

**Center for a New Economy
Non-Negotiable Principles
Congressional Action Regarding Puerto Rico**



The Center for a New Economy (“CNE”) has analyzed Puerto Rico’s economic and fiscal situation for more than a decade. During that period, we have carefully surveyed and considered the socioeconomic context and the rapidly deteriorating financial position of the island, and attempted to address some of the most pressing problems. Through the publication of a series of research papers and policy briefs, we have proposed thoughtful and actionable recommendations to multiple stakeholders, both within and beyond Puerto Rico. More recently, given the severity of the current situation and recognizing the complicated political scenario, we have engaged in advocacy and outreach efforts in Washington, D.C. to educate members of Congress and their staff, and the executive branch, about the need for comprehensive federal action on this issue.

As the situation in Puerto Rico and Washington D.C. reaches a critical point, we are asserting the following non-negotiable principles as CNE’s benchmarks for evaluating any new proposals regarding federal oversight of Puerto Rico’s finances and the process for restructuring and addressing its unsustainable public debt burden.

1. Any federal oversight **has to respect Puerto Rican political institutions and processes**. Anything less would be both demeaning to Puerto Ricans and unworthy of the United States. Turning back the clock to the colonial policies of the Foraker Act of 1900 is simply unacceptable.
2. The ultimate responsibility and decision-making authority regarding **taxation and public expenditures must rest with Puerto Rico’s democratically elected officials, who should be transparent and held publicly accountable to their constituents**. This is a fundamental principle of democratic governance that should not be sacrificed for political expediency or to appease fringe or special interest groups in the United States.
3. Any proposal to restructure Puerto Rico’s debt must treat both creditors and debtors **fairly and equitably** and provide, *ex ante*, **a clear and feasible path for actually delivering meaningful debt relief**. In specific, no additional requirements/certifications/votes by an Oversight Board should be required to proceed to a court supervised debt restructuring process after *a good faith attempt* to reach a negotiated solution has failed.

4. No classes of Puerto Rico debt should be excluded from the restructuring process. Setting up a two-track process, one for certain creditors, such as GO debt and COFINA bonds, and another for every other class of claims, would be extremely complicated to administer in the best case and probably unworkable in the worst. **When it comes to restructuring, clarity is always better than uncertainty.**
5. New economic growth opportunities will not materialize by themselves even after the implementation of a comprehensive debt restructuring. Therefore, a **(U.S. House/Senate) economic growth task force** for Puerto Rico should collaborate with knowledgeable stakeholder groups in Puerto Rico to develop a long-term economic growth strategy. The design of such a collaborative comprehensive strategy should include short-term measures to spark new investment activity, and medium-term proposals that help rebuild economic institutions, strengthen public governance, and identify strategic bets in particular sectors of the Puerto Rican economy.
6. **Finally, if Congress is unwilling or unable to act, then it should expressly allow Puerto Rico to legislate its own legal framework to restructure its debt.** Delaying a necessary restructuring of Puerto Rico's debt will only lead to the destruction of bondholder value and lower recovery levels. Furthermore, going ahead with an untested and potentially disorderly legal process, with numerous creditor lawsuits and years of scorched-earth litigation, would further depress the local economy, increase restructuring costs, and make long-term recovery harder to achieve.

The **Center for a New Economy** (CNE) is an independent, non-partisan think-tank that advocates for the development of a new economy for Puerto Rico. Founded in 1998, CNE produces rigorous public policy research and analysis, and is one of the most credible and influential voices on Puerto Rico's economy. CNE is organized as a 501(c)(3) non-profit entity that does not solicit nor accepts government funding. It relies solely on funding by individuals, private institutions and philanthropic foundations.