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The Galápagos Syndrome Sparks a Call for Puerto Rico's Economic Renaissance

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Puerto Rico's Galápagos Challenge

The Galapagos Syndrome refers to a situation where a region, product, or technology develops in isolation from the rest of the world, leading to unique features incompatible with global standards. In the context of Puerto Rico, the term might be used to describe the challenges the island faces due to its relative isolation and unique economic and political circumstances.

Galápagos Syndrome, as a term, was initially coined to refer to the Japanese 3G cell phones, which had developed many specialized features widely adopted in the Japanese market but were unsuccessful internationally.

In the context of Puerto Rico, the term might be used to describe the challenges the island faces due to its relative isolation and unique economic and political circumstances.

In the intricate mosaic of Puerto Rico's history, "The Galápagos Syndrome" has emerged as a profound metaphor, drawing parallels between Charles Darwin's observations of isolated evolution and the insular development shaping Puerto Rico's socioeconomic landscape. Now a defining force, this syndrome beckons a comprehensive examination and a transformative vision for the island's future.

The Galapagos Syndrome in Puerto Rico is manifesting itself in economic policies, business practices, and regulatory frameworks that are tailored to the local context but do not align with global standards or trends. Thus, the Galapagos syndrome is affecting Puerto Rican businesses' competitiveness on the international stage.

A Sustainable Economy Eludes Puerto Rico

Enduring the echoes of five centuries of colonialism and standing resilient through 71 years as a Commonwealth, Puerto Rico has navigated a complex historical narrative. The Galápagos Syndrome, over time, has distorted the island's worldview, fostering the perception that Puerto Rico is the world's epicenter. This unintentional confinement has inadvertently limited the potential for global engagement and growth.

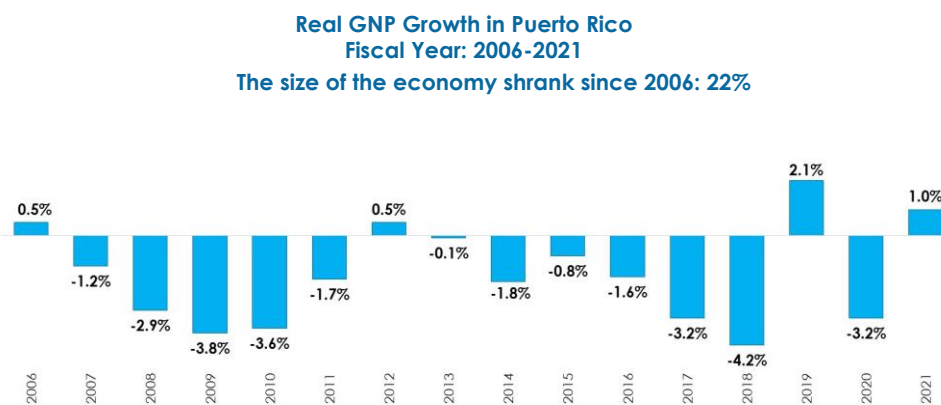
The Galápagos Syndrome has confined Puerto Rico to an environment where local considerations have predominantly shaped goods, policies, industries, and people. This myopic focus on the 3.11 million Puerto Ricans has hindered the island from realizing its full potential as a global economic player, creating a constrained perspective full of contradictions.

The Galápagos Syndrome Sparks a Call for Puerto Rico's Economic Renaissance

Puerto Rico's economy, from its food supply to local manufacturing, has been tailored primarily for domestic consumption. This insular approach, seemingly sustainable in the short term, has proven inadequate for the challenges of a globalized world, contributing to economic hardships and eventual bankruptcy.

Missed Opportunities and Stagnation:

Despite benefiting from programs like the 936 funds until their phase-out in 2006, Puerto Rico failed to leverage these opportunities for a robust, healthy, and sustainable local economy. The island's corporations, rather than mirroring the growth of their U.S. counterparts, remained confined, contributing to stagnation instead of economic expansion. One picture is worth a thousand words, note the performance of Puerto Rico's GNP from 2006-2021, in these 16 years there were only three with positive GNP.



21st Century Challenges and the Persistence of the Syndrome:

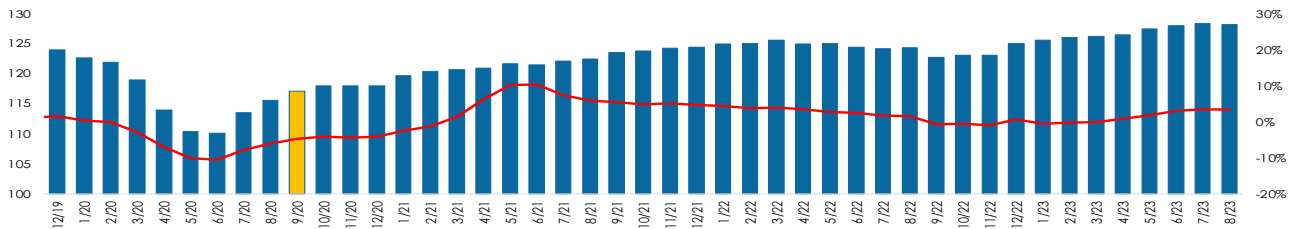
As Puerto Rico confronts the challenges of the 21st century, The Galápagos Syndrome persists, transcending generations and hampering economic, social, and cultural development. The urgency to break free becomes ever more apparent as the island strives for a brighter future.

Breaking free from The Galápagos Syndrome necessitates a comprehensive transformation. Puerto Rico must journey towards diversification, global engagement, and economic resilience. This transformation requires a recalibrating mindset, policies, and economic strategies to position Puerto Rico as a dynamic participant in the interconnected global landscape.

Puerto Rico, due to the damage of Hurricanes Irma and Maria and the earthquakes, was awarded more than **\$100 billion** in reconstruction funds that have been trickling down and have allowed the Puerto Rico economy to register positive GDP numbers, with the latest forecast point that Puerto Rico will close the year 2023 with a 1.6% GDP, these results are predominately driven by the reconstruction funding, sums of money that are not recurrent, but do offer the opportunity to create momentum towards a sustainable economy, in the graph below we highlight the Economic Activity Index Performance since 2021 to August 2023.

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The August Economic Activity Index shows a growth of 3.3%



How does Puerto Rico Rank Globally and Key Solutions

In most global rankings, Puerto Rico is far behind the leaderboard, and in all these rankings, the indications for improvements are the same and below our suggestions for immediate changes.

1) Obtaining and Dealing with Permits rank #143:

- Implement Automatic Permits for all businesses for six months in those that substitute existing ones in the exact location.
- Implement automatic permits in specific areas of all 78 cities.
- Streamline permit processes by uniforming all permitting standards in the municipalities and allowing the Department of Economic Development to have the final authority.
- Simplifying and expediting the permit application process can reduce business bureaucratic hurdles.

2) High Taxation Levels Rank #163:

- Perform a Complete overhaul of the Taxation system for individuals and corporations, exempting from taxation those families that earn \$75,000 or less and above that limit taxation rate at 15%, and the Corporation shall have an effective tax rate of 15%.
- Tax all residential and commercial properties at their most recent appraised value and eliminate the current CRIM rating system.

3) Registering Property Rank #161:

- Eliminate the current Property Registry with a Digital platform with online systems for property registration, which can streamline the process and reduce administrative delays.

4) Reliable and Affordable Electricity Rank #92:

- Renewable energy focus: Investing in renewable energy sources can make electricity more reliable and contribute to sustainability.

5) Starting a Business Rank #59:

- Entrepreneurial support systems for entrepreneurs, including mentorship programs and access to funding, can encourage the establishment of new businesses.
- Provide automatic permits to all new businesses.
- New Business shall have automatic inclusion in the Government preferred supplier listing.

6) Trading Across Borders Rank #70:

- Upgrade ports and transportation networks: Invest in improving port facilities, roads, and railways to facilitate the efficient movement of goods. Upgraded infrastructure can significantly reduce transit times and costs associated with trade.

- b) Implement a single-window system: Create a unified platform consolidating all necessary information and documentation for trade transactions.
- c) Promote Trade Facilitation Measures: Offer training programs and support services to local businesses to enhance their understanding of international trade regulations and documentation requirements.

As catalysts for transformation, our mission is to attain robust economic development, marked by a sustained growth rate of 4%. Simultaneously, we aim to reorient our industrial framework towards a knowledge-based economy, constituting a minimum of 25% of the Gross Domestic Product. This strategic shift is poised to generate 300,000 new employment opportunities and elevate the median household income by an impressive 47%, setting it at a minimum of \$32,949.

These transformative endeavors are forecasted to inject over \$15.5 billion into the economy, fostering new waves of economic activity, wealth creation, job proliferation, and expanded educational prospects.

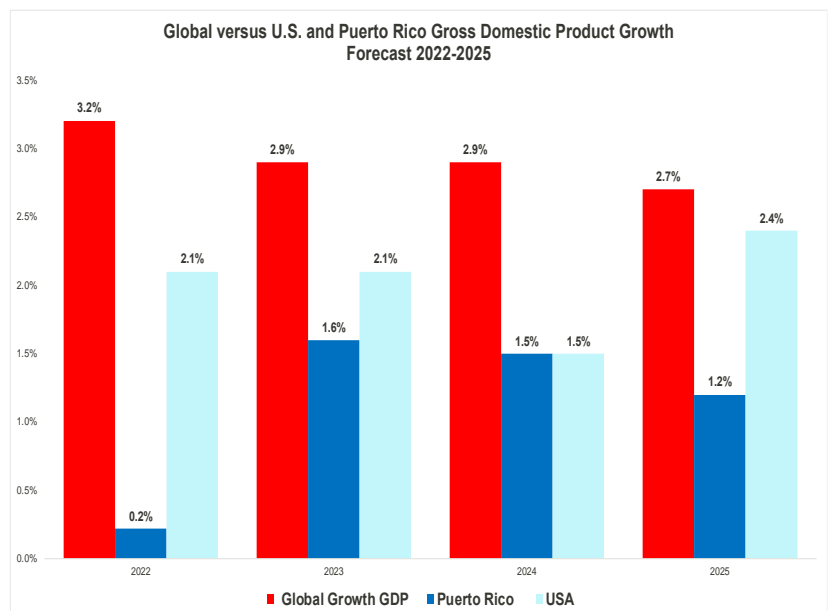
The Final Word: Using Challenges as Opportunities

Puerto Rico's future hinges on its ability to adapt, transform, and emerge as a vibrant participant in the interconnected global landscape. It's time for Puerto Rico to shed the constraints of isolation, embrace a future of unlimited possibilities, and chart a course toward sustained growth and success on the world stage.

For Puerto Rico the strength of infrastructure investment is the engine of economic growth and, when combined with the \$2.7 billion in debt service savings, the government has ample dry powder to expand, enhance and improve Puerto Rico's infrastructure.

Birling Capital forecasts that Puerto Rico will close 2023 with a GDP of 1.6% and

1.5% by 2024 and 1.2% by 2025, we compare the overall GDP growth forecast versus the U.S. and Global growth with strong lag in growth.



The Transformation of Puerto Rico is a marathon than a 100 Meter race.



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