

'We have to push to make things happen'

By : JOHN MARINO

marino@caribbeanbusinesspr.com

Edition: June 23, 2011 | Volume: 39 | No: 24

White House summit reveals promising developments, vexing challenges along road to sustainable economic growth; all eyes on exports, start-ups

The Economic Development Summit organized as a follow-up to the White House Report on Puerto Rico exploded several myths about Puerto Rico's economic-development landscape and illuminated new developments that promise a much-needed economic boost to the island.

One years-long complaint about the island has been the alleged dearth of research & development- and technology-based companies here, when in reality there are some 175 technology-based companies across Puerto Rico, according to forum participants.



Iván Lugo, executive director of the Industry University Research Consortium (Induniv), said that island business, academic and government leaders need to learn how to work together.

A similar lament has had to do with the limited pool of capital on the island, but well-known investment experts attending the conference told CARIBBEAN BUSINESS there is enough capital here to fund a talented pool of entrepreneurs on the island that will jumpstart the sputtering island economy.

Meanwhile, the forum delivered some headlines of its own, such as the fact that the nonprofit Science & Technology **Trust** is about to announce its first technology-commercialization transfer with a private university here, and plans by Puerto Rican entrepreneur Tony Jiménez to expand his blazing-hot Microtech firm from its Washington, D.C.,- area base to Puerto Rico as a way of moving into the Latin American market.

At the forum it also was announced that the Massachusetts Institute of Technology was undertaking a comprehensive study of what caused the crash of Puerto Rico's economy into a five-year recession and the strategies used to create jobs and spur investment.

"Puerto Rico has a tremendous value proposition. We have an amazing, highly educated workforce and great universities doing important research," said Iván Lugo, executive director of the Industry University Research Consortium (Induniv), one of the more than 20 speakers at the event. "We all have good intentions, but the reality is we don't know how to work together. We need to change that."

The summit was held a day after President Barack Obama's historic visit here last week, and much of its agenda explored familiar ground for anyone who has examined the 100-page White House report.

However, the gathering of local business and political leaders, and federal officials who hold sway over aspects of the island's economic development, produced an animated discussion of ways the island can drive its economy forward. And speaker after speaker said it was up to business and government leaders in Puerto Rico to take advantage of what they say is the Obama administration's focus on the island economy.

"We here in Puerto Rico have to work and push to make things happen," Lugo added.

White House Task Force Co-Chairs Cecilia Muñoz, director of the White House Office of Interagency Affairs, and Associate Attorney General Tom Perrelli, opened up the conference by giving a brief overview of the 100-page report on Puerto Rico and how it addressed political status and economic development.



President Barack Obama

Fielding a handful of questions from the audience, they pledged to examine how the Jones Act shipping restrictions were affecting the island economy, and then left the summit around noon to fly back to Washington, D.C.

AIMING TO BOOST EXPORTS, TOURISM

Commerce Under Secretary for International Trade Francisco Sánchez focused on ways Puerto Rico could boost exports and its tourism industry.

"Puerto Rico has an important role to play in helping the president fulfill one of his most important goals," Sánchez said, referring to the National Export Initiative, which aims to double exports over the next five years. "The world is your market."

Sánchez said 95% of world consumers live outside the U.S., and 87% of the economic growth will happen outside the U.S. He said that economies outside the U.S. will be the fastest growing in the immediate future, but that only 1% of U.S. firms export, versus 12% of German firms. "If we can get those numbers up, we can have a tremendous impact on the economy."

The official also suggested that Puerto Rico's need to confront its energy challenges, through diversification and embrace of renewable energy, could provide it with additional products and services to export around

the world.

Through the initiative, federal agencies like the International Trade Administration, the Small Business Administration and others are collaborating on new ways to help this effort.

William Ramos, U.S. Commerce Department Interagency Affairs director, said that Economic Development & Commerce Secretary José Ramón Pérez Riera contacted him immediately about Puerto Rico's inclusion in the export initiative, the first official from any state to do so.

Ramos said his agency always includes Puerto Rico in discussions regarding trade pacts with Latin American countries because such inclusion can help Puerto Rico achieve its goal of boosting exports, and because the island's culture and geography make it a perfect bridge to the region. Sánchez also said the U.S. government

for the first time is putting in place a \$200 million publicity fund to boost tourism across the U.S., and he urged Puerto Rico to get in on the ground floor and take full advantage of the service.

Judith Rivera, of the U.S. Export/Import Bank, questioned why local banks didn't provide financing for companies looking to export.

Local entrepreneurs looking beyond local shores most often get financing from Atlanta or Miami, she said.

"Isn't it a shame that banks here aren't taking advantage of this opportunity," she said.

Carmen Ana Culpeper, a former Treasury secretary and Chamber of Commerce president, urged federal officials to move forward with a request by the island administration to include Puerto Rico in a double-taxation treaty between the U.S. and Spain. The tax agreement sets the ground rules for professionals from one country who work in the other country and allows for the deduction of taxes paid in one jurisdiction from the other jurisdiction.

It would not only be beneficial for Puerto Rico, but the U.S. as well, because historically, Spanish firms setting up shop here usually continue their expansion into the U.S. mainland, she added.

Meanwhile, Government Chief Information Officer Juan Eugenio Rodríguez said Microtech, whose founder



Commerce Under Secretary for International Trade Francisco Sánchez, center, urges island businesses to consider the world their market. From left are: William Ramos, U.S. Commerce Department director of intergovernmental affairs; Sánchez; Economic Development & Commerce Secretary José Ramón Pérez Riera; and Luis Torres Llopart, chairman of the Joint Business Confederation for the Dominican Republic, Puerto Rico and the Caribbean Inc.

traveled to the island with Obama, is interested in developing a facility in Puerto Rico that would manufacture portable cloud-computing solutions for companies. The idea is to expand from the island to Latin America.

CREATING LOCAL WEALTH, ENTREPRENEURSHIP

Forum participants also reported on some encouraging signs in the island's longtime quest to develop local entrepreneurship and a knowledge-based economy.

Deputy Economic Development & Commerce Secretary Edward Calvesbert discussed the importance of new legislation enacted this year that eliminated a significant barrier to the commercialization of academic research laws by allowing University of Puerto Rico professors to profit from their research.

"There is a magic bullet for Puerto Rico's economy. It is in supporting technology-based entrepreneurial companies," said Thomas Forest Farb, executive director of the nonprofit Puerto Rico **Trust** for Science, Technology & Research.

Farb, who was a venture capitalist in Boston and China before assuming his post last year, said there are some 175 technology-based start-ups across Puerto Rico, and that on average they are better than the average companies in the regions in which he previously worked. When he first came to Puerto Rico, he was told there might be 10 or 20.

Calling the companies "remarkable," he said many were spinoffs from universities, and that their founders included people from the island as well as off the island. They also are operating in diverse industries, including life sciences, nanotechnology, software, computer networking and alternative energy.

Farb also expressed surprise to find there is "superb research" being done at private universities, since he was told upon arriving here to spend time at public universities, where 85% of the research was being done. Private universities have been transforming themselves from teaching to research-based institutions.

Farb said the **Trust** is about to announce its first technology-transfer agreement with a private university that involves the commercialization of high-energy plasma applied to water purification.

Meanwhile, Rafael Bras, executive vice president at the Georgia Institute of Technology, told conference attendees to beware of "analysis paralysis."

"We must act and take some risks," he said. "The time is now."