

SRC WORKING PAPER

TIFA/TIC TRADE RELATIONS BETWEEN THE UNITED STATES AND URUGUAY:

Assessment of the Trade Agreement and Identification of Sectors with Greater Opportunity

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Abstract

This paper makes a synthetic analysis of the signing of the TIFA agreement between Uruguay and the United States, its results, and the challenges it still represents considering the new trade trends in which the agreement should be deepened. It is organized as follows: section 1, the context of the agreement, section 2, reasons for signing the TIFA, section 3, stakeholders, and processes involved, section 4, general benefits for Uruguay, section 5, current events and next steps, section 6, challenges and opportunities of the agreement, section 7, results for Uruguay, section 8, how CARICOM learns from Uruguay's experience, and section 9, recommendations.

Keywords: *TIFA agreement, FTA Uruguay, United States*

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1. The context for the signing of the Uruguay & United States TIFA (Trade and Investment Framework Agreement)

Although the bond between the United States and Uruguay was not significant in structural terms, they have shared some moments of rapprochement between 1939-1953; 1973-1978 and 2003-2005. Among them - and in context with the subject to be discussed - the period 2003-2005 stands out as a prelude to the signing of the TIFA (Trade and Investment Framework Agreement) between both States.

During the 1990s, Uruguay experienced very favorable international conditions, both due to the abundance of capital and the price of raw materials, which promoted a new cycle of economic growth. The implementation of a stabilization plan based on the exchange rate contributed to this growth, promoting the expansion of private consumption and the consequent increase in imports.

Externally, since 1991 the country has been a member of Mercosur, together with Argentina, Brazil, and Paraguay, combining a strategy of regional integration with that of unilateral trade liberalization.

As a result, trade flows consolidated its strong dependence on the region, both in terms of trade and financial and tourism activities developed with neighboring countries.

The period of growth ended in 1999, when the Uruguayan economy entered a recession and then a crisis, which lasted until 2003. In the commercial sphere, this context generated a relative weakening of regional ties and a progressive diversification of the destination of sales. The United States reappeared as a relevant partner in this stage. Between 2003 and 2005, the Uruguayan economy grew on the back of agriculture and the primary export industry.

With the creation of Mercosur, negotiations between Uruguay and the United States were initially framed within the "4 + 1" formula (The United States and Mercosur), and then became part of the plurilateral FTAA (Free Trade Area of the Americas) proposal (1994). It was only in the early 2000s that bilateral relations began to experience a real reactivation, which lasted until the following years.

In its trade relations, the United States incorporated FTAs (Free Trade Agreements) as an important form of regulating its international insertion, beyond continuing its

multilateral negotiations in the WTO Doha Round. The WTO covers international negotiations on much broader issues than the GATT treaties and all agreements become multilateral and involve commitments for all its members. This new framework provided the United States with the opportunity to revive the treatment of what is known as "new issues": investment, services, and intellectual property rights.

Since it has not been easy for the country to control the WTO program, it has carried out a strategy of bilateral or plurilateral approach to new markets.

This strategy includes the FTA with Mexico and Canada (1994), the FTA with Chile (2003), and CAFTA (with Central American countries - 2004), and other subsequent FTAs from 2008-2012 (Colombia, Peru, Panama).

During 2004 and 2005, the United States became the main buyer of Uruguayan goods and services. From here the discussion on trade relations between the two countries and the form they should take occupied a large part of the public debate. In this sense, progress was made with the signing of a Bilateral Investment Treaty (BIT), which was a clear sign that the country wanted to deepen the trade link. Although this is not always the case, Uruguay considered the BIT as the prelude to a FTA.

The objectives behind this strategy went beyond obtaining or consolidating new export markets; they also addressed other areas such as access to and control of natural and energy resources; obtaining privileges for American investors; promoting the global services sector and access for American companies to government procurement.

There were also political objectives such as regional leadership with blocs like Mercosur or with countries like Brazil and Venezuela, to prevent Chinese penetration.

On the other hand, for Uruguay, the main objectives focused on increasing access to the North American market for meat, dairy products, citrus, blueberries, software, and logistics services (linked to the establishment of investments in the national territory).

2. Why a TIFA and not an FTA?

In this context, two presidents (Jorge Batlle 2000-2005) (Tabaré Vázquez 2005-2010) promoted and managed the opportunity to sign an FTA with the northern country, although their approaches were different.

However, this macro-objective was internally questioned by various political and industrial sectors based on two arguments: a) the maintenance of the priority of access conditions to Mercosur markets and b) the intention to preserve the spaces to implement development policies, which would be reduced in the framework of an agreement that includes "new trade issues" such as services, government procurement, intellectual property, etc.

Considering that the concept of regional integration is strongly consolidated in Uruguay and that Mercosur did not make its mechanisms more flexible to allow the development of an independent trade policy, the process was unsuccessful.

Meanwhile, at the end of 2006, the U.S. Congress modified the majority by revising the negotiation processes that had been developed up to that moment. The concept of "A New Trade Policy for the United States" was coined.

At the same time, the President of Uruguay decided not to proceed with the FTA.

As a small country that is part of another integration system (Customs Union - Mercosur), it was essential to evaluate progress at different stages and scenarios, thus cultivating the right environment, and generating links beyond the final objective.

From the analysis of different documents, it can be inferred that Uruguay had the opportunity for the FTA but did not make the decision at the right time. Circumstantially, the situation changed in the face of political movements in both countries, leaving the realization of these movements out of the alternative (CIU, 2006).

In conclusion, we are not talking about a negotiation per se. We are talking about the acceptance of the proposed model. Considering the above, the TIFA is known as the result of a non-negotiation.

In short, the United States and Uruguay agreed that the best way to move forward in this framework was to try to reach agreements on various issues, as well as to maintain a level of exchange of information on other negotiations that both were developing in other regional or multilateral arenas. It was a scheme intended to prepare a more in-depth negotiation scenario for the future, although this framework is not necessarily bilateral.

TIFA entered into force in January 2007.

The governments of Uruguay and the United States signed the TIFA, intending to establish rules that promote the business climate between the two countries, as well as improve cooperation and increase trade and investment opportunities. The TIFA established strategic, relevant, and important guidelines and principles for trade and investment dialogue between both parties.³

2.1 The signing of the TIFA

Considering that trade between countries is a strategic tool for growth and development, as well as for generating more and better opportunities in international trade, the signing of the TIFA in 2007 between Uruguay and the United States was brought into force at a time when the services sector, the creative industry and regional chains were gaining momentum.

The TIFA provides for the formation of a Trade and Investment Council (TIC) along with workplans on the following topics:

- ✓ Key issues on bilateral trade and investment facilitation and liberalization.
- ✓ Cooperation in agricultural negotiations to achieve a more market-oriented world trade system.
- ✓ Elimination of export subsidies and substantial reduction of trade-distorting support or measures.
- ✓ Elimination of trade-distorting domestic support.
- ✓ Cooperation in the U.S.-Uruguay SPS Consultative Committee.
- ✓ Elimination of technical trade barriers.
- ✓ Intellectual property rights.
- ✓ Regulatory issues affecting trade policy and investment.
- ✓ Information and communications technology and electronic commerce.
- ✓ Trade in services.
- ✓ Government procurement; and
- ✓ Such other matters as the Council may decide.

By way of comparison with the TIFA/TIC CARICOM (Caribbean Community) and the United States - an agreement signed in May 2013 - it is validated that the framework agreement proposes key aspects for both parties with commitments similar to those

³ Trade and Investment Framework Agreements of United States. <https://ustr.gov/trade-agreements/trade-investment-framework-agreements>

established with the TIFA/TIC Uruguay. Among them, are those referring to the promotion of bilateral investments, identification of products and services for trade, in addition to facilitating and promoting good trade relations between the public and private sectors and the countries that are part of CARICOM. The importance of the link with the northern nation for CARICOM countries is recognized, as well as the strategic nature of the reduction of trade and tariff barriers and its positive impact on the implementation of the work plans derived from this agreement.

Uruguay, within the framework of TIFA/TIC, has managed to significantly increase its exports of services, making the United States the main recipient of this sector, making it a positive reference for CARICOM where most of its countries are fluent in English and can be service providers.

3. Stakeholders & processes involved

As noted above, TIFA establishes a TIC and defines a work program that includes all the topics on the agenda of an FTA but without the possibility of negotiating market access rules, in which Congress always intervenes through the House Ways and Means Committee and the Senate Finance Committee. The TIC serves as a consultative body on specific trade and investment issues of the parties.

The key players in Uruguay - beyond the negotiators concentrated in representatives of the Foreign Ministry and the Ministry of Economy and Finance (MEF) - were consolidated in various associations representing the sectors of the economy (Chamber of Industry, National Chamber of Commerce and Services, Rural Association of Uruguay, among others). Eleven sectoral commissions were created, which contributed their analysis of each sector, providing a state of affairs, feasibility of results - positive or negative - and opportunities to be developed with the flexibility provided by a framework agreement. The role of organized private sector representatives was critical in the identification and targeting of key trade and investment business issues and opportunities to be included in the TIFA/TIC negotiations with a focus on transactional business deliverables impacting investment, exports, and employment, as well as technology transfers.

Other key players in the framework of this agreement in Uruguay were trade unions, civil associations, and ruling and opposition political parties.

As a supra-national actor, the TIC is responsible for promoting trade in goods and services, as well as encouraging and facilitating the right conditions for investment. It holds annual meetings to keep management up to date and assess progress. Although they have not met on such a regular basis, contacts are constant for proper management.

4. General benefits of Uruguay

Bearing in mind that the U.S. market is the fourth destination for Uruguayan exports of goods, it is important to evaluate the evolution of this position within the framework of the TIFA, with constant growth in line with the facilities and strategies proposed by both States.

Figure 1. Evolution of Uruguayan exports of goods to the USA



Source: Own elaboration based on data from ITC & Mercomext Uy. (US\$ millions)

The commercial exchange of goods as of 2008 was recorded at US\$ 214,736,457, receiving a boost from the agreement that allows it to grow by 262%, reaching a value of US\$ 561,612,390 million by 2020.

This tool allowed the diversification of the commercial exchange and the deepening of those matters in which the markets already exchanged, generated precisely as a consequence of these clear rules, pre-established facilities and coordination of the guidelines to be proposed for the development of the bilateral exchange.

The main items in this growth have been cellulose (18%), beef (18%), dairy products (7.5%), followed by soybeans, beverage concentrates, wood, rice, live cattle, wool, and textiles.

Indeed, there are interesting opportunities for development in the U.S. market in the pharmaceutical, plastics, wood, and leather commodities sectors.

This steady growth of Uruguayan exports to the northern market has undoubtedly opened up to opportunities for other sectors that have become more important in recent years and that now offer the U.S. market as their main destination: services, including information, and communication technologies (ICT).

Figure 2. Evolution of exports of global services from Uruguay to the world



Source: Own elaboration, ICT database, UNCTAD, WTO. (Millions of US\$)

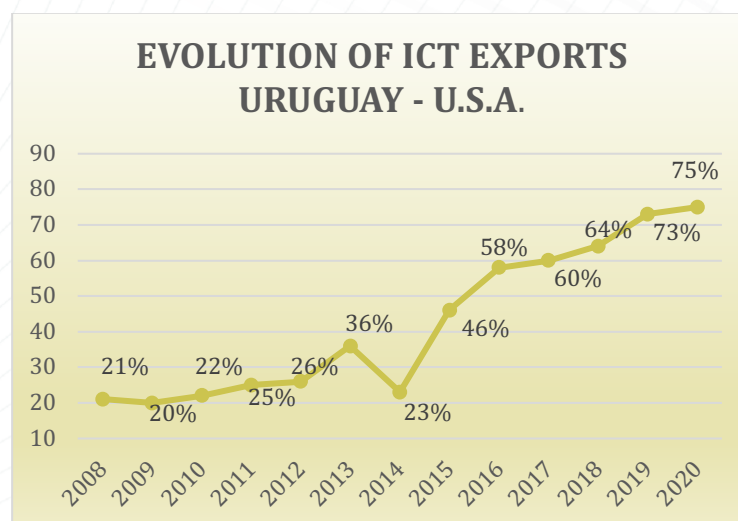
Since the beginning of the century, Uruguay has strengthened its position in the sector, even receiving the name of "the Silicon Valley of Latin America" - seeking to position itself as a hub of reference for the export of global services - and within these of ICTs.

The significant evolution of exports of this sector to the whole world during the same period 2008-2020 represented a growth of 156%, showing that there is still room for further development.

If we omit the year 2020 from our assessment -because of how disruptive it was-, the increase in the export of services from Uruguay reflects growth of 231%, to the whole world. It is worth noting that within the GGSS (Global Services) we find tourism, and this was one of the most affected in this last year; hence its falling effect in the global services chart that we will not see affected if we only take the export of ICTs.

On the other hand, ICT exports have evolved exponentially within the framework of TIFA, keeping the USA market in first place on the podium.

Figure 3. Evolution of TIC Exports Uruguay – USA



Source: Own elaboration based on data Annual Report CUTI Uruguay

This qualitative and quantitative leap allowed for a significant increase in revenues, taking the last six years as a reference, which meant -in financial terms- an increase from US\$ 118 million (2014) to US\$ 647 million (2020). (CUTI, 2021)

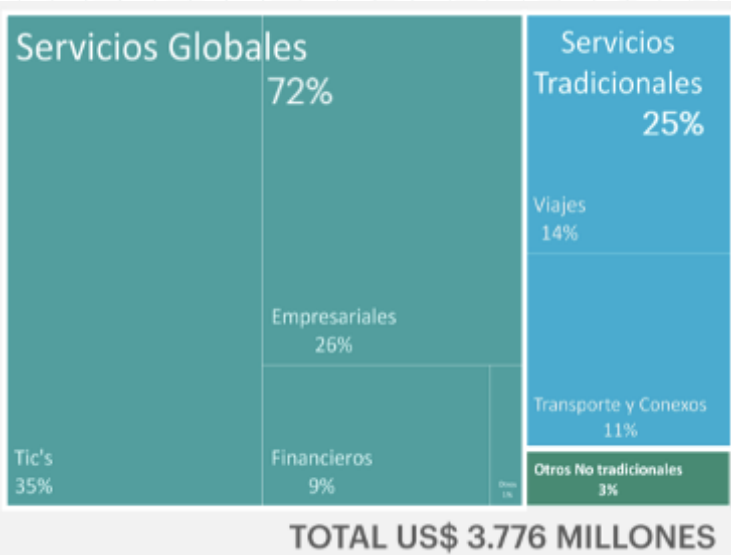
The above figures reflect the importance of Uruguay as a relevant actor for trade dynamism, particularly due to its importance as a gateway to the southern cone of Latin America and as a member state of Mercosur, with access to millions of consumers, which always favors trade exchange.

5. Current situation and next steps

In an extremely uncertain and challenging context, the year 2021 showed that ICT growth is here to stay, and that new opportunities are growing hand in hand with these technologies.

With recently published data, we share the prominence that ICT has gained in 2021 and, consequently, the promising horizon they offer us:

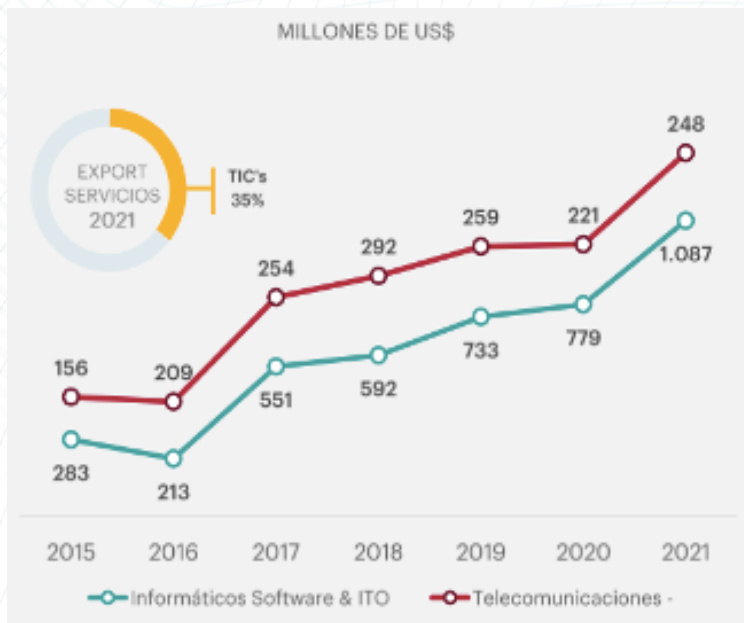
Figure 4. Exports by kind of service (2021)



Source: Uruguay XXI – CUTI

Focusing on the short-term trend analysis, we see how software and ITO or ICT services were the fastest growing, reaching \$1.087 billion in 2021.

Figure 5. ICT Exports (2021)



Source: Uruguay XXI – BCU

Although these services have been boosted by the pandemic, it is worth noting that the record for 2021 is five times higher than five years ago (2016).

Exports of telecommunications services had a year-on-year increase of 12%. Also, for the first time since records have been kept, the ICT sector accounted for 35% of Uruguay's services exports. (UruguayXXI, uruguayxxi.gub.uy, 2022)

5.1 Foreign Direct Investment (FDI) within the TIFA

In addition to the exchange of goods and services, the framework agreement proposes a suitable context for "foreign direct investment" (FDI), which has also had an interesting evolution during these years of its implementation.

In 2017, the participation of the North American nation ranked fourth among the main sources of foreign direct investment in Uruguay, which meant a share of 8% of the total.

But it will only be from 2018 that the participation will begin to climb to position itself today at 48% of total foreign investment in the country.

According to Uruguay XXI reports, in 2020, 287 projects were promoted for US\$475 million, of which 38 corresponded to foreign companies (US\$185 million). France was the main source of investment companies, with projects mainly linked to trade, but also

to construction and the dairy industry. Swedish companies invested in agribusiness and security services. U.S. companies invested in the forestry sector. These data are in the following table: (uruguayxxi.gub.uy, 2022)

2020		2021	
Francia	25%	Estados Unidos	48%
Suecia	20%	Noruega	20%
Estados Unidos	20%	Chile	11%
Chile	18%	Suecia	8%
España	5%	Islas Vírg. Británicas	3%
Brasil	3%	Belice	2%
Italia	3%	Argentina	2%
Argentina	2%	Italia	2%
Dinamarca	1,1%	España	2%
Bélgica	1,0%	China	1,0%
Reino Unido	0,5%	Suiza	0,3%
Países Bajos	0,2%	Francia	0,3%
China	0,1%	Islas Caimán	0,2%
		Dinamarca	0,2%
Total (millones de U\$S)	186	Total (millones de U\$S)	123

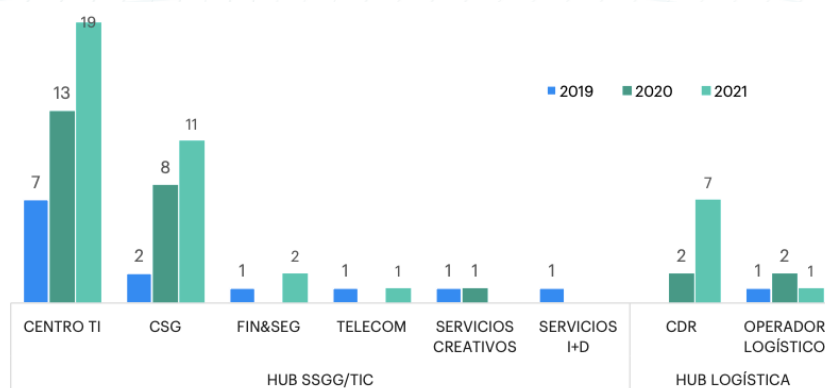
Source: Uruguay XXI

Meanwhile, during the year 2021, 504 projects were recommended, with a total investment of US\$ 534 million. Of these projects, 22 corresponded to foreign companies and together, they represent US\$ 123 million.

The United States was the first origin of the investments recommended for 2021, thanks to a project linked to the production and transmission of electric energy. Norway came in second place, with a project related to the fishing industry, followed by Chile with investments in trade.

Among others, in recent years, US firms Forever 21 (clothing sales), BDP (transportation) and Wyndham Worldwide (hotels) have set up operations in the country; while funds from that country have bought locally operating companies such as Weyerhaeuser (forestry) and Prondil (pharmaceutical industry).

5.2 FDI opportunities developed during the last 3 years and their relevance



Source: Data provided by COMAP in presentation to the Ministry of Economy and Finance [MEF-presentation](#)

Uruguay has positioned itself as a reliable and attractive destination for foreign investors, one of the Latin American countries with the best facilities for doing business.

Some well-known companies established their regional headquarters or Shared Services Centers in Uruguay are: Abbott, BASF, Finning-Caterpillar, Sabre, Altisource, SKF, Arcos Dorados (McDonald's), Pluspetrol and Tenaris. Other companies engaged in commercial activities, such as Louis Dreyfus, COFCO Agri and Trafigura, have also chosen Uruguay as a base for their regional headquarters.

6. Challenges of the agreement and opportunities

Some of the challenges and opportunities identified in the agreement are detailed below:

- ✓ Putting ourselves in context and considering that the TIFA was our "BATNA" (Best Alternative to a Negotiated Agreement - Harvard Negotiation School) (Univ., 2022) before the refusal of an FTA with Uruguay by the United States. Today we value it as the key that allowed us

to enter in a planned and substantial way to trade with the northern country and develop a beneficial investment exchange.

- ✓ The numbers shared above show the scenario, and the last coordination meeting (August 2021) -the first with the Biden administration and the new Uruguayan government (Luis Lacalle Pou)- confirms the interest in deepening the framework agreement. It is also worth noting that the U.S. government has explicitly stated that it will not negotiate trade preferences in goods (Min., 2021).

- ✓ Beyond this, new protocols were proposed to deepen the agreement:
 - Trade Facilitation Protocol
 - Protocol on Good Regulatory Practices
 - Trade Facilitation Protocol for SMEs.

- ✓ Hand in hand with these, we see major challenges and objectives on the horizon:
 - Increasing opportunities for SMEs
 - Improving the investment climate
 - Developing e-commerce as a facilitator of trade and a generator of employment. (The latter in response to the reduction of the Internet purchase franchise that Uruguay has established in recent years, reducing from 5 to 3 purchases per year for a maximum of US\$200 and 20 kgs, which is considered by the United States as an obstacle to the framework agreement).
 - Deepening the standardization and coordination of the different procedures that support trade exchange (to minimize time, costs, etc.).
 - Increasing inter-institutional consultations as a security mechanism.
 - Promoting public information on regulations, standards and their application.

7. Results achieved by Uruguay.

Based on the evidence shared during the work, and from a Uruguayan perspective, it is possible to share the following recommendations:

Results:

- ✓ increase in exports of goods doubled its growth.
- ✓ increase in exports of GGSS (Global Services), and ICT increased fivefold.
- ✓ latter (GGSS) generated revenues of US\$3,776 million.
- ✓ Increase in foreign direct investment (FDI) by 40% (U.S. 2021 figures).
- ✓ All the above propose a spillover in the national business fabric with the consequent consequences in sources of employment and social distribution.
- ✓ Likewise, the visibility of new job opportunities are satellites of the traditional ones.
- ✓ In the context of facilitating business, and within the framework of TIFA; in 2007 Uruguay incorporated the system of import franchises (e-commerce), which allowed the entry without payment of fees or tariffs of up to 5 online purchases of up to US\$ 200 each, with a maximum weight of 20 kgs.
- ✓ During 2015, the Uruguayan government changed this to a maximum of 3 online purchases (which is still in force today) (D.N.A., 2021).
- ✓ Likewise, in 2013 the VUCE (single window for foreign trade) was created to concentrate all international trade management (export, import, customs transit of goods) in a single space. (VUCE, 2013).
- ✓ public procurement and the importance of considering a proportion for national SMEs to consider asymmetries.
- ✓ Highlighting which public entities can contract under this agreement will be important (positive list). Also, establish value thresholds below which public procurement does not extend national treatment to foreign suppliers.
- ✓ Consider that Uruguay stands out for the availability of highly qualified and multilingual professionals: 100% of exporting companies in the sector can work in English and at least 11,000 people have degrees related to these services, reflecting the government's effort to offer quality services to new markets.

- ✓ Almost 9,000 professionals are linked to the field of architecture, while 2,000 are engineers. As a result, exports of these services have been made to the United States, a country with which ties continue to be strengthened to offer more virtual consulting and architectural work, as well as design.

Without a doubt and in a positive balance of the management and results of the TIFA; with a view from Uruguay the initial recommendations are based on the evidence shared during our work.

8. How can CARICOM learn from Uruguay's experience in signing of the TIFA?

Uruguay's TIFA/TIC experience provides some arguments - positive and negative - that are listed as a valuable contribution to CARICOM member countries.

Positive impacts (CIU, 2007):

- Improved conditions for access to the USA market.
- Increased investment flows
- Modernization of the business environment
- Possibilities for technical assistance and cooperation
- Increased interstate cooperation for the incorporation of new and improved technical standards (ISO, among others).
- Effective and substantive participation of the private sector in key trade and investment areas of discussion in TIC meetings under the TIFA.

Negative impacts and risks (CIU, 2007):

- Limitation for the implementation of active policies in public procurement.
- Effects associated with possible changes in the regulation of intellectual property.
- Risks of export concentration.
- Public procurement and its weight in the business fabric of SMEs as an important issue to be taken into account.

Of the lessons learned in the negotiation process - 2 years - the recognition of the difficulties arising from the asymmetry of the countries and their interests stands out. Importantly, Uruguay rejected the proposal to sign an FTA under the format and terms established by the United States, given the impossibility of negotiating other conditions.

On the other hand, it is important to highlight the importance of the interaction between the political system, society and the state, which, in the face of divided interest groups and social forces, generated doubts among Uruguayan state actors about the real economic benefits and political costs of signing an FTA. Also, the costs associated with the institutional framework and Mercosur membership made the signing of the agreement unfeasible in the short term.

Inter-institutional coordination between the public and private levels became evident as a fundamental need to find a balance and move forward effectively. Above all, this forces the public sector to keep up with the evolution of international trade, something that generally occurs at a slower pace than in the private sector. A key transactional business success factor for Uruguay was the effective integration of private sector issues in the TIFA/TIC negotiations, focusing on tangible investment, trade, and employment opportunities to be secured. Both Uruguay and CARICOM are small economies that cannot rely solely on the skills and resources of public sector institutions and the complement from the private sector is of great value and usefulness in advancing policy goals and objectives into real economy business outcomes. To the degree that CARICOM effectively integrated private sector interests and inputs into its TIFA/TIC negotiations with the USA, then to that degree a holistic economic development outcome can be achieved.

One of the main differences between TIFA Uruguay and TIFA CARICOM is that the former referred to a bilateral negotiation, while the latter contextualizes a negotiation of a group of integrated countries (which enhances the scenario of issues to be included, their possible diversity and the management system that such integration unit has for their analysis, acceptance, consensus times, etc.) and a single state.

9. Recommendations:

The trade agenda of transactional value is to focus on electronic commerce and B2B initiatives at an international level.

Finding the right mechanisms for each market, its strategic partners and with proper strategic planning makes commercial development and growth viable, and hand in hand with this, the spillover to the national business fabric is a certainty. When this happens, we empower societies; and it is from this place that the framework or trade agreements must be evaluated and measured.

There are no single recipes, there are tailor-made recipes. The key for our countries is to dare to find them, based on the concept that integration -in any form- is the path to success.

With the current strengthening of regional value chains and nearshoring, new ways of boosting the economy can be discovered, enhancing trade activity between countries, based on the competitive advantages that each one has.

Annex 1

Forum Reflections

In order to deepen the details of Uruguay's successes in the TIFA/TIC framework, we will contextualize some particular items:

1. During 2006, the United States began a process of regression of its negotiation scheme, being these less dynamic than those of the last years. (In the decade of the 90's the United States signed 30 BITs, 7 TIFAs and 2 FTAs. In contrast, in the first decade of the century it signed 42 TIFAs and 8 FTAs).

Uruguay -which was already analyzing the opportunity to sign an FTA with the United States- did not receive the support it had hoped for from its strategic partners in Mercosur (an integration system with a clause that establishes that any country in the bloc may only negotiate with third parties with the unanimous acceptance of the partners), which inhibits it from signing such an agreement. In view of their discomfort and opposition, Uruguayan President Vazquez decided not to move forward with the negotiations.

However, closer to 2007, the opportunity arose to explore framework agreements of the TIFA type (which, since they do not deal with tariff issues, do not require parliamentary or bloc approval) and it was there that the momentum for an agreement between the two nations was resumed.

2. Once the government of Uruguay determined the strategic importance of negotiating an FTA with the United States, it formally invited the various sectoral representatives to analyze, discuss and propose the strengths, opportunities, weaknesses and threats of this potential agreement, particularly for their productive sectors.

This mechanism made it possible to create a scenario that later, when the FTA was discarded, was used as a basis to contribute to the agenda of the TIFA.

The call comes from each of the ministries involved (Ministry of Industry, Energy and Mining; Ministry of Foreign Affairs; Ministry of Livestock, Agriculture and Fisheries; Ministry of Economy; Ministry of Tourism; Ministry of Education and Culture; Ministry of Labor; Ministry of Land Management and Environment) in order to cover as many sectors as possible.

Likewise, groups such as the Chamber of Commerce and Services, the Chamber of Industries, trade union representatives, the Uruguayan Professionals' Fund, the Exporters' Union, the Federated Agricultural Cooperatives, and other industrial and commercial groups, who in turn will share the proposal with their partners and strategic allies, are invited to participate.

The call is an invitation, but it is not an obligation for them to make a contribution, although it is considered a fundamental pillar to actively participate in the decisions that the government may later consider. These sectoral reports are presented to the corresponding ministries, and they will add the analysis to the agenda as appropriate.

These multidisciplinary groups work in a focused manner on the agenda items, i.e., they participate according to the topic of inclusion in each annual meeting. As an example, during the IX Meeting of the Bilateral Council of the Trade and Investment Framework Agreement (TIFA/TIC) held on August 5 and 6, 2021, both representations participated with the co-presidency of the Ministry of Foreign Affairs of Uruguay and the United States Trade Representation, adding teams from the Ministry of Economy and Finance, Ministry of Industry, Energy and Mining, Ministry of Labor and Ministry of Livestock, Agriculture and Fisheries, assessing issues of trade facilitation, anti-corruption and development of digital trade. Similarly, opportunities for workers and SMEs were highlighted, as well as the importance of considering intellectual property issues.

On occasion, private actors were also directly involved during the technical meetings, as was the case during the 2021 meeting where TIC held a meeting with a diverse group of women entrepreneurs, who shared their experiences of business development in Uruguay and the challenges they face in accessing global markets.

3. Bilateral technical meetings have been fundamental for the follow-up of the agendas set and their adjustment in each instance according to the context of the moment and new objectives that arise.

It should be noted that although the meetings were planned on an annual basis, in the 15 years that TIFA has been in effect, 9 such events have been held.

Regarding science and technology, in 2008 both governments signed an important legal framework to channel cooperation activities. Immediately after its signing, the United States and Uruguay held the First Joint Meeting on Science and Technology, in which high-level delegations from both countries participated, with the aim of beginning to implement concrete actions in areas such as agricultural research, biodiversity, health, energy, among others.

The activity that has been developed in greater depth has been the cooperation between the National Cancer Program of Uruguay and the National Cancer Institute of the United States. According to the "Letter of Intent" signed by both governments when formalizing this initiative in 2009, its objective is to carry out joint work in the "fields of cancer prevention and control, epidemiology and demographic sciences, diagnosis, early detection of cancer, treatment and behavioral research", as well as bioinformatics and data systems, through the development of specific software programs to store information on patients under treatment, training of scientists and researchers, and shared use of technology and experience.

Also, through this agreement, the U.S. Geological Survey sent a mission to Uruguay in 2010 to coordinate a workshop on advice and availability of geological information and gas reserves with authorities, among other activities.

Other topics that TIFA has promoted is bilateral cooperation on climate change issues. In September 2010, the Director of the National Directorate of the Environment made a visit to the United States during which he held a series of meetings with authorities from the National Oceanic and Atmospheric Administration (NOAA), the agency in charge of climate change, meteorology, fisheries and oceans.

There is also an important initiative to promote studies in the area of Meteorological Services, through a program for Uruguayan experts to be trained in the United States. There is also an initiative to train technicians in the area of drought warning prevention systems, through the National Integrated Information System of the United States. Likewise, in the field of agricultural research, we must highlight INIA's projects and cooperation agreements with U.S. institutions.

In conclusion, the framework agreement has allowed an interesting cooperation in the areas of Science and Technology in order to develop joint projects between both countries that allow the transfer of technical and scientific knowledge to enhance our development in this area and strengthen national scientific research institutions.

Another area of interest to deepen in such cooperation between both countries, and which was highlighted with great emphasis by both governments, refers to the issue of education. In this area, a Memorandum of Intent was signed in 2010 in the city of Atlanta between the United States Department of Commerce and the Ministry of Industry, Energy and Mining of Uruguay on Technical Cooperation and Promotion in Support of Educational and Workforce Development Exchanges for International Trade Capacity Building.

Through this program, the "CIBER" program of the University of Maryland (Robert Smith School of Business) is being implemented to develop an exchange program for students to work jointly on business development projects with local companies for a period of two weeks. The first experience was carried out in 2014 with the Universities of Montevideo and ORT University of Uruguay in three areas: wines in cooperation with the Uruguayan Wine Association, dairy products with CONAPROLE and free trade zone services with Zonamerica.

Another initiative under consideration is a project between the University of Texas and the University of Montevideo, which would allow an exchange of students from the business school, within the framework of a semester course that would include periodic visits to our country. Likewise, the Universities of Creighton and Nebraska have presented to the authorities of the Ceibal Plan their interest in working to apply this experience in their universities.

Also noteworthy is the signing this year of the Letter of Intent for cooperation between the National Agricultural Research Institute (INIA) and the University of Illinois, whose purpose is to promote cooperation and specific activities in the areas of education and research, especially activities related to the "Virtual Interface for Knowledge of Sustainable Development" project and the "Scientific Animations without Borders" project.

Finally, it is worth mentioning the joint activities that continue to be carried out with the United States Department of Commerce in the context of the meetings held periodically at the Competitiveness Forum, which has been held regularly in the city of Atlanta since 2007 and brings together academics, businessmen, government authorities and the press from Latin American countries and the United States. One of the most relevant topics of this forum is technological innovation and Uruguay has been invited by the American authorities to coordinate this topic.

Considering that the objective of TIFA is to generate a scenario that facilitates and promotes trade between the parties by creating regulations and tools that enhance such exchange (never based on tariff preferences), we find some concrete examples of trade barriers that were worked on and overcome during the bilateral meetings, and which have had positive results.

In addition to the single window model and the tool of franchising for international purchases mentioned in the development of the work (Ref. Results; page 16), it is worth adding:

In agricultural matters, a proposal for a standard was developed for the authorization of exports of bone-in sheep meat to the United States. This meant a road map to be followed by potential exporters, with clear identification of stages and sanitary requirements, which opened up the market in an efficient manner.

In relation to SMEs, a Memorandum of Understanding for the Promotion of Micro, Small and Medium-sized Enterprises was reached (during the VI TIFA/TIC 2014). In this document, Uruguay and the United States recognize the importance of MSMEs as primary job creators and drivers of economic prosperity, highlighting the opportunities for growth and job creation resulting from the signing of the framework agreement in question.

This memorandum agrees to strengthen the partnership and collaboration between the governments through the following actions, among others: facilitating the creation of Small Business Development Centers (SBDCs); ensuring that the centers are inclusive and accessible to a diverse group of entrepreneurs, including ethnic minorities, persons with disabilities, and women-owned businesses; facilitating the creation of direct partnerships between the U.S. centers and the Uruguayan centers; promote innovation, technology commercialization and technology development of SMEs in all sectors, in collaboration with universities, research centers and the private sector; promote the integration of SMEs into global value chains; encourage participation in Web-based

platforms such as SBDC Global; share information on best practices to increase SME participation in public procurement.

It is also emphasized that increasing opportunities for women to participate in the national and global economy contributes to economic development, and the countries agree to promote the goals of the Women's Entrepreneurship Initiative of the Americas (WEAmericas).

In the Agreement, the governments of Uruguay and the United States also share the view that improving SMEs' access to capital is a key component in promoting entrepreneurship and broad-based inclusive growth. To that end, both countries intend to explore opportunities to expand SMEs' access to capital. (Presidency, 2014).

In the case of government procurement, the agreement establishes that the counterpart companies (i.e., U.S. companies in Uruguay and Uruguayan companies in the U.S.) may participate under the same conditions as national companies in all purchases of goods, services and contracts in general that are made at the national and local government level.

This, which is known as the "national treatment" clause, has been widely discussed and rejected in different domestic forums. The point was considered worrying because equal treatment for all parties, when not all parties have the same economic and political conditions, reproduces and deepens asymmetries.

Regardless of this, in 2008 the State Procurement Regulatory Agency (ARCE) was created in Uruguay as a decentralized body of the Presidency of the Republic with technical autonomy. Likewise, an Agency for State Procurement and Contracting (ACCE) was created with the aim of contributing to the improvement of these procurements at the technological, regulatory and instrumental levels. In 2012 the platform began its activities.

In response to the concerns raised by the national treatment, a tool was created to address -or at least propose- alternatives to support national SMEs. This consists of a national registry carried out by the Ministry of Industry, in its National Direction of SMEs. The registered companies that comply with the characteristics and regulations will have a SME Digital Certificate, which allows national companies with a certificate to receive a direct preferential treatment in the platform of purchases and government contracts.

This is a margin of preference of 16% for micro and small companies and 12% for medium-sized companies. This margin implies that in the event of a difference of this order between a national or foreign company and an SME, the management will be assigned to the SME.

With a broader vision, a margin of 8% is given to the national industry (i.e., a proposal from a national industry up to 8% more expensive than a foreign one will be assigned to the national industry).

The system has evolved favorably, providing agility, transparency and generating a culture of digitalization that even allows to qualify suppliers and receive feedback from the applications.

Global services trade in general has had a strong increase in Uruguay and in the world. In this context, architectural and engineering services in particular have exponentiated their growth with a first quantitative leap between 2013-2018 of 15%. This instance happened hand in hand with strategies developed by governmental entities of promotion and support that gave priority to the professionalization of the internationalization of companies in this sector, which in Uruguay are 99% SMEs.

The Uruguayan Chamber of Architecture and Engineering Services, the Uruguayan Chamber of Construction, the Uruguayan Society of Architects and the Uruguayan Chamber of Design have been convened and standardizations and norms have been approved as well as work methodologies (BIM - Building Information Modeling) as a way to expand to the American market in an efficient way.

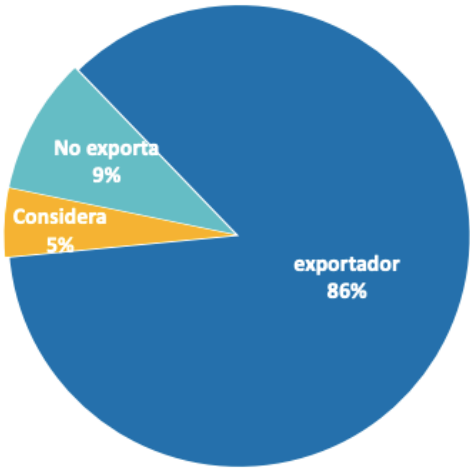
The framework agreement allowed the spaces for dialogue and exchange to move forward both identifying opportunities and strategic allies as well as the development of management within the standards established as valid by both countries.

In the same way, the Bilateral Investment Agreement (BIT) has been fundamental for the growth of this market niche, considering the protection clauses of most favored nation treatment, payment guarantees of prior and fair compensation and in freely convertible currency, as well as the free transfer of profits abroad.

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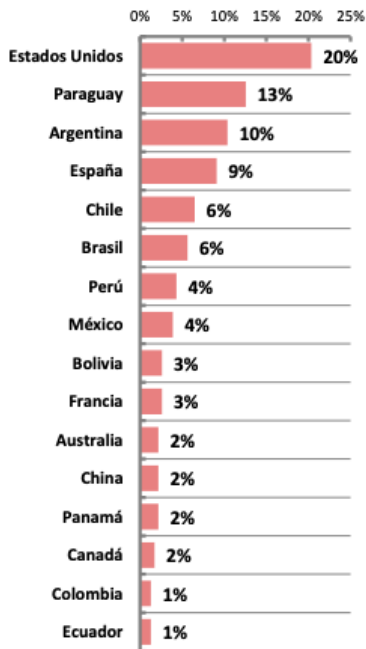


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MAIN EXPORT DESTINATIONS - 2019

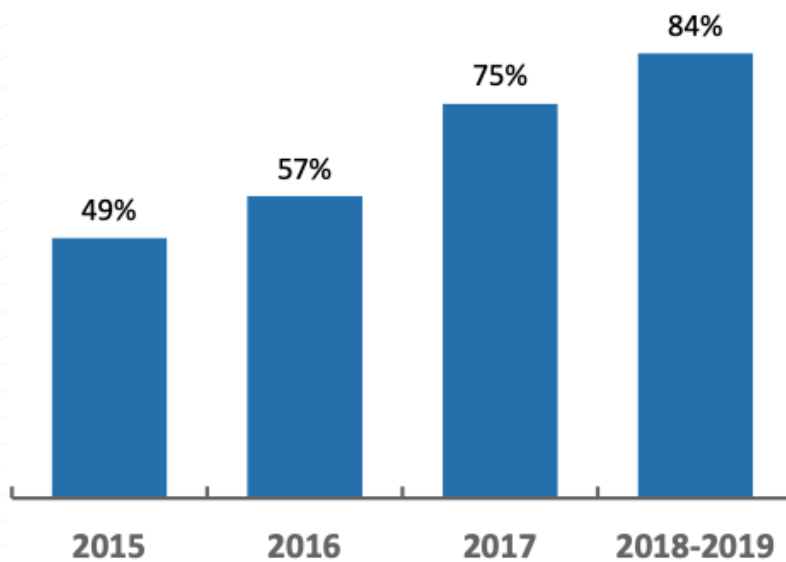
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ENGINEERING



GROWTH % OF EXPORTS OF BOTH PROFESSIONAL SERVICES



Source: Uruguay XXI

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