

SMNE » Growth, Competitiveness, Jobs

“The Strategic Model for a New Economy (SMNE) is the most comprehensive, thorough, and well-thought out economic development plan Puerto Rico has had in decades. It is a coherent plan that not only establishes the vision and guiding principles that directs government action in economic development matters, but also details specific measures the Administration is taking and will continue developing to address in the short-term the economic crisis we are still facing, and restore our competitiveness in the mid- and long-term. The SMNE also provides the specific organizational framework, commitments, and performance metrics to assure that these initiatives will be successful in meeting our objectives of growth, competitiveness, and jobs. The SMNE is a living document, that grows and develops while we advance in the implementation of our initiatives and strategies, and feeds from our achieved goals.”



José R. Pérez-Riera
Secretary
Department of Economic Development and Commerce
September 2010, Economic Development Summit



A two-pronged approach to attract domestic/ foreign investment and expand the market for export of goods and services

A strategy focused on the sectors of the Strategic Model for a New Economy

		Strategy Focus	
		Direct Investment	Market Expansion
Jurisdictional Focus	Domestic	<ul style="list-style-type: none"> • Attract established cluster anchors in target areas from the West Coast and the Southwest region: <ul style="list-style-type: none"> – Aerospace – Information Technology – Life Sciences – Creative Services 	<ul style="list-style-type: none"> • Export of advanced services to established clusters in target areas and growing Hispanic niches in the US
	International	<ul style="list-style-type: none"> • Attract new international investment partners in target areas looking to enter the US and Latin American markets from Western Europe and Asia 	<ul style="list-style-type: none"> • Export of advanced services to developing markets in Latin America and the Caribbean Basin by highly-educated bilingual US citizens

Long-term growth strategies are focused on increasing exports and the development of local intellectual property



RESTORE GROWTH
KNOWLEDGE



- Strengthen the entrepreneurship ecosystem and establish the mechanisms to facilitate technology transfer from academia to commercial
- Develop the R&D infrastructure such as broadband internet

**Transition to a
Knowledge Based
Economy**

**Value Chain Integration
and Clusters**

- Expanding promotional strategies for non-tax-incentive driven prospects
- Establishing alliances with the private and academic sectors to promote supply chain integration and the formation of clusters



- Re-organize the external commercial offices
- Establish a presence in jurisdictions associated with the economic development plan
- Maximize the use of resources of the US Commercial Service and the World Trade Center

**Integration into the
Global Economy**



Puerto Rico's Strategic Sectors

Commerce and Trade

Assets

- Puerto Rico **exports over \$60 billion a year**, most of which includes: medical devices, pharmaceutical and chemical products, and electronics and computer equipment
- **Puerto Rico is the 5th largest** exporter in Latin America
- Main trading partners include: US, Germany, Netherlands, Belgium, and Spain.

Incentives

Foreign Trade Zone: San Juan, Ponce and Mayagüez

- Benefits from federal customs duties, excise taxes, and municipal taxes
- **100% exemption** on tangible property and equipment used
- **60% exemption** on the value of the property that is designated intangible
- **100% exemption** on exports from the zone and sub-zones

Puerto Rico Trade Company:

- Foreign Trade and Business Development Institute (ICEDE, for it's acronym in Spanish)
- Facilities for distribution and commercial use
- License to operate the Puerto Rico World Trade Center

Puerto Rico and CAFTA-DR

Because of its political relationship with the United States, Puerto Rico has the same tariff structure

Tariffs on Exports between U.S. and Central America

Now			After CAFTA	
We Pay	They Pay		We Pay	They Pay
10.6%	0%	Grains	0%	0%
16.7%	0%	Vegetables, Fruits, Nuts	0%	0%
10.0%	0%	Wood Products	0%	0%
6.3%	0%	Ferrous Metals	0%	0%
11.1%	0%	Motor Vehicles and Parts	0%	0%
12.8%	0%	Processed Foods	0%	0%
5.2%	0%	Chemicals and Plastics	0%	0%
3.4%	0%	Metals	0%	0%
3.5%	0%	Other Transportation Equipment	0%	0%
4.0%	0%	Non-electric and electric machinery	0%	0%
10.0%	0%	Tires and Rubber Products	0%	0%
7.1%	0%	Other Manufactured Products	0%	0%

2004 Applied tariff rates

CAFTA-DR: PR can export manufactured goods, professional services, and financial services.

Puerto Rico Commerce with CAFTA+DR, 2010

Puerto Rico Commerce with CAFTA +DR, 2010			
Fiscal Year	Exports	Imports	Commercial Balance
Rep. Dominicana	\$ 470,709,738	\$ 419,660,749	\$ 51,048,989
El Salvador	\$ 3,903,082	\$ 7,423,801	\$ (3,520,719)
Honduras	\$ 7,238,147	\$ 13,561,905	\$ (6,323,758)
Guatemala	\$ 9,320,241	\$ 27,341,498	\$ (18,021,257)
Nicaragua	\$ 355,936	\$ 44,167,573	\$ (43,811,637)
Costa Rica	\$ 42,135,005	\$ 161,081,307	\$ (118,946,302)
TOTAL	\$ 533,662,149	\$ 673,236,833	\$ (139,574,684)

Source: Planning Board

PR and DR → THERE IS A POTENCIAL TO INCREASE TRADE!!

Puerto Rico with CAFTA+DR

Imports and Exports

EXPORTS FROM PR TO CAFTA+DR					
(THOUSANDS OF DOLARES)			'2007	'2008	
NAICS	TOTAL		1,177,369	1,391,042	percentage
1	31-33	Manufacturing	1,168,299	1,381,199	99%
2	335	Electrical equipment, appliances and components	394,535	722,113	52%
3	324	Petroleum and coal products	244,498	280,944	20%
4	339	Miscellaneous manufacturing	104,647	110,935	8%
5	315	Apparel	150,286	80,906	6%
6	334	Computer and electronic products	80,047	64,884	5%
7	325	Chemicals	14,486	28,726	2%
8	313-314	Textiles	24,933	19,931	1%
9	333	Machinery	20,013	17,012	1%
10	311	Food	84,261	13,741	1%

} 72%

IMPORTACIONES DE PR DESDE ED CAFTA+DR					
(EN MILES DE DOLARES)			'2007	'2008	Percentage
NAICS	TOTAL		781,270	863,014	
1	31-33	Manufacturing	725,710	800,494	93%
2	339	Miscellaneous manufacturing	232,466	253,843	29%
3	335	Electrical equipment, appliances and components	180,370	215,554	25%
4	311	Food	115,465	130,914	15%
5	334	Computer and electronic products	36,044	50,634	6%
6	331	Primary metals	36,041	41,562	5%
7	11	Agricultural products	34,576	39,922	5%
8	326	Rubber and plastic products	33,568	30,528	4%
9		Other sectors	16,154	20,705	2%
10	322	Paper	20,490	18,256	2%

} 69%

Source: Planning Board



ECONOMIC SECTOR WITH EXPORT POTENTIAL

Design and Construction

Project Management
Engineering
Construction
Architecture

Computers

Computer software development

Advertising

Direct Marketing

Educational Services

Education Online

Professional Services

Management
Accounting

Medical Services

Cardiovascular
Cancer

Financial Services

Technology in the financial sector

Environmental Services

Telecommunications

Each market represents a new opportunity for export growth.

Success Stories within CAFTA-DR

- ❑ Multisectorial commercial mission to the Dominican Republic (August 2010)
- ❑ 13 local businesses participated and achieved sales/contracts amounting over \$3 million dollars.
- ❑ \$95 million contract awarded to Babilon Technologies, Inc.

Conclusion

CAFTA-DR provides the legal framework in order to facilitate the export of goods and services to CAFTA member countries.

Puerto Rico Trade Company's mission starts with its role as facilitator for economic development promoting exports of goods and services and providing guidance and business intelligence to local SMEs about export opportunities.

Thank You

