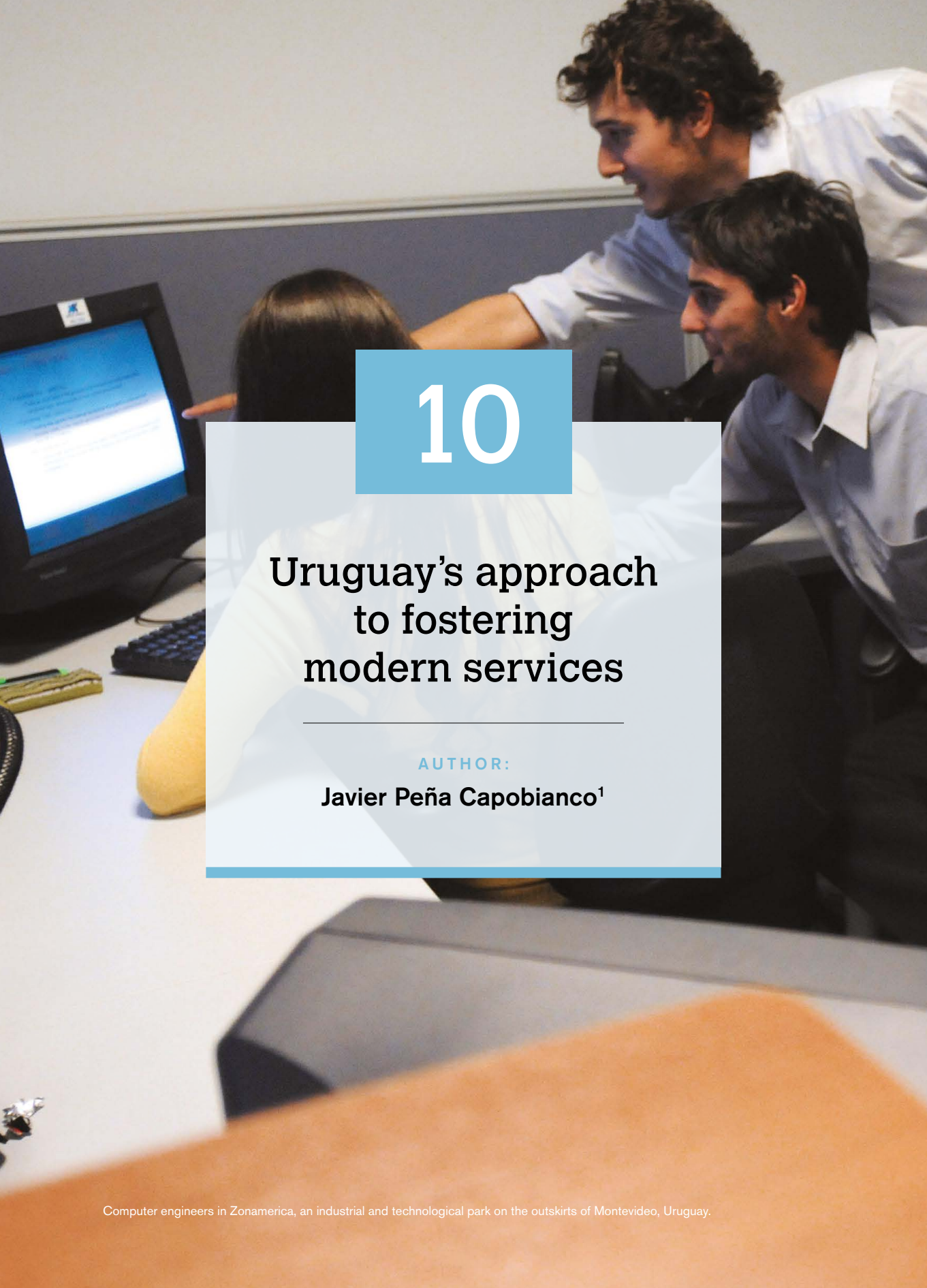




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Uruguay's approach to fostering modern services

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Abstract

This chapter examines Uruguay's approach to promoting services exports, focusing on modern services, one of the country's most dynamic parts of the economy. It reviews the policies to foster this sector, drawing on secondary data, stakeholder interviews and relevant literature. The findings suggest that Uruguay's performance results from the interplay of multiple enabling factors embedded in its domestic context.

Chief among these are long-standing macroeconomic and institutional stability, a predictable regulatory environment, and the availability of highly skilled human capital, which are intangible assets that have proven critical to the sector's growth. Additionally, Uruguay benefits from a high-quality digital infrastructure. These foundational elements have been complemented by targeted fiscal incentives (notably through the free trade zone and software regimes), specialized institutional support (Uruguay XXI), sector-specific training programmes ("Finishing Schools"), and early private-sector leadership by internationally oriented entrepreneurs.

Key points

Main achievements and impacts:

- Services have become a key pillar of Uruguay's economy, accounting for 73 per cent of gross domestic product (GDP), 72 per cent of employment, and roughly 30 per cent of total exports.
- Modern services (information technology (IT), business services, creative industries, architecture and engineering) now account for nearly 57 per cent of services exports, and 5 per cent of GDP, reaching US\$ 3,949 million in 2024.
- Uruguay has successfully attracted major multinational investors in IT, finance and shared services, while also fostering the internationalization of local firms.
- The Inter-American Development Bank (IDB)-supported Global Services programme (2012–2018) consolidated dispersed efforts into a structured framework, combining investment attraction, export promotion and talent development.
- Institutionalizing the programme within Uruguay XXI ensured continuity after IDB funding ended, maintaining specialized staff and prioritizing sectoral segments.

Key enabling factors:

- Long-standing political and macroeconomic stability, with predictable policy continuity despite changes in government.
- A credible regulatory framework, including the free trade zone regime and software tax exemptions, offering investors long-term legal certainty.
- High-quality human capital, reinforced through targeted initiatives such as so called “Finishing Schools”.

- Robust digital infrastructure, with 91 per cent of households connected to fibre optic cable; Uruguay is Latin America's first country to launch 5G.
- Early leadership of internationally oriented entrepreneurs who identified cross-border opportunities and invested in free trade zones and IT ventures.

Good practices:

- Creation of an aftercare unit to encourage reinvestment and improve investor satisfaction.
- Development of public–private coordination spaces, e.g., the Video Games Roundtable for sector-specific collaboration.
- Integration of country branding with services promotion, positioning Uruguay as a stable, reliable hub for knowledge-intensive activities.
- Addressing gaps in technical and language skills to meet market demand.

Challenges:

- Lack of a clear, overarching national strategy. Efforts remain fragmented between various stakeholders. Requirement to improve inter-institutional coordination to align sectoral boards, innovation initiatives (e.g., Uruguay Innovation Hub), and long-term strategic planning.
- Disruptive trends such as artificial intelligence and the rise of peer-to-business microsourcing models that bypass traditional firms, need to be addressed.
- Need to adapt fiscal incentive regimes to comply with the Organisation for Economic Co-operation and Development (OECD) Global Minimum Tax, while preserving Uruguay's credibility and competitiveness.

Services exports and foreign direct investment (FDI) dynamics

"We chose Uruguay for three main reasons. The first was its government, which offered economic and social stability, ease of doing business, minimal bureaucracy, and low levels of crime and corruption. The second was the quality of its internet connection – an essential factor for our company, as we rely on data transmission to support our team and technologies. However, the most important factor was human resources, as our services depend on people."

Berthold Ebner, Former General Manager – BASF Services Americas (Uruguay XXI, 2024b).

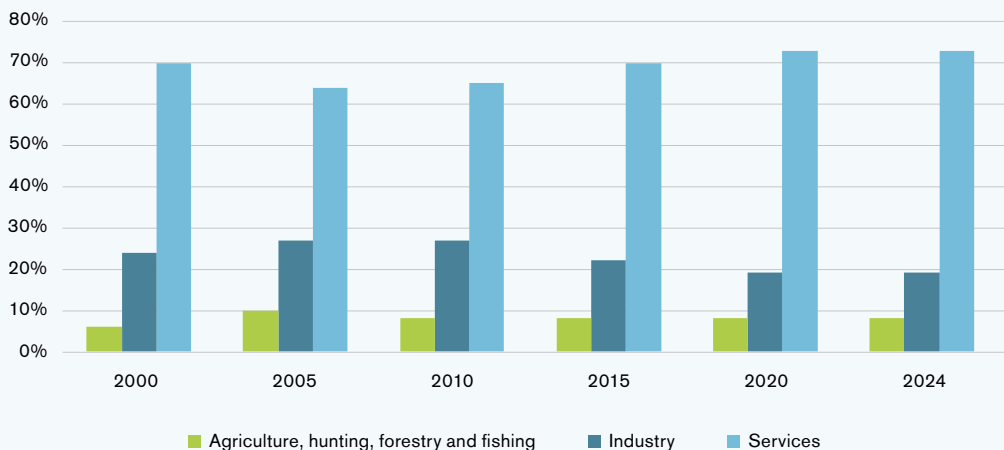
The services sector has become a key pillar of Uruguay's economy and international trade. Over the past two decades, services have consistently contributed a rising share of GDP, employment, FDI and exports. This structural transformation reflects Uruguay's success in positioning itself as a competitive service-exporting country in the region. This section highlights key quantitative indicators to show the growth and specialization of the

services economy, focusing on the increasing significance of modern services (computing, business, intellectual property and financial services) (Loungani et al., 2017; WTO and World Bank Group, 2023), especially in comparison to traditional services (transport and travel).

Services as a pillar of Uruguay's economy

Over the last two and a half decades, the services sector has become a key driver of Uruguay's economy and international trade. As of 2024, services accounted for 73 per cent of the country's GDP – up from 70 per cent in 2000 – placing Uruguay on par with advanced economies such as Italy (73 per cent), Germany (71 per cent), Japan (70 per cent), and Canada (70 per cent) (UNCTAD, 2025). Simultaneously, the contributions of manufacturing and agriculture fell, reflecting a shift towards a service-based economy (see Figure 10.1).

Figure 10.1: Structure of GDP by economic sector (as % of GDP), 2000–2024



Source: Drawn up by the author based on UN Trade and Development (UNCTAD) (2025).

The sector also plays a dominant role in employment, accounting for 72 per cent of all jobs. This reflects a notable shift from the early 1990s, when services employed 66 per cent of the workforce. Importantly, services are a central channel for women's participation in the labour market. Today, 87 per cent of employed women work in services, compared to 60 per cent of men. While male participation in services has remained relatively stable over the past two decades (from 59 per cent in 2004 to 60 per cent in 2023), female participation has risen from 83 per cent to 87 per cent during the same period (World Bank, 2025).

Additionally, employment conditions in services exporting companies are generally better than those in companies focusing on the domestic market. Export firms tend to pay higher wages. Also, the workforce has distinct characteristics: it is younger, more educated, and the proportion of female workers is higher than in the broader labour market. Nevertheless, gender disparities persist as female workers are concentrated in routine, part-time, or lower-paying roles.

In contrast, men dominate more technical, full-time and higher-paying positions (Couto and Lalanne, 2022).

Regarding FDI, over the past two decades, the services sector has played a central role. It was the leading recipient of FDI in 2012–2015, in 2019 and between 2021 and 2023. Between 2012 and 2023, services attracted an average of US\$ 962.1 million in FDI per year – almost double the average received by the manufacturing sector (US\$ 483.4 million) and over 10 times the amount directed to agriculture, livestock, forestry and fishing (US\$ 90.8 million) (see Figure 10.2).

Most services investments have targeted non-traditional sectors, particularly financial and insurance services, professional, scientific and technical activities, and information and communication technologies. These inflows are primarily investments in services, with multinational enterprises establishing affiliates in Uruguay to serve their headquarters and/or regional subsidiaries throughout Latin America and beyond (Uruguay XXI, 2024a).

Figure 10.2: Inward FDI flows (US\$ million), 2012–2023



Source: Drawn up by the author based on data from the Central Bank of Uruguay (2025).

Uruguay's services exports

A key driver of this growth has been the rapid expansion of modern services, defined in this study as the commercial services category in the balance of payments, minus transport, travel, and goods-related services (i.e., other commercial services). In 2024, modern services accounted for US\$ 3.9 billion, or 57 per cent of total services exports, while travel (32 per cent), transport (11 per cent), and goods-related services (less than 1 per cent) account for the rest (Central Bank of Uruguay, 2025) (see Figure 10.3).

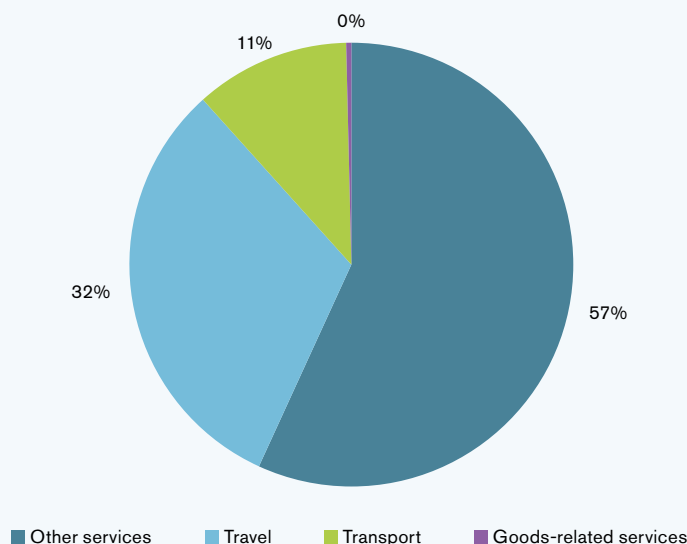
As seen in Table 10.1, over the past decade, modern services have grown at a compound annual growth rate (CAGR) of 5.5 per cent, while travel services fell by -0.3 per cent, transport services increased modestly by 2.7 per cent and goods-related services fell by -0.74 per cent. Uruguay's export specialization in modern services is also evident in per capita terms: in 2024, modern services per capita reached nearly US\$ 1,150, second only to Costa Rica in the

region (Giordano, 2024). The most dynamic subsectors within modern services have been telecommunications, computer and information services (11.9 per cent CAGR between 2015 and 2024), and charges for using intellectual property (11.7 per cent CAGR) (Central Bank of Uruguay, 2025).

Foundations of Uruguay's approach to fostering a competitive services ecosystem

In addition to the relevance of services in Uruguay's GDP, trade, FDI and exports, the country consistently ranks among the top performers in Latin America across a range of international governance indices (Table 10.2). These rankings highlight four key enabling pillars of Uruguay's business environment, which, according to international organizations and consultancy firms, have been instrumental in the country's approach to fostering modern services: (i) macroeconomic and institutional stability;

Figure 10.3: Share of services exports by sector (%), 2024



Source: Drawn up by the author based on data from the Central Bank of Uruguay (2025).

Table 10.1: Exports of commercial services, 2024 (balance of payments)

Services segment	Total exports (US\$ million)	Compound annual growth rate (%), 2015–2024	Share of total exports (%)	Share of total services exports (%)	Share of GDP (%)	Per capita exports (US\$)
Total services	6,948	2.95	29.78	100.00	9.00	2,017.27
Transport	784	2.71	3.36	11.28	1.02	227.62
Travel	2,189	-0.27	9.38	31.51	2.83	635.55
Goods-related services	26	-0.74	0.11	0.37	0.03	7.55
Other commercial services	3,949	5.48	16.93	56.84	5.11	1,146.54
Insurance and pension services	54	7.18	0.23	0.78	0.07	15.68
Financial services	347	0.60	1.49	4.99	0.45	100.75
Charges for the use of intellectual property	115	11.71	0.49	1.66	0.15	33.39
Telecommunications, computer and information services	1,354	11.92	5.80	19.49	1.75	393.12
Other business services	1,923	3.77	8.24	27.68	2.49	558.32
Personal, cultural and recreational services	99	1.90	0.42	1.42	0.13	28.74

Source: Drawn up by the author based on data from the Central Bank of Uruguay (2025).

(ii) rule of law and regulatory frameworks; (iii) workforce capacity and adaptability; and (iv) technological infrastructure.

Firstly, Uruguay stands out for its institutional and macroeconomic stability, which are critical assets for developing the modern services sector. The country has experienced smooth power transitions among ideologically diverse governments yet has maintained a consistent orientation towards modern service sector development. Macroeconomic indicators further reinforce this stability. Uruguay has Latin America's highest GDP per capita (World Bank, 2025), has low inflation rates, and enjoys investment-grade ratings from major international credit agencies.

Reflecting this environment, Uruguay holds the highest regional ranking in democratic governance (15th globally), surpassing advanced economies

such as France, the United Kingdom and the United States (Economist Intelligence Unit, 2025). It also ranks second in Latin America in terms of peace (Institute for Economics and Peace, 2024), economic freedom (Heritage Foundation, 2025) and prosperity (Legatum Institute, 2023) and is considered the region's second most attractive destination for FDI (Milken Institute, 2025). Additionally, Uruguay ranks fifth regionally in economic diversification (MBRSG, 2025).

Secondly, Uruguay's regulatory predictability and adherence to the rule of law are among its most distinctive features. The country exhibits the lowest perceived levels of corruption in the region (13th globally), according to Transparency International (2024). It also maintains a robust protection of civil liberties and property rights, which is critical for firms offering data-sensitive services.

Thirdly, the quality and adaptability of Uruguay's talent pool constitute a key competitive advantage. Uruguay ranks second in Latin America in workforce competitiveness (INSEAD, 2023) and third in English proficiency (EF Education First, 2024).

Fourthly, Uruguay has invested in robust digital infrastructure. The country leads the region in internet connectivity, with 91 per cent of households connected, and was the first in Latin America to deploy a nationwide 5G network. Fibre-optic coverage is widely available, supporting the needs of firms that depend on real-time data processing and high-speed digital communication.

The interaction of these four dimensions – institutional and macroeconomic stability, regulatory predictability and rule of law, the quality of human resources, and solid digital infrastructure – creates a unique environment for developing modern services in Uruguay. As a result, Uruguay is part of service location rankings, including the latest editions of the Kearney Global

Services Location Index (see Table 10.2 for detailed information).

Over the past few decades, Uruguay has also established targeted sectoral strategies and institutions for traditional services (travel and transport). Tourism, a long-standing cornerstone of the national economy, has been overseen by a dedicated ministry (MINTUR) since 1986, maintaining an institutional framework that has endured through successive political administrations. Similarly, the logistics sector gained institutional importance in 2010 with the establishment of the National Logistics Institute (INALOG). This public–private coordination platform involves key stakeholders from business chambers, government ministries, and regulatory agencies. While these initiatives reflect Uruguay's broader commitment to services export development, this study focuses specifically on modern services or other commercial services – an area that, due to its dynamism and increasing export share, now occupies a central role in the country's economy (see Table 10.1 for more detailed information).

Table 10.2: Key competitiveness and enabling environment indicators for modern services (2023–2025)

Indicator	Institution	Year	Global rank	LAC* rank	Relevance to modern services
Democracy Index	Economist Intelligence Unit	2024	15/167	1st	Institutional stability, governance
Freedom in the World	Freedom House	2024	17/210	1st	People's access to political rights and civil liberties
Corruption Perception Index	Transparency International	2024	13/180	1st	Rule of law, business climate
WJP Rule of Law Index	World Justice Project (WJP)	2024	24/142	1st	Rule of law, business climate
Global Opportunity Index	Milken Institute	2025	44/116	2nd	FDI attractiveness
Index of Economic Freedom	Heritage Foundation	2025	29/176	2nd	Macroeconomic stability, market openness and investment freedom
GDP per capita (current US\$)	World Bank Group	2023	62/218	1st	Consumption capacity and macroeconomic and institutional attractiveness

Table 10.2: Key competitiveness and enabling environment indicators for modern services (2023–2025) (cont.)

Indicator	Institution	Year	Global rank	LAC* rank	Relevance to modern services
Inflation, consumer prices (annual %)	World Bank Group	2024	103/218	12th	Macroeconomic attractiveness
Credit rating	S&P Moody's DBRS	2025	56/172	2nd	Macroeconomic attractiveness
Global Peace Index	Institute for Economics and Peace	2024	52/163	2nd	Institutional stability and societal safety
Legatum Prosperity Index	Prosperity Institute	2023	38/167	2nd	Wealth, economic growth, personal well-being and quality of life
Global Economic Diversification Index	MBRSG**	2025	59/114	5th	Economic diversification
Global Talent Competitiveness Index	INSEAD***	2023	43/134	2nd	Workforce quality
International Property Rights Index	Property Rights Alliance	2024	25/125	1st	Protection of innovation and intangible assets, FDI attractiveness and institutional quality
EF English Proficiency Index	English First (EF)	2024	36/116	3rd	Service delivery capacity in English-speaking markets
Worldwide Broadband Speed League 2024	BestBroad bandDeals	2024	14/229	1st	Access to cloud services and digital tools, and real-time integration with clients and global teams
Global Services Location Index	Kearney	2023	58/78	9th	Offshore attractiveness for modern services

Source: Drawn up by the author based on institutional reports (2023–2025).

Notes: *LAC – Latin America and the Caribbean; **MBRSG – Mohammed Bin Rashid School of Government; ***INSEAD – Institut européen d'administration des affaires.

Overall export promotion strategy and public-private sector coordination

Uruguay's strategy for developing the modern services sector has evolved gradually over the past 20 years. The country relies on a framework built on tax incentives, institutional support, and targeted human capital development programmes. Uruguay has implemented a de facto approach, notable for its consistency over time, even through successive government changes.

Building a modern service sector without an explicit strategy

Unlike goods, where export promotion strategies are usually clear due to longstanding tools, measurable results, and the historical importance of agriculture and manufacturing, services face unique challenges in strategy development. Their

intangibility, heterogeneity and rapid technological changes make creating comprehensive strategies in the early stages challenging. Additionally, the growth of modern services as a globally tradable sector is relatively recent, only gaining significant international attention in the 1990s and 2000s. This might explain why no explicit national strategy appeared in Uruguay during that period, despite the sector's increasing importance. Instead, the country relied on a strategy in practice based on macroeconomic and institutional stability, regulatory trust, talent availability, free trade zone regimen, and early private initiatives – especially in finance and IT – giving the sector its initial international exposure.

The lack of an explicit strategy also highlights a broader debate: whether it is better to promote entirely new sectors without prior domestic development or to add value to traditional industries. For example, Chile's international success in engineering services mainly comes from its copper mining specialization, leveraging services capabilities rooted in existing industrial strengths. Conversely, Uruguay pursued modern services without an established industrial base, partly explaining its *de facto* strategy based on horizontal enablers (e.g., human capital, digital infrastructure, stability and tax incentive regimes such as free trade zones) rather than a sector-specific strategy during the early stages. Over time, as services exports reached a critical mass, Uruguay XXI's Global Services programme was created in 2012, which unified previously fragmented initiatives into an organized promotional framework (see Box 10.1).

The gradual approach to fostering the sector reflects a consistent set of regulatory and institutional milestones, leading to a strategy in practice, that has remained stable over time, despite changes in political leadership. One of these key regulatory milestones was the Free Zone Law of 1987, which provided investors with strong legal guarantees, including exemptions from all present and future national taxes. Although not initially designed for modern services, the private sector's ability to capitalize on this enabling environment proved pivotal.

The framework quickly became attractive to international firms. Financial companies were among the first to establish operations in Uruguay's free zones, particularly in Zonamerica, which was launched in 1990 and began attracting foreign firms by 1997. In the early 2000s, Zonamerica expanded its scope to include software companies, call centres and trading operations. By 2014, new free trade zones explicitly focused on modern services in urban areas (see further details on the free trade zone regime in the next section – Services export promotion – and Table A1 in the Annex).

In addition, by the late 1990s, when the IT sector's export potential became clear, the government implemented targeted measures to reduce the tax burden on firms outside the free trade zones. This included declaring software production a national interest and granting income tax exemptions for software exports in 2000 (Bianchi and Snoeck, 2010).

As mentioned, Uruguay's strategy for expanding its modern services sector has gradually developed through a grassroots approach, creating a supportive regulatory and institutional environment. When Uruguay XXI launched the Global Services programme in 2012, with financial and technical support from the IDB, it represented the country's first organized attempt to set sector priorities and unify promotional activities. Its primary objectives were to boost Uruguay's international presence in modern services and to increase the supply of skilled human capital in the sector.

Uruguay XXI forms the core of the institutional framework for FDI and export promotion. As a public–private organization, it is governed by a 10-member board comprised of representatives from five ministries, four private-sector delegates, and its executive director. The agency has four key departments: Export Promotion, Investment and Aftercare, Competitive Intelligence, and Country Branding.

As a result of the Global Services programme, Uruguay XXI developed a comprehensive 360-degree strategy for sector promotion aimed at (i) attracting new foreign companies, (ii)

Box 10.1. Uruguay's Global Services programme (2012–2018)

The Global Services programme, implemented from 2012 to 2018 with support from the IDB, was Uruguay's comprehensive strategy to establish the country as a hub for modern services exports. Managed by Uruguay XXI, the national investment and export promotion agency, the programme aimed to address structural barriers facing the sector, including Uruguay's weak international reputation as a services location, with a limited supply of highly skilled human capital, and specific regulatory rigidities.

The main goal was to help grow Uruguay's modern services exports market through a two-pronged approach: strengthening Uruguay XXI's ability to identify, attract and keep investors while supporting domestic companies joining global value chains. To achieve this, the Global Services programme used two key tools: promoting investments and exports and developing human capital for the services industry.

The Global Services programme made a significant contribution to sectoral development. From 2014, the programme supported the realization of 22 new investments in the modern services sector – comprising nine greenfield investments, nine expansions of existing firms in the country, and four mergers and acquisitions that resulted in the expansion of current operations. Since receiving programme support up until 2018, these investments generated approximately 1,950 new jobs and added around US\$ 445 million to Uruguay's modern services exports (Alvarez et al., 2018). Simultaneously, the programme supported local companies' internationalization by enabling their participation in promotional events abroad, increasing their visibility through the "Uruguay Smart Services" brand, and promoting public–private collaboration that allowed smaller firms to benefit from the sector's collective positioning.

Human capital development was the programme's second primary focus. Through the Finishing Schools scheme, over 5,000 people received training in technical, language and soft skills aligned with industry needs (Alvarez et al., 2018). The programme also launched Smart Talent, a labour intermediation platform for the modern services sector. After the programme became part of Uruguay XXI in 2018, funding for Finishing Schools was moved to the National Institute for Employment and Professional Training (INEFOP). However, the scheme has continued to operate with the same rapid and straightforward approach as in its original design (see Section 10.5 – Skills development initiatives – for detailed information).

The evaluation of the Global Services programme highlighted several lessons. First, integrating investment promotion with enterprise internationalization and talent development created significant synergies, supporting the growth of a modern services ecosystem in Uruguay. Second, institutionalization proved vital for sustainability: including Finishing Schools in national policy frameworks ensured continuity beyond the project cycle. Third, although attracting new investors was effective, limited efforts in proactive international positioning, such as establishing offices abroad or regularly participating in global rankings, restricted a greater impact. Lastly, an unexpected but crucial result was the development of public–private synergies in the modern services sector, which fostered social capital, reduced coordination costs, and provided a consistent narrative to promote modern services internationally (Alvarez et al., 2018).

Overall, the Global Services programme experience showed that simultaneously addressing foreign investors, local businesses and human capital can build lasting capabilities for fostering modern service exports.

Source: Drawn up by the author based on Uruguay XXI information.

supporting the growth of existing ones, and (iii) encouraging the internationalization of local firms. The programme focused on four key sectors: business services, pharmaceuticals and health, information technology, and architecture and engineering. It established a specialized team to implement integrated strategic plans and targeted tools. Among these, two mechanisms stood out: creating a dedicated aftercare unit to support reinvestment by current investors and launching Finishing Schools, a co-financing programme for firm-specific training in technical and soft skills. The Global Services programme strengthened the sector's institutional foundations and clearly defined Uruguay's strategy for promoting modern services.

When IDB funding for the Global Services programme ended, the initiative was integrated into Uruguay XXI. This ensured continuity, as specialized staff and the sectors prioritized by the programme remained in place. However, the governance model changed: while the programme previously connected an integrated sectoral strategy that combined FDI, exports and talent development, responsibilities are now divided among the agency's existing departments. Segments mainly composed of domestic firms, such as audiovisuals, video games, architecture and engineering, are managed by the Export Promotion Department, while those led by foreign investors, like corporate service centres, fall under the Investment Promotion Department. Due to its hybrid nature, both departments continue to address the IT sector. Coordination between these departments occurs at the executive level, where professionals share information, align strategic goals and collaboratively plan events and initiatives.

While Uruguay XXI regularly engages public and private stakeholders through annual and ad hoc consultations, no dedicated institution is currently responsible for defining a long-term strategic plan for developing modern services exports. Multiple actors, including the Ministry of Economy and Finance, the Ministry of Industry, the Ministry of Foreign Affairs, the National Research and Innovation Agency (ANII), the National Development Agency (ANDE), and the

Central Bank of Uruguay (BCU), are involved in services-related policymaking. The lack of a coordinating authority beyond promotional efforts has led to a perception of institutional overlap and fragmented mandates among public entities (Peña Capobianco et al., 2020). This presents a challenge, especially with emerging issues such as artificial intelligence, or initiatives like the OECD's global tax, which could erode tax incentives in economies such as Uruguay.

Nonetheless, the lack of a centralized mechanism for defining a comprehensive strategy for developing the modern services sector, similar to Chile's Technical Public-Private Committee on Services Exports, has not hindered progress in specific subsectors. A good example is the establishment of the Video Games Roundtable in 2016, which has successfully encouraged coordination among key public and private stakeholders to support the growth, professionalization and exports of the video game industry.

This interinstitutional working group includes the Ministry of Industry, Energy, and Mining, through its National Telecommunications Directorate; Uruguay XXI; the Creative Industries Department of the Ministry of Education and Culture; the National Telecommunications Administration; Ingenio, the Technological Laboratory of Uruguay's (LATU) technology incubator; and the Uruguayan Chamber of Video Game Developers (CAVI). The roundtable promotes participation in international events, organizes domestic activities such as Level-Uy, and conducts training workshops with national and international experts.

In recent years, Uruguay has launched broader innovation initiatives aligned with a *de facto* strategy that has gradually developed to support the modern services sector. One such initiative is the Uruguay Innovation Hub (UIH), a national strategy launched in 2023 to strengthen the country's innovation and entrepreneurship ecosystem in advanced digital technologies, biotechnology and green technologies. The UIH is governed by a high-level steering committee composed of representatives from the Ministry of Industry, Education and Economy, the Office of Planning and Budget, and the ANII. The UIH

promotes science, technology, and innovation projects in partnership with the private sector.

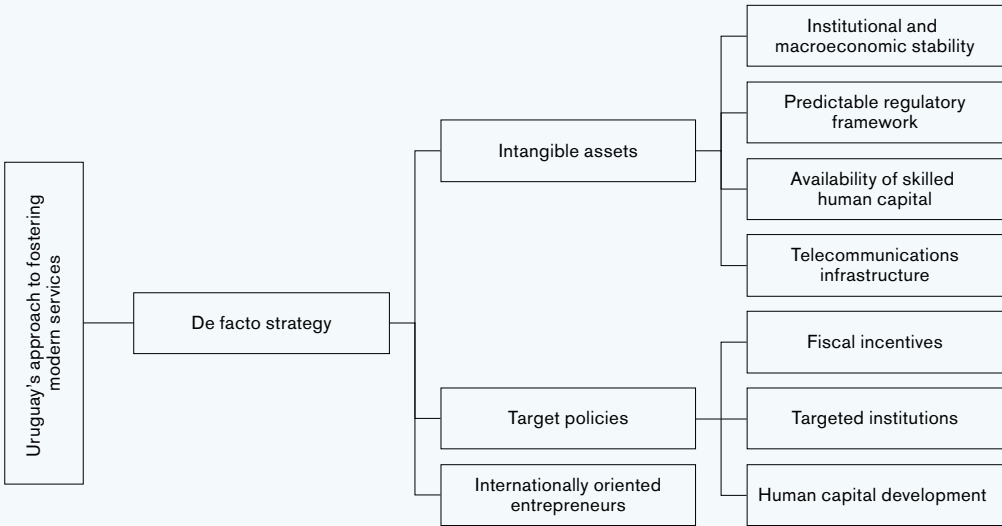
Since its establishment, the UIH has launched two initiatives: the Acceleration Programme, which promotes public–private partnerships to develop training programmes for startups; and the Company Building Programme, specifically designed to support the creation of biotechnology firms. In 2024, the initiative established an Innovation Campus within the LATU technology park, fostering collaboration among startups, venture capital funds, academia and international innovation hubs, including La Nave (Spain), Cubo (Brazil), NewLab (United States), and Station F (France).

In 2025, a newly elected government launched Uruguay Innova, a strategic programme to strengthen the national science, technology, and innovation system. Structured around four pillars – knowledge, innovation, internationalization, and regulatory quality – the initiative also includes the creation of a Secretariat for Science and Knowledge Generation tasked with advising the

government’s Executive Branch on long-term innovation policy.

In summary, Uruguay’s modern services strategy reflects a de facto approach built on the country’s intangible assets – macroeconomic and institutional stability, regulatory predictability, a skilled talent pool, and robust telecommunications infrastructure (see Figure 10.4). Over time, these contextual advantages have been complemented by specific tools, such as tax incentives in free zones and the software sector. Notable progress was made through the Global Services programme and ad hoc coordination efforts led by Uruguay XXI; however, the lack of a permanent, cross-cutting governance mechanism remains a challenge that could limit the sector’s future growth. Strengthening inter-institutional alignment and institutionalizing long-term coordination will be essential to solidifying Uruguay’s position in an increasingly competitive modern services market, especially as the country faces emerging challenges such as the disruptive effects of artificial intelligence and the implications of the OECD Global Minimum Tax.

Figure 10.4: Uruguay’s approach to fostering Global Services



Source: Prepared by the author based on his own analysis.

Services export promotion

Uruguay has established a specialized institutional framework to promote the internationalization of its modern services sector. The national trade and investment promotion agency, Uruguay XXI, has launched various initiatives based on four main pillars: professionalization, support for commercial management, prospection, and dissemination. The Export Promotion Division mainly targets IT, the creative industries and professional services. This focus stems from the presence of local companies in these sectors. Meanwhile, responsibilities for the IT sector are shared with the Investment Division.

Institutional support and tools for modern services promotion

In order to promote the internationalization of services companies, Uruguay XXI applies its strategy across various sectors, with modifications to meet the specific needs of industries such as 1) information technology, 2) architecture, engineering and construction, 3) creative industries such as video games, audiovisuals, advertising, music and publishing, and 4) fashion and design.

The professionalization pillar includes export readiness and investment readiness programmes that train firms to overcome challenges to internationalization. This involves workshops on preparing pitches for global investors, mastering sector-specific business practices, and developing the managerial skills needed to compete internationally. Tailored interventions are offered based on the subsector; for example, in the editorial industry, Uruguay XXI organized masterclasses in 2025 with leading publishers from Spain and Brazil to introduce local firms to international publishing practices.

The agency also provides the Exporter's Test, an online self-diagnostic tool that evaluates a firm's export readiness and guides the development of a plan for entering international markets. Specifically for service firms, a self-assessment tool – developed within the Latin American Services Association framework, in which Uruguay

XXI participates alongside 27 public and private institutions from the region – helps companies identify capacity gaps and offers tailored recommendations for international expansion. The Export Skills Training Programme includes workshops and technical courses on key aspects of international trade, from general marketing strategies to advanced methods such as Building Information Modeling for engineering services.

The second pillar, supporting commercial management, emphasizes helping companies participate in international trade fairs, trade missions, and networking events. These activities include cost-sharing mechanisms that balance public funding with private contributions, making them accessible for small and medium-sized enterprises (SMEs) while ensuring participant commitment. For example, during the trade mission to Paraguay in 2025 for the IT and architecture sectors, Uruguay XXI co-financed up to 60–70 per cent of agenda coordination costs for SMEs, while larger firms covered their own expenses.

The Export Promotion Department builds institutional connections with other public agencies, such as ANDE or ANII, which offer various programmes for companies. Uruguay XXI also collaborates with sectoral associations such as CUTI (information and telecommunications technology), CAVI (video games), and CUSAI (engineering and architecture services), as well as with the country's diplomatic missions abroad.

The prospection pillar adopts a proactive approach to finding and engaging potential clients. Uruguay XXI consistently collects and directs leads from international fairs and events to local companies, and organizes “reverse missions,” bringing foreign buyers to Uruguay for structured business meetings. This direct matchmaking reduces information gaps and transaction costs, enhancing local service providers' credibility.

Finally, the diffusion pillar focuses on creating sector-specific promotional materials – often called “business cases” – that showcase the value

proposition of each industry. These materials are distributed through multilingual websites, digital marketing campaigns, and sector-specific portals, such as Uruguay VideoGames or audiovisual industry platforms. These resources act as visibility tools and repositories of industry information for potential international buyers. Additionally, Uruguay XXI manages the Exporters Catalogue for International Buyers, a searchable platform that connects global buyers with Uruguayan companies by sector and business profile.

A key institutional aspect is the shared governance of IT promotion between Uruguay XXI's investment and export divisions. While the export team helps local companies access markets, the investment division focuses on attracting multinational firms in IT and related services. Both roles are often combined in joint international initiatives, allowing Uruguay to benefit from synergies between FDI attraction and export promotion.

Through its Competitive Intelligence Unit, the agency develops industry-specific studies and market profiles focusing on priority sectors, including modern services, IT, creative industries, engineering and financial services. These reports provide strategic insights into target markets. Examples include Argentina's architecture and design, Miami's creative sector, and consulting in Ecuador.

Uruguay XXI plays a key role in national branding through a dedicated department that promotes a unified image of the country on international markets. Besides the overall country brand, the agency has led sector-specific branding platforms – such as Uruguay Audiovisual, Uruguay Technology, Uruguay Digital, Uruguay Smart Services and Uruguay VideoGames – that boost the visibility, credibility and positioning of Uruguayan services exporters across various industries.

The data shows that Uruguay XXI's efforts to promote exports have significantly increased firm participation and diversification across various sectors. In 2024, 603 companies received support, with more than half being new exporters (55.8 per cent). Services accounted for nearly half of the total (48.3 per cent) and generated

48.8 per cent of the 17,601 supported jobs – highlighting the growing role of services in Uruguay's export sector. Geographically, the concentration in Montevideo (72.1 per cent) emphasizes the capital's dominance as a hub for export-oriented companies, though outreach efforts also extended to other departments such as Canelones, Maldonado and Colonia. The sector breakdown reveals the increasing importance of modern services: IT comprised 22 per cent of supported companies, followed by design (19 per cent), creative industries (16 per cent), architecture, engineering and construction (7 per cent), and professional services (4 per cent).

Although quantifying success can be challenging, observing qualitative differences in how goods and services are promoted provides valuable insights. For goods, international promotion mainly emphasizes highlighting products' tangible qualities and features. Meanwhile, promoting services depends less on describing the service itself – due to its intangible, diverse and client-specific nature – and more on building credibility and trust. This credibility is established by demonstrating that providers come from a country with a strong, established industry, often by showcasing firms' track records, certifications, international clients, awards and operational consistency.

In this context, two key aspects of Uruguay's export promotion efforts stand out: i) consistent participation in the same international fairs and events has been vital for increasing visibility and credibility, especially for SMEs; ii) the effect of these tools varies by subsector. The video game industry, for instance, benefits from global networking at events like the Game Developers Conference in the United States, where exposure to international buyers leads to contracts beyond the host country. Other sectors, such as architecture and engineering, depend more on targeted missions in specific regional markets like Paraguay or Brazil.

In practice, firms in modern services adopt different strategies: for professional services like engineering and architecture, being invited to speak at international conferences has been particularly effective in building trust with potential

clients. In the IT sector, companies emphasize that industry-specific events (e.g., in banking or health) often lead to better business opportunities than general technology fairs because credibility is strengthened by demonstrating solutions relevant to the industry. These factors suggest that ongoing engagement and a strategic focus on credibility – rather than single promotional efforts – are essential for enhancing Uruguay's performance in modern services exports (see Box 10.2).

Evaluations of Uruguay XXI's activities reveal a significant impact on firms' export performance. Impact assessments show that Uruguay XXI's assistance increased the likelihood of domestic firms beginning to export by 2.6 percentage points, while also boosting total export values by 15 per cent and expanding the number of destinations served by more than 8 per

cent. These results suggest that the agency's interventions – essentially by reducing information barriers and facilitating access to foreign markets – contributed to both the intensive and extensive margins of trade, enabling new firms to internationalize and existing exporters to diversify their markets (Martincus et al., 2020).

Along with institutional support from Uruguay XXI, services exporters also benefit from value-added tax (VAT) exemption and a wide range of fiscal incentives. These include the Investment Promotion Law, the Free Trade Zone regime, and sector-specific promotional programmes, especially for software, shared service centres, and trading, which provide reductions or full corporate income tax exemptions (see the subsection on "Attracting FDI" and Table A1 in the Annex for details on tax incentives).

Box 10.2. The information technology sector: a long-term strategic commitment

Uruguay's IT sector represents a notable example of state-driven services export promotion, marked by a sustained policy commitment across successive governments.

The process began in 1999, when software production was declared a sector of national interest (Decree No. 84/999), making firms eligible for the incentives established under the newly enacted Investment Promotion Law (Law No. 16.906). This framework was subsequently reinforced in 2000 with income tax exemptions for software exports (Decree No. 387/00) and value-added tax exemptions (Decree No. 386/00).

Beyond tax incentives, various other factors contribute to Uruguay's growth in the IT sector. Chief among these is the availability of a highly skilled talent pool. Foreign companies like Tata Consultancy Services (TCS) have also played a critical role, creating spillover effects by training professionals who later become entrepreneurs targeting international markets. Meanwhile, the

Uruguayan Chamber of Information Technology (CUTI) – which now has nearly 400 member companies – serves as a platform for collective action and sectoral representation, further strengthening the industry's focus on exports.

Today, the IT sector is a strategic pillar of Uruguay's economy, with over 400 firms, contributing approximately 4.4 per cent of GDP and generating more than 20,000 high-skilled jobs. Between 2015 and 2024, IT exports grew at a CAGR of nearly 12 per cent. Moreover, in 2024, IT services exports accounted for 20 per cent of total services exports.

The continuity of this policy framework, maintained across seven national administrations regardless of political shifts, has been critical to the sector's expansion. IT promotion is one of the clearest examples of a long-term, cross-party industrial policy in Uruguay's services export agenda (Uruguay XXI, 2024c).

Source: Drawn up by the author based on Uruguay XXI information.

Uruguay had also negotiated 25 double taxation agreements by 2025. Based on OECD and United Nations model conventions, these agreements cover key partner economies across North America, Europe, Asia and Latin America, and address the issue of double taxation.

Finally, recognition of the sector's export capacity is also reflected in initiatives led by the private sector. The Export Effort Award, promoted by the Uruguayan Exporters Union, annually recognizes outstanding achievements in export performance and, in recent years, has included a dedicated category for services exports.

In summary, Uruguay's approach to promoting modern services is grounded in a dedicated institutional framework and a diverse set of instruments that enhance the country's international standing. Through Uruguay XXI, the government delivers technical assistance, market intelligence, training programmes and sector-specific support tailored to the needs of services firms. These efforts are complemented by a broad range of fiscal incentives, contributing to expanding Uruguay's modern services' international presence.

Attracting FDI

Uruguay's strategy for attracting FDI in the services sector relies on two main pillars: i) a comprehensive legal framework that mainly offers tax exemptions as the primary incentive. The most common tools include the Investment Promotion Law, the Free Trade Zone regime, and targeted promotional programmes for sectors such as software development, shared service centres and trading; ii) a dedicated institutional infrastructure for investment and aftercare support is established through a specialized division within the national promotion agency, Uruguay XXI. The area of aftercare was created as part of the Global Service programme. Despite different administrations, the regulatory and institutional frameworks have remained remarkably stable, with no significant changes. As a result, foreign investors consistently regard Uruguay's macroeconomic stability, institutional strength and legal predictability as the most critical factors in their decision to invest.

Attracting investment in modern services

Uruguay represents a case of a sustained, state-led effort to attract foreign direct investment, grounded in a stable and transparent regulatory framework and supported by dedicated institutions. This policy orientation is articulated through several key legal instruments

that constitute the backbone of the country's investment regime

First, the Investment Promotion Law (Law No. 16.906 of 1998) constitutes the legal cornerstone of Uruguay's investment promotion policy framework. It designates investment promotion as a matter of national interest and guarantees national treatment for foreign investors, alongside equal conditions for market entry and operation. The law ensures protection against arbitrary or discriminatory state measures, guarantees the free transfer of capital, profits and other investment-related payments in freely convertible currency, and allows investment entry without prior authorization or registration. In the event of a dispute related to the application or interpretation of the law, where the investment has been formally promoted, either party may refer the matter to domestic courts or international arbitration.

The law also provides a structured system of tax exemptions, including deductions from corporate income tax (IRAE) liabilities based on a transparent scoring model. This model assesses project performance across multiple dimensions, such as job creation, regional decentralization, export potential, adoption of clean technologies, research and innovation, and sector-specific priorities. Additional benefits include exemptions from net wealth tax on eligible fixed assets, import duties on capital goods, and VAT on locally

sourced inputs related to construction works and project implementation.

Second, under the Investment Promotion Law, the government may grant promotional status to specific investment projects and entire sectors or subsectors. This status makes beneficiaries eligible for the tax exemptions and incentives established in the law, such as corporate income tax reductions. As a result, sector-specific tax exemptions have evolved into a strategic policy instrument for attracting investment in targeted areas, particularly in the services sector.

Among the most frequently utilized regimes for modern services activities are those for software or IT development (Title 4, 2023 Consolidated Tax Code; Decree No. 150/007), trading activities (Tax Authority Resolution No. 51/997), and shared service centres (Decrees Nos. 251/014, 361/017, and 281/019). Other promoted services sectors include biotechnology (Decree No. 011/013), remote customer service centres (Decrees Nos. 207/008, 379/011), research and development (Law No. 19.739; Decree No. 407/019), and offshore financial intermediation (Chapter 18, Title 3, 2023 Consolidated Tax Code). While the scope of tax benefits and eligibility requirements varies across sectors, the regimes are centred on exemptions or reductions from corporate income tax, VAT, and other national taxes. Further details on the specific legal instruments and incentive structures associated with each sector can be found in Table A1 in the Annex.

Third, the Free Zones Law (Law No. 15.921) was enacted in 1987. Users operating within free zones are exempt from all existing and future national taxes, except social security contributions. The State guarantees the stability of these benefits throughout the user's contractual agreement, with legal liability in case of breach. Goods and services of any origin entering a free zone are exempt from import duties and related taxes and may be re-exported or transferred without fiscal charges. The 2017 reform of the Free Zones Law introduced two significant changes. Firstly, it allowed free zone users to provide services to clients within the country. This adjustment aligned the regime with the principles

of OECD/G20 Base Erosion and Profit Shifting, to prevent "double non-taxation" and ensure profits are taxed where economic activities occur. Secondly, it established the concept of thematic service zones, specifically designed to support audiovisual, entertainment and recreational services, thus expanding the sectoral scope of the regime in line with Uruguay's evolving services export strategy.

The Free Trade Zone regime has been particularly relevant for the services sector, with specialized zones such as Zonamerica, Aguada Park, WTC Montevideo Free Zone, and Parque de las Ciencias serving as key hubs for modern services activities. Additional zones, including WTC Punta del Este Free Zone, Zona Franca del Plata, and Punta del Este Studios, are currently under development, explicitly for audiovisual services. In 2019, services exports from free zones accounted for about 75 per cent of Uruguay's total services exports. It is also estimated that approximately 40 per cent of employment in the modern services sector – totaling around 36,000 jobs – is concentrated within free zones. Employment generated under the free zone regime is also notable for its quality: over 50 per cent of employees hold tertiary education degrees, and average wages in free zones tend to exceed those in the non-zone economy across comparable sectors (Couto and Lalanne, 2022).

Fourth, in line with international trends, Uruguay has signed Bilateral Investment Treaties (BITs), a process initiated in the late 1980s and expanded significantly since the 2010s. As of 2025, the country had 32 agreements with 34 economies, covering a diverse set of strategic and regional partners. Additional treaties have been signed but are not yet in force, and negotiations for new agreements are ongoing (Ministry of Economy and Finance, 2025). These treaties form a key component of Uruguay's strategy to provide legal certainty and reinforce investor protections in cross-border operations. A central feature of most BITs is the inclusion of investor–State dispute settlement mechanisms.

Earlier treaties signed up until the mid-1990s, typically required investors to exhaust domestic legal remedies before resorting to international

arbitration, under specific conditions. In contrast, more recent agreements allow investors to choose between domestic courts and international arbitration from the outset, with that choice being final. Several treaties also include explicit advance consent by the State to submit disputes to international arbitration (García López and Ons, 2021), reflecting Uruguay's commitment to ensuring predictable and enforceable protections for foreign investors. In addition, in September 2025, Uruguay became a founding member of the Future of Investment and Trade Partnership (which also includes other economies such as Chile, Costa Rica, Iceland, New Zealand, Panama, Singapore, Switzerland and the United Arab Emirates), an initiative dedicated to promoting open and fair trade, as well as improving investment flows.

The role of Uruguay XXI in promoting FDI

The agency's structure reflects the characteristics of the services economy. In areas dominated by local firms – such as audiovisuals, video games, architecture and engineering – promotion is mainly driven by the Export Promotion Division. Conversely, the Investment and Aftercare Division focuses primarily on global service centres, including headquarters, administrative offices, financial services and IT operations. The IT sector, which involves local firms and multinational investors, is managed jointly, emphasizing internationally recognized brands and high-potential startups.

Coordination between the two divisions occurs through shared planning, executive-level meetings and regular information exchange to align their goals. In practice, this usually means that at a single international event, the focus is twofold: attracting new investors to the country and helping Uruguayan firms generate leads and expand their client base abroad. This model, the separation between the export and investment divisions for modern services, reflects a shift from the Global Services programme (2012–2018), when the sector was managed as a single division covering exports, investment and talent under one umbrella. Currently, the approach is

more segmented but still coordinated through inter-departmental mechanisms.

The Investment and Aftercare Division handles both attraction and facilitation efforts. On the pre-establishment side, it promotes Uruguay's value proposition and investment opportunities, produces customized macroeconomic and sectoral reports on investor request, coordinates site visits and offers guidance and public–private networking support. On the post-establishment side, it facilitates interactions with government agencies, strengthens business networks and innovation ecosystems, and assists in improving the regulatory and investment climate. It also helps investors access talent development programmes, supplier links and research and development projects, while actively encouraging reinvestment opportunities. Additionally, to promote investment, Uruguay XXI has created a digital platform that connects local projects with international investors, with about 40 per cent of these projects related to modern services.

As part of its investment facilitation services, Uruguay XXI coordinates a fast-track mechanism to expedite the issuance of temporary residence permits for foreign personnel linked to services export-oriented firms. The programme targets investors, managers, technicians and skilled workers, offering an accelerated process through the National Directorate of Migration. Applicable to foreign nationals recruited by local or international exporters – whether applying from within or outside Uruguay – the fast-track scheme is designed to reduce administrative barriers and support timely talent relocation. Between 2020 and 2024, Uruguay XXI managed over 290 fast-track visa and residence applications with the National Directorate of Migration.

Uruguay XXI plays a crucial role in shaping the country's strategy to attract FDI. Promotion efforts are conducted both domestically and internationally through participation in events and targeted digital marketing campaigns, utilizing tools such as Sales Navigator, Waalaxy and advertising on platforms such as Meta, LinkedIn and Google. In 2020–2024, Uruguay XXI facilitated over 600 investment opportunities and supported over 130 new investments, and

mergers and acquisitions announcements, with 47 per cent of these in modern services.

Uruguay XXI's investment and aftercare efforts have proven most effective when combining consistency, credibility and tangible success stories. Maintaining consistent participation in international events has been crucial. Instead of occasional attendance, Uruguay's ongoing presence at the same sector-specific global events has increased visibility and strengthened the country's position over time. Promotional campaigns go beyond showcasing fiscal incentives to highlight Uruguay's macroeconomic stability, regulatory consistency and strong rule of law. This long-term stability and clear aftercare services reassure foreign investors who seek certainty for their operations. Success stories from multinational investors have played a key role in strengthening Uruguay's reputation as a services hub. For instance, TCS set up its first Latin American operations in Uruguay, creating a demonstration effect that prompted other global companies to consider doing the same.

Similarly, BASF's shared services centre for the Americas shows how companies select Uruguay as an entry point and expand their operations and workforce once established. These examples demonstrate the strategic importance of securing early "anchor investors," whose presence signals credibility and viability to the larger international business community – similar to Intel's catalytic role in Costa Rica's development as a service hub.

Impact evaluations of Uruguay XXI's investment promotion activities show that such assistance increased the probability that a multinational would establish its first affiliate in Uruguay by 5 per cent. These findings highlight the agency's effectiveness in reducing informational and coordination barriers for investors, strengthening Uruguay's position as a competitive hub for regional headquarters and service operations (Martincus et al., 2020).

In late 2023, Uruguay launched its Single Window for Investment (VUI), a facilitation mechanism designed to improve the country's productivity and competitiveness by streamlining administrative procedures and reducing business transaction costs. The VUI aims to simplify and

digitize interactions between investors and public entities, particularly those required to establish and operate a business. By reducing paperwork, unnecessary delays and institutional fragmentation, the initiative seeks to enhance the ease of doing business, improve service quality and transparency, and strengthen Uruguay's position as an attractive investment destination.

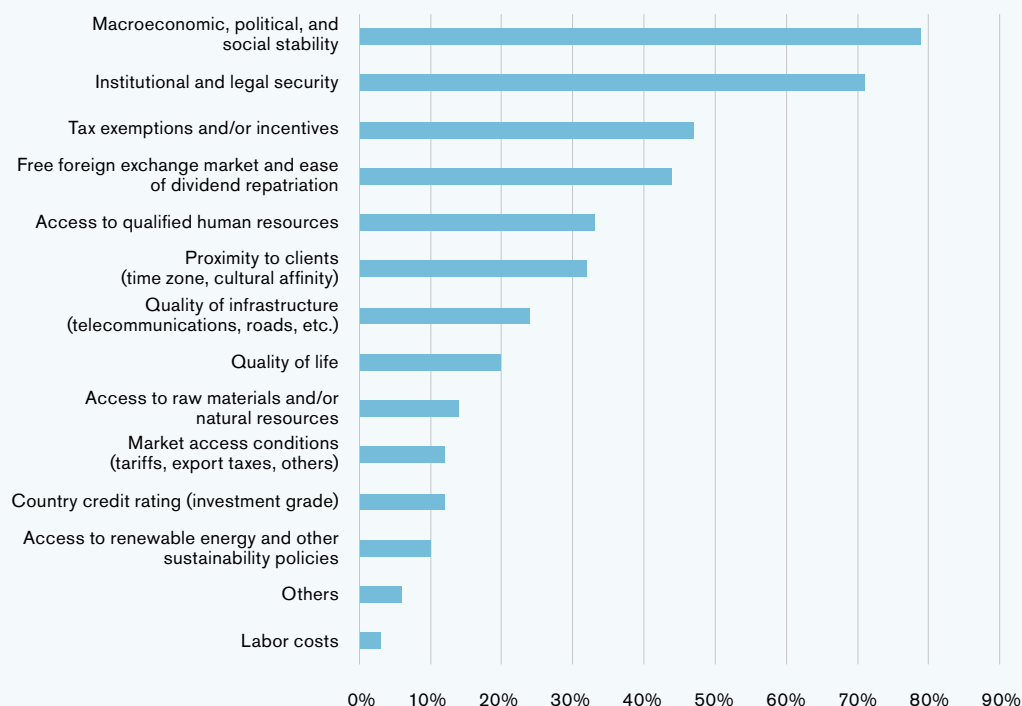
In 2024, Uruguay joined the Investment Facilitation for Development (IFD) Agreement, along with 126 other economies. This World Trade Organization initiative provides international benchmarks to help economies improve their business and investment climate. IFD aims to make it easier for investors across all sectors to invest, operate daily, and expand their businesses (WTO, 2025).

How foreign investors assess Uruguay's value proposition

Investor perceptions confirm the attractiveness of Uruguay's overall FDI climate and specific sustained state-led efforts to attract and retain foreign investment (see Figure 10.5). According to the third edition of a survey conducted by Uruguay XXI (Uruguay XXI and Equipos Consultores, 2023) among foreign firms operating in the country, 84 per cent of respondents reported being satisfied or highly satisfied with Uruguay as a location for investments. Satisfaction levels were particularly high among firms in the modern services sector.

Nearly 80 per cent of respondents identified macroeconomic, political and social stability as a key strength, followed by institutional and legal certainty (71 per cent), tax exemptions and incentives (47 per cent), and exchange rate freedom and profit repatriation (44 per cent). Notably, more than 80 per cent of surveyed firms had reinvested or expanded operations in the past five years, primarily to grow their business (47 per cent) or sustain ongoing operations (37 per cent). Almost half of these investments were financed through retained earnings, and an additional 32 per cent through fresh capital injections, underscoring investor confidence in the Uruguayan market.

Figure 10.5: Key factors for attracting investment in Uruguay (% share of survey respondents), 2023



Source: Prepared by the author based on Uruguay XXI and Equipos Consultores (2023).

Looking ahead, over 40 per cent of respondents indicated a high probability of increasing their investment in the country over the next five years. In particular, investors highlight institutional and macroeconomic stability (79 per cent) and regulatory predictability (71 per cent) as the main reasons for investing in Uruguay, both ranking significantly higher than tax exemptions (47 per cent). Other key factors include the existence of a free foreign exchange market (44 per cent) and the availability of qualified human capital (33 per cent) (Uruguay XXI and Equipos Consultores, 2023).

These results match Uruguay's position in global rankings: the Milken Institute ranked the country as the second most attractive investment destination in Latin America and the

Caribbean after Chile, based on its performance in macroeconomic fundamentals, business environment, institutional strength, financial services and alignment with international policy standards (Milken Institute, 2025).

In summary, Uruguay's strategy to attract FDI in the modern services sector has relied on broad tools such as the investment promotion law and free trade zones, and targeted measures such as those for the software and shared services sectors, supported by tax exemptions. However, despite the variety of tax exemption options, foreign investors prioritize macroeconomic and political stability, as well as regulatory predictability, as the most important factors influencing their investment decisions in the country.

Skills development initiatives

Skills development has become a vital part of Uruguay's strategy to boost modern services exports, reflecting the growing recognition that human capital, beyond tax breaks, is essential for competitiveness in knowledge-intensive sectors. In response to the rapid expansion of these services, the country has implemented a multi-layered approach to talent growth. A key element has been the Finishing Schools programme, initially created within the Global Services programme of Uruguay XXI, with support from the IDB. Designed as a demand-driven training mechanism, it co-funds customized technical, linguistic and soft skills programmes that directly match the hiring needs of modern services companies. After the Global Services programme was institutionalized within Uruguay XXI, the Finishing Schools initiative continued under the management and funding of the National Institute for Employment and Vocational Training (INEFOP).

Developing human capital for modern services

The rapid growth of Uruguay's modern services sector – especially IT – has laid bare the need to strengthen national science, technology, engineering and mathematics (STEM) skills. Improving these skills is essential for the sector's long-term success and competitiveness. Therefore, Uruguay has launched various initiatives, ranging from broad education programmes to more targeted efforts tailored to the needs of the modern services industry.

The country has pioneered several youth initiatives to develop foundational digital and technical skills. A notable example is Plan Ceibal, launched in 2007, one of the first nationwide implementations of the One Laptop per Child initiative. It provides laptops for all students and teachers in primary and secondary education. The programme has significantly helped reduce the digital divide: from 2010 to 2019, internet access in the poorest households increased from 22 per cent to 70 per cent, while in the wealthiest families it grew from 64 per cent to 99 per cent (ANEP, 2020).

Expanding on Ceibal, more targeted STEM programmes have emerged. One example is Young People and Programming (Jóvenes a Programar, JaP), launched in 2016, which trains and supports young people (ages 18–30) in entering the tech workforce. Delivered through a partnership involving Ceibal, CUTI, and the IDB, JaP provides training in programming, software testing and related fields. From 2016 to 2023, around 5,500 young people graduated from this programme (Jóvenes a Programar, 2025).

Additional talent development efforts have surfaced in response to rising demand for digital skills. One such programme is Uruguay Bootcamp, a scholarship-based training initiative led by INEFOP, with support from Uruguay XXI, CUTI and ANII. It provides intensive, full-time training in programming and IT skills. Meanwhile, Sembrando TIC was launched in 2020 as a fully online training programme for individuals aged 18 to 35. The programme offers scholarships to train junior programmers over eight months, supported by the Office of the Presidency and companies such as Mercado Libre, Globant, ManpowerGroup, CUTI and the IDB.

Gender-focused interventions have also gained momentum. In 2020, the National Public Education Administration, with support from the EU-funded EUROSociAL+ programme, launched a national plan to improve access to STEM training for girls and adolescent women. This initiative supports educational pathways from early childhood through adolescence, enhancing women's participation in technical and professional careers and future job opportunities.

Furthermore, in firm-specific skills development, Uruguay XXI has introduced several complementary tools under its Global Services programme. One of the most significant initiatives is Finishing Schools, initially created within the framework of an IDB-supported programme and later implemented in partnership with INEFOP. This scheme co-finances training programmes in technical skills, languages and soft skills tailored to firms' hiring needs, covering up to 70 per cent

of training costs. Between 2012 and 2018, the Global Services programme trained over 5,000 individuals. Once the programme was formalized within Uruguay XXI, Finishing Schools continued to operate with INEFOP funding, maintaining the same principles of simplicity and agility that characterized the original programme.

Since then, Uruguay XXI has served as a channel for proposals focused on creating new jobs within companies, while training for existing roles has been managed directly through INEFOP's system. Between 2020 and 2024, an additional 1,900 people were trained through Uruguay XXI's platform, funded by INEFOP. Another key initiative of the Global Service programme was the Smart Talent portal, an online platform focused on job placement in modern services. It helped companies advertise vacancies, connect with skilled candidates and provide career-related information to job seekers, strengthening the services ecosystem. The portal aimed to increase the sector's visibility as a career option, especially for young people, by showcasing where opportunities were and which subsectors offered pathways for professional growth.

Uruguay has also implemented a digital nomad visa system through Decree No. 238/022 in response to the global increase in digital nomadism. This visa allows remote workers employed by foreign companies and self-employed professionals to live in Uruguay for up to six months, with the option to renew for another six months. The application process is simple and can be completed online upon arrival. For those wanting more extended stays, the visa also offers a pathway to apply for temporary or permanent residency. This policy aims to attract

international talent and strengthen Uruguay's position as a hub for modern services. Supporting this effort, the government launched *liveinuruguay*, a digital platform designed to showcase the country's advantages for global professionals and nomads. In 2024, over 100 digital nomad residence permits were issued, highlighting the growing importance of this programme in diversifying the talent pool available to the sector.

Efforts to boost digital adoption among small businesses are also important. The Prodigital programme – administered by ANDE – provides non-reimbursable grants covering up to 80 per cent of digital transformation projects. The programme focuses on groups of at least 10 micro, small and medium enterprises with technological needs, aiming to enhance collective productivity and competitiveness.

Finally, the private sector has strengthened the country's human capital base through collective efforts such as Uruguay for Knowledge (Uruguay por el Conocimiento, UyXC). This inter-institutional alliance was launched in 2022. It unites diverse business associations, academic institutions and civil society actors dedicated to fostering a national culture of technological literacy and increasing access to knowledge-based opportunities. UyXC is guided by a shared vision that Uruguay has strong potential to succeed in the knowledge economy. Its main activities aim to promote interest in technology careers, raise awareness of STEM education, and encourage the development of innovative, tech-driven training programmes. The initiative also aims to support reskilling and upskilling efforts, especially in professions connected to the digital transformation of the economy.

Conclusions and policy recommendations

Uruguay's most dynamic services export growth has occurred in modern services. In this study, the term refers to the other commercial services in the balance of payments, including IT, business and professional services, financial and other high-value-added segments. This group has

shown sustained expansion in export value, employment quality (Couto and Lalanne, 2022), and productivity contributions (Baumol, 2012).

While prior literature has assumed that economies' strategies for promoting modern services are a variation of a "race to the bottom,"

focused primarily on reducing labour costs, relaxing regulatory requirements and/or offering tax holidays (Baldwin, 2006; Herreros & Durán, 2023; Vaillant, 2008), Uruguay's experience suggests that long-term success in this sector depends on a broader, more context-dependent set of enablers. As Tsang and Colpan (2025) and Welch et al. (2011) have noted, contextual factors are not merely background conditions but can be explanatory variables in their own right.

In Uruguay, the emergence of an evolving strategy for modern services has been driven by several reinforcing factors that have created an enabling environment for sector development. These include: (i) sustained institutional and macroeconomic stability; (ii) a predictable regulatory framework; (iii) the strategic use of tax incentives – most notably the Free Trade Zone regime and the income tax exemption for software activities; (iv) the availability of qualified human capital, supported by targeted talent development programmes; (v) dedicated institutional support, particularly through Uruguay XXI and its Global Services programme, staffed by sector-specific professionals; and (vi) robust digital infrastructure. Crucially, a core driver has been the early leadership of visionary entrepreneurs who recognized opportunities in cross-border services provision and invested in infrastructure such as free trade zones.

Uruguay's experience developing its modern services sector offers important insights for policymakers in other developing and emerging economies. The country's trajectory demonstrates that sustained growth in modern services requires more than tax exemptions or well-written strategies; it calls for macroeconomic stability, institutional continuity, talent development, infrastructure, legal certainty and entrepreneurship.

Notwithstanding the country's advances, Uruguay faces continued and new challenges. The increasing global competition for modern services, the growing importance of artificial intelligence and automation, the rise of the peer-to-business microsourcing delivery models (Peña Capobianco, 2023), and international tax reforms will

require a proactive and coordinated strategy to respond effectively. In this context, the following recommendations are proposed to consolidate and expand Uruguay's position internationally in the modern services sector.

First, developing a medium- to long-term national strategy for the modern services sector is essential, supported by effective inter-agency coordination and shared public–private ownership. Such a strategy would be a unified road map to align public and private stakeholders around common goals. It should also be complemented by establishing a permanent public–private dialogue mechanism, inspired by Chile's Public-Private Committee for Service Exports, to co-design, implement and monitor policy initiatives.

Second, enhancing data collection on services exports and programme evaluations will also enable a more precise assessment of services exporters' performance and reinforce evidence-based policymaking.

Third, Uruguay should continue expanding its network of double taxation treaties with key partners because it is one of the most significant issues for services exporters.

Fourth, human capital development remains a strategic pillar for Uruguay's modern services competitiveness. The country would benefit from conducting a forward-looking skills assessment to anticipate future labour market demands related to artificial intelligence and its transformative impacts on the modern services sector. Based on these insights, Uruguay should develop a national upskilling and reskilling strategy that guides public and private training programmes. Computational thinking should be officially integrated into primary and secondary school curricula.

The above recommendations aim to enhance Uruguay's sustainability in its modern services strategy. By leveraging its institutional credibility, significant human capital, and early-mover advantages in the Latin American region, Uruguay is well-placed to further develop modern services as a key driver of economic transformation and long-term growth.

Annex

Table A1: Promotional regimes for attracting investment

Regime	Benefits	Requirements	Legal basis
Free trade zone (FTZ)	- Full tax exemption: 100% exemption from Corporate Income Tax (IRAE), Net Worth Tax, and any other current or future national taxes (guaranteed by the State). - Dividends: dividends paid to foreign shareholders are exempt from taxes in Uruguay. - Foreign staff: option to contribute to Uruguay's social security system or their country of origin. - VAT: purchases and sales of goods and services with foreign economies, and transactions within the FTZ, are exempt from VAT. - Domestic operations: companies may sell to the domestic market without tax exemptions. - Non-resident entities: exempt from IRAE for activities involving goods in transit or stored in the FTZ (up to 5% may be sold domestically without losing the exemption). - Customs duties: goods traded between free trade zones and the rest of the world are exempt from customs duties.	- Commercial, industrial, or service activities are allowed inside FTZs. - Legal entities must have an exclusive purpose related to FTZ activities. - No distinction between domestic and foreign investments; foreign investors face no special approval process. - Up to 25% of staff may be foreign nationals (this percentage can be increased with proper justification).	Law No. 15,921 and its amendments, and Decree No. 309/018
Investment Promotion Law	- IRAE: investors can deduct 30%–100% of the investment amount from IRAE, depending on the project's score in the official evaluation matrix (national IRAE rate is 25%). - Net Worth Tax: exemption on fixed assets (movable goods and civil works). - VAT (IVA): refund of VAT paid on materials and services used for civil works. - Customs duties: exemption from import taxes and duties on fixed assets declared "non-competitive" with the domestic industry.	- Projects must be declared "promoted" by the Executive Power to qualify. - Eligibility and benefits are based on a scoring matrix, which evaluates factors such as employment generation, exports, innovation and environmental impact.	Law No. 16,906
Software	IRAE exemption.	- Services must be performed, at least partially, in Uruguay. - Intellectual assets must be registered under Uruguayan intellectual property protection legislation.	2023 O.T. (Decree No. 150/007)
External financial intermediation institution	Companies shall be exempt from all types of tax obligations related to their activity, business operations, assets, or income.	External financial intermediaries may operate exclusively with non-residents.	Decree-Law No. 15,322 and Decree No. 381/989
Contact centres	IRAE exemption for a period of 10 fiscal years starting from the application date, depending on the level of the contribution.	100% IRAE exemption requires the creation of more than 150 qualified direct jobs. 70% IRAE exemption requires the creation of more than 100 qualified direct jobs.	Decrees No. 207/008 and No. 379/011

Table A1: Promotional regimes for attracting investment (cont.)

Regime	Benefits	Requirements	Legal basis
Biotechnology	IRAE exemption: 50% for fiscal years starting between 1 January 2020 and 31 December 2025.	- Assets resulting from research and development activities must be registered under Uruguayan intellectual property protection legislation. - Services must be carried out at least partially within the country.	Decrees No. 150/007 and No. 011/013, and 2023 O.T. (Decree No. 150/007)
Shared Services Centre	- IRAE exemption: 90% for several fiscal years, depending on the level of counterpart contribution. - Net Worth Tax exemption for the same period as the IRAE exemption.	- To qualify for a 90% IRAE exemption for five years, companies must create at least 150 new direct qualified jobs, with at least 75% of these positions occupied by Uruguayans. Additionally, the company must implement a training plan with a minimum expenditure of US\$ 1,300,000. - To qualify for a 70% IRAE exemption for five years, companies must create at least 100 qualified jobs and invest more than US\$ 650,000 in human capital training.	Decrees No. 251/014 and No. 361/017
Global Services	- IRAE exemption: 90% for several fiscal years, depending on the level of commitment (counterpart). - Net Worth Tax exemption for the same period as the IRAE exemption.	- To carry out the activity outside an 80 km radius from Montevideo. - To generate at least 15 new direct qualified jobs, with employees hired under a dependent employment relationship and working at the previously fixed location; at least 50% of these jobs must be filled by Uruguayan nationals (temporary reductions may be authorized). - To provide the specified services to at least five entities.	Decree No. 281/019
Trading	The net taxable income is calculated as 3% of the difference between the sales and purchase price of goods (or services). Applying the 25% IRAE rate to this notional base results in an effective tax rate of 0.75%.	- Trading regime applies to all IRAE taxpayers. - Companies must comply with the same formalities regarding corporate bookkeeping as any other Uruguayan company. - Invoicing is carried out electronically, so a billing system is required.	Resolution No. 51/997

Source: Drawn up by the author based on the regulatory frameworks outlined in the text.

Endnotes

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