# Overseas Business Insights

## August/September 2016

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

### In this Issue:



## Quebec Aerospace Strategy Invests in Supply Chain, Defense, and Green Aircraft

Through Quebec's 2016-2021 Aerospace Strategy, the government of Quebec aims to diversify its aerospace sector by strengthening SMEs. Quebec's Aerospace Strategy allocates $190 million in direct support and $200 million in guaranteed loans to Quebec's aerospace industry. The Government of Quebec hopes that its incentives will attract $2.2 billion in private sector investment. Quebec will help SME's looking to make international acquisitions by negotiating on the companies' behalf, guaranteeing loans, and making joint investments. The Government of Quebec will mentor Quebec SMEs to guide expansion projects, provide strategic advice, and arrange for workforce training.

Quebec is focusing on attracting Tier-1 suppliers, which would seamlessly integrate into the production process of the prime contractors they supply. Quebec hopes to attract new Tier-1 suppliers to the province and help Quebec's Tier-2 sup-

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## Northeast Brazil Leads Growth of Wind Energy Sector

With vast areas of excellent wind characteristics, the historically underdeveloped Northeast region of Brazil has the ideal conditions for the growth of wind energy. Large hydroelectric dams dominate Brazil's electricity matrix, but industry experts in Rio Grande do Norte, the northeastern state leading in wind energy production, have noted that the record-low water levels in 2001 spurred a shift toward diversification and investment in wind power. Following successful government energy auctions and years of political interest in developing the Northeast, the wind sector has grown rapidly. The prime attraction is simple – the Northeast has excellent wind resources, cheap land, and political will. Brazil has an installed wind capacity of 9.7 GW from 395 parks, with another 2.9 GW under construction and 5.3 GW of permitted wind power yet to begin construction. The Northeast alone contains five of the seven states with the highest installed wind energy capacity and consequently produces almost 80 percent of the country's wind energy. While wind generates an average 6 per-

# Northeast Brazil (continued)

cent of Brazil's electricity, it generates between 20-40 percent of daily base load power in Northeast, a region larger than Colombia. On particularly windy days, wind power in the Northeast has also set Brazilian records by providing daily base load to 90 percent of total regional power.

The northeastern wind sector comprises both Brazilian and foreign firms involved in electricity generation and component production (i.e., flanges, towers, blades, and sheeting). Experts expect the wind industry to grow by 129 percent in the next five years, on track to meet a government target of 24 GW of installed wind capacity by 2024.

Industry representatives foresee the return of domestic growth as early as 2018 and, in the meantime, some producers are actively seeking out export markets, such as the U.S., for components. A Danish/Dutch company that produces wind blades and is based in Suape Port in the northeastern state of Pernambuco announced in April they would start exporting blades to the United States. As the industry scales up, prices have fallen accordingly, and Brazil now enjoys the world's third lowest cost for wind power generation. Consequently, developers continue to invest in wind in Northeast Brazil. The Brazilian Wind Energy Association (ABEEOLICA) estimates that private sector investments in wind farms between 2015 and 2016 were $18 billion. For example, in October 2015, a Brazilian energy group announced it would invest $400 million in wind power generation in Northeast Brazil.

| Installed Wind Energy Potential (MW) | | |
|---|---|---|
| 1 | Rio Grande do Norte | 3,115.6 |
| 2 | Bahia | 1,897.8 |
| 3 | Ceará | 1,580.3 |
| 4 | Rio Grande do Sul | 1,568.8 |
| 5 | Piauí | 826.9 |
| 6 | Pernambuco | 593.4 |
| 7 | Santa Catarina | 238.5 |
| 8 | Paraiba | 69 |
| 9 | Sergipe | 34.5 |
| 10 | Rio de Janeiro | 28.1 |
| 11 | Paraná | 2.5 |
| | TOTAL | 9,955.4 |

*ABEEOLICA*

# Argentina Boosts Access to Public Information

On September 14, the Argentine Congress voted overwhelmingly to enact a sweeping access-to- public information law that explicitly applies to organizations receiving public funding: all three branches of the federal government, the public justice offices, and entities such as businesses, political parties, universities and trade associations. The previous 2003 access-to-public information law applied only to the executive branch. Responses to citizen requests for public information must be answered within 15 days, with an additional 15 day extension available for "exceptional" circumstances. Sanctions apply for noncompliance. The law exempts classified information for defense or foreign policy reasons, as well as information that could endanger the functioning of the financial system, trade secrets, or in commercial, financial, and scientific cases where disclosure could adversely affect competition. The government has one year to implement the new law.

A new Agency for Access to Public Information will supervise the operation of the law and function as an autonomous entity within the Executive. The Director will be nominated by the President, and approved by the Senate after a public comment period similar to the nomination of Supreme Court justices. To be eligible for appointment, the Director must not have served in a government or political party position in the previous five years. The Director will serve a five-year term.

## $30-million Data Center Opens in Montreal

On September 13, a Canadian integrated telecommunications company opened a new $30-million data center built for cloud computing. The 4,000-square-meter facility (43,100 square feet) has a 16 megawatt electrical supply, which makes it one of the largest server farms in the province. The company already operates a $27-million data center in Quebec City, which it will connect to the Montreal server farm via fiber optic link. Quebec's cold temperatures reduce cooling systems costs, and the province's cheap electricity make Quebec an ideal location for server farms, one of the selling points Quebec promotes to companies. Montreal's Mayor Denis Coderre stated the new center underscores Montreal's strong positioning as an international hub for innovation and technology. Moreover, the company noted that the data center's proximity to the United States border could be appealing to foreign companies.

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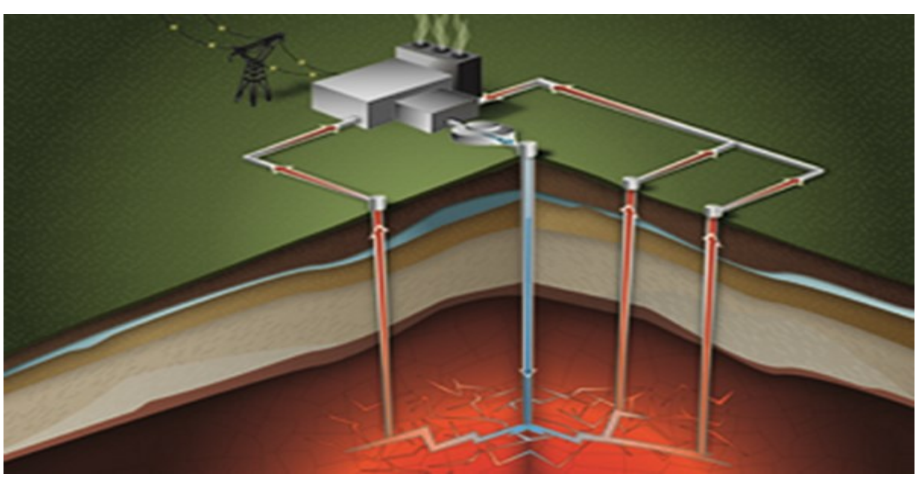
## Costa Rica: Geothermal Energy Project Boosted by Japanese Support

Japan agreed to lend Costa Rica $224 million to help finance the construction of a proposed geothermal project that plans to include three geothermal power plants capable of generating 165 megawatts – Pailas II and Borinquen I and II. The project would be constructed near the Rincón de la Vieja Volcano National Park in northwestern Costa Rica to tap into geothermal energy associated with magma near the active volcano. The total project cost is estimated to be $558 million ($234 million for Borinquen I, $167 million for Las Pailas II and $157 million for Borinquen II.) In addition to the loan from Japan, Costa Rica will draw on a $70 million European Investment Bank loan and Inter-American Development Bank financing (approved in 2014), with the balance covered by Costa Rican national electricity provider ICE.



# Argentina Launches Renewable Energy Program RenoVar

The Government of Argentina (GOA) published Bidder's Terms and Conditions (T&Cs) for the first round of its RenoVar program in the official gazette on July 26. The final T&Cs link: http://www.energia.gob.ar/contenidos/archivos/Reorganizacion/informacion_del_mercado/mercado_electrico/plan_renovar/RenovAr_Round_1_-_RfP_with_Annexes_(fv_07-25-2016)_(English_Version).pdf

Argentina currently generates over 60 percent of its electricity using fossil fuels. This auction is one way the Macri administration is addressing the nation's goal of increasing the percentage of clean energy in the power grid from under two percent in 2015 to eight percent by December 2017 and 20 percent by December 2025. Argentina's renewable energy law obligates the country's estimated 7,000 large energy consumers (those that contract for peak power of 300 kws or more) to source at least eight percent of their energy from renewable energy (RE) sources by 2017 or they will be fined. Consumers can fulfill this requirement one of three ways: 1) purchasing RE from the government; 2) purchasing RE from a private source; or 3) self-generating RE. The RenoVar program will generate additional RE available for purchase through power purchase agreements (PPAs) with Argentina's energy wholesaler CAMESSA for a price that by law cannot exceed $113 per mwh for terms not exceeding 20 years. In a complementary measure, the government set aside $1.7 billion in 2016 to pay incentives under RenoVar. The most significant of these is the $800 million set aside to create a renewable energy fund, FODER. The primary use of the fund will be to guarantee power contract payments. In addition, firms that source materials and labor domestically – for instance, Argentina has three domestic wind turbine manufacturers: IMPSA, NRG, and INVAP – can apply for favorable financing through the fund.

Through this auction the government sought to source approximately one gigawatt of power allocated as follows: 600 MWs wind; 300 MWs solar; 65 MWs biomass; 20 MWs small hydroelectric; and 15 MWs biogas. Power generation developers responded strongly. Bids were due September 5 and the government reported it received 123 offers for a total of 6.366 gigawatts, more than six times the 1 gigawatt sought. Solar and wind offers exceed their quotas, while biogas, biomass, and small hydro are undersubscribed. The offers now pass through a technical evaluation, review of their financing, and final adjudication. Contracting is expected in November.

# Peru: Arms Wide Open to Tourists

Home to twelve UNESCO World Heritage sites and eleven ecoregions, Peru's tourism sector has become an engine of growth over the last fifteen years. In 2015, foreign tourism accounted for 3.9 percent of GDP, increasing to 7 percent with the inclusion of domestic tourism. Hailing mostly from Chile, the United States, and other South America countries, Peru's 3.5 million visitors in 2015 represented a 7.5 percent increase over the previous year and a 32.8 percent increase since 2011. Tourists spent $4.2 billion in foreign currency in 2015, and the industry directly and indirectly employed 1.2 million people in 2014. Peru looks to improve its tourism business by enhancing accessibility, quality of experience, and security.

The government aims to better coordinate its government agencies to strengthen strategic management of the sector. By streamlining tourism sector management through a national government focus on creating standard processes, the government hopes to apply the same training and tools to all agencies. Peru intends to align regional tourism strategy plans with destination and local government plans to establish consistent criteria for prioritizing, scaling, and establishing accountability in tourism development. Another stated objective is to develop a statistical system to monitor development and encourage better-informed strategic decisions. Moreover, the new administration wants to ensure that regional and local government budgets allocate at least five percent of spending to tourism.

To reap the full economic benefits of tourism and improve service provision and security, the government intends to formalize the sector. Currently, 55 percent of the tourism industry is informal. These unregistered tour guides, drivers, attraction sites, and hotels represent an estimated $750 million in annual untaxed income. The new administration plans on a 15 percent average annual increase in business formalization by proposing to channel tax revenue from tourist operators towards destination development. By improving destinations (through better transportation infrastructure, for example) to increase the number of visitors and commercial activity, the Ministry of Foreign Trade and Tourism (MINCETUR) hopes to incentivize operators to formalize. The plan will offer financial rewards to companies that voluntarily formalize and participate in international fairs, technical training, and customer service workshops.

The administration has prioritized completion of two aviation infrastructure projects to reduce congestion at Lima's Jorge Chavez airport. The government will continue smaller-scale infrastructure works seen as key for improving the local destination experience. For example, MINCETUR invested $21 million in a new gondola lift to attempt to develop the ancient city of Kuelap

## Peru (continued)

into a "second Machu Picchu." A $28 million waterfront development at Yarinacocha Lake in the Ucayali region is expected to attract 246,000 visitors per year, providing a $141 million boost to the surrounding area. MINCETUR has also prioritized museum and archaeological renovations to maintain attraction competitiveness, such as projects at Lima's Art Museum (MALI), the Pachacamac archaeological site near Lima, and the Marcahuasi ruins.

The government has said it will place new emphasis on tourism promotion to develop specific segments: culture, nature, gastronomy, relaxation, business, and adventure. Under the proposed plan, MINCETUR will help the private sector, along with regional and local governments, by providing technical assistance and co-financing for tourism product development. The new plan proposes creation of a "Tourism Innovation Fund," which will allocate $3 million to generate 100 new business ventures by 2021. Within these segments, the government looks to identify niche markets ripe for growth, such as surfing Peru's epic waves and bird-watching.

The government will also promote inter-country and intra-regional travel via Magical Tourism Routes (*Rutas Mágicas de Turismo*) and Pacific Alliance coordination. By packaging regional gastronomic, historical, and natural attractions into programs such as the "Amazon Magical Route" and the "Northern Beaches Magical Route," the government plans to showcase lesser-known regions and sites. Peru is collaborating with its Pacific Alliance partners (Chile, Colombia, and Mexico) to increase intra-regional tourism, including joint marketing to the Chinese market. The teamwork appears to be yielding results-- - the bloc saw a 13.5 percent increase in intra-regional tourism in 2015 and a 35 percent spike in Chinese tourists in the first quarter of 2016. Peru aspires to have 12 highly competitive locations by 2021.

Investment Opportunities

Following successful international events in the last year, the meetings, incentives, conventions, and events (MICE) market has emerged as a leading segment and investment opportunity in Peru. Propelled by the construction of the $200 million Lima Convention Center, Peru hosted the World Bank and IMF annual meetings in 2015, is hosting APEC in 2016, and plans to hold the International Olympic Committee Session in 2017 and the Summit of the Americas in 2018. The new Minister of Foreign Trade and Tourism estimates the increased inflow of corporate tourists due to such events will generate an additional $29 million in the next three years. MINCETUR predicts hotel investments to reach $1.1 billion for 2017-2021, double the amount of the previous five years.

In September 2015, the government approved creation of the "One-Stop Tourism" (*Ventanilla Única de Turismo*) program. The government's proposed integration of bureaucratic processes into one electronic platform will make it easier to set up (and formalize) tourism businesses with the hope that it will reduce paperwork by up to 80 percent and generate $18 million in savings for the sector in 2017. In order to bridge the infrastructure gap and forge public-private partnerships, the Ministry plans to leverage the *obras por impuestos* program through which companies finance public works in exchange for future tax breaks.

## Quebec Canada (continued from page 1)

pliers reach Tier-1 status. The province's $7.5 million "MACH-FAB 4.0" project helps Quebec SMEs create smart manufacturing processes that they need to become Tier-1 suppliers. Specifically, the Government of Quebec will work with local research centers to develop, and then finance, strategic plans to implement software and new technology.

The Quebec Government will create a web portal to offer support to Quebec aerospace companies to bid on Canadian defense contracts, and make it easier for defense companies to invest in the province. Canadian procurement regulations require foreign companies bidding on military contracts worth more than $80 million to have business operations in Canada equal to at least as much as the contract value.

By investing $30 million over the next four years to expand its *Smart Affordable Green Efficient* (SAGE) program, the government will encourage the development of environment-friendly manufacturing processes and energy efficient aircraft. Quebec will fund these projects with its Green Fund, which consists of revenues collected from its joint carbon market with California. The Government of Quebec has defined itself as a leader in the fight against climate change.

## Canada: Ontario and Michigan Sign Auto Sector MOU

Both Ontario and Michigan are part of the Great Lakes automotive manufacturing cluster, one of three such clusters in North America. In an effort to establish a competitive edge for the auto industry in the Great Lakes region, on August 3, the Province of Ontario and the State of Michigan entered into a Memorandum of Understanding (MOU) to promote innovation in the automotive industry and to encourage regional competitiveness. Ontario and Michigan are two of the leading automotive jurisdictions in North America – together accounting for more than 26 percent of North American vehicle production.

The MOU provides the State of Michigan and the Province of Ontario a framework for future agreements and collaboration in the sector. It aims to increase efficiency by streamlining and removing impediments in the cross-border manufacturing process, during which parts and vehicles move back and forth across the border multiple times. Ontario Premier Kathleen Wynne noted during the MOU signing that the region will also need to identify and market an advantage over the other clusters in order to attract new automotive investment, pointing to an "educated workforce" as a key edge. To help identify opportunities for this regional collaboration, the MOU calls for the creation of a joint working group that will explore the following areas:

- Sharing best practices in industry strategy, regulatory and policy approaches, and workforce skills development;
- Collaboration on technological advancement, including autonomous vehicles, lightweight materials and alternative fuels, and creating a demonstration roadway to showcase innovative technologies;
- Increased supply chain integration and technology transfer through business-to-business partnerships and matchmaking events.

## Metro-Vancouver Emerging as a Pacific Hub for Innovation

British Columbia's (BC's) tech sector is thriving; it supports 84,000 well-paying jobs. The Vancouver suburbs of Surrey, Burnaby, and New Westminster are defining themselves as innovation hubs in BC. Surrey has been a leader in attracting international tech start-ups and, since 2010, Canada's Real Estate Investment Network has consistently named it the top British Columbian city in which to invest. There are more jobs in the tech sector than in forestry, mining, oil, and gas combined. Growth in this sector can be partially attributed to the recent influx of U.S. based tech giants establishing outposts in the region. From 2010 to present, tech giants have established offices in Vancouver and surrounding suburbs, in addition to nearly 100 new start-ups and tech incubators.

Innovation Boulevard in Surrey is a partnership of health, business, higher education, and government organizations creating new health technologies. The partnership has six testing/manufacturing facilities designed for fostering advancements in neurological medical imaging, enhanced prototyping, and high computing capabilities.

The Health Tech Innovation Foundation (HTIF) is the first of three technology incubators planned for Innovation Boulevard. HTIF is currently home to ten entrepreneurial ventures focused on medical technologies, and shares a partnership with the Israel Center for Medical Simulation at the Sheba Medical Center. According to Surrey City officials, 43 companies and three multinational corporations are looking to establish outposts along Innovation Boulevard in the coming years.

In June 2016, following the expansion of VentureLabs – rated a top-performing BC accelerator for job creation and capital formation by the National Research Council of Canada, Burnaby unveiled the first phase of the Silicon Valley-inspired Eastlake Campus. By the fall of 2017, the completed campus will consist of six low-rise office buildings with capacity to house dozens of companies of various sizes and roughly 600-700 workers. A number of companies have already moved in or signed leases at the campus.

In March 2016, New Westminster released their IDEA Centre Roadmap, detailing a major expansion of its healthcare infrastructure. To support the expansion and attract high-tech startups, the city is building a powerful new fiber-optic communications corridor – the first of its kind in BC. In addition, New Westminster is constructing a district energy system to provide renewable heat and hot water to the new facilities.

## $1.4-billion Hydro Project On Line – Largest Investment in Costa Rican History

Costa Rica's President Solís inaugurated the 305 megawatt Reventazon hydropower project on September 16 with much fanfare. The state-run electricity company in charge of the project, ICE, indicated the $1.4 billion investment, including $200 million from the Inter-American Development Bank, provides enough electricity for about 500,000 homes – about 10 percent of the country's electricity needs. The project contributes to Costa Rica's goal of becoming carbon free in the power sector.

## 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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