 1984) authorized the establishment of Bonded Warehouses for in-transit merchandise.

Bonded Warehouses (article 95): Definition: fenced-in, closed, open or floating spaces and tanks where merchandise is stored with authorization from Customs. Foreign merchandise will be considered in transit and may be unloaded or reshipped at any given moment, free of import and export taxes and any internal taxes.

¹⁴ Decree 409/008 dated 27 August, 2008.

Types (article 96): Bonded Warehouses may be government or privately owned and may be rented by the State. Both government owned and privately owned Bonded Warehouses can be used for commerce or manufacturing. Special warehouses are to be used for fractioning of bulk items.

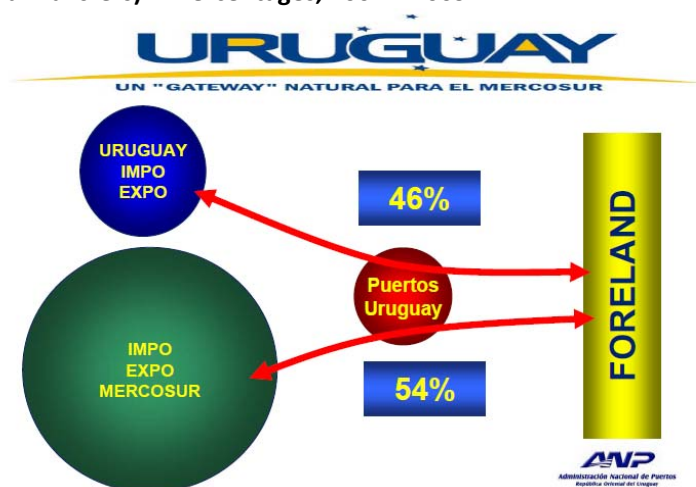
Legal operations of Bonded Warehouses are similar to those of Free Ports except for the following:

- In contrast to Free Ports, industrial activities may be performed in Bonded Warehouses, i.e., operations that change the nature of goods, including:
 - o incorporation of local parts, articles and products (such as the processing of raw materials and semi-manufactured products)
 - o adjustment, assembly and finishing of vehicles, machinery and equipment
 - o all other similar transformations¹⁵
- In Bonded Warehouses, merchandise may not remain under this system for more than one year, even if it is moved to another warehouse of the same or other owner.¹⁶ Free Ports do not have this limitation.

3.3. Strategic geographic location in the expanded region (Argentina, Bolivia, Brazil, Chile and Paraguay)

A study by ALADI and MERCOSUR shows that 64% of all commerce in transit in 2004 of goods from outside the MERCOSUR region goes through Uruguay, whose share in regional GDP is just 2%.¹⁷ The result is due to the so-called “Rotterdam effect” that consists of the “attraction of in-transit commerce much greater than the domestic market can absorb, and this is seen in cases of small economies surrounded by larger markets with reasonably efficient ports and a dense network of terrestrial infrastructure.”¹⁸ Approximately half of container movements in the Port of Montevideo correspond to either transit (cargo that arrives via ship and leaves the port and the country via terrestrial means), reshipment (a transit method applied to cargo that arrives via ship, is unloaded at the port to the container lot or to a warehouse and is reshipped abroad) or transfers (cargo that arrives via ship and departs by ship without unloading at the port).

Figure No.4: Container Movements at the Port of Montevideo with Destinations to Uruguay and the Region (Transit and Transfers) in Percentages, 2007 – 2009



¹⁵ Article 100 of the Customs Code.

¹⁶ Law 16,736 dated 5 January 1996, article 180; and decree 216/06 dated 10 July 2006, article 21.

¹⁷ Cited in Hodara, Opertti and Puntigliano (2008), Visualizing Uruguay as a Regional Logistics Center.

¹⁸ Idem.

Source: Adapted from Puntigliano (2009), Past, Present and Future of Ports in Uruguay. By 2010 transits and transfers represented 47% for the Port of Montevideo and 66% for the Port of Nueva Palmira. See tables 3.5 and 3.6.

All large ports and airports are linked to an area of influence or current or potential hinterland, depending on a set of circumstances including: geographic location, existence of other nearby ports or airports, connectivity, habits of users, reliability, etc.

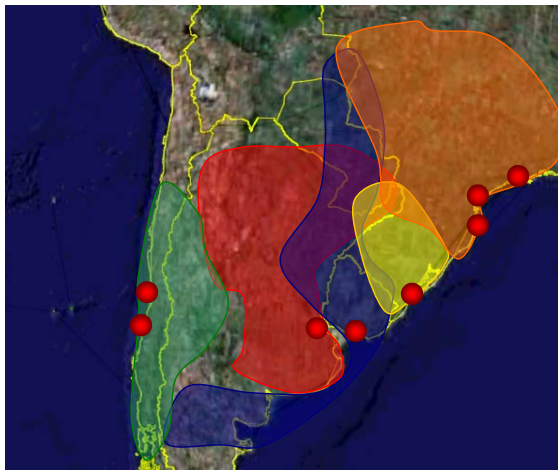
3.3.1. Ports

The eight largest ports of South America's southern cone make up three sub-systems: North (Santos, Paranaguá and Itajaí), West (Valparaíso and San Antonio) and South (Buenos Aires, Montevideo and Rio Grande).¹⁹

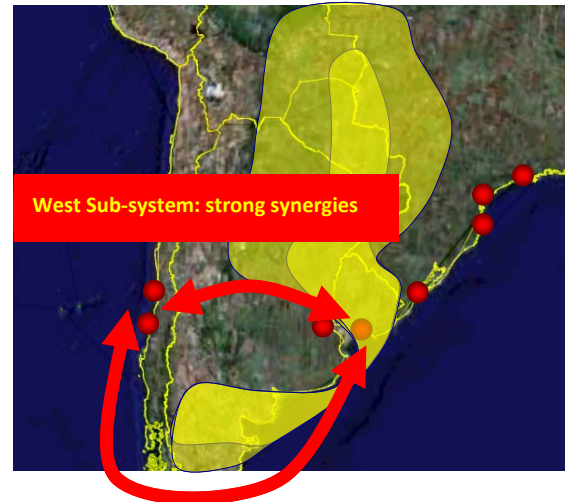
These three sub-systems are relatively independent. The difference in the number of container movements in one sub-system compared to another is relatively insignificant. Each port has its own area of influence within each sub-system. Map 2 attempts to present this idea for container movements (blue for Montevideo and other colors for Buenos Aires, Rio Grande as well as the North and West sub-systems).

In Map 3, the authors show the current hinterland for the Port of Montevideo in light yellow and its medium-term potential hinterland in dark yellow, for which the appropriate connectivity would have to be created.

Map No.2: Areas of influence of ports of North Subsystem, Rio Grande, Montevideo, Buenos Aires and West Subsystem.



Map No.3: Current hinterland of Port of Montevideo (light yellow) and its potential (dark yellow).



Source: Hodara, Operti and Puntigliano (2008), op cit.

There are two ports in Uruguay with ocean access: Montevideo and Nueva Palmira. Nueva Palmira specializes in bulk cargo, while Montevideo works mainly with containers.

¹⁹ Source: Hodara, Operti and Puntigliano (2008), op cit.

Areas of influence or hinterlands, from both ports are similar. The Hydroway formed by the rivers Paraná, Paraguay and Uruguay provides river access for products from and towards Asunción (Paraguay), Rosario and Santa Fe (Argentina) and even eastern Bolivia (Santa Cruz Department). Both Nueva Palmira and Montevideo consist of overseas ports for this Hydroway.

Map No.4: Paraná-Paraguay-Uruguay Hydroway



Source: Eduardo A. Mazza (2002), Transport and Logistics – Technological Prospects for Uruguay, 2015.

Table No.5: Geographic Basins of the Paraná-Paraguay-Uruguay Hydroway

Paraná River basin	1,510,000 km ²
Paraguay River basin	1,095,000 km ²
Uruguay River basin	365,000 km ²
La Plata River basin	130,000 km ²
La Plata River total basin	3,100,000 km²

Source: Eduardo A. Mazza (2002), Transport and Logistics – Technological Prospects for Uruguay, 2015.

A network of highways joins Montevideo to the region's other major cities, facilitating truck transport. Three bridges on the Uruguay River connect the country to Argentina at the cities of Salto, Paysandú and Fray Bentos. Connections to Brazil are available at land border crossings at the cities of Artigas, Bella Unión, Chuy, Río Branco and Rivera.

Map No.5: Highways Linking Montevideo, São Paulo, Buenos Aires, Asunción and Santiago



Source: Eduardo A. Mazza (2002), Transport and Logistics – Technological Prospects for Uruguay, 2015.

Railway transport is performed by state-owned company AFE. The new administration that took office in March 2010 has stated its intention to revamp railway infrastructure with the incorporation of private investors to make the system suitable for national and international logistics needs.

- **Advantages of the Port of Montevideo – Gateway to MERCOSUR**

The Port of Montevideo, located on the La Plata River, is geographically situated along one of MERCOSUR's major cargo routes. The port operates 24 hours a day, 365 days a year. Winds and storms that impede operations are infrequent. Cargo movement is split between containers (64%), bulk (24%) and general cargo (11%).²⁰

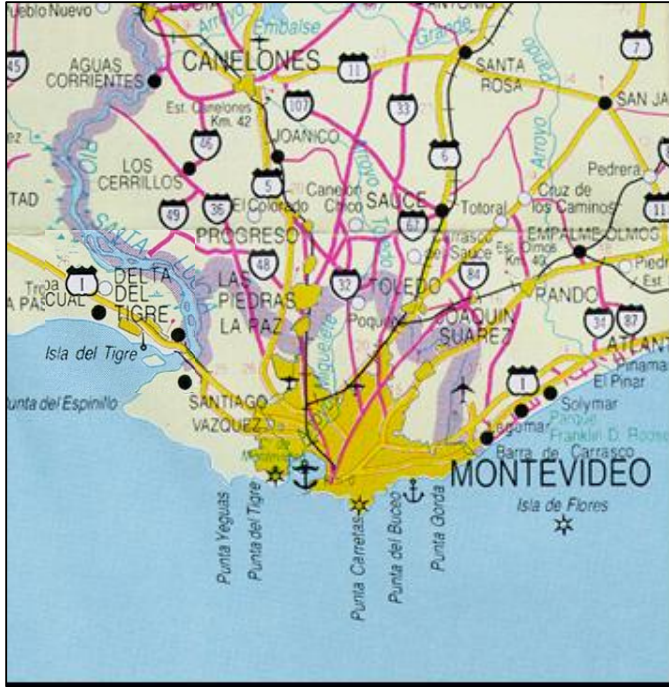
The Free Port system has made Montevideo the first and only Atlantic coast terminal in South America with an attractive and competitive system for merchandise transit. This law authorizes activities of repackaging, grouping, ungrouping, consolidation, deconsolidation, classification, relabeling, fractioning and value adding tasks that do not modify the nature of the merchandise, as

²⁰ Loading and unloading average for 2008 and 2009.

well as removal and transfer from a means of transport to another within the port enclave, to transport abroad or to other national ports or Free Zones.

Major access routes to the rest of the country and the region converge at the Port of Montevideo.

Map No.6: Highways Converging at the Port of Montevideo



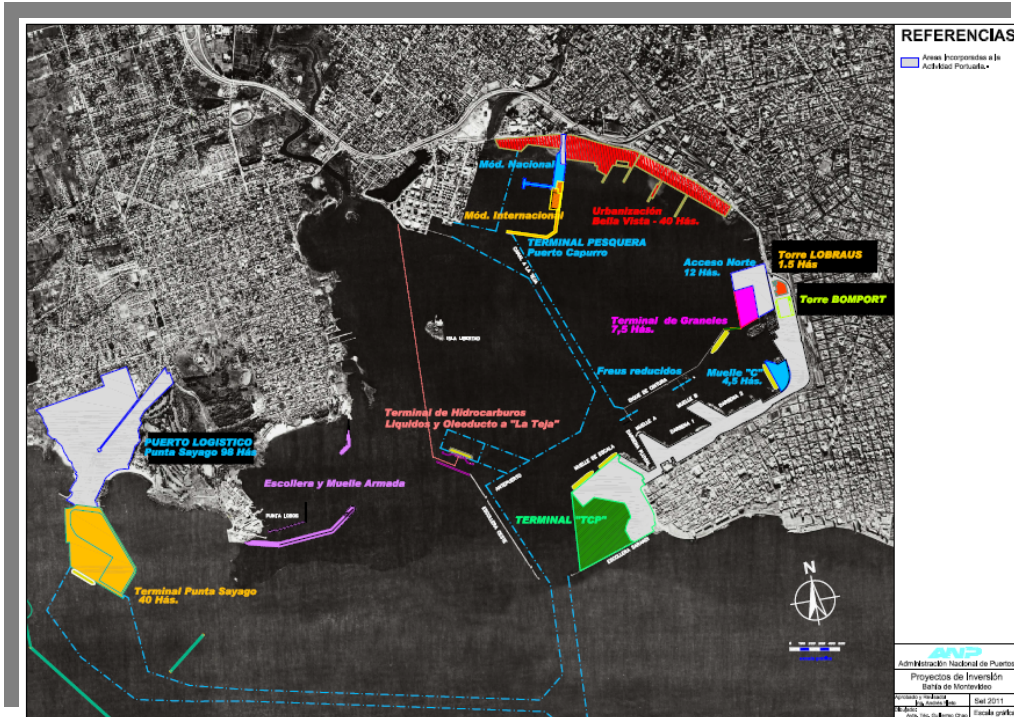
The port area comprises an area of 103 hectares designed to support the multi-purpose docks for storage, vehicles and containers.

Two breakwaters protect the harbor and there are 200 hectares in the outer harbor for ships to anchor or transit to operate on the piers.

The outer harbor and wharf areas are being dredged by the National Port Administration. The objective is to maintain wharf depth at 10.5 meters and 11.5 meters in wharf maneuvering areas. A depth of 12 meters is sought for the outer harbor.

Source: National Port Administration.

Figure No.5: Port of Montevideo with Current and Planned Investments. Source: ANP



Over 9,100 tons were handled by the port of Montevideo in 2010, and in 2011 that figure will be largely exceeded.

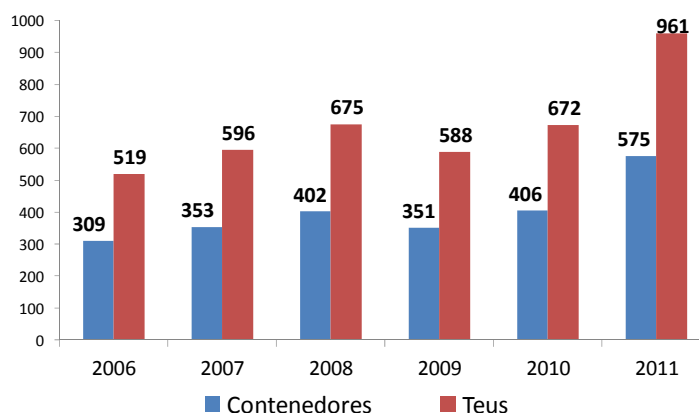
Table No.6: Merchandise Movement per Operation Type at the Port of Montevideo (Thousands of Tons)

	2008	2009	2010	%
General Cargo	967	863	817	9
Containers	5,664	5,097	5,827	63
Bulk	2,459	1,636	2,534	28
Total	9,090	7,596	9,178	100

Source: National Port Administration. Corresponds to merchandise without containers weight. It does not include merchandise handled by the ANCAP "La Teja" Wharf.

Container movement (in TEUs²¹) doubled between 2003 and 2008, returning to its previous rate in 2010, after the slight fall in 2009 due to the international crisis; for the year 2011 a large increase of more than 40% is expected (regarding the year 2010).

Chart No.1: Container Movement in the Port of Montevideo Thousands of Units²²



Source: Developed in house based on National Port Administration data.

As stated earlier, the annual percentage of transit and transfer by the Port of Montevideo is nearly half the total movement of containers by the port, while in the port of Nueva Palmira the system is of two-thirds, indicating the relative importance of regional logistics activities performed in the country.

²¹ TEU (twenty-foot equivalent unit) is the unit of measure of capacity for maritime shipping capacity. A TEU is the cargo capacity of a 20 foot container. The exterior dimensions of a 20 foot container are: 20 feet long, 8 feet wide and 8.5 feet tall.

²² Year 2011: Estimations made by Uruguay XXI based on data from up to July 31, 2011.

Table No.7: Container Movement at the Port of Montevideo Thousands of Units

Regime	2008		2009		2010	
	Containers	%	Containers	%	Containers	%
Customs						
Imports + Exports	199	50%	185	53%	216	53%
Transit + Transfer	203	50%	166	47%	190	47%
Total	402	100%	351	100%	406	100%

Source: National Port Administration.

Warehouses belonging to the ANP National Port Administration are located at the Port of Montevideo where storage and logistics operations are performed. ANP provides permits and temporary concessions to private companies.

The port community, consisting of public and private organizations, has subscribed to quality commitments regarding maximum docking time (2 hours 45 minutes starting from the buoy axis), the dispatch of containerized cargo the day after docking is completed (authorization to clear customs) and efficient passenger services for cruise ships.

A new logistics area, Puntas de Sayago, will soon be created (discussed in detail in section 5).

The Appendix includes tables with additional data on the Port of Montevideo (passenger and vehicle transport via ferry, cruise ship passenger transport and arrivals of fishing vessels).

- **Advantages of the Port System of Nueva Palmira**

The Port of Nueva Palmira has two main advantages: Firstly, its location at the exit point of the Paraná-Paraguay-Uruguay Hydroway, and secondly, the Free Port or Free Zone customs and tax system.

In effect, the Port of Nueva Palmira is located at the confluence of the Paraná and Uruguay rivers, 270 km from Montevideo and 110 km from Colonia by land. It handles both Uruguayan exports and a few imports (34% of the total tons in 2010), and handles in-transit cargo from the center of the continent along the Paraná-Paraguay-Uruguay Hydroway (66% of the total tons in 2010).

Nueva Palmira features a Free Port system similar to the Port of Montevideo and a complementary and adjacent Free Zone with a special agreement for tariff-free entry to MERCOSUR for grains (of MERCOSUR origin).

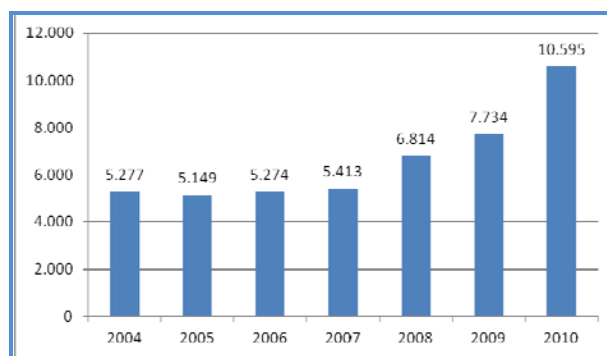
It is the second Uruguayan port in importance, and it handles bulk cargo and general cargo (75% and 25% respectively in 2010). In the year 2010 it handled 10.5 million tons, of which nearly 8 million tons were grains. [See table 3.6 and graphic 3.2.](#)

Table No.8: Merchandise Movement at the Port of Nueva Palmira Thousands of Tons

	2006	2007	2008	2009	2010	2010
NATIONAL PORT ADMINISTRATION	1,542	1,291	918	1,252	2,174	21%
NAVIOS TERMINAL	3,731	3,989	3,967	4,371	5,743	54%
ONTUR TERMINAL	0	133	1,929	2,111	2,678	25%
Total	5,273	5,413	6,814	7,734	10,595	100%
Bulk	4,618	4,853	4,553	5,361	7,909	75%
Gral Cargo.	655	560	2,261	2,373	2,686	25%
Total	5,273	5,413	6,814	7,734	10,595	100%
Exp+Imp	1,412	1,499	1,477	2,278	3,565	34%
Transit and Transfer	3,861	3,914	5,337	5,456	7,030	66%
Total	5,273	5,413	6,814	7,734	10,595	100%

Source: National Port Administration ANP). In this table, Transit and Transfer information registers the entry as well as the exit of the same merchandise in its passage through the port (the same merchandise is registered twice), in opposition to Exports which are registered only once, when exiting the customs area. Imports are also registered only once. Thus, such registration might underestimate the corresponding percentages of exports and imports in regards to Transit and Transfer.

Graphic N°2: Mobilized Annual Cargo of the Nueva Palmira Port Thousands of Tons



Source: National Port Administration.



Photos: Government Wharf of the Nueva Palmira Port System. Source: ANP web page.

The Nueva Palmira Port System comprises three wharfs: Government, Navíos and Ontur, which in 2010 accounted for 21%, 54% and 25% respectively of the total operating system (in tons).

- The Government's Wharf operates on a Free Port regime; it belongs to the National Port Administration and has several port operators. The operator Terminales Graneleras Uruguayas S.A. (TGU) has silos inside the port's premises, through a grant made by the MGAP, for storage of grains (wheat, soy, corn, etc.) with a capacity of 72,000 tons, which are handled by means of a conveyor belt from the vessels to the silos (and vice versa) . Other operators handle general cargo, the most important being fertilizers and Portland cement produced in the country and transported by truck to barges and its posterior export to Paraguay. The main import is in bulk and consists of raw materials to produce fertilizers. In 2010 the Governments Wharf participated with 21% of the total cargo of the port system.
- The private wharf of the Navíos S.A. Corporation, located to the South of the Government's Wharf, uses the Nueva Palmira Free Zone and is dedicated exclusively to bulk cargo transfer operations, (both from the Hydroway or Uruguay) to overseas ships. The Port Terminal of Navíos S.A. Corporation operates 24 hours a day, 365 days of the year, receiving cargo from barges and from trucks to be stored in their own silos (which will reach a capacity of 460,000 tons in March 2012, as soon as the last silo shed of 100,000 tons of capacity is finally completed, which is currently under construction) awaiting for their subsequent shipment abroad. The cargo of ships is done mechanically by means of a system of conveyor belts that enables to load up to 20,000 tons per day. Also, the Terminal's facilities enable the unloading (independent of other operations) from barges, at a rate of up to 14,000 tons per day. Regarding the reception of cargo in trucks, the same is carried out through four points of platforms dumpers that achieve a reception of up to 1,200 tons per hour. The versatility of the Terminal's facilities allows the loading of vessels, either from silos, barges or trucks, in an independent or combined form. The port has two wharfs, one overseas, 240 meters long, with a capacity to receive and load ships such as "Panamax", with a draught of 34 feet to 0, at dockside, and the second of 170 meters, equipped with a fixed crane and a unloading system of barges that positions the wharf, according to the company, as the most efficient one of the Hydroway. The storage capacity is distributed in several silos and warehouses, preserving the identity of the different stored items. In addition, Navíos S.A. Corporation operates a plant of conditioning and drying of grain, adjacent and connected to the Terminal, with service of pre-cleaning and gas drying, which enables customers to send merchandise to be refurbished in port, reducing transfer costs.
- The private wharf of Ontur Terminal, in operation since 2007, also uses the Nueva Palmira Free Zone, and it is the only terminal that has a closed warehouse of 30,000 m². It handles mainly cellulose transported on barges through the Uruguay River, from the UPM plant in Fray Bentos. Bulk and general cargo are also shipped (as well as some containers, vehicles and machinery, etc.), general trucks can enter at shipside. It has two cranes in its fluvial

wharf, a gantry type and a jib type with a capacity of 22 ton and 45 ton, 26 m from its axis, respectively.

The Nueva Palmira Free Zone is managed by the state, and in addition to having as users the Navíos and Ontur Terminal Corporations, it has an adjacent area of 100 hectares of surface. Its users include a factory of tiles and granite countertops, a laboratory for chemical analysis of cereals and a warehouse to use as storage for fertilizers.

The Port system's wharfs have a depth of between 32 and 34 feet (9.70 to 10.5 meters).

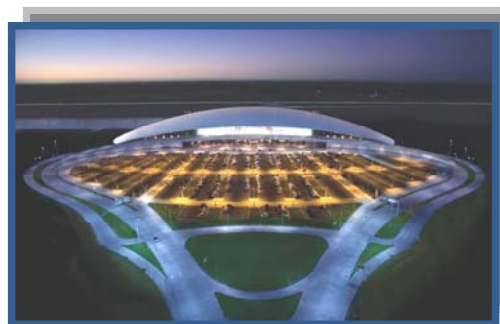
Ocean-going vessels can access the port through the Martín García Channel with an operating depth of 32 feet (9.7 meters). Access is also available through the Mitre Channel, that has a depth of 34 feet (10.3 meters). River access is available through the Hydroway. Good highway connections are available to Montevideo and main cities in the department in the area of influence, as well as to neighboring countries.

Planned Projects: See Item 5: Public Investments...

In the Government's Wharf the construction of a new coastal wharf and the extension of the overseas wharf are underway.

3.3.2. Free Airport system

New facilities at Montevideo's Carrasco International Airport (AIC) were opened in 2009, including a new passenger terminal and the first stage of a new cargo terminal. The airport's master plan calls for the implementation of a future logistics park with a surface area of 80,000 m² focused on regional logistics services.



Photos: Carrasco International Airport, new passenger and cargo terminal

The new AIC concession was granted in November 2003 to an international operator for a 20-year period with a renewal option for an additional 10 years. In addition to infrastructure investments, the airport operator has implemented active policies to attract new airlines and services that have contributed to improve Uruguay's connections to the region. For example, between 2003 and 2009, weekly flights to São Paulo increased from 11 to 45, to Asunción from 7 to 14 and to Santiago from 7 to 27. Currently, there are direct flights to regional cities as well as to the U.S. and Europe.



Photo provided by TCU

In 2009, merchandise totaling US\$ 1,700 million was handled at Carrasco International. Current facilities for cargo operations have 13,500 m² of warehouse and office space. Separate sectors are available depending on operation and/or merchandise type: chemical/pharmaceutical products, electronics, picking activity areas, order preparation, etc.

Montevideo has the profile of a strategic distribution center in the region, both in cargo and passenger transport. Some 140 million people can be reached in a 3 hour flight. In addition, the Free Airport legal framework permits the provision of logistics services for merchandise in the airport itself. Carrasco International is the only airport in the region with this feature.

Map No.7: Montevideo and Major International Connections



Source: TCU, 2011

3.4 Logistics Services Rendered on Merchandise in International Transit Via Uruguay²³

Frequently rendered logistics services on cargo in international transit in Uruguay include:

1) Traditional services of transport, storage and preparation for merchandise re-shipment

Includes required transport and transfers, reception and control, storage and order preparation for shipment to the final destination.

2) Value adding logistics services and semi-industrial activities

Facilities for packing, repacking, mixing of chemical and other products, adapting delivery to the needs of end clients and requirements of destination countries.

²³ Developed using Hodara, Operti and Puntigliano (2008), op. cit.

3) Supply chain logistics coordination

Clients' operations with their logistics suppliers are coordinated to optimize efficiency: foreign production plants, shipping lines, cargo agents, port and airport terminals.

4) Professional logistics consulting, support and IT development

Exported services include: logistics software systems, on-line inventory monitoring systems and facility layout design services for distribution centers in other countries.

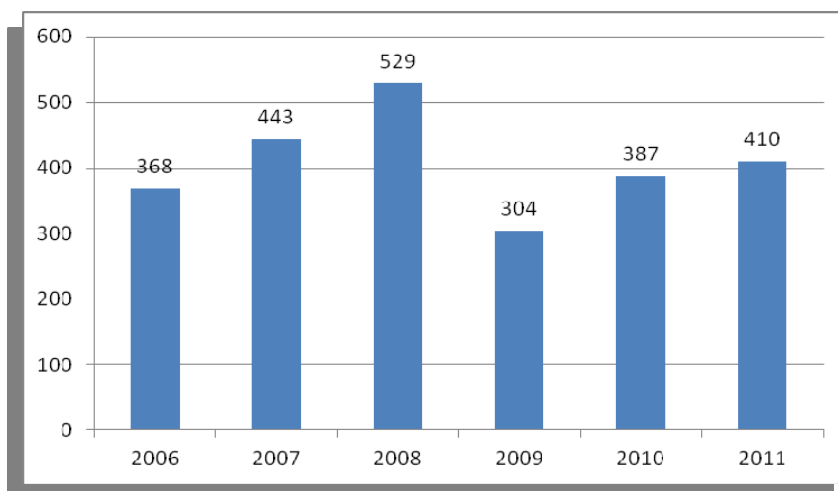
5) Logistics supplier selection and marketing services

For international clients located in Uruguay with merchandise in international transit, services for prospecting and selection of logistics suppliers are offered (brokers, freight lines, logistics operators)

4. Cases of Domestic and Foreign Companies Involved in Logistics Activities²⁴

Rendering and export of logistics services has increased over the last several years in Uruguay.²⁵ The following chart shows estimated logistics exports.

Graphic No.3: Logistics Services Exports in Uruguay 2004-2011 (US\$ millions)



Source: Central Bank of Uruguay (BCU), IMF Report, total of freight and other services under the “transport” heading of balance of payments for services. Year estimated based on data from the first half of the year.

4.1. Container terminals at the Port of Montevideo

The Port of Montevideo, the only port in the country that handles containers, has two operators: Terminal Cuenca del Plata and Montecon.

Terminal Cuenca del Plata (TCP)²⁶

TCP, the concessionaire of the container terminal since 12 June 2001 (with a 30-year concession) accounts for more than 50% of container movements at the Port of Montevideo. It is one of the three logistics companies that the Katoen Natie group of Belgium operates in Uruguay (the other two are Seaport Terminals Montevideo S.A. and Nelsury S.A.) Katoen Natie is 80% owner of TCP. The Uruguayan government, through the National Port Administration, owns the remaining 20%. It is the largest Belgian investment in the country. The company began operations in 1997 by purchasing shares in logistics operator Costa Oriental S.A. and in the Zonamerica business and Services Park.

²⁴ There is a variety of domestic and foreign logistics companies in the country whose activities will be described on our website. Only a few unique companies are listed in this report.

²⁵ Although no data is available, an approximation can be made using exports recorded under the transport heading in the balance of payments (freight and other subcategory). This item has increased from less than US\$ 300 million to more than US\$ 500 million. In 2009, the 23% decline in global merchandise exports led to a decline in this area.

²⁶ Sources: Katoen Natie publications (2008 and 2009) and interview with company staff on 9 April 2010. See www.katoennatie.com

After “having bet on the country, getting to know and trusting it”²⁷ the company won the bid for the container terminal at the Port of Montevideo in 2001.

Katoen Natie is a family-owned company that started in 1855 in Antwerp, Belgium. It now has 9,000 employees in 22 countries (2008). One of its seven business units is: “port operations, offering services for containers, general cargo and forestry products; container lots, maintenance and repair, as well as warehousing services at European and South American ports.”¹²⁸



After setting up in Uruguay, Katoen Natie expanded into Mexico and Brazil, where it has 26 logistics platforms.



Investments in Uruguay from 2001 to 2011 reached a total of over US\$ 190 million. These include a 350 meter long wharf in addition to the existing 288 meters for a total of 638 meters for operations with ships with up to 10,000 containers (wharf with a depth of 14.5 meters, while other public wharves have 10.5 meter depths); extension of container lot with more than 20 hectares reclaimed from the bay for a total of 29.5 paved hectares; incorporation of 8 gantry cranes (four are Super Post Panamax added in 2009) and straddle-carrier equipment to transport containers (unique in South

America) as well as a substantial increase in outlets for refrigerated containers currently to 2,400 (2011). This is the largest investment in the Port of Montevideo over the last 100 years.

TCP has been able to increase productivity at the Port of Montevideo. A maximum of 22 containers could be loaded and unloaded in 2001, meaning that a ship with 1,000 containers would have to be in port for at least 50 hours. By 2008, a ship with the same characteristics would spend just 16 hours in port.

TCP has obtained ISO 9000 Quality, OSHS 18000 Occupational Health and Safety and ISO 14000 Environmental certifications.

Montecon²⁹

Montecon is a domestic company responsible for the handling of almost 40% of containers at the Port of Montevideo and supports 90% of major global shipping lines that serve Uruguay. 74% of cargo is of Uruguayan foreign trade, imports, exports and empty containers in order to serve the aforementioned traffic, while the remaining 26% corresponds to regional transfers, including refrigerated cargo and empty containers. The company handled approximately 150,000 containers on average per year in 2009 and in 2010 it handled 176,000 containers, recording an inter-annual variation of 17%.



²⁷ Ibid.

²⁸ Ibid.

²⁹ Source: www.montecon.com.uy

The company performs port operations and logistics services, including among their activities; operation of container ships, general cargo, solid bulk, vehicles and all types of loading and unloading including; high tonnage project cargo and various configurations. All this is complemented with stock management of loaded and empty containers with the respective complementary necessary services, power supply for Reefer containers, special custody for dangerous merchandise, Reefer structure and machinery repairs, among others.

For their wharf operations, Montecon has six multipurpose mobile cranes, three of them post-Panamax and Panamax; it is worth mentioning that during the first half of 2012 the terminal will be receiving the first super-postpanamax crane of a three units group which plans to incorporate into activity. It has a total length of 1,256 meters, at a depth of 10.5 meters, in addition to a stable average tide of 0.90 meters. The terminal operates on a surface area of 12 hectares inside the port, with complementary support areas of 9 hectares located at 11 km from the premises where services for empty containers warehouses are provided.

The Terminal or yard operations are performed with flexible and versatile equipment such as Reachstackers cranes and RTGS cranes (Rubber Tyred Gantry). The company has a fleet of Reachstacker cranes for loaded containers that enable to stack units of 5 and 6 of height; and, on the other hand, they have yard cranes specialized for handling empty containers with capacity for stacking up to eight units of height, adding a total of 22 groups in total.

Likewise, the RTG cranes, which are currently mounted, will be optimized during the first quarter of 2012 with the recent acquisition of 2 RTG Kalmar E-ONE2 equipments, fully electric, with stackability of up to 5 containers in height + 1, enabling Montecon to raise their levels of operational efficiency.

Montecon's Port operations are within the framework of The International Ship and Port Facility Security Code (ISPS), and the Safety and Occupational Health Standards (SYSO).

4.2. Cargo Operator at Carrasco International Airport (Montevideo)

Terminal de Cargas Uruguay (TCU)

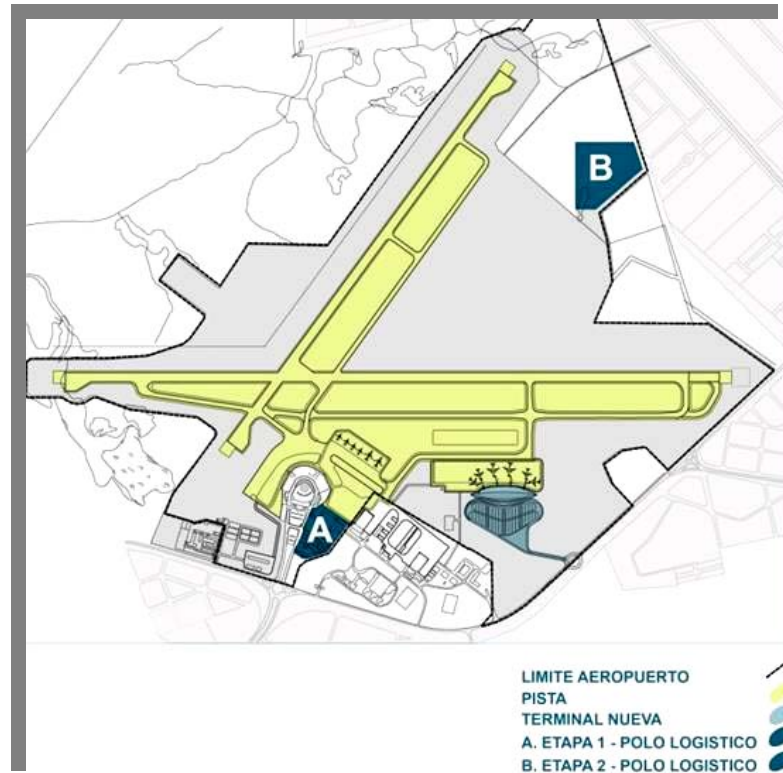
Since 2004, Terminal de Cargas Uruguay (TCU) has been the company responsible for air cargo operations at Carrasco International Airport (AIC), located just outside Montevideo. TCU has a 20 year concession with a renewal period of an additional 10 years. The company handles 100% of Uruguay's international trade via air and seeks to strengthen the country's position as a regional distribution center for logistics services.



The first stage of the construction plan of the Cargo Terminal was completed in 2009; the replacement of the existing infrastructure for new facilities which represented an increase of 245% in surface area has already taken place. The new warehouse has 14 loading docks for imports and 11 docks for exports. The new infrastructure totals 13,500 m² distributed between warehouses (10,500 m²) and offices (3,500 m²), including refrigerated storage with 2,100 m³ and segregated sectors according to the operation type (chemical/pharmaceutical, electronic, etc.).

The Airport Concessionaire has enabled an additional area of 8 hectares for the development of logistics services in the Free Airport System.

Figure Nº 6: Carrasco International Airport Cargo Terminal



Source: TCU.

As noted earlier, the Free Airport regime enables logistics operations with advantages for companies including storage, repackaging, labeling, classification, grouping, ungrouping, consolidation, deconsolidation, handling and fractioning. In addition, Uruguay boasts a privileged geographic location in the region with airlines that can reach the region's major cities in just a 2 or 3 hour flight. This logistics platform is used by multinational companies in the areas of electronics and pharmaceuticals that distribute from Carrasco International to the region. Companies have the ability to store and handle inventory at the airport as if it were an extension of the company's main warehouse. In addition, companies have access to simple and efficient transfer operations that enable them to connect merchandise on different flights within the airport grounds and without the need for special paperwork or formal authorizations.

4.3. Port of Nueva Palmira terminals

Operators in the Port of Nueva Palmira include TGU, Ontur and Navíos (section 3.3.1).

5. Current and planned public investments in the sector

There are several public sector projects for infrastructure investment in the logistics sector. The following is a list of some of these investments.

Planned Projects in the Port of Montevideo³⁰

1 Port of Montevideo, Dock C Construction

The new Dock C project includes the construction of a dock of 332 m long and 34 m wide with an adjacent esplanade, the dredging of the maneuvering area in Dock II, partial demolitions of the breakwaters A and B and rock-fill protection of the Florida dock.

The structure of the dock will be suitable to operate specialized equipment to attend the traffic of container ships, bulk carriers and multipurpose ships.

The esplanade adjacent to the dock will extend between the inside edge of the dock, the current margin and the South end of Dock No. 1, totaling more than 40,000 m².

The project also includes; bollards and flexible defenses; rails for gantry cranes; electrical facilities (Substation of Electricity Transformation); shore power services for vessels electricity supply; esplanade illumination system; conduits and wiring for the communication system; sanitary facilities, black and grey water collection, supply of drinking water and fire and rainwater drainage.

In September 2011, the contract was signed with the consortium responsible for the construction of Dock C, made up by the companies: Soletanche Bachy, Dredging International and Saceem. Each one of these companies will focus on a particular area of the project. The execution term is of 18 months and will cost US\$ 66 million³¹.

2 Land Filling and Construction of the North Access

An area of 7.5 hours has been filled to create a new North Access to cargos, a transport corridor, parking for trucks and mobile homes, spaces for the control of cargo and other ancillary services.

3 Construction of a New Terminal for Forest Products and Bulk Solids

At the South portion of the North Access, filling projects have been planned in order to build a new terminal for forest products and bulk solids that will operate under concession. The construction of the aforementioned terminal was awarded to Obrinel in 2009, company owned by the construction company Saceem and the Christophersen Group, which was granted the concession of this terminal for a period of 20 years.

The corresponding infrastructure will include a mooring for large bulk carriers and a conveyor belt for Inland transport of cargos. The project is expected to be completed by 2012.

4 Construction of a New Fishing Port: Puerto Capurro

It is already expected to start operating a specialized fishing port on the north side of the Montevideo Bay by the end of 2012. The current fishing facilities will be destined to port trade. The project comprises two modules with their respective docks and operating surfaces: Common use facilities for small fishing vessels and a terminal under concession, to serve national and international fleets of ocean fishing, and a large capacity for refrigerated storage and equipped for ship repairs.

³⁰ Source: www.anp.com.uy, Port of Montevideo/Infraestructure/Physical Infraestructure/Main...

³¹ Source: www.puertos.com.uy.

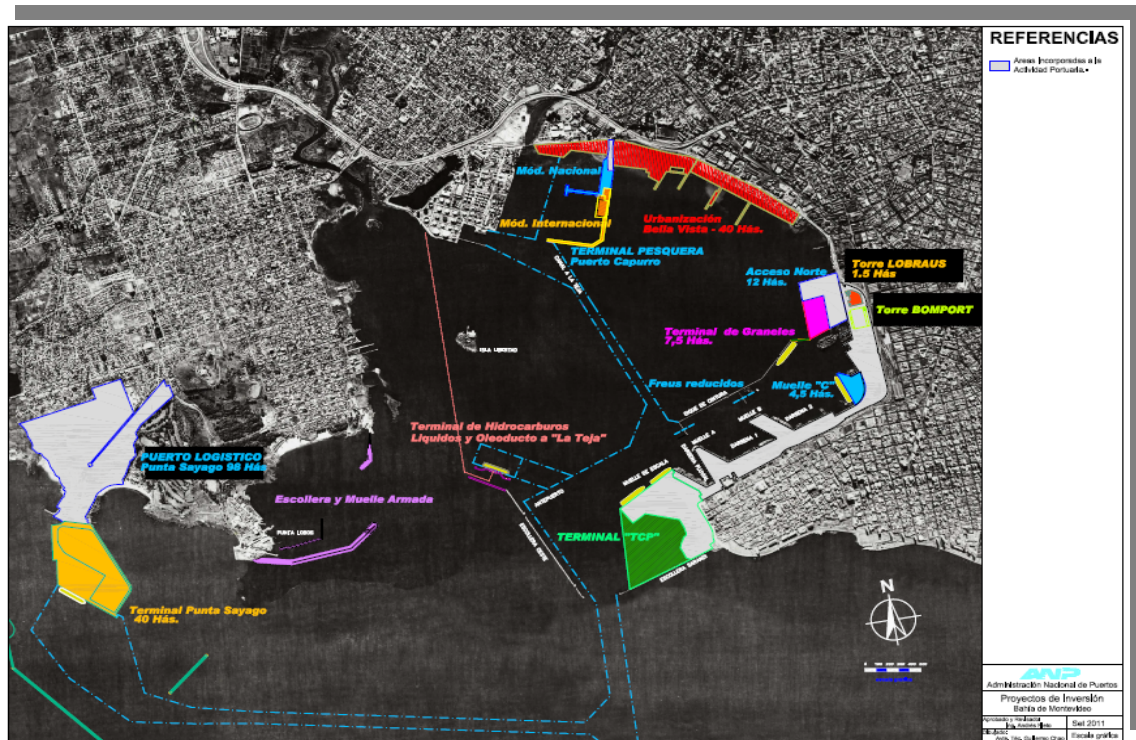
5 New Logistics Complex: Puntas de Sayago Logistics Port

For the purpose of strengthening the role of Montevideo as a logistics centre, a strategic project has been developed that tends towards the concentration of several logistics and processing activities within the same large complex.

To this end, a large area was placed under the jurisdiction of the Port Authority located 12 km from the Port of Montevideo, in the west area of the Bay, interconnected with the main means of transport in the capital. This site reaches a surface area of 103 hectares in total, in which three areas for different activities will be developed: Free zone, industrial zone and free port area characterized by a special regime of tax exemptions and flexibility regarding the operation of merchandise.

Bid Specifications of the call to tenders for the granting and exploitation of seven Logistics Areas in Punta Sayago was approved by the Board. This tender aims to generate storage services with a market destination or subsequent exit by land with value-added, authorized by the system.

Figure No. 7: Port of Montevideo with On-Going and Projected Investments



Projected Works in the Nueva Palmira Port System

- Government Wharf.** A new dock for barges was built; 200 meters in length, a 22,000 square meters esplanade, and the incorporation of a Liebherr Crane (0 km) with a capacity of 45 tons. It is currently in the stage of dredging, with which the dock will have a depth of 5 meters. After the completion of this work an extension of 50 ms of the overseas dock will be carried out, this dock currently has 320 ms long, which will enable large size vessels to dock.
- Navíos Corporation.** The enlargement of the silo shed is underway, incorporating an additional 100,000 tons, reaching 460,000 in March 2012. Investments in the construction of a new conveyor belt are being made which will increase the rate of load at ship, reducing the length of stay of these ships at the dock.

Railway investments³²

The MTOP Transportation and Public Works Ministry has announced investments totaling US\$ 300 million between 2010-2015 to repair 1,200 km of railway lines. With this investment, 3.5 tons of cargo will be transported per year at greater speeds than the 1.4 million tons available currently.

Port of La Paloma investments³³

MTOP has announced the reconstruction of wharves at the ocean port of La Paloma (department of Rocha) with a US\$ 8 million investment to enable annual cargo movement of 300,000 tons. Current dept at the port is 6 meters.

³² Ibid.

³³ Source: MTOP, Internal Newsletters from 2010

APPENDICES

Domestic and foreign investment promotion

Foreign investors in Uruguay enjoy the same benefits as domestic investors and do not need prior authorization to set up in the country.

Law 16,906 (dated 7 January 1998) declares the promotion and protection of domestic and foreign investment to be of national interest. Decree 455/007 (dated November 2007) updated the regulations of this law.

Investment projects in any industry, that are submitted and promoted by the Executive Branch, may use between 50% and 100% of the amount invested as partial payment of corporate income tax, according to project classification. The corporate income tax rate is 25%.

In addition, moveable fixed assets and civil works are exempt from wealth tax and VAT can be recovered for purchases of materials and services for the latter.

Trade agreements and investment protection

1. General trade agreements

Uruguay has been part of the World Trade Organization (WTO) since its creation in 1995 and is part of the Latin American Integration Association (ALADI, 1980) along with nine South American countries plus Cuba and Mexico.

In the framework of ALADI, the Southern Common Market (MERCOSUR) was formed in 1991 with Argentina, Brazil and Paraguay. MERCOSUR became a customs union in 1995 with the free movement of goods, the elimination of customs duties and non-tariff barriers between countries and a common external tariff for countries outside the bloc. Venezuela is currently in the process of joining MERCOSUR.

Within the framework of ALADI, MERCOSUR has signed trade agreements with other countries in South America: Chile (1996), Bolivia (1996), Colombia, Ecuador and Venezuela (2004) and Peru (2005), and an agreement with Israel (2007), all of which form respective Free Trade Areas, with tariff reduction schedules that should be completed no later than 2014/2019, according to the country.

Uruguay also signed a bilateral free trade agreement with Mexico (2003), which has allowed the free movement of goods and services between both countries since June 2004, with certain exceptions that end in 2014.

2. Investment protection agreements

Uruguay has signed investment protection and promotion agreements with 27 countries, including Spain, the U.S., Finland, France and the U.K.

Institutions

CALOG www.calog.com.uy

The Uruguayan Logistics Chamber, CALOG, brings together the country's largest logistics services companies. CALOG is a member of the Latin American Logistics Association (www.all-onlinea.com) and participates in the coordination board of the National Port Administration.

The chamber enables members to participate in activities including business breakfasts, conferences, national and foreign study tours, training courses, subject-oriented commissions, special programs and information on international events (fairs, congresses, etc.)

CENNAVE www.cennave.com.uy

The Shipping Center (CENNAVE) is a private institution founded in 1916 and made up of companies and entities in the country linked to water transport, port activities and international trade. CENNAVE brings together shipping agents, port operators, container terminal operators and cargo storage firms.

AUDACA www.audaca.com.uy

AUDACA, the Uruguayan Association of Cargo Agents, was founded in 1974 and is made up of 45 cargo agencies. AUDACA is a member of ALACAT, the Federation of National Associations of Cargo Agents of Latin America and the Caribbean.

ADAU www.adau.com.uy

ADAU, the Association of Customs Brokers of Uruguay was founded in 1935. ADAU has a School for Foreign Trade and Customs Professional Development. The association groups nearly 100% of professional customs brokers in the country.

The Chamber of Free Trade Zones of Uruguay <http://czfuy.com/>

The Chamber of Free Trade Zones of Uruguay was established in October 2008, with the vision of strengthening the regime of Uruguayan Free Trade Zones as well as the promotion and development of business platforms from the Uruguayan Free Trade Zones. Among the Uruguayan business platforms in the ZZFF we can include; Logistics Centers for Regional Distribution (CLDR) with development capability for Logistics Operations with Added-Value. Natural clients of the Uruguayan ZZFF are international corporations that enable "Speed to Market" management to end customers through the use of CLDR from ZZFF.

INALOG, NATIONAL INSTITUTE OF LOGISTICS

The INALOG replaces the National Commission of Logistics (CONALOG), which was created by the Ministry of Transport and Public Works (MTOPS) in 2009. Law No. 18.697 (March 12, 2010) creates the INALOG as a Legal Person under public Law and the promotion of logistics activities in the country are declared of national interest.

The INALOG consists of three Ministries; Ministry of Transport and Public Works (MTOPS), Ministry of Foreign Affairs (MRREE) and the Ministry of Economics and Finance (MEF). It also consists of the National Administration Port by the public sector and by various business and logistics chambers. Its main objectives are the promotion of the logistics sector development, advising the Executive Branch, to provide information services to logistic agents, and to propose and execute plans for the training and vocational preparation of agents in the sector.

Additional statistical data

Cruise ships arrive in Uruguay at Montevideo and Punta del Este. The Port of Punta del Este operates with auxiliary vessels. In Montevideo, cruise ships can dock directly at the wharf for passenger and supplies movement.

Chart No. 1: Stopovers per Seasons

	Season 2006/07	Season 2007/08	Season 2008/09	Season 2009/10	Season 2010/11
Montevideo	80	98	79	83	76
Punta del Este	50	68	86	96	95
Total	130	166	165	179	171

Source: Ministry of Tourism and Sports, web page.

Chart No.2: Direct and Regular Flights, Carrasco International Airport (2009)³⁴

Destination	Country	TOTAL (Weekly Flights)	Company	Aircraft Type	WEEKLY FLIGHTS BY COMPANY
ASUNCIÓN	Paraguay	27	Taca	A320	9
			Air class Cargo	Boeing 727	2
			Tampa Cargo (1)	B767F	2
			Pluna	CRJ900	14
BOGOTÁ	Colombia	2	Tampa Cargo	B767F	2
BRASILIA	Brazil	5	Pluna	CRJ900	5
BUENOS AIRES - AEP	Argentina	94	Aerolíneas Argentinas	B737 - 700	28
			Sol Líneas Aereas	SAAB340	6
			Pluna	CRJ900	60
BUENOS AIRES - EZE	Argentina	23	Aerolíneas Argentinas	B737 - 700	7
			Air class Cargo	B727	2
			Pluna	CRJ900	14
CAMPINHAS	Brazil	6	Pluna	CRJ900	6
CARACAS	Venezuela	1	Tampa Cargo (3)	B767F	1
CÓRDOBA	Argentina	7	Pluna	CRJ900	7
CURITIBA	Brazil	7	Pluna	CRJ900	7
BELO HORIZONTE	Brazil	4	Pluna	CRJ900	4
FRANKFURT	Germany	2	Lufthansa (2)	Land (2)	2
FOZ DE IGUAZÚ	Brazil	3	Pluna	CRJ900	3
FLORIANOPOLIS	Brazil	7	Pluna	CRJ900	7
MADRID	Spain	5	Iberia	A340-300/600	5
MEXICO DF	Mexico	1	Tampa Cargo	B767F	1
MIAMI	Unites States	9	American Airlines	B767	4
			Martínair - KLM - Air France	Land (4)	1
			LAN	B767F	2
			Tampa Cargo (3)	B767F	1
			Centurion Cargo	MD-11F	1
PANAMÁ	Panamá	6	Tampa Cargo (3)	B767F	1
			Copa Airlines Cargo	B737 - 700	5
PORTO ALEGRE	Brazil	14	Gol	B737 - 800	7
			Pluna	CRJ900	7
ROSARIO	Argentina	4	Sol Líneas Aereas	SAAB340	4
RIO DE JANEIRO	Brazil	14	Pluna	CRJ900	14
SAN PABLO	Brazil	48	Gol	B737 - 800	7
			Pluna	CRJ900	27
			Tam Brazil	A320	14
SANTIAGO DE CHILE	Chile	34	LAN	A318 / 19 / 20 / B767 / B767F	14
			Pluna	CRJ900	20

Chart No.3: Exports Deemed to Logistics Services (US\$ millions)

	2006	2007	2008	2009	2010	2011
Transport, freight	287	324	399	171	213	230
Transport, other	81	119	130	133	174	150
Total	368	443	529	304	387	380

Source: Central Bank of Uruguay (BCU), Balance of payments, Report to IMF.
Year 2011: Estimations made by Uruguay XXI based on data from the first half of the year.

³⁴ Source: TCU (Update to October 6, 2011) Notes: (1) The direct destination can happen in the inbound or outbound section, 2) Operates 2 times per week via EZE. (3) Operates via BOG. (4) Operates once a week via EZE

Chart No.4: Concessionaires Maximum Fees in the Port of Montevideo

FEEs FOR CONTAINERS		
	MINIMUMS	MAXIMUMS
RECEPTION TO STORAGE		
DELIVERY TO STORAGE		
FULL 20" o 40"	US\$ 20	US\$ 25
EMPTY 20" o 40"	US\$ 10	US\$ 15
TRANSPORT FROM PORT TO WAREHOUSE		
20 Feet	US\$ 18	US\$ 20
40 Feet	US\$ 24	US\$ 25
CONSOLIDATION/DESCONSOLIDATION		
20 Feet	US\$ 85	US\$ 150
40 Feet	US\$ 145	US\$ 250
CONTAINER STORAGE		
FULL CONTAINERS, US\$/TEU/DAY		
1 to 2 days	US\$ 0.0	US\$ 2
3 to 10 days	US\$ 3.0	US\$ 3
11 to 15 days	US\$ 4.5	US\$ 5
16 to 20 days	US\$ 6.5	US\$ 7
21 to 25 days	US\$ 8.5	US\$ 9
26 to 30 days	US\$ 10.5	US\$ 11
31 and beyond	US\$ 12.5	US\$ 13
EMPTY CONTAINERS, US\$/TEU/DAY		
1 to 2 days	US\$ 0.0	US\$ 2
3 to 24 days	US\$ 3.5	US\$ 4
25 to 38 days	US\$ 7.0	US\$ 7
39 to 52 days	US\$ 10.5	US\$ 11
53 to 66 days	US\$ 14.0	US\$ 14
67 to 80 days	US\$ 17.5	US\$ 18
81 and beyond	US\$ 21.0	US\$ 21

Chart No.5: Concessionaires Maximum Fees in the Port of Montevideo (continuation).³⁵

FEES FOR MERCHANDISE		
	MINIMUMS	MAXIMUMS
RECEPTION TO STORAGE		
Tons	US\$ 5.50	US\$ 6.0
DELIVERY TO STORAGE		
Ton	US\$ 5.50	US\$ 6.0
STORAGE IN CLOSED WAREHOUSE		
Ton., 1st Month	US\$ 12	US\$ 10
Ton., 2nd Month	US\$ 15	US\$ 20 -15
Ton., 3rd Month	US\$ 20	US\$ 30 - 25
Increase every 30 days, Ton		US\$ 10
STORAGE IN OPEN WAREHOUSE		
Ton., 1st Month	US\$ 5.5	US\$ 10
Ton., 2nd Month	US\$ 7.5	US\$ 20
Ton., 3rd Month	US\$ 12.5	US\$ 30
Palletizing at clients request (pallet)	US\$ 20.0	
	MINIMUMS	MAXIMUMS
TARIFF FOR DANGEROUS MERCHANDISE		
RECEPTION/DELIVERY		
Ton	US\$ 8	US\$ 9
STORAGE		
Ton, from 1 to 30 days	US\$ 12	US\$ 12
Ton, from 31 to 60 d.	US\$ 17	US\$ 24
Ton, from 61 to 90 d.	US\$ 27	US\$ 36
Increase every 30 days, Ton		US\$ 12
	MÍNIMOS	MÁXIMOS
TARIFF FOR STORED MERCHANDISE		
Man-Hours	US\$ 7.5	US\$ 8.0
Elevator-Hour	US\$ 25.0	US\$ 30.0
Mobile Crane- Hour	US\$ 95.0	
Palletizing at clients request (pallet)	US\$ 20.0	

³⁵ Source: Own elaboration based on data published by the National Port Administration. www.anp.com.uy/Puerto of Montevideo/Concessionaires tariffs.

Maximum prices authorized by public tenders relevant to each concessionaire (Bomport, Depósito Montevideo, Planir, Rilcomar, Terminal Cuenca del Plata and Vimalcor are contained in the aforementioned web page. Here we select minimum and maximum prices within the previous.

Table No. 6: Nueva Palmira Port, Handling of Merchandise in Tons.³⁶

Product	2010	2009
Export		
Citrus	13,710	8,121
Sacked Fertilizers	57,343	33,517
Bulk Fertilizer	5,006	0
Portland Cement	47,083	22,265
Sacked Flour	0	0
Barley	0	0
Malted Barley	107,932	85,940
Wheat	1,157,180	303,345
Corn	227,682	51,727
Soy	1,658,296	937,954
Sunflower	0	0
Others	56,902	648,066
Subtotal	3,331,135	2,090,935
Import		
Bulk Fertilizers	154,075	97,232
Wheat	0	0
Barley	10,008	3,953
Soy sub products	30,459	47,807
Corn	3,026	22,326
Others	36,359	15,159
Subtotal	233,927	186,476
Transit (unload)		
Sugar	0	7,083
Bulk Fertilizer	4,036	7,989
Minerals	0	35,170
Cellulose	1,112,837	1,066,280
Containers	27,014	1,036
Vehicles	5,445	483
Limestone	4,318	0
Soy sub products	114,467	151,863
Soy	1,340,735	909,027
Wheat	169,930	0
Corn	427,017	303,452
Others	18,627	146,958
Subtotal	3,224,425	2,629,341
Transit (Load)		

³⁶ Source: ANP.

various	87	0
Limestone	4,318	0
Minerals	0	26,519
Soy	1,338,825	931,537
Containers	390,588	259,390
Wheat	71,209	7,248
Soy sub products	116,780	197,506
Subtotal	3,064,811	2,463,011
Transit (transfer)		
Minerals	0	17,291
Corn	148,051	97,988
Wheat	69,881	0
Soy sub products	0	14,992
Soy	438,644	149,027
Fuels	55,118	4,514
Others	28,796	80,037
Subtotal	740,490	363,849
SUBTOTAL unloaded	3,458,352	2,815,817
SUBTOTAL loaded	7,136,437	4,917,794
TOTAL general cargos	10,594,789	7,733,611

Source: ANP

Procedures and requirements to operate in Uruguayan Free Zones

A. Free Zone exploitation by private companies.³⁷ Request must be presented to the Executive Branch (Economy and Finance Ministry), accompanied by an investment plan that clearly shows its economic viability and the benefits for the country. A minimum investment of US\$ 10 million in infrastructure, construction and services is required by the exploiter.³⁸ The authorization process is onerous, whether through a lump sum payment to the State or by payment of a periodic fee.

The plan must include the following:

- Background of requesting party
- Location
- Infrastructure investments (roadway, perimeter fencing, internal facilities, etc.)
- Financing type (third party or in house)
- Term
- Viability: economic/financial justification
- Appendices: technical and legal documents, plans and work timelines

B. Direct users:³⁹ Investors must establish a corporation, acquire facilities and enter into a contract with the exploiter in the Free Zone.

³⁷ Law 15.921 and regulatory decree 454/88. Available at:
<http://www.zfrancas.gub.uy/espanol/legislacion/leyes/ley15921.pdf> y
<http://www.zfrancas.gub.uy/espanol/legislacion/decretos/decreto454-988.pdf>

³⁸ Decree 57/993 in the text of decree 209/94. Available at:
<http://www.zfrancas.gub.uy/espanol/legislacion/decretos/decreto209-994.pdf>

³⁹ Commerce Bureau resolution dated 19 May 2006. Available at:
<http://www.zfrancas.gub.uy/espanol/tramites/D4%20Resolucion%2019%20de%20mayo%202006%20ref%20plan%20negocios%20en%20contratos.pdf>

C. Indirect users: Indirect users must also establish a corporation and enter into a contract, but in this case with a direct user.

In both cases, investors must register the contract with the General Commerce Bureau, Free Zone Area (Ministry of Economy and Finance) along with a business plan. This must include:

- Description of the company and its objectives
- Description of the product or service and market objectives
- Investment to be implemented
- Forecasted results
- Description of staff to be employed directly

Procedures and requirements to obtain permits for private Bonded Warehouses⁴⁰

- The interested party must visit the National Customs Bureau (DNA) with the corresponding plan, having met the requirements. Foreign trade needs to be satisfied must be shown, as must the annual forecast for the total value of merchandise to be stored and the planned infrastructure investment.
- The National Customs Administration will grant the authorization following authorization from the Economy Ministry, for a maximum period of five years.
- The permit may be renewed via request 90 days prior to permit expiration.

⁴⁰ Decree 216/006. Available at:
http://www.presidencia.gub.uy/Web/decretos/2006/07/E%20424_10%2007%202006_00001.PDF

Uruguay at a Glance (2009)⁴¹

Official name	República Oriental del Uruguay (Oriental Republic of Uruguay)
Location	South America, bordering Argentina and Brazil
Capital	Montevideo
Surface area	176,215 km ² . 95% of the territory has soil suitable for agriculture and livestock activities.
Population	3.3 million
Population growth	0.3% (annual)
Per capita GDP	US\$ 9,458
Per capita GDP (PPP)	US\$ 13,019
Currency	Uruguayan peso (\$)
Literacy	98%
Life expectancy at birth	76 years
Form of government	Democratic republic with presidential system
Political divisions	19 departments
Time zone	GMT - 03:00
Official language	Spanish

Main Economic Indicators 2005-2009

	2005	2006	2007	2008	2009
Annual GDP growth rate	7.5%	4.3%	7.5%	8.5%	2.9%
GDP (PPP) US\$ millions	32,048	34,602	38,235	42,543	43,551
GDP US\$ millions (current)	17,367	20,035	24,262	32,207	31,606
Exports (US\$ millions), goods and services⁴²	5,085	5,787	6,936	9,291	8,551
Imports (US\$ millions), goods and services	4,693	5,877	6,775	10,217	7,775
Trade surplus / deficit (US\$ millions)	393	-90	166	-926	796
Trade surplus / deficit (% of GDP)	2.3%	-0.5%	0.7%	-2.8%	2.5%
Current account surplus / deficit (US\$ millions)	42	-392	-212	-1,502	258
Current account surplus / deficit (% of GDP)	0.2%	-2.0%	-0.9%	-4.7%	-0.8%
Overall fiscal balance (% of GDP)	-0.4%	-0.5%	0.0%	-1.4%	-2.2%
Gross capital formation (% of GDP at current prices)	16.5%	18.6%	18.6%	20.2%	19.1%
Gross national savings (% of GDP)	17.6%	16.9%	19.0%	17.9%	17.1%
Foreign direct investment (US\$ million)	847	1,493	1,329	1.84	1,139
Foreign direct investment (% of GDP)	4.8%	7.5%	5.4%	5.7%	3.6%
Exchange rate peso / US\$	24.5	24.1	23.5	20.9	22.5
Reserve assets (US\$ millions)	3,071	3,097	4,121	6,329	8,373
Unemployment rate (% of EAP)	12.2%	11.4%	9.7%	7.9%	7.7%
Annual inflation rate	4.9%	6.4%	8.5%	9.2%	7.5%
Net foreign debt (US\$ millions)	8,938	9,157	9,662	8,254	11,123

⁴¹ Source: GDP data was taken from the IMF; data on foreign trade, FDI, exchange rate, international reserves and foreign debt was provided by the Central Bank of Uruguay (BCU); population growth, literacy, unemployment and inflation data comes from the National Statistics Institute (INE).

⁴² 2008 and 2009 data includes a partial estimate of production activity in Free Zones and the information regarding the survey coordinated with CUTI for software related activities.

Investor Services



About Us

Uruguay XXI is the country's investment and export promotion agency. Among other functions, Uruguay XXI provides no cost support to foreign investors, both those who are evaluating where to make investments as well as those currently operating in Uruguay.

Our Investor Services

Uruguay XXI is the first point of contact for foreign investors. Services we provide include:

- Macroeconomic and industry information. Uruguay XXI regularly prepares reports on Uruguay and the various sectors of the economy.
- Tailored information. We prepare customized information to answer specific questions, such as macroeconomic data, labor market information, tax and legal aspects, incentive programs for investments, location and costs.
- Contact with key players. We provide contacts with government agencies, industry players, financial institutions, R&D centers and potential partners, among others.
- Promotion. We promote investment opportunities at strategic events, business missions and round tables.
- Facilitation of foreign investor visits, including organization of meetings with public authorities, suppliers, potential partners and business chambers.
- Publication of investment opportunities. On our website, we periodically publish information on investment projects by public entities and private companies.

www.uruguayxxi.gub.uy/investinuruguay

invest@uruguayxxi.gub.uy