



Zero Hour: Our Region in the Face of the Pandemic

March 25, 2020

The following is an op-ed piece by Alicia Bárcena, Executive Secretary of the United Nations' Economic Commission of Latin America and the Caribbean (ECLAC), on the economic and social consequences of the COVID-19 crisis

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*"Everything seems to be one gigantic mistake. We console ourselves by saying that everything has happened as it should not have happened. But it is we who are mistaken, not history. We must learn to look reality in the face; if necessary, we must invent new words and new ideas for these new realities that are challenging us. Thinking is the first obligation of the intelligentsia, and in certain cases it is the only one." – Octavio Paz, *The Labyrinth of Solitude**

It is true that history recounts the devastating impact of past pandemics, but none of them broke out in such a populated world (with more than 7.7 billion people) or such an interconnected one, and with a planet that is ailing environmentally. This is the biggest human and health crisis we have ever faced. That assertion must serve as our guiding principle if we are to approach it effectively. It has, of course, profound economic implications, but the center of attention, the focus of public policy decisions, must be on safeguarding one of the most valuable global public goods in existence: people's health and well-being.

With this in mind, it is fitting to mention that Latin America and the Caribbean will be impacted via **five main external channels** :

1. the decline of economic activity in our principal trading partners, especially China;
2. the fall in prices for our commodities;
3. the interruption of global and regional value chains;
4. the steep drop in demand for tourism services, which primarily affects the Caribbean; and
5. an increase in risk aversion and the worsening of global financial conditions and capital outflows from the region, with the consequent devaluation of our currencies.

The onslaught of COVID-19 came at a bad time. Worldwide, 2019 marked the worst performance in the last decade (2.5% growth in GDP). In the case of Latin America and the Caribbean, this performance was even more dramatic. To find worse growth levels than what the region recorded in the last seven years, one must look back as far as seven decades.

Just a few months ago, and after ending 2019 with poor regional growth of just 0.1%, ECLAC estimated that 2020 would witness a modest rebound and the growth rate would reach 1.3% of GDP. Today, a conservative estimate – based on data that is still in the process of stabilizing – tells us that Latin America and the Caribbean will record negative growth of -1.8% this year, with a probable downward bias.

The effects of this crisis on our main trading partners portend a decline in the value of our region's exports that could reach a magnitude of -10.7%. This scenario entails a significant increase in unemployment along with heightened labor market informality.

The consequent effects of negative growth and higher unemployment translate into an increase in poverty and extreme poverty. If the base data is confirmed, in 2020 the number of poor people would rise from 186 million currently to 220 million, and the quantity of Latin American and Caribbean inhabitants who live in conditions of extreme poverty would rise from 67.5 million to 90.8 million.

This crisis finds us with fragmented health care systems and without universal coverage, where more than 47% of the population currently has no access to social security. A crisis that is particularly vicious for the 58 million people over 65 years of age in our region.

The challenge is enormous, and it demands that we renew our toolbox. Each country will have to creatively explore and expand the framework of its possible responses, recognizing that there are no known formulas, while also recognizing that there are some imperative steps to be taken.

In the current situation, it cannot be overlooked that massive fiscal stimulus is needed to bolster health services and protect income and jobs, among the numerous challenges at hand. **The provision of essential goods (medication, food, energy) cannot be disrupted today, and universal access to testing for COVID-19 must be guaranteed along with medical care for all those who need it. Providing our health care systems with the necessary funds is an unavoidable imperative.**

When we talk about massive fiscal stimulus, we are also talking about financing the social protection systems that care for the most vulnerable sectors. We are talking about rolling out non-contributory programs such as direct cash transfers, financing for unemployment insurance, and benefits for the underemployed and self-employed.

Likewise, central banks have to ensure liquidity so the production apparatus can guarantee its continued functioning. These efforts must translate into support for companies with zero-interest loans for paying wages. In addition, companies and households must be aided by the postponement of loan, mortgage and rent payments. Many interventions will be needed to ensure that the chain of payments is not interrupted. Development banks should play a significant role in this.

And, certainly, multilateral financing bodies will have to consider new policies on low-interest loans and offer relief and deferments on current debt servicing to create fiscal space.

It is also urgent that unilateral sanctions and blockades, imposed in the world and in our region, be lifted, because they hamper entire populations' access to goods and services that are indispensable for fighting this sanitary challenge. Today, humanitarian considerations come before any political differences. Health cannot be held hostage to geopolitical quarrels.

This is a complex time, and it comes as our planet is ailing. It is experiencing one of its worst phases in environmental terms, with polluted oceans and rivers, devastated forests, eroded soil, mass extinction of species, and altered climatic cycles. This must be the time to reflect on the unsustainability of the extractivist and unequal development model.

This new health crisis has exposed the fragility of this globalization and of the development model on which it was based. The breaking of supply chains, the decline in global growth, and the performance of financial markets have exposed the global vulnerability of our economies. In light of the evidence of this crisis, the global community will have to face the fact that globalization did not work as promised and it must be reformed.

The decoupling between financial markets and the real economy's flows must be contained and regulated. International trade is not an inevitable driver of long-term growth without policies for diversifying and transforming production. Inequalities, between countries and within them, aggravate the fragility of the global system and must be rolled back.

This pandemic has the potential to transform the geopolitics of globalization, but it is also an opportunity to survey the benefits of multilateral action and make room for needed debate on a new, sustainable and egalitarian development model. Because, *"if necessary, we must invent new words and new ideas for these new realities that are challenging us."*

Read more from UN-ECLAC: [COVID-19 Will Have Grave Effects on the Global Economy and Will Impact the Countries of Latin America and the Caribbean](#)

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