As a concerned citizen and life-long student of the ups and downs in our 88 years of relations with the United States-I wish to reaffirm one basic premise: Commonwealth status is the most significant contribution to democracy in our joint political history. Its provides the flexibilities, safeguards and the mutual advantages we have learned to regard as essential to our continued development in a creative, democratic and workable association with the United States.

I will undertake to establish why this is so; why Commonwealth has proved itself essential to our own economic and political development and why in the pursuit of our common goals, values and interests it must be retained and improved in the future. My thesis is that without the economic stability that the Commonwealth status gave Puerto Rico during its take-off and later years, economic development would not have been possible.

Commonwealth status differs historically from Independence and from Statehood. Unlike Independence it is not buttressed by a time-honored formula like the concept of sovereignty which goes back to the 17th Century. Unlike Statehood it does not require incorporation into the Union of States created in 1787. Commonwealth is rather the vital adjustment which the people of Puerto Rico have come to perceive as our best approach possible to cooperation, after half a century of misunderstandings, achievements and perplexities. It was the difficult and courageous proposal worked-out by our political and intellectual leaders as the Second World War came to a close. That tragic, shattering end of an era led many of us in Puerto Rico to rethink our own past, to reasses our own present, to look for a new approach, a breakthrough befitting the needs, the experiences and the possibilities of a small, crowded, frontier society.

Commonwealth status was advanced as a middle-of-the-road solution aiming to avoid the losses involved in separation, and the clashes with our own identity involved in statehood and its melting pot.

Commonwealth has its own problems and limitations. But for us it has one saving grace: it is our own creation; it reflects the will of the majority of our people; it admits readjustments by mutual agreement; it safeguards the rights of the minorities including their right to become a majority if the electorate so wills it. It works. Why change it?

Now a brief, indispensable historical review is in order.

Puerto Rico, the smallest of the greater Antilles, has evolved peacefully throughout the centuries from a scattered settlement to a modern society. We have avoided violence while we struggle for social justice and self-affirmation. Thus it was one of our Catholic friars, Bartolomé de las Casas, who early in the 16th century argued for and secured respect and equality for the native Indians. Two centuries later while the Civil War was still raging in the United States our elected representatives sailed to Spain and demanded "Immediate abolition of slavery, be it with compensation or without it. Be it with or without new labor rules". Abolition was finally attained in 1873, amid unanimous celebrations, Puerto Rico has been on the forefront of respect for human dignity.
By 1897 we successfully negotiated with Spain our Charter of Autonomy. Three months later an internal explosion in the battleship Maine precipitated the so-called "splendid little war". The United States exacted Puerto Rico as part of its victory. The Treaty of Paris of 1898 provided that our "civil rights and political status... shall be determined by the Congress."

Most political leaders in Puerto Rico took for granted our forthcoming incorporation into the Union, first as a territory, 10 or 15 years later as a state. The Foraker Act of 1900 did nothing of the kind. Its final version excluded U.S. citizenship in the original proposal. Political power was granted almost exclusively to the Executive branch, totally appointed by the President. By 1901 the principal Insular Cases had been decided by the Supreme Court. They held that Puerto Rico was not part of the United States and that the Constitution did not apply fully to our island. Such curtailment was attributed to reservations concerning the Phillipines, our other sister-community.

It must be said at the same time that the Congress went out of its way to indicate that Puerto Rico was not to be exploited by the Federal government; that Federal internal revenues collected on Puerto Rican goods or custom duties paid on Puerto Rican imports would be returned to Puerto Rico. Furthermore, public instruction and health programs became government priorities although of course paid out of local revenues.

The general discontent with the Foraker Act and with the Insular Cases was in part assuaged with the approval of the Jones Act in 1917. It extended American citizenship to Puerto Ricans, created the elective Senate and transferred to the Governor the power of appointment to most local officials with the consent of the Puerto Rico Senate.

The year 1940 marked a turning point in our history. Until then the basic issue in all our political campaigns had been the status question. All other problems were subordinated to it. But in the November elections of that year the Popular Democratic Party founded in 1938, achieved an epoch making victory which changed our political priorities. The PDP platform proclaimed a total moratorium on the status debate. It proposed instead, and later carried on with great success, a detailed program of social justice, economic reorientation, land redistribution and educational development. With some adjustments, our present goals are still much the same.

Concentration upon social and economic issues -imperative at the time of the Organic Act provisions which were meant to balance the political deprivations with federal tax exemptions.

We identified several compensatory advantages under the "no taxation without representation" rule which, surprisingly, had never been utilized to our best advantage. Section 9 of the 1917 Organic Law provided: "That the statutory laws of the United States not locally inapplicable, except as hereinafter otherwise provided, shall have the same force and effect in Puerto Rico as in the United States, except the internal-revenue laws "Provided, however, that hereafter all taxes collected under the internal-revenue laws of the United States on articles produced in Puerto Rico and transported to the United States or consumed in the Island shall be covered into the Treasury of Puerto."

After searching the Internal Revenue Code we conclude that the only industry we could develop subject to a substantial federal tax returnable to Puerto Rico was the rum industry. We stimulated its development and provided a Rum Pilot Plant to insure the high quality of the product. Today we seek to protect that basic principle involved in the Cover-over of excise taxes to the island enshrine in our Federal Relations Law.

Secondly, since we were in desperate need of jobs and since federal taxes were not extensive to Puerto Rico we decided to promote not only local industrial corporations but American subsidiaries. As
we lacked both capital and raw materials we would import the raw material from the United States and reship the finished goods to the United States.

We also came to grips with the Internal Revenue Code wherein corporations engaging in trade or business in Puerto Rico were exempt from paying Federal Income Tax. I quote now from a statement by former Secretary of the Treasury Salvador Casellas, on February 1981.

Until 1947, this long standing exemption did not have a significant effect on the economy of Puerto Rico, because Puerto Rico, having its own, autonomous tax system, taxed all corporate profits.

"In 1947, under the creative leadership of Luis Muñoz Marín, Teodoro Moscoso and others, Puerto Rico adopted its first Industrial Incentives Act with a view to creating new job opportunities by granting tax exemption to businesses establishing manufacturing and hotel operations in Puerto Rico. Utilizing its fiscal autonomy, the Puerto Rican legislation was designed in order to enhance the practical value of the federal tax exemption contained in Section 931 of the IRC. The interplay of both the Puerto Rican and Federal statutes, provided important tax incentives for U.S. corporations which invested in industrial and hotel operations on the Island. Operation Bootstrap was born and the modernization of our economy began."

Today we are still in the business of protecting our Section 936 exemption and we hope the Congress will legislate in accordance with the Finance Committee and the Ways and Means Committee bills which grant flexibility to this vital tool in our economic development, Section 936. The success of Operation Bootstrap rendered possible by the Compact between the Congress of the United States and the people of Puerto Rico which established our Commonwealth status in 1952 was decisive in achieving "the pacific revolution" which changed Puerto Rico from "the poorhouse of the Caribbean", as Eleanor Roosevelt described us in the middle thirties, into a community with standards of living far superior to its neighbors in the Caribbean, Central and South America. Our annual per capita income changed from $154 in 1940 to $2530 in 1976. Our life expectancy moved from 46 years to 74 years. Our imports from the United States moved from $107 million to $5432 million. Our total school enrollment moved from less than 300,000 to 1,010,251. The enrollment at the University of Puerto Rico increased tenfold from 4987 to 53,480. In all other post-secondary schools it had gone from 384 in 1940 to 51,976 in 1976.

That very same year, however, we found ourselves in the midst of a most serious drawback. One of our most important industrial developments involved the petrochemical industries, engaged in the importation of crude oil from Venezuela and turning it into petroleum and gasoline to be consumed in Puerto Rico and in the United States. The Israel-Arab crisis with its OPEC development first paralyzed that activity and by 1974 raised four times the price of crude oil. The situation produced a severe economic crisis which threatened our whole program and which eventually carried with it the defeat of the Popular Democratic Party in the November 1976 elections.

It was fortunate, however, that those of us in positions of responsibility in Puerto Rico were able to move in our favor the wisdom and the understanding of the House Committee of Ways and Means and of its distinguished Chairman Wilbur Mills. It so happened that the Internal Revenue Code was under review at the time and that Section 931 was up for examination. Moscoso, Casellas and myself explained fully to Chairman Mills and to the Committee the background of our achievements as well as the plight in which Operation Bootstrap found itself. They decided to expand the provisions of Section 931 into a broader and mutually beneficial program. Section 936 was the result.

The meaning and possibilities of that Section of the Internal Revenue Code have been fully explained already. I will go back, therefore, to the beginning of Commonwealth status; the moment Puerto Rico decided officially and for good to cast its lot with the United States.
November 1948, was our first election after the war. It was no longer legitimate to prolong our moratorium on political status. The Popular Democratic Party submitted to the electorate a proposal very similar to what the Congress and Puerto Rico eventually approved and won its fourth consecutive election by a very large majority.

Commonwealth status was attained after four years of intensive consultation with the people of Puerto Rico, the President and the Congress of the United States. Fifty four years to the day when American troops landed on our shores, Commonwealth status was proclaimed in San Juan by Governor Luis Muñoz Marín on July 25, 1952.

Our present status was adopted "in the nature of a compact" as provided by Public Law 600 on July 3, 1950. Two years later through Public Law 447, Congress reasserted that Law 600, the Statute of Federal Relations approved therein and the Constitution pursuant thereto ratified at the polls, were "adopted by the Congress as a compact with the people of Puerto Rico".

The Compact itself is subject to subsequent revision by mutual consent as explicitly stated in the several documents submitted by President Dwight Eisenhower to the General Assembly of the United Nations in compliance with Chapter II, Sec 73e of the Charter concerning self-governing communities. Resolution 748 (VIII) of the United Nations General Assembly states in part that: "Having examined the communications of the Government of the United States of America in the light of the basic principles embodied in Chapter XI of the Charter and of all the other elements of judgment pertinent to the issue,

"Considering that the agreement reached by the United States of America and the Commonwealth of Puerto Rico, in forming a political association which respects the individuality and the cultural characteristics of Puerto Rico, maintains the spiritual bonds between Puerto Rico and Latin America and constitutes a link in continental solidarity,

Bearing in mind the competence of the General Assembly to decide whether a Non-Self-Governing Territory has or has not attained a full measure of self-government as referred to in Chapter XI of the Charter,

1. Takes note favourably of the conclusions set forth by the Committee on Information from Non-Self-Governing Territories in its resolution;

2. Recognizes that the people of the Commonwealth of Puerto Rico, by expressing their will in a free and democratic way, have achieved a new constitutional status;

3. Expresses the opinion that it stems from the documentation provided that the Association of the Commonwealth of Puerto Rico with the United States of America has been established as a mutually agreed association;

4. Recognizes that, when choosing constitutional and international status, the people of the Commonwealth of Puerto Rico have effectively exercised their right to self-determination;

5. Recognizes that, in the framework of their Constitution and of the compact agreed upon with the United States of America, the people of the Commonwealth of Puerto Rico have been invested with attributes of political sovereignty which clearly identify the status of self-government attained by the Puerto Rican people as that of an autonomous political entity;

6. Considers that, due to these circumstances, the Declaration regarding Non-Self-Governing Territories and the provisions established under it in Chapter XI of the Charter can no longer be applied to the Commonwealth of Puerto Rico;

7. Takes note of the opinion of the Government of the United States of America as to the cessation of the transmission under Article 73e of the Charter of information on Puerto Rico;

8. Considers it appropriate that the transmission of this information should cease;
9. Expresses its assurance that, in accordance with the spirit of the present resolution, the ideals embodied in the Charter of the United Nations, the traditions of the people of the United States of America and the political advancement attained by the people of Puerto Rico, due regard will be paid to the will of both the Puerto Rican and American peoples in the conduct of their relations under their present legal statute, and also in the eventuality that either of the parties to the mutually agreed association may desire any change in the terms of this association.

Much has transpired since the day we Puerto Ricans began to be conscious of our own selves, when we asserted our own autonomy as a community with its own characteristics and values, first with Spain, then with the United States. It has always been a position felt and affirmed in a non-aggressive manner, but none-the-less with a profound, humane conviction of authenticity.

The first Latin American Nobel Prize winner, Gabriela Mistral who taught at the University of Puerto Rico said of us: "Puerto Rico stands slightly above water as did Santa Maria, Columbus' smallest caravel". Her poetic insight went on to express the pathos of survival of a small community insistent upon also safeguarding her better self. Her poem reminds me of William Faulkner's basic point in his acceptance speech for that same Prize: "I believe that man will not only endure, he will prevail". Endurance is essential to the survival of the human race.

The question that has been raised in these hearings about the Commonwealth of Puerto Rico is the same question that the distinguished historian and Director of the Woodrow Wilson Center, James H. Billington, has raised about the United States: What will be the outcome of our fundamental trajectory?

Is Commonwealth --like Billington inquires of the United States--only an interesting historical idiosyncracy whose time has passed but whose rhetoric lingers on? Does the Commonwealth of yesterday and of today have much to say to the world we live in and the concern tomorrow will see?

Like Billington, who answers in the affirmative for the future of the United States as one who shares fully his identification with the noblest contributions of America to freedom, justice and liberalism I wish to answer also in the affirmative concerning the future of the Commonwealth of Puerto Rico.

In these great trial years ahead which will test the merits and the failings of communities both great and small, I trust that the United States shall not only survive, but shall prevail as a great society. I hope that our own Commonwealth status will also prevail. It embodies the indispensable principles of realization, interdependence, cooperation, self improvement and mutual respect.

Now after 88 years of association with the United States we need to reaffirm that the stability of a mutually beneficial and agreed upon relationship is still of the essence for Puerto Rico's development. When the exemption granted to 936 companies is threatened by short sighted federal policies, Puerto Rico's capacity to develop and survive in these days of budgetary uncertainty is in danger. When our rum excise tax cover over is not respected, we are at peril. Some elements of stability must remain constant in the U.S. Puerto Rico relationship. Commonwealth has been able to provide the stable base for our economic trajectory. We can only hope that the United States can wisely keep those policies that contribute to our stability intact and take a good look at those that we, in partnership, can change in accordance with the imperatives of today. Some are subject to judicious change but it is for us to hammer out agreements that will serve us well as we gear up to solving the pressing economic problems that cloud our future. But our task is doable if the Federal arena puts some muscle into reviving our communications systems and sets in motion federal policies that make sense in both human and economic terms.

I know we have the creativity, the will and the need to make Puerto Rico a viable and vital link in the Western Hemisphere's future.