

REMARKS BY THE GOVERNOR  
OF THE COMMONWEALTH OF PUERTO RICO  
HONORABLE RAFAEL HERNANDEZ COLON  
ON PUERTO RICO'S ROLE IN LEADING AND DEVELOPING  
THE CARIBBEAN AT THE  
JOHN F. KENNEDY SCHOOL OF GOVERNMENT

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**PUERTO RICO'S ROLE IN LEADING AND  
DEVELOPING THE CARIBBEAN**

I am pleased to be back in Harvard to discourse briefly on one of my most heart-warming and rewarding experiences: --Puerto Rico's involvement with the several islands and nations in South and Central America whose shores are bathed by the Caribbean Sea.

At the beginning of the last decade the U. S. decided that our region, then dubbed the Caribbean Basin, merited national attention. Not only was Fidel continuing to make noises and issue threats out of his sugar-dominated socialist state, but there was the reality of Granada, a small island state in the eastern part of the Caribbean which had fallen under the spell of Fidel's imperialistic endeavours. Jamaica and the Dominican Republic were desperately striving to emerge from stagnating underdevelopment. And

Kissinger had recently returned from Central America, shaking his head in despondency at what had occurred there through sheer neglect from the U.S. while the Soviet Union, directly and indirectly, increasingly exercised its influence in the area.

Living standards in the countries of the Caribbean Basin have historically been low, ranging from the intolerable levels experienced in the Republic of Haiti, proudly the first self-proclaimed republic in the Caribbean, to only slightly more satisfactory levels in several of the countries of Central America.

President Reagan's call in 1983 for a Caribbean Basin Initiative recognized the importance and the needs of the countries which, to use the phrase of Dominica's charming leader, Dame Maria Eugenia Charles, are indeed the "front yard of the United States", and deserve to be recognized and treated as such. After months of anguished Congressional deliberation, the Caribbean Basin Economic Recovery Act had been launched. The U.S. opened its market to virtually any product of

Caribbean origin other, it seemed, than those for which the area had a natural affinity or comparative economic advantage. I refer to items such as clothing, leather shoes and the like where imports were either restricted by quotas or by high tariff walls and to sugar, the area's principal crop.

The Act offered a potential push to the tourism through a convention credit which, however, could only be useful to the handful of islands with a large enough hotel plant to be able to attract relatively large groups of visitors.

Most important, the Act failed to enact an investment credit, so essential if new capital, technology and entrepreneurial talent were to be attracted to the area.

Surveying this scene upon returning to office in January 1985, I saw that by virtue of Puerto Rico's Commonwealth relationship with the United States, our extensive experience in economic development, and our Caribbean tradition we were uniquely placed to take a leadership role in regional economic development. My strategy was to

create an economic partnership between Puerto Rico and the countries of the Caribbean Basin which, in addition to complementing and fortifying the efforts of the United States' Caribbean Basin Initiative (CBI), would be critical in preserving Section 936 of the U. S. tax code essential to our economic development and which would serve as the foundation for the region's economic competitiveness.

Within a year I established our Caribbean Development Program based on three major thrusts: (1) the promotion of production-sharing operations or "twin 936 plants" between Puerto Rico and countries of the Caribbean Basin; (2) the financing of private sector development project in countries of the Caribbean Basin using low-cost section 936 funds from Puerto Rico; and, (3) the provision of technical assistance and collaboration programs in the areas of marketing, investment promotion, industrial development, and educational scholarships.

This program has achieved impressive results and has become the backbone of Puerto Rico's

diverse collaborative efforts with the countries of the Caribbean Basin. Over 100 projects have been promoted in 12 Caribbean Basin Countries (Barbados, Costa Rica, Dominica, Dominican Republic, Grenada, Guatemala, Honduras, Jamaica, Panama, St. Kitts & Nevis, Trinidad & Tobago, and the Virgin Islands).

These projects have created than 28,000 direct jobs and represent a total investment of over one billion dollars have come from deposits of the earnings of U.S. subsidiaries operating in Puerto Rico under section 936. From a mere 10.8 million dollars disbursed in 1988, we have seen the flow of 936 funds to the region increase steadily to 68 million in 1989, 179.6 million in 1990 and 233.3 million in 1992. By the end of this year we expect to disburse another 300 million and there are already proposals under consideration which indicate this figure may be exceeded in 1993.

Puerto Rico has become a major force in the transfer of technology and resources in the Caribbean Basin. Our increasing role as the major airlines hub of the Caribbean has significantly improved regional transportation links so critical

to the promotion of both tourism and manufacturing processes. Moreover, the promotion of 936 financing and other investments into the region has served to strengthen regional trade:

- Shipments from Puerto Rico to the Caribbean increased by 57% per cent over the past five fiscal years, from 518 million in 1986 to 812 million in 1992.

- Shipments from the Caribbean to Puerto Rico went up by 56% per cent over this same period, from 616 million in 1986 to 960 in 1992.

During this same period, U.S. exports to the countries of the Caribbean Basin have steadily increased while Caribbean exports of "new" products have largely been offset by declines in the area's petroleum shipments and other traditional exports to the U.S.

In 1990 Puerto Rico gained observer status in the Caribbean Community (CARICOM), the regional grouping of some 13 English-speaking member states in the Caribbean, including Guyana on the South American coast and Belize in Central America. We also became associate members in the Economic

Commission for Latin America & the Caribbean (ECLAC) and its sub-regional body the Caribbean Development and Cooperation Committee, a forum for all the island-states of the Caribbean -- French, English, Spanish and Dutch speaking. Thus giving us direct participation into regional development initiatives in a variety of areas such as science and technology, education and culture, environmental management, health as well as general economic and trade issues. For many years we have also had a very active participation in the Caribbean Tourism Organization (CTO) and the Caribbean Hotel Association (CHA). We have played a leading role in the current multi million dollar effort to promote the Caribbean as a single tourist destination.

In September of 1991 we signed what has become our most comprehensive and dynamic collaboration agreement with the eight member states of the Organization of Eastern Caribbean States (OECS)--Antigua & Barbuda, St. Kitts & Nevis, Montserrat, British Virgin Islands, Dominica, St. Vincent and the Grenadines, St. Lucia, and

Grenada. This agreement covers areas ranging from trade and investment to tourism, environmental management, educational and cultural exchanges, science and technology, historical preservation and tourism.

As part of these functional cooperation commitments we have actively participated in many of the regional forums aimed at fostering the process of Caribbean integration and the liberalization of trade in the region. Of signal importance will be Puerto Rico's membership as a donor country in the Caribbean Development Bank, which has been enthusiastically endorsed by the Bank's Board of Governors and for which my government has approved a \$10 million contribution but must now await formal action by my successor. This membership will give us the opportunity to have an ever more direct impact the investment process in the region.

In addition, we have played an important role as a "bridge" to Caribbean-Central American collaboration. In 1991 President Rafael Leonardo Callejas of Honduras and Prime Minister Michael

Manley of Jamaica met in Puerto Rico to discuss strategies for regional collaboration. As a result the CARICOM-Central America forum was formed in January 1992.

Through our offices in the United States and Europe we have established very close collaboration with Caribbean Basin representatives on the matter of the North America Free Trade Agreement (NAFTA) and the Single European Market (SEM).

In 1991 the University of Puerto Rico celebrated the 30th. Anniversary of the journal Caribbean Studies, housed at the University's Institute of Caribbean Studies.

Today many of our institutions of higher learning have developed similar research and teaching centers such as the Interamerican University and the Regional Caribbean Studies Association in San German, Sacred Heart University in Santurce, and the Center for Advanced Studies of Puerto Rico and the Caribbean in Old San Juan. Our academic Caribbean linkages today are not only with Harvard, Yale, Princeton, Hunter College, or Florida International University, but also with the

regional University of the West Indies (UWI), the regional Central American Confederation of Higher Education (CSUCA), and many others in the Caribbean and beyond. In 1986 we instituted our CBI scholarship program, which currently has eleven students from the Region attending Puerto Rican universities, moreover, our annual seminars provide technical training and assistance for public and private representatives from the Region.

How will all of this be affected by the recent political in Washington and San Juan?

In the case of the new Democratic administration in Washington, the eventual approval of NAFTA and continuation of the current benefits of CBI will provide both the U.S. and the countries of the Caribbean Basin with a unique opportunity to strengthen their current economic complementarity. This successful business relationship, which has developed as a result of CBI, should only grow and expand as part of the NAFTA.

Puerto Rico, under my administration, has served both to assist and complement this beneficial relationship for the U.S. and the countries of the Caribbean Basin. We have sought over the past years to bridge the efforts between the region and the NAFTA. As a NAFTA and Caribbean country we have been able to play a unique role in voicing the interests and concerns of the region to the U.S. administration.

The incoming administration in Puerto Rico has been made aware of the important role that one Commonwealth has played to the benefit of our Caribbean Basin neighbors as well as of the U.S. We have institutionalized this role over the past decade, covering both the public and private sectors, and have established the conditions upon which the next administration can continue to strengthen Puerto Rico's regional presence.

Both the U.S. and the regional public and private leadership have come to see in Puerto Rico a true economic partner committed to regional development. Only a continuation of this commitment will provide the opportunity for the

region to better utilize current CBI and 936 benefits, while developing new linkages within NAFTA in a manner which will complement the economic success of the policies of the past decade.

The new administrations in Washington and San Juan should take note of the fact that the unifying thread of Puerto Rico's commitment to Caribbean economic development has been our common culture and history.

Born of plantation societies and colonial pasts, we in the Caribbean have forged a regional identity based on the commonness of our histories and cultures, and the strength and willingness of our peoples. Whether it be in Spanish-speaking Puerto Rico, in creole Haiti, Calypso-playing Trinidad or Dutch-speaking Netherlands Antilles, you will find that amidst this diversity there is a oneness. As we have to strengthen our regional economic foundation so too we work to strengthen our regional ties and integration, based more than ever on our common conviction as Caribbean peoples. It is this vision which binds us

together, which facilitates our incipient efforts at collaboration.

Washington can not ineract on this scale and depth while it is natural for San Juan to do so. Pere Labat, the 18th. century West Indian chronicler wrote:

"To possess the wealth of the Indies, one must first have the wealth of the Indies in one's heart".

As we in the Caribbean develop that wealth in our hearts, so too will we be able to develop the wealth of our nations. As this process takes place Puerto Rico should continuously be at the heart of Caribbean economic development and cooperation, and continue its commitment to regional integration.

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