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Latin America and the Caribbean: Impact of COVID-19

The Coronavirus Disease 2019 (COVID-19) pandemic is having widespread economic, social, and political effects on Latin America and the Caribbean, a region with strong congressional interest because of deep U.S. linkages.

As of July 10, 2020, the region had almost 3.2 million confirmed cases and over 138,000 deaths, with deaths surging in several countries. Brazil, Mexico, Peru, Chile, and Ecuador have the highest numbers of deaths in the region, and Brazil has the highest number worldwide after the United States. The rankings change in terms of per capita deaths—Chile has the highest recorded deaths per capita, closely followed by Peru, Brazil, Ecuador, and Mexico (see **Table 1**). Several regional leaders have contracted the virus, including the presidents of Honduras in June and the Brazilian and Bolivian presidents in July. A recent University of Washington model for COVID-19 in Latin America and the Caribbean forecasts that deaths could reach 438,000 by October 1, 2020, with several countries facing “explosive trajectories.”

Experts are concerned that several countries, such as Brazil, Haiti, Mexico, Nicaragua, and Venezuela, are significantly undercounting their death tolls. Many observers have expressed special concern for Venezuela, where the health care system was collapsing prior to the pandemic. Experts have criticized the leaders of Brazil, Mexico, and Nicaragua for playing down the virus threat and not taking adequate actions to stem its spread.

On May 19, 2020, Director of the Pan American Health Organization (PAHO) Dr. Carissa Etienne maintained that “the virus is surging across our region” and expressed concern about the poor and other vulnerable groups at greatest risk. Dr. Etienne conveyed particular concern for cities, towns, and remote communities in the Amazon Basin, including indigenous communities, as well as women (who make up 70% of the health workforce), people of African descent, migrants in temporary settlements, and prisoners in crowded jails with poor sanitation. On June 9, PAHO issued guidance on measures to reduce COVID-19 transmission among indigenous populations, Afro-descendants, and other ethnic groups.

Economic Impact

Before the pandemic, the International Monetary Fund (IMF) projected 1.6% economic growth for the region in 2020 but forecast a recession several countries. On June 24, 2020, the IMF revised its regional forecast to a contraction of 9.4%, with almost every country in recession. Economic recovery may be a protracted process in countries that rely heavily on global trade and investment, which the pandemic is significantly affecting. Oil-producing countries in the region, especially Venezuela and Ecuador—and, to a lesser

extent, Brazil, Colombia, and Mexico—are being negatively affected by the historic drop in the price of oil that began in late February 2020. Caribbean nations that depend on tourism face deep economic recessions, with projected annual GDP declines between 5%-10%.

The decline in economic growth in 2020 is expected to exacerbate income inequality and poverty throughout the region. Latin America was already the most unequal region in the world in terms of income inequality, according to the U.N. Economic Commission for Latin America and the Caribbean (ECLAC). ECLAC projects that in 2020, inequality will rise in all countries, with the worst results in the region’s largest economies—Brazil, Mexico, and Argentina. According to a July 2020 U.N. report, poverty is expected to increase from 30.3% of the region’s population in 2019 to 37.2% in 2020, an increase of 45 million people (to 230 million people total).

Table 1. COVID-19 Deaths and Mortality Rates in Latin America and the Caribbean (LAC)

(countries with more than 500 deaths, as of July 10, 2020)

| Country | Deaths | Deaths per 100,000 | Regional Rank (deaths per 100,000) |
|------------------|---------|--------------------|------------------------------------|
| Brazil | 69,184 | 33.03 | 3 |
| Mexico | 33,526 | 26.57 | 5 |
| Peru | 11,314 | 35.37 | 2 |
| Chile | 6,682 | 35.68 | 1 |
| Ecuador | 4,900 | 28.68 | 4 |
| Colombia | 4,791 | 9.65 | 8 |
| Argentina | 1,720 | 3.87 | 12 |
| Bolivia | 1,638 | 14.43 | 7 |
| Dom. Rep. | 842 | 7.92 | 9 |
| Guatemala | 1,092 | 6.33 | 11 |
| Panama | 839 | 20.09 | 6 |
| Honduras | 704 | 7.34 | 10 |
| Total LAC | 138,001 | — | — |
| United States | 133,290 | 40.74 | — |

Source: Johns Hopkins University School of Medicine, Coronavirus Resource Center, “Mortality Analyses,” accessed July 10, 2020, 3:00 a.m. EDT, updated daily at <https://coronavirus.jhu.edu/data/mortality>.

Another economic challenge for the region is that incoming remittances from abroad (the majority from the United States) are expected to drop significantly as a result of COVID-19. For several countries—El Salvador, Guatemala, Haiti, Honduras, Jamaica, and Nicaragua—remittances play a significant role in their economies. The high rate of informality in the labor market of many Latin American countries (reportedly about half of workers in Latin America work in the informal economy) is also a challenge. As the World Bank notes, many workers are self-employed and many are paid under the table, living paycheck to paycheck without a safety net. Such characteristics make it more difficult, amid the pandemic's economic shutdown, to design programs that reach and provide adequate assistance to these workers.

Although a number of countries in the region have implemented stimulus programs to help protect their economies and vulnerable populations, many countries may struggle to obtain the financing necessary to respond to the severe economic downturn. In response, the international financial institutions are increasing lending to countries throughout the region. Examples include

- The Inter-American Development Bank (IDB) announced in March 2020 that it was providing lending support to countries in four priority areas: the immediate public health response, safety nets for vulnerable populations, economic productivity and employment, and fiscal policies for the amelioration of economic impacts. The IDB is making available up to \$12 billion, including \$3.2 billion in additional funding for 2020 and the remainder in reprogrammed existing health projects.
- The World Bank, as of July 8, 2020, reported that it is providing about \$2 billion to 17 Latin American and Caribbean countries. The assistance focuses on minimizing the loss of life, strengthening health systems and disease surveillance, mitigating the pandemic's economic impact, and addressing supply-chain issues and delivery. Over the next 15 months, countries in the region also may benefit from a portion of the \$160 billion in worldwide assistance the bank is providing.
- The IMF, as of July 2, 2020, approved \$50.9 billion in lending to 20 countries in the region contending with the pandemic's economic impact, including Chile, \$23.9 billion; Peru, \$11 billion; and Colombia, \$10.8 billion.

Political Impact

Even before the pandemic, the public perception of the quality of democracy in several Latin America and Caribbean countries had been eroding. The 2018-2019 Americas Barometer public opinion survey showed the lowest level of satisfaction with democracy since the poll began in 2004. Several broad political and economic factors have driven the decline in satisfaction with democracy and help to explain the eruption of social protests throughout the region in 2019. Political factors include an increase in authoritarian practices, weak democratic institutions, politicized judicial systems, corruption, and high levels of crime and violence. Economic factors include stagnant or declining growth rates; high levels of inequality and

poverty; and inadequate public services, social safety net programs, and advancement opportunities.

The COVID-19 pandemic could exacerbate some of these factors, contribute to further deterioration in political conditions, and stoke social unrest similar to that in 2019. Human rights groups and other observers have expressed concern about leaders taking advantage of the pandemic to advance their own agendas. In El Salvador, critics accuse President Bukele of exploiting the health crisis to pursue his aggressive anti-gang policies. In Bolivia, the interim government postponed presidential elections in May 2020; it recently agreed to hold elections in early September.

U.S. Policy Considerations

Foreign Aid and Support for PAHO. In light of the pandemic and its economic and social effects, policymakers may consider the appropriate level of U.S. foreign assistance for the region and for PAHO. The Administration's FY2021 budget request—released prior to the pandemic—included \$1.4 billion for the region, about an 18% decline from that appropriated in FY2019. The request included almost \$133 million in Global Health Programs assistance for the region, almost 41% less than appropriated in FY2019. In addition, the Administration requested \$16.3 million for PAHO, almost a 75% cut from that appropriated in FY2019. In March 2020, Congress passed two supplemental appropriations measures—P.L. 116-123 and P.L. 116-136—that provided nearly \$1.8 billion in foreign aid to respond to COVID-19 globally. As of July 2, 2020, the Administration said it was providing almost \$120 million in new and previously announced assistance to help countries in the region respond to the pandemic; this figure includes \$84 million in humanitarian assistance, almost \$28 million in health assistance, and almost \$8 million in Economic Support Funds.

Sanctions. Some U.N. officials, human rights organizations, and Members of Congress have called for U.S. economic sanctions on Venezuela and Cuba to be waived during the pandemic. The Treasury Department released a fact sheet in April 2020 maintaining that U.S. sanctions programs generally allow for legitimate humanitarian-related trade and assistance. At the same time, the Trump Administration has increased economic sanctions on both countries during the pandemic.

Deportations. Several countries in the region, including El Salvador, Guatemala, Haiti, Jamaica, and Mexico, report that some migrants removed from the United States were infected with COVID-19. As a result, Guatemala suspended U.S. deportation flights on several occasions. Some human rights groups, migrant advocates, and Members of Congress have called for the suspension of deportations to the region amid the pandemic. According to press reports, U.S. Immigration and Customs Enforcement tests only a sampling of those being removed and the rapid test being used may return false negative results.

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