

REMARKS BY THE GOVERNOR
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Increasingly, industries from all nations, rich and poor alike, are facing the need to globalize their financing, manufacturing and trading operations. Otherwise, they risk falling behind the fiercely competitive forces that are shaping the world market place that will exist at the turn of this century.

Industries in the United States cannot remain indifferent to this trend. While once competition for U.S. manufactured goods was limited to the international markets, it is now taking place within our own domestic markets. A greater number of products sold within our borders are now carrying more and more parts and components made in Europe, Latin America and above all, the Far East.

The most frequent reaction among many policy makers is to cry out for protectionism by raising tariff barriers and imposing stringent regulations. This may seem to be an appropriate measure in the short run, but we then forfeit any

presence in the world's markets. In the long run, we even risk losing our predominance at home.

Surely then, our goals and actions should take into account these anticipated effects, and instead of turning our backs on the problem, we should meet it head-on.

In the Commonwealth of Puerto Rico, we see the trend towards global trade and industry as an opportunity and not as a threat. American industries taking root in our island have been able to effectively meet the increased challenge posed by foreign competition by taking advantage of the unique local and federal tax incentives available only in the Commonwealth. This has served to strengthen American industry -especially in the area of high technology- while at the same time giving our people an opportunity to contribute to America's competitiveness.

We have taken an additional step, however, and we now increasingly seek to establish complementary operations with our Caribbean neighbors. This measure reflects a degree of enlightened self-interest. We are no longer as competitive in the production of low value-added projects as we once were. But through our Caribbean Development Program, we have been able to take advantage of the lower labor costs that many of our neighbors report, while maintaining important aspects of the production process in our Island.

We see this development as an excellent opportunity to contribute to the welfare of the region while at the same time assisting in the preservation of our island's competitiveness as a site for American industry. The Caribbean as a whole offers greater opportunities for Puerto Rico and the United States than any other region of the world. This is so because of the unique historical bonds that have tied the region to North America.

Evidence of this is apparent in many ways, but none so poignant as U.S. Department of Commerce studies that show that 70% of all components or parts contained in Caribbean products shipped to the United States are made in the United States. Compare that number to official figures indicating that only 10% of all components or parts of products manufactured in the Far East were made in America, and the picture is starkly clear.

The challenge that lies ahead for America's industry is clearly outlined. The trend towards the globalization of trade and industry will surely mark the end of the century as no other trend has done in recent times, notwithstanding the emergence of huge regional blocs of common markets such as the one expected to form in Europe by 1992.

Puerto Rico, as a site for American industry, is poised to meet this challenge by advancing the establishment of

complementary operations that will allow for the combination of our, Commonwealth's unique local and federal tax incentives, with the resources and competitive labor rates of our Caribbean neighbors. This blend of advantages allows for unique cost competitive production sharing arrangements.

It is precisely this combination of fiscal autonomy and careful industrial development policy that has raised our Island's gross product to over \$18 billion. Unemployment similarly has been slashed by 10 points in the last four years to 12% last December, the lowest rate in 15 years.

We look towards the future with confidence and urge American industry to look at our Island as the ideal site for setting up the production sharing facilities that will allow for it to compete successfully in the increasing globalization of trade and commerce.