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Puerto Rico - Moving in the Right Direction.



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By Alberto Bacó Bagué – Secretary of Economic Development and Commerce of Puerto Rico

I am honored to serve Puerto Rico at a time of critical importance for its future and that of the region. At a time when integration and globalization are fundamental to sustained growth, we are seeking new ways to strengthen ties with our neighbors. A step in the right direction has been our relationship with CARI-

COM, whose contributions to regional understanding are a great example of collaboration, diligence and leadership.

Puerto Rico is undergoing a second economic transformation, from a manufacturing economy to a knowl-



AT A GLANCE

WHO: The Department of Economic Development and Commerce of Puerto Rico

WHAT: Supervises the execution of public policy in the country in terms of economic development

WHERE: San Juan, Puerto Rico

WEBSITE: www.ddec.pr.gov

edge-based one. We have reached a momentum so strong it is practically unstoppable. Yet this transformation also entails taking care of our public finances because economic development and fiscal stability go hand in hand.

The announcement of our government's decision to renegotiate its public debt marks a pivotal moment, and points to a new direction for the coming years. Clearly, we must define a new path to meet present and future obligations. In this regard we are neither the first or last government to face similar circumstances.





Other cities, states, and countries have confronted the same situation only to regroup in order to rebound and prosper. Our current financial situation was caused by decades of prioritizing on short-term, expedient decisions over long-term plans. But a problem of decades in the making will not disappear overnight.

We have taken firm steps to solve our current situation by reforming our pension system, implementing spending restraint measures, and presenting the most austere budget to ensure liquidity of the government. Also, we are addressing energy - one of our most challenging hurdles in economic development - with a complete restructuring process that will incorporate additional sources of energy production, and will translate into savings and a more reliable system for our people. The fact that we are seeing progress at the negotiating table is a clear sign of our commitment to reform and to be more effective. This represents an invaluable opportunity to collaborate and for strategic alliances in the region.

Our geographical location is our most prized possession. We are all unique but at the same time, just by being neighbor countries in this strategic, geographical location called the Caribbean, we are in some ways perceived as the same. Perception is reality, and we should all take it as a huge opportunity. No matter how you place the map, all the Caribbean countries will appear at the center of the Americas. Center is a powerful word and we must use it to our advantage with carefully designed business collaborations to become the world's center for the new economy. As such, we can be the focal point where forward thinkers of all matters and expertise coincide to exchange knowledge and create ideas.

We have invested time and energy over the last three years to restart key sectors of the economy that hold tremendous potential to generate growth. With the

right legislation and leadership we partnered with the likes of Lufthansa, Honeywell, PricewaterhouseCoopers, Santander, and other well-established investors who decided to break ground in the island to do business much beyond the short term. They are world leaders in technology, real estate, and finance. They did it because they are convinced that Puerto Rico represents a sound investment.

The unemployment rate has gone down to from 16.5 percent to 11.4 percent, the lowest for this time of year since 2008; retail sales have had a steady increase over the past years and will reach a projected \$39.5 billion by the end of the year; and we are finally closing the gap between revenue and expenditure.

Key sectors are flourishing: aerospace, bio-pharma, live sciences, technology, tourism, agriculture, research, finances, insurance, and film, among others. Investors and companies of grand international stature have taken advantage of a four percent corporate tax rate. We have designed a highly competitive set of laws that have resulted in alluring foreign capital to stimulate the local economy. By virtue of our unique commonwealth relationship with the United States, Puerto Rico enjoys fiscal autonomy, which means that it can offer very attractive tax incentives not available elsewhere in the U.S. Yet, all federal laws apply to Puerto Rico and companies can enjoy the benefits and protection of operating within a U.S. jurisdiction, with the benefit of doing so under a foreign tax structure. But that is not all. The bilingual and bicultural nature of its people, have placed Puerto Rico as one of the most competitive business destinations in the world.

We have the necessary transportation infrastructure: a port that ranks at #10 in container movement in the United States; an international airport that handles thousands of direct flights to all major cities; and a communication infrastructure to host any type of glo-

balized business venture. We offer legal and financial safeguards to support the most complex operations and we have a highly specialized and highly experienced workforce capable of handling the most elaborate projects.

Puerto Rico offers the lowest operational costs of any jurisdiction in North America, making it the perfect bridge to access a potential market of 500 million people. We are the ideal venue for holding commercial and cultural exchanges between the U.S. and Spanish-speaking countries. There is no doubt that Puerto Rico and its neighboring countries have the capability to create transformative changes at international and hemispheric levels that will influence and shape economic trade policies.

As a step in that direction, I want to propose the development of a regional and cooperative model for tour-

ism that includes Puerto Rico as a strategic partner to propel growth locally and abroad. Our international airport handles thousands of direct flights to all major cities in the U.S. and top destinations in Europe and Latin America. We have reclaimed the position of main hub for the Inter-Caribbean network. In the last two years, Puerto Rico welcomed new regional routes and restored connections to 14 islands in the Caribbean through commercial agreements with Seaborne, Cape Air, InterCaribbean Airways, and Winnair, among others.

Cruise ship visits are also on the rise. Earlier this year we set a new record of 18,000 passengers in one day. In 2016, we will receive the two largest cruise ship boats from the Royal Caribbean line, each with a capacity of 6,300 passengers. This is an opportunity that expands beyond our shores.





Tapping into the cruise industry's full potential is part of our strategic plan to increase passenger arrivals to our Island. Puerto Rico Tourism Company (PRTC) statistics forecast we will end this past fiscal year with a 14 percent increase, for a total of 1.5 million visitors. The upward trend is expected to continue with a 16 percent increase of passengers in the current fiscal year. We should all form a partnership to grow this important segment of the tourism economy.

In addition, we are making important inroads in medical tourism, not only by strengthening our local offer with board-certified physicians in most specialties but also by attracting major players from the United States. Currently, we have 14 top-rated, local providers with many more seeking the proper certification. Six U.S.-based companies have taken advantage of our tax-incentive laws to open back offices in the island and are expected to open full-service clinics in the im-

mediate future. Among them are Lumix Health, Miami Medical Solutions, and Next Health.

Times are ripe with opportunity. The rhythm of life is fast and intense and only those with the right tools will reap the benefits. We must adopt, adapt, and strategize at the speed of light.

I have the finger on the pulse of Puerto Rico's economy, and if we keep playing the cards right, Puerto Rico will become the Hong Kong of the Caribbean for those with an entrepreneur thirst, the Wall Street of the Caribbean for those with a keen business vision, and the Las Vegas of the Caribbean for the free-spirited.

Puerto Rico, closer than Singapore and more competitive than Miami! We are open for business. Let's do it together.

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