Yesterday’s manufacturing model could provide ideas for tomorrow

José L. Bolívar to 50,500 people with an annual payroll amounting to $100 million. Some of the companies that Puerto Rico Development Company, or PRIDCO, helped establish or expanded their operations included: Bayuk Cigars, Baxter Travenol, Brunswick, California Packing, D-W-G Cigar, International Latex, International Shoe, Kayser-Roth, Kelvinator, Kimberly-Clark, Manhattan Shirt, and Van Rasil.

Also in 1961, PRIDCO completed construction of 56 factory buildings. That’s more than one factory every week of the year! PRIDCO also made improvements to 12 other sites. All told, PRIDCO provided 1,147,516 square feet of floor space to investors at a cost of $8,427 million. Among the businesses benefiting from PRIDCO’s investments were: Playtex Caribe in Dorado, Consolidated Cigar in Comerio and the Puerto Rico Meat Packing Company in Caguas. Other firms already established by this time included: General Electric, American Can, Carborundum, Spaulding and Maidenform.

Twenty years later, industrial promotion was still in full swing. Promotions for fiscal 1982, for example, committed 10,391 jobs. Of this total, 47 percent was provided by 35 projects involving the manufacture of electronic/electrical equipment, precision and scientific devices, and non-electrical machinery. Attraction of these high-technology projects was complemented by the promotion of traditional manufacturing, including 29 apparel manufacturers. PRIDCO’s results thus maintained the diversity of the island’s industrial mix.

Over half of PRIDCO’s promotions in 1982 constituted new industrial projects, including substantial investments by Fortune 500 companies such as: Intel, Beckton-Dickinson, DuPont, ITT and United Technologies. Large-scale projects by foreign investors included: Vetriquinic (codfish processing), Portugal; Sartorius GmbH (medical filters), West Germany; and Mitsubishi (tuna canning). Some half a billion dollars was announced or committed for investment during this period by prominent corporations such as: American Hospital Supply, Quine, Wang Laboratories, Skyes Optronics, Arizona, Merck, General Foods, Schering-Plough, Sterling Drug, Stork, Union Carbide and Johnson and Johnson, among others.

Manufacturing in Puerto Rico remained the primary source of net income and net income growth despite prevailing negative trends throughout the world. Its net income surpassed $5.2 billion, accounting for 51.3 percent of the islands total net income, while employing 150,000 people, as opposed to $5,500 in 1961. In order to achieve these goals, Puerto Rico had to shift its emphasis from basically low-wage operations, as these industries could not cope with the energy crisis of 1974-75 and the subsequent inflationary and recessionary trends in the world economy: In addition, these firms were unable to match the increased competition from high-cost Western producers, especially with the lowering of U.S. tariffs.

To offset this erosion of Puerto Rico’s manufacturing base, PRIDCO had to begin promoting sophisticated and innovative companies, hoping to train them to develop their own manufacturing processes. This was the beginning of the policy of promoting high-technology projects.

Today, our challenges are somewhat different from those faced in 1982, yet the question remains: what to do to continue to grow our economy? Looking at successful economic models can provide a starting point. North Carolina, for example, was successful in adjusting a dwindling income model based on tobacco production to one that promoted innovation and research in the health care industry. The famous Triangle, which encompasses the University of North Carolina at Chapel Hill and Duke University, is an example of what was achieved in this state. Is this the answer to Puerto Rico’s economic stagnation? Certainly, two things should be clear from these examples. The first is that the results of any economic model take time. The second is that innovation and creativity require an educational system second to none. It is here where Puerto Rico should start to allocate more of its resources.

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