OUR LAND OUR BUSINESS

WORLD BANK'S BAD BUSINESS IN URUGUAY

THE WORLD BANK BEHIND BUSINESS REFORMS IN URUGUAY

In the years following the 2001 economic crisis, the World Bank has used Uruguay as the poster child of an economy that has become stronger after following its development model.[1] The Bank pushed for financial sector changes, including developing capital markets (the buying and selling of long term debt and other mechanisms) to improve the investment climate in the country.[2] At the 88th position out of 189 countries, Uruguay enjoys a "good" score in the 2014 World Bank Doing Business rankings.[3] This ranking reflects Uruguay's efforts to follow the directives of the Bank's investment climate team, which provides advisory services to the country.[4] The current 2010-2015 strategy of the World Bank aims to help Uruguay further reform its economy and deliver greater competiveness. One key pillar of the Country Partnership Strategy is to provide financial support for export-oriented agribusiness.[5] It includes a Bank lending program of approximately $700 million, together with an active International Finance Corporation (IFC) program—private lending arm of the World Bank Group—and advisory services.[6] All three of the IFC's active investment projects in Uruguay are in export-oriented agribusiness companies.

Large-scale foreign investment in Uruguayan land has increased dramatically in the past few years.[7] In turn, this has driven up the cost of land in Uruguay, which rose 800% in the past decade.[8] A total of 24,183 land sales were conducted between 2000-2009, representing six million hectares—39% of national territory.[9] Land leasing has also become a significant feature of the Uruguayan land market. Between 2000-2009, lease instruments for more than 6.18 million hectares of land were recorded.[10]

DOING BUSINESS REFORMS

- ✓ In 2010, Uruguay was penalized with a poor review in the Doing Business rankings due to a law that put in place preemption rights in property transfers, which establishes a "first right to buy," potentially affording a local administration or communities the opportunity to stop a sale that they do not want.
- ✓ In 2011, the World Bank praised Uruguay for reforming the previous year's law, and eliminating the need to obtain a mandatory waiver for preemption rights, making it easier for unwanted sales to go through.[17]

BIG LAND DEALS FOR FOREIGNERS

Some estimates show that foreign corporations now own over 1.8 million hectares and Uruguayans face the risk of losing more land.[11] 83% of the land sold in 2010 (336,000 hectares) was bought by investors from Europe, New Zealand, Argentina, Korea, Brazil and the United States;[12] though the vast majority are from adjacent Brazil and Argentina, where investors receive reduced exportation taxes.[13] Argentinean nationals own almost all of the 500,000 hectares of Uruguayan soil designated for soy cultivation.[14] More than 51% of the total land area under lease contractually cannot reveal the nationality of the tenant, a troubling fact in a country that is at risk for losing more of its land.[15]

In 2013, the government drafted a law nominally limiting foreign ownership of land.[16] Though the majority of the recent deals were purchases, several were leases or concessions, which means that this law is unlikely to be sufficient to stop large-scale land acquisitions. It remains to be seen if Uruguay will maintain its sovereignty and resist large-scale land acquisitions as its land prices continue to soar, and how its ranking on the Doing Business index will be impacted if the country takes further steps to limit foreign land investment.

ENDNOTES

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Uruguay Doing Business Fact Sheet was authored by Dylan Farrell-Bryan.

Photo: Cattle ranch in Uruguay. © Peer Voss

The Oakland Institute

The Oakland Institute
PO Box 18978
Oakland, CA 94619 • USA
www.oaklandinstitute.org • info@oaklandinstitute.org