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## II. *ECONOMY AND FOREIGN TRADE*

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### Economy of Puerto Rico

In recent years, the economy of Puerto Rico has grown 16.5 per cent, surpassing the growth of such economies as France, Germany, England and the U.S., and approaching that of Japan. Historically, the U.S. and Puerto Rican economies have maintained a close association, both through investments and trade transactions for finished and semi-manufactured products. This relationship is expected to continue for the foreseeable future.

In fact, most of the investments that give impetus to the development of the local economy come from mainland investors, who are attracted by section 936 of the U.S. Internal Revenue Service Code and by local tax incentives. This substantial external investment, principally in the area of manufacturing, has helped to transform the island into a highly industrialized nation where the pharmaceutical and electronics industries are among the most important in terms of productivity, technology and income.

The U.S.' economic relationship with Puerto Rico as a market for its products is even more important; most of the island's trade is with the United States. The island has a common market with the U.S. which is free of import tariffs. The Canada/U.S. Free Trade Agreement also includes Puerto Rico.

Imports and exports today represent approximately 98 per cent of the Gross Internal Product. This expansion and volume of exports make Puerto Rico one of the largest exporters in Latin America. The island accounts for 12 per cent of the region's total exports, placing Puerto Rico third behind Brazil and Mexico. It also constituted a \$14 billion import market in 1988.

Puerto Rico has a high level of personal income. Income per capita climbed to US\$6 174 in 1990, one of the highest in Latin America and the Caribbean.