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When Institutions Fail, Investors Notice: The Cost of Puerto Rico's DDEC Crisis

June 1, 2026

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What Every Investor Knows — and Every Government Forgets

When a corporation, a sovereign wealth fund, or a multinational enterprise evaluates where to deploy capital, it does not begin with tax rates. It begins with a simpler, more fundamental question: **Can I trust the environment in which I am investing?**

The investment climate is the aggregate answer to that question. The World Bank defines it as the set of location-specific factors that shape the opportunities and incentives for firms to invest productively, create jobs, and expand. It encompasses regulatory quality, rule of law, control of corruption, government effectiveness, and political stability. These are not abstract governance metrics—they are the variables that determine whether capital flows into or out of a jurisdiction.

The research is unambiguous. A deterioration in the investment climate can inflict damage without requiring a policy change or a tax increase. It requires only a signal — a credible signal that the rules of the game have changed, that legal authority can be overridden by political convenience, that those who enforce the law are not protected when enforcement becomes inconvenient. Markets process that signal faster than any legislative reform can repair it.

Investors — institutional and private alike — track three things above all else when assessing an emerging or transitional economy: regulatory predictability, institutional integrity, and leadership continuity. When all three are compromised simultaneously, the investment climate does not merely weaken; it becomes dysfunctional. It fractures. And fractured investment climates do not recover on a political calendar. They recover on a trust calendar — which is far longer and far less forgiving.

Puerto Rico is a jurisdiction that competes every day for capital it cannot generate domestically at sufficient scale. It competes against Ireland, Singapore, Costa Rica, and a dozen other locations that have built their economic development models on precisely these pillars: credible institutions, predictable rules, and the demonstrated willingness to protect those who enforce them.

Puerto Rico's competitive position is structurally demanding in ways that few jurisdictions can match. It does not compete only against Ireland, Singapore, and Costa Rica. It competes against all fifty U.S. states — jurisdictions that share the same federal framework, the same currency, the same legal system, and the same access to capital markets, but without the burden of a \$34 billion debt restructuring that remains unresolved, without a power grid that ranks among the most unreliable in the developed world, and without the infrastructure deficits — in roads, ports, broadband, and water systems — that continue to impose a hidden tax on every business that operates here.

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Puerto Rico is, in plain terms, a jurisdiction emerging from bankruptcy, competing for world-class investment, with an energy system that cannot guarantee the reliability that modern manufacturing and life sciences demand, and an infrastructure base that requires extraordinary institutional competence to keep pace — let alone to attract the caliber of capital that reshoring and nearshoring trends are currently making available to competitive locations.

In that context, institutional credibility is not a luxury. It is the only differentiating asset Puerto Rico fully controls. It cannot out-infrastructure Texas. It cannot out-incentivize Delaware. It cannot out-stabilize the grid overnight. What it can do — what it must do — is demonstrate that its institutions are trustworthy, that its regulatory framework is predictable, and that the officials it appoints to lead its economic development agencies have the authority and protection to do their jobs with integrity.

That is the one competitive advantage no legislature needs to fund, and no bond market needs to approve. It requires only the institutional will to defend it. It is against that backdrop — and with those stakes clearly in view — that the events of May 26, 2026 must be understood.

The Man Who Was Building Exactly That

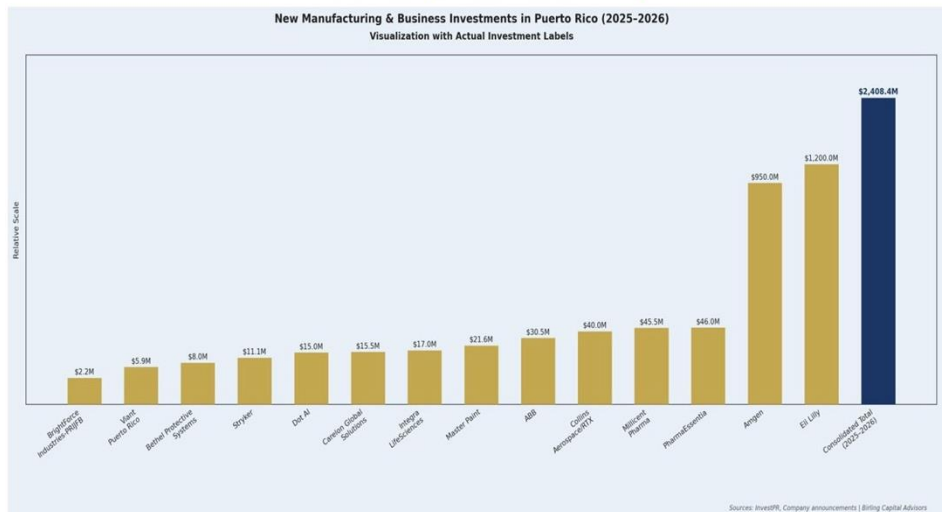
On February 16, 2026, Sebastián Negrón Reichard stood at the Fundación Luis Muñoz Marín and delivered one of the most intellectually serious speeches heard from a Puerto Rico cabinet secretary in recent memory. He spoke of institutional audacity, of the urgent need for a State that reduces friction, defends regulatory integrity, and governs with the courage to enforce what the law requires — even when it is uncomfortable. He was not speaking abstractly. He was describing the agency he was building.

Before examining what was done to him, it is worth stating plainly what he produced — because results matter, and his were exceptional.

Under his leadership, Puerto Rico secured \$2.408 billion in new and expanded investment commitments between February 2025 and May 2026 — the largest wave of industrial capital to reach the island since the 1990s. The commitments were not concentrated in a single sector or a single bet. They were broad and consequential across life sciences, advanced manufacturing, technology, and industrial production: **PharmaEssentia \$46.0 million, Millicent Pharma \$45.5 million, Collins Aerospace/RTX \$40.0 million, ABB \$30.5 million, Master Paint \$21.6 million, Integra Life Sciences \$17.0 million, Caelon Global Solutions \$15.5 million, Dot AI \$15.0 million, Stryker \$11.1 million, Bethel Protective Systems \$8.0 million, Viant Puerto Rico \$5.9 million, and BrightForce Industries \$2.2 million — capped by the two anchor investments that defined the cycle: Amgen \$950 million and Eli Lilly \$1.2 billion.** These were not incentive-driven relocations. They were market verdicts — simultaneous decisions by firms across multiple sectors that Puerto Rico was the right place to invest.



Puerto Rico's New Manufacturing Investments Updated May 2026



The Manufacturing PMI climbed to 56.10. The Birling Capital Puerto Rico Stock Index rose 19.81% between January 2, 2025, and May 29, 2026. These are solid, focused, driven results, not seen since the days of Section 936. They were the product of a disciplined, credible, focused institutional leadership — precisely the kind Puerto Rico needs and rarely sustains.

Senate President Thomas Rivera Schatz — not given to easy praise — said it plainly upon learning of the departure: "Young, talented, exceptionally well-prepared academically, and a standout leader in the cabinet. His performance was successful and admirable." That assessment came from the highest legislative office in Puerto Rico. It was not a courtesy. It was a verdict on a record.

In his LMM address, Negrón Reichard had articulated what he was trying to build: **a State that "reduces friction, coordinates actors, measures results, and accelerates where the market can scale."** He was not just speaking theoretically. He was describing what his agency was becoming under his watch. The data confirmed it.

The Anatomy of a Constructive Dismissal

The legal concept of constructive dismissal — well established in employment and governance law — holds that when the conditions of someone's role are deliberately altered to the point where a reasonable person cannot continue, the resulting departure is not voluntary. It is a forced exit dressed in the language of resignation.

What happened to Negrón Reichard fits that definition with precision.

When his team identified alleged irregularities in contracting processes within the Office of Permits Management, he exercised the authority granted by law. He initiated an investigation.

He issued two summary suspensions. He referred the matter to the Department of Justice, the Office of the Comptroller, and the Office of Government Ethics. This was not adventurism. This was a Secretary of Economic Development doing exactly what the law requires of that office.

Those disciplinary actions were then reversed by others — over his authority, against his judgment, and in direct contradiction of the institutional process he had initiated to protect the integrity of the permitting system. The personnel who had reported alleged irregularities were left exposed. The legal powers conferred on him by law were superseded.

His resignation letter was measured but unambiguous. He cited interventions "through other officials, in areas whose powers the law delegates to the Secretary, with direct consequences on internal governance and the institutionalization of the Department." He stated that these actions left "unprotected the personnel who reported alleged irregularities." And he concluded with the clearest sentence in the entire document: "The position requires mutual trust and respect for the powers the law confers on the Secretary. That trust no longer exists".

When an institution removes from a leader the very tools the law gave him to lead — and then leaves him to preside over the consequences — it has not preserved his title. It has hollowed it. And any person of



genuine integrity, in that position, arrives at the same conclusion Negrón Reichard reached: that staying would be a form of endorsement.

He did not resign because he wanted to leave. He was made to leave by those who wanted him gone without bearing the accountability of removing him.

That is constructive dismissal. And it is a far more serious institutional act than a simple personnel change.

The Principle That Was Violated

Every functioning institution — public or private — rests on a foundational principle: that authority must be respected where the law places it, and that those who enforce the rules must be protected, not punished.

Negrón Reichard enforced the rules. He was punished.

The personnel who reported the alleged irregularities did what whistleblower protections exist to encourage. They were left exposed.

In any serious governance framework, this sequence produces a predictable and devastating outcome: it signals to every future official that integrity has a ceiling. That you may enforce the rules — until the enforcement becomes inconvenient to someone with more power than you may build an institution — until what you have built stands in the way of something someone else wants. That your legal authority is real — until it is not.

This is not a story about one Secretary. It is a story about the conditions under which capable people are willing to serve in Puerto Rico's government. Every time a public servant of Negrón Reichard's caliber is constructively dismissed — forced out not for failure but for refusing to accommodate the failures of others — the signal reaches every competent professional in the private sector, weighing whether public service is worth the risk.

Puerto Rico already struggles to attract and retain the institutional talent its complexity demands. It cannot afford to systematically expel the talent it manages to recruit.

The Strategic Cost Is Real

The departure of Negrón Reichard and more than ten senior DDEC and PRIDCO officials is not an abstraction. We assessed the institutional impact across four concrete dimensions:

1. **Investment pipeline continuity.** Active reshoring negotiations, incentive applications, and FDI commitments mid-stream now face a period of leadership uncertainty. Time-sensitive transactions are the most exposed. The relationships Negrón Reichard built with multinational decision-makers do not transfer automatically to a new appointment.
2. **Regulatory credibility.** The reversal of disciplinary actions taken to protect the integrity of Puerto Rico's permitting system sends a direct signal to developers, investors, and international partners: that the regulatory framework remains susceptible to extra-institutional pressure. This is precisely the opposite of what economic development requires.
3. **Institutional memory.** The simultaneous exit of the legal, financial, strategic, and communications leadership of DDEC and PRIDCO depletes years of accumulated knowledge that cannot be replaced by appointment. It must be rebuilt — at cost and at time. The private sector understood this immediately. Dr. Ramón Barquín III, president of the Centro Unido de Detallistas, described his reaction as "consternation and concern," and identified precisely what was lost: "The consolidation that existed in one person of an entire series of rationalization efforts — agility, efficiency, reform — has now collapsed into an almost total absence." Barquín added that Negrón Reichard was someone he knew personally and trusted completely: "If he resigned, it is because he understood that mutual trust between both parties no longer existed." That is not the language of political commentary. That is the private sector's assessment of an institutional loss.
4. **Governance perception.** Credit markets, rating agencies, and institutional investors track governance quality alongside financial metrics. A constructive dismissal of this profile — linked to the reversal of anti-corruption referrals — is the kind of signal those audiences do not ignore.

What Governor Muñoz Marín Understood

Sebastian Negrón Reichard's LMM address closed with a line that now carries a weight he could not have anticipated: **"The greatest risk of the present would not be getting our policies wrong. It would be getting our era wrong"**. He is right. And what happened to him is a demonstration of exactly that risk.

Muñoz Marín built institutions precisely because he understood that leadership is temporary and systems are lasting. He created FOMENTO, the GDB, the regulatory architecture of a modern Puerto Rico — not because he expected every leader who followed to be exceptional, but because he wanted the institutions themselves to be resilient enough to carry Puerto Rico forward even when the leadership was not.

What the constructive dismissal of Negrón Reichard reveals is that Puerto Rico's institutions remain insufficiently resilient. That a Secretary who performs at the highest level, enforces the law, builds a functioning team, and produces measurable results can still be forced out when his institutional integrity conflicts with the preferences of those above him.

Negrón Reichard honored the spirit of what Muñoz Marín built. The system did not, in this instance.

The Final Word: How to Lose Trust in 509 Days

Sebastián Negrón Reichard did not fail Puerto Rico. Puerto Rico's institutional culture failed him — and in doing so, failed itself.

He was pressured. His authority was usurped. The rules that protected his legal mandate and the personnel under his charge were set aside. And because he was a person of integrity, he did what any person of integrity would do: he refused to remain as a figurehead presiding over an institution whose independence had been taken from him.

The one who should have left was the one who bent the rules.

Instead, Puerto Rico lost a secretary who was building exactly the kind of results-driven, institutionally grounded economic development apparatus the island needs to compete in a demanding global environment. It lost its team. It lost the momentum they had built. And it sent — loudly, clearly, and at great cost — a signal that integrity in Puerto Rico's public sector remains a liability rather than an asset. We believe this reality must change. The economic future of this island depends not only on the policies we adopt but on the institutional culture we are willing to defend. When capable public servants are constructively dismissed for doing their jobs with integrity, the private sector notices. The rating agencies notice. The multinationals are negotiating their next investment notice.

Puerto Rico cannot recruit the talent it needs for the era it faces while simultaneously making that talent's departure inevitable. The era demands better. And those who govern must rise to meet it — or step aside for those who will.

In closing, I want to share some words of wisdom from my grandfather, **Tito Castro**, who used to say to us, **"The Lighthouse Does Not Move. The Light Does"**.

The principles that sustain your life cannot change when the wind blows.

The lighthouse does not move.

The light does.

Your values are the lighthouse: integrity, honesty, your word of



The Island of Cardona, near Ponce — where my great-grandfather stood watch as Lighthouse Guardian from 1903 to 1911, and where six children grew up at the foot of a lighthouse, learning early that duty and place are inseparable.

honor, discipline, and respect for doing what is right even when no one is watching. They are the permanent structure that keeps you steady in the midst of uncertainty. Strategy is the light you turn toward when the environment demands it. You adjust your course, innovate, learn, and evolve — but you never sacrifice what defines who you are. The people and leaders who leave a lasting mark understand a fundamental truth: the destination never changes, only the path to reach it does.

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They build where others see impossibility, they remain where others abandon, and they advance where others hesitate. Because they understand that success may be born of intelligence and skill, but permanence is born only of values and integrity. A reputation takes a lifetime to build and minutes to lose. Results create admiration; values create legacy.

When a public servant acts with integrity — enforces the law, protects his institution, and refuses to be complicit in its dismantling — and the system expels him for it, the dishonor does not belong to the one who left. It belongs to those who made him leave.

Puerto Rico deserves better than that. Its investors know it. Its private sector knows it. And history has a long memory.



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