

History lessons ignored: petrochemical, pharmaceutical industries in P.R.

What do the pharmaceutical and petrochemical industry demises have in common? Surprisingly, quite a lot! In both cases local planners did not see the need to plan for contingencies, nor did they realize the risks, which entailed an economy with little diversification. Also, local exporting entrepreneurs were neither fostered nor encouraged, and solutions were dependent on federal intervention. Clearly, we did not learn from our historical examples.

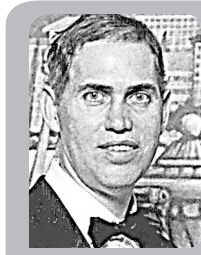
The 1973 OPEC oil embargo created havoc in the local economy. Puerto Rico Industrial Development Company, leader of the island's economic development at the time, commissioned a study in order to plan for alternative avenues for growth. Not surprisingly, the report emphasized the need to add more resources to this industry, thereby ignoring the obvious dangers posed by the Organization of the Petroleum Exporting Countries.

According to the report, to improve employment opportunities in Puerto Rico, additional industrial activity was required, and the petrochemical industry offered a base for industrial development by increasing the oil refining capability of Puerto Rico's existing petrochemical industry. To achieve this, a new deep-water port would be required.

At the time, most of the imported oil came from Venezuela. Additional oil for the industry would have to be supplied by the Middle East, an unreliable supplier due to their situation, specifically, the Yom Kippur war between Israel and the Arab states. The only practical and economical means of transporting oil over the 12,000-mile distance from the Persian Gulf to the U.S. was using very large crude oil carriers, tankers weighing more than 200,000 tons. However, there were no deep-water ports capable of servicing these tankers in the U.S., hence the need for an island such as Mona to build such a port.

Puerto Rico's competitive advantage lay in its location, the fact that the trend in the U.S. oil industry was to create offshore refineries for its expanding market, and recently enacted legislation regarding imports. Therefore, the island was in a particularly favorable position to capitalize on this opportunity, and capture a substantial part of the U.S. East Coast market.

The first refinery in Puerto Rico started operating in 1955, followed by a number of petrochemical plants, built mostly during the 1960s. Since there is no local crude oil production, the industry is dependent on imported oil and on federal regulations that give the island certain advantages when



José L. Bolívar
Commentary

compared to other areas of the U.S.

The petroleum refining and petrochemical industries constituted the fourth largest group within the manufacturing sector, surpassed only by the apparel, food and electrical groups. At the time, the petroleum industry represented about \$1.3 billion in plant expansion with a direct employment of 7,800 and possibly twice that number of indirect support jobs. Average hourly earnings ranged from 150 percent to 200 percent of the average for all manufacturing.

In 1973, the heart of the petroleum/petrochemical industry was formed by three refineries with a combined processing capacity of about 250,000 barrels a day (BPD). These were: CORCO in Peñuelas with a capacity of 125,000 BPD, Sun Oil Company in Yabucoa with a capacity of 85,000 BPD, and Gulf

Oil Corp. in Bayamón, with a capacity of 40,000 BPD. Gulf Oil constituted only 16 percent of the total refining capacity of the island.

Many potential sites were evaluated for the deep-water port before settling on Mona. Vieques was rejected because most of the island was under the control of the U.S. Navy and because oil spills would affect much of the east and possibly the southeastern coasts of Puerto Rico. The Aguirre-Jobos estuary was also considered. However, the deep-drafts berth would be almost eight miles offshore. The site was originally dropped, but reinstated at the request of PRIDCO, due to the large amounts of government land available. Ponce's Cabullón Point, with the deep-water berthing area to the northwest of Caja de Muertos island, is one of the best in Puerto Rico from a marine or port standpoint. The main disadvantage was its close location to the city of Ponce and the potential for further air pollution. Also considered were Guayanilla, Añasco, Rincón, Aguadilla, and Arecibo.

The island of Mona was recommended, as it rated highest for the development of other heavy industries, such as the metallurgical. It had almost unlimited room for expansion and presented an excellent potential for a very large oil-fired thermoelectric plant due to the cheap residual fuel from

the adjacent large refineries. The power generated by this thermoelectric plant could then be transmitted economically by submarine cable to Puerto Rico. Not surprisingly, there was strong opposition to this industrial development by the professional environmental and scientific community.

Three years after this initiative by PRIDCO, the economic development of Puerto Rico was rescued by federal intervention, which granted generous subsidies to the manufacturing firms established on the island. These lasted for the next two decades, 1976 to 2006. Now, Puerto Rico faces a challenge similar to that of 1973. Much like in the previous petrochemical crisis, Puerto Rico had not planned for contingencies, fostered local entrepreneurship, or diversified the economy. This time around, given the challenges faced by the U.S. economy, we will probably be left to face these challenges alone. Some of the answers lay in the questions our local planners most likely considered in 1973, our economy has to be diversified and local entrepreneurship must be fostered and encouraged.

José L. Bolívar holds a doctorate in history and is completing a book on the economic impact of World War II on Puerto Rico by the University of Puerto Rico Press. He may be reached at jbolivarpr@prt.net.

VOICES

On doggishness

To Delma Fleming:

Don't go around saying all breeds of dogs are created equal. That's patently not so. There's no way you can assert that Dobermans aren't dangerous. Unless you're the owner, natch. German Shepherds can be killers, but they're smart and obedient. They're a danger insofar as the owner is, and that's not to be taken lightly. In addition, they despise black folks, an assertion that makes dog people laugh, but I've seen it again and again. The psychomechanics of the phenomenon — surely it's not congenital, how is such a thing learned and why only those dogs? Scottish Terriers, Collies and Dalmatians are the noisiest of pests. Rottweilers and Chow Chows are tranquil and chihwahwas are — how do you say *presentao* in English? Siberian Huskies are well-behaved, but keep them in air conditioning. Mutts, of course, are averagings of the others, and as you'd expect, they're healthier. Notice I'm not even mentioning pitbulls.

One point I must make however. Dogs are more a reflection of their masters than of themselves. It's always the same dog owners who happen to have the most virulent tormentors of the neighborhood. And dogs in the country are actually affectionate to strangers.

So you see all I know about the canine kind and I'm neither a fancier nor a vet like you. You surely can tell us much more. So it's consumate chutzpah on your part to assert that an animal's breed is not a valid predictor of its behavior.

Mara Andere
from Miramar on Dec. 1

Puerto Rico's Christmas carol

There is a ripple effect from the layoffs of the government employees. They harm more than only the person being laid off. I know this family in Bayamón. They are not rich. They work hard for their money. This family rents out a couple apartments. The income from these two apartments makes it possible to pay the water and electric bills plus provide a safety net to take care of building repairs when necessary.

For a long time, a family whose bread winner worked for the government rented this apartment. This bread winner is a good, honest, hardworking government employee. He had seniority that did not protect him from being fired just before Christmas. He will no longer have his job come January 6, 2010. He needs to move out and try to get public assisted housing.

The family, who owns this apartment, now needs to struggle to put pay bills. They are no longer getting the rent for this apartment and it is unlikely a new renter will show up during these rough economic times.

Not only is this one layoff affecting the family that rented an apartment to the government employee, but also the mom and pop local grocery store that no longer has this customer. Neither do the local gas station or fast food restaurants.

I saw the movie "Christmas Carol" a couple days ago. Guess who in our government I kept thinking about as I watched this movie. This one government official seems like the lead character in the movie. I hope our governor, Luis Fortuño, will be visited soon by the Christmas past, Christmas present and Christmas future. There

are now a lot of Puerto Rican "Tiny Tims" suffering from the layoffs and their ripple effects. How important is compassion in running a government?

Robert McCarroll
from Carolina on Dec. 2

When freedom means tyranny

Cuban exiles would point out that Fidel in his speeches referred to socialism as "la verdadera democracia" or "the true democracy." The nerve of the man, how outrageous can a dictator get?

In the United States fewer than 5 percent of the population owns more than 95 percent of everything, as Michael Moore tells us in his film "Capitalism, a Love Story." Is this democracy? Liberty means you get to do anything you want with what you own. So what when the gang of the greedy manage to own it all? Like you have the right to drink, but I have the water.

Anita Roig
from Santurce Dec. 2

As revolutions go by

1776 gave the United States the shot heard around the world, 2009 gave Puerto Rico the egg splattered across the chart.

Ana Badillo
from Hato Rey on Dec. 2

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