

ANNUAL REPORT FOREIGN TRADE

2021



Uruguay XXI
PROMOCIÓN DE INVERSIONES,
EXPORTACIONES E IMAGEN PAÍS

Executive Summary

- Uruguayan exports of goods **grew 43% in 2021**, totaling **USD 11,549 million**. This is the highest historical level in value since Uruguay XXI has access to this information, and it means a strong rebound compared to 2020, which was greatly affected by the health crisis. Likewise, exports **grew 26% as compared to 2019, which accounts for an increase from pre-pandemic levels**.
- **Beef** was the product with the greatest impact on growth in 2021, both due to better prices and higher export volumes. Sales of electric power and cellulose also grew strongly, in a context of higher export prices. Wood, meat by-products, soybeans and beverage concentrate were some other products with a positive impact on the annual variation.
- **China** was once again Uruguay's main trading partner in 2021, accounting for 28% of goods exports, with USD 3,277 million exported. Brazil ranked second (16%), followed by the European Union (14%), Argentina (5%), the United States (5%), and Egypt (4%).
- A more moderate performance of Uruguayan exports is expected for 2022. There will be no post-pandemic rebound effect, but some favorable conditions will remain. According to Uruguay XXI estimates, **exports of goods will grow by 5% in 2022, exceeding USD 12 billion**.
- In terms of trade agreements, in 2021 the beginning of a joint feasibility study on a FTA between Uruguay-China was announced. Likewise, at the end of 2021 it was announced that negotiations on a Uruguay-Turkey FTA would be launched in March 2022.

Uruguayan Exports of Goods

USD millions, monthly and yearly variation (%)

	Dec-20	Dec-21	Var. %
Including Free Trade Zone regime	733	1,147	56.4%
Excluding Free Trade Zone regime	659	956	45.1%
	2020	2021	Var. %
Including Free Trade Zone regime	8,075	11,549	43.0%
Excluding Free Trade Zone regime	6,942	9,817	41.4%

Return to Goods Export Growth in the Region

In 2021, global trade in goods experienced the largest expansion in over a decade, having quickly overcome the impact of the pandemic, which accounted for a 7.3% drop in 2020¹.

The impact on the global trade in goods was shorter and less profound than expected at the onset of the pandemic. By the fourth quarter of 2020, global trade had already surpassed pre-pandemic levels, which means that it took only three quarters to recover from the crisis.

The upward trend of the last months of 2020 accelerated in early 2021. The latest available data provided by the Interamerican Development Bank (IDB) indicate that in the first half of 2021, global trade in goods was 29% higher year-on-year and 12% higher versus the same period in 2019, before the pandemic.

The World Trade Organization (WTO) in its latest release of October 2021, forecasted an 11% trade volume growth in 2021, and an increase of 4.7% by 2022, which represents twice the average growth in trade between 2012 and 2019 (2.4% annually).

The global rebound in goods trade is marked by significant differences among countries and some regions are far from reaching the world's average.

For Latin America and the Caribbean (LAC), the WTO projects a 7.2% growth in exports volume, 3.6 percentage points below the world's average², while the greatest recovery will be in China (27%), Japan and other emerging Asian economies (18%)³.

The relatively rapid control of the pandemic in China, the strong fiscal stimulus in the United States, Europe and other economies, together with the rise in commodity prices, were determining factors in mitigating the negative effects of the pandemic on the region's export value in 2020, which fell 10% (with a 4% variation in volume and a 6% variation in prices).

¹ Trade and Integration Monitor - October 2021 ([link](#))

² WTO Press Release - October 4, 2021 ([link](#))

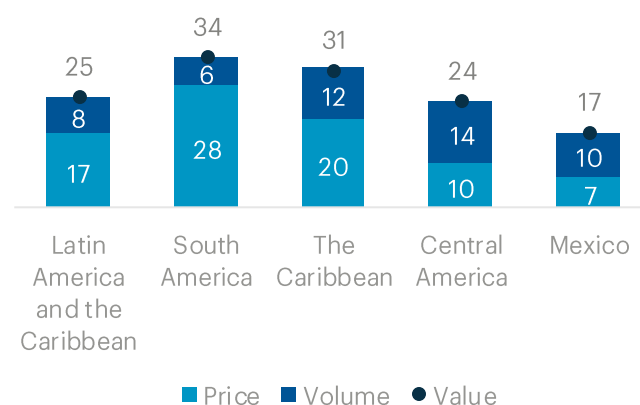
According to ECLAC, improvement in the region's foreign trade is explained by a greater demand from its main trading partners, the recovery of economic activity in the region and higher prices of its main export commodities. For 2021, ECLAC forecasts a 17% rise in export prices, which added to the 7% growth in the volume of shipments, **will result in a 25% increase in regional exports of goods for 2021.**

South America had the largest increase in exported value in the region (34%) in 2021, mainly due to higher commodity prices. In particular, exports from MERCOSUR countries showed above-average growth rates. Among them, Argentina (46%) and Uruguay (43%) stood out as the fastest growing, followed by Brazil (38%) and Paraguay (29%). Chile was one of the few countries with export growth in 2020, and it grew 26% again in 2021.

With respect to the region's main trading partners, the greatest dynamism in 2021 corresponds to flows with Asia and intra-regional flows. Countries with a largest share in these regions benefited the most in 2021. The 35% growth in the value of regional exports to China is consistent with the structure of exports to that country, mainly commodities and processed natural resources, which prices rose in the last year.

Chart #1 - Exports of Goods by Region

Year-over-year % variation in value, volume and price (2021)



Source: International Trade Outlook for Latin America and the Caribbean, ECLAC (2021).

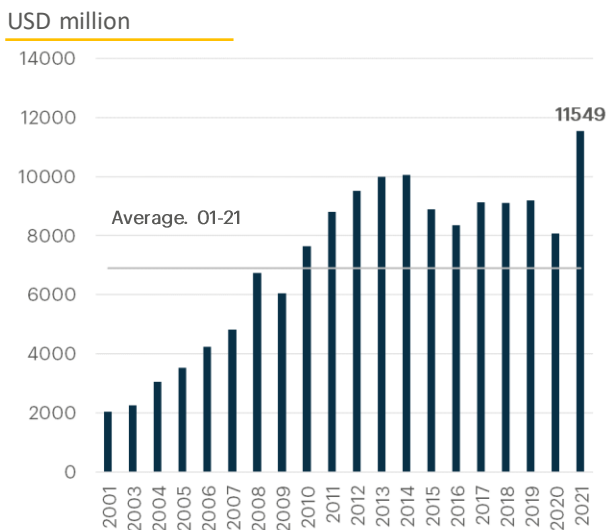
³International Trade Outlook for Latin America and the Caribbean, 2021 (ECLAC) ([link](#))

Uruguay -as an exporter of agro-industrial goods whose main trading partner is China- was favored by an increase in export demand and prices, which largely explains the strong export growth in 2021.

Uruguayan Exports of Goods Reached Record Levels in 2021

Uruguayan exports of goods including free trade zones recovered and reached historic record levels in 2021. **Foreign sales totaled USD 11,549 million in 2021, resulting in a 43% growth as compared to 2020 and a 26% growth as compared to 2019 (i.e., compared to pre-pandemic levels)**⁴. As can be seen in Chart #2, this is the record figure since Uruguay XXI has access to this information.

Chart #2 – Exports of Goods from Uruguay



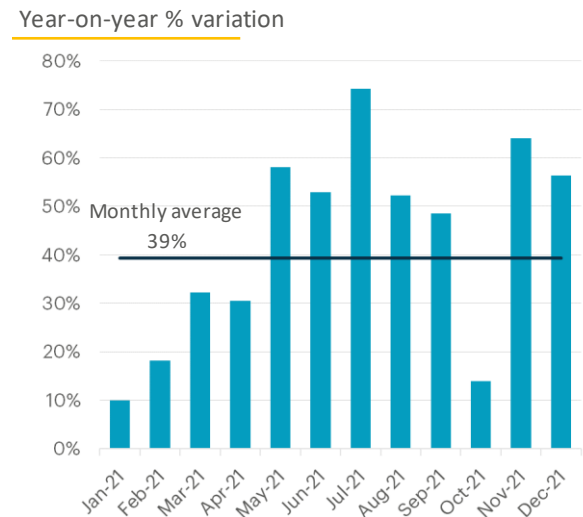
Source: Uruguay XXI based on data from National Customs authority (DNA) and Montes del Plata.

In December 2021, export requests with free trade zones reached USD 1,147 million, an increase of 56% compared to the same month of 2020. Thus, 2021 ends with year-on-year growth in all months of the year. The most significant year-on-year increases were recorded between May and September, which were the months

⁴ Exports from free trade zones totaled USD 2,322 million, growing 34% year-on-year. This includes sales of beverage concentrate from Colonia FTZ, cellulose from Fray Bentos FTZ and Punta Pereira FTZ, pharmaceutical products from Zonamerica and Parque de las

most affected by the effect of the pandemic in 2020 (except for June).

Chart #3 - Exports of Goods from Uruguay



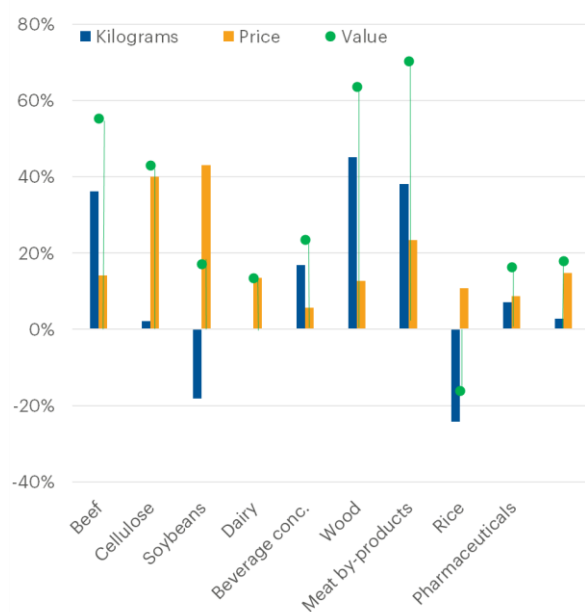
Source: Uruguay XXI based on data from the National Customs authority (DNA, in Spanish) and Montes del Plata.

In 2021, exports growth occurred in a context of rising commodity prices, which are highly demanded by China. Thus, most of the prices of the main goods exported by Uruguay rose. Chart #4 shows the annual variations of the exported value, volume and export price in 2021. Thanks to higher prices, export values increased in almost all cases. Beef was the product with the greatest impulse in the variation in goods exports. Meat sales showed a strong increase in value, which is explained both by better prices and higher exported volumes. Other agricultural goods which export prices rose significantly were cellulose and soybeans.

Ciencias, as well as cannabis sales (part of which come from Nueva Helvecia FTZ) and exports of specific companies with significant amounts. Meanwhile, exports from non-free trade territory totaled USD 9,817 million, 39% above the 2020 record.

Chart #4 - Main Exported Goods⁵

Year-on-year % variation in value, volume and price (2021)



Source: Uruguay XXI based on data from the National Customs authority (DNA) and Montes del Plata.

Main Products Exported

The increase in exports was practically generalized at the product level, but the incidence of beef, cellulose and electric energy in the annual variation stands out. The ranking of exported products is led by beef, which represented 21% of total exports. It is followed by cellulose with 14%, soybeans with 8% and dairy products with 6%. Beverage concentrate, wood, electric power and meat by-products grew in 2021 and had shares of 5% in the first three cases and 4% in the latter.

Table #1 - Main Exported Goods

USD million and year-on-year % change

Product	2020	2021	Var. (%)
	(USD Mill)	(USD Mill)	
Beef	1,575	2,449	55%
Cellulose	1,101	1,575	43%
Soybeans	761	892	17%
Dairy products	648	735	14%
Beverage conc.	501	619	24%
Electric power	81	594	632%
Wood	347	569	64%
Meat by-products	276	470	71%
Rice	455	382	-16%
Pharmaceuticals	240	279	16%

Source: Uruguay XXI based on data from the National Customs authority (DNA) and Montes del Plata. The impact of each product in accumulated exports is available in the [Annex](#).

Beef was the main export product in 2021. Exports grew 55% compared to 2020 and reached USD 2,449 million. There is also a strong increase when compared to sales prior to the sanitary crisis (37% vs. 2019). The increase in dollars is explained by a rise in both volume and price. Volumes sold in 2021 totaled 420,000 tons, growing 36% versus 2020. Meanwhile, the international price of meat is exceptionally high⁶. In a context of strong demand from the Chinese market, supply is limited: Production in Brazil and Australia fell, since they are rebuilding their stock.⁷ In addition, there were some aspects related to the specific context, such as the suspension of exports from Argentina, the temporary interruption -from September to December 2021- of Brazilian production destined to China⁸ and the temporary ban imposed by China to certain Australian slaughterhouses⁹.

China has radically changed its position in the ranking of Uruguayan beef exports over the last fifteen years. As can be seen in Chart #5, in 2005 the United States was the main beef export destination and sales to China were insignificant. In 2021, sales to China reached 61% of the total, while those to the United States fell to 10%.

⁵ No electric power.

⁶ Record for the meat agribusiness, [El Observador](#).

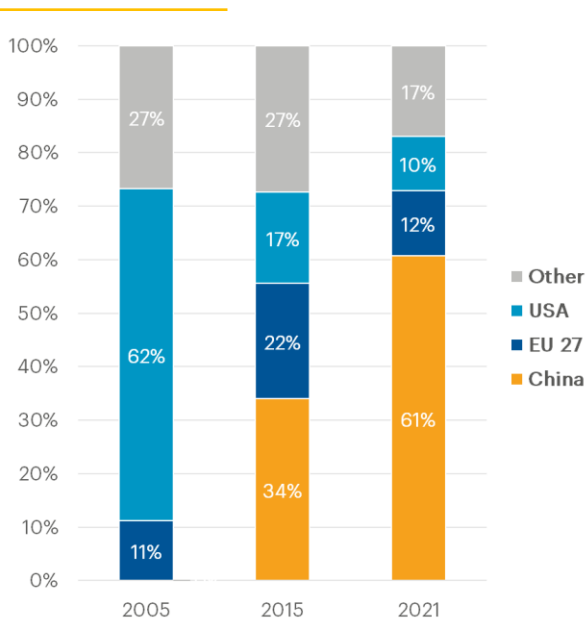
⁷ International meat market, [Agrositio](#).

⁸ Brazil temporarily suspends meat production for China, [Búsqueda](#).

⁹ "China suspends another Australian meat packer", [El País](#).

Chart #5- Beef Exports by Destination

Share % 2005, 2015 and 2021



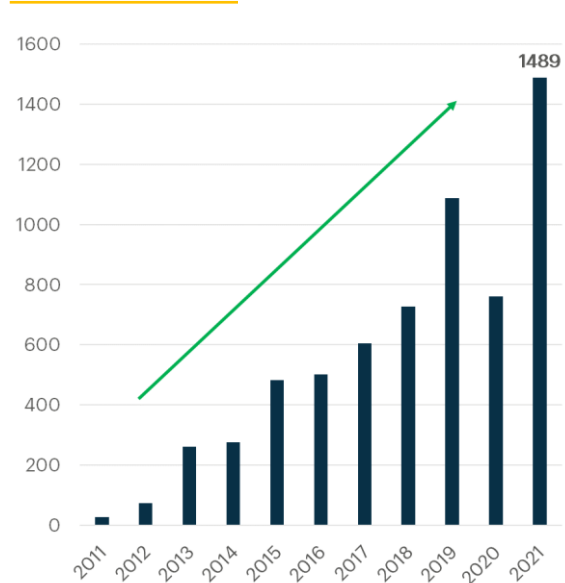
Source: Uruguay XXI based on info provided by the National Customs authority.

Beef sales to China have consistently grown over the last decade, with a particularly sharp rise in 2021 (see Chart #6). In 2021 these exports grew 96% year-on-year and totaled USD 1,489 million. The European Union was the second most important destination with purchases of USD 298 million, 19% higher than in 2020. Another destination that substantially increased its purchases in 2021 was Israel, with USD 86 million in 2021.

At the product level, frozen beef sales grew 60%, reaching USD 2,047 million. Foreign sales of chilled beef, the second most important item within the beef sector, grew 37% compared to 2020 and totaled USD 402 million.

Chart #6 - Beef Exports to China

USD million

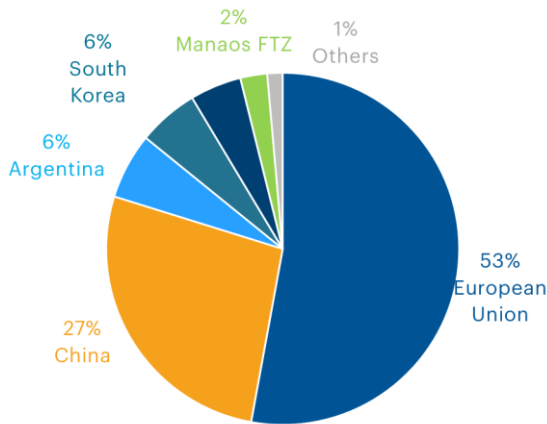


Source: Uruguay XXI based on info provided by the National Customs authority.

Cellulose was the second largest export product. Pulp exports grew 43%, reaching USD 1,575 million in 2021. This increase is almost exclusively explained by better export prices, which recovered after having dropped in 2020. The average export price for cellulose reached USD 562 per ton in 2021, 39% above the average price in 2020.

In the case of cellulose, the growth in sales to the European Union accounted for this increase, which grew 63% year-on-year and totaled USD 833 million. The European Union bought 53% of Uruguayan pulp sold abroad. Sales of pulp to China fell very slightly (1%). This decline was offset in part by a growth in sales to other destinations with smaller shares, such as Argentina, the Republic of Korea, Turkey and the United States. There were also sales to Japan, Australia and Bolivia, countries with no records of this in 2020.

Chart #7 -Pulp Exports by Destination
Share % 2021

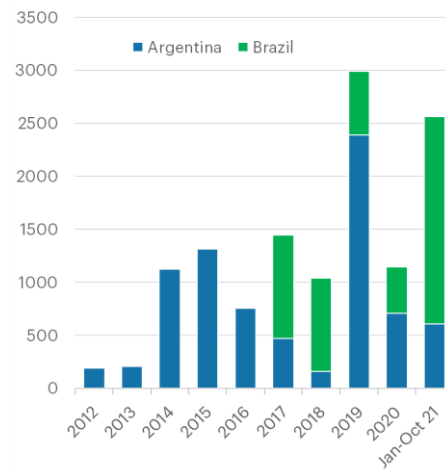


Source: Uruguay XXI based on data from the National Customs authority (DNA), Montes del Plata, SiGes Nueva Palmira and Penta Transaction.

According to the records of the National Customs authority (DNA), **electricity exports** reached USD 594 million in 2021. This figure shows a very sharp rise compared to previous years, due to the fact that export prices in 2021 were much higher than in previous years. The average power sales price was around USD 170 per MWh between January and October 2021¹⁰. Energy sales volume reached about 2,600 GWh between January and October 2021, more than twofold the volume exported in 2020.

Brazil was the main buyer of electricity in 2021. Our neighboring country, affected by a drought that generated a production shortfall, resorted to Uruguayan energy, with purchases for USD 489 million in 2021. This figure represents 82% of total electricity sales. In 2020, sales to Brazil amounted to USD 50 million. Argentina purchased USD 105 million in 2021, while in 2020 it had purchased USD 31 million. The rise in sales to Argentina is essentially due to a price effect, while volume sales as of October 2021 are at similar levels to those of 2020 (see Chart # 8).

Chart #8 - Electricity Exports in Volume by Destination
GWh



Source: Uruguay XXI based on data provided by the Central Bank of Uruguay (BCU)

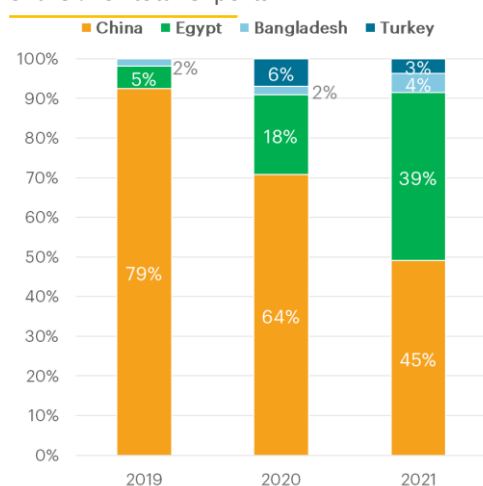
Timber had a significant impact on the increase in annual exports. Timber sales reached USD 569 million in 2021, growing 64% compared to 2020. This increase is mainly due to higher volumes sold, although prices also grew in 2021. The increase is widespread at the product level. Roundwood is the main export product, with USD 227 million (41% of sales). Meanwhile, sawn wood sales amounted to USD 159 million. In terms of destinations, sales to China - the leading destination with 38% of the total - doubled compared to 2020. Sales to the United States grew 53% and accounted for 19% of total exports. Timber sales to India, Portugal and Mexico, among others, also grew.

Soybean exports reached USD 892 million in 2021, 17% higher than in 2020. The increase is due solely to the price effect, while export volumes fell 18% in 2021, due to a fall in harvest. Soybean yields for the 19/20 harvest were affected by the water deficit in the summer of 2020 and stood at 2,272 kg/ha, below the average of the last 5 years.

¹⁰ Last data available.

Chart #9 - Soybean Exports by Destination

Share % of total exports



Source: Uruguay XXI based on info provided by the National Customs authority and SiGes Nueva Palmira.

Although China was the first soybean export destination with 45% of the total, sales to the Asian giant fell 17% compared to those in 2020. On the other hand, soybean sales to Egypt grew significantly. In 2021, USD 350 million were sold to Egypt, amounting to 691 tons. These figures represent an annual growth of 154% in dollars and 72% in tons. Thus, Egypt was the second soybean export destination, accounting for 39% of sales. Chart #9 shows the increase in the country's share over the last three years. Another destination worth mentioning is Bangladesh, which bought Uruguayan soybeans for USD 39 million, when in 2020 it had bought USD 15 million.

Sales of **dairy products** grew 14% in 2021 and totaled USD 735 million. The increase is also due to a price effect, while the volumes sold remained stable compared to 2020. In any case, it is worth noting that in the case of dairy products, the volumes exported did not fall during the pandemic, so there was no rebound effect either. Milk powder sales grew 16%, due to a 14% increase in the export price and reached USD 546 million. Butter sales grew 16% and reached USD 51 million. Cheese exports fell 1% in 2021, totaling USD 107 million. Although sales to Algeria fell 13%, the country was the main export destination for dairy products, with

24% of the total. On the other hand, exports of these products to China grew significantly in 2021, rising almost threefold. China became the second largest export destination with 23% of the total. Brazil became the third most important destination, with 20% of total exports (sales to Brazil also fell compared to 2020).

Beverage concentrate exports reached USD 619 million in 2021, 24% more than in 2020. In this case, sales growth was mainly due to higher export volumes. Exports of beverage concentrate are mainly destined to Latin American countries. Sales to Mexico, the main export destination, grew 15% to USD 159 million. Sales to other destinations, including Guatemala, Honduras, El Salvador, Colombia and Ecuador, also grew.

Exports of **meat by-products** increased by 71% to USD 470 million in 2021. Such rise is explained by higher sales to China, which grew 89% and reached USD 226 million in 2021. The country accounted for 48% of sales.

Other products that had a positive impact on exports during the year were **other foods, live cattle and vehicles**. The other food category includes a wide variety of products such as seeds and processed foods¹¹. Sales in this category grew more than twofold in 2021 and totaled USD 230 million. Within this product category, rapeseed exports had the greatest impact on the variation. Sales of live cattle grew 74% compared to 2020 and totaled USD 204 million. China replaced Turkey as the leading export destination for this product. Live cattle exports to China grew threefold in 2021 and reached USD 99 million, while sales to Turkey fell and stood at USD 68 million. Meanwhile, vehicle exports reached USD 16 million, more than twice the 2020's record.

¹¹ Detail of products included in the "other food" category of the [Uruguay XXI classification](#).

Exports from Free Trade Zones

Sales from free trade zones grew to USD 2,322 million, representing 20% of the country's total sales¹². Cellulose is the main product exported from free trade zones and represents 68% of these sales. Beverage concentrate is the second most important product, with 27%, followed by pharmaceutical products with 4%. At the same time, the benefits of the regime favor the export of new industrial and high-tech products produced in free trade zones. In 2021, sales of chemical substances for USD 11 million and of cigarettes for USD 7 million stood out. Meanwhile, exports of space satellites dropped. They had exceeded USD 5 million in 2020 and fell to USD 2 million in 2021.

Main Export Destinations

Uruguayan exports of goods reached 153 destinations in 2021.

China continues to be the leading export destination. Exports grew 53% in 2021 and reached USD 3,277 million, representing 28% of total exports. This is explained by higher sales of beef, which accounted for 45% of total exports to China. Other products whose sales to China increased significantly were meat by-products, wood, dairy products, live cattle and sheep and goat meat. Sales of cellulose and soybean obtained significant shares of 13% and 12%, respectively, but they fell as compared to 2020.

Brazil was the second export destination, with a share of 16% and USD 1,884 million. Thus, it grew 54% compared to 2020. Sales of electric power accounted for a large part of the annual variation, but there were also increases in sales of malt, vehicles, plastics, wheat, auto parts and beef. However, sales of dairy products to the neighboring country fell 14% in 2021.

The European Union¹³ was the third largest export destination. Sales to the European bloc grew 49%, reaching USD 1,590 million. Exports of cellulose accounted for 52% of total sales to that destination and grew 63% compared to 2020. Sales of beef, wool and

fabrics, wood, rice, meat by-products, citrus, and equine and pork meat also grew. Most sales to the EU go to the Netherlands (41%), followed by Italy (24%) and Germany (12%).

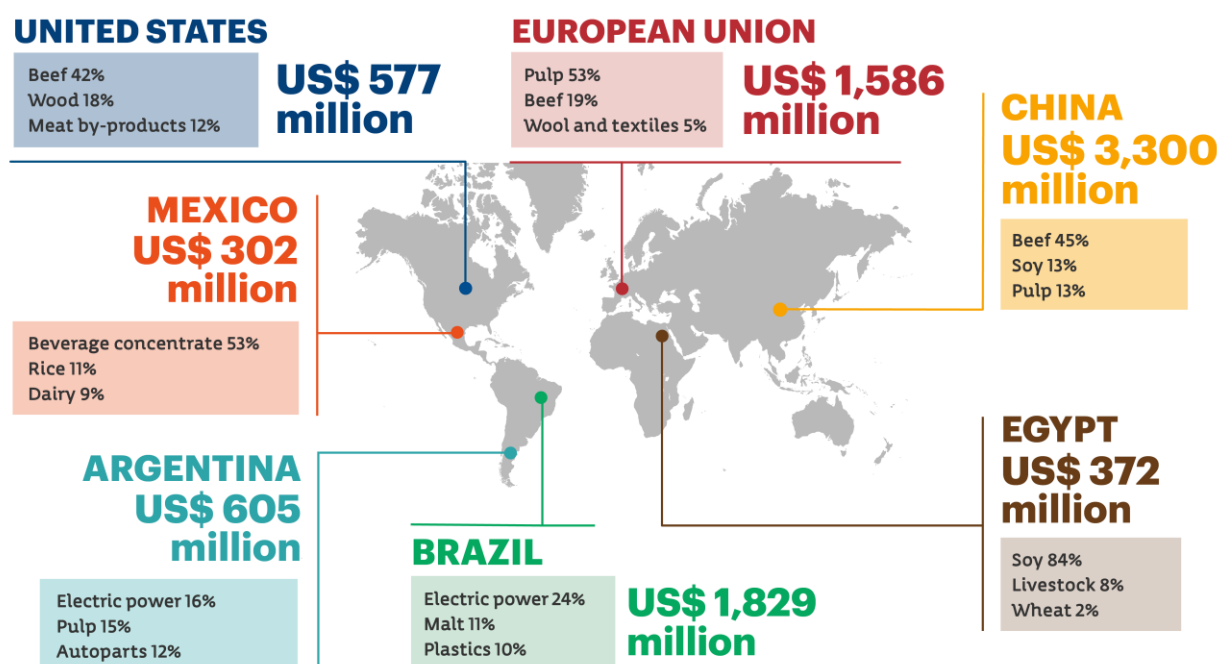
Argentina was the fourth largest export destination in 2021, with a 5% share. Shipments to the neighboring country were USD 617 million, 56% above those in 2020. Growth was fairly generalized at the product level, with a high incidence of electric power. The main products sold to Argentina were electric power, cellulose and auto parts, with shares of 17%, 15% and 12%, respectively. Other relevant products were plastics, paints, pharmaceuticals, margarine and oils, cleaning products and beverage concentrates.

Exports to the **United States** -fifth export destination- totaled USD 579 million in 2021. Sales to the United States increased by 10%, with a 5% share of total exports. Beef sales -which account for 43% of exports to the United States- fell 10% compared to 2020. This drop was offset by increases in wood and meat by-product exports, which accounted for 18% and 12% of total exports to the United States.

¹² Grains exported from the Nueva Palmira Free Trade Zone are not included, since they are not products manufactured in free trade zones.

¹³ The United Kingdom, which left the trading bloc in 2021, is not included.

Image #1 - Exports of Goods from Uruguay by Destination (2021)



Egypt became the sixth largest export destination, above Turkey, Algeria and Mexico. Sales to Egypt grew 158% between 2020 and 2021, thanks to increased soybean shipments, which grew from USD 138 million to USD 350 million. In addition, USD 29 millions of live cattle and USD 9 millions of wheat were exported, products that were not shipped to this destination in 2019 and 2020. Thus, total exports to Egypt in 2021 amounted to USD 408 million.

Sales to **Mexico** totaled USD 302 million, growing 9% compared to 2020. Mexico is now the seventh largest export destination. The main product sold to Mexico is beverage concentrate (53%), followed by rice (11%) and dairy products (9%).

Other important destinations for Uruguayan exports are **Algeria**, with dairy products and wheat, **Turkey**, mainly with cellulose, live cattle, soybeans and rice, and **Chile**, where exports include beef, beverage concentrates, dairy products and pharmaceuticals. In addition, exports of cellulose and beef to the **Republic of Korea**, beef to **Israel**, other foodstuffs, beef and timber to the **United Kingdom** and rice to **Iraq** grew sharply in 2021.

Outlook for 2022

2021 was exceptional for Uruguayan exports of goods. Although a significant recovery was expected after the pandemic's blow, export performance far exceeded expectations. In fact, 2021's exports (USD 11,549 million) exceeded the projection made by Uruguay XXI in September 2021¹⁴.

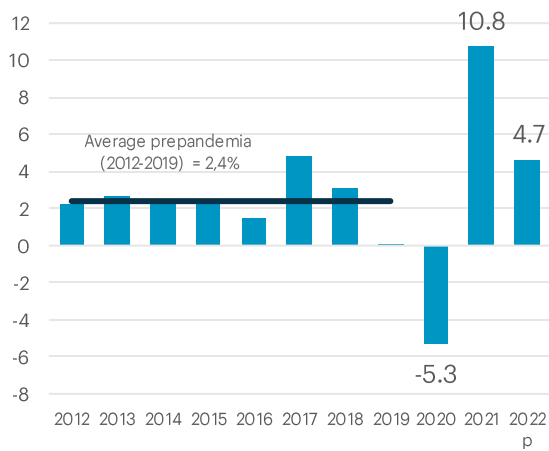
A moderate growth of goods exports is expected for 2022. Although the rebound effect will no longer be a factor this year, some of the conditions that favored the strong export momentum of 2021 remain in place. Commodity prices of Uruguayan exports remain high, Chinese demand is still buoyant, and estimations for world trade and economic activity in 2022 is favorable.

In the WTO's latest report on international trade projections, it forecasts a global trade volume growth of 4.7%. This figure, although lower than 2021's growth, is high as compared to pre-pandemic levels.

¹⁴ See: <https://www.uruguayxxi.gub.uy/es/centro-informacion/articulo/informe-mensual-de-comercio-exterior-setiembre-2021/>

Chart #10 - Global Trade in Goods

Year-on-year % variation in physical volume

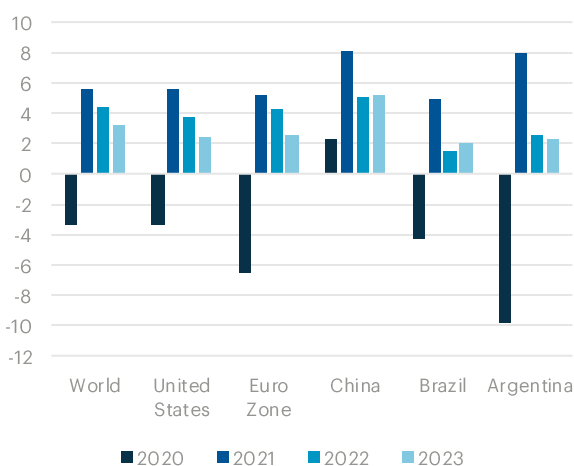


Source: Uruguay XXI with WTO data

According to the economic outlook report published by the OECD in December 2021, economic recovery will continue in 2022, albeit more moderate and unevenly among different regions. In particular, Latin American economies are expected to show less dynamism in 2022.

Chart #11 - GDP growth by region

Year-on-year % variation



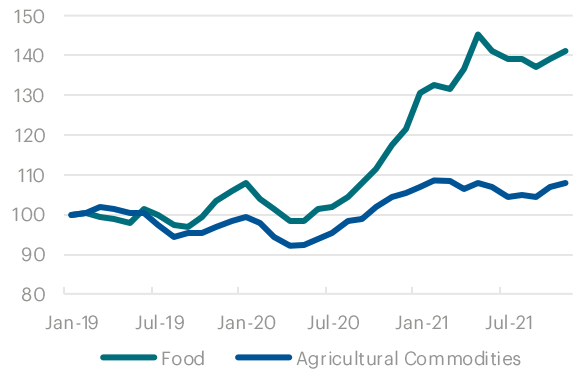
Source: Prepared by Uruguay XXI with WTO data

As for international prices of the main commodities exported by Uruguay, although in the last months of 2021 there are signs of moderation in growth, they are still well above pre-pandemic levels. As shown in the chart

below, by the end of 2021, agricultural commodity prices are almost 10% above 2019 values. Meanwhile, food commodity prices were 40% higher than before the pandemic.

Chart #12 – Global Trade in Goods

Year-on-year % variation in physical volume



Source: Uruguay XXI with World Bank data

However, the international outlook brings significant uncertainties. The recently emerged Omicron variant could have a negative impact on global economic activity to the extent that the authorities of the various countries may decide to re-impose restrictions on mobility and on certain activities.

In addition, the ongoing rise in international freight costs caused by logistical problems resulting from the pandemic also poses risks to the global trade recovery.

On the other hand, growing concerns due to the emergence of inflationary pressures in developed countries could lead to an anticipated withdrawal of monetary and fiscal stimulus in these countries. Thus, the significant global liquidity could begin to reverse sooner than expected.

Provided that current conditions do not change drastically, **Uruguayan exports of goods are expected to be above USD 12 billion in 2022, a near 5% growth.**

Although the agro-export sector would not maintain the strong dynamism of 2021, it will continue to contribute to export growth. With international price levels still high and a good harvest expected for the main crops, **exports of several of the main products such as meat, cellulose, timber, soybeans and rice are**

expected to grow. Agro-industrial exports will grow 3% in 2021.

Behavior of the other sectors will vary.

As the drought situation in the south of Brazil normalizes, it is expected that electricity sales to the northern neighbor will fall. In any case, it is unlikely that Brazil will recover its electricity generation capacity in the first months of 2022. Therefore, power exports would remain high in 2022.

Meanwhile, other major export items such as beverage concentrate and pharmaceuticals are expected to continue growing, albeit more moderately. In September 2021, PEPISCO announced the expansion of its production plant located in the Colonia Free Trade Zone. This plant is entirely dedicated to exports and is expected to expand its capacity by 60%. This estimate does not include this expansion since investment timing remains unknown.

Similarly, the start-up of UPM's second pulp mill, which could start exporting by the end of 2022, has not been considered.

Table #2: Exports of Goods from Uruguay. Outlook 2022

(Class. Uruguay XXI)	USD Mill.	Var (%)	Volume	Price
Beef and by-products	3,211	10%	+	+
Cellulose	1,811	15%	=	+
Soybeans	937	5%	+	-
Dairy	735	0%	=	=
Rice	424	11%	+	-
Wood	591	4%	+	=
Malt	258	16%	+	-
Beverage Conc.	619	0%	=	=
Pharmaceuticals	296	6%	=	+
Electric power	297	-50%	-	-
Other	2,902	5%		
TOTAL	12,081	5%		

Source: Uruguay XXI based on DNA, OPYPA (MGAP) and own estimates.

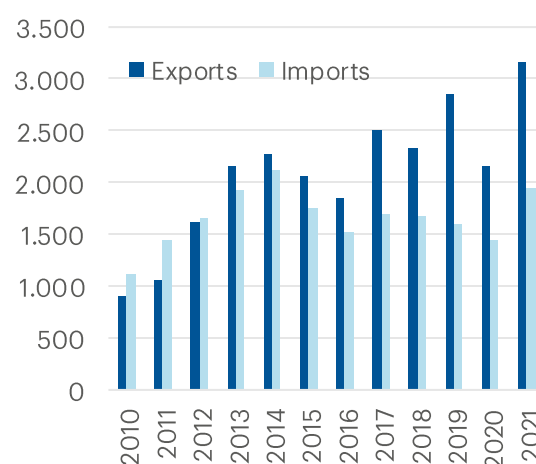
New Developments in Uruguay's International Insertion Strategy in 2021

In 2021, Uruguay promoted the discussion on MERCOSUR modernization, aiming at having the bloc prepared for the trade dynamics of the post-pandemic world. In this context, in July 2021, Uruguay announced that it was retaking sovereignty over its trade policy in order to negotiate bilateral free trade agreements. This Uruguayan proposal has already received responses from China and Turkey. In September 2021, the beginning of a joint feasibility study with China for a Uruguay-China Free Trade Agreement (FTA) was announced. It is estimated that this joint study will be ready in the first months of 2022, in order to define the next steps to be taken. On the other hand, in December 2021 it was announced that negotiations for a Free Trade Agreement with Turkey would be launched in March 2022. Next comes a brief review of trade relations with these countries.

Uruguay - China Trade Relations

In the last two decades, trade between China and Uruguay has grown significantly. Since 2013 China is Uruguay's main trading partner, being the main market for Uruguayan exports and also the main source of the country's imports.

Chart #13 - Uruguay-China Trade Exchange
USD million



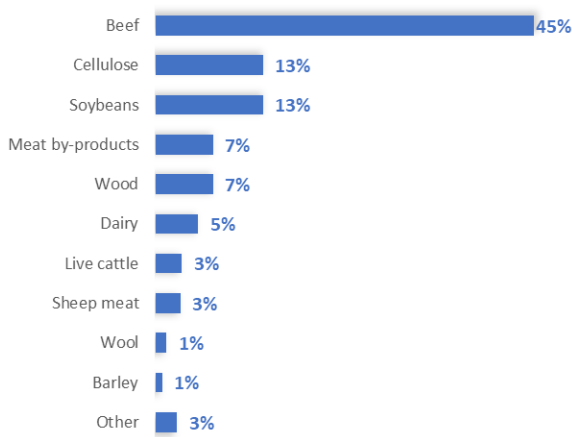
Source: Uruguay XXI based on data from BCU, DNA and Free Trade Zones.

In the early 2000s, around USD 100 million in goods were exported to the Asian country, which represented only 5% of total exports. In 2021, exports to China reached a record number, more than USD 3,200 million, which represented 29% of Uruguay's total exports of goods.

Exports to China are comprised by basically six products: beef, soybeans, cellulose, meat by-products, wood and dairy products. These accounted for 89% of total exports to the Asian giant in 2021.

Chart #14 - Main Products Exported to China

Share (%) 2021



Source: Prepared by Uruguay XXI based on data from BCU, DNA and Free Trade Zones.

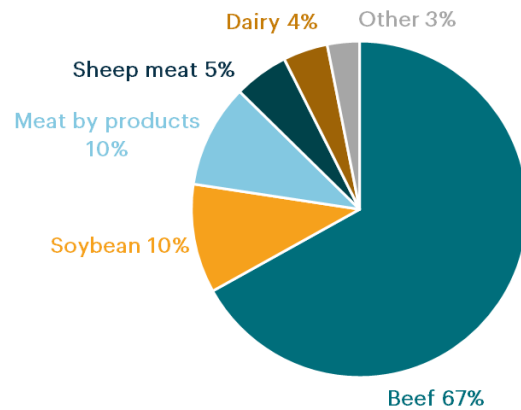
One of the advantages of an eventual FTA would be the reduction of tariffs paid by Uruguayan products to enter the Chinese market. With the current export structure, tariffs paid on goods exported to China represent 43% of the total. It is estimated that in 2020 USD 137 million in tariffs were paid on products exported to China¹⁵. To export several of these products, Uruguay must compete with countries that already have preferential conditions to enter China, such as Australia and New Zealand.

In addition to the benefits derived from tariff preferences, there are multiple aspects to consider in future negotiations. This type of agreement not only increases existing trade flows, but also generates new opportunities for trade in goods and services and can attract significant investment flows.

¹⁵ <https://www.uruguayxxi.gub.uy/es/centro-informacion/articulo/aranceles-pagados-por-exportaciones-de-uruguay/>

Chart #15 - Tariffs Paid by Uruguayan Products in China

Share (%) 2020



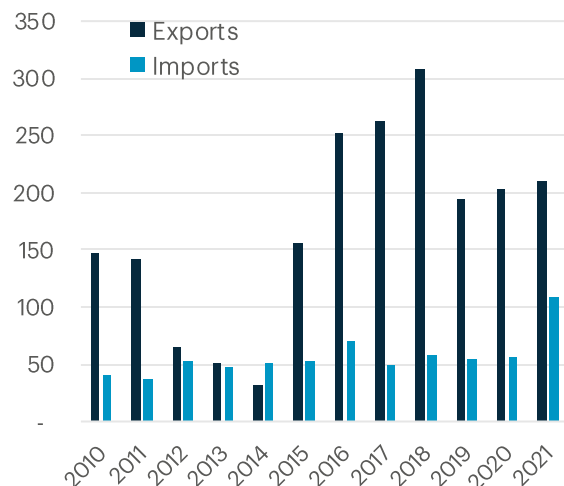
Source: Made by Uruguay XXI and MEF based on data provided by BCU, MacMap.

Uruguay – Turkey Trade Relations

Trade between Turkey and Uruguay has also gained significance in the last years. In 2021, having exported USD 212 million, Turkey became the tenth destination of Uruguayan exports.

Chart #16 – Uruguay-Turkey Trade Relations

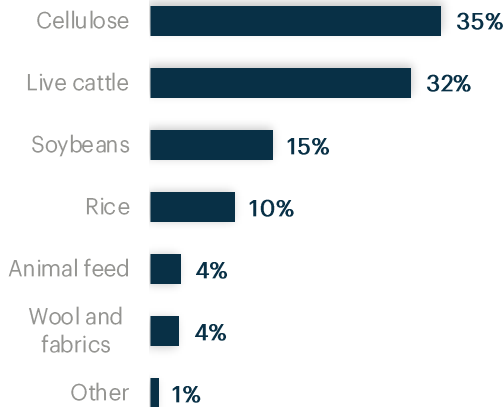
USD million



Source: Uruguay XXI based on data provided by BCU, DNA and free trade zones.

Live cattle, cellulose, soybean and rice are the main exports to Turkey. In 2021, these represented 92% of exports to this country.

Chart #17 – Main Exports to Turkey
Share (%) - 2021

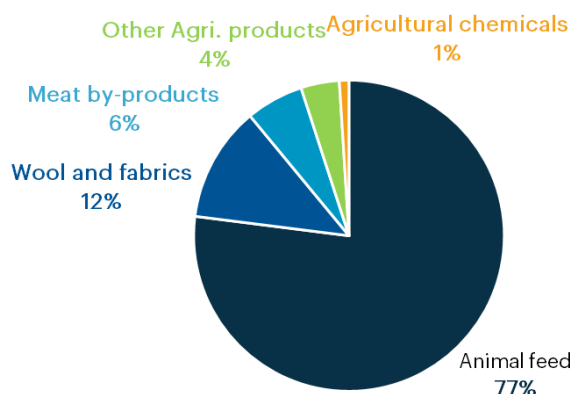


Source: Uruguay XXI based on data from BCU, DNA and Free Trade Zones.

In the case of Turkey, tariffs paid are not so high because the main products exported to this country enter with 0% tariffs (live cattle, cellulose and soybeans). It is estimated that they represented 2% of total tariffs paid in 2020.

Chart #18 - Tariffs Paid by Uruguayan Products in Turkey

Share (%) 2020



Source: Uruguay XXI and MEF based on BCU, MacMap

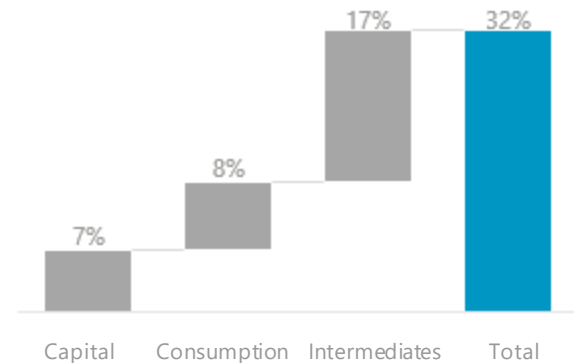
¹⁶ Mercosur Common Nomenclature (NCM) headings 2709 and 2710 are excluded because the purchases made by ANCAP are not

Increase in Imports of Goods in 2021

Imports of goods, excluding oil and petroleum products ¹⁶, totaled **USD 8,964 million in 2021**, an increase of **32% in the year-on-year comparison**.

The recovery of economic activity boosted Uruguay's foreign purchases, which recovered dynamism in 2021 after a 6% drop in 2020. The growth in country's imports is in line with ECLAC's projections for Latin America and the Caribbean (32%) in 2021

Chart #19: Impact of Types of Goods on year-on-year Imports Growth



Source: Uruguay XXI with data from DNA

Imports growth was generalized across all major categories. **Intermediate goods were the main contributors to the increase**, accounting for slightly more than 50% of total growth, followed by imports of consumer goods and capital goods, each accounting for 25% of total growth.

Intermediate products represented 46% of total imports and grew 37%. Imports of chemicals for agricultural activities, plastics and auto parts were the most important.

Capital goods represented 20% of Uruguay's foreign purchases, and grew 35% in year-on-year terms. It should be noted that these figures do not include capital imports made by UPM for the second pulp mill, since -as it operates within free trade zones- purchases of capital goods are not considered imports. In 2021, **purchases of capital goods for the new mill exceeded USD**

recorded at the time the import is made. Foreign trade statistics prepared by the Central Bank of Uruguay correct these discrepancies based on information supplied by ANCAP.

650 million, which added to the USD 1,773 millions of imports would mean an **81% increase in capital goods purchases**

Finally, **consumer goods** accounted for 33% of total imports, showing a 23% year-on-year growth. The main products are vehicles, foodstuffs, and clothing and footwear.

The main import item was again **vehicles**, reaching **USD 802 million**, 54% higher than in 2020. Automobiles accounted for 50% of imports, 35% for goods vehicles and 14% for tractors. Imports came from Mercosur countries (almost 60%), mainly Brazil, which accounted for 51% of Uruguayan vehicle purchases, followed by China and Mexico, which accounted for 11% and 10%, respectively.

The second import item corresponded to **chemical inputs for agriculture**. With a total import of USD 660 million, it reported a sharp rise of 68% in the interannual variation. The main imported item was fertilizers and chemical fertilizers (67% of imports), while pesticides and herbicides represented the remaining 33% of the year's imports in this item. The largest imports came from China, which had a 34% share, being the country with the highest growth in the year and doubling 2020's imports, followed by Russia with 10% of imports.

Food imports increased by 24% during the year, moving to third place in the ranking of imported products. Total purchases amounted to **USD 526 million**. Among the main imports in this item, cereal grains (17%), yerba mate (11%) and biscuits (10%) stand out. Mercosur countries were the main external food suppliers, accounting for 73% of imports (Argentina 34%, Brazil 24%), followed by European Union countries (10%), the United States (4%) and Mexico (2%).

The **plastics** sector ranked fourth in Uruguayan imports in 2021. The amount imported was **USD 448 million**, 41% higher than in 2020. Brazil (28%), Argentina (18%) and China (14%) were the main sources of foreign purchases, together accounting for 60% of total imports.

Technological goods ranked fifth. Imports of cell phones and computers amounted to **USD 420 million in 2021**, 16% above 2020's figures. Within this item, purchases of smartphones stand out, accounting for 65% of purchases in this category. China is main source of imports of technological products, representing 66%

of Uruguayan foreign purchases, followed by Vietnam with 10% and the United States with 9% of total imports.

Clothing and Footwear were the sixth imported item in 2021, amounting to **USD 418 million**, 21% higher than in 2020. China is the main supplier, accounting for half of the imported amount, followed by Brazil and Bangladesh with 15% and 6% respectively.

Brazil was the main source of Uruguay's imports, reaching USD 2,040 million, which represented 23% of foreign purchases in 2021. Imports grew 30% year-on-year. Vehicles were on top (USD 399 million), followed by food (USD 158 million), and plastic products (USD 122 million).

China's share in imports was 22 %, and the amounts traded grew 39% with respect to the previous year. Total imports amounted to USD 1,998 million. Purchases of technological products (USD 278 million) reached the highest amount in the year, while chemical inputs for agriculture (USD 225 million) and clothing and footwear (USD 210 million) were other relevant products imported from China.

Table #3 - Uruguayan imports of goods

Share (%) and year-over-year var. (%)

Products	USD Mill	Var (%)	Share (%) 2021
Vehicles	802	54%	9%
Agrochemicals	660	68%	7%
Food	531	24%	6%
Plastics	448	41%	5%
Technology	420	16%	5%
Clothing and footwear	418	15%	5%
Chemicals	372	41%	4%
Pharmaceuticals	311	7%	3%
Autoparts	305	69%	3%
Paints and varnishes	195	34%	2%
TOTAL	8,964	32%	

Source: Uruguay XXI based on information provided by DNA.

Argentina remained in third place with a 14% share of imports; purchases from this country grew 34% in the year-on-year comparison. In 2021, imports totaled USD 1.29 billion. Purchases of food, animal feed and plastics

were the main products imported from the neighboring country.

The **United States** ranked fourth with a 6% share. The amount imported from this source country grew 21% in interannual terms. The main imported products were plastics, chemical substances, chemical inputs for agriculture, and computers.

Exports of Services

The sharp growth of global trade in goods contrasts with the slow recovery of services. The service sector was most affected by the COVID-19 crisis. In 2020, the volume of global trade in services fell by 14%, almost three times more than the drop in goods trade (-5.3%). Likewise, data from the latest update of the WTO services barometer¹⁷ suggest that the recovery remained sluggish during the first half of 2021. This is largely explained by the negative impact on tourism, which is extremely significant for the services market.

According to the World Tourism Organization (UNWTO), in 2020, this sector suffered the biggest crisis in history, as it has been paralyzed since March 2020. The number of international tourist arrivals dropped 84% between March and December 2020 in year-on-year comparison. For 2021, UNWTO forecasts that the sector's activity will remain practically unchanged, with values from 70% to 75% below those recorded in 2019¹⁸.

Exports of other services started experiencing a rebound since the last quarter of 2020, and continued to rise in the first half of 2021. In particular, transport exports had an uneven evolution by region, similar to the disparate behavior of the global trade in goods. Non-traditional services were the most resilient to the pandemic, with a slight drop in 2020 and a moderate growth in the first half of 2021.

In **Latin America and the Caribbean**, services exports fell by 36% in 2020, far exceeding the drop in goods exports (10%). While exports of all items fell, tourism

once again stands out, accounting for 58% of services exports in the region (2019) and had a sharp drop of 64% in 2020 export value.

In the first half of 2021, the value of services exports was 10% below the same period in 2020, mainly due to the persistent drop in tourism. Exports of transport services and non-traditional services in the region closed the first half of 2021 with positive figures. In the case of transport services, this reflects the recovery of trade in goods, while in the case of non-traditional services, information technology and telecommunications, finance and insurance, and business services experienced moderate growth due to increased demand for digital solutions generated by physical distancing measures¹⁹.

In **Uruguay**, exports of services experienced a 31% drop in 2020, doubling the fall in goods exports. This decline is even greater (-43%) if we consider the twelve-month period starting in April 2020, when the pandemic began in Uruguay.

Table Nº4: Uruguayan Services Exports

Quarterly inter-annual variation (%)

Services	Million	2020	2021.I	2021.II	2021.III
	USD 2020				
Travel	1,055	-53%	-88%	58%	34%
Transportation	379	-32%	-19%	33%	44%
Traditional Services	1,434	-11%	2%	36%	18%
Financial	326	6%	-4%	1%	0%
Intellectual Property	24	4%	4%	37%	19%
Telecommunications	221	-14%	-2%	16%	15%
IT	779	6%	21%	84%	30%
Professional and Consulting	744	-20%	-3%	22%	13%
Other Business	59	-41%	-39%	81%	65%
Cultural and Recreational	29	-51%	-66%	36%	29%
Global Services	2,182	-10%	2%	37%	19%
Other Non-Traditional Services	76	-36%	1%	1%	1%
Total Non-Traditional Services	2,259	-10%	2%	37%	19%
Total Services	3,692	-31%	-49%	37%	23%

Source: Uruguay XXI with data from Central Bank of Uruguay.

¹⁷ Services Trade Barometer from WTO – September 2021.

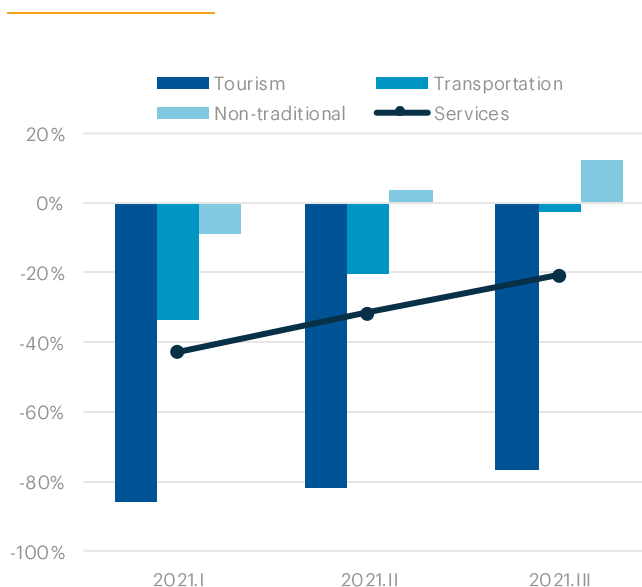
¹⁸ World Tourism Organization release – December 21, 2021 ([link](#))

¹⁹ Economic Commission for Latin America and the Caribbean (ECLAC), International Trade Outlook for Latin America and the Caribbean, 2021 (LC/PUB.2021/14-P), Santiago, 2021. ([link](#))

Data recently published by the Central Bank of Uruguay (BCU), show a generalized growth in all items for the second consecutive quarter. However, services exports are still 25% below 2019 values. The drop in services exports is almost entirely explained by the contraction of tourism. In Uruguay this sector represents 42% of services exports and in the last twelve-month period closed in September 2021, exports of this sector fell 77%, which is consistent with the border closure measures implemented for much of the year. In November 2021, Uruguay reopened its borders to immunized foreigners²⁰. The next tourism season starting in December 2021 is expected to surpass the meager numbers of 2020.

Chart #20: Uruguay's Services Exports

Inter-annual variation (%), mobile year.



Source: Uruguay XXI with data from the Central Bank of Uruguay (BCU).

Exports of transportation services fell (3%) in the twelve-month period, due to the sharp drop in other modes of transportation (-13%) and air transportation (-56%), which was partially offset by a rise in maritime freight (21%). The gradual recovery of this sector in recent quarters is noteworthy.

Other services grew of 12% with respect to the previous year. This increase was explained by a sharp rise of 41%

²⁰ November also saw the finals of the two main soccer tournaments in the region: the Copa Sudamericana and the Copa Libertadores, which led to a significant increase in the number of tourists to the

country, from 58,000 passengers in October to 150,000 in November. Data from the National Directorate of Migration.

In Summary

In a context of global trade recovery and rising commodity prices, Uruguayan exports showed an outstanding performance in 2021. Foreign sales reached historical records, marking a strong growth compared to 2020 and -more importantly- compared to 2019 (prior to the health crisis). Uruguayan beef was highly demanded by the Chinese market and the product constituted the main driver of the year. Due to rising prices, cellulose and soybean sales also grew significantly.

In addition, there was a sharp rise in sales of electric power, mainly to Brazil. A more moderate performance of Uruguayan exports is expected for 2022. There will be no post-pandemic rebound effect, but some favorable conditions will remain. According to Uruguay XXI estimates, **exports of goods will grow by 5% in 2022, totaling over USD 12,000 million.** It is expected that in 2022 progress will be made in the negotiation of trade agreements initiated in 2021, which will result in better access conditions for Uruguayan goods and services abroad.

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Uruguay XXI

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