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China and the Countries of the Global South: Uruguay and China Economic Cooperation at the Beginning of the 21st Century

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Abstract. The article examines the development of relations between China and Latin America, focusing on economic cooperation with Uruguay. The study analyzes the formation of a new economic and political landscape in the Global South, highlighting the specific aspects of China's policy in this region. The authors identify two key phases in the bilateral relationship between China and Uruguay, spanning nearly twenty-five years, with the 2016 agreement marking a significant milestone in establishing a strategic partnership between the two countries. Using the Global South as a theoretical and methodological marker for scientific inquiry requires a clear methodological framework built around the conceptual parameters of the Global South itself. Uruguay's approach to the Global South concept is methodologically crucial, given its balanced and moderate foreign policy stance. The article demonstrates how China, seeking to strengthen its position in Latin America, is developing a comprehensive policy to increase trade turnover and investments in the region. Specifically, the dynamics of export and import between China and Uruguay are examined, as well as Uruguay's role as a strategic partner for China. The authors analyze Uruguay's legal and institutional environment that facilitates foreign investment and note that despite significant successes in trade, the level of Chinese investments in Uruguay remains relatively low. The article goes on to explore potential reasons for this phenomenon and the prospects for further development of investment cooperation. Special attention is given to the role of the Belt and Road Initiative (BRI), which Uruguay joined in 2018, thus becoming the first Southern Common Market (MERCOSUR) member to support this Chinese initiative. The article underscores the importance of further deepening the strategic partnership between China and Uruguay, which can serve as a successful example of interaction within the Global South and contribute to the strengthening of the positions of Global South countries on the international stage.

Key words: Latin America, economic relations, investments, MERCOSUR, comprehensive strategic partnership

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Authors' contributions. O.V. Volosyuk: conceptualization, elaboration of research methodology, scientific supervision of the research, writing parts of the manuscript, editing the manuscript. C. Quiroga Cremella: data collection and validation, conducting the study, writing parts of the manuscript. Both authors have read and approved the final version of the article.


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Китай и страны Глобального Юга: экономическое сотрудничество Уругвая и Китая в начале XXI в.

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Аннотация. Рассмотрено развитие взаимодействия между Китаем и Латинской Америкой с фокусом на экономическое сотрудничество с Уругваем. Проведен анализ нового экономического и политического ландшафта на Глобальном Юге, подчеркнуты конкретные аспекты политики Китая в этом регионе. Авторы выделяют два ключевых этапа в двусторонних отношениях между Китаем и Уругваем, охватывающих почти 25 лет, причем Соглашение 2016 г. ознаменовало собой важную веху в установлении стратегического партнерства между двумя странами. Использование Глобального Юга в качестве теоретического и методологического маркера для научного исследования требует четкой методологической структуры, построенной вокруг концептуальных параметров самого Глобального Юга. Подход Уругвая к концепции Глобального Юга имеет методологическое значение, учитывая его сбалансированную и умеренную позицию во внешней политике. Показано, как Китай, стремясь укрепить свои позиции в Латинской Америке, разрабатывает комплексную политику по увеличению товарооборота и инвестиций в регионе. В частности, рассматривается динамика экспорта и импорта между Китаем и Уругваем, а также роль Уругвая как стратегического партнера для Китая. Изучена правовая и институциональная среда Уругвая, благоприятствующая иностранным инвестициям, и отмечено, что, несмотря на значительные успехи в торговле, уровень китайских инвестиций в Уругвай остается относительно низким. Выявлены возможные причины этого явления и перспективы дальнейшего развития инвестиционного сотрудничества. Особое внимание уделено роли инициативы «Один пояс, один путь», к которой Уругвай присоединился в 2018 г., став первым членом Общего рынка стран Южного конуса (МЕРКОСУР), поддержавшим данную китайскую инициативу. Подчеркивается важность дальнейшего углубления стратегического партнерства между Китаем и Уругваем, которое может служить успешным примером взаимодействия в рамках Глобального Юга и способствовать укреплению позиций стран Глобального Юга на международной арене.

Ключевые слова: Латинская Америка, торговые отношения, инвестиции, МЕРКОСУР, всеобъемлющее стратегическое партнерство

Заявление о конфликте интересов. Авторы заявляют об отсутствии конфликта интересов.

Вклад авторов. Волосюк О.В.: концептуализация, разработка методологии исследования, научное руководство исследованием, написание разделов рукописи, редактирование рукописи. Кирога Кремелья К.: сбор и оценивание данных, проведение исследования, написание разделов рукописи. Все авторы ознакомлены с окончательной версией статьи и одобрили ее.

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Introduction: Chinese Presence in Latin America

In late 2023, the *Real Instituto Elcano*, a leading Spanish think-tank, released a comprehensive report entitled *Why Does Latin*

America Matter? The authors argued that Western countries were progressively losing ground in Latin America, due to the region's "economic failure and political volatility." As a result, both Europe and the US have abandoned

Latin America, thereby “opening the door to China, which is — or is very close to becoming — the hegemonic power in the region.”¹

While the first two statements might be politically charged exaggerations, China’s strengthening position in the region during the first quarter of the 21st century and its emergence as the primary strategic partner for many Latin American countries is indisputable.

Since initiating strategic reforms post-1979, China has undergone a transformation that has led to its emergence as a significant global political and economic power. Rapid economic growth over more than four decades has turned it into a prosperous and technologically advanced state, looking for new markets to either enhance bilateral commercial ties or initiate fresh investments. In addition to the natural increase in commerce and investments within the Asia-Pacific region and the affluent areas of Western Europe and North America, China began expanding its presence in Africa and Latin America and the Caribbean (LAC). In 1988, the Chinese leader Deng Xiaoping stated: “People say that the 21st century will be the era of the Pacific ... I firmly believe it will also be the era of Latin America, and I hope that the era of the Pacific, the era of the Atlantic, and the era of Latin America will occur simultaneously” (Jiang, 2006, pp. 77–78).

Until the early 21st century, China was a minor trading partner for LAC, a region with strong historical ties to the USA and Europe. However, after China joined the World Trade Organization in 2001, it developed extensive relations with LAC countries. During an official visit in April 2001, the then Chinese President Jiang Zemin claimed: “The 21st century will be a century in

which China and Latin America will cooperate hand in hand in all areas, and it will also be a century where the peoples of China and Latin America will build a better tomorrow” (Jiang, 2006, p. 78).

These relations have forged close political, economic, and cultural ties. China is currently the second-largest trading partner of LAC. The economic integration between China and LAC rests on three pillars: trade, investment, and lending. From 2000 to 2020, trade between China and LAC increased from USD 12 billion to USD 310 billion.² These numbers are remarkable, given that China’s share was below 1% at the start of the 2000s, and it now accounts for approximately 18%, second only to the USA, which holds 38%, largely due to strong commercial ties with Mexico. Specifically, in South America, China is the most significant trade partner with a 25% share of total trade and 24% of the Southern Common Market (MERCOSUR) trade.³ Presently, China is the main trade partner for Brazil, Chile, Peru, Ecuador, and Uruguay, the second-largest partner for Argentina, Mexico, Colombia, and Costa Rica, and the third-largest for Paraguay. As reported in the LAC Economic System newsletter, in 2021, total trade between China and LAC reached USD 421.591 billion, representing a 41% increase compared to the previous year.⁴

These are not just figures of successful bilateral relations. In presenting itself as a “large developing country,”⁵ Beijing is

² Raza W., Grohs H. Trade Aspects of China’s Presence in Latin America and the Caribbean // Directorate General for External Policies of the European Parliament. November 2022. URL: [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/702572/EXPO_BRI\(2022\)702572_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/702572/EXPO_BRI(2022)702572_EN.pdf) (accessed: 06.04.2024).

³ Ibid.

⁴ Comercio entre China y Latinoamérica registra nuevo máximo en 2021, pese a pandemia // SELA. 27.01.2021. URL: <https://www.sela.org/comerciochinalc/> (accessed: 23.03.2024).

⁵ China Is a Developing Country in Rapid Transition // Global Times. August 21, 2023. URL:

¹ Malamud C., Ruiz J. J., Talv E. Why Does Latin America Matter? Informe Eclano. 2023. No. 32. P. 17. URL: <https://media.realinstitutoelcano.org/wp-content/uploads/2023/12/elcano-report-32-why-does-latin-america-matter.pdf> (accessed: 01.03.2024).

structuring its international relations to serve its geopolitical and geo-economic interests as the leader of the Global South. Using the Global South as a theoretical and methodological marker for scientific inquiry requires a clear methodological framework based on the conceptual parameters of the Global South itself. The concept of the Global South has traditionally encompassed developing nations that emphasize mutual solidarity, economic collaboration, and shared development goals, distinct from the North-dominated relationships. The Chinese leadership in the Global South has offered to developing countries the enormous scale of trade and investment cooperation between China and its partners in Asia, Africa and LAC. In this sense, an updated algorithm of the South — South cooperation was formed, when the most powerful countries of the Global South (led by China) began to win back ever larger segments of developing markets from Western powers and their corporations (Yakovlev, 2021). Xue Gong also referred to the difficulties in China's trade and investment policy as the basis for relations with countries in the Global South.⁶

The approach adopted by Uruguay with regard to the concept of Global South is of crucial methodological significance, given its balanced and moderate foreign policy stance. In contrast to the more ideologically driven models prevalent in Latin America, Uruguay's approach encourages a deeper analysis of how nations within the Global South may differ in their interpretation and implementation of cooperative principles. This approach

<https://www.globaltimes.cn/page/202308/1296688.shtml> (accessed: 10.03.2025).

⁶ Gong X. The Challenges Behind China's Global South Policies // Carnegie Endowment for International Peace*. December 11, 2024. URL: <https://carnegieendowment.org/posts/2024/12/the-challenges-behind-chinas-global-south-policies?lang=en> (accessed: 10.03.2025).

* The activities of the international non-governmental organization *Carnegie Endowment for International Peace* have been recognized as undesirable on the territory of the Russian Federation (*Editor's note*).

acknowledges the existence of multiple, context-specific strategies rather than a singular, monolithic vision of Global South collaboration. In applying this lens, the practical dimension of cooperation between China and Uruguay is examined through concrete bilateral initiatives, including investment flows, trade patterns, and technological exchanges.

The expansion of China's foreign trade and investment activities in the Global South has given rise to a notable surge in academic interest. Since the late 2000s, there has been an exponential growth in both Western (Gallagher & Porzecanski, 2010; Cypher & Wilson, 2015) and non-Western research (León-Manríquez, 2006) on China's policy toward LAC. In the Russian academy, the relations between China and LAC were studied profoundly both from the Chinese (Leksyutina, 2012; Safronova, 2023) and Latin American (Borzova, 2009; Sudarev, 2015) perspectives. Contemporary researchers have focused their attention generally on the general vector of Chinese policy towards LAC (Bernal-Meza & Xing, 2021; Bernal-Meza, 2022; Jenkins, 2022; Cardozo de Barrios, Luna & Moreno Treviño, 2023). Chinese scholars focus on broader topics of socio-economic, political, and investment cooperation and identify the strategic goals of China in LAC (He, 2019; Jiang, 2024). Other critical issues include the confrontation with the USA (He & Sitegeqi, 2023; Serrano-Moreno, 2024).

Despite numerous studies on China's relations with LAC countries, research on individual countries remains scarce, except for Brazil, Argentina, and Mexico. There is no comprehensive study on China — Uruguay relations, aside from several articles addressed Uruguay's foreign policy and South — South relations (Andreev, 2015; Kireeva, 2016; López Burian et al., 2023), the diplomatic relations between the two countries and the economic contacts between them.⁷

⁷ Bartesaghi I., Melgar N. Towards a Trade Agreement Between Uruguay and China. Montevideo : Universidad Católica del Uruguay, 2023. URL: <https://carreras.uca.edu.uy/>

The present article aims to demonstrate how China's strategic initiatives have influenced the economic landscape of the Global South, using the China — Uruguay relationship as a case study. Drawing upon a comprehensive array of economic interactions between China and Uruguay, including trade dynamics, investment patterns, and bilateral agreements, it showcases China's efforts to enhance its presence in LAC through increased trade and investments, with Uruguay emerging as a crucial partner. Based on the analysis of a number of Uruguayan primary sources, documents of the international organizations, bilateral agreements and memoranda of understanding signed between the countries to strengthen economic ties and promote the development of new areas of cooperation, the article provides a detailed examination of Uruguay's position in the bilateral relationship, including the trade balance, highlighting key exports and imports, and discusses the legal and institutional framework in Uruguay that facilitates foreign investment.

The Establishment of the Bilateral Relations

In 1988, the Chinese leader Deng Xiaoping stated that “China's policy is to develop and maintain good relations with Latin America and make China — Latin America relations a model of South — South cooperation” (Jiang, 2006, pp. 77–78). In the early 1970s, China emerged from international isolation and adopted its “reform and opening-up” policy, leading to its integration into the global political and economic community and began establishing diplomatic ties with LAC, starting with the “Diplomatic Recognition Period” (1970 to 1977) and the “Period of Intensification of Bilateral Relations” (1980 to 1989) (Malena, 1997, p. 167). Uruguay restored its democracy

edu.uy/aucdocumento.aspx?1715,2648 (accessed: 12.04.2024). See also: (Bartesaghi & Mangana, 2012).

in 1988, following the military dictatorship that ruled from 1973 to 1984. Immediately On February 3, 1988, after the secret negotiations between two governments,⁸ Uruguay and China formalized their diplomatic relations by signing three foundational agreements (Raggio Souto, 2019, pp. 180–190; Romero Wimer & Senra Torviso, 2019, pp. 57–59).

A significant milestone in bilateral relations was reached with the *Joint Declaration between the Eastern Republic of Uruguay and the People's Republic of China on the Establishment of a Strategic Partnership*⁹ and the *Free Trade Agreement*, signed on October 18, 2016, during the state visit of Uruguayan President Tabaré Vázquez to China (Romero Wimer & Senra Torviso, 2019, p. 75). Foreign Minister Rodolfo Nin Novoa claimed, that with a possible FTA in limbo, Uruguay and China could elevate their bilateral relationship to the level of a ‘comprehensive strategic partnership,’ emphasizing that Uruguay was the “most stable country in South America, both in institutional, political, and social terms, as well as economically”.¹⁰ In 2018, to mark the 30th anniversary of diplomatic relations, China and Uruguay signed a *Memorandum of Understanding (MOU) for cooperation on the*

⁸ Natalevich M. Negociaciones secretas con China: la ruptura con Taiwán y la primera visita de Sanguinetti // El Observador. 17.02.2023. URL: <https://www.elobservador.com.uy/nota/negociaciones-secretas-con-china-la-ruptura-con-taiwan-y-la-primera-visita-de-sanguinetti-202321517400> (accessed: 20.03.2025).

⁹ Declaración Conjunta entre la República Oriental del Uruguay y la República Popular China sobre el establecimiento de una Asociación Estratégica (Versión integral) // Ministry of Foreign Affairs of the People's Republic of China. October 18, 2016. URL: https://www.fmprc.gov.cn/esp/wjdt/gongbao/201610/t20161021_910957.html (accessed: 18.03.2024).

¹⁰ Con el posible TLC en un limbo, Uruguay y China trabajan para elevar su relación bilateral a nivel de “asociación estratégica integral” // Búsqueda. 18.01.2018. URL: <https://www.busqueda.com.uy/Secciones/Con-el-posible-TLC-en-un-limbo-Uruguay-y-China-trabajan-para-elevar-su-relacion-bilateral-a-nivel-de-asociacion-estrategica-integral--uc34521> (accessed: 18.03.2024).

Belt and Road Initiative.¹¹ This made Uruguay the first MERCOSUR country to join the Belt and Road Initiative (BRI).¹²

Trade Relations Between China and Uruguay

Since 2013, China has been Uruguay's main trading partner. In 2022, China accounted for 28% of total Uruguayan exports, totaling USD 3.675 billion. The European Union followed with 15%, Brazil with 14%, Argentina with 9%, and the United States with 6%.¹³ In terms of imports, China was the second largest source after Brazil in 2022, accounting for 21% of the total and amounting to USD 2.352 billion. Chinese imports grew by 18% compared to 2021, almost matching the 23% of imports from Brazil. Other key import sources for Uruguay included Argentina, which accounted for 13% of imports, and the United States, which accounted for 6%.¹⁴

The structure of bilateral trade reflects a typical North — South dynamic, similar to Uruguay's trade with the USA, EU, or Japan. China purchases 40% of Uruguay's total beef exports, the country's primary export commodity.¹⁵ Additionally, China absorbs 30% of Uruguay's soy exports, the second

most significant export item, totaling USD 1.174 billion.¹⁶ China is either the first or second largest buyer of other key Uruguayan exports, including cellulose, rice, and dairy products. Conversely, Uruguayan imports from China consist mainly of technological items, valued at USD 325 million, agricultural chemical products worth USD 242 million, and footwear totaling USD 243 million. Thus, Uruguay's imports from China primarily include technology, chemicals, and textiles. Despite the trade imbalance, Uruguay had a trade surplus with China in 2022 amounting to USD 1.143 billion, with exports to China at USD 3.675 billion and imports at USD 2.352 billion.¹⁷ China's importance as a destination for Uruguayan exports continues to grow, not only in quantity but also in terms of higher prices, though still not as high as those offered by Japan or the EU.

As with other MERCOSUR countries, Uruguay faces competition for the Chinese market and deals with the burden of export tariffs that other competitors, such as Australia and New Zealand, do not encounter. With the exception of cellulose pulp, the majority of Uruguay's main export goods to China, including beef, soy, rice, and dairy products are subject to high customs duties upon entry into China. In 2021, Uruguay paid USD 254 million in export tariffs to China, representing 52% of the total global tariffs paid by Uruguayan exports.¹⁸ Overall, 80% of Uruguay's exports to China were subject to tariffs, concentrated in just five goods, accounting for 97% of the total tariffs paid. Specifically, beef exports constituted 70% of the tariffs paid to China by Uruguayan exporters.¹⁹ It is estimated that in 2021, Uruguay paid USD 91 million in tariffs on beef exports alone, due to a 12% tax.

¹¹ Memorandum of Understanding Between the Government of the Oriental Republic of Uruguay and the Government of the People's Republic of China for Cooperation on the Belt and Road Initiative // *Acuerdos de Cooperación entre China y América Latina*. URL: <https://www.chinaenamericalatina.info/wp-content/uploads/2019/07/Mou-Uruguay.pdf> (accessed: 08.03.2024).

¹² Uruguay acuerda con organizaciones chinas la promoción de los atractivos turísticos nacionales // *Presidencia Uruguay*. 24.08.2018. URL: <https://www.gub.uy/presidencia/comunicacion/noticias/uruguay-acuerda-organizaciones-chinas-promocion-atractivos-turisticos> (accessed: 18.03.2024).

¹³ Informe Anual. Comercio Exterior. 2022: Para las exportaciones uruguayas // *Uruguay XXI*. URL: <https://www.uruguayxxi.gub.uy/uploads/informacion/60c2bf22c0742f8f2913b4f1c068b01c9fafa046.pdf> (accessed: 10.04.2024).

¹⁴ *Ibid.*

¹⁵ *Ibid.*

¹⁶ *Ibid.*

¹⁷ Informe mensual. Comercio exterior. Enero 2023 // *Uruguay XXI*. URL: <https://www.uruguayxxi.gub.uy/uploads/informacion/40c235b02b8edff6a4cebd254dafb67891c24ebd.pdf> (accessed: 20.03.2024).

¹⁸ *Ibid.*

¹⁹ *Ibid.*

Globally, China received 61% of Uruguay's beef exports in 2021, which constituted 37% of Uruguay's overall tariff payments.²⁰

In this particular context, the Uruguayan government, under the leadership of President Luis Lacalle Pou, tried to negotiate a free trade agreement with China, despite the opposition of other MERCOSUR members, who argued that the establishment of tariff liberalization agreements necessitates the collective approval of all MERCOSUR members. This stance is based on MERCOSUR Council Decision 32/2000, which requires members to negotiate commercial treaties collectively with third countries or international organizations involving tax preferences.²¹ Uruguay disputes this, arguing that despite its political importance, the decision has never been legally binding because it has not been incorporated into each member's internal legal system. Additionally, the consistency of the customs union is questionable due to numerous exceptions and violations, mainly by Argentina and Brazil.²²

Despite the expressed opposition of other MERCOSUR members, the Uruguayan government announced in 2022 that feasibility studies had been completed and that formal negotiations with China were to commence.²³

²⁰ Informe Anual. Comercio Exterior. 2022: Para las exportaciones uruguayas // Uruguay XXI. URL: <https://www.uruguayxxi.gub.uy/uploads/informacion/60c2bf22c0742f8f2913b4f1c068b01c9fafa046.pdf> (accessed: 10.04.2024).

²¹ Decision 32/2000 // Normativas de los órganos decisorios del MERCOSUR. URL: <https://normas.mercosur.int/public/normativas/1248> (accessed: 10.05.2024).

²² Folonier Muxí M. I. Uruguay's Stubborn Dissidence in Mercosur // Universidad de Navarra. June 23, 2023. URL: <https://en.unav.edu/web/global-affairs/la-tozuda-disidencia-de-uruguay-en-mercosur> (accessed: 10.03.2025).

²³ Lacalle Pou anunció inicio de negociaciones con China por tratado de libre comercio // Presidencia Uruguay. 13.07.2022. URL: <https://www.gub.uy/presidencia/comunicacion/noticias/lacalle-pou-anuncio-inicio-negociaciones-china-tratado-libre-comercio> (accessed: 10.04.2024).

However, the negotiations have been delayed to political challenges and alleged pressure from Brazil on China.²⁴ With limited prospects for signing a free trade agreement with China in the near future, bilateral trade will continue to incur tariffs and face intense competition. Nevertheless, Uruguay can still improve its market access by negotiating more efficient conditions regarding sanitary and phytosanitary controls or establishment inspections.

In the absence of free trade agreements, it is essential for an agricultural export-oriented country such as Uruguay to enhance access conditions to the Chinese market. Since 1988, a number of protocols and memorandums of understanding have been signed, including those granting Uruguay access to the markets for beef, dairy products, wool, rice, and soy, among others. The ongoing negotiations are focused on the revision of existing protocols and the establishment of new ones, with the objective of facilitating the export of additional goods. In 2019, the Uruguay exported approximately 60% of its beef and 50% of its soybeans to China (Fiore Viani, 2023, p. 112). In 2023, Uruguayan authorities continued negotiations to allow the entry of Uruguayan horse meat and sorghum into the Chinese market.²⁵ Moreover, permanent bilateral committees, such as the *Consultative Committee on Sanitary, Phytosanitary Quality, and Food Safety*, serve as the primary venues for discussions regarding permits and certifications for the export of agricultural, livestock, and fishing products to China.²⁶

²⁴ Uruguay Accuses Argentina and Brazil of Hindering Free Trade Agreement with China // Fundación Andrés Bello. March 7, 2024. URL: <https://fundacionandresbello.org/en/news/uruguay-uy-news/uruguay-accuses-argentina-and-brazil-of-hindering-free-trade-agreement-with-china/> (accessed: 10.05.2024).

²⁵ 35 años de Relaciones diplomáticas Uruguay — China // Embassy of China in Uruguay. URL: <http://uy.china-embassy.gov.cn/gdxw/202302/P020230306831558374415.pdf> (accessed: 04.06.2024).

²⁶ Ibid.

China is focused on expanding access to the Uruguayan market, particularly in the supply of agricultural products, which gives it the opportunity to diversify its sources of food supply. An evaluation of these economic interactions demonstrates that mutual economic benefit predominates in the relations of the two countries, making these relations an example of pragmatism in the South — South cooperation, characterized by the absence of explicitly ideological declarations or public statements about affiliation with common South — South projects.

Chinese Investments in Uruguay

Over the past three decades, Uruguay has developed a comprehensive legal framework to attract foreign direct investments (FDI). There is a broad political consensus that foreign investments benefit the national economy and society. The legal foundation for this framework is Law No. 16906, enacted in 1996, which protects and promotes investments. This law has been updated through various decrees in 1998, 2007, 2012, 2018, and 2020, indicating that successive administrations from the three major political parties have not only maintained the system, but also enhanced and expanded it.²⁷

The system offers significant tax exemptions and benefits, ranging from 20 to 100% of the initial investment. It also includes value-added tax exemptions on the purchase and import of inputs necessary for the main production activities. The extent of the business income tax reduction depends on criteria such as increasing national exports, creating new jobs, incorporating new technologies, and situating investments in smaller towns or rural areas. The *Commission for the Application of the Law of Investments* evaluates new projects

²⁷ Investment Policy Reviews: Uruguay // OECD. 2021. P. 109–144. URL: https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/07/oecd-investment-policy-reviews-uruguay_d0eeca6ac/1135f88e-en.pdf (accessed: 10.03.2025).

against these criteria and determines their eligibility for benefits.²⁸

In line with the objectives of maintaining of the stability of the country and also of getting the legal benefits, Uruguay has been steadily increasing the FDI stock since 2002, peaking in 2013, with a slight decrease since then.²⁹ Negative figures were recorded between 2016 and 2018 due to inter-company loans involving headquarters abroad, but overall, new investments have grown during this period.

In 2020, the main investors in Uruguay included Spain (18%), Argentina (15%), Finland (10%, primarily due to a large cellulose pulp plant), Brazil (9%), Switzerland (7%), the USA (7%), Chile (6%), and the Netherlands (4%). According to the index by Uruguay XXI, China's share of FDI in Uruguay was less than 1%.³⁰ This composition of FDI predominantly features traditional Western developed countries and regional neighbors such as Argentina, Brazil, and Chile. Non-traditional investment sources, particularly from Asian countries and specifically China, remain minimal, with Singapore being the only Asian nation among the top-15 FDI origins.

In 2020, China accounted for only 0.1% of the total accepted projects by the *Commission for the Application of the Law of Investments*, increasing to 3% in 2021, which is significantly lower than the 48% from the USA or the 20% from Norway in the same year.³¹ This is inconsistent with the strong trade relations between Uruguay and China. Despite being Uruguay's main trade partner over the past

²⁸ Anexo — Normativa para promover la inversión en Uruguay // Uruguay XXI. URL: <https://www.uruguayxxi.gub.uy/uploads/informacion/c941009071fd06fd709cc3515658fa887c61d027.pdf> (accessed: 04.06.2024).

²⁹ Informe: Inversión Extranjera Directa // Uruguay XXI. Noviembre 2024. P. 14. URL: <https://www.uruguayxxi.gub.uy/uploads/informacion/92e8b10ff2b8d5d4a88d7d32940396f359007a2e.pdf> (accessed: 04.12.2024).

³⁰ Ibid. P. 15.

³¹ Ibid.

decade and a key player in cooperation and political relations, Chinese investments remain marginal compared to traditional investors.

The limited role of China as an investor in Uruguay is in stark contrast to its more active involvement in other LAC countries. China was the 9th largest investor in Brazil in 2018 and alternated with the USA as either the first or second most important investor between 2010 and 2017 (De Barros Torres, 2020). In the case of Uruguay, Chinese investments never exceeded 0.3% of the FDI stock from 2012 to 2020, lagging behind traditional investors such as Spain, the Netherlands, the USA, Argentina, and Brazil. The primary sectors for Chinese FDI were agriculture and the automotive industry, with smaller investments in transportation, logistics, communication infrastructure, commerce, finance, and technology. Between 2010 and 2020, 67% of the total Chinese FDI was directed towards the agricultural sector, with one Chinese company alone representing 48% after acquiring two major beef-processing plants in Uruguay.³²

Only seven investments were made by Chinese companies between 2010 and 2020, amounting to USD 247 million. These included companies like *Chery Automobile*, which no longer operates in the country, *Lifan Industry Group*, *Zhejiang Geely Holding Group*, *Sundiro Holding*, *Hesheng Group* and *He Zhong Xian Group*. The company *Sundiro Holding* stands out for its significant share in the food industry, investing USD 823 million in acquiring two major meat processing plants, *Lirtix* and *Rondatel*, and USD 36 million in a 50% stake in another plant, *Lorsinal*, which together account for 48% of the total Chinese FDI in Uruguay.³³

Several factors explain the relatively low level of Chinese investments in Uruguay.

³² Gálvez R., Rosselot S., Sáez B. Inversiones de China en el Cono Sur de América Latina. Fundación Sol. Enero de 2022. URL: https://www.fundacionsol.cl/cl_luzit_herramientas/static/adjuntos/6828/ChinaConoSur2021.pdf (accessed: 12.04.2024).

³³ Ibid.

Firstly, unlike many LAC countries, Uruguay lacks significant natural resources such as oil, gas, or productive minerals. Its primary resources are fertile lands for agriculture and livestock, which do not align with China's traditional investment focus on natural resources, especially non-renewable energy sources. Consequently, most of China's investments are directed towards countries rich in these resources, such as Brazil, Peru, Chile, Venezuela, and Ecuador.

Secondly, Uruguay's political and business environment is characterized by stability and a strong institutional framework, requiring adherence to legal procedures for business ventures. There is limited scope for direct state-to-state negotiations for investments or public bank lending. Investments generally follow a slow, competitive tender process where multiple interested companies can participate. This environment restricts the government's ability to directly provide long-term contracts to foreign companies or countries.

Furthermore, most Chinese investments in Uruguay have been made by private companies, while in LAC as a whole, 75% of Chinese investments are made through state-owned enterprises and only 13% by private or minority state-owned companies.³⁴ This preference for state-led investments in the region contrasts with Uruguay's competitive and regulated investment process.

In such a political and institutional environment, long-standing investors in the country, such as Spain, the United States, Brazil or Argentina, continue to be hegemonic. In the case of neighboring countries, proximity and cultural similarity play a role, while in the case of Spain and the United States, a well-established network of contacts and knowledge of the country, as well as knowledge of the legal framework, are relevant.

³⁴ Foreign Direct Investment in Latin America and the Caribbean 2021 // ECLAC. URL: https://repositorio.cepal.org/bitstream/handle/11362/47148/S2100318_en.pdf?sequence=4&isAllowed=y (accessed: 22.04.2024).

Despite the current trends, the nature of Chinese investments in Uruguay may evolve in the near future. As China advances, its investments could shift from the traditional natural resource exploitation to sectors such as renewable energy and technological innovation, potentially aligning better with Uruguay's offerings. Uruguay is interested in attracting Chinese investments into economic sectors such as agriculture, infrastructure, logistics, and technologies, representing once again the pragmatic interests of its participation in the South — South projects of China and a fairly pragmatic attitude toward the very concept of the Global South itself.

A Comprehensive Strategic Partnership: Visit of Luis Lacalle Pou to China

During the state visit of Uruguayan President Luis Lacalle Pou to China on November 22, 2023, both heads of state declared their intention to pursue a bilateral free trade agreement and a similar agreement between China and the broader MERCOSUR trading bloc. They announced the elevation of China — Uruguay relations to a comprehensive strategic partnership, thus aligning Montevideo's ties with Beijing to a level comparable to those of Argentina and Brazil.³⁵ The *Joint Declaration on the establishment of the Comprehensive Strategic Partnership*, released by the Ministry of Foreign Affairs of Uruguay, includes 24 agreements on trade and investment promotion, as well as cooperation documents in the fields of agriculture and fisheries, health, culture, justice, scientific and technological innovation and customs quality inspection and quarantine.³⁶

³⁵ Declaración Conjunta entre la República Oriental del Uruguay y la República Popular China // Ministerio de Relaciones Exteriores. 23.11.2023. URL: https://medios.presidencia.gub.uy/tav_portal/2023/noticias/AL_682/declaracion.pdf (accessed: 22.08.2024).

³⁶ Lista de acuerdos a firmarse en presencia de los jefes de estados en la reunión bilateral // Ministerio de Relaciones Exteriores. URL: <https://www.gub.uy/ministerio-relaciones-exteriores/sites/ministerio-relaciones->

One of the documents was related to cooperation in the BRI — *Bilateral Cooperation Plan for Promoting Joint Construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road*. According to Xi Jinping, this could convert Uruguay into the bridge between China and Latin America.³⁷ Amongst different initiatives in economic cooperation, there is one specific provision on the use of local currencies in bilateral trade and investments, starting a process that has been previously advanced by other countries, including Argentina and Brazil.³⁸

The Uruguayan press highlighted the upgrading of bilateral relations to a Comprehensive Strategic Partnership, which would strengthen the economic and political ties between Uruguay and its main economic partner in terms of trade. The Uruguayan media provided extensive coverage of the discussion surrounding the free trade agreement, as long as it was a priority for the Uruguayan government to advance in this proposal, reaffirming the willingness of both countries “to promote the construction of a free trade association.”³⁹ Another proposal was the construction of a joint laboratory of nanopharmacy, which could be one of the first technological investments of China in

[exteriores/files/documentos/noticias/Lista%20Definitiva%20de%20Acuerdos%20China-Uruguay%20-%20Resumen%20de%20contenidos%20%281%29.pdf](https://www.gub.uy/exteriores/files/documentos/noticias/Lista%20Definitiva%20de%20Acuerdos%20China-Uruguay%20-%20Resumen%20de%20contenidos%20%281%29.pdf) (accessed: 22.08.2024).

³⁷ Uruguay, el puente para China en Latinoamérica // Revista.puerto.com.ar. 24.11.2023. URL: <https://revistapuerto.com.ar/2023/11/uruguay-el-puente-para-china-en-latinoamerica/> (accessed: 22.08.2024).

³⁸ Draper G. Uruguay y China buscarán la expansión del uso de su moneda local en sus negocios bilaterales // Busqueda. 03.01.2024. URL: <https://www.busqueda.com.uy/Secciones/Uruguay-y-China-buscaran-la-expansion-del-uso-de-su-moneda-local-en-sus-negocios-bilaterales-uc59605> (accessed: 20.03.2025).

³⁹ Declaración Conjunta entre la República Oriental del Uruguay y la República Popular China // Ministerio de Relaciones Exteriores. 23.11.2023. URL: https://medios.presidencia.gub.uy/tav_portal/2023/noticias/AL_682/declaracion.pdf (accessed: 22.08.2024).

Uruguay.⁴⁰ The importance of strengthening strategic cooperation with Uruguay in the context of developing the China's Global South project is diversification of its trade beyond the continent's major powers. Given that Uruguay assumed the presidency of MERCOSUR in the second half of 2024, the approach of I. Bartesaghi that "Uruguay can propel South America's relations with China" seems justified.⁴¹

Conclusion

Uruguay plays a significant role in China's strategy to integrate with Latin America. Since the establishment of the strategic partnership in 2016, there has been a considerable increase in bilateral trade. In August 2018, Uruguay became the first MERCOSUR member to join China's BRI, and in 2020, it joined the Asian Infrastructure Investment Bank and became a prospective member of the New Development Bank in 2021.

What sets Uruguay apart from most of its neighbors is the relatively low level of Chinese investments despite the proclaimed intentions in public addresses. While other major LAC countries have received substantial Chinese

investments and government loans, Uruguay has seen limited investment from China, focusing mainly on agriculture rather than natural resources or energy sectors. This distinction reflects Uruguay's lack of significant natural resources and its robust legal and institutional framework for foreign investments.

The level of commitment between Uruguay and China has become clearer than ever with the Joint Declaration and the more than twenty agreements signed. Both countries are committed to sustainability and transparency, and to implementing projects that promote the achievement of the Sustainable Development Goals.

The relationship between Uruguay and China is indicative of the potential and challenges of bilateral economic relations in the context of broader LAC dynamics. As China's investment strategies evolve, Uruguay's stable and regulated investment environment may increasingly appeal to more sophisticated and diversified Chinese investments in the future. This relationship not only benefits both countries, but also sets a precedent for successful economic cooperation within the Global South, thereby enhancing the influence of these countries of the Global South on the international stage. The development of these trends during the first quarter of the 21st century will lead to the formation of a fundamentally new geo-economic and geopolitical situation, in the context of which the interaction of the countries of the Global South will undergo significant changes.

⁴⁰ TLC, asociación integral, deporte: ¿qué dice la declaración conjunta entre Uruguay y China? // El Observador. 23.11.2023. URL: <https://www.elobservador.com.uy/nota/tlc-asociacion-integral-deporte-que-dice-la-declaracion-conjunta-entre-uruguay-y-china--2023112384652> (accessed: 18.05.2024).

⁴¹ Bartesaghi I. Opinion: Uruguay Can Propel South America's Relations with China // Dialogue Earth. June 20, 2024. URL: <https://dialogue.earth/en/justice/opinion-uruguay-can-propel-south-americas-relations-with-china/> (accessed: 26.06.2024).

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