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THEDIALOGUE

FEATURED Q&A

How Can Latin America Help Its Most Vulnerable?

Workers in the informal sector in Latin America are particularly vulnerable amid the coronavirus pandemic. A vendor in Ciudad Juárez, Mexico, is pictured above. // File Photo: Municipality of Ciudad Juárez.

Q As Latin American and Caribbean countries grapple with the coronavirus outbreak, the region's informal sector—which is estimated to represent 53 percent of the employed population and a third of total GDP, according to the International Labor Organization—is especially vulnerable both to the health and economic aspects of the pandemic. In what ways is Covid-19 affecting informal workers in the Americas? Which governments have implemented the best measures to protect informal sectors, both in terms of health care services and economic relief, and which ones should ramp up their efforts? To what extent will the pandemic upend the region's labor dynamics and social safety nets in the long term?

A Santiago Levy, nonresident senior fellow at The Brookings Institution: "Informal workers are facing huge challenges in this pandemic, even ignoring issues of access to health services. If transmission rates are to diminish, they must stay home during the lockdown. But unless they are given some means of support during the lockdown, it is unlikely that they will comply, or at least that all will (unless tough and unwelcome policing measures are put in place). The state cannot ask someone to stay home and starve. Put differently, income transfers to these workers are an essential component of the strategy. Nothing relevant in the extremely short run will work very well, and rough-and-ready measures must be used to identify these workers and deliver them an income transfer: registries from health services (countries have publicly funded health programs for informal workers, parallel to those for formal workers), from municipalities, from

Continued on page 3

TODAY'S NEWS

ECONOMIC

World Bank: Latin America GDP to Fall 4.6% This Year

In its latest semi-annual report, the World Bank said the global coronavirus pandemic is hitting commodity producers in South America and exporters of manufactured goods and services in Central America particularly hard.

Page 2

BUSINESS

Sempra Plans to Wrap Up $3.59 Bn Peru Sale Soon

The San Diego-based company plans to sell the largest electric company in Peru to the biggest publicly listed power company in China later this month.

Page 3

ECONOMIC

Mexico Agrees to Go Along With Some Oil Cuts

Mexico has agreed to cut its oil output by 100,000 barrels per day (bpd) starting in May as part of global oil producers' deal to reduce production by 9.7 million bpd, Mexican Energy Minister Rocío Nahle said on Twitter.

Page 2

Nahle // File Photo: Mexican Government.

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ECONOMIC NEWS

Mexico Agrees to Go Along With Some OPEC+ Cuts

Mexico has agreed to cut its oil output by 100,000 barrels per day (bpd) starting in May as part of global oil producers' deal to reduce production by 9.7 million bpd, Mexican officials said on Sunday, Reuters reported. Mexican Energy Minister Rocío Nahle said on Twitter that the agreement among producers had been reached unanimously, without specifying by how much Mexico would reduce output. The country had previously pledged to cut output by 100,000 bpd, and two officials confirmed that figure to Reuters. The Organization of the Petroleum Exporting Countries alongside other top producers such as Russia and the United Arab Emirates, among others, or OPEC+, had initially asked Mexico to decrease production by 400,000 bpd. However, the government of President Andrés Manuel López Obrador's unwillingness to meet that demand held up the talks. Mexico is also a part of OPEC+. "Mexico is contributing," López Obrador said Friday, adding that Mexico "couldn't manage" to cut 23 percent of output, or the equivalent of 400,000 bpd of its production, The Wall Street Journal reported. One of the two unnamed officials told Reuters the United States would take responsibility for the additional 300,000 bpd in cuts that would correspond to Mexico. Since taking office in December 2018, López Obrador has been reluctant to reduce output, hoping instead to boost production at state oil company Pemex, whose output has fallen by about half in the past 15 years, according to the report.

Latin America GDP to Fall 4.6 Percent This Year: World Bank

The World Bank expects gross domestic product in Latin America and the Caribbean, excluding Venezuela, to shrink 4.6 percent this year, Bloomberg News reported Sunday. In its latest semi-annual report, the World Bank said the global coronavirus pandemic is hitting commodity producers in South America and exporters of manufactured goods and services in Central America hard. Brazil's economy, the region's largest, will shrink 5 percent in 2020 and grow only 1.5 percent in 2021, according to the report. The Covid-19 virus has also led to a collapse in tourism in most countries of the Caribbean. "We need to help people face these enormous challenges and make sure that financial markets and employers can weather the storm," said Humberto López, the World Bank's acting vice president for Latin America and the Caribbean. "That means limiting the damage and laying the groundwork for recovery as fast as possible." Existing social protection and social assistance programs should be rapidly scaled up and their coverage extended, the development bank said. López added that the lender is deploying up to $160 billion in financial support over the next 15 months to help countries protect the poor and vulnerable, support businesses and bolster economic recovery. Latin America and the Caribbean grew by a disappointing 1.7 percent in 2019.

POLITICAL NEWS

Ecuador's President Slashes Salaries of State Officials

Ecuadorean President Lenín Moreno has slashed his salary and that of his cabinet members by 50 percent, he announced Friday, part of a series of measures designed to soften the heavy blow from the economic fallout of the coronavirus pandemic, Reuters reported. Ecuador's largest city, Guayaquil, has been one of the hardest hit in Latin America by coronavirus, with families forced to keep corpses in their homes or for hours on the streets as morgues struggled to keep up with the fast pace of deaths. The pay cuts will also affect state officials, including lawmakers in the National Assembly, who have heavily criticized

NEWS BRIEFS

Argentina Prepared With New Offer for Creditors

Argentina "in the coming days' will make an offer to its creditors that reflects the economic scenario amid the coronavirus pandemic, President Alberto Fernández said in an interview with Perfil published Sunday. "I don't like to lie … to creditors," Fernández said. "What we are going to sign is something that we can accomplish as a government and as a country. I don't want to commit to signing something unfulfilled." Fernández added that Argentina needs an economic recovery plan on par with the post-World War II Marshall Plan.

Mexico Shuts Down Ventilator Plant in Dispute

Mexico's northern border state of Baja California on Friday shut down a plant run by Anglo-American health care firm Smiths Medical, allegedly for its refusal to sell ventilators to Mexican hospitals, the Associated Press reported. Governor Jaime Bonilla said the firm declined to sell Mexico some of the machines, which are badly needed to treat patients suffering from Covid-19. Bonilla said the factory was not complying with emergency contingency measures, which mandate the suspension of "nonessential businesses."

Brazil's Bolsonaro Still Snubs Social Distancing

Brazilian President Jair Bolsonaro hit the streets of Brasília on Friday in his latest public snub of social-distancing recommendations amid the coronavirus pandemic, Reuters reported. The president has said the virus is nothing but a "small flu" and has accused the media of creating "hysteria." On Friday, a national holiday in Brazil, Bolsonaro visited a military hospital before stopping at a pharmacy and visiting one of his sons in a residential building. Brazil has more than 22,000 confirmed cases of coronavirus and 1,223 deaths.

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Moreno's plans to raise taxes in a bid to shore up government finances. "I have arranged a 50 percent reduction in the monthly income of the President, Vice President, Ministers and Vice Ministers," Moreno wrote on Twitter. Official data on Sunday showed Ecuador had 7,466 reported cases of the virus and 333 confirmed deaths, with an additional but unconfirmed 384 people believed to have died because of it. Also on Friday, Moreno proposed the creation of a humanitarian assistance fund that would collect 5 percent of profits with reported revenue surpassing $1 million in 2018, as well as tax workers with monthly salaries of more than $500, El Comercio reported. However, indigenous leaders, unions and business groups have questioned the proposal. "The tax that we want to collect from the workers is unfair, given that the measures do not include the contribution of the state," labor leader Richard Gómez said in an interview, Reuters reported.

BUSINESS NEWS

Sempra Plans to Wrap Up $3.59 Bn Peru Sale This Month

California-based Sempra Energy said Friday it has received all necessary government authorizations to wrap up a $3.59 billion cash deal to sell the largest electric company in Peru to the biggest publicly listed power company in China, The San Diego Union-Tribune reported. The sale to China Yangtze Power International includes Sempra Energy's 83.6 percent stake in Luz del Sur, as well as Tecsur, which provides electric construction and infrastructure services to Luz del Sur and third parties, and Inland Energy, Luz del Sur's generation business. In a statement, Sempra Energy also confirmed it continues to move forward with the sale of its equity interests in its Chilean business, including its 100 percent interest in Chilquinta Energía and Tecnored, to China's State Grid International Development Limited (SGID) for approximately $2.23 billion in total cash proceeds.

FEATURED Q&A / Continued from page 1

tax authorities, and so on. Speed is of the essence, and precious time has already been lost. In parallel, during the pandemic, all available public health services should be used indistinctively for all workers; the formal-informal distinction should be irrelevant while the pandemic is controlled. Health services should be funded from general budget revenues. Once this is all over, the region will hopefully come to grips with the problem of informality. It is not a transitory nuisance, and it will not fade away with growth. The opposite is closer to the truth: unless it is tackled, there will be neither growth nor social inclusion."

Betilde Muñoz-Pogossian, director of the Department of Social Inclusion at the Organization of American States: "The aftermath of Covid-19 for all economies will be appalling, but for those in Latin America and the Caribbean, it will be devastating. The pandemic's impact on regional (and global) economic growth points to a recession, which will hit informal sector workers the hardest. Indeed, around 55 percent of the region's working population does domestic work, construction, small retail and other informal jobs that have pretty much stopped amid social-distancing and quarantine measures. Countries have tried to provide agile and pragmatic responses, adopting measures ranging from ensuring food and medicines supply to the most affected people; freezing of payments for basic services and prohibiting suspension of these services for nonpayment; increased social spending through the expansion of direct monetary transfers to households without wages or to families in poverty; as well as the delivery of food to families and students who had access to adequate food only in schools. However, sooner rather than later, international financial institutions will need to step in to provide support to reactivate the regional economy. Women tend to be overrepresented in the informal sector. As they face the loss of income that allows them to provide for their families and themselves, they will experience the economic effects of the pandemic in the informal sector in a disproportionate way. At the same time, with the majority of the five million Venezuelan migrants settling in our own region, the economic effects of this pandemic will also affect their livelihoods, as more than half still remain in irregular status and mainly hold jobs in the informal sector. Their access to health, medicine and treatments, as well as economic subsidies for them and their families, should be central to governments' responses to the pandemic."

Sebastián Acha, executive director of PRO Desarrollo Paraguay and former member of Paraguay's Chamber of Deputies: "The false dilemma that has been created regarding the fight against the pandemic is pretending to address life on the one hand and the economy on the other when it comes to determining different governments' priorities. After almost a month of quarantine in Paraguay, we are starting to see the first signs that the isolation policy has begun to have a human face. There is a pressing need for generating income, a lack of health protection for informal workers and contradicting signals from the government when it comes to containing unemployment. The Paraguayan state has issued $1.6 billion in debt, with $300 million earmarked for unemployment benefits. As such, the state has demonstrated a lacerating truth: $200 million has been earmarked for the informal sector, while only $100 million will go to workers contributing to the pension system. There is no room for reproach, but there are lessons. Within the informal sector, the lack of data on who the beneficiaries are, and where they are, has delayed the effective delivery of the subsidy by 15 days. The lack of incentives to formalize, thanks to the bureaucracy that such a process entails, makes formal employers and employees resent that

Continued on page 4

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FEATURED Q&A / Continued from page 3

there is a greater allocation of resources to those who work outside the norms. The drag on Latin America's economy continues to be informality. It is harshly punishing us during these moments for which we are never prepared, but for which we would have been at least protected had previous governments in the region responded to a call to reinforce formalization policies."

Lauren M. Allen, associate attorney, and Audriana Rodriguez, law clerk, both at Diaz, Reus & Targ: "The spread of Covid-19 has had wide-ranging effects on businesses and the working sector in Latin America and the Caribbean. But the informal sector, which does not receive the same employment security, health care and economic benefits that protect the formal sector, has suffered the most. Some governments have done their part to aid this vulnerable group. For example, El Salvador announced a freeze on mortgage and credit card debt payments for those affected by the global pandemic. The Salvadoran government also agreed to suspend utility, cable and Internet payments for three months. Similarly, Argentina, with some help from the United Nations, has implemented community kitchens and care centers, providing food and social protection support to approximately 200,000 vulnerable people. Other governments in the region, however, have not responded as quickly to protect groups such as the informal sector. The Mexican and Brazilian governments have been criticized for refusing to take proactive measures to stop the spread of the disease, while other countries, such as Venezuela, lack basic medicines and supplies to treat those infected with Covid-19. This problem, combined with its crippled health care system, makes it difficult for Venezuela to provide government assistance to its population, including the informal sector. The long-term effects of Covid-19 on the region's labor dynamics largely depends on how long the pandemic persists. Nevertheless, Latin American countries need to take proactive legislative and policy decision measures in the near future to address the widespread inequality that will likely worsen in the coming months. With as much uncertainty as this virus brings, governments must act now so that their most vulnerable citizens are better able to protect themselves during future health crises."

Charles T. Call, associate professor of international relations at American University: "Although Covid-19 has affected wealthy and mobile individuals more than the marginalized, in some countries the most marginal, especially the informal sector, is very likely to be affected in significant numbers. Three challenges are key: cash transfers, continued utility access and adequate access to hospitals for the seriously ill. Latin America has been slow to begin preparing enhanced medical facilities and equipment, and if the protective practices fail, then the consequences will be dire, especially in slums characterized by intimate close quarters and a lack of sufficient food and water to self-isolate for days. An excellent study by Blofield and Filgueira, 'Covid-19 and Latin America,' shows that 30 cash transfer programs across Latin America reached 130 million people in 2016, meaning that a platform for expanded cash transfers exists. And of nine countries examined, all have announced expanded cash transfers to the informal and poor sectors. Peru, Brazil and El Salvador are the most generous of these. The problem is that these transfers will need to be renewed (many are only single payments) and raised to meet the poverty level. Utilities will also need to enjoy a payment holiday for a longer period. The good news is that the cost of such cash transfer programs—for poor children—is affordable. Public pronouncements are as important as aid programs in motivating individual isolating behavior, and Brazil's Bolsonaro and Mexico's AMLO still are contradicting experts and sending unfortunate signals to their populations."

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