

ECONOMY

When President Trump conducts U.S. trade policy, anything can happen



Think Strategically: Protect a Bondholder

Don't Overlook the Puerto Rican Investors Who Saved Their Money for a Better Retirement

BY FRANCISCO RODRÍGUEZ-CASTRO

In the Markets: GE removed from DJIA; increased tariffs on China rattle markets

General Electric Co., a member of the Dow Jones Industrial Average (DJIA) since its creation in the 19th century, was eliminated from the index this past week. According to the DJIA Managing Director & Chairman of the Index Committee, David Blitzer, "GE was an original member of the DJIA in 1896 and a member continuously since 1907, and since then the U.S. economy has

changed—consumer, finance, health-care and technology companies are more prominent today, and the relative importance of industrial companies is less." Walgreens Boots Alliance Inc. replaces what was once the world's most valuable company. The change took effect June 26, before the open of trading. The DJIA undertook this change to allow its index to be a more accurate representation of the U.S. economy's consumer and health-care sectors.

On trade between the U.S. and China, new tariffs were announced by both sides that are said to be worth another \$50 billion. Since this trade

war started, we have been wondering where exactly this path takes us? To fully understand, we dug deeper into trade dynamics and found some interesting facts.

China exports \$506 billion each year to the U.S., while the U.S. only exports \$130 billion to China, which provides the U.S. more power to increase tariffs.

As a second act, China may impose restrictions on large U.S. companies operating in China, a separate new matter that will rattle markets.

Some see China as a country that engages in unfair trade practices.

President Trump believes China has more to lose than the U.S.

Some of our Washington sources have pointed that the Treasury Department will issue a report this week on ways the U.S. may restrict or forbid Chinese investment in important U.S. technologies. There is also the possibility, with the focus on "Make America Great Again," that Congress may enact legislation to make it more difficult for businesses of any country to acquire U.S. companies, with a considerable emphasis on China.

With President Trump taking the lead role in conducting U.S. trade policy, anything can happen.

The Final Word: Law 80 and stop & protect our bondholders

For the past two budgets, we have seen provisions to normalize payments to our bondholders. It seems even interest payments to bondholders are not going to happen anytime soon. All the while, we see how politics continue to hamper efforts by the governor and Financial Oversight & Management Board (FOMB).

While some are quick to criticize the position that Senate President Thomas Rivera Schatz has taken against the repeal of Law 80, which protects employees from wrongful termination, we must remember several things before we jump to any conclusions.

Why focus on Law 80?

There is not a single study or economic analysis that supports the repeal of Law 80 to improve the Puerto Rico economy.

Why focus on the private sector and not the public sector, such as eliminating union dues and repealing organized labor?

Most companies usually find a way around Law 80 by using "restructuring" or other methods to avoid paying what is due to employees. There are alternate ways to achieve the same results.

If there is something I respect, it is a person of conviction and determination, even though I may not agree with Sen. Rivera Schatz's view of the FOMB. We must appreciate his belief, honesty and commitment to support his view. Puerto Rico is a democracy and with it comes the three branches of government.

Protect our bondholders

There are some misconceptions about what people collectively call the Bondholders. The reality is that there are two main types of bondholders: the Opportunistic Investor that includes Hedge, Vulture, Institutional

and Mutual funds, and Loyal Local Investors, who mainly are regular people that saved their money to secure a better retirement, or sold their business or gained an inheritance from their family.

The government has entirely ignored the loyal local investor, and we wonder when their hard-earned money will be paid back.

Most people dismiss bondholders as if they had nothing to do with our current financial state, and this cannot be further from the truth. Bondholders pay every time you wake up to shower, with the understanding that the water you use was made possible by bondholders. They are the electricity that powers your air conditioner and alarm clock. The road or Tren Urbano that passengers use every day was made possible by bondholders.

Centro Médico and the Mi Salud health reform card were made possible by bondholders.

The public schools and the University of Puerto Rico were made possible by bondholders.

The airport you go to fly to Disney was made possible by bondholders.

All concerts at the Choloiseo were made possible by bondholders.

So, every time you think the Bondholders have not contributed to your everyday life—Think Again.

As we approve a new Fiscal Plan and an updated budget, we continue to forget about the rights of those Bondholders who placed their faith in Puerto Rico.

We must approve a joint plan to prop up bondholders with at least interest payments. Thousands of local families purchased Puerto Rico Bonds to supplement their retirements, and most are having to choose between paying for their house, the electric bill or medicines. We have seen retirees, earning \$2,500 in bond payments, go to zero and with it, their entire lives turned upside down. Do these lives matter to anyone in the government or the FOMB?

Paying our bondholders is a fixable situation that is not only a right but is the decent thing to do.

When Puerto Rico comes out of this situation, we will need Bondholders to help us finance our government again, and if we do not take care of them now, we will be in peril.

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