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# **FREE TRADE AND BUSINESS GROWTH OPPORTUNITIES FOR PUERTO RICO FIRMS**

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- US FREE TRADE AGENDA IN PAST DECADE PROVIDES FOR UNIQUE MARKET OPPORTUNITIES FOR US AND PUERTO RICO BUSINESS IN CENTRAL AMERICA, DOMINICAN REPUBLIC, PERU, COLOMBIA, AND PANAMA
- LET ME HIGHLIGHT THESE OPPORTUNITIES SPECIFICALLY FOR PUERTO RICAN COMPANIES THAT ARE SEEKING EXPORT-DRIVEN GROWTH
- AN AMERICAS-FOCUSED REVIEW WILL ALSO BE USEFUL TO GUIDE PUERTO RICO IN OTHER GLOBAL MARKETS, E.G. ASIA

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- PUERTO RICAN BUSINESSES, AND IN PARTICULAR SMALL AND MEDIUM-SIZED ENTERPRISES (SME'S), CAN BENEFIT SIGNIFICANTLY FROM THE FREE TRADE AGREEMENTS THAT THE UNITED STATES HAS ENTERED INTO WITH CARIBBEAN BASIN AND OTHER LATIN AMERICAN COUNTRIES IN THE PAST DECADE.
- THESE FTAs ARE UNPARALLELED AVENUES TO BOOST PUERTO RICAN EXPORTS "EN NUESTRO PATIO", I.E. IN A REGION WHERE TRADE HAS HISTORICALLY BEEN PROFITABLE FOR PUERTO RICAN BUSINESS.



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- CAFTADR MARKET OF 48M CONSUMERS, US\$300BN GDP, US\$32BN EXPORTS, US\$5SBN IMPORTS
- PERU, COLOMBIA, PANAMA ANOTHER 70M CONSUMERS, US\$200BN GDP, US\$40BN EXPORTS, US\$60BN IMPORTS
- CARICOM MARKETS OFFER 15M CONSUMERS, US\$20BN TRADE



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- PUERTO RICO TRADE IN GOOD WITH REGION HAS BEEN STRONG OVER DECADES:
- - US\$2BN WITH CAFTADR (DR ALONE IS US\$1.6BN), US\$1BN WITH CARICOM, US\$1BN WITH PERU, COLOMBIA, PANAMA)
- BUT IN RECENT YEARS PUERTO RICO'S EXPORT PERFORMANCE HAS LESSENERED, WITH MORE IMPORTS FROM THESE MARKETS



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- PUERTO RICO'S \$1.2BN EXPORTS TO CAFTADR ARE DIVERSE AND COMPETITIVE, DOMINATED BY:
  - ELECT. MACHINERY & EQUIP., INCL. TRANSPORT EQUIP.: \$430M
  - METALS AND MINERALS: \$280M
  - TEXTILES: \$230M
  - MANUFACTURES & CHEMICALS: \$150M
  - AGROPRODUCTS: \$120M



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- PUERTO RICO'S \$60M EXPORTS TO COLOMBIA ARE DOMINATED BY MANUFACTURES & CHEMICALS \$47M AND ELECTRICAL MACHINERY & EQUIP., INCLUDING TRANSPORT EQUIP. \$2M. ELECTRONICS: \$800K
- COLOMBIA'S EXPORTS TO PUERTO RICO AMOUNT TO \$400M, DOMINATED BY ENERGY AND MINING PRODUCTS, AS WELL AS FOOD AND OTHER MANUFACTURED GOODS



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- PUERTO RICO'S \$100M EXPORTS TO PANAMA ARE MOSTLY CHEMICAL & PHARMACEUTICAL PRODUCTS \$80M, ELECTRICAL MACHINERY & EQUIP., INCL. TRANSPORT EQUIP. \$5M, AND FOODSTUFFS \$5M
- PANAMA'S EXPORTS TO PUERTO RICO ARE MINIMAL AT \$15M TOTAL





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- FLORIDA, GEORGIA, LOUISIANA, NORTH CAROLINA, ARE STATES WHICH HAVE FOCUSED STRONGLY ON NEW TRADE AND BUSINESS OPPORTUNITIES IN THESE FTA MARKETS AND HAVE SUCCEEDED WITH NEW EXPORTS AND JOBS
  - IN FLORIDA ALONE OVER 33,500 COMPANIES HAVE BENEFITTED FROM FTA'S, 95% OF WHICH ARE SME'S
  - IN LOUISIANA, 2,555 COMPANIES ARE EXPORTING SERVICES OR GOODS UNDER FTA'S, 85% OF WHICH ARE SME'S



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- COLORADO INTERNATIONAL TRADE OFFICE AND CHAMBER OF COMMERCE OF THE AMERICAS IN DENVER LOOKING FOR OVERSEAS POSITIONING
- 34 STATES HAVE OVERSEAS TRADE OFFICES ACROSS LATIN AMERICA, EUROPE, AND ASIA TO PROMOTE EXPORTS AND ATTRACT INVESTMENT IN COORDINATION WITH US EMBASSIES AND US COMMERCE DEPARTMENT (FOREIGN & COMMERCIAL SERVICE) BUT ALSO ON THEIR OWN!



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- FEDERAL GOVERNMENT NOT RESPONSIBLE FOR THIS, STATES ARE!
- ATLANTA AND GEORGIA HAVE BEEN HOSTING VARIOUS YEARS OF THE AMERICAS COMPETITIVENESS FORUM WHICH HAS ALSO BEEN IN CHILE IN 2010 AND GOING TO DOMINICAN REPUBLIC 2011, COLOMBIA 2012, PANAMA 2013
- GOVERNMENT EFFORT WITH CORPORATE PARTNERING



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- PUERTO RICO'S POSITION IN-REGION, AS PART OF THE US LEGAL AND BUSINESS SYSTEM, AND WITH 'LATIN' BUSINESS ACUMEN, NEEDS TO BE EXPLOITED TO BENEFIT LOCAL PUERTO RICAN COMPANIES, ESPECIALLY IN CLOSE AND 'NATURAL' MARKETS LIKE DOMINICAN REPUBLIC, COSTA RICA AND PANAMA
- IN 2010 THE COUNTRIES COVERED BY CAFTADR REPRESENTED A \$20BN+ EXPORT MARKET FOR US BUSINESSES



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- BUT FOR THIS WE NEED TO UNDERSTAND THAT SHIPPING TO US IS NOT EXPORTING, THAT IS DOMESTIC TRADE WITHIN US COMMON MARKET
- INTERSTATE COMMERCE IS GOOD BUSINESS AND GOOD SALES BUT WITH TRADE LIBERALIZATION THESE US MARKETS ARE NOW OPEN TO FOREIGN COMPETITION
- FTA PROGRESS = “PUERTORICANIZATION” OF US-LATIN AMERICA TRADE!



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- PUERTO RICO'S TRADITIONAL "MONOPOLY" OVER US DOMESTIC MARKET HAS ENDED; OPEN TRADE = DIRECT COMPETITION IN PUERTO RICO MARKETS AND IN US MARKETS FOR GOODS AND SERVICES
- KEY FACTORS TO DIFFERENTIATE HAVE TO FOCUS ON UNIQUE COMPETITIVE ADVANTAGE OF PUERTO RICO: EDUCATION & KNOWLEDGE SKILLS; INFRASTRUCTURE & LOGISTICS; MARKET EXPERIENCE WITH US AND ELSEWHERE;

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INSTITUTIONS; BUT ALSO ON FUNCTIONALITY OF  
ECONOMIC AND POLITICAL SYSTEM!

- THIS IS CRITICAL FOR BUSINESS CONFIDENCE  
AND TRUST AND HAS WEAKENED IN PUERTO RICO  
OVER PAST 2+ DECADES... ☹️
- ALSO INVOLVES RATIONALIZATION OF  
PRODUCTION-SUPPLY CHAINS TO TRADE-EXPORT  
CHAINS AS VEHICLE FOR ATTRACTIVE AND  
COMPETITIVE ENTRY INTO FOREIGN MARKETS



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- JOINT VENTURE CULTURE A MUST! AS WELL AS OPENNESS TO UNDERSTANDING “LOCAL” WAYS OF DOING BUSINESS
- OVER-RELIANCE ON DOMESTIC MARKET, PUERTO RICAN AND US, IS MAJOR CHALLENGE, ESPECIALLY IN RECESSION ECONOMY OF PAST 5+ YEARS...
- FTA MARKETS ARE GROWING, LOOKING FOR NEW SOURCES OF SUPPLY AND NEW MARKETS TO EXPORT





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- EXPORT PROMOTION EFFORT NEEDS TO BE LINKED TO PRODUCTION CHAIN AND INVESTMENT PROMOTION EFFORTS, BUT ALSO TO AN UNDERSTANDING THAT “IMPORT PROMOTION” IS THE OTHER SIDE OF THE COIN! 😊
- PROMOTION OF TRADE-EXPORTS NEEDS TO HAVE SOME LINKAGE TO THE INVESTMENT SUPPLY CHAIN AND NOT ONLY TO THE PRODUCTION SUPPLY CHAIN



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- THIS IS CRITICAL FOR SERVICES TRADE BUT IS BECOMING MORE RELEVANT FOR TRADITIONAL GOODS/MERCHANDISE TRADE WHERE TRADITIONAL ONE-MARKET SUPPLY CHAINS FOR PRODUCTION AND EXPORT ARE NO LONGER THE NORM...
- AN EFFECTIVE STRATEGY TO ADVANCE AND DEEPEN TRADE NEEDS TO GO BEYOND A FTA AND INTO OTHER ELEMENTS OF THE SUPPLY CHAIN



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- CASE IN POINT: 2009 LEON JIMENES \$30M MAJORITY SHARE INVESTMENT INTO BREWERIES IN ANTIGUA, DOMINICA AND ST VINCENT, AND NOW IN 2011 INVESTING IN A CANNING AND WASTE WATER TREATMENT PLANT IN ST VINCENT AND ALSO BREWING PRESIDENTE BEER LOCALLY
- WHAT IS MEDALLA DOING IN CARIBBEAN AND OTHER MARKETS?



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- AIREKO 2010 BUSINESS OFFICE IN COSTA RICA TO ACCESS LOCAL ARCHITECTURE-CONSTRUCTION PROCUREMENT AS WELL AS ACROSS THE CAFTADR REGION SINCE IT IS NOW A UNIFIED FREE TRADE MARKET!
- THESE ARE THE EXAMPLES TO LOOK TO AND LEARN FROM AS BEST PRACTICES AND MORE ARE NEEDED!



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- FTA OPPORTUNITIES NOW ARISE FOR PUERTO RICO EXPORT OF SERVICES INTO THESE MARKETS IN ADDITION TO MANUFACTURED GOODS
- MARKET GROWTH IN VARIOUS SECTORS WHICH ARE NOW OPEN FOR US AND PUERTO RICO PROVIDERS: INSURANCE, PROFESSIONAL SERVICES, CONSTRUCTION AND ENGINEERING SERVICES, MEDICAL AND HEALTH SERVICES INCLUDING “MEDICAL TOURISM”, AS WELL AS ICT-CALL CENTERS AND TELECOMM SERVICES,



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## BPO'S, AND COMPUTER SOFTWARE ENGINEERING

- RENEWABLE ENERGIES AND ENVIRONMENTAL SERVICES ARE ALSO IN HIGH DEMAND IN ALL THESE MARKETS
- NEW OPPORTUNITIES ALSO EXIST FOR LEVERAGING PUERTO RICO FIRM'S TIES WITH US VIS-A-VIS THESE MARKETS, INCLUDING FOR FINANCING, CREDITS, AND US GOVERNMENT PROGRAMS TO PROMOTE EXPORTS AS PER NEW OBAMA ADMINISTRATION "NATIONAL EXPORT INITIATIVE" TO 2X EXPORTS IN 5 YEARS



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## SOME TARGET SECTORS WE HAVE IDENTIFIED INCLUDE:

- PROFESSIONAL SERVICES (LEGAL, ACCOUNTING, CONSULTING)
- ENGINEERING & CONSTRUCTION
- FINANCIAL: BANKING, INVESTMENT, INSURANCE
- TOURISM/HOSPITALITY, ENTERTAINMENT
- MEDICAL SERVICES, INCLUDING “MEDICAL TOURISM”
- ICT & TELECOMM: SOFTWARE DESIGN AND PROGRAMMING, “CALL CENTERS” AND BPO, IT NETWORKS



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- MARKETING & PUBLIC RELATIONS
- EDUCATION AND HUMAN RESOURCE TRAINING
- SCIENCE & ENGINEERING KNOWLEDGE-BASED INITIATIVES
- TRANSPORTATION & LOGISTICS, INCLUDING PORT SERVICES AND SUPPLY CHAIN DISTRIBUTION SERVICES
- PORT SECURITY AND CUSTOMS SERVICES
- AGROFOODS, BEVERAGES, AND PROCESSED FOODS





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- PHARMACEUTICALS, BIOMEDICINE, MEDICAL AND SCIENTIFIC EQUIPMENT AS WELL, LEADING COMPETITIVE SECTORS HISTORICALLY IN PUERTO RICO AND UNDERGOING MAJOR INDUSTRY CHANGES
- HOW TO LEVERAGE THE 50+ YEAR EXPERIENCE WITH THE NEW MARKET CHANGES AND TRENDS TO REPOSITION PUERTO RICO ECONOMY AND FIRMS IN THIS NEW MARKETPLACE?



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- THESE ARE OPPORTUNITIES IN DIVERSE SECTORS OF MARKETS IN LATIN AMERICA AND THE CARIBBEAN WHERE PUERTO RICO FIRMS CAN BE POSITIONED FOR BUSINESS GROWTH AND EXPANSION TO COMPLEMENT CURRENT BUSINESS IN PUERTO RICO AND US
- BUT ALSO OTHER MARKETS IN ASIA (CHINA, MALAYSIA, THAILAND, PHILIPPINES), EUROPE (ESPECIALLY THE EASTERN FORMER SOVIET UNION WHICH IS FASTEST GROWING REGION), AND EVEN IN AFRICA, THE NEW AGRO-FOOD, AGRIBUSINESS, AND MANUFACTURING FRONTIER...



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- SIMILAR MARKET OPPORTUNITIES CAN BE DEVELOPED IN THE US MAINLAND MARKETS, ACROSS STATES AND WITH FEDERAL GOVERNMENT BUSINESS OPPORTUNITIES (AS IS CURRENTLY BEING PROMOTED BY DDEC AND PRIDCO)
- MANY IN THESE MARKETS ARE LOOKING FOR RELIABLE, MARKET-TESTED PARTNERS. WHO BETTER THAN THOSE FROM PUERTO RICO WHERE FREE TRADE WITH THE US STARTED 50+ YEARS AGO?!



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- FOR PUERTO RICO SPECIAL MENTION IS A MUST RE: CUBA AND HAITI MARKETS BECAUSE THEY OUGHT TO BE NATURAL MARKETS FOR BUSINESS, TRADE, INVESTMENT, JUST AS IS DOMINICAN REPUBLIC!
- PUERTO RICO FIRMS, AND THE GOVERNMENT, NEED TO STRATEGIZE AS TO HOW BEST TO PARTNER AND VENTURE INTO CUBA AND HAITI BEFORE OTHER COMPETITORS DOMINATE



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- MANCHESTER TRADE HAS OVER 30 YEARS EXPERIENCE WORKING WITH FIRMS IN THE US AND LATIN AMERICA/CARIBBEAN MARKETS TO PROMOTE TRADE AND INVESTMENT BUSINESS IN MANUFACTURING, AGRIBUSINESS, AND SERVICES SECTORS
- WE'VE SUCCEEDED WORKING WITH FIRMS, BUSINESS GROUPS, GOVERNMENTS, AND CIVIL SOCIETY IN THESE VENTURES, LOOKING TO DEVELOP A NEW STRATEGIC POSITIONING FOR

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## THE MARKETS IN QUESTION

- THESE ACTORS IN PUERTO RICO CAN DO SO MAXIMIZING LEVERAGE FROM WITHIN PUERTO RICO AND ALSO WITH PARTNERS IN THESE MARKETS AND IN THE US
- AS WITH DOMESTIC ECONOMIC REFORM SO TOO IS NEEDED A “REGIONAL AND GLOBAL STRATEGIC REPOSITIONING” OF PUERTO RICO



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- THIS IS THE OPPORTUNITY NOW WHICH WILL NOT WAIT LONGER!
- IT WAS SUMMARIZED BEST BY NEW PUERTO RICO WORLD AFFAIRS COUNCIL ON MARCH 17, 2011 IN SAN JUAN, ENCOURAGING PUERTO RICO TO BECOME INVOLVED IN FOREIGN AFFAIRS & FOREIGN TRADE: “PUERTO RICO MUST EXPOSE ITSELF TO THE WORLD AS A 1<sup>ST</sup>-TIER GLOBAL LOCATION IN WHICH TO INVEST, VISIT, AND LIVE”.



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**MUCHAS GRACIAS!**

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