



**Statement by Mr. José Ríos, Chairperson of the  
Board,**

**[Puerto Rico Minority Supplier Development Council](#)  
(PRMSDC)**

**Submission for the Record to the Puerto Rico  
Oversight, Management and Economic Stability Act  
(PROMESA)**

**Friday, March 31, 2017**

Distinguished Members of the Board and Directors of the Puerto Rico Oversight, Management and Economic Stability Act, known as PROMESA. Thanks for the opportunity given to us by PROMESA Board to be part of this journey.

We are here today with the only purpose to provide our input which we understand will help resolve the current situation we are all facing.

The purpose of our statement is to expand our previous Economic Growth proposal submitted to the Task Force on September 2, 2016. My name is José Ríos, Chairperson of the Puerto Rico Minority Supplier Development Council. I will like to provide some background information of the Puerto Rico Minority Supplier Development Council (PRMSDC). Our Council represents over 500 minority suppliers based on the island and 18 Multinational Corporations that members of the Council. Our local office is based in San Juan, Puerto Rico. We are a private, independently incorporated not-for-profit organization (501)(c) (3) since 1982.

Our **constitutional objective** is to serve as a link between corporate purchasing entities and the minority

business community and to develop programs to maximize the amounts of goods and services purchased from minority businesses. **Our commitment** is to identify business opportunities for our Certified suppliers, provide buying organizations bonafide certified suppliers of products and services, and to help our corporate members create and enhance Minority Development Programs. **Our mission** is to promote the development and growth of minority businesses through leadership and service thus fostering an environment of trust, integrity and collaboration with corporate organizations in pursuit of mutual economic growth opportunities.

The Puerto Rico Council is affiliated to the National Minority Supplier Development Council, represented in the U.S. by 1,700 corporations and 12,000 Minority Suppliers throughout the nation with a total economic impact of \$400 billion in output that results in the creation of more than 2.2 million jobs and \$49 billion in

tax revenue for the benefit of local, state and federal governments. Our National headquarters is based in New York City, New York.

We are one (1) of 23 Councils around United States, certifying entity for Minority Business Enterprises (MBE's) and validated by Corporate America.

Our strategy is to connect the Minority Suppliers with the Corporate Buyers for business relationships to increase their purchases and develop suppliers in alignment to their corporate needs. In this endeavor, TOGETHER providing business opportunities, Corporate Members have trusted the Council to request MBE's that fit their needs; since 2016 a significant amount of contracts exceeding \$29 million have been generated in our referral programs.

Minority Business Enterprise or MBE is defined as a For-profit enterprise, regardless of size and physically located in the US, Puerto Rico or its trust territories.

Owned, operated and controlled by minority group members, as defined by our National Minority Supplier Development Council. USA Citizens. In other words, ethnic groups composed by Afro Americans, Asians, Native Americans and Hispanics business enterprises.

They are validated by a rigorous certification process created to verify minority ownership status and compliance with MBE's certification criteria. These are some of the local Corporate members as of December 2016:

1. ABBVIE LTD PR
2. AMGEN MANUFACTURING LIMITED
3. BANCO POPULAR DE PUERTO RICO
4. BOSTON SCIENTIFIC
5. BRISTOL-MYERS SQUIBB
6. CARIBBEAN REFRESCOS (The Coca Cola Co.)
7. CVS CAREMARK
8. DUPONT COMPANY USA

9. HOME DEPOT
10. JOHNSON & JOHNSON
11. MERCK & CO. INC.
12. NEOLPHARMA, INC.
13. OFFICE MAX
14. PEPSI COLA MANUFACTURING INTERNATIONAL LIMITED
15. PFIZER PHARMACEUTICALS
16. WALMART PUERTO RICO



Our recommendation is summarized in one (1) basic area:

**DESIGNATION** of “**Distress Industrial Zone**” (DIZ) for Puerto Rico defined as regions with specific distress features, such as:

- a) Unemployment higher than 9%

## b) Zone Managed under Oversight Fiscal Boards

The idea is to bring export industries located on foreign jurisdictions into the DIZ. These industries will be considered located outside the U.S. custom jurisdiction and will be entitled to special federal income tax benefits consisting of a special 85% exemption on dividends paid by such enterprise to their corporate owner, provided that the industry must purchase at **least 25%** of its total purchases of goods and services from Minority Suppliers.

We certainly advocate for the development of Puerto Rico Minority Supplier Development Council base as a growth factor in the supply chain for multinationals and could be a driver for local tax increase, contributing to the fiscal health since these will impact the economy because of the multiplier effect of the procurement/value chain. No direct subsidy structure, will maintain the disbursements of the federal

government neutral. As well as the cost of establishing the respective Distressed Industrial Zones.

The benefits as a mechanism to restore the economy thus the markets because it will impact directly on the value chain that supports the manufacturing clusters. In addition, the positive impact in the GDP as Puerto Rico is a domestic market.

Based on a 2014 study conducted by the Interamerican University of Puerto Rico, an economic model must be focused on developing and promoting local purchases. A potential increase of \$1.5 million to \$2 million could be attained by increasing the purchasing activity between multinationals and local suppliers. Local reinvestment could represent an additional \$500 million.

“With Trump’s administration reducing the Minority Business Development Agency’s Funds considerably, it will



have a chilling effect on efforts to grow opportunities for Minority Business Enterprises (MBE) in the government sector.

With this Fund reduction, we gain more relevance in this sector, which is the fastest growing area of the economy. It is imperative that the Puerto Rico Economic Development Administration (PRIDCO) continue providing support and infrastructure for MBE's who can build thriving businesses, drive job growth and increase tax revenues", stated by National Minority Supplier Development Council's President Ms. Joset Wright-Lacy.

Our concept is to reactivate the economy by creating the "Cluster Principle" with the intention of creating interdependence between business and institutions

within related industries and geographical locations, aiming to incentivize regional purchases made by multinational businesses located in disadvantage communities.

On this Industrial Cluster focused in Global Organizations to develop Minority Suppliers the Multinationals of the future that rely on technology, automation and global communication to be efficient.



The traditional approach is to focus the economic model on employment creation and/or capital investment. Our proposal focuses in regional development through the power of purchases and the development of local suppliers.

These measurements will allow us, along with other programs, to transform Puerto Rico in an Investment destination. It is time to transform with budgetary and administrative discipline, which will assure total success during this historical journey.

We are convinced that our Council is the platform to bring back success... with trust, integrity and collaboration!

¡GRACIAS!

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