

Economic Transition, Creating Opportunities and Establishing Resilience of Post-Covid Era in the Latin America and the Caribbean

Felix Julca-Guerrero

PhD of Philosophy, Universidad Nacional Santiago Antunez De Mayolo, Huaraz, Peru.

<https://orcid.org/0000-0001-5637-5440>

E-mail: fjulca@unasam.edu.pe

Edwin Ramirez-Axis

Dr. in management, Universidad Nacional Santiago Antunez De Mayolo, Huaraz, Peru.

<https://orcid.org/0000-0002-9918-7607>

E-mail: ehramireza@unasam.edu.pe

Wendy Allauca-Castillo

Dr. in accounting, Universidad Nacional Santiago Antunez De Mayolo, Perú.

<https://orcid.org/0000-0003-1597-2913>

E-mail: wallaucac@unasam.edu.pe

Hugo Maldonado-Leyva

Msc. in Social Policies, Universidad Nacional Santiago Antunez De Mayolo, Huaraz, Peru.

<https://orcid.org/0000-0003-2348-8478>

E-mail: hmaldonadol@unasam.edu.pe

Guillermo Peláez-Díaz

Msc. in Management, Universidad Nacional Santiago Antunez De Mayolo, Peru.

<https://orcid.org/0000-0001-5311-8692>

E-mail: gpelaezd@unasam.edu.pe

Carlos Fernandez-Lopez

Msc. in Finance, Universidad Nacional Santiago Antunez De Mayolo, Huaraz, Peru.

<https://orcid.org/0000-0002-9621-4120>

E-mail: cfernandezl@unasam.edu.pe

Received September 17, 2021; Accepted December 15, 2021

ISSN: 1735-188X

DOI: 10.14704/WEB/V19I1/WEB19221

Abstract

Latin America and the Caribbean has started adopting the various policy measure to develop the economic status of the region. The Covid-19 situation has impacted significantly on various sectors and structures of the region such as poverty, unemployment, economic and social

inequalities among the people. The LAC region is navigating the various challenging atmosphere during the Covid-19 era, which has been affected directly in the contraction of gross domestic product of the region. Because of the lockdown procedures has impacted significantly on all economic activities, reduced the global demand especially the trade, and affected the entire tourism sector. Subsequently, the Covid-19 lockdown measures hit the poor people who lives under the poverty and those working in the low-paid wages workers in the informal sector. The informal sector workers are already not receiving any kind of social security measures. It is also noticed that 38 percent of the total workforce in the informal sector are not having any form of social security and affected a lot during the lockdown. According to OECD, this pandemic crisis made the micro, medium and small industries in vulnerable situation of the LAC region countries. It affected 2.7 million companies in LAC and influenced for the loss of 8.5 million jobs. Many of the LAC policy makers and the government responded in a very effective manner to protect and safe-guard the people from extreme poverty and vulnerability. Various monetary and fiscal policy measures have been taken and the crisis and revive the economy. The immediate action is taken on important segment such as supporting the poor household by creation of new jobs, generating employment through industries and firms. The necessary economic policy formulation supported the transition of the economy from the crisis to prosperity.

Keywords

Economy, Transition, Covid-19, Challenges, Reforms and Opportunities.

Introduction

An emergency caused due to the blowout of corona virus brought many structural issues and impacts on the livelihood of the people in Latin America and the Caribbean. The situation of covid-19 has also affected the LAC region at all sectors including the political anxious time while the people is started asking questions on various developmental and recovery process from the crisis. Few nations of the LAC region, the growth of the public was worsening as compare to the pre-pandemic situation. At this juncture, to tackle the heavy and complex situation, the country must build an effective and impactful measures to revamp the economy. Moreover, such kind of policies has to be action oriented rather than managing the present condition. For the past two to three decades, various new and innovative paradigms such as economic changes, modernisation and technological advancement have placed in the significant role. With respect to the effective action taken by the government in LAC related to covid-19, they have started to apply various strategies for reduce and control the infection rate among the people. It is an instance of strategic thinking, that as they have mixed measures for controlling specific and joint movement with

health, employment, social and educational actions. Lockdown protocol and social distancing events ordered by the various authorities from the government are formulated not only to control each individual's threat of infection, but also to avoid huge contagions that would affect the country's medical services. To identify and enhance these kinds of actions to understand the condition, it is essential to think strategically, but preliminary deferments emphasised that the government administration and actions are extensive with direct thinking. It means that the authorities have the complications in dealt with these new phenomena.

Literature Review

The impact that the economy faced due to covid-19 pandemic in the developing country like LAC have pointed out that health system and short-comings of the public sector for the effective recovery from the pandemic led crisis. (Economic Commission for Latin America and the Caribbean, 2021).

The coronavirus in the year 2019 is created by an unknown virus for which presently no medicine is available. The subtleties of the virus disease are made a very big challenge for the health sector. it is studied that the policy retorts to the task posed by this world gathering of shocks. Hevia, Constantino and Neumeyer, Andy (2020) & World Bank (2021).

The global pandemic outbreak has created a very crucial negative impact on various macro level economic issues on health situation of the people, economic slowdown due to lockdown and government covid-19 protocols, and other social elements. The slowdown in the economic activity was expected to overcome and exceed the great depression, so it is essential that policies to be framed and adopted to cushion the social influence, support the poor people, and move for dynamic and strategic recovery, however at the mean time maintain the macroeconomic steadiness. Moreover, the covid-19 issue has unescapably led countries to respond on how ready they remained to covenant with it. The countries of the LAC region consist of Central American Istumus, Mexico, Haiti, and the Dominican Republic, available information shows that there are notable policies are implemented (Lopez, Arnaldo and Arranz, Marta Ruiz, 2020; Zhang et al., 2021).

Despite the various challenges and issues of moving away from the present direct economic model, the propagation of the spherical economy related ideas, policies and various development initiatives in the LAC recommends that many states to understand the real potential of strategic economic growth model. Though, various important questions are remained over the application of national policies and its configuration with economic,

social and industrial policies. Certain significant points indicate the key avenues that would govern the success of the transition of the economy in LAC as follows. Fostering creative companies and transformative associations, both inside and between the nations in the region of LAC, is important for a fruitful transformation of economic condition. The cooperative atmosphere is required at the all-regional level to co-ordinate and measure-up the various economic initiatives, contribute best performs, and at times, turn technical and monetary possessions. As a repercussion of the coronavirus crisis made a unique place and prospect for a green retrieval; a just change to a globular economic status provides an appropriate policy framework to safeguard a comprehensive and environmentally, economically, socially and politically resilient upcoming scope for the LAC region. The lockdown protocol forced at the national level have bare the detail that, in the ecology or society. Increasing government capacity and enhancing strong, effective and transparent institutions to integrate effective economic policy. Subsequently, to ensure the inclusive growth and involving a potential participation of all stakeholders. Moreover, the government plays a key role in creating fund for infrastructural development, educational attainment, research & development and enhancing agricultural and industrial progress (Schroder et al, 2020; Fuster-Guillén et al., 2020).

Objectives of the Study

The present paper is aims to address the following research questions,

To review the various issues faced during the Covid-19 pandemic in general and with respect to Latin America and the Caribbean (LAC) region.

To bring out the significant strategies framed and implemented to tackle the pandemic situation.

To emphasise the role of LAC countries in policy formulation to combat the crisis caused by Covid-19 and enhance the economic growth.

To reveal the various alternative opportunities created in the post-covid-19 pandemic in the LAC region.

Significance of the Research

The present conceptual study brings out the various problems faced by the LAC region with respect to covid-19 pandemic. It also addresses the unique features and opportunities the

LAC derived from the lockdown on various sectors. The study would also aim to interpret the economic resilience happened due to the coronavirus spread and lockdown protocols.

Discussion

The LAC region is contributing a sizeable amount of domestic production to the total world output. The combined gross domestic product of US\$ 6 trillion is generated and contributed to the global economy by the LAC (OECD, 2019). In this recent scenario, there are few common issues has been observed in the LAC before the pandemic era such as slow growth of output, unemployment, wage differentials and gender inequality. But this trend was changed in the last one decade by the new policy implementation of LAC regions. The following table. 1 shows the gross domestic product of the LAC from the year 2019 and 2020 data and along with 2021 and 2022 projected data. During the 2019, there was good growth of GDP in the LAC region, barring Argentina, Barbados, Haiti, Nicaragua, Paraguay, and St. Lucia. On an average, though of various socio-economic and political situation, the region has seen a positive growth in the year 2019. Almost all the countries in the region had a big economic down in the GDP caused by the pandemic in 2020. Many countries had a double digit de-growth while compare with previous data. The average GDP growth rate has been declined to -6.7 percent in the year 2020 compared to 2019 of GDP. The region experienced a very steep decline and with a probable policy framing on every sector, it is estimated that the growth of GDP will bounce back to the normal situation. It is estimated that 6.3 percent of GDP growth is expected at the end of 2021 and 2.8 percent for the year 2022.

Table 1 Growth of Gross Domestic Product (LAC)

S. No	Countries	2019	2020	2021*	2022*
1	Argentina	-2	-9.9	7.5	2.6
2	Bahamas	0.7	-14.5	2	8
3	Barbados	-1.3	-18	3.3	8.5
4	Belize	1.8	-14	9	4
5	Bolivia	2.2	-8.8	5.5	3.5
6	Brazil	1.4	-4.1	5.3	1.7
7	Chile	0.9	-5.8	10.6	2.4
8	Colombia	3.3	-6.8	7.7	4.2
9	Costa Rica	2.3	-4.1	3.8	3.5
10	Dominica	3.5	-11	3.4	8.1
11	Dominican Republic	5.1	-6.7	9.1	4.9
12	Ecuador	0	-7.8	3	3.4
13	El Salvador	2.6	-7.9	8	4
14	Grenada	0.7	-13.7	3	4.4
15	Guatemala	3.9	-1.5	5.1	4.1
16	Guyana	5.4	43.5	21.2	49.7
17	Haiti	-1.7	-3.3	-0.8	3.2
18	Honduras	2.7	-9	4.7	4.4
19	Jamaica	0.9	-10	3.5	4
20	Mexico	-0.2	-8.3	5.7	3
21	Nicaragua	-3.7	-2	5.5	3
22	Panama	3	-17.9	9.9	7.5
23	Paraguay	-0.4	-0.6	4.3	4
24	Peru	2.2	-11.1	11.1	3.2
25	St. Lucia	-0.1	-20.4	3.3	10.6
26	St. Vincent and the Grenadines	0.5	-3	-6.1	8.3
27	Suriname	1.1	-15.9	-3.5	1.8
28	Uruguay	0.4	-5.9	3.4	3.1
29	Latin America and the Caribbean	0.8	-6.7	6.3	2.8

Source: World Bank Estimation; *- Projected data

The table. 2 emphasises the distribution of enterprises and the workers by size in LAC and OECD countries. With respect to the LAC region the number of workers is recorded as 1 to 5 persons under the entrepreneurs and the level of education of entrepreneur was 7.8, 8.4 and 11.6 for various years. The share of countries income was more among the entrepreneur than the workers.

Table 2 Distribution of Enterprises and Workers by size in LAC & OECD

LAC	Entrepreneurs			Workers	
No. of Workers	0	1 to 5	6	1 to 5	6
Education	7.8	8.4	11.6	7.8	11.2
Country Income (%)	44	71	175	56	121
Income (PPP)	100	141	428	117	273
Employment Share (%)	22	11	1	20	46
OECD	Entrepreneurs			Workers	
Firm Size	0	1 to 10	11	1 to 10	11
Education	12.6	12.9	14.1	12.5	13.6
Numeracy	499	506	549	495	523
Literacy	501	502	535	504	528
Regional Income (%)	34	84	115	55	75
Income (PPP)	100	197	381	141	157
Employment Share (%)	9	5	1	20	65

Source: PIAAC, IDB Household Survey

The share of employment is comparatively high among the workers. The educational attainment level also good among the both entrepreneur and the workers in the OECD countries. It is also revealed from the data that the literacy rate and the regional income of OECD also on the higher side compare with the LAC regions.

Economic Transition Policies and Strategies of LAC Region

Cuba Crisis Management Cycle: Example.

The Prevention Strategy: The Cuba is one among the country in the region of LAC has focussed more on the prevention of pandemic Along with control of poverty and equip the surveillance by providing various early level warning systems.

The Preparation Module: Secondly, the country has come up with the proper and appropriate policy formulation for reducing and disaster risk among the public. It also made the strategies on readiness of lead bodies, and civil defence authorities with full forces. Preparation of scientific documents and distribution of protection actions for the people and the economy.

The Response Model: Thirdly, the nation has constituted the civil defence council for the recovery plans and actions along with the protective measures such as alerts, reactivation of transport, deconcentrating activities, evacuation and rescue. The nation has also started working on the development of the infrastructural facilities.

Recovery Strategies: The Cuba has started the recovery path of the economy in the post-covid-19 era. The recovery path started with rehabilitation and reconstruction of all sectors through unique policy formulations and support systems.

Post-Covid Reforms, Opportunities and Economic Recovery

Monetary and Fiscal Policy Measures by LAC

Enhancing the credit sources for the public and firms by reducing the interest rate.

Postponement of debt services.

Increase the size of liquid assets.

Enhance the demand for the commodities.

Money creation to meet the inflation.

Generating long-term fiscal measures.

Relaxation on certain taxes.

Reduction of import and export duties.

Reduction of non-essential government programmes.

Implemented Policy Measures by the LAC Region during Post Covid-19 Situation

To tackle the health status and strengthening the health and related sector, for which utility expenditure on the latter was hiked, in the meantime the medicinal and asepis commodities were fully exempted from import taxes. To protect and safe-guard the vulnerable peoples, which comprised a suspension on mortgage and on the other borrowings. To enhance the welfare of the society, various support was started providing for those unemployed, control of prices through fiscal policies, reduction of import duties on many essential commodities and mainly the payment house rent was temporarily suspended.

Sector-wise Reforms

Health Sector

The respective region's government have made a tremendous effort to solve the delicate status of their health systems. To address the health sector consistency, the public health has been allotted with a huge amount of money from the budget to facilitate medicine

purchase, hiring of medical staff, develop the health infrastructure, operational efficiency and improvement in administration. In terms of the effective healthcare module, there is a clear-cut requirement to adopt information intelligence to assure a progressive administration and availability of hospital services with proper training required for its effective management. It is too vital that a very close relationship will be forged among health science and provision of services and to bring formal operations for government and private sector understanding and co-operation for the welfare of people in LAC.

Educational Sector

In the post covid-19 scenario, there is need of virtual learning modules and learning management system for all the levels of education such as primary, middle and higher learning. The opportunity gained from the pandemic situation in the educational sector in terms of lowering the cost of education and better benefits comparatively. Nevertheless, the present situation would also be borne the lack of educational infrastructure and technological skills. The LAC region's government has taken appropriate to bridge the educational gaps in the post covid-19. Huge amount of money has invested in framing the learning management tools and made the flip class rooms for the student. Making an effective progress in implementing the techno-based educational setup creates the educational infrastructure, remote connect, providing online materials for studies, and accessibility of both teacher and learner mad easy at online (Ramirez et al., 2021).

Employment Generation

It is calculated that between 7 percent to 21 percent of organised employment would be lost in the LAC region, based on whether the fourth quarter of the year saw a start of a reform. Once the necessary actions have been taken to protect the employment and income of the people at the time of pandemic and post-pandemic, many sectors are allowed to operate their business. Meanwhile, action towards the employment generation such as promoting employment opportunities through the massive investment, employment-oriented training, proper policy to enhance the worst affected sectors especially the industrial and tourism sectors.

Social Welfare Measures

The covid-19, highlighted the immediate need for the development of social protection model to mitigate the problems of workers employment, income and consumption. Moreover, there is a need to transform in the post covid-19 situation in terms of promoting people wellness, and creating social security measures.

Trade Policy Reforms and Promotional Activities as follows

Influence its information in the fabric, agri-food and medicinal equipment productions.

Provide exportable commodities of superior added value through the production base.

Enhance local output integration capabilities with distribution ways supported by the overseas investment in the agricultural sector.

Attracting innovative productive capitals in reshoring processes for the countries such as China and Southeast Asia.

Development of human resources with digital skills.

Tourism

The tourism sector has been the one among those worst affected by the pandemic crisis, which makes it particularly significant that would work is done to sustain the competition and consistency of the industry. This interruption offers an opportunity to play on diversifying the markets, enhancing tour products, and elevating sustainability. The players of the sector, more particularly micro, small and medium level industries. In this regard, the LAC countries have started programmes to attract the visitors, creation of collaboration, and develop the tourism sector with modernisation.

Conclusion

The covid-19 pandemic has seriously affected by various channels such as restrictions on industrial operations and transport, restrictions on direct contacts of people, decline in terms of trade between the countries and global economic shocks due to decline in GDP of LAC regions. It is also found from various existing study, there are many indirect impacts of covid-19 raised as follows, SME sector and small business have vanished, severely affected the aggregate demand and declined revenue from tourism as well. Neil, M Ferguson et al (2020). Bryson et al, (2015) suggested certain leadership qualities required for the countries to achieve the goals of the LAC region in the post-covid situation such as social and political leadership, personal strengthening leadership, shaping the future, team building leadership, organisational creation, and policy formulating leadership. During the 2019, there was good growth of GDP in the LAC region, barring Argentina, Barbados, Haiti, Nicaragua, Paraguay, and St. Lucia. On an average, though of various socio-economic and political situation, the region has seen a positive growth in the year 2019. Almost all the countries in the region had a big economic down in the GDP caused by the pandemic in 2020. Many countries had a double digit de-growth while compare with previous data. The average GDP growth rate has been declined to -6.7 percent in the year 2020 compared to 2019 of GDP. The region experienced a very steep decline and with a probable policy framing on every

sector, it is estimated that the growth of GDP will bounce back to the normal situation. It is estimated that 6.3 percent of GDP growth is expected at the end of 2021 and 2.8 percent for the year 2022. With respect to the LAC region the number of workers is recorded as 1 to 5 persons under the entrepreneurs and the level of education of entrepreneur was 7.8, 8.4 and 11.6 for various years. The share of countries income was more among the entrepreneur than the workers. The share of employment is comparatively high among the workers. The educational attainment level also good among the both entrepreneur and the workers in the OECD countries. It is also revealed from the data that the literacy rate and the regional income of OECD also on the higher side compare with the LAC regions.

Economic Measures to Enhance Economic Resilience

The LAC region government has allotted a US\$2.5 billion bond issuance and solicited US\$1.421 billion in loans from many organisations. Moreover, relaxation given for the fiscal responsibility and taxes has been differed. Special procurement process is carried out with US\$427. Subsequently, the banks are allowed to the use of strategic provisions with US\$1.252 billion.

References

- Bastías, G., & Poblete, F. (2021). Improving the performance of hospitals and the health system in Latin America and the Caribbean. *The Lancet Global Health*, 9(8), e1045-e1046.
- Cavallo, E., & Powell, A. (2021). *Opportunities for Stronger and Sustainable Post-pandemic Growth*. Inter-Developmental Bank. 2021 Latin American and Caribbean Macroeconomic Report.
- David, H.A., Frank, L., Richard, J.M. (2001). *The Skill Content of Recent Technological Change: An Empirical Exploration*. NBER Working Paper. No. 8337.
<https://economics.mit.edu/files/11574>
- Economic Commission for Latin America and the Caribbean (2021). The Recovery Paradox in Latin America and the Caribbean Growth amid Persisting Structural Problems: Inequality, Poverty and Low Investment and Productivity. Special Report. Covid-19. No.11. Santiago.
- Cox Edwards, A. (2004). Changes in the labor market in LAC: What do they mean for education?. *Washington, DC: Banco Interamericano de Desarrollo/Diálogo Regional de Política en Educación*.
- Fuster-Guillén, D., Ocaña-Fernández, Y., Salazar, D.E. & Ramirez, E. H. (2020). Human development and family integration: Study from the comprehensive service of the elderly in Peru. *Revista Venezolana de Gerencia*, 25(90), 477-490.
- Hevia, C., & Neumeyer, A. (2020). A conceptual framework for analyzing the economic impact of COVID-19 and its policy implications. *UNDP Lac COVID-19 Policy Documents Series*, 1, 29.

- Lopez, A., & Arranz, M.R. (2020). *LAC Post Covid-19: Challenges and Opportunities for Central America, Haiti, Mexico, Panama and Dominican Republic*. Regional Overview. Inter-American Development Bank.
- Wang, H., Wang, Y., Walker, P.G.T., Walters, C., Winskill, P., Whittaker, C., & Ghani, A.C. (2020). *Impact of non-pharmaceutical interventions (NPIs) to reduce COVID-19 mortality and healthcare demand*. Imperial College.
- OECD (2019). The OECD's Regional Programme for LAC. The OECD and the LAC Ministerial Council Meeting.
- Ramirez, E.H., Mukthar, K.P.J., Norabuena, R.P., Yslado, R.M., & Guerra, M.E. (2021). Lessons from Covid-19 pandemic and its reflection on global public policy formulation. *Journal of management information and decision sciences*, 24(S1), 1-9.
<https://www.abacademies.org/abstract/lessons-from-covid19-pandemic-and-its-reflection-on-global-public-policy-formulation-12569.html>
- Schröder, P., Albaladejo, M., Ribas, P., Mac Ewen, M., & Tilkanen, J. (2020). *The Circular Economy in Latin America and the Caribbean: Opportunities for Building Resilience*. Research Paper. Energy, Environment and Resources Programme. Chatham House. The Royal Institute of International Affairs. London.
- United Nations (2020). Policy Brief: The Impact of Covid-19 on Latin America and the Caribbean.
- World Bank (2021). *Recovering Growth: Rebuilding Dynamic Post Covid-19 Economies amid Fiscal Constraints*. LAC Semi-Annual Report. Washington. DC.
- Zhang, J., Raza, M., Khalid, R., Parveen, R., & Ramírez-Asís, E.H. (2021). Impact of team knowledge management, problem solving competence, interpersonal conflicts, organizational trust on project performance, a mediating role of psychological capital. *Annals of Operations Research*, 1-21.
<https://doi.org/10.1007/s10479-021-04334-3>