Rodrick Miller – CEO, & Gail Towers Nolan – Chief Strategy and Research Officer, Invest Puerto Rico



Part of what makes Puerto Rico attractive as an innovation hub is that it is an island with close-knit communities. Everybody is connected.

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Rodrick Miller was recently appointed CEO of Invest Puerto Rico, a government mandated but privately led non-for-profit organization tasked with positioning Puerto Rico as a competitive investment jurisdiction globally. Together with Gail Towers Nolan, Chief Strategy and Research Officer, he lays out his aggressive strategy to promote Puerto Rico's assets and develop strong relationships with targeted companies to close deals.

Prior to your role as CEO of Invest Puerto Rico, you have held leadership positions in economic development projects throughout the United States mainland, including the economic recovery of New Orleans after Hurricane Katrina, and Detroit during and after the tough bankruptcy process, two experiences Puerto Rico is familiar with. How have these experiences prepared you for this role?

Rodrick Miller (RM): These previous experiences prepared me well for this role as the types of challenges faced by New Orleans, Detroit, and Puerto Rico are very similar. Before facing a natural disaster and/or financial hardship, all three places experienced years of population decline, a lack

of investment in infrastructure and failed to diversify their economies. Puerto Rico has now reached a tipping point where it is able to make a pivot. The combination of macroeconomic issues, the fiscal challenges, and natural disasters have created a unique opportunity to pivot. Now, with the incoming federal recovery funds coming to the island for a rebuilding of the infrastructure, a heightened focus on sustainable economic development, and the international spotlight being placed on the island, there is a unique opportunity to reposition the island for global investment and industry and rebuild our infrastructure in a more durable and efficient way. Lessons learned from New Orleans and Detroit include: a focus on long-term economic stability and growth; economic revitalization that requires determined private sector leadership, focused public sector facilitation, and high levels of engagement with civic organizations and residents. While large firms are essential in stabilizing the economy through large investments and employment, small and mid-sized businesses are often key in shifting the narrative and driving innovation. The Puerto Rican market has a story and it is essential that the investment promotion agency, Invest Puerto Rico in this case, trumpet that story.

Puerto Rico's story is one of resiliency, world-class assets, smart people, and an aggressive incentives structure. We need to elevate that narrative on the global scale to shift perceptions, accelerate recovery and demonstrate market capacity to innovative and leading firms.

Surprisingly, Invest PR was only set up recently, becoming operational in August 2018. Before, its mission statement fell under the responsibility of the Puerto Rico Industrial Development Company (**PRIDCO). What motivated the creation of this organization?**

RM: What you find is that, by and large, economic development works best when it is not embedded in government. In government, it ends up becoming political, which hampers continuity in the strategy because each gubernatorial or mayoral administration wants to do their own thing. The impetus for the creation of Invest PR was the realization that economic development should be led by the private sector to ensure strategic consistency. Even though the creation Invest PR was mandated by law, it is a private non-profit organization largely led by the private sector. Eight out of our eleven board members come from the private sector and their experience closely aligns with our strategic industries.

That being said, the government still has an important role to play including facilitating transactions through the incentives and permitting processes, leveraging its commercial real estate portfolio, investments in quality infrastructure, and development of a quality talent pipeline.

These responsibilities are not insignificant. If the government can do these things well, it will facilitate a business environment where transactions can easily be done. This government's role, while critical, is an enabler while the private sector leadership should bring scale, focus, and innovation.

Invest Puerto Rico acts as a trusted broker between the public and the private sector. Having worked for similar organizations, I found that this happens everywhere: the private sector looks at us almost as being part of the government, and the government as being part of the private sector. And that is the beauty because we can talk to both sides and make sure there is a common understanding of where we need to go.

Moreover, there is also a recognition of the professional practice of economic development and the value it can bring by moving out of the political realm and hiring people with years of experience and proven track records. Together, Gail and I have accumulated 50 years of experience in economic development. This is the profile, experience, and skillset that Invest PR brings to the Puerto Rican landscape, continuity, professionalism, and results.

What were your initial priorities immediately after taking the reins of the organization in February of this year?

It is impossible to determine where you are going if do not know where you are. And what I realized is that I could ask ten different business and civic leaders about the situation of Puerto Rico's economy and receive ten different answers. However, there are some things people agreed on. They generally agreed that the economy is getting better and that the future looks brighter than the past. But beyond that, there was not much agreement on which sectors to focus on and where the biggest opportunities lie. Our first priority, which is one of the reasons why we created the strategy team, was to understand where we are.

Functionally, we are set up into four departments: Operations, Business Development, Marketing, and Strategy & Research. The role of Business Development is to identify the companies that should be here and figure out how to develop relationships with them. Marketing weaves a compelling story to shift perceptions about Puerto Rico. And last but not least, Strategy & Research, which Gail is in charge of, focuses on understanding the strengths of the economy and looks at ways to enhance its competitiveness. That was one of my first areas of focus because we do not want to just sell our product, we want to improve it. A good salesperson can sell, but what we want to do is make our product better.

Our first priority was to understand our product and how to make it better. Now that we understood our product, the second step was to figure out how best to promote it. I am happy to announce that our promotional plan will be rolled out on December 12th. This plan outlines the sectors we prioritize and why they make sense. So, we understand our product, we want to promote it, but we realize we work in an ecosystem. The third element of the strategy is to determine what we need from the government, the municipalities, and the private sector and tie these different stakeholders together. We have been engaging in a series of conversations throughout this continuum to establish trust and make sure everybody is clear about what their roles are. Ultimately, the goal is for us to be able to deliver a turnkey, smooth Puerto Rico experience to companies that come here.

Gail Towers Nolan (GTN): At the same time, we should stay mindful of the fact that once you put something on paper, it becomes obsolete almost the day that you publish it. We need to remain aware of and adapt our approach to changing circumstances by listening to companies and looking at the global economic forecast, so we remain competitive.

RM: Puerto Rico is so exciting because the island's assets have never been completely positioned the way they should have been. A lot of the conversation revolves around the aggressive tax incentives which are some of the best that I have seen. But Puerto Rico is a lot more than incentives. We have good infrastructure, excellent universities and top-notch talent. Last but not least, we boast a robust pharma and medical device manufacturing sector which is well-known in the US life sciences industry but not as well outside.

GTN: Moreover, the productivity of the plants here rivals or exceeds that of other facilities around the world owned by the same multinational corporations. We need to create more awareness about this core strength.

Secretary Manuel Laboy echoed this sentiment when he said that "there is little awareness around the world for our capacities in biopharma, so through Invest PR, we can focus on being present worldwide and spread awareness". How do you plan to raise global awareness of Puerto Rico's exceptional capabilities in biopharma?

RM: I have been here six months and during that time we have done over 15 trade shows across the US mainland and are planning to participate in international trade shows in the next few

months.

From a marketing perspective, we are currently doing a perception survey of CEOs from around the US to understand what their perception of Puerto Rico is and shift that perception over time by telling a compelling story.

From a business development perspective, we are hiring two full-time developers to represent Puerto Rico's interests, one in the West Coast and another in the East Coast, both regions which boast strong biopharma sectors.

We want to have enough visibility so that we automatically come to mind, but we recognize the fact that relationships close deals. Our approach is not to try and touch every company out there. We want every company out there to know who we are, but we want to develop quality relationships with companies up and down the supply chain of the industries already present on the island, including of course the biopharma industry. We fundamentally believe that if local companies could access more of their supply chain locally, their costs would go down. We also recognize that the number one driver is talent. We want to continue promoting the amazing talent we have while also attracting more talent to the island. As part of our strategy, we are looking at how to encourage more talent in the biopharma sector to consider Puerto Rico.

GTN: We can attract sectors that are higher on the value chain. By leveraging existing assets, we can create secondary markets that serve the industry, fostering a stronger ecosystem.

How do you see the potential for Puerto Rico to attract a new wave of companies such as mid-sized European and Asian pharma companies, beyond the US heavyweights?

RM: That is the essence of our strategy. Eleven out of the top twenty pharma companies are already here and know the value Puerto Rico has to offer. Puerto Rico has done a good job of attracting large companies. We want to manage our relationships with the large companies and make sure they know they have the support they need. We believe that the small and mid-sized companies from Asia and Europe are where some of the new opportunities lie.

What is your timeline to expand your presence outside the US?

RM: We are currently in the process of having a study done examining Asian and European markets to figure out which countries represent the biggest opportunities. In fact, our consultants

are flying in from Europe today to deliver their analysis. Early next year, we will release an RFP to have a firm represent Puerto Rico in Asia and Europe to drive deals our way. We are being extremely aggressive in our approach because we realize that this is a great time as Puerto Rico's economy is in transition. With transition comes a certain level of risk, but also opportunities to make a lot of money. We do not want to react to change, we want to drive it.

Two years ago, Puerto Rico was rocked by Maria, a category 5 hurricane from which the island is still recovering. What do you tell life sciences investors who are hesitant to invest in a tropical island located in the hurricane alley?

RM: Hurricane Maria was a once-in-a-hundred-years occurrence, and not the norm. While it is true that adverse climatic events are expected to increase due to global warming, these occurrences are happening all over the world in places that do not expect it and are not prepared. On the other hand, Puerto Rico has a lot of experience and knowledge in business continuity planning and disaster recovery, and the island has integrated the lessons learned from Maria. Groups like the Puerto Rico Manufacturing Extension (PRiMEX) have made huge efforts in ensuring there is a high level of continuity planning so that companies that were caught of guard last time would not be again. Moreover, billions of federal funds are coming to the island for rebuilding and upgrading the infrastructure so the risk of disruption will diminish greatly.

GTN: Considering the magnitude of the event, large pharmaceutical and medical device companies on the island experienced minimal downtime and most of them were back operating within a week thanks to robust business continuity planning. As a result, there was no shortage in the supply of life-saving medical products. However, smaller companies were more affected, and the international press focused on those cases.

When we talked with Lucy Crespo from the Puerto Rico Science, Technology and Research Trust, she told us about the many initiatives launched in the last few years to promote entrepreneurship and innovation on the island such as Parallel 18 and Colmena 66. How is Invest PR involved in fostering this nascent entrepreneurial ecosystem?

RM: I have found that the entrepreneurial ecosystem in Puerto Rico works amazingly well considering how young it is, having been around for only 5 or 6 years. The dozen or so groups that make up this ecosystem meet regularly, and we have a seat at that table. Together, we try to

figure how we can partner and where along the maturity of a company each actor can help. What struck me is that while in other places there might be a lot of infighting within the ecosystem, I have not seen any of that here.

Being the only organization set up by the government and mandated by law, even though we are privately run, gives us the ability to advocate in a way that the smaller organizations cannot. Our role is to foster and advocate. We also see that a lot of times the entrepreneurial ecosystem is disconnected from the larger business ecosystem. And because we work with both emerging and established firms, an important piece of our work is to ensure that the two connect to make innovation happen.

GTN: When you look at the more established innovation centers such as San Diego and Boston in biopharma, there is a legacy component that is hard to crack into. Moreover, as they are very expensive markets, it is hard for young talent to get a foothold in those areas. On the other hand, Puerto Rico is like a blank slate with a lot of opportunities. That is one of the reasons why we chose the structure Rod explained, with somebody on the West Coast and the other on the East Coast, so we can have direct access to those markets and provide an alternative or additional path for emerging firms coming from those markets.

The current White House administration has been running an active campaign to repatriate activities in the mainland, but Puerto Rico is still not included in the Global Intangible Low-Taxed Income (GILTI) and the Base Erosion Anti-abuse Tax reform (BEAT). As Invest PR, how do you go about navigating this potentially unfavorable context?

RM: It is a beautiful challenge. While we are not included, we also have an entire suite of tax programs and incentives such as the recently introduced Act 60, known as the Incentives Code of Puerto Rico. While we do not have the trade positioning that the mainland has, a global company can still locate in Puerto Rico for purposes of being considered an American enterprise. For European companies, Puerto Rico can serve as a soft landing to access the US market. Even though we would have liked to be included from a trade perspective, we still are considered a US territory. Moreover, because of our proximity to Latin America, it not only opens up the US market but also the southern hemisphere.

GTN: As companies are experiencing regulatory and legal challenges in countries like China, Puerto Rico become very attractive as a US territory with the benefit of the rule of law.

Where would you like Puerto Rico to be in five years?

RM: Puerto Rico should be the hub of innovation and opportunity for the Americas. Part of what makes Puerto Rico attractive as an innovation hub is that it is an island with close-knit communities. Everybody is connected. It is especially the case in the pharma industry since Puerto Rico has one of the world's highest density rates of pharmaceutical manufacturers per square mile. Emerging companies can get access to industry leaders and decision-makers much easier than they can in other US hubs such as New York, Boston, Silicon Valley or San Diego. Moreover, we are at a cost point that is a lot less than other markets, both from a business and a place to live perspective.

Another reason is that geographically, we are uniquely positioned with easy access to North America, South America, Europe, and Africa. And we have a largely bilingual population. Whether someone is a talented person coming from Europe, the US or Latin America, Puerto Rico is an opportunity for them. Our next phase of growth is going to hinge upon a lot of young, innovative, entrepreneurial people coming here and saying Puerto Rico is a place where we can build a business and build a life.

GTN: We should promote Puerto Rico not only as a place to invest, but also as a place to live with a vibrant and exciting culture, as well as eight microclimates in an island that is only 100 miles long by 35 miles wide, with pristine beaches, dry forests, and rainforests.

You both seem extremely passionate about what you do. What makes you so dedicated to economic development?

RM: The fun thing about economic development is that you can quickly see the real-world impact of the decisions you make. What got me hooked on economic development was after I did my first deal with a company to invest in the city. A colleague came to me and said his daughter was moving back to work for that company. It made him so happy. The beauty of economic development is that you can improve the quality of people's lives. There is not a patent on talent. Smart and talented people come in all colors, shapes, and sizes. Unfortunately, many people lack access to opportunity. Economic development is a vehicle to create opportunities for those with a strong work ethic and the will to move up the socioeconomic ladder.

GTN: I agree with Rod. It is capitalism in a way that levels the playing field. To be effective in economic development, you need an altruistic perspective on the world and recognize that social responsibility and profitability are not antinomic.

RM: Unfortunately, wealth inequality is at the highest point it has ever been in history and continues to grow. But we are on the edge of a great economic transition. While in the Western world, the population is getting older and the middle class is stagnant or shrinking, in Latin America, Asia and Africa the middle class is growing, standards of living are rising and there is greater access to education. Moreover, disruptive technologies such as AI are creating a different world. Economic development is a huge component in determining what that world looks like.

What would be your final message about Puerto Rico to the international healthcare and life sciences community?

RM: Do not take somebody's word for it. If you are interested in Puerto Rico, come visit. And Invest PR is here to help you out with a smooth transition so do not hesitate to reach out to us!

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