

URUGUAY

Overview/Defense Industry Environment

The Uruguayan military is a very limited market with only 23,000 troops in its three services. In the mid-1990s, the defense budget average \$200 million (approximately 2 per cent of the GDP). While there is a definite need to modernize equipment, especially in the areas of light armor, light weapons, observation aircraft, and communications, budgetary constraints will limit such purchases. The Uruguayan military can be expected to continue to seek low cost alternatives such as procuring excess defense articles as well as continuing to purchase repair parts for U.S. provided trucks and aircraft. There is no civilian defense industry in Uruguay.

Most military equipment is obtained from the U.S., France, Argentina, Brazil, and Germany.

Defense Opportunities

Although the purchase of new equipment is not planned at this time, there may be upgrade, repair, and service opportunities for the M-24 tanks and M-41 tanks, the M-113S armored personnel carrier, and the C-130, A-37, and T-34 aircraft. There is a potential for the sale of up to 60 light tanks and 60 armored personnel carriers, as well as procurement of sufficient equipment to support one 850-man battalion to support peacekeeping operations, if funding becomes available. Armored HMMWV may present another solution to the armored vehicle requirement. Another possibility is the sale of light infantry weapons such as M16, SAW, and TOW.

However, the current Uruguayan Defense Plan calls for reduced military forces and spending. This plan may be modified after installation of a new government in March 1995. Procurement of any significant defense items requires MOD, Presidential, and Cabinet concurrence. Key decision makers are:

Dr. Daniel Hugo Martins, Minister
Ministry of Defense
Av 8 De Octubre 2628
Montevideo, Uruguay
Tel: (5982) 47-03089

Dr. Luis Alberto LaCalle
President
Ed. Libertad
Montevideo, Uruguay
Tel: 47-21-10

Dr. Ignacio De Posadas, Minister
Ministry of Economy and Finance
Colonia 1089, 3rd Floor
Montevideo, Uruguay
Tel: (5982) 92-08-63

Defense Procurement

Military procurement is accomplished usually via both Foreign Military Sales (FMS) and commercial sales depending on price, availability, and support structure. Bids will be considered and contracts will be let if a good price can be obtained. A sole source may also be used. There are no known barriers for U.S. firms. Motorola, for example, sold a significant quantity of communications equipment in Uruguay in 1991 through a commercial sale. The key is that large sales require concurrence at the highest levels of government.

Diversification/Commercial Opportunities

The military Health Services Command provides health care to almost 300,000 Uruguayans, and thus, there is a market for U.S. commercial firms in the health care industry. Items purchased include medical equipment, medicines, and repair parts for medical equipment through foreign military sales and commercial sales. Of interest to defense resale firms is a possible future decision to sell several French-made Frigates and M3-A1 and M-24 tanks.

Best Prospects Products and Services for U.S. Exporters

The United States occupies third place in the ranks of leading exporters to Uruguay, after Brazil and Argentina. Best prospects for U.S. products are chemicals (including agricultural), manufactured goods and machinery, transport equipment, food processing equipment, computer hardware and software, office machinery, alternative energy sources (such as wind energy and to a certain extent solar power), telecommunications, and medical and laboratory equipment. Uruguay's proportionally large elderly population should be a good market for geriatric equipment and services in the near future. Tourism and forestry are high in the Government's development plans and represent excellent areas for exploration as prospective opportunities for U.S. exports.

Major Infrastructure Projects

Uruguay receives loans and grants from the World Bank, the Inter-American Development Bank and other multilateral institutions for major projects and programs. The Embassy continually reports via the Trade Opportunity Program, the Foreign Government Tender Program, and the Major Projects Program, to the U.S. Department of Commerce and its district offices on major opportunities in Uruguay for U.S. contractors and manufacturers. Brief descriptions of these opportunities follow:

Parana-Paraguay River Transportation System

The governments of Uruguay, Argentina, Brazil, Paraguay, and Bolivia are jointly working on what has become the largest Latin-American "regional integration" program, a joint use of the 2,500-mile long Parana-Paraguay-Uruguay rivers for the transportation of goods from the five countries to the Atlantic Ocean. The project, expected to be completed by the year 2000, calls for investments on the order of \$935 million including civil construction (\$120 million), dredging and maintenance (\$150 million), ports (including equipment, \$115 million), and fleet (\$550 million). Further opportunities for U.S. involvement lie in the development of the administration of the waterways.

Colonia-Buenos Aires Bridge

Feasibility studies for the construction of this 24 to 32-mile long bridge joining the capital city of Argentina, Buenos Aires, and the riverside town of Colonia in Uruguay are being currently carried out by a U.S. firm and will be ready later this year. If deemed feasible, possibilities for U.S. involvement will exist in all aspects of this multibillion dollar bridge project. It is planned that the bridge will be constructed and operated by a private concession under a build-operate-transfer (BOT) regime.

Construction and Operation of a Gas Pipeline Between Argentina and Uruguay

The governments of Argentina and Uruguay are considering the construction and operation of a natural gas common carrier pipeline joining both capital cities. The Government of Uruguay plans to grant a concession to a private investor to finance the construction of the project (estimated at \$70-80 million). The concession will involve a contract to purchase Argentine natural gas at the well head and resell the gas to the Uruguayan state electric utility and other customers for a period of twenty years.

Renewal of Truck Fleets

Following a successful program to renew the urban and interurban bus fleet, the Government of Uruguay is now planning to help private companies in the renewal of their cargo truck fleets. Essentially, the Government of Uruguay purchases the trucks directly from the manufacturer and then leases them to the trucking companies.

Private Power Generation

As part of its privatization program, the Government of Uruguay is now allowing the private generation of electrical power which is then resold to the state-owned power company. Opportunities exist in the sale of aeolic and solar power generators. Feasibility studies for the construction of a rice-husk operated plant are currently underway.

Feasibility studies for the reconversion of existing and the construction of new power plants are currently being done by a U.S. firm. Among the projects being examined are a \$7 million project proposal to reconvert boilers (currently using fuel oil) to natural gas with consumption capacity of 3,000,000 cubic meters of gas per day, a \$106 million proposal to

transform a power plant into a combined cycle 119MW plant, and the proposed construction of 180MW and 362MW combined cycle power plants at an estimated cost of \$110 to \$115 million).

Other major infrastructure projects currently underway include the enlargement of the Punta del Este seaside resort airport, the construction of two more 62 mile lanes along the road joining Montevideo and Punta del Este, the construction of two more 95 mile lanes along the road joining Montevideo to Colonia, the building of a road bridge over the Santa Lucia River, and the enlargement of the Punta del Este, La Paloma, and Piriapolis yacht ports.

Doing Business in Uruguay

The U.S. Embassy in Montevideo published a Country Commercial Guide in 1995 which provides an overall picture of Uruguay's economy, best prospects for U.S. exports and a guide to the best channels or methods to use when conducting business in Uruguay. This Guide also contains a summary of import regulations, tariffs, etc.

The Country Commercial Guide may be obtained from the Department of Commerce District Offices in each state or through the National Trade Data Bank. Information about the nearest District Office at 1-800-USA-TRADE.

Key Non-Defense Ministries

Dr. Guillermo Garcia Costa, Minister
Ministry of Public Health
18 De Julio 1892,
Montevideo, Uruguay
TEL: (5982) 40-10-86
FAX: (5982) 48-53-60

Cr. Jose Luis Ovalle, Minister
Ministry of Transport and Public Works
Rincon 561
Montevideo, Uruguay
TEL: (5982) 96-05-09
FAX: (5982) 96-28-93

Arq. Manual A. Romay, Minister
Ministry of Housing, Land Use Planning, and Environment
Zabala 1427, 1st Floor
Montevideo, Uruguay
TEL: (5982) 96-39-89
FAX: (5982) 96-29-14

U.S. Government Points of Contact

Listed below are useful points of contact for U.S. firms interested in entering the Uruguayan market.

U.S. Embassy

Lauro Muller 1776
Montevideo
APO AA 34035

Tel: 011-598-2-23-60-61
Fax: 011-598-2-48-86-11