Politics, Business & Culture in the Americas | Volume 14 | Issue 3 | 2020

Americas QUARTERLY

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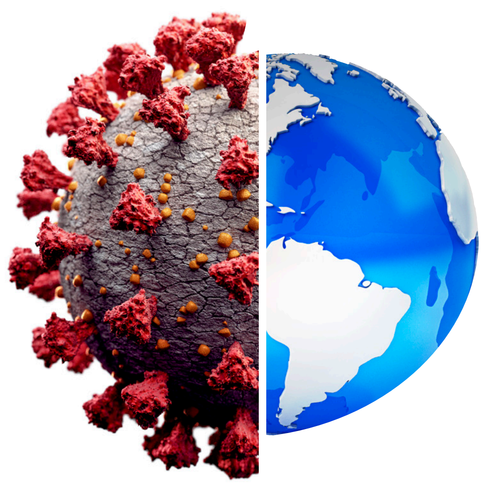
5 BIG IDEAS FOR A POST-COVID LATIN AMERICA



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AMERICAS QUARTERLY • VOLUME 14 • ISSUE 3 2020

5 Big Ideas for a Post-COVID Latin America

From universal health care to a revival of hemispheric trade talks, it's time to be bold

OUR ORIGINAL CONCEPT for this issue of *AQ* was to feature five "radical" ideas for building a better Latin America once the pandemic is over.

But the destruction unleashed by COVID-19 has been so enormous, so unprecedented, that by the time we finished, the ideas didn't seem so radical anymore (we called them "big" instead). As of August Latin America has seen more deaths from the virus than any other region, and is forecast to endure the most economic damage. The region had already been experiencing stagnant growth, rising inequality and a new anti-democratic wave in recent years. Now is the time for bold—even radical—thinking.

To that end, we are lucky to publish five articles from some of Latin America's foremost intellectuals and political figures.

Alicia Bárcena, the head of the U.N. Economic Commission for Latin America and the Caribbean, argues that we need to start by changing how we define success—looking beyond GDP and gathering more and better data on racial and social inclusion, among other areas. Sergio Fajardo, the former mayor of Medellín and Colombian presidential candidate, argues that governments need to act now to stop students from dropping out of school because of the pandemic.

Also from Colombia, a team led by Marcela Eslava at Universidad de Los Andes offers a step-by-step plan to provide a guaranteed income for about two-thirds of Latin America's citizens—and thus prevent the region from losing 20 years of progress in poverty reduction.

Eric Farnsworth of the Council of the Americas, one of the organizations that publishes *AQ*, explains why now is the time to overcome past failures and stigmas—and bet big on a new hemispheric trade deal. And a team assembled by Arminio Fraga, one of Brazil's finest policy minds, explains why his country's health care system—despite its shortcomings—may illuminate a path to a universal system throughout Latin America.

All these ideas are big, but they also seem viable. There is a fine line between ambition and utopian thinking; proposals must take into account political and fiscal realities, even when they dare to challenge the status quo. That may be the only way to stop the pandemic's legacy from being yet another "lost decade" for Latin America.

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What Now?

The pandemic threw a spotlight on and deepened Latin America's most entrenched challenges. Across the region, creative ideas are being brought to the debate stage. Thinking outside-the-box may just be what we need right now.

Our special report on big ideas for Latin America's recovery starts on page 7.

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We must close the gender gap.
A look at specific initiatives that can bring parity for men and women by 2030.

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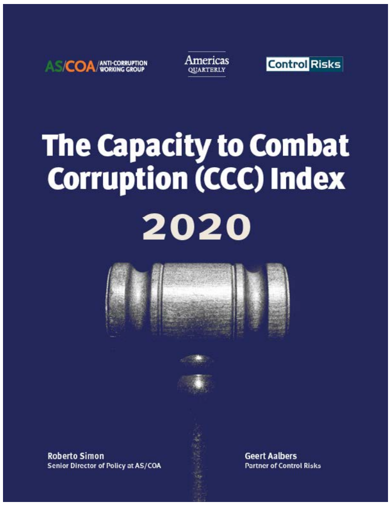
PEDRO VILELA/GETTY

Our Readers

Tell us what you think.
Please send letters to Brian@as-coa.org



The 2020 Capacity to Combat Corruption Index, a collaboration of AS/COA and Control Risks that assesses Latin America's ability to detect, punish and prevent corruption, made a splash in the region. The index caught the attention of dozens of outlets, including *Reforma, El Tiempo, La Nación, El Mercurio,* the *Financial Times,* the *Wall Street Journal* and CNN.

EL UNIVERSAL

EL GRAN DIARIO DE MÉXICO

DAN ÚLTIMO ADIÓS A PARAMÉDICO QUE PADECIÓ COVID

Acusan de desviar atención con complot BOA

Refinería Dos Bocas se encarece 13.5%

Tiene techo de 35% en alza de costo para ser rentable: informe

De rebasarlo, puede poner en riesgo las metas de producción

Ven estancado el combate a la corrupción en México

HUMILDAD Y VALENTÍA

Cifran pérdidas por vandalismo en 92 mdp

REFORMA

Inyecta millonada la 4T a sus bancos

BUSCABAN OTRO AYOTZINAPA, ACUSA ALFARO

Se estanca en México combate a corrupción

Llena hospitales en California brote de BC

telcel $199

Actualidad

Lucha contra la corrupción aún es débil

Guatemala está en el puesto 11 de 15 países evaluados en el Índice de Combate contra la Corrupción, por arriba de Bolivia y Venezuela.

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abc

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Puntaje General

Ranking General

CCC

Aurora Vergara-Figueroa, director of the Afrodiasporic Studies Center at Icesi University, speaks about racism in Colombia in an *AQ* panel. Since the outbreak of COVID-19, *AQ* has found new audiences through online programs.

Jessica Rich
@jessicaajrich

Political Scientist @Marquette. Social welfare and social movements in Brazil and Lat Am. Author of State-Sponsored Activism. she/her

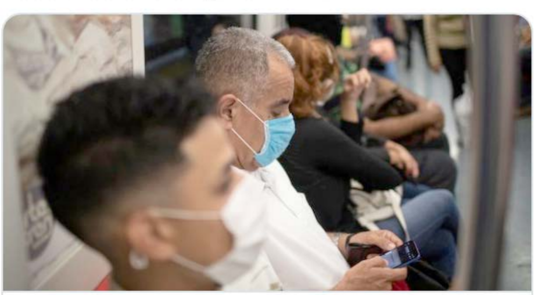
This is a great, short-and-sweet piece that uses political science to explain Latin American countries' reactions to Covid-19.

How Political Science Explains Countries' Reactions to COVID-19
A comparison between Argentina, Brazil, and Mexico shows the decisive role of institutions.
americasquarterly.org

Caroline Kronley
@CKronley

Thinking about LatAm, philanthropy, and people on the move. President @TinkerFdn. Board @SafePassageProj. Views very much my own. De repente en español.

Appreciate that this piece from @AmerQuarterly highlights not only the dramatic #COVID19 rumors but also the critical work of fact checkers. Orgs like @Chequeado are working around the clock to counter dangerous misinformation.



Coronavirus and Fake News: 5 Tales from Latin America
From tea-induced "force fields" (yes, you read that right) ...
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@VRubioMarquez Thank you @BrazilBrian and @AmerQuarterly for the interview. We need to save employment in Mexico through responsible and robust economic and fiscal measures.

@aogarza On @AmerQuarterly, 13 former presidents and prominent leaders offer a roadmap for confronting the #coronavirus in #LatinAmerica.

@apagliar The new @AmerQuarterly podcast is really quite good, hosted by @BrazilBrian.

@lenton_chris Good one by @BrenOBoyle on the millennials steering major economies in LatAm, who it turns out are more pragmatic than ideological.

@MorenoBID "The #COVID19 pandemic has created opportunities for fraud and corruption. Technology offers the best medicine." Wise words from my colleagues @rodemichele61 and @jcruzvieyra in @AmerQuarterly.

@haricito @AmerQuarterly publishes some amazing profiles of entrepreneurs and various leaders in Latin America. Here is one of @dalesmm Argentina's national director of economy, equality and gender.

BIG IDEA:

Let's Think About More Than GDP

Well-being, inequality and sustainability should be measured just as carefully as the monetary value of a nation's products

by Alicia Bárcena

Rio de Janeiro's Corcovado hill spreads its arms over the Botofogo buildings, the Rodrigo de Freitas lagoon, Ipanema beach, as well as the Dona Marta shantytown, blending the rich and the poor in the same scenery.

ANTONIO SCORZA/AFP/GETTY

BIG IDEA:
Beyond GDP

SANTIAGO—What a year 2020 has been. But Latin America and the Caribbean are certainly not alone as we face the challenges imposed by the pandemic. The spread of the new coronavirus was set against the backdrop of the crisis of multilateralism, growing inequality, climate change, trade wars, unprotected migration, demographic change and mounting global geopolitical tensions.

The job ahead is to rebuild and restart, better. But what will be our goal? Which yardstick should we use?

Even before these multiple crises arose, there was a growing international recognition that well-being is multidimensional and cannot be captured exclusively through monetary metrics. When countries focus solely on increasing their annual gross domestic product (GDP), concerns for the environment, erasing poverty or even basic services such as providing safe drinking water run the risk of being left on the back burner.

This does not mean that we should stop measuring GDP, but rather that it must be complemented with information that captures dimensions of well-being and sustainability beyond economic production. Make no mistake, economic growth is needed to boost the population's well-being, but that growth must take place within the framework of a new development pattern—one that is compatible with using natural resources sustainably and reducing social gaps, among other considerations.

The focus on sustainable growth is crucial for a more comprehensive regional recovery after the coronavirus pandemic. To get there, we need to improve our yardsticks.

What follows are some ideas on how to do that.

Measuring inequality

THE CHALLENGES INVOLVED IN PRODUCING relevant and timely statistical information for decision-making, for both nation-states and the international cooperation system, are enormous.

One main critical issue is how we monitor inequalities.

First, there is a need to improve the way we measure the income of the richest segments of the population. Current household surveys have limitations to gauge and portray these groups accurately. The way forward is to use information from other sources, such as tax and administrative records. The challenge is to develop methodologies that make these data sources compatible and comparable across countries. Information is also needed on the concentration of wealth and assets—the region is only just beginning to develop statistical competencies in this area.

Steps should also be taken toward capturing other manifestations of inequality, such as the concentration of power and information.

For low-income earners, we must measure inequalities in the quality of education, health, housing, employment and social security. In many of the region's countries, asymmetries in these areas tend to be expressed more in differences in quality than in access itself. Disparities in the quality of employment are particularly significant, as they are linked to the structural gaps that characterize the region's labor market and to the disparities in educational attainment—two factors that help to perpetuate inequality and poverty over time. And inequality itself is a costly inefficiency.

When it comes to statistics, the tools we have are better for measuring the quality of employment than that of education. Most countries undertake specific employment surveys, while there is not yet a regular, standard test to measure knowledge and skills acquired in schools that is applied in all the countries of the region.

> **For low-income earners, we must measure inequalities in quality of education, health, housing, employment and social security.**

To build a detailed overview of inequality, we need information that can be disaggregated by gender, ethnicity, age group, area of residence and disabilities, among other factors. In the area of gender, disparities in time use and unpaid work are of particular interest. These elements perpetuate women's subordinate status, as do gaps in access to and quality of paid work. There are significant statistical challenges in this area, as there is in the data-collection instruments used to collate information on domestic violence, and particularly femicide, the most obvious manifestations of patriarchal societies that choose to victimize women.

With regard to indigenous and Afro-descendant populations, it is important to have data to monitor racist and discriminatory practices, as well as the perceptions of the affected groups. Otherwise, in the absence of disaggregated information, we will be blind to who is being left behind in our societies and could mistakenly believe that an improvement in the averages benefits everyone equally.

We are in the midst of an unprecedented technological and data revolution. The availability of new sources of big data and the development of artificial intelligence techniques are a promising way to increase the knowledge of our societies. But accessing such information to generate official statistics that can be used to formulate public policies is still a challenge that remains unaddressed.

Uncovering a bad picture

Collecting all this data is even more important given what we've learned from COVID-19; the pandemic put a spotlight on all these manifestations of deprivation in Latin America. Overcrowding and lack of access to water and sanitation facilities have contributed significantly to the rise in infections among the poorest populations.

The region has seen how the precariousness of employment and inadequate economic relief measures for the most vulnerable populations have limited the effectiveness of lockdowns and social distancing measures. Moreover, despite official remote learning mandates, it has been difficult to continue school activities in countries where many children and young people do not have access to a computer or an Internet connection.

Increasing levels of air, water, soil and ocean pollution affect human and ecosystem health.

At the Economic Commission for Latin America and the Caribbean, we are currently in the process of designing a regionally comparable multidimensional poverty index that includes all these deprivation indicators and that can contribute to track the well-being of the population with a broader perspective than income alone.

The persistence of inequality and deepening of poverty as a result of the COVID-19 pandemic, against the backdrop of a serious environmental and climate crisis, is not only jeopardizing well-being now but also threatens the natural heritage that will be available to future generations. The extraction of natural resources at rates above their replenishment level, and increasing levels of air, water, soil and ocean pollution, affect human and ecosystem health. To move toward a more sustainable development pattern, statistical information is required to determine the conservation status of natural heritage, in particular that of nonrenewable goods, and data is also needed to monitor international commitments on reducing carbon emissions.

A woman from a Mayan community in Yucatan, Mexico, surveys the aftermath of a tropical storm. Climate change has made these phenomena more commonplace.

The climate emergency is causing more intense and frequent natural disasters with considerable human, infrastructure and economic costs, which hit the most vulnerable populations hardest. It is therefore essential to quantify the impact and geographical spread of these events, paying particular attention to populations with fewer resources, especially in the region's cities, which are highly segregated. Information on investment in climate resilience and improved post-disaster reconstruction is also required.

While a great deal of progress has been made in recent years in the production of environment, climate and sustainable development indicators, capacity-building in this area still requires additional investment for this information to be incorporated into more comprehensive metrics of sustainable well-being for all. A long-term frame must also be incorporated to compare inter-generational

LUIS PEREZ/AFP/GETTY

Statistics must be our friend in the pursuit of sustainable targets; a focus on GDP alone won't take us there.

inequality, particularly in light of the current climate emergency and the environmental crisis that we are bequeathing to future generations.

Subjective indicators of well-being and discontent are largely absent from the region's official statistics. These indicators are important, as any initiative to create redistributive social pacts that seek to provide a minimum level of well-being for the population will require citizens' support if they are to be sustained over time. To this end, some critical indicators are those that measure trust in institutions and perceptions of abuse, corruption and inequality. Over the course of the COVID-19 pandemic, we have seen how public policy initiatives have been eroded by public distrust of institutions, even those linked to the scientific community. Mistrust and the feeling of being manipulated by an elite not only impair the effectiveness of responses to the pandemic but could also further undermine the democratic order in the medium term.

Ahead of us is the challenge of increasing the understanding of the relationships among the different dimensions of well-being—and the need to incorporate those in our decision-making at all levels of government and private-sector activity.

Statistics must be our friend in the pursuit of sustainable targets; a focus on GDP alone won't take us there. They must be incorporated as an integral part of the design and evaluation of our public policies. Otherwise, the increase in the availability of information will not be enough to achieve a more comprehensive understanding of the regional situation and to take the necessary actions for attaining sustainable growth and improving Latin America's well-being.

Bárcena *is the executive secretary of the Economic Commission for Latin America and Caribbean (ECLAC). This article had the support of Rolando Ocampo, director of the Statistics Division of ECLAC; Xavier Mancero, chief of the social statistics unit of the Statistics Division; Rayen Quiroga, statistician of the Statistics Division; and Pablo Villatoro, senior statistics. assistant of the Statistics Division*

BIG IDEA:

Build Strong and Universal Public Health Systems

Brazil's SUS shows public health care services on a large scale are possible and highly effective

by Arminio Fraga, Miguel Lago and Rudi Rocha

A doctor holds up a thermometer in the Brazilian city of Niterol.

LUIS ALVARENGA|GETTY

BIG IDEA:
Universal Health Care

RIO DE JANEIRO—What if, following the pandemic shock, all Latin American countries heavily increased investments to build robust, comprehensive and universal health care systems?

As COVID-19 continues to wreak havoc, by late May Brazil had surpassed the United States in having the world's highest daily death rate related to the virus. As a result, one may not think of Brazil as an inspiration for public health policies at the moment. However, the Brazilian experience shows that building a strong public health care service on a continental scale is not only possible, but highly effective to improve the health of citizens, particularly those in more vulnerable situations.

Indeed, the pandemic highlighted how important it was for Brazil to have one of the most comprehensive health care systems in the developing world. Inspired by the British National Health Services, the Unified Health System (known as SUS, for its initials in Portuguese) is a key feature of the 1988 Constitution, drafted following the end of military rule in 1985. Brazil is the only country in the world with a population of more than 100 million to have a universal health care system.

The SUS notwithstanding, the federal government's response to COVID-19 could not have been worse—the president himself famously called it "nothing but a little flu," opposed social distancing measures, advocated distributing drugs with no proven effect, and encouraged people to form rallies and agglomerations. There was no national strategy to deal with the crisis. As a result, the decentralized approach of the SUS has been activated endogenously by state and municipal governments and is managing to provide at least some response to the crisis.

COVID-19 was at first considered a leveler, but it quickly became clear that the most disadvantaged groups were being more severely affected, as was true in much of the world. Without the SUS, the 78% of the population that does not have private insurance would not have had proper access to health services during the pandemic.

For the past 30 years, the SUS has led to an impressive improvement of key health indicators in Brazil: Infant mortality declined from 53 to 14 per thousand, life expectancy increased from 64 years to almost 76 years, and racial inequalities in health decreased. The SUS's Family Health Strategy is the largest community-based primary care program in the world, now covering around 60% of the Brazilian population. Every year, the SUS covers

A Brazilian participates in a government blood donation campaign.

ERASMO SALOMÃO/MS

more than 2 million births, 10 million hospital admissions, and nearly 1 billion outpatient procedures—free of charge for anyone in Brazil.

Moreover, Brazil has an excellent track record on vaccination coverage (96% of the population is vaccinated against BCG, diphtheria, polio and hepatitis), tobacco control (down to 13.1%, one of the lowest rates in the world) and HIV containment. Thanks to the SUS, Brazil ranks 22 of 195 nations in the 2019 Global Health Security Index.

The system's architecture mirrors Brazil's federal structure: Municipalities are responsible for primary health care, state governments for more complex health services, and the federal government for coordinating the whole system and partially funding local health programs. This decentralized structure generates uneven coverage, since resource availability and management skills vary tremendously across local governments. For example, a recent study by the Institute for Health Policy Studies (IEPS) revealed that more than half (56%) of the population lives in regions where the number of ICU beds is below what is considered adequate, and more than 10% of the population lives in areas where there are no ICU beds at all.

The somewhat arbitrary split of tasks between state and local governments is a source of inefficiency, particularly as it relates to the

Without the SUS, the 78% of the population that does not have private insurance would not have had proper access to health services during the pandemic.

availability, scale and location of hospitals (often too small and underutilized).

The system is also chronically underfunded and tainted by corruption. Moreover, and surprisingly, 30 years after its birth, the SUS consumes only 3.8% of Brazil's GDP. The public sector covers three-quarters of the population with less than half the total health care spending, a lower percentage than in the United States. There are substantial constraints to access to free public health care as well as quality issues in the provision of health services.

The supply of health care is not sufficient to fully tackle Brazil's extremely intricate burden of disease, as it combines the prevalence of non-communicable diseases (a characteristic of developed countries) with infectious diseases (which are endemic in many developing countries) and external causes (accidents and homicides, typical in many Latin American countries). Thus, it has to address a wide array of ailments, from hypertension and diabetes to dengue fever and Zika, requiring extremely diverse health and policy solutions.

The COVID-19 test

Amid the pandemic, and despite structural limitations and inequalities, Brazil is building field hospitals and expanding the number of ICU beds. It is also providing monetary assistance to about a third of the population. However, health professionals are scarce in Brazil. As a consequence, some brand-new facilities lack personnel. In fact, another study conducted by IEPS shows that, should the infection rate surpass 4% of the population, most states in the North and Northeast regions will face a severe shortage of doctors. Above an 8.7% rate, all states will be in the same situation, with the exception of the federal district where the cutoff rate is 14.3%. Moreover, due to the lack of protective gear, death rates among health care professionals is quite high.

In some regions, expanding health care infrastructure may not be enough to avoid hospital collapse if the COVID-19 curve is not flattened in time. It has been particularly difficult to implement social distancing policies in a country as vast and unequal as Brazil, where a third of the population lives in households with a per capita income of $100 per month. Millions of Brazilians are informal workers, often invisible to government aid policies. This is also the reality in most of Brazil's densely populated cities, and yet many have managed to achieve some success in minimizing the crisis as income transfers have made their way to the poor and the demand for hospital care has been met by hospital capacity.

While Argentina, Colombia, Paraguay and Uruguay have implemented restrictive policies, including lockdowns, Brazil has chosen much softer directives. Fortunately, many governors and mayors have implemented stricter restrictions in their jurisdictions, and recent evidence indeed indicates that these measures have helped reduce Brazil's contagion rate from 3.5 to 1.4, still a high number. Civil society and community leaders have also played a decisive role in many instances—for example, cancelling the famous funk block-parties in Rio de Janeiro's favelas.

However, the uncoordinated nature of these policies is troubling. Some cities have closed down all storefronts except for essential activities, others have barely implemented any policies at all. The greatest portion of the blame for this glaring lack of coordination lies with the federal government, which has failed to provide an overall strategy to deal with the crisis.

The SUS' politics and economics

President Jair Bolsonaro himself continues to fan the flames of political instability. He is the only world leader to have fired two health ministers in the middle of the crisis. Bracing himself for an economic disaster, Bolsonaro is banking on framing the terrible economic performance on the state governments' response to the new coronavirus.

The president is pushing for the reopening of businesses, showing immense disregard for the more exposed segments of the population. Brazil finds itself lodged between a rock and a very hard place, as any relaxation of quarantine policies will mean a greater risk of the systemic collapse of health care services, with dire consequences, particularly to vulnerable populations.

Brazil clearly needs to strengthen its health care system, expanding its staff of health professionals—especially primary care doctors and nurses—as well as investing in facilities and better management practices. It cannot depend too much on imported strategic health products such as tests, so far a glaring major gap in the effort to fight the pandemic. A study conducted by IEPS forecasts that health spending in Brazil will need to increase by nearly four percentage points of GDP by 2060 to cover the health care needs of its fast-aging society.

This is a major challenge as public-sector finances in Brazil are in precarious shape. The consolidated budget has been in the red since 2014 and debt is now fast approaching 100% of GDP. Moreover, 80% of

Health spending in Brazil will need to increase by nearly four percentage points of GDP by 2060 to cover the health care needs of its fast-aging society.

government spending goes into social security and payroll, a number that makes Brazil a total outlier among its peers. It should not come as a surprise that government investment has declined from a peak of 5.4% of GDP 50 years ago to less than 1% estimated for this year. Deep reforms are required if Brazil is to mobilize the resources necessary to move away from the long-dated and sad situation of unequal and unsustainable stagnation.

Needless to say, health care reform should also be based on institutional rearrangements that could improve the productivity and quality of the services. A good example are the opportunities for efficiency gains that would arise from better coordination between local primary care and state hospital services. The success of some states in subcontracting private management of hospitals suggests this is an area that must be further studied and explored. Moreover, particularly in big cities, primary care and preventive measures should be consolidated. Finally, there is plenty of room for leapfrogging through the use of technology, both basic (individual and collective data) and advanced (telemedicine).

Brazil's current health policy debate is deeply polarized, and the result is a classic stalemate. When SUS advocates hear that more efficiency is needed, they think, "Here come more cuts." When SUS critics hear that more budget resources are needed, they think, "More efficiency is the answer." Our conclusion is simple: Both sides are right.

The pandemics have revived the importance of universal health care systems. In spite of being a social right in almost every nation of Latin America, health care has not been prioritized in terms of public funding and this must change. With all its structural flaws and underfunding, the SUS has proven to be an affordable provider of widespread health care coverage and a promoter of social equity. Therefore, in spite of the terrible example set by Brazil's federal government during this crisis, the SUS is still a model to be followed by other countries.

Fraga *is the chair of the Institute for Health Policy Studies (IEPS) and a former president of Brazil's central bank.* **Lago** *is the executive director of IEPS.* **Rocha** *is the head of research of IEPS and an associate professor at FGV.*

BIG IDEA:

Make a New Hemisphere-Wide Push on Trade

A lot has changed since the 2000s, when regional talks last fell apart

by Eric Farnsworth

A step toward regional cooperation? Donald Trump and Andrés Manuel López Obrador celebrate the United States-Mexico-Canada Agreement In July.

JABIN BOTSFORD/THE WASHINGTON POST/GETTY

BIG IDEA:

Revive the FTAA (But Rebrand)

WASHINGTON—If there really is opportunity in crisis, the coming months promise a chance to completely redefine and refocus hemispheric affairs. What's needed is a vision to promote sustainable economic growth, stronger democracies and social development—while getting the region hardest hit so far by COVID-19 back on its feet.

Here's one idea: betting big on a new, hemisphere-wide trade agreement—based on democratic values and market principles, rather than geography—and using the 2021 Summit of the Americas as a venue to launch it.

At first blush, this may seem like a preposterous time for such a proposal. Latin America is sputtering, directionless, as the pandemic ravages lives and disrupts economic and social dynamics. Governments are pressed beyond their capacity to deliver basic services, much less undertake a complex negotiation. The United States remains preoccupied with its own twin economic and health crises, to say nothing of its approaching presidential elections, and has not been in a pro-trade mood for years.

The last major attempt at a hemispheric trade deal, the Free Trade Area of the Americas (FTAA), fell apart in the early 2000s amid street protests and a regional turn toward populist leaders seeking to remake regional relations separate from the United States. Today, although the populist fever has receded, frustrations linger and the violent disturbances that roiled much of Latin America in late 2019 have gone quiet mainly because protesters were forced into quarantine. Even before the pandemic hit, years of sluggish growth and stubborn inequality contributed to regional weakness, with 2020 anticipated to be yet another year of underperformance. Growth has now collapsed and projections suggest the region's economies may contract as much as 10%, the most since 1901 when records first began to be kept.

So it's hopeless then, right? Not even close. But success under such trying circumstances will take a concerted, creative and conscientious effort by the United States and like-minded partners, defining and rallying around a significant, mutually beneficial regional economic initiative that restores optimism and a path for a rapid return to growth.

Whatever increased U.S. engagement in the region ends up looking like, it almost certainly won't be in the form of significant new direct aid, regardless of who wins in November. There will be no Marshall Plan for the region. There may be half measures, including enhanced facilities and authorities and resources for health sector activities and regional economic support through international financial institutions, and there will also likely be additional bilateral assistance (which has

BIG IDEA:
Revive the FTAA (But Rebrand)

been steadily decreasing for years anyway). But domestic U.S. politics will ultimately prevail and, after spending trillions of dollars to relieve the lingering economic distress of U.S. citizens, what appetite will remain, absent an immediate strategic threat, for massive new foreign aid?

Increased U.S. engagement in the region almost certainly won't be in the form of significant new direct aid, regardless of who wins in November.

Instead, a more attractive approach would be renewed commitment to expanding trade and investment, with a focus on supply chain integration and regional job creation. Many across the region have already spoken favorably about this idea. Building on the new United States-Mexico-Canada Agreement (USMCA) as a template—a Donald Trump administration initiative that adopted virtually whole-cloth the preexisting Democrat trade agenda and was approved on a bipartisan basis—regional trade and investment relations should get a new look.

The iron is hot

Scoffers will claim that we already tried that with FTAA. Indeed we did, and it ended poorly. But circumstances have changed dramatically in the 15 years since the 2005 Summit of the Americas in Argentina, the so-called Errata of Mar del Plata, when the regional trade agenda was summarily cast aside. Unlike before, now may actually be a far more promising time to reboot an ambitious, updated hemispheric trade and investment agenda.

The region is in crisis, eager for renewed growth, and willing to consider virtually all options. Equally important, regional politics have shifted: Hugo Chávez is dead and Venezuela is no longer able to rally an anti-U.S. bloc of nations with bullying and payoffs; Brazil's Luiz Inácio Lula da Silva, Bolivia's Evo Morales, Ecuador's Rafael Correa, and Uruguay's Tabaré Vazquez have all been replaced by pro-U.S. leaders who seek closer relations. Chile, Colombia, Paraguay and Peru, among others, remain favorable toward Washington. Despite misgivings, Argentina and Mexico both need U.S. financial forbearance and have nowhere else to go, as shown by the July visit to Washington of Mexico's Andrés Manuel López Obrador.

Further, from the U.S. perspective, implementation of USMCA now offers a bipartisan template for regional trade expansion that might otherwise have been impossible politically for the United States to pursue.

The Trans-Pacific Partnership was among the targets of widespread 2019 protests in Chile.

Although some of the provisions in the new North American agreement, particularly related to labor, appear at least initially to be objectionable to some countries, others, including the ones pertaining to the digital economy, are potentially very attractive. Other sectors that might yield significant early-harvest agreements as stepping stones to a broader regional agreement include the health care, clean energy and auto sectors, among others.

Most significantly, for the first time since the end of the Cold War, Washington perceives a new external challenge for regional hearts and minds—China, which, despite its own domestic problems, is busily using the current crisis to solidify its regional position. There is nothing like a threat to motivate Washington to engage more actively on hemispheric affairs, but you can't beat something with nothing, as the saying goes.

It's one thing for Washington to berate Latin American and Caribbean leaders for accepting assistance from Beijing in hopes that they will "do the right thing," but it's quite another to make a dramatic gesture that will actually offer a more productive U.S. alternative.

MARTIN BERNETTI/AFP/GETTY

Avoiding past mistakes

The ideal vehicle for doing so could be the next Summit of the Americas, which the United States is set to host in 2021. Since the 2005 fiasco, regional summits have mostly been side shows, known more for Secret Service shenanigans and anti-U.S. posturing than meaningful steps to improve people's lives. The U.S. president didn't even attend the last one, in 2018 in Peru. But as the next host, the U.S. president will have to attend and, more to the point, for both political and economic reasons the United States will be looking to lay out a significant, even historic agenda to put the region on a more sustainable path to recovery. And this time, the region will very likely be more than willing to listen.

At the same time, the United States will, like previous summit hosts, determine who is invited. As a forum explicitly open only to democratically elected and governing leaders (despite Panama's invitation to Raúl Castro in 2015), the event is tailor-made to bring together those who are like-minded in seeking closer intraregional economic relations among North American, Latin American and Caribbean nations. Whereas those such as Venezuela's Nicolás Maduro who reject such an initiative will likely prefer to remain at home, if they are invited at all. That's fine; the consensus-based summit decision-making model proved unworkable long ago.

For the strategically minded, a summit focused on trade expansion and economic integration could then provide an exciting opportunity to invite extraregional, democratically elected, and potentially freer trade partners to the table, such as Australia, Israel, Japan, Malaysia, New Zealand, Singapore and even the United Kingdom. This could help launch a next-generation trade and economic partnership among willing nations that will firmly and finally position Latin American and Caribbean nations within the strategic global economic context.

Despite the obvious advantages, neither a second Trump administration nor a Joe Biden administration would presumably find such a proposal easy to champion, for different yet equally significant reasons. But what is a realistic and meaningful alternative? Massive new aid for Latin American and Caribbean post-COVID recovery is even less likely than a trade deal. Technical assistance and trade facilitation are welcome but hardly compelling in the face of China's growing profile and budgetary largesse. América Crece and the Millennium Challenge Corporation activities are well-meaning but inadequate. Directing the U.S. private sector to invest in the region is impossible; domestic job creation and economic recovery will continue to be the priority. And hope alone is no strategy.

Neither Trump nor Biden would presumably find such a proposal easy to champion. But what is a realistic and meaningful alternative?

Nonetheless, if Washington forgoes a near-term trade and economic agenda, there is no reason the region itself cannot move ahead on its own, without the United States, as it did in creating the Lima group for the burgeoning Venezuela crisis, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership to strengthen Pacific Basin economic integration. As the Inter-American Development Bank has skillfully shown, one of the most significant engines of economic growth that the region has so far foregone is the expansion of intraregional trade, which significantly lags global peers. A new initiative to increase regional economic integration among willing parties, based on economic principles rather than geography or political "solidarity," would immediately make the region a more attractive recipient of the direct foreign and domestic investment that it both seeks and requires. Leaders could then give the United States a right of first refusal to joining the initiative, even as China waits in the wings.

Latin America and the Caribbean need help, but the region is not helpless. Casting aside the long-running straitjacket of regional solidarity and least-common-denominator consensus for decision-making has been a valuable start, and real progress can be achieved. But creativity and political leadership are more necessary than ever, starting with Washington. Mutual recovery and long-term, sustainable prosperity and strengthened democratic governance remain broadly shared regional aspirations. Expanding trade relations and economic opportunity is one of the most potent, mutually beneficial tools available to get there. With the next U.S.-hosted Summit of the Americas barely one year away and regional economies sinking further by the day, there is precious little additional time to lose.

Farnsworth *is vice president of the Americas Society and Council of the Americas in Washington, D.C.*

BIG IDEA:

Provide a Guaranteed (Though Not Quite "Universal") Income

It's a tough sell, but supporting Latin America's low earners and unemployed is worth the fight. Here's how to get it done.

by Marcela Eslava, Andrés Zambrano and Andrés Álvarez

A woman walks with her son in a favela in Belo Horizonte. Brazil's targeted social spending in the early stages of the pandemic actually helped reduce poverty rates.

PEDRO VILELA/GETTY

BIG IDEA:
Guaranteed Income

BOGOTÁ—Even before the coronavirus crisis hit, decades-long declines in Latin American poverty rates had begun to slow. After an impressive reduction from around 40% at the turn of the century to less than 30% by 2012, those figures stagnated and, in some countries, increased slightly by the end of the last decade.

Due to COVID, there is a strong risk that this slowdown will become an outright reversal—and that decades of progress in reducing poverty and inequality could be completely wiped out.

To stop that from happening, Latin American governments need to support the millions of people who have seen their incomes erased overnight, those families at the margins of the middle class who are one health issue or job loss away from falling back below the poverty line.

The best way to do this is with guaranteed income: a regular stipend for those in society who are most in need. This is not the same as a universal basic income, or UBI, which has its share of advocates in the region. Given Latin America's current fiscal state, a truly universal income is, for now, a bridge too far—the money just isn't there. Any UBI proposal would also create a messy, time-consuming political debate about distributive justice precisely when urgent action is direly needed.

Guaranteed income is thus a more viable and arguably just as effective policy to pursue—but it won't be easy either.

The goal for governments in the region should be to institute programs that will complement the income of low earners in the formal and informal sectors, and that can replace income for the unemployed. An ambitious guaranteed income program would thus reach about 65% of Latin America's population—the 30% of the region already below the poverty line, and the 35% considered at high risk of ending up there. In both cases, the ultimate aim would be to keep people out of poverty and able to pay for basic needs.

While the region is not yet in a fiscal position to make this type of scheme a reality, there is a way to get there with a smart combination of reform and persuasion—one that could simultaneously appeal to business, iron out inefficiencies in social spending, and protect the region's most vulnerable. Here's a roadmap.

Step one: build on existing foundations

GOVERNMENTS ACROSS LATIN AMERICA have created or expanded social programs in response to the pandemic, with varying degrees of success. Governments have assigned between 1% and 7% of GDP to these programs in an effort to alleviate the consequences of economic shutdown and help people comply with health restrictions and lockdowns. Without these programs in Colombia, for example, we

BIG IDEA: Guaranteed Income

A closed restaurant in Bogotá. Without expanded social programs, more than 2.5 million additional Colombians may have fallen below the poverty line as a result of COVID-19.

estimate more than 2.5 million people would have fallen under the poverty line. Such programs are also the reason why poverty in Brazil actually fell in the first weeks of the pandemic, rather than increase.

Governments have done this in record time, gathering the necessary data and implementing programs with a speed and degree of efficiency that shows that true safety nets can indeed be built by governments in the region. In designing programs that reach everyone in need—filling holes left in earlier social programs by informality and limited state capacity—the region no longer needs to reinvent the wheel. The logistical basis for near-universal support has already been laid.

Step two: expand the tax base

Simply making these programs permanent is currently unattainable from a fiscal point of view. The average level of tax revenue as a portion of annual GDP in Latin America was 22.8% in 2018, well below the OECD average of 34.2%. Many countries, including Mexico and Peru, fare even worse.

A guaranteed basic income is thus conceivable only if it comes alongside an increase in fiscal revenues. This in turn would require a series of multifaceted reforms that will only be successful if implemented simultaneously.

GUILLERMO LEGARIA/GETTY

The first of these would be to establish a universal income declaration. That is, all adults would have to file with a national tax collection administration, regardless of their source of income, whether or not they are employed, or if they work in the formal or informal sector. This would include people with no income at all.

This type of universal declaration is not currently mandatory in the region, but would be essential in identifying who needs aid. National tax agencies would have to be given sufficient authority and tools to guarantee that these declarations are presented effectively, and that the figures represented can be trusted.

> **A guaranteed basic income is conceivable only if it comes alongside an increase in fiscal revenues.**

There are examples from which the region can draw inspiration. The universal declaration of income is common in developed countries as a means of simplifying tax administration, but also as a mechanism to efficiently direct government aid. Tax collection would have to increase in other ways, too, to be large enough to sustain any income guarantee program. This would vary by country—but require a combination of an increase in income tax rates, especially on capital, fewer tax exemptions, and strong oversight capacity for tax administration bodies.

Step three: use the minimum wage to reduce informality

Universal declarations could certainly help expand the size of the tax base. But to realize their potential, those paying taxes would need to be employed and receiving decent, registered income—something that can't be accomplished at current levels of informality.

The good news is that a guaranteed minimum income could partially replace and improve the instrument that to this point has sought to ensure—without much success—a basic living standard throughout the region: the minimum wage.

Minimum wage levels in some countries in Latin America are higher than the median income level, producing distortions in the

In the Maré favelas in Rio de Janeiro, low-income families are bearing the brunt of both the health and economic costs of COVID-19.

labor market and hindering efforts to reduce informality. (If a micro or small business can't afford to pay the employees it needs at the minimum wage, it is more likely to keep itself off the government's books.)

The final piece of the puzzle would thus be for government transfers to complement workers' salaries. People without any income would receive the full transfer amount, while low-income employees would receive a reduced sum depending on their existing earnings. Transfers for employees would be large enough to ensure that their final income exceeds the basic guarantee. This would encourage employment, reduce incentives for informality and help garner private sector support for the initiative.

Step four: sell it

Of course, there are objections to a comprehensive reform such as the one described. First, some argue that a guaranteed income might discourage jobless people from actively searching for employment. But the available evidence suggests this is not the case. The most recent and maybe most reliable experiment on basic income, implemented in Finland, actually showed an increase in the labor participation of basic income recipients. The reason seems to be that this

LEANDRO CUNHA/BLOOMBERG

type of cash transfer leads to greater employability and higher quality jobs, because it allows people the time and economic security to search for employment more thoroughly to find a better fit.

Another objection is that even though the long-term positive effects of a reduction in informality and inequality are desirable goals, a tax reform in the middle of a deep crisis may hamper economic recovery. That is a fair concern. However, the necessary increase in taxes could be adopted now but be prorated, with effective collection beginning in two years or so. This would take advantage of the political will generated by the crisis without compromising other recovery efforts.

A reform such as the one described would have huge benefits that significantly outweigh concerns, both structurally and for long-term recovery from the COVID-19 crisis. First and foremost, it would be a massive step toward protecting vulnerable populations. It would also lead to progress in the fight against informality to a degree that would be difficult to achieve through other types of reform.

The flexibility of the minimum wage would also be particularly useful given the current conditions faced by businesses, in which the possibility of a recovery would be threatened by any reluctance among employers to create new jobs that could tie them to high costs.

Amid such an unprecedented crisis the potential to implement radical reforms may seem limited. But a political consensus may be more easily reached today than in the recent past. And if done right, a guaranteed income could rally a wide stretch of the political spectrum. It may help make reductions in poverty more sustainable. But it could also help consolidate the accumulation of higher quality human capital, feeding a virtuous cycle of increased productivity and sustained economic growth.

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BIG IDEA:

Make It Easier for University Students to Stay in School

We shouldn't let the pandemic destroy opportunities for this generation

by Sergio Fajardo, Gonzalo Hernández, José Toro, Jaime Parra, Felipe Gil and Víctor Saavedra

A classroom in Cali, Colombia, sits unused after the pandemic prompted the suspension of in-person classes.

LUIS ROBAYO/AFP/GETTY

BOGOTÁ—Despite the crisis, or maybe pushed by it, we have the opportunity to help our young people realize their full potential—by doing what it takes to keep them in school.

Youth unemployment was already plaguing Latin America before the pandemic hit. The share of youth not in education, employment or training across the region was over 20% in 2019. A closer breakdown by gender reveals that nearly 30% of young women between 15 and 29 are neither in school nor employed.

The pandemic is exacerbating the unemployment situation and pointing us towards a profound social and economic emergency. The number of unemployed workers is expected to rise to 41 million people across Latin America by the end of 2020, compared to 26 million before the pandemic. Young people are faced with two unappealing options upon graduating from high school: enter an impossible job market or try to finance a higher education degree.

Education is the best employment for a young person. In Latin America, a student with a higher education degree will earn more than twice as much, on average, as a student with a high school diploma. The cost of university dropouts is also extremely high for our societies. Governments in the region spend around 1% of GDP on supporting higher education. When students don't complete their degrees, society loses at least part of the return on their investment. Preventing students from leaving the classroom must be a central component of an emergency employment plan.

In Colombia alone, around 1 million young people may have to drop out of higher education and job training programs for financial reasons.

Although Latin America has seen a positive story in the uptake of higher education in the last two decades, with enrollment doubling, on average, across the region between 2000 and 2013, less than half of students actually complete their degrees. Many students cite economic pressures, leaving them no choice but to quit school and begin working in order to support themselves and their families.

Now, with the pandemic, many students have seen their families lose all their income and are left without the means to support enrollment fees or even to pay for reliable Internet service to attend

A lone student walks through the now empty campus of Universidad del Valle, in Cali, Colombia.

online classes. In Colombia alone, around 1 million young people may have to drop out of higher education and job training programs for financial reasons. The picture is similar across the region. Our social contract must include a sociopolitical commitment to provide students and their families a viable, fiscally responsible support plan.

"Students first"

To accomplish this goal, governments should offer a subsidy for economically vulnerable students enrolled in higher education and trade schools. An initial pilot program could target students who lost jobs or whose families lost income due to the pandemic. Students who demonstrate that their income or the income of their families are not sufficient to continue studying as a consequence of the loss of employment due to the crisis would be eligible. The emergency plan would cover two semesters of enrollment fees and include a stipend for transportation and meals.

This may be an ambitious undertaking, but if we imagine this plan in Colombia, the numbers show us it's feasible. A tuition subsidy that serves 1,475,000 students for two semesters would require an investment of 2.6 trillion pesos ($712 million), a figure that represents 6% of the 2020 government education budget, or less than 9% of the

LUIS ROBAYO/AFP/GETTY

By preventing students from dropping out, we can avoid the destruction of our productive capacity, and activate a knowledge economy.

budget for the pandemic emergency plan. Funds would be managed by the Ministry of Education, with frequent reports and data continually available for monitoring by civil society. This accountability is key in gaining public trust for the program.

The plan is an opportunity to protect our youth, their families, and the human and social capital of our nations. By preventing students from dropping out, we can avoid the destruction of our productive capacity, and activate a knowledge economy.

When the pilot proves successful in keeping young minds engaged in their education, we can push forward to the second phase: a private-sector fund to further support underprivileged students. While low-income students' access to higher education has increased in the last two decades, these gains are at risk of disappearing due to the pandemic. The private sector can help provide access to tech training programs, directly investing in the education of their future skilled employees. It is also critical for governments to invest in tech education programs to equip students with the skills needed for new jobs that require digital skills.

This investment would bring structural change to our economies—and this scheme would become self-sustainable in the medium term, as young, bright minds graduate and start to further contribute to building our societies. Keeping students in their job—that of studying—will save a generation from hopelessness, and instead raise a generation that can build the future we deserve.

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