

113/2020

15 September 2020

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COVID-19 and the upcoming cycle
of instability in Latin America

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Abstract:

Just like in other geographical areas, the governments of Latin America and the Caribbean have not been able to avoid the arrival of the COVID-19 and its expansion throughout the region. In this paper we will analyse the responses of the various governments. The virus landed in Latin America in a period of deep political instability with demonstrations in several countries, political changes at the top, and caretaker governments. The economic position of the region leaves much to be desired and the effects of the pandemic will provoke, doubtlessly, serious problems to the Latin American economies. Socially, the COVID-19 outburst will jeopardize the fragile social assistance systems with harmful effects to the middle-income and low-income classes increasing the citizen's discontent.

Keywords:

Latin America, COVID-19, political instability, inequality, poverty.

How to quote:

YASUNAGA KUMANO, Mayumi. COVID-19 and the upcoming cycle of instability in Latin America. Opinion Paper IEEE 113/2020
http://www.ieeee.es/Galerias/fichero/docs_opinion/2020/DIEEEO113_2020MAYYAS_CovidLatAm-ENG.pdf and/or [link bie](#)³ (accessed on the web day/month/year)

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La COVID-19 y el próximo ciclo de inestabilidad en América Latina

Resumen:

Al igual que en otras áreas geográficas, los gobiernos de América Latina y el Caribe no han podido evitar la llegada de la COVID-19 y su expansión por la región. A lo largo del artículo se analizarán las reacciones que han tenido los distintos gobiernos latinoamericanos. La COVID-19 ha llegado a América Latina y el Caribe en un momento en que la región está sufriendo una profunda inestabilidad política con protestas en varios países, cambios de gobierno y situaciones de interinidad. La situación económica del continente tampoco es la mejor y los efectos de la pandemia van a provocar, sin duda, problemas graves a sus economías. Socialmente, el estallido de la COVID-19 va a poner contra las cuerdas a los precarios sistemas de asistencia social y de apoyo a los más desfavorecidos con efectos nocivos sobre las clases medias y bajas aumentando la insatisfacción de los ciudadanos.

Palabras clave:

América Latina, COVID-19, inestabilidad política, desigualdad, pobreza.

Introduction

Just like in other geographical areas, the governments of Latin America and the Caribbean have not been able to avoid the arrival of the COVID-19 and its expansion throughout the region. Since the first confirmed case of COVID-19 on February 26th in the Brazilian city of São Paulo, the virus has spread all over the region hitting all the countries and leaving 249,113 dead and 6,383,640 confirmed cases¹.

Although we do not know yet how long will this pandemic last and the victims that will leave in its wake what is already obvious is that the region will be severely affected at every level². COVID-19 arrived to Latin America and the Caribbean at a time when the region is suffering a deep political instability with demonstrations in several countries, changes of governments, caretaker governments, and now, delays in the electoral processes whose results, if those elections take place in the near future will be very different after the viral outbreak.

Economically speaking the region is not faring well either. After a decade of economic growth pushed by the commodities' prices, the last few years it has experienced a slowdown and the generation of unemployment which added to the already pervasive inequality has created, alongside other factors, the instability. The crisis that can be seen in the horizon won't be only a national one given that several Latin America's trading partners, such as the US and the EU will experience a period of stagnation that will spill over to international trade and will reduce the demand for Latin America's products. That will generate, doubtlessly, serious problems to their economies. Socially, the COVID-19's outbreak will jeopardize the fragile system of social assistance and the schemes to support those in need. That will have harmful effects in the low-income and middle-income classes, increasing the already high inequality and poverty rates and putting an end to the weak pattern of inequality reduction in recent years.

In order to analyse the situation and the outlook of the region in the face of COVID-19, the paper will be structured in several parts. The first one will be dedicated to the

¹ Data for June 22nd.

² GONZÁLEZ MARTÍN, Andrés. *La COVID-19 en Iberoamérica no vela intimidad, sino la descubre*. Documento de Análisis IEEE 20/2020. Available at:

http://www.ieeee.es/Galerias/fichero/docs_analisis/2020/DIEEEA20_2020ANDGON_IberoamericaCovid.pdf (retrieved on 05/06/2020)

expansion of the virus around the region, the current situation of the pandemic and the hotspots of the outbreak. The second one will be dedicated to the measures taken by the different governments, to analyse how the virus has affected the political dynamic and its consequences in the short term. Then we will leap to the economic blow that the Latin American economies have suffered and the economic outlook that they will face. Finally, the impact that the virus will have in the different societies of Latin America, especially those that have been always left behind, will be analysed.

The arrival of COVID-19 to Latin America

According to the information available, the first cases of COVID-19 appeared in China in the middle of November of 2019³. Apparently on November 17th there was a first report on COVID-19 in the Hubei province. On February 26th, Brazil reported the country and Latin America is first confirmed case in the city of São Paulo⁴. The patient had been infected in Italy bringing back the virus to the continent. Similar cases (citizens infected in Italy or Italian tourists) happened in Argentina, Bolivia, Colombia, Cuba, the Dominican Republic, El Salvador, Guatemala, and Uruguay. In other countries such as Ecuador, Honduras, Panama, Venezuela, or Peru the origin of the virus outbreak had to do with citizens that returned to their countries after staying in Spain.

Soon the virus spread through all the countries both continental and island. Some countries like Brazil with more than 3,456,652 confirmed cases, Peru with 558,420 and Mexico with 537,031 stand out⁵. In front of the spread of the virus Latin America's governments opted for shutting the borders and cancelling the flight connections with the most affected regions, such as Europe and Asia. Latin America's less frequent connections with China and the swift actions of the different governments after seeing the effects the virus had in Europa was an advantage that gave several critical weeks to put in motion a wide array of measures like quarantines, health emergencies and the closing of borders.

³ The Guardian. First Covid-19 case happened in November, China government records show - report. Available at: <https://www.theguardian.com/world/2020/mar/13/first-covid-19-case-happened-in-november-china-government-records-show-report>

⁴ The Global Health Network. Latin America COVID-19. Latin America COVID-19. Available at: <https://coronavirus.tghn.org/regional-response/latin-america/>

⁵ Data for June 22nd.

Despite that, those measures could not prevent the virus' fast spread and, nowadays, Latin America has turned into a hotspot with Brazil as its Latin American epicentre. This country is one of the main concerns at a global level given that it has one of the world's highest rates of infection⁶. Jair Bolsonaro, the Brazilian President, has been the most sceptical Latin American leader regarding the arrival and the impact of the virus on Brazil and his statements downplaying the importance of the pandemic, against mayors that wanted a quarantine or against his Health Minister have worsened the already difficult situation. In Ecuador, another country badly hit, the virus wreaked havoc in Guayaquil (with more than 9,000 deaths), where the first case of COVID-19 was diagnosed and whose health system collapsed quickly.

As we will see in the next lines, the arrival of the coronavirus to Latin America has completely derailed the political and economic calculus of every government and it will weaken, even more, the situation of millions of Latin American citizens.

The new political agenda in Latin America

Latin America's political outlook has undergone major changes. After the 'pink tide' that marked the 2000's political cycle up until 2015, the arrival of conservative and right-wing politicians to the presidency of countries such as Paraguay, Brazil, Chile, Colombia, Uruguay and Peru entailed a change in the region's political landscape. This change in the preferences of voters has come with an increasing instability generated by inequality, corruption, insecurity, and economic stagnation that has driven thousands of citizens to the streets in several countries like Peru, Colombia, Ecuador, or Chile.

The arrival of the pandemic to Latin America threatens to destabilize the region even more, deepening the causes that bred the massive rallies. The likely fall of exports, internal consumption and the subsequent unemployment, the increase of the national debt as well as the attrition of social and health systems will turn the political outlook of the different Latin American government increasingly complex. Their agendas and political projects will be subordinated to the fight against the pandemic and the management of the devastation that it has caused and will continue to cause.

⁶ Folha de São Paulo. Brazil Has the Highest Rate of Coronavirus Contagion in the World, Says Study. Available at: <https://www1.folha.uol.com.br/internacional/en/scienceandhealth/2020/04/brazil-has-the-highest-rate-of-coronavirus-contagion-in-the-world-says-study.shtml>

The Latin American governments have acted in similar ways and in a short timeframe. The border were closed in Argentina (March 16th), Bolivia (March 25th), Brazil (March 19th), Chile (March 18th) , Colombia (March 17th), Costa Rica (March 18th), Cuba (March 31th), the Dominican Republic (March 17th), Ecuador (March 16th), El Salvador (March 11th), Guatemala (March 17th), Honduras (March 15th), Panama (March 16th), Paraguay (March 16th), Peru (March 15th), Uruguay (March 24th) and Venezuela (March 21st). Quarantines were implemented in nearly all countries (Argentina, Brazil, Bolivia, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, the Dominican Republic and Venezuela) and they've been renewed constantly. The lack of mandatory quarantines in Nicaragua and Uruguay stands out. In Nicaragua, the government of Daniel Ortega refused to set up confinement measures and to freeze the economy and has been accused of hiding the number of contagions and deaths from COVID-19. In Uruguay, the government of Lacalle Pou chose a non-mandatory confinement (just 15 days after being sworn).

One of effects provoked by the arrival of COVID-19 and the governmental measures has been to reduce in the short term the political instability in countries such as Chile, Colombia, or Ecuador. As has been analysed in other paper, those governments had to face strong demonstrations, whose pressure in the streets, succeeded in forcing the governments to change their policies⁷. When the quarantines and confinement measures kicked in, the governments of Sebastián Piñera or Iván Duque gained some respite and a window of stability in the short term due to the lack of demonstrations and street protests.

In Chile, the constitutional referendum was one of the main concessions that the Piñera government had to make during the social crisis triggered at the end of 2019. It had to take place on April 26th and now it has been delayed up until October 25th. The local and regional elections have also been delayed and their terms have been extended until the elections that will take place in April 2021. The government's actions have had another consequence, the recovery of its political image and that of President Piñera that had sunk before the health crisis. According to the poll carried out by CADEM, Piñera's image had recovered from its lowest point (February 9th, 2020 - 9% of

⁷ YASUNAGA KUMANO, Mayumi. *La desigualdad y la inestabilidad política en América Latina: las protestas en Ecuador, Chile y Colombia*. Documento de Opinión IEEE 22/2020. Available at: http://www.ieeee.es/Galerias/fichero/docs_opinion/2020/DIEEEO22_2020MAYYAS_LatAm.pdf

approval) and his management is, nowadays, approved by 23% of those surveyed. In other aspects of the President's activities, he is experienced a spike in its image and its management which can help him in April's local elections⁸. Despite this apparent improvement, the protests have emerged again even with the sanitary emergency since the aid promised by the government has been delayed and that is choking the most vulnerable part of the society.

Another President that has been able to recover has been Iván Duque, the massive protests at the end of 2019 and the beginning of 2020 send his approval rating into a nosedive. Like Piñera, the state of emergency and the quarantine allowed the Colombian government to end the demonstrations and the decisive actions taken by the government has strengthened the presidential image during the crisis. That has increased Iván Duque's approval ratings that went from a 23% of approval to a 52%⁹. Like his Chilean counterpart, Duque has managed to avoid the continuation of the protests, but from now on he will face the increasing demands of the population that cannot have access to the government aid and the criticism towards the management of the health crisis.

In Bolivia the instability generated after the 2019 election was labelled as fraudulent by the OAS, the upheaval and the Armed Forces' suggestion that Evo Morales should resign plunged the country into a turbulent scenario, one of which the country hasn't been able to escape yet. The decision of the new President Jeanine Áñez to set up a quarantine made it impossible to hold the elections that had to take place on May 3rd. They were delayed by the TSE, however, the Bolivian Parliament (where the MAS has a majority) passed a law, on May 1st, forcing the TSE to call for elections in 90 days. Finally, the TSE confirmed last June that the elections would take place on September 6th. However, on July 23, given the worsening health situation in the country, the TSE decided to postpone the elections until October 18 with a second round on November 29. This led groups opposed to the Áñez government to call for protests and blockades in the most important cities. While the MAS wants the elections to take place quickly

⁸ CADEM. Encuesta Plaz Pública. Available at: https://www.cadem.cl/wp-content/uploads/2020/05/Track-PP-329-Abril-S5-VF_Baja.pdf

⁹ Semana. Iván Duque: la aprobación a su gestión sube 29 puntos. Available at: <https://www.semana.com/nacion/articulo/duque-aumenta-la-aprobacion-a-su-gestion/666979>

given their better electoral expectations, the caretaker government has sought to extend the situation both for sanitary reasons (avoiding large crowds on the campaign and the electoral day) and for political reasons (to keep the post in order to take advantage of the state resources and institutions to gain more visibility against other presidential candidates). The last polls carried out by Ciesmori pointed to Luís Arce and David Choquehuanca, the MAS candidates, as winners with a 33% of voting intention. Carlos Mesa that contested the last elections against Evo Morales polls at 18.3%. The current President Jeanine Áñez is in the third position with a voting intention of 16.9%¹⁰. Bolivia faces the pandemic with an uncertain scenario in the following months. That is just the opposite of what it needs right now, and it contrasts against the stability that it enjoyed during recent years.

In Argentina, the plans for debt restructuring and the negotiations with foreign lenders and the IMF that were one of the priorities for the government of Alberto Fernández have been derailed by a scenario even worse than the one already in place. After winning the 2019 elections, Fernández took the reins of a country that was under a harsh economic juncture since the second half of 2018. The renegotiation with the lenders that hold nearly \$66 billion in Argentine debt was a prerequisite for the country to restart the economy as it happened during the Administration of Néstor Kirchner. Initially, the Argentine government's offer of a 65% debt relief with a 3-year grace period was not accepted by the debt holders. However, on August 4 the government was able to reach an agreement with the main holders to restructure \$65 billion dollars and avoid default and a tough legal confrontation.

Like Duque or Piñera, Alberto Fernández has seen an increase in his popularity during the sanitary crisis, and it is likely that that will give Fernández the ability to justify the terrible economic situation of the country to the COVID-19 crisis in the short-term¹¹. In the medium term when the effects of the economic crisis provoked by the sudden stop of the activity and the confinement get mixed with the unresolved previous crisis could

¹⁰ Página siete. Arce aumenta ventaja y Mesa afianza el segundo lugar, según encuesta de Ciesmori. Available at: <https://www.paginasiete.bo/nacional/2020/3/15/arce-aumenta-ventaja-mesa-afianza-el-segundo-lugar-segun-encuesta-de-ciesmori-249706.html>

¹¹ Memo. La curva de Fernández y la preocupación por la economía en dos encuestas. Available at: <https://www.memo.com.ar/analitica/la-curva-de-alberto-y-de-la-preocupacion-por-la-economia-en-dos-encuestas/>

lead to an outburst of the citizenship dissatisfaction, especially, when the solidarity of the opposition with Fernández starts to fade out.

At the end of April and throughout May, Brazil became the epicentre of the pandemic in Latin America. Contrary to other Presidents (except for the Presidents of Mexico and Nicaragua), President Jair Bolsonaro underestimated the virus' impact on the country calling it a 'little flu' and joining the protests against confinement imposed by the federal governments. At the end of May a political crisis brewing before the arrival of the virus joined the health crisis experienced by the country that was reaching, at that moment, 1,100 daily deaths. Jair Bolsonaro became embroiled in the last month and a half in a series of fights against the Supreme Court, against the President of the Chamber of Deputies and against the federal governors. His government has also experienced the resignation of two ministers and the removal of another one.

The management of the COVID-19's crisis generated internal debates in the government regarding the stance to adopt given that the President was favourable to relax the isolation measures in order not to freeze the economy. We must bear in mind that the election of Jair Bolsonaro as President must do, in part, to the effects that the 2014 economic crisis had in the population. That is why Bolsonaro wanted to relaunch Brazil's economy through a series of reforms, such as the pensions one. However, that economic agenda has derailed because of the confinement, the necessary measures of social spending and the crash of oil prices. The lack of national initiative has turned the federal governors into the main promoters of the isolation and distancing measures which has led them to clash with the President and the government.

The President's stance led to the dismissal of Luiz Henrique Mandetta as Health minister on April 16th being succeeded by Nelson Teich. He resigned after only one month in his post deepening the internal crisis in the government. However, what really damaged the image of Bolsonaro was the resignation of a key figure in his government, Sérgio Moro, whose investigations during the 'Lava Jato' operation brought him fame and who represented the fight against political corruption in Brazil. Moro's resignation as Justice minister was originated by the alleged attempt of Bolsonaro to place at the head of the Federal Police a close person with the goal of dissipating the enquiries that surround the President's sons. This chain of events has damaged the image of the President and has started the debate around a possible impeachment process. This

political turbulence we have to add the attacks against the President of the Chamber of Deputies, Rodrigo Maia and against the Supreme Court due to the launch of an investigation after the accusations of the ex-minister Moro.

The likely recession, the health crisis and the government's instability have eroded the President's image and its rate of approval. In the last poll 45% of the population supported an impeachment process and 48% opposed it, that is an increase of 9 points from the previous poll. Both the population that approved the President (33%, up 3% from the last poll) and the population that disapproved him (38%, up 2% from the last poll) increased¹². In another poll carried out by MDA the disapproval of the President reached 55,4% compared to 47,8% last January and the disapproval of the government increased from 31% to 43,4%¹³.

Against this background so adverse to the government that can jeopardize its continuity until 2023, Bolsonaro has begun to look for support among the political groups called the 'Centrão', with a centrist and moderate ideology and whose support comes at a cost which means giving them influence quotas in several ministries. Even if Bolsonaro criticized this way of doing politics, the chain of mistakes in the management of the pandemic and the new political and economic scenario that threaten to turn Brazil into a source of instability, make it necessary to resort to this strategy in order to try to give more stability to the government against any hint of the opposition to begin the feared impeachment process.

Another President that has a tough year in front of him is Lenín Moreno, the Ecuadorian President. Ecuador was one of the first countries to suffer the arrival of COVID-19, turning Guayaquil into a Latin American hotspot. The country was already in a dire situation with a major political crisis at the end of 2019 due to the economic policy carried out by Moreno and his agreement with the IMF, this crisis forced the government to relocate to Guayaquil given the riots that took place in Quito.

¹² Datafolha. Bolsonaro é aprovado por 33%, e 45% apoiam processo de impeachment. Available at: <http://datafolha.folha.uol.com.br/opiniaopublica/2020/04/1988698-bolsonaro-e-aprovado-por-33-e-45-apoiam-processo-de-impeachment.shtml>

¹³ MDA. PESQUISA CNT/MDA. Available at: <https://cdn.cnt.org.br/diretorioVirtualPrd/6b767840-4489-4901-aff-aed024d3c41b.pdf>

The Ecuadorian Congress approved in the middle of May the so-called ‘Humanitarian Law’ to fight against the economic and social crisis. The law was backed by the supporters of Moreno and was opposed by the ‘Correistas’ and the Trade Unions. The latter restarted the demonstrations that were defused after the agreement with the government in late 2019, alleging that the law was unconstitutional and that it harmed the interests of the workers. Four days later President Moreno announced a series of austerity measures to contain the public spending and to save around \$4 billion by shutting down public companies, adjusting the working time of public servants of by shutting down diplomatic offices¹⁴. The Trade Unions warned him that “if they want another October because they didn’t learn the lesson, then they’ll have another October”, thus hinting at a restart of the protests and an increasing instability¹⁵.

Ultimately, the arrival of COVID-19 in Latin America has derailed the projects of every Latin American President. The political stability was already fragile before the pandemic and even if the measures implemented by the different governments have been able to stop that instability in the short-term, the most likely outcome is that in the next months and throughout 2021 when the restrictions on the citizen’s mobility and against big crowds in public places begin to be lifted, all the discontent accumulated in the last decade will finally explode due to the severe economic crisis that’s lurking. Against this background it is likely that the ‘new normality’ in Latin America will be political instability and economic depression which could act as a driver of populist leaders and parties that will deepen the polarization of the Latin America’s societies and their loss of trust in democracy, especially taking into account the negative image that traditional parties, institutions and politicians have throughout the region.

An additional factor that works against the stability in the coming years is the lack of elections soon. The elections in Bolivia, Chile and the Dominican Republic as well as the local elections in Paraguay, Uruguay or Mexico have been delayed and the electoral super-cycle of 2017-2019 puts several Presidents in the middle of their terms which will prevent the Latin American citizens to vent their anger in the ballots. That could boost

¹⁴ El Comercio. Lenín Moreno anuncia siete medidas; recorta USD 4 000 millones del gasto público. Available at: <https://www.elcomercio.com/actualidad/lenin-moreno-medidas-economicas-coronavirus.html>

¹⁵ El Universo. Movimientos sociales protestan contra medidas económicas de Lenín Moreno y advierten con 'otro octubre'. Available at: <https://www.eluniverso.com/noticias/2020/05/20/nota/7846656/sectores-sociales-alistan-acciones-rechazo-este-lunes>

the need to express that disaffection through street protests and demonstrations such as the ones experienced by Chile, Colombia, and Ecuador a couple of months ago, but now at a continental level. Alongside this lack of elections, the impact of the confinement and social distancing measures in the different Latin American economies as well as the international economic scenario are going to be other drivers of instability that we will analyse in the next section.

COVID-19 and the deteriorated economic scenario in Latin America

The economic and social situation of Latin America and the Caribbean was fragile even before the emergence of COVID-19. After the economic boom experienced by the region from 2000 to 2013, the crash of the commodities' prices was a hard blow for the Latin American economies. Other problems such as the lack of investment on education and infrastructures, high rates of inequality, political instability and lack of productivity that have hampered the growth of Latin America have not been solved. Despite that, the economic outlook for 2020 and 2021 showed a moderate growth and foresaw that the region could escape from the stagnation in the following year. However, the quick expansion of the virus has disrupted the economic plans and all the forecasts forcing the governments to remake their calculus and programs in front of an outlook that has worsened steadily. Last year the IMF forecasted that Latin America and the Caribbean would grow 1.6% in 2020 and 2.3% in 2021, while South America would grow 1.5% in 2020 and 2.3% in 2021¹⁶. After the pandemic outbreak the ECLAC first calculated that the GDP would fall 1.8% without ruling out a 3%, or even a 4% for this year¹⁷. Over time this number has worsened.

The scenario outlined by the international organizations in Latin America and the Caribbean could drive Latin America into another lost decade due to the impact that the pandemic is having and the severe consequences that is going to generate in the short, medium and long term. Despite the fact that the confinement and social distancing measures have also been implemented by other governments in other regions, such as

¹⁶ FMI. Outlook for Latin America and the Caribbean: New Challenges to Growth. Available at:

<https://blogs.imf.org/2020/01/29/outlook-for-latin-america-and-the-caribbean-new-challenges-to-growth/>

¹⁷ CEPAL. América Latina y el Caribe ante la pandemia del COVID-19. Available at: https://repositorio.cepal.org/bitstream/handle/11362/45337/6/S2000264_es.pdf

Europe and Asia, the fragility of the social schemes, the health infrastructure, the education programs and the weight of the work in informal sectors are an additional weight in the capacity of Latin America's societies to restart their growth and to escape this crisis. As we will see in the next lines, many leverages of Latin America's economic growth are going to be affected.

Firstly, some countries in Latin America have been badly hit by the volatility in the price of commodities, mainly in the oil prices, that in the last few months have plunged due to several factors. The confinement measures and the restrictions to enter in several countries have led to a fall in the demand of oil for cars, trucks, airplanes, and the industry in the main oil-consuming countries. The International Energy Agency forecasted that the demand for oil in 2020 was going to grow by 825,000 barrels per day before the pandemic. In March it reduced that number to 90,000 barrels per day¹⁸. Another reason for the plunging prices was the beginning of an oil-price war between Saudi Arabia and Russia that rocked the OPEC+ due to Saudi Arabia's attempt to cut the oil production and the Russian opposition to that strategy. The crisis could be redirected in the middle of April thanks to the agreement to cut production by all the OPEC+ participants. Both events sunk the oil prices that fell nearly a 30%, with the WTI barrel being paid \$20.48 and the Brent barrel \$24.72¹⁹.

Among the countries affected by this fall in oil prices and other commodities are many Latin American countries like Argentina, Brazil, Colombia, Ecuador, Mexico, Peru or Venezuela, although not all are going to be affected at the same level by that fall. For Venezuela, the oil price decline will be another blow to its already ravaged economy and for Ecuador and Argentina it is going to worsen the government's position and their financial leeway. In Mexico, the problems haunting Pemex that existed before the crisis (it is the most indebted oil company in the world) are going to escalate dragging the government with it. The fall in oil prices and the reduction in global trade are going to put a stop in the rather timid economic growth that the region was going to experience in the next 2 years and it is going to put a stress on the national budgets already under

¹⁸ IEA. Global oil demand to decline in 2020 as coronavirus weighs heavily on markets. Disponible en: <https://www.iea.org/news/global-oil-demand-to-decline-in-2020-as-coronavirus-weighs-heavily-on-markets>

¹⁹ Financial Times. Oil prices hit lowest level in 17 years as demand plunges. Available at: <https://www.ft.com/content/d63d0618-6928-11ea-800d-da70cff6e4d3>

pressure because of the needed fiscal measures deployed to fight the effects of the pandemic.

Secondly, another important source of job-creation and revenues for Latin America like tourism is going to be affected too. The World Travel and Tourism Council calculated that the contribution of tourism to the Latin American economies in 2019 was \$299 billion, which is 8.8% of the regional GDP²⁰. The countries that received more tourists (intra-regional and extra-regional) were Mexico with 41 million visitors followed by Argentina and Brazil with 6.9 and 6.6 million²¹. The region received in 2018 nearly 37 million visitors following an upward pattern in the last few years. The restrictions on the entry of foreign citizens and the reduction of departing flights in the main tourism emitter markets such as the US, Europe and Asia have made the growth of tourism to come to a screeching halt. In March there was a clear slowdown of 24% in the inbound and outbound flights coming in and out of the region compared to March of 2019²². All the tourism sector that employs millions of Latin Americans directly or indirectly is under threat because of the slowdown in travel and the confinement and social distancing measures erasing another source of economic growth.

In the third place, another economic flow that has become increasingly relevant in the world, and especially in Latin America (\$96 billion in 2019) are remittances, that is, the currency that migrants send back to their families that stayed in the country. Remittances have been a key factor to lift millions of citizens up from poverty in the last decade. With the slump in the advanced economies, the World Bank predicts that these flows could fall around 20% all over the world (19.3% in Latin America) putting at risk an important segment of the population that could fall back again in poverty²³.

²⁰ World Travel and Tourism Council. Economic Impact Reports. Available at: <https://wtcc.org/Research/Economic-Impact>

²¹ Statista. Latin American and Caribbean countries with the largest number of international tourist arrivals in 2018. Available at: <https://www.statista.com/statistics/305482/latin-american-countries-with-the-most-international-tourist-arrivals/>

²² ALTA. Passenger Traffic in Latin America and Caribbean decreased 17.5% in March. Available at: https://www.alt.aero/news/newsletters/alta_news/newsletter-20200519/passenger-traffic-latin-america-caribbean-decreased-17-5-march/

²³ World Bank. World Bank Predicts Sharpest Decline of Remittances in Recent History. Available at: <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>

The combination of all these factors have turned the region into a powder keg. The ECLAC predicts that Latin America could experience the worst contraction in economic activity of its history (5.3% in 2020). That would be a fall worse than the crisis of 1914, 1930 or than the 80s. According to Fitch Ratings, the slump would be smaller, around 4.7%²⁴. That would imply an increase of the unemployment rate of 3.4 points to attain a 11.5% rate. That would push out of the market nearly 37.7 million citizens without considering the effects on the informal sectors²⁵.

Without any doubt, the economic uncertainty settled in the region in the last few years and its effects on the population have been the main drivers of political instability in several Latin American countries. The arrival of the COVID-19 could entrench that instability and turn it into a regional phenomenon given its effect on the economic development, jeopardizing the achievements in the fight against poverty and inequality that took place in recent years and destroying the future and the expectations of social progress held by important segments of the Latin American population, frustrating, even more, the citizenship and increasing its dissatisfaction.

The social impact of the pandemic

Latin America and the Caribbean has always been a region marked by inequality and eroded social indexes. This pattern could be corrected in the 2000-2014 period due to the increase in the prices of raw materials and the use of part of that windfall to fund social, health and education programs as well as the increase in job positions that lifted millions of Latin Americans out of poverty and pushed them to the ranks of the middle-class. Thus, the pandemic is going to have two clear victims: the lower-income population and migrants.

Currently the poverty levels hover around 35% in Mexico and Honduras, between 30% and 35% in El Salvador and Bolivia and between 20% and 30% in Colombia, Argentina, the Dominican Republic, and Ecuador. Regarding extreme poverty, it is over 15% in

²⁴ Fitch Ratings. Crisis Hits LatAm on Weak Fiscal Footing. Available at:

<https://www.fitchratings.com/research/sovereigns/crisis-hits-latam-on-weak-fiscal-footing-18-05-2020>

²⁵ CEPAL. COVID-19 Pandemic Will Lead to the Biggest Contraction in Economic Activity in the Region's History: A -5.3% Drop in 2020. Available at: <https://www.cepal.org/en/pressreleases/covid-19-pandemic-will-lead-biggest-contraction-economic-activity-regions-history-53>

Honduras, between 10% and 15% in Colombia, Bolivia, and Mexico and between 5% and 10% in Panama, Brazil, Paraguay, Ecuador, the Dominican Republic, and El Salvador²⁶. The economic hiatus in the Latin American economies and a similar international scenario threaten to send millions of Latin American citizens back to the poverty status due to the inability of the households to keep their social status without income, worsening the overall situation in the region.

Inequality is going to be another social score that is going to suffer a hard blow due to the pandemic. The high inequality in Latin America has had another perverse effect by hitting harder the social classes with lower incomes. Indeed, the position of the lower-income households where many generations share the same space, with limited or no access to basic services like water, working in the informal sector and thus without social protection and with a difficult access to the collapsed health services is in sharp contrast with the position of the higher-income classes with access to private health services, with the possibility of teleworking or to continue their education via new technologies²⁷. Because of this the ECLAC predicts that the Gini Index will grow in the region between a 0.5% and a 6%²⁸.

The pandemic has revealed the fragility of the health systems in Latin America that have been neglected and underfinanced for years (lack of personnel, inputs, and equipment) and whose basic services cannot reach nearly 125 million citizens²⁹. We must bear in mind that several Latin American countries were already fighting against dengue, yellow fever, chikungunya and malaria among other diseases and COVID-19 has put the hospitals in a critical situation. Latin American hospitals have on average 2.2 beds for every 1,000 citizens (this number is lower in countries such as Honduras, Paraguay, Mexico or Ecuador) when OECD countries that have experienced severe difficulties like Spain and Italy have on average 4.7 beds for every 1,000 citizens.

²⁶ CEPAL. Panorama social de América Latina 2019. Available at: https://repositorio.cepal.org/bitstream/handle/11362/44969/5/S1901133_es.pdf

²⁷ Folha de São Paulo. Em quarentena, 72% dos moradores de favelas têm padrão de vida rebaixado. Available at: <https://www1.folha.uol.com.br/equilibrioesaude/2020/03/em-quarentena-72-dos-moradores-de-favelas-tem-padrao-de-vida-rebaixado.shtml?origin=folha&sfns=mo>

²⁸ CEPAL. El desafío social en tiempos del COVID-19. Available at: https://repositorio.cepal.org/bitstream/handle/11362/45527/5/S2000325_es.pdf

²⁹ PAHO. EquiLAC II Project. Available at: https://www.paho.org/hq/index.php?option=com_content&view=article&id=2674:2010-equilac-ii-project&Itemid=2080&lang=en

With these numbers it's easy to understand the difficulties that several Latin American countries are going through and the ones that will keep facing in front of the possibility of new waves³⁰. These systems overburdened by a wide array of diseases are going to widen the cleavage between the different segments of the population, some of them, more vulnerable, that in the best case will have access to a collapsed facility and other ones with access to private health systems.

The second group that the pandemic is going to hit hard and put in an extreme situation is the migrant collective. As we know, Latin America and the Caribbean is going through a period of strong migration flows, the main hotspots being Venezuela and Central America. Colombia has been the main recipient of Venezuelan refugees with nearly 1.6 million, most of which do not have authorization to stay in the country³¹. Even if Colombia has made true efforts to integrate and regularize their presence, most remain in an extremely vulnerable position regarding the access to the job market and social services. The countries of Central America have also been an emitting source of migrants due to the insecurity, poverty, inequality, and lack of opportunities, facing a long and difficult journey through Mexico until their arrival to the US border. The closing of borders and the confinement measures have thwarted the hopes of thousands of refugees leaving them stuck in the transit countries and preventing them from reaching their destination. These millions of Latin Americans find themselves in an extreme situation in their countries and migration makes them even more vulnerable because of the lack of access to basic services and because of being completely exposed in crowded areas and painful health conditions and thus, being in grave danger in front of the pandemic.

The Latin American governments have passed several economic and social programs with the goal of supporting the most vulnerable and avoiding an economic collapse. In Colombia, the government set up a fund to support the lower-income households and

³⁰ OCDE. COVID-19 in Latin America and the Caribbean: Regional socio-economic implications and policy priorities. Available at: <http://www.oecd.org/coronavirus/policy-responses/covid-19-in-latin-america-and-the-caribbean-regional-socio-economic-implications-and-policy-priorities-93a64fde/>

³¹ ACNUR. UNHCR welcomes Colombia's decision to regularize stay of Venezuelans in the country. Available at: <https://www.unhcr.org/news/briefing/2020/2/5e3930db4/unhcr-welcomes-colombias-decision-regularize-stay-venezuelans-country.html>

water and food distribution programs. In Costa Rica, the economic package reached \$1.5 billion for small and medium enterprises. In Mexico, the program reached \$31 billion just like the Brazilian one. All these stimulus packages have gone in many cases (Colombia, Chile, Costa Rica, the Dominican Republic, and Honduras) attached to loans made by the IMF.

This fact along with the drop in revenues will probably entail that in the following years Latin America and the Caribbean will experience an indebtedness phase which will force to cut public spending if fiscal equilibrium is to be attained. This austerity will deepen the economic and social problems that have exacerbated the citizens' discontent and harming the efforts to achieve an increasing social inclusion that would lead to a sustainable growth in the future.

Latin America's near future

This multidimensional crisis created by COVID-19 will have devastating consequences in Latin America and the Caribbean that could lead the region to another lost decade. As we've said throughout the paper, the tension and discontent within Latin America's societies provoked by several factors such as the lack of opportunities to make social progress, unemployment and the informality in the job market, inequality, poverty or insecurity have accumulated in recent years and in late 2019 the first samples of that discontent began to emerge. The recent cases of corruption in the contracts to buy medical supplies that took place in Paraguay, Colombia, Bolivia, Ecuador or Mexico are another driver of social discontent in a region where the reports of Transparency International point to a significant number of citizens that consider that corruption has generalized and has grown in recent years and whose trust in the institutions has plunged³².

³² Transparencia Internacional. OPINIONES Y EXPERIENCIAS DE LOS CIUDADANOS EN MATERIA DE CORRUPCIÓN. Available at: <https://images.transparencycdn.org/images/GCB-LAC-2019-report-in-Spanish.pdf>

Even if the government's measures have demobilized the protestors and broke the demonstrations, this is not but a temporary respite. This political respite could drag on in several countries if the pandemic continues to make inroads during this winter. However, the worsening economic and social scenario leads to a bigger protest and a growing instability that will reach the entire region although showing more virulence in certain countries.

The effects of the coronavirus will worsen the situation of countries like Venezuela, Brazil, and the Central American ones³³. Venezuela is, nowadays, the worst political, economic, and social crisis in Latin America and the coronavirus could wreak havoc in a health system severely deteriorated after years of being badly managed. The sanitary measures have allowed Maduro to avoid a new attempt of the opposition to carry out a show of force but will also worsen the painful situation of the country.

Even if it may seem a good moment to exert pressure on Maduro (as US actions suggest) the truth is that a limited cooperation with the Venezuelan government in order to take care of the most deprived and vulnerable could be a short-term solution, leaving the issues about its legitimacy and a possible departure of Maduro for the medium term. In Brazil the political polarization and the terrible management of the crisis have led to a highly unpredictable political scenario in which the political clash between institutions and the social clash is going to increase, leading the country to a dangerous situation, even if the likelihood of an impeachment process are low, for now. Finally, in Central America, the US measures to stop the migrants' flow (reinforced during the pandemic) and those of Mexico in order to avoid US tariffs are going to put increasing pressure over the Central American societies that saw the migration as a way out to their situation and as a relief valve to the internal pressure created by the living conditions in their countries. The stance adopted by the Central American governments and their northern neighbours could generate an unsustainable situation that could turn Central America into a source of instability over the coming years.

³³ GRACIELA RODRÍGUEZ, Cecilia. *Centroamérica frente a la COVID-19*. Documento de Opinión IEEE 87/2020. Available at: http://www.ieeee.es/Galerias/fichero/docs_opinion/2020/DIEEE087_2020CECROD_centroamericaCovid.pdf (consultado 18/06/2020)

If we want to avoid that Latin America experiences a protracted period of economic stagnation that turns it into a source of instability it is necessary for the governments to carry out far-reaching reforms, to reframe the economic policies, to introduce new relief mechanisms such as basic incomes, to reduce the social inequalities and to introduce changes in the productive model. Otherwise the region will experience again the political, economic and social turbulences to which, sadly, it has got used to.

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