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Implementing the GEEF (Government Efficiency and Economic Freedom Program) to Unlock Up to \$37.25 Billion in GDP Growth in the Next Decade

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The Creation of DOGE with Musk and Ramaswamy

President-elect Donald Trump selected Elon Musk and Vivek Ramaswamy to spearhead the newly established Department of Government Efficiency (DOGE). The department's primary goal is to optimize the operations of federal agencies and implement significant reductions in government expenditures. DOGE aims to streamline government operations by applying technology, automation, and data-driven decision-making. The department would strive to make government processes faster, more transparent, and responsive to citizens' needs.

The benefits include economic growth, cost savings, improved public services, and increased public trust, achieved by adding transparency and accountability.

The challenges are easy to predict and include:

1. Resistance to Change: opposition from political and civil service structures.
2. Equity Concerns: Ensuring all citizens benefit equally from digital reforms would be crucial.
3. Ethical Issues: using AI and automation in governance raises concerns about privacy and job displacement.

The Department of Government Efficiency could revolutionize how the US government operates with efficiency, transparency, and responsiveness to public needs.

Puerto Rico's Dismal Economic Freedom Ranking

The Economic Freedom Institute for Puerto Rico, a nonprofit 501(c)(3), is a nonpartisan institution founded in 2019 by Eng. Jorge Rodríguez, the Founder and Chief Executive Officer of the ILE by its Spanish acronym. The ILE's report "**Acciones de libertad económica para un Puerto Rico justo y próspero**", could significantly enhance Puerto Rico's economic growth.

According to Jorge L. Rodríguez, economic freedom is strongly linked to increased job opportunities, higher wages, reduced emigration, and lower poverty rates.

As a framework, Doing Business North America provides objective insights into business regulations across the United States, including its 50 states, Washington, D.C., and Puerto Rico.

The report ranks Puerto Rico 51st or last across all three index areas. Puerto Rico ranks last in four of the ten variables, and ties last in three. When reviewing historical data, Puerto Rico has consistently ranked 51st in all five years surveyed.

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This study provides a deeper understanding of the regulatory landscape at the local level, offering policymakers a tool to refine regulations that can better support business development and economic growth. However, the ILE's contribution can be further enhanced and amplified by creating the GEEF.

The GEEF (Government Efficiency and Economic Freedom Program)

As Governor-Elect Jennifer Gonzalez is about to begin the Transition Hearings, allowing her and the Transition team to fully understand the broader shape of the Government's key agencies and their effectiveness, it dawns on me that the creation of the Government Efficiency and Economic Freedom Program or simply GEEF would be ideal for implementing the ILE's report titled "**Acciones de libertad económica para un Puerto Rico justo y próspero**" translated as: "**Economic freedom actions for a Puerto Rico just and prosperous**", authored Ángel Carrión-Tavárez, Director of Research and Public Policy of the ILE.

The report identifies over 50 laws and regulations that currently hinder private investment and entrepreneurship on the island. It identifies challenges across multiple areas, including occupational licenses, tax burden, property registration, business creation, hiring, energy access, and government inefficiencies. The report recommends streamlining processes, reducing regulatory burdens, and simplifying tax systems to improve business efficiency.

To provide a more detailed analysis of each area of reform, let's break down the specific mechanisms and expected impacts in depth.

1. **Regulatory Reform:** Puerto Rico's regulatory environment remains a significant obstacle to business growth.
 - **Excessive Bureaucracy:** Obtaining permits for small and medium-sized enterprises (SMEs) can take time and effort.
 - **Redundant Regulations:** Many outdated or duplicative regulations create confusion and unnecessary business barriers.
 - **Unpredictable Enforcement:** Businesses face an unpredictable regulatory environment where enforcement can vary significantly across different sectors.

Proposed Reforms

- **Simplified Licensing and Permits:** A key proposal is to reduce the licenses and permits required to operate a business, ensuring that entrepreneurs and businesses can focus more on their operations than on navigating complex regulatory hurdles. This includes:
 - **Streamlining the process for getting construction permits.**
 - **Eliminating unnecessary or redundant licenses for small businesses.**
- **Regulatory Overhaul:** Implementing a task force or commission to regularly assess existing regulations, eliminating those that hinder economic activity without providing clear benefits.
- **Total Digitalization of Government Services:** Moving government services online will make it easier for businesses to submit applications, track progress, and communicate with government agencies. This can also speed up approval processes and ensure greater transparency.

Projected Impact

Reducing regulatory burdens will result in a **5-7% increase in GDP (\$5.35 billion to \$7.49 billion)**, driven primarily by small businesses growing faster and attracting more investment, especially in service sectors and technology startups.

2. **Tax Reform:** Puerto Rico's tax system is complicated and sometimes burdensome, especially for businesses and high-income individuals. Key issues include:

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- **High Corporate Tax Rates:** The corporate tax rate in Puerto Rico is relatively high compared to other US territories and regions with low-tax incentives, which can drive businesses to relocate.
- **Complex Tax Code:** Multiple forms of taxes, credits, and deductions create confusion and compliance costs.
- **Economic Disincentives for Reinvestment:** High taxes on business profits discourage companies from reinvesting in the local economy, which would otherwise promote long-term growth.

Proposed Reforms

- **Corporate Tax Cuts:** The proposal suggests lowering the corporate tax rate, particularly for manufacturing, tech, and export-based businesses. A 5-10% cut would make Puerto Rico more competitive with neighboring tax jurisdictions like the Dominican Republic or other Caribbean nations.
- **Tax Simplification:** Streamlining tax code provisions, eliminating redundant taxes, and offering a predictable, clear tax structure will allow businesses to focus more on growth than tax compliance.
- **Incentives for Reinvestment:** Tax incentives for companies that reinvest profits into the local economy, including incentives for R&D, job creation, and capital investment.

Projected Impact

The tax reform could lead to a **2-4% increase in GDP (\$2.14 billion to \$4.28 billion)**, mainly due to increased private sector investment, improved business climate, and a reinvigorated entrepreneurial sector.

3. **Labor Market Reform:** Puerto Rico faces a 5.70% unemployment rate, higher than the US, and low labor force participation, particularly among younger people and those with lower levels of education. These are caused by:
 - **Rigid and Strict labor laws:** particularly regarding hiring and firing practices, make it difficult for businesses to adjust their workforce based on demand.
 - **Mismatch of Skills:** There is a notable skills gap in the workforce, especially in high-growth sectors like technology, manufacturing, and healthcare.

Proposed Reforms

- **Labor Flexibility:** Reforming labor laws to make hiring and firing more accessible will help businesses better adjust to market changes, enabling faster recovery in recessions and promoting job creation. The reforms would focus on:
 - **Introducing more flexible labor contracts for businesses.**
 - **Creating temporary work contracts allows firms to adjust their labor force according to demand.**
- **Vocational Training and Education:** Significant investment in workforce development programs, particularly vocational training and apprenticeships, would help close the skills gap.
- **Promotion of Entrepreneurship:** Expanding access to capital and reducing barriers to self-employment would encourage more individuals to start businesses, especially in high-demand sectors.

Projected Impact

Labor reforms could boost Puerto Rico's GDP by **3-5% (\$3.21 billion to \$5.35 billion)**, driven by higher labor force participation, increased employment, and better matching of skills to market demand.

4. Trade Liberalization: Puerto Rico's reliance on imports and limited access to international markets has created significant inefficiencies. Challenges include:

- **Tariffs and Barriers:** High tariffs on goods and raw materials reduce the competitiveness of Puerto Rican products on the international market.
- **Limited Trade Agreements:** Puerto Rico's status as a US territory means it doesn't have independent trade agreements, and it only benefits from the US's US deals, which often limit its ability to access new markets.

Proposed Reforms

- **Free Trade Agreements (FTAs):** Negotiating new FTAs would help Puerto Rico access more international markets and reduce trade barriers, particularly for critical industries like agriculture, pharmaceuticals, and tech.
- **Reducing Import Tariffs:** Lowering tariffs on raw materials and intermediate goods would reduce the cost of production for Puerto Rican manufacturers and businesses.
- **Encouraging Exports:** Incentivizes Puerto Rican companies to export goods and services by improving access to international markets and streamlining customs procedures.

Projected Impact

Trade liberalization could increase Puerto Rico's GDP by **4-6% (\$4.28 billion to \$6.42 billion)**, driven by more significant international trade and the expansion of export industries.

5. Infrastructure Investment: the island's infrastructure still needs to be updated, particularly its energy grid, transportation systems, and internet connectivity. This affects the economy in multiple ways:

- **Energy Costs:** Puerto Rico's high energy costs, partly due to its outdated electrical grid, create inefficiencies for businesses and individuals.
- **Transportation Bottlenecks:** Port congestion and outdated roads and airports increase business costs and limit trade efficiency.
- **Limited Digital Connectivity:** Despite increasing internet penetration, high-speed broadband access remains limited in many areas.

Proposed Reforms

- **Renewable Energy Investment:** Expanding renewable energy sources like solar and wind energy would reduce Puerto Rico's reliance on costly imported oil, create jobs, and improve energy security.
- **Modernizing Transportation:** Investment in the island's ports, roads, and airports will reduce transportation costs, improve logistics efficiency, and facilitate the movement of goods both locally and internationally.
- **Expanding Digital Infrastructure:** Access to high-speed internet would facilitate business operations, particularly for tech companies, and support the growing digital economy.

Projected Impact

Infrastructure investments could contribute to **3-5% growth in GDP (\$3.21 billion to \$5.35 billion)** by improving business conditions and facilitating faster movement of goods and services.

6. Encouraging Innovation and Technology: Puerto Rico has significant potential to grow its technology sector, but it faces several challenges:

- **Limited Access to Venture Capital:** Local entrepreneurs need help to secure funding, particularly for early-stage tech startups.

- **Limited Government Support:** More apparent support structures for entrepreneurs and innovators in Puerto Rico need to be established, particularly in tech-driven industries.

Proposed Reforms

- **R&D Incentives:** Offering tax incentives for businesses investing in research and development, particularly in high-growth sectors like biotechnology, clean energy, and digital technologies.
- **Supporting Tech Startups:** Expanding access to venture capital, providing business incubators, and offering targeted support for technology startups.
- **Strengthening Intellectual Property (IP) Laws:** Ensuring more robust IP protection for innovators to guarantee they can profit from their creations and attract investment.

Projected Impact

Potential GDP growth: Innovation and technology-driven reforms could boost GDP by **6-8% (\$6.42 billion to \$8.56 billion)**, particularly as new industries emerge and existing sectors become more productive.

The Final Word: Total Economic Impact of Creating the GEEF

By creating the Government Efficiency and Economic Freedom Program (GEEF) and implementing the recommended reforms, Puerto Rico could experience significant economic growth across both short-term and long-term horizons.

Short-Term (up to 5 years):

- **Annual Growth Rate: 4.23%**
- **Projected Increase in GDP: \$24.61 billion**
- **Estimated Time to Achieve: 3-5 years**

This aggressive growth rate would require a rapid influx of investment and a swift, impactful execution of the reforms. Achieving a 4.23% annual growth rate is achievable if the reforms are executed quickly and investor confidence is restored in the territory. It would also require actively promoting business-friendly policies, immediate infrastructure upgrades, and a supportive global economic environment. The positive effects of such reforms would be felt within the first few years as businesses begin to thrive in a more efficient, deregulated environment.

Long-Term (6-10 years):

- **Annual Growth Rate: 3.03%**
- **Projected Increase in GDP: \$37.25 billion**
- **Estimated Time to Achieve: 6-10 years**

Over the next decade, Puerto Rico is expected to achieve steady and sustainable economic growth at an annual rate of 3.03%. This moderate yet consistent growth would lead to a cumulative GDP increase of \$37.25 billion, reflecting the long-term benefits of the proposed reforms as they take full effect. As infrastructure modernizes, regulatory barriers decrease, and business practices improve, Puerto Rico's economy will continue to grow steadily, attracting more investment and enhancing overall competitiveness.

Establishing the GEEF is a fiscal strategy and a transformative vision for Puerto Rico's economic future. By implementing the proposed reforms, Puerto Rico would unlock its potential for both immediate gains and sustained long-term growth. The short-term increase of \$24.61 billion within the first five years, combined with steady long-term growth of \$37.25 billion over the next decade, positions the GEEF as the catalyst for reshaping Puerto Rico's economic landscape and ensuring a prosperous and sustainable future.

"Economic freedom is the best form of social justice. It allows individuals to choose their own path, creates opportunities for prosperity, and reduces poverty by unlocking the full potential of the marketplace".

— Milton Friedman, Economist and Nobel Laureate.



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