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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 September 2, 2020, the region had almost 6.1 million confirmed cases (almost 28% of cases worldwide) and almost 280,000 deaths (almost 33% of deaths worldwide), with the virus continuing to spread at high levels in several countries. Brazil, Mexico, Peru, Colombia, and Chile have the highest numbers of deaths in the region, and Brazil has the highest death toll worldwide after the United States. The rankings change in terms of per capita deaths—Peru has the highest recorded deaths per capita in the region, followed by Chile, Brazil, Mexico, and Panama (see **Table 1**). A June 2020 University of Washington model for COVID-19 in Latin America and the Caribbean forecasts that deaths could reach 438,000 by October 1, 2020.

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.

The Director of the Pan American Health Organization (PAHO), Dr. Carissa Etienne, maintained on May 19 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. In June 2020, PAHO issued guidance on measures to reduce COVID-19 transmission among indigenous populations, Afro-descendants, and other ethnic groups, and in July, PAHO issued an alert urging countries to intensify effort to prevent further spread of the virus among indigenous communities in the Americas.

Economic Impact

Before the pandemic, the International Monetary Fund (IMF) projected 1.6% economic growth for the region in 2020 but forecast a recession for 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 a projected gross domestic product decline of 10.3% in 2020, according to the IMF.

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 1,000 deaths, as of Sept. 2, 2020)

Country	Deaths	Deaths per 100,000	Regional Rank (deaths per 100,000)
Brazil	122,596	58.53	3
Mexico	65,241	51.70	4
Peru	28,944	90.48	1
Colombia	20,050	40.38	7
Chile	11,321	60.45	2
Argentina	8,919	20.05	9
Ecuador	6,571	38.46	8
Bolivia	5,101	44.93	6
Guatemala	2,778	16.11	12
Panama	2,018	48.31	5
Honduras	1,888	19.69	10
Dom. Rep.	1,738	16.35	11
Total LAC	279,788	—	—
United States	184,664	56.44	—

Source: Johns Hopkins University School of Medicine, Coronavirus Resource Center, “Mortality Analyses,” September 2, 2020, updated daily at <https://coronavirus.jhu.edu/data/mortality>.

The World Bank had predicted in April 2020 that remittances from abroad to Latin America and the Caribbean would decline by over 19% in 2020. There are

some indications, however, that remittances began to rebound in June and July 2020. The labor markets of many Latin American countries have high rates of informality, with many workers living without a safety net, making it difficult 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 is making available up to \$12 billion, including \$3.2 billion in additional funding for 2020 and the remainder in reprogrammed existing health projects. It is providing lending support 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 World Bank, as of August 27, 2020, reported that it is providing almost \$4 billion to 20 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 September 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.
- The Development Bank of Latin America, as of July 2020, is providing \$4.9 billion in financing to address the effects of the pandemic across the region.

Political Impact

Even before the pandemic, public satisfaction with the quality of democracy in several Latin America and Caribbean countries was 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 and help explain the eruption of social protests in 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; high levels of inequality and poverty; and inadequate public services, social safety net programs, and advancement opportunities. The COVID-19 pandemic could exacerbate 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 twice postponed presidential elections, prompting widespread protests. In Venezuela, the government and security forces have used a state of emergency imposed to curb the spread of the virus as an excuse to crack down on dissent.

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 the estimated amount appropriated in FY2020. The request included almost \$133 million in Global Health Programs assistance for the region, 37% less than the FY2020 estimate. In addition, the Administration requested \$16.3 million for PAHO, almost a 75% cut from estimated appropriations 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 aid to respond to COVID-19 globally. As of August 21, 2020, the Administration said it was providing \$141.35 million in new and previously announced assistance to help countries in the region respond to the pandemic, including \$103.3 million in humanitarian assistance, \$27.6 million in health assistance, and \$10.45 million in economic aid. The House foreign aid appropriations bill, H.R. 7608, passed July 24, 2020, would fully fund the U.S. assessed contribution of \$65.2 million to PAHO in FY2021 and provide \$9.1 billion in emergency aid to respond to COVID-19 worldwide.

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 continued to increase economic sanctions on both countries.

Deportations. Several countries in the region, including Guatemala, Haiti, and Mexico, report that some migrants removed from the United States were infected with the virus. As a result, Guatemala suspended U.S. deportation flights several times. Some human rights groups, migrant advocates, and Members of Congress have called for the suspension of deportations to the region amid the pandemic.

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