



# FUNDACION

MESSAGE OF THE GOVERNOR OF PUERTO RICO, ON  
SECTION 936, AT THE CERROMAR HOTEL, ON FRIDAY  
MARCH 21, 1986 - 11:30 A.M.

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## PUERTO RICO AND THE CBI

This is an auspicious event for Puerto Rico. I congratulate Citibank and its officers for Hosting their Thirteenth Annual 936 Conference and, especially, for gathering here, such an impressive number of delegations from the countries of the CBI region along with our corporate, industrial and banking community.

It is appropriate that today, we take a look at what we have been able to accomplish together since treasury called for the repeal of Section 936.

Early in January of 1985, the prophets of doom were saying that the days of economic and social progress under the incentives of Section 936 were over. Confusion and uncertainty among our people and our corporate community prevailed. In order to meet the problem and assume a leadership role in Caribbean affair which I thought Puerto Rico should play, in my inaugural address as Governor, I announced a plan to share the benefits of \$700 million of funds deposited in our government development bank by Section 936 corporations with our neighbors in the CBI region. I also called upon the good will of our people, from all sectors of our life, to wage a constructive fight to preserve what has been the cornerstone of our economic development. The people of Puerto Rico rose to this challenge.

--Our religious leaders, the members of our industrial, commercial and our financial sectors joined forces. Our 936 companies also pledged their unwavering support by working in solidarity with us. I recognize the corporate representatives that are gathered here today who travelled with me around the Caribbean Basin to vouch their support to our commitment to help President Reagan achieve the goals of his Caribbean Basin Initiative. Our voices were heard loud and clear everywhere we traveled. Prime Minister Seaga carried the message personally to President Reagan --He said that 936 funds for financing worthy complementary projects in the region was opening a new window for the success of the Caribbean Basin Initiative. Congress and Treasury learned in the process that Section 936 has been the backbone of our economic progress and that its benefits could also be invested to spur new private sector initiatives in the region.

After a long and hard fought battle, the merits of our arguments prevailed. Together we have transformed the Administration's threatened repeal of 936 into a ringing Presidential and Congressional endorsement. We have demonstrated to ourselves, as well as to those of little faith, that by working together we can vanquish that threat and preserve section 936 into the future as a permanent tool of economic development.

With the staunch leadership of Chairman Rostenkowski and Congressman Charles Rangel in the ways and means committee, and the enlightened efforts of Secretary Baker and Deputy Secretary Darmon, a compromise was reached with Treasury that paved the way for the approval of Section 936 in the House of Representatives.

At this year's Miami Conference on the Caribbean, Prime Minister Seaga spoke out forcefully for the preservation of Section 936 just moments before Vice President Bush announced, for the first time, that the administration had changed its mind about 936 because of our Caribbean Basin approach to the issue. The Vice President praised our program as "Imaginative" and characterized it as "Precisely the kind of initiative that is needed to broaden the opportunities offered by President Reagan's CBI." He also expressly articulated the linkage in the administration's mind between its support for Section 936 in the future, without limitation of time, and what we accomplish in the Caribbean:

"We will work with Congress to seek to preserve the benefits of Section 936 into the future if Puerto Rico's plan to stimulate investment in the Caribbean region bears fruit, as expected."

The administration is not alone in this view. When the dust finally settled in the House of Representatives and the final report of the ways and means committee on tax reform was published, it became clear beyond any doubt that our Caribbean proposals were a decisive factor to our key supporters on the committee. More recently, in house ways and means committee oversight hearings on the Caribbean Basin initiative this point was emphatically driven home.

Approximately four weeks ago, in Grenada, President Reagan personally endorsed our twin plan program and asked the U.S. Senate for its prompt approval. The backing of the President to Section 936 and the recent news from the U.S. Senate indicate that our voice and views have been heeded in Washington. 936 is about to reach safe Harbor soon.

We have traveled together a great distance. However, our journey has just begun. We cannot indulge ourselves in a mood of self-complacency, although we sure must be proud of what we have accomplished. We must now direct our energies to fight the real common enemy that haunts the fabric of our Puerto Rican society -the persistent 20% unemployment that is suffocating the constructive aspirations of our young men and women.

In Puerto Rico, as of September of 1985, we had 22 production sharing operations with the Dominican Republic, Barbados and Haiti. The products include clothing, agribusiness, cables, semiconductors, printed circuits, wire harnesses and wall switches.

Since we launched our 936 twin plan program --with the limited resources that we have now--, there has been a number of 936 corporations which have taken the initiative to establish twin plan operations in the region. Johnson & Johnson, Smith-Kline Beckman, Schering-Plough, and Abbott Laboratories have announced that they will locate their twin operations in Grenada. Westinghouse is moving ahead with its five million dollars investment in the Dominican Republic. Merck and Pfizer are looking into Costa Rica as a possibility for their projects.

Companies with lesser financing resources --like Peerless Chemicals, San Crispin Shoes and convert have already obtained financing from the Government Development Bank for their twin plan operations. Today, I strongly urge those companies that actively fought on our side to preserve the benefits of Section 936, to follow through with your plans to make the much needed investment in our region, for we know that we must share our good fortune with our neighbors if we are to preserve it for ourselves.



These projects will contribute to our the Caribbean Region in several ways:

Job creation will provide income and raise living standards;

Workers will gain training and work experience;

As skills develop and increase, the regional economies will be better able to support modern plants and equipment;

Investments will create demand for the infrastructure necessary to attract further investment.

I salute those companies that have helped us to make these points by their concrete example, and I expect others to follow promptly in this direction.

I have said in the past that we are at the starting line now, and we must not turn from the best opportunity we have had in a generation to reach sustained regional economic growth. We need to strengthen our economic base in Puerto Rico, we need to create new sources of jobs in Puerto Rico and in the region.

We are committed to the Caribbean Basin Initiative and we need the investments to make it work. Our success will brighten the future of democracy and will strike a more balanced economic well-being for all of our freedom loving brothers and sisters in the region. In this endeavor, I am counting with your continued support.

