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Quo vadis Latin America?

A political and socio-economic
outlook in the time of Covid-19

Hanns Seidel Foundation

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Editor
Esther J. Stark

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Authors

RESICO Marcelo F., PAREJA Franklin, SANDROCK CARRASCO Jorge,
LIENDO Nicolás, GÓMEZ COBARRUBIA Faustino, MONTERO DE LA
CRUZ Óscar, NÚÑEZ VARGAS Eduardo, PEREZ DOS SANTOS Monica,
ORTIZ OSPINO Liliana Patricia, SOSA Maria, TUESTA Glatzer,
ALARCÓN Benigno, SANGMEISTER Hartmut.

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Katharine H. West
Translator

William Cruz Corredor
Design and Layout
wccimprenta@gmail.com

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FOREWORD

In 2020, one subject above all others dominated world events: coronavirus SARS-CoV-2. Only a few months after its initial outbreak, the Covid-19 pandemic has been having serious impact on economies, politics and society. Latin America, as an epicentre, has been particularly affected. As of autumn 2020, five out of the ten countries with the world's highest numbers of reported infections were located in Latin America. Peru had recorded one of the highest infection rates in the world and Brazil had reported the most deaths – only second to highest number of deaths - the USA.

Scarcely has the peak of infections in some countries been reached than the next crisis raises its head: mass unemployment, poverty, riots. The region is threatened by one of the worst economic crises that it has ever experienced. Thus, the UN Economic Commission for Latin America and the Caribbean (CEPAL) is predicting a fall of 9.1 per cent in the region's economic power in 2020, an export slump of 23 per cent and a rise in the unemployment rate of 13.5 per cent. This would push another 45.4 million people into poverty, meaning that, by the end of the year, around 37 per cent of people in Latin America will be living in poverty, while more than 15 per cent will be living in extreme poverty.

Problems such as a strong informal sector, serious social inequality and deep political conflicts are

nothing new for the region. Notwithstanding, with the pandemic, they are now becoming an acute (existential) threat at the worst possible time: the economy was already crumbling just before the coronavirus crisis hit in many places/countries.

Ultimately, the image of a magnifying glass also applies to Latin America. Coronavirus has dramatically unveiled the cause of the long-term suffering in the region. Deficient social systems, weak institutions, the abuse of political power, and corruption have not only severely damaged citizens' trust in their representatives. These factors also mean that citizens feel that they are either exposed to the stark choice of risking an infection or drifting into poverty, with all its consequences.

The involvement of the Hanns Seidel Foundation (HSF), which is based on Christian-social ideals, in international cooperation can be discussed in this context. The German political foundation has set itself the goal of encouraging humane living conditions and enhancing peace, the rule of law, democracy and the social market economy. It, thusly, contributes to sustainable development, with around 80 projects in more than 55 countries worldwide.

This includes Latin America. The problem situation outlined above demonstrates how relevant the working pillars developed by the HSF are for

the region. It matches its project activities to the contexts of the countries concerned and, thusly, specifically encourages democratic institutions, political participation by civil society and political, social and economic inclusion. In this way, it contributes to addressing the region's multifactorial and multidimensional crisis.

The HSF deals with the interdisciplinary subject of the social market economy in the context of the blatant social inequality in Latin America as a possible source of ideas and impetus for a debate around reform. As the social market economy claims to achieve the advantages of a free market economy, such as economic efficiency and the strong supply of goods, while avoiding its disadvantages, such as the concentration of economic power or the antisocial consequences produced by market processes. The aim of the social market economy is, therefore, the highest possible prosperity with the best possible social security. In times of great social uncertainty, a looming economic crisis and growing poverty, this objective is essential in Latin America.

In this publication, we seek to examine those countries where the HSF is active in the region and answer the following questions in more depth: What starting situation did the Covid-19 pandemic encounter in Latin America? What interactions with existing problems and what new challenges are to be expected? How can this be countered at the

level of economic and social policy taking account of the blatant social inequality in the region?

On the following pages, leading Latin American political and economic scientists and experts analyse the starting situation, course of the pandemic and its effects on ten selected countries in the region to date, and, then, venture initial forecasts on future political, economic and social developments. In a final section, development economist Prof. (em.) Dr. Hartmut Sangmeister examines the entire region at the macro level and develops options for action, both for the Latin American countries, as well as for their political and economic partners.

With this publication, the Hanns Seidel Foundation intends to help draw attention to current developments and the probable consequences of the coronavirus crisis on a region whose potential and value in a changing world order cannot be underestimated, especially from a European and German point of view. In times of crisis in particular, partnerships must be strengthened, and possible solutions must be sought together. This is because in a globalised world, cross-border phenomena cannot be solved alone. Much rather, joint action based on shared values and objectives is needed.

With this in mind, enjoy your reading and please stay healthy!

Munich, October 2020

Esther J. Stark

Head of the Latin America Division, Hanns Seidel Foundation

ARGENTINA FACING THE COVID-19 CRISIS: BETWEEN POLITICAL DIALOGUE AND POLARIZATION

Marcelo F. Resico*

Political and Economic Context: Overview

Largely owing to its history, Argentina is an unusual country in the Latin American context (Resico M., 2010 & 2015). It has a past as an upper-middle-income country with a large middle class and has been shaped by a large inflow of European immigrants¹. To achieve this, it experienced two main milestones in the 19th century: the Declaration of Independence in the first half, not to mention the commitment that gave rise to the National Constitution of 1853 in the second half of the century, which is consistent with the elitist style of the times. Notwithstanding, its transition from an enlightened and restricted democracy to a broader one that assimilated first the middle class and then the working class included the first coup d'état in 1930. This event had profound consequences in terms of the ensuing political, economic and social instability.

Thus, twentieth-century Argentina (1930-83) was characterized a high degree of polarization, marked by political instability lurching between

democratic governments with a populist bias and de-facto restrictive governments that rejected and conditioned the democratic game. Two sides emerged, each adopting an opposing economic policy. On the one hand, there was an interventionist side focused on the domestic market, while on the other, there was a more open-minded side which relied more on export activity. Both sides benefited different sectors of a heterogeneous productive apparatus², leading, in turn, to high volatility in the economic cycle, characterized by pro-cyclical policies.

Despite the return to democracy and formal respect for the Constitution under President R. Alfonsín (1983-89), the dichotomies in economic policy remained, together with a certain implicit detachment from legality. Recently, Argentina has continued to show an unresolvable polarization of views and interests in the political system impeding the generation of equitable and sustainable development. The history of the 20th century with its many coups d'état, an attempt at unilateral constitutional reforms (1949), coupled with political and economic instability, shows a weakened

- 1 | Argentina exemplifies a contrast between its natural and human resources and the scarcity of social capital, which feeds a political culture that alternates between ideological polarization and a pragmatism bordering on illegal conduct. Some point out that the abundance of resources, instead of being a facilitating factor, may have functioned as a factor of underdevelopment of social and institutional capital (as can be seen in the literature on the “curse” of natural resources). This fits with Acemoglu, Robinson's (2012) distinction between “extractive and inclusive” institutions.
- 2 | Oversimplifying: agricultural sector versus industrial sector. For an elaboration on these topics, see Diamand M. (1983) and O'Donnell G. (1977).

awareness of a common and respected framework for the development of institutions based on broad consensus and consistent medium and long-term state policies.

In the economic field, a hyperinflationary crisis occurred in 1989, due to the collapse of the interventionist and closed model, and raising the poverty level to 47%. With President C. Menem (1989-99) a market-oriented and open-minded model was established based on privatizations. This brought significant growth and modernization. Notwithstanding, in addition to destroying the production fabric with no reconversion, it was dependent on the inflow of short-term capital. A fixed exchange rate (“convertibility”) provoked recession and unemployment to absorb international fluctuations. As capital outflows intensified at the end of the 1990s, a profound crisis ensued in 2001-02 during the President F. de la Rúa administration (1999-2001).

The result was a severe contraction (unemployment stood at 22% and poverty at 58%), and the country defaulted on its debt payments. The E. Duhalde administration (2002-03) dramatically adjusted the exchange rate. This, together with a substantial improvement in the terms of trade, caused a significant reactivation with a fiscal and current account surplus. However, despite growth and certain social improvements, subsequent administrations (N. and C.F. Kirchner 2003-15) gradually ended up squandering this opportunity³. Active monetary and fiscal policies were strengthened, resuming the fiscal deficit, and in-

curring a negative current account, leading back to inflation and exchange controls⁴. Eventually, this led to economic stagnation, with a reduction in savings, declining investments and escalating capital flight. Despite its vast clientelist system, growing interventionism in addition to poor government results social polarization exacerbated, and the party in office lost the 2015 elections⁵.

The success at the polls of President M. Macri (2015-19), and his coalition “*Cambiamos*” (Let’s change) was an unprecedented event in national politics⁶. The new administration’s main commitment was to accept the financing of the pervasive social security net, and proposing a gradualist reform of the state. The government quickly regained confidence by freeing up the foreign exchange rate and the financial market⁷. Activity and employment slowly picked up, but after the success of the mid-term elections, the administration suffered a drastic economic setback when an attempt to call for a broad political agreement failed to materialize⁸. The lagged exchange rate (to contain inflation) stepped up the increase in the current account deficit. Coupled with lenient measures to regulate foreign exchange flows, a sudden reversal of external financing occurred induced a pronounced devaluation. This resulting a spiral of mistrust combined with rising inflation and feeble growth brought about a recession. The government failed to reverse the trend, despite taking an unprecedented loan from the IMF and sharp plans to cut the fiscal deficit. The economy went into recession with high inflation, which, in

3 A policy with high doses of clientelism was promoted at the social level. This improved economic indicators for a while, but then they fell again as inadequate policy design, coupled with inflation, made achievements unsustainable. The poverty rate, which had dropped to 25%, ended 2015 at 32%.

4 Consolidated national public spending went from 23.3% of GDP to 41.2% in 2015 (excluding interest on debt).

5 From then on, the polarization of values and political and economic ideas was called the “crack” or the “divide”.

6 Center-right forces resumed the democratic path of Álvaro Alsogaray (UCEDE party). He was an advisor to President Menem (1989-99), who took office with a discourse contrary to the one he later applied.

7 Taxes on exporters were also reduced and utility rates were updated.

8 The government adopted the following objectives: to reduce poverty, combat drug trafficking, and unite Argentines.

addition to increasing poverty (36% end of term), turned independent voters to align with the alternative party in the elections held in late 2019.

The opposition coalition “Frente de Todos” (FdT), led by former president C. F. de Kirchner, forged an alliance between her sector and the traditional Peronist faction, anointing a moderate candidate, A. Fernández⁹. The opposition candidate won the elections and the transfer of power was carried out in an exemplary manner¹⁰. Invoking dialogue and consensus-building, the new president also called for the union of Argentines, the reactivation of the economy, and the renegotiation of the bulky foreign debt.

The Impact of the Pandemic and the Measures Implemented

This context, described above, has been impacted by the Covid-19 pandemic. Just as in several countries, initial controls were first adopted at airports and borders, and then public events and classes were cancelled¹¹. On March 19, “social, preventive and compulsory isolation” was decreed, except for essential activities. At the beginning, the contagion curve rose slowly, but the strict quarantine had a strong impact on economic activity. Of special concern were slums, and a strategy was designed for these neighborhoods that consisted of measures to try to reduce entrance and exit flow¹². The government met and coordinated measures with the opposition. These were initially received with high levels of adherence by the pop-

ulation, which served to buy vital time to prepare the healthcare system and prevent its collapse.

A series of social and economic measures were introduced to prevent workers from losing their jobs and companies from going bankrupt, as well as for protecting businesses and commercial networks. To that end, social support schemes were expanded. Two main tools were added: the “emergency family income” for the unemployed and for informal workers (reaching 9 million people), and the “labor and production assistance program,” easing the burden of payroll taxes for employers and granting subsidies to pay a portion of employees’ salaries in the affected sectors of the private economy¹³. Likewise, maximum prices were fixed by decree for essential goods and services, a rent freeze was enforced, and loans were granted to individuals and SMEs in financial distress. Measures also included the deferment of tax debts and the rescheduling the due dates for utility payments.

To fund such aid, the country found itself with limited fiscal capacity due to its macroeconomic weakness and its level of indebtedness¹⁴. In April, the government presented its first offer to restructure the public foreign debt in private hands, amounting to some USD 66,137 million, part of a total debt representing 90 percent of GDP. The main source of financing for such aid was the issue of money by the Central Bank (BCRA), implying a risky exchange rate and inflationary tensions¹⁵. Despite the public policy efforts, the economic crisis reached unprecedented dimensions and GDP fell by 19.1% year-on-year in the second quarter

9 | In the electoral context, and with the deterioration of confidence, the Macri government restored exchange controls.

10 | In a Latin American context marked by social crises in countries like Bolivia, Chile, Ecuador, Colombia.

11 | <https://www.argentina.gob.ar/coronavirus/medidas-gobierno>.

12 | The Program “The Neighborhood takes care of the Neighborhood”. The slums, locally known as “villas,” have a higher population density, the majority of people work in informality, and have high rates of unmet basic needs.

13 | FE, Emergency Family Income, and Labor and Production Assistance Program, ATP.

14 | Fiscal packages announced as % of GDP El Salvador 11.1, Chile 5.7, Peru 4.8, Brazil 4.6, Argentina 3.9, Panama 3.7, Average LA 3.2, Honduras and Guatemala 2.5, Colombia 1.7, Mexico 1.1, and Uruguay 0.7. Source: ECLAC (2020).

15 | It is estimated that for the period January-September there was an issue equivalent to 5.5% of GDP.

which was the highest drop in history, with a decline across 16 sectors of economic activity¹⁶.

Although there was consensus on the need to establish an early quarantine, there was also criticism of certain aspects of its implementation including restrictive freedoms and the economic cost of such a measure, in addition to its long duration. Since the beginning of May, a new strategy was deployed to detect and isolate cases in the AMBA region (Metropolitan Area of Buenos Aires). On May 10, the lockdown was extended, expanding exceptions and empowering regional authorities (except for AMBA) to permit more activities, provided that the protocol was enforced. From then on, the number of infections kept growing. The AMBA region reached its peak in August, when the healthcare system faced the maximum demand; however, a plateau in case numbers started to be observed¹⁷. Meanwhile, in the provinces, which had enjoyed greater flexibility, cases have gone up again, with peak figures expected at the time this study was concluding¹⁸.

After the first measures, taken largely in consensus with the opposition, the government rose sharply in popularity¹⁹. It was expected that this popularity would continue by promoting a heralded Economic

and Social Council in the hopes of institutionalizing dialogue and fundamental consensus, not only with the opposition but also with the main socio-economic actors, in efforts to strengthen the cohesion of actions, and to pave the way for regaining confidence in the economy and its recovery (Resico M., 2020). Notwithstanding, in a context in which both the Judiciary and Legislative powers were operating at a distance due to the pandemic, the government promoted a series of actions and laws that compromised the consensus that had been previously achieved, and managed to deteriorate the relationship with the opposition, and jeopardize both its popularity and the incipient recovery²⁰.

This new stage began on June 8 with a decree that proposed the expropriation of Vicentin, a company that was under receivership due to bankruptcy²¹. The measure unleashed a public demonstration against what was seen as a measure of unjustified interventionism²². Then the government heightened the conflictive situation by launching a highly controversial Bill of Judicial Reform with the aim of modifying the organization and competency of the Federal Judiciary, coupled with other complementary measures²³. These initiatives included the Telework Law at the end of July, and a

16 The largest decreases were reported for hotels and restaurants, -73.4%, and for social and personal community activities -67.7%.
17 Deaths from Covid-19 per 100,000 inhabitants LAC as of August 2020: Peru 63.2, Chile 53.3, Brazil 46.4, Mexico 39.4, Panama 37.2, Ecuador 34.2, Colombia 23.4, Argentina 9.2.

18 There were successive extensions of the “compulsory isolation,” or lockdown, the current one is in force until October 11.
19 Starting in August, the measures were complemented with a provincial financial emergency program, and multiple programs that promote specific sectors such as construction, access to ICTs, support for entrepreneurship and job training in popular neighborhoods, assistance to tourist providers, family and peasant agriculture, etc., while continuing with the social assistance programs ATP and IFE.

20 The Merval stock market indicator, at the end of March reached 22,000 points, then it recovered and reached its highest level in early August around 50,000. GDP drop 2nd quarter: -19.1% year-on-year, -16.2% compared to 1st quarter. Industrial production recovered 12.3% in May and 16.5% in June. (-6.9% year-on-year), construction, which fell by 80% in April, recovered 113.6% in May and 37.5% in June (still -13% year-on-year), automotive production fell to 0 in April while in July it went back to last year's indicators. Inflation fell by 1.5% in April and May, and rose to 2.2 and 1.9% in June and July. Unemployment was 13.1% in the 2nd quarter, + 2.5% year-on-year.

21 A major company of national capital in the agro-industrial sector.

22 Seeing that it would fail to generate the necessary majorities in Congress where the decree was to be confirmed, the government backed down looking for alternatives to the situation. The initial decree was revoked at the end of July.

23 The proposal was interpreted, both by the opposition and by part of the population which organized several demonstrations, as an attempt to achieve impunity for high officials of the Kirchnerist administration, in addition to questioning its high cost and lack of opportunity in the context of the crisis.

decree declaring the information and communication technology (ICT) sector an essential service in early August. Furthermore, a law was proposed for a solidarity contribution by the owners of large fortunes, consisting of a one-time contribution. With these initiatives, which caused breaks of varying degrees in the consensus with the opposition against a backdrop of several announcements of foreign companies leaving the country, the question that hovers is concerned with the cost in terms of the deterioration of the investment climate²⁴.

In this context, economic signs point to a waning recovery. The Merval index, which reached its highest level in August (around 50,000 points), fell back to pre-pandemic values, reaching around 40,000 points in mid-September. After the peak of expansion in May and June, activity continued to rise, but at a slower pace. The economic activity estimate was -7.4% year-on-year in June; industrial production grew by 2.1% on a monthly basis in June and July following double-digit growth in the previous two months and a progressive recovery of activity is recorded in most sectors²⁵. On the other hand, inflation accelerated again and was 2.7% in August (18.9% year-to-date); while unemployment in the second quarter amounted to 13.1%.²⁶

After the initial dire situation, state spending started to decrease (it was announced that 70% of companies stopped requesting the assistance program), and revenues began to recover. In early September, three months after its first offer, the government achieved 99% adherence in the restructuring of the foreign debt with the private sector²⁷. This result strongly decompressed the maturity profile until 2024, by approx. USD 41.5 billion. However, there has been a distinct lack of confidence, especially considering that since the beginning of the current recession the balance of trade has shown positive balances and the Central Bank reserves continued their systematic descent, forcing the government to expand exchange restrictions²⁸.

At the conclusion of the drafting of this study, the Minister of Finance presented the 2021 Budget Bill to Congress. In it, he defended the need for a “transition program” with priority given to the reactivation of economic activity with macroeconomic stability and fiscal sustainability, and he justified the new intervention in the foreign exchange market as an exceptional emergency measure²⁹. The plan foresees GDP growth of 5.5% for 2021 in line with consumption, and aims at a primary fiscal deficit of 4.5% (financial 6%)³⁰.

24 We should add to this the phenomenon of “land grabs” by poor people in the province of Buenos Aires, and other parts of the interior, which not only reveals a complex structural problem, but also a certain inertia on the part of the government regarding the defense of private property.

25 The rebound in the construction sector also slowed, with activity rising 6.8% in July following further gains in May and June. Automotive production grew 21.2% monthly in August. Cement shipments climbed 6% monthly in August, and August energy consumption returned to near pre-pandemic levels.

26 Since 2007, private formal salaried work has been practically growing, representing just over a quarter of the economically active population in working conditions (5.8 and 21 million). Informal salaried workers (almost 7 million), the public sector (3.2 million) and self-employed (1.9 million).

27 According to estimates, savings of around USD 32 billion would be achieved for the country. Total public debt reached USD 324 billion in May, and represented 90.2% of GDP at the end of 2019.

28 President Fernández maintained a monthly ceiling of USD 200 for saving and expenses abroad (“lock”) that had been established by Macri, and added a country tax of 30%. On December 10, 2019, the day Fernández took office, the official exchange rate was ARS 63 to the US dollar, while the informal exchange rate was ARS 69.50. As of September 25, 2020, the official exchange rate was ARS 79.75 to the US dollar, while the informal exchange rate was ARS 145. Since the beginning of the recession, the balance of trade has reported positive balances at the end of 2018.

29 It proposed a counter-cyclical behavior with fiscal sustainability, gradually reducing the needs of BCRA monetary financing, a greater share of public lending in pesos, and stability of the real exchange rate.

30 The 2021 Budget foresees a GDP growth of 5.5% in line with private consumption, and investment is expected to grow by 18.1%; exports by 10.2%; and imports by 16.3%. It aims at a primary fiscal deficit of 4.5% of GDP and a financial deficit of 1.5%. The forecast includes an inflation rate of 29% and an official exchange rate of ARS 102.4 to the US dollar by December 2021, as well as a trade surplus balance of USD 15,087 million.

Scenarios: Between Dialogue and Polarization in an Unstable Context

The health scene continues to have a level of high alert, but there is a possibility that the decline in the indicators of AMBA infections will continue³¹. It would be expected that the dynamics in the provinces will follow this pattern. Likewise, it will be necessary to continue being alert, through more focused and efficient detection and isolation, especially regarding the possibility of a second outbreak in a society that is rather unwilling to remain in self-confinement. Finally, it will be crucial to have the vaccine, the production of which is expected to begin in the first half of 2021³².

The socio-economic situation continues to be very serious. The country continues to be mired in the Pandemic, with growing poverty projections³³. According to the survey of private estimates carried out by the Central Bank, an annual contraction of 12% is expected, the deepest recession ever reported, combined with inflation of 37.8%, which is high in a recession³⁴. In any case, the recovery of the economy is already underway - the same projections foresee a growth for 2021 of 5.6% with a higher inflation of around 47%.

A step further in aligning the situation could come from the need to negotiate an agreement with the IMF to restructure a debt of approx. USD 52 billion issued by that organization, since it will require agreeing on a macroeconomic program. In any case, we understand that, leaving aside the possibility of exogenous events, the structuring of

future scenarios will depend mainly on the evolution of the economy, together with the ordering effect of politics that the next midterm elections, scheduled for late 2021, involve.

The government's strategy is to prioritize recovery, especially as the election period approaches, betting more on fiscal and monetary activism than on confidence and the business climate. But this is precisely why it runs the risk of unleashing higher inflation. Although the Minister of Finance has been explicit in terms of achieving a "sustainable" reactivation, political will to take greater risks in the governing coalition cannot be ruled out. A more volatile flank, which is the exchange rate, will also depend on the government's macroeconomic policy, as well as on the signals given as to its political orientation³⁵. An abrupt devaluation with an inflationary jump would have a high cost not only on economic recovery, but also on the electoral possibilities of the ruling party³⁶.

President Fernández seems to have missed an opportunity to maintain the moderate profile that was essential for winning the elections for him and which increased his popularity at the onset of the Pandemic. His contrasting measures are understood by reference to the need to instill cohesion in his politically and ideologically heterogeneous coalition. Notwithstanding, this very contrast amplifies uncertainty, which, in turn, undermines the business climate and erodes public approval. An economic recovery without "too much" inflation would not only be favorable, but also would increase the chances of success for his

31 | As of September 25, there were 691,235 infected people and 15,208 deaths.

32 | The government announced on August 12 that the mAbxience pharmaceutical company will produce the Oxford and AstraZeneca vaccine.

33 | From an already high current value of more than 35% of the population.

34 | Activity -12%, inflation 37,8% annually to December 2020, BCRA (2020).

35 | The exchange rate is at risk of a fall in Central Bank reserves due to a shortage of foreign exchange due to high demand arising from uncertainty and inflation expectations, and low supply, because of the wide range between the official and market dollars.

36 | At closing, the BCRA reserves amounted to USD 42,226M, although the "freely available" reserves are a fraction.

coalition in the upcoming elections and mean that it is still possible the shift towards radicalization could be reined in next year. Nevertheless, as long as radicalized sectors bring their influence to bear in shaping the agenda, polarization will increase, making it increasingly harder to reach political agreements to reverse the crisis³⁷.

On the other hand, the opposition is also divided between moderate and radicalized sectors. Those who have public service roles, including the Mayor of the City of Buenos Aires, and a better image need a more stable environment for their tenure. They also must agree to dialogue. But this need to keep a coalition of such contrasts united up to the next elections means keeping the most extreme polarized, liberal and conservative sectors in check. The latter feel that their own electoral possibilities are strengthened by hardening their discourse in the face of the government’s radicalization, while also foreseeing a more abrupt collapse of its economic measures.

The Social Market Economy: The Basis for a Stability and Development Agreement

The key question is why, given the severity of the crisis, the measures of broad consensus that harmonize policies and variables for an effective recovery, with poverty reduction and improved inclusion, cannot be sustained³⁸. The answer lies

partly in the background that we included in the first section of this study. There is an underlying persistence of unilateral views and interests, which make up a political culture with high doses of “dysfunctional corporatism” in which the parties bring together interests depending solely on tactical political success³⁹.

What is encouraging, however, is that this diagnosis seems to be growing in scope, and there is a generational shift in the making that could be an opportunity. Both our diagnosis and our proposal are based on the Social Market Economy (SME) (Resico M., 2011 & 2012). This can be an adequate contribution since it provides a framework of liberal and social principles that can be agreed upon and provides an emphasis on consciously integrated economic institutions and policies to achieve an outperforming synthesis aimed at inclusive development.

SME is an approach that places production in the private sector, requiring a state framework that actively regulates economic activity, reducing uncertainties about the future, and understanding that it is necessary for the social dissemination of outcomes⁴⁰. It also suggests that demand-driven policy is possible while there is idle capacity in the economy. This implies avoiding the impulse to increase electoral spending and observing a technical perspective. If confidence is regained, and a certain stability is achieved, the economy could reactivate strongly, driving employment and in-

37 | At present, on the contrary, a diversion of federal funds was reallocated by decree from the City of Buenos Aires, whose mayor is from the opposition, to the province of Buenos Aires, whose governor is from the ruling party, accentuating the differences.
 38 | With deficits in terms of food, healthcare, education, informality, employability and associated urbanization.
 39 | The first part of the statement coincides with the thesis proposed by Olson M. (1982).
 40 | From the macroeconomic point of view, it means reestablishing fiscal consistency, reducing the tax burden, and building coherence between monetary and exchange policy. Also, finding a balance between the recovery of the domestic market and export incentives.
 41 | Potential exporting sectors: science and technology, healthcare, agricultural sector (added value, meat export) Other extractive products such as mining (energy and lithium). Buenos Aires, along with Bogotá, Mexico City, Santiago de Chile and Curitiba, are the main Startup systems in Latin America, bringing together human talent, performance, financing and market reach. Startup Genome (2020).

vestment⁴¹. But the weakness of the required policies is rooted in institutional instability and the lack of consensus⁴².

In SME, the institutions involved in the economic activity depend on the political system: a republican democracy with alternation, under the rule of law⁴³. Consensus on institutions and policies that aim for the common good is the path for all reasonable forces, so the real struggle is for uni-

ty in diversity. Therefore, it is necessary to manage, the resolution of differences in a cooperative way through an institutional mechanism, such as an Economic and Social Council, reformulating dysfunctional corporatism, and placing electoral competition in a context that encourages developing the elements that are central to the political and economic order need by the country for equitable and sustainable development.

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42 | The weakness in the creation and respect of solid and reputable institutions permanently contaminates the economic activity with short-term and merely instrumental views. On the contrary, growth requires increased savings and investment, which calls for clear rules of the game and predictability.

43 | This requires a State with a capable bureaucracy, respect for private property, defense of the competition, stability of fiscal relations with the provinces, non-polarized foreign relations, and regional and global economic integration. More stable macroeconomics, with public spending that can be financed, better tax conditions for investment, job creation and exports. With more and better competition (less monopoly, privilege and corruption) and competitiveness. Resico M. (2019).

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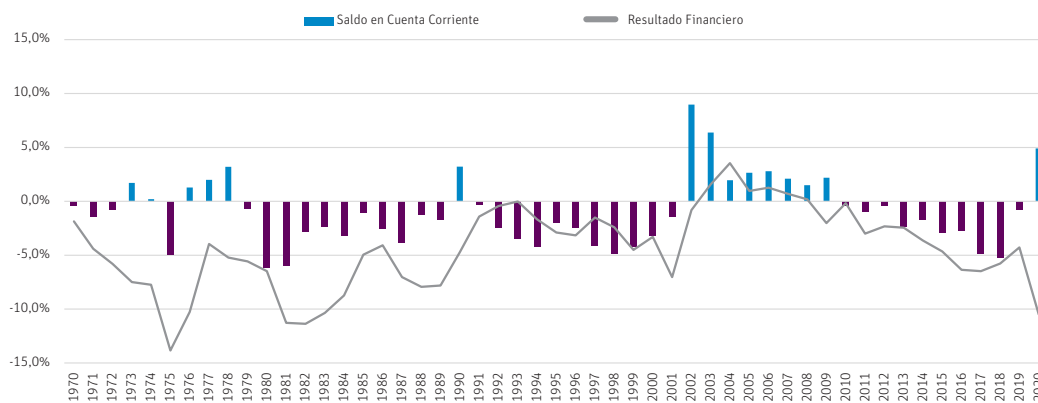
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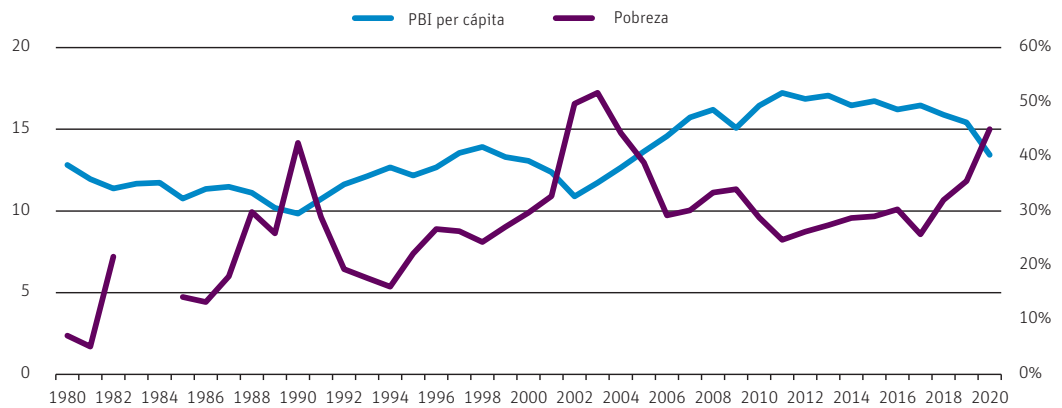
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Graph 1.



Elaboración propia en base a datos de Fundación Norte y Sur, Ministerio de Economía, INDEC, FMI. Estimaciones del resultado financiero 2020 basadas en el nuevo Presupuesto 2020 (-10,5%) y estimación de saldo en cuenta corriente por Abeceb (+4,9%)

Graph 2.



Elaboración propia en base a datos de Ministerio de Economía, INDEC, Ferreres, ODSA UCA, proyecciones de PBI de REM (2020: -12,5%) y de pobreza ODSA UCA (45%).

Author profile

* Marcelo Resico

Director of the Ph.D. in Economics of the School of Economics of the *Universidad Católica de Argentina*, where he works as a researcher and professor and coordinates the Development and Institutions Program. He has published and lectured nationally and internationally on topics of Institutional Economics, Macroeconomics, History of Economic Thought and Methodology. Since 2004, he has been collaborating as a specialist in economic matters with different business and political associations.

COVID-19 IN BOLIVIA, OPPORTUNITIES IN TIMES OF PANDEMIC

Franklin Pareja*

1. Brief context

The forecasts for global economic performance and growth had been discouraging for the then administration. The global slowdown had already showed clear signs of a recession; however, this unpromising context managed to worsen even more. Unexpectedly, in December 2019, the unknown COVID-19 pandemic from Wuhan (China) appeared, causing one of the most complex multi-factor global crises in recent decades.

When COVID-19 was reported for the first time by the World Health Organization (WHO), it was unimaginable that, only a few months later, the disease would have led to the closing of borders, the confinement of the population, over 4.3 million people infected and almost 300,000 deaths around the world (“Cronología del coronavirus”, 2020).

Preceded by dramatic news from Asia and, particularly, Europe (Italy – Spain), the pandemic reached Latin America. In February (2020), the first official case of a COVID-19 carrier was announced in Brazil and, subsequently, the spread of the infection spiraled, reaching practically all the countries in the region.

The measures taken by Latin American governments were different and, in some cases, surprising. In Mexico, President Andrés Manuel López Obrador decided to act 31 days after the first offi-

cial infection report had been issued; he publicly denied the pandemic’s dangerousness, leaving the population both astonished and in disbelief. Similarly, his counterpart Jair Bolsonaro, president of Brazil, removed his Minister for Health and took action 20 days after the first confirmed case, referring to the health emergency as ‘just’ “a little flu”, and inviting the population not to wear masks (*Las frases más polémicas de Bolsonaro sobre el coronavirus*, 2020).

2. COVID-19 arrived to Bolivia

The pandemic could not have come at a worse time for Bolivia. The country was in the midst of a deep political and social crisis unleashed after declaring the nullity of the national elections held on October 20, 2019. These elections were frustrated by the unveiling of a scandalous fraud that, when discovered, caused the unexpected resignation of former president Evo Morales, who was, possibly, the main cause of the rupture with democratic institutions in the country. By constitutional succession, the presidency was assumed by Senator Jeanine Añez.

Although this document is not intended to analyze the present Bolivian political crisis, it was assumed that by holding new elections scheduled for May 3, 2020, we would find a path to an insti-

tutional decongestion of the crisis. However, the Ministry of Health reported the first case of COVID-19 in the country on March 11, which modified the course of events thereafter, including the rescheduling of the election date and converted the existing political and social crisis to include economic and health crises. Together, these may be termed a multifactor crisis.

The pandemic clearly revealed the precarious situation of the Bolivian Health System (see table 1).

At the regional level, the differences in health investments are large. Likewise, it is clear that the restrictions in most of the countries were hard, but with differing results. The fatality indicator (fatality rate) places Mexico, Ecuador and Bolivia among the countries with the worst performance in the fight against the pandemic, compared to other countries in the region.

Table 1 Latin America. Investment in Health, confinement policy, and COVID-19 performance indicators by country.

Country	Public spending (GDP %)	Private spending (GDP %)	GDP per capita/health (Pub and Priv)	1st reported	No. initial infections	Start of quarantine	Degree of confinement	No. infections (Sep/20)	deceased (sep/20)	Current fatality rate
ARGENTINA	4,90	1,90	1.917	03-mar	5	20-mar	Very restrictive	702.484,00	15.543,00	2,21
BOLIVIA	4,40	1,90	462	11-mar	6	22-mar	Very restrictive	133.592,00	7.828,00	5,86
BRASIL	3,80	5,00	1.472	26-feb	5	17-mar	Little restrictive	4.717.991,00	141.406,00	3,00
CHILE	4,90	3,20	2.229	03-mar	5	19-mar	Restrictive	457.901,00	12.641,00	2,76
COLOMBIA	4,10	1,80	1.039	06-mar	5	25-mar	Very restrictive	806.038,00	25.296,00	3,14
COSTA RICA	6,20	2,00	1.237	06-mar	9	15-mar	Very restrictive	110.108,00	2.323,00	2,11
CUBA	10,60	0,50	2.486	13-mar	8	23-mar	Restrictive	5.457,00	122,00	2,24
ECUADOR	4,20	4,30	959	29-feb	5	17-mar	Very restrictive	143.703,00	11.279,00	7,85
GUATEMALA	1,80	3,80	475	13-mar	5	22-mar	Restrictive	90.092,00	3.229,00	3,58
HONDURAS	2,90	4,10	395	11-mar	6	20-mar	Very restrictive	74.548,00	2.288,00	3,07
MÉXICO	3,10	2,80	1.036	28-feb	6	30-mar	Restrictive	726.431,00	76.243,00	10,50
NICARAGUA	4,40	3,00	506	19-mar	1	Without restrictions	Without restrictions	4.065,00	149,00	3,67
PANAMA	4,30	2,60	1.795	10-mar	5	25-mar	Very restrictive	110.108,00	2.323,00	2,11
PARAGUAY	4,20	3,60	867	07-mar	5	30-mar	Very restrictive	37.922,00	782,00	2,06
PERU	3,20	2,00	681	06-mar	10	15-mar	Very restrictive	800.142,00	32.142,00	4,02
URUGUAY	6,40	2,80	2.102	13-mar	8	13-mar	Little restrictive	1.998,00	47,00	2,35
VENEZUELA	1,50	1,70	141	13-mar	6	17-mar	Restrictive	71.940,00	600,00	0,83

Source: Prepared by us, based on official information from World Health Organization (WHO, 2020), World Bank (2019) and BBC News (2020).

The basic structural weaknesses with respect to the limitations such as the availability of hospital infrastructure, equipment and specialized human resources (medical, nursing and laboratory staff) was clear from the beginning in terms of the insufficient installed capacity to effectively confront

the growing health care demand (see table 2). The asymmetries in coverage, availability of beds and Intensive Care Units (ICUs) indicated a very poor outlook, while Guatemala, Honduras, Venezuela, Nicaragua and Bolivia are the most precarious.

Table 2 | Latin America. Health systems indicators by country.

Country	Rate of coverage %	Hospital beds per 10,000 inhabitants	Beds in ICUs per 10,000 inhabitants (2006) +	Percentage of beds in ICUs in public hospitals (2006) +
ARGENTINA	76%	50	2,9	76%
BOLIVIA	68%	11	Nd	Nd
BRASIL	79%	22	0,8	Nd
CHILE	70%	22	0,3	65%
COLOMBIA	76%	15	0,3	30%
COSTA RICA	77%	11	Nd	Nd
CUBA	83%	52	Nd	Nd
ECUADOR	77%	15	0,3	37%
GUATEMALA	55%	6	Nd	Nd
HONDURAS	65%	7	Nd	Nd
MÉXICO	76%	15	10,0	Nd
NICARAGUA	73%	9	Nd	Nd
PANAMA	79%	23	Nd	Nd
PARAGUAY	69%	13	Nd	Nd
PERU	77%	16	0,2	73%
URUGUAY	80%	28	2,3	24%
VENEZUELA	74%	8	2,2	Nd

Source: Critical Care Clinics Scientific Journal, 2006.

3. Containment measures and actions

The foreseeable increase in infections anticipated the risk of the collapse of health care centers that, when added to the inexperience in extreme health emergencies, created a dangerous scenario. In this sense, the Bolivian government decreed a partial quarantine on March 17, and a total quarantine as of March 22 (Estado Plurinacional de Bolivia 2020), intended on containing the expansion of the pandemic. The total quarantine was extended more than once: first, it was established until March 31, and then it was extended until April 30, and, finally, until May 30. The measure was possibly opportune and sought to contain the growing infection curve; however, it did not come without problems. From the beginning, a part of the population, mainly rural, resisted accepting the veracity and danger of COVID-19; while yet another considered it a political fallacy and an argument

of the national government to stay in power longer than expected. Finally, there were also sectors that explicitly disobeyed the restriction measures and defiantly generated unrest and attempts to create social upheaval.

In the midst of the fight against COVID-19, the transitional government made some mistakes that would ultimately take their toll in institutional and political terms. First, President Jeanine Añez announced her candidacy for the elections. This decision notably complicated her administration, as from that moment on, sub-national authorities (Mayors, Governors and others), political forces, and state bodies adopted an uncooperative and even obstructive posture. Then, corruption in the purchase of overpriced respirators was revealed in the middle of the health crisis an unprecedented situation that caused great outrage. Finally, the high rotation of authorities gave constant signs of governmental instability.

Another structural element that made the quarantine more difficult is directly related to the informal economy. According to the former vice president of the IDB, Santiago Levy, the informal economy fluctuates around 50% in the region. Notwithstanding, in Bolivia, it reaches 80%, meaning that those belonging to this segment generate their economic income every day. Many, perhaps understandably with their precarious savings, and deprived of work due to the confinement, disobeyed the imposed restrictions; however, it did create negative effects in the fight against the pandemic.

In this context, the Bolivian government provided economic assistance to the population through the granting of bonds, a measure that was undoubtedly a relief for the most vulnerable population. However, when the payment was made through the financial system, there were long lines comprised of the elderly, peasants and people with limited resources from communities and different parts of the cities from early in the morning, causing risky crowds and totally contrary to the recommendations of physical distancing. Notwithstanding, the bonds benefited 12,986,623 people throughout the country (see table 3).

Table 3 | **Bolivia. Number of beneficiaries in absolute numbers by type of bond.**

Bond	Beneficiaries
Universal bond	3.658.905
Family bond	2.907.048
Family basket	1.050.867
Dignity Income	5.369.803
TOTAL	12.986.623

Source: Prepared by us, based on information from the Ministry of Economy and Finance (2020).

Although the restrictive measures (quarantine) and the relief measures (bonds) seemed to par-

tially alleviate the complex situation, they should have been accompanied by complementary actions to effectively close the containment circuit. Detection tests for COVID-19 were scarce, surveillance operations were minimal and late, the acquisition of equipment for the Intensive Care Units was slow and was accompanied by corruption, not to mention that coordination with the national and sub-national authorities was deficient and, finally, there were disagreements and confrontations with the medical sector.

4. Short- and medium-term impacts

Very likely, the quarantine turned out to be more harmful than the virus itself, as it paralyzed the productive apparatus and generated large negative consequences. At present, despite the existence of over 130,000 infected cases, there is a sensation that the population is tired; it even would appear that the fears and collective psychosis of the first months (February-March) have diminished. The desire to return to daily activities is notorious. The unprecedented confinement has undermined citizens' spirits, morale and resistance but, above everything, it has fueled the fears that focus on an uncertain future.

The fragile Bolivian economy has been severely hit: unemployment increased, small- and medium-sized enterprises have declared bankruptcy, while large ones operate at minimum capacity. The transportation sector has been paralyzed, while the construction and the tourism sectors have collapsed.

The Manager of the National Chamber of Commerce (the Cámara Nacional de Comercio, or CNC), Mr. Gustavo Jáuregui, reports that according to data provided by the National Statistics Institute (INE, in Spanish), the unemployment

rate in Bolivia reached 4.8% in December 2019. In July 2020, however, the percentage increased to 11.8%, more than double. This is, a very discouraging indicator for the national economy and would account for more than 420,000 unemployed people.

Recently, the World Bank predicted that the recession in Bolivia could cause a 5.9% drop in the Gross Domestic Product in 2020, the worst figure since the 1980s, when the country suffered historic devaluation and inflation. The most negative percentage at that time reached -4%, in 1983. Also, this year (2020), imports have dropped by 34.5% and exports by 28.5% respectively (see table 4) (*El crecimiento mundial se debilitará y llegará al 2,6 % en 2019; se observan riesgos considerables*, 2019).

Table 4 | **Bolivia. Reduction in imports and exports in percentage by category**

REDUCTION IN IMPORTS	-34,50%
Fuel and Lubricants	-66,90%
Foodstuffs and Drinks	-17,70%
Industrial Supplies	-17,70%
Capital Goods	-34,70%
FALL IN EXPORTS	-28,50%
Hydrocarbons	-20,10%
Minerals	-43,90%
Manufacturing Industry	-26,70%

Source: Own elaboration based on information from the CNC.

Economically, Bolivia could have been better prepared; however, more than a decade of bonanza, accompanied by expansive policies lacking a strategic vision, failed to expand the productive base and diversify the Bolivian economy. Basically, the country continues to depend on an extractivist model, focused on the exploitation of few products (hydrocarbons, mining, and oilseeds).

Our productivity levels are disappointing, and are uncompetitive in international markets. Legal insecurity, over-regulation, tax pressure and labor relations with a heavy social burden that is excessively protectionist, have not contributed to creating an attractive business climate to capture national and international investments.

Public spending in recent years has been characterized by waste, discretion and irresponsibility, meaning the country has been placed, yet again, in a highly vulnerable situation regarding the impact of the effects of the global slowdown. The fall in the prices of raw materials and the reduction in exports are the perfect equation to deepen our precarious situation.

According to economist Mauricio Quiroga Martínez, UPB professor, “Bolivia will not be the exception in having to take significant and hard measures to alleviate the structural effects in the socioeconomic sphere.” (*Covid-19 impacta en la economía boliviana*, 2020).

5. Economic measures

The economic crisis is not yet at a point of control and decline as the country is about to hold elections (October 18). It will fall to the next government to carry out immediate measures to reactivate the economy. The crisis cannot be managed in the current conditions, and eventual reforms will need to establish minimum agreements between the different political forces, the sectors of the productive apparatus and international organizations to enable the implementation of urgent measures. These measures will need to consist of: a) managing credits to inject fresh capital destined to stimulate the aggregate demand; b) lowering taxes to relieve tax pressure; c) stimulating the productive sector by promoting access to

credit with low interest rates, especially for small and medium enterprises; d) analyzing a formula that rationalizes the protectionist nature of labor relations, and thus stimulate job creation; and e) implementing a serious and effective austerity plan that does not neglect investment in health, education and social policies but, at the same time, drastically limits superfluous spending.

The eventual measures to deal with the multiple crisis will not be simple and they will be subject to the strength and stability of the next government, whoever that may be. They will require a minimum popular support of 40% in order to have a robust representation of assembly members (members of congress/senators) and, right at that moment, to consider the establishment of political agreements to achieve a correlation of forces to bring about stability and future governance. Otherwise, its initial weakness will make its administration turbulent and unstable, a situation that could deepen the multifactor crisis and even endanger its viability.

6. Institutional challenges

The pandemic has profoundly disrupted the very foundations of different social groups and statehood at a global level. It has called into question the effectiveness and validity of democratic institutions, the quality of public policies, the legitimacy of leaderships, not to mention the need to count on or do without political representations. Undoubtedly, feelings run high and have been exacerbated by fear and uncertainty for the future, creating a tense climate. Social fractures emerge, revealing inequity and the presence of inequality.

We knew that changes were coming and that they were necessary. It is not that the pandemic caused

them, it simply exacerbated them. Thusly, work, education and even interpersonal relationships have all undergone substantial modifications.

COVID-19 swept away many preconceptions of modernity which had been anchored and unscathed by the new needs of the global agenda. “The new reality,” full of situations that are still undefined and difficult to characterize, could also motivate us to move beyond the hindrances and stony stiffness. Great evils require great decisions. That time has come, despite the negativity, it is still possible to overcome it in the best way possible, as we may well have to re-live this same experience in the future? If that happens, would we merely repeat the same conditions, as if we had learned nothing from *this* experience?

It is necessary to visualize some actions in the short- and medium-term to prepare ourselves optimally, as complex crises may well happen again. Certainly, it is necessary to propose some structural changes for the country.

6.1 Institutional framework

Without an institutional framework it is impossible to have substantive elements that are inherent to development and peaceful coexistence. The most dramatic and pernicious deficit of Bolivian reality are the absence of an institutional framework, differentiated treatment by the law, and the submission of State bodies to service a political project. This central aspect is the most important challenge for the future. An institutional framework consolidates coexistence, tolerance and social peace, creating a fertile soil for comprehensive development. A State that does not have quality institutions will never perform efficiently, neither will it find the path to development. In Bolivia, State bureaucracy is inefficient, oversized and not very transparent. A process for the institutionalization of official positions must be estab-

lished. Public service, as a career, should be based on rigorous and technical selection criteria and attend to the particularities of each sector. Permanent training should be encouraged by providing incentives and the possibility of promotions in a civil service that privileges merits above anything else.

6.2 Education

Work on human capital is the true revolution. The new reality has shown us the potential of other teaching modalities, which are here to stay. We must not avoid them, on the contrary, properly leveraging them is an essential matter for the State. Despite the initial rejection due to fear of the unknown, intelligent and highly effective transitions can be achieved through new technologies (virtual platforms, remote education, social networks and others), improving opportunities, expanding coverage and, above all, making education more efficient and with higher quality standards.

6.3 Health

A Health System, that offers quality and warmth, cannot be a mere *slogan*, it is an urgent imperative. COVID-19 set the challenge and leaves us with lessons learned. Society must have more and better infrastructure, specialized human resources, equipment, Intensive Care Units, adequate geographic location of health centers and increased coverage, until the total demand can gradually be satisfied .

6.4 Research and Innovation

Establishing incentive and financing policies for universities that have serious multidisciplinary research and innovation programs, and that are preferably linked to study and research centers with international standards and certifications.

7. Reflecting on the need for a new model

Since the return to democracy (1982), different approaches to economic models have been implemented to provide effective responses to the historical moment of each period. From state capitalism through to the free market economy model better known as “neoliberalism”, the product of the structural reforms of the New Economic Policy (NEP). These reforms came hand in hand with the recommendations of the Washington Consensus and the enactment of Supreme Decree 21,060, until the latest period called the “Process of Change,” that, in theory, introduced a plural economy model. In essence, Bolivia went from statism to the free market in an underdeveloped capitalist context.

Bolivian history shows that there have been attempts that generated relief and situational welfare to a greater or lesser extent, sometimes with greater participation of the State, and others with a predominance of the private sector. The idea of implementing a model designed for more equity was always present. Ideally, it supposes the convergence between state, market and society in a framework of limited participation and reasonable balances. However, complications almost always came to the fore as a result of recurring underlying problems such as the institutional framework deficit and the almost repeated re-booting of the political system every time an election is won, almost as if the country is restarting all over again. In this sense, the lack of a long-term vision together with political polarization work to introduce the antagonistic elements of an exacerbated ideological matrix. This means it is impossible to give continuity to the economic reforms of the different periods, even when they are relatively consistent.

A healthy balance between economic freedom and successful social policies, to some extent, is a part of a social market economy (SME). However, discarding the differences to consider the similarities of some countries that have adopted this model. Firstly, there are two structural problems that must be solved: the institutional framework and education. Today, the great challenge lies in the ability

and talent to work first on profound institutional reform at all levels of the State, while simultaneously implementing a flexible, open economic model with a low ideological burden, capable of boosting the economy and incorporating a part of the population that works in the underground economy into the formal sector, promoting investment incentives and accompanied by quality education.

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Author profile

* Franklin Pareja

A political scientist with a Master's degree in Business Administration from the *Universidad Diego Portales*, Chile and the *Universidad Nuestra Señora de La Paz*, Bolivia. He is an expert in public management and development planning, and professor at the *Universidad Mayor de San Andrés* in the degrees of Law, Political Science and Public Management. He has served in various international organizations and hierarchical functions in the Bolivian government. He is the former president of the *Colegio de Politólogos de La Paz*. He is presently a political analyst on national and international issues.

CHILE: BETWEEN SOCIAL CRISIS AND THE CHALLENGES OF THE PANDEMIC

Jorge Sandrock Carrasco*

Prelude to the Pandemic: The Outbreak of “18-0”

The months preceding the Covid-19 virus pandemic were the scene of the deepest social, political and institutional crisis in Chile in the last 30 years.

During the first week of October 2019, increases in the ticket prices of the Santiago subway train came into effect. This increase generated widespread discontent, which was manifested in simultaneous massive fare evasions by schoolchildren and students who acted in coordination at various subway stations. These fare evasions were supported by certain political sectors pointing out that they were “legitimate actions of civil disobedience” (Communist Party deputies’ bench, 2019). On October 18, the situation exacerbated, generating disorders that resulted in the total or partial destruction of almost half of the subway stations. Likewise, during the hours that followed, various acts of violence, looting and fires took place in Santiago and other cities in the country. These circumstances motivated the government to decree a “State of Constitutional Exception of Emergency” restricting the right to assembly and freedom of movement. Despite this measure, unparalleled acts of violence continued to occur throughout the country in the following weeks. As a result of the social upheaval, there were 23

fatalities and hundreds of people with serious injuries, which led to accusations of excessive use of force and human rights violations by the police and the armed forces.

It should be noted that the country’s development model has been the target of well-founded criticism and has motivated important social mobilizations in the last decade. The increase in the subway ticket price in the capital, supposedly the trigger for the outbreak, was 30 pesos, that is, the equivalent of 5 cents on the dollar. However, the phrase coined by protesters “is not 30 pesos but 30 years”, denotes the discomfort installed in the population with respect to a system that, although it has managed to place Chile on the cusp of development of the countries in the region, has not been able to considerably reduce the levels of economic inequality, nor successfully promote social inclusion. Likewise, the model of society is strongly questioned. The Women’s Day March called hundreds of thousands of people on to the streets and the long conflict with the Mapuche people denote that the country must advance in equality and inclusion on issues of gender and justice and inclusion with its original ethnic groups.

A week after “18-0”, a name that has been given to October 18, 2019 as a symbol of the beginning of the social outbreak, massive protest demonstrations took place throughout the country de-

manding social, economic and political reforms. The immediate consequence of these citizen demonstrations was the resignation of the entire cabinet following President Sebastián Piñera's attempts to introduce political changes that would restrain the crisis. In turn, in the following days the government announced a series of measures aimed at improving people's living conditions, as well as political reforms¹.

However, despite changes in political leadership and announcements of reforms and social improvements, acts of violence were rampant throughout the country. This situation, coupled with radical groups demanding the resignation of the President of the Republic, motivated an act of democratic and institutional responsibility from the majority of the political spectrum. On November 15, the "Agreement for Social Peace and the New Constitution" was signed, a document in which the participating political forces expressed their commitment to the restoration of peace and public order, as well as their full respect for human rights and the current democratic institutions. In turn, they committed to promote a plebiscite to be held in April 2020 to consult the public for their opinion about the development of a new Constitution, and where appropriate, the type of body that should fulfill this task (Library of the National Congress, 2019)². Part of "Frente Amplio" and the Communist Party as a whole were removed from this agreement.

However, the agreement did not hinder a constitutional accusation from materializing against the then resigned Minister of the Interior Andrés Chad-

wick for his alleged political responsibility in the human rights violations that occurred in the framework of the social outbreak. After the Chamber of Deputies approved the accusatory file, the Senate declared his guilt. Thus, the opposition achieved a symbolic victory over the government. For their part, deputies from "Frente Amplio" and the Communist Party presented a constitutional accusation against the President of the Republic with the aim of putting an early end to his mandate. This removal attempt was unsuccessful, as it was rejected in the Chamber of Deputies. It is important to point out that it was the second constitutional accusation filed against an incumbent president in the republican history of Chile, which shows the seriousness of the political crisis and the level of polarization that the country is experiencing.

This scenario of political tension was supported at all times by acts of violence that continued even during the Summer, ending only with the arrival of the pandemic in March 2020. These circumstances led to profound economic consequences. The expansion of the Gross Domestic Product (GDP) was 1.1% in 2019, the worst record in 10 years (Central Bank of Chile, 2020, p.3). Until September, the indicator accumulated a growth of 2.2%, but the massive protests and the looting and attacks on businesses that took place from "18-0" had a strong impact on the final figure. For its part, the national unemployment rate corresponding to the November 2019 - January 2020 quarter reached a 7.4% nationwide, 0.4 percentage points higher than in the previous moving quarter (National Institute of Statistics, 2020, p.1).

1 Including: the suspension of the increase in Metro tickets, a 20% increase in the Basic Solidarity Pension and the Solidarity Social Security Contribution, creation of insurance for drug expenses, creation of a Guaranteed Minimum Monthly Income (approx. 500 USD), creation of a stabilization mechanism for electricity rates. At the political level, the reduction of the parliamentary allowance and high salaries in the public administration were proposed, as well as limits for the re-election of parliamentarians and other community and regional authorities.

2 Joint Convention, made up of 50% by members elected by the citizenry and 50% by sitting parliamentarians, or Constitutional Convention, made up entirely of members elected by the public

This context of weakening economic activity, together with the inability of the government to reestablish public order, dragged the government support and rejection rates to levels never reached since these measurements started. The December 2019 survey by the Center for Public Studies showed that only 6% of citizens approved and 82% rejected the way in which President Sebastián Piñera was managing the government (Centro de Estudios Públicos, 2019, p.50).

The Pandemic reaches Chile

On March 3, 2020, the first confirmed case of Covid-19 contagion was registered in Chile. Almost a month earlier, on February 8, the Ministry of Health had decreed the “Health Alert”. This administrative measure grants special powers to the authority allowing greater speed in the provision of resources and the adoption of extraordinary measures to face a health emergency. Thusly, the government anticipated the development of a health challenge and generated the legal framework that would facilitate the hiring of additional personnel and the acquisition of equipment and supplies. For its part, on March 18, the government decreed the “State of Constitutional Exception of Catastrophe” for a term of 6 months. This measure allows restricting the exercise of freedom of movement and the right of assembly, as well as establishing limitations on the exercise of property rights. These assumptions materialized with the closing of borders, the prohibition of nocturnal outings at a national level, quarantines, as well as the takeover by State of both public and private hospital management. In turn, the closure of all educational establishments was determined, implementing remote teaching systems.

On the other hand, a transversal agreement of the political forces allowed the postponement for 6

months of the constitutional plebiscite originally planned for April 26.

The health strategy of the Ministry of Health consisted, unlike other countries in the region, in the establishing specific territorial quarantines according to the contagion indices presented. This strategy was accompanied by an increase in the capacity of PCR testing and the traceability of people diagnosed with the disease, in turn implementing free health residences for those infected who did not have the means to carry out an effective quarantine at home.

In addition to the aforementioned sanitary measures, important economic measures were added in order to face the social effects of quarantines. The government structured its “Economic Emergency Plan” based on two objectives. The first was to achieve the protection of jobs and to have funds that allow the State to transfer, promptly and efficiently, resources to people. While under the second objective, different mechanisms were developed to protect companies.

These benefits were implemented with the objective of granting protection to people responding to the principle of targeting and seeking to grant flexible and sectoral support. Targeting fulfills the purpose of ensuring that public resources destined to provide protection to people are effectively concentrated on the neediest groups. In this regard, it is worth highlighting the “Covid Bonus,” a benefit granted exclusively to those who, according to socioeconomic characterization instruments, belong to the most vulnerable 60% of the population.

Regarding flexibility and support for people in a sectorial manner, different tools were available offering different solutions depending on their circumstances. In addition to the “Covid Bonus” mentioned above, legal initiatives were approved

for the protection of dependent workers (Employment Protection Law), safeguarding families with mostly informal income (Emergency Family Income) and finally financial support for paid workers. (Library of National Congress, 2020). All these programs have different sources of financing, committing different monetary amounts and terms.

The mechanisms for the protection of companies, especially small- and medium-sized ones, seek to provide them with the necessary liquidity to face the most complex months of the crisis. The capitalization of Banco Estado, the reduction to 0% of the stamp and stamp tax rate for money credit operations and a set of administrative tax measures, such as the postponement of the payment of Value Added Tax (VAT) and contributions, as well as the early refund of income tax.

Both the health strategy and the economic measures have been the subject of controversy and criticism. Regarding health measures, criticism from trade union organizations linked to the health sector pointed to a not very transparent handling of figures and late decisions regarding the declaration of quarantine in certain territories by the Minister of Health, Jaime Mañalich. Although his management in relation to the preparation of the health system to face the pandemic was well evaluated, the high numbers of infections in addition to permanently changing criteria regarding the registration of deaths from Covid-19 ended up sealing his departure from office in mid-June.

Criticisms from sectors of opposition to the economic measures adopted by the government are based on the insufficiency of the amounts committed to adequately face the economic and social crisis resulting from the pandemic. In turn, the targeting criteria have been rejected by the opposition during the legislative process.

The ineffective negotiations and the refusal of the executive to increase amounts and groups of beneficiaries motivated that opposition parliamentarians, in violation of the constitutional norm that the President of the Republic has exclusive legal initiative in matters of social security, approved a constitutional reform bill that authorizes contributors to the pension fund to make a withdrawal of up to 10% of their savings from the individual capitalization accounts. Given that the initiative had broad citizen support and pro-government parliamentarians decided to support the bill, the government chose not to refute the law before the Constitutional Court. During the current legislative period, several bills have been presented by parliamentarians on matters that pertain to the President of the Republic's exclusive legal initiative. This situation is symptomatic of the political and institutional crisis that the country is experiencing and denotes the exhaustion of the ultra-presidential system that configures the current constitutional order.

The main and most regrettable consequence of the Covid-19 pandemic is, without a doubt, the loss of human life. At the end of September 2020, the number of deaths attributed to Covid-19 in Chile reached 12,822 confirmed cases (Ministry of Health, 2020). However, the fight against the pandemic concentrates human, material and financial resources, which entails the postponement of information and prevention programs, as well as benefits and medical interventions for people suffering from other diseases. This number of deaths as an indirect effect of the pandemic is obscure and difficult to measure.

Another important and, as yet, unmeasured social effect of the pandemic corresponds to education. The closure of educational establishments and the implementation of remote classes throughout 2020 will undoubtedly have an impact on the ed-

educational gaps between the various social groups. Many children and young people of school age from the most vulnerable groups do not have access to the internet or even have appropriate tools to be able to achieve the expected learning.

In turn, the confinement measures and other restrictions derived from the pandemic have strongly affected the labor market and economic indices, leading to a very complex scenario in the short and medium term.

The labor market has shown signs of a rapid and profound deterioration. The unemployment rate corresponding to the May-July 2020 quarter reached 13.1% (National Institute of Statistics, 2020, p.1). This implies a pronounced rise of 5.6 points compared to the same period of the previous year.

For their part, the reports on the Monthly Index of Economic Activity (IMACEC) indicate drops of -15.2% in May, -12.4% in June and -10.7% in July-11,3 in August, compared to the same months of the previous year (Central Bank of Chile, 2020, p.22). The GDP for the year 2020 is expected to decrease between -1.5 and -2.5%. This significant slowdown will result in further weakening of the labor market and lower tax revenues during the current year. As a result of this scenario, an increase in public debt is estimated from 27.9% of GDP in 2019 to 32.7% in 2020, which represents an increase of almost 5 points in one year and almost 29 points compared to the lowest level debt reached by the country in 2007 with 3.9% of GDP (Libertad y Desarrollo, 2020, p.2).

Challenges and Perspectives

The serious economic consequences of the outbreak of “18-0” and that of the pandemic predict

a scenario of great social effervescence and the return of acts of violence once the confinement measures cease. At the same time, a deepening of the political-institutional crisis is foreseeable, which will result in greater difficulty in the generation of consensus for the development of public policies and the advancement of pending reforms.

To face the social consequences of the economic crisis, in the short- and medium-term the State must reinforce and expand support programs for the most vulnerable groups; however, it must simultaneously implement public policies that provide greater security to the middle class. Likewise, it should extend the measures to promote business activity and increase public investment to inject dynamism into the economy. This challenge becomes complex in a context of economic slowdown and lower tax revenues. For this reason, the State must resort to sovereign funds and debt mechanisms to fund the social and public investment agenda.

For its part, the effect of the pandemic in the region will intensify the phenomenon of migration to countries that offer better social and economic conditions. In this regard, Chile needs to modernize its immigration legislation, orienting the regulations towards a model of safe, orderly and legal migration. At the same time, it is necessary to promote greater regional integration and cooperation to generate common responses to this phenomenon.

The Covid-19 pandemic and the challenges derived from it coincide with a process in which Chilean society seeks to generate a new social contract that will serve as a political-institutional framework for the coming decades. The contents of a new Fundamental Charter born of a democratic process, will allow Chileans to enjoy the political and sociological legitimation necessary to better face future challenges.

In the context of the debate on the institutional political framework, the role assumed by the State will focus special attention. One of the major criticisms of the Chilean development model lies in the abstentionist role with which the State's subsidiary actions have been interpreted and implemented, especially in relation to education and social security. In this regard, it is necessary to move towards a State role in accordance with the principles of a social market economy. This implies that the State not only promotes conditions for an adequate development of private actors, but also assumes a proactive role, providing sufficient and timely intervention in the fields of education, health and pensions.

For its part, it is necessary to seek higher levels of solidarity combining economic growth and social

justice into the development model to strengthen social cohesion in the country. In this regard, the State must ensure that education is an instrument that truly promotes equal opportunities, reduces income inequality, and provides and increases the fair distribution of well-being.

Finally, the quality of public policies and their efficient and timely implementation will be essential to generate adequate responses to the complex economic and social problems of the future. Therefore, it will be necessary to advance in the modernization agenda of the State and in the decentralization process, since the better management of public institutions has direct effects on equity, on overcoming poverty and on social protection.

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Author profile

* Jorge Sandrock Carrasco

A lawyer with degrees in Legal and Social Sciences from the *Pontificia Universidad Católica de Chile*, he holds a Legum Magister from the *Universität Heidelberg*, Germany. He is an Adjunct Professor of the Law School at the *Universidad Adolfo Ibañez*, where he teaches Constitutional Law. He is the director of the Hanns Seidel Foundation for the Chile and Union of Latin American Parties projects.

PANDEMIC AND GOVERNANCE IN LATIN AMERICA AND COLOMBIA

Nicolás Liendo*

Evaluation and Context

When coronavirus (COVID-19) made its appearance, it represented a watershed in world history. Because of the virus' characteristics and impact, COVID-19 has challenged multiple aspects of our social and economic life, not to mention state capacity. Undoubtedly, 2020 will be known as a year that has accelerated previously existing gradual transitions in terms of a fourth industrial revolution at a global level. Notwithstanding, it has also shone a light on inherent weaknesses in terms of states' capacities for action. Likewise, the main challenges for governance presented by the pandemic include: how quickly governments will be able to adapt to environmental challenges, how to balance health protection and economic development needs, and whether governments are capable of managing the health crisis within constitutional frameworks without affecting the civil and political liberties of both the opposition and the press.

The pandemic rapidly spread from its point of origin in Wuhan province, China, travelling to Europe and North America in late 2019. Initially, China, Italy and Spain. were the countries most impacted. However, in the second quarter, the United States of America became the focus of the pandemic. Latin America was the last region affected by the pandemic, but soon began to

report an increase in numbers of infections and deaths. As of September 25, 2020, it was the region with the highest incidence of the disease and has contributed almost 9 million infected people and 300,000 deaths to the over 32 million positive cases of COVID-19 and 989,921 deaths in the world. Colombia is now in fourth place, with more than 790,000 infected people, and ranks fifth in the world in terms of deaths (The Johns Hopkins 2020). In this regard, while COVID-19 statistics highlight the catastrophic impact on lives, they also demonstrate the vulnerability of existing health systems to respond to the effects of the pandemic.

Latin America was already in the midst of managing its present-day complexities when COVID-19 disembarked on the continent. Economic growth in 2019 was an anemic 0.1%, while average economic growth over the last five years has been 1.3%, well below the world average. At the end of 2019, governments had witnessed massive waves of protests that reflected economic setbacks and the inability to satisfy the demands of a middle class that had expanded in the period between 2000-2012 but which has suffered the effects of the recession in the last five years in particular. Politically, the region was facing a growing deterioration in its democracies, with the consolidation of three authoritarianisms in Cuba, Nicaragua and Venezuela, not to mention episodes of instability

in Bolivia and Honduras, and the arrival of other new populist political actors.

The situation in Colombia looked much more optimistic as it appeared to have better economic prospects; indeed, its above 3% growth rate in 2019 ranked it among the top performers in the region. Economic informality was in decline and foreign investment offered prospects for growth. The government had finally achieved governance in the congress and generated spaces for conversation with the protesters of November 2019 to agree on long-term public policies. However, the pandemic wreaked havoc on all these calculations.

It is possible to identify two ways Latin American governments have managed the pandemic in their own countries thus far. On the one hand are the governments that decided to act in accordance with scientific evidence by emulating the strict confinement policies that had been implemented in Spain and Italy in order to contain the spread of the virus (El Salvador, Honduras, Argentina, Bolivia, Colombia, Chile and Peru). On the other hand, the governments of Nicaragua, Mexico, and Brazil all delayed in their application of such measures largely owing to the COVID-19-denial positions assumed by their leaders. In Colombia, President Iván Duque's government issued a decree on March 23 for "mandatory preventive isolation" and the "total limitation of the movement of people and vehicles" (Decree 457 of 2020). This decree was extended on several occasions until August 30. Notwithstanding, several later decrees brought increasing flexibility to these isolation measures in an attempt to gradually reopen economic activity by sector from the end of April onwards.

While these decisions were taken in haste, the ineffectiveness of these measures has been due to the State's weakness both in terms of actual

infrastructure and governmental capacity to implement relatively indefinite general quarantines (Galindo, 2020). Another fundamental issue to be considered is labor informality, by acting as a catalyst for scenarios that increase social indiscipline. These scenarios have been difficult to counteract and highlight the dilemmas faced by authorities in terms of acting to protect human lives or witnessing the growth of poverty (Levy & Malamud, 2020). Without a doubt, quarantine measures have been immersed in a context of strong economic contraction, estimated at around 7.2% for Latin America by the World Bank (Horwitz et al., 2020). This situation has presented governments with the challenge of reconciling health measures with other measures intended to avoid an increased precariousness in consumption and employment, and for which the injection of liquidity from central banks has been insufficient (Arnson, 2020).

Finally, the pandemic has represented a serious challenge not only to the credibility of the region's presidents but to its very democracy. During the pandemic, a number of the region's leaders have observed a noticeable drop in their popularity ratings (Latin America Risk Report, 2020). The pandemic has also aggravated pre-existing contexts of economic crisis (Argentina), social mobilizations (Chile, Colombia, Ecuador) or polarization (Bolivia), all the while adding even greater complexity to governance (Nuñez & Malamud, 2020).

Economic and socio-political consequences of the coronavirus in Colombia

The coronavirus pandemic will affect the economic and socio-political system in the short-, middle- and long-term, and will cause the reconfiguration of various aspects of the country. In particular, the

consequences will be concentrated in economic management, proposals for reforms in the health, education and labor sectors, as well as the implementation of social and economic policies to repair the effects of the health crisis while trying to maintain governance in the streets and executive-legislative bodies.

In the short-term, COVID-19 has produced a devastating effect on the economy. The International Monetary Fund (IMF) has issued projections that predict a decline of 5% worldwide and 9.4% in Latin America. These results are broken down in Colombia into a negative impact of commercial transactions, such as exports (-20.8%) and imports (-12.7%), which have directly led to a decrease in the exchange rate (18%) and monetary depreciation (29.3%), affecting the terms of trade (Banco Interamericano de Desarrollo, 2020). Likewise, the pandemic has forced the State to disburse greater resources to confront it better, generating an unprecedented break with fiscal rule, the government's traditional instrument of economic rationalization, and the use of stabilization funds in attempts at compensating for imbalances resulting from greater public spending (Manzano et al., 2020). In other words, the first short-term consequence brought about by COVID-19 is an economic contraction of -5% and a negative fiscal balance of -7.7% for the year 2020 (Andrian, Deza, & Hirs, 2020, p. 21).

The Colombian government has rushed to consolidate and implement a series of economic measures to alleviate the effects of the pandemic on the loss of income. Since September, certain restrictions have been relaxed for the reopening of most economic sectors. Simultaneously, the government has sought the approval of the 2021 budget law that highlights four areas to reactivate the country's economy and increase taxation: operating expenses, debt service, transfers and in-

vestment (Santa María, 2020). The first two items are aimed at cleaning up public finances as a result of the shift away from fiscal rule in favor of greater public spending to handle the pandemic, which is why the government will reduce its operating expenses by one percentage point (16.3% by 2021) and will allocate nearly 6.7% of the GDP to service foreign debt, already onerous due to the depreciation of the Colombian peso (Santa María, 2020). Even within the proposed budget there is the possibility that the government will resort to the sale of public assets for a value of 12 trillion Colombian pesos (USD 3,110,708,925) in order to obtain resources.

The Colombian State must act proactively to help citizens in emergency conditions and need in order to tackle the effects of the precariousness of their social conditions. In this way, the government has proposed allocating 12.1% of the Nation's GDP to departmental and municipal transfers for the construction of public works; pension transfers and conditional transfers for programs such as *Familias en Acción* [Families in Action], *Jóvenes en Acción* [Young People in Action], and *Colombia Mayor* [Older Colombia] Likewise, investment has been planned around leveraging the well-being of the most vulnerable sectors of populations with a participation within the budget of 4.7% of GDP (Santa María, 2020). This allocation would be aimed at reinforcing the reactivation of economic sectors that can boost economic growth and support vulnerable families in unemployment conditions, a sector of society that has expanded to over 20%.

In the short term, the pandemic has widened social division even more, dramatically increasing multidimensional and monetary poverty (Rodríguez Pinzón, 2020). In spite of the Government's attempts since the beginning of 2000 to reduce the number of poor people and inequality, the middle

class has been characterized by its fragility and generally earns incomes that are remarkably close to the poverty line (Observatorio de coyuntura económica y social, 2020). In this regard, the appearance of nearly 7.3 million new poor is striking in the midst of the COVID-19 health crisis as this figure represents an increase of 15% in poverty levels. High unemployment and higher levels of poverty also have an impact on inequality levels. Colombia, together with Haiti and Brazil, is considered one of the most unequal countries in the region, with a Gini coefficient of 0.509. Due to the effects of the coronavirus, this figure should rise to 0.57, representing a setback of about two decades of poverty reduction (Observatorio de coyuntura económica y social, 2020). Faced with this scenario, several political parties along the ideological spectrum (*Alianza Verde* [Green Alliance], *Polo Democrático* [Democratic Pole], *Liberal*, *Centro Democrático* [Democratic Center]) have raised the need to implement a Universal Basic Income (UBI), which would consist of an income that the State would grant unconditionally to its citizens to cover their basic needs, regardless of their economic situation. According to its proponents, the income would be universal and individual; it would also not replace the role of the State in the provision of education and health (El Espectador, 2020a; Grupo de Investigación en Macroeconomía, 2020). Currently, there are four proposals under discussion in the Colombian Congress on this particular subject. The costs for the State associated with its implementation would be close to 24 billion Colombian pesos (USD 6,190,289,550) for just three months, according to some analysts (Capella, 2020).

Under this short-term framework, the medium-term consequences are evident in structuring a social policy based on Guaranteed Basic Income and focusing efforts to advance reforms in the health and education sectors to broaden the

access base while guaranteeing that these public services are of quality and accessible throughout the national territory. In regard to social programs, the sudden adoption of programs such as *Ingreso Solidario* [Solidarity Income] has placed the need to implement social stabilizers on the public agenda to contain the effects of future economic crises on the living conditions of citizens (Grupo de Investigación en Macroeconomía, 2020). Likewise, job creation and economic reactivation go through the consolidation of initiatives that came about as a result of the pandemic, such as the *Programa de Asistencia al Empleo Formal* (PAEF) [the Formal Employment Assistance Program], which was recently extended until March 2021 (El Espectador, 2020b). Thusly, it is hoped that both society and companies hit by the coronavirus will obtain State support to start their recovery. The pandemic has made us aware of new forms of employment, such as teleworking or hourly work, and society will need to reflect on the possibility of a labor reform in the medium-term (El Tiempo, 2020).

In conclusion, under the short- and medium-term challenges, Colombia has a range of opportunities for improvement in a crisis situation. In this regard, the country must move towards reforming its productive structure in the long term, particularly towards achieving a diversification of the productive matrix, which is overly dependent on oil, as well as investing in forming more specialized human capital by investing more in science and technology, developing innovation and creativity policies through the orange economy promoted by the current president, and the generation of formal jobs of quality.

The Colombian context presents two additional and unique ingredients that add difficulty: firstly, the country signed Peace Accords with the FARC in November 2016; the implementation of this peace process was foreseen to take between 10

and 15 years. Notwithstanding, to date progress has proved to be uneven. Nevertheless, several other guerrilla groups have not yet demobilized, while criminal gangs have resurged and there has been an exponential increase in illicit crops between 2016 and 2018. These all represent a huge challenge in terms of security and the resurgence of violence in a context of growing economic precariousness. Secondly, Colombia has received 1.7 million Venezuelan migrants, fleeing from the dictatorship. Managing the arrival and humanitarian assistance of such a large number of people simultaneously while dealing with the aforementioned challenges can represent a perfect storm in terms of governance and the capacity for achieving short-term results.

Impact and challenges

In the context of this present health situation, Colombia could face an exacerbation of several difficulties that were in evidence from before the pandemic. Given the present situation, Colombia will have to manage the effects of COVID-19 on the structural problems that already existed in the commercial, tax and investment spheres as well as handling social indicators like employment and poverty. Making forecasts in this sea of uncertainty is risky, as there is still no certainty about the effectiveness of vaccines, not to mention the possibility of a new outbreak.

First, the Andean country's economy is highly dependent on raw materials, which represent 40% of total exports and 7% of total income (Manzano et al., 2020). Therefore, a probable drop in the prices of raw materials would represent a factor of vulnerability and affect the central government's taxation and revenue collection causing a knock-on effect on the implementation of social policies.

Likewise, a second challenge will be overcoming the country's high rates of informality, which, paradoxically, concentrates 42% of the population in the sectors most affected by the coronavirus, such as the hotel, commercial and restaurant sectors (Manzano et al., 2020). In order to finance the increase in public spending and social spending, the State will have various options. It could increase tax collection with new taxes on financial income, increasing VAT, or by eliminating tax exemptions from the latest tax reforms. It could also take on more external debt, which is currently at 48.6% (Banco de la República).

An additional factor exists at the international level. Colombia has traditionally opted to promote international trade through free trade agreements with Asian countries and the United States. However, faced with a world recession, and given the implications of the trade war between China and the United States, the country will have to seek new forms of international insertion. The future role of international multilateral organizations that were founded after the tragedy of two world wars to promote the reconstruction of Europe with loans and resources has yet to be seen. In Latin America, the Inter-American Development Bank (IDB), the International Monetary Fund (IMF) and the World Bank (WB) could take advantage of the situation to relaunch their battered relations with the countries of the region by showing effective support for their governments with generous resources and guidance to reactivate their economies.

A fourth challenge lies in the country's structural violence. In spite of signing the Peace Accords with the FARC in 2016, the inherent complexity of this situation has impeded their successful implementation and this has not kept pace with social expectations. A peace agreement is a necessary condition to achieve peace in the country

but it is not sufficient. Despite the improvements in the reduction of the homicide and kidnapping rates and the massive demobilization of guerrillas, the increasing assassinations of social leaders and the expansion of hectares of coca planted, the situation in terms of security had become more complex right before the pandemic. Faced with a scenario of growing unemployment and a reduction in income and opportunities, there could be an increase in the recruitment of young people by armed groups, as well as by illegal businesses such as drug trafficking or illegal mining.

Application of the Social Market Economy model in Colombia

After the Second World War (1939-1945), Germany was left in a state of economic and social ruin. It was divided into two territories under different political regimes. A process of economic recovery began under the principles of the so-called Social Market Economy in the Federal Republic of Germany. This economic paradigm was located as a third way between classical liberal capitalism and communitarian socialism, enacting the combination of “the principles of economic freedom and social equity” (Resico, 2009, p. 136). Thusly, the main promoters of the Social Market Economy sought to synthesize the benefits of the free market with the principles of solidarity and cooperation derived from Christianity, promoting a subsidiary role of the State towards individuals and families as the main recipients of welfare.

In practice, the Social Market Economy seeks the implementation of an economic and social model based on “a better resource allocation system and on trying to correct and provide the institutional, ethical and social conditions for its efficient and equitable operation” (Resico, 2009, p.

135). It does this by relying on the establishment of structural principles such as monetary primacy, freedom of contract, and private property for the development of the economic model, while simultaneously developing regulatory principles aimed at regulating the action of the State based on countercyclical policies, defense of competition and social policies (Resico, 2009, p. 142).

According to the survey conducted by the Latin American Public Opinion Project (LAPOP), Colombian citizens have shown progressive adherence to State interventionism, and most political parties are in agreement with this position (Rivera, Plata, & Rodríguez Raga, 2019). In this regard, the Social Market Economy could become a viable option to strengthen the subsidiary role of the State as a necessary condition for economic development and cohesion in spite of the asymmetries of human capital and low formality and industrial weakness to finally achieve a peaceful and socially inclusive Colombia. Nevertheless, it is necessary to develop certain tools that are currently weak for an efficient implementation of the model: on the one hand, it is necessary to strengthen state capacities so that welfare can extend beyond the large urban centers, reaching both smaller cities and rural areas. A political agreement of commitment to the economic development model is also required to make it sustainable with the environment by efficiently incorporating new technologies into the workplace and prioritizing growth with equity.

Migration in the post-pandemic Period

Colombia is home to over 1.7 million Venezuelan migrants. The country, which has historically been the least exposed to migratory flows in Latin America, has acted generously in welcoming its

neighbors. Notwithstanding, given the magnitude of the migratory phenomenon and the economic hardships caused by COVID-19, available resources will become scarcer while demands will grow, thusly, there will be an increased risk of the emergence of xenophobic attitudes against migrants. On the other hand, an electoral process is looming in Venezuela that has once again exposed the divisions within the opposition and the illegal ambition of Maduro and his regime to retain political power.

The Colombian government closed its borders with Venezuela in March 2020 in the face of COVID-19's unrelenting advance. This has affected the migratory flow and formal and informal commercial exchanges between citizens of both countries. Instead, the use of illegal cross-border crossings has increased increasing violence and the costs of exchanges at this particular time of scarcity. Another novel phenomenon that the pandemic has altered is the direction of the migratory flow, as while thousands of Venezuelans entered Colombia a day previously, since March, over 100,000 Venezuelans have returned to their country. One of the main reasons for this change has been difficulties of access to health services and their dependence on the informal economy to obtain

subsistence resources. As the economy became completely paralyzed, thousands of Venezuelans returned to their homeland. Nevertheless, the gradual economic re-opening has put a halt to this process and the Colombian government is evaluating re-opening of border crossings soon; this should cause the direction of the migratory flow to be reversed, and reflect the pre-pandemic period.

Legislative elections in Venezuela are scheduled for December 6, 2020. Studies show that the proximity of the elections in electoral autocracies increases the probability of conflict and repression by the authoritarian regime (Bhasin & Gandhi, 2013). This hypothetical increase in violence against opposition mobilization attempts could unleash a new wave of migration to Colombia. Additionally, there is a risk that this hostile environment will be capitalized on by political parties as an issue to increase xenophobia and polarize society in the face of this migratory phenomenon. Notwithstanding, the experience of some countries has shown that migration can be approached as a migratory bonus that allows rejuvenating the age composition of society and reinvigorating the country's economy (Proyecto Migración Venezuela, 2019).

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Author profile

* Nicolás Liendo

A doctoral candidate in Political Science at the University of Arizona, USA, he holds a Master's degree in Latin American Studies from the *Universidad de Salamanca*, Spain, and Bachelor's degree in International Relations from the *Universidad Católica de Córdoba*, Argentina. He has been the Dean of the School of Politics and International Relations at the *Universidad Sergio Arboleda*, Colombia. He has been an advisor and consultant on public policy, Venezuelan migration, women's empowerment, political and electoral reform, and the promotion of democracy and freedom in Cuba and Latin America.

I CUBA IN THE LABYRINTH OF COVID-19

Faustino Cobarrubia Gómez*

This pandemic surprised the Cuban nation in the midst of undergoing a process of profound economic and social transformations. This process could perhaps be considered the most difficult and complex one in all of its revolutionary history since 1959. In economic terms, the process has tried to give the market more room to operate within a centrally planned economic model. However, the economic outcomes after ten years of its implementation have been far from expected. The average growth rate of the Cuban economy was only 1.3% during 2016-2019, quite below the 4.4% recorded in 2015, showing a clear trend of economic slowdown (Rodríguez, 2020).

In 2019, on the verge of the pandemic, the Cuban economy had only grown at a rate of 0.5%. The island's society was navigating in a sea of difficulties and restrictions, generated and fundamentally exacerbated by the worsening of the economic, commercial and financial embargo, imposed on the island by the United States for over the past six decades. During President Trump's administration punitive measures have increased notably. From 2019 (86) to date, and the imposition of 121 new sanctions. These have included the full application of the Helms Burton Act of 1996 (intended to prevent foreign investment in

Cuba) and the persecution of oil shipments sent from Venezuela. This persecution has caused the Cuban economy to function with only 50% of the fuel required since last September (Rodríguez, 2020 and CUBADEBATE, 2020). The damages caused by this blockade up to the first semester of 2019 amounted to \$13.843 billion USD, for a cost of \$4.343 billion USD in just one year (MINREX, 2019).

Beyond this, the complexity of the Cuban economic status is derived from a combination of a set of factors enhanced by an adverse external context, resulting in a growth of only 1% of the gross domestic product (GDP) (Rodríguez, 2020).

An essential factor is the precarious economic situation in Venezuela. With a 25.5% drop of its GDP in 2019 and forecasts of -26% for this year (ECLAC, 2020), Venezuela's economic performance has directly affected the Cuban economy's supply of oil and income from exports.

The shortage of foreign exchange has been accentuated with the reduction of international tourism, the loss of export markets for medical services (Brazil, Bolivia, Ecuador), and the reduction in remittances (Triana and González, 2020)¹.

1 | In the months of January and February 2020, international tourism fell by 19% and 13% respectively in relation to the same period of the previous year; this has resulted in a loss of around \$ 100 million Dollars.

Added to this are the complexities of the country's monetary-financial environment, which has been characterized by the existence of a dual currency and exchange rates. Likewise, in 2019, a notable effort was continued to be made in order to comply with the servicing of renegotiated debt, disbursing a total of \$1.948 billion USD, even if delays were reported. On the other hand, a claim for pending payments was reported by international banks amounting to \$2.091 billion USD at the end of December of last year (BIS, 2020).

The demographic dynamic ends up configuring an unfavorable outlook for Cuba in the face of the pandemic, to the extent that 21.2% of the population is over 60 years of age; and the level of fertility is below the level of replacement (ONEI, 2019).

An effective strategy

Therefore, Cuba had to face this health emergency in a context marked by a scarcity of financial resources. From the first reports of the COVID-19 contagion in the world in January 2020, the government of Cuba conceived an inter-sectoral work strategy, led by the Ministry of Public Health (MINSAP) and the Civil Defense System. This strategy was aimed at containing the risk of introduction and the spread of the virus as much as possible, as well as minimizing the negative effects of an epidemic on the health of the Cuban population.

Thanks to a universal coverage and free health system, in which Primary Health Care is a fundamental pillar, Cuba managed to quickly and effectively implement one of the main elements of the response to the health emergency in the country.

The role of Primary Health Care was fundamental in the active search to investigate and detect COVID-19 cases. This was complemented by the implementation of self-testing. Likewise, the admission into the hospital of 100% of the COVID-19 confirmed cases was foreseen².

These actions have been accompanied by the supply of preventive drugs to at-risk communities and groups. The Cuban biotechnology and pharmaceutical industries have supplied proven and highly effective drugs such as Recombinant Human Interferon Alpha 2B, in addition to other drugs used as part of the COVID-19 protocol to treat infected patients and the complications that could arise (UNDP, 2020).

Like other countries, the main social and economic measures were associated with the closure of borders, interruption of productive activities and non-essential services, restriction of trade activities, reorientation of available resources to strengthen the health system, interruption of face-to-face teaching activities at all levels, promotion of teleworking and remote work, labor guarantees for interrupted workers, social guarantees for people with greater needs and those at greater risk of vulnerability, tax benefits for the non-state sector, among other actions intended to guarantee physical isolation and stopping the spread of the virus.

This continued until October 14, 2020. The MINSAP reported 6,062 people diagnosed with COVID-19, of which 123 died, representing a mortality rate of 2.04%. A total of 5,678 patients recovered from the disease (93.7%) and only 259 patients remained hospitalized. As of that date, Cuba has performed 720,834 PCR diagnostic tests, of which 0.84% resulted positive (MINSAP, 2020).

2 | According to information from MINSAP, as of May 20, the country had 20 hospitals ready for care related to COVID-19, 54 centers for the care of suspected cases, 248 for contact surveillance and 40 for the care of travelers. In addition, it had 5,000 hospital beds and 477 intensive therapy beds, at 29% and 8% occupancy respectively (UNDP, 2020).

Measuring the economic and social impact of COVID-19

Similar to what has happened in almost every nation of the world, the COVID-19 pandemic put the Cuban economy and society under stress. Everything indicates that the Cuban economy will suffer a sharp contraction in 2020, estimated at around -8.0% (ECLAC, 2020 and EIU, 2020).

The reallocation of resources towards pandemic related issues has resulted in the quasi-paralysis of an important part of the investment process this year, giving priority to investments that can be concluded in the short term and that have a positive and rapid impact on either exports or import substitution.

Undoubtedly, international tourism, which accounts for around 4.5% of the country's GDP, has been shaken hard. In 2020, Cuba viewed a decrease of receiving between 900,000 and 1.4 million incoming tourists, with an approximate loss of more than 886 million dollars (UNDP, 2020). It is unlikely that pre-pandemic levels of tourist arrivals return to the island in less than one year.

The situation is aggravated by the downward trend in the international prices of the country's main export goods, mainly nickel and sugar, which had already declined prior to COVID-19. In April 2020, the price of sugar reached its lowest level in the last decade, following the downward trend starting in 2010. Due to low production levels of the country, it is expected that sugar exports will reach record low earnings in 2020. In the case of nickel, it is estimated that prices will fall by around 17% in 2020, which would imply a de-

crease in revenues of at least 125 million dollars for the year (Triana and González, 2020). Other important export goods, such as tobacco and rum, have also been severely affected by the decline in demand this year.

In contrast, a rebound in the production of other important exportable goods was registered in the country, such as mechanized tobacco, cigarettes, honey, coffee, cocoa, charcoal, fruits, and vegetables. This, could help boost the country's income together with the expected increase in the export of a group of biotechnological drugs (interferon, certain types of vaccines with high immunological capacity)³, as well as health services, particularly with the recent victory of the political party Movement for Socialism (MAS) in Bolivia.

All in all, the foreign trade balance, which fell to \$942 million USD in 2019, will drop to \$372 million USD in 2020, with a 14.3% reduction in imports of goods this year (UNDP, 2020).

Obviously, the above, when added to the contraction in remittances which have been forecasted to fall by around 15% this year (ECLAC, 2020) will lead to a notable decrease in the availability of foreign currency in the country, with the consequent reduction in imports. The current account balance could decrease by about \$796 million USD between 2019 and 2020 (EIU, 2020).

The understandable difficulty in paying the official external debt, which according to the EIU amounts to \$1.991 billion USD in 2020, may well require a new rescheduling. Projected supplies through 360-day trade credits also appear to be compromised. The expected drastic decrease in external income, added to accumulated debt defaults, has

3 | Over 70 countries have requested Interferon Alfa 2B in order to include it in their treatment protocols for COVID-19 patients (Pérez, 2020). This will represent an important source of additional export income.

required the reformulation of import plans and earmarking them for prioritized industries, for example, food, medicine, water supply, construction, among others (CUBADEBATE, 2020a).

It would be quite unlikely to expect a significant inflow of foreign direct investment (FDI) into the country, mainly due to the global recessionary situation and the intensification of the North American embargo⁴.

A major side effect of the pandemic is the deterioration of the work situation and the increase in the unemployment rate. During these months of confinement and quarantine, a total of 150,000 state workers were suspended. The most affected sectors were tourism and transport, and to a lesser degree, industry and construction. Likewise, 250,000 self-employed workers temporarily stopped working. Although social protection measures were undertaken to benefit both workers in the state sector (wage guarantees) and the non-state sector (suspension of taxes), in both cases worker's income was reduced for several months, which worsened their situation in the absence of an unemployment insurance (CUBADEBATE, 2020e).

In these circumstances, there has been an inevitable fiscal crunch, associated above all with a significant increase in public spending to face the pandemic, which is estimated at almost 1 billion pesos (CUBADEBATE, 2020). Everything points to

an upsurge in the budget deficit above the figure forecast for 2020 of -5.4% of the GDP, which could limit the government's ability to support vulnerable groups under the social assistance regime, which have been raised to the figure of 606,945 (CUBADEBATE, 2020d)⁵.

It is clear, therefore, that the deterioration of the social situation of the country has become evident in several ways, including the reduction of food availability, consumption limitations, effects on the production of basic medications, pressures on the public health and social assistance system, potential challenges in terms of gender, impacts on education and specific cultural services, and the impact differentiated by population groups (UNDP, 2020).

The shortage of foreign exchange⁶ and the severe drought affecting the country in 2020, have ensued in a very critical food situation. In the midst of the pandemic, the country has had to make enormous efforts to sustain the products of the regulated family basket, and has undertaken several key decisions such as increasing deliveries of some products and supporting economic cleaning lines with regulated sales, among others⁷.

Many families faced with the reduction of subsidized food sources (especially food in schools and worker canteens) have been forced to spend more in food⁸, undermining their capacity for saving (Anaya and García, 2018)⁹.

4 According to (UNCTAD, 2020), the impacts of COVID-19 could cause a drop of between 30 and 40% in global FDI flows in the period 2020-2021, more than previous projections of -5 to -15% released at the beginning of March.

5 This group includes older adults who live alone and do not have someone to help them; people with disabilities; all those who receive the family care service (SAF); single mothers with minor children; pregnant women and any other situation that could be considered a vulnerability (CUBADEBATE, 2020g)

6 It should be pointed out that more than 70% of the food in Cuba is imported (39% of the kilocalories consumed and 55% of the proteins) and the local production, in turn, has a high component of imported inputs (UNDP, 2020)."

7 A deep and detailed analysis of the subject appears in Anaya, Betsy and Anicia García (2018) "Dynamics of basic expenses in Cuba. (First part)" September 28, 2018. Available: www.ipscuba.net.

8 See Anaya, and García (op. cit.).

9 See Anaya, and García (op. cit.).

In this brief review of the impact of the current pandemic in Cuba, the effects on the production of basic drugs, caused by the reduction in input imports/supplies and other medical supplies cannot be ignored (CUBADEBATE, 2019f). In April 2020, 80 drugs were reported unavailable, compared to 47 at the end of 2019¹⁰.

Towards a COVID-19 post-pandemic era in Cuba

On October 9, the Cuban government updated the economic and social strategy, approved in July for the post-COVID-19 based on the epidemiological behavior observed during the six months prior to confronting the pandemic era.

This modified Plan assumes three gradual and asymmetrical stages towards a new normality, based on the control achieved over the pandemic, placing the health of the population as a priority, but without disrupting the economic and social life of the country. Since October 12, all Cuban provinces have returned to the “new normal,” except Havana, Ciego de Ávila and Sancti Spíritus, where the most complex epidemiological situations are located (GRANMA, 2020a). At this stage, the most important and relevant reinstated economic activities are tourism and all its related activities, including international transport, as well as agricultural and non-agricultural activities of the private and cooperative sector.

The second stage, is aimed at strengthening the national economy under conditions different from the productive activity and the normality in the operation of the country¹¹, with the application of measures that contribute to its revitalization and, that, in turn, will allow the implementation of elements already approved in the Conceptualization of the Cuban Economic and Social Development Model (2017), and in the Bases of the 2030 National Economic and Social Development Plan (PNDES 2030) (CUBADEBATE, 2020). There are 16 key result areas¹², that will be worked simultaneously to give a greater speed to the strategy, governed by principles such as centralized planning, market regulation, the complementarity of economic actors, and the dynamic role of domestic demand (CUBADEBATE, 2020).

Emphasis has been placed on five elements that impact the transformative strategy and that directly affect the population: 1. Food production and commercialization; 2. Incentive to exports, 3. Transformations in the business system, 4. Improvement of self-employment conditions, and 5. Monetary regulation (CUBADEBATE, 2020).

Problems and Challenges

It is necessary to avoid the contradiction between the solution of current emergencies and the strategic projections of the future: to ignore or not adequately address the necessary difference and

10 In 2017, the basic medications chart for the country included 801 products, 505 of them prepared locally – 63%– and 296 imported (OPS/OMS, 2018).

11 The “New Normal Stage” consists of the reestablishment of productive activity and services, strengthening epidemiological surveillance, compliance and control of hygienic-sanitary measures, as well as other provisions that ensure the protection of health with the responsible participation of people, from the adoption of a new code and lifestyle.

12 In this regard, the following stand out as key areas - within the 11 contained in the PNDES 2030: tourism; professional technical services; biopharmaceutical and biotechnology industry, as well as the biomedical industry; sugar agribusiness; buildings; telecommunications; efficient transportation, storage and trade and light industry.

interrelation between circumstantial problems in the short term and structural problems in the medium- and long-term will affect the results of the recovery strategy (Rodríguez, 2020b).

In this sense, an important bottleneck appears with regard to food security and the increase in foreign exchange earnings through exports of goods and services, together with the reduction of expenses through import substitution.

The current deficit in the supply of food products, means that implementing the recently announced measures to recover agricultural activity is urgent (CUBADEBATE, 2020). Their effectiveness requires ensuring the redistribution of scarce available resources, in addition to considering agricultural cooperatives and private producers as key actors.

Simultaneously, the economic policy applied to food production and commercialization must be modified, which suggests the implementation of an agreed upon policy among economic actors; a stimulating and flexible fiscal policy; a price policy that promotes production and a remuneration system favorable to labor (Rodríguez, 2020b).

In terms of fiscal imbalance, it would be feasible to assess other measures such as financing from the State through the sale of public debt bonds in addition to the unavoidable reduction in spending (Rodríguez, 2020a).

It is also essential to adapt the economic organization of the country, starting with the socialist state enterprise; but considering the opening of micro-, small- and medium-enterprises in all sectors of the national economy, together with the creation of conditions for the proper functioning of cooperatives.

Finally, the monetary order must be addressed for the sake of a harmonious operation and sim-

ilar conditions among the different actors in the economy, which denotes not only monetary and exchange unification; but also, the elimination of excessive subsidies and undue gratuities, as well as the transformation of income (CUBADEBATE, 2020).

Conclusions

Everything seems to indicate that in the post-COVID-19 pandemic era, Cuban society will experience momentous changes. There is consensus on the need to resize the business and private sectors as has stated by the president of the republic: "(...) in this difficult context (...) we have to come up with different things and prepare an Economic and Social Development Strategy, one that ratifies that we cannot continue doing things in the same way" (GRANMA, 2020a).

However, despite the Cuban government's little room for maneuver to avoid the impact of the crisis in the short-term, one thing is clear, and that is the will not to improvise, much less to apply a shock therapy of the "save yourself if you can" in which the most vulnerable are left helpless or at the mercy of the laws of the market. On the contrary, it is a matter of preserving, whatever the costs the equity and social justice that have been achieved, while at the same time creating more favorable conditions for the country's economic growth and development, as well as for the people's greatest possible well-being.

In this sense, the current post-pandemic scenario that is being configured in Cuba points towards the restructuring of the foundations of the economic and social model through the granting of more autonomy to the state companies and a greater role in the market for the non-state sector and Foreign Direct Investment. However, this will be driven by

the active and regulatory role of the State together with a centralized planning system, especially, given the conditions where scarcity prevails, elements considered essential to achieve the harmonious functioning of the Cuban economy and society and the progress in the construction of the most prosperous and sustainable system that is possible.

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Author profile

* Faustino Cobarrubia Gómez

Holding a Ph.D. in Economics from the *Universidad de La Habana*, Cuba; he is the head of the Department of Trade and Integration and Assistant Researcher at the *Centro de Investigaciones de la Economía Mundial* (CIEM) in Havana, Cuba. He is Assistant Professor at the *Instituto Superior de Relaciones Internacionales “Raúl Roa”* in Havana. He has also served as a consultant for the United Nations World Food Program (WFP) Representation in Havana and, since 1998, has been a member of the Academic Committee of the *Asociación Nacional de Economistas de Cuba* (ANEC).

A PANDEMIC FOR AN UNEQUAL WORLD: ECUADOR FACES THE VIRUS IN A CONTEXT OF CRISIS

Óscar Montero de la Cruz*

Background

The world and the region facing COVID-19

There is no known threat in the modern times of our civilization that has been able to paralyze and change the habits of the entire world so abruptly and hastily as the threat that has just presented itself. This threat has generated the confinement that has become the new foundation of our lives, and governments facing this issue have been forced to adopt measures that only a few weeks earlier would have been considered unthinkable.

The present reality that societies face following the arrival of COVID-19 and the very real possibility of a second and even third wave of the pandemic demands profound changes in the responses States must provide. The international system will be shocked by the transformations the world is facing at this time and, indeed, some questions are beginning to arise in this regard. It is clear that the pandemic already represents a turning point in the international order, raising challenges to public health, increasingly changing global dynamics and trends that emerge urgently, and that will need to be permanent.

Some years ago, the global hegemony of the United States, the world's only super power, began to

be questioned. For years there has been talk of a “multipolar world” in which several powers share world leadership. This pandemic, that today affects the entire planet, makes the world even more multilateral. Notwithstanding, as some specialists have already asserted, the world today is increasingly Chinese (Cobo, 2020).

In this multipolar world, which I refer to here, most of the regional powers (Russia, European Union, India, among others) have been weakened as a result of the coronavirus. But if the political fragmentation of the international system is evident, the decline of the United States can be seen more clearly. A populist, fragile, isolationist leadership in the face of a global pandemic places China as the only power capable of disputing the historical supremacy of the United States, demonstrating an Asian ability for leadership and becoming the new engine of globalization to the detriment of the achievements of the North Americans.

This may be the first consequence of the pandemic that, without a doubt, modifies the global order and places the world in an unexpected context, one in which China now looks more capable of becoming the new world power. Unquestionably, the dispute between the two powers is becoming much more intense and dangerous as this change in world leadership becomes more palpable and real.

While China seeks global cooperation and increased trade, it is selling itself as the only country capable of generating the necessary medical supplies to face this pandemic. Meanwhile, both the United States and Europe are involved in an isolationist and even nationalist dynamic trying to solve their problems at home, forgetting the larger global context and the impact of multilateralism, a situation that China has used to its advantage to increase its hegemony.

But this does not only affect the West. The very position of these countries and their actions directly impact Latin America, where international cooperation is an important element of its economy. The extent that the West withdraws from the global context will cause greater or lesser impact on Latin America depending on the intensity of said isolation.

COVID-19 is a pandemic that has expanded unevenly in Latin America. Likewise, the measures taken by the different governments have also brought about different actions and, therefore, achieved very different results. It is even possible to state without fear of contradiction that, as result of this pandemic, the region will be severely affected at all levels.

The spread of the virus throughout Latin America has taken place in the same way as it had in other regions of the world. An infected person arrived from a country with infections and became patient zero, from whom the virus spread. Brazil, Peru, and Mexico quickly became the countries that reported the most infections in the Region. Of these three countries, the only one that maintained a strong confinement policy was Peru, while Brazil and Mexico turned their backs on the measures recommended by the World Health Organization (WHO).

This situation generated by the pandemic in an uncertain environment such as Latin America,

together with the changes and crises suffered in the region, is marking an important turning point that obliges us as a society to reflect on an uncertain present and future. In the months prior to the pandemic, a large part of the region had organized important protests and demonstrations against governments that citizens had accused of deepening the existing inequality. Corruption issues and citizen insecurity were all made visible and, when added to the issue of inequality, generated protests against the governments of Peru, Colombia, Ecuador, Chile and Bolivia.

It is important to bear this background in mind when analyzing the current situation facing Latin America at this time. The pandemic further deepened the causes that generated citizen mobilizations, mainly on the issue of inequality, where confinements severely affect the economies, but especially sectors of the population that have fewer resources.

The drop in the global market of exports, in international consumption, but above everything else, in national consumption, and, therefore, the increase in unemployment, put the economies of these countries in check. If, to all this we add the increase in debt, the wear and tear and blockage of the health systems, the horizon that is becomes visible is complex and difficult for the region's governments.

The arrival of COVID-19 in Latin America has managed to deactivate part of this social activism, as a result of confinements, and has given some of the most questioned governments in the region a political 'break.' However, it has also derailed the projects of every single heads of state. Governmental fragility was already a concern before the pandemic and, despite the fact that some measures and confinements, not to mention the situation generated by the pandemic itself, have all managed to stop this instability in the short-term,

it is very likely that in the coming months this political instability will re-flourish in these countries once all restrictions are lifted and citizens begin to feel a further sense of security the health situation.

This leads us to think that the new normal in Latin America is very directly linked to political instability and economic depression. This may well trigger the arrival and appearance of new populist governments or great political messiahs that promise utopian solutions, further deepening the already existing polarization in the majority of societies throughout the region. A knock-on effect would be that, once again, democracy's trustworthiness and credibility would be negatively affected and end up severely damaged. It should not be forgotten that the impact of the confinement measures, as well as the international economic situation, will be a boost for this instability that can now be clearly foreseen in the region's future.

The scenario described for Latin America by many of international organizations leads us to state that it will experience a new lost decade, due to the havoc the pandemic is wreaking and the serious consequences that will be generated in the short- and medium-term. Europe and the United States have had the opportunity to inject significant amounts of money to alleviate the social effects in terms of education, health, as well as employment in order to reduce the impact this situation may have for the most disadvantaged. On the contrary, Latin America faces this situation without the ability to allocate resources to provide support to these effects.

Ecuador in crisis and facing the pandemic.

Ecuador has not experienced a different reality to that experienced in the rest of world and more

specifically in Latin America. In addition to the economic paralysis experienced in October 2019 as a result of the demonstrations against the measures taken by the government, we can add the total paralysis as a result of the confinement that has lasted more than three months in the Andean country. Together with Peru, it became one of the first nations to limit the movement of its citizens to stop the pandemic and one of the last to lift the confinement. Ecuador has been hit hard with a severe economic depression and truly worrying levels of unemployment and social discontent.

In addition, the situation of Lenin Moreno's Administration is still complex. He is facing his last administration year before the April 2021 elections, with a difficult political situation following the social uprisings that took place at the end of 2019. These protests generated significant economic losses and a strong erosion of his leadership. The agreement reached with the International Monetary Fund (IMF) was the only solution proposed by the government to deal with the difficult economic situation. It triggered social unrest that ended with embarrassing public, televised negotiations that revealed the government's weakness and inability to propose and impose solutions for the country's difficult situation.

The government succeeded in getting the National Assembly to pass the so-called Humanitarian Law to deal with the economic and social crisis. The law was backed by the supporters of the President of the Republic, but once again, and was fought by unions and the group of *correistas*. Lenin Moreno managed to contain these new mobilizations with new austerity measures that aimed to save about 4 billion dollars by closing public companies, adjusting public employees' working hours and salaries and making a dramatic adjustment of Ecuador's delegations and offices abroad, among

many other cuts. This was just the preamble to the situation that Ecuador was facing prior to the pandemic.

In terms of how the pandemic was managed, Ecuador was one of the first countries in Latin America where COVID-19 arrived. Guayaquil and Quito as the main points of entry for the virus, forcing the country to bear a long confinement of over three months. Even so, the number of infections continues to be worrying, especially in the capital where record numbers continue to be recorded. Despite this situation, and due to the economic crisis and social pressure already exerted in the streets, the government was forced to lift its confinement measures.

Ecuador has a health system that, just like in the rest of the world, has shown great deficiencies, punishing the most disadvantaged social classes more severely. Citizens who can still telecommute have the opportunity not to expose themselves to the virus on the streets and in their workplaces. Likewise, those that have the possibility of paying for private healthcare, have been less likely to become part of the pandemic's death toll, while the incidence of COVID-19 hits the most needy in the country, who do not even have the possibility of being treated by a primary care doctor in most cases.

Corruption cases are also present in such delicate moments as those currently experienced by Ecuador. Corruption cases have been generated and linked to the purchase of health supplies and the different drugs and tests needed to fight the pandemic. Mayors and Ministers of State have been accused of corruption, and once again the Ecuadorian political class's lack of scruples has been on show. This has contributed to generating even more social discontent and increasing society's political detachment.

The prospect of a new presidential election in an Ecuador experiencing these conditions of political discredit, apathy, pessimism, and above all the lack of hope will make it difficult to defend the country's present democratic system in such complicated and difficult moments that are so negative and conflictive. When citizens lose hope in their politicians, democracy is automatically damaged.

However, political parties are getting ready to face a complicated and uncertain electoral process despite this situation that so unfavorable for democracy. Due to the inability of government leaders to solve the real problems that have hit Ecuadorian society, social discontent fills an electoral contest with no clear favorites with uncertainty. It would appear that the alliance presented by the right-wing candidates would have a certain advantage. The CREO and Social Christian political parties have joined forces to avoid dividing the right-wing vote. Jaime Nebot, the leader of the Social Christian party from the city of Guayaquil has great support on the Coast, especially in Guayaquil, and will not be a candidate in these elections. He gave his electoral credit to an alliance that has put forward the CREO leader, Guillermo Lasso, as a candidate.

A priori, it could be considered that this alliance would appear to be the one with the greatest chances of victory in the next elections in Ecuador; notwithstanding, due caution should be exercised as electoral uncertainty is very high due citizens' strong discontent. This means that there are a high number of undecided voters, well above 50%, making it very difficult to predict the winning presidential candidate.

On the electoral left there are two electoral proposals that have certain options and from which, the candidate who will accompany Lasso in an almost certain second round, will emerge. On the

one hand is Yaku Pérez, the representative and candidate for the Pachakutik Plurinational Unity Movement, which leads the Indigenous people who until now have served as allies or detractors in different governments and have strong power in the streets. On the other is Andrés Arauz, the puppet of former President Correa, who, due to his disqualification from being a candidate and the legal rulings against him, has been forced to look for a candidate who can represent him and can be his voice in the upcoming elections.

If the political situation can be considered uncertain and disappointing for Ecuadorians, the economic situation is by no means better. The crisis generated by this pandemic has been added to a crisis that emerged after the departure of former President Correa which left Ecuador in a critical situation and on the verge of economic collapse.

While the IMF recommends increase public spending to the majority of the countries of the world, Ecuador has been obligated to reduce it by this same organization due to its large debt. The loans that the government of Lenín Moreno has requested from the IMF in order to be able to handle current spending, have come with heavy conditions, among which are cuts in public spending and the reduction of the state apparatus, which had been fattened excessively by the previous government. This, far from helping in this post-Covid stage, further complicates the Ecuadorian economy and the situation of its labor market.

In one of its recently published reports the United Nations reveals that the pandemic will plunge 96 million people into extreme poverty in 2021, of which 47 million are women and girls. (MUJERES, 2020). This fundamentally reflects what will happen in countries like Ecuador, which, in addition to an ongoing serious crisis that has fundamentally affected the most disadvantaged classes,

now has to handle the fallout from Covid 19. The World Bank provides revealing estimates of this situation for Ecuador, indicating that, as an immediate effect of the pandemic, the poverty rate will be 35% of the population and the extreme poverty rate will be approximately 17% until December of this year. However, the issue of poverty in the Ecuadorian rural sector is even more dramatic. In December 2019, rural poverty was 41.8% and extreme poverty was 18.7% (V, 2020).

These data lead us to predict a significant weakening of the middle class and the worsening of the existing poverty situation. The destruction of employment and the generation of a higher rate of informal economy will be some of the results and consequences of this pandemic. Reversing this trend will not be easy, especially with a government that has been marked by great political weakness and is about to end its term of office, not to mention the presence of an uncertain electoral process that cannot be resolved until mid-2021. This suggests that the economic conditions and the social situation will only worsen over the coming months.

The solutions proposed so far by the Moreno Administration have to do not only with the reduction of the wage bill in the public sector, but also with the liquidation and sale of some public companies, most of which were not profitable and generated growing debts, year after year. TAME (the Ecuadorian aviation company) is the first example of this adjustment policy and the liquidation of public companies; the National Telecommunications Company CNT, a state telephone company, would appear to follow TAME's footsteps.

The measures taken by the Ecuadorian government have generated social discontent, which was already visible last October 2019. Today, the adjustment decisions that are made have not yet

received a strong response from the public, mainly due to the confinement strategies caused by the pandemic. It is quite possible to think that once the country begins to regain normalcy, the social discontent generated by these measures will surely cause people to take to the streets and the mobilizations will return again.

Therefore, and although this forecast is somewhat pessimistic, what can be expected today for a country like Ecuador is an increase in not just poverty, but in extreme poverty, with a significant increase in inequality, caused by the cuts that have been mandated to handle the high level of external debt the country currently has. A government that is committed to policies that seek to attract foreign investment is necessary, one that creates the right conditions to generate trust among investors. The fact that Ecuador has a dollarized economy should be underlined.

In conclusion

Ecuador needs to agree to new commitments to manage the effects generated by the pandemic, which, just like what happened in other countries of the world, threaten to ruin the future of the country. Responding to a critical situation like this should be a priority for government leaders, but above all it is indispensable to forge effective public policies to alleviate this crisis. To achieve this, it is necessary to generate a new social contract, a contract in which all political lines join forces and put aside their partisan interests to work together on a solution for the benefit of all.

This social contract must be directed toward three fundamental areas. First of all, the health system has to be a priority of this agreement. If this pandemic has demonstrated anything clearly,

it is the weaknesses and deficiencies of a health system with an insufficient budget and a complex structure that does not facilitate the action and implementation of public policies. This situation implies that a review and transformation of the healthcare system is urgent.

Secondly, we must agree on an educational policy that creates better conditions for an educational system that has been weakened, especially in the area of basic education. Social differences and the lack of state resources have shown the inability of the educational system to guarantee this right. Today, an educational system that has to mutate towards an online model shows how the most disadvantaged lose their right to study simply because they do not have a computer or a stable internet connection. Our politicians must work on a national agreement to guarantee a sustainable policy on education issues.

Finally, we must invest in social aid to face unemployment. This does not mean merely putting a few thousand dollars to help entrepreneurship. On the contrary, it is about giving comprehensive advice and monitoring in the creation and promotion of new forms of work, in a mixed effort between the public and the private sectors. This agreement must involve the entire labor market, without any distinction, in a real commitment that is capable of restoring the minimum conditions to be able to guarantee decent employment to Ecuadorians who have the age and willingness to work.

Only through political will, a real desire to build and lay the foundations to resolve the effects that this pandemic is creating in general throughout the world, and especially in Latin America, will we find the solutions and hope that Ecuadorian citizens expect. This will require political and social dialogue and the support of the academia. However, most of all it will require a search for consensus

and medium- and long-term agreements that will lay the foundations of united state policy which must be respected and implemented by everyone, regardless of political ideology.

The commitment of citizens, of civil society in general, is essential in the search for these solutions. Citizens' participation in the design of pub-

lic policies, in a constructive contribution to make progress with real solutions, is essential for government leaders to be able to understand that the solution does not have to do with the simple lucidity of a single public official, but rather with the joint work of the sectors that require these policies urgently. This solution cannot be postponed.

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Author profile

* Oscar Montero de la Cruz

Holding a Ph.D. in Political Science from the *Universidad de la Habana*, Cuba, he also holds a Master's degree in High European Studies at the *Sorbonne Université Paris II*, France. He has a degree in Political Science and Sociology from the *Universidad Complutense de Madrid*, Spain. He is currently the Dean of the School of International Relations of the *Instituto de Altos Estudios Nacionales* (IAEN).

GUATEMALA AND THE COVID 19 CRISIS: MANAGEMENT BALANCE AND LESSONS FOR THE FUTURE

Eduardo Núñez Vargas*

The COVID-19 crisis can be understood as a global public health problem that has impacted the social-economic reality of people, both as individuals and as societies as a whole. It has presented particularities in Guatemala that may be explained from the confluence of accumulated or historical factors of a circumstantial nature. Considering these accumulated factors, the crisis erupted within the framework of institutional entropy at the state level. This has been expressed, to mention its most relevant features, in its reduced institutional density, limited territorial coverage in terms of public policies and services, and weak fiscal capacity. This picture of institutional weakness is notably reflected in a largely neglected health system that faces coverage and inclusion challenges, lack of financing, poor quality of services, the effects of corruption networks and practices, and a lack of focus on reform, modernization and strengthening.

With regard to circumstantial factors, the crisis has occurred in a context of marked political and social polarization which was inherited from the national debate, especially considering the focus and results of the fight against corruption and impunity at the onset of President Alejandro Giammattei's administration. The president faces a drastically unpredictable crisis of magnitude, less than two months after taking office.

The concurrence of these factors explains the design and effectiveness of the response to the crisis, which has revolved in a continuum of decisions designed as early preventive and containment actions. Despite the undertaken precautions, Covid-19 cases have spread, reaching an economic opening imposed despite the lack of certainty about how the pandemic will evolve in the future. Guatemala has moved from the paradigm of state control of the pandemic to that of self-regulation and personal-social responsibility, as well as responding to the demand to reopen the economy.

This article, written in essay format, reviews the impact of the pandemic in the country, as well as the responses given by the institutions and outlines its effect on the economy, society and politics, putting into perspective, when possible, the distinctive or conventional nature of the approach implemented.

Evolution of Covid-19

1. The Health Crisis

By October 29, 2020, Guatemala had reached 106,320 confirmed cases, ranking the country twelfth among Latin American and Caribbean countries in terms of number of infections, and fourth in the so-called SICA Region (eight mem-

ber countries of the Central American Integration System) and third in Central America. It has only been surpassed by Panama and Costa Rica. In terms to the number of deceased persons, Guatemala ranks ninth in Latin America and the Caribbean, but first in the SICA region and the Central American isthmus, with 3,682 deceased persons,

according to data reported by the World Health Organization. The relationship between the number of confirmed cases and the number of deaths indicates that Guatemala reached a fatality rate of 3.46, the highest in the SICA region and Central America (COPRECOVID, 2020).

Table 1 | Comparative data on COVID-19 in the SICA Region (As of October 29, 2020)

Country	Number of confirmed cases	Number of diseased persons	Mortality rate
Panamá	131,247	2,663	2.02
Dominican Republic	125,570	2,232	1.77
Costa Rica	106,553	1,340	1.25
Guatemala	106,320	3,682	3.46
Honduras	96,199	2,652	2.75
El Salvador	32,925	967	2.93
Nicaragua	5,514	156	2.89
Belize	3,261	52	1.59
Total	607,589	13,744	2.26

Source: Own chart based on World Health Organization Data.

The volume of cases created a complex saturation in the health system, particularly in relation to the number of beds in the hospital network, the number of medical personnel, provision of medicines and medical supplies, primary care capacity, as well as supplies and ability to perform massive testing, not to mention the ability to track and produce verifiable statistics to guide decision making. Faced with an extraordinary and immediate demand for resources to strengthen the health system to respond to the crises, even if responses are rather ad hoc.

2. The economic crises

The forecasts of multilateral organizations that monitor the impact of the Covid-19 crisis on the economies of the countries all highlight severe impacts on their levels of growth and employment. These impacts will consequently increase poverty and cause inequality to grow. At the beginning of the pandemic, figures showed a recession for this year and a slow recovery for the next. In the case of Guatemala, the World Bank foresees a contraction of 3.5%, although recent revisions indicate a lesser reduction in the economy. In the area of

employment, data from the Inter-American Development Bank (IDB) show that Guatemala should expect a 7.5% contraction of formal jobs in a short-term scenario (Montoya and Azuara, 2020).

As such, initial evidence as to the final impact of Covid-19 on the economy indicates that it might be less than expected and that recovery might be faster, thanks to factors such as the recovery of remittances, the demand for a robust government intervention to mitigate the negative effects on businesses and the family economy.

Response to the crisis from the public arena

The response to the health crisis and its socio-economic impacts can be defined as early and active and based on centralized state control. In its initial phase health protection was prioritized. The economic cost of that option was assumed by providing extraordinary financial resources to help alleviate the situation. The early and active nature of the response indicates that Guatemala was one of the first countries in the hemisphere to take actions to prevent the impact of the virus.

By March 6, 2020, the first legislative decree to establish a State of Calamity was published, and the government decreed a list of actions for the prevention and mitigation of the impact on the health of citizens. Measures included instituting the state of public calamity, a legal instrument that permits forceful executive action with reduced controls as well as the establishment of the state of emergency, either general or territorially focused, to control people's social behavior; closing borders, airports and ports to prevent the arrival of the virus given its external origin. Other

measures include the application of a model of confinement and social distancing to first prevent and then reduce the spread of the virus - community transmission and the lockdown of economic and social activities. Additional prevention measures and information campaigns were established with different levels of scope, including the promotion of personal and family hygiene practices such as frequent hand washing, mandatory use of a mask, etc.

The basic principle of the State's response is that it is the government that takes charge of the crisis, establishing a general framework of public order to prevent and reduce the impact of the virus in consideration of predications its massive impact on the health system and possible collapse. For this, the government achieved a high degree of political and inter-sectoral agreement. Although there has been debate about the scope of the measures and their effects, the approval of the State of Calamity achieved one hundred and fifteen votes in favor in the Congress of the Republic and only nine against (National Democratic Institute, 2020). Its successive modifications and extensions during March, April and May, as well as the approval of the extraordinary budget, have elicited a greater degree of support, exceeding one hundred and twenty-six legislative votes.

The extraordinary budget coincided with the government's need to restructure the 2019 budget due to the 2020 budget not having been approved. Roughly speaking, the volume of resources mobilized reached just under twenty billion quetzals (approximately 2.6 billion dollars at an approximate exchange rate of 7.6 quetzals per dollar), earmarked as follows: 68% to the Covid-19 crisis and 28% to adapt the 2019 budget to the needs of the new fiscal cycle. A total of Q.

3,667 million came from external loans, Q. 4,840 million through placement in the private market and Q. 11,000 million from Banco de Guatemala.

These extraordinary funds were channeled through ten special programs that included subsidies for the family economy, vulnerable populations, businesses and others as well as administrative measures, such as deferral of payments for public services, support for the financial sector, reduction of leading interest rates and other measures to generate macroeconomic stability (Diálogo, 2020).

A retrospective look at these eight months of the pandemic reveals a transition of approaches. The first phase involved a restrictive approach with a strong degree of decision-making centralization in the Executive Branch granted by the declaration of a State of Calamity and Emergency endowing the Executive with extraordinary powers and resources. This extraordinary measure was focused on preventing and reducing the impact of the virus on health and on the response capacity of the public system. This first phase consisted of two moments: initially, decisions were based on a logic of prevention and control based on the leadership of the president. Later, the government created the Presidential Commission for the Covid-19 Emergency or Coprecovid (General Secretariat of the Presidency, 2020) and restructured the direction of the Ministry of Public Health to deal with the notable increase in impact of the virus, introducing an information-based approach oriented to controlling the disease. The second phase developed as the health crisis extended over time with increasingly greater effects throughout the economy. The pressure of the economic crisis demanded a reopening of commerce and other productive activities, increasing the risk of contagion and community transmission of the virus. The introduction of an alert system (traffic lights) by the Ministry

of Health and Coprecovid to establish degrees the virus had penetrated society and order the reopening of municipalities was diluted by socio-economic dynamics that pushed towards a change of focus, transferring responsibility to individuals and social groups.

Situation Balance: a broader look

As has been mentioned, Guatemala responded promptly to Covid-19, moving from a paradigm based on centralized state control to one based on social self-regulation and personal responsibility. The change in approach was due to multiple factors, but fundamentally was owed to a pragmatic reading of the situation: confinement and social distancing measures created severe economic effects that were not sustainable over time, particularly if maintaining them is associated with state capacities, both from the perspective of finding financial resources as well as providing coverage of quality public policies and services.

In a country where fiscal tightness is endemic and the tax burden is less than 10% (the lowest in Central America and one of the lowest in Latin America and the Caribbean), in Phase I, the Covid-19 crisis provoked a high level of political and social agreement to provide the government with extraordinary resources to manage it. For the first time in many years, the problem was not money, which was quickly available, but rather the institutional capacity to design and implement health care and economic mitigation programs. The analysis of the budgetary execution of the programs and their scope or coverage presents dual results, which are, in some cases, insufficient. The independent monitoring carried out by the organization “Diálogos,” within the framework of a coalition called Transparency Covid-19, shows a low capacity to implement and execute funds, particu-

larly by the Ministries of Public Health and Agriculture, and the Ministries of Social Development and Economy to a lesser extent. These are the four main executing arms of the response programs. It should be noted that budget execution has grad-

ually improved as time elapses, but that concrete results in terms of mitigating the economic effects or expanding the capacity of the health system appear delayed when compared to the evolution of cases.

Table 2 | **Budgetary execution of COVID funds - according to Ministry (As of September 30, 2020)**

Ministry	May	June	July	August	September
MSPAS (1)	2.5%	8.0%	16.7%	32.3%	39.1%
MINEDUC (2)	58.7% (i)	60.2%	61.0%	86.3%	90.8%
	76.5% (ii)	79.1%	78.8%	98.7%	92.9%
MIDES (3)	8.5%	27.1%	34.0%	54.0%	78.2%
MINECO (4)	5.3%	21.1%	33.6%	54.0%	64.7%
	7.3% (iii)	19.4%	29.1%	34.3%	41.8%
MAGA (5)	0.0% (iv)	0.0%	0.0%	1.5%	5.2%

- (1) Ministry of Public Health and Social Assistance. General funds for public health.
- (2) Ministry of Education. School feeding for Pre-primary and Primary School.
 - (i) Pre-primary.
 - (ii) Primary.
- (3) Ministry of Social Development. Family Voucher.
- (4) Ministry of Economy. Employment Protection Fund.
- (5) Ministry of Agriculture. Support to Family Agriculture and Food Endowment Program.
 - (iii) Family Farming Support Program
 - (iv) Food Endowment Program

Source: <https://dialogos.org.gt/tematicas/respuesta-covid19>

A State with reduced response capacities, derived from a long-term deterioration process that goes beyond the will and capacity of any specific government, shows that the real possibility of the country to successfully face a crisis or emergency of this scope, must through a robust institutional reform agenda that allows the institutional apparatus to be re-operationalized and to agree on a financing regime or fiscal reform that increases the coverage and quality of strategic public policies and services.

The relationship between the growth of Covid-19 cases, its economic impact, and the effect of public policy responses implemented throughout these eight months will still require an evidence-based evaluation to determine impact and effectiveness in handling the crisis. Although the Coprecovid projections point toward a higher level of contagion and community transmission, the capacity expansion of the health system continues to be insufficient, particularly when analyzing the installed capacity to massify tests and trace epide-

miological links at the social–community levels in order to receive and care for critically ill patients in the hospital system, provide primary health care and even create confidence in the production of statistics to guide decision-making.

Similarly, the implementation of mitigation programs aimed at improving the economy of both families and companies faces an objective limit: approximately two-thirds of the Guatemalan economy can be categorized as informal, which makes it difficult to implement economic stimulus programs. The limited existence or non-existence of lists of businesses, enterprises and beneficiaries of social programs, to cite three key elements, has limited and delayed the arrival of aid to those affected. For example, the capacity to place loans, through Banco de Crédito Hipotecario, the public bank, and its associated private implementers, has also affected the timely delivery of assistance to businesses.

The limited space in this article impedes reviewing other potential effects of the Covid-19 crisis on Guatemalan society and politics, but it is clear that there have been considerable impacts on many issues. With regard to security, there has been a reduction of some crime rates, such as homicides, while the levels of domestic violence and violence against women have increased. In terms of justice, there has been a delay in the administration of justice due to the confinement measures. With respect to social conflict, both historical or accumulated conflicts, there have been new expressions derived from disagreements with the handling of the health and economic crisis. Human rights have also been affected as the State of Emergency opened the debate on the way confinement and social distancing measures are applied, and on the excessive application of measures by the security and defense forces. Institutional changes have included the concentration

of resources on critical aspects derived from the crisis, largely to the detriment of other functional areas of public administration. Democracy has not escaped unscathed, executive powers have been strengthened to the detriment of the natural checks and balances in a democratic regime. Finally, there has also been consequences for transparency and accountability as given the suspension of a large part of the control mechanisms the risks of corruption have increased due to the greater availability of resources to be executed in very short terms (LACCOM, 2020).

Closing Corollary

Covid-19 has been viewed as a kind of stress test for the Guatemalan political and institutional system and other affected countries. Therefore, whether conditions exist or not that could have prevented the arrival of a pandemic of this type could be debated, the effectiveness of the public policy responses with which the crisis can be faced is determined by the degree of institutional density of the State. At a time when the role of the State in development is still being debated, the present crisis has demanded more State and, therefore, greater public investment. This is reflected in a robust increase in public budgets and, a resulting increase in debt, both internal and external. Given the characteristic fiscal insufficiency in the Guatemalan case, a debate on the fiscal regime has become necessary. Such a debate should cover the admissible volumes of debt and, naturally, on the model of the state to be built.

Beyond the pandemic's future evolution, its effects on health and the economy, to mention the most obvious, will be long lasting and require not only an emergency response, but also a long-term approach. In this sense, these effects should be

considered not as a threat, but rather as an opportunity to build broad agreements on how to promote a robust agenda of institutional reforms that will allow for public policies and services that re-

spond to current and future challenges, as a condition for strengthening, expanding and generating conditions for the sustainability of democracy.

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Author profile

* Eduardo Núñez Vargas

A graduate in political science from the *Universidad de Costa Rica* with a graduate degree in Management of Development Projects, he is presently undertaking a doctorate in Public Management and Business Administration from the *Instituto Centroamericano de Administración Pública*. He has served as Director of Electoral Technical Assistance Projects and Program Coordinator for the *Instituto Interamericano de Derechos Humanos* and its Center for Electoral Assistance and Promotion (IIDH/CAPEL). He is currently the Resident Director of the *Instituto Nacional Demócrata* in Guatemala and of NDI's Regional Program for Central America.

SOCIOECONOMIC ANALYSIS OF THE PARAGUAYAN SITUATION IN TIMES OF PANDEMIC

Monica Perez dos Santos*

Liliana Patricia Ortiz Ospino*

1. BALANCE AND CONTEXT OF PARAGUAY DURING THE PANDEMIC

Paraguay before the Pandemic

In 2019, the population of Paraguay, according to projections of the General Directorate of Statistics, Surveys and Census (DGEEC), reached 7,152,703 inhabitants, concentrated mainly in the urban area, with approximately 40 percent in the age group of children and young people (DGEEC, 2019a).

Paraguay has a surface of 406,752 sq. km. divided into two regions, east and west. In the period 2017-2019, Paraguay demonstrated certain worrying signs with regard to its economic situation. These included a combined rate of underemployment and unemployment reaching 12 percent at the end of 2019; a decline in exports that turned the current account balance negative by 385 million dollars, and an increase in foreign public debt reaching about 18 percent of the national GDP (DGEEC 2019b, Central Bank of Paraguay-BCP 2019a).

By the end of 2019, the Gross Domestic Product (GDP) showed no apparent economic growth compared to the previous year (0.2 percent), with the greatest contribution reported in the third sector (trade and services activities), and certain dyna-

mism in the construction and manufacturing industries (ECLAC 2019, BCP 2019b, IMF 2020). A series of weather events took their toll on the Paraguayan economy. First, agricultural production diminished due to a drought, and later the country was affected by floods. Hydroelectric production decreased due to low water levels. Moreover, exports suffered as a result of the economic weakness of the country's main trading partners, Argentina and Brazil, as well as the sharp depreciation of the currency (IMF 2019 p. 2, BCP 2020).

In addition to the problems that emerged in the pre-pandemic era, the high levels of informality in economic activities not only affected the response to shocks in the short-term but also limited the ability to expand Paraguayan long-term potential growth in an inclusive way. This, in turn, increased the fragility of the most vulnerable sectors of the population, while restricting the productivity of the economy as a whole (Feal, 2020).

On the political front, there were signals of a difficult first year marked by adverse situations that earned him a public opinion disapproval rate that was close to 70 percent for President Mario Abdo Benítez. There was a diplomatic crisis with Israel at the inception of his administration following the reversal of the decision to transfer the Paraguayan Headquarters from Tel Aviv to Jerusalem, not to mention the tension that followed a threat-

ened impeachment, and the dismissal or resignation of some of his cabinet members, among the most prominent incidents in the political sphere during 2019 (Abente, 2020).

Despite the fact that the poverty incidence rate has dropped significantly in this decade and life expectancy at birth has improved from 70 years in 2000 to 74.5 years in 2019, other social indicators such as education or gas emissions as a proxy for air quality are not at their best levels (DGEEC 2019a, World Bank 2020). On the one hand, the notable drops in school attendance, the increase in the dropout rate and the low quality of education have been some of the most prominent challenges that the educational sector must face (Palacios 2014, Ortíz 2014). On the other hand, the policies deployed to improve air quality are in the early phase of execution with the introduction of the General Directorate for Air Quality, and improvements are to be expected in this connection in the future (Law No. 5211/2016).

For its part, the performance of the healthcare system in Paraguay, even though indicators pointed to some positive changes, also faced important issues recently that it had not overcome in 2019. Issues for the sector included precarious healthcare coverage, insufficient regulation in the distribution of human resources for healthcare services, the heterogeneity and high dispersion in the prices of medicines and medical supplies, the scarce registration, analysis and dissemination of information for decision-making in the sector, together with the need to increase facilities with installed capacity to attend emergency situations are some of the health issues that require more focused attention before the end of the decade (Mancuello and Cabral 2011, Giménez et al 2017).

In summary, the socioeconomic situation of Paraguay in pre-pandemic times, despite government

efforts that reflected some improvements in the living conditions of Paraguayans, also evidenced problems requiring the attention of the State and a significant investment of public resources to find solutions.

Measures adopted in response to the health emergency due to COVID-19

In that context, and following a slight economic improvement in the first quarter of 2020, Paraguay reported a growth rate of 3.5 percent attributable to dynamics in the agriculture, trade and services sectors (BCP, 2020). On March 11, the World Health Organization (WHO) reported that the Coronavirus (COVID-19) had spread to 118 countries. With more than 125,000 people infected, the whole world was facing a pandemic (WHO cited by Ortiz et al 2020 p. 3, Johns Hopkins University 2020). This communication led to the adoption of restrictive measures in many countries, triggering a complex situation, especially in regions with pre-existing problems already affecting their healthcare systems or those characterized by inequality, poverty and informality. Both situations are prevalent in Latin America and the Caribbean (ECLAC, 2020a).

At that time, Paraguay was showing signs of a gradual recovery, and was no exception to the global reality. The first case of COVID-19 was detected on March 7, 2020. The National Government reacted to the outbreak of COVID-19 in the country by declaring a State of National Emergency and adopting a set of measures and response mechanisms to deal with the pandemic aimed at mitigating its impact on the economy, on businesses and households (Goto, 2020). Thus, on March 26, 2020, the Legislative Power passed Law No. 6524/2020, introducing a State of Emergency throughout the territory of the Republic of Paraguay for the 2020 Fiscal Year. With the enactment of said law, the

first administrative, fiscal, and financial decisions were adopted to address the sanitary situation arising from COVID-19 (Ministry of Public Health and Social Welfare, 2020).

The Emergency Law authorized the Executive Branch to implement exceptional budgetary, fiscal and administrative measures designed to protect employment, support the economic and financial policy, strengthen the healthcare system, safeguard employment, and mitigate interruptions in the chain of payments (Law No. 6524/2020).

Of note, the provisions also include the power to make modifications in the budget of the State Entities and Agencies, regardless of the source of financing, and of entities directly affected by the health emergency, including the provision of assistance and benefits for healthcare personnel, increased spending in health and social protection programs, simplified procedures for public contracting, waiving utility payments in the second quarter, contributions to the financial system for credit lines for micro-, small- and medium-sized companies, subsidies for informal workers, reallocation of non-priority spending lines, as well as a moratorium on late tax payment penalties (Law No. 6524/2020).

To finance this set of measures, the Government received authorization to sign loan agreements with international, multilateral, bilateral and official lending organizations, among others, up to a limit of 1.600 billion dollars, and to put on hold for the current fiscal year the provisions of Law No. 5098 on Fiscal Responsibility (2013) regarding the fiscal deficit limit (Law 6524/2020). Additionally, within the framework of the emergency law the government ordered the suspension of all monetary payments to political groups as a state contribution and electoral subsidy for the 2020 fiscal year (Executive Power Decree No. 3536/2020).

For its part, the Central Bank of Paraguay injected liquidity into the economy by reducing the monetary policy interest rate and temporarily relaxed the provisioning rules so as not to penalize restructuring and credit extensions, among other measures (BCP, 2020).

The Ministry of Public Health and Social Welfare issued more than 70 administrative acts with measures to contain the virus, such as healthcare action plans, migration controls, social distancing, restrictions for the conduct of economic activities, total, intelligent or selective quarantines; activities in confinement; shelter management, together with biosecurity protocols. Healthcare centers were repurposed to meet the demand of the pandemic and contingency hospitals were built to increase the availability of beds. New private and public laboratories were created to respond to the demand of infection tests. Consequently, a significant number of healthcare personnel were added into the system (Ministry of Public Health and Social Welfare, 2020).

In a response to social needs, measures were adopted that were aimed at safeguarding the income of formal or informal workers, and consequently maintaining the level of household consumption. Two temporary social programs were designed and implemented: Pytyvõ for economic aid, and Ñangareko for food security, while existing programs were expanded: Tekoporã to provide assistance to vulnerable families and the elderly. In addition, active workers received payments for terminations and layoffs as well as for medical leave associated with COVID-19 through the Social Welfare Institute-IPS.

At the end of the first half of the year, the government presented the holistic economic recovery plan called “Ñapu’ã Paraguay”, addressing both short-term issues in relation to COVID-19,

and longer-term, structural aspects. Under this Plan, the government established the allocation of funds from the General Budget of the Nation, the pending disbursement balance contemplated in the National Emergency Law, and additional resources: 350 million dollars for the Central Administration, and 461 million dollars for the capitalization of public banking (Banco Nacional de Fomento-BNF, 2020; Agencia Financiera de Desarrollo-AFD, 2020). In this way, the Plan allocates a total of 2.514 billion dollars distributed in three strategic areas: social protection, public investment for employees, and the granting of loans for development. The plan also proposes major structural reforms, including the reform of public office, an evaluation of the Fiscal Responsibility Law, an administrative reform of the State, the reform of the charter of the Development Finance Agency, and a more efficient public procurement system (Technical Secretariat for Planning-STP, 2020).

Thus, the package of economic and social measures and mechanisms implemented by the government consisted of guaranteeing liquidity, credit, direct aid, employment protection, production support, support for MSMEs, humanitarian aid and health actions to contain the virus (ECLAC, 2020b).

2. OUTLOOK AND FUTURE CHALLENGES: RESILIENCE ALTERNATIVES

Immediate and medium-term economic and socio-political consequences of the pandemic

Facing the multidimensional crisis of COVID-19 requires unconventional state policy responses. The economic and socio-political consequences

of the COVID-19 pandemic have manifested themselves heterogeneously across all sectors. In the current context, the government faces a new and difficult puzzle to solve: namely, how to finance higher spending demands in the midst of an economic recession that is now in its second year in a row, while experiencing a fall in income (both public and private) and a sharp increase in debt. Likewise, there are questions as to how to tackle socio-political problems in order to guarantee the wellbeing of citizens in these times of crisis.

There is some consensus among economic analysts that the COVID-19 crisis combines characteristics traditionally associated with both supply and demand shocks (Brinca, Duarte and Faria 2020). While some industries are potentially benefiting from a surge in demand, such as food, telecommunications, pharmaceuticals, other sectors, such as hospitality and restaurant activities, retail stores, business services, transportation, and household services are closing either partially or completely (BCP, 2020b). On the supply side, the interruption of many productive activities and the closure of borders have entailed difficulties in the supply of inputs, both domestic and imported, for the companies that have continued to operate. On the demand side, the reduction in household income, the deterioration in the terms of trade and uncertainty have all resulted in a lower level of and changes to consumption patterns (ECLAC 2020b, Goto 2020).

Although government measures have managed to mitigate the effects of the economic crisis making the slowdown less steep than expected, the crisis brought about by the sanitary emergency has had a strong impact on public finances, which had already been affected by the drought and floods of the year 2019, causing the fiscal deficit to double to almost 3 percent of GDP. Public spending on healthcare and social protection has become

urgent, at a time when the lockdown and the closing of borders impact the livelihoods of the entire population. The effects of the pandemic on the economy and society hinder the return of the fiscal deficit to the ceiling of 1.5 percent of GDP contemplated in the Fiscal Responsibility Law, and it is estimated it will reach slightly over 7 percent at the end of 2020 (BCP, 2020a).

The Paraguayan State took out foreign loans and placed sovereign bonds at unprecedented levels to remedy the negative impact of COVID-19. Estimates indicate that the State's level of indebtedness will be over 30 percent of GDP at the end of 2020, at the limit of its borrowing capacity, considering the country's low tax pressure, 10 percent of GDP (International Monetary Fund-IMF, 2020). In a context of great uncertainty regarding the prospects for growth and trade debt sustainability and debt management are important intergenerational challenges, which may compromise not only macroeconomic stability, but also the investment climate and the subsequent possibility of advancing in terms of the Sustainable Development Goals.

According to data from the General Directorate of Statistics, Surveys and Census (DGEEC), the unemployment rate in the second quarter of 2020 was 7.6 percent, which combined with the underemployment rate, reached 15.9 percent (DGEEC, 2020). This percentage, together with 8.5 percent drop-in economic activity (BCP, 2020) for the same period, are unprecedented figures in the country. The effects of progress in the implementation of the *Plan for the Gradual Lifting of General Preventive Isolation* (a four-phase plan considered to be a "smart quarantine") as well as the relaxation by the population of prevention measures, not to mention the successive protests resulting from popular discontent due to the economic crisis, have all caused Paraguay to have one of the

highest rates of acceleration of COVID-19 infections in Latin America (38.9 percent) (Ministry of Public Health and Social Welfare 2020b, Johns Hopkins University 2020, Worldometers 2020). If outbreaks and new peaks of the pandemic emerge, sanitary measures will return to their most restrictive state, potentially slowing down the economic recovery process (Oddone, 2020) and exacerbating social conflicts, such as increased crime, inequality and poverty.

In the educational sphere, after the General Preventive Isolation (Decree No. 3478/2020) was decreed, face-to-face classes were suspended in schools, colleges and universities. Classes have been conducted through virtual platforms, with all the access difficulties that this entails, especially in terms of learning activities' affordability and connectivity preventing the education processes from taking place satisfactorily (ECLAC and UNESCO, 2020). Some private educational entities have reduced their tuition fees to tackle the affordability problem. Many private institutions are on the verge of bankruptcy. In Paraguay, during the first half of 2020, at least 90 kindergartens and a technical school closed down (ABC Color, 2020).

Other situations resulting from the confinement of the Paraguayan society are domestic violence, mental health problems, and the increase in morbidity due to infections (Worldpress 2020, Pan American Health Organization-PAHO 2020). This has "highlighted, in an unprecedented way, the importance of care-giving for the sustainability of life and the low visibility that this activity has in the economies of the region, where it is still considered an externality and not a fundamental component for development" (ECLAC, 2020c). It has also reaffirmed the central role of care-giving, which takes place mainly in households and is usually unpaid work carried out by women (UN Women and ECLAC, 2020).

In the electoral landscape, at the end of March 2020, the Higher Court of Electoral Justice-TSJE extended the deadlines scheduled for the current term. The internal elections of the Political Parties initially scheduled for July 2020 were deferred to June 2021. The Municipal elections (Mayors and Councilpersons) for the 2020-2025 term, originally scheduled for November 2020, were deferred to October 2021; therefore, the next municipal term would last for only four years, instead of five, the normal period established for local administration. In the legislative sector, the Senate and the House of Representatives meet virtually, which also slows down parliamentary actions and outcomes (Rossel, 2020).

Thus, pre-existing problems compounded with new problems introduced by the pandemic may lead to the aggravation of the Paraguayan national reality, and demand an in-depth analysis from all actors for the formulation of alternatives to find answers, with careful consideration of the country's context and the particular for the short-, medium- and long term.

Social Market Economy alternatives in Paraguay and recommendations to face the future

The negative impact of COVID-19 has created an environment of uncertainty and instability in every sense, requiring countries to think of alternative ways out of the crisis (ECLAC, 2020a). At this time, the concept of resilience, i.e. the ability to adapt to adversity (RAE, 2020), becomes extremely relevant – countries that become resilient during the pandemic are likely to gain favorable ground in the economic, social, political and technological spheres. Consequently, these countries will achieve greater levels of citizen satisfaction, an environment of credibility and trust, the guarantee of rights, and the consolidation of the so-

cial fabric. In short, they will have greater general wellbeing (Ibidem).

The creation of a resilient environment calls for the intervention of the State, particularly when there are market failures associated with the competitiveness of industries, inequality gaps, and insufficient social protection coupled with a growing debt, among other realities, all of which are present in Paraguay (Lüders and Arqueros 2020, IBE 2020).

Some statistical efforts carried out in the country show that Paraguayan public opinion demands the presence of the State to solve or address its inequity, security, and economic and social problems (Peris and Cerna, 2015). This, added to the tradition of establishing relationships with cooperation organizations in search of leverage, means that signs of an open environment for the Social Market Economy (SME) model are clear (IBE, 2020).

In this respect, the Social Market Economy is presented as an attractive alternative to address the situations described above, since as an economic model it implies a strong State that is orderly and promotes order, and is interested in strengthening institutions for the sustainability of a set of competitive markets, while also ensuring peace, social justice, equity and the reduction of poverty (Roncaglia, 2019, p. 242).

Now, to broaden this understanding, it is possible to review the concept and the economic and structural principles that are required for an adequate implementation of the Social Market Economy in Paraguay. The underlying premise is that the SME is based on “the organization of markets as the main system of resource allocation, trying to provide and correct the institutional, ethical and social conditions for its efficient and equitable operation” (Resico, 2011, p. 107).

As a socio-political model, the Social Market Economy is governed by structural and regulatory principles. The structural principles are “focused on guaranteeing the scope of economic freedom and the regulatory principles are those that prevent possible abuses of that freedom and guarantee that the benefits generated in the market are disseminated in a socially fair manner” (Resico, 2011, p. 118).

Structural principles include private property, open and competitive markets, freedom to establish contracts, stable and predictable economic policies, transparency, and the primacy of the monetary policy. On the other hand, the regulatory principles include State intervention capacity, control and reduction of monopoly power, comprehensive anti-cyclical policy, social policy, and prices that reflect all costs (Resico, 2011, p. 119).

Paraguay presents fertile ground for some of these SME principles. Notwithstanding, it is necessary to work on others so that the model’s potential can be fully deployed in the country. As regards the structural principles, Paraguay is strong in the conception of private property (backed by the National Constitution of 1992, Article 109), with open markets, freedom to enter into contracts, having a stable economic policy (which according to historical data is easily recovered), and support for its monetary policy (International Monetary Fund, 2019). The areas of focus for further work as far as these principles are concerned are the competitiveness of all its markets and the transparency of the institutions (IBE 2020, page 8).

On the other hand, in terms of the regulatory principles, the country has the capacity for State intervention, policies for the reduction of monopoly power (Article 107, Constitution of the Republic of Paraguay), and a social policy aligned with the existing problems in the country, albeit with po-

tential for further development. Thus, in order to adapt Paraguay’s environment to the model of the Social Market Economy, it must guarantee greater transparency in the setting of prices and cost structures.

In summary, for the socio-political model of the Social Market Economy to be adequately adopted in Paraguay, the country must seek to formulate and implement, public policies and strategies in the short term for strengthening institutions and its legal framework, transparency, favorable conditions for competitiveness, skills-building for advancing work and innovation, and increased coverage of the protection and social security system for its citizens.

Likewise, difficulties and problems are looming in the near future of Latin American countries, in general, and Paraguay, in particular. Policymakers have the opportunity and responsibility to adopt measures that increase economic and political stability and provide new opportunities to reduce inequality and improve the quality of life of citizens.

Improved market competitiveness and citizens’ entrepreneurial skills, the creation of new technologies or guidelines for increasing the basic competencies required to increase existing companies’ productivity should be part of the package of measures offered to overcome the COVID-19 pandemic crisis. Likewise, debt management is another issue that Paraguay needs to tackle in order to guarantee macroeconomic stability and attract investment, since, as has been seen above, it is one of the issues of greatest concern in its macroeconomic policy.

Additionally, it is necessary to make a sustained effort to reduce poverty and inequality gaps, while offering robust protection and social security systems that guarantee comprehensive care systems (UN Women and ECLAC, 2020).

It is important to mention that in a world scenario of high uncertainty and unprecedented situations, any recommendation could be insufficient and would require permanent monitoring to evaluate its implementation. This, in turn, would lead to the reorientation of measures and mechanisms to better deal with all existing and future problems as needed. Therefore, flexibility and resilience will be important characteristics in the near future.

Paraguay presents a favorable scenario for the development of policies in accordance with the

Social Market Economy, which will lead to the fulfillment of the 2030 Agenda. The strategy to find a way out of the socioeconomic crisis caused by the pandemic may be a timely pretext that invites policymakers to develop guidance to reach the objectives of this economic model, bearing in mind national goals and citizens' expectations of peace, equity and social justice.

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Author profile

* Monica Perez dos Santos

Doctor rerum politicarum (Suma Cum Laude) in Economics, Friedrich-Alexander *Universität Erlangen-Nürnberg* (Germany) and Economist, *Universidad Nacional de Asunción* (Gold Medal, School of Economics and best graduate of the Schools of Economics, Business Administration and Accounting of the *Universidad Nacional de Asunción*). She has been President of the Central Bank of Paraguay and Member of the National Economic Team. She is an international consultant in economics, finance and public policy, a member of the Superior Council of the *Universidad Paraguayo Alemana (UPA)* and Vice President of the *Fundación Sello Mujer*, among others.

* Liliana Patricia Ortiz Ospino

A graduate in Industrial Engineering from the *Universidad del Norte*, she holds a Master's in Public Policy from the *Universidad de los Andes* and graduate diploma in Cultural Management from the *Universidad del Rosario*, all in Colombia. She has over fifteen years of experience in research, information systems design and data analysis. She has worked in training processes and knowledge transfer of methodological design for the measurement of the activities of creative industries and innovation in the Republic of Paraguay.

I PERU AND THE PANDEMIC

Maria Sosa*
Glatzer Tuesta*

The first case of COVID-19 in Peruvian territory was reported on March 6. Only 10 days later, President Martin Vizcarra declared a State of National Emergency and Mandatory Isolation for 15 days, when there were 86 confirmed infected people. However, this figure soon rose to 107. The resulting decreed quarantine was strict. People could not leave their homes except to purchase pharmaceuticals and basic necessities, go to health centers, care for vulnerable people and go to financial institutions.

It is, therefore, very logical that the health crisis also became an economic crisis while Peru's trade and economy were paralyzed. However, in Peru things went much further. The health crisis has bordered on becoming a humanitarian crisis.

Economic Management

According to official figures, in Peru informal employment is around 72% of the workforce (INEI, 2018). This usually means precarious employment, with a lack of oversight. Another feature is that a large number of workers earn their income on a day-to-day basis. Therefore, the announcement, from one day to the next, of an absolute quarantine meant that such informal workers were deprived their daily sustenance. The Government, therefore, announced, with these workers in

mind, that an economic bonus of 380 soles would be given to 2.7 million families in vulnerable conditions on the first day of the isolation measure, so that they could avoid the negative consequences of stopping work for 15 days.

The extension of compulsory social isolation for two more weeks meant that the Executive granted a second economic bonus of 380 soles to this same group. After the measure had been extended, it was then decided to grant a Universal Family Bonus of 760 soles on April 23. The amount of this subsidy, which was announced for 6.8 million homes, was formulated thinking of the cost of a basic food basket that a family requires to sustain itself for a month. In fact, from the decree announcing the quarantine, just over a month had already passed. It should be pointed out that the first beneficiaries of the past bonds did not receive this new payment; rather the Universal Family Bond was intended, rather, to expand the total number of beneficiaries.

“The first bonus of 380 soles was for 15 days, and when the quarantine was extended it was decided to give an additional 380 soles. For the populations identified in the registers, the amount of 380 soles is bi-monthly, so this subsidy will go hand in hand with the time the quarantine lasts,” the Minister of Economy and Finance explained in early April.

However, this did not happen. When the government announced the end of the total quarantine on July 1, it was still handing out the First Universal Family Bonus. The drawbacks to the delivery of this subsidy were structural and made the financial exclusion of a large part of the population starkly visible, especially that of the rural population. The precariousness of the State's information about its own populace also became evident.

In response to complaints from people who had not been considered for the bonus, in spite of meeting the requirements, the Government decided to extend the delivery to a second stage and also to open other subsidies (Independent Bonus, Rural Bonus, I Stay Home Bonus, etc.). On October 10, almost five months after the national emergency and already without a general quarantine, the Government has only recently begun to hand out the Second Family Bonus.

As the fortnight passed, in Lima, the capital, internal migrants, who had arrived decades ago hoping for better future, were losing their sources of income and the possibility of paying for a place to live. They began to sleep on the streets and from the second half of April. Spontaneously and little by little, many began to return on foot to their place of origin in crowds, thusly exposing themselves to the virus. That "exodus" caused two serious problems for the Government; firstly, it was a humanitarian crisis in and of itself, with official figures showing approximately 167,856 people had mobilized, while, secondly, these crowds represented an infectious focus that mobilized with them.

The Executive responded quickly with Operation "Safe Return," intended to move these groups of people to their respective regions following strict security measures. However, and despite all this effort, the problem was actually much bigger than the proposed solution. People were only dealt with in small numbers, since not only did they

have to undergo coronavirus testing before setting off for their place of origin, but once there, returnees had to be provided with room and board by the regional government for the 14-day period they would spend in quarantine before being able to return to their families' homes. On May 4, the president of the Council of Ministers reported that 18,020 citizens had returned to their regions with state aid. Other would-be returnees were asked to be patient and calm while waiting for help.

The Government was actually quite conservative with regard to the provision of economic support for the formal sector. At the end of March, a decree was published which suspended all workers' contributions to the Private Pension Fund Administrators (AFP, for the initials in Spanish: *Administradoras Privadas de Fondos de Pensiones*) for the month of April in order to guarantee liquidity for families. In the middle of that month, the Government regulated the suspension of work, an optional figure for companies that have not made a profit for a whole month. The measure empowers them to temporarily terminate their employees without paying their respective wages, in order to preserve the bond between employee and employer. Among the compensatory measures for the workers affected by that resource, the State provides a monthly economic benefit of 760 soles for up to three months should the following requirements be met: the company has fewer than 100 employees, the affected person's wages do not exceed 2,400 soles per month and that they have not been received any other economic bonus granted by the State. If the worker is not eligible for this bonus, they have the possibility of drawing on their individual Service Time Compensation (CTS) or AFP fund.

Bills proposed in parliament to economically help citizens have been qualified by the Executive Power and different specialists as both anti-technical and populist. One of the first bills to cause con-

trovsky authorized the withdrawal of up to 25% from the pension funds (AFP); a revised version of the bill was approved by the Legislative after having been observed by President Vizcarra. A later bill proposed freezing of bank debts was presented, as well as one to return contributions from the public pension system.

From March to September, in the midst of the pandemic, Congress presented six requests for interpellation to Ministers of State to obtain clarification. Likewise, Congress denied the investiture of a new ministerial cabinet, and tried to remove the President.

It is important to mention that acts of corruption have multiplied during the health crisis. As pointed out by the Justicia Viva area of the Legal Defense Institute (In Spanish, *Instituto de Defensa Legal*), corruption has increased by 700% during the first 100 days of confinement, many of them related to the actions of authorities in charge of providing basic food baskets, compensatory bonds and the use of biosecurity material.

Health

When the pandemic arrived in Peru, it found a country with an absolutely precarious health system. In March, there were only 100 beds in intensive care units (ICU) and a state laboratory capable of processing 500 molecular tests daily to detect COVID-19. In order to avoid a hospital collapse, the Peruvian government asked the population not to go to hospitals unless their health condition was really serious. Notwithstanding, it did not strengthen the primary care system, which is essential to prevent cases of COVID-19 from worsening. It also opted to use serological tests to get around the drawback of molecular tests, as they are cheaper and do not requiring laboratory

processing. However, these tests (also called “rapid tests”) cannot be used for diagnosis as they do not detect infection in the first week of the disease, making it impossible to isolate patients to stop the spread of the disease. It is now more than clear that that this strategy was a serious mistake. In August, the country led the way in mortality rate for COVID-19 of the countries affected by the virus with 87.53 deaths per 100,000 inhabitants, according to the Johns Hopkins University.

Another problem that has been already identified in the health sector is the fragmentation of its systems. Many have little connection with other systems and offer services of completely different qualities. During the pandemic, the Ministry of Health’s Integrated Health System (SIS), the Ministry of Labor’s Social Health Insurance (EsSalud), the Armed Forces’ health services, the National Police’s health services and private services only attended to their own patients, leaving others patients to fend for themselves, regardless of the shortage of ICU beds. This was in spite of the fact that the government, at the end of April, had guaranteed that everyone, regardless of whether their insurer was SIS, EsSalud or a private one, could be treated by another service, whether it be private, EsSalud or a public hospital.

Although the exchange of services between state health systems was established late, the government has been unable to achieve successful cooperation with the private system. Following governmental warnings that the Constitution allows for expropriation in case of public necessity, the Government reached an agreement with private clinics to provide care to COVID-19 patients by the end of June. However, a journalistic investigation by IDL-Reporters (Benza, 2020) found that only 20 patients had actually been attended under the agreement by August 31, as “the ICUs that have been freed up usually have a waiting list, so the clinics fill them up immediately with

their patients. In response to this issue, Congress approved the bill that makes the clinics available to the State, in cases where there is a high risk or damage to the health and life of the population, but the Government has yet to regulate it.”

Prisons

It had been evident that prisons would be particularly difficult places to control COVID-19, from even before the pandemic’s actual arrival in Peru. Between the end of February and the beginning of March, when the imminent arrival of the virus was known, the press, in different reports, warned about prison inmates’ terrible conditions in the of the country and the certain drama that would be unleashed if the virus were to break out in the prisons. How could social distancing be maintained in spaces with 138% overcrowding? How could how adequate hygiene be guaranteed when drinking water is only available for a couple of hours a day? These were some of the questions that the government did not answer.

The authorities opted for the strategy of “sanitary rings,” which consisted of reducing contact with the outside world as much as possible, with the consideration that the real threat was the people from outside the prisons who could bring the virus with them when they entered (INPE, 2020). For prison workers, taking temperatures and then using rapid tests became part of the biosecurity protocol before entering prison installations. In a short time, COVID-19 entered Peruvian prisons and contagion increased dramatically. Notwithstanding, the Government was unwilling to listen to the proposals of specialists and high-ranking officials who recommended effective measures to reduce overcrowding. Instead, it opted for the conversion of prisoners’ sentences owing to its own failure to help families. About 2,700 inmates

could have benefited from this measure, but the conditions requested from them (such as payment of the food debt and civil reparation) meant that 10 days after the issuance of the norm, only 210 inmates had been released from prison.

“Criminals, corrupt people who have stolen from the State and taken advantage of the resources belonging to all Peruvians, a femicide, a child-rapist, are we going to allow *those people* to get out? This government will not stand for it,” said the President one day after it became known that nine prisoners had died during a riot which demanded effective measures to control the coronavirus.

Sometime later, in response to a call for attention from various personalities and international organizations (IACHR, 2020), Legislative Decree No. 1513 was published on June 4. This decree establishes exceptional provisions for the reduction of overcrowding in prisons and youth centers due to the risk of contagion from COVID-19.

By September 3, some 2315 inmates had recovered their freedom as a result of the two decrees mentioned above. But prison overcrowding continues to be a problem. In her first television interview in office, the current Minister of Justice, Ana Neyra, announced that her biggest wager for controlling the pandemic in prisons would be the provision of rapid tests to inmates. Various experts have questioned how to properly isolate cases of coronavirus in these conditions. This situation has been complicated further by false negatives returned in several tests.

Justice during the Pandemic

In mid-July, after several months of paralysis, the Judiciary resumed previously suspended trials by means of virtual hearings. This measure has

meant that the judicial processes in cases of human rights violations has been facing a complex situation, largely as victims' guarantees of due process have been jeopardized.

One of the problems that the Legal Department of the Legal Defense Institute (in Spanish, *Instituto de Defensa Legal*), an NGO that represents victims in the Manta and Vilca and El Frontón cases, has warned about is linked to the digital divide in the document *Las limitaciones a las garantías procesales de las víctimas de las violaciones de derechos humanos en los juicios virtuales* [The Limitations to the Procedural Guarantees of the Victims of Human Rights Violations in Virtual Trials]. "A large percentage of the relatives of the victims of human rights violations belong to economically vulnerable sectors and they do not have the necessary resources to obtain the electronic means to guarantee that they can connect to the hearings in real time" (Rivera and Chávez, 2020).

Other principles that are considered to be in danger include the principle of immediacy, publicity and the right to defense. "The lack of official information, the complexity of obtaining evidence and the passing of time since the acts occurred in the 80s or 90s are some of the main problems that these cases must face" (ibid), so adding even greater difficulties to the relatives of the victims for the access to justice is especially serious.

Final Comments

The country is presently feeling very disillusioned with its economy. Only a few months ago, the Peruvian economy was considered the fastest growing in the region. At present, Peru is leading the world economic crisis (Bloomberg, 2020). In addition to demonstrating just how fragile the economy is, it also has unmasked the disconnection

between economic growth and poverty. For many years, different governments concentrated on increasing GDP and investment, but this has not translated into improvements in basic services for a large part of the population.

Official estimates that predict that three million people will return to poverty this year (INEI, 2020) in combination with general social discontent caused by how the economic aid bonds had been delivered have brought the current system of targeting the state to implement social policies into question. In this regard, different specialists have highlighted the factor of *vulnerability* (Cozzubo and Herrera 2020), so that the State can take a preventive look at poverty. The updating of the government's databases for the population benefiting from social programs is a positive step. Likewise, the attention that politicians have paid to citizen discontent with the current pension system is another gain. Notwithstanding, there is a danger that effective solutions will be promoted that will end up harming the citizenry in the long-term. The participation of civil society, non-governmental organizations and educational institutions in a debate on the issue is key. Ideally this debate will be pedagogical so that it may be critical and constructive, avoiding greater social discontent with the Private Pension Fund Administrators [in Spanish, *Administradoras Privadas de Fondos de Pensiones*] and the Social Security Office [in Spanish: *Oficina de Normalización Previsional*] and, therefore, encouraging withdrawal from provisional security.

On the other hand, the pandemic has exposed the deficiencies of the national penitentiary system to the population. Historical overcrowding coupled with poor sanitary conditions have led to the deaths of hundreds of inmates, as well as the spread of infection to hundreds of other prison guards. The dozens of riots that took place

served to explain the critical state of the prisons., the State must guarantee a reorganization of the national prison system that emphasizes the social and economic reinsertion of inmates oriented at improving conditions for the prison population. In addition, sufficient conditions of security and coexistence within the premises must be guaranteed without neglecting the prison population's fundamental rights. Finally, the overcrowding of the system must be significantly reduced by designing and implementing alternative sentences that combat the logic of "criminal populism".

During this period, structural problems that affect the justice system have been accentuated, restricting citizens' access even further. In this sense, it is necessary to implement changes. Institutions and civil society organizations must work together to achieve this, by (i) providing measures to address the digital divide while respecting procedural guarantees and access to vulnerable populations; (ii) targeted strategies for access to justice for populations in vulnerable situations and for the protection of rights that are increasingly being violated in the pandemic (violence against women, violence against indigenous peoples, violations generated by illegal logging, human trafficking, land trafficking, murder of social leaders, cases of serious violations of human rights, rights of migrants, among others, including economic, social, cultural and environmental rights); (iii) the progressive return of workers in the system and of users, with appropriate measures to prevent contagion; (iv) urgent actions and short-, medium- and long-term plans adopted in a participatory and transparent manner; and (v) a minimum budget for the implementation of these measures.

Following the dissolution of Parliament, the Executive avoided presenting congressional candidates in the latest extraordinary elections in order to avoid any suspicion and accusations of 'dicta-

torial' attitudes. Today it is clear that this was a mistake as there is now a climate of ungovernability. The confrontation between the Executive and Congress, even in times of national emergency, highlights the importance of an official party that has the Legislative support would mean that public policies can be carried out without setbacks during pandemic and post-pandemic times.

With regard to disputes between powers, the Executive continues to reject Congress's initiatives arguing that they are unconstitutional. This has served as an excuse to reject, for example, the bill that would have punished the hoarding and speculation of goods or services declared essential in emergency situations as well as the law that would have made clinics available to the State in cases where there is a high risk or damage to the population's health and life. This may well end up causing the population to reject this Constitution with its vision of a social market economy as central, with the State having a subsidiary role in the economy. In this sense, it is important to open a debate about the current economic model that highlights both the variables of economic growth and social justice. However, there is concern that in the electoral arena, extremist candidates will appear with proposals that are contrary to the defense of human rights, such as the death penalty, and who will take advantage of people's discontent to promote themselves.

Finally, we cannot conclude this reflection without highlighting that organized society has been generating actions and proposals in the post-pandemic scenario, so that new inequities and vulnerabilities are not reproduced. The media have promoted the stereotypes of a citizenry that is both a victim and transgressive, a representation that passes over what is really important during this pandemic: the requirement that the State guarantee rights and respond to its own shortcomings.

The communications of the various organizations over the course of these months show viable proposals on issues of health, labor, administration of justice, Indigenous peoples, and the environment. Consequently, the work of NGOs must continue in the same direction in the post-pandemic world, as

previous inequities may be reinforced presently, which could put the country's institutional framework under stress. It will be necessary to support society's efforts to address new barriers through the development of concrete ideas and thus prevent the expansion of social gaps.

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Author profile

* María Sosa

She has a degree in journalism from the *Universidad de Lima*. Presently, she is a member of the Editorial Committee of the *Instituto de Defensa Legal (IDL)* and writes articles for *Ideele Magazine*, where she is also a cultural producer, and for the *La Plaza* newspaper. She has written articles for the newspaper *Perú 21* and for the *Nueva Sociedad* magazine.

* Glatzer Tuesta

General Director of the *Instituto de Defensa Legal*, he is a journalist with a twenty-year career producing research, training programs and campaigns on human rights issues, anti-corruption and social conflicts, among others. Director and host of the *No hay Derecho* radio program. Since 2008 he has directed the *Red Nacional de Ideeleradio*, which is made up of 120 radio stations throughout the country.

COVID-19: HUMANITARIAN EMERGENCY AND POLITICAL CONTROL IN VENEZUELA

Benigno Alarcón*

The government led by Nicolás Maduro declared a State of Alarm throughout Venezuelan national territory due to the coronavirus (COVID-19) on March 12. That same day the World Health Organization (WHO) declared COVID-19 to be a pandemic. This declaration of the State of Alarm was formalized the very next day by means of Decree 4,160, which was published in the Extraordinary Official Gazette number 6,519.

The decree declaring the State of Alarm mentions the detection of the first cases in the national territory among its considerations. Likewise, the first two cases were officially reported that same day March 13, (BBC News Mundo, 2020). From then, right moment up to April 30, the government's official figures for the virus declared the existence of 298 cases and 10 deaths. These figures were the result of the application of PCR-RT tests (reverse transcriptase polymerase chain reaction test) for the detection of Sars-Cov-2 virus RNA, which is so far the only test approved by the WHO to determine if the virus responsible for the infection is present.

When the pandemic was reported to have arrived in Venezuela, the country was in the midst of what most experts have termed a “complex humanitarian crisis” since starting 2015. At the time, there was an atmosphere of massive protest

demonstrating growing political conflict. While demonstrations had been escalating progressively since February 12, they ended abruptly with the both the declaration of the State of Alarm and the militarization of the country. That same day, Juan Guaidó, the leader of the opposition, called for a march that would try to retake the Legislative Palace. On January 5, the majority opposition had been evicted as the new quorum-less government-controlled directive had been sworn in behind closed doors. The international community and the greater Venezuelan society were unaware of this act, and this directive continues to control the Legislative Palace to this day.

The complex social, economic and political situation

Shortly before the declaration of the pandemic, the World Food Program indicated that more than nine million Venezuelans had no access to food, even if it had been available in the country. This is a consequence of the deterioration in purchasing power caused by hyperinflation, meaning that 60% of the population acknowledged needing to reduce food portions by then (World Food Program, 2019).

Susana Raffalli¹ presented her work for *Cáritas Venezuela*, in December 2019 at the *Perspectivas 2020* Semestre I event organized by the *Centro de Estudios Políticos y de Gobierno* [Center for Political and Government Studies] in the *Universidad Católica Andrés Bello* (Raffalli, 2019). She stated that 13.5% of children under five years of age were suffering from a level of severe malnutrition; this means that at least 4% of them were exposed to a high risk of mortality in the following two weeks. The implication was that there would be a significant increase in the situation of child malnutrition at the beginning of 2020. This is consistent with levels observed in a humanitarian crisis. Likewise, the period 2017 - 2019 closed with a worsening of chronic malnutrition in children under five (27% in 2017 vs. 35% in 2019). Among the irreversible consequences for the children who survive is the delay in their cognitive growth, leading to predictable consequences not only for the children, but also for the country's productivity. This, together with the consequences associated with metabolic diseases will represent a significant burden for the national budget in future years and will gravely affect the State's social responsibility.

Simultaneously, there has been an ever-worsening crisis in public services, 40% of households are already suffering from interruptions in their electricity service for several hours, while 72% report irregular gas supplies. Likewise, the *Venezuelan Observatory of Public Services* revealed that only 16.7% of Venezuelan homes can rely on a continuous water supply (Analítica, 2020).

An exhaustive description of this desperate situation would need dozens of pages. However, it means that by the time the COVID-19 pandemic alert was declared, health services were already

at their most precarious. The significant dearth of medicines, equipment and basic supplies, (including the provision of drinking water and electricity which were either missing or irregular) had been noted by the *Pan American Health Organization*. Added to this panorama was the massive wave of emigration which included approximately 5.1 million Venezuelan migrants or refugees, according to the *UNHCR's Regional Platform for Inter-Agency Coordination*. It should be mentioned that this massive migratory movement by 2018, one of the largest in the world, also included healthcare professionals accounting for a third of the country's doctors (approximately 22,000), some five thousand nurses, as well as some six thousand laboratory technicians (*UNHCR Regional Platform for Interagency Coordination*, 2020).

In economic terms, *Ecoanalítica's* estimates at the beginning of 2020 pointed to a situation that continued to be very difficult after seven continuous years of falling Gross Domestic Product (GDP) (*Ecoanalítica*, 2019). The contraction of public spending, policies restricting bank credit and the massive sale of euros (monetary policy applied to collect liquidity) had given some wiggle room for maneuver due to lower levels of devaluation and hyperinflation; however, they also brought about the detriment of economic performance and a reduction of 39% in GDP during 2019. The above situation meant that a smaller reduction in GDP for 2020 (calculated at around 11%) had been projected. This would be explained by a situation in which while the determining variables of economic growth continued to be absent, there would be dynamics imposed by greater levels of imports, an increase in consumption in certain niches, greater flexibility in the exchange market, transac-

1 | Susana Raffalli Arismendi: Nutritionist, Advisor for the Humanitarian and Caritas Response of Venezuela, Specialist in Food Security and Natural Disaster Risks.

tional dollarization and the absence of price controls. All of which combined produced an unusual dynamism in trade compared to previous years. Unfortunately, this dynamism has been more associated more with the government's response to ensure its political survival rather than with an actual learning process on economic management.

Ecoanalítica's studies (2019, 2020) estimated an inflation rate of between 13,000% and 15,000% for 2020. Another Ecoanalítica study into transactional dollarization identified how, at the end of 2019, the management of foreign exchange would have permeated layers of the population that previously had no access to dollars, and identified three groups: The first group represents approximately 15% of the population who handle foreign currency in amounts greater than US\$400 per month; the second group is characterized by around 35% of the population who are beginning to show a certain income level and consumption in foreign currency who tend to be linked to trades that have dollarized their rates and services; while the third and final group (50% of the population) find themselves in a precarious situation, with no dollar-based income while being trapped by hyperinflation. As a result, 2020 began with a situation that more than 50% of the transactions in the main cities were actually paid in foreign currency (dollars, euros and Colombian pesos).

Contrary to what many may claim, this situation was not caused by the financial sanctions imposed from August 2017 by the United States government on the Venezuelan government, while sanctions relating to the greater economy started in November 2018 when the Venezuelan economy was already in its fourth year of recession.

Politically, the period 2019-2020 has been one of the most dynamic and hopeful for Venezuelans,

but it has also one of the most frustrating. It could be best described as a rollercoaster of expectations which, after a little more than a year of inertia, demobilization and the opposition's lack of political initiatives between the end of 2017 and 2018 favored the Maduro-led regime as a result of a series of setbacks to the opposition, including the crushing of the 2017 protests, the election of the National Constituent Assembly, several defeats in regional and municipal elections that year, and Maduro's re-election in 2018. So January 5, 2019, represented a change in course.

That day, a young and little-known deputy who had been part of the leadership of the Student Movement was sworn in as president of the National Assembly. From this position he dared to challenge Maduro and refused to recognize him. A few days later, he assumed Venezuela's interim presidency and was recognized by a majority of the world's democracies. He created hope by promising to work towards stopping the usurpation of power, to create a transitional government, and to hold free elections. However, following several failed attempts to generate divisions among the regime's political and military ranks, 2020 began with a lower level of expectations, almost in reflection of the period of inertia in late 2018 that was actually helpful to the regime's stability; this lower level of expectations was aided by the pandemic-inspired official State of Alert.

In the midst of all this political conflict and complex humanitarian emergency, an unprecedented health crisis has emerged which had already started wreaking havoc in much more robust societies with healthy economies and public services. It would produce very serious consequences for the already very precarious social, economic and political situation in Venezuela.

The measures and their effects

The government issued Decree 4,160 (Official Gazette, 2020) declared the State of Alarm throughout Venezuela to handle the COVID-19 emergency. It grants broad and centralized powers to the presidency, the vice presidency and the ministries to decide and control information related to the pandemic. As in other countries, these measures include confinement and restrictions on free transit. They were partly facilitated by having coincided with an unprecedented gasoline shortage that lasted more than three months. Following the destruction of what was once one of the most powerful oil industries in the world, this gasoline shortage remains unsurpassed. Indeed, many consider it was the real reason for the sudden and early implementation of isolation measures, not to mention the need to put an end to the protests that have taken place for most of the year. These escalating and unsustainable protests have contributed to making an already difficult social and economic situation much worse.

The official figures have presented an atypical evolution in Venezuela in comparison with neighboring countries, provoking important questions concerning the information provided by the Venezuelan government. Motivated by fears of misinformation, the National Academy of Physical, Mathematical and Natural Sciences undertook its own comparative analysis of data and projections (National Academy of Physical, Mathematical and Natural Sciences, 2020b). Their results pose stark questions about the official figures, especially when contrasted with the official average of daily cases, which is below one thousand cases for the month of September, a time when the Academy estimated the daily average to be above seven thousand cases. This year could end with over fourteen thousand cases per day if drastic measures are not taken to reverse this trend. Sim-

ilarly, the study considers that there is significant under-recording in the official number of Covid-19 deaths (10 per day) which, if we assume the base of some 7,000 cases per day, should actually be between 140 and 210 deaths per day by September, using the average fatality rate of the disease in neighboring countries as a base.

Aside from the erratically managed quarantine, there has also been an increasing administration of PCR-RT tests. While these have been insufficient due to the low capacity of the government to administer them (an average of 150 tests were administered per day until May, rising to approximately 1,300 per day in September). The refusal to decentralize test administration to maintain control over information about confirmed cases means that Venezuela is the country in the region with the lowest number of tests per million inhabitants. There have been no broad prevention policies designed nor has the country's precarious hospital capacity increased, meaning that Venezuela is presently in a situation of extreme vulnerability concerning the very real possibility of an exponential increase in infection.

The WHO (2019) recommends that countries have 15 hospital beds available per 1,000 inhabitants. The inventory of hospital beds in Venezuela is around 27,780 beds, much fewer than one bed per 1,000 inhabitants, presuming that the government's official figures are true.

José Manuel Olivares, a Venezuelan Congressman and physician by profession (Banca y Negocios, 2020), who has followed the evolution of Venezuelan public policies regarding pandemic care, estimates that the country presently has only about 290 ventilators, while the largest public hospitals have only 143 ventilators and 133 beds for intensive care. He also states that, nationally, there are only about 800 emergency beds.

The emergency as a mechanism of social and political control

An economic and social crisis of such magnitude creates problems for governance, causing serious political consequences for any democratic government; however, in the case of authoritarian regimes that are willing to use these crises as mechanisms of social control this is not the case. For this reason Maduro's government has not prioritized attention to the needs of the population, permitting limited political and economic changes. On the contrary, it has responded by transferring a good part of the costs of sanctions to the population while restricting their political rights, as can be seen in the conditions imposed on the elections to the National Constituent Assembly (2017), the presidential elections of 2018, the parliamentary elections of 2020, the criminalization of protest, the violations of the right to freedom of expression, and the existence of political prisoners, all of which have denounced in the reports of the High Commissioner for Human Rights (UN Human Rights, 2020):

“We are deeply concerned about what appears to be an intensification of the stigmatisation, attacks and criminalisation of human rights defenders since the state of health emergency was declared on 13 March”.

The effects of the pandemic on the Economy

According to Ecoanalítica (Ecoanalítica, 2020), the Venezuelan economy has suffered a generalized contraction due to the pandemic that for this year, projects a much greater decrease in the GDP, estimated at 33% which will be accompanied with an inflation rate of approximately 3,000% caused

by significant cuts in public spending. This worsening of the crisis is derived, in particular, from a drastic reduction in oil revenues, which will be only about 2.7 billion dollars for this year. Other factors, in addition to this situation, include the internal impact of quarantine and the scarcity of gasoline, as not to mention the financial impossibility that Maduro's administration can generate incentives to mitigate the Covid-19 generated crisis to any extent, due to absence of fiscal resources, as they would reach only about five points of the GDP.

This situation will cause a tremendous impact on Venezuelans' purchasing power at a time when households rely on reduced remittances due to the international labor crisis generated by the pandemic. It is expected that this total value will be reduced from \$3.5 billion last year to about \$1.5 billion by 2020.

The size of the Venezuelan economy for this year will be about \$40 billion, or a little more than 10 percent of what it was eight years ago, when the GDP was about \$350 billion.

While it may be thought that a drastic economic scenario might affect the government's very stability, the reality indicates that the effect may be rather paradoxical. The reduction in the size of the economy could benefit the same government as most people are more focused on their own survival, which consumes all their time and energy, all the while the country requires less financial support as the cost of public sector imports is reduced with the reduction in the State's role as a provider of goods and services. Simultaneously social dynamics demonstrate evidence of a growing presence of a “black” economy, which represents about 35% of the Venezuela's total economy and operates around groups linked to, or at least tolerated by, the State.

Simultaneously, both private enterprise and non-governmental organizations and agencies dedicated to humanitarian work have been circumventing, with great difficulty, the impact of the sanctions that are generated by the over-compliance of international banks and suppliers of goods, both from the US and from other countries, who do not want to risk penalties from US authorities. Likewise, the “black economy” has become an instrument of the government’s resistance related to the debacle of the oil industry, which is the source of more than a third of the country’s total income.

Social impact of the pandemic

Last May, research carried out by the ENCOVI project (Universidad Católica Andrés Bello. Instituto de Investigaciones Económicas y Sociales 2019 - 2020) revealed that 43% of the country’s households report unemployment and income loss due to mobility problems derived from the Covid-19 quarantine and the shortage of gasoline. Ninety-three percent of Venezuelan households present some degree of food insecurity and reveal the very low impact of humanitarian aid strategies.

Informal workers (who, according to the National Institute of Statistics, represent 40.5% of all employment at the end of 2018) have been among the most affected by the lack of a fixed income that would allow them to sustain themselves during a quarantine that has lasted almost all year. The situation for small and medium businesses in non-priority sectors is similar as they are unable to generate income, forcing them to close down permanently and/or lay off workers.

The dilemma in these cases, for the majority of the population, is between complying with the quarantine to protect themselves from infection

or leaving their homes and exposing themselves to an inevitable risk of infection. Personal and family situations appear to be worsening as the Covid-19 confinement has extended beyond what was initially predictable and manageable for the majority of the population living in poverty with very limited resources. Thus, a decrease in mobility and economic activities was observed in the most vulnerable popular sectors only during the first weeks of confinement.

Prospective Political Scenarios

Contrary to what many expected, 2020, and possibly 2021, will end up becoming the years of greatest autocratization and consolidation of Maduro’s authoritarian regime if the inertia in the current dynamics of political control and deepened social demobilization due to pandemic’s emergency are maintained. As various international indexes, such as the Democracy Index published each year by the Intelligence Unit of the prestigious magazine *The Economist* and V-Dem Project have confirmed, this would distance the country from a possible democratic transition in the short- and medium-term.

If we take the methodology used by the Universidad Católica Andrés Bello’s Center for Political and Government Studies for the projection of scenarios (Universidad Católica Andrés Bello. Centro de Estudios Políticos, 2020a) as a starting point to consider the variables and actors that have had the greatest weight and impact on the dynamics of recent years, it can be observed that there have been four key actors: the international community, civil society, the government coalition, including the National Armed Forces, and the political actors gathered in the opposition coalition known as the G4 (Group of 4, for the country’s four main

parties, which also includes some thirty minority parties).

The model considers two key variables, based Robert Dahl (Dahl, 1971): the costs of repression, which depend on the regime's willingness to use force to remain in power, as well as the costs of tolerance to political change, which depend essentially on the potential consequences that a change in power would have for those who hold it today (investigations and trials for human rights violations or corruption, persecution, imprisonment, reprisals, etc.). A process of democratic transition is generally made possible when the costs of repression, in other words, the costs of maintaining power by force, are much higher than the costs of tolerating political change (Alarcón, 2014).

In the Venezuelan case, as in many others, one of the dynamics that has the greatest impact on the costs of repression is the mobilization of society, mainly in the form of mass protests. Meanwhile, the reduction in the costs of tolerance is related to the capacity of reaching agreements between the government and the opposition through direct or assisted (mediation) negotiation processes, such as that attempted by the Kingdom of Norway during the last two years.

Given the high probability that political change is not expected in the short-term and the global crisis caused by the pandemic, the international community will, most likely, be satisfied with containing the Venezuela's internal conflict to manageable levels and preventing it from affecting other countries or regions, rather than by exerting greater pressure for democracy, which is only considered a medium probability.

The Government-Armed Forces coalition maintains a high probability of cohesion as a result of the high costs and consequences of tolerating political change without any negotiations so far; this

has produced an agreement capable of credibly reducing the costs of tolerating political change involving the loss of power for the regime's political and military leaders. In the case of the opposition, there is a high probability that it will continue to be divided in terms of electoral scenarios that include a parliamentary election, not to mention the regional and municipal elections that will take place in the period 2020-2021, in a large part due to the strategy of electoral clientelism implemented by the regime.

With regard to society itself and its capacity for influence, up to March 2020 there had been a high probability that the government would have to face protests called by Guaidó. However, Covid-19 make this impossible once the State of Alarm was decreed in the second week of March. Therefore, the costs of repression have remained low for most of 2020 and, if the coalition and opposition leadership are not strengthened, these costs could remain moderate to low for much of 2021 as fewer mass protests would mean that the regime would have less need to repress.

These variables have influenced the progressive autocratization scenario that was foreseen for 2020 and will be maintained despite international pressures, especially from the United States. There may well be a move towards greater stability for the regime due to the social and political control enhance by measures implemented to deal with the pandemic.

In the absence of political change, the humanitarian emergency in Venezuela could become perpetually "entrenched" as has happened in other fragile or failed states, which means that the situation will become a fixture on the international agenda for the next few years. Compensatory measures such as remittances, which reached levels of around four billion dollars by 2019, are already insufficient to slow down and reverse the magni-

tude of the crisis. This is particularly noteworthy considering that these remittances have been cut to less than half during 2020 due to pandemic's global situation and the fact that local humanitarian assistance organizations have not been able to cover the need for attention, as is the case today. This situation makes it predictable that, once

the pandemic has been overcome in Venezuela and while the political, economic and social crisis continues, new escalations in the levels of conflict and repression will occur, with the consequent increase in the violation of human rights, as well as the reactivation of the migratory flows of Venezuelans to other countries in the region.

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Author profile

* Benigno Alarcón Deza

A lawyer from the *Universidad Católica Andrés Bello*, Venezuela, he is also director and founder of the *Centro de Estudios Políticos y de Gobierno* at the *Universidad Católica Andrés Bello* and a university professor in postgraduate and undergraduate courses in the areas of International Economic Law, game theory, strategy, conflict and negotiation. Professionally, he has specialized in political scenario analysis, strategic conflict management and negotiation.

Final Summary

LATIN AMERICA IN CRISIS MODE: COVID-19 AND THE CONSEQUENCES

Hartmut Sangmeister*

In Latin America, the COVID-19 pandemic has triggered the most serious economic crisis for decades. In previous years, the overall economy dynamism of the region had already been very subdued. After the global financial and economic crisis of 2008/2009, the average annual growth rate of the regional gross domestic product (GDP) had fallen to 0.2 % – the lowest value since the 1950s (CEPAL 2020a: 1). Moreover, in 2019, economic development in several Latin American countries was adversely affected by lasting social unrest in which the political dissatisfaction of large groups of the population with their political leadership was manifested. In Chile, people protested against the social inequality in their country for months; while in Ecuador, demonstrations and a general strike paralysed public life. In Peru, the dissolution of parliament by President Martín Vizcarra caused riots. Not to mention, the protest by tens of thousands of people against irregularities in the presidential election in Bolivia forced the resignation of Evo Morales. The wave of social unrest and political demonstration continued in many countries in 2020, after the Coronavirus crisis had reached Latin America.

In the course of 2020, Latin America has developed into an epicentre of the COVID-19 pandemic. High numbers of victims and overloaded health systems characterised the situation in Brazil, Mexico and Peru, which are among the countries with

the highest numbers of Coronavirus deaths in the world (JHU 2020). The numbers of victims were also high in countries such as Bolivia, Honduras and Nicaragua, and their health systems were at risk of collapsing. After the first cases of infection were reported, enforcement measures were introduced relatively quickly in many countries in the region in order to prevent the disease from spreading; for example, a national state of emergency was declared in Costa Rica only ten days after the first appearance of the virus on March 6, 2020. The economic impact of nationwide travel restrictions and business closures could be felt immediately. However, in some countries, lockdowns were ordered reluctantly or too late due to the already desperate economic situation and lifted again too quickly to limit the negative impacts on production and consumption. Some leading politicians, such as President Jair Bolsonaro in Brazil, Andrés Manuel López Obrador in Mexico and Daniel Ortega in Nicaragua, even denied the danger of the COVID-19 virus and exploited the crisis for populist agitation.

The Short-Term Prospects are Bleak

Currently, projections about general economic development in Latin America are possible only with a high level of uncertainty. The dynamics of

regional economic output will be affected as much by the extent of the coronavirus infection locally and its spread over time as by the global economic development. According to estimates from the International Monetary Fund (IMF), the World Bank and the Comisión Económica para América Latina y el Caribe (CEPAL), an unprecedented fall in overall economic output in Latin America is expected for 2020. However, the deviations between the projections are not inconsiderable: they range from -5.3 % (CEPAL 2020a: 16) and -7.4 %

(World Bank 2020a: 85) through to -9.1 % (CEPAL 2020b: 9) and -9.4 % (IMF 2020b: 7)¹.

The deep slump in economic activities is affecting the sub-regions to varying extents; the World Bank projection amounts to a fall in GDP of 7.4 % for South America in 2020, but of only 3.6 % for Central America (World Bank 2020a: 85). Accordingly, there is a heterogeneous picture of the short-term economic consequences of the coronavirus pandemic in the Latin American national economies (Table 1).

Table 1 | Projections of Overall Economic Development, 2020 and 2021

- Growth rate of real GDP to market prices in comparison to the previous year (in %) -

Country	Projection 2020			Projection 2021	
	World Bank 06/2020	CEPAL 07/2020	IMF 10/2020	World Bank 06/2020	IMF 10/2020
Argentina*	-7,3	-10,5	-11,8	2,1	4,9
Belize	-13,5	-14,0	-16,0	6,7	8,0
Bolivia*	-5,9	-5,2	-7,9	2,2	5,6
Brasil	-8,0	-9,2	-5,8	2,2	2,8
Chile*	-4,3	-7,9	-6,0	3,1	4,5
Costa Rica	-3,3	-5,5	-5,5	3,0	2,3
Dominican Republic	-0,8	-5,3	-6,0	2,5	4,0
Ecuador*	-7,4	-9,0	-11,0	4,1	4,8
El Salvador*	-5,4	-8,6	-9,0	3,8	4,0
Guatemala*	-3,6	-4,1	-2,0	4,1	4,0
Honduras	-5,8	-6,1	-6,6	3,7	4,9
Colombia*	-4,9	-5,6	-8,2	3,6	4,0
México	-7,5	-9,0	-9,0	3,0	3,5
Nicaragua	-6,3	-8,3	-5,5	0,7	-0,5
Panamá	-2,0	-6,5	-9,0	4,2	4,0
Paraguay*	-2,8	-2,3	-4,0	4,2	5,5
Perú*	-12,0	-13,0	-13,9	7,0	7,3
Uruguay	-3,7	-5,0	-4,5	4,6	4,3
Venezuela*	n. d.	-28,0	-25,0	n. d.	-10,0

* Project countries of the Hanns Seidel Foundation. n.a. Not available. Source: CEPAL 2020a: 16; CEPAL 2020b: 9; IMF 2020a: 145f.; World Bank 2020a: 86.

1 | The deviating projection results can be explained by the differing reference periods for their compilation (between April and October 2020), differing projection methods and differing delimitations of the region; for example, Venezuela is not included in the World Bank projection for Latin America due to a lack of reliable data.

The biggest fall in overall economic output is expected for the South American economies, which are mainly integrated in the international division of labour as raw materials producers and exporters. Continuing low world market prices for crude oil and other raw materials and falling demand as a consequence of worldwide production restrictions are affecting these countries' foreign trade balances. When the GDP for 2020 falls by 8 to 9 % in Brazil, the biggest economy in Latin America, this has an impact on neighbouring countries and other regions of the world due to the associated shock to supply and demand. The same applies to Mexico, the second biggest Latin American economy, where economic output will fall by up to 9 % in 2020 according to the projections. The biggest economic slump by far was in Venezuela, where people have already been suffering from the political and economic crisis for years and millions have emigrated². Central American countries were comparatively less affected than the economies of South America, because they, like Panama, have a much stronger (financial)services presence in the world market and are not as dependent on international tourism.

During the first half of 2020, around 34 million people in Latin America lost their jobs (ILO 2020: 4). In the CEPAL projection, the number of unemployed rose to approx. 38 million, almost 12 million more than in 2019 (CEPAL 2020a: 15). The coronavirus crisis is leaving much stronger traces on the labour market in the region than the finan-

cial and economic crisis of 2008/09. It must be remembered that the labour market indicators of Latin American countries do not, or inadequately, record informal employment³.

No projections of overall economic development going beyond 2021 can be seriously made at the moment because the dynamics of the hoped-for economic recovery in Latin America depend on the further course of the pandemic in the region and on the development of the industrial sector in economic heavyweights, such as the USA, EU and China. The projections in Table 1 for economic development in Latin America 2021 should be read with this reservation. Starting from the very low crisis level of 2020, the IMF and World Bank projections for most Latin American countries allow quiet optimism for 2021. But the growth rates for GDP for the Latin America region of 2.8 % (World Bank 2020a: 86) to 3.6 % (IMF 2020a: 145) are far from sufficient for compensating for the slump in economic output triggered by the crisis⁴. The economic, social and political consequences of the crisis will still be felt in Latin America in the long-term.

Crisis Management with Limited Resources

In every country in the region, governments deployed fiscal instruments to cushion the economic effects of the crisis (IDB 2020: 46). Private

2 By the end of 2019, 4.5 million people left Venezuela, of whom approx. 1.8 million fled to Colombia (UNHCR 2020: 9, 10, 81). Unlike many other Latin American countries, Venezuela has not implemented a policy to protect its citizens living abroad and did not offer any assistance for those willing to return during the coronavirus crisis (Pedroza/Palop-García 2020: 7).

3 The number of people in informal employment cannot be quantified precisely; estimates showed approx. 50 % of working people in Brazil were in informal employment, for example, earning approx. 30 to 50 % of GDP, can at best give a rough indication of the order of magnitude involved (Sangmeister 2011: 71). Informal (and illegal) employment relationships are mainly, but not only, found in microempresas, which are neither registered as companies nor registered with the financial authorities nor social security, such as the more than 80 % of the smallest businesses in Bolivia (Sangmeister 2019: 458).

4 According to current estimates, the pre-crisis level of economic output will be reached again in Brazil for example, only in the 2nd quarter of 2023, in Argentina in the 1st quarter of 2024 and in Mexico in the 2nd quarter of 2025 (EIU 2020b).

households were supported with state transfer payments⁵, tax cuts or cancellations benefited companies and private households⁶, just like the temporary deferment of debt services⁷. In some countries, compensation was also paid for loss of earnings due to the crisis⁸, which, however, did not reach working people in the large informal (and sometimes illegal) labour market sectors of Latin America.

Whereas there was still considerable fiscal scope in Chile and Peru at the start of the crisis, the resources for crisis management using financial policy were limited due to the strained situation of public finances in most countries in the region. The majority of Latin American countries could receive loans on international finance markets only with high risk premiums – or not at all, as was the case for Argentina, Belize, Ecuador and Venezuela⁹. There was more scope for the use of expansive monetary policy instruments to supply liquidity to the economy, especially to small and medium-sized companies because inflation rates persisted at a relatively low level – except in Argentina and Venezuela (IDB 2020: 33).

Latin American countries received external financial support in overcoming the crisis with generous loan offers from the IMF, the Inter-American Development Bank (IDB) and the World Bank. The IMF provided emergency loans of up to 5 billion US dollars for Latin American countries as well as flexible lines of credit for Chile, Colombia and Peru. The World Bank offered loans in the amount

of approx. 4 billion US dollars for specific projects, for example, 35 million US dollars to support the health system in Argentina or 20 million US dollars for hospital equipment in El Salvador (World Bank 2020b). These loans can help to overcome financial bottlenecks in the current crisis, but they will burden debt servicing capacity in the years ahead, which has already reached limits in countries such as Argentina or Ecuador¹⁰.

The Poor Pay the Highest Price

The poor population groups were most severely hit by the COVID crisis. According to estimates from CEPAL, in 2020 the number of poor people in 18 countries in Latin America rose by almost 28 million to 215 million, of whom almost 40 % are considered to be in extreme poverty; this represents an almost 35% rise in the poverty rate, the proportion of people below the poverty threshold, in comparison to 30 % in the previous year, and an increase in the proportion of people living in extreme poverty to around 14 %, compared to 11 % in 2019 (CEPAL 2020a: 17).

The majority of the population living in poverty depends on earning income from informal employment in small and medium-sized companies in which they rarely benefit from protection under employment law and they are relatively poorly paid. Otherwise, they try to meet their basic needs as casual labourers, itinerant street traders or as

5 For example, around 30 million households in Brazil received Corona Aid of 600 Reais (approx. 90 euros) per month from April 2020; the payments have since been cut to 300 Reais/month at the insistence of Economy Minister Paulo Guedes and will end at the end of 2020.

6 Not in Argentina, Belize and Venezuela.

7 Except in Chile, the Dominican Republic, Guatemala, Panama and Venezuela.

8 This was the case in Argentina, Belize, Brazil, Chile, Dominican Republic and Uruguay.

9 Other countries with high external sovereign indebtedness, such as Brazil, Costa Rica, El Salvador and Uruguay, will be able to meet their payment obligations to foreign creditors only with strenuous fiscal efforts (EIU 2020b).

10 In 2020, both of these countries could no longer service their foreign debts but came to rescheduling agreements with their creditors.

domestic employees in private households and receive no social security. They simply cannot afford to remain at home, despite the Coronavirus-imposed lockdown.

The government's transfer payments often could not reach the poor people who needed it the most if they did not have a registered residence or they could not overcome the bureaucratic hurdles when applying for support payments. Poor families were also particularly affected by school closures in the COVID crisis because alternative care arrangements for the children were not available to them and the children did not have the technical equipment needed to take part in home schooling. Not to mention that social distancing was also barely possible in the cramped living conditions, leading to cases of the disease becoming increasingly common there. Unpaid care for sick people at home mostly fell to women, who were then no longer able to go out to work.

The Recovery Depends on Many Factors

When and how quickly Latin America's economy manages to rise out of the trough initially will depend on both stemming actual COVID-19 infections and the availability of a vaccine and medicines to treat the disease. The poor countries of Latin America are at risk of being left behind in the worldwide competition for the vaccines that have yet to be developed¹¹. However, how the global economic environment will develop is also decisive for the region's economic recovery, especially the recovery of raw materials prices for export-oriented companies.

In the 1st quarter of 2020, international trade fell by 3.5 %, with a rising trend over the rest of the year (IMF 2020c: 3). Nationalistic isolation tendencies in the USA ("*America first!*") and in other parts of the world further threaten to subdue the global trade in goods. The World Trade Organization (WTO) can no longer fulfil the role of arbiter in bilateral trade disputes due to the obstructionist policy of the Trump administration in the USA. Even before the Coronavirus crisis, Asian economies, the source of major growth impetus in recent decades, were showing clear signs of more inward-looking strategies. In China, President Xi Jinping wants to strengthen the country's economic self-reliance with the new path of "dual cycles." Meanwhile, Prime Minister Narendra Modi evoked Mahatma Gandhi's model of *self-reliance* in India. While Indonesian President Joko Widodo put the focus on a strategy of import substitution. Such de-globalisation trends are not without consequences on trade and investments with and in Latin America.

On the other hand, after COVID-19 there may still be opportunities for Latin America if companies reorganise and diversify their supplier structures following the interruption to globalised supply chains caused by the pandemic. In comparison to competitors in Asia, Latin American suppliers have the geographic advantage in that they are closer to important markets in the USA, Canada and Europe. There are also preferential trade agreements with many countries in those economic areas. Additional market opportunities could also come for Mercosur member states with the intended EU-Mercosur Trade Agreement (Sangmeister 2020).

11 | Brazil is in a comparatively better position because it has capacity to develop vaccines with the Fundação Oswaldo Cruz, and large pharmaceutical corporations are using the country as a test lab for clinical studies for their COVID-19 vaccines. Pharmaceutical companies also want to test coronavirus vaccine candidates in Argentina and Mexico.

However, only a few countries in Latin America will probably be able to benefit from the worldwide restructuring of supply chains after the disruptive COVID-19 shock. These include Mexico, which because of its proximity to the US market, and preferential access under the United States-Mexico-Canada Agreement (USMCA). Costa Rica, Chile and Colombia are also considered to be promising candidates in competition with Asia as far as the reorganisation of supply chains is concerned (EIU 2020a: 5). Furthermore, Central American countries in specific segments of the world market could take advantage of the reorganisation of supply systems, for example, as suppliers of industrial precursor products to the automotive industry in Mexico or as a supplier of digitised business processes that international companies delegate as part of *Business Process Outsourcing* (BPO)¹².

Disadvantages in international competition for Latin American companies include comparatively high wage costs, excessive bureaucracy, the deficient transport infrastructure and a lack of quality at all levels of the education systems. Other negative factors international business partners associate with their business relationships in Latin America include violence, endemic corruption, legal insecurity and links between government institutions to organised crime groups.

In the middle- to long-term, the improvement of international competitiveness will be decisive for the recovery of Latin American economies and their position in the world economy¹³. This is a task that business, the state and civil society in Latin America will all have to face collectively

as the reform agenda is far-reaching and ambitious. The agenda comprises such varying tasks as mastering digital transformation, modernising education systems, protecting natural capital in the long-term, and adapting to climate change. However, the key social policy challenge right at the top of the reform agenda must be combining economic growth with the reduction of social inequality.

Serious Governance Problems

The Latin American reform agenda can be successful only if the serious governance deficits in many countries in the region are overcome. The prospects for such reforms succeeding, however, are rather slight in a context of fragile statehood, as is the case for Venezuela and Guatemala, for example, which respectively occupy places 20 and 58 in the ranking of 178 states in the *Fragile State Index 2020* (FFP 2020). The need for reform in overcoming governance deficits varies considerably within Latin America, as the Governance Index from the Bertelsmann Foundation demonstrates. This Index evaluates the quality of political control of transformation processes, with regard to shaping their destiny, consensus building and cooperation between decision-makers. In the ranking for 2020, Chile, Uruguay and Costa Rica occupy the top places within Latin America, and they are also in a comparatively good position internationally. In contrast, Honduras, Cuba, and Guatemala are the worst placed countries

12 For example, efficient BPO call centres have been established in Guatemala working for international companies; and companies in Colombia were successful in marketing offshore services to multinational corporations, such as Citigroup, Hewlett Packard or Siemens.

13 In the ranking of the international competitiveness of 141 countries, the majority of Latin America economies occupy only the middle and lower ranks (WEF 2019). Only Chile was placed in the top third of competitiveness in 2019. In contrast, Bolivia and most Central America countries were in the bottom third, while Venezuela occupied place no. 133.

in the region (BTI 2020)¹⁴. Poor governance undermines social cohesion and further weakens the political centre that is important for political stability. Furthermore, governance deficits in federal state structures, such as in Argentina, Brazil, Mexico and Venezuela, endanger cooperation between regional authorities that is not only key in the COVID-19 crisis, which has made fundamental governance deficits become even more apparent.

The Hanns Seidel Foundation has defined fields of work for Latin America which include promoting political participation as well as political, social and economic inclusion, and addressing existing governance shortcomings. These fields of work are relevant and coherent for breaking down these deficits in the Foundation's project countries¹⁵. Whether the interdisciplinary subject of the social market economy is accepted as relevant in the project countries depends, among other things, on how this subject is addressed. Country contributions in this publication indicate that the desire for an alternative development and economic model is widespread in the population, and political decision-makers and civil society groups are willing to tackle a paradigm change to improve the economic and social order¹⁶.

The concept of the social market economy comprises elements constituting and regulating democracy, solidarity and subsidiarity. These elements are derived from an understanding of the social contract, which, in the continental European tradition, involves all citizens, links property

to social obligations and demands support for the weaker members of society. They also reflect the Christian-Catholic understanding of humanity, in which people live in freedom but with social responsibility. By contrast, in the Anglo-American understanding of the social contract, puritanical-pietistic and utilitarian standards are of constitutive importance, viewing work as protection against sin and interpreting the successful striving for wealth as a sign of being chosen by God. Although Catholicism has been dominant in Latin America for centuries since the Conquista, in the wake of religious pluralisation processes, evangelical movements with US-American roots have become influential political, economic and cultural players that have been able to take the highest governmental positions (Eckhoff 2019: 558 ff). The conservative-fundamentalist forms of faith in evangelical churches overlap tremendously with the Anglo-American understanding of the social contract. Neo-liberal, market-fundamentalist concepts of order are more accepted in such a religious-cultural context than the concept of the social market economy, for which there is hardly any space in this conceptual world. Added to this is the fact that most leading economists in Latin America gained their academic qualifications at US universities and are sustainably influenced by neo-liberal economic theory as the predominant doctrine¹⁷.

For the "Social Market Economy" as interdisciplinary task this means developing country-specific

14 | Venezuela is not represented in the BTI-Index 2020. Against the background of current political developments in El Salvador, it is to be expected that it would no longer occupy a very good 16th place in an updated BTI-Index.

15 | The evaluation of the project work in the project countries as a permanent component of project management shows whether the fields of work are implemented effectively and efficiently and what the lasting impact is.

16 | For example, in November 2019, the "Acuerdo por la Paz Social y la Nueva Constitución" cleared the way for a referendum on a new constitution in Chile, to replace the 1981 constitution of 1981, which was adopted during the dictatorship of Augusto Pinochet.

17 | These economists include the Brazilian Economics Minister Paulo Guedes and the "Chicago Boys" in Chile. Furthermore, it would be a mistake to underestimate the influence of the ultra-conservative US think tank Heritage Foundation in Latin America, whose economic and social policy concepts run counter to the basic ideas of the social market economy.

adapted variants of a social market economy with suitable local partners and entering into partnerships with new social movements. The social market economy in Latin America cannot be a mere copy of a German template. Variants of the market economy model differ in the role of the state in cushioning market failures and in the perception of the social security and balancing function. German experiences with the social market economy and the further development of “Rhine capitalism” can be just as instructive for the Latin American search for regulatory guiding principles as the contours of a new developmental strategic guiding principle sketched by CEPAL based on its own history of ideas and titled “Equidad, desarrollo y ciudadanía” (CEPAL 2000). In this concept of *Neocepalismo*, social and cultural rights are embedded in an economic policy that is not only aimed at macro-economic stability, but also at creating jobs and reducing the structural heterogeneity between the manufacturing sectors of Latin American economies. Just as important is strengthening civil rights along the lines of equal opportunities and options, especially for the poor and discriminated population groups in Latin America so that they can be emancipated from political voters to active shapers of public policy. Because collective social and cultural objectives in public policy gain their intrinsic value by exercising civil rights and demanding that these objectives be respected and raised above the status of complementary secondary objectives of economic policy strategies.

It must be remembered that the regulatory concepts must be implemented in national government concepts as part of the “Social Market Economy” interdisciplinary tasks. Consequently, these concepts must take account of prevailing cultural and ethnic diversities, existing formal and informal institutions and the imperatives accepted by the majority in a society. At the same time, solutions to Latin America’s urgent problems can be derived from the basic principles of the social market economy¹⁸. If citizens are understood not as *citoyens*, but as a “shareholders,” and society as a mere “joint stock corporation” comprising individual acts devoid of sympathy, generosity and public spirit, the civilising potential of a democratic, liberal economic society based on the rule of law cannot develop (Sangmeister 2004: 119).¹⁹

To date, there has been little success in optimally mobilising Latin America’s existing potential. The empirical evidence indicates that this potential is most likely to develop in democratic conditions and a market economy committed to social equity. Only with such a reorientation can the deep divide be bridged ending the exclusion of large groups of society from participation in the enormous opportunities of Latin America. This reorganisation is all the more urgent because the longer-term trend of a world economy that is growing weaker for structural reasons will also help to shape the overall economic dynamics in Latin America²⁰. With consistently declining economic growth, the social

18 | Some country analyses cite functioning and stable institutions as a prerequisite for the implementation of a social market economy, but they do not exist in many countries in Latin America. This argument overlooks the fact that the concept of the social market economy was able to establish itself in western post-war Germany in a period in which the institutional structure had to be extensively restructured and stabilised. The concept of the social market economy also comprises the creation of stable institutions that must guarantee the functioning of the markets; regulatory policy as a central element of the social market economy means the creation of efficient institutions and mechanisms to guarantee the economic stability of social equity.

19 | Apologists for market fundamentalism who invoke Adam Smith, the liberal “classic” of economic theory, forget that Smith was also a moral philosopher. In his work “The Theory of Moral Sentiments” (1759), Smith listed the motivations that should counteract the “diktat of self-interest”: sympathy, generosity and public spirit.

20 | The declining dynamics of the world economy is probably not a temporary episode. Even before the Coronavirus crisis, the structure and expansion of globalised supply chains had slowed down, causing overall reductions in growth in all of the economies involved in international trade; changes to raw material use and consumption patterns due to the environment and technology should also be considered, not to mention changes to saving and investment behaviour, all of which tend to inhibit growth.

distribution struggles will be harder, while the political room for manoeuvre becomes smaller.

In any case, civil society confidence in established politics has been shattered almost everywhere in Latin America, and public pressure for political reorganisation and agreement on a different development and economic model is rising. Latin America is facing a politically and economically

uncertain future. It is, therefore, all the more urgent that governments and civil society address the task of committing to a better future and help to shape the essential reorganisation of the economic and social order of their countries. The thematic offerings by the Hanns Seidel Foundation provide a sound platform for this.

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Author profile

* Hartmut Sangmeister

A holder of both an undergraduate and a doctorate in Economics from the *Universität Heidelberg*. Professor Emeritus of Development Economics at the Alfred Weber Institute of Economics, *Universität Heidelberg*. Since 2008 editor in chief of the publication series “*Economía mundial y cooperación internacional*”. Co-editor of “*Manual América Latina para la Investigación y el Estudio*” (published in 2019).



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Germany

Esther J. Stark
Head of the Latin America Division
<https://www.hss.de/weltweit-aktiv/amerika/>

Argentina

Prof. Dr. Klaus G. Binder
argentina@hss.de
<https://latinamerica.hss.de/argentina>

Bolivia

Philipp Fleischhauer
bolivia@hss.de
<https://latinamerica.hss.de/bolivia/>

Chile

Jorge Sandrock
sandrock@hss.de
<https://latinamerica.hss.de/chile>

Colombia

Benjamin Bobbe
colombia@hss.de
<https://latinamerica.hss.de/colombia>

Cuba

Demian Regehr
zak@hss.de
<https://latinamerica.hss.de/centroamerica>

Ecuador

Philipp Fleischhauer
ecuador@hss.de
<https://latinamerica.hss.de/ecuador>

Guatemala

Demian Regehr
zak@hss.de
<https://latinamerica.hss.de/centroamerica>

Peru

Philipp Fleischhauer
peru@hss.de
<https://latinamerica.hss.de/peru>

Paraguay

Prof. Dr. Klaus G. Binder
argentina@hss.de
<https://latinamerica.hss.de/argentina>

Venezuela

Benjamin Bobbe
venezuela@hss.de
<https://latinamerica.hss.de/venezuela>



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