Overseas Business Insights

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U.S. Department of State
Bureau of Western Hemisphere Affairs

In this Issue:

Brazil Issues Regulations for Landmark Internet Law

Marco Civil (MC) is an Internet "bill of rights" that guarantees individuals' rights to Internet access and mandates network neutrality, whereby Internet service providers (ISPs) cannot prioritize the transmission of certain data over others. MC was first proposed in 2009, and revived by President Rousseff in 2013 in the wake of the alleged NSA disclosures. Much of the debate happened online, through an innovative, interactive comment platform that allowed Brazil's nascent civil society, established think tanks and universities, the international business community, and concerned individuals to weigh in. Draft MC text originally included "data localization" provisions that would have forced U.S. and other Internet companies to store user data on Brazilian soil. After a debate in Congress and on the eve of an April 2014 global Internet summit that Brazil hosted, MC was passed into law. It was hailed by civil society as a model for multi-stakeholder participation in drafting legislation. Data localization provisions were not included and the final text made clear that Internet content intermediaries (i.e. search engines, content hosts) would not be held criminally liable for pirated and other illegal content.

As in many countries grappling with appropri-

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Argentina's Renewable Energy Initiative and Auction

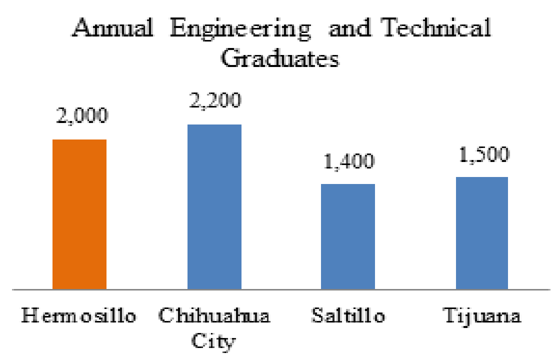
President Macri has announced a national program to increase renewable energy generation from two percent to 20 percent of the country's electricity by 2025. The Ministry of Energy and Mining simultaneously published, on May 18, provisional bidding instructions for an auction of one gigawatt of renewable power. The state-owned electricity transmission monopoly, Cammesa, will oversee the auction, which the government hopes will attract over $2 billion in renewable energy investment, create 5,000-8,000 jobs, and save several hundred millions of dollars in energy costs. Project developers who register with Cammesa had until June 12 to submit comments and suggestions in response to the preliminary tender rules. Cammesa will publish final rules on July 1, will receive offers until August 22, and will announce the tender results on September 28. Undersecretary of Renewable Energy Sebastian Kind announced "contract prices will probably be closer to $40 per megawatt-hour than current rates of more than $100 in part because Argentina will offer a sovereign loan guarantee partially backed by a World Bank Group $500 million special loan guarantee."

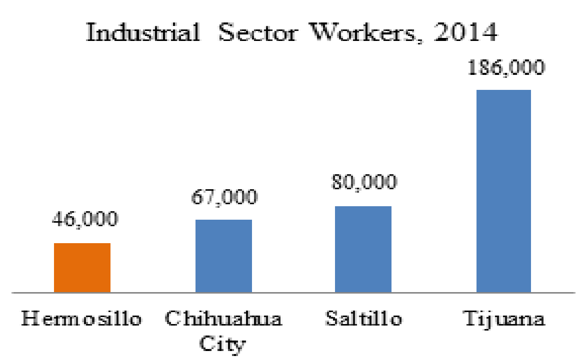
Sonora: Economic Opportunity in Northwest Mexico

Sonora produces an outsized number of engineers and technical graduates, but lags behind other border states in job growth to match these skills. Every year, nearly 2,000 students with engineering and other technical degrees graduate from schools in Sonora's capital city, Hermosillo. According to ANUIES—Mexico's National Association of Universities and Higher Education Institutions—this is comparable to rates in larger northern cities such as Chihuahua City (2,200 graduates), Tijuana (1,500), and Saltillo (1,400). Local opportunities are limited for these graduates -- with an estimated 46,000 workers in the industrial sector, Hermosillo lags behind Juarez (226,000 workers), Tijuana (186,000), Saltillo (80,000), and Chihuahua City (67,000). Since 2009, Sonora has added fewer manufacturing jobs than any other northern border state. The National Institute of Statistics and Geography (INEGI) reports that Chihuahua and Coahuila have added over 100,000 jobs and Baja California over 80,000, while Sonora has added less than 40,000—explaining the consistent outflow of Sonora's graduates to bigger industrial hubs in other parts of the country.

Northern Economic Center Nogales a Notable Contrast to the South

In contrast to the southern part of the state, northern Sonora has a different dynamic between the supply of workers and the industrial sector. The vibrant maquiladora industry centered in its principal city, Nogales, has grown from its beginnings in the 1960s to include over 100 plants and 35,000 direct workers. Strong capabilities in the sector combined with an advantageous location on the U.S. border and a favorable local business environment should prime the city to increase production and expand in the immediate future. Industry representatives from Nogales, however, cite a limited supply of skilled workers as a key hindrance to continued development, making it an almost opposite situation to the southern part of the state.





ANUIES 2014

New Investment Projects Hint at Higher Potential Growth in Coming Years

Trade groups, business associations, investors and the state government are eager to promote the development of specific manufacturing sectors in Sonora. Many point to the aerospace industry as a growth area with unique potential. Though not dominant in the current industrial landscape here, a new high-profile project is generating momentum for additional exploration of opportunities. The French aerospace com-

Sonora (continued)

pany Figeac Aéro recently announced a $60 million investment to build a 10,000 m² facility in Hermosillo. With plans to open this year, the plant will employ around 500 workers in the development of metal parts for Boeing 787 doors. Other industrial sectors mentioned with growth opportunities in Sonora include medical devices and personal electronics, while the existing automotive and mining sectors continue to be high profile successes.

Government Incentives an Added Boost for Software Development Firms

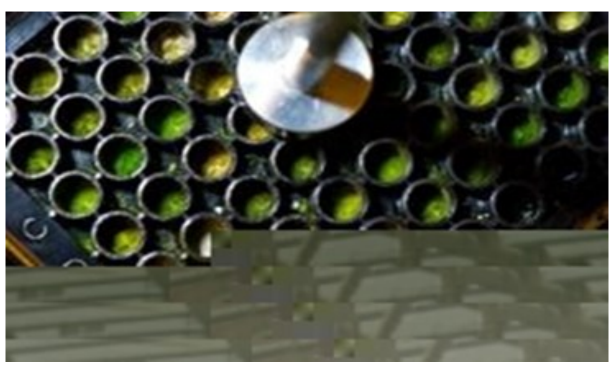
Recent changes in the state budget may offer strong incentives for new software companies to set up shop in Sonora. The new administration has 30 million pesos slated for ProSoft, a federal program of matching funds to state grants that had not been supported by the previous governor's administration.

Natural Environment Makes Renewable Energy a Longer Term Possibility

With its vast and sparsely populated desert landscapes and a solar energy rating of 6-8 kWh/m² -- the highest in Mexico -- , Sonora's potential for solar power generation is notable. Sonoran Governor Claudia Pavlovich Arellano has included renewable energy as part of her six-year development plan. Some businessmen are speculating on Sonora's potential future solar energy contribution by buying land for future development, though at this point there is minimal capability in production or generation.

Dominican Republic: Renewable Energy Growth

Parque Monte Plata Solar, located in Monte Plata north of Santo Domingo, inaugurated the largest photovoltaic solar power plant in the Caribbean on March 30. The solar plant will supply 30MW of electricity directly into the national grid. A second phase has already broken ground and will add another 30MW. The solar panels and funding for the project were provided by Taiwan's Neo Solar Power Corporation.

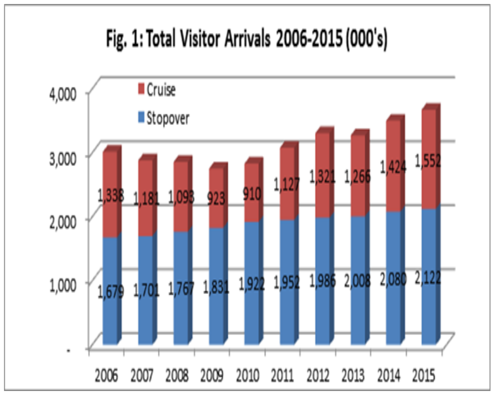


On April 27, the 30MW biomass plant San Pedro Bio Energy opened in San Pedro de Macoris, west of Santo Domingo. The $90 million plant is owned by the Dominican Republic's INICIA Group (formerly known as the Vicini Group) and Putney Capital Management. The plant will use the sugar cane residue ("bagasse") produced by locally-owned sugar mills as fuel for the plant. During the sugar cane harvest, up to 12MW will be used by the sugar mill. The remaining energy generated will be sold to the national grid.

Also pending for 2016 are two wind energy projects by EGE Haina. Haina is developing a 50MW wind farm, Parque Eolico Larimar, next to their existing Los Cocos wind farm near Barahona in the south west part of the island. Additionally, Haina is expanding its solar plant, Parque Quisqueya Solar, in 2016 to add an additional 1.5MW.

Jamaica: Tourism Sector Snapshot

Steady growth in tourism continues to buttress the Jamaican economy, generating over $2 billion annually and employing 90,000 people. Preliminary data from Jamaica's Tourist Board (JTB) indicate that tourist arrivals jumped almost 5 percent to a record 3.7 million in 2015 (Figure 1), making Jamaica the fourth most popular destination in the Caribbean after the Dominican Republic, Bahamas, and Cuba. Increased arrivals were buoyed by a 10 percent expansion in cruise passenger arrivals, a 70 percent surge since bottoming out in 2010. Higher-spending overnight visitors, who stay an average of 8½ nights, increased by 2 percent to 2.1 million. One hotelier noted that growth in this segment is constrained by the country's limited room stock of around 21,500 "beds" as well as the closure of 3 percent of the country's room inventory for refurbishing or expansion. However, higher demand combined with the limited room supply has allowed Jamaica to regain some pricing power. One industry representative said the sector was "back in a sweet spot," allowing hoteliers to finally command pre-recession rates - some of the highest in the region. Online travel agency Expedia Group reinforced such gains, issuing a press release stating travel demand to Jamaica grew nearly 20 percent in 2015 from the previous year.



Tourism revenues climbed for a sixth consecutive year in 2015 to $2.4 billion, solidifying the sector as Jamaica's largest source of foreign exchange earnings. While the industry directly contributes about 8 percent of GDP – primarily through hotels and other accommodations – its indirect impact permeates the entire economy. Based on JTB estimates for 2014, the hotel and accommodations sector purchased over $2.5 billion in domestic goods and services, equivalent to an additional 17 percent of GDP. Tourism-related industries, such as restaurants, bars, tour operators and transport companies, earned almost $1 billion or 7 percent of GDP during the same period. Although tourism is one of the lower-paying sectors for the vast majority of positions, it still provides direct employment for 90,000 people and indirect employment for another 190,000 Jamaicans. Based on these estimates, the sector provides opportunities for approximately 25 percent of Jamaica's employed labor force.

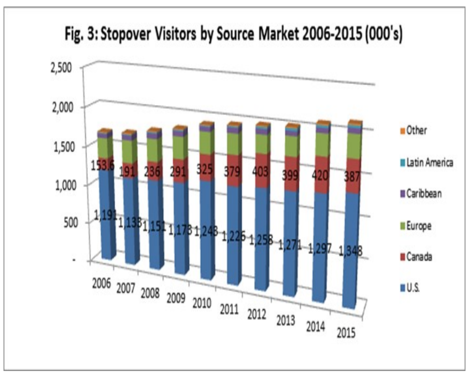
After marginal growth through 2013, tourism earnings rose 6 percent in 2014 and 2015.

USA Remains Dominant Source of Visitors

American visitors account for an estimated 1.35 million or almost two-thirds of all overnight visitors. The 4 percent jump in U.S. arrivals from 2014 to 2015, well above the average 1 percent growth from 2010- 2014, reflects the stronger U.S. economy and appreciation of the U.S. dollar relative to the Jamaican dollar. Visitors from Canada increased from 154,000 in 2006 to

Jamaica (continued)

420,000 in 2014, supplanting Europe as Jamaica's second largest source market. Arrivals from Europe, led by the United Kingdom, remained steady at about 277,000 visitors in 2015. Although Jamaica has made efforts to attract more tourists from China and other parts of Asia, its top three source markets still account for 95 percent of all visitors (Figure 3).



The United States (64 percent), Canada (18 percent), and Europe (13 percent) account for 95 percent of all visitors.

Building Brand Appeal

The JTB spends upwards of $25 million a year marketing the island, while brands like Sandals spend multiples of this on advertising. These efforts appear to be paying dividends, as TripAdvisor Travelers' Choice has ranked Jamaica number three on its 'World's Best Islands" list based on the quantity and quality of reviews and ratings for hotels, restaurants, and attractions. Jamaica has transitioned into a year-round destination, with the traditionally slow fall season registering nearly 90 percent occupancy levels at most hotel chains. One hotel noted that while "everything used to fall in fall," now he sees high occupancy levels all year. Smaller properties have not missed out on the bonanza, with some operators registering record occupancy levels for the traditionally-low autumn season as well. According to *TripAdvisor*, Jamaica dominated the category of Best Small Hotels in the Caribbean in 2016, holding down the number one, two, four and six slots – a notable achievement for an island predominantly known for its enclave all-inclusive model. Another hotelier commented that the Jamaican brand attracts a huge premium that benefits the entire tourism sector, although he lamented that higher operating costs erode some of the gains.

Investment in Infrastructure Driving Growth

Infrastructural improvements such as upgraded airports, modern highways, and significant hotel investments have positioned the tourism sector for continued growth over the medium-term. Sangster International Airport in Montego Bay, taken over by Mexican company Grupo Aeroportuario del Pacifico in April 2015, was voted the Caribbean's best airport in 2015 by TripAdvisor. Last year it served over 30 airlines, handled four million passengers (including locals), and set a new one-day record of 14,000 passengers on 55 flights on December 28, 2015. China Harbor Engineering Company (CHEC) recently completed a North-South highway that cost $730 million connecting Kingston with Jamaica's north coast resort areas.

Mexico has supplanted Spain as the top investor in building and refurbishing hotels, with Chinese and Jamaican investors also showing confidence in the sector. Altogether, investments exceeding $2.5 billion will add more than 15,000 new rooms over the next ten years. Mexican-owned Karisma Resorts and Moon Palace announced combined investments of over $1 billion. Spanish group H10 Hotels in 2015 announced a $200 million resort development involving two hotels. Joint ventures involving Canadians, Italians, and U.S. respectively are in planning stages. Chinese investors plan to build a number of new hotels on prime real estate transferred to them as part of the road-building arrangement with CHEC. Finally, two investors granted casino licenses expect to break ground in 2017 for projects

Jamaica (continued)

costing over $1.5 billion, with the larger of the two projects dependent on Chinese financing. When completed, these new players plan to attract more visitors from Latin America and Asia, extending Jamaica's tourism appeal beyond North America and Europe.

Domestic players are also investing. Sagicor Life Jamaica (SLJ), which owns the Jewel Resorts brand, has invested over $140 million in three hotels. The company spent another $5 million to construct the largest waterpark in the Caribbean. Its latest acquisition, the Hilton Rose Hall Resort and Spa, was purchased from the Blackstone Group in late 2014, with expansion plans announced in May 2016. Jamaica Property Company invested $8 million for a 35 percent stake in a 130-room Marriott Courtyard recently built in Kingston - the first Leadership in Energy and Environmental Design (LEED) project in Jamaica. The company has also partnered with Downing Street Partners Realty of Canada to purchase an old hotel on Kingston's waterfront for $3 million and will spend an additional $25 million to refurbish the building and use a Starwood or Marriott brand. For $17 million, the Hendrickson family, owners of several Kingston hotels, purchased the Wyndham Hotel, which was gutted by fire and left idle four years ago. They plan to spend $40 million in reparations and renovations.

Dominican Republic to Speed Up Importation Process for U.S.-Made Steel Rebar

Since 2012, the Dominican import regulations by the Ministry of Industry and Commerce's Dominican Institute for Quality (INDOCAL) have required U.S. rebar exporters to present a quality certification from a third party testing facility for each shipment after arriving into the Dominican Republic (DR). Since no such facility exists in the DR, the Dominican importer of U.S. rebar sends samples to a qualified third-party testing facility in another country, usually the United States. These requirements add 20 days to 30 days to the import process imposing substantial costs on the importer, making the imported rebar less competitive than locally produced rebar. Dominican rebar exporters to the United States do not have the same requirement. The regulation is based on the U.S. American Society for Testing & Materials (ASTM) standards that U.S. manufacturers are already required to meet.

On May 3, the Ministry of Industry and Commerce agreed on a temporary solution to speed up the importation of rebar. While the Dominican government works to revise import regulations, INDOCAL will be authorized to accept quality certifications by an accredited third-party laboratory or a mill's self-certification if it is approved by an accredited third-party laboratory. Importantly, the certification can be acquired prior to the rebar departing the United States.

Brazil (continued from page 1)

ate regulation of rapidly evolving digital technology, network neutrality and the protection of personal data are highly controversial in Brazil. After the law's passage, the Ministry of Justice led a two-year debate – again through an online platform, which included public comments by U.S. industry and NGOs – to draft implementing regulations clarifying its provisions. The final step was a review by the Presidency, which finally approved it on May 11, the evening before President Rousseff was suspended from office. While the regulations would go into effect June 10, industry experts confirmed that the acting Temer administration would have the authority to revoke them in whole or in part. The issue of "personal data protection," meanwhile, was shifted to a side track: draft legislation currently with Congress, and industry associations are encouraging the tempering of proposed user consent obligations and cross-border data transfer restrictions that companies say resemble strict European Union rules.

Over 200 court cases touching on MC-related issues, such as freedom of expression and privacy online, resulted in part from the long absence of implementing regulations. In December 2015 and May 2016 state judges ordered the popular U.S. messaging application WhatsApp blocked. The powerful multi-stakeholder Brazilian Internet Steering Committee (CGI.br) argued the shutdowns violated MC; higher courts agreed and overturned the blocks, but the episodes disrupted communication and commerce and highlighted the need for regulatory clarity. One political party subsequently asked the Supreme Court to categorically prohibit judicially ordered messaging-service outages, arguing that such orders are disproportional and violate the right to free expression, enterprise, and competition.

Some industry representatives said MC regulations appear to disallow "zero rating" deals, under which connectivity for certain apps and services – including popular U.S. platforms WhatsApp, Facebook, and Twitter – has been provided to Brazilian users for free, while connectivity for competing platforms counts against users' data quotas. But other contacts said Brazilian regulators could interpret the text to allow zero rating. Brazilian civil society contacts, meanwhile, hailed the apparent prohibition on zero rating as a victory for network neutrality, arguing that zero rating can diminish the government's incentive to expand general connectivity and limit the Internet's democratizing potential as an instrument of open information and empowerment.

MC regulations also require ISPs to store user connection logs, and they offer a definition of "personal data" – prompting Brazilian legal experts to point out inconsistencies between the regulations, existing legal obligations, and the data protection legislation currently being developed. For their part, some Brazilian netizens expressed renewed concern over the forced collection and retention of user data.

Baja California Sur's Largest Port Set for Expansion

Baja California Sur's largest port, Pichilingue, will increase its cargo capacity by 66 percent in the coming years, from 2.7 million metric tons to 4.5 million metric tons. The Ministry of Transportation and Communications will invest $8.8 million to modernize the port, which is located approximately 20 miles from the state capital of La Paz. The plan aims to keep the port operational for the next 20 years and will increase its footprint from six hectares to 10 hectares. Approximately 80 percent of all goods entering Baja California Sur currently pass through this port.

Jamaica: Latest Renewables Tender and Changing Energy Mix

On May 10, Jamaica's Office of Utilities Regulation (OUR) selected Eight Rivers Energy Company (EREC) to build, own and operate a 33.1MW solar photovoltaic (PV) power facility in western Jamaica. EREC proposed offering power at 8.54 cents/kWh– substantially lower than the three projects selected in the last renewable energy tender in 2013. The project is estimated to cost around $50 million to develop. In its announcement, the OUR said the 19 bids, including wind, solar, hydro, and waste-to-energy project proposals, represented "Jamaica's most competitive renewable energy procurement to date" reflecting the continuing reduction of renewable energy costs. EREC reportedly has already submitted its one percent bid bond of about $500,000. EREC is a 50/50 joint venture between French energy company Neoen International and UK-based Rekamniar Frontier Ventures.

OUR anticipates that a 20-year Purchase Power Agreement could be completed within a year, especially given that negotiations with the island's utility Jamaica Public Service Company (JPS) and OUR should be easier to finalize than the first-ever discussions with renewable energy firms that won Jamaica's 2013 tender. Fuel diversification, project location, and systems impact were all major considerations both then and now.

Makeup of Jamaica's energy generation sector

On its current 925MW grid, just six percent of Jamaica's total system generation comes from hydro (2.5 percent) and wind (3.5 percent) while the remaining 94 percent is split almost evenly between diesel and heavy fuel oil (HFO) – two high polluting fuel sources. However, Jamaica's energy supply mix will change substantially over the next few years with the commissioning of three renewable projects, two by U.S. firms and the introduction of liquefied natural gas (LNG). In June 2016, BMR Energy's 36MW Wind Farm, WRB Energy's 20MW Solar PV facility, and Parastatal Wigton Windfarm's 24MW expansion will all come online. New Fortress Energy should begin delivering LNG to the newly converted 120MW Bogue combined cycle power plant in Montego Bay in August. By 2018, New Fortress will also supply the fuel for a newly-built 190MW LNG power plant in Old Harbour, allowing JPS to decommission an inefficient, heavily polluting diesel plant. Based solely on projects now in development, Jamaica's oil-based energy generation capacity will fall to 46 percent, while LNG (34 percent), wind (11 percent), and solar (6 percent) will become more prominent in Jamaica's energy mix.

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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