

U.S. Capital in Puerto Rico

The Dollar Brings Destruction

The penetration of the Puerto Rican economy by the United States began with the U.S. military invasion and occupation of the island in 1898. In the course of three years, 1899-1902, the sugar and tobacco industries were developed, protected by tariff customs of the United States. These industries of Puerto Rico thus became the first targets of U.S. capital domination, destroying the development of any Puerto Rican national control over the economy.

During the late 1930's fifty-one corporations, predominately U.S. owned, controlled a total of 249,000 acres of the island. Six-tenths of 1% of the farms owned 31% of all the farming land and controlled 44% of the total value of the land, structures and agriculture equipment in Puerto Rico. The campesino, or jibaro, as he is called in Puerto Rico, who used to live off his own plot, no longer owned any land.

A combination of conditions including the opening of new potential sources of sugar and an increased emphasis on the strategic importance of Puerto Rico as an industrial as well as a military base, forced a new era in the economic development of Puerto Rico.

In 1942 the Economic Development Administration, or FOMENTO, started the first phase of "Operation Bootstrap". The entire plan, backed by American interest and set into motion by the colonial governor of Puerto Rico, Rexford Tugwell, was carried on by the Commonwealth government established in 1952 up until the present — a period of thirty-two years.

"Operation Bootstrap" is a general development plan for industry in Puerto Rico. Its philosophy analyzes the problem of Puerto Rican under-productivity as having two prongs: 1). a poor composition in productivity (simply expressed, not enough machinery) 2). the absence of heavy capital for flooding investment, necessary to the development of a solution for the first prong.

The answer was also two pronged: 1). encourage industrial developers into the island (easy enough with tax incentives and cheap labor) 2). develop a plan which the Commonwealth Government, the managing agency for United States capital in Puerto Rico could follow to complete the development program.

Basically, three stages of industrial development were to be followed. The first is light government-owned industry, more of a trial balloon to prove to United States capitalists that industry was possible in Puerto Rico. The second stage was light privately owned industry and the third, the current stage, heavy industry.

The government, of course, explained that all this development would result in an integrated, independently productive economy. And just the opposite has happened.

Through offers of 100% tax exemption for 10-17-year periods (guaranteeing U.S. corporations approximately 50% higher return on their investments in Puerto Rico) and the incentive of a cheap and largely unorganized labor force, abundant with the destruction of agriculture on the island, the Economic Development Administration of the Commonwealth Government has succeeded in establishing 2,000 factories. They represent a total investment of \$3.2 billion, 85% of which is controlled by U.S. capital. The profits do not get plowed back into the Puerto Rican economy.

A deficit in the Puerto Rican balance of payment has been a constant phenomenon since 1940, reaching \$656 million in 1969 and almost doubling to \$1,153 million by 1972. U. S. economic control of Puerto Rico has forced the Puerto Rican economy to import far more than it exports so that its trade deficit, \$15 million in 1940, rose to \$995 million in 1973. The tiny island of Puerto Rico is the fourth largest market in the world for U.S.-produced goods.

From 1950-1969 the colonial government paid \$700 million in principal and interest on money loaned to it by the financial houses of Wall Street. During this same period private industry contracted outside debts, almost all in the United States, of more than \$3.1 billion.

During the third phase of Operation Bootstrap, from the mid-1960's on, the most powerful American corporations established affiliates or subsidiaries in Puerto Rico. Investments passed from light industries to enterprises of large capital investment, particularly in petroleum refineries, petrochemical and chemical industries. These "heavy" industries are characterized by a high level of mechanization, requiring a small labor force in proportion to the investment of capital they represent.

In 1955 two petroleum refineries, the Caribbean Gulf Refining Corporation, and the American-owned Commonwealth Oil Refining Company (CORCO) started operations. The third, Sun Oil, started in 1969. Today, with the added establishment of petrochemicals and pharmaceuticals, these industries represent over one third or \$1.3 billion of the total investment in Puerto Rico. 83% or 43 out of 52 plants in operation are subsidiaries of U.S. firms.

The petroleum and petrochemical industries are taking on even greater significance today with the development of plans put forward by the Commonwealth government of Puerto Rico in 1972, 1973, and 1974 for the establishment of a giant petroleum "Superport" in Puerto Rico.

All of the studies conducted by the EDA claim that the petroleum and petrochemical industries are the answer to Puerto Rico's main economic problem: a non-integrated

economy and staggering chronic unemployment. What the studies do not reveal are the following facts:

- Several states in the U.S. rejected the construction of a superport within their borders because of the environmental problems it would create.

- The Superport would actually create unemployment by accelerating the destruction which the existing petroleum industries are forcing, through pollution and takeover of valuable land area, of the agriculture and fishing industries which employ approximately 40,000 people. Over the past 18 years the petroleum and petrochemical industries have provided only 8% of the jobs promised at their inception.

- By the year 2,000, with the establishment of a superport, the U.S. corporations and U.S. military would directly occupy over 30% of the land of Puerto Rico.

- Behind the superport plan are such companies as Exxon and Gulf; the plan is essential to their oil importation and refining needs and would represent a doubling or tripling of present U.S. investment on the island.

Although these factors have been hidden from the public by the Commonwealth Government, sectors of the growing movement for the independence of Puerto Rico are publicly opposing the operation and expansion of U.S. industry on the island, which they consider to be actively against the interests of the Puerto Rican people. Through their investigations and education, tens of thousands of Puerto Ricans, from all sectors of the nation, are joining in massive protest. No definite step has been taken to begin construction of the superport, but expansion of the refining and petrochemical industries, particularly CORCO and Union Carbide, is going ahead at a rapid pace.

Another prospective U.S. development in the area of heavy industry which has become a major issue in Puerto Rico is the exploitation of Puerto Rican copper by U.S. mining companies American Metal Climax and Kennecott Copper. These corporations, which have had exploration rights on the island over the past 15-20 years, have been attempting since 1969 to get the rights to mine large deposits of copper in 36,000 acres of the central-western part of the island. Again, massive opposition to these plans has arisen from the exposure by the independence movement of various deals between AMAX, Kennecott and the Commonwealth Government which would allow the U.S. companies total control of mineral exploitation at tremendous environmental cost to the island.

The most recent draft contract submitted in April 1974 to the Commonwealth Government by Kennecott and AMAX proposes a "joint venture" of all three entities for extraction and refining over a 30-year period, each putting up one-third of the initial \$240 million investment, with government responsible for infrastructure costs. Recently, however, a memorandum from the mining companies was made public by the President of the Commission of Natural Resources which showed that half of the percentage to be given to the Commonwealth was not from profits but from taxes, royalties and token payment for electric power.

Aside from this there is the question of whether the U.S.

mining companies will pay for gold and the valuable mineral molybdenum, which they can extract from the copper, and the fact that the copper extracted will be paid for at U.S. market price; lower than the world market price.

Governor Hernandez Colon has recently announced that he will go ahead and sign this latest contract by the mining companies, although no date has been set. Meanwhile, the most militant elements of the movement for independence on the island have raised the slogan, "not one pound of copper will leave Puerto Rico."

The militance of that slogan is based on the increasing consciousness among the Puerto Rican people of what the U.S. economic penetration has meant for their country. With the monopolization of the sugar industry, hundreds of thousands of Puerto Ricans lost their land. Through Operation Bootstrap, one million Puerto Ricans were forced to leave their homeland to look for work in the United States, where they became part of the cheap labor force, and live under the worst conditions. In Puerto Rico today, the situation is becoming intolerable for the Puerto Rican faced with 30% unemployment, wages at half the salaries in the United States, and prices 25% higher than in the U.S. The physical condition of the island is rapidly deteriorating: whole towns, living under a sickening pall from nearby petrochemical plants, have lost their livelihood from the contamination of the ocean. The land has been encroached upon by not only the spread of petrochemical and pharmaceutical industries, but also by the military — including atomic installations — necessary to protect the massive U.S. investment in Puerto Rico. Hundreds of people have been poisoned by chlorine and mercury and the numbers are growing.

To the U.S. interests it is a different story: in the first years of the decade of 1950 the profits of American capital in Puerto Rico did not surpass \$22 million annually. Its yield however continued to increase as the inflow of U.S. capital increased until in 1959 it grew to \$83,600,000. The decade of 1960 began with annual profits amounting to \$115 million, by 1966 the dividends and interests rose to \$281 million, by 1970 this figure rose to \$583 million.

Clearly the interests of the Puerto Rican people and U.S. capital are at opposite poles. The very expansion and concentration which the U.S. sees as profitable means to the Puerto Rican people their own destruction. The Puerto Rican nation cannot afford the migration of another million of their people to the United States, which a leader of the Commonwealth Government of Puerto Rico has predicted may occur by 1980, given the continuation of the economic program which now exists in Puerto Rico. They cannot stand by while their island is being physically ripped apart by strip-mining and polluted by petroleum. For their own survival, they must take a stand *now* against the further exploitation of even *one pound* of copper.

The crisis between the survival of the Puerto Rican people and the interests of U.S. capital grows sharper each day. By learning what U.S. occupation means for Puerto Rico as a nation, the North American people can understand why they must take a stand for the survival of the Puerto Rican people.