UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

Expert Group Meeting on the Promotion of SME Export Consortia

Olbia, Italy, 22-24 September 2005

COUNTRY PAPER URUGUAY

Eng. John Saegaert,
Director, Business Development Center,
Chamber of Industries of Uruguay

This document has been revised by UNIDO consultant Paul Hesp but has not been formally edited.

A. INFORMATION ON THE COUNTRY'S EXPERIENCE

A.1 Country policy to promote exports

Introduction

In 2003, the shares of main sectors in the Uruguayan economy were: primary sector 13%, manufacturing 27% and services 64%. It is calculated that only 1.5**%** of Uruguayan companies employ more than one hundred employees; 98**%** of the Uruguayan companies are small and medium - size enterprises (SMEs). Of these, more than 82**%** are considered micro–enterprises, employing less than 5 employees.

For a small open economy like Uruguay's, trade plays a relatively important role, with exports of goods and services accounting for roughly 20 % of GDP. Since the early 1990s, the country has embarked on a path of steady liberalization in good and services as well as deeper regional integration. Uruguay's exports are highly concentrated in few products, specially agricultural related products.

There are several trade promotion organizations in different fields in the public and private sector. Within the public sector there are two Ministries currently involved with trade promotion activities, the Ministry or Foreign Relations and Ministry of Agriculture, Farming and Fisheries.

In 1991 the Southern Common Market (MERCOSUR) was created by Argentina, Brazil, Paraguay and Uruguay. Although the liberalization trend may be somewhat reversed in the wake of the economic crisis which has affected the region since 1999. At the present MERCOSUR is considered an imperfect customs union.

Public agencies

The Ministry or Foreign Relations has two main bodies, the Investment and Export Promotion Agency, URUGUAY XXI, and the Trade Promotion Office (TPO).

URUGUAY XXI, the investment and export promotion institute, seeks to position Uruguay in the context of the new international economy. The organization's objective is to strength the country image globally by promoting Uruguay's strategic geographic importance to develop business in Latin America's southern cone. The main services are:

- Support companies in the process of internationalization.
- Activities designed to advertise and promote our export offerings.
- Activities designed to advertise and promote investment opportunities in our country.
- Programmes to strengthen groups of businesses or sectors, including events, trade fairs and missions.
- Follow-up on investment and exports projects.
- Logistical support for businesses setting up operations in our country.
- Market information.

The Trade Promotion Office (TPO) (DPC/ Dirección de Programación Comercial), of the Ministry of Foreign Relations is the local point for the promotion of Uruguay products. Its objectives are:

- To increase and diversify Uruguayan exports of goods and services.
- To search new markets for Uruguay's exports, avoiding excessive regional dependence

- To assist the country's SMEs that intend to join the world business networks.

The following services are instruments in achieving these objectives:

- Information on international market trends.
- Market access and assistance in complying with sanitary, phyto-sanitary and technical requirements in said markets.
- Demand from foreign markets of Uruguayan goods and services and prospective counterparts.
- Competitiveness conditions for said goods and services through marketing research.
- Data-base net covering thousands of foreign businesses, focused on those that have shown interest in Uruguayan products and have had previous participation inter entrepreneur meetings held in Uruguay and overseas.
- Assist in real time foreign consultations regarding Uruguayan economy, quality of goods and services offered by Uruguayan export business.
- Disseminate abroad updated information, regarding the extensive range of the country's export products, through the Uruguayan embassies and consulates.
- Organize and carry out commercial missions and business Round overseas.
- Support the Uruguayan business in international fairs.
- Preparation of business agendas for foreign entrepreneurs who visit Uruguay and Uruguayan business men travelling outside the country.
- Preparation of business meetings for foreign missions visiting Uruguay.
- Achievement of a horizontal dynamic integration between the promotion and trade negotiation services of the Ministry and the Foreign Service.

Uruguay's foreign trade

The growth of Uruguay's exports between 1998 and 2004 was only 6%. However, export growth has speeded up recently: in 2003-2004, there was a 33 % increase and in January 2005 exports was 24.9% higher than in the same month in 2004.

Table 1

Trade Balance – 2004		
*	Imports	U$S 2,628 million
*	Exports	U$S 2,976 million
*	Temporary Admission	U$S 461 million

Table 2

Evolution of Uruguayan exports		
*	1998	U$S 2,800 million
*	1999	U$S 2,337 million
*	2000	U$S 2,388 million
*	2001	U$S 2,201 million
*	2002	U$S 1,945 million
*	2003	U$S 2,233 million
*	2004	U$S2,976 million

Thirteen products represent 76.3 % of the total exports of Uruguay, and 77.8 % of Uruguayan exports are sold to only 13 countries. Only 25 firms account for more than 50% of the total exports and more than 90% of them are agricultural or agro-processing companies. In 2004, the shares of the main trading blocks were: NAFTA 28.1%; MERCOSUR 25.9 %; and the EU 19.9%. By comparison, 41% of Uruguayan exports were sold within MERCOSUR 1998, and the United States only represented 7%.

Table 3

Main exported products – year 2004	
Meat	22. 3 %
Leather	8.1 %
Milk, dairy products and honey	6.9 %
Cereals	6.7 %
Wool	5.9 %
Fish	4.4 %
Seeds	4.4 %
Fuel and mineral oil	4.2 %
Wood	3.5 %
Plastics and manufactured products	3.5 %
Mill Products	2.6 %
Fruit	2.1 %
Paper and cardboard	1.7 %

Table 4

Main destinations of exports – year 2004	
United States	19. 79 %
Brazil	16.33 %
Argentine	7.57 %
Germany	5.10 %
Mexico	4.00 %
China	3.92 %
Spain	3.34 %
United Kingdom	3.10 %
Italy	3.07 %
Chile	2.07 %
Paraguay	1.97 %
The Netherlands	1.80 %

As indicated above, the agricultural sector and especially the livestock sector play a very important role in Uruguay's economy and trade relations (see Table 5), based on the country{s comparative advantages in this area. This may appear to be a strong competitive edge for the country; however, it also exposes Uruguay to an important degree of risk and potential instability by creating a strong dependence on one sector for its GDP and export. A greater diversiification of the economy would be advisable. This was highlighted by the recent dramatic experiences in Uruguay that showed what the combined effect can be of weakened international commodity prices, a serious veterinary crisis, negative economic developments in neighbouring countries

(Argentina) and depressed export markets (Brazil and EU). Obstacles to increased exports are shown in Table 6.

Table 5: Sectoral export performance – 2004

	SECTOR	Employees	Enterprises	Exports (millon US$)	Share of total exports
1	Agroalimentary sector	35447	1071	1385	47
2	Leather and shoes	3929	80	283	10
3	Textile	5170	124	188	6
4	Rubber and plastic	4002	150	145	5
5	Chemical products	5931	171	130	4
6	Petroleum based products	268	4	125	4
7	Wood	1468	82	105	4
8	Clothes	4599	157	80,5	3
9	Paper and printing	1572	32	55,5	2
10	Automotive and spare parts	662	27	50	2

Table 6: Obstacles to increased exports

Sector	*Situation*	*Obstacles to increase exports*
Agroalimentary	Strongest export sector based on country´s comparative advantages. Concentrated in a few related products and few export markets	International commodity prices, strong dependence on a few markets. Majority of products with low value added. International agreements and sanitary barriers.
Leather and shoes	Leather sector highly concentrated in large companies, specialized in a few products. Shoes companies compete based on quality and design.	Availability of high quality local raw material, productivity. Shoes: design, quality, productivity and prices.
Textile	Producing mainly according to a design specified by the buyer with the products sold under the buyer's brand name.	Human resources, production cost, management skills, delivery term. Trade agreements. Small local market compared with the number of existing enterprises.
Rubber and plastic	Little variation in the products manufactured, products not always standardized. Exports highly concentrated in the Latin American region. Few large companies.	Human resources, production cost, management skills, delivery term. Small local market compared with the number of existing enterprises. Lack of local raw materials.
Chemical products	Few large companies Highly specialized on commodities	Productivity, modernization of the equipment, automation and R& D
Petroleum based products	Just one (public) enterprise	The current export is not sustainable.
Wood	Few big exporters	Products with low value added. International commodity prices, strong dependence on few markets.
Clothes	Strongly exporting sector but the majority of the companies are subcontractors, producing mainly according to a design specified by the buyer with the products sold under the buyer's brand name.	Human resources, production cost, management skills, delivery term. Trade agreements. Small local market compared with the number of existing enterprises

A. 2 Legal and incentive framework

Main trade promotion instruments

- Devolution of indirect taxes on exports.
- Exemption of tariffs on account of special import policies
- Temporary admission - draw back – import of the agrarian and agricultural machinery sector - forestry law – capital goods, computing and telecommunications.
- Export pre–financing
- Sectoral promotion
- Wood, sugar, car parts, textile sector: wool.
- Logistic facilitation instruments
- Free port
- Free zones
- State warehouses

There is no specific legal form for export consortia in Uruguay, and there are no requirements in terms of capital, number and size of members to create a consortium. Recently a proposal has been submitted to the Parliament. The legal form of the Economic Interest Group has been adopted in several groups of companies. Because of it flexibility, minimum requirements, low costs of incorporation the GIE is well adapted to consortia mission and operation. However there are no special incentives or taxes deduction.

Commonly this legal entity helps companies in Promotional and international activities carry on by the consortium.

Exporting firms are individually the beneficiaries of national support instruments and incentives. Recently, programmes and services have been created to help consortia and other kinds of enterprise networks. Tables 7 and 8 give an overview of the support institutions in the pulbic and private sector, their services and the target beneficiaries.

TABLE 7 SUPPORT SERVICES OFFERED BY THE PUBLIC SECTOR

	PROGRAMME	SECTOR	OBJECTIVE	SERVICES	BENEFICIARIES	PUBLIC BODY	FINANCIAL ENTITY
1	***Farming Development and Restructuring Programme.***	Agriculture and farming	Contribute to increase the competitiveness and modernization of farming enterprises.	Support services in trade and promotion activities.	Small and medium enterprises from agriculture, agro industries and farming.	Ministry of Agriculture, Cattle and Fisheries.	Interamerican Development Bank IDB
2	***Cattle Development Programme***	Agriculture	Increase enterprises competitiveness within the cattle value chain.	Subsidies to prepare business plan focused on international markets.	Enterprises belonged to agriculture, cattle, agro industries sectors.	Ministry of Agriculture, Cattle and Fisheries	Interamerican Development Bank IDB
3	***(DINAPYME) National Office for Handicraft, Small and Medium Enterprises***	Services, industries and handicraft.	Increase enterprises competitiveness through training, consultancy services and financing.	Training programmes, consultancy services, business plan and financial support.	Micro, small and medium enterprises	Ministry of Industry, Energy and Mining.	National funds
4	***URUGUAY XXI***	Agriculture, services and industries.	Seeks to position Uruguay in the context of the new international economy	Support companies in the process of internationalization. Activities designed to advertise and promote our export offerings	All kind of companies	Ministry of Foreign Relations, Ministry of Economy	National funds
5	***Trade Promotion Office***	Agriculture, services and industries	To increase and diversify Uruguayan exports of goods and services. To search new markets to place the Uruguayan export offer, to avoid an excessive regional dependence.	To increase and diversify Uruguayan exports of goods and services. To search new markets to place the Uruguayan export offer, to avoid an excessive regional dependence	All kind of companies	Ministry of Foreign Relations	National funds

6	***National Farming Office***	Agriculture	Support the industrialization and commercialization of farming products	National and international promotion and market survey,	Small and medium enterprises	Ministry of Agriculture, Cattle and Fisheries	National funds
7	***Meet National Institute***	Agriculture	Promote technology transfer, innovation and the value added within meet value chain.	International promotion, consultancy services and market information.	Enterprises within the meet value chain	Ministry of Agriculture, Cattle and Fisheries	National funds
8	***National Institute for Viticulture and Wine***	Agriculture	Promote winery and viticulture development throughout research and innovation, helping companies to reach international markets.	National and international promotion and market survey, consultancy services	Companies within the sector	Ministry of Agriculture, Cattle and Fisheries	National funds
9	***Uruguayan Wool Secretariat***	Agriculture	Promote the sustainability of sheep and wool production.	Promotion, technology transfer, consultancy services and training programmes	Enterprises within the wool value chain	Ministry of Agriculture, Cattle and Fisheries	National funds
10	***Technological Laboratory of Uruguay***	Agriculture, services and industries.	Provide services to increase enterprises competitiveness and raise the value added products and services	Testing, quality control, consultancy services, trade promotion.	All kind of companies	Ministry of Industry, Energy and Mining	National funds

TABLE 8: SUPPORT SERVICES OFFERED BY THE PRIVATE SECTOR

	PROGRAMME	SECTOR	OBJECTIVE	SERVICES	BENEFICIARIES	FINANCIAL ENTITY
11	*Business Development Center – Chamber of Industries of Uruguay*	Industries	To guide members, and to facilitate their insertion in international markets. To offer efficient services adapted to the needs of members and industrialists in general, in order to consolidate their growth.	Studies to increase competitiveness Growth and development projects Methods and instruments to improve productivity (Refa) Business groups Exports' consortiums Business management programmes Competitiveness strengthening Development of high yield areas Supply chain management Internationalization programme	Small and medium industrial enterprises	Interamerican Development Bank (IDB)
12	*Eurocenter Uruguay - Chamber of Industries of Uruguay*	Industries	Assists Uruguayan entrepreneurs in finding partners in Europe and Latin America to enter into cooperation agreements in different areas.	Search for prospective members. Market information search. Commercial agenda preparation Business meetings organization – Business rounds. General counseling on international Business Organization of seminars, workshops and courses Business missions and trade fair visits.	Small and medium industrial enterprises	European Commission
13	*Support Programme for the Software Industry PASS. Uruguayan Chamber of Information Technologies*	Information technologies	Help increase the competitiveness of software producing SMEs in global markets and strengthen it management capacity.	Market information search Business meetings Workshops and courses Business missions and trade fair visits. Consultancy services and training programmes	Small and medium IT enterprises	Interamerican Development Bank
14	*Export Programmes PROEX – EMPRETEC*	Agriculture, Services and industries.	Contribute to the development of capacities in participating firms which will enable them to become exporters.	Diagnostic studies Internationalization programmes Exports plan Implementation and follow up of exports plan	Small and medium enterprises	Interamerican Development Bank

Number and typology of operational export consortia.

	Name	Type of consortium	Number of firms	Products	Exports result	Main markets
1	Contexur	Export and Promotion	8	Textile and clothes	New markets	USA, Europe; North America
2	Grupo EX	Promotion	8	Plastics Food Automotive parts Furniture	New Markets	South America and Europe
3	Alimentos	Promotion	12	Package food	New Markets	South and North America
4	Cámara de Autopartes	Promotion		Automotive parts	New Markets	South America and Europe
5	INTEGRO	Promotion	32	Software Hardware Consultancy services	New Markets	World
6	Bodegas Exportadoras	Export and Promotion	18	Wines	New Markets	Europe and USA

Main obstacles to the creation of export consortia and proposals for improvement

Main problems	Solutions used or proposed	Methods and tools
Negative attitude towards interfirm cooperation	A rational approach of building firm alliances	A method of member selection that results in a coherent group.
		A method to identify common objectives.
	Boosting communication	Direct and animate meetings that permit a real exchange of views.
		Promote trust building activities.
		Invite directors of pioneer consortia to present their experiences.
Few local institution promoting networking activities	Develop local institutions	Build capacity to promote and manage consortium.
		Build a support system for new export consortiums.
There is no National Export Strategy	Create a National Development Plan within which a National Export Strategy is promoted	Involve the different concerned institutions in the project.
		Create a network of support institutions.
		Provide resources which allow planned development.

B - Case studies on export consortia

	Consortium name	**CONTEXUR**	**INTEGRO**
Consortium profile, services and organization	Sector	Textile and clothes	Information technology
	Typology	Export and promotion	Promotion
	▪ legal form and capital ▪ number of firms and their size ▪ year of incorporation	▪ De facto partnership ▪ 8 firms ▪ 2000	▪ Economic Interest Group ▪ 32 firms (SME`s) ▪ 2001
	Organizational structure	▪ The president of the consortium is the director of one of the firms ▪ Full time secretary	▪ The president of the consortium is the director of one of the firms ▪ Board of directors ▪ General manager ▪ Full time secretary
	Main type of services provided	▪ Foreign trade information, ▪ International marketing, ▪ coordination of attending trade fairs, ▪ Organizing meetings with foreign buyers	▪ Foreign trade information ▪ International marketing ▪ Coordination of attending trade fairs ▪ Piloting of projects ▪ Organizing meetings with foreign operators ▪ Coordination with the support system
	Main markets addressed.	▪ Latin America, (Brasil, Argentina, Mexico) ▪ North America ▪ Europe	▪ Latin America, (Brasil, Argentina, Mexico) ▪ Europe
	Yearly operational and promotional costs.	▪ Yearly operational costs: ~ U$S 24.000 ▪ Yearly promotional costs: ~ U$S100.000	▪ Yearly operational costs: ~ U$S 52.000 ▪ Yearly promotional costs: ~ U$S 220.000
	Funding of the consortium	▪ Annual quota U$S 2,000 per company	▪ Annual quota U$S 4,000 per company

History, evolution and challenges	History of the consortium	The promoter was one of the members of the consortium; later on the Chamber of Industries supports them with various services.	The promoter was an external association (Chamber of Information Technology)
	Performance	*Main activities implemented and results:* ▪ A web site created and promotional documentation published ▪ Several market studies in South American countries ▪ Coordination of participation in an average of 4 international trade fairs a year ▪ 3 Missions abroad per year ▪ Organizing meetings with foreign buyers ▪ Followed up requests for support from local institutions by member companies ▪ Pilot projects	*Main Activities implemented and results:* ▪ A web site created and promotional documentation published ▪ Piloting of projects ▪ Coordination of participation in international and general trade fairs ▪ Organizing meetings with foreign operators ▪ Followed up requests for support from local institutions by member companies
	Main challenges ahead	▪ Creating a common commercial platform for export markets ▪ Creation of a common trade mark ▪ The statute of the consortium	▪ Establish rules and a handbook of procedures ▪ Creation of a common trade mark ▪ The statute of the consortium
	Changes in membership	Since the creation, only one company left the consortium	No changes
	Changes in type of services	No changes occurred	No changes occurred