

cause a prosperous Puerto Rico is an asset to this Nation. It would be self-defeating and contrary to this Nation's best interests to cripple Puerto Rico's capacity to achieve its economic and social goals.

Thank you.

Mr. HERLONG. Thank you, Mr. Camero.

Mr. CAMERO. Mr. Chairman, with your permission I would like to offer for the record an analysis of the petrochemical industry in the overall development of Puerto Rico.

It points out in detail why we have to restructure the island's economy and how we are trying to do it.

Mr. HERLONG. It will be included at this point in the record.

(The analysis referred to follows:)

PUERTO RICO AND ITS ECONOMIC DEVELOPMENT—"OPERATION BOOTSTRAP"—THE
ROLE OF THE PETROCHEMICAL INDUSTRY

Puerto Rico's future economic development for the near and long-range future hinges, to a decisive degree, upon the petroleum and petrochemical industry. Puerto Rico's basic goal is the development on the island of an integrated chemical industry, providing the base for scores of thousands of employment opportunities.

I. PUERTO RICO'S ECONOMIC PROGRESS—AND PROBLEMS

A. *A decade and a half of progress (1950-65)*

Before reviewing the economic development of the past decade and a half, it is well to note that at mid-century (after 50 years of U.S. sovereignty over the island) "poverty, disease, hunger and insecurity were still the lot of the average Puerto Rican." It is against this reality that the progress made to date must be reviewed.

During the past 15 years our industrialization and tourism promotion programs for which the Economic Development Administration is responsible have been the primary factors underlying the island's effort to reduce unemployment. Population pressures and the paucity of natural resources dictated that these two areas would have to be the keystones of Puerto Rico's effort to raise its standard of living. What we have been able to accomplish to date has been effected by enlisting the technical and financial resources of private enterprise. The limited availability of both of these resources on the island made it necessary that we try to attract them from the Mainland. Economies of scale and the small local market meant that, for the most part, the manufacturer in Puerto Rico would have to channel his output into the Mainland market.

Our first stage of development can be said to have been completed in 1955 when net income originating from manufacturing equaled that generated in agriculture. Most of the new plants attracted during this stage fell into the category of light industry, notably wearing apparel. The next stage was attended by considerable diversification into such industries as metalworking and the production of electrical goods and light chemicals. The apparel industry continued to grow and achieve a degree of integration. Some heavy industries also located on the island in this period (1955-65)—these represented very large investments but did not contribute correspondingly to the opening up of employment opportunities. Nevertheless, so many new plants were establishing that by the end of 1965 employment in manufacturing exceeded employment in agriculture. This can be said to mark the end of our second stage of development and the entry of Puerto Rico into the category of a truly industrialized area.

Since 1956 manufacturing net income has exceeded that generated in agriculture and this "gap" has been widened in each succeeding year. We view this ever-widening gap with mixed emotions because, in addition to measuring industrial progress, it also reflects, unfortunately, severe limitations on the capacity for growth of agriculture. The human dimension of this ever-widening gap between manufacturing and agriculture is appalling—a steady decline in employment opportunities in agriculture which, in turn, requires an intensification of our effort to industrialize.