Mexico: Jalisco—New Industrial Park and Wind Farm Performance

A joint venture between a developer and the Jalisco state government has developed a new automotive industrial park with the capacity to host 50 companies. Although no U.S. suppliers are yet located in the park, 12 German and Japanese suppliers recently began operations in the park, which claims to offer low land prices, low construction costs, location, government support, and labor availability. The industrial park is located in northern Jalisco, less than 150 kilometers from Nissan, GM, Ford and Mazda automotive assembly plants, which are based throughout the neighboring states of Aguascalientes, Guanajuato, and San Luis Potosi.

The Grupo Dragon wind farm in Ojuelos, Jalisco recorded a 99 percent “uptime” performance in its first year of operation. The windfarm consists of 28 turbines with a capacity of approximately 55 megawatts. The company plans an expansion to include doubling the number of wind turbines and adding solar panels. According to Grupo Dragon collaborators, Jalisco has great renewable energy potential, particularly given the foreign investment opportunities allowed by national energy reforms, and several other competing windfarm projects soon may be in the pipeline for Ojuelos.

Canada: Drummondville Grows Local Economy, Wants More U.S. Commercial Ties

Located 70 miles northeast of Montreal, Drummondville has made the transition from an exclusive focus on producing textiles, to a more diverse economy where more than half of production is dominated by machinery and equipment manufacturing, metalworking, transportation, distribution, and logistics. Six hundred manufacturers invested $145 million to expand their businesses in 2015 and will invest $218 million to upgrade production facilities in 2016, up 40 percent and over half of which will be used to buy machinery. The city’s low operating costs and central location between Montreal, Sherbrooke, and Quebec City has made it a hub for manufacturers. Drummondville’s low taxes and cheap cost of living continue to attract businesses and labor; the average price for a single-family home in Drummondville is less than half of what a single family home would cost in Greater Montreal. The low value of the Canadian dollar is also a boon for the 60 per-
Drummondville (continued)

The City of Drummondville helps companies prepare business plans, mentors businesses, and provides small grants. Drummondville is home to three industrial business incubators, the first of which was launched in 1998, and each incubator gives small companies access to organizational, operational, and administrative support. Since inception, the incubators have created 400 jobs in Drummondville, and helped launch hundreds of SMEs. Most Drummondville businesses already export to the United States, and the city is actively looking for ways to strengthen bilateral commerce with the United States, including by developing a sister city agreement with a not-too-distant U.S. city.

British Columbia’s 2016 Budget: CAD$12 Billion in Infrastructure Spending

On February 16, British Columbia’s Finance Minister unveiled the 2016 fiscal budget – British Columbia’s fourth consecutive balanced budget. British Columbia will invest CAD$12 billion into infrastructure projects over three years, with spending in transit and highway upgrades, various health facilities, and educational institutions as top priorities. The Finance Minister also said CAD $100 million was allocated to establish British Columbia’s Prosperity Fund – a kick starter contribution to its sovereign wealth fund.

Peru’s Expanding Insurance Market

Peru’s insurance market increased in value from $1.9 billion in 2010 to $3.1 billion in 2015. The two largest insurers, Rimac and Pacifico, hold 55 percent of total gross premiums written (GPWs) and 58 percent of the market’s total net income. Of 20 firms registered in Peru, the top four – which are owned by two parent companies - booked 78 percent of GPWs in 2015. Peru’s insurance market is among the most concentrated in Latin America and has one of the lowest penetration rates among comparable economies, with GPWs at just 1.8 percent of GDP, versus a 2.6 percent average regionally.

Rimac and Pacifico are owned by conglomerates with respective interests in BBVA and Banco del Credito del Peru, two of the largest domestic banks. By bundling insurance products into financial service packages, the companies have been able to capture the rapidly increasing banked population. Currently only 30 percent of Peruvians have a bank account in spite of a nearly 100 percent increase in banked individuals over the last decade, leaving a sizeable market to be captured. Since 2013, seven foreign insurers - including five from Chile – have registered in Peru. A further four are in preliminary stages of the registration process. This influx has led to increased product diversification and is beginning to dilute the current market concentration. While new market entrants have increased the number of available products, they are focusing initially on niche segments in which they have a competitive advantage. One attractive development for new entrants was the 2013 introduction of mandated competitive bidding for disability and survivor insurance for pension funds, whose participants account for 8 percent of GPWs. In 2014, five of seven awards went to smaller players who were able to create competitive, tailored offerings.
El Salvador Renewable Power

El Salvador’s second-largest energy distribution company, Colombian-owned Delsur, launched an auction for 150 MW of renewable energy on February 10 by releasing the terms of reference for public comment. The auction comes after a USAID-funded study on the impact of intermittent wind and solar energy sources on transmission systems determined that the country could safely incorporate 150 MW of additional renewable energy into its electrical grid. Additionally, Salvadoran Vice-President Oscar Ortiz announced that the Government expects the auction to generate $300 million in renewables investments and forecasted total energy sector investment to reach $2 billion during the current administration (2014-2019), with the goal of bringing El Salvador’s installed capacity up to 2,500 MW by 2020. The tender is expected to award 100 MW of solar projects and 50 MW of wind projects, although the Government has indicated that it may award only solar projects if no proposed wind projects are under its established price ceiling. Winning bidders will sign contracts to provide energy to Salvadoran distribution companies for 20 years and must agree to dedicate three percent of annual profits to corporate social responsibility projects in the surrounding communities. The bid submission period is from May 5 to July 15. Winning bids will be announced on September 7, 2016.

Delsur’s solicitation marks El Salvador’s third public renewables auction, and the first since reforms in the country’s fiscal incentive law in October 2015. The reforms removed tariffs on equipment imports and provided grace periods on the taxation of profits related to renewable energy projects. A 2013 pilot solicitation awarded contracts to 17 small projects for a total of 14 MW; projects totaling eight MW have already begun commercial operations. In 2014, the Government auctioned 100 MW of renewable energy projects and received 32 bids. Three solar projects, representing a total of 94 MW, moved forward with commercial operations expected to begin in 2017 at prices between $102 and $123 per megawatt-hour. A 2014 winner – France-based renewable energy company Neoen – announced in February 2016 that it will use a $57.7 million loan from the Inter-American Development Bank to scale-up to 80 MW, but anticipates the permitting process will delay the project’s commercialization by six months.

Canada: Alberta Government Petrochemical Diversification Plan

Alberta’s Premier Notley announced a new initiative on February 1 designed to attract investment into Alberta’s petrochemicals industry as part of the government’s plan to focus on economic diversification and value-added programs. The Petrochemical Diversification Program (PDP) will offer up to $500 million in royalty credits over ten years to select facilities through a competitive application process, with a goal of encouraging between $3 billion and $5 billion of new investment in chemical manufacturing. It hopes to support construction of new plants that use natural gas by-products such as methane and propane to make materials for products like plastics, detergents, and textiles. Under the new program, royalty credits will be paid out over three years after a facility begins production. Petrochemical plants do not pay provincial royalties, but they will be able to trade or sell credits to oil and gas producers. The credits would enable producers to lower their royalty payments.

Alberta’s chemical industry has annual sales exceeding $14 billion, the province says.
Honduras: The Palmerola International Airport Construction Project

On December 20, 2015, the government of Honduras awarded the contract to build a commercial airport at Soto Cano Air Base to Inversiones EMCO in partnership with Munich Airport Consulting and Management. The government of Honduras’ goal is to have the airport operational by 2018. In order to make the Palmerola Airport profitable, the government of Honduras plans to close commercial flights into Toncontin, the international airport in the capital of Tegucigalpa, redirecting all commercial flights to Palmerola.

The government of Honduras plans to execute the Palmerola construction through two programs: (1) the Public-Private Partnership which manages large scale projects for public good that are privately or co-financed and (2) Spain’s debt conversion program for Honduras. The Commission for the Promotion of the Public-Private Alliance (CoAlianza) represents the government of Honduras as the contracting officer for all public-private partnership contracts from the development of the solicitation through the preliminary construction activities. Under this contract, CoAlianza plans to issue two concessions for Palmerola. One is a design, build, finance, operate, and transfer (DFBOT) contract for construction and maintenance, and the other is a quality assurance contract that will be awarded to a third party. In March 2015, CoAlianza opened the solicitation for the DFBOT contract. CoAlianza and Inversiones EMCO finalized the contract and it was approved by the Council of Ministers (i.e., the Cabinet).

Now that the contract has been finalized, the approval process is under-way. The approval process consists of three steps:

1. (1) approval from the Council of Ministers (i.e., the Cabinet), which has been completed
2. (2) approval from the Honduran National Congress, and
3. (3) a notice published in the official gazette.

President Hernandez has made the Palmerola International Airport construction a top priority.

Colombia’s Pick-Me Up: Coffee Production on the Rise

Colombia’s 2015 coffee harvest totaled 14.2 million bags of 60 kilos, the largest in 23 years. Coffee production in Colombia increased 83 percent over the past four years. Representatives from the National Federation of Coffee Growers (Fedecafe) attributed this achievement to its long-term strategy to renew aging coffee crops with disease resistant strains in a Fedecafe-sponsored coffee rust-resistant replanting program. Coffee rust, an epidemic caused by fungus that produces premature defoliation affecting the following year’s yields, initially affected about 40 percent of Colombia’s planted area. Due to the aggressive tree renovation program that replaced an estimated 70 percent of the planted area, less than five percent remains affected. Fedecafe’s program offered low-interest loans to offset the replanting costs.

About 90 percent of Colombia’s coffee is exported, of which almost half goes to the United States. In 2015, Colombia exported 12.7 million bags—a 16 percent increase from 2014—representing approximately $2.86 billion dollars, according to Colombia’s Statistics Agency (DANE). Colombia’s next largest coffee markets are Japan (nine percent), Germany (eight percent), and Belgium and Canada (seven percent each). Fedecafe estimated that specialty coffee now comprises almost 40 percent of Colombia’s total coffee exports, noting that certified and organic coffees receive significant price premiums.
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

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

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/

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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