Uruguay’s economic freedom score is 68.6, making its economy the 43rd freest in the 2015 Index. Its score has decreased by 0.7 point since last year, with declines in six of the 10 economic freedoms, including labor freedom and the management of government spending, outweighing an improvement in freedom from corruption. Uruguay is ranked 5th out of 29 countries in the South and Central America/Caribbean region, and its overall score is above the world average.

Over the past five years, economic freedom in Uruguay has declined by 1.4 points, with losses in half of the 10 economic freedoms. A double-digit improvement in business freedom has been more than offset by declines in labor freedom and the control of government spending.

Uruguay has a history of economic openness and relies on international markets for its agricultural exports. A liberal labor market, strong rule of law, and prudent government size distinguish Uruguay from neighboring Brazil and Peru. Economic reforms have largely turned around an economy that sought IMF help for its fiscal problems in the early 2000s. More sustained efforts are needed to rein in growing government spending and fix an increasingly rigid labor market.

BACKGROUND: Former leftist guerrilla Jose Mujica was elected president in 2009. After strong growth in 2010 and 2011, the economy has slowed. Trade has been hurt by commercial restrictions in Argentina. State involvement in the economy is substantial, and deregulation is needed in telecommunications, energy, and public utilities. Crime and violence are increasing, and drug trafficking is a problem in urban areas. Uruguay is a founding member of MERCOSUR and signed a Trade and Investment Framework Agreement with the United States in 2007. The economy is still based largely on exports of commodities like milk, beef, rice, and wool. Despite excellent banking services, including branches of some of the world’s largest banks, an information-sharing agreement with Argentina has reduced consumer confidence in Uruguay as a safe haven for assets.

Quick Facts
- Population: 3.4 million
- GDP (PPP): $56.7 billion
- 4.2% growth in 2013
- 5-year compound annual growth 5.1%
- $16,723 per capita
- Unemployment: 6.3%
- Inflation (CPI): 8.6%
- FDI Inflow: $2.8 billion
- Public Debt: 59.4% of GDP

2013 data unless otherwise noted. Data compiled as of September 2014.
### The Ten Economic Freedoms

#### Rule of Law
- **Property Rights**: 70.0 (30th)
- **Freedom from Corruption**: 73.0 (19th)

Corruption is low by regional standards, and by 2013, government institutions had established a fairly strong record of accountability to the electorate. The Transparency Law criminalizes a broad range of potential abuses of power by officeholders. The judiciary is relatively independent, but the court system remains severely backlogged. Private property is generally secure, expropriation is unlikely, and contracts are enforced.

#### Government Size
- **Fiscal Freedom**: 77.1 (109th)
- **Government Spending**: 65.1 (99th)

The top individual income tax rate is 30 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax and a capital gains tax. The overall tax burden amounts to 27.6 percent of gross domestic product. Government spending equals 34.1 percent of domestic output, and public debt equals approximately 60 percent of the domestic economy.

#### Regulatory Efficiency
- **Business Freedom**: 72.6 (52nd)
- **Labor Freedom**: 64.3 (75th)
- **Monetary Freedom**: 71.6 (136th)

With no minimum capital required, incorporating a business takes five procedures and less than a week, but licensing requirements are still time-consuming. Although the non-salary cost of hiring a worker is moderate, the labor market remains relatively rigid. The state resorted to unsustainable measures (e.g., a supermarket price freeze agreement) in early 2014 to prevent inflation from rising above 10 percent.

#### Open Markets
- **Trade Freedom**: 81.8 (61st)
- **Investment Freedom**: 80.0 (23rd)
- **Financial Freedom**: 30.0 (131st)

The average tariff rate is 4.1 percent. Uruguay, a member of the MERCOSUR Common Market, requires import licenses for some goods. Foreign and domestic investors are generally treated equally under the law. The financial system has become more stable, but significant state presence continues in many parts of the system including the banking sector. Government-owned commercial banks pose systemic vulnerabilities.

### Long-Term Score Change (since 1995)

<table>
<thead>
<tr>
<th>Rule of Law</th>
<th>Government Size</th>
<th>Regulatory Efficiency</th>
<th>Open Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Rights (+20.0)</td>
<td>Fiscal Freedom (-7.5)</td>
<td>Business Freedom (+2.6)</td>
<td>Trade Freedom (+18.8)</td>
</tr>
<tr>
<td>Freedom from Corruption (+23.0)</td>
<td>Government Spending (-14.5)</td>
<td>Labor Freedom (-11.6)</td>
<td>Investment Freedom (+10.0)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monetary Freedom (+26.4)</td>
<td>Financial Freedom (-20.0)</td>
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