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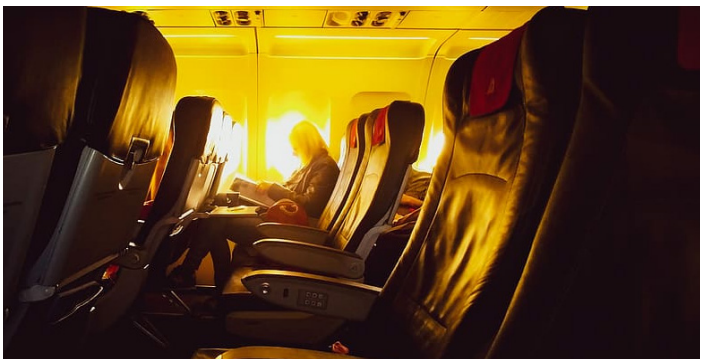
THEDIALOGUE

FEATURED Q&A

Is the E.U. Ban on Travelers Harming Latin America?



The European Union has relaxed entry restrictions, but visitors from few locations in the Western Hemisphere are being allowed into Europe. // File Photo: piqsels.com.

Q The European Union has released a list of 15 countries from which it said member states could begin accepting visitors, though border controls will still be at the discretion of each country. The list includes Canada and Uruguay but excludes every other country in the Americas and the Caribbean. How is Europe's continued travel ban affecting Latin American countries and their economies? What types of businesses in Latin America are suffering the most from it? How long could the prohibition last, and how might it hinder Latin America's economic recovery?

A Áurea Moltó, executive editor of Política Exterior in Madrid: "The pandemic is at its peak, and it has a clear epicenter—the United States and several Latin American countries (including Brazil, Peru, Chile, Mexico and Colombia). Spain is among the countries that have been most affected in the world by Covid-19, both in the number of infections and in deaths per million inhabitants, as well as by the impact on the economy. Like other European countries, we are experiencing new local outbreaks in Spain. The global health situation remains highly vulnerable, and international mobility is expected to remain low for a long time. Latin America, like Spain, has tourism as one of its main sources of income, which explains why the consequences of the pandemic on GDP have been so severe. In the case of Latin America, a high degree of informal economy is added, so the confinement measures and restrictions on mobility that have been adopted have severely hit the most vulnerable people. For Spain, Latin America's recovery is essential,

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TODAY'S NEWS

POLITICAL

Mexico Now Has Fourth-Highest Covid Death Toll

Mexico's number of reported deaths from Covid-19 surpassed 35,000, making Mexico the country with the fourth-highest official death toll from the disease, after the United States, Brazil and the United Kingdom.

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BUSINESS

Workers Vote to Strike at Chile's Zaldivar Mine

Workers at Antofagasta's Zalvidar copper mine in Chile have voted to strike after rejecting a pay offer.

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POLITICAL

Ex-Guatemalan Vice Minister Detained in Corruption Case

Former Guatemalan Vice Minister of Communications Édgar Gómez was among 17 people detained in connection with a corruption case involving the construction of a road in the Central American nation.

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Gómez // File Photo: LinkedIn.

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POLITICAL NEWS

Mexico Has World's Fourth-Highest Covid Death Toll

Mexico's number of reported deaths from Covid-19 surpassed 35,000 on Sunday as the country overtook Italy to become the country with the fourth-highest death toll from the disease, Reuters reported. Only the United States, Brazil and the United Kingdom have more deaths from Covid-19. Mexico also has nearly 300,000 cases of the disease, the seventh-highest in the world, according to a tally by Johns Hopkins University. However, on Sunday, Mexican President Andrés Manuel López Obrador said the pandemic was "losing intensity" in Mexico. On Sunday, the country recorded 276 additional fatalities and 4,482 new infections, Reuters reported. The pandemic has shown few signs of slowing down in Mexico, where some have criticized the government for easing quarantine measures and allowing businesses to reopen too soon. López Obrador said he had been briefed on the pandemic in the past week and that he was optimistic. "The report is positive, good. The conclusion is that the pandemic is going down, that it is losing intensity," López Obrador said in a video. At the same time, the president voiced his support for the country's deputy health minister, Hugo López-Gatell, who has been criticized over his handling of the pandemic. López-Gatell has continually revised his projections for the total expected deaths from the disease. In May, he had estimated 6,000 fatalities and in June said he was expecting 35,000 deaths by October, the number Mexico reached on Sunday. Mexican officials have said the death toll is likely to be far higher than the confirmed numbers because of a lack of testing. A Reuters analysis in May of data from funeral homes indicated a death toll more than twice the official tally.

Former Guatemalan Vice Minister Among 17 Detained

Guatemalan authorities on Friday detained 17 people allegedly involved in a corruption case in connection with the construction of a road in the Central American country, including former Vice Minister of Communications, Infrastructure and Housing Édgar Gómez, EFE reported. In a press conference, the prosecutor's office said those detained were involved in "various irregularities" in the construction of a 14-kilometer road in Chimaltenango department. Among the charges are fraud, money launder-

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due to the exposure of the Spanish economy, as well as existing human and business ties. However, health security is currently the priority for all countries, now that the dilemma between saving lives and saving the economy has been proven to be false. Even before the pandemic, Spain was concerned about the social, democratic and economic situation in a fractured region, which today lacks effective financial and multilateral mechanisms. In fact, Spain has opened a discussion with the European Union and Latin American countries on how to tackle entrenched problems—among them, how the conflict in Venezuela has penetrated regional and multilateral cooperation institutions."

Alberto Pfeifer, coordinator of the Group for the Analysis of International Conjuncture (GACInt) at the University of São Paulo: "The impacts of the entry ban vary throughout Latin America. Reciprocity is the customary norm: in general, entry is limited in both directions. Visitors in four areas are the most affected: tourism, business, education and migration. The tourism sector, both formal and informal, is labor intensive, and it is being dramatically affected by the European travel ban. The Caribbean attracted more than 31 million visitors in 2019, 50 percent from the United States and the rest mainly from Europe. For some

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NEWS BRIEFS

Venezuela's Oil Minister Tests Positive for Covid-19

Venezuelan Oil Minister Tareck El Aissami announced Friday that he has tested positive for Covid-19, a day after the leader of the socialist party and President Nicolás Maduro's second in command, Diosdado Cabello, also said he tested positive for the novel coronavirus, Reuters reported. El Aissami, who was appointed oil minister this year and is also the country's economic vice president, said he was beginning self-isolation. "A new battle that I will take on, clinging to God and to life," El Aissami said.

Peru's Central Bank Won't Rule Out More Rate Cuts

Peru's central bank on Friday said it would not rule out more rate cuts from the current historic minimum as the Andean nation struggles to revamp its economy amid the coronavirus pandemic, Reuters reported. The bank last week kept its benchmark interest rate steady at 0.25 percent for a third consecutive month. "Additional reductions [of interest rates] are not ruled out," Adrián Armas, head of economic studies for the bank, said in a telephone press conference. The central bank last month estimated annual GDP would contract by 12.5 percent this year.

Itaú Corpbanca Takes Impairment Charge of $930 Million

Itaú Corpbanca, the Chilean unit of Brazilian lender Itaú Unibanco, has taken a noncash loss of $929.7 million due to asset impairment, Reuters reported Friday, citing a securities filing. The goodwill impairment showed the new fair value of cash generating for bank units in Chile and Colombia, Itaú Corpbanca said in the filing late Thursday. "This impairment is primarily the result of economic conditions as of June 30, 2020," Itaú Corpbanca added.

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ing and embezzlement. Gómez, who was vice minister from April 2018 until current President Alejandro Giammattei took office in January, is among the 17 people arrested. Communications Minister José Luis Benito was not arrested because the judge in charge did not find enough evidence against him, according to corruption prosecutor Stuardo Campo, Prensa Libre reported. The new road, which had a total investment of 450 million quetzals (about $58 million), was launched in April but has since been closed at least twice due to landslides in the walls that surround it. The collapses prompted investigations into the road's construction, Campo said, adding that the probe showed there were "gaps in the preparation and approval of bidding rules" for the project and "notorious flaws" in the construction, as well as "cost overvaluation," EFE reported.

BUSINESS NEWS

Antofagasta Workers Vote to Strike at Chile's Zaldivar Mine

Workers at mining company Antofagasta Minerals' Zaldivar copper mine in Chile have voted in favor of a strike after rejecting a pay offer, the mine's union said on Friday, Reuters reported. Ninety-nine percent of the group's members rejected a collective pay offer, and

> **"We hope to reach an agreement through dialogue..."**
>
> **— Miners' union**

a strike was scheduled for July 15, pending government mediation, the union said in statement. It said it "regretted" the need for a strike, especially when the Chilean economy is struggling and mining is a key sector, but the union claimed that Antofagasta Minerals was attempting to strip workers' contracts of existing benefits in the latest negotiations. "We hope to reach an agreement through dialogue, considering the conditions of Zaldivar mine's business and its projections," the union told Reuters. Major copper miners in Chile have largely maintained production despite widespread economic shutdowns due to the coronavirus pandemic. However, as the virus spread throughout Chile and thousands of mine workers have fallen ill, miners have boosted safety protocols, reorganized shift patterns and suspended construction projects. Copper prices jumped over worries of a strike in Chile. The most-traded August copper contract on the Shanghai Futures Exchange rose as much as 6 percent today to 53,520 yuan (around $7,640) per metric ton, its highest since June 15, 2018. Meanwhile, three-month copper on the London Metal Exchange was up as much as 3.3 percent to $6,622.5 per metric ton, a level unseen since July 3, 2018, Reuters reported.

THE DIALOGUE CONTINUES

Will Rising Poverty and Graft Lead to Protests in Peru?

Q Interior Minister Gastón Rodríguez has said Peru's government is expecting an increase in social protests as the country eases restrictions that were put in place to curb the spread of Covid-19. Despite government promises for a broad stimulus package worth nearly 17 percent of the country's GDP, poverty is expected to swell. And there have been reports of corruption tied to money that was supposed to have been used for personal protective equipment and coronavirus-related aid. Will Peru indeed see a surge in protests, and how large-scale will they be? What issues have been at the heart of social strife in Peru, and to what extent has the pandemic worsened them? How well is President Martín Vizcarra's government handling social conflict in the country?

A Marc Dourojeanni, founding member of Peruvian nongovernmental organization ProNaturaleza and professor emeritus of the National Agrarian University of Peru: "Possibly as a consequence of the dominance of informality in almost every economic activity, it is probable that the reaction of the poor majority will continue to be the same as it had been during the lockdown, that is, to take advantage of any opportunity to redouble efforts to earn a living. It seems unlikely that people feel willing or have time to organize in large protests. Furthermore, left-wing political parties are not at their best moment. The most obvious causes of popular dissatisfaction, in addition to poverty and lack of employment, are the scandalous deficiencies in public health that have dragged on for decades and the continuous denunciations of corruption, large and small, especially at the regional level. Those problems are also exaggerated and distorted by a poor-quality press. Additionally, the frustrating behavior of the new Congress, which seems even worse than the previous one, does not help to solve national problems. In this context, it is evident that the national government does what it can, which is not much due to decades of corrosion of its institutional efficiency. Most of the regional and local governments fail to fulfill the role that they reclaimed and received. This fact makes the governance situation very bad in most regions. However, Vizcarra, despite his verbal excesses, continues to maintain a certain popularity and credibility. But the Peruvian people are very resilient, enduring and hard-working. They have been able to survive and develop world-class civilizations in very harsh conditions, in deserts and high mountains. The pandemic may stimulate their traditional creativity even more."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Friday's issue of the Advisor.

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islands, the sector accounts for two-thirds of gross domestic product. Zero tourism means zero income. Aruba, Barbados and Jamaica are reopening with limitations, to European guests. Andean countries are suffering a lot, as well. In Bolivia, expenditures by tourists reached around $1 billion in 2018, almost 10 percent of total exports; Europeans accounted for more than double that of U.S. citizens. Larger markets, such as Brazil and Mexico, are also sizable originators of tourism to Europe, and the entry ban hurts local travel agents and airline carriers. The Brazilian tourism industry estimates that activity will fall by 40 percent, or $20 billion, this year. Other sectors are affected as people are unable to personally meet with European counterparts and also attend meetings and expositions. Educational and scientific work suffers as personal interactions are prevented. Last but not least, economic migration to Europe, permanent or temporary, has represented a sizable number of jobs and amount of income for nationals from Argentina, Brazil and Venezuela."

Uri Dadush, senior fellow at the Policy Center for the New South and nonresident scholar at Bruegel: "The E.U. travel ban—which individual European countries will probably elect to follow with some exceptions—is not surprising given the large gap that exists between the low number of new infections per million in the European Union as compared to Latin America. Infections are falling in Europe, but in Latin America they are still rising rapidly, albeit at a slower pace than a few weeks ago, so I would not expect a change in the travel ban anytime soon. The winter in the Northern Hemisphere may bring a new rise of infections in Europe, accentuating the sensitivities. The most important effects of the ban will be on businesses. Commodity exporters are perhaps less exposed, but manufacturing firms that are part of complex value chains involving Europe, such as in Brazil and Mexico, will be at a disadvantage with respect to competitors in Europe and in Asia. One of the many puzzles of Covid-19 is why it has hit Latin America so hard compared to Asia and Africa. Beyond commodities, Latin America's trade links with Europe are weak, so I would not expect a large economic impact from the travel ban itself. The continent's wealthy will holiday at home. By far the biggest depressing effects of the virus on the Latin American economy will be domestic, taking the form of supply disruptions, unemployment, frightened consumers and investors, as well as fiscal strain."

Joaquín Roy, director of the European Union Center and Jean Monnet chair at the University of Miami: "The novelty of the E.U. ban on travelers is that the European Union sent an unwelcome message to some heavyweights (Russia, Brazil and, yes, the United States) and awarded an impressive ribbon to small Uruguay. The key for the contrasting delivering of recognition and reaction is very simple, and at the same time it needs to consider the internal framework of the European Union itself. First, the E.U. leadership did not miss a golden occasion to show a solid collective face, very often absent, becoming the object of internal criticism and external disdain. It is always very difficult to find the telephone number of Europe, as Henry Kissinger once allegedly said. So, Europe closes its doors to most prominent competitors, but sends a conditioned welcome to China. The result will be that Brussels will become a renewed object of acrimonious irritation for Trump, while the Democrats will certainly be elated to remind the president of his failed Covid-19 nonstrategy. Simultaneously, the selection of Uruguay will highlight its successful control of the pandemic, in contrast with ominous Brazil under Bolsonaro and even Chile, which initially seemed to have a positive strategy."

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