



REMARKS BY THE GOVERNOR OF THE
COMMONWEALTH OF PUERTO RICO
HON. RAFAEL HERNANDEZ COLON
TO THE MEMBERS OF THE NATIONAL
ASSOCIATION OF SECRETARIES OF STATE

JANUARY 17, 1990

On behalf of the people of Puerto Rico, I welcome the National Association of Secretaries of State to our beautiful Caribbean island where visitors are not only captivated by our many attractions, but manage to find a most productive balance between business and leisure activities.

I want to take the liberty of sharing with you the results and dynamics of a basic tool we have geared to enhance the democratic system in the Caribbean, by fostering free enterprise in this region. At the same time, we maintain and create new job opportunities, both in Puerto Rico and throughout the Caribbean Basin.

Under the Reagan administration, the United States government gave a step in the right direction with its Caribbean Basin Initiative Program.

As originally conceived, the CBI program would have afforded twelve years of duty-free access to the U.S. market for products manufactured in certain Caribbean countries, and it would have included tax incentives to encourage U.S.

manufacturers to avail themselves of this opportunity.

Congress gave the President the twelve years of duty free market he asked for, but denied him the vital tool of significant tax incentives. The program, which had been President Reagan's response to the lessons of Grenada, did not work. We did not witness greater investments in the Basin's poorer economies.

Seeing the importance of this program for the region, Puerto Rico launched a new and bold initiative, to breathe life into the Caribbean Basin Initiative.

In 1985, I made a commitment with our Caribbean neighbors and with the U.S. Congress: Puerto Rico would make an effort to become an anchor of economic growth and political stability in the Caribbean. We committed ourselves to promote trade and investment and to assist in the development of the region by using the CBI. We offered to work on new industrial investment

programs through a complementary plants effort, as well as taking advantage of Section 936 of the U.S. Internal Revenue Code, which effectively exempts from taxation most income earned from Puerto Rican operations or reinvested here.

The result has been the emergence of what we could call Puerto Rico's 936-related CBI, through two distinct efforts. The first one aims at getting the 936 companies to open twin plants and other complementary projects in the CBI countries, regardless of the source of their financing. Under our Complementary Plants Program, we split production with another Caribbean nations. In this manner, we are able to jointly produce what no one country could profitably produce on its own.

Our second effort is targeted to get financial institutions holding 936 funds to lend them to projects in qualifying CBI countries, regardless of whether the borrower is a 936 company or not, or even a government agency.

Today, there is an investment commitment of some \$316.7 million covering 11 Caribbean Basin countries, including the Dominican Republic, Jamaica, Haiti, Costa Rica, Guatemala, Dominica, Barbados, St. Kitts and Grenada. This investment finances 75 projects responsible for the creation of nearly 13,000 jobs in the region, with another 3,719 jobs in Puerto Rico. Another 30 potential projects are now under serious study for calendar year 1990.

The importance of these CBI initiatives goes beyond the creation of sorely needed jobs in the Caribbean. They give us the opportunity to shape the future wellbeing of our people through the steady economic integration of the region. For, in order to compete effectively in today's global markets, the Caribbean Basin must recognize and reinforce the strongest economic elements of each country, and at the same time, unite as a region. The Caribbean Basin must foster the institutional agreements and economic ventures that will defend

and advance our shared interests. Caribbean countries need to maximize the opportunities created externally, such as the CBI, as well as an agenda to increase the possibilities for cooperation among ourselves.

Puerto Rico is more than willing to play an important role in the advancement of the region as a stable, democratic and economic group. As a region, we can become competitive with Asia and greatly expand our exports to the United States, Europe and South America. I believe that today's geographical fragmentation can be turned into our advantage, as we find new markets for our jointly produced products.

A bill to create the Caribbean Basin Financing Authority has already been approved by our Legislature and I hope to sign it into law this coming week. This Commonwealth agency will permit issuing of bonds and other longterm obligations to finance eligible projects in the Caribbean, reducing the intermediate costs of traditional

financing methods. We expect this Caribbean Basin Financing Authority to be in operation later this year.

Through national and international publications, such as the New York Times, Business Week, the Financial Time of London and, more recently, The Economist, we have achieved sound progress in sending our message of the importance of investing in the Caribbean Basin countries. Not only have we stressed the commercial potential of the idea but we have also stressed the promise of democracy, freedom and stability that it holds for all peoples in the region.

As an example of our commitment, we began a Puerto Rico Point Four program last year with thirty-one men and women representing nineteen CBI countries. They saw at first hand our industrial promotion operation and worked with us in the development of specific projects for their own countries. I am informed that, as a result, dozens

of sound leads for new projects were identified and are now being actively pursued.

Another area in which we Puerto Ricans are helping our Caribbean neighbors is by promoting greater tourism to the region. San Juan has already become a major hub for Eastern and American Airlines by increasing connections and communications throughout the Caribbean Basin.

In a unique historical process, I believe the Caribbean is finally coming together and is on its way to becoming a single economic region. The United States must give its fullest support to this development, with a sound and coherent policy to modify unfair trade policies, to find new formulas for debt repayment, and to improve and extend CBI programs.

Puerto Rico is already playing a central role in this process. We will continue to support regional development with our human and economic resources, with our experience in industrial development, transportation and communications

services, and with our intimate knowledge of U.S. markets and our access to financial resources.

As we approach the twenty-first century, let us commit ourselves to taking the people of the Americas onto higher levels of civilization, onto better standards of living for all. In doing so, we will be redeeming the bright promise of democracy and the greater development of our people.

Thank you again for choosing San Juan as your meeting ground and for allowing me this opportunity to share with you the enthusiasm and optimism that I feel regarding the future of our Caribbean Basin.