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Photo caption: Bodies are moved to a mass grave in Brazil in April 2020. Brazil is the South American countries with more Covid-19 cases than any other nation on the continent. Photo credit: The Conversation.

## The Impact of COVID-19 on the Economy, Security and Transnational Organized Crime in the Americas

by Celina B. Realuyo<sup>1</sup>

### Introduction

Latin America and the Caribbean have been hit hard by the COVID-19 pandemic, becoming the world's new epicenter, with 8,430,031 confirmed cases and 317,997 deaths as of September 17, 2020, according to the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University. Latin American leaders including Brazilian President Jair Bolsonaro, Bolivian Interim President Jeanine Añez, Guatemalan President Alejandro Giammattei, and Honduran President Juan Orlando Hernández have all tested positive for COVID-19.

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COVID-19 will have a detrimental impact on the health, economy, budgets and security of the region. Prior to the pandemic, Latin America and the Caribbean were already facing slow growth, indebtedness, inequality, inadequate healthcare, corruption, transnational organized crime, migration crises and social protests. Governments will be hard pressed to provide and finance the services necessary for the medical and socio-economic recovery from the pandemic. Meanwhile, transnational criminal organizations will capitalize on governments' preoccupation with COVID-19 to diversify and expand their activities that will likely result in more violence, instability and challenges to governance throughout the Americas. The U.S. must strive to remain the "partner of choice" in region by bolstering efforts to assist its neighbors in promoting health, prosperity and security in the Hemisphere during the pandemic and beyond.

### Impact on Economic Prosperity

The COVID-19 pandemic has devastated Latin American and Caribbean economies with the collapse of consumer demand and supply, plummeting oil prices, reduction in remittances, quarantines and travel bans. The region heavily relies on global trade, commodity exports and tourism; all of these sectors have been paralyzed by COVID-19. As of June 26, 2020, the International Monetary Fund expects the economy of Latin America and the Caribbean to contract by 9.4%, with Brazil's GDP expected to fall at -9.1%, Mexico at -10.5%, and Argentina at -9.9%.<sup>2</sup> The IMF also predicts the region would likely see "no growth" in the decade from 2015 to 2025.<sup>3</sup>

<sup>2</sup> IMF Outlook for Latin America and the Caribbean: An Intensifying Pandemic, June 26, 2020, <https://blogs.imf.org/2020/06/26/outlook-for-latin-america-and-the-caribbean-an-intensifying-pandemic/>

<sup>3</sup> Reuters, IMF sees 'lost decade' of no growth in Latin America due to pandemic," April 16, 2020, <https://www.reuters.com/article/us-imf-worldbank-latam/imf-sees-lost-decade-of-no-growth-in-latin-america-due-to-pandemic-idUSKBN21Y3F1>

With countries on lockdown, the informal economies are not operating, leaving large swathes of the population unemployed and without income. The International Labor Organization (ILO) estimates that the informal economy in Latin America and the Caribbean makes up 53% of the employed population.<sup>4</sup> 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). According to the World Bank on April 22, 2020, remittance flows to Latin America and the Caribbean are estimated to decline sharply by 19.3% due to the COVID-19 economic crisis.<sup>5</sup> In many countries, remittances account for a significant portion of their gross domestic product. In Nicaragua and Guatemala, they account for around 12%, and in El Salvador and Honduras, around 20% of GDP. Mexico receives the most remittances in the region, with about \$36 billion in 2018, up 11% from the previous year.<sup>6</sup>

The economic devastation from COVID-19 has been compounded by the collapse of oil prices to historic lows. Oil production is a key income generator for countries like Venezuela, Mexico, Ecuador and Brazil. Venezuela is selling its oil around US\$10 per barrel and losing money on every barrel it sells. Latin American national oil companies will slow down or postpone new projects or exploration and will instead focus on reducing costs and keeping existing fields pumping for as long as possible. However, with the oversupply of oil worldwide and energy demand paralyzed by COVID-19, these actions may not be enough. Dramatically reduced revenues

<sup>4</sup> Paz Gomez, "How to Tackle Latin America's Informal Economy," *EconAmericas*, March 21, 2019, <https://econamericas.com/2019/03/tackle-latin-americas-informal-economy/>

<sup>5</sup> The World Bank, "World Bank Predicts Sharpest Decline of Remittances in Recent History," April 22, 2020 Press Release, <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>

<sup>6</sup> Carmen Sesin, "As Latinos lose jobs, remittances to their relatives in Latin America dry up," *NBC News*, April 20, 2020, <https://www.nbcnews.com/news/latino/latinos-lose-jobs-remittances-their-relatives-latin-america-dry-n1180546>



from national oil companies will force governments to consider drastic fiscal, social, and monetary mitigation measures.<sup>7</sup>

These dismal economic forecasts for Latin America and the Caribbean will challenge governments' ability to address the COVID-19 pandemic. Regional economies were already facing fiscal and financial difficulties before the pandemic. Significant government spending through stimulus, social safety net and unemployment programs will be required to meet the health, social and economic demands of the population post-pandemic.

### Impact on the Military and Security Forces



Photo caption: Mexican Army delivers medical supplies in Nuevo Leon. Photo credit: Milenio 2020.

Security forces that include the military, police and national guard have been deployed across Latin America and the Caribbean to maintain law and order, administer “stay at home policies” and assist those suffering from COVID-19. Argentina, Peru, Colombia, Chile, the Dominican Republic and many of the Central American nations have taken an aggressive stance on social distancing. The Peruvian government declared a national emergency across the country, deploying soldiers throughout Lima and

other major cities to enforce curfews and prevent the looting of supermarkets and shopping centers.<sup>8</sup> However, Brazil and Mexico have been much slower in adopting measures to curb the virus and have the highest number of COVID-19 confirmed cases and deaths in the region.

The region's political leaders have long assigned new missions to the military to support civilian agencies since the armed forces possess vast resources, trained personnel, planning, logistics and security capabilities. They already provide critical humanitarian assistance and disaster relief during earthquakes, hurricanes, landslides and fires. In addition, the armed forces have assumed policing and border security responsibilities to combat transnational organized crime and growing violence in Mexico and Colombia. Last year, popular demonstrations in Bolivia, Chile, Colombia, Ecuador and Peru filled the streets to protest a range of issues, targeting corrupt leaders and the failed promise of electoral democracy. In numerous cases, the military was deployed to support the police in controlling the protests. Protesters actually gained important ground halting austerity plans in Ecuador, ousting Evo Morales and demanding clean elections in Bolivia, and securing a referendum for a new constitution in Chile. However, military and police interventions resulted in harsh repression that left hundreds dead and thousands injured and imprisoned.<sup>9</sup>

The COVID-19 pandemic response is just the latest mission for the armed forces across the region. Besides maintaining law and order, the military are assigning their medical staff to support the health-care workers, delivering and distributing critical

<sup>7</sup> Carlos Sucre, Paola Carvajal, “An Illness in the Oil Market: the price crash and its impact in Latin America and the Caribbean,” Inter-American Development Bank, April 14, 2020, <https://blogs.iadb.org/energia/en/an-illness-in-the-oil-market-the-price-crash-and-its-impact-in-latin-america-and-the-caribbean/>

<sup>8</sup> Alejandro Sanchez, Covid-19: Latin American military forces deployed to combat Coronavirus outbreak,” *Janes*, March 18, 2020, <https://www.janes.com/article/94949/covid-19-latin-american-military-forces-deployed-to-combat-coronavirus-outbreak>

<sup>9</sup> Kristina Mani, “The Soldier Is Here to Defend You.’ Latin America’s Militarized Response to COVID-19, *World Politics Review*, April 21, 2020, <https://www.worldpoliticsreview.com/articles/28700/from-peru-to-venezuela-military-forces-take-the-lead-in-coronavirus-responses>



Photo caption: Chilean Army soldiers on an armored transport vehicle in Santiago, Chile in October 2019 as they try to maintain security during economic protests. Photo credit: Ivan Alvarado, Reuters.

medical supplies and reconfiguring military hospitals to address the health crisis. In addition, some governments are using the military's cybersecurity assets and emerging technologies, like drones, to protect critical infrastructure and to monitor and detect COVID-19 hotspots. In the Dominican Republic, the Command, Control, Communications, Computers, Cybersecurity and Intelligence Center of the Ministry of Defense (C5i), is monitoring the virus with its surveillance and early warning systems in the country.<sup>10</sup> The military remains one of the institutions most trusted by the population in the region, however, governments must ensure that their new missions are clearly defined and include respect for privacy, human rights and the rule of law. Post-pandemic defense budgets, that currently constitute only 1.2% of GDP in Latin America and the Caribbean according to the World Bank, will contract as governments will be forced to shift spending to mitigate the socio-economic impact of the pandemic.

### Impact on Transnational Criminal Organizations

The COVID-19 pandemic has not only shattered the legitimate economy but equally disrupted the illicit economy in Latin America and the Caribbean. COVID-19 lockdowns and closed border crossings have



Photo caption: Brazilian military medical personnel undergo training on how to treat Covid-19 patients. Photo credit: Alexandre Manfrim, Brazilian Ministry of Defense and Dialogo Magazine.

significantly interrupted transnational criminal organizations' (TCO) lucrative operations. The pandemic is affecting the sourcing, production, transportation, financing, distribution and points of sale for drug, human, arms and contraband trafficking. Mexican cartels are largely dependent on the illicit supply chains from China for the precursor chemicals necessary for the production of fentanyl and methamphetamines and for counterfeit goods. Cartels and armed groups in South America also rely on cross-border movements to engage in drug, illicit gold and arms trafficking.<sup>11</sup>

As COVID-19 impacts traditional criminal activities, TCOs are starting to adapt to the "new normal" by diversifying their lines of business and going local rather than global. Cybercrime, fraud, extortion, counterfeit medical supplies, virtual money laundering and loan sharking are on the rise. TCOs are also exploiting the pandemic to win the hearts and minds of the local population, distributing care packages and medical supplies to marginalized communities neglected by the government. If governments divert security forces from countering transnational organized crime for the COVID-19 response, they run

<sup>10</sup> *El Dia*, "En qué consiste el centro C5i, visitado por el presidente Danilo Medina esta noche," April 16, 2020, <https://eldia.com.do/en-que-consiste-el-centro-c5i-visitado-por-el-presidente-danilo-medina-esta-noche/>

<sup>11</sup> Paul Angelo, "The Pandemic Could Bring Power to Latin America's Criminal Gangs," *Foreign Affairs*, April 21, 2020, <https://www.foreignaffairs.com/articles/americas/2020-04-21/pandemic-could-bring-power-latin-americas-criminal-gangs>

the risk of allowing criminal groups to grow more powerful and even provide alternative governance in certain areas. Transparency International warns that there are serious corruption risks associated with the region's pandemic response, specifically, in the public procurement process. Governments must adopt measures to reduce the risk of hidden contracts, bribery, embezzlement, overpricing, lack of competition, collusion and other forms of corruption that would make national responses to the pandemic less effective.<sup>12</sup> Transnational criminal organizations will try to capitalize on the instability and disruptions caused by the pandemic and expand their activities.

### Future Outlook and Recommendations

The COVID-19 pandemic will produce a protracted



Photo caption: Mexican Army soldiers fabricate medical clothing and equipment in Mexico City in July 2020. Photo credit: Magzter.

health, economic and security crisis in the Americas. As governments struggle to provide and finance critical recovery services, they will be hard pressed to maintain funding for security forces that have assumed more missions due to COVID-19. Meanwhile, transnational criminal organizations will adapt and expand their activities beyond classic illicit traffick-

ing activities. The atomization of criminal groups will devolve into conflict and violence among them and against government authorities as they compete over operating areas and new lines of business.

To mitigate the impact of the pandemic, the U.S. should strive to be the “partner of choice” in the region, leveraging all instruments of national power. Foreign assistance from State and USAID can address the immediate public health and economic recovery needs in the region. Free trade agreements and securing regional supply chains can contribute to economic growth. U.S. security cooperation should assist partners with traditional and pandemic-related missions and underscore the importance of human rights and rule of law. The U.S. must protect the global commons and counter adversaries’ (China, Russia, Cuba, Nicaragua, Venezuela) overt and covert efforts to damage or displace the U.S. the region through their political, military, economic, cyber and disinformation campaigns. As the world tries to emerge from the COVID-19 pandemic, the U.S. must reinforce its efforts to promote security and prosperity in Latin America and the Caribbean at this most critical juncture.

<sup>12</sup> Transparency International, “Corruption Could Cost Lives in Latin America’s Response to the Coronavirus,” March 31, 2020

[https://www.transparency.org/news/feature/corruption\\_could\\_cost\\_lives\\_in\\_latin\\_americas\\_response\\_to\\_the\\_coronavirus](https://www.transparency.org/news/feature/corruption_could_cost_lives_in_latin_americas_response_to_the_coronavirus)

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