



**REMARKS BY THE GOVERNOR
OF THE COMMONWEALTH OF PUERTO RICO
HON. RAFAEL HERNANDEZ COLON
AT THE MIAMI CARIBBEAN BASIN CONFERENCE**

**DECEMBER 7, 1990
MIAMI, INTERCONTINENTAL HOTEL**

It is a pleasure for me to be here once again sharing a vision of economic development and integration for the Caribbean Basin. As we enter the final decade of the 20th. Century and prepare to lead our nations into the beginning of a new millenium, we must take stock of our achievements and limitations and search for concrete ways in which we can enter the new global marketplace with an integrated and more competitive economic profile.

On the European and North American continents the march to regional integration is well underway. The European Common Market representing an income of almost four trillion dollars will have formed by January 1993, and the simultaneous creation of the "European Economic Space" will encompass a number of other countries gathered in a free trade association. The free trade agreement between United States and Canada will in all probability include Mexico --and President Bush's "Enterprise of the America's" proposes a free trade zone stretching from Alaska to Tierra del Fuego.

This dramatically changed world scenario confers new meaning and increased urgency to Caricom's original goal of free movement of people and goods from Guyana to the Bahamas, still unmet 25 years after CARICOM's creation. Despite the political, social, economic and cultural pluralism of the Caribbean, succeeding economically as a region on the international scale is the challenge we must face in this final decade of the century.

Considered as a whole, the twenty six countries of the Caribbean barely represent a market of sustainable size. Thus, to one degree or another, our countries have tended to base national economic development on protected access to metropolitan markets and reliance on preferential treatments --such as the Caribbean Economic Recovery Act for free access to the U.S. market, the CARIBCAN Agreement with Canada, and Lome Agreements for market protection into the European community.

As the international trading system becomes more liberalized, as a General System of

Preferences (GSP) is extended to an ever wider group of countries, as the current GATT negotiated reductions further diminish tariff walls, the day looms when our products will have to compete unprotected in every market.

It behooves us to consider how we shall be able to maintain --much less improve-- our levels of productions and exports to the rest of the world, as well as our standards of living. Inequivocably, survival and progress in the Caribbean entails upgrading infrastructure; diversifying mono-crop economies; improving competitiveness of our goods; strengthening support to free enterprise and attracting increased flow of investment equity and other capital. All these we can achieve much more effectively through a true region-wide Caribbean community of cooperation, to maximize the advantages which we may individually possess in such a manner that the sum total is greater, much greater than the mere sum of the parts. This entails both a spirit of regional integration as well as specific programs of action

through existing regional and multilateral institutions in order to: increase the availability of technical information, identify projects and market niches, and engage in joint marketing and promotional efforts to encourage European, Asian, and U.S. investment.

This is the agenda which faces the leaders --current and future-- of the Caribbean and to which I have assigned high priority in my government.

In 1985 I made various commitments with regards to the role Puerto Rico would play in providing support and promoting economic development in the Caribbean Basin. They materialized in our section 936 funds loan program for eligible projects in the Caribbean Basin. Many of the countries represented here today have benefitted from this program, set within the larger framework of United States policy towards the region, as defined in the CBI legislation of 1983 and the more recent BCI-II Act of 1990.

Despite initial criticisms, we are very proud to say today that it has withstood the test of time. Proof of this is the fact that Puerto Rico's Caribbean Development Program has far surpassed initial expectations of providing \$100 million in funds for Caribbean projects. To date the program has rendered a total of 92 projects throughout the region creating 16,230 jobs and involving a total investment of \$620 million. We in Puerto Rico believe that the program's growth and success over the past few years is a reflection of the potential for greater regional economic cooperation.

Our commitment to the region is also evident in the promotional aspect of the program. Puerto Rico has sponsored over 100 seminars for potential investors in the U.S., the Caribbean, Europe, and the Far East. We have held five Caribbean Business Conferences in San Juan engaging over 500 business people from all over. For the past three years we have seen the rebirth of the Point Four Scholarship Program and are increasingly confident of its potential for the decade ahead.

As a result of the encouragement and support we have received from our friends in the Caribbean and Central America we have recently been received into various regional and international organizations. Puerto Rico is now an observer member in CARICOM, and a full-fledged member of the Economic Commission for Latin America and the Caribbean and its important Caribbean Development Cooperation Committee. We have also requested entry into such institutions as the Pan-American Health Organization, and the Economic System for Latin America (SELA). I would like to express my deep appreciation to the governments of the region for supporting our membership in these various organizations. We see this as a sign of your own commitment to ensuring that Puerto Rico's relations with the region are deepened and expanded.

To pursue that purpose Secretary of State Colorado attended the third "Europe and the Caribbean" Conference sponsored by the London-based West India Committee held in Jamaica this past week.

The committee and the delegates commended Puerto Rico for the success of its 936 loan Program and for its initiatives aimed at "seeking to deepen its regional trade and investment relationships on a two-way basis". The West India Committee also welcomed new efforts to increase the accesability of these funds.

In this regard I wish to point out recent advances which we believe will improve the program further, especially the accessibility of 936 funds.

In January 1990 I signed into law a bill authorizing a new mechanism, the Caribbean Financing Authority or "CARIFA", which will further reduce the cost of 936 funds to borrowers. This new government agency can issue bonds on behalf of borrowers. Since the bonds are purchased directly by 936 corporations, eliminating any intermediary, they provide even lower interest rates than the conventional 936 funds market. I want to announce that we have adopted rules and procedures specially designed to dispel concerns expressed by the Internal Revenue Service in the lending of 936

funds through CARIFA, thus clearing the way for approval of CARIFA'S first financing, \$75 million for a project in Jamaica.

Other recent developments are expected to improve the accesability of 936 funds to small and medium sized firms with eligible projects. A number of companies which are members of the Puerto Rico U.S.A. Foundation, are committing up to \$100 million to be used for direct loans of \$1 to \$10 million to qualified projects in eligibile CBI countries, funds which are expected to be available in the near future.

We are aware of the difficulties that small and medium sized projects in CBI countries may experience in accessing 936 funds. We are working closely with the State Department, the Overseas Private Investment Council (OPIC), and the Agency for International Development to structure a guarantee fund to lend to the bankable CBI projects, which due to size and lack of required guarantees, have not been able to access 936 funds. These new efforts are the result of our

conviction that there is a need to go beyond traditional OPIC guarantees in order to make 936 funds available to viable and high-quality projects in the Caribbean.

We are confident that these new mechanisms will result in the expansion of 936 funded projects to new CBI eligible countries, as well as to the small and medium size business community of the region.

My government remains committed to its Program of Economic Development in the Caribbean and to promoting and supporting a concerted strategy that will strengthen our position in the global marketplace, ensure a state of readiness for changes forthcoming, and enable us to assist our people in their dreams for a better life.

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