

Puerto Rico's governor calls for negotiated moratorium on debt payments

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San Juan: Puerto Rico Governor Alejandro Garcia Padilla on Monday announced his intention to call together the island's creditors and bondholders to seek a "negotiated moratorium" lasting several years on paying its huge debt, which has choked the public finances in an economy that has been practically stalled for the past 20 years.

In a televised message, Garcia Padilla said that without aggressive growth in production the island will never get out of the vicious cycle of contraction, emigration, austerity and taxes, and he explained that the situation is unsustainable and that the moment has come to safeguard economic growth.

"We've done everything that was in our power," he said, but the next step must be to achieve more favourable terms for paying off the \$72 billion public debt, and he warned that bondholders are also responsible for the current situation.

In his televised address, which was broadcast an hour after it had been scheduled, he acknowledged that the measures taken during his two years in office had not been enough to reactivate the island's economy and bring its finances back into good health.

However, he said that all the measures taken over the past two years demonstrate Puerto Rico's willingness to pay off its debt and, if they had not been taken, the government would not be in a position to demand its restructuring.

But he ruled out reducing the minimum wage and said he will defend jobs as a key objective, going against some of the recommendations made by a group of experts headed by former World Bank chief economist Anne Krueger.

He said that the island needs a restructuring and development plan and if one is not achieved, the alternative would be to default on the debt with all the negative consequences that implies.

Garcia Padilla also said that conversations would be initiated to transparently achieve a restructuring of the public debt, along with a negotiated moratorium with the bondholders to extend the number of years within which the debt must be retired so that the money that would otherwise go to those payments "may be invested here in Puerto Rico".

He also asked Washington to include Puerto Rico in the bankruptcy law, to help with paying for improvements in public health and providing tools to help the island attract manufacturing investment, and he said that the private sector, not the government, must be the main driver of job creation.

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