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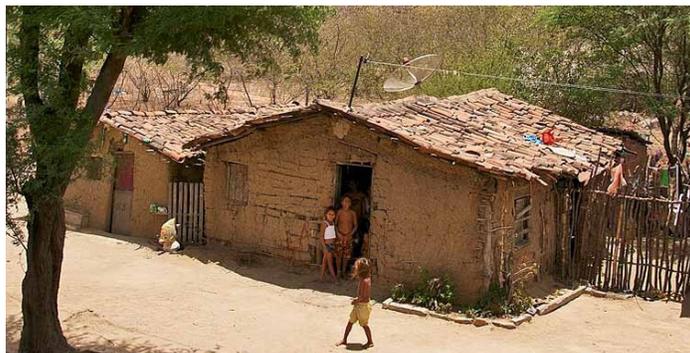
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FEATURED Q&A

Will Brazil See Rising Poverty Due to the Pandemic?



Ending a Brazilian government cash-transfer program could send millions of people back into poverty. A poor neighborhood in the municipality of Sobral in Ceará state is pictured above. // File Photo: Brazilian Government.

Q Beginning in October, Brazil's federal government halved the monthly emergency payments it had provided to the country's poor during the pandemic, to about \$54. The administration of far-right President Jair Bolsonaro says it plans to keep parts of the program, but it has also expressed concerns about its cost. The Getúlio Vargas Foundation estimates that ending the payments would send 15 million people back into poverty. Will keeping the cash transfer program become a necessary part of Brazil's economic recovery from Covid-19? What will be the long-term effects of the coronavirus pandemic on Brazil's middle class? How would a shrinking middle class affect Brazil's political stability and Bolsonaro's agenda?

A **Monica de Bolle, senior fellow at the Peterson Institute for International Economics:** "The emergency income program approved in April for three months and extended recently until December has provided a sizable boost to Brazil's flailing economy. Following a dramatic drop in the second quarter, retail sales quickly rebounded, reflecting higher consumption by the recipients of the program—mostly poor and economically vulnerable households. As a result of the program, Brazil's recession in 2020 is likely to be much less than previously estimated—a contraction of about 7 percent in GDP rather than 10 percent or more. A continuation of the program, whether in its current form with cash payouts at about half of their initially approved levels or in some other redesigned version, is key to keeping both the vulnerable population and the economy afloat. However, President Bolson-

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TODAY'S NEWS

ECONOMIC

Mexico's López Obrador Eyes Ban on Job Outsourcing

Mexican President Andrés Manuel López Obrador suggested a ban on subcontracting or outsourcing jobs in the private sector, saying the practice has been used to avoid paying workers' benefits.

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BUSINESS

Cuba Says 407 Western Union Offices to Close

Fincimex, the Cuban military company that controls remittances to the island nation, said 407 Western Union locations in Cuba will close because of new U.S. sanctions.

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POLITICAL

Judge Annuls Arrest Warrant of Bolivia's Morales

A judge has annulled the arrest warrant of former President Evo Morales, clearing the way for his return to the country. Morales has been living in Argentina.

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Morales // File Photo: Bolivian Government.

POLITICAL NEWS

Judge Annuls Arrest Warrant of Bolivia's Morales

A Bolivian judge has annulled the arrest warrant of former President Evo Morales, paving the way for his return to the country, BBC News reported Tuesday. Morales resigned under pressure last November and fled the country amid protests over allegations of fraud in last year's presidential election. Morales has said that he would return to Bolivia if his MAS party won the presidential election re-do, which it did on Oct. 18. Morales, who has been living in Argentina, has been accused of stirring unrest in the weeks following last year's disputed election. Dozens of people were killed in clashes with security forces and in confrontations between rival political groups. Arturo Murillo, the interior minister in the government of interim President Jeanine Áñez, cited audio recordings that he said showed Morales had organized roadblocks that prevented food from reaching some cities. Morales said the recordings had been manipulated. [Editor's note: See related [Q&A](#) in the Oct. 20 issue of the Advisor.]

ECONOMIC NEWS

Mexico's López Obrador Eyes Ban on Job Outsourcing

Mexican President Andrés Manuel López Obrador on Tuesday suggested a ban on subcontracting or outsourcing jobs in the private sector, saying the practice has been used to avoid paying workers' benefits, the Associated Press reported. The president said he was planning to send the proposal to Congress at a later date. López Obrador cited abuses of the practice, including the case of one outsourcing company accused of fraud. The firm "had listed 200,000 employees, to release companies from the responsibility for paying them properly, to avoid paying them their benefits," said López Obrador, the AP reported. The plan already has sparked criticism, with business groups saying such a change would exacerbate Mexico's economic problems. Companies in Mexico frequently contract out jobs including maintenance, cleaning and warehouse duties to temporary agencies or outside firms, the AP reported. These workers often work at a company's facilities but are paid by another firm.

NEWS BRIEFS

Coordinator of Venezuela's Opposition Popular Will Party Arrested

Venezuelan chief prosecutor Tarek Saab said Tuesday that Roland Carreño, the coordinator for opposition leader Juan Guaidó's Popular Will party, had been arrested, Reuters reported. Saab's Twitter post came hours after Guaidó denounced what he called Carreño's "forced disappearance." Saab said the opposition activist was arrested for alleged "participation in conspirative plans against the democratic peace." The government of President Nicolás Maduro has been accused of routinely detaining opposition adversaries without due process.

Two Killed in Fire at Rio de Janeiro Hospital

A fire in one of Rio de Janeiro's main hospitals, Bonsucesso Federal Hospital, on Tuesday forced the evacuation of at least 200 people, including patients wheeled out in their beds, the Associated Press reported. Two women who had been hospitalized due to Covid-19 died during the evacuation, the hospital said. According to a fire department spokesman, the source of the fire was the basement of one of the hospital's several buildings. An investigation into the cause of the fire is underway.

Colombia's Grupo Bolívar Places Bonds for \$262 Million

Colombia's Grupo Bolívar, one of the country's largest financial conglomerates, on Tuesday placed ordinary bonds for 1 trillion pesos, or \$262.2 million, with proceeds going toward investments and debt replacements, the stock exchange said, Reuters reported. The group issued paper for five, 10 and 25 years after receiving offers for 1.43 trillion pesos, the stock exchange added. Among its assets, Grupo Bolívar owns Banco Davivienda.

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aro has resisted calls for a renewal of the program before its expiration for a number of reasons, including because of the upcoming municipal elections. The fiscal cost of the program and the chances that it would breach the spending cap if continued have also added to concerns over its continuation. If the program is allowed to expire and is not replaced by some alternative, the lower-income population will suffer a massive blow. The economy will also lose traction, and a recession in 2021 will become more likely. A shrinking middle class along with suffering among the poor would adversely affect Bolsonaro's political standing, which has recently experienced a boost due to the emergency income program."



Gabrielle Trebat, managing director for Brazil and the Southern Cone at McLarty

Associates: "In 2020, the year that the Covid-19 pandemic sparked global economic shock waves, Brazil achieved its lowest poverty rate in 40 years, falling from 13.8 million at end 2019 to 6.9 million in June. Credit goes to the administration and Congress in approving a stimulus package in March, providing emergency relief to more than 44 percent of Brazilian households that received monthly payments of between \$110 and \$220. For 4.4 million Brazilians, this emergency aid was their sole source of income. The federal government has since cut the payments, which expire in Decem-

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BUSINESS NEWS

U.S. Rules on Cuba to Close 407 Western Union Offices

New U.S. restrictions on Cuba will lead to the closure of 407 Western Union offices in the island nation, the Miami Herald reported Tuesday, citing Fincimex, the Cuban military company that controls remittances to the country. However, Western Union, which handles most of the money transfers to Cuba, said it is seeking alternatives in order to maintain its services there. New embargo restrictions that the administration of U.S. President Donald Trump published on Tuesday seek to cut Cuba's military out of the process of processing remittances, the newspaper reported. U.S. Secretary of State Mike Pompeo said the restrictions are aimed at cutting off money that flows to Cuban security agencies that are accused of human rights violations in Cuba and also in Venezuela. However, Fincimex said in a statement posted on Facebook that it is not willing to transfer remittance processing to public, nonmilitary entities, the Miami Herald reported. "Fincimex, as part of the Cuban financial system, is the entity that by sovereign decision of the Cuban government has been in charge of guaranteeing remittances to Cuba from the U.S., which will be totally interrupted," said Fincimex. "Among our North American counterparts is Western Union, an entity whose 407 offices distributed throughout the country will close due to these brutal provisions." For now, Western Union customers can continue sending money to Cuba because the Trump administration gave companies 30 days to discuss a solution with Cuba's government. "Our goal is to continue providing essential money transfer services to customers, many of whom are relying on remittances from loved ones to meet day-to-day needs," said Western Union spokeswoman Margaret Fogarty. "Western Union is committed to adhering to all government regulations, and we are currently working to comply with the new rules and regulations on Cuba. We will provide additional information as we formalize those plans." The U.S. sanctions include the

TECH BRIEFS

North American Business Groups Lobbying Against Mexico Registration Requirement

North American business groups are lobbying for Mexico's Congress to reject a proposal that would shut down international firms' Internet services if the companies fail to comply with a new registration requirement under Mexican tax law, Politico reported Monday. The new regulation, dubbed the Internet "kill switch" provision, seems to be in violation of several of Mexico's commitments under the United States-Mexico-Canada Agreement, or USMCA, which came into effect on July 1, according to the U.S. Chamber of Commerce. The provision is part of the Mexican government's 2021 budget proposal, which is currently being discussed in Congress. In a letter to lawmakers last Friday, the U.S. Chamber of Commerce said the provision is "inconsistent with Mexican law and trade obligations, would have a negative impact on the Mexican economy and is unnecessary to ensure tax compliance." It added that it sees "a significant number of blockages" if the provision passes, especially among "nonresident service providers that do not charge for their service," Politico reported.

Colombia Pinning Economic Growth Hopes on 'Digital Transformation'

The Colombian government is betting on a "digital transformation" to help boost its economic growth in its recovery from the fallout brought on by the Covid-19 pandemic, the Financial Times reported Oct. 7. It is among the government's key pillars for economic recovery, although it was also a central tenet of President Iván Duque's campaign in 2018. As part of the transformation, the government hopes to digitize more of the public and private sectors in a bid to increase productivity, whose low levels have been a problem in the past. The digitization plan includes several projects, among them improving connectivity as well as using electronic medical records, digitizing court files and allowing government contractors to sign contracts and submit requirements online, the newspaper reported.

Microsoft, Brazil Partnering on Training Plan

Microsoft has partnered with the Brazilian government for the training of nearly 5.5 million people in areas including data science, the cloud and artificial intelligence by 2023, the Brazilian government announced, ZDNet reported Oct. 23. Under the Mais Brasil program, an education platform offers 20 courses through the Microsoft Community Training tool. The platform will include course options at different levels, from digital literacy to more advanced lessons on data science and artificial intelligence. Additionally, Microsoft donated cloud credits to help boost Brazil's National Employment System and improve job prospects for as many as 25 million workers, according to the report.

American International Services debit card, a remittance-backed debit card that recently became popular in Cuba and which is part of Fincimex, the Associated Press reported last month. The card was introduced in July, and

Cubans have used it to buy items such as food, home appliances and replacement parts, the AP reported. [Editor's note: See [Q&A](#) on U.S. sanctions on Cuba in the Oct. 1 issue of the Advisor.]

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ber. The popularity of the 'coronavoucher' program has reignited conversations about expanding cash transfer programs once the aid expires. But how the government will pay for a permanent replacement of Bolsa Família and the emergency aid programs is unclear. Chamber of Deputies President Rodrigo Maia has proposed cuts in military spending while the Bolsonaro administration has proposed reallocating resources from federal education and legal settlement funds, although this plan is unpopular and likely unconstitutional as a similar type of fiscal maneuvering prompted former President Dilma Rousseff's 2016 impeachment. Meanwhile, Brazil is on track to reach a debt-to-GDP ratio of 101.4 percent in 2020, one of the highest rates in Latin America. While the emergency aid payments prevented the worst, the trajectory of Covid-19 remains unknown, with cases resurging across Europe and the United States. The situation underscores the urgent need to pass an administrative reform that reduces the costs of the state and to approve a tax reform that corrects Brazil's highly regressive tax regime to permit the expansion of social welfare programs that provide economic relief to the poorest Brazilians."

A **Jacqueline Pitanguy, executive director of Citizenship, Study, Research, Information, and Action (CEPIA) in Brazil and a member of the Inter-American Dialogue:**

"Two elements, whose impact is maximized by the pandemic should be considered in this analysis: the architecture of poverty is multidimensional, and the concept of middle class is dynamic. Although income is the most usual indicator of class, the social safety network provided by access to health, education, sanitation, housing and information technology adds value to cash. The symbolic dimension of humiliation derived

from poverty, in which gender and race play a key role, is also part of this architecture. How those dimensions interact in a situation of crisis is key to understanding the success of cash transfer programs and their effects on the economy and politics. In recent decades, Brazil has built a strong network

“**While these cash transfers help the economy ... they do not allow for social mobility.**”

— **Jacqueline Pitanguy**

of social protection, combining different programs that keep large parts of the population out of extreme poverty. However, while these cash transfers help the economy, basically through the consumption of food, they do not allow for social mobility. The lower middle class faces growing unemployment rates relying on social protection networks in order to keep them out of poverty. It is necessary to keep the cash transfers, but the sustainability of the middle class depends largely on the maintenance and efficacy of the public health and education systems, housing programs and opportunities for employment. As for political consequences, in situations of uncertainty and crisis, other elements besides income play a major role on the vote. Bolsonaro's ideological, religious, moral and customs agenda, and his messianic populist rhetoric, provide a false sense of security and protection, as well as nationalism, that add votes to his re-election."

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