



**REMARKS BY THE GOVERNOR
OF THE COMMONWEALTH OF PUERTO RICO
HONORABLE RAFAEL HERNANDEZ COLON
AT THE FOURTH ANNUAL CARIBBEAN BASIN
CONFERENCE AND MARKETPLACE**

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CERROMAR HOTEL, DORADO

I wish to welcome you to the Commonwealth of Puerto Rico to the Fourth Annual Caribbean Basin Conference and Marketplace, specially to those participating and visiting our country for the first time. In fact, this year's conference reveals an increasing worldwide interest in the Caribbean. For the first time we have delegates from the Far East. The participation of new countries such as Japan and Taiwan forecasts a most auspicious meeting.

Today, I would like to share with you some thoughts about the economic future of the region and the role that the Commonwealth of Puerto Rico can play in promoting investments in the area.

In order to compete with other regions, we must seek our economic integration. Other regions such as Western Europe and the Pacific Rim have already taken firm steps in that direction.

For a long time the region has tried to achieve this integration from the demand side perspective, promoting investment in manufacturing to take advantage of an existing common market. The Central American Common Market and the

Caribbean Common Market were the result of these efforts. Although very positive, these markets have limitations in terms of the size and income of the population. These internal markets are not enough to fulfill our development needs. The focus should be expanded.

We have started to achieve the economic integration of the region by pulling together our resources in order to produce for the world markets. In other words, complementing our comparative advantages to produce for the world, products that no one else could do better.

Puerto Rico's Caribbean Development Program is our contribution in this great endeavor. Our efforts have three main thrusts; complementary plants, Commonwealth-936 funds and joint promotion. Allow me to discuss each one in detail.

First, complementary plants. Other countries have successfully made use of the production sharing concept. Of particular interest is the Maquiladoras project on the U.S.-Mexican border,

which has progressed in spite of enormous labor turn over and lack of tax incentives.

We in the Caribbean can achieve even greater success given our special advantages.

The Caribbean possesses the conditions to become the best manufacturing site of the world. Our complementary plant program integrates each country's competitive advantage in order to be able to produce more efficiently than other production centers.

Puerto Rico has a sophisticated industrial sector. Fully 61 percent of our net domestic income comes from the manufacturing sector. More than 2,300 plants are in operation in Puerto Rico at this time, many of them due to the powerful combination of Puerto Rican and U.S. tax incentives.

Puerto Rico is within the United States customs system, therefore, products manufactured in Puerto Rico carry the "Made in U.S.A." label. This allows the Commonwealth a privileged access to the world's largest market.

The Caribbean countries possess abundant fertile land, natural resources, and trade preferences like CBI, Lome, and Caribbean. But its most critical resource is a dedicated labor force eager to work.

Our Caribbean Development Program has been very successful, promoting over 11,000 jobs in eleven CBI countries. Attempting to compete separately would leave us in a weak competitive international position. With this program, we are able to challenge Singapore in electronics, Korea in footwear and Hong Kong in apparel. But as we gear up for new promotional efforts, we are convinced that this is just the beginning.

On top of all the advantages, available to our region, production in the Caribbean enjoys the benefits of low cost Commonwealth-936 funds.

The Commonwealth-936 funds must be considered as a key element in the integration plans of the region. To date, more than \$100 million in Commonwealth-936 funds have been approved for infrastructure and manufacturing. The projects

include \$51.5 million to finance the purchase of two Air Buses for Air Jamaica and \$17 million for the Jamaican portion of the TransCaribbean Cable System, which will connect South America with the United States.

This year we are very optimistic, because in the last month 2 additional Caribbean countries have taken important steps towards the completion of the Tax Information Exchange Agreements (TIEA). As you know, the signature of this agreement is a prerequisite to be able to use Commonwealth-936 funds.

Two weeks ago, Trinidad and Tobago ratified the agreement. Last Monday the Dominican Republic signed the TIEA, now only pending its ratification.

At this point, Mr. Antonio Colorado, has informed me that Fomento has close to \$300 million in several petrochemical projects in Trinidad and Tobago alone. Other projects are being evaluated. Among them, tourism projects, expansion of airport facilities, electric generation plants and industrial parks.

Although we consider that the accomplishments of Fomento's Caribbean Development Program are outstanding, we must create other mechanisms to increase the lending of Commonwealth-936 funds to projects in the region.

We are working on the creation of an Export Financing Program using Commonwealth-936 funds to stimulate the production and export of non-traditional products from the CBI eligible countries. These products are the key to accelerate the integration process, because many of the inputs could be sourced from within the region.

We are also forming a new financial instrument to standardize the issuance and placement of bonds to finance projects in eligible CBI countries. We are using as model the AFICA mechanism, that has been so successful in the financing of infrastructure development in Puerto Rico. We are confident that this instrument will greatly simplify the present process to obtain Commonwealth-936 financing.

The third ingredient to spur economic integration is joint promotion. It is not enough to know among ourselves how good we are. We need to get international attention towards the entire region. We need to get the information out to the foreign investor. A regional promotional effort must be sponsored. We are aware of the difficulties in implementing this strategy, but it is well worth our efforts.

To complement this promotional effort, the Fomento Administrator is today renewing the agreement with the Director General of U.S. and Foreign Commercial Services of the U.S. Department of Commerce, Ms. Sussan Shwab. Under this collaboration agreement, Fomento and the U.S. Department of Commerce will be joining in promotional activities to attract investments to the CBI. A similar agreement was recently signed with the Eastern Caribbean Investment Promotion Services, in presence of Prime Minister of Dominica, Honorable Marie Eugenia Charles and Chief Minister of Montserrat, Honorable John Osborne.

Today I want to announce that Fomento is starting a new set of promotional seminars in the United States, joined by Caribbean countries. The first "Caribbean Twin Plant Seminar" will be held in San Diego, California, in October 4. Barbados, Jamaica, and the Eastern Caribbean Investment Promotion Services will participate in different seminars this coming Fall.

Five years ago I mentioned at my inaugural speech that we were going to participate in the development of the region. Today, more than ever, we are convinced that our economic future is intertwined with the future of the Caribbean region.

I know that this important conference will prove fruitful to each one of you, and further the cause of economic integration, progress and democracy in the Caribbean.

Thank you.