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FEATURED Q&A

Do Mom-and-Pop Stores Need Help Amid the Pandemic?



Many small mom-and-pop stores in Latin America and the Caribbean are at risk of going out of business during the Covid-19 pandemic and the economic downturn. // File Photo: Mexican Government.

Q The Mexican units of large international food and beverage companies this month launched an initiative aimed at protecting traditional neighborhood stores, of which 30 percent are at risk of not surviving the coronavirus pandemic, Notimex reported. Though deemed essential businesses, many of these so-called mom-and-pop stores—small, independent and usually family-owned enterprises—have shut down over fears of contagion and reduced sales amid lockdowns. How important are these traditional shops in Latin America and the Caribbean, and what challenges are they facing due to the pandemic? What are governments in the region doing to ease these stores' economic burdens, and what else should be done? What role can the private sector, and especially big multinational companies, play to help mom-and-pop stores weather the economic downturn?

A Santiago López, executive director of the International Council of Beverage Associations (ICBA): "Neighborhood stores are socially and economically fundamental for Latin America and the Caribbean. They constitute the largest distribution channel for bringing essential items to communities—especially those who need it most. About 40 percent of grocery sales in the region are served by approximately four million local small businesses, and they employ more than 10 million workers—60 percent of whom are women. The private sector has come together and launched the 'Mi Tienda Abierta, Mi Tienda Segura' campaign to support these families by providing store owners an action plan to continue serving their communities while keeping their employees and communities safe. These actions include

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Suriname's Ruling Party Seeks Recount of Votes

Suriname's ruling party wants a recount of votes from the country's national election as preliminary results indicated a win for the opposition.

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U.S. Sanctions Disrupt Iranian Fuel Shipments to Venezuela

Threats of sanctions by the United States against shipping companies have disrupted some planned deliveries of fuel from Iran to Venezuela.

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Brazil's Bolsonaro Urges High Court to Shelve Probe

Brazilian President Jair Bolsonaro criticized the country's Supreme Court and urged it to halt an investigation into a misinformation scheme allegedly orchestrated by his supporters.

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Bolsonaro // File Photo: Brazilian Government.

POLITICAL NEWS

Brazil's Bolsonaro Urges High Court to Shelve Investigation

Brazilian President Jair Bolsonaro criticized the country's Supreme Court on Thursday for its investigation of a misinformation campaign, allegedly orchestrated by his supporters, and called on the court to shelve the probe, Reuters reported. A day earlier, Brazil's Federal Police executed more than a dozen search warrants in connection with the investigation, targeting supporters of Bolsonaro. "The Supreme Court is targeting those who support me," Bolsonaro told reporters Thursday, Reuters reported. "We will not have another day like yesterday. Enough!" He urged the court to halt the investigation, saying, "Don't plunge Brazil into a political crisis." In a broadcast via social media, Bolsonaro called the court's investigation unconstitutional and said it would lead to censorship in Brazil. Bolsonaro has recently had a tense relationship with the country's judiciary. Last week, a judge ordered the release of a video recording of a cabinet meeting in which one of Bolsonaro's government ministers said justices of the Supreme Court should be jailed. The video was released as part of a separate investigation into alleged interference by Bolsonaro in police investigations. The probes come as Brazil is being hit hard by the coronavirus pandemic. Bolsonaro has likened Covid-19 to a "little flu" and has called for businesses to reopen in order to avoid causing more damage to Brazil's economy. On Thursday, Brazil's Health Ministry reported a new daily record of 26,417 new cases of Covid-19, bringing the total number of reported cases to more than 438,000, Reuters reported. Brazil, which has the second-highest number of confirmed cases in the world, also has more than 26,000 reported deaths related to it, the sixth-highest total in the world. Only the United States, with more than 1.7 million confirmed cases and more than 101,000 deaths, has higher totals, according to a count by Johns Hopkins University.

Suriname's Ruling Party Urges Recount, Opposition Eyes Win

Suriname's ruling party is calling for a recount of Monday's national election, party leader and President Dési Bouterse said Thursday, after preliminary results showed the opposition winning, Agence France-Presse reported. Bouterse, a former coup leader, has been in power in Suriname for four decades. He was convicted several months ago for ordering the murder of political opponents in 1982. Early results showed the main opposition Progressive Reform Party, or VHP, poised for a historic win. However, the count process in the South American nation brought accusations of irregularities from both the government and opposition parties. "There will be a protest. We are going to request a recount and ask that all people can see who won and lost where," Bouterse said in his first public comments after the election, AFP reported. He suggested the recount be broadcast on television to allow for transparency. VHP leader Chan Santokhi said the government should accept its defeat, which opinion polls had predicted. "Government, accept your loss and give us space to move to a transition situation," Santokhi said. "Let the authorities do their work." Votes were still being counted, with 90 percent of ballots tallied as of Thursday evening, the Associated Press reported. Santokhi's party was winning 20 of the 51 seats in parliament, while Bouterse's party had 16 seats. The new parliament is set to pick the president in August.

ECONOMIC NEWS

Sanctions Disrupt Iranian Fuel Cargoes to Venezuela

The United States has disrupted scheduled Iranian fuel deliveries to Venezuela by threatening sanctions against shippers, U.S. officials said,

NEWS BRIEFS

Colombia Extends Lockdown to July 1 With Exceptions in Some Areas

Colombia on Thursday extended its nationwide lockdown to contain the spread of the novel coronavirus until July 1, but with exceptions in some parts of the country, Reuters reported. Thousands of businesses have begun to reopen, following safety protocols and with reduced personnel. Hairdressers, barbers, museums and libraries are among the businesses allowed to reopen under the new quarantine measures, at the discretion of local mayors. Restrictions such as public transit between municipalities and domestic flights will remain.

IMF Approves Peru's Request for Two-Year \$11 Billion Credit Line

The International Monetary Fund on Thursday approved Peru's request for a two-year \$11 billion flexible credit line as precautionary financing in response to the Covid-19 pandemic, Reuters reported. IMF Managing Director Kristalina Georgieva said in a statement that Peru had achieved impressive macroeconomic outcomes given its "very strong policy and institutional frameworks," but the country is still vulnerable to external risks such as an extended health crisis. Peru has more than 135,000 confirmed cases of the new coronavirus and more than 3,900 deaths.

Latam's Bankruptcy Filing in U.S. Will Delay Brazil Bailout: Report

Latam Airlines Group's bankruptcy filing in the United States earlier this week will delay a bailout it is expected to receive from Brazil to at least July, Reuters reported Thursday, citing two sources with knowledge of the matter. The filing will also push back Brazilian government aid to other airlines to at least late June, the sources added.

The Wall Street Journal reported Thursday. Two Liberian-flagged, Greek-owned ships loaded with Iranian oil cargoes on their way to Venezuela halted their deliveries after the threat of sanctions, the officials said. The two vessels, the Bering and the Bella, were expected to follow three Iranian tankers carrying gasoline that already arrived in the Andean nation this week, the most recent one on Wednesday. If the vessels would have continued toward Venezuela, they would have been unable to get insurance and access to international banking due to the sanctions, the officials added. "We have been in contact with the ship owners, and they are under great risk for sanctions," one senior U.S. administration official said. Being on the U.S. blacklist would likely be an "out of business proposition" for the companies, the source said, adding that the ships are currently "not headed to Venezuela." Iran is providing the government of Venezuelan President Nicolás Maduro with as much as 1.53 million barrels of gasoline and components as the South American country struggles with a sharp fuel shortage that has made Venezuelans wait in line for hours at service stations, Reuters reported. Maduro has described the deal as "two rebel revolutionary peoples" that won't "kneel before North American imperialism," referring to U.S. sanctions against both Venezuela and Iran.

Argentina Amends Debt Offer in Talks With Creditors

Argentina's government on Thursday amended its offer as it continues negotiating with international creditors over the restructuring of \$65 billion in debt, Reuters reported. The new offer involves slightly earlier maturities and a shorter grace period, the wire service reported. The government earlier turned down a counteroffer from two key groups of creditors. In a statement, Argentine Economy Minister Martín Guzmán said the two sides were making progress ahead of a June 2 deadline. Argentina's government says it is unable to pay off its debt without significant restructuring.

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sharing the best health and sanitation practices to reduce the risk of contagion. Additionally, the companies are promoting new technologies (apps) for ordering and delivering products, as well as other measures that are taking place in Central American, Andean, Caribbean and Mercosur countries. In order for these stores to operate during and after the pandemic, it is important to establish public policies throughout the entire region to incorporate informal stores into the formal sector, promote banking access, stimulate electronic payments, provide funding and academic guidance and strengthen the existing associations. These local grocers and small shops are part of the backbone of the Latin American and Caribbean region's critical infrastructure. They meet the real and immediate needs of the communities they serve. That is why it is crucial that we in the private sector and governments do everything possible to keep these essential businesses open—now more than ever before."

A **Cristina Fernández, vice president for policy and research at the Global Entrepreneurship Network:** "Pandemics have historically widened inequalities in access to resources. Covid-19 is no exception. Traditional businesses have struggled more than ever to access capital and other resources to rapidly adapt to changing circumstances. In response, many policymakers in the region have been leveraging financial support mechanisms to bring more mom and pops into the formal sector. Others have relaxed or adjusted regulations to allow micro and small businesses to bid for portions of government emergency procurement contracts. While typically small in terms of number of employees and total revenue, these shops punch well above their weight in many ways. They are the source of livelihood for many families, which have relied on these businesses to invest in their children's education. Moreover, since they are often

family-owned, they naturally serve as key experiential learning for future generations of entrepreneurs. In some sectors, such as the food and beverage industry, they are very important in corporations' distribution networks. Not surprisingly, large companies are launching initiatives to protect traditional neighborhood stores. Local shops are often channels that allow large brands to enter into the heart of their clients' communities. In fact, mom-and-pop shops' core resilience in face of the threat of chains has come from them knowing their customers best. This symbiotic relationship can be preserved via many uncomplicated ways, such as by equipping mom-and-pop personnel to adopt safety requirements, or by assisting them in digitalizing key aspects of their operations to meet new demands for low-touch economic transactions. Reopening the economy after lockdown does not necessarily mean business as usual. The opportunity gaps are now wider, but at the same time, the need to narrow them is a bigger priority than ever for both governments and economic heavyweights."

A **Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico:** "The Covid-19 crisis will have severe repercussions worldwide. The confinement measures and the impact on public health sectors across the globe will definitely harm international markets, regional trade and local markets. A particular group that will be deeply affected are small businesses. Nearly 80 percent of formal employment in Mexico comes at the hands of these companies. Small stores make up most of the trade and sales on the local level in most Latin American countries, especially considering the high share of informality (in Mexico more than half of the labor force is in the informal sector). The consumption hindrances and slowdowns derived from the pandemic will be more catastrophic for entrepreneurs and businesspeople lacking the economic and

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social infrastructure to sustain this financial drought. The government has launched initiatives and programs to protect small stores and businesspeople. Almost a month after the start of the aid programs, the Mexican Social Security Institute (IMSS), responsible for issuing the loans, had only handed out approximately 145,000 loans, representing just 20 percent of the 645,000 target the president had announced. The offered amounts are low, and the companies have not been able to maintain the employment levels required to apply for the loan. The government established some conditions for the loans, one of them being keeping staff intact during the first three months of 2020, which has proven practically impossible for most small businesses. Bigger companies are potentially great allies in rescuing these companies. In the absence of a public-private cooperation strategy in responding to Covid-19 challenges, small businesses have been left behind. Perhaps the government has focused on immediate responses to the pandemic. Multinational corporations and big companies in Mexico cannot act on their own to rescue their smaller counterparts and buffer the impact after confinement. They should not forget, though, that even if these businesses are small, their combined contribution to economic resilience outweighs that of the rest of the actors."

A **Juan Carlos Sikaffy C.,**
president of the Honduran
Council of Private Enterprise:
 "During these complex times of Covid-19, all businesses have been affected in one way or another. Naturally, SMEs are much more vulnerable. Around the globe, the measures to stop coronavirus have included the closing of businesses and social distancing. This has meant the suspension

or loss of millions of jobs all over the world. In Latin America, this situation is, of course, much more complex due to the socio-economic realities of each country. One of those important businesses affected were the little mom-and-pop stores, which need day-to-day sales to subsist. Governments have created some credit access measures to try and

“One of those important businesses affected were the little mom-and-pop stores, which need day-to-day sales to subsist.”

— Juan Carlos Sikaffy C.

help these kinds of businesses, but it is not enough. Many of them are not businesses that are safe, bank-wise speaking, making it then difficult to get fresh cash to invest or to continue running the business. In Honduras, the government saw this and allowed mom-and-pop stores in all neighborhoods to open permanently, implementing biosecurity measures that ensure the safety of personnel and clients. The big enterprises have been continually supplying the needed goods for them to sell. This has allowed the little stores to survive and also to be able to meet public demand during these lockdowns. This kind of measure is a definite help for SMEs: let them open as long as they have strict sanitary measures, allowing big enterprises to be able to supply and even consider payment facilities. We are all in this problem together, trying to save lives and jobs."

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