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# "Charting Economic Success: A Comparative Exploration of New Zealand and Puerto Rico"

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## Overview of New Zealand

Puerto Rico must aspire to become one of the most competitive territories in the world and to do so, we must compare ourselves with one of the most competitive nations in the world that, like us, had incredible challenges before embarking on a new path to greatness.

The trajectories of New Zealand and Puerto Rico toward becoming competitive nations may be quite similar; we shall highlight the strategies that propelled New Zealand's economic growth and draw comparisons to Puerto Rico's challenges. By examining New Zealand's success and identifying relevant lessons, we plan to present a comprehensive action plan for Puerto Rico to enhance its economic growth and competitiveness.

New Zealand's has a GDP of \$250 billion with a Per Capita income of \$46,420, a total population of 5,122,600 million, and a total area of 103,798.93 Square miles or 31 times larger than Puerto Rico.

New Zealand's journey to becoming one of the world's most competitive nations was characterized by a combination of strategic policies, progressive reforms, and a commitment to innovation.

The following sections detail the key aspects that contributed to New Zealand's high rankings in competitiveness and provide a deeper understanding of how these strategies were implemented:

- 1. Diversification of the Economy:** New Zealand recognized the limitations of relying solely on its traditional agricultural exports. To achieve economic diversification, they implemented:
  - Investment in Research and Development (R&D):** The government-funded R&D initiatives across various sectors, including technology, healthcare, and agriculture. This initiative leads to the development of new products and services with global market potential.
  - Innovation Hubs:** The creation of innovation hubs and research centers encouraged collaboration between academia, industry, and startups, fostering a culture of innovation.

2. **Trade Liberalization:** Engaging in global trade agreements and reducing trade barriers opened up new avenues for economic growth:
  - **Closer Economic Relations (CER) Agreement:** The CER agreement with Australia established a free trade area, facilitating the movement of goods, services, and people between the two countries.
  - **Diverse Trade Partnerships:** New Zealand actively pursued trade agreements with various regions, including Asia-Pacific and Europe, expanding its export markets.
3. **Skilled Workforce:** Investments in education and training played a crucial role in nurturing a skilled workforce:
  - **Education Reforms:** Continuous improvements in the education system aligned curriculum with industry needs, emphasizing STEM subjects, technical education, and vocational training.
  - **International Education:** Attracting international students enhanced cultural exchange and contributed to the Economy by generating revenue from tuition fees.
4. **Regulatory Reforms:** New Zealand's efforts to create a favorable business environment were instrumental in attracting investments:
  - **Ease of Doing Business:** Streamlined regulatory processes, reduced bureaucratic hurdles, and simplified procedures for starting and operating businesses.
  - **Investment Incentives:** The government offered incentives to attract foreign direct investment, such as tax breaks, grants, and support for establishing new ventures.
5. **Sustainable Practices:** Embracing sustainability and environmental practices contributed to New Zealand's competitiveness:
  - **Clean Energy Transition:** Investments in renewable energy sources like hydroelectric, wind, and geothermal power ensured a reliable and sustainable energy supply.
  - **Agricultural Innovation:** The agriculture sector adopted sustainable farming practices, organic farming, and value-added products, catering to global demand for ethically produced goods.
6. **Quality of Life and Work-Life Balance:** New Zealand's emphasis on quality of life and work-life balance was an attractive feature for both skilled professionals and investors:
  - **Natural Beauty and Lifestyle:** The country's stunning landscapes, outdoor recreational opportunities, and safe environment contributed to a high quality of life.
  - **Flexible Work Policies:** Promoting flexible work arrangements and remote work options further enhanced the appeal for locals and expatriates.
7. **Strong Governance and Political Stability:** Effective governance and political stability fostered an environment conducive to economic growth:

- **Transparency and Accountability:** Clear regulatory frameworks, corruption-free governance, and efficient public administration contributed to a stable business environment.
- **Socio-Political Stability:** Political consensus, social cohesion, and a strong rule of law provided a foundation for long-term planning and development.

In summary, New Zealand's journey to becoming one of the world's most competitive nations was guided by a comprehensive approach that combined economic diversification, innovation, education, favorable regulations, sustainability, and quality of life considerations. These strategies, backed by effective governance and political stability, created an environment where businesses could thrive, investments could flow, and human capital could be developed to its full potential. It is this holistic approach that Puerto Rico could learn from and adapt to its unique context to enhance its economic growth and global competitiveness.

## Overview of Puerto Rico:

Puerto Rico, has a GDP of \$106.5 billion 42.6% less than New Zealand with a Per Capita income of \$22,419 a 48.29% less, a total population of 3,111,874 million a 60.7% less, and a total area of 3,360.5 Square miles or 31 smaller than Puerto Rico.

Below we outlined in the plan of action for Puerto Rico, building upon the lessons from New Zealand's success:

1. **Economic Diversification:** Encouraging economic diversification involves moving away from over-reliance on a limited number of industries such as manufacturing and promoting the growth of new sectors. Puerto Rico can achieve this by:
  - **Identifying Emerging Industries:** Conduct thorough market research to identify industries with growth potential, such as renewable energy, technology startups, biotechnology, and sustainable agriculture.
  - **Incentivizing Investment:** Offer tax incentives, grants, and subsidies to attract local and foreign investors to these emerging sectors, fostering innovation and job creation.
  - **Supporting Startups:** Establish incubators and accelerators that provide resources, mentorship, and funding for startups in emerging industries.
  - **Creating areas in all 78 cities with automatic permits** for a wide range of businesses will convert Puerto Rico into an island with ease of doing business and will triplicate the number of new enterprises islandwide.
2. **Education and Workforce Development:** Developing a skilled and competitive workforce is crucial for sustainable economic growth. To address the brain drain issue and retain local talent:
  - **Revamping Education:** Invest in modernizing and enhancing the education system to align with the needs of emerging industries. STEM Education must become our mantra, promoting science, technology, engineering, and mathematics.

- **Vocational Training:** Enhance and Create vocational training programs that equip individuals with practical skills in demand by industries such as manufacturing, technology, and renewable energy.
- **Higher Education Collaboration:** Forge partnerships between local universities and industries to ensure that education is aligned with current and future workforce requirements.

**3. Trade Agreements:** Active engagement in trade agreements can expand Puerto Rico's market access and enhance economic growth:

- **Regional Partnerships:** Seek participation in regional trade agreements, such as the Caribbean Community (CARICOM), Central American Integration System (SICA) Dominican Republic-Central America FTA (CAFTA-DR) and Mercosur among others to access larger markets for goods and services.
- **Global Trade Agreements:** Explore opportunities to join global trade agreements, such as the United States-Mexico-Canada Agreement (USMCA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) or bilateral trade agreements with key trading partners.
- **Export Promotion:** Empower the trade promotion agencies with incentives, grants, automatic designation to assist local businesses in entering international markets and navigating trade regulations.

**4. Fiscal Management and Governance:** While the Financial Oversight and Management Board reviews all financial decisions, we must create rigorous financial implementation once Puerto Rico emerges from Bankruptcy. Addressing fiscal challenges and improving governance are essential for creating a conducive environment for economic growth:

- **Debt Limitation Legislation:** Enact legislation that sets clear limits on the amount of debt the Government can incur, both in absolute terms and as a percentage of the GDP. These limits can be based on Puerto Rico's ability to service the debt without compromising essential services.
- **Transparency and Accountability:** Enhance transparency in government operations, budget allocation, and public procurement to build trust and attract investments.
- **Multiyear budgeting with Long Term Planning:** Develop comprehensive multiyear budgeting that includes long-term projections of revenues and expenses. This approach promotes better planning, reduces short-term decision-making, and aids in identifying potential budget gaps.
- **Structural Reforms:** We must transform the Government by doing away with unneeded agencies, services, and bureaucracy, creating a more spartan nimbler government. It will also significantly reduce the revenue-to-expense ratio.
- **Efficiency Measures:** Implement cost-saving measures across government agencies to allocate resources effectively and direct funds toward strategic initiatives.

**5. Infrastructure Investment:** Improving infrastructure is a critical enabler of economic competitiveness:

- **Transportation Modernization:** Upgrade transportation networks, including roads, ports, and airports and convert the "Tren Urbano" into a real solution for mass transit to enhance connectivity and facilitate the movement of goods and people.
- **Renewable Energy Development:** Invest in renewable energy infrastructure to reduce energy costs, enhance sustainability, and attract energy-intensive industries.
- **Digital Connectivity:** Expand access to high-speed internet across the island to support digital industries and remote work opportunities.

In summary, Puerto Rico has the potential to enhance its economic growth and competitiveness by drawing lessons from New Zealand's success and implementing a comprehensive plan of action. By diversifying the economy, investing in education and workforce development, engaging in trade agreements, addressing fiscal challenges, and improving infrastructure, Puerto Rico can transform its economic landscape and create a more resilient and prosperous future for its citizens.

### **The Final Word: Maurice McTigue and The New Zealand Miracle**

Maurice McTigue played a pivotal role in the economic reforms that contributed to what is often referred to as the "New Zealand Miracle". He was vital in implementing policies transforming New Zealand's economy and government operations during the 1980s and 1990s. His contributions centered on deregulation, privatization, fiscal responsibility, and government efficiency. Here are some of his notable contributions:

1. Economic Deregulation
2. State-Owned Enterprise Reforms and Privatization
3. Fiscal Responsibility
4. Public Sector Reforms
5. Local Government Empowerment
6. Government Streamlining
7. Export-Oriented Growth

Maurice McTigue's contributions were rooted in the belief that empowering individuals, businesses, and local communities while minimizing government intervention could lead to sustainable economic growth.

The lessons from McTigue's work highlight the potential for other economies, including Puerto Rico, to achieve similar transformations by adopting policies encouraging market-driven growth, fiscal responsibility, efficient governance, and an open business environment.

Are our political leaders ready to accomplish such a transformation?

The importance in policy development is knowing first if the current policies work or whether different activities would produce better results. The critical requirement is identifying the public benefit sought and then seeking proof that the recent actions beneficially impact that outcome. Absent this proof, every decision taken may be described as **"Anchored in philosophical beliefs"**.

**"The canvas of Puerto Rico's future is painted stroke by stroke with the brush of today's pivotal choices; each decision serves as a color that could define whether our work is a masterpiece or a failure; the future is in our hands".**

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