

AUTOMOTIVE

SECTOR

IN URUGUAY



AUGUST 2024

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1. EXECUTIVE SUMMARY

- » The automotive sector is one of the sectors that has shown the greatest momentum post-pandemic. In the 2021-2023 period, this sector accounted for an average of 21% of the total trade transactions within Mercosur.
- » In Uruguay, the sector reached its highest level of vehicle production in 2022, with over 19,000 units produced, while the domestic commercialization of cars and light commercial vehicles reached an all-time high in 2023, with almost 57,600 units sold.
- » Almost all of Uruguay's vehicle production is exported. In 2023, more than 16,000 units were exported, for a total of US\$ 371 million. The main destinations were Brazil, Argentina and Chile.
- » 2023 saw the highest value of exports from the auto parts sector in the last four years, reaching almost US\$180 million. Virtually all of them were destined for Argentina and Brazil.
- » Uruguay has a regulatory framework that promotes investments in the sector through tax incentives.
- » Investments in the automotive sector in recent years highlight the strategic importance of our country's geographic location as a production and distribution center for the region, facilitating logistical operations and promoting a more favorable business environment.
- » Since 2021, there has been a steady increase in imports and sales of electric vehicles. The first six months of 2024 saw a peak of 2,198 units sold, almost 8% of total sales.

2. THE AUTOMOTIVE SECTOR IN MERCOSUR

2.1. PRODUCTION AND COMMERCIALIZATION

The automotive sector is one of the areas that has experienced significant development in recent years, despite the ups and downs suffered due to different factors and crises of the regional and international situation. In the 2021-2023 period, this sector accounted for an average of 21.4% of total intra-bloc trade, with transactions totaling US\$11 billion in 2023. For the same year, the volume of the bloc’s automotive sector’s sales abroad reached almost US\$21 billion, which is equivalent to 5% of Mercosur’s total exports.¹

Within Mercosur, the different characteristics and material capacities of the countries significantly determine the production matrix of the automotive sector. Brazil is the leading producer in Mercosur, ranking ninth worldwide with 2.3 million units produced. Argentina, on the other hand, ranks second in the bloc with a total of 0.61 million units produced.²

Table No. 1

Main vehicle-producing countries (number of units)

		2021	2022	2023
1	China	26,121,712	27,020,615	30,160,966
2	United States	9,157,205	10,052,958	10,611,555
3	Japan	7,836,908	7,835,539	8,997,440
4	India	4,399,112	5,457,242	5,851,507
5	South Korea	3,462,404	3,757,049	4,243,597
6	Germany ³	3,096,165	3,480,357	4,109,371
7	Mexico	3,194,858	3,509,101	4,002,047
8	Spain	2,098,133	2,219,436	2,451,221
9	Brazil	2,248,253	2,369,769	2,324,838
10	Thailand	1,685,705	1,883,515	1,841,663

Source: Uruguay XXI based on OICA.

¹Source: Trade Map (only includes goods from Chapter No. 87 of the Harmonized System)

²Source: OICA — Argentina (only includes automobiles and light commercial vehicles)

³only includes automobiles and light commercial vehicles.

2.2. INTRA-MERCOSUR COMMERCIALIZATION

Automotive sales within the bloc have shown uninterrupted growth since 2020, when 2.4 million units were sold, reaching 2.8 million in 2023. However, sales have not yet reached pre-pandemic levels, when 3.2 million units were sold. Worthy of note is a 9% year-on-year increase (2022-2023) in sales in the bloc as a whole, reflecting the dynamism of the sector in a regional environment of disparate circumstances.

Table No. 2

0 Km vehicle sales in the Mercosur domestic market (number of units)

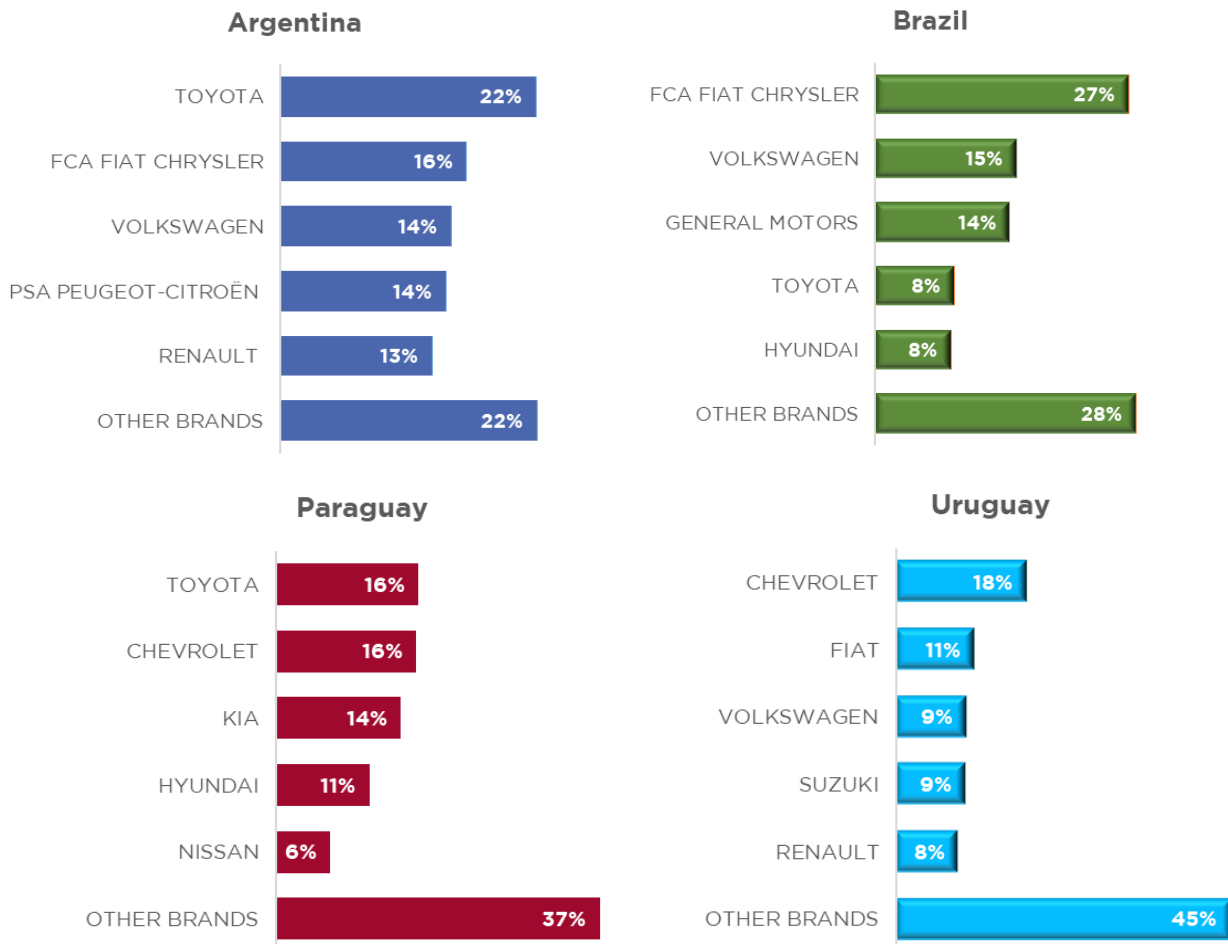
Country	2022	2023	Var.%
Argentina	367,257	406,940	8%
Brazil	2,104,461	2,308,689	10%
Paraguay	35,748	31,967	-12%
Uruguay	55,056	60,487	10%

Source: Uruguay XXI based on the Uruguayan Automotive Trade Association (ACAU for its acronym in Spanish) (Uruguay); Association of Automotive Manufacturers (ADEFSA for its acronym in Spanish) (Argentina); Brazilian Association of Automotive Vehicle Manufacturers (ANFAVEA for its acronym in Portuguese) (Brazil); Chamber of Automotive and Machinery Distributors (CADAM for its acronym in Spanish) (Paraguay)

In 2023, the top brand sold within the bloc was FCA (Fiat Chrysler Automobiles) with more than 683,000 units. It was followed by Volkswagen, General Motors and Toyota.

Graph No. 1

Main brands sold by countries (2023 Share %)⁴



Source: ACAU (Uruguay); ADEFA (Argentina); ANFAVEA (Brazil); CADAM (Paraguay)

In Uruguay, Chevrolet was the leader in sales, with more than 10,500 units sold; followed by Fiat, who registered more than 6,300 units; and in third place were Volkswagen, Suzuki and Renault, with sales exceeding 5,000 units.

Chinese brands had a 9% share of sales in 2023. However, they have shown a significant rebound in the January-July 2024 period, reaching 14% of total sales. Particularly noteworthy is an increase in sales of BYD electric cars; there was a total of 1,537 units sold in January-July 2024, while 469 units were sold in the cumulative 2023.⁵

⁴Automobiles, light commercial vehicles, trucks and buses are considered, except for Argentina, which only has data for automobiles and light commercial vehicles.

⁵Source: ACAU

3. CHARACTERIZATION OF THE AUTOMOTIVE SECTOR IN URUGUAY

3.1. INTERNAL PRODUCTION AND COMMERCIALIZATION

Uruguay's automotive sector experienced a unique growth at the beginning of the last decade, when foreign investments in both vehicle assembly and auto parts manufacturing were consolidated. Following the closure of Lifan Motors in 2021, domestic vehicle production was centralized in Nordex, which carries out various welding, cataphoresis, painting and assembly processes for Citroën, Ford, Fiat, Kia and Peugeot. In 2022, the highest production level this century was reached, with 19,620 units produced.

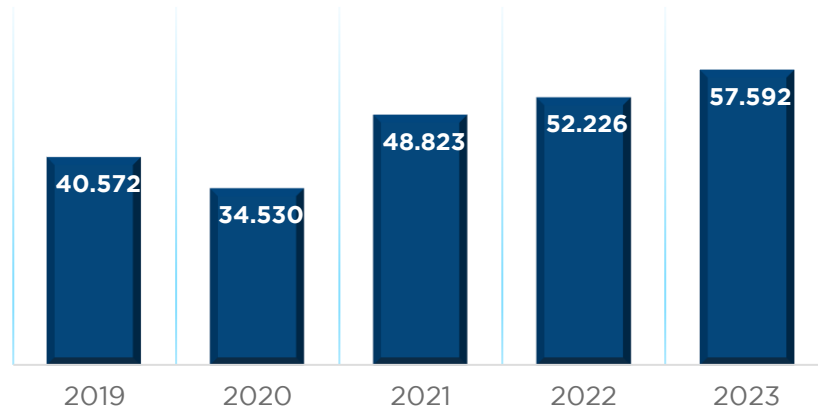
Sales of automobiles and light commercial vehicles have increased significantly in recent years. In 2023, the highest sales record of the last 5 years was reached, with 57,592 units sold. Lower inflation levels, a stable exchange rate and the recovery of real wages have stimulated sales in recent times, generating good expectations for investors in the sector. In this sense, the Santa Rosa Group has recently announced the incorporation of new brands to its portfolio, highlighting the arrival of units from the Japanese brand Mitsubishi and the Chinese group Great Wall.⁶

This favorable outlook is also reflected in the sales data at the end of the first six months of 2024. In this period, 28,350 units (automobiles, SUVs, minibuses and utility vehicles) were sold, compared to 25,943 sales transactions in the same period in 2023. If this trend continues, a record for this segment could be reached in 2024.

⁶Source: Santa Rosa Group expands with new Asian vehicle brands; adds Mitsubishi, Great Wall and more - EL PAÍS Uruguay (elpais.com.uy)

Graph No. 2

Sales of 0km automobiles and light commercial vehicles in Uruguay (units)



Source: Uruguay XXI based on ACAU

On the other hand, domestic production in the **auto parts** sector has been impacted by the regional situation. The floods in Rio Grande do Sul have halted vehicle assembly activities, which has affected the production of some auto parts companies in Uruguay (as in the case of airbag production).⁷ Likewise, there is a challenging context for the sector generated by competition from regional partners and the policy impulse that countries have implemented to stimulate the sector.⁸

3.2. EMPLOYMENT

The automotive and auto parts sector employs approximately 3,500 people (December 2023), 65% of whom are workers engaged in the manufacture of auto parts. With respect to gender distribution, the female personnel represented 42% of the total personnel employed.

Employment in the sector increased in the post-pandemic period, accompanying the good production levels in the last three years (the highest since 2015). It is also estimated that for every job created, three indirect jobs are generated.⁹

⁷Source: <https://www.búsqueda.com.uy/economia/fabricantes-autopartes-reclaman-estimulos-atraer-proyectos-y-empresas-al-sector-n5387687>

⁸Source: <https://www.transportecarretero.com.uy/noticias/ediciones-especiales/el-rol-de-la-politica-en-la-industria-automotriz-por-sebastian-giraldez.html>

⁹Source: [Port of Montevideo registered a record number of vehicles destined for export | Presidency \(www.gub.uy\)](https://www.gub.uy/port-of-montevideo-registered-a-record-number-of-vehicles-destined-for-export)

Table No. 3

Employed individuals

Description	Employed individuals
Manufacture of motor vehicles	1,214
Manufacture of bodies, trailers and semi-trailers	149
Manufacture of parts and accessories for motor vehicle engines	2,585
TOTAL	3,948

Source: Uruguay XXI based on the Social Security Administration Office (BPS for its acronym in Spanish) (December 2023)

4. EXPORTS

Exports in the automotive sector totaled US\$550 million in 2023, a slight decrease of around 3% compared with the previous year. Vehicle exports accounted for 68% and auto parts sales accounted for the remaining 32%.

4.1. VEHICLE EXPORTS

In 2023, a total of 16,063 units were exported, totaling US\$371 million. Brazil and Argentina accounted for 86% of sales; these are countries with which Uruguay has economic complementation agreements that benefit the sector. In particular, Brazil was the main destination of these exports, totaling 11,716 units sold. Of note were the brands Ford, Fiat, Peugeot, Kia y Citroën. Likewise, in 2023, the Fiat Titano model started being exported to Brazil, and the Peugeot Landtrek started being exported to Chile. These models are assembled in the Nordex SA factory.

Table No. 4

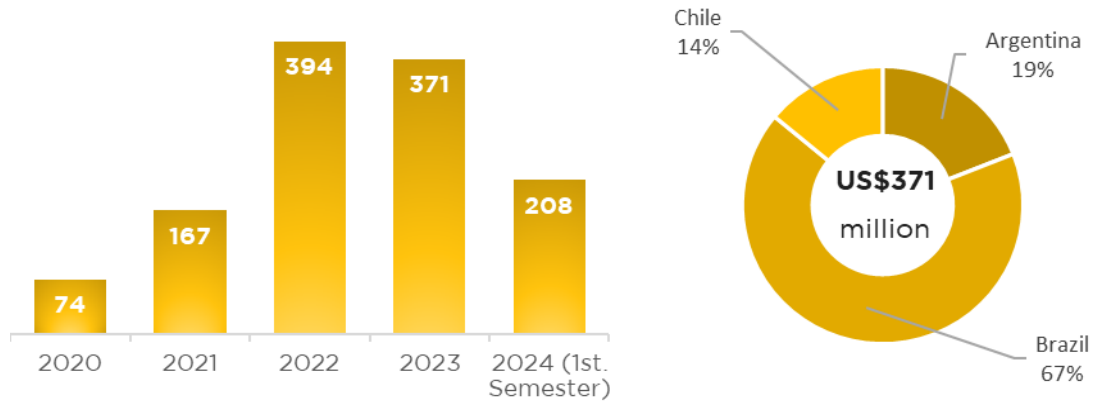
Vehicle exports by company - 2023

Company	US\$ Millions	Share %
Ford Uruguay S.A.	159	43%
Euro Automotriz S.A.	119	32%
Nordex S.A.	55	15%
KMU Corporation S.A.	36	10%

Source: Uruguay XXI based on National Customs Authority (DNA for its acronym in Spanish) data

Graph No. 3

Vehicle exports and main destinations¹⁰ (US\$ Millions)



Source: Uruguay XXI based on DNA data

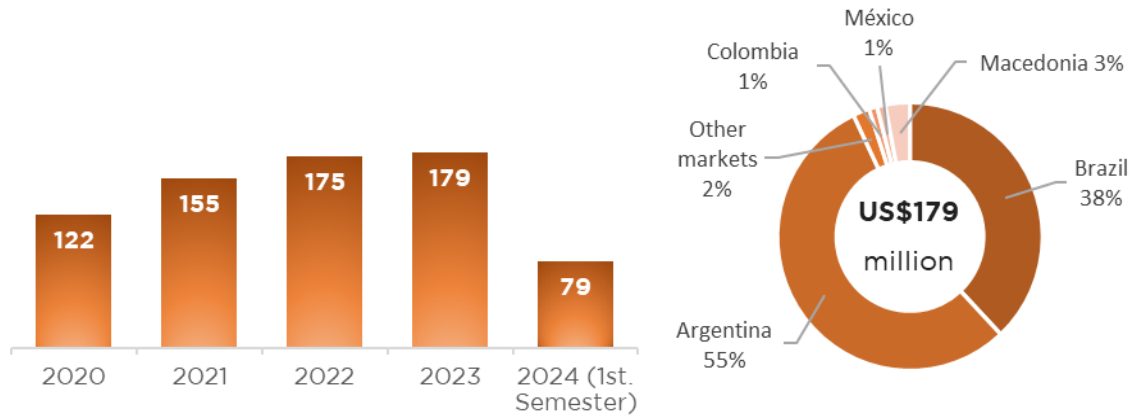
4.2. AUTO PARTS EXPORTS

Auto parts exports totaled US\$179 million in 2023. While this figure is the highest it has been in the last four years, it still has not reached pre-pandemic levels. Argentina is the main destination for exports, which totaled US\$99 million, while Brazil came in second place with purchases totaling US\$68 million. Thus, like vehicle exports, almost all of these exports were concentrated within Mercosur.

¹⁰Data through the first half of 2024

Graph No. 4

Auto parts exports and main destinations¹¹ (US\$ Millions)

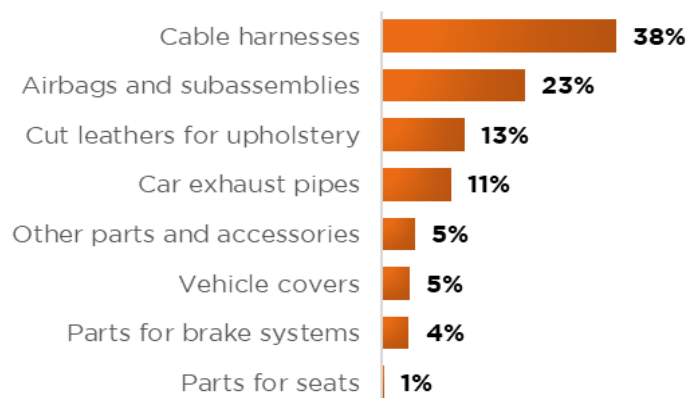


Source: Uruguay XXI based on DNA data

The products with the largest share of exports in 2023 were wire harness assemblies and subassemblies, with exports of close to US\$68 million, all of which were destined for the Argentine market. They are followed by airbags and cut leather for upholstery, whose export values reached US\$41 million and US\$ 24 million, respectively. Almost all the airbags are destined for Brazil. Brazil was also the main buyer of upholstery products, with a 28% share, followed by Macedonia (20%) and Mexico (6%).

Graph No. 5

Auto parts exports by product type (2023 Share %)



Source: Uruguay XXI based on DNA data

¹¹Data through the first half of 2024

Among the companies that had the largest share of exports in 2023 were:

- 1- [Yazaki Uruguay SA](#). Company engaged in the manufacture of wire harnesses and other parts under headings 8409 and 8544. It ranked first with sales reaching US\$67 million.
- 2- [Joyson Safety Systems Uruguay SA](#). Company engaged in the manufacture of airbags and their parts. It ranked second, totaling exports of US\$43 million.
- 3- [Bader International](#). This company ranked third in exports, with sales of leather manufactures for seat upholstery that reached US\$24 million.
- 4- [Fischer Stainless Steel Tubing Uruguay](#). Exhaust pipe shipments placed this company in fourth place in the ranking of auto parts exports, totaling US\$20 million.

As of the first half of 2024, auto parts exports totaled US\$79 million, down 4% compared to the same period in 2023. This was partly due to a decrease in demand, resulting from the economic difficulties in Argentina and the floods in Rio Grande in Brazil.

5. INVESTMENTS IN THE SECTOR

Foreign Direct Investment (FDI) in Uruguay has increased considerably in recent years. This was based on the favorable investment environment in the country, as well as a good macroeconomic performance. Particularly, in the automotive sector, several leading international companies such as General Motors, Ford, Fiat and others had vehicle assembly plants in Uruguay, even before the creation of Mercosur.

Around them and taking advantage of Uruguay's export advantages, foreign investment flowed into the auto parts subsector, which already had experience in exporting products such as leather seats for high-end vehicles, metal structures for seats, electrical wiring harnesses, brake pads and other brake products. All these products are destined for regional and global auto parts terminals.

5.1. ASSEMBLY PLANTS

In recent years, there have been dynamic investment processes by Asian vehicle manufacturers. These companies used the old national plants by reaching agreements with their owners or

acquiring them –Nordex–, while others installed new plants, as was the case of Lifan (which no longer has operations in Uruguay).

NORDEX

It is one of the main automobile terminals and production plants in Uruguay. It is located on the outskirts of Montevideo and currently employs more than 800 people. In 2022, the company reached a record production figure, surpassing 19,000 units, and by the end of 2023 it exceeded 16,600. The main exported models were, among others: Ford Transit, Kia Bongo, Peugeot Landtrek. The main destinations of these vehicles were: Brazil, Argentina, Chile and the domestic market. Additionally, 2023 saw the first exports of the Fiat Titano model, totaling 71 units sent to the Brazilian market. It is worth noting that in 2023, the Netherlands-based multinational automotive group Stellantis NV acquired 50% of Nordex for €142 million.¹²

5.2. AUTO PARTS

In the auto parts subsector, there are domestic companies that mainly supply the domestic replacement market, as well as foreign companies focused on exports. Some of the latter have been in the country for many years (Bader), and others have invested in new industrial plants such as Fischer, Yazaki and Takata, the latter acquired by Joyson.

5.2.1. FOREIGN AUTO PARTS COMPANIES

Bader

Bader is a German company founded in 1872 that manufactures fine leather upholstery for automobiles. It employs 12,100 people in 11 plants worldwide, three of which are in Latin America, two in Mexico and one in Uruguay. The plant in Uruguay, located in the department of San José, began processing leather for vehicle upholstery in 1999, and expanded in 2001, 2002 and 2007. It employs 390 people. The company produces finished leathers from wet blue and wet white. In 2023, its exports totaled US\$24 million. The main destinations were Argentina (38%), Brazil (28%) and Macedonia (20%).

Fischer

In 2009, the German Fischer Group established in Uruguay its fourth branch in the Americas, after Canada, the USA and Mexico. The company, which has 2,800 employees in 9 countries, specializes in steel pipes for automotive exhaust systems.

¹²Source: <https://www.stellantis.com/content/dam/stellantis-corporate/investors/financial-reports/Stellantis-NV-20231231-Annual-Report-and-Form-20-F.pdf>

From Uruguay, it supplies Peugeot, Volkswagen, Chevrolet, Fiat, Renault, Honda and Citroën plants located in Mercosur, reducing their transportation costs and improving their competitive position. In 2023, the company's exports destined to Brazil, Argentina and Colombia totaled US\$20 million.

Maxion Montich

Maxion Montich is a joint venture automotive components company, 50% owned by Maxion (Argentina) and 50% by Maxion Structural Components (Brazil). It has four plants in South America: two in Argentina, one in Brazil, and the other one in Uruguay. The company has been working with steel fabrications especially for vehicles for 50 years. The plant in Uruguay manufactures chassis and components and is located at Km. 24,200 of Route 101, in Canelones. It has a constructed area of 1,200 m², where 30 people work.

Joyson Safety Systems

Joyson Safety Systems is a global leader in mobility safety, providing safety-critical components, systems and technology to the automotive and non-automotive markets. Joyson Safety Systems is headquartered in Auburn Hills, Michigan, USA, and has a global network of about 43,000 employees in 25 countries. It is a subsidiary of Ningbo Joyson Electronic Corp. (SHA: 600699, "Joyson Electronics").

In 2017 it purchased Takata, located in the department of San José, which has the first and most modern airbag production plant in Latin America. The initial investment was US\$12 million and the official inauguration was in May, 2012. Joyson Safety Systems' plant in Uruguay supplies the Brazilian market with air modules, as a result of the approval of the law in that country that mandates that all automakers must include driver and passenger airbags in all cars. Exports to the Brazilian market totaled US\$41 million in 2023.

Yazaki

Based in Japan, Yazaki Corporation currently has operations in more than 30 countries and is the world leader in the design and manufacture of automotive electrical distribution systems. It employs over 90,000 people and it commercializes its products in the Asian, American, European and Australian markets. Yazaki Corporation is also involved in the manufacture of electrical cables and conductors, automotive harnesses and components, automotive measuring instruments, fiber optic conductors, air conditioning equipment, gas meters and solar power equipment.

Yazaki arrived in Uruguay in 2006, with an operation in the department of Colonia in a state-owned facility near the port. It employs over 1,000 people. It is currently the largest exporter of auto parts in the country. In 2010, Yazaki opened its second factory in Uruguay in the Canario Technology Park, in Las Piedras (Canelones) — also producing electrical wire harnesses and electronic elements for the automotive industry—, with support from the Municipality, the Ministry of Transport and Public Works (MTOPE for its acronym in Spanish), the Ministry of Industry, Energy and Mining (MIEM for its acronym in Spanish), and the National Development Corporation (CND for its acronym in Spanish). The two plants serve customers such as Toyota, Renault, Honda, Volkswagen and Peugeot. The company's exports totaled US\$68 million in 2023, exported almost entirely to Argentina.¹³

Zenda Leather - JBS

Established in 1890 under the name *Curtiembre Branáa*, Zenda is an emblematic high-quality leather producer in Uruguay. Since 2013, Zenda belongs to the Brazilian group JBS. JBS, as one of the world's leading leather processing companies, with 21 manufacturing units and 5 distribution centers on four continents, offers solutions based on innovation, efficient logistics and a global platform. JBS Couros produces leathers in the wet blue, crust and finishing stages for the automotive, furniture, footwear and leather goods markets. The upholstery produced in Uruguay by Zenda JBS is used as original equipment in high-end vehicles of brands such as Audi, BMW, Peugeot, Toyota and others. In 2023, the company exported almost US\$5 million.

5.2.2. NATIONAL AUTO PARTS COMPANIES

Aluminios del Uruguay

The company, founded in 1957, manufactures aluminum profiles, used in construction and in various industries. It also works in the lamination and printing of aluminum foil and plastic films for the manufacture of flexible packaging. The company's annual production surpasses 5,000 tons in a constructed area of 20,000 m².

Somil SA

Somil SA is a 100% Uruguayan-owned company dedicated to the manufacture of car seats, and is located close to the Nordex factory. The company has been a supplier of upholstered seats and metal seat frames for Citroën, Renault, Volkswagen and Mercedes Benz automobiles. In addition, it currently supplies Stellantis for the Citroën Jumpy, Peugeot Expert, Fiat Strada,

¹³Source: Uruguay XXI based on data from DNA and DNI National Department of Industry (DNI for its acronym in Spanish) — MIEM

Peugeot Landtrek, and Fiat Titano models; Kia Motors for the Bongo model; and Ford Motors Company for all versions of the Ford Transit model. The company has also produced other types of auto parts, such as floor and dashboard soundproofing for General Motors Argentina, and bumper covers for Peugeot Argentina.

6. ELECTRIC MOBILITY

In Uruguay, the energy policy is a state policy, approved by all political sectors. Since then, the energy sector has incorporated energy from non-traditional renewable sources into the national electricity grid, and energy efficiency measures in all sectors of activity.¹⁴

In an effort to reduce reliance on oil in the transportation sector and reduce emissions of polluting gases into the atmosphere, Uruguay is promoting electric transportation. The country has an adequate distribution and transmission network infrastructure to supply the resulting energy demand. Since 2012, measures have been developed to have different types of more efficient vehicles. In order to meet the objectives proposed in 2015, the “inter-institutional group for energy efficiency in transportation” was created. The mission of the group is to generate, align and promote policies towards more efficient and sustainable mobility.

The main actions taken these last few years have ranged from the creation of an electric charging network that will be expanded nationwide, to the creation of incentives for the replacement of combustion cabs with electric ones, and more recently include the implementation of a subsidy for public transport operators to change their diesel buses to electric ones.

Another action from this group was to apply for Global Environment Facility (GEF) funds and implement the MOVÉS Project with their approval. This GEF project that aims to promote efficient and sustainable mobility is implemented by the United Nations Development Programme (UNDP) and executed through the MIEM in partnership with the Ministry of Environment. The main axes of the project are to generate capabilities and create a regulatory framework to promote electric mobility, generate concrete actions so that companies and institutions can test electric vehicles, and promote sustainable mobility for both cargo and passengers through a cultural change of people, companies and institutions.

¹⁴For more information see [Renewable Energies](#) Report

On the other hand, there is a developing infrastructure that favors electric mobility (energy matrix and electric road), as well as several economic benefits for the incorporation of electric vehicles, among which the following stand out:

- Subsidy for the incorporation of electric buses.
- Creation of a new trust for the capital's public transportation system to enable the acquisition of 100% electric units.¹⁵
- Reduction of the Excise Tax (in Spanish *IMESI*) (Decree 246/012) for hybrid and electric vehicles.
- Total elimination of *IMESI* for electric vehicles as of January 1, 2022 (Decree 390/21).
- Investment Promotion Law (Decree 268/020). Electric vehicles are considered an eligible investment for tax exemptions. In this regard, as of February 2024, the cap for investment in electric vehicles is US\$30,000 (CIF value).¹⁶
- Energy efficiency certificates
- Global Tariff Rate exemption (TGA for its acronym in Spanish)
- Preferential rates for the payment of vehicle license plates
- UTE (National Administration of Power Plants and Electric Transmissions) commercial discount

In line with the above, Montevideo's metropolitan transport has undergone a significant transformation. Recently, the incorporation of new electric buses has been announced. By the end of 2024 there will be about 260 units,¹⁷ in addition to about 200 electric cabs currently circulating in the city. Additionally, measures have been taken to increase the network of charging points throughout the country, which can be viewed (including the quantity and types of connectors) at the following link: [Charging network in Uruguay](#).

With the implementation of these measures, and particularly since the implementation of Decree 268/020, imports of electric cars have increased steadily.

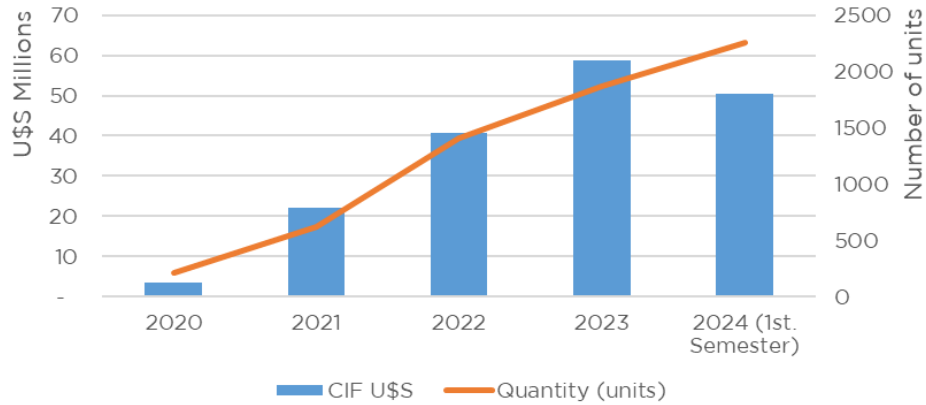
¹⁵Source: [IMM - Trust for the purchase of new electric buses](#)

¹⁶Source: [MEF - Temporary investments-electric vehicles](#)

¹⁷Source: [IMM - More electric buses for the city](#)

Graph No. 6

Electric vehicle imports

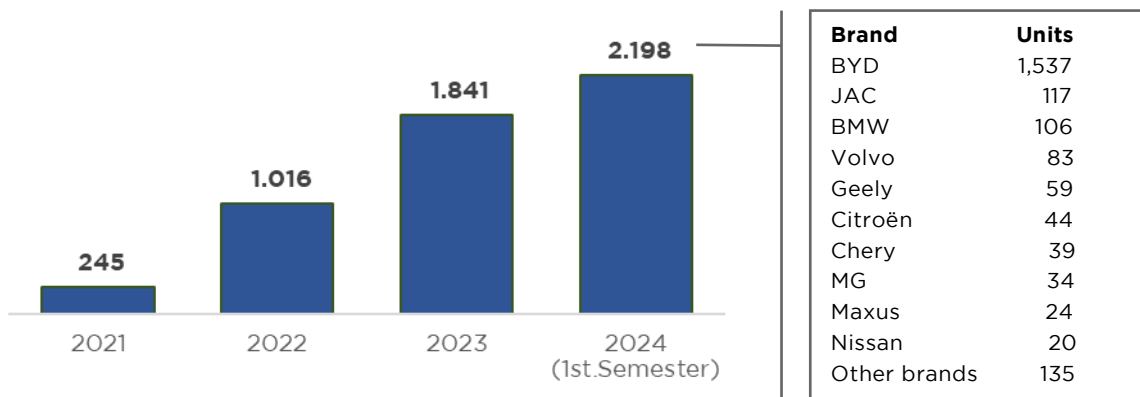


Source: Uruguay XXI based on DNA.

In addition, sales of electric vehicles in the domestic market have risen sharply. In the first half of 2024, sales of these vehicles reached 2,198 units, representing 7.8% of total sales, while in the first half of 2023, sales of these vehicles accounted for 3.2% of total sales (1,841 units).¹⁸

Graph No. 7

Electric vehicle sales¹⁹ (number of units)



Source: EXANTE based on ACAU data.

¹⁸Source: EXANTE based on ACAU data

¹⁹Includes: Automobiles, SUVs and light utilitarian vehicles.

7. REGULATORY FRAMEWORK AND TRADE AGREEMENTS

In addition to having several Trade and Investment Protection Agreements that connect it to a large number of countries,²⁰ Uruguay has a set of regimes and legal norms —among which stand out the Free Trade Zones and Temporary Admission regimes, as well as the VAT reimbursement on the import of inputs— aimed at promoting investments and exports.

In turn, given its economic importance, the automotive sector has historically been the object of specific industry policies. The need for value chains and regional integration in the production and trade spheres are of decisive importance for this sector. In this regard, Mercosur is still working on a draft agreement for the sector, in a context characterized by various bilateral agreements signed by the countries within the framework of the Latin American Integration Association (ALADI for its acronym in Spanish).

7.1. EXPORT REBATE

There is a 10% rebate on the FOB value of exports of vehicles and auto parts through credit certificates issued by the government, which may be used both for the payment of customs taxes for importing vehicles for the domestic market (being able to deduct up to 13 points of the TGA, global tariff rate), for the payment of taxes collected by the DGI, or for the payment of obligations with the BPS. Exporting companies may assign their benefits to companies importing vehicles for the domestic market. This refund cannot be applied in conjunction with the “Tax refund” applicable to exports of goods.²¹

7.2. BENEFIT FOR VEHICLE ASSEMBLY COMPANIES²²

The automotive terminals that carry out an assembly process in the country have a tax exemption the extra- and intra-zone TGA, both in the import of CKD Kits (kits of entirely unassembled parts) and SKD Kits (kits of partially assembled parts) destined for vehicle assembly.²³

²⁰Source: [Uruguay XXI - Uruguay's international agreements](#)

²¹[Decrees 316/92 and 255/19](#)

²²[Decree 340/996](#)

²³[Decree 251/019](#)

7.3. MERCOSUR TRADE AGREEMENTS²⁴

Based on the regulations applied by the countries of the bloc, Mercosur’s extra-zone tariffs for automobiles and light vehicles are 23% in Uruguay²⁵ and 35% in Argentina and Brazil. In turn, in Uruguay trucks pay a tariff of 23% ²⁶, diesel buses 6%, and gasoline buses 23%. Auto parts pay a tariff of between 14% and 18%, and road and general agricultural machinery pay between 0% and 2%. However, as mentioned above, there are some benefits for assembly companies.

In the case of auto parts (with the exception of assemblies and subassemblies regulated by the Mercosur Regional Content Index, ICR for its acronym in Spanish), Uruguay can export to Argentina and Brazil with no quantitative limitations if the auto parts meet the origin qualification criteria requirements set by the Mercosur Origin Regime. Uruguay has entered into bilateral economic complementation agreements with Argentina and Brazil, which set forth the following:

7.3.1. ARGENTINA-URUGUAY (ACE NO. 57)

Uruguay can export automotive products to Argentina with zero tariffs and no quantitative limitations if it complies with the set Origin Rules. In the agreement with Argentina, the minimum Regional Content Index (ICR) is 60%.²⁷

Definition of Regional Content in the Agreement with Argentina:

$$ICR = \left\{ 1 - \frac{\text{CIF imports of auto parts from outside Mercosur}}{\text{"Ex-factory" price of the product, without taxes}} \right\} \times 100 \geq 60\%$$

In the case of new vehicle models or assemblies or subassemblies of auto parts (approved in the Progressive Integration Program (PIP) for each exporter), the zero-tariff policy also applies without quantitative limitations and a lower regional content is allowed:

- At the start of the first year - 40%
- At the start of the second year - 50%
- At the start of the third year - 60%²⁸

²⁴See ALADI website — [Link](#): - Partial Scope Agreements - Economic Complementation (AAP.CE for its acronym in Spanish) No. 2, 69th Protocol, 70th Protocol, 75th Protocol and 76th Protocol (with Brazil), and AAP.CE No. 57, 1st Protocol and 2nd Protocol (with Argentina).

²⁵With the exception of vehicles that have a 0% tariff - [Decree No. 34/015](#).

²⁶With the exception of refrigerated trucks, that have a tariff between 7% and 8%.

²⁷ACE No. 57, Section 8.

²⁸ACE No. 57 Section 11

It is also possible to export with zero tariffs and an even lower regional content than in the previous case, but with the following quantitative limitations:

- vehicles and light commercial vehicles: up to 20,000 units per year
- trucks and tractor units: up to 800 units per year
- armored vehicles: up to 500 units per year
- auto parts subassemblies: up to US\$60 million

The requirements are as follows:

a) Automotive products (vehicles, auto parts assemblies and subassemblies) and armored vehicles, a minimum Regional Content Index of 50%.²⁹

b) For new vehicle models or auto parts assemblies or subassemblies (included in the Progressive Integration Program approved for each exporter), the minimum Regional Content Index is:

- 30% for the first year of the project, 35% for the second year, 40% for the third year, 45% for the fourth year, and 50% for the fifth year onwards.³⁰

7.3.2. BRAZIL - URUGUAY (ACE NO. 2)

Uruguay can export automotive products to Brazil with zero tariffs and no qualitative limitations if it complies with the Origin Rules set for each case. In the agreement with Brazil, the minimum Regional Content Index (ICR) is 50%.³¹ The regional content is lower compared to the agreement with Argentina due to the elements taken into account for the regional content formula.

Definition of Regional Content in the Agreement with Brazil

$$ICR = \left\{ 1 - \frac{\text{CIF value of destination port of non-originating materials}}{\text{FOB export value of the final product}} \right\} \times 100 \geq 50\%$$

Exports with zero tariffs and an even lower regional content than in the case above are also possible, but with a US\$650 million per year limit, for automotive products originated in Uruguay, and taking into account the following specifications:

²⁹ACE No. 57, Section 9.

³⁰ACE No. 57, Section 12.

³¹Section 8 of the 76th Protocol of ACE No. 2.

- a) Trucks and buses - a maximum of 10% of the quota
- b) Automobiles and light armored commercial vehicles - a maximum of 5% of the quota
- c) Auto parts - maximum 30% of the quota³²

The requirements are as follows:

- a)** Automotive products (vehicles, auto parts assemblies and subassemblies) and armored vehicles, a minimum Regional Content Index of 40%.³³
- b)** For new models of automotive products, covered by the New Model concept and produced under the protection of Progressive Integration Program, the minimum Regional Content Index is:
 - 25% for the first year,
 - 33% for the second year,
 - 40% for the third year.³⁴

7.4. MERCOSUR - MEXICO (ACE NO. 55)

In 2002 an agreement specific to the automotive sector was signed with Mexico, which allows the export of auto parts and vehicles to Mexico with zero tariffs, with very favorable origin regimes for Uruguay, especially in the case of new products (50% in the general case and 30% for the first year of a new product, Annex II of ACE No. 55).³⁵

7.5. MERCOSUR - CHILE (ACE NO. 35)

The Economic Complementation Agreement between Mercosur and Chile was signed on July 25, 1996, and entered into force on October 1, 1996. The 43rd Additional Protocol to this Agreement sets forth that Chile will grant Uruguay annual tariff quotas with 100% preference for goods in the automotive sector included in the following headings and sub-headings of the harmonized system: 8703, 8701.20, 8704.10, 8704.22 (only chassis-cab), 8704.23 (only chassis-cab). Currently, Uruguay and Chile are in a negotiation process aimed at expanding the number of goods in the sector that are covered by the established preferences, as well as increasing

³²The quotas may be increased as of the second annual period - starting on the effective date (March 4, 2016) - by the Bilateral Automotive Committee.

³³ACE No. 2, Sections 5b) and 11, and ACE No. 57, Section 9.

³⁴7th Protocol of ACE No. 2, Sections 5 II, 9 and 10.

³⁵ACE No. 55 of September 27, 2002, [Minutes of rectification of the First Additional Protocol July 12, 2004](#) and the Mexico-Uruguay Free Trade Agreement from November 15, 2003.

the percentage of non-originating materials established in the origin requirements, which currently have a maximum of 50%.

7.6. MERCOSUR - EUROPEAN UNION AGREEMENT³⁶

In June 2019, Mercosur and the European Union announced an "agreement in principle" regarding the Strategic Association Agreement between the two blocs. In regard to vehicles, these texts set forth that exports from Mercosur to the European Union will be fully exempted within a maximum period of ten years from the moment the agreement enters into force, depending on the type of vehicle. In the case of auto parts, full exemption will be achieved within seven years, depending on the product.

For exports from the European Union to Mercosur, vehicles will reach total exemption within a period of 15 years, with a grace period of seven years in which there is no tariff exemption and instead there is a quota of 50,000 automobiles per year to the EU during that period (the sub-quota to export to Uruguay is 1,750 automobiles per year). The tariff for this intraquota is 50% of the base tariff set at the country level in Mercosur. In the case of auto parts, full exemption will be achieved within 10 or 15 years, depending on the product.

7.7. MERCOSUR - EFTA AGREEMENT

In August 2019, Mercosur and the European Free Trade Association (EFTA) successfully completed negotiations for a trade agreement.³⁷ At the moment, the agreement is in a phase of technical exchanges in order to finalize it. For the automotive sector, the agreement completely and immediately frees up 100% of exports from Mercosur to EFTA, of both auto parts and vehicles.

7.8. OTHER TRADE AGREEMENTS

Uruguay has preferences for the export of automotive products in most of the trade agreements it has ratified. In particular, it has preferences —some total and some partial— to enter the Bolivian, Ecuadorian, Peruvian, Colombian and Venezuelan markets.

³⁶Source: MRREE - Agreement: Summary

³⁷It will enter into force once it is ratified by a country member of the EFTA and a Mercosur State Party.



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