

Our World

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URUGUAY

A privileged position within the region

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In 2015, Tabaré Vázquez became President of Uruguay for a second time, after having previously served a term from 2005 to 2010. In this exclusive interview with *United World*, Mr. Vázquez speaks about the country's progress since 2005 and how it has remained resilient in the face of external pressures. He also discusses Uruguay's competitive advantages, as well as the landmark *Uruguay v Philip Morris* court case, in which the World Bank's International Centre for Settlement of Investment Disputes (ICSID) ruled against the tobacco company, which was seeking compensation for economic damages caused by the nation's anti-tobacco measures



What are the main priorities in your Cabinet's agenda for the next few years?

Let me first take you back to 2005, when the country was struggling from a crisis situation and urgently needed to make a number of structural changes. By moving forward with tax, health-care and educational system reforms, which were undoubtedly successful in my humble opinion, we put Uruguay in a privileged position within the region.

We were able to start a very important phase of growth to such an extent, that during those five years from 2005 to 2010, we were always above the region's average growth. While external conditions were similar for all the countries in the region, Uruguay managed to overcome the disadvantages, gain strength and capitalize on this strength to achieve 7% to 8% GDP growth for those years. Then came the second administration of the *Frente Amplio* (Broad Front, a Uruguayan center-left coalition of political parties), from 2010 to 2015, which made further progress in these types of policies, and now it is our turn in this third administration.

International uncertainty is exacerbated by the problems our neighboring countries, such as Argentina or Brazil are facing; or the situation in Venezuela, which is, or at least was, one of the main buyers of some of our products;

as well as China, nowadays our main trading partner. However, Uruguay gained strength in spite of these existing regional and global disadvantages and never went into recession. Uruguay continued growing at a slower pace—very modestly, but while other countries in the region fell into recession—some of them quite severely.

We have set out strategic lines that we will follow and I would like to highlight one in particular: Uruguay must strongly, decisively and rapidly open up to the world and seek markets for its products. Uruguay is a net exporting country, basically a food exporter. We export 90% of what we produce.

We have focused on recovering and improving already existing but weakened markets, opening up new ones and seeking a better insertion of Uruguay at international level through trade agreements.

One of the things that Minister of Foreign Affairs Rodolfo Nin Novoa told us is that Uruguay produces significant surpluses, which must be necessarily sold abroad.

Yes, but more specifically, in Uruguay we also need to add labor. For example, as regards the wood sector, in which Uruguay has strong foreign investments, we also need to aim at expanding the industrialization of the raw material we produce, and this is one of the challenges we face. The Ministry of Economy will surely provide a much better explanation.

(Minister of Economy, Danilo Astori, speaks) We are working on continued improvement of quality and excellence of investments and trade as a basis for the country's competitiveness, as in order to be successful in foreign markets you need to compete and, naturally, the main pillar of competition is innovation and integration of technological know-how. And Uruguay has made great progress in its entire economy, and particularly in the primary economy to which knowledge and innovation are gradually being added.

(President Vázquez continues) I would like to highlight three of our strategic lines. The first one is the comparative advantage Uruguay has, which is its capacity for innovation and promotion of scientific research. One of the major reforms we introduced during the first administration was the creation of the National Agency for Research and Innovation, and the support

given to several organizations that work towards that goal.

Uruguay is a strong exporter of knowledge; in fact, we rank among the first countries in Latin America exporting knowledge and the U.S. is our main market

The second strategic line for Uruguay to continue growing has been the design of a National Infrastructure Plan. During the first administration we had designed an Energy Strategic Plan, and within a few years Uruguay went from being an importer of oil-based energy or depending on the weather to currently being an energy exporter. We sell energy to Argentina and we will probably be selling energy to Brazil as well. This National Energy Strategic Plan, which was very successful, served as a model for the development of the National Infrastructure Strategic Plan.

The third line involves studying the issues that not only affect Uruguay but also many other countries as a result of the changes in age or population pyramids.

What will be the amount of the investment for this plan? It will cost \$12.5 billion. And this has drawn worldwide attention. Therefore, we will be traveling to China but also to Galicia in Spain in order to present our Strategic Plan to Spanish and European investors at large, reinforced by (Finnish forest industry firm)

UPM's recent announcement to install its second wood processing plant with a \$5 billion investment. This will have a positive impact on the country's economy and on job opportunities.

How has the victory in your lawsuit against Philip Morris been received by the Uruguayan people and how can it serve as a precedent for other countries fighting to stamp out tobacco use?

Uruguay has taken it with great responsibility and very seriously. Actually, we do not like to talk about "victory" in relation with this subject, as there were many lives lost along the way and much suffering. But I believe that beyond the fact itself, and the relationship of tobacco use with the different types of chronic diseases, there are two substantial aspects to this dispute. The first one is that the right to life and the right to health should prevail over commercial rights. This may imply substantial changes to investment protection treaties that will certainly require the addition of a chapter involving the protection of only those investments which do not affect or harm society's health.

The other aspect which I do not consider minor is the sovereign right of citizens and their governments to defend people's health from the interests of

multinational companies, because this is what was at stake in this lawsuit. If Philip Morris had won this lawsuit, it would have meant that it ruled over Uruguay, but it was made very clear that the Uruguayan people rule over Uruguay and defend the fundamental and principal rights, namely, the right to life and the right to health. This lawsuit marks a historic landmark. The fear of multinational tobacco companies has somewhat subsided.

The U.S. is one of Uruguay's important business partners. What are the steps the two countries should be taking to improve and optimize their cooperation?

We want to work on this relationship. For example, we have meetings with the Council of America where we meet U.S. and Uruguay entrepreneurs and investors. We have been doing this for 4 years. On the other hand, we have the Uruguay-U.S. Chamber of Commerce, which also plays a key role in this respect.

(Minister of Foreign Affairs, Rodolfo Nin Novoa, speaks) We truly have many shared values that already bring us closer to the U.S. Values endorsed by Uruguay involving the right to international respect and legal certainty have resulted in the U.S. becoming one of the main players in foreign direct investment in our country. American companies trust us and they establish branches in Uruguay. The same happens with trade, because trade between Uruguay and the U.S. has been growing steadily and is based on the quality offered by Uruguay. Uruguay is a country that provides credibility. It is a trustworthy country.

What will be the focus points for the CELAC (Community of Latin American and Caribbean States) Summit in 2017?

(President Vázquez continues): Firstly, strengthening our relations with China, not only from a trade perspective but also from a cultural perspective. From the commercial perspective we need to determine whether, at some point in time, we will be able to sign a Free Trade Agreement (FTA) with China, or at least a state-of-the-art trade agreement enabling us better positioning to compete against other countries who already have FTAs with China and are strong competitors. We are referring to Australia and New Zealand. In this regard, we strongly desire to be able to achieve our goal within the shortest possible time.



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Project Directors, Eva de la Torre, Jacqueline Vines & Luisa Galindo; Market Analyst, Eugenio Corell; Regional Director, Fatima Ruiz Moreno; Chief Editor, Jonathan Meaney

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Uruguay looks to build a thriving manufacturing base and regional logistics hub

Plans are in motion to turn the small Latin American nation into a logistic hub for the region. Meanwhile the industrial base continues to strengthen and diversify

A small country nestled between South America's giants, one may think that the economic fate of Uruguay is inevitably linked to that of Argentina and Brazil. But as its two big neighbors struggle, Uruguay soldiers on with its own narrative of discreet stability, legal certainty, investor-friendliness and macro-economic discipline. The small country has clearly differentiated itself from its much bigger, instability-prone neighbors with sober policies that have enabled it to escape almost unscathed from the nearby turmoil.

Rodolfo Nin Novoa, the country's Minister of Foreign Affairs, is well aware of Uruguay's reputation for stability: "Here there is a lot of juridical certainty. This is an intangible value that is essential for us. Here contracts are respected and there are no surprises. And this is what allows us to be who we are in the region."

Investors undoubtedly love the kind of stability that Mr. Nin Novoa talks about, but peace of mind is not enough if you are a tiny nation encircled by colossuses. Now it is time to look further ahead and to identify the ways in which the country can prosper in the midst of increasingly fierce global competition.

The answer lies partially in diversification. Uruguay has traditionally thrived on its lucrative agribusiness industry, which accounts for around 80% of the country's exports (if we include both the agricultural products themselves and agriculture-based manufactured items).

Being a primarily agricultural country, manufacturing is still lagging behind in Uruguay. Furthermore, industrial activity has been falling steadily for the last few months. Putting the oil refinery sector aside, industrial activity in the first half of this year shrunk by 3.8% compared with the same period in 2015.

However, a deeper analysis reveals a more positive picture: beyond the latest setbacks, the country has made a consistent effort to reinforce and diversify its industrial base, especially thanks to the cellulose industry. The latter has multiplied its production by 20 in the last few years; it accounted for 1% of Uruguay's total industrial output in 2006, and has risen to 13% today.

While cellulose has been the indisputable protagonist of the country's recent industrial push, other manufacturing sec-



tors have flourished, including non-alcoholic beverages, bread-based products, chemical substances, dairies and medicines. All of them are gradually displacing traditional Uruguayan manufacturing industries such as metallurgy and clothing.

It is not the first time that the country has undergone a major industrial transformation. Back in the 1940s, a protected national industry emerged to cater to internal demand; three decades later, the situation changed completely and the manufacturing sector oriented itself to the international markets as a result of the signing of trade agreements with neighbors.

The latter formula has prevailed and, in today's globalized world, greater emphasis has been given to those industries that go beyond the country's borders, even if some sectors like beverages and bread are fundamentally bound for the internal market.

Efficiency also matters greatly, and those industries capable of achieving economies of scale are also the most successful. An interesting example of a major efficiency-oriented internal reform is that of the National Administration of Fuels, Alcohol and Cement (ANCAP), a state-owned multinational tasked with managing and administering some national monopolies and with importing, refining and selling petroleum-based products.

Last year ANCAP lost \$198 million and now is busy reducing its expenditures. This process is being led by its President, Marta Jara, who, despite the organization's difficulties, highlights the wide acceptance of ANCAP among her fellow citizens. "It is clear that, for Uruguayans, ANCAP is the country's most important company due to its turnover, but also because this company is an engine for growth. ANCAP has the backing of Uruguayans, who have ex-

pressed themselves in plebiscites in favor of ANCAP staying in the hands of the state." This popular trust, however, could evaporate if there is a perception that ANCAP is being mismanaged by the authorities.

The national administration is aware of the need to further develop and diversify the country's manufacturing base, and has launched different support schemes. The government's industrial fund, for instance, is allocating \$30 million to different small and medium industrial companies, especially to those which are seen as most capable of associating with other companies and those that are located in strategic industrial clusters. Priority is given to cutting-edge sectors such as biotechnology, nanotechnology, electronics and software, but also to more traditional sectors like the chemical, pharmaceutical, naval, automotive and paper industries.

All the aforementioned efforts are giving rise to a new industrial reality which can make the country more competitive and lay the foundations for Uruguay's transition to a research-focused and knowledge-based economy. However, these new industries are not labor-intensive and therefore are failing to create sufficient employment.

In the first semester of 2016, employment in the Uruguayan manufacturing industry fell by 7.3%, something that can easily be blamed on a mismatch between the requirements of the new industry and the profile and preparedness of Uruguay's industrial workers, whose training and abilities are evolving at a slower pace. This scenario is potentially damaging, as an increasingly sophisticated manufacturing sector could easily become a scapegoat for transitory evils that often occur during major industrial transformations.

In sum, Uruguay's industrial revamp presents plenty of op-

portunities along with some threats that must be tackled well in advance. However, the country is envisaging other sources of future economic prosperity. A lot of attention is going to the logistical business, a sector where Uruguay has huge potential.

Aside from its strategic location, its proximity to massive exporters and favorable natural conditions, the country has a legal regime that is very advantageous for companies wishing to use the country's ports to send their produce across the world: cargo can move freely inside port customs facilities without the need to obtain special authorizations, and is exempted from import duties.

In addition, the authorities are undertaking major infrastructure development projects to ensure that the country's ports increase their capacity and are capable of handling an increasing volume of cargo. Last year the government called for international tenders for the construction of logistical infrastructures under a public-private partnership regime.

Uruguay is also striving to become a regional telecoms hub. Antel, the country's main operator and the first Latin American company to launch a commercial 4G/LTE network, has a lot to do with this ambitious endeavor. Antel is working with global leaders such as Google to build a submarine cable connected with the U.S. Around 80% of the Internet contents consumed by Uruguayans are expected to circulate through the cable.

Until now, Uruguay has been using cables ending in some neighboring countries, because it lacks one of its own. This project, to be completed at the end of 2017, is meant to be a game-changer. "It represents a new degree of sovereignty, because nowadays sovereignty depends on being connected. It also represents freedom and indepen-



"The Omega Project plant has a great added value for us because, once the investment is written off, the cost of power generation will be very low"

NÉSTOR GÓMEZ ALCORTA,
President, Efic



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MARTA JARA,
President, ANCAP

dence from prices established by other companies which can limit the country's development in this field. Having a lot of capacity at a cost that is decided by our country gives us the chance to develop more services without depending on other companies or countries," Antel President Horacio Andrés Tolosa explains.

Antel has also developed a massive high-security data center that is servicing other companies. This reflects a growing trend, as most companies, instead of having their own data centers, which are expensive to maintain, rely on big-scale facilities such as this one. This, coupled with the cable, will enable Uruguay to become a regional telecoms hub, as many international companies are expected to make the most of both facilities and choose Uruguay as the headquarters of their South American business. In addition, improved Internet facilities will lend themselves greatly to national development, and could help Uruguay reach 100% connectivity by 2020, as Mr. Tolosa expects.

Beyond the necessary innovative measures adopted by Uruguayan companies, one thing is clear: the world must be their market. They cannot rely solely on internal demand, nor can they depend on a regional market that is highly volatile. Fortunately, Uruguayans have been aware of that necessity for a long time, and the country's exports do not entirely rely on its immediate neighbors or on Mercosur, South America's largest trading bloc.

"We are doing a great job inside and outside Uruguay in having access to markets without tariff restrictions, because tariffs cost us a lot of money. Mercosur has ceased to be Uruguay's main

market, as less than 22% of our exports go to Mercosur," says Minister Nin Novoa.

Minister Nin Novoa is also adamant that a small country like Uruguay must not try to compete in terms of quantity in the international markets. Instead, it needs to strive for the maximum quality and competitiveness. "We have some competitiveness issues related to the cost of producing each unit, and that is something we need to improve, because there are some grey areas there," the Minister admits.

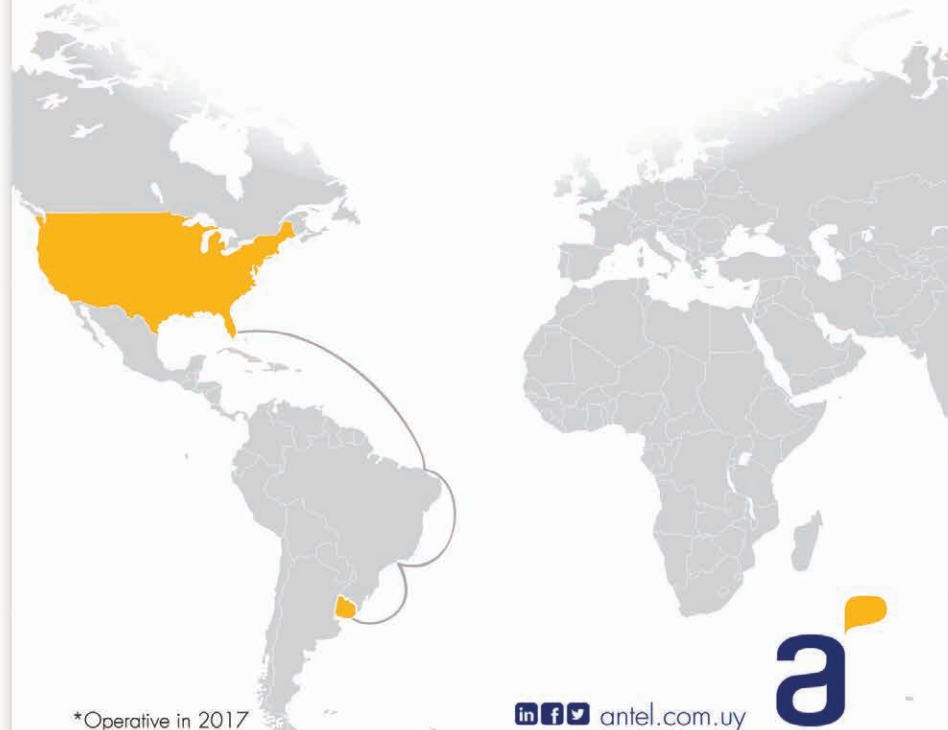
Some companies are already implementing far-sighted cost-saving process in their industrial production as a means of remaining competitive. An interesting case is that of chemical group Efic, which is transforming its productive system and has launched new plant called Omega that is capable of tripling the company's output while drastically reducing electricity consumption.

This matters hugely not just for the company but for the country, as Efic is Uruguay's largest energy consumer. "The Omega Project plant has a great added value for us because, once the investment is written off, the cost of power generation will be very low. During the first 10 years almost all energy billing will go to repay the investment, but after that we will see an 80% reduction in our energy cost," says its President, Néstor Gómez Alcorta.

Diversifying its industrial base, implementing efficient cost-saving models, looking for foreign markets, investing in innovation and maintaining its reputation for macroeconomic stability and investor-friendliness will help Uruguayan industry reach new heights.

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Food exports grow as agro-industry continues to drive economy forward

The Minister of Agriculture wants to see the nation of 3 million people produce food for as many as 50 million in the next 15 years. But as Uruguay continues to increase the quantity of exports and reach new markets, it aims to maintain the high quality for which its agricultural and meat products are renowned

Financial experts have long been bullish over the state of Uruguay's economy, praising the nation for developing a strong institutional framework that has helped it weather external shocks.

Last year the World Bank categorized Uruguay's macroeconomic policy as "prudent," though the global finance overseer expressed concerns over "relatively high" debt and an export system that is based largely on connections to other countries in the region. With this in mind, officials in Uruguay have expressed a desire to widen the reach of its agriculture industry outside of its neighboring states.

"Uruguay is a country that in 2005 produced food for 9 million people, and we were a country of 3 million," says Uruguay's Minister of Agriculture Tabaré Aguerre. "Today we produce food for 28 million people, and we are still 3 million. My goal is to produce food for 50 million people in 15 years."

According to Mr. Aguerre, 55% of Uruguay's industrial output is made up of agro-industries, along with 47% of all industrial sector jobs. The agriculture minister explained this relative leg-up on the competition was due in part to Uruguay's place in the world and a wide range of recent changes in Uruguay's economy.

"In the same way that investment have increased, the rate of exportation has also increased from Uruguay. Uruguay tripled the value of its exports, not in volume, but rather in value. We are a country that exports close to \$10 billion in goods and services, with 80% of those being goods. And inside of that 80%, 78% of the exports are agriculture or livestock or agro-industry," Mr. Aguerre says.

"Uruguay has comparative natural advantages, but beyond these, we have developed intelligent competitive advantages by improving genetics, the production system, research [...] the national seed certification program [or] the national quality fertilizer program."

Originally named agriculture minister in 2010, Mr. Aguerre has made a career as an agronomist researching everything from rice cultivation to cattle breeding in Uruguay. He was recently reappointed to the role in 2015 by Uruguayan President Tabaré Vazquez.

"That is how we are taking advantage of the window of opportunity that the decade

from 2005 to 2015 gave us. [It has been] a time of great structural transformation in the world, particularly in the world of food production."

Mr. Aguerre also highlighted an accelerated process of economic convergence during that time period, when "the growth rate for developed countries [was] less than the growth rate for developing countries."

Because of that, he said, "the gap between the two is continuing to close."

Executives in Uruguay have also pointed to the agricultural industry as a source of advantages in the world of business and economics.

"A few years ago, after several attempts to identify which would be the economic sectors that would push Uruguay to development, it was reconfirmed that the agro-industry was an extremely important for the economy of this country. The sector is not seasonal, gives activity the whole year and also invigorates other complementary sectors such as transport, or retail," says Gastón Scayola, Vice President of Frigorífico San Jacinto NIREA S.A., a meat producer and exporter located in Montevideo.

"We have a great responsibility in terms of employment and the sector is the answer for most of the growth in the last few years. Obviously other activities such as the financial sector and tourism are also key activities for Uruguay, but our livelihood is agriculture for the long-term bet. In a world where much food will be needed over the coming years, this area of South America is destined to produce more and better."

Frigorífico San Jacinto has billed itself as a producer of high-quality beef products. In September 2015, the company made its first shipment of naturally produced Uruguayan beef certified by the U.S. Department of Agriculture as "Never Ever 3" grade. This marking denotes that the meat is free from antibiotics and growth hormones, a fact which has reportedly helped to consolidate Uruguay's exports in a market where demand for naturally raised and processed meat is growing steadily.

Mr. Scayola has also lauded Uruguay as a hub of traceability, a system whereby animals are monitored via a microchip attached to their ear. These microchips tell agricultural experts the dates when the animals passed inspection, the place they came from and where they are going.



He explains that only a country as small as Uruguay could maintain such a close eye on their cattle and adds that his company has been the recent beneficiary of a U.S. decision to allow ovine meat on the bone to be exported from Uruguay.

"The United States enabled us [to export] boneless meat a few years ago and now [they] have just approved the entry of meat with bone, thanks to the separation of sheep and cattle in the fields," he says.

"With regards to sheep, we [have] 30% market share. We are the leading company and the one that has been the most aggressive in developing new markets and producing premium meat. San Jacinto are the only U.S. enabled sheep plant."

"It means a lot to get into the United States. [We can] enter the U.S. market and fight with Australia, but also, once the United States approves the original mechanism theme compartment, immediately there is a high probability that Canada and Mexico [will also start accepting our goods], and that process can also open Europe. So we have many fronts and the United States is the first step of many."

Executives elsewhere in Uruguay also highlighted a need to make the nation a more lucrative player in international trade. Álvaro Silberstein, General Manager of Paycueros-Sadesa, a leather exporter based Paysandú in western Uruguay, says that the country must specifically focus on agro-industry productivity.

"We have always considered that Uruguay should grow by relying on its export sector," Mr. Silberstein says.

Founded in 1948, Paycueros was created with a "vision" that would advance exportation. As a part Sadesa, one of the leading group of tanners in the world, the company specialized in high-quality leather production for some of the "most prestigious" companies around the globe.

Mr. Silberstein explains the factors behind the quality of the hides the company uses.

"Meat companies operating in Uruguay are the largest exporters. Many also sell in the local market but they are basically exporters. Therefore, they are very technologically up to date. That makes the extraction of hides very precise – all machining and no knife. The hides are removed very healthily and that is also very important for us," Mr. Silberstein says.

"In addition, because of the type of pasture we have and the type of production that is done, hides do not suffer as much as in tropical areas, where problems can affect the value of the material. That makes Uruguayan and Argentinian hides a sought after commodity in the world."

Today the company boasts offices on five continents and a global export network that spans from South America to Asia.

"Our vocation is as an exporter. In the case of hides, Uruguay does not have a market of significant consumption, and therefore the strategy is to add value to domestic raw materials and export them to the world."

"This new situation of slower growth should be seen as a new opportunity to re-look at export markets, and how to create the conditions for growth based on those exports. We have the conditions to do so because we have raw materials that will continue to be demanded around the world, and the ability to convert and add value that may be appropriate for the country through exports."



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ÁLVARO SILBERSTEIN,
General Manager, Paycueros-Sadesa

However, others have urged an element of caution in Uruguay's long-term export strategy. According to a study by the Observatory of Economic Complexity, Uruguay's annual exports amount to more than \$9 billion, with agro-industry staples like bovine meat, rice and soybeans being the largest export earners. The main importers of these Uruguayan goods are neighboring Brazil and Argentina, along with the U.S. and China.

Industry insider William Johnson says this dependency on importing nations makes keeping a wary eye on economic activity outside of Uruguay crucial.

"Our goal is to eventually get to a point where we are not only exporting [material], but we want to add value [too]," he adds.

"We are a services country and we have to be tied a bit to the forces that guide the world."

"When Argentina goes off the rails, we have to look to our side to Brazil. When Brazil goes off the rails, we have to look to our side to Argentina. And when both are off the rails, it's when we suffer big problems. We can't export so much and then let sales and production fall. Because we are such a small country it's difficult to compete in the rest of the world without the support of Argentina and Brazil."



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Transforming the health sector in Latin America



Gianclaudio Broggi, CEO of Mega Pharma

Mega Pharma inaugurates the biggest pharmaceutical plant in Uruguay with \$110 million investment

The most advanced pharmaceutical plant in Latin America sits impressively in the Parque de las Ciencias Free Trade Zone in Canelones, Uruguay. Constructed with an investment of over \$110 million, the plant takes up 22,000 square meters and produces over 60 million units per year. It qualifies as an intelligent building with its automation systems for illumination and temperature control. The constant balance between natural and artificial lighting makes the main plant attractive for the visitors that are allowed entry to observe the production process. Visitors do

not interfere with the operations, providing a unique experience that many facilities are not able to give. Built in an innovative and expanding area, Mega Pharma aims to increase their presence in the international market as they continue producing solid, injectable and ophthalmic products.

One of the struggles for many companies in the international markets for pharmaceutical drugs is the complication that often arises from strict regulation and the requirements set in place by certification agencies. Uruguay does not have a certification agency that is recognized worldwide. Gianclaudio Broggi, CEO of Mega Pharma, explains, "For us, we begin to really recognize the health authorities in the United States, Europe and others. Doing this should give Uruguay a jump to participate in markets of regulatory high demand." There

are, of course, countries with high, middle and low regulatory requirements with many like Chile, Bolivia, and Central America allowing Uruguayan products to enter without issue. But to be competitive, Mega Pharma must comply with more rigid expectations. Mr. Broggi says that the company is "already in compliance with processes and documentation according to the highest standards" and that "if the country scaled up to high regulatory requirements, we would be ready tomorrow."

Occasionally, certification agencies must come to physically evaluate the location of the Mega Pharma Labs in Uruguay, costing the company a hefty fee just to receive approval. Mr. Broggi explains, "First, you have to ask for your visit so they can come to the plant and later, each visit costs \$30,000. It's an added cost." But these are just some of the companies involved with the larger production facilities like Mega Pharma. Others with less strict regulations make participation in the global market much easier.

Though some operating costs are higher with large companies, pharmaceuticals in Uruguay are among the cheapest priced in the region, often competing with products being imported from China, India and Pakistan. Over the last several years this has started to become more of a challenge due to the cheaper production cost for which countries like China are known. General Manager at Laboratory Ion, Guillermo Ripol, states,

"Many times the packaging of a Uruguayan product is more expensive than the whole finished product that comes from China or India." These competitors are beginning to present a challenge for the smaller businesses, requiring more innovation if they are to stay in the race as large companies take advantage of investments to improve standards to meet regulations for exports.

So, how does the growing pharmaceutical industry in Uruguay compete with imports? According to Mr. Broggi, quality is what will win out in the end. He says, "How we differentiate ourselves is by the quality of the brand. What we make is a good investment because we put quality into the product and into the way that we position the brand. We don't sell generics." Mega Pharma sells products that are referred to as "bio-equivalents," which are interchangeable branded generics that have the same potency, effectiveness, and safety for the patient as other similar drugs. Says Mr. Broggi, "When you have a product like that, which has a lot of return on investment, there is an interest in this product and what you do is try to position yourself in a way that distinguishes you from others." Of course, one of the most important factors is pricing. He says, "This is Latin America and we try to arrive at a price that is affordable."

Pharmaceuticals in Uruguay are also being shipped internationally in the Mercosur and Latin America with prices that are, on average, half the cost of

products in nearby countries like Argentina and Brazil. Because of this, the pharmaceutical industry boasts statistics like the \$75 million in exports in 2014. On top of that, the industry also supplies 91% of the demand for pharmaceuticals within the country.

There are several other factors that make Uruguay attractive for pharmaceutical production. This sector in particular has experienced dynamic growth over the last decade, mostly due to investments of over \$134 million made between 2010 and 2014 that focused on the development of research centers and new industries. Uruguay has several operating sites for regional headquarters. The service centers that are available coordinate the needs of supply chains of subsidiaries in Brazil and the rest of the Americas. The environment is stable and provides the large factories that produce most of the pharmaceutical exports with a platform for quality production at a competitive cost.

The advocacy for advances in research and development processes is based on the quality of human resources and the development of organizations like the Pasteur Institute, a non-profit foundation in Montevideo that focuses on preventing infectious diseases. The research and educational initiatives being carried out there are part of an overall movement to advance awareness and biological research within Uruguay and attract global attention.

Manufacturing services also add to the attractive environment

for pharmaceuticals in Uruguay. With more than 30 production plants equipped to meet the needs and requirements of good manufacturing practices worldwide, production processes that must be carried out in a sterile environment can produce sophisticated end products like molecular biology kits. Uruguay is working towards expansion of pharmaceutical sales globally and is doing so with the continued investment in top-notch facilities and quality locations that are able to meet high expectations.

In 2013, pharmaceuticals manufactured for retail sale made up 59% of exports for the sector, followed by vaccines and antiseptics. Over the last two years, the participation in the international market has increased by a total of 31% but still only represents 0.03% in the global market of pharmaceuticals. Most exports are destined for Latin America and Mercosur; but the ability to meet high regulatory requirements with new production facilities means that entering other markets such as the United States or Europe could be a possibility in the future.

As free trade zones where facilities like the Parque de las Ciencias focus on integrating the latest technology, companies like Mega Pharma continue to draw international investors to the region. Mr. Broggi says, "I think our company is a great commodity to showcase for Uruguay. When businesses arrive to Uruguay with new opportunities, they will be able to see that it is not just a country of agriculture anymore."

Maldonado, a lot more than sun and beach

Region aims to attract visitors year round with new projects and facilities

"In the last five years we have seen extraordinary growth," says Minister of Tourism Liliam Kechichian, when talking about the increase of visitors to Uruguay. "Especially last year when we had 5% growth. And we expect to grow even more this year. Our projections are around 6.5% or so. You can see the potential of the sector when in two years we have created more than 11,000 new hotel rooms."

Tourism is a growing economic sector that continues to expand on a global level each year. Tourism represented 9.5% of GDP globally in 2014 and 7% of the GDP in Uruguay. "Last year we received more than 3 million tourists. That's almost the same number of people living in Uruguay," says Ms. Kechichian.

"We had 300,000 people visiting from cruises that landed in Uruguay and 220,000-230,000 that arrived for tourism along the border of Brazil for things like shopping," she says. Specific incentives have been designed to actively promote commercialism, like the return of taxes on tourism services. Marketing campaigns have also been put in place in countries that are considered key clients in attracting more visitors to the area. Uruguay offers traditional sun and

fun with the beautiful beaches along the coast, but many people have begun to discover the rural areas that offer serene experiences in nature.

There are experiences available for all levels of tourism and have the luxury of not having to travel too far for a change of scenery. While Uruguay is proud of the beaches it has to offer, the Ministry of Tourism is focused on making the country a place for investors and businesses to come for conferences as well.

"Uruguay has had 20 or 30 years of being associated with the sun and beach and Punta del Este which is without a doubt, a flagship location and will continue to be a top level attraction for tourists in Latin America. But, we have decided that Uruguay will not just be about tourism along the Atlantic coast, but rather all 19 categories of attractions that make up Uruguay." This initiative is highlighted with the focus on the creation of new infrastructure intended to host guests for all kinds of events.

The Punta del Este Convention and Exhibition Center is expected to be up and running during the second half of 2016. The facility offers the total package of services including the latest and most modern audiovisual equipment, simultaneous translation, video conferencing and more. A space is set aside for networking and the facility offers future and the ability to set up scenes for large presentations including parking for up

to 600 vehicles. The benefits of constructing a facility like the stretch far beyond tourism and into job creation for the nation.

General Director of the Convention & Exhibition Center, Arnaldo Nardone, remarked, "If we begin with banquets for three or four thousand people, which is something that up until this moment could not be accommodated in Uruguay, the people are going to benefit from the waiters all the way to the farmers who cultivate potatoes or asparagus." Mr. Nardone is the former president of the International Congress and Convention Association, which is a global network that specializes on experiences in the meeting industry.

Mr. Nardone has said previously, "For Uruguay this will be a before and after project that should frame the future of Punta del Este and Maldonado. It's a project in which all of the tourism operators and providers will have to work together to position Uruguay as a place for national, regional, and international events." The hope is that other businesses in the tourism industry like hotels and restaurants will use the convention center as a tool for their benefit, taking advantages of things like their shuttle service and selling space. The country as a whole is taking steps to have a more active presence in the global community overall.

Mayor of Maldonado, Enrique Antia says of the region in general, "Uruguay is a small



country, dependent on the region and it hasn't been able to open itself up to the world yet. We are trying to look for spaces to open ourselves more as political leaders and today an attitude of open-mindedness like Chile or Colombia have is helping to present better options in the markets."

Over the years Uruguay has been affected by problems from larger countries, making it difficult to function independently from their markets when problems arise. As Mr. Antia describes, "I remember a saying from economists that said, if there was a flu in Brazil, it's a cold for Uruguay. If there's a sneeze in Argentina, it will lead to congestion in Uruguay. That's how dependent we have been in the past."

But, change is on the rise as people like Mr. Antia advocate for a more economically sufficient Uruguay. He says, "With luck over these last few years, we have opened ourselves up more and now there is a Mercosur that is changing. There are signs that in three, four, and six months, there will be a change on the level on international relations and that will allow me to look very optimistically at the future." The future is what leaders are focused on and with construction on projects like the Convention & Exhibition Center, growth will occur on a vertical level.

Today there are more than 100,000 people working in the tourism sector and Liliam Kechichian is working to ensure that the industry continues to

grow. "In these five years that it has been up to us to govern, we have put in place the theme of quality as our fundamental point of focus. When we talk about the quality in tourism, we know it has a lot to do with our human resources. It's still an industry where machines can't do the majority of the work. The receptionist, the tour guides and chauffeurs do the truly important things because they are the ones who interact with the people."

With these steps and many others in place, the tourism sector in Uruguay is already in motion to expand and cultivate an increased international presence as an attractive destination for both leisure and business.

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