



REMARKS BY THE GOVERNOR
OF THE COMMONWEALTH OF PUERTO RICO
HONORABLE RAFAEL HERNANDEZ COLON
BEFORE MARITIME TRADES DEPARTMENT

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Mr. Paul Hall, President of the Maritime Trades Department of the AFL-CIO and the Seafarers International Union of North America, and distinguished presidents and heads of the important unions that make up the Executive Board of the Maritime Trades Department, my greetings and best wishes for a productive and harmonious session here in Miami.

It is an honor to be able to address these few words to this alliance. I know of you long and sincere interest in Puerto Rico, where many of your unions have locals. I am sure your concern over the effects of the world-wide recession on the national economy, also includes Puerto Rico. Our island has been specially hard hit, first by inflation and then by the recession. We have seen a drop in production in every sector of our economy, except agriculture. Last Many, the official unemployment rate in Puerto Rico reached almost 20%, the highest it has been in the last 20 years.

In spite of these setbacks, the spirit of innovation continues in the Commonwealth and a most recent example was my administration's decision to purchase the three major shipping lines serving Puerto Rico and consolidate them under one management which today is known as the Puerto Rico Maritime Authority.

Puerto Rico depends on ocean transportation for its very very survival. Our off-island trade accounts for over 115% of our gross Commonwealth product whereas foreign trade for the United States accounts for only 11% of its GNP.

Although the Authority is government owned, it is administered by a private operating company, which is a member of the N.Y. Shipping Association. That membership demonstrates the Commonwealth's faith in collective bargaining as the mechanism for establishing the industry wage and fringe benefit levels.

My administration decision to purchase the shipping lines was made possible by the Jones Act, whose guarantee for U.S. bottoms in domestic trade is the legislative backbone of American Merchant Marine.

This same spirit warrants more attention and concern on the part of the Congress regarding subsidies to stimulate and protect American Merchant Marine. With Federal help, both in the form of construction and operating subsidies, Puerto Rico will be able to provide more efficient and cheaper maritime service between the Commonwealth and the U.S. Better service in turn will allow us to attract new plants and create new employment on the mainland.

The spirit of self-reliance and self-determination which promoted the purchase of the three shipping lines is the same spirit behind Puerto Rico's current effort to revise and improve the juridical relationships between our Island and federal government. At this time, there is a bill before the U.S. House of Representatives which represents the fruit of two years of labor by an Ad Hoc Committee jointly named by the jointly named by myself and the President. First and foremost, the bill clearly establishes Puerto Rico's right to self-determination and, as an expression of that determination, its right to join with the U.S. on the basis of a permanent union.

The bill which is in the form of a compact --then proceeds to spell out the areas where Puerto Rico will exercise partial or complete control and the areas which will be left in the hand of the Federal government.

Federal minimum wage levels have also been the concern of the Commonwealth. A recent study of Puerto Rican finances by a former economic advisor to President Kennedy, Professor James Tobin of Yale University, has shown that for the past several years our labor costs have outwun productivity, seriously undermining Puerto Rico's competitive position. To regain our competitive edge, I have recently asked my newly created Advisory Council on

Labor and Social Policy to draw up a productivity action plan. The Council composed as it is of representatives of labor and management, is admirably suited for such a study. Puerto Rico cannot control the prices of goods we import from the Mainland which constitute half of what we consume. The productivity action plan will have to cover those areas where we can exercise some control or have some influence including technology, management organization, human relations, better use of machines and equipment and wages.

An important part of our program then is to try to keep Puerto Rico's wage scales competitive in order to attract industries to attack unemployment at present running at an island wide average of 20%.

This position is a pragmatic one and I repeat today what I told the subcommittee of the House Committee on the Interior and Insular Affairs earlier this week in hearings concerning Puerto Rico's new Federal Relations bill. Our attitude regarding the bill's labor case is open. We are seeking two things at the same time: (1) to keep all our jobs, and (2) to have our jobs pay the highest minimum possible. What we're looking for is flexibility vis-a-vis the Federal minimum wage levels. I think we can find a formula satisfactory to all concerned parties which will

give us that flexibility.

Our efforts to improve Puerto Rico's juridical relationship with the Federal government are founded, as I have already stated in the concept of self-reliance and self-help. Puerto Rico is lookin for the tools by which she will be better able to fight the Siamese twins of unemployment and poverty. But this is not to say that we want to or can "go it alone". The economic relationship between Puerto Rico and the United States is a close and intimate one based on the principle of common citizenship, common defense, common currency, and common market. Decisions made in Washington have a direct effect on what happens in Puerto Rico. Such is the case in regard to United States tariff policy, a subject about which I know this group feels very strongly.

There is no doubt recent U.S. trade positions have had a negative impact on Puerto Rico's ability to maintain its industrial growth. Competition from skilled but extremely low wage areas such as Taiwan, North Korea, Haiti, Hong Kong, and Spain has saped our once vibrant textile industry and is destroying our shoe and leather industry. This policy of exportation of jobs is particularly costly to Puerto Rico which is more sensitve to wage increases than most areas in the States. The

reason for this greater wage sensitivity is that there has been a tendency by U.S. manufacturers to establish plants here producing the low end of their product lines, that is, those products which are the most subject to price competition.

We are concerned as I know you are with a trade policy that will flood the United States with products produced in foreign low wage areas, often by U.S. companies, that directly compete with our wage sensitive products. The United States must not pursue a policy which will impoverish Puerto Rico and many areas in the United States for quick profits for multinational corporations or for a supposed benefit to the consumer. I say supposed because although the imported products may be cheaper, the American consumer loses by loss of American jobs to foreign areas. Puerto Rico is seeking improved access to U.S. negotiating positions prior to their becoming hardened positions in order to better combat this problem.

The growth or decline of our shipping to the United States is tied directly to the growth or decline of the Puerto Rican economy. This in turn directly affects the growth or decline of the maritime unions serving Puerto Rico. So it is evident that we are all in this together.

We in Puerto Rico believe that with better instruments at home and better relations in Washington, we will be able to wage a successful counterattack against the lingering world recession. But, we need your support. The objectives of this counterattack are the same objectives that my party, with labor's help, has been fighting for since its inception more than 35 years ago --social justice, full employment and a decent standard of living for all people. As in the past, I know I can count on labor to fight with us shoulder to shoulder for we are all in this together.

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