

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Devry Boughner Vorwerk
CEO,
DevryBV Sustainable Strategies

Joyce Chang
Global Head of Research,
JPMorgan Chase & Co.

Paula Cifuentes
Director of Economic & Fiscal Affairs,
Latin America & Canada,
Philip Morris International

Marlene Fernández
Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
President, Boeing Latin America

Jon E. Huenemann
Former Corporate and
Government Senior Executive

James R. Jones
Chairman,
Monarch Global Strategies

Craig A. Kelly
Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto
Director, U.S. Education
Finance Group

Nicolás Mariscal
Chairman,
Grupo Marhnos

Thomas F. McLarty III
Chairman,
McLarty Associates

Carlos Paz-Soldan
Partner,
DTB Associates, LLP

Beatrice Rangel
Director,
AMLA Consulting LLC

Jaana Remes
Partner,
McKinsey Global Institute

Ernesto Revilla
Head of Latin American
Economics, Citi

Gustavo Roosen
Chairman of the Board,
Envases Venezolanos

Andrés Rozental
President, Rozental &
Asociados

Shelly Shetty
Managing Director, Sovereigns
Fitch Ratings

FEATURED Q&A

Will the Pandemic Change China's Role in the Region?



Latin American countries including Argentina, Mexico, Brazil and Peru have accepted offers of help from China, including donations of medical supplies. A Chinese face mask production plant is pictured above. // File Photo: Xinhua News Agency.

Q As the coronavirus outbreak in China seems to ease just as it is escalating in Latin America and the Caribbean, countries in the region are looking to the Asian nation for medical aid and supplies. As the pandemic worsens, how much will Latin American and Caribbean governments turn to China for help, and is that the best alternative? To what extent will China be willing and able to lend and invest in the region as it grapples with its own economic slowdown? More broadly, in what ways will the Covid-19 pandemic change China's engagement with Latin America and the Caribbean?

A Guo Jie, associate professor at Peking University's School of International Studies: "The Covid-19 pandemic is not just a global health crisis. It has dire consequences for the global economy, as well. Compared with developed countries, those that are less developed, such as countries in Latin America and the Caribbean (LAC), face much greater challenges in battling coronavirus and its economic effects. Since Brazil reported the first confirmed case on Feb. 26, the spread of the virus has been accelerating across the region. China was the worst-hit country in the first wave of the outbreak and amassed relatively significant clinical experience in Covid-19. In the past month, China boosted its aid efforts in LAC by sending a medical expert team, donating medical materials, hosting informational videoconferences, facilitating procurement and transport of medical supplies, and so forth. Domestically, apart from preventing a resurgence in infections, China's focus has been shifted to speeding up economic recovery to meet its GDP growth target for 2020 (more than or at least 5.5 percent). Downward

Continued on page 3

TODAY'S NEWS

ECONOMIC

Fitch Downgrades Mexico, Expects 'Severe Recession'

Fitch Ratings downgraded its sovereign rating for Mexico by one notch to BBB-, saying the country faces a "severe recession" due to the coronavirus pandemic.

Page 2

POLITICAL

Venezuela Using Special Police to Enforce Quarantine

The government will use the FAES police unit, which has been accused of torture and extrajudicial killings, to enforce a quarantine order in a Caracas neighborhood.

Page 3

POLITICAL

Colombia Temporarily Freeing Some Prisoners

Colombia will temporarily release 4,000 prisoners to house arrest in an effort to slow the spread of coronavirus, said Justice Minister Margarita Cabello. The program will last for six months, she said.

Page 2



Cabello // File Photo: Colombian Government.

ECONOMIC NEWS

Fitch Downgrades Mexico, Expects ‘Severe Recession’

Fitch Ratings on Wednesday downgraded Mexico’s sovereign rating by one notch to BBB-, the lowest investment grade, saying it expects a “severe recession” this year as a result of the coronavirus pandemic. “The economic shock represented by the coronavirus pandemic will lead to a severe recession in Mexico in 2020. A recovery starting in [the second half of 2020] will likely be held back by the same factors that have hampered recent economic performance, which has lagged rating and income level

Mexico is facing lower prices for oil exports and less demand for manufactured exports.

peers,” the ratings agency said in a statement, citing the business climate for certain sectors and an erosion in the perceived institutional strength of the country’s regulatory framework as the main obstacles. Fitch expects Mexico’s economy to contract by at least 4 percent this year, with “a steep fall” in the first half. The agency noted, however, that “given the nature of the crisis, there is a higher than usual level of uncertainty around our forecasts, and the balance of risks is firmly to the downside.” Last month, S&P Global Ratings lowered Mexico’s rating to BBB from BBB+. Moody’s has a rating of A3 for Mexico, with a negative outlook, The Wall Street Journal reported. A combination of many factors will hit Mexico’s economy on several fronts, including falling oil prices, lower external demand for its manufacturing exports and a slowdown in remittances from Mexicans working in the United States. According to the median estimate of economists polled in a Citibanamex poll on April 3, GDP will likely shrink by 5 percent this year, with many analysts expecting a contraction in the high single digits.

POLITICAL NEWS

Colombia to Release 4,000 Prisoners Temporarily: Cabello

Colombia’s justice minister said Wednesday that the government will temporarily release 4,000 prisoners and put them on house arrest in an effort to keep the novel coronavirus from spreading through the country’s prisons, Reuters reported. More prisoners may be released to house arrest in coming days, Justice Minister Margarita Cabello said in a video news conference. “We analyzed the projections to get to the highest number of prisoners who could benefit,” said Cabello. “But I have to be realistic, no measure that I could take is going to guarantee 100 percent that we will avoid infection.” The effort will focus on prisoners who are pregnant, over age 60 or disabled, in addition to those with children younger than three years old and ones with cardiac problems, cancer or diabetes, conditions that put people more at risk if they are infected with the virus. Inmates with prison terms of five years or fewer and those who have completed at least 40 percent of their sentences will also be eligible for the program. House arrests under the initiative will last for six months. Prisoners with pending requests for their extradition along with those convicted of sexual violence against children, war crimes, drug trafficking, crimes against humanity, corruption and money laundering are not eligible for the program. Visitors have been banned from Colombian prisons since the middle of March in an effort to curb the spread of coronavirus. Two people who were recently released from a prison in the Colombian city of Villavicencio died after being diagnosed with Covid-19. Thirteen other prisoners, an administrator and two guards at the same prison also contracted the disease. As in other countries in Latin America, Colombian prisons are overcrowded. The country has a capacity of 81,000 inmates across its 132 prisons, but it houses more than 121,000 prisoners, Reuters reported, citing government statistics. Last month, 23 prisoners were killed

NEWS BRIEFS

Nicaragua’s Ortega Reappears After Month-Long Absence

Nicaraguan President Daniel Ortega reappeared in public on Wednesday for the first time in 34 days, the Associated Press reported. In a televised address to the nation, Ortega said Nicaragua had only seen one death from the coronavirus pandemic and that the country’s three confirmed cases were “imported.” His government has taken no action to fight the spread of the highly contagious virus, instead encouraging Nicaraguans to participate in mass gatherings. Experts believe there are many undetected cases in the country, the AP reported.

Clinical Trial Underway in Cuba on Covid-19 Vaccine

A clinical trial for a Covid-19 vaccine is underway at the Luis Díaz hospital in Havana, according to the research director at Cuba’s Center for Genetic Engineering and Biotechnology, the Caribbean Media Corporation reported Wednesday. The drug, known as CIGB 2020, is being tested on volunteers suspected of carrying the disease, said the official, Dr. Gerardo Guillén.

Lloyd’s Announces New Country Managers for Mexico, Colombia

Lloyd’s of London has announced new country managers for Mexico and Colombia, as it seeks to bolster its market in Latin America, Reinsurance News reported Wednesday. Yelhi Hernández will be based in Mexico City, and Sebastián Gómez will work in Bogotá with a focus on Spanish-speaking South America. In addition to Lloyd’s offices in Mexico, Brazil and Colombia, the insurance market recently established a regional hub in Miami, led by Lloyd’s regional head of Latin America and the Caribbean, Daniel Revilla.

and 83 were injured in a prison riot in Bogotá as inmates protested sanitary conditions amid the pandemic. At the time, Cabello called the riot “a mass criminal escape attempt” and said sanitary conditions were adequate in the facilities. Colombia has 3,105 confirmed cases of Covid-19 and 131 reported deaths related to it. This week, Bogotá joined Panama in instituting a gender-based system designed to limit the number of people on the streets amid the pandemic, The New York Times reported. On odd-numbered days, only men can leave to obtain food and other essentials. On even-numbered days, only women may leave. Bogotá Mayor Claudia López said the gender-based system is the easiest way to limit the number of people outside in a way that police can verify. With a few exceptions, including people who work in essential industries, anyone caught breaking the order is subject to a fine of about \$240, which is the approximate minimum monthly salary in the country.

Venezuela Using Special Police to Enforce Quarantine

The government of Venezuelan President Nicolás Maduro is taking tougher measures in one of Caracas’ largest barrios to ensure residents comply with a coronavirus quarantine, as many Venezuelans continue to leave their homes in search of scarce food and water, Reuters reported Wednesday. In recent days, local Socialist party councils have issued permits to thousands of families living in the western Catia barrio of the capital city, allowing only one family member outside at a time, and also deployed a special police unit to enforce the measures, community leaders and residents told the wire service. The police unit, known as the FAES, has been accused by citizens and government critics of extrajudicial killings and torture. Maduro last month imposed a nationwide lockdown after authorities confirmed Venezuela’s first case of Covid-19. However, many residents in Catia, where 400,000 people live, did not follow the order and continued to gather in public markets and squares.

FEATURED Q&A / Continued from page 1

pressure on the economy has intensified, even though expansionary policies could be implemented to save the losses incurred in the first quarter. In terms of China’s economic engagement with LAC, two-way trade has suffered due to the lockdown measures, and the trend is likely to continue until and even beyond the end of the pandemic. China’s investment and financing in the region are comparatively difficult to predict as high policy uncertainties are involved. In addition to bilateral considerations, China-LAC commercial ties would also inevitably be affected by the ever-changing external environment, such as the global economic situation and the future of China-U.S. relations.”

A **Margaret Myers, director of the Asia & Latin America program at the Inter-American Dialogue:**

“As the region grapples with the coronavirus pandemic, governments are bracing for unprecedented economic contractions and looking anxiously to China for signs of relief, beyond Beijing’s now extensive provision of medical supplies and technologies. But as China walks a fine line between much-needed stimulus and already staggering debt, its road to recovery is still uncertain. So, for that matter, is China’s role in Latin America’s own revival. Despite a resumption of activity in certain critical sectors, China will face considerable economic headwinds for many months to come. With that in mind, many Chinese companies will not be in a position to considerably increase overseas investment in the near term. Even the many infrastructure and other projects promised to Latin America and other regions in recent months will, in a best-case scenario, face considerable delays, despite some indications that China Development Bank will continue to support Belt and Road-related outreach. That said, there is the possibility of eventual, enhanced investment among those Chinese companies and industries that stand to benefit from China’s current stimulus measures. These include artificial

intelligence, automation, 5G telecommunications, infrastructure and medical technologies, among others. AI and telecoms investment could have both economic and political effects on the region. Beijing might also engage in strategic, countercyclical FDI in Latin America, seizing opportunities for market share as Western finance retreats. On the trade front, the region is still of great importance to China as a supplier of raw materials and a market for Chinese goods. China has already resumed commodities importation to a considerable degree but is now looking to boost its exports, including by growing e-commerce and holding online trade fairs. In all likelihood, trade complementarities will buttress the relationship even as the Latin America struggles with Covid-19 fallout. The bigger question is whether financial assistance and investment will be forthcoming, and in what form.”

A **David Castrillón Kerrigan, professor and researcher on China-related issues at Universidad Externado de Colombia:**

“The Covid-19 pandemic presents itself as an opportunity for China to deepen its influence in the region at a time when the United States appears unwilling to lead a coordinated regional and/or global response to the public health crisis. On the health and political front, China’s political leadership, together with private Chinese companies and foundations, have taken actions meant to signal engagement and solidarity with the region at its time of need, for example, frequent high-level phone conversations, donations and sales of medical supplies, and mechanisms to share best practices. But it is on the economic front where China may have the greatest long-term impact. Economies hit by the coronavirus are situated at different stages of their response: while some, like China, are restarting production and gradually lifting demand, others, like those of the region, are still in the middle of the lockdown. This is advantageous

Continued on page 4

FEATURED Q&A / Continued from page 3

for China in two ways. On the one hand, it gives China sufficient time to reactivate its economy. One should remember that one of the mechanisms proposed for reactivation is massive investment in 'new infrastructures' (5G network, EV charging infrastructure, AI), which will secure China's lead in these key sectors. On the other hand, it allows China to jump-start economies in the region through imports and investments once they have restarted production. This is not unlike China's relation with the region after the 2008-09 crisis, with the added benefit of accelerating China's transition into a more consumption-based economy and adding dynamism to nonextractive industries in the region."

A **Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico City:** "Covid-19 originated in China, the country that has become a prominent great power and one of the main trading partners for most Latin American countries. Even though the pandemic has intensified xenophobia against the Chinese in the region, Latin American governments are aware of the Asian giant's importance for guidance, experience and cooperation. The strategies and public health policies implemented in the most infected cities of China serve as a role model for everyone. The fact that a nation with a significant amount of its population in poverty has been able to buffer the impact of this coronavirus and is already recovering from the economic downfall presents a beacon of hope for our region. Despite recent negative reactions from Latin American citizens, Chinese influence had gained positive considerations in the past couple of years. Therefore, China will have incentives to exchange practices, send materials, increase financial aid and provide technical cooperation. One example is the recent gesture by President Xi Jinping of shipping to Mexico tons of medical equipment and supplies, including 50,000 tests, to combat the effects of Covid-19. The week after, another plane full of ventilators

departed bound for Mexico. China has also announced timely cooperation to send masks and protective materials to doctors in other Latin American countries. The virus spread from China, arriving first to adjacent regions and later to Latin America. Let us hope that aid and cooperation from China change course, prioritizing a region where effects could be more devastating and where Chinese engagement is desperately needed."

A **Zhen Pan, associate attorney at Diaz, Reus & Targ, LLP:** "As many parts of the world have shut down to contain the spread of coronavirus, China is one of few countries able to provide medical supplies to cope with the crisis, thanks to the recent restart of Chinese manufacturers. Since late March, both Chinese government and conglomerate companies, such as Alibaba and Huawei, have been donating much-needed medical equipment to assist countries in Latin America and the Caribbean (LAC) with their immediate responses to the local outbreaks. The aid reflects China's commitment to cooperate with LAC to deal with health emergencies, pursuant to a joint action plan made in 2018. China, given its growing influence in the region during the past decade, has become one of the largest trading partners with LAC and the top importer of products from Brazil, Peru, Uruguay and Chile. The medical assistance China is currently providing would help deepen ties beyond strong trade, particularly at a moment when the United States holds back its help to the region, as it is struggling with its own battle to contain the virus. If anything, the coronavirus outbreak has exposed LAC's reliance on China to help the region face the pandemic, which in turn strengthens cooperation among them at all levels."

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

 **THE DIALOGUE**

Michael Shifter, President
Rebecca Bill Chavez, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Michael Camilleri, Director, Rule of Law Program
Kevin Casas-Zamora, Nonresident Senior Fellow
Héctor Castro Vizcarra, Nonresident Senior Fellow
Julia Dias Leite, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Peter Hakim, President Emeritus
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, Asia and Latin America Program
Manuel Orozco, Director, Migration, Remittances & Development
Xiaoyu Pu, Nonresident Senior Fellow
Jeffrey Puryear, Senior Fellow
Mateo Samper, Nonresident Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program
Denisse Yanovich, Director of Development and External Relations

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

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.