LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Friday, December 4, 2020

FEATURED Q&A

Are Honduras' Movement Rules Too Heavy Handed?

Honduran President Juan Orlando Hernández, pictured meeting Thursday in Washington with Inter-American Development Bank President Mauricio Claver-Carone (L-R), has imposed strict restrictions on movement to fight Covid-19. // Photo: @JuanOrlandoH via Twitter.

Q As part of its efforts to fight the spread of Covid-19, Honduras' government has imposed a national curfew and has used security forces to ensure compliance. The government temporarily lifted the restrictions, however, when Hurricane Eta hit the country last month in order to facilitate emergency response efforts. Is the government's restriction on movement a wise measure to curb the spread of Covid-19, or is it too heavy-handed? To what extent have the restrictions had unintended consequences, such as making it more difficult for Hondurans to acquire food and other necessities? Should existing restrictions continue, or have other countries and experts found preferable methods for managing the spread of the disease?

A Eugenio Díaz-Bonilla, head of the Latin American and Caribbean Program at the International Food Policy Research Institute (IFPRI): "According to data from the IMF, Honduras has spent about 2.3 percent of its GDP on additional fiscal measures to confront the crisis that the pandemic has generated (as compared to 3 percent on average in LAC and 5.9 percent globally). Of this amount, about 0.9 percent of GDP has been on additional health measures and the rest on safety nets and support for production and employment (comparable health expenditures for LAC have been 0.7 percent of GDP and 0.6 percent globally). In general, the best way to be able to control both the pandemic and help recover the economy, in addition to expansion of safety nets and support for production and employment, is strong investment in health measures: prevention through social distancing and masks, and avoiding unnecessary congregations of

Continued on page 3

TODAY'S NEWS

ECONOMIC

Brazil's Economy Grows 7.7 Percent in Third Quarter

Brazil's economy posted 7.7 percent growth in the third quarter, the strongest in a quarter century but still weaker than analysts had expected.

Page 2

ECONOMIC

Chile Lawmakers Approve Second Bill for Pension Withdrawals

Legislators gave final approval to President Sebastián Piñera's bill to allow a second withdrawal from pension funds.

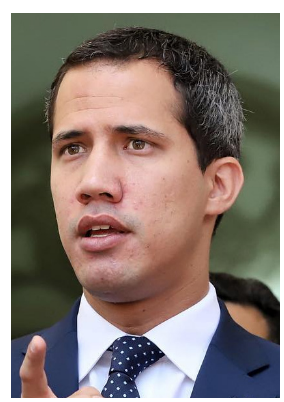
Page 3

POLITICAL

Venezuelans to Vote Sunday Amid Boycott by Opposition

Loyalists of Venezuelan President Nicolás Maduro are expected to regain control of the National Assembly Sunday as opposition leader Juan Guaidó has called for an opposition boycott of the vote.

Page 2



Guaidó // File Photo: Facebook page of Juan Guaidó.

POLITICAL NEWS

Venezuelans to Vote Sunday Amid Opposition Boycott

Loyalists of Venezuelan President Nicolás Maduro are expected to retake control of the National Assembly in Sunday's legislative election, amid a split in the opposition and National Assembly President Juan Guaidó's call to boycott the vote. Guaidó, whom the United States and more than 50 other countries recognize as Venezuela's legitimate president, will not be on the ballot and has said there is no chance that Maduro will allow a vote that is free and fair, The Washington Post reported. Instead of participating in the vote, Guaidó and other opposition legislators are sponsoring a week-long referendum that asks voters to oppose Sunday's elections and Maduro's "usurpation of the presidency," the newspaper reported. Participating in the vote "will only benefit the regime and its accomplices," Guaidó said in a tweet. "The best thing we can do is leave the voting center alone." However, loyalists to Maduro are expected to regain control of the legislature in the opposition's absence. In a **Q&A** published in September, Alejandro Velasco, associate professor at New York University, told the Advisor that Guaidó's strategy was "always high-risk and time-bound, premised on quick results and founded on faulty assumptions about Maduro's strengths and weaknesses." He added, "As Guaidó's strategy grew increasingly stale, erratic and desperate, it was a matter of time before his internal support splintered." Guaidó's claim to Venezuela's presidency is based on his role as president of the National Assembly. The administration of U.S. President Donald Trump has said it will continue to recognize Guaidó after the election. Advisors to President-elect Joe Biden say he will also continue to recognize Guaidó as Venezuela's president. The split within Venezuela's opposition led to the high-profile resignation this week of Vanessa Neumann, Guaidó's envoy to the United Kingdom. Neumann told the Financial Times that she was stepping down over doubts within the opposition over Guaidó's future, as well as concerns over the opposition's strategy and frustration over bureaucratic delays in the United States to release to the opposition frozen Venezuelan government funds. "The fight against Maduro will continue, and I will personally continue that fight," Neumann told the Financial Times.

ECONOMIC NEWS

Brazil's Economy Grows 7.7 Percent in Third Quarter

Brazil's economy, the largest in Latin America, grew 7.7 percent year-on-year in the third quarter, the national statistics institute announced Thursday, the Associated Press reported. The economy's third-quarter growth was the strongest result in a quarter century, but it was less than analysts had expected amid the government's high level of stimulus spending, the wire service reported. On Nov. 17, the Economy Ministry released a forecast in which it said it expected 8.3 percent growth in the third quarter. "The data is disappointing due to the enormous fiscal stimulus that the government used for the economy to recover," Emerson Marçal, head of the Center for Applied Macroeconomics of the Getúlio Vargas Foundation in São Paulo, told the AP. The growth figure announced Thursday confirmed Brazil's technical emergence from its recession as gross domestic product grew for two consecutive quarters. However, economic activity has not returned to the level that the country had experienced before the start of the Covid-19 pandemic. The GDP expansion in the third quarter came as the government made emergency assistance payments to more than 60 million people in order to help cushion the impact of the economic fallout of the pandemic. Also in the quarter, economic activity resumed in most states, following lockdown measures aimed at curbing the spread of the novel coronavirus. The emergency payment was approximately $110 per month in the third quarter, and the funds

NEWS BRIEFS

Honduras' Hernández Discusses Hurricane Aid During Washington Visit

Honduran President Juan Orlando Hernández met with officials at several multilateral organizations on Thursday during his trip to Washington. He visited the Inter-American Development Bank, the Organization of American States and the World Bank to discuss issues including Honduras' recovery from back-to-back Hurricanes Eta and Iota, infrastructure and student scholarships. Additionally, the U.S. Agency for International Development, or USAID, announced the Central American nation would be receiving $30 million in additional humanitarian aid from the United States for Hondurans affected by last month's natural disasters.

Talks With Argentina 'Fluid and Constructive': IMF Spokesman

Talks between the International Monetary Fund and Argentina over a new loan program are "very fluid and constructive," IMF spokesman Gerry Rice said Thursday, Reuters reported. Rice added that Argentine officials will continue negotiations in Washington in coming days. In recent meetings in Argentina, the two parties made "good progress" in defining the initial elements of the South American country's economic reform plans, Rice said. [Editor's note: See related **Q&A** in the Nov. 25 issue of the Advisor.]

Fitch Removes Negative Ratings Watch for Five Guatemalan Banks

Fitch Ratings has removed its "Rating Watch Negative" for five Guatemalan banks following similar action on Guatemala's sovereign ratings. The action applies to Banco Industrial, Banrural, Banco G&T Continental, Bantrab and Banco Agromercantil de Guatemala.

helped to spur retail sales and fuel the recovery of industrial production, said Marçal. The aid is tentatively scheduled to end this month, and a new surge of Covid-19 cases could dampen the speed of the country's economic recovery, he added. The rebound in the third quarter means Brazil's economy is now the same size as it was in 2017; the plunge in GDP in the second quarter took it back to levels last seen in 2009, Reuters reported. The economy is currently 7 percent smaller than at its largest point in 2014. [Editor's note: See related **Q&A** in the Oct. 28 issue of the Advisor.]

Chilean Lawmakers OK Second Bill for Pension Withdrawals

Chile's pension fund administrators, or AFPs, are getting ready to begin receiving requests for withdrawals as soon as next week, as legislators on Thursday gave final approval to a bill that allows Chileans to tap an additional 10 percent from pension funds, La Tercera reported. The measure, which center-right President Sebastián Piñera's government introduced two weeks ago, was significantly modified in congressional committees, including with a new cap on who is eligible to withdraw funds and the elimination of a requirement that the money be repaid, Reuters reported. Following the amendments, the Piñera-sponsored bill is similar to one that the opposition had proposed and which the president had sought to counter with his own legislation. The government has been vocal about its opposition to any withdrawals, arguing that they will curtail already-low pension payouts. Those in favor of the bill argue that Chile's emergency aid is not enough for citizens to weather the economic crisis wrought by the Covid-19 pandemic. In July, Piñera reluctantly signed into a law a first measure allowing Chileans to withdraw as much as 10 percent of their accounts, which led to $17 billion in pension fund withdrawals, Bloomberg News reported. [Editor's note: See related **Q&A** in the Aug. 10 issue of the Advisor.]

FEATURED Q&A / Continued from page 1

people; tests and contract tracing to identify existing cases; and adequate equipment and treatments for those who are affected. Blanket curfews may not solve the main problems, while creating others. Rather than reducing shopping hours to buy medicines and groceries, which may increase contagion by forcing more people to congregate within limited hours, it may be better to extend the hours to allow people to shop for food and medicines at different times. Also, it may be more efficient and equitable to ensure social distancing, mask requirements and the use of other personal protection equipment than strict limits on mobility. IFPRI, in conjunction with other international development agencies, continues to monitor these developments, focusing on the impacts on food security and poverty."

A **Diana Chavez, executive director of the Private Sector Regional Centre for the Support of U.N. Sustainable Development Goals:** "Although Central America is still searching for a balanced formula that contains the spread of Covid-19, there are critical factors that must be considered. For example, it may be possible to develop a tailor-made policy that prevents spread of the virus, while still permitting the exercise of social and economic rights. This is particularly salient in a year like 2020, when foreign direct investment has decreased by 47 percent (according to ECLAC). The nondiscriminatory nature of the novel coronavirus has emphasized the interdependent relationship between government, business and communities. It has also demonstrated that traditional models of collaboration need to be updated to promote a sustainable recovery. This is especially true in Honduras, where Hurricane Eta has amplified the public health crisis. Despite efforts by public, private and social organizations, poverty and inequality are on the rise. In many cases, this is attributable to a lack of articulation in public policy. However, 2020 has also shown that strategic alliances can improve quality of life by identifying the needs of specific populations, engaging in practical conversations with communities and mobilizing resources to deliver solutions based on local context. Moving past conventional models, the public and private sectors have the opportunity to lighten developmental burdens, establish scope, monitor effects of their activities and strategically measure results. Honduras has the opportunity to chart a new course, leaving no one behind."

A **Katherine E. Bliss, senior fellow at the CSIS Global Health Policy Center:** "When Honduras began reporting Covid-19 cases last March, the government imposed a nationwide curfew to slow transmission of the virus, particularly in urban areas and other zones where the health sector capacity is weak. But protests over limited access to essential items such as groceries led to the deployment of the military to deliver a two-week supply of food to nearly one million households. Since then, revised rules allocate shopping days to residents based on the last digit of their national identity card or passport, with special hours for the elderly, pregnant women and people with disabilities. But people who want to travel within Honduras or transit the country must secure a letter of safe conduct from the national police. Following the recent devastation wrought by Hurricane Eta, the government loosened some restrictions to respond to the emergency, but the crowding of people in temporary shelters and their lack of access to water and sanitation services, as well as protective masks, may drive increased transmission of the virus. And in Honduras, as elsewhere in the region, quarantine fatigue after so many months of limited mobility may lead to greater risk-taking, just when protective vaccines may soon be available. Honduras has joined the international Covax Facility, part of the Access to Covid-19 Tools (ACT) Accelerator, to secure access to Covid

Continued on page 4

FEATURED Q&A / Continued from page 3

vaccines once they are approved. To prepare, health officials must strengthen existing immunization systems and determine how to ensure widespread and equitable distribution of the new vaccines once they arrive."

A **Juan Carlos Sikaffy C., president of the Honduran Council of Private Enterprise (COHEP):** "Honduras has been under lockdown since March, when the first Covid-19 cases were detected in the country. Nine months have passed, and we know Covid is still around and will be until the vaccines are administered to our population and to the population of the world, as its high contagiousness makes it imperative for the whole world to take measures to control the pandemic. Considering this, we must accept that we are, until then, in what is called the new normal. We are responsible for taking care of our own health, and in the case of enterprises, they must impose biosecurity protocols to ensure the health of their workers and their families, and which protect their clients. Restrictions on movement have caused many enterprises to stop working and employments to be suspended. That measure was useful at the beginning of the pandemic, and now it must be flexible. People need to have free movement to get their goods and medicines, and enterprises need clients to come to their businesses, or else the economic recovery now needed so urgently will take much longer. We need free mobility, but we also need the proper enforcement of biosecurity measures in every home, business and public building and to make the population aware of the responsibility they need to take. We are all in this together, and we must work together to protect our health and jobs. Washing hands, social distancing and using masks are simple but much-needed measures to continue fighting Covid-19."

> **"We need free mobility, but we also need the proper enforcement of biosecurity measures..."**
>
> **— Juan Carlos Sikaffy C.**

Editor's note: The Advisor requested a commentary for this issue from Honduras' ambassador to the United States but did not receive a response.

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

LATIN AMERICA ADVISOR
is published every business day by the
Inter-American Dialogue, Copyright © 2020

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter & Associate Editor
achacon@thedialogue.org

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at
1155 15th Street NW, Suite 800
Washington, DC 20005

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at
ebrand@thedialogue.org