

CANARY ISLANDS

The islands are ready to become the Atlantic business platform and gateway for three continents: Europe, America, and Africa.

Tourist center Montañas del Fuego (Lanzarote). www.centrosturisticos.com



Spain's Southern Link to Africa

Located 70 miles off Africa's west coast, the Canary Islands are an ideal platform for firms looking to tap into European and African markets.

His strategic location, coupled with special E.U.-approved trade incentives, has allowed the autonomous community, some 700 miles south of mainland Spain, to set its sights on becoming a business hub within the Atlantic Ocean and a key destination from which to assist Africa's development, to what Dubai has become for the Middle East or Hong Kong for South East Asia.

Although politically within the E.U., the islands lie outside the E.U.'s customs territory and VAT area, and there is a zero tax on certain basic products and services, including telecommunications. Tourism currently makes up just over 40% of the economy on the seven major islands, which benefit from tropical temperatures all year round. Construction, primarily in tourism real estate, accounts for 20% of the gross domestic product (GDP).

The importance of tourism to the economy means many of the islands are looking to upgrade their facilities, while at the same time investigating areas into which they can diversify. Carlos Espino, presidency councillor of Lanzarote's island council, notes, for example, that six million people travel through the island's Arrecife Airport every year.

"On the one hand, we are trying to diversify the tourism offer by providing visitors with different routes, by leveraging the differentiated landscapes and attractions of the island, and on the other, we are trying to diversify the overall economy by investing in other potentially profitable sectors, such as the high-tech industry, pharmaceutical and biotech research, and development, and renewable energies," he says.

"Among the things in need of improvement, one has to mention our infrastructures. These would need investment in the form of foreign capital in order to assure the highest quality and the best possible services to incoming tourists, particularly to visitors reaching the island on cruise ships.

"The Arrecife port facilities, for example, need to be modernized and expanded as soon as possible, and we are actively working towards this end. The idea is to involve both private and public institutions willing to invest in the future of both the port and the island. We welcome international investments and foreign capital inflows."

Enrique Pérez, mayor of Arrecife City Council, adds, "Arrecife is Lanzarote's capital and the island's commercial center. Our fishing port, Puerto de Naos, boasts the largest fishing fleet in the Canaries, while Puerto de los Mármoles is the second-largest container port in the Canaries."

The port authority of Santa Cruz de Tenerife is also seeking joint ventures that will help it develop its infrastructure and increase the traffic at its major port, which has a long and important history. Together with Santa Cruz de Tenerife's city council, the authority is promoting an area of one million square meters for logistics activities so that all unloading traffic and distribution of containers will take place outside of the main port's precincts.

"We understand the ports' activities should be complementary, and there should be enough traffic for them all. With this in mind, we have organized a joint cruise project with Las Palmas, Tenerife, and Madeira (a Portuguese island that lies to the North of the Canaries) to reach Cape Verde," says Port Authority chairman Pedro Rodríguez.

Becoming a cruise hub is also an objective of Las Palmas Port. "Since last year sea traffic has increased 3.3%, with the cruisers having increased 20.4%," says Javier Sánchez-Simón, president of Las Palmas Port Authority.



Mohamed El Mamoune
Regional Director
JOCA



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For five centuries, Las Palmas has been the traditional port of call for all ships sailing on the Mid-Atlantic. It has become the region's main redistribution center due to its strategic geographical location, the excellent conditions of its bay, and the quality of its services. As the main economic driver for the Canaries' busiest city, the port contributes 2.86% of the Canary Islands' GDP. Sánchez-Simón says: "We are an ideal platform for investment. The International Red Cross and Unicef have already decided to use the port as their base, and will move some U.S. \$400 million worth of projects from here per year."

A number of multinationals are also making use of the archipelago as a logistics platform for their Spanish and international business activities, not least the world's largest automobile manufacturer, Toyota Motor Corp., which operates locally as Toyota Canarias. "The Canary Islands has everything a foreign investor may seek: an excellent geo-strategic position right in the middle of three continents, E.U. legislation, which implies stability and security, fiscal incentives with respect to other E.U. regions given its status of ultra-peripheral territory, very good infrastructures, an outstanding education system, an exceptionally pleasant climate, and good food," says Ángel Ferrera, president and CEO since the company arrived in the Canaries in 1973.

Toyota Canarias is an important local employer and, unusually, does not see its growth compromised in the current economic climate. Even in the mature European and American markets, the group predicts sales growth for this year, and a continued strong performance in the Canaries, where Toyota expects to sell 10,000 units, whereas in its record year—2006—11,000 units were sold across the archipelago. "We have a 12.5% market share here, by far the highest level anywhere in Europe, which tells us we are heading in the right direction," Ferrera says.

According to Ferrera, who is also chairman of the Chamber of Commerce



Angel Ferrera
President and CEO
TOYOTA Canarias

and Industry, the Canaries will also play a key role in the overall group's expansion strategy of investment and commercial activities towards Africa. "Our role would be that of strengthening the historical African presence of Canarian companies, above all on the Western coast of the continent, by using the islands' proximity to many markets. Our knowledge of the African market, together with our cultural and geographic proximity, will allow us to do so," says Ferrera.

Toyota Canarias is also brandishing its green credentials as sustainability becomes essential business practice. Toyota Motor Corp. and Toyota Canarias have committed to increase cooperation between the private and the public sectors to reduce emissions from vehicles. To this end, the number of hybrid vehicles produced by Toyota has been doubled and new, even less-polluting models have been designed and manufactured, such as the Prius and the Hybrid Synergy Drive range from Lexus.

Another firm contributing to the Canaries' development is JOCA Engineering and Construction, a Spanish company with offices throughout southern and central Spain and Portugal, that is among the nation's largest companies for water treatment and purification. JOCA is part of the Spanish holding, Katy Group, with a U.S. \$556 million turnover, and has been responsible for an increasing share of the group's turnover, contributing around U.S. \$280 million. The company first

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- A corporate culture providing life time customers
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35 TOYOTA



Las Palmas Port

www.palmasport.es



Ports of Tenerife

www.puertosedetenerife.org

entered the Canaries with a real estate development on Fuerteventura. In 2005 it opened two offices on Gran Canaria and Tenerife, with Mohamed El Mamoune, regional director Canary Islands, Middle East, and Africa, at the helm. From 2005, the company decided it would also undertake projects for external clients, and now works with many central and local government customers.

“Despite the continued success of our Canaries operations—which contribute an ever-increasing share of revenue, from 10-12% in 2006 and up to 15% this year—JOCA has decided to internationalize its operations,” says Mamoune. “This geographic diversification will bring higher stability in turnover, reducing country-specific risk.”

Already present in Morocco, Ukraine, United Arab Emirates, and Brazil, JOCA is planning on operations in Poland, Bulgaria, and Libya, and is about to begin construction of 1,000 residences in its first West African project in Mauritania.

JOCA, deeply committed to assisting Africa’s infrastructural development, sponsored an American trade delegation to the Canaries to secure interest in African development. It is now looking for a local African company with extensive knowledge of that market, and recommends initial establishment in the Canaries as a stable springboard to African investment. “In my opinion, this local partnering, combined with our technical and managerial know-how, is one of the key success factors behind JOCA’s extraordinary performance over the last few years,” Mamoune says.

Meanwhile, Canarian energy company DISA Group, which boasts a 75-year history, has interests in gas stations, logistics, shipping, construction and tourism. The first Spanish company devoted to LPG distribution, DISA later acquired Shell’s 265 retail operations on the Spanish mainland. It is now the leading energy distribution company in the Canary Islands, with the widest distribution network of fuel, butane gas, and propane on every island.

Under CEO Raimundo Baroja, DISA has embarked on a strong renewables drive, with the installation of a biodiesel plant that has a capacity of 150,000 metric tonnes a year. It hopes to begin production of wind energy shortly.

Finally, Casa África is a Spanish institution which, from its headquarters in Las Palmas de Gran Canaria, aims to strengthen the natural and well-known role of the archipelago as a platform for



Juan Alfonso Ortiz
Director-General
Casa África

Hispano-African and Euro-African cooperation outside the realms of mass migration.

Ambassador Juan Alfonso Ortiz, the organization’s director-general and a former diplomat,

says: “The Spanish government, sensitive to the current situation in Africa with its challenges and opportunities, and conscious of the ethical and political imperative of giving a new priority to Hispano-African relations, presented the Africa Plan 2006-2008, which provides the framework for Casa África’s activities.”

The Casa África program includes numerous activities in the cultural, university, social, economic, and cooperation fields through exhibits, forums, seminars, diverse presentations, and publications to raise awareness about Africa. Meanwhile, the Spanish government is raising its profile in Africa. More than 20 of its embassies now feature cooperation offices and cultural centers, which aim to give African citizens a realistic portrayal of their closest European neighbor ■

Special thanks to the **Casa África** for co-sponsorship of this report. www.casafrica.es

Special thanks to the **Ayuntamiento de Arrecife** for co-sponsorship of this report.

