

A modern petrochemical complex in Puerto Rico looks exactly like its mainland counterpart. But there the resemblance ends. Since the oil import program was modified by Presidential order in 1965 to permit additional Puerto Rican refineries, new projects have been tailored to fit increasingly sophisticated and imaginative economic development criteria. The specific terms of the agreements reached between companies and the Commonwealth government vary. But for the companies' part they have included guaranteed investment levels, profit reinvestment, maximum local utilization of outputs, participation by local capital, secondary support facility investment and even contributions to a conservation fund that we have.

Two illustrations of how individual projects represent the sum of many interrelated parts are those of the Phillips Petroleum Co. and Sun Oil Co. in addition to building a \$45 million refinery, Phillips agreed to reinvest all of its profits from the operation over a 10 year period in Puerto Rico. Phillips has already invested \$100 million including construction of a nylon 66 plant as a joint venture with Rhone-Poulenc of France. The first stage of this satellite already employs 1,500 workers with a direct employment potential of 4,500 by 1970. The recently approved Sun project is no less impressive. Sun guarantees to invest \$125 million in facilities. The company will also construct a \$12 million deepwater port near its Yabucoa Valley refinery site on the island's southeast coast. This will give Puerto Rico a fourth major ocean port. Sun will also make available at favorable prices a part of its refinery output so that the Puerto Rico Water Resources Authority can generate low-cost electric power. The port plus the power will hopefully enable the investment of \$150 million in bauxite processing facilities by other companies, thus adding another element to the island's heavy industry.

The Yabucoa Valley, where the Sun project will locate, is a depressed sugar growing area of 40,000 population with an unemployment rate of 30 percent. Thus, it is easy to see why the Sun project will have considerable impact. But the need for more jobs and better paying jobs is chronic throughout Puerto Rico, not just in the Yabucoa Valley. By 1975 we must generate more than 200,000 new jobs if Puerto Rico's unemployment rate is to fall below 10 percent. The rate is now around 12 percent, or about three times the mainland U.S. rate.

The Commonwealth government feels that it is up to Congress and the Interior Department to decide whether the 12.2 percent formula should be enacted into law. The petrochemical projects sought by the Commonwealth, and approved by the Department of the Interior, have been accommodated within the 12.2 percent formula. However, the 12.2 formula can be written into law without raising artificial barriers to "free trade" or damaging Puerto Rico's economy. Amendments proposing such a change—that is, incorporating the 12.2 formula but without destroying Puerto Rico's petrochemical industry—are already pending before the Senate Finance Committee and I hope this committee will give similar language serious consideration in the event it acts on the measures before it.

Successive Congresses under both Democratic and Republican administrations have encouraged economic progress in Puerto Rico be-