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ESTADO LIBRE ASOCIADO DE PUERTO RICO
OFICINA DEL GOBERNADOR
LA FORTALEZA, SAN JUAN



MESAJE OF THE GOVERNOR OF PUERTO RICO
RAFAEL HERNANDEZ COLON
BEFORE THE
ELECTRONIC INDUSTRIES ASSOCIATION OF PUERTO RICO

In 1972 I had the pleasure to come before this group as the President of the Senate of Puerto Rico. I am sure that many of you remember that occasion. My appearance was not meant to be a trip to an oracle, but my good friend José A. Liceaga did turn out to be this perfect prophet, when at that time he kindly introduce me as the next Governor. I might add that this prediction came at a time when few people thought I had a chance.

I promised that if I were elected I would be back as Governor. I am most happy then to be able to fullfil tonight that promise, and although my intentions tonight in my address to you will be non-political, another favorable prediction by Mr. Liceaga would not heard at all.

There are, of course, reasons other than personal for coming before you tonight. Your association and your industry are of great importance for Puerto Rico. Electronic plants although small in number in comparison to the total number of industrial plants in Puerto Rico nevertheless account for 15% of total manufacturing employment.

More important, however, is the historical significance of your industry. Electronics represents a new generation of industrial plants for Puerto Rico; they have come to replace the wage-sensitive, unskilled or semi-skilled type of industry that we first attracted when Operation Bootstrap began in the 1950's. It is the type of industry that, while labor intensive is more productive than our first generation industries and consequently pays a higher wage to its workers.

This is precisely the type of industry on which Puerto Rico must count in the years ahead. Light and medium industries, like electronics and pharmaceuticals, scientific instruments and chemicals will have the highest priority of the Puerto Rican government and this priority is not just a sweet platitude; we are

backing up our words with specific actions.

Already the two year wage-subsidy program is now benefitting 2,400 employees; by the time this \$30 million emergency recession program ends in June we expect nearly 12,000 industrial employees will be receiving a salary subsidy from the government, including at least three companies in the electronics field. Furthermore, we are putting the finishing touches on new program to provide a government guarantee for loans by the private sector for industrial projects. I expect the electronics industry to benefit from this Guarantee Fund. My administration is also working on a revision of the Tax Exemption law to make it more attractive to expand and to open new branches on the island. We think this will prove attractive to industry like yours that have a great potential for new plant expansions as evidenced by the 27 plants here of General Electric and the 17 plants of Westinghouse Electric. Of the other way around.

In the federal arena, the U.S. House of Representatives has already approved Section 936 of the internal revenue tax law. The ammendment which would replace Section 931, is now before the Senate, where the Puerto Rican government,

as it did in the House, is fighting hard for its approval. Of course, I don't have to tell this group the importance of this section to Puerto Rico and the U. S. firms that have plants here.

We also see new industrial possibilities for Puerto Rico with the approval of the proposed compact of Permanent Union between Puerto Rico and the United States. Specifically, the provision allowing P. R. to import raw materials duty free and then ship them to the mainland provided 35% or more of their value is added in Puerto Rico. Also, we are asking for more control on tariffs of foreign goods entering P. R. Such control by lowering the tariffs can stimulate local industry where its raw material is cheaper on the world market than in the United States, or by raising tariffs. We can protect our internal markets from competition from low wage areas. Of course, the changes we are seeking will, in no way, affect the four bedrocks of our relationship with the U. S. - common citizenship, common currency, common defense and common market.

Before closing I would like to make one more observation. Puerto Rico has just passed through its worst economic crisis

since the great depression. We are still affected by serious problems, although I think but I very sure the worse is now behind us. It has been a difficult period for everyone, but I believe also very significant. As a people we showed once again we have the capacity and maturity to deal with adversity. Such toughness augers well for the future of Puerto Rico, for the challenges ahead are great but so, are the rewards for hard work, community cooperation, and confidence in ourselves.

Thank you.

