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FEATURED Q&A

Can the Caribbean Tourism Industry Withstand Covid-19?



Hotels, resorts, cruise lines, local tour providers and other companies in the Caribbean's tourism sector are seeing numerous cancellations and are bracing for a severe downturn amid the coronavirus pandemic. // File Photo: Jamaican Ministry of Tourism.

Q The coronavirus pandemic has brought most of the cruise industry to a halt as companies including Royal Caribbean and Norwegian Cruise Line have temporarily halted U.S. sailings. Even before the suspensions, officials expressed alarm in the Caribbean, including in Jamaica, where the country's tourism minister said the island had welcomed 50,000 fewer cruise ship passengers than normal in recent weeks. How big of an impact will Covid-19 have on tourism in the Caribbean, and which countries face the most severe effects? What should government officials in the Caribbean do to prepare their countries and mitigate the consequences? How well are tourism-related businesses, such as cruise lines and hotels, handling the situation?

A Anton Edmunds, Saint Lucia's ambassador to the United States and permanent representative to the Organization of American States: "The Covid-19 pandemic may be catastrophic to Caribbean tourism and regional economies. While media focus has been on the cruise industry, land-based tourism is also being battered. In fact, this segment of the industry is the major economic driver for most Caribbean countries—with its value in terms of revenue far outpacing the cruise industry by more than 10 to one. It is the larger employer of people on the ground, the largest foreign-exchange earner, and it contributes significantly to tax revenues, making it the key determinant of whether governments will be able to service their debts. With the shutting down of routes from key markets, stay-over visitor numbers will decline as cancellations increase. Diminished diaspora travel from

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TODAY'S NEWS

POLITICAL

Bolivia Postpones Election Due to Coronavirus

Bolivia postponed its presidential election, which had been scheduled for May 3, amid the spread of Covid-19. The government also said it would impose a mandatory 14-day quarantine.

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BUSINESS

U.S. Unseals Cases Against Ex-PDVSA Unit Officials

The United States has unsealed criminal cases against two former officials of a unit of Venezuelan state oil company PDVSA. Prosecutors have also reportedly accused a businessman linked to the unit.

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ECONOMIC

Brazilian Health Minister Warns of System's Collapse

Brazilian Health Minister Luiz Henrique Mandetta warned that the country's health care system will collapse by the end of April as the number of Covid-19 cases soars.

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Mandetta // File Photo: Brazilian Government.

POLITICAL NEWS

Bolivia Postpones Election Amid Spread of Coronavirus

Bolivia's interim government announced Saturday that it was postponing the country's presidential election, which had been scheduled for May 3, as the number of Covid-19 cases spreads in the Andean nation and throughout the world. The government also said it would implement a mandatory quarantine for 14 days in an effort to fight the virus, Reuters reported. In a statement, the country's electoral authority said it would "suspend the elections calendar" for 14 days in order to match the quarantine, but it did not specify a new date for the election. The government of interim President Jeanine Áñez had previously scheduled the election for May 3 as a re-do of last October's vote. Longtime President Evo Morales was declared the winner, but the election was marred by allegations of fraud, and Morales fled the country soon after amid anti-government protests. On Saturday, the electoral authority said it would work with all of Bolivia's political parties to determine when to reschedule the election. Earlier in the day, Áñez said the quarantine would start Sunday and last until April 4. Earlier in the week, the country closed its borders and canceled all international flights amid the pandemic. Bolivia so far has 27 confirmed cases of Covid-19 and no reported deaths from the disease.

ECONOMIC NEWS

Brazil Health Minister Warns of System Collapse

Brazilian Health Minister Luiz Henrique Mandetta warned Friday that the country's health care system could collapse in little more than a month due to a spiraling number of cases of

Covid-19, Reuters reported. "Clearly, by the end of April, our health care system will collapse," said Mandetta. "You can have the money, you can have a private plan, you can have a court order, but there is simply no room for you." Brazil has more than 1,600 confirmed cases of the disease, and 25 people have died of it, while two have recovered. At the same time, Brazil's Economy Ministry slashed its forecast for economic growth this year from 2.1 percent to zero, an estimate many economists see as ambitious, with a "significant" contraction expected in the second quarter. Brazilian President Jair Bolsonaro, who has been accused of not taking the coronavirus pandemic seriously enough, denied in an interview with CNN Brasil that the country's health care system will collapse. "I think Mandetta was exaggerating," he said. Approval of Bolsonaro's government fell to a record low, according to a poll by XP Investimentos. Just 30 percent of those surveyed described his administration as "good" or "great." Also on Friday, the administration of U.S. President Donald Trump said it would limit nonessential travel across the country's border with Mexico in an effort to fight the virus.

BUSINESS NEWS

U.S. Unseals Cases Against Ex-Officials of PDVSA Unit

The United States this month quietly unsealed criminal cases against two former officials at a subsidiary of Venezuelan state oil company PDVSA, part of what U.S. officials say is a new round of charges and sanctions against the government of President Nicolás Maduro, which stands accused of systemic corruption, drug trafficking and stealing billions of dollars of state funds, The Wall Street Journal reported Sunday. U.S. prosecutors have also charged a businessman linked to the PDVSA unit. Some of the actions have been in part delayed due to the coronavirus outbreak, but senior U.S. officials say they are part of an effort by the administration of U.S. President Donald Trump to

NEWS BRIEFS

At Least 23 Inmates Killed as Protests Erupt in Colombian Prisons

At least 23 inmates were killed over the weekend at La Modelo prison in Bogotá as violence erupted at 13 prisons across Colombia in incidents that inmates described as protests against officials not doing enough to fight the spread of coronavirus, The Wall Street Journal reported. Colombian Justice Minister Margarita Cabello described the coordinated protests as "a massive criminal escape attempt." Video taken by inmates showed prisoners setting fires, with gunfire audible in the background.

One Killed in Crash of Mexico Navy Helicopter

A Mexican navy helicopter crashed on Saturday in the Gulf state of Veracruz during an anti-kidnapping operation, killing one state police officer and injuring 10 members of the military, Mexican authorities said, the Associated Press reported. The helicopter had taken off to help two kidnapping victims who had been rescued during an operation that led to the arrest of five suspects. The injured agents are reportedly in stable condition.

Argentina Sees Jump in Renewable Energy Production

Generation of renewable energy in Argentina jumped by 102.3 percent year-on-year in February, reaching 886 gigawatt-hours, according to the latest monthly report by wholesale electricity market administrator CAMMESA, Renewables Now reported last Friday. Compared to the previous month, the country's renewables output fell by 7.5 percent, while its share in total generation kept steady at 8 percent for five consecutive months. Argentina's largest electricity producers are thermal power plants, generating 62 percent of electricity in both January and February.

crack down on its efforts to pressure Maduro, according to the newspaper. Federal prosecutors in Miami, New York and Washington are targeting what they claim is a wide corruption network in Venezuela's oil industry and currency markets; state-aided narco-trafficking; and money laundering through the country's military-run emergency food program. They have charged dozens of defendants, many of whom have pleaded guilty in U.S. courts, and plan to continue investigations into alleged bribery and money laundering in connection with PDVSA's joint ventures, including with some of the world's largest oil companies, such as Chevron, Russia's Rosneft and China National Petroleum Co., according to court documents and people familiar with the matter. Prosecutors did not allege wrongdoing by the international oil firms.

Outbreak Delays Bacanora's Mexico Lithium Project

Lithium exploration and development firm Bacanora Lithium's work has continued despite delays in the timeline for engineering operations at its project in Mexico's Sonora state due to the effects of coronavirus in Asia and North America, Mining Weekly reported today. Completion is now scheduled for the third quarter of this year. Travel restrictions in February and early March in China due to the Covid-19 outbreak in the Asian country affected Ganfeng Lithium's operations. Ganfeng, which is just now picking up again, will provide Bacanora with an engineering, procurement and construction-style engineering proposal to produce downstream battery-grade lithium products from the Sonora lithium plant, according to the report. The schedule will continue to be reviewed as the Covid-19 situation progresses, Bacanora said, adding that shareholders will be updated regularly as the engineering process develops. In a statement, Bacanora chairperson Mark Hohnen and CEO Peter Secker said the company "is well positioned to withstand the continued effects of Covid-19," because it continues to be well capitalized, with more than \$47 million in cash in the bank.

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April to July, which follows the traditional winter high season, will also have financial repercussions. Beyond hotel owners and operators, the impact of the pandemic extends to suppliers, farmers and ground-based transportation providers—that is, small businesses and entrepreneurs. There is probably nowhere within the regional economy where the impact will not be felt. So-called middle-income Caribbean countries, among the most highly indebted nations in the world, are at real risk of recession. From a governmental standpoint, countries are being forced to find a way to prop up their economies with very limited tools available to them. The suddenness of the spread of the virus has allowed no time for planning, and already tight fiscal space offers very little relief. The reality is that any efforts to infuse capital into the markets will be constrained by Caribbean governments' limited access to cash. I expect that the urging by many will be that the international financial agencies develop a special fund and/or plan. In fact, a financial reset may well be necessary, with outright debt forgiveness and until a global recovery is well underway. A prime opportunity exists for the United States to lead the effort to stabilize the economies of its traditional allies in the region."

A **Vangie Bhagoo-Ramrattan, head of the economic research unit at First Citizens in Port-of-Spain, Trinidad and Tobago:**

"Covid-19 will have a debilitating effect on the global tourism market. The World Travel and Tourism Council predicts that as many as 50 million jobs are at risk globally in the tourism sector and that 25 percent of global travel could be adversely affected. For the Caribbean, tourism and travel account for around 15.5 percent of total GDP, and the sector employs 2.4 million people—approximately 14 percent of total employment. The region depends heavily on the sector as its main source of foreign-exchange earnings, with visitors spending in the vicinity of \$35.4

billion annually. At a special meeting of the Organisation of Eastern Caribbean States authority and the monetary council, it was determined that under the best-case scenario (containment of Covid-19 by the end of June), real GDP for the Eastern Caribbean Currency Union for 2020 will slow to 2.1 percent, down from an initial forecast of 3.3 percent. In the worst-case scenario, the region's GDP is expected to contract by 1.9 percent. The tourism sector is currently projected to decline by as much as 20 percent, but that can be much worse if conditions worsen. The situation in the global tourism market is very volatile. However, many governments in the region have already implemented bold and necessary steps to mitigate the spread of the virus, including closure of borders and restricting the flow of non-nationals. There may also be the need for appropriate expansionary policies, both from a fiscal and monetary stance, to ensure that the private sector is supported in terms of cash flow and liquidity, as well as to safeguard jobs. Unfortunately, the spread of the virus continues unabated around the world. Caribbean countries already have onerous debt and limited fiscal flexibility to bolster their economies, especially for an undetermined length of time. While fiscal imbalances may worsen, the principle concern is to safeguard against the spread of Covid-19."

A **Andrea Ewart, CEO of Develop-TradeLaw:** "Still experiencing sluggish recovery from the 2008 recession, Caribbean tourist-dependent economies will be most negatively affected by the travel bans of the 2020 coronavirus pandemic. In response to its first instance of community transmission, the region's top tourist destination, the Dominican Republic, has closed its borders for 15 days. However, tourism contributes only 11.6 percent to the country's diversified economy. Other countries are performing a more delicate dance. Tourism accounts for as much as 60 percent of GDP and 50 percent

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of jobs in the Bahamas and Jamaica. They are among the countries that have banned or placed restrictions on arrivals from China, Iran and Europe, and are more discretely discouraging other visits, including from their faithful diaspora. Social distancing policies are leading to the cancellation of conferences, festivals, and sporting and music events that draw millions of visitors and dollars annually. Jamaica is preparing a fiscal package to mitigate the worst effects of the anticipated fall in tourist activity. However, with the number of infected people and instances of community transmission still low, the travel bans are aimed at positioning the region to later receive visitors seeking entertainment after weeks of self-isolation. This goal could be undermined if governments are unable to maintain a united front against cruise industry pressure to amend their policies and if the externally imposed bans extend for months instead of weeks."

A Rogelio Douglas, president of the Caribbean Sustainable Development Group in Limón, Costa Rica: "In no way can we minimize the massive global effect of Covid-19. After all the fundamental hygiene practices and minimal socialization, it might be best to focus on what lessons we can take away and where best to apply them. The Caribbean and Central American countries

will suffer even more during this global shutdown, resulting from our fragility in size and huge dependence on larger economies. The coming weeks and months are forecast to be difficult for all of us. Notably, we have made similar errors in participating in a global economy driven by the principle of maximizing economies-of-scale while knowingly running the risk of a single point of failure. This lack of diversification means there is no flexibility to mitigate and adjust to the unknown and no ability to minimize risks with contingency plans. This is an ideal time for updating or creating more powerful strategic long-term plans incorporating markets, by broadening economic ties across continents; industries, by incentivizing internal development of new sectors in emerging technologies; inclusion, by investing in the productivity of the bottom half of the population for a more powerful economic engine with all hands on deck; and sourcing, by upgrading supply chains with multiple sources, including locals. With massive cancellations of cruise tours, airline flights and cargo slowdown, this region's economy of 80 million people will be hurting for months to come. What better time to bolster national resiliency in equitable economic systems?"

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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Coronavirus and its Consequences for Latin American & Caribbean Economies

An Inter-American Dialogue conference call with Alicia Bárcena, executive secretary of the U.N. Economic Commission for Latin America and the Caribbean, and Santiago Levy, nonresident senior fellow at The Brookings Institution

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