

Overseas Business Insights

January/February 2019

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



In this Issue:

Canada – Arctic Opportunities	1
Canada – Ontario Tech Sector	1
Canada– Supply Chain Supercluster	5
Costa Rica – Water Treatment	5
Resource Links	6

Spotlight on Canada:

Commercial Opportunities in the Canadian Arctic

The Canadian Arctic covers 40 percent of Canada’s territory and is becoming increasingly accessible as sea ice diminishes. Yukon and the Northwest Territories have jurisdiction over their territorial lands and resources through the process of devolution. Nunavut (approximately 1.9 mil-

lion square kilometers -- roughly one-fifth of Canada) is still in devolution negotiations with the federal government to transfer surface and sub-surface rights to the territory. These arrangements re-



late to land and water management, resource development, environmental assessment, social services, education, and wildlife. In addition, land claim agreements establish constitutionally based co-

management arrangements between Indigenous groups, the federal government, and applicable provincial and territorial government agencies. There are four Inuit land claim regions constituting the Inuit “homeland” known as Inuit Nunangat: Nunavut; the Nunatsiavut re-

(continued on page 3)

Tech Sector Growth in Ontario: Going Global

The Canadian federal government recognized and highlighted Ontario’s healthy innovation ecosystem by investing in the Ontario Advanced Manufacturing Supercluster. The supercluster, selected under the federal government’s \$716.4 million Innovation Superclus-

ters Initiative as announced in its Budget 2017, is focused on building up next-generation manufacturing capabilities through the incorporation of technologies like machine learning, cybersecurity, additive manufacturing (3D printing), and advanced robotics. Partici-

pants in the supercluster aim to develop Ontario as a global technology leader facilitating diverse and skilled talent pools, increasing access to innovation, and providing Canada with a global competitive advantage in the technology and innovation sphere. The Government

of Canada estimates this supercluster will contribute more than \$10.2 billion towards the national GDP and create more than 13,500 jobs in the region by 2027.

Ontario’s nascent technology supercluster in the Toronto-Waterloo region



Canada: Tech Sector Growth (continued)

has the potential to become one of the top innovation ecosystems globally, according to a white paper released by global management consulting firm McKinsey & Company analyzing the supercluster's impact on Canada's status as a global innovation hub. A central part of Ontario's ecosystem, the 100km-long Toronto-Waterloo region innovation corridor, is the second largest technology cluster in North America, connecting 5,200 tech startups, 15,000 tech companies, and 200,000 tech workers. The Toronto-Waterloo corridor is among the top 20 technology clusters in the world, according to the Global Startup Ecosystem Report 2018. The corridor is among only three startup ecosystems in the world that is strong in four of the hottest areas – financial technology, artificial intelligence-big data, life sciences, and advanced manufacturing-robotics,

according to Startup Genome, a U.S. organization that released the report in April 2018. Regional tech incubators are also demonstrating their reach beyond the country's borders: for example, in 2017 one organization opened a New York City office to allow Canadian start-ups to scale up internationally.

The Ministry of Economic Development, Job Creation, and Trade (MEDJCT) indirectly through its venture capital agency, the Ontario Capital Growth Corporation (OCGC), funds a number of programs aimed at fostering sustainable venture capital markets in the Ontario marketplace. Investments help promote the growth of scaling companies with a strong focus on Ontario-based companies looking to scale globally. Some past venture OCGC funds include: the Ontario Emerging Technologies Fund (OETF), the Ontario Venture Capital Fund (OVCF), the Northleaf Venture Cata-

lyst Fund, Cleantech Equity Fund Initiative, and Life Sciences Venture Capital Fund Initiative. As co-initiatives between the provincial government and leading institutional investors, the funds support Ontario's venture capital, technology and innovation ecosystem to attract investment and enable growth.

Ontario's venture capital agency, OCGC, is a separate initiative from its other business incentive programs. For information on Ontario's business incentive programs and services please see: <https://www.investinontario.com/incentive-programs-and-services>.

U.S. companies with Canadian subsidiaries or a strong presence in Ontario are eligible to participate as project collaborators, as long as the project can fulfill criteria for creating Ontario jobs and contributing to the Ontario economy. U.S. companies are

also eligible to participate as listed suppliers to the Canadian project participants and other Ontario business incentive programs and services. For more information, please visit <https://www.investinontario.com>.



Canada (continued from page 1)

gion in Labrador; the territory of Nunavik in northern Quebec; and the Inuvialuit Settlement Region.

The 44,000 Inuit make up the vast majority (85 percent) of the population of Canada's Arctic. Additional Arctic Indigenous peoples include Gwich'in in Yukon and the Northwest Territories, the Dene of the Northwest Territories, the Innu in Labrador, the Cree around Hudson Bay, and Métis peoples, who make up another two percent of the total population. The largest population centers in the North are the territorial capitals of Whitehorse, Yukon (25,000); Yellowknife, Northwest Territories (20,000); and Iqaluit, Nunavut (7,700). All of these cities are below the 66th parallel north. Iqaluit is the closest to the Arctic Circle. Indigenous youth are the fastest-growing segment of



the Canadian population, and as the working-age population expands, some estimate the Canadian economy is missing out on over \$20 billion due to the “under-utilization” of the Indigenous workforce. The combined income of Indigenous communities in Canada is approximately \$23 billion.

After more than two years of co-development with Indigenous (First Nations, Inuit, and Métis) and provincial and territorial leaders, Canada hopes to release its new Arctic and Northern Policy Framework this spring. The Framework will guide Canada's priorities, activities, and investments in the Arctic until 2030. Policy priorities will include: comprehensive Arctic infrastructure, strong Arctic people and communities, strong, sustainable and diversified Arctic economies, Arctic science and Indigenous knowledge, protecting the environment and conserving Arctic biodiversity, reconciliation, and Arctic in a global context.

The devolution of powers,

settlement of land claims, and finalization of self-governance agreements with Arctic communities would fulfill the Trudeau government's commitment to reconciliation, as well as open more opportunities for foreign direct investment. While indigenous communities can negotiate investment agreements with a foreign entity, the investment is subject to applicable Canadian federal and provincial law and regulations such as the Investment Canada Act.

Canada's new Arctic policy will offer opportunities to attract significant new investment to the North. The government is already taking steps to fund key infrastructure to promote sustainable growth, especially by reducing costly dependency on diesel for electricity generation in remote communities, establishing year-round transport links (roads and ports), closing the digital divide, and resolving the region's acute housing



shortage. Some key government initiatives include:

Infrastructure and Energy

Infrastructure Canada will invest \$1.8 billion through the Rural and Northern Communities Fund over the next decade to support a broad range of rural and northern infrastructure.

The \$300 million Arctic Energy Fund will be delivered as part of the “Rural and Northern Communities Infrastructure” funding stream to support energy security in the territories, including Indigenous communities.

The Arctic Energy Fund will provide funding for communities to upgrade existing fossil fuel based energy systems or to replace these systems with renewable energy options, thus contributing to improved reliability, efficiency as well as pollution reduction.

Natural Resources Canada (NRCan's) “Off-Diesel Initiative” launched in February 2019. NRCan will award each community \$1 million (up to 15 communities will be selected); in



Canada (continued)

spring 2019 for training and planning/development/implementation (i.e. seed funding). The goal of the Off-Diesel Initiative is to reduce remote communities' reliance on diesel for heat and power by encouraging community-driven renewable energy projects.

Telecommunications

The Connect to Innovate program will invest \$380 million by 2021, to bring high-speed internet to rural and remote communities in Canada.

Housing

The federal government has allocated \$490 million over the next 10 years toward housing for Inuit in Nunavik, Nunavut, Nunatsiavut, and the Inuvialuit Settlement Region.

Science and Research

The federal government has allocated \$15 million over four years, starting in 2019/2020, to POLAR Knowledge Canada. The

money will support the Canadian High Arctic Research Station in Cambridge Bay, Nunavut.

Commercial Opportunities

There are many opportunities for collaboration with the public and private sectors as well as academic entities to work together in Canada's Arctic, including research, telecom expansion, e-services, remote healthcare and safety, mining, oil and gas services, aviation and alternative runway surfaces, agriculture, renewable energy, construction, food services, forestry, as well as growing tourism. In the last decade, large projects in the Northwest Territories, Yukon, and Nunavut included water and wastewater treatment plants, power plants, sawmills, renewables projects (i.e. hydroelectric), roads, harbors, community halls and recreation centers, housing, and bridges.



Some specific commercial opportunities include:

Northern communities prefer the use of Remote Monitoring and Control System (RMACS) and Supervisory Control and Data Acquisition (SCADA) systems installed in their power plants. This allows for cost control and provides operators with real-time process information. However, most systems that have remote monitoring and control are very expensive, and not many small utilities can afford these costs. This presents an opportunity for software and electronics companies to produce systems tailored especially for small plants in the North.

Drones (Unmanned Aerial Systems) can be used in a variety of industries such as food and medicine delivery, providing an unprecedented connection to remote communities, which previously

required cost-intensive helicopter or airplane trips.

Cold-weather testing is a business opportunity for technologies and equipment in the territories.

Low-speed diesel motors have the potential to help increase efficiency of electricity generation in the Arctic.

The Canadian federal government has published its "Canadian Arctic Capabilities" guide which is a useful index of organizational listings and company capabilities based on industry needs and existing and priority sectors in the Canadian North. The 2019 Nunavut Trade Show in conjunction with Northern Lights, Canada's biggest trade show for the Canadian North (set to take place next in Ottawa on February 5-8, 2020), could serve as a good starting point for American businesses interested in the Canadian Arctic.



Canada: SCALE.AI Supercluster Will Focus on North American Supply Chain

SCALE.AI, based in Montreal, is one of five Canadian research superclusters. SCALE.AI seeks to facilitate collaboration between major manufacturers and service providers and smaller artificial intelligence companies to adapt AI products direct-

ly to the market. SCALE.AI received \$170 million from the Innovation Superclusters Initiative on December 6.

SCALE.AI is expected to have a regional focus for its first wave of supply chain technolo-

gy that will include the Quebec City-Windsor corridor on the Canadian side, and the geographic area of the United States west of Chicago and north of Washington, DC. U.S. companies with Canadian subsidiaries or a strong presence in Canada are

eligible to participate as project collaborators, as long as the project can fulfill criteria for creating Canadian jobs and contributing to the Canadian economy. U.S. companies are also eligible to participate as listed suppliers to the Canadian project participants.

Costa Rica Water Treatment Challenges Present Opportunities for U.S. Firms

As in many developing countries, treating wastewater in Costa Rica has been a long neglected infrastructure priority. Despite Costa Rica's commitment as a leader in environmental preservation, eco-tourism, and renewable electricity generation, only 14.4 percent of collected sewage passes through a wastewater treatment plant. The country's main water and sewer utility, state-owned Costa Rican Water and Sanitation Institute AyA, has made significant improvements, including

eliminating contamination from latrines – a problem in neighboring countries – by upgrading residences' latrines to septic tanks in the 1980s. However, some homeowners fail to maintain their septic tanks, potentially contaminating groundwater. Meanwhile, roughly half of sewer lines draining from San Jose and other cities empty directly into rivers and into the country's otherwise pristine coastal waters. To address the risk to public health and contamination of water resources, AyA invested \$361 million in



the Los Tajos plant, which opened in 2015.

On December 20, 2018, AyA announced a \$100 million agreement with the German Development Bank KfW to finance sewage plants in four towns, serving a total of 100,000 residents. The agreement requires approval by Costa Rica's National Assembly, with tenders for the four projects to follow.



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>



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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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