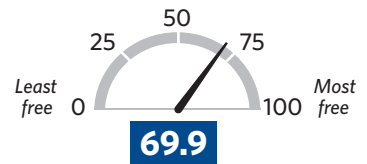


URUGUAY

Economic Freedom Score



World Rank: **29** Regional Rank: **3**

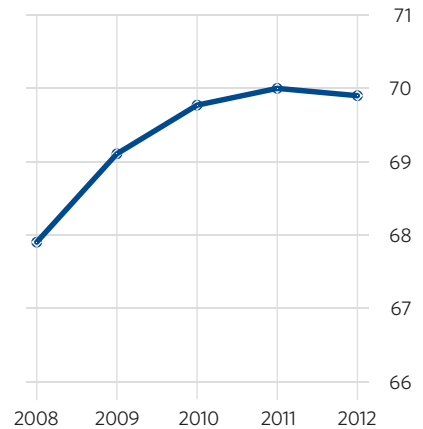
Uruguay's economic freedom score is 69.9, making its economy the 29th freest in the 2012 *Index*. Its score is 0.1 point lower than last year, with improvements in freedom from corruption and business freedom offset by deterioration in the management of public finance and a loss of investment freedom. Uruguay is ranked 3rd out of 29 countries in the South and Central America/Caribbean region, and its overall score is significantly higher than the world average.

Uruguay has been on an upward trend in the *Index* over the past five years. Notable progress in advancing economic freedom has been accompanied by annual growth rates averaging over 6 percent during the same period. Overall, the economy performs quite well in maintaining the four pillars of economic freedom and a prudent macroeconomic environment.

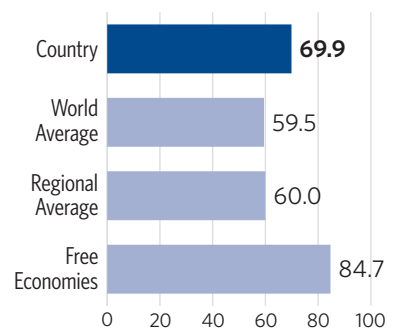
With a solid record of democratic governance, Uruguay continues to protect the rule of law effectively. Scores for property rights and freedom from corruption are relatively high compared to other countries in the region. The regulatory environment for business has improved substantially, facilitating the development of a more robust private sector. Despite the challenging global situation, Uruguay has been able to restore foreign investment to levels predating the crisis.

BACKGROUND: Uruguay has a large middle class, high GDP growth rates, and low levels of extreme poverty. The leftist Frente Amplio party won a majority in the 2009 parliamentary elections, and Jose Mujica of the Frente won the presidential election in March 2010. A founding member of MERCOSUR, a Southern Cone trade organization, Uruguay signed a Trade and Investment Framework Agreement with the United States in January 2007. The economy is based largely on beef and wool exports, but wood and software are gaining export market share. State involvement in the economy is substantial. Deregulation is needed in telecommunications, energy, and public utilities.

Freedom Trend



Country Comparisons



Quick Facts

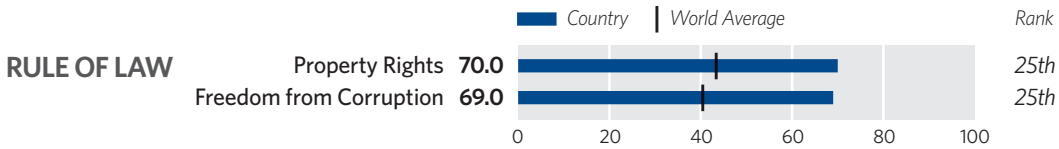
- Population:** 3.4 million
- GDP (PPP):** \$48.0 billion
- 8.5% growth in 2010
- 5-year compound annual growth 6.2%
- \$14,296 per capita
- Unemployment:** 6.8%
- Inflation (CPI):** 6.7%
- FDI Inflow:** \$2.3 billion
- Public Debt:** 57.1% of GDP

How Do We Measure Economic Freedom?

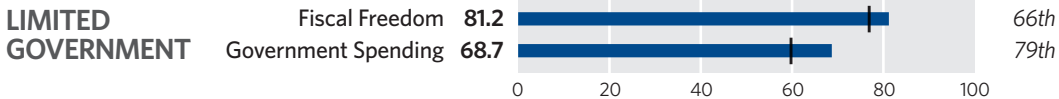
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

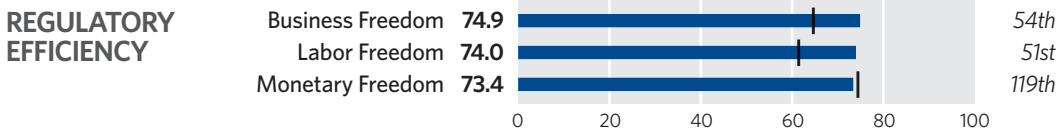
THE TEN ECONOMIC FREEDOMS



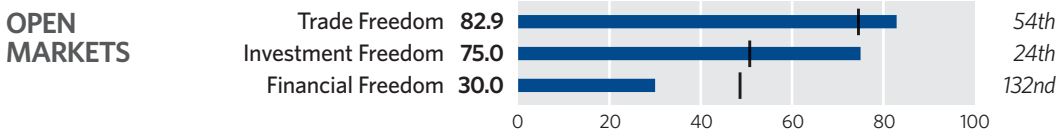
Private property is generally secure, and expropriation is unlikely. Contracts are enforced, although the judiciary tends to be slow. The government has established a Settlement and Arbitration Center to handle investment disputes. Regulations protecting copyrights are in place, and aggressive anti-piracy campaigns have led to several successful prosecutions. Government integrity and transparency have been relatively well maintained.



The top income and corporate tax rates are 25 percent. Other taxes include a value-added tax (VAT) and a capital gains tax, with the overall tax burden amounting to 25.1 percent of total domestic income. Government spending has reached a level equivalent to 32.3 percent of GDP. Small budget deficits have been recorded in recent years, but public debt remains below 60 percent of total domestic product.



Recent reforms have considerably enhanced regulatory efficiency. It now takes five procedures and seven days to start a business, compared to 15 procedures and 65 days previously. The cost of completing licensing requirements has also been reduced. The non-salary cost of employing a worker is low, but restrictions on work hours are not flexible. Inflation has been relatively high, but monetary stability remains under control.



The trade weighted average tariff rate is 3.6 percent, with lingering non-tariff barriers adding to the cost of trade. Foreign investments do not need prior authorization or registration, and the investment regime is efficient. The financial sector has become more stable and modernized, although the government presence remains considerable. Capital markets are underdeveloped and concentrated in government debt.

Score Changes

| RULE OF LAW | | LIMITED GOVERNMENT | | REGULATORY EFFICIENCY | | OPEN MARKETS | |
|-------------------------|------|---------------------|------|-----------------------|-------|--------------------|------|
| Property Rights | 0 | Fiscal Freedom | -3.1 | Business Freedom | +13.4 | Trade Freedom | -0.1 |
| Freedom from Corruption | +2.0 | Government Spending | -7.8 | Labor Freedom | -0.9 | Investment Freedom | -5.0 |
| | | | | Monetary Freedom | +0.6 | Financial Freedom | 0 |