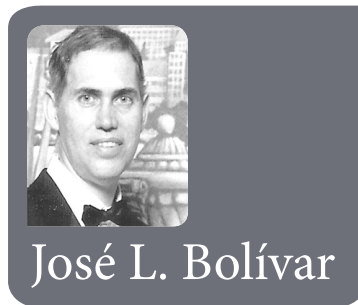


## Yesterday's manufacturing model could provide ideas for tomorrow

From the approval of the first industrial tax exemption law in 1947 to the demise of the federal tax exemption program in 2006, manufacturing has been the hallmark of Puerto Rico's industrial development. During the past five years or so, we have seen numerous manufacturing firms leave the island. Puerto Rico has seen the loss of Colgate-Palmolive, most if not all of the metal canning industry, the tuna industry, and confectionary factories such as Life Savers, among others. More recently, the pharmaceutical giant Glaxo Smith Klein also departed. In this article we take a historic view of what this industry accomplished and propose some alternatives that might help to achieve a similar growth pattern.

During fiscal year 1961, the 148 new plants or expansions of existing facilities reflected Puerto Rico's industrial growth potential. This activity was a direct result of private investments and confidence on the island's ability to deliver results. It was estimated that these projects would add 10,600 new jobs with wages and salaries amounting to \$1.5 million. With this investment, the number of factories operating in Puerto Rico since the beginning of the industrial program in 1947 exceeded 700, affording employment



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 expand 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 Raalte.

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 Comerío 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 55 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, Bechtel-Dickinson, DuPont, ITT and United Technologies. Large-scale projects by foreign investors included: Vetril Quimico (codfish processing), Portugal; Sartorius GmbH (medical filters), West Germany; and Mitsubishi (tuna canning), Japan. Some half a billion dollars was announced or committed for investment during this pe-

riod by prominent corporations such as: American Hospital Supply, Qume, Wang Laboratories, Skyles Datatronics, Atari, Merck, General Foods, Schering-Plough, Sterling Drug, Starkist, 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 island's total net income, while employing 150,000 people, as opposed to 55,500 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 low-cost Third World 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, accompanying these efforts with improved training programs to upgrade labor force skills.

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 proceeds into one which 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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## VOICES

### Another look at today's crisis

Probably like a lot of readers of The Daily Sun, I tend to believe a statistic if it is repeated often enough — 138 government agencies, 200,000+ government workers, \$100,000-a-year senators, that sort of thing. And for the last year the ominously escalating operational deficit that now stands at an appalling \$3.2 billion, according to today's governor, up from a mere \$1 billion, according to last year's governor, but at any rate arriving just in time for the thrills and chills of Halloween 2009.

Understandably, there is a counter-number that has become the Holy Grail, the Fountain of Youth, the El Dorado, the Mother of All Salvations. That figure is the once \$2.7 billion (June 2008), now \$3.5 billion (October 2009) in back taxes just waiting to be collected, according to government sources. If successfully located and extracted, that vital \$3.5 billion can preserve the status quo of the 138 agencies and obviate massive layoffs of public workers. In a word, it will keep things rolling smoothly along as they have every fiscal year since the beginning of fiscal time in Puerto Rico.

Until that wealth materializes, however, what can be done to stave off ruin and suffering? If the bond people refuse to accept the back taxes as anything more than a rumor, albeit documented in black and white, and insist on immediate and drastic reductions in government spending, then why not move this crisis from the streets, where everybody stands to lose, to the courts, where only some lose, after first securing an injunction against layoffs and any kind of shutdown? Let "The People versus Wall Street" work its way through civil court right here in the friendly confines of Hato Rey.

Puerto Rico should call on the services of Thomas Green, of the international law firm Sidley Austin LLP, who famously managed last year to reverse the charges against former governor AAV (2005-2009), and find the federal government guilty of not understanding traditional Puerto Rican campaign funding practices.

Attorney Green and his associates can surely establish as

fact that while the government of Puerto Rico is undeniably responsible for spending more in wages, salaries and benefits to its legislators and other employees than it is able to collect in taxes and fees, surcharges, confiscation and liquidation of illicitly acquired assets, sale of public properties and land, rental of tides and sunsets, etc., etc., yet the Establishment to the North, comprising Wall Street and the federal government, is far more liable for not helping Puerto Rico nearly enough to develop an economy reasonably independent of its own government spending.

Mature, thoughtful people throughout the inhabitable universe will agree, upon being apprised of the facts of the matter, that Puerto Ricans have reacted rationally to an environment of severe limitations on employment by electing politicians who have consistently delivered on the promise, "If you take care of us, we'll take care of you."

This project has proven so successful that government employment has enabled thousands and tens of thousands of workers to move into the ranks of the middle-class who otherwise would have been restricted to a marginal existence, without entry into the expansive universe of credit, without cell phones or cable or MTV and access to the invigorating calisthenics of the action-figure formerly known as Shakira, the singer.

If home ownership isn't the goal of modern civilization, with that awesome expense broken down into manageable monthly mortgage payments, then what is — faith in an afterlife?

*Steven Greenia  
from Río Piedras on October 15*

### Business as usual

"It's gonna be a normal day," said Chief of Staff and government's master fleecer extraordinaire, Marcos Rodríguez Pujada. These words were spoken, 24 hours before the general strike against Fortuño's Final Solution and the only alternative considered to solve the unconfirmed bad economy. And because it was a normal day, let's do it every week!

Secretary of State, Kenny McClintock tried soooooo hard to downplay the 24 hour stoppage that his reliance on "Google Earth Scientific Method" theory fizzled into salt and water, when he publicly gave his results: the area occupied with some empty spaces was approximately 14.5 square meters so "according to my Google Earth assessment the crowd count at the strike was between 14,000 and 14,500 people." Who wants to buy Google Earth now? I thought that former Senate President McClintock would have learned the principles of calculus and addition then and there when he was adding up all his shared (with De Castro Font) kickbacks from local and foreign lobbyists. If the Chief of Police activated 17,000 policemen just for 14,000 people, he must be fired!

Then came the MTV Latin America Awards. Calle 13's René Pérez, having the opportunity of international exposure, probably expressed what his generation, the sons and daughters, nephews and nieces or grandchildren of all fired public employees think about a deceiving administration who is dismantling our families, our culture and our nation. Again, Marcos Rodríguez Pujada, declared it as "an insult to the governor and to the people of Puerto Rico." The thing is that the people of Puerto Rico has been insulted by members of this administration's cabinet for a long time now.

We, the people of Puerto Rico have been called by the members of your staff: ticks, poor, lazy, drug addicts, pigs, thugs, terrorists, opportunists, and all things considered insults. Saying son of a [expletive] on International TV is nothing. What's the fuzz? Who knows you and Fortuño out there? And Mr. Rodríguez Pujada, you don't use your mother's maiden name either. Which I am honoring now in this letter. Also remember, in Puerto Rico there is a law that establishes that children must have a father; in the WORLD everyone has a mother. So, it's business as usual!

Thank you very much.

*Carmen Amalia Dávila  
from Condado on October 17*

These remarks do not necessarily represent the views of the Daily Sun.