Overseas Business Insights

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Dominican Republic: Tourism Sector Snapshot

Tourism revenue in the Dominican Republic (DR) grew 11 percent in 2014 (total: $5.6 billion) and accounts directly and indirectly for over 15 percent of the nation's GDP. Five million visitors, mostly from North America, came to the DR (a country of 10 million) for a variety of reasons, including all-inclusive Caribbean vacations, medical tourism, and conventions. On average, tourists spend $105 to $150 per day, and stay an average of seven days. Tourism brings in over $750 million in tax revenue each year.

The Dominican Republic leads Latin America in tourism receipts as a percentage of GDP. The World Travel & Tourism Council reports that the tourism sector now directly or indirectly accounts for more than 15 percent of GDP and 14 percent of employment in the Dominican Republic. The sector is highly seasonal, with the peak months of January, March, and August seeing 60 percent more arrivals than October through November. In the first quarter of 2015, tourist arrivals have surged six percent, with more, as a percentage, originating from the United States, as compared to 2014.

In 2014, tourist arrivals were mainly from the United States and Canada (58 percent), followed by Europe (26 percent) and South America (12 percent). In addition to the United States, the top source markets include: Argentina, Brazil, Canada, England, France, Germany, Puerto Rico Russia, and Spain. In early 2015 there have been significant increases in travelers, primarily from the United States (13 percent growth) and the European Union (six percent overall growth), including from Germany (15 percent growth), the United Kingdom (39 percent growth), Spain (28 percent growth), and Sweden (35 percent growth). According to airline industry experts, the average vacation stay of a tourist travelling from Europe is between 11 and 15 days (though trending downward), while Americans average stays of five days.

The U.S.-DR bilateral relationship is a key source of visitors and a segment of "tourists" are actually returning Dominicans. One

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Mexico: Beekeeping in Baja California

The state of Baja California has an estimated 150 beekeepers, around 80 of whom are active members of the state beekeeping association (Sistema Producto Apícola de Baja California A.C), the rest being inactive or very small-scale hobbyists. Most members maintain less than 100 hives which they operate as a side business; 300 hives is the minimum number considered to be sufficient to sustain a family as a vocation. A handful of beekeepers have over 1,000 hives, but only one has the capacity to export honey to the United States. Most Baja

Baja Bees (cont'd)

California beekeepers operate in the Mexicali valley, where they benefit from large-scale cultivation of alfalfa.

Regional beekeepers consider their primary business to be honey production, not the rental of hives to farm owners for pollination. Many are reluctant to rent out their hives, as actively pollinating bees' honey production drops by 20 percent or more. However, the association predicts a shift to pollination over time. There is already more demand for pollination services in the area than regional beekeepers can meet, especially in the Mexicali valley and around San Quintín, where bees are crucial to the production of berries, broccoli, melons, and other crops. Competitors from Sonora have begun to break into the market.

Aside from a small amount exported to the U.S., all honey produced in Baja California is consumed by the local population, and beekeepers can expect to sell their entire stock well before the following year's harvest. Producers consider their only real competition to be honey imported from other Mexican states and sold in large supermarkets. The association has made efforts to promote the qualities of local, raw honey over the pasteurized product commonly available in chain stores. It has also encouraged beekeepers to use brand labels.

Colony Collapse Disorder (CCD)—the abrupt disappearance of adult bees from hives—has been seen in Baja California occasionally in the last ten years, but is less common than it is in the United States. The association attributes the low incidence of CCD to the less-intensive pollination practices of Baja beekeepers compared to their northern neighbors, who often move hives frequently. Government officials report success in eradicating the varroa mite, a common bee parasite, and is nearing a target of 3% infestation.

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State and federal governments have promoted the local beekeeping industry through trade shows and agricultural programs. Producers emphasize that more capital investment is needed to develop the industry. New hives are long-term investments, as colonies need to establish themselves before their honey can be harvested, and few local beekeepers have the resources to regularly expand. The association welcomes U.S. investors. The association believes that with investment it would be possible to scale the operations of a number of beekeepers so that they could, as a group, begin exporting more of their honey to the United States. Organic certification of honey hasn't been explored as demand for it in the local market is low.

Canada: Ontario's 2015 Budget – Impact on Energy and Alcohol

In April 2015, Ontario's government presented its 2015 provincial budget. Along with a CAD $130 billion infrastructure plan and a promise to eliminate the deficit by 2017-2018, the budget plan anticipates the partial sale of Ontario's electrical utility company, the liberalization of its beer industry, and cuts to spending by 5.5 percent in all government sectors except health, education, justice, and social services.

To fund the CAD $130 billion infrastructure plan, an Advisory Council on Government Assets (Council) chaired by Ed Clark, former President and CEO of TD Bank Group, recommended partial privatization of currently public-owned electricity transmission company Hydro One as well as liberalizing the beer industry to allow sales in supermarkets.

Given that the United States remains the export destination for 80 percent of Ontario's exports and the source of 56 percent of its imports (more than $715 million of daily trade), improvements in infrastructure could smooth trade flows even more. Traffic congestion in the Greater Toronto and Hamilton Area costs Ontario's economy up to CAD $11 billion annually, according to the C.D. Howe Institute.

Canada: Ontario Budget (cont'd)

Hydro One owns and operates 97 percent of the province's energy transmission infrastructure, distributing electricity to more than 1.4 million customers. It is now poised to sell a total of 60 percent of its shares to fund the infrastructure plan, with the first phase of the sale at 15 percent or an estimated CAD $2.25 billion, an amount which would break Canada's record for the largest IPO sale. The government will retain controlling ownership of Hydro One by limiting shareholders to 10 percent stakes and the sale will continue to occur incrementally over a four- to five-year period. The sale is expected to generate about CAD $9 billion, $5 billion of which will pay down the company's debt and $4 billion for provincial transit and infrastructure projects.

The Ontario government also will begin significantly liberalizing the beer market by allowing potentially hundreds of larger supermarkets to sell craft beer and major national brands on their premises. At present, beer is only sold through three retail channels: The Beer Store (TBS), the Liquor Control Board of Canada (LCBO), and on-site brewery stores. TBS holds the largest share of the market and sells more than 77 percent of all beer in Ontario. TBS – owned and operated jointly by American-Canadian Molson-Coors, as well as Labatt Canada and Sleemen Canada – has 448 existing outlets.

To continue promoting craft brewers, the provincial government will now require TBS to set aside 20 percent of all shelf space, merchandising, marketing, and promotional programs for small brewers (up from 7 percent). Ontario brewers will now also be allowed to sell beer on site at all their locations; previously, brewers were only allowed to sell at one location even if they had several brewery sites. It is still unclear whether American craft brewers will be included in the expanded sale and promotional opportunities being made available in TBS outlets.

Colombia: Tourism Sector Snapshot

Colombia's tourism industry has seen double digit growth in recent years. According to the Ministry of Commerce, Industry, and Tourism (MinCIT), tourism increased 12.1 percent in 2014 and has grown an estimated 300 percent since 2002. The uptick in visits is however, not just one way. Colombia's growing middle class, with its higher disposable income, has led similar surges in Colombian tourists going abroad, mainly to the United States.

According to MinCIT, more than 2.5 million foreigners visited the country last year: 1.9 million by plane; 300,000 on cruises; and the remainder via land crossings. According to the World Tourism Organization, in 2014, Colombia's rate of growth was higher than all of South America (an average of 6 percent) and three times that of tourism growth around the world (average - 4.2 percent).

Government agencies such as MinCIT and investment promotion agency ProColombia, in conjunction with private industry groups, are working on several fronts to attract foreign visitors to Colombia. Instead of concentrating on a tourism model that advertises specific locations or cities, Colombia's new campaign, named "Magical Realism," after the literary concept invented by famed Colombian author Gabriel García Márquez, focuses on the variety of tourism that Colombia provides. ProColombia, with 40 offices around the world including Miami and New York City, is focused on promoting the types of tourism that U.S. travelers increasingly demand, such as trekking, ecotourism and medical tourism.

In addition to the government's public relations campaign, several other factors may attract travelers to Colombia. The devaluation of the peso by nearly 40 percent since July 2014 will stretch tourist dollars and make travel to Colombia a cheaper, more attractive option. Additionally, the "Open Skies" agreement signed with the U.S. in 2011 increased competition in the airline market, reducing prices for travel to Colombia and providing more flexible travel options. Since the agreement went into effect, five U.S. airlines added direct daily flights between Colombia and the United States: Delta (from Atlanta and New York); United Airlines (from Houston and Newark); American Airlines (from Miami and Dallas); Spirit (from Fort Lauderdale and New York); and Jet Blue (from Orlando, Fort Lauderdale and New York). Non-U.S. airlines (Copa, LAN) also operate on some of these routes. Avianca provides non-stop flights to Miami, Washington-Dulles and Fort Lauderdale, and plans to add service to Los Angeles in July 2015. Finally, implementation of the 2012 U.S. Colombia-Trade Promotion Agreement (CTPA) and Colombia's recent free trade agreements with

Colombia Tourism - continued

other countries could attract even more business travelers. Business tourism represents close to 30 percent of the overall tourism traffic into Colombia, according to MinCIT, and this number could increase as more American and regional investors come to Colombia looking for investment opportunities.

Several major international hotel chains have started construction of new facilities. Marriott opened a new hotel in Cali and plans to open one in Medellín in 2015, followed by two more locations over the next three years. Hilton, Holiday Inn, Tryp and Wyndham each plan to open several new hotels in Bogotá, Barranquilla and Cartagena. Four Seasons plans to open two luxury hotels in Bogotá by the end of 2015. Low cost hotel chains Days Inn and Super 8 plan to open 43 road hotels in the next five years. All in all, 52 new hotels (4,600 rooms) are expected to be completed by 2017.

Colombians are also traveling overseas in even greater numbers. The total volume of passengers traveling from Colombia to foreign countries increased an average of 15 percent per year between 2008 and 2012, and in 2013 surged by 22 percent, leveling back out to 15 percent in 2014. The United States remains the number one destination for Colombian travelers abroad. In 2014, 875,000 Colombians visited the United States, an increase of 19 percent over 2013, according to the Department of Commerce. Several factors explain the trends: Colombia's stable economy and growing middle class; greater competition in the airline sector; and the increase in visa validity for Colombian citizens from five to ten years in 2012

Dominican Republic (cont'd from page 1)

and a half million Dominicans live in the United States, and bands play in the airport welcoming them "home" during December and January. While these visitors figure prominently in the official statistics (two to four percent of visitors are Dominicans living in the U.S.), they spend significantly less money per traveler than their resort-bound counterparts. Another segment which figures into arrival data are the roughly 200,000 American citizens living in the D.R. More than half of this group travels outside the DR on a yearly basis, and they spend significantly more than the average tourist due to their long "length of stay."

Punta Cana is the top destination. All-inclusive resorts line the shores of Punta Cana. It has 37,000 hotel rooms and a 100% occupancy rate during high season (mid-December through March). The Punta Cana region accounts for over 60 percent of all tourism to the country, and 10 percent more tourists are expected to the region in 2015 based on growth projections. The DR economy is strongly tied the United States, and recent growth in the sector is largely attributable to a strengthening U.S. economy.

Spanish and French groups own a number of well-known hotels and resorts, which cluster primarily in the Punta Cana area. The Meliá Hotels chain (Spanish) owns three resorts in the DR and over 27 hotels and resorts in Cuba; their largest resort in the DR, Caribe Tropical, constitutes the major portion of their investment portfolio. The Barceló Group (Spanish) was the first Spanish company to invest in a Punta Cana resort and now owns seven hotels and resorts in the DR, including one in Puerto Plata. Bahia Príncipe (Piñero Group, Spanish) has 11 hotels and resorts in the DR, including the top-rated resort in the northern Samana region. Accor and ClubMed (both French) also have investments in the country. Accor owns Hostal Nicolás de Ovando, a luxury hotel in Santo Domingo's Colonial Zone. Among others, the Hard Rock Resort in Bavaro is an American franchise built with Mexican capital. It opened in 2009. The foreign-owned resorts are promoted in a significantly different way than their Dominican-owned counterparts. Often the foreign brands will heavily market complete travel packages in their domestic markets. Dominican resorts occasionally market outside the country.

A number of foreign-owned American franchise hotels have also appeared in recent years, and competition in the city for business travelers and North American tourists has become fierce. The JW Marriott, a Venezuelan investment that

Dominican Republic (cont'd)

caters to business travelers, opened in September 2014 and frequently fills its 150-room capacity. Already there are plans for an additional 220-room complex adjacent to the existing one in the high-end Blue Mall. Currently under construction a few blocks away is a 227-room Intercontinental, a $70 million Salvadorian investment by the Poma Group, with five restaurants and a spa. Poma claims that, once completed, the hotel will be the premier luxury hotel in the country.

The luxury "all-inclusive" resort model is commonly seen in the DR. This model began in 1969 with a foreign developer's purchase of a 14,000 acre lot on the eastern end of the Dominican Republic, which was covered with jungle and six miles of beach. That area is now the Punta Cana resort area, and includes Tortuga Bay hotel, designed by Oscar de la Renta, the Westin Puntacana (opened in 2013 with 220 rooms), the Puntacana Hotel and Club (opened in 1971 and now has 151 rooms), a Six Senses Spa, an ecological reserve (part of the Puntacana Foundation), five residential communities, nine restaurants, a full-service marina, two golf courses, two schools, a free community health clinic, and the Punta Cana International Airport.

A second resort model has been taking shape in recent years. Under this model, existing resorts are being extensively refurbished and remodeled, with special focus on a given niche of the resort tourism industry (e.g. couples-only, adults-only, families with kids, boutique, etc.). New resorts are also more commonly being built with an eye towards attracting a specific segment. Viacom and Karisma Hotels have partnered to begin building, at a cost of $92 million, the first-ever Nickelodeon resort outside the U.S., which is slated to be completed in Punta Cana in the summer of 2016. Franchise concepts have also become more common, and are largely introduced by American companies. There is a pattern in recent years of remodeling an older hotel to the standards of the American franchise. This is true for Radisson (owned by Royal Group; Colombian), Sheraton (owned by National Hotels/ Lama Family; Dominican), Crowne Plaza, and Holiday Inn (the latter two owned by Inverplata; Venezuelan), which compete for business travelers alongside Hilton and Embassy Suites.

Infrastructure support, such as the new roads built to connect the capital Santo Domingo with tourist destinations La Romana, Punta Cana and Bavaro, (and which reduced travel time between the capital and Punta Cana from four hours to two) is viewed by many in the industry as critical to further growth. To spur investment, the government in late 2013 ratified an amendment to the tourism investment tax incentives law (No. 158-01). The amendment expands the area designated for tax incentives so that development anywhere in the country can benefit. It also creates a mechanism to transfer tourism real estate from one owner to another at a reduced rate, lengthens the period of the 30-to-40-percent tax breaks, and applies to expansion, construction, and renovation.

A few new resorts have started to investigate solar power to supply electricity. While rooftop solar panels are common, Viva Wyndham Resorts installed a solar power plant capable of generating 80 percent (210 kilowatt-hours) of the electricity for its 144-room resort in the Las Terrenas area.

Eastern Caribbean: American Chamber of Commerce

The American Chamber of Commerce for Barbados and the Eastern Caribbean is the first and only accredited foreign chamber of commerce in the Eastern Caribbean. It represents U.S. businesses in seven countries (Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines). Currently focusing on Barbados, AmChamBEC has about 20 members. The Chamber's President Dustin Delany says the organization is currently conducting an aggressive and targeted membership drive with the objective of more than doubling membership to 50 by the end of 2015.

Barbados has not had a foreign chamber of commerce before. Although Trinidad and Tobago is probably the largest investor and owner of businesses in Bar-

Eastern Caribbean (cont'd)

-bados, and the United Kingdom is the largest source market for the tourists that are the lifeblood of the Barbados economy, the island imports more from the United States than from any other country and the United States has about US $12 billion in foreign direct investment in the country.

The Chamber works closely with the U.S. Embassy in Bridgetown. In June 2013, AmChamBEC was officially launched at a large reception at the Ambassador's residence. Flying in to support the event were representatives from the U.S. Chamber of Commerce, including its International Division's Vice-President of the Americas Jodi Bond, State Department officials, and others. In February 2014 AmChamBEC President Delany joined Embassy officials for an Embassy-hosted Webchat for American businesses wanting to do more trade with the Eastern Caribbean. And in June 2014 Delany again joined Ambassador Palmer in welcoming a trade delegation of over a dozen companies from Puerto Rico, resulting in Barbados companies signing deals to partner with American firms to increase U.S. exports.

AmChamBEC was accredited by the Association of American Chambers of Commerce for Latin America and the Caribbean in January 2014 and by the U.S. Chamber of Commerce in October 2014. Mr. Delany can be contacted at DD@AmChamBEC.com and the organization's Executive Director at ExecutiveDirector@AmChamBEC.com.

Other resources for anyone interested in overseas business news:

For Caribbean and Latin American Markets, the Department of Commerce has many resources to assist U.S. firms including market research, trade show calendars, trade delegation calendars, etc. Check out their "Trade Americas" and "Look South" websites:

http://export.gov/tradeamericas/index.asp

http://export.gov/tradeamericas/looksouth/index.asp

BusinessUSA
Discover. Connect. Grow.

The U.S. Government's main website to assist U.S. businesses at home and abroad. URL at http://business.usa.gov/

United States Department of State BIDS Business Information Database System

The Business Information Database System (BIDS) is a portal built to help U.S. businesses learn about significant international commercial opportunities. The site connects U.S. business to detailed information about each project as well as information to contact U.S. embassies overseas. URL at http://bids.state.gov/

Direct Line For American Business

The Direct Line program provides a unique opportunity for American businesses, particularly small- and medium-sized enterprises, to engage directly via webcast with U.S. Ambassadors overseas. The program is open to U.S. companies – whether they are already in the country where the Ambassador serves or if they are interested in expanding their businesses there. Webcasts will vary in topic according to the specific needs for business in a given country. URL at http://www.state.gov/directline/

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