2020 Latin American Business Environment Report

UF Center for Latin American Studies
UNIVERSITY *of* FLORIDA

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The Latin American Business Environment (LABE) specialization is for MALAS students with a keen interest in Latin America who seek to acquire the analytical skills for careers in business, non-government organizations, and government. The program also serves the general public and business community through speaking engagements and publications, including the annual Latin American Business Environment report.

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PREFACE

This is the 21st edition of the *Latin American Business Environment Report* (*LABER). T*he Report includes a review of the business, investment and legal environments in all of the Latin American states, including Cuba, Haiti, and Puerto Rico. As in past years the goal of the Report is to provide an accessible, balanced evaluation of the economic, social, political, policy and legal developments that affect the region's business and investment climate.

LABER is a publication of the Latin American Business Environment Program (LABEP) in the Center for Latin American Studies in collaboration with the Center for Governmental Responsibility (CGR) in the Levin College of Law at the University of Florida. Through graduate degree concentrations, courses and study abroad opportunities, LABEP (http://www.latam.ufl.edu/research-training/la-business-environment) draws on the diverse expertise and considerable resources of the University to prepare students for careers related to Latin American business. It also organizes conferences, supports the publication of scholarly research and provides professional consulting services.

CGR is a legal and public policy research institute at the Levin College of Law with research programs and grant projects in environmental law, social policy, international trade law, and democracy and governance. CGR provides academic and clinical instruction for law students, and public extension and information services through conferences and publications. CGR (http://www.law.ufl.edu/academics/centers/cgr) has a long history of collaborative work throughout Latin America, in Haiti, Europe and Africa.

Marcelo Santos Rocha da Silva and Hong Zhang helped with economic research, while Isabella Limonta assisted with background research for the legal environment section. We thank them for their valuable assistance, but we alone are responsible for the content and analysis. Marcelo Rocha was the author of the economics section of the Brazil country report.

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CONTENTS

*Puerto Rico is a commonwealth of the United States and not an independent nation, though it has its own constitution and an elected governor and legislature. Culturally and linguistically it is part of Latin America.

Abbreviations and Definitions

ALBA: *Alianza Bolivariana para los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of our Americas),* an organization founded by Cuba and Venezuela in 2004 to foster regional economic, political, and social integration. Its member states, which are socialist or populist in orientation, are Antigua and Barbuda, Bolivia, Cuba, Dominica, Grenada, Nicaragua, Saint Kitts and Nevis, Saint Lucia, Saint Vincent, and Venezuela.

Latin America: The states in the Americas in which romance languages are spoken. This definition includes the Caribbean nations of Cuba, the Dominican Republic, and Haiti. We also include Puerto Rico, which has cultural links to the region and is recognized by the United Nations as a self-governing territory.

LA-7: The seven largest countries in Latin America by GDP, in 2019 PPP prices. These are, in order of size, Brazil, Mexico, Argentina, Colombia, Chile, Peru, and Venezuela.

LAC: Latin America and the Caribbean.

Mercosur: (Mercosul in Portuguese.) A customs union and trading bloc of countries established in 1991 to promote free trade. Its full members are Argentina, Brazil, Paraguay, and Uruguay. Venezuela's membership was suspended on December 1, 2016.

Pacific Alliance: A trade bloc founded in 2011 with the goal of promoting economic integration and free trade with a "clear orientation toward Asia." Its members are Chile, Colombia, Mexico, and Peru. Costa Rica, Ecuador, and Panama are in the process of becoming members. Its governments tend to be centrist and market-oriented.

USMCA: A free trade agreement between the United States, Mexico, and Canada which has been passed by legislatures and signed into law in the United States and Mexico and is under consideration by Canada's parliament. Also known as NAFTA II, it replaces the North America Free Trade Agreement that came into force in 1994.

Sources for the data, forecasts, and rankings used in this publication are listed in the footnotes to Tables 1 through 15.

2020 LATIN AMERICAN BUSINESS ENVIRONMENT REPORT

Brian Gendreau and Timothy E. McLendon

EXECUTIVE SUMMARY

Latin America's economies are struggling with the coronavirus pandemic, lingering uncertainty about trade wars, and the aftereffects of civil unrest in five countries last year. The consensus is still for a modest pick up growth in 2020 on the back of consumption and investment demand, but those forecasts look optimistic as the global economy slips into a coronavirus-related recession of unknown severity and duration. The outlook for growth in the region is also vulnerable to political unrest centered on dissatisfaction with government effectiveness, corruption, and the perceived lack of economic opportunity. The relatively new governments in Argentina, Brazil, and Mexico are likely to be granted time to see if their policy initiatives bear fruit, but continued support from the electorate will be conditional on progress in improving economic performance, governance, and public safety.

We classify the region's 21 economies into three broad categories – attractive, problematic, and mixed – according the overall character of their business environments. The table below further indicates if the yearly performance has improved (▲), deteriorated (▼), no significant change (=) or uncertain (?). In 2019, the business climate improved in six countries and deteriorated in nine with the rest unchanged. The outlook for 2020 remains, on balance, optimistic, though slow growth among the region's trading partners, continued weakness in commodity markets and political instability remain risks.

Latin American Business Environments

	2018	Environment		2019	Environment		2020
	Attractive	Problematic	Mixed	Attractive	Problematic	Mixed	Outlook
USMCA Region							
Mexico	▼					▼	=
Andean South America							
Bolivia		▼			▼		▼
Colombia	▲			▲			=
Ecuador			▼			▲	▼
Peru	▲			▲			▲
Venezuela		▼			▼		▼
Brazil and Southern Cone							
Argentina			▼		▼		=
Brazil			▼			▲	▲
Chile	=				▼		▼
Paraguay	=			=			▲
Uruguay	=			=			=
Central America and Caribbean							
Costa Rica	=			=			▼
Cuba		▼			▼		▼
Dominican Republic			▲	▲			▼
El Salvador			▼			▲	=
Guatemala			=			=	=
Haiti		=			▼		=
Honduras			▼			=	=
Nicaragua		=			▼		=
Panama	=			=			=
Puerto Rico			▼		▼		▼
Total	8	5	8	7	8	6	

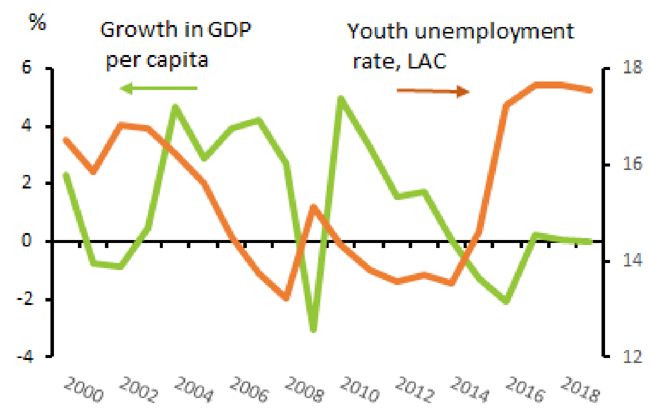

NAFTA
MEXICO
CUBA
HAITI
DOMINICAN REPUBLIC
PUERTO RICO
Caribbean
HONDURAS
GUATEMALA
EL SALVADOR
NICARAGUA
COSTA RICA
PANAMA
Central America
VENEZUELA
COLOMBIA
ECUADOR
PERU
Andean South America
BRAZIL
BOLIVIA
PARAGUAY
Brazil and Southern Cone
CHILE
ARGENTINA
URUGUAY
NAFTA Region
The Caribbean
Central America
Andean South America
Brazil and the Southern Cone

OVERVIEW

ECONOMIC AND POLITICAL OUTLOOK

As recently as a decade ago leftist governments using expanding public-sectors to fuel growth were in control across most of Latin America. Their efforts were supported by high commodity prices, driven up by strong demand from China. Substantial progress was made across the region in reducing inequality, bucking a trend toward more inequality in the developed nations. The portion of Latin America's population living in extreme poverty declined by half. Then came the abrupt decline in commodity prices in the summer of 2014 as China's growth decelerated and growth in Europe and Japan remained lackluster. GDP growth per capita declined across Latin America (Figure 1) and has yet to recover to pre-shock levels. Unemployment has risen in a number of countries, including Argentina, Brazil, Chile, and Ecuador. Suddenly millions have discovered that their hold on a lower middle-class existence is tenuous.

Figure 1. Growth has slowed and unemployment has risen



Source: ECLAC

The rise in economic uncertainty in the region came amidst continuing frustration with governments that appeared ineffective in combating corruption and high levels of crime. Fueled by high-profile corruption scandals which in many cases crossed borders, electorates in several countries turned against the establishment. Some observers saw in this an ebbing of the "Pink Tide" that had swept leftist or center-left administrations into power a decade or more earlier, with right or center-right governments taking control in seven countries (Figure 2). But there were also shifts in the opposite direction, such as in Mexico where Andrés Manuel López Obrador (AMLO), representing a largely leftist coalition led by the Party of the Democratic Revolution (PRD) replaced President Enrique Peña Nieto of the Institutional Revolutionary Party (PRI) last year, and in Argentina, where Peronist candidate Alberto Fernández turned the market-friendly government of Mauricio Macri out of office in the October 2019 general election. Today, governments in Latin America run the spectrum from globalist to nationalist, and from left-leaning to right leaning (Figure 3). The only common theme in the switch in regimes is voters' dissatisfaction with previous administrations, with government, and with the political establishment.

Figure 2. An ebbing of the Pink Tide?

Presidents in 13 Latin American countries

	2009	2020
Argentina	Cristina Fernández	Alberto Fernández
Bolivia	Evo Morales	Jeanine Añez*
Brazil	Lula da Silva	Jair Bolsonaro
Chile	Michelle Bachelet	Sebastian Piñera
Cuba	Raúl Castro	Miguel Díaz-Canel
Ecuador	Rafael Correa	Lenín Moreno
El Salvador	Mauricio Funes	Nayib Bukele
Honduras	Manuel Zelaya	Juan Orlando Hernández
Mexico	Felipe Calderón	AMLO
Nicaragua	Daniel Ortega	Daniel Ortega
Paraguay	Fernando Lugo	Mario Abdo Benitez
Uruguay	Tabaré Vázquez	Luis Lacalle Pou
Venezuela	Hugo Chávez	Nicolas Maduro**

* Interim President — Left or Center Left

***de facto* President — Right or Center Right

Twelve countries in Latin America had leftist or center-left presidents in 2009. This year only half still have leftist or center-left governments.

Then the protests began. Civil unrest broke out in 2018, first in Nicaragua in April then in Haiti in July, and lasted almost a year and a half. In October of 2019 protests erupted in Ecuador, followed in short order by demonstrations in Bolivia and Chile, and eventually in Colombia. The protests involved thousands and, in many cases, turned violent with a substantial loss of lives and property.

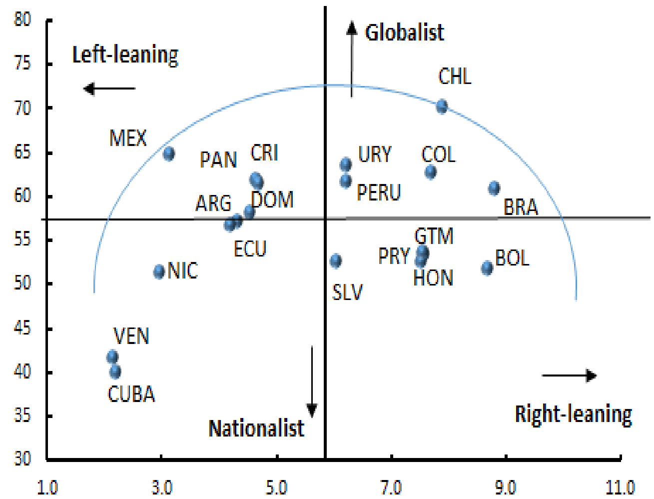
Different events triggered the unrest in different countries. In Ecuador it was the elimination of fuel subsidies, an action that was part of an agreement between the government of Ivan Moreno and the IMF. In Bolivia, the protests centered on perceived irregularities in the election that seemed to have returned President Evo Morales to a fourth term in office. (Mr. Morales was forced to resign when the military sided with the protesters.) The precipitating event in Chile was a 4% increase in subway fares. Nearly all analysts, however, believe the protests reflected deeper discontents. This became apparent in Ecuador as the focus of the protests shifted to longstanding grievances of that country's indigenous population. In Chile, the depth and breadth of the unrest pointed to enduring dissatisfaction with poor government services, persistent income inequality, and a perception that the country's education system was not leading to better economic opportunities for graduates. In Colombia's case contagion from the protests in other countries appear to have been at work, though frustration with the pace of implementation of the Peace Accord was a motivation for some of the protests.

If there is a common theme across countries in the unrest it would seem to be a desire on the part of the protesters for a new Social Contract — a new relationship between governments and the governed. As for the timing of the protests, political scientists have long identified relative deprivation — a decline in perceived economic and social prospects after a period of gains — as a source of civil unrest if not outright rebellion. The relative deprivation model certainly applies to the region as a whole. During the commodity boom statist and populist governments used the windfall to finance social spending, raising incomes and expectations. When commodity prices collapsed in 2014 incomes fell and governments that had relied on taxes on commodities to fund spending had to engage in painful austerity.

The problem with this explanation is that it is hard to see differences in economic performance and government ineffectiveness between those countries that had protests and those that did not (Figure 4). Differences in the decline in GDP growth after 2003-14 (the commodity boom years), in corruption perceptions, and in inequality between the two groups of countries are barely perceptible. The only material difference is in youth unemployment rates, which were on average actually lower in those countries that had protests.

Identification of a common thread in the protests is arguably difficult for two reasons. One is that a number of factors may be involved, and some may have been of more concern in some countries than others. The other is that three countries in the region that did not experience civil unrest — Argentina, Brazil, and Mexico — had populist governments voted into office in 2018 or 2019.

Figure 3. Governments in Latin America today span the entire spectrum of policies



Countries are categorized above on a globalist/nationalist scale based on their World Economic Forum Global Competitiveness score. Their characterization as left- or right-leaning is based on how they are described in country risk services' reports and on their score on the Heritage Foundation's Economic Freedom index.

Figure 4. Few differences between countries in which protests did or did not occur

Indicator:	Countries: With protests	With no protests
Decline in growth, %	-1.9	-1.8
Corruption	106.6	107.0
Inequality	45.2	46.3
Youth unemployment rate, %	13.4	14.9

Data are from 18 countries in 2019. Protests occurred in Bolivia, Chile, Colombia, Ecuador, and Haiti.
Decline in growth: Decline in average GDP growth rate between 2003-14 and 2015-19.
Corruption: Transparency International's corruption perceptions index, with a higher number representing more corruption.
Youth unemployment rate: From the World Bank and the International Labor Organization.
Inequality: The Gini index (World Bank estimate). A value of 0 represents perfect income equality; a value of 100 represents perfect inequality

Citizens of these countries in effect had expressed their discontent already in the ballot box.

Concessions from governments — and the resignation of the president of Bolivia — quelled protests in Bolivia, Ecuador and Chile. Protests in Colombia and Haiti died down while sections of some cities remained in lockdown. Given the difficulty of sorting out what led to the protests, most analysts are understandably hesitant to predict whether protests will flare up again. Yet few are ruling out that possibility.

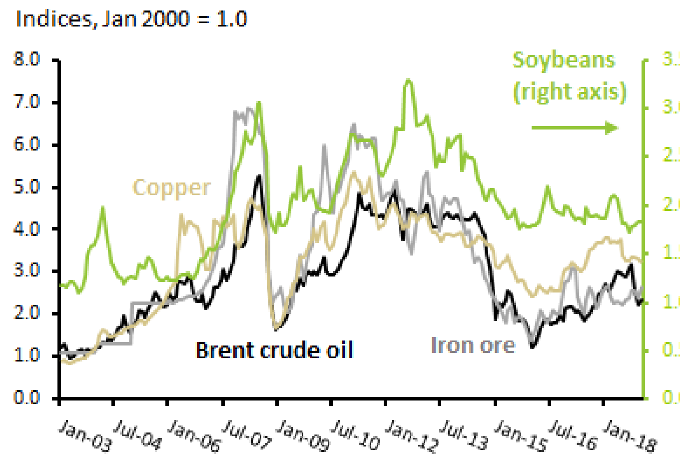
Economic shocks and responses

Latin America is still coping with the decline in commodity prices that started in summer 2014. Commodity prices are off their lows, and forecasters do not expect a sustained rise from current levels. The World Bank's latest forecasts, for example, see a decline in energy prices in 2020 and virtually no increase in non-energy prices (prices of precious metals are an exception). Before the coronavirus became a concern forecasters were looking for an uptick in global growth following the slowdown related to uncertainties about trade last year. Now forecasters are marking down their predictions. At the end of last year, for example, JP Morgan's economists were forecasting that global GDP would grow 3.1% in 2020; they now see only 2.1% growth. They had been looking for 1.8% growth in the United States and 5.9% in China this year; they now see growth at only 0.2% and 5.2%. (Real GDP grew by 6.1% in China last year and 9-10% in 2010-11.) A great deal of uncertainty exists about this outlook, of course, because no one knows how much further the virus will spread, nor how long it will take to contain the virus, and forecasters uniformly acknowledge the existence of substantial downside risk.

Most analysts believe the main channels through which a decline in global growth will occur is : (1) a reduction in supply as factories close and global supply chains are disrupted, and (2) a reduction in demand for inputs to manufacturing, business travel, and tourism. The exposure of global firms to a virus-related decline in economic activity is potentially large: a February survey by researchers at Morgan Stanley of 857 U.S. companies under coverage found that 76% of respondents are exposed to China through supply-chain or end-demand linkages, or both. Forty-three percent indicated that they are already encountering difficulties sourcing from China.

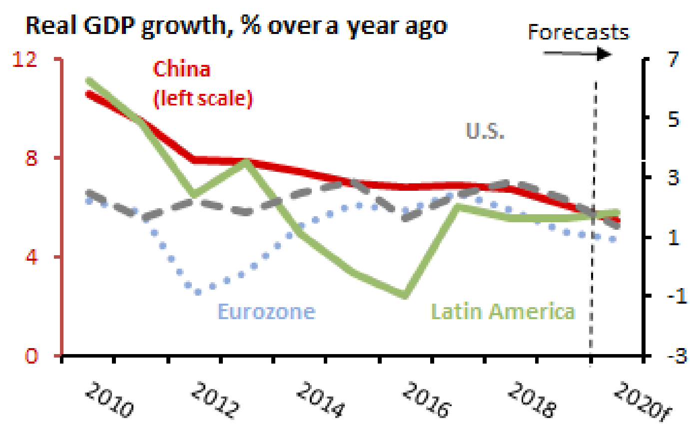
For Latin America, the decline in end-demand for its exports to China is likely to be the main channel through which the coronavirus affects its economies. Agricultural and mining products still dominate the exports of most

Figure 5. Commodity prices have stabilized, but at relatively low levels



Source: World Bank

Figure 6. Forecasters still expect modest growth, but have been down marking their projections



Source: Consensus Economics, Bloomberg

Figure 7. The economic outlook for Latin America

	2018	2019e	2020f
Real GDP, %	1.1	0.3	1.3
Inflation,%	1,522	97	88
ex. Venezuela	*10.3*	*11.0*	*9.2*
Current account, $ bil.	-108.2	-81.0	-86.0

Source: Consensus Economics, inc. for the seven largest economies in the region. Forecasts are as of February 17, 2020.

countries in the region, and China is the largest or second largest trading partner of Argentina, Brazil, Chile, and Peru. There are also likely to be knock-on effects on the region's economies if supply chain disruptions affect the U.S. economy. This is especially likely to affect Mexico, which exports manufactured goods to the United States through well-developed supply chains.

Meanwhile, trade tensions between Mexico and the United States have eased. NAFTA — now known as the United States-Mexico-Canada Agreement (USMCA) — has been renegotiated and signed by the heads of all three states, and passed by legislatures in the United States and Mexico. The treaty is currently under consideration by the parliament in Canada. The changes in the agreement are more modest than supporters of NAFTA had feared. Compared to NAFTA, USMCA provides more incentives for the domestic production of motor vehicles, increases environmental and working regulations, and provides for more intellectual property protections.

Trade-related tensions with Argentina and Brazil, however, have worsened. In May 2018, Argentina and Brazil had agreed to cap their metal shipments to the United States, allowing them a partial escape from the 25% tariffs on steel imports and 10% tariff on aluminum imports put in place by the Trump administration in January 2018. On December 2, 2019, however, President Trump accused Argentina and Brazil of manipulating their currencies, and announced that he will restore all tariffs on steel and aluminum shipped to the United States from those countries.

LEGAL ENVIRONMENT

Two major trade agreements highlighted 2019: the agreement between Canada, Mexico, and the United States on a replacement for NAFTA and the free trade agreement between Mercosur and the European Union. Corruption investigations and prosecutions continued with mixed results in the LABER countries. Meanwhile, immigration continued as an issue, less prominently in Latin America than in the U.S.

NAFTA countries proceed with ratification of USMCA and Mercosur finalizes free trade agreement with EU. Although substantial agreement was reached in 2018, final agreement on an amended protocol was reached between the U.S., Mexico and Canada on NAFTA's replacement in December. The agreement was quickly ratified by Mexico and adopted into law by the U.S. Congress in January 2020. The main changes contained in the new USMCA are discussed elsewhere. Canada's ratification of the new Agreement has not yet occurred, but is expected in spring 2020. The ratification of the USMCA will bring some stability to the North American trade situation.

Further south, in June, negotiators for the European Union and Mercosur signed a free trade agreement that will bring together the world's largest and fourth largest trade blocs. At the same time, Mercosur reached a similar agreement with the smaller EFTA group of European nations. Each of these agreements will now require the ratification of all member state legislatures, a process that could be complicated by European politics as well as possible disputes over environmental matters, including deforestation and fires in the Amazon.

LABER countries struggle to maintain momentum in combating corruption. The corruption scandals surrounding Brazil's Odebrecht construction firm emerged in 2017 and rocked Latin America as the scale of the bribes and kickbacks became known. The investigations continued in 2019. In Peru, former president Alan Garcia committed suicide in the face of arrest, while former president Alejandro Toledo was arrested in the United States on an extradition warrant. The leader of Peru's main opposition, Keiko Fujimori, was returned to pre-trial detention on corruption charges. In Mexico, former president Enrique Peña Nieto is under investigation on corruption charges, and the former head of the state oil company, Pemex, was arrested in Spain and is expected to be extradited. In Colombia, José Elías Melo, head of holding company Corficolombiana was sentenced to 12 years for bribes. Colombia's attorney general, Nestor Humberto Martinez was investigated for failure to pursue corruption cases. He had been the general counsel for a company linked to bribes. Mr. Martinez resigned in May over another issue. Former Colombian president Alvaro Uribe faces charges of witness tampering, bribery, and obstruction of justice. In Honduras, the head of the national police, Leonel Luciano Sauceda, was charged with money laundering.

The United States assisted with some of these investigations. For example, Mexico's former Secretary of Public Security, Genaro Garcia Luna, was arrested in December and faces charges of conspiracy and drug trafficking involved in accepting bribes from the Sinaloa drug cartel. In October, the brother of Honduran president Juan Orlando Hernandez was found guilty by a U.S. federal court of drug trafficking charges. The president was not implicated in his brother's case.

Elsewhere, there were legal and political obstacles to corruption investigations. In Panama, former president Ricardo Martinelli was acquitted of corruption and illegal wiretapping charges. The special independent commissions investigating corruption and impunity in Guatemala and Honduras ended their work after the respective governments refused to renew their mandates. In Brazil, the courts reduced the sentence of former president Luiz Inácio Lula da Silva, ruling that charges involving campaign finance issues must be heard by special electoral courts and that defendants could not be imprisoned while any appeals were pending, a move that resulted in the release of many suspects, including former president Lula. In Argentina, the senate refused to lift the immunity of former president Cristina Fernández de Kirchner who was implicated in the "Notebook" scandals. Her election as vice president and the death of the judge investigating her make it less likely that the former president will face serious legal jeopardy.

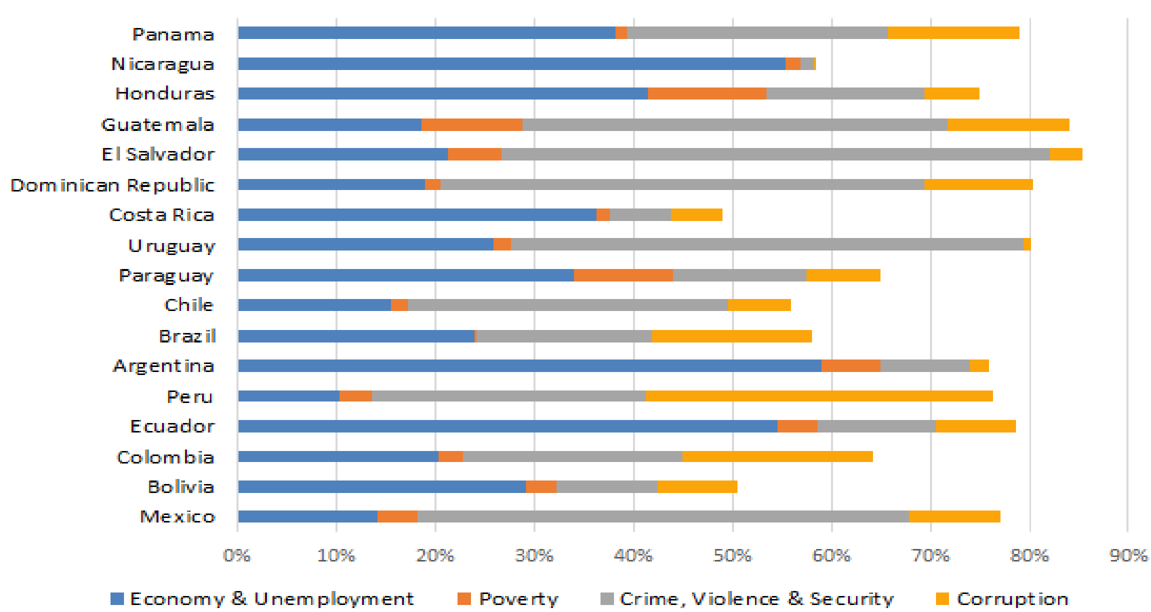
The challenge of dealing with immigration remains. There are two major immigration issues confronting LABER states. The first is the challenge of immigrants fleeing Venezuela, and to a lesser extent Nicaragua. The other involves the migrants moving north to the United States, and in 2019 Central Americans passing through Mexico became especially prominent.

By mid-2019, some 4.5 million Venezuelans had left the country, with most going to neighboring Colombia, and smaller numbers to Peru, Ecuador, Brazil, Chile and Argentina. Colombia has kept its border open to Venezuelan migrants and taken the extraordinary step of granting Colombian citizenship to some 24,000 children of migrants in 2019 to prevent them from becoming stateless. The Mercosur countries of Brazil and Argentina have also retained a relatively open policy to Venezuelan immigrants. However, Ecuador imposed a visa requirement on Venezuelans in 2018. Peru and Chile followed with their own visa requirements in 2019. Many of the 80,000 Nicaraguans fleeing that country's repression have gone to Costa Rica which has struggled to deal with asylum claims.

In the United States, the Trump administration employed a combination of threats and promises to convince Mexico to halt migrant trains and detain migrants away from the U.S. border thus allowing these prospective immigrants to be dealt with outside the U.S. Likewise, the U.S. and Mexico have agreed that immigrants seeking asylum will remain in Mexico while their claims are considered. The United States also threatened the suspension of U.S. aid to convince El Salvador, Guatemala, and Honduras to sign Asylum Cooperation Agreements under which migrants passing through these countries must apply for asylum in the U.S. while remaining in these countries. The U.S. worked to move consideration of immigrants outside the country because a series of court cases provide for greater supervision of immigration appeals once the migrants have entered the U.S. This is especially the case for migrants entering the U.S. with children who may not be detained for more than 20 days. Acting mainly under court orders, the U.S. extended the temporary protected status that allowed certain immigrants from El Salvador, Haiti, Honduras, and Nicaragua to remain and work in the U.S.

Figure 8. My country's biggest problem

Responses to the 2019 LAPOP Survey by AmericasBarometer.



Farewell UNASUR, hello PROSUR? The Union of South American States (UNASUR) had been moribund since many of its members suspended their participation in 2018. In 2019, Argentina, Brazil, Chile, Ecuador, Paraguay and Peru followed Colombia in leaving the organization, while Ecuador sought to reclaim its headquarters in Quito. In November, Bolivia's interim government also left UNASUR. In March, many of these countries announced the founding of the Forum for the Progress and Development of South America (PROSUR). The new organization announced a commitment to democratic principles, claiming it would pursue regional integration and coordination without becoming a bureaucratic organization. Meanwhile, another regional organization lost members. Following Ecuador's 2018 departure, Bolivia's interim government announced in November that it was leaving the ALBA bloc of left-wing states. ALBA is left as only Venezuela, Cuba, Nicaragua and a few small Caribbean islands. The OAS welcomed back Venezuela to membership, or at least the interim administration of Juan Guaidó. The interim president also re-joined strategic and human rights agreements the country's Chavista regime had denounced. However, the re-admission of Venezuela to the Rio treaty on hemispheric defense prompted Uruguay to denounce the agreement.

Social liberalization makes uneven progress. The general trend in social liberalization continued in several LABER countries. In Ecuador and Chile, courts recognized same-sex marriage. Abortion was a more problematic matter. In Argentina and Ecuador, abortion measures failed in the legislature. An Argentine health ministry decree did provide some easing of abortion restrictions, however. The new Argentine government is committed to making the practice fully legal.

BUSINESS CLIMATE

Most economists agree that the ease of doing business is a key component of the efficiency with which labor and capital can be combined to produce output that is crucial to long-term growth. A greater ease of doing business is associated with higher levels of entrepreneurship, better employment opportunities, higher personal incomes, and higher government tax revenues, according to the World Bank. More burdensome regulations, meanwhile, tend to be associated with higher levels of corruption. Each year the World Bank measures the regulatory, legal, and practical challenges involved in setting up and operating a business. It surveys regulatory practices in 11 areas. (See Table 15 in the back of this report.)

After slipping in the global rankings in the last two years, Latin America fell again in the 2020 survey. Fourteen out of 19 countries in the region lost ground in the rankings. Most of the movement in the rankings, however, reflects rapidly improving scores of countries outside the region rather than lower scores for Latin American countries. Chile, which is no longer classified as a developing country by the OECD, has the highest ranking in Latin America. Colombia, which has implemented a total of 37 reforms since 2005, remains a leader in the region. Several countries stood out for performing well on some business climate indicators in the survey, including Costa Rica. Colombia fell in the overall rankings, but ranks 25th on the transparency of tariffs — higher than many developed countries. The region as a whole performs well in the time it takes and cost involved in starting a business, with the average start time reduced to 34 days from 74 days in 2003. Still, Latin America has a lot of room for improvement in its business climates: no country in the region is ranking in the top quartile of the global rankings, and 10 are in the bottom half.

Figure 9. World Bank ease of doing business rankings

	2020 Rank	2019 Rank	
Chile	59	56	↓
Mexico	60	54	↓
Colombia	67	68	↑
Costa Rica	74	67	↓
Peru	76	65	↓
Panama	86	79	↓
El Salvador	91	85	↓
Guatemala	96	97	↑
Uruguay	101	95	↓
Dominican Rep.	115	102	↓
Brazil	124	109	↓
Paraguay	125	113	↓
Argentina	126	119	↓
Ecuador	129	123	↓
Honduras	133	121	↓
Nicaragua	142	132	↓
Bolivia	150	156	↑
Haiti	179	182	↑
Venezuela	188	188	-

Source: World Bank, Doing Business 2020. For 2020 the World Bank surveyed 190 countries; a rank of one is highest. An upward-pointing arrow in the table indicates a rise in the rankings and improving business conditions relative to other countries.

FINANCE AND INVESTMENT IN LATIN AMERICA

The negative impact of slow growth in the developed world, a deceleration of growth in China, and the global impact of the coronavirus on Latin America will be mitigated, to an extent, by an improvement in financial conditions. In August of last year, the Federal Reserve initiated the first of five rate cuts that brought its rate target to its current 0%-0.25% range. As concerns have mounted about weakness in the U.S. economy, the bond market has priced in expectations that the Federal Reserve will keep rates low. As a result, the U.S. Treasury yield curve, a barometer of market expectations about future interest rates, is nearly flat, meaning the market is pricing in low interest rates for years to come.

Lower interest rates in the United States affect financial conditions in Latin America through two channels. First, yields on U.S. dollar-denominated sovereign and corporate bonds tend to fall with declines in U.S. interest rates, lowering government and corporate borrowing costs (though they have ticked up recently with the coronavirus outbreak). Second, lower rates in the United States make the higher yields on Latin American bonds relatively more attractive to investors, and they encourage capital inflows to the region. A great deal of research over the years has confirmed that capital flows to Latin America are highly sensitive to economic activity and interest rates in the developed countries.

Meanwhile, financial conditions within Latin America have become easier. With inflation low (except in Argentina and Venezuela), and inflation expectations apparently well-anchored, central banks throughout the region have been cutting policy rates. The liquidity they have provided has not offset the contractionary effects of lower commodity prices, but it has helped cushion their economies from the shock. Lower exchange rates have helped, too. Most of the largest countries in the region allowed their currencies to depreciate after the collapse in commodity prices in 2014-15. Exchange rates have since stabilized at competitive levels. Because the nominal exchange rate depreciation has not passed through to higher inflation — an unusual event in Latin America — exchange rates have also declined in real terms for most countries. Colombia's real effective exchange rate, for example, is almost 20% below its six-year average, while the exchange rates of Brazil and Chile are 12% and 14% below their six-year averages. The lower real exchange rates bode well for the competitiveness of the region's exports in coming months.

External funding requirements

In light of the turmoil in global financial markets that has occurred as the coronavirus has spread around the world, there is a question of whether Latin America will be able

Figure 10. The U.S. Treasury market is pricing in little change in rates through 2022

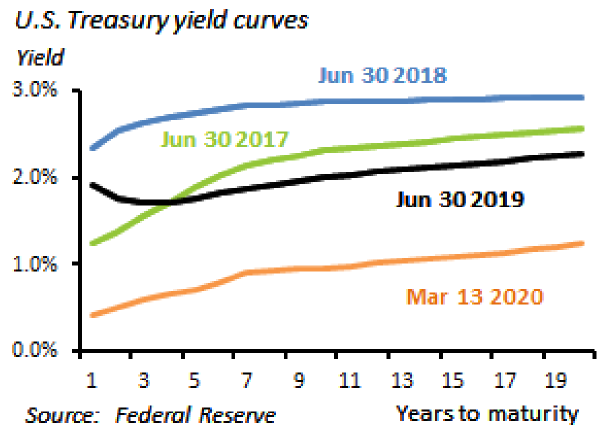


Figure 11. Sovereign spreads have stabilized since the commodity prices shock of 2014-15

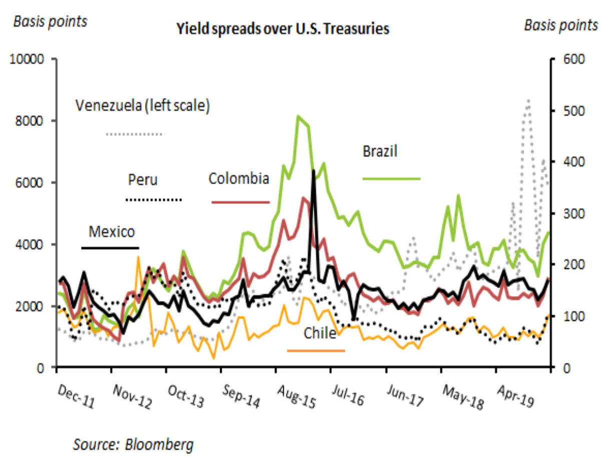
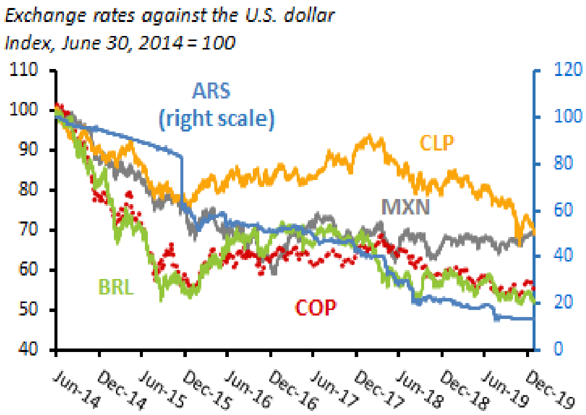


Figure 12. Central banks have been cutting Interest rates

		28-Feb-19	28-Feb-20	Last move
Argentina	Leliq	50.13%	40.00%	20 Feb 20 (-200bp)
Brazil	SELIC O/N	6.50%	4.25%	5 Feb 20 (-25bp)
Mexico	Repo rate	8.25%	7.00%	13 Feb 20 (-25bp)
Chile	Disc. rate	3.00%	1.75%	23 Oct 19 (-25bp)
Colombia	Repo rate	4.25%	4.25%	29 Jan 18 (-25bp)
Peru	Reference	2.75%	2.25%	7 Nov 19 (-25bp)

Figure 18: Latin America's currencies have stabilized at competitive levels

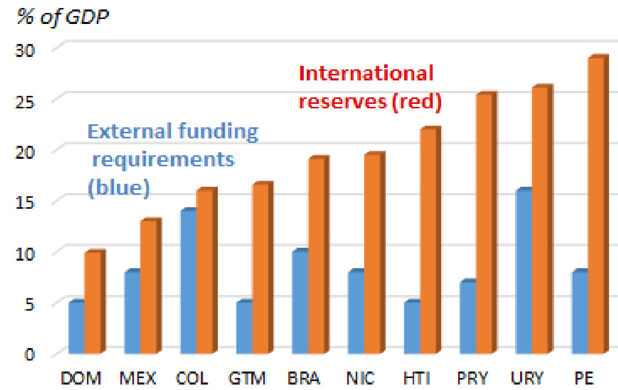


Source: Bloomberg

to raise the funds it needs to meet its external funding requirements. In the near term, funding from abroad is needed to finance current account deficits, pay or refinance the principal on maturing debt, and rollover short-term debt. If those funds are not forthcoming, countries may have to draw down their central bank foreign exchange reserves. Accordingly, it is appropriate to compare countries' external funding requirements with their central bank foreign exchange reserves. By this criterion most Latin American countries should have no problem meeting their external funding requirements this year: those funding requirements are low relative to reserve (Figure 19). Six countries, however, have external funding requirement that are fairly large relative to their central bank international reserves. This includes Argentina, whose external debt rose from US$ 177 billion in 2015 to US$ 282 billion at the end of 2019, and whose foreign exchange reserves fell from US$ 59 to US$ 42 billion as the peso came under severe selling pressure in 2019. The new government of President Alberto Fernández has spoken openly about the need for debt restructuring, and the IMF acknowledged in late February the need for a "definitive debt operation" involving a "meaningful contribution from private sector creditors." Chile's external funding requirements are also large relative to its reserves, but Chile has not experienced a drain on its international reserves despite last year's protests and riots. Furthermore, its AA2/A+/A sovereign debt ratings from S&P, Moody's, and Fitch — the highest in Latin American — should ensure that the government and Chilean corporate borrows will have little difficulty retaining access to international financial markets.

Ultimately, whether countries are able to meet their external funding requirements depends on investor confidence and capital inflows. The consensus among economists is that six of the seven largest economies in the region will continue to receive capital inflows in 2020, though only Mexico will see an increase in inflows.

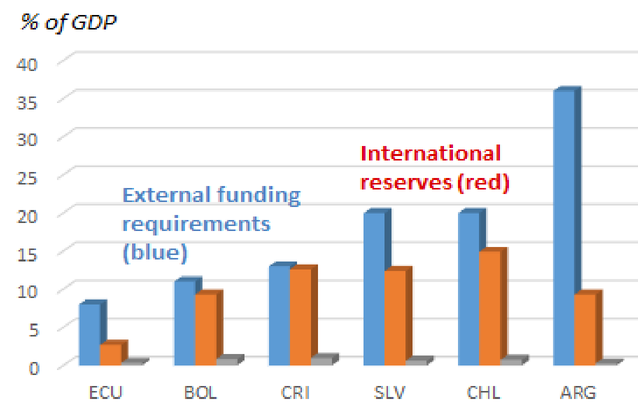
Figure 13. Countries with large reserves relative to external funding requirements



Source: IMF and UF estimates

External funding requirements are the sum of short-term debt (public and private) on a remaining maturity basis and current account deficits.

Figure 14. Countries with large external funding requirements relative to reserves



Source: IMF and UF estimates

Figure 15. Projected capital flows

	2018	2019e	2020f
Argentina	11.0	-12.0	0.5
Brazil	45.8	47.7	44.5
Chile	-9.2	9.5	2.9
Colombia	13.8	19.9	14.8
Mexico	32.1	9.4	22.5
Peru	1.5	13.3	5.3
Venezuela	-7.7	-5.8	-3.9
Total, LA7:	87.4	81.9	86.6

Source: 2018 figures are the sum of capital and financial account balances from the ECLAC. The 2019-20 estimates are survey forecasts of current account balances plus forecasted changes in reserves from Consensus Economics, Inc.

INVESTMENT OUTLOOK

As of the middle of last year, the outlook for most major Latin American stock markets looked favorable. Stock markets all over the world were up, and most of Latin America's markets seemed to be along for the ride. Even Argentina's market, which had taken a beating after investors lost confidence in the peso in summer 2018, was up by 29%. Then came two shocks. The first was the protests and riots that swept through several countries in the region in the fall of last year. Among the major Latin American markets, Chile's was affected the most as it became clear that the civil disturbances were going to dampen economic activity. The second was the spread of the coronavirus, first within China and then to other countries. Although as of this writing few cases have been reported in Latin America, and Latin American industry is not reliant on inputs from China through supply chains, investors became concerned about the reduction in end-demand for their inputs to the Chinese economy. So far markets in the commodity producing economies have been affected the most, with Brazil, Chile, Colombia, and Peru all down by double digits as of early March. Mexico's market, however, has so far not suffered too badly — it is down only about 3% year to date. About 70% of Mexico's exports are industrial products rather than primary products, and about 80% of its exports go the United States. Mexico's markets also may still be enjoying support from the passage of the USMCA last year, which investors appear to believe will improve that country's competitiveness relative to Asia. Mexico's stock market rose 3.2% in the three trading days after the U.S. Senate ratified USMCA.

Judging from valuations such as forward price-earnings (P/E) ratios, Latin America's stock markets looked a bit pricey relative to other emerging markets this time last year. With the decline in stock prices in recent months, that is less the case, especially given that consensus earnings estimates are still positive for 2020 for all six major markets in the region.

The cost of capital in Latin America, meanwhile, is exceptionally low. Debt costs, as measured by yields on dollar-denominated corporate bonds, are low in large part because U.S. bond yields are low, but also because credit spreads are not wide. Estimates of the cost of equity in the region are also low, having dipped below 10% for several countries for the first time. Mostly this reflects lower sovereign spreads — a widely followed measure of country risk incorporated in most models of the cost of equity in emerging markets.

Figure 16. Valuations and earnings growth estimates
February 2020

	Forward P/E		Earnings growth, %:	
	Feb 2019	Feb 2020	2019	2020f
Argentina	9.0x	7.2x	-43	15
Brazil	12.6x	13.5x	7	19
Chile	15.6x	14.2x	-15	7
Colombia	11.8x	10.5x	13	8
Mexico	13.9x	14.5x	9	11
Peru	14.7x	12.0x	9	10
Average:				
Emerging Markets	11x	11x	23	14
EAFE	13x	15x	13	10
United States	16x	20x	11	18

Sources: The forward P/E ratio and earnings growth forecasts are consensus figures reported in Heckman Global Advisors Emerging Markets Equity Allocator, February 5 , 2020.

Figure 17. Estimated cost of equity, five major Latin American countries
February 2020

	Brazil	Chile	Colombia	Mexico	Peru
Sovereign yield, %:	3.71	2.51	3.11	3.25	2.37
Beta:	1.17	0.93	1.32	0.96	0.87
Estimated cost of equity, %:					
Damodoran model	11.8	7.3	10.4	7.2	6.6
Two-factor model	10.4	8.5	8.2	8.6	7.6

The sovereign yield is on 10-year government USD bonds. Betas are calculated using U.S. dollar returns for each country against returns on the MSCI All-Country World index. The Damodoran model is described in Damodoran (2013); the Two-factor model is described in Abuaf (1997). Both use information from sovereign bond markets to estimate the country risk premium in each country's cost of equity. An equity market risk premium of 5.7% was used in both models; it is the market cap-weighted average market risk premia of the world's 10 largest equity as reported by Fernandez (2019).

USMCA REGION

MEXICO [=]

• Growth in Mexico declined slightly in 2019 as investment fell and consumption remained weak.

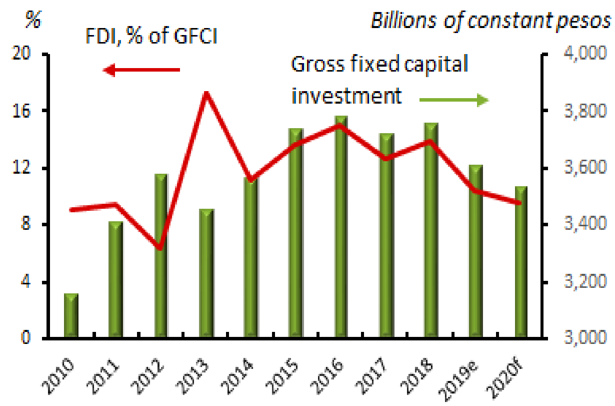
• The consensus still sees a modest uptick in growth in 2020, but that forecast now looks optimistic given the global coronavirus pandemic.

• Inflation has fallen, giving Banxico room to cut interest rates.

President Andrés Manuel López Obrador will focus on fulfilling his campaign promises, which included combatting crime and corruption, boosting growth, and reducing inequality. After more than a year in office, he has made little progress in achieving any of these goals. Last year was a record year for homicides, and incidents involving the release of the son of Joaquín "El Chapo" Guzmán after a street battle and the murder of six Mormons near the northern border did not help perceptions that the government is prevailing in its war on gangs. The incidence of corruption in Mexico barely budged in 2019, according to surveys taken by Transparency International, in which it was ranked 130 out of 180 countries in corruption perceptions. Growth, meanwhile, fell to zero last year as businesses, facing uncertainty about the new government's policies and trade frictions, cut investment spending sharply. AMLO nonetheless remains popular. Unemployment is down and wages are up, and his coalition has a majority in both houses of Congress, giving him room to continue to pursue his agenda.

Before the outbreak of the coronavirus in several countries, forecasters were guardedly optimistic about the prospects for growth in 2020, with the consensus seeing a 1.0% rise in real GDP. In part this was because inflation, which had jumped following the depreciation of the peso in 2014-16, abated, giving the central bank room to cut interest rates. Concerns about U.S.- imposed tariffs, meanwhile, lessened with the signing of USMCA by heads of state in the United States, Mexico, and Canada. The outlook is now hostage to the spread and duration of the coronavirus. Although less than 2% of Mexico's trade is with China, disruption of trade between the United States and China could have knock-on effects in Mexico, whose industry is closely linked to that of its neighbor to the north through supply chains. In the long-term, however, Mexico may be a beneficiary if the virus leads the United States to diversify its manufacturing away from China, though the extent to which this would compensate for a decline in economic activity related to the virus is hard to judge.

Figure 1. Fixed investment and foreign direct Investment have fallen



Source: EIU, Consensus Economics

Mexico: economic indicators	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	2.5	2.0	-0.1	1.0
Consumer prices, % Dec/Dec	4.1	4.8	2.8	3.6
Public sector balance, % of GDP	-2.4	-2.1	-2.2	-2.5
Merchandise trade ($ bil)				
Exports	389	451	466	482
Imports	397	464	463	485
Current account balance, % of GDP	-2.1	-1.8	-0.3	-0.9
International reserves ($ bil)	171	165	171	181
External debt ($ bil)	428	453	455	457
% of exports	102	92	90	88
Public debt, % of GDP	71.4	54	54	55

LEGAL ENVIRONMENT

NAFTA replacement USMCA ratified as amended by the United States and Mexico. The new trade deal replacing the 1993 North American Free Trade Agreement was signed by leaders of Canada, Mexico and the United States in November 2018. Mexico had ratified the original deal in December 2018. Mexico objected to last-minute insertions in the U.S. implementation bill, including a provision for labor attachés with inspection powers inside Mexico, but it was clarified that these officials would not have any inspection authority under Mexican law but would provide technical assistance. Mexico ratified the revised treaty in December, and, after passage of the USMCA by the U.S. Congress, President Trump signed it into law in January 2020. Canada's ratification of the revised agreement has not occurred as of February 2020. All three nations must complete an implementation process before the agreement enters into force, a process that may still take several months.

Mexico ratifies labor and anti-discrimination conventions. Mexico has ratified ILO Convention 98 guaranteeing workers adequate protection against anti-union discrimination in employment. In January 2020, Mexico also ratified the Inter-American Convention Against All Forms of Discrimination and Intolerance, committing the country to prohibit discrimination by public and private entities in areas of employment, education, housing, health, social protection and access to public services.

National Guard created with new constitutional amendment. In March 2019, the constitutional amendment establishing the National Guard composed of elements of the Federal, Military, and Naval Police forces. The new entity will take over the investigative and law enforcement powers of the Federal Police. In May, the government signed an agreement with the UN High Commissioner for Human Rights to provide human rights training for the new force.

New patent agreement with the U.S. signed. In January 2020, the Mexican Institute of Industrial Property reached an agreement with the U.S. Patent & Trademark Office to provide for expedited and streamlined approval process of patents in Mexico for those who hold a U.S. patent. Under the agreement, the two offices will share information and examination results.

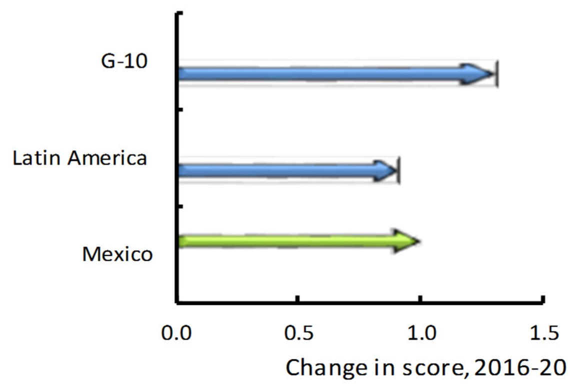
Joint agreement on migration signed with U.S. The governments of Mexico and the U.S. reached a 90-day agreement in June to curb a wave of migrants from Central America who passed through Mexico. Under the agreement, asylum seekers from Central America were returned to Mexico while their claims were considered.

AMLO raises minimum wage. In December, the president raised the national minimum wage by 20% to 123.22 pesos per day effective January 1. The new minimum wage, though amounting to less than US$ 1 per hour, helps to compensate for Mexico's 3% inflation rate.

BUSINESS ENVIRONMENT

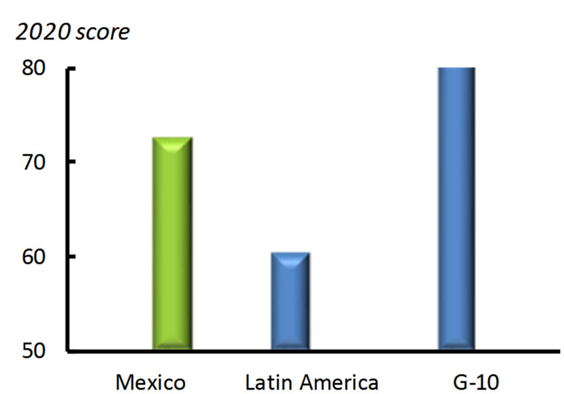
Mexico slipped in the World Bank's *Doing Business* rankings in 2020 although its score actually increased slightly. As is the case for most countries in the region, the slippage reflected a faster pace of improvement in the business climate in countries outside of the region. The improvement in Mexico's overall score came despite an increase in the fees for construction permits in Mexico City that makes it more difficult to obtain such permits. Overall, the business climate in Mexico is one of the more favorable ones in Latin America: only Chile has a higher ranking. However, a high crime rate in some Mexican states and persistent perceptions that corruption is a problem continue to be barriers to a further improvement in the investment climate.

Figure 2. Mexico's business climate continues to improve from a relatively high base



Source: World Bank Doing Business report

Figure 3. It is easier to do business in Mexico than elsewhere in Latin America



Source: World Bank Doing Business report

CUBA ▼

• Economic activity will continue to weaken from the effects of U.S. sanctions and reduced support from Venezuela.

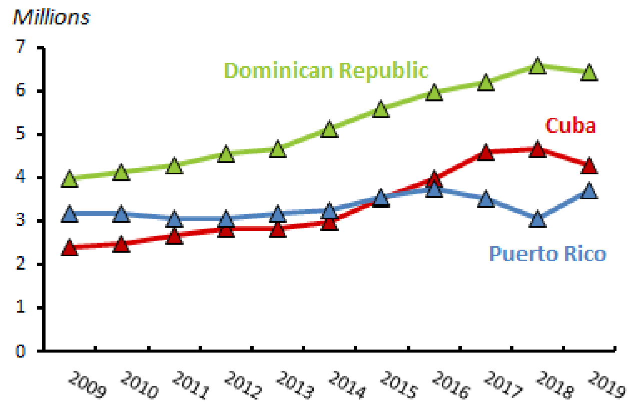
• Cuba is moving toward a more decentralized political structure, though the reform will be gradual.

• Relations with the United States to remain tense.

Growth faltered in Cuba last year as the United States tightened restrictions on U.S. residents' ability to travel and do business on the island, and imports of oil from Venezuela remained low. The number of visitors from the United States fell an estimated 22% in 2019, contributing to an 8.5% overall decline in visitors from overseas to 3.9 million. Tourism had been key to the growth of Cuba's small private sector. Since 2008, Cuban citizens have been allowed to operate small businesses such as restaurants and B&Bs. Those businesses stagnated in 2019, and are unlikely to recover as long as the U.S. restrictions remain in place. Figures for 2019 on Cuba's imports of fuels from Venezuela, its principal source of crude oil imports, are not yet available, but as of 2018 they were 57% below their peak value in 2012. In part, this decline reflects the fall in the price of oil during that period, but it also reflects the impact of U.S. sanctions on companies engaged in the Venezuela-Cuba oil trade and production problems at PDVSA, Venezuela's state-owned oil company. The reduced availability of fuels constrained growth in 2019 and will continue to do so this year. A fuel shortage has developed in Cuba, resulting in long lines at gas stations and fuel rationing, with a priority given to power generation over motor vehicles. PDVSA has vowed to increase oil shipments to Cuba, which has sought to diversify its oil imports.

Cuba: economic indicators	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	2.1	1.1	0.5	-0.7
Consumer prices, %YoY	6.2	5.3	5.7	5.0
Public sector balance, % of GDP	-5.4	-8.3	-6.3	-5.4
Merchandise trade ($ mil)				
Exports	3.9	3.0	2.0	3.0
Imports	11.9	12.0	11.0	10.0
Current account balance, % of GDP	2.5	1.5	1.6	1.4
International reserves ($ bil)	11.3	12	10	9
External debt ($ bil)	30	29	29	29
% of exports	192	193	223	223
Public debt, % of GDP	34	30	25	23

Figure 1. Tourist arrivals to Cuba fell sharply after the United States tightened restrictions



Source: World Bank; national sources for 2019

Cuba often exchanges oil for medical services, sending doctors to work abroad. A shortage of foreign exchange, reduced income from the sale of medical services (Cuba recalled 8,517 doctors from Brazil in late 2018 in response to President Bolsonaro's tough stance on Cuba), and the ongoing effects of U.S. sanctions will reduce Cuba's current account surplus this year.

On December 19, 2019 the National Assembly appointed Manuel Marrero Cruz, formerly Minister of Tourism, as prime minister, the first since 1976. Mr. Marrero will serve as the chief executive for the Cuban government, while President Miguel Diaz-Canel will handle public affairs as head of state. Raúl Castro will remain the country's most powerful figure through his position as chair of the communist party and his close relationship with the Cuban military. The changes, which divide executive authority, are part of reforms mandated in the new constitution that went into effect in April seeking to move the locus of power away from individuals and toward institutions (see below).

The new regime, like the 2008-18 government of President Raúl Castro, is concerned that reforms could be destabilizing and is unlikely to pursue major policy changes, especially any that involve the expansion of Cuba's nascent private sector. The only major policy initiative that has been announced is an effort to unify Cuba's two currencies, the convertible peso (CUC) and the Cuban peso (CUP) used for local transactions, by 2021. Earlier efforts to unify the currencies have not been fruitful.

DEVELOPMENTS IN U.S. SANCTIONS AGAINST CUBA

The Trump administration has tightened U.S. sanctions against Cuba, reversing an opening begun by the Obama administration. Since 2017, U.S. visitors have been barred from transactions with companies under the control of the Cuban military or intelligence services. This restricted list contains more than 200 entities, including hotels, tourist agencies, and stores among other companies.

In April, the Trump administration cancelled an agreement between Major League Baseball and the Cuban Baseball Federation to recruit Cuban baseball players. Under the agreement, 15-25% of a player's MLB salary would go to the government-controlled Cuban federation.

Title III of the 1996 Helms-Burton Act created a cause of action in U.S. courts against any person who knowingly traffics in property confiscated by the Cuban government. Every president has waived Title III. However, the Trump administration ended these waivers in May, allowing individuals and companies with claims for expropriated property in Cuba to bring suit. As of February 2020, more than 20 such suits have been filed. The EU, Canada, the UK, Mexico, and Argentina, have long protested Helms-Burton and passed laws seeking to block its effect. These laws may include refusal to recognize judgments in Title III cases and a cause of action to recover for damages caused by imposition of Title III.

In June, the U.S. Commerce Department prohibited cruise ships and other private ships and aircraft from going to Cuba. In December, the U.S. Transportation Department suspended commercial flights by U.S. carriers to any Cuban city other than Havana. This suspension was applied to charter flights in January 2020. The U.S. government has restricted travel for non-family visits, eliminating people-to-people educational travel to Cuba. Starting in July, the U.S. targeted Cuba for its support of the Maduro regime in Venezuela sanctioning the Cuban state oil company, as well as shipping companies and vessels involved in transporting Venezuelan oil to Cuba. The U.S. imposed visa restrictions on certain Cuban officials, including Raúl Castro and Cuba's interior and defense ministers.

In September, the U.S. Treasury capped family remittances to Cuba at US$ 1,000 per quarter and eliminated a category of donative remittances to non-family members. However, the Treasury specifically authorized uncapped remittances to self-employed individuals and non-governmental organizations to support private economic activity. Also in September, the U.S. Treasury announced that it would no longer permit so-called "U-turn transactions" involving Cuba where U.S. banks would process transactions that originated and then terminated outside the U.S. In October, the U.S. Commerce Department restricted Cuban access to leased commercial aircraft, revoking all existing licenses. It also provided that a third country exporting goods to Cuba involving content of more than 10% U.S. origin would now require a license (down from 25% previously). Finally, the Commerce Department imposed license requirements for donations to organizations controlled by the Cuban government, the Communist Party, or for items related to telecommunications infrastructure.

LEGAL ENVIRONMENT

New constitution takes effect, awaits full implementation. In April, the new constitution took effect after approval by 87% of voters in a February referendum. The new document requires implementation to take place within one to two years. These will include changes to family law, criminal law and procedure, and laws to restructure courts and local assemblies. As of February 2020, the only implementing law yet enacted was the electoral law creating the post of prime minister, reducing the size of the national assembly, and creating provincial councils to replace earlier assemblies.

Cuba defends itself in lawsuit by ExxonMobil over seized property. After President Trump refused to renew the waivers under the U.S. Helms-Burton Act, ExxonMobil brought suit seeking $280 million from Cuban state oil companies over the 1960 expropriation of the Standard Oil refinery in Havana and several gas stations. Cuba has announced that it will defend itself in the action that will be heard in a federal court in the District of Columbia. There are at least nine other suits over expropriated property, but this is the first in which Cuba itself has appeared.

New environmental law enacted to protect Cuban fisheries. Responding to concerns about declining fisheries, Cuba enacted a sweeping law designed to protect its fisheries. Passed in July, the law will curb illegal fishing and allow the ministry of the environment to use quotas and zoning to help fish stocks recover. The need for scientific management required by the legislation offers an opportunity for apolitical between Cuban and American scientists in managing this important transnational resource.

DOMINICAN REPUBLIC ▼

In recent years a robust tourism industry helped make the Dominican Republic one of the fastest growing economies in Latin America. Last year, that growth was dented as tourist arrivals plummeted following news reports of a cluster of tourist deaths at Dominican resorts. Tourism revived toward the end of the year, but was 5% lower for the year as a whole than in 2018. Now the global spread of the coronavirus, which has made tourists reluctant to board airplanes and cruise ships, poses a new threat to the island republic's tourist industry. The virus aside, the Dominican Republic will have a new president following elections in May, but both parties are centrist and no large changes in policy are likely.

Dominican Republic: economic indicators

	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	6.1	7.0	4.9	4.7
Consumer prices, % Dec/Dec	2.7	1.2	3.7	3.3
Current account balance, % of GDP	-2.1	-1.5	-1.8	-1.6
Total external debt ($ bil)	27.3	33.9	35.8	38.4
% of exports	150	162	164	165

New decree simplifies taxes for smaller taxpayers. An August decree established a simpler system for natural and legal persons with gross income of less than 8.7 million pesos per year, or for those entities making annual purchases of less than 40 million pesos per year. Among the changes are exemption from the requirement to pay advance taxes and relief from a tax on assets.

Inter-American Court rejects attempt by Dominican court to overturn its jurisdiction. In April, the Inter-American Court of Human Rights affirmed its competency over human rights cases arising in the Dominican Republic notwithstanding a 2014 decision by that country's constitutional court. The Inter-American Court found the decision invalid under international law and held that the Dominican Republic remains obligated to comply with the court's judgments. The dispute arose out of the controversial removal of Dominican citizenship from many residents of Haitian descent.

Business environment slips. The Dominican Republic fell in the World Banks's 2020 ease of doing business ranking from 102 to 115. It is in the top half of the rankings in three of the World Bank's categories, but in the bottom half in the other eight. It fell from 129 to 137 in Transparency International's Corruption Perception Index, all of which indicate a challenging business environment

HAITI [=]

The protests and riots that began in summer 2018 and persisted for almost 18 months have taken a toll on economic growth, which fell by 0.1% in 2019. The mandates of nearly all elected officials — including most legislators — expired last year, meaning President Jovenal Möise will rule by decree. His ability to govern, however, has been weakened by alleged links to a long-running corruption scandal. Therefore, little progress is likely in reducing Haiti's large (5.1% of GDP) budget deficit. Currency depreciation and monetary financing of the government budget deficit mean there is little prospect of a moderation in inflation from its double-digit rate.

Haiti: economic indicators

	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	2.2	1.5	-0.1	0.8
Consumer prices, % Dec/Dec	10.0	16.5	17.3	15.0
Current account balance, % of GDP	-5.5	-7.0	-2.5	-3.4
Total external debt ($ bil)	2.0	33.9	35.8	38.4
% of exports	119	113	155	193

Temporary protected status for Haitians in U.S. extended. In November, the U.S. Department of Homeland Security announced the one-year extension of the special immigration status that allows Haitians to live and work in the United States. Originally imposed after the 2010 earthquake, a federal court in New York enjoined the U.S. government in April from terminating the protections until the resolution of the case.

New UN political mission approved. In June, the UN Security Council approved a new political mission to Haiti to replace its earlier peacekeeping efforts. The new mission began work in October, and will focus on assisting the Haitian government in preparing for elections, complying with international human rights obligations, dealing with gang violence and improving the justice system. The peacekeeping mission had departed Haiti in 2017 after 13 years, though a stabilization mission had remained to work with the country's police force.

Doing business in Haiti remains difficult. Haiti moved up slightly in the World Bank's ease of doing business rankings from 182 to 179 leaving it still near the bottom.

PUERTO RICO ▼

• Puerto Rico is trying to emerge from default and recover from natural disasters at the same time.

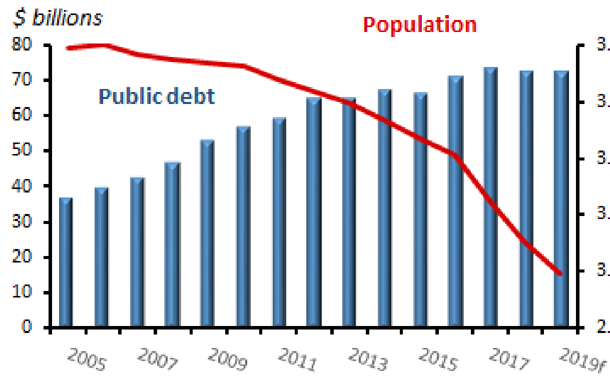
• The oversight board has proposed a plan that would reduce the Commonwealth's debt.

With much of the damage from hurricanes Irma and Maria still not repaired, the last thing Puerto Rico needed was the 6.4 magnitude earthquake that struck on January 7, causing an estimated US$ 500 million in damages. The island has had dozens of aftershocks since then, and thousands of Puerto Ricans are reported to be sleeping outside out of fear that their houses are vulnerable to further shocks. Reconstruction will require further federal assistance, which is likely to be a source of contention between Puerto Rico and Washington. In January 2020, the White House freed up nearly US$ 16 billion in relief aid that Congress had approved in late 2017, but it restricted how the money would be spent. The restrictions included suspending the US$ 15-per-hour minimum wage for federally funded work and blocking spending on the island's electrical grid, which is notoriously unreliable.

The administration of interim governor Wanda Vázquez will be focused on reconstruction for months to come, and at the same time will need to address the Commonwealth's debt crisis. Following Puerto Rico's default on its US$ 74 billion in debt in 2016, Congress appointed a Financial Oversight and Management Board (FOMB) to oversee the island's finances. If voluntary agreements on restructuring the debt are not reached, the Board has the authority to seek a court-ordered resolution. The Board is also empowered to freeze hiring, prohibit the Commonwealth from entering into contracts, and to sell off public assets. In January the Trump administration proposed giving the FOMB oversight authority over federally funded projects.

On February 10, 2020 Puerto Rico reached agreement with creditors who hold the US$ 35 billion in general obligation bonds to reduce their claims to US$ 11.8 billion. The deal still requires approval of the legislature. This follows a plan presented in mid-2019 to reschedule US$ 9 billion in bonds issued by PREPA, the government-owned public utility. The proposals also include a reduction of up to 8.5% in public pensions. If the debt reduction proposals are approved, it will mean an end to the Commonwealth's bankrupt-like status. The reduction in the island's debt burden, however, is no guarantee of long-run solvency.

Figure 1. High debt and a declining population



Source: EIU, Lyman Stone

The start of Puerto Rico's economic difficulties can be dated to 1996, when Congress passed legislation that phased out Section 936 tax advantages for firms located on the island. Businesses subsequently pulled out, and many Puerto Ricans left for the mainland in search of better economic opportunities. The economy shrank by 10% between 2004 and 2018, while the population declined by 16%. Resolution of Puerto Rico's debt crisis will ultimately require a resumption of growth. The economy got a boost last year from reconstruction spending, but that stimulus will wear off this year, with the risk of a coronavirus-related drop in tourism.

Doing business. Puerto Rico is ranked among the higher-scoring Latin American political entities in the World Bank's *Doing Business* report, though far below the United States. Its best rankings are resolving bankruptcies and getting credit rankings. But it does poorly —in the lowest quartile of the rankings — in paying taxes and registering property.

Puerto Rico: economic indicators[1]	Avg. 2013-17	2018	2019e	2020f
Real GNP, % change	-1.3	-4.7	4.0	-1.0
Consumer prices, % Dec/Dec	0.5	0.6	-0.1	1.0
Government balance, % of GNP[1]	-6.3	-1.2	-1.2	-1.1
Merchandise trade ($ bil)				
Exports	67.3	60.6	63.7	65.0
Imports	52.1	46.5	50.1	51.1
Current account balance, % of GNP	9.6	12.1	10.9	10.1
Public debt ($ bil)[2]	68.5	74.2	74.2	45.4
% of GNP	99	110	112	68

[1]Fiscal years [2]Assumes approval of debt reduction plans in 2020.

CENTRAL AMERICA

Figure 1. Remittances are an important source of income for several countries

	Total remittances, $ bil:		
	2018	2019e	% of GDP[1]
Mexico	35.6	38.7	3.1
Guatemala	9.5	10.7	13.0
Dominican Republic	6.8	7.4	8.6
El Salvador	5.3	5.6	20.8
Honduras	4.8	5.3	7.4
Cuba[1]	3.4	3.5	3.6
Nicaragua	1.5	1.2	26.5
Total	66.9	72.4	

Source: World Bank and UF estimates.

[1] *2016 and 2017*

Figure 2. Income growth in Central America is associated with higher levels of investment

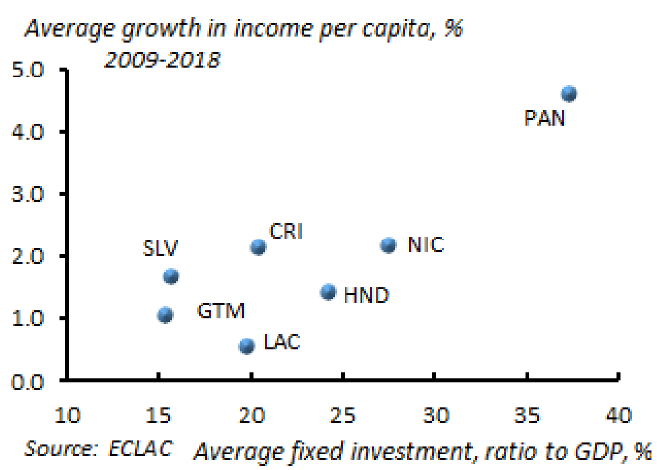
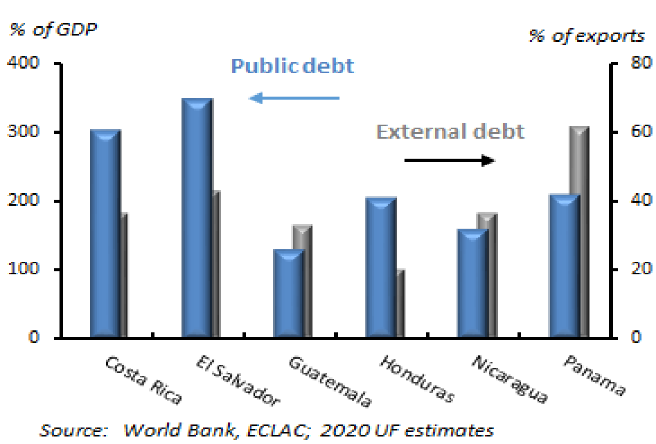


Figure 3. Debt burdens are relatively high in some Central American countries.



COSTA RICA ▼

The government of Carlos Alvarado of the center-left Partido Acción Ciudadana (PAC) will attempt to reduce a large fiscal deficit while revitalizing the economy. In late February the government announced that its fiscal deficit for 2019 was a record 6.96% of GDP and the widest in Central America. Its primary balance (the noninterest budget balance) last year was 2.2% of GDP, meaning that the government was still adding to its relatively high public debt, which is on track to reach 60% of GDP this year barring major policy changes. The likelihood that Mr. Alvarado will win approval for proposed fiscal consolidation measures, which include privatizing a state-owned distillery and a public bank, is higher than it was last year. This was before the PAC signed an agreement on a common agenda with two other parties, such that his coalition has a majority of seats in the legislature. The Alvarado government, however, still faces opposition from public-sector labor unions, which staged a three-month strike in 2018. In the meantime, to finance the deficit, the government will seek to negotiate loans from multilateral agencies and test the market for the issuance of US$ 4.5 billion in Eurobonds. The government had issued US$ 1.5 billion in Eurobonds in November.

New corporate criminal liability law adopted. In June, Costa Rica adopted a law that makes it possible to hold corporations criminally liable for offenses committed by their employees. The law applies to foreign companies with subsidiaries or to those that do business in Costa Rica. Possible penalties may include fines, inability to participate in public tenders, loss of tax benefits, loss of operating licenses and in some cases dissolution. Penalties may be reduced for companies with best practices to prevent these crimes or those that cooperate with investigations.

A favorable business climate. Costa Rica has a reputation for being a business-friendly climate. However, it slipped slightly in the World Bank's rankings down from 67 in 2019 to 74 in 2020.

Costa Rica: economic indicators				
	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	3.4	2.6	1.7	2.2
Consumer prices, % Dec/Dec	2.3	2.0	1.5	2.7
Current account balance, % of GDP	-4.0	-3.2	-2.8	-2.6
Total external debt ($ bil)	27.3	33.9	37.2	40.4
% of exports	152	164	174	182
Public debt, % of GDP	42	54	57	60

El SALVADOR [=]

Nayib Bukele, who won the presidential election in February 2019 as the candidate of the center-right GANA party, has so far focused on improving security and combatting corruption. But he has plans to spur growth though infrastructure projects such as the construction of a metro system for the capital, San Salvador. Given the country's fairly high level of public debt (69% of GDP) and its below-investment grade sovereign bond rating (El Salvador defaulted in 2007), and fiscal deficit (3.5% of GDP), Mr. Bukele will have to rely on the private sector to provide most of the financing. Relations with the United States, meanwhile, will be strained by the cancellation in 2021 of a protected status program for more than 200,000 Salvadorians living in the United States.

El Salvador: economic indicators	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	2.2	2.5	2.3	2.2
Consumer prices, % Dec/Dec	1.3	0.4	0.0	0.7
Current account balance, % of GDP	-3.9	-4.8	-3.4	-0.4
Total external debt ($ bil)	15.7	33.9	35.8	38.4
% of exports	227	223	219	213

President creates commission to combat corruption. In September, President Bukele announced the creation of an independent commission to investigate cases of corruption. Backed by the OAS, the commission will be modeled on similar commissions formerly operating in Guatemala and Honduras.

El Salvador joins Belt & Road Initiative. A year after dropping relations with Taiwan in exchange for China, El Salvador signed an agreement to participate in China's Belt and Road Initiative. In return, China will invest in the country, committing to assist in construction of a water treatment plant, a stadium and other infrastructure projects.

El Salvador's business climate slips. El Salvador fell in the World Bank's ease of doing business rankings from 85 in 2019 to 91 in 2020. The country also fell in the latest Index of Economic Freedom, having declined consistently since 2015. It is ranked 113 in Transparency International's Corruption Perception Index, down from 105 last year.

GUATEMALA [=]

Guatemala's new president, Alejandro Giammattei of the right-wing Vamos party, is expected to continue the orthodox macroeconomic policies of the previous administration of Jimmy Morales (2016-20) while seeking to fulfill campaign promises to fight crime and increase social spending on schools and the elderly. He has presented a bill, which is likely to be passed, to outlaw membership in drug gangs and treat them as terrorists. Mr. Giammattei is unlikely to revive the U.N.-backed International Commission against Impunity (CICG) but has vowed to improve transparency and preserve the independence of public prosecutors. Growth should be near its 3.5% average of the past seven years, supported by strong remittances from workers in the United States.

Guatemala: economic indicators	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	3.6	3.1	3.3	3.4
Consumer prices, % Dec/Dec	4.1	2.3	3.4	3.8
Current account balance, % of GDP	-0.3	0.8	0.5	0.3
Total external debt ($ bil)	20.4	33.9	35.8	38.4
% of exports	144	151	161	163

Supreme Court suspends congressional investigative commission. In October, the court suspended a body created by Congress to investigate the activities of the International Commission Against Impunity in Guatemala (CICIG), the UN commission that left the country in September. The court found that the body was an unconstitutional intrusion into the autonomy of the public prosecutor's office. CICIG's mandate ended amidst a dispute between the commission and then-President Morales over its investigations.

ICJ accepts jurisdiction over land dispute between Guatemala and Belize. After referenda in both countries affirming that the ICJ should resolve the border dispute, the ICJ announced that it will hear the case. The two countries have agreed that the ICJ's decision shall be a final and binding resolution of the dispute. Guatemala has never recognized the borders of its smaller neighbor and continues to claim nearly half of its territory.

Guatemala's business climate continues to improve slightly. The country moved up in the World Bank rankings from 98 in 2019 to 96 in 2020.

HONDURAS [=]

President Juan Orlando Hernández took office for a second term in January 2018 amid protests over alleged election irregularities. He has continued to face allegations of fraud and links to drug traffickers since then, though his majority in Congress has supported his ability to govern. The government's main priority is fiscal consolidation. The government has reached agreement with the IMF on a US$ 311 million standby agreement which should help the government achieve fiscal consolidation without threatening its goals of reducing poverty and unemployment. The government will also seek to reduce violence and corruption, with little progress evident so far.

Honduras: economic indicators

	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	3.6	3.7	3.2	3.1
Consumer prices, % Dec/Dec	4.2	4.2	4.1	4.2
Current account balance, % of GDP	-5.2	-4.2	-3.5	-3.8
Total external debt ($ bil)	7.6	9.7	9.9	10.3
% of exports	81	96	98	100
Public debt, % of GDP	38	40	41	41

Honduras refuses to renew mandate of OAS Commission. In January 2020, the mandate of the OAS-sponsored Mission to Support the Fight Against Corruption & Impunity in Honduras (MACCIH) expired. First established in 2015, the mission had drawn the opposition of congress and little support from President Hernández with its investigations, especially those implicating corruption involving the president's allies.

President's brother convicted of drug trafficking in the U.S. In October, a federal district court in New York convicted Juan Antonio Hernández on 41 counts of smuggling cocaine and weapons into the United States. Although the president was not implicated in his brother's criminal offenses, the trial featured testimony implicating him in corrupt activities.

Surveys show a weakening business climate in Honduras. Honduras fell from 121 to 133 in the World Bank's most recent ease of doing business rankings. It does well in the getting credit category — ranked 25 globally — but does not make it into the top half of the rankings in any other category. It also fell in Transparency International's Corruption Perceptions Index, falling from 132 to 146.

NICARAGUA [=]

Nicaragua is still struggling with a political crisis that began in April 2018. A public uprising occurred against the increasingly authoritarian rule of President Daniel Ortega and Vice President, Rosario Murillo (his wife). The protests, which included demonstrations and roadblocks, occurred in summer 2018 but were quelled violently by government forces. The government's actions were condemned by many countries, including the United States, which imposed limited sanctions on Nicaragua. The public unrest disrupted businesses in Nicaragua and led to a sharp contraction in GDP in 2018-19. Economic activity has still not recovered fully.

Nicaragua: economic indicators

	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	4.7	-3.8	-5.3	-1.1
Consumer prices, % Dec/Dec	4.7	3.9	3.9	4.1
Current account balance, % of GD	-7.8	0.8	2.4	2.5
Total external debt ($ bil)	10.4	11.9	11.5	11.6
% of exports	199	196	194	182
Public debt, % of GDP	30	37	40	42

New amnesty law targets both demonstrators and human rights offenders. A law adopted by congress in June allowed for the release of those detained during 2018 protests against the Ortega regime, but also applies to police and other officials many of whom have been accused of committing human rights offenses against demonstrators. Opposition and international human rights leaders denounced the law as providing impunity for Ortega allies who committed human rights violations. The government says the amnesty will further reconciliation.

U.S. and E.U. widen sanctions against government officials. Throughout 2019, the U.S. Office of Foreign Assets Control progressively expanded sanctions against Nicaraguan officials, including members of the president's family and the companies they control. In October, the EU adopted a regulation to allow targeted sanctions against Nicaraguan officials.

Nicaragua's business climate continues to worsen. It fell from 132 in 2019 to 142 in the World Bank's 2020 ease of doing business rankings. Transparency International, meanwhile, ranks Nicaragua 161 in its Corruption Perceptions Index, down from 152 last year.

PANAMA [=]

• Growth has moderated, but remains the strongest in Latin America.

• Panama is vulnerable to a coronavirus-related decline in tourism, a slowdown in global export growth, and sanctions on its financial system

As expected, Panama's growth decelerated after the end of the multi-year canal expansion, but new investment projects are taking up some of the slack. These include an expansion of the Panama City metro system (scheduled to be finished in 2021), a trans-shipment terminal in Corozal, and an urban renewal project in the city of Colón. The opening of the Cobre Panama mine, which is expected to produce 320,000 tons of copper, will increase diversification. The main challenge to President Laurentino Cortizo's strategy of strengthening Panama's role as a transportation and logistics hub and international financial center will come from abroad. Vulnerabilities include a decline in canal and logistic traffic stemming from an intensification of trade wars, and a drop off in tourism as the coronavirus spreads. Panama has been a popular destination for cruise ships. The cruise ship industry has reportedly cancelled nearly 40 cruises and rerouted over 40, mostly from Asia, though the industry is still advertising cruises to Panama. The Panama Canal Authority has required that all ships transiting the waterway from countries with cases of the coronavirus report any cases of suspected symptoms to allow the Authority to take measures to prevent the spread of the disease to Panama.

The European Union's finance ministers, meanwhile, added Panama to a list of countries to be blacklisted for money-laundering, along with Saudi Arabia, the Cayman Islands, and several U.S. territories. (A similar effort last year was voted down by the 28 EU member states.) Panama's financial sector, with its large offshore business, is the second largest in Latin America, according to the IMF.

Former President Ricardo Martinelli acquitted in corruption trial. In August, a Panamanian court acquitted the former president of charges including embezzlement and spying on rival politicians. The president had been extradited from the U.S. in 2018.

New decree regulates medical devices. The April decree will require authorization by the Ministry of Health to import and market medical devices. The ministry will likewise issue licenses for the manufacture of medical devices in Panama.

Figure 1. A slowdown in investment has led to a deceleration in growth

Source: IMF, UF estimates

New data protection law published. In March, Panama published a new data protection law implementing a constitutional provision. The new law requires informed consent for the access and use of personal data. The law requires security protocols for those who hold personal data. A data protection council will develop regulations, while the National Authority for Transparency and Access to Information will have authority to enforce the law.

A further decline in perceptions of Panama's business climate. Panama's ranking fell seven points to 86 out of 190 countries in the World Bank's latest *Doing Business* report. Four years ago it was ranked as high as 69.The decline is surprising in light of Panama's sustained efforts in recent years to improve its business climate. Panama remains in the top half of the global rankings in most of the World Bank's doing business categories, but it does poorly in enforcing contracts and ease of paying taxes.

Panama: economic indicators

	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	5.8	3.7	3.3	4.0
Consumer prices, %YoY	1.4	0.2	-0.1	0.7
Public sector balance, % of GDP	-2.4	-2.9	-1.7	-1.5
Merchandise trade ($ mil)				
Exports	12.4	13.4	14.8	15.5
Imports	4.8	24.0	21.6	21.8
Current account balance, % of GDP	-8.4	-7.8	-7.6	-7.2
International reserves ($ bil)	3.1	1.9	2.0	2.0
External debt ($ bil)	83	98	94	95
% of exports	319	361	315	306
Public debt, % of GDP	37	39	41	42

ANDEAN SOUTH AMERICA

BOLIVIA ▼

Interim president Jeanine Añez of the right-wing Movimiento Demócrata Social party took office in November following the resignation of Evo Morales. His resignation came after weeks' of civil unrest touched off by the revelation of evidence of fraud in Mr. Morales's re-election to a third term in office. Protests had turned into riots where 35 died, and they ended only when the military sided with the protesters. The riots disrupted economic activity, resulting in a decline in growth. President Morales, Bolivia's first president of indigenous descent, had spent natural gas revenues on education, infrastructure, and health care. But over time, as he gained control of the courts and the electoral authority, his rule became more authoritarian. He is now planning a political comeback, and further civil unrest is possible.

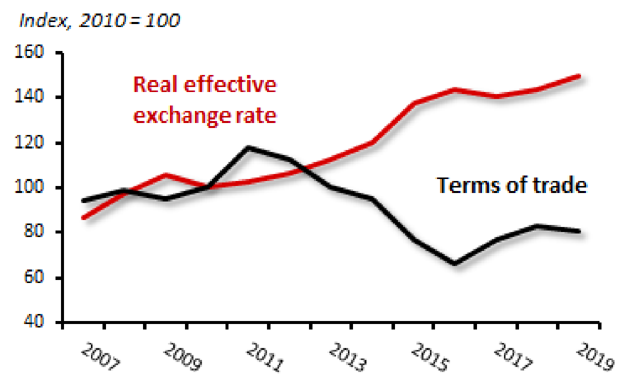
Bolivia needs to reduce its public sector deficit, which reached 5.3% of GDP in 2019, to avoid putting its public debt onto an unsustainable path. Reduced revenues from lower commodity prices and reduced hydrocarbon exports have widened the deficit and resulted in a loss in foreign exchange reserves. Bolivia also needs a lower real exchange rate to avoid a further widening of its current account deficit. Bolivia has pegged its exchange rate at 6.91 Bs/$, but its inflation has been greater than that of most of its trading partners, resulting in an overvalued real exchange rate. No decisive action on fiscal consolidation or the exchange rate, however, is likely until an elected government is in place—the risks of a disruption to economic activity are too great.

LEGAL ENVIRONMENT

Law provides for new elections. In November, all parties in the national assembly agreed on a new law annulling the October elections and providing for new elections for president, vice president and the assembly. The elections have been scheduled for May 3. Former president Morales will not be allowed to run for office in the new elections.

Interim president promulgates and repeals controversial immunity decree for armed forces. The decree issued on November 14 immunized members of the armed forces for actions taken in restoring calm after the departure of former president Morales. After criticism, interim President Áñez repealed the decree saying calm had been restored.

Figure 1. Bolivia's real exchange rate has become overvalued while its terms of trade have deteriorated



Source: IMF, ECLAC

Presidential decree contributed to Amazon fires. In July, President Morales issued the controversial decree that allowed felling and burning of forests in Bolivia's Amazon departments to expand agriculture. In the aftermath more than a million hectares of tropical forest and savanna were burnt.

Decree annuls lithium project. Prior to his departure, President Morales annulled a deal with German company ACI Systems to develop lithium. The salt lake in Bolivia's Petosi department has one of the world's largest lithium deposits. Salt brine would have been used to produce lithium hydroxide for electric vehicle batteries. Protesters had complained that the German company would not pay sufficient royalties.

A problematic business climate. Bolivia improved from 156 to 150 in the World Bank's latest doing business rankings. Its rank in the hemisphere is unchanged, beating only Haiti and Venezuela.

Bolivia: economic indicators	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	5.1	4.2	2.7	2.5
Consumer prices, % Dec/Dec	4.3	1.5	1.5	3.8
Public sector balance, % of GDP	-2.8	-5.2	-5.3	-4.6
Merchandise trade ($ bil)				
Exports	9.7	8.9	8.4	8.6
Imports	9.0	9.4	9.1	9.5
Current account balance, % of GDP	-2.5	-5.0	-5.6	-5.0
International reserves ($ bil)	7.7	5.2	4.0	3.3
External debt ($ bil)	10.2	13.3	14.7	15.8
% of exports	98	126	147	154
Public debt, % of GDP	42	54	59	62

COLOMBIA[=]

• **President Iván Duque will continue to follow orthodox and market-friendly policies.**

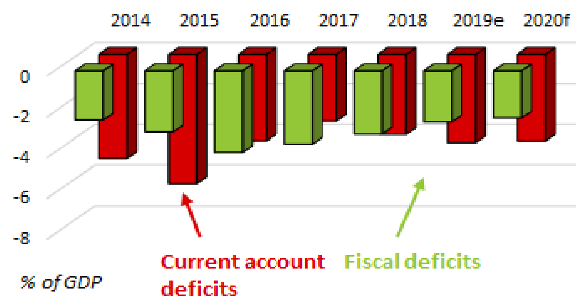
• **The lack of a majority in Congress and a strident opposition will make implementation of President Duque's proposed reforms difficult.**

Colombia has been one of the better performing economies in Latin America in recent years, and last year, when the country's 3.3% growth beat expectations, was no exception. Much of this performance can be attributed to decades of macroeconomic stability. But robust foreign investment, and a business climate that is better than average for the region have helped, as have a hefty rise in the minimum wage that boosted consumption and a tax reform that cut corporate taxes and spurred domestic investment. President Duque will continue to pursue orthodox economic policies and seek to improve Colombia's business climate further by investing in infrastructure (including Bogota's metro) and streamlining bureaucracy.

Not all Colombians are pleased with the thrust of President Duque's policies. In November thousands of Colombians from a variety of backgrounds took to the streets to demonstrate their displeasure with government across a range of issues including corruption, the quality of public education, health care, rising unemployment, and the slow implementation of the peace process. The transportation system in Bogotá was largely closed, many TransMilenio stations were vandalized, and four fatalities occurred, though the protests were not as violent as those that occurred in other countries last year.

Colombia: economic indicators	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	3.1	2.6	3.3	3.2
Consumer prices, %YoY	4.4	3.2	3.8	3.3
Fiscal balance, % of GDP	-3.1	-3.1	-2.5	-2.3
Merchandise trade ($ mil)				
Exports	7.4	44.4	42.6	44.2
Imports	12.4	49.6	51.6	53.7
Current account balance, % of GDP	-4.4	-3.9	-4.3	-4.2
International reserves ($ bil)	44.3	46.1	51.9	52.5
External debt ($ bil)	112	135	137	142
% of exports	199	232	216	222
Public debt, % of GDP	46	52	52	51

Figure 1. Colombia has been running twin deficits for years



Source: ECLAC, IMF, and Consensus Economics

President Duque will likely find it difficult to make further headway in implementing his policies. He lacks a majority in Congress, and his political capital was depleted during the protests. In a November Gallop poll his approval rating fell to a low of 26%.

The consensus as of late February was that Colombia's expansion would continue and that inflation would remain near the central bank's 3% target and well within its 2-4% target range. Columbia's twin deficits, however, leave it vulnerable to external shocks. Although Colombia's tourist arrivals have been increasing steadily in recent years, they will not be unaffected if the coronavirus continues to spread. Colombia is also at risk of a sustained decline in oil prices, whether through a virus-related fall in demand or producers' strategic supply cuts.

LEGAL ENVIRONMENT

Transitional justice tribunals finally established. In March, President Duque vetoed legislation creating the transitional justice tribunals foreseen in Colombia's peace agreement with the FARC guerrilla movement. The president objected to provisions under which the special tribunals would punish only the most serious crimes, while focusing on restorative justice for the rest. Both houses of congress overturned the veto, and the constitutional court rejected a challenge to the legislation. At this point, the president signed the transitional justice bill into law allowing the system to begin its sensitive work.

New tax law adopted. In October, the Constitutional Court invalidated a tax reform law enacted in 2018 because of a flawed procedure in its adoption by congress. The case prompted the government to re-submit the tax law which congress re-adopted in December. The tax legislation increases taxes on high earners, reduces duties on businesses, and imposes a new surtax on financial institutions. As a financial stimulus, the law includes a tax credit for poorer households to offset VAT increases, as well as incentives for hiring young employees. The law also provides for simpler filing procedures for smaller enterprises.

Brazil's Odebrecht found guilty of corruption by Colombian court. Finding the Brazilian company guilty of bribes and other corrupt activities to secure public works contracts, the court sentenced Odebrecht to a US$ 252 million fine and barred it from participating in state contracts for 10 years. Also named in the ruling were Odebrecht's Colombian partners, including Episol, a subsidiary of the Corficolombiana group.

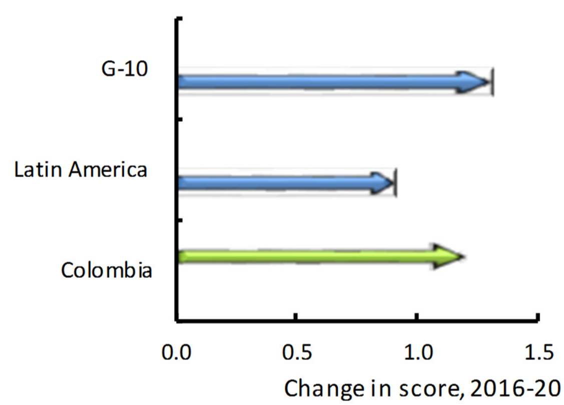
Wanted former FARC peace negotiator released from custody, flees the country. In June, a leading FARC leader, Seuxis Paucis Hernández Solarte, alias Jesús Santrich, went missing after his release from custody by a special transitional justice tribunal. Santrich had been arrested on a request by the US on drug smuggling charges. The tribunal said that, as an elected member of congress, he should be freed from jail. Although re-arrested as part of a new investigation, the Supreme Court ordered his release whereupon the attorney general resigned. Santrich disappeared days before a court appearance over the charges.

New law addresses air pollution, fracking moratorium upheld. In July, Congress passed a law targeting air pollution. The law provides that, as of January 1, 2023, all diesel vehicles sold in or manufactured in Colombia must use so-called EURO VI technology which reduces air particle admissions by 96% above current requirements. By 2035, all diesel vehicles will be required to comply with this standard. Another law mandates the use of electric vehicles for public and official transportation through 2030, and provides for public charging stations. The law grants incentives to owners of electric vehicles including reduced taxes, relief from vehicle restrictions on certain days, and preferential parking. Although a bill banning hydraulic fracking died in Congress, an administrative court upheld a current moratorium on fracking in Colombia.

BUSINESS ENVIRONMENT

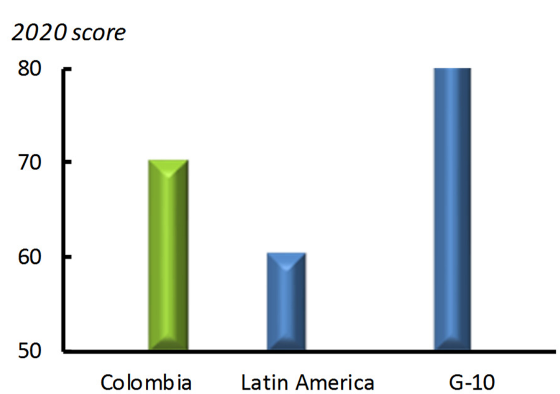
Colombia's score in the World Bank's *Doing Business* survey improved in 2020, as did its global ranking, which rose one place to 68. Colombia made it easier to trade across borders by digitizing the "responsibility card," an export document. It also made it easier to resolve insolvencies by increasing the participation of creditors in bankruptcy proceedings. Colombia has long encouraged the entry of foreign capital and maintains a policy of national treatment for foreign investors. Security has improved markedly since the 2016 peace agreement with the FARC rebels, and both Bogotá and Medellín have become popular tourist destinations. The National Liberation Army (ELN) and some former FARC rebels, however, continue to be active in some rural areas.

Figure 2. Colombia's business climate is improving faster than the rest of the region



Source: World Bank Doing Business report

Figure 3. Colombia's *Doing Business* score is higher than the regional average



Source: World Bank Doing Business report

ECUADOR ▼

• **Protests over austerity measures have weakened the government's ability to pursue reforms.**

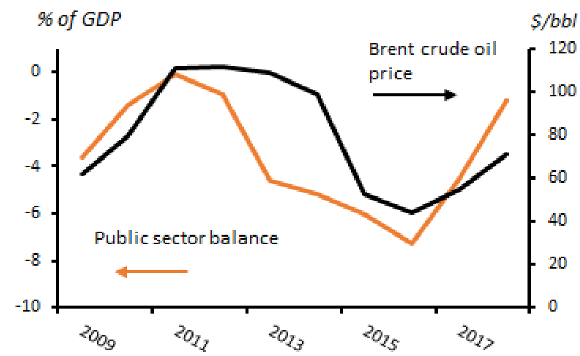
• **Lower oil prices are a threat to growth.**

Shortly after Lenín Moreno assumed the presidency in May 2017 he began to reverse the statist and nationalist policies of his predecessor, Rafael Correa. A major goal was a reduction in the fiscal deficit and the public debt burden, which had more than doubled (as a portion of GDP) in the last four years of the Correa administration. On October 1, 2019 the government announced an agreement with the IMF to obtain US$ 4.2 billion in credit. The agreement included the end of fuel subsidies (which the government maintains will save it US$ 1.4 billion a year), the removal of some tariffs, and cuts in public workers' wages and benefits. The resulting rise in fuel prices brought thousands of protestors to the streets, briefly forcing the government to move to Guayaquil. Protests by indigenous groups had also greatly affected oil production in the country's Amazon region. The protests stopped only after the government repealed the law ending the fuel subsidies, though it hopes to negotiate targeted reductions in subsidies in the future.

Before the decline in oil prices in early March the consensus forecast was for a modest rise in GDP growth in 2020 and a modest decline in the public sector deficit. Those forecasts are now at risk. Crude oil accounts for about 30% of Ecuador's exports, and the government is dependent on taxes on energy to finance spending. The government intends to follow through with the austerity measures agreed to with the IMF and with structural reforms, but its ability to do so has been weakened by last fall's protests. Mr. Moreno's approval rating, which was 77% shortly after his election, has dropped to 19% in November. President Moreno lacks a majority in the legislature, which is fragmented. Lower oil prices and political uncertainty, moreover, are likely to depress investment.

Indigenous groups win lawsuit over extraction in Amazon region. In July, a court upheld an earlier ruling that the government had not properly consulted indigenous groups in a 2012 sale of their ancestral lands for oil exploration. The court found that the community was not meaningfully consulted or properly informed about the project and its impact. The ruling voids the consultation process and suspends any auction of the lands. This ruling follows a similar victory in 2018 by another indigenous group over a proposed mining project in their territory, also on grounds that the consultation had been insufficient.

Figure 1. Oil prices have a big impact on Ecuador's public finances



Source: World Bank, UF estimates

Director of data analytics firm involved in massive data breach arrested. In September, an executive of Novaestrat was arrested following a breach in which the sensitive private and financial data of 20 million Ecuadoreans was exposed online. The company and its general manager are under investigation for breach of privacy and unauthorized dissemination of private information. The data had been left exposed online and accessible without a password. It is still unclear how the company acquired the data.

Ecuador's business climate has a lot of room to improve. Ecuador's global ranking in the World Bank's *Doing Business* rankings fell from 123 to 129 out of 190 countries this year, following a decline from a ranking of 118 in 2019's survey. It is not an easy place to either start or end a business (resolve a bankruptcy) — it is in the bottom quartile of the rankings in both categories. Ecuador is in the top half of the global rankings in only one of the World Bank's categories: enforcing contracts, and then just barely.

Ecuador: economic indicators

	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	2.0	1.4	0.2	0.2
Consumer prices, %YoY	2.1	0.3	-0.1	0.7
Public sector balance, % of GDP	-5.5	-1.2	-1.3	0.9
Merchandise trade ($ mil)				
Exports	2.2	22.1	23.0	24.0
Imports	3.3	22.4	22.0	23.0
Current account balance, % of GDP	-0.4	-0.1	-0.8	-0.1
International reserves ($ bil)	2.8	1.9	3.0	4.5
External debt ($ bil)	30	45	51	52
% of exports	118	166	163	170
Public debt, % of GDP	34	46	48	47

PERU ▲

• Investment in mining and construction will continue to support Peru's expansion.

• President Martín Vizcarra to continue orthodox economic and business-friendly policies.

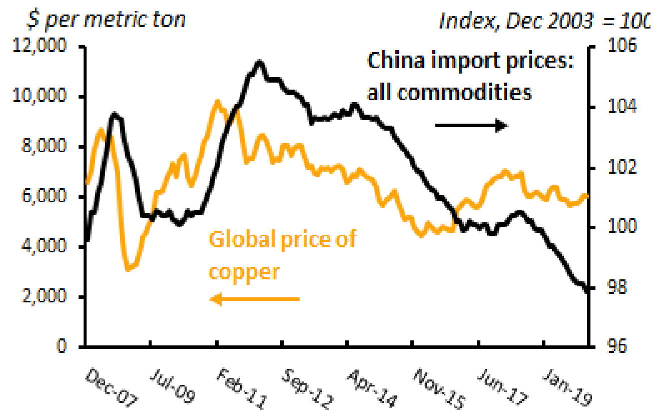
• Constitutional Court ruling upholds President Vizcarra's decision to shut down Congress.

Peru has long had a consensus in favor of the orthodox macroeconomic policies that have resulted in stable and relatively rapid growth. As a result, policy debates in Peru tend to be centered on political reform and social issues such as education, corruption, and mining policies. Policymaking will be guided this year and beyond by the National Competitiveness and Productivity Policy, which was introduced by the Vizcarra administration in summer of last year. That initiative seeks to improve the business climate in an effort to raise potential GDP to 4.5% by 2022. It envisages establishing special economic zones, creating incentives for economic diversification, creating skill-building programs, and increasing the economy's digital infrastructure. It will seek to rely on public-private partnerships and incentives such as allowing businesses to use part of their tax bill to invest in public works projects. It will also seek to bring up Peru's regulatory framework to OECD standards.

President Vizcarra is in a stronger position to see his policies through after a constitutional court upheld his closure of Congress last September (see below), and parties that had opposed his policies were defeated soundly in snap congressional elections held on January 26. The Vizcarra administration will need to step cautiously in reforming labor practice and Peru's pensions — both are highly controversial. Moreover, enduring labor and pension reform will require finding ways to bring workers in Peru's large underground economy onto payrolls in the formal economy — no easy task.

Peru: economic indicators				
	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	3.6	4.0	2.2	3.1
Consumer prices, %YoY	3.0	2.2	1.9	2.2
Fiscal balance, % of GDP	-1.8	-2.0	-1.9	-1.7
Merchandise trade ($ mil)				
Exports	6.1	49.1	47.0	48.6
Imports	8.1	41.9	41.4	42.9
Current account balance, % of GDP	-6.8	-3.6	-4.2	-4.5
International reserves ($ bil)	58.0	57.9	67	67.8
External debt ($ bil)	68	67	66	69
% of exports	138	120	111	112
Public debt, % of GDP	22	26	27	27

Figure 1. The price of Peru's chief export — copper — is driven by demand from China



Source: Federal Reserve

The outlook for Peru's economy is positive, with the consensus forecasting an upturn in growth, stable inflation, and a smaller fiscal deficit. The risks to these forecasts are external — mostly the knock-on effects of the spread of the coronavirus outbreak and a possible re-heating of the U.S.- China trade wars. Of the two, the coronavirus is the more serious threat. In the short term, it could it reduce end-demand for Peru's exports to China, leading to a decline in mining output, though that would presumably last only until the virus is contained. However, it could affect Peru's mining sector over a longer period if the uncertainty leads to a reduction in investment in the sector.

LEGAL ENVIRONMENT

Constitutional Court upholds closure of congress. In January, the Constitutional Court held that President Vizcarra acted legally when he dissolved Congress in September. The President claimed the closure was necessary because of entrenched corruption. Four of the seven judges voted to dismiss the suit brought by the former Speaker of Congress and opposition figures.

President restores independence to forest and wildlife agency. An April decree removed the forest agency from the Ministry of the Environment where it had been housed since December 2018. The decision drew the ire of environmentalists, but also of the United States which argued that the act violated an environmental provision of the free trade agreement between the U.S. and Peru. The agency will now report directly to the Council of Ministers.

Corruption investigations of high-profile leaders continue. The past year saw the return to prison of both former president Fujimori and his daughter, opposition leader Keiko Fujimori. Former president Alejandro Toledo was arrested in the U.S. on an extradition warrant, and former president Alan Garcia committed suicide after he was denied asylum by Uruguay.

Peru joins Belt & Road Initiative, considers U.S. offers. In April, Peru committed to China's Belt and Road Initiative. Since signing a free trade agreement with China in 2010, the country has become Peru's largest trade partner. President Vizacarra is seeking financing for an envisioned railway project connecting Peru with Bolivia and Brazil. Meanwhile, Peru is considering an invitation to join the U.S. Growth in the Americas Initiative, which seeks to boost private sector investment in energy and infrastructure projects.

Brazil's Odebrecht brings US$1.2 billion arbitration claim against Peru. In February 2020, the company at the heart of the hemispheric corruption scandal announced it was pursuing a claim with ICSID against Peru for its 2017 cancellation of a concession to build a pipeline in the south of the country. Peru maintains the concession was properly terminated for breach of contract.

New decree targets workplace sexual harassment. A July decree mandates new provisions to protect against sexual harassment in the workplace. Organizations are required to train employees about the issue, and organizations with more than 20 employees must approve internal policies to prevent, investigate, and punish sexual harassment. The decree applies to all employment relationships, including contractors and trainees, as well as regular employees.

New laws expand paternity leave, provide for paid leave to look after disabled family members. Paid paternity leave was expanded from four to ten consecutive days, with additional time for premature birth or for health complications of the mother or newborn child. A July decree by the ministry of labor granted public and private employees rights to paid leave to care for disabled persons in their care. The decree allows parents or guardians to receive up to 56 hours of paid leave per year for medical assistance or therapy.

BUSINESS ENVIRONMENT

Peru's score in the World Bank's *Doing Business* survey rose in 2019 and remains above the average for Latin America, though the pace of improvement is slower than in the rest of the region. Over the past two years Peru has fallen in the global rankings from 58 to 76 as other countries improved.

Peru has long sought to foster a favorable climate for both foreign and domestic investment. Since the U.S.-Peru Trade Promotion Agreement came into force in 2009 bilateral trade in goods (exports plus imports) has risen from US$ 9.1 billion to US$ 14.4 billion last year. Illegal gold mining, however, threatens security and the environment in some regions of Peru, particularly the Amazon.

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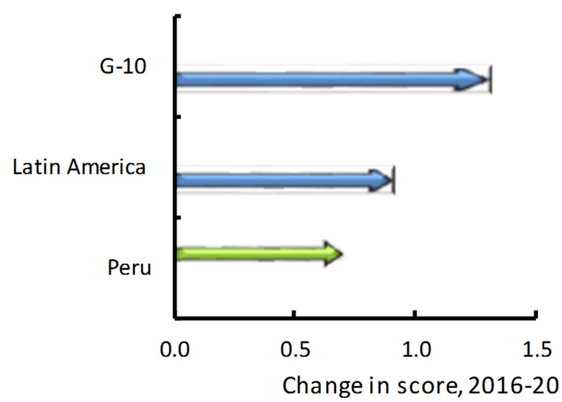
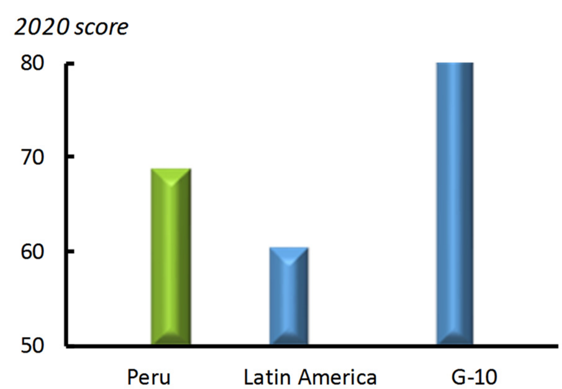
Figure 2. The improvement in Peru's business climate has been slower than the regional average…



Source: World Bank Doing Business report

Figure 3. …but doing business is still easier in Peru than in the rest of the region



Source: World Bank Doing Business report

VENEZUELA ▼

- **Venezuela's economy continues to collapse.**

- **The economy is becoming *de facto* dollarized, which is stabilizing.**

- **The government has defaulted on all its bonds and has no market access.**

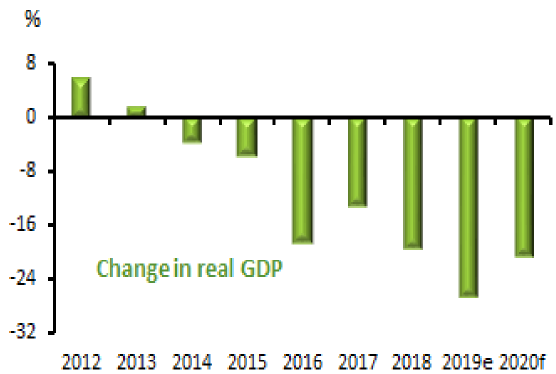
Venezuela is a failed state, unable to provide the majority of its citizens with food, stability, or security. After six years of recession — and another on the way — real GDP is less than a third of what it was in 2012. Venezuela's inflation turned into hyperinflation in 2018, with prices rising at a 130,060% rate that year. Price and exchange rate controls have resulted in shortages of food, household items, and medical supplies. A survey by the United Nations found that one of every three people in Venezuela — 9.3 million — is unable to meet basic dietary needs. Caracas has become the most violent city in the world, and Venezuela is ranked as 173 out of 180 countries in corruption by Transparency international. Over four million Venezuelans have left the country.

Having little faith in their national currency, citizens are increasingly relying on the U.S. dollar for transactions, such that Venezuela is quickly becoming *de facto* dollarized. Dollars are coming into the country from remittances from the country's large and growing population of emigrants, from drug trafficking and sales of gold from illegal mines, and from payments from those sales of oil abroad shipped on boats that have been able to evade U.S. sanctions. A loosening of currency controls last year by the Maduro regime has also helped, though the government has kept informal barriers in place that restrict the access to dollars. Ironically, the de facto dollarization is beginning to stabilize some sections of the economy.

Venezuela: economic indicators

	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	-8.2	-19.6	-27.2	-11.1
Consumer prices, %YoY	288.5	130,060	10,093	9,199
Fiscal balance, % of GDP	-5.6	-20.5	-20.9	-20.5
Merchandise trade ($ mil)				
Exports	1.7	33.7	24.6	18.7
Imports	13.2	12.8	9.5	9.9
Current account balance, % of GDP	-0.3	8.6	5.9	4.2
International reserves ($ bil)	3.0	2.7	2.8	3.1
External debt ($ bil)	156	155	131	128
% of exports	350	413	422	492
Public debt, % of GDP	30	38	67	57

Figure 1. Picture of a failed economy: a nearly 70% contraction in GDP since 2012



Source: ECLAC, Consensus Economics

Hyperinflation has peaked, though prices are still expected to rise by almost 11,000% this year. Restaurants in some of Caracas's tonier neighborhoods are reportedly once again full of customers, and the relaxation of price and exchange controls has increased the availability of some basic goods. The inflow of dollars, however, is helping the Maduro government preserve the regime's patronage system, one of the pillars of his support (the other being the military.) Venezuela's economy, however, is not going to come out of recession soon. Oil production is still faltering, U.S. sanctions are still binding, and further sanctions are likely. The Trump administration, for example, is unlikely to grant Chevron and other U.S. oil producers an extension of a waiver to do business in Venezuela when they expire in July. Venezuela has defaulted on all of its sovereign bonds, including the last on which it was still paying interest, the PDVSA 2020 bond, losing access to international markets.

LEGAL ENVIRONMENT

Citing provision in constitution, President of the National Assembly claims interim presidency. On January 23, 2019, Juan Guaidó, President of the National Assembly assumed the interim presidency of Venezuela. He pointed to article 233 of the Venezuelan Constitution under which, if the president is permanently unable to serve, the National Assembly may declare the office vacant and require new elections. In the meantime, the President of the National Assembly serves as interim president. Mr. Guaidó's legitimacy has since been recognized by the United States, the E.U., and the Lima Group of mainly Latin American nations.

Interim president battles *de facto* president for control of Citgo. In August, a Delaware court confirmed the board of directors appointed by Mr. Guaidó. According to the court, the recognition of the interim president by the Trump administration gave him the authority to appoint the board of the company which is owned by the state oil company.

Venezuelan creditors push claims on Citgo. Throughout 2019, both Crystallex and ConocoPhillips used international arbitration awards for expropriations against Citgo, one of Venezuela's last remaining assets. These claims were recognized by federal courts in Texas and Delaware. Bondholders have made claims as well, but Citgo has been spared to date by the U.S. Treasury, which extended its protection of the company under the current sanctions regime.

U.S. Treasury tightens sanctions, targets oil exports. A series of moves by the U.S. Treasury increased sanctions on Venezuelan officials, including PDVSA, the government and the central bank. The move seized all Venezuelan property inside the U.S., including Citgo. The Treasury also targeted Cuban and Russian persons involved in oil or gold transfers with Venezuela. Chevron and other oil service companies have been allowed to continue work in Venezuela, however.

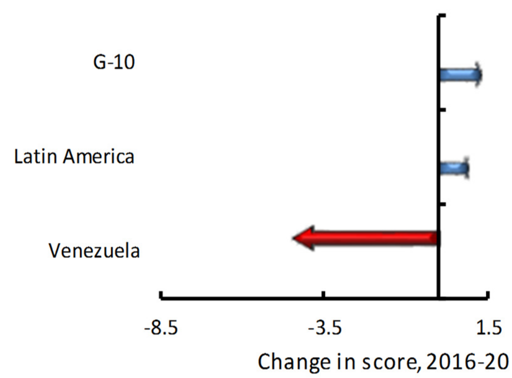
Interim president rejoins OAS, Inter-American treaties. Under Chavista rule, Venezuela left the OAS-centered Inter-American system, denouncing the Convention on Human Rights in 2012, the Rio Treaty in 2013, and announcing the country's withdrawal from the OAS itself in 2017. Interim President Guaidó, after being recognized as the legitimate authority, has announced Venezuela's return to these agreements.

Venezuela's exchange rates
Since the government of Hugo Chavez assumed office Venezuela has devalued its currency five times, and introduced many new currencies. The most recent is the Bolivar soberano ("sovereign Bolivar"; Bs.S) which was introduced on August 20, 2018 to replace the Bolivar fuerte ("strong Bolivar"; Bs.F) during a phase-in period at a ratio of 1BsB: 1,000 Bs.F. The new currency began trading at 71.2 Bs.S/$; as of March 9, 2020 it was trading at 73,127 Bs.S/$. Black market rates have consistently been much lower than official rates.

BUSINESS ENVIRONMENT

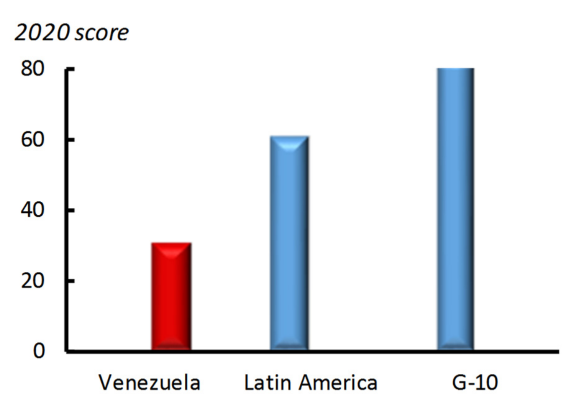
An economy that continues to spiral downward, political instability, crime, widespread corruption, and shortages of food, electricity, water, and foreign exchange have made Venezuela's business climate one of the most inhospitable in the world. It again ranked 188th out of 190 countries in the World Bank's *Doing Business* report, sandwiched between Yemen and Eritrea. The United States has made over 150 Venezuela-related designations under executive orders since 2017, blocking property and restricting entry of many government officials to the United States, prohibiting U.S. persons from dealing in the debt of the government of Venezuela, and authorizing the Treasury Department to sanction persons operating in Venezuela's oil and gold industries.

Figure 2. Business conditions continue to deteriorate



Source: World Bank Doing Business report

Figure 3. Venezuela's business climate is the worst, by far, in Latin America



Source: World Bank Doing Business report

BRAZIL AND THE SOUTHERN CONE

ARGENTINA [=]

• New President Alberto Fernández is likely to take a pragmatic, centrist approach in governing.

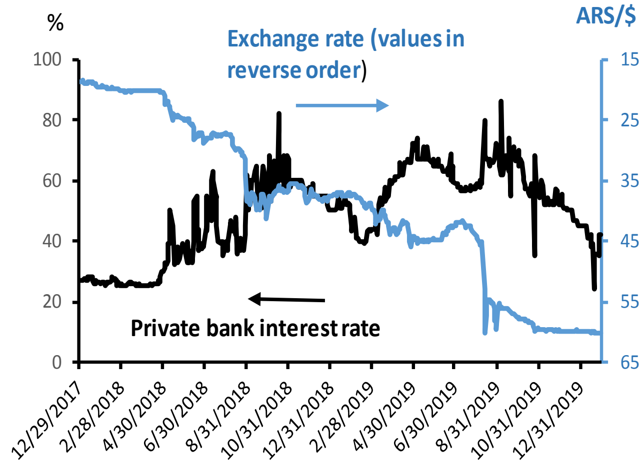
• President Fernández took office with the economy in recession, inflation high, and a depreciated peso.

• Reviving the economy and a debt restructuring will dominate the start of the new administration.

Although his cabinet includes several members of the left wing of his Peronist party, President Alberto Fernández, who took office on December 10, 2019, appears to favor a more centrist approach to governing. The first order of business for President Fernández was to quell the financial crisis that had begun in summer 2018 and reactivate the economy. In late December, the government introduced a recovery plan that froze utility rates for six months, gave tax rebates to the most vulnerable in society, and provided refinancing to distressed small and medium-sized businesses. By decree, President Fernández mandated wage increases for public and private-sector workers. To offset the fiscal impact of these measures, the government increased export taxes and doubled the tax on personal property. Faced with a drain on reserves, the government extended existing currency controls. Now the government's focus has shifted to avoiding a disorderly default on its external debt of US$ 282 billion. On March 10, the government revealed a plan to restructure US$ 69 billion of that debt, but provided few details. The IMF, which is owed US$ 44 billion from a 2018 assistance package, supports the restructuring, which it believes will require a "meaningful contribution from private sector creditors."

Argentina: economic indicators	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	0.6	-2.5	-2.2	-1.2
Consumer prices, %YoY	24.7	47.6	53.8	41.5
Public sector balance, % of GDP	-4.4	-5.0	-3.9	-3.5
Merchandise trade ($ mil)				
Exports	13.9	61.8	65.2	66.9
Imports	20.2	65.5	50.2	50.4
Current account balance, % of GDP	-2.2	-5.1	-4.8	-0.9
International reserves ($ bil)	31.1	59.2	42	42.8
External debt ($ bil)	181	281	282	270
% of exports	229	348	339	318
Public debt, % of GDP	50	86	89	81

Figure 1 The peso has stabilized recently — after losing 70% of its value



Source: Bloomberg

LEGAL ENVIRONMENT

Former president Cristina Fernández de Kirchner charged in "Notebook" and other scandals. Investigations of the former president resulted in her being charged with corruption. The investigations of corrupt activities revealed in notebooks compiled by the driver of a former deputy planning minister have implicated nearly 100 people, including the former planning minister Julio De Vido, sentenced to five years in prison. Although the senate acquiesced to a search of her house, it did not lift the immunity of former president Cristina Fernández de Kirchner. She was also charged with foreign exchange manipulation and money-laundering. In January 2020, Claudio Bonadio ordered the former president and current vice president to stand trial for skimming money off public works contracts. Judge Bonadio's death in early February 2020, however, will delay the trial and other investigations.

New government pushes tax reform through Congress. In December, the government secured passage of an economic emergency law with tax increases on upper- and middle-class Argentines. Under the new law, foreign currency purchases and foreign credit card withdrawals are subject to a 30% tax. Assets are subject to an increased tax. The bill declares a state of emergency allowing the government to make certain needed changes, including adjustments to pensions. The opposition did secure reductions on some export taxes and relief for small farmers.

Currency controls imposed, and then tightened. In September, amidst pressure on the peso in the runup to the election, President Macri issued a decree imposing currency controls. Under the September decree, dollar purchases were limited to US$10,000 per month. In October, this regime was tightened drastically with a new limit of only US$200 imposed. Under the tax law adopted in December, Argentina will maintain these capital controls.

Trademark decree issued. An April decree implements the 2018 trademark law. The decree requires trademarks to comply with the classification structures of the Nice Treaty, and prohibits multi-classification trademarks. The decree allows for the trademarking of distinctive signs based on color and shape.

Supreme court rejects mining claim against glacier protection law. In June, the supreme court upheld Argentina's glacier protection claim in a case brought by Canadian mining company Barrick Gold Corporation. The company argued that the 2010 law impacted its projects by limiting mining activities on or near the country's glaciers. The court found that the company had not demonstrated any harm to its activities caused by the law.

ICSID upholds US$ 320 million ruling over Aerolíneas nationalization. In May, ICSID rejected an attempt by Argentina to annul a 2017 award to Grupo Marsans which had owned the airline. The government nationalized the airline in 2008 paying only a symbolic one peso in return.

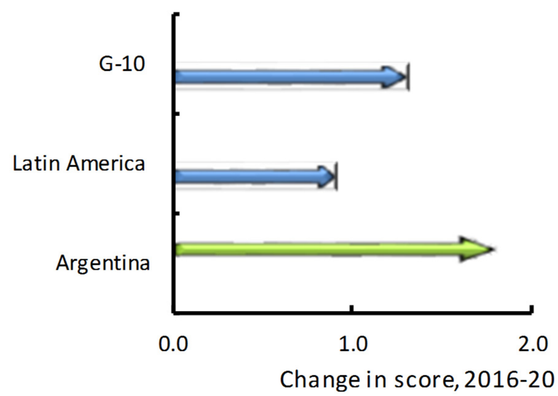
U.S. Supreme Court allows shareholder suit over nationalization of YPF. In July, the U.S. Supreme Court upheld an appeals court ruling allowing a suit by energy company Petersen Energía Inversora for compensation for shares it held in the state energy company YPF. In 2012, Argentina nationalized 51% of the shares in YPF, all from Spain's Repsol, but refused to buy out other shareholders. The U.S. courts rejected arguments that the case should be dismissed for lack of jurisdiction under the Foreign Sovereign Immunities Act, finding that the acts fit within an exception for commercial activity.

Abortion liberalization bill dies in Congress, but health decree expands abortion rights. In May, opponents of a measure to expand abortion rights failed in Congress. However, the new Minister of Health issued a decree in December intending to guarantee hospital access to abortion in cases of rape, incest or fetal defects. The decree allows girls of thirteen access to abortion without parental consent, and weakens the ability of doctors to object to the procedure.

BUSINESS ENVIRONMENT

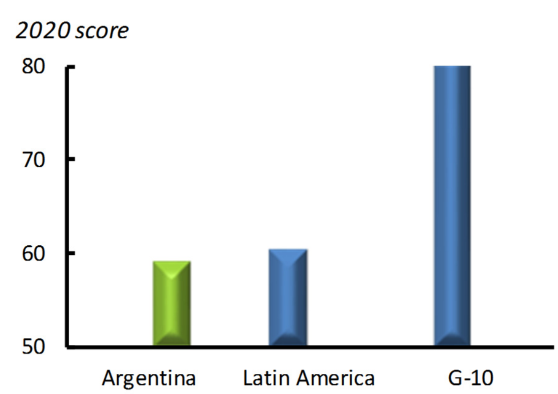
After taking office in December 2015 the administration of President Mauricio Macri sought to facilitate business creation and foster a favorable climate for foreign and domestic investors. Argentina's *Doing Business* score improved, and it moved up eight slots in the World Economic Forum's 2018 competitiveness index, only to slip two places last year as a recession and currency crisis weakened the government's ability to pursue pro-business reforms. President Alberto Fernández has been quiet on business policy. He is unlikely to pursue policies as nationalistic as that of the 2003-15 Peronist regime of the Kirchners, but he has given no indication that an improved investment climate will be a priority for his administration.

Figure 2. Doing business has become easier in Argentina in recent years…



Source: World Bank Doing Business report

Figure 3. …but it's business climate still has a lot of room for improvement



Source: World Bank Doing Business report

BRAZIL ▲

- **Brazil's economy is showing signs of recovery**

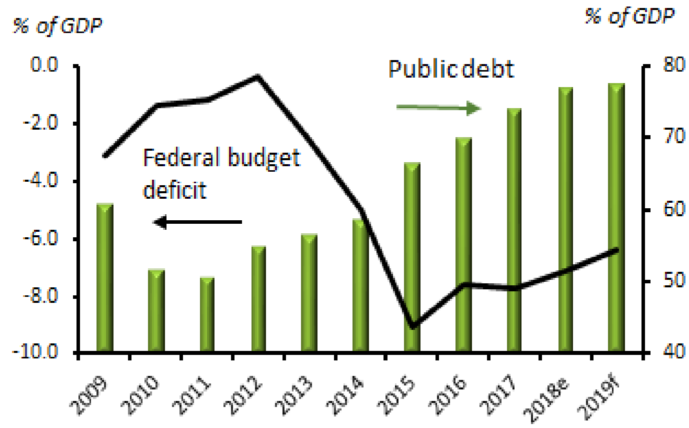
•The approval of President Bolsonaro's pension reform plan will help stabilize the Brazilian economy.

• President Bolsonaro, however, is under pressure as concerns mount about his allegedly authoritarian tendencies.

The first year of President Jair Bolsonaro's administration ended with an improved outlook for the Brazilian economy. Consensus forecasts for GDP growth in Brazil were revised upwards to 1.1% for 2019 and 2.2% for 2020. Optimism with the Brazilian economy started rising in the second semester of 2019 with revisions to the historical data that pointed to a stronger economy than had been previously thought. A stimulative monetary policy, reduced inflation, and progress in bringing Brazil's fiscal deficit under control —especially pension reform — have encouraged more positive forecasts. Analysts expect that reforms to the pension system, passed by Congress late last year, will generate US$ 184 billion in savings over the next decade. An improving economy and optimistic forecasts led the central bank to reduce interest rates from 5% to 4.5% in December 2019, and to 4.25% in February 2020. The IMF's projection for the Brazilian economy in 2020 was also revised upward to 2.2% in January. The IMF, however, does not see the improvement in economic conditions as the beginning of a sustained acceleration of growth. For 2021, the IMF revised its forecast downward to 2.3%, and it expects Brazil will grow at less than the average rate for the emerging economies as a whole, currently forecast to be 4.4% in 2020 and 4.6% in 2021.

Brazil: economic indicators	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	-0.4	1.3	1.1	2.1
Consumer prices, %YoY	6.4	3.7	4.3	3.6
Public sector balance, % of GDP	-6.4	-7.3	-6.1	-5.0
Merchandise trade ($ mil)				
Exports	35.9	239.5	225.3	231.1
Imports	75.9	186.5	181.9	195.2
Current account balance, % of GDP	-55.0	-28.2	-50.8	-55.3
International reserves ($ bil)	355.0	365.5	362.4	351.6
External debt ($ bil)	534	558	577	605
% of exports	209	186	223	226
Public debt, % of GDP	71	88	91	92

Figure 1. Pension reform will help curb the rise in Brazil's public debt



Source: ECLAC, Consensus Economics, UF estimates

In 2019, Brazil's public debt decreased for the first time since 2013, when it accounted for 51.5% of GDP. Public debt was reduced in 2019 to 75.8% of GDP, which is lower than in 2018 (76.5%) but is still high (75.8%) when compared to its level before the 2015-17 recession. Similarly, at 11.2% of the workforce, unemployment remains high, which dampens demand growth.

Since December 2019, the Brazilian real has depreciated 6%, reaching the lowest exchange rate ever in February 2020 at 4.47 reals per dollar). The depreciation has been tolerated by the Banco do Brasil and may help exports grow. The danger is that the depreciation in the real may pass through into consumer prices and raise inflation expectations, pushing inflation beyond the central bank's target band of 2.5% to 5.5%.

President Bolsonaro lost popularity in 2019, falling from a 35% approval rating in April to 29% in December. His position, however, is still less uncomfortable than that of his predecessors, Michel Temer and Dilma Rousseff, who left the presidential office with 5% and 11.4%approval ratings. Despite the government's success in achieving pension reform, controversies have surrounded the Bolsonaro administration which may threaten political stability and his credibility during his term in office. President Bolsonaro has had a contentious relationship with the Federal Congress, the Brazilian Supreme Court (STF), the press, and human rights and environmental organizations for statements and behaviors they deemed inappropriate for the head of a democratic state. The dismantling of the Brazilian environmental governance in the Bolsonaro administration, which hindered Brazil's ability to respond effectively to wildfires in the Amazon in August and September 2019, damaged his already negative international reputation as a skeptic on climate change and an anti-environmentalist. Bolsonaro and his sons, who are also politicians, have been alleged to have relationships with militias in Rio de Janeiro and involvement in the assassination of left-wing politician Marielle Franco in 2018. The increasing participation of military staff in high-level positions in the government has also raised fears about the return of military authoritarianism in Brazil, which ruled the country from 1964 to 1985.

LEGAL ENVIRONMENT

Major pension reform adopted. In October, congress approved a reform to the country's pension system. The reform required a constitutional amendment because a right to retirement benefits is included in Brazil's constitution. Under the reform, the retirement age will be raised from 56 to 65 for men, and from 53 to 62 for women, with worker contributions increasing as well. The reforms will be phased in over 12 years and will not affect current retirees. The reform was modified to secure passage, and does not apply to the military, or to state or municipal government employees. Lawmakers rejected an attempt to provide for individual saving accounts for retirement.

New scandal involving justice minister implicates *Lava Jato* cases. Justice Minister Sérgio Moro became a hero in Brazil as the judge at the center of the country's *Lava Jato* investigations. However, in June intercepted chat messages between the judge and prosecutors were published by an online news site called *The Intercept*. As released to the public, the messages seemed to show the judge instructing and guiding the prosecutors investigating and prosecuting defendants, including former president Luiz Inácio Lula da Silva, whom Judge Moro sentenced to a nine-year prison sentence for corruption and money laundering. Judge Moro had already drawn criticism for becoming President Bolsonaro's justice minister. The new allegations have prompted widespread calls for his resignation, including calls from the Brazilian Bar Association.

Court rulings complicate corruption probe. The scandal involving Judge Moro's messages has endangered many of the convictions secured as a result of the massive corruption investigation. In September, the Supreme Court overturned the conviction of Aldemir Bendine, a former president of Petrobras. The court said that he should have been allowed to make a closing statement in his trial after hearing from witnesses who were offered plea bargains for their testimony. The ruling is likely to prompt other defendants to make similar appeals. In March, the Supreme Court had already ruled that cases involving campaign finance violations needed to be heard by electoral courts instead of regular courts. Meanwhile, an appeals court reduced the sentence of former president Lula from 12 years to less than nine years. The former president was released from prison following an October decision of the supreme court that allowed defendants to remain free until they exhaust all appeals. That ruling reversed a 2018 decision under which criminal defendants faced prison upon losing their first appeal. Meanwhile, in November, another appeals court affirmed the conviction of Mr. Lula on a second corruption case involving the receipt of bribes for the renovation of a country home, imposing a 17-year sentence. The former president remains free pending appeals.

Supreme Court judge orders press censorship and raids over articles implicating judges in corrupt activities. After a blogsite and online magazine published a report discussing an alleged relationship between Supreme Court President Antonio Dias Toffoli and Marcelo Odebrecht, the businessman at the center of the country's massive corruption scandal, the court ordered the censorship of the articles. The court further ordered a criminal investigation into the matter resulting in police raids to seize computers of several people who had accused the court of corruption and other crimes. The court claimed that freedom of expression did not include a right to "fake news" that attacked the institution of the court. The court reversed its order following widespread criticism by Brazilian and international organizations promoting freedom of the press.

Law targeting abuse of authority adopted. In September, Brazil adopted a law criminalizing abuse of authority by public officials. The law targets officials who misuse their official power to harm someone else or provide an unlawful benefit. The law applies to federal, state, and municipal officials, and to all branches of government.

Economic freedom law seeks to encourage business activity. The September law attempts to reduce the burden of bureaucracy in business creation and management. The law seeks to establish basic principles as part of the state's interaction with private enterprise, including: 1) freedom to conduct business activity; 2) good faith of private citizens in their interactions with the state; 3) subsidiarity and minimal intervention by the state in business activities; and 4) recognition that private parties are vulnerable to the authority of the state. Among substantive changes introduced by the law are an easing of rules to create businesses, permit waivers for low-risk business activities, and measures to expedite issuance of licenses and permits. The law also includes changes to labor laws allowing for more flexibility and encourages a shift from the use of paper to electronic documents.

Brazil eliminates visa requirement for visitors from U.S. and other countries. A March decree allowed visitors from the United States, Canada, Australia, and Japan to enter Brazil without a visa for a period of 90 days. The new rules took effect in June.

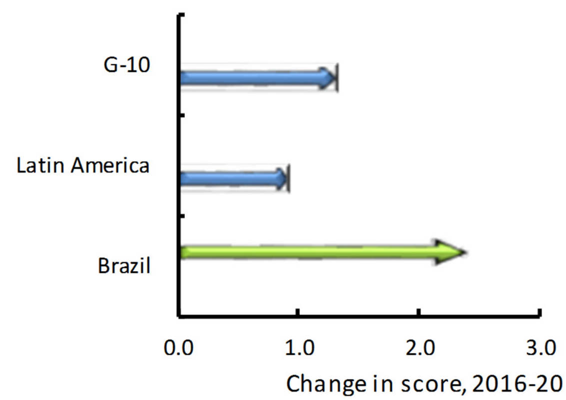
Supreme Court blocks decree transferring authority over indigenous reserves to agriculture ministry. In June, the Supreme Court rejected an attempt by President Bolsonaro to shift control over indigenous lands from FUNAI, the national Indian authority to the agriculture ministry. Congress had blocked a similar attempt in May. The court found that since the move had been rejected in Congress, it could not be the subject of a new presidential decree. Indigenous and human rights groups had protested the decree, arguing that it violated provisions in the Brazilian constitution guaranteeing the rights of indigenous peoples to their traditional lands.

Presidential decree eliminating participatory councils blocked by supreme court. In June, the supreme court invalidated parts of a decree by President Bolsonaro that sought to eliminate many participatory councils, which are organizations that bring together civil society groups in an advisory role in many policy areas. The decree would have terminated councils that advised in areas of disability rights, rural development, biodiversity, LGBT rights and other matters. The court ruling prevents the president from eliminating any council mentioned in a law.

BUSINESS ENVIRONMENT

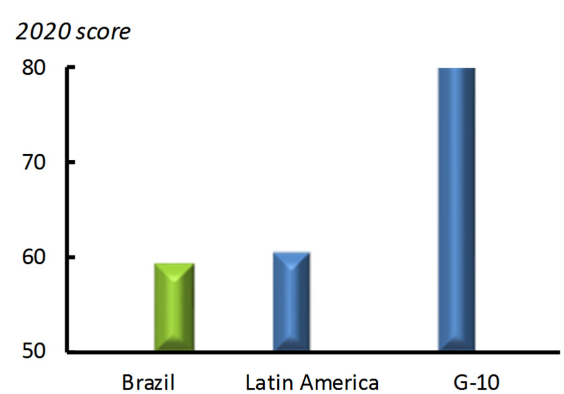
According to the World Bank's *Doing Business* survey the business climate in Brazil has improved in recent years. Foreign and domestic investors, however, still find high labor costs, tariffs, the poor quality of infrastructure, and a heavy regulatory burden to be hurdles to doing business. In the World Economic Forum's survey of 141 countries on competitiveness, Brazil is ranked 133 in hiring and firing practices, 123 in flexibility of wage determination, 125 in trade openness, 116 in quality of road infrastructure, and dead last (141) in burden of government regulation. President Bolsonaro is expected to seek ways to encourage domestic and foreign investment, especially in infrastructure and the automobile and air transport sectors.

Figure 3. Brazil's business climate has improved…



Source: World Bank Doing Business report

Figure 4. …but the "Custo Brasil" is still high.



Source: World Bank Doing Business report

CHILE ▼

• The Chilean economy is still recovering from last fall's civil unrest.

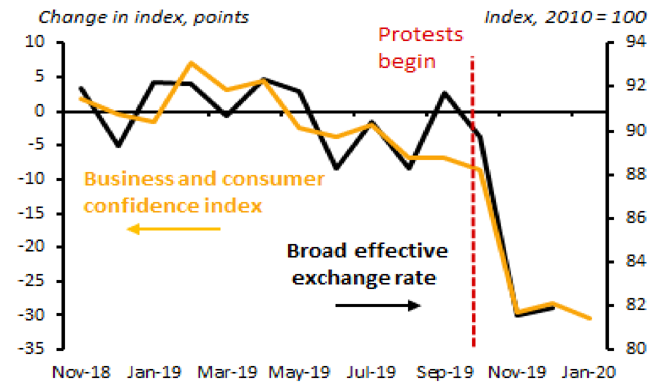
• Damage from the riots and a rise in uncertainty will mean less investment and slower growth

• The government has introduced a stimulus package to help offset the damage from the riots Chile's economy stands to benefit from an improved external environment in 2018.

The protests, which began late October of last year in Santiago after the government announced a 4% hike in bus and subway fares, soon spread to the rest of the country and turned violent. Protestors burned down 17 train stations and damaged 64 others, leading President Sebastían Piñera to declare a state of emergency. Most protests were peaceful, but violent groups looted businesses, set fires to hotels and restaurants, and burned down 18 Walmart stores. Chile's security forces confronted the protestors. At least 36 people have died, some in fires and others shot by soldiers or business owners, while an estimated 2,500 have been injured; human rights organization have charged the security forces with using unnecessary and excessive force. On October 25, over a million people participated in protests, demanding the resignation of the president. President Piñera sacked eight ministers in his cabinet, and in December, Congress passed a law providing for a national referendum on whether to create a new constitution (see below). The civil unrest continued until Christmas, then resumed on a smaller scale in January 2020.

Chile: economic indicators				
	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	2.2	4.0	1.2	1.3
Consumer prices, %YoY	3.3	2.6	3.0	3.1
Fiscal balance, % of GDP	-1.7	-1.5	-2.7	-4.5
Merchandise trade ($ mil)				
Exports	10.5	75.5	70.3	72.3
Imports	14.0	70.8	65.9	64.5
Current account balance, % of GDP	-3.1	-3.2	-1.7	-2.3
International reserves ($ bil)	38.6	38.7	39.6	38
External debt ($ bil)	160	184	185	190
% of exports	188	211	198	214
Public debt, % of GDP	18	26	27	30

Figure 1. Business and consumer confidence and the peso plummeted once the riots began



Source: BIS and University of Development (Chile)

The protests — Chile's largest since the Pinochet era — were obviously motivated by issues beyond a modest fare hike. Protesters have demanded action to reduce inequality, to address the high costs of education and health care, and to reform Chile's privatized pension system, which has been widely criticized for providing low payouts.

The riots caused enormous damage. The government claims that 14,800 businesses were damaged and 100,000 jobs were lost. Business and consumer confidence have been shaken, and the peso has fallen precipitously. The IPEC index of economic perceptions fell 27% between September and November, and GDP which grew 4% in 2018, is now estimated to have grown by only 1.2% in 2019. Despite a US$ 5.5 billion stimulus package announced by the government in December, growth will continue to be affected this year. Surveys indicate that many businesses have put investment plans on hold. The consensus expects growth of only 1.3% this year, and a 2.8% decline in fixed investment.

LEGAL ENVIRONMENT

In aftermath of protests, new law provides for plebiscite on constitutional reform. A December law provides for an April plebiscite to determine whether to replace its 1980 constitution. Citizens will also be asked to approve one of two procedures for constitutional reform. The first would involve a constituent assembly composed only of citizens empowered to propose changes to the constitution, while the other method would include legislators among that body. Opposition leaders had prevented an option that would have allowed Congress to draw up the new constitution.

Several new laws proposed in response to October protests. In an attempt to respond to the widespread protests that rocked the country, President Piñera moved to raise the minimum wage to US$480 per month, to increase pensions by up to 20% and to help stabilize increasing electricity and public transport prices. A new tax of 40% on salaries over US$ 11,000 per month would help fund the measures.

Changes to copper law ends off-budget funds for military. In September, Chile adopted a replacement for its Copper Law under which a certain percentage of funds automatically went to the military for arms acquisition and maintenance. The law which was not published supplied an estimated quarter of the military's funding. The new law phases out the tax on copper exports over 12 years. During that time, copper tax revenues will be moved to the general budget. However, the military will henceforth be funded by annual appropriations subject to oversight by auditors.

Ministry of Energy announces de-carbonization plan. In June, the Ministry of Energy and main energy producers announced a plan to close eight coal-fired power plants representing 19% of Chile's installed capacity between 2019 and 2024. The plan is an important part of Chile's plan to reduce greenhouse gas emissions by 75% by the year 2030.

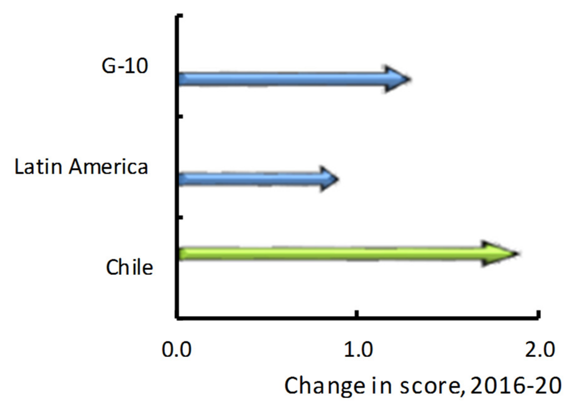
Supreme Court rules in important air pollution case. In May, the Chilean Supreme Court ruled in a case involving toxic air pollution caused by a chemical leak in Quintero that left thousands of people sick. The court ruled for the local and civil society organizations that found the government failed to maintain adequate pollution controls on local industry. In its ruling, the court found that agency failures to monitor conditions and enforce standards violated the rights of Chilean citizens to health and a clean environment.

Chile enacts law to allow electronic filing of most administrative documents. The digital transformation law was adopted in November and will allow many administrative filings which must currently be done in person to be done electronically. The law seeks to reduce the time spent at government offices as well as to make documents accessible electronically. The law provides for a five-year phase-in period.

BUSINESS ENVIRONMENT

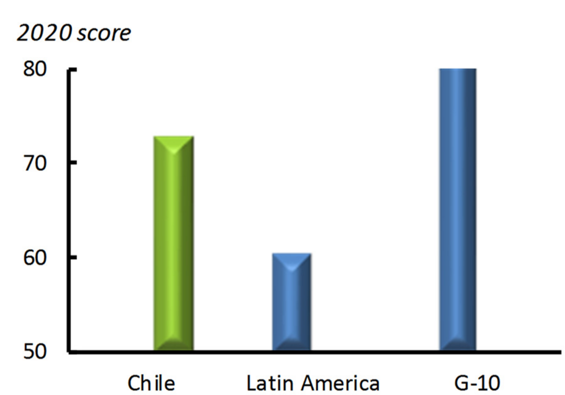
Chile's tradition of market-friendly policies has attracted considerable foreign direct investment, which in recent years has accounted for approximately one out of every 15 dollars of fixed investment in the country. Laws and regulatory practices do not discriminate against foreign investors. Most enterprises may be 100% owned by foreigners, though the Chilean constitution establishes the "absolute" domain of the government over all mineral, hydrocarbon, and fossil fuel deposits. The government may, however, grant concession rights to foreigners for exploration and assign contracts to foreign investors.

Figure 2. Chile's business climate score has improved substantially in recent years



Source: World Bank Doing Business report

Figure 3. Chile's Doing Business score is the highest in Latin America



Source: World Bank Doing Business report

PARAGUAY ▲

President Mario Abdo Benítez of the right-wing Partido Colorado (PC) took office and almost immediately faced impeachment (see below). Though he survived the impeachment attempt, he still must contend with a faction of his own party that supports former president, Horacio Cartes, as well as opposition parties in Congress. Mr. Abdo is considering structural reforms to improve the business climate, including a simplification of corporate laws. Paraguay's growth ground virtually to a halt in 2019 as a result of inclement weather, but is expected to bounce back this year. Unlike two of its larger neighbors, Paraguay's fiscal deficits and debt are under control.

Paraguay: economic indicators	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	5.1	3.4	0.1	3.2
Consumer prices, % Dec/Dec	3.9	3.2	2.8	3.5
Current account balance, % of GDP	1.4	0.5	-2.0	-1.3
Total external debt ($ bil)	16.1	15.8	15.9	17.0
% of exports	122	110	117	118
Public debt, % of GDP	17	21	24	24

Controversial Itaipú dam deal with Brazil threatens government. A deal between Brazil and Paraguay involving a reallocation of power produced by the joint Itaipú dam nearly resulted in the impeachment of President Abdo Benítez. Power from the dam is currently distributed under a treaty that expires in 2023. The 2019 deal would have required Paraguay to pay more for power from the dam and capped the amount of power for sale by contract to Brazilian power companies. After the resignations of the foreign minister and the head of the state power company, President Benítez cancelled the agreement which will have to be renegotiated.

Brazil seeks arrest of former president Cartes. In November, Brazilian prosecutors sought the extradition of former president Horacio Cartes on charges of money laundering after he was implicated in Brazil's *Lava Jato* corruption investigations. Mr. Cartes denies the allegations.

Paraguay's business climate continued to worsen. Paraguay fell in the World Bank's latest doing business rankings from 113 to 125 out of 190 countries.

URUGUAY [=]

Uruguay's new president, Luis Lacalle Pou of the Partido Nacional (PN), took office on March 1, ending 15 years of rule by the leftist Frente Amplio (FA) party. The incoming government has inherited a weak economy, mostly reflecting the recession and crisis in Argentina (one of its main trading partners), and deteriorating public finances. Uruguay's public debt as a portion of GDP is only slightly higher than the average for Latin America, but the public deficit has been widening since 2018. Mr. Lacalle has pledged to cut spending, make state-owned enterprises more efficient, and introduce labor reforms. His five-party coalition has a comfortable majority in Congress, but he will face opposition from labor unions.

Uruguay: economic indicators	Avg. 2013-17	2018	2019e	2020f
Real GDP, % change	2.5	1.6	0.6	1.3
Consumer prices, % Dec/Dec	8.2	8.0	8.8	7.1
Current account balance, % of GDP	-2.0	1.0	-0.2	-0.7
Total external debt ($ bil)	40.6	42.0	43.3	45.3
% of exports	230	224	260	259
Public debt, % of GDP	59	64	67	68

Uruguay denounces Rio treaty in support of Venezuelan regime. Following a September OAS meeting where leaders invoked the Rio Treaty to invoke collective action against Venezuela, Uruguay announced its intent to leave the hemispheric security pact. Uruguay had denounced the OAS vote as a first step toward military action against Venezuela.

New law targets sale of alcoholic beverages. The January 2020 law is intended to mitigate the harm caused by alcohol, especially the sale to minors. The new law includes provisions for education and signage, as well as restrictions on advertising for alcoholic beverages.

Uruguay's business climate ranking falls slightly. Uruguay was ranked 101 in the World Bank's latest ease of doing business ratings, down from 95 in the previous survey. The country was ranked 21 in Transparency International's Corruption Perceptions Index — still the highest ranking in Latin America, and edging out the United States, which fell to 23.

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Table 1
GROSS DOMESTIC PRODUCT
Annual Growth Rates

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020f
NAFTA REGION											
Mexico	-4.7	5.1	3.7	3.6	1.4	2.8	3.3	2.9	2.1	-0.1	1.0
ANDEAN SOUTH AMERICA											
Bolivia	4.1	5.2	5.1	6.8	5.5	4.9	4.3	4.2	4.2	2.7	2.5
Colombia	4.3	7.4	3.9	4.6	4.7	3.0	2.1	1.4	2.6	3.3	3.2
Ecuador	3.5	7.9	5.6	4.9	3.8	0.1	-1.2	2.4	1.4	0.2	0.2
Peru	1.5	3.2	-4.4	6.4	7.2	1.6	1.8	0.9	4.6	2.2	3.1
Venezuela	-1.5	4.2	5.6	1.3	-3.9	-6.2	-17.0	-15.7	-15.0	-27.2	-11.1
BRAZIL & SOUTHERN CONE											
Argentina	10.1	6.0	-1.0	2.4	-2.5	2.7	-2.1	2.7	-2.5	-2.2	-1.2
Brazil	7.5	4.0	1.9	3.0	0.5	-3.5	-3.3	1.1	1.1	1.1	2.1
Chile	5.8	6.1	5.3	4.0	1.8	2.3	1.7	1.3	4.0	1.2	1.3
Paraguay	11.1	4.2	-0.5	8.4	4.9	3.1	4.3	5.0	3.7	0.1	3.2
Uruguay	7.8	5.2	3.5	4.6	3.2	0.4	1.7	2.6	1.6	0.6	1.3
CENTRAL AMERICA & THE CARIBBEAN											
Costa Rica	5.0	4.3	4.8	2.3	3.5	3.6	4.2	3.4	2.6	1.7	2.2
Cuba	2.4	2.8	3.0	2.8	1.0	4.4	0.5	1.8	2.2	0.5	-0.7
Dominican Republic	8.3	3.1	2.7	4.9	7.1	6.9	6.7	4.7	7.0	5.1	4.6
El Salvador	2.1	3.8	2.8	2.2	1.7	2.4	2.5	2.3	2.5	2.3	2.2
Guatemala	2.9	4.2	3.0	3.7	4.2	4.1	3.1	2.8	3.1	3.4	3.3
Haiti	-5.5	5.5	2.9	4.2	2.8	1.2	1.4	1.0	3.0	-0.1	0.8
Honduras	-5.5	5.5	2.9	4.2	2.8	1.2	1.5	1.2	1.5	3.2	3.1
Nicaragua	4.4	6.3	6.5	4.9	4.8	4.8	4.6	4.7	-3.8	-5.3	-1.1
Panama	5.8	11.3	9.8	6.9	5.1	5.7	5.0	5.3	3.7	3.3	4.0

SOURCE:

Economic Commission for Latin America and the Caribbean

Forecasts are from Consensus Economics, Inc., except Cuba and Haiti, which are from the Economist Intelligence Unit.

Table 2
ANNUAL INFLATION
(Percent change in CPI, December through December)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020f
NAFTA REGION											
Mexico	4.4	1.9	3.6	4.0	4.1	2.1	3.4	6.8	4.8	2.8	3.6
ANDEAN SOUTH AMERICA											
Bolivia	7.2	6.0	4.5	6.5	5.2	3.0	4.0	2.7	1.5	1.5	4.0
Colombia	3.2	3.1	2.4	1.9	3.7	6.8	5.7	4.2	3.1	3.8	3.3
Ecuador	3.3	4.7	4.2	2.7	3.7	3.4	1.1	-0.2	0.3	-0.1	0.7
Peru	2.1	4.0	2.6	2.9	3.2	4.4	3.2	1.4	2.2	1.9	2.2
Venezuela	27.4	24.0	19.5	56.2	68.5	181	274	863	130,060	34,298	12,373
BRAZIL & SOUTHERN CONE											
Argentina	10.9	9.5	10.8	10.9	23.9	27.5	38.5	25.0	47.1	53.8	41.5
Brazil	5.9	5.4	5.8	5.9	6.4	10.7	6.3	2.9	3.7	4.3	3.6
Chile	3.0	3.5	1.5	2.6	4.6	4.4	2.7	2.3	2.6	3.0	3.1
Paraguay	7.2	4.2	4.0	3.7	4.2	3.1	3.9	4.5	3.2	2.8	3.5
Uruguay	6.9	7.4	7.5	8.5	8.3	9.4	8.1	6.6	8.0	8.8	7.1
CENTRAL AMERICA & THE CARIBBEAN											
Costa Rica	5.8	3.5	4.5	3.7	5.1	-0.8	0.8	2.6	2.0	1.5	2.7
Cuba[1]	4.0	5.3	6.5	7.3	7.6	4.2	4.7	7.3	5.3	5.7	5.0
Dominican Republic	6.3	7.5	3.9	3.9	1.6	2.3	1.7	4.2	1.2	3.7	3.3
El Salvador	2.1	5.1	0.8	0.8	0.5	1.0	-0.9	2.0	0.4	0.0	0.7
Guatemala	5.4	5.7	3.4	4.4	2.9	3.1	4.2	5.7	2.3	3.4	3.7
Haiti	6.2	7.8	7.6	3.4	6.4	12.5	14.3	13.3	16.5	17.3	15.0
Honduras	6.5	5.0	5.4	4.9	5.8	2.4	3.3	4.7	4.2	4.1	4.2
Nicaragua	9.1	6.1	1.6	5.4	6.4	2.9	3.1	5.8	3.4	3.9	4.1
Panama	4.9	5.2	4.6	3.7	1.0	0.3	1.5	0.5	0.2	-0.1	0.7

SOURCE:

Economic Commission for Latin America and the Caribbean

Forecasts are from Consensus Economics, Inc., except Cuba and Haiti, which are from the Economist Intelligence Unit.

[1] History is from the Economist Intelligence Unit.

Table 3
EXPORTS, IMPORTS, AND CURRENT ACCOUNT BALANCE[1]
(Billions of Dollars)

	2016			2017			2018			2019			2020f		
	Exports	Imports	C/Account	Exports	Imports	C/Account	Exports	Imports	C/Account[2]	Exports	Imports	C/Account[2]	Exports	Imports	C/Account[2]
NAFTA REGION															
Mexico	397.9	420.1	-24.0	437.4	458.4	-19.1	479.7	502.3	-21.6	495.8	501.4	-4.0	510.5	522.8	-12.0
ANDEAN SOUTH AMERICA															
Bolivia	8.2	10.7	-1.9	9.5	11.7	-2.0	10.4	12.7	-2.0	9.8	12.3	-2.4	10.1	12.8	-2.3
Colombia	42.1	54.2	-12.1	47.8	56.2	-10.4	54.4	62.6	-12.9	52.6	65.6	-14.0	55.2	67.7	-14.4
Ecuador	19.5	19.0	1.4	21.8	22.6	-0.3	24.6	25.6	-1.4	26.0	25.0	-0.7	27.0	26.0	-0.2
Peru	43.2	43.1	-5.3	35.0	19.0	-2.7	56.1	51.9	-3.6	55.0	54.4	-4.1	56.6	56.9	-4.6
Venezuela[3]	28.4	25.4	-6.1	31.7	21.2	3.5	34.7	19.8	6.3	24.6	15.5	4.9	18.7	14.9	3.8
BRAZIL & SOUTHERN CONE															
Argentina	71.3	77.8	-14.7	73.4	91.8	-31.3	76.5	89.5	-27.5	79.2	69.2	-5.5	80.9	67.4	-0.3
Brazil	217.6	203.4	-23.2	252.6	226.5	-5.5	274.9	257.7	-14.5	262.3	252.9	-49.3	231.1	195.2	-55.6
Chile	70.2	68.7	-3.5	79.1	75.1	1.4	85.8	85.1	-9.2	79.3	79.9	-8.6	81.3	79.5	-4.5
Paraguay	12.6	10.7	-4.6	13.9	12.5	1.4	14.2	13.9	0.2	13.4	12.9	-0.60	14.2	13.8	-0.3
Uruguay	15.0	11.7	0.8	16.9	12.6	0.9	17.2	13.6	-0.3	16.5	13.2	-0.6	17.3	13.8	-0.4
CENTRAL AMERICA & THE CARIBBEAN															
Costa Rica	18.6	11.1	-1.3	19.5	11.5	-1.8	20.6	12.1	-1.9	20.9	12.3	-1.7	21.6	13.2	-1.7
Cuba	13.5	11.0	1.8	13.9	11.0	2.8	15.0	13.0	2.5	13.0	12.0	1.7	13.0	11.0	1.5
Dominican Republic	18.1	20.2	-0.8	20.0	21.0	-1.2	7.6	12.7	-1.2	7.8	12.6	-1.5	22.0	25.0	-1.5
El Salvador	6.8	10.7	-0.6	7.3	11.3	-0.5	7.6	12.7	-1.2	7.8	12.6	-0.9	8.0	12.6	-0.1
Guatemala	13.4	18.8	1.0	14.0	20.2	1.2	14.3	22.8	0.7	13.8	22.3	0.7	13.5	22.8	0.7
Haiti	1.6	4.2	-0.4	1.6	5.0	-0.9	1.9	5.7	-0.7	1.7	5.3	-0.2	1.8	5.5	-0.3
Honduras	9.2	12.3	-0.6	10.0	13.2	-0.4	10.0	14.3	-1.0	9.9	14.5	-0.9	10.1	15.1	-1
Nicaragua	5.2	7.5	-0.6	5.9	7.7	-0.7	6.0	8.3	0.1	5.9	6.1	0.3	6.3	6.3	0.3
Panama	26.0	25.5	-4.6	25.3	27.1	-4.9	27.3	28.6	-5.1	29.9	26.3	-5.1	31.1	26.4	-5

SOURCE:

2019 *Economic Survey of Latin America and the Caribbean* and UF estimates.

[1] Exports and imports are of goods and services; current account is the balance of exports of goods, services, primary and secondary income, and the capital account.

[2] Consensus Economics, January 2020.

Table 4
TERMS OF TRADE

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019[1]
NAFTA REGION											
Mexico	92.9	100.0	106.8	102.9	102.8	97.6	93.0	89.7	91.2	92.1	90.7
ANDEAN SOUTH AMERICA											
Bolivia	95.2	100.0	118.1	112.3	100.4	95.1	76.9	66.5	76.9	82.9	80.7
Colombia	93.3	100.0	114.7	108.4	100.6	91.5	68.9	68.1	79.7	87.0	82.1
Ecuador	87.0	100.0	112.4	112.1	113.2	106.7	80.0	75.7	83.5	93.1	87.6
Peru	82.7	100.0	107.9	105.3	99.0	93.3	87.5	87.1	93.4	93.2	90.0
Venezuela	84.1	100.0	120.2	121.4	118.9	111.8	65.9	55.3	64.8	78.6	72.3
BRAZIL & SOUTHERN CONE											
Argentina	96.6	100.0	110.3	114.8	107.5	105.3	100.6	106.6	103.6	104.9	105.5
Brazil	86.2	100.0	107.8	101.5	99.4	96.1	85.5	88.1	93.2	92.1	91.6
Chile	82.3	100.0	101.8	94.6	91.7	89.9	87.2	90.8	99.9	97.9	95.6
Paraguay	100.0	100.0	102.4	103.4	102.8	103.3	95.5	94.6	91.5	91.2	89.7
Uruguay	100.5	100.0	102.4	106.3	108.1	112.3	114.5	117.6	117.1	111.4	112.1
CENTRAL AMERICA & THE CARIBBEAN											
Costa Rica	104.1	100.0	96.3	95.8	96.1	97.0	97.3	97.0	95.0	92.5	93.8
Cuba	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dominican Republic	103.8	100.0	94.7	93.8	91.5	93.3	97.9	98.9	95.1	92.5	93.5
El Salvador	105.9	100.0	97.5	97.1	94.5	96.7	105.6	108.6	106.2	103.0	101.9
Guatemala	100.5	100.0	99.1	93.7	91.8	92.3	97.2	105.0	99.5	95.2	94.0
Haiti	103.4	100.0	83.0	86.0	80.6	83.1	87.4	86.4	86.9	82.8	82
Honduras	97.3	100.0	108.4	94.6	88.6	90.4	84.6	87.4	84.7	79.2	77.7
Nicaragua	98.3	100.0	106.6	106.5	98.2	100.1	113.3	115.1	110.3	103.4	106.8
Panama	101.9	100.0	97.8	98.2	97.7	99.7	97.1	94.1	92.0	90.7	90.8

SOURCE:

2019 ECLAC Economic Survey of Latin America and the Caribbean

[1] ECLAC 2019 Preliminary Overview of the Economics of Latin America and the Caribbean

Table 5
NET FOREIGN DIRECT INVESTMENT
(Billions of Dollars)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
NAFTA REGION										
Mexico	8.3	12.9	12.3	-1.0	33.7	24.6	25.1	29.8	28.8	26.4
ANDEAN SOUTH AMERICA										
Bolivia	0.4	0.7	0.9	1.1	1.8	0.7	0.6	0.2	0.6	344.0
Colombia	4.5	0.9	6.2	15.6	8.6	12.3	7.5	9.3	10.1	6.2
Ecuador	0.3	0.2	0.6	0.6	0.7	0.8	1.3	0.8	0.6	1.4
Peru	6.0	8.0	7.3	11.9	9.3	2.8	8.1	5.6	6.4	6.5
Venezuela	-3.6	-0.9	6.1	1.7	1.9	-3.4	0.4	0.0	-2.3	0.2
BRAZIL & SOUTHERN CONE										
Argentina	3.3	10.4	9.4	14.3	8.9	3.1	10.9	1.5	10.4	10.1
Brazil	36.0	55.6	86.4	90.5	59.6	67.1	57.2	58.7	50.9	74.3
Chile	6.6	6.6	3.9	9.7	10.9	10.9	5.1	5.1	0.7	4.1
Paraguay	0.1	0.5	0.6	0.7	0.2	0.4	0.3	0.4	0.5	0.5
Uruguay	1.5	2.3	2.5	2.2	2.8	2.5	0.8	-1.1	-2.2	-0.6
CENTRAL AMERICA & THE CARIBBEAN										
Costa Rica	1.3	1.6	2.3	1.8	2.4	2.8	2.5	2.1	2.6	2.1
Cuba	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dominican Republic	2.2	2.0	2.3	3.1	2.0	2.2	2.2	2.4	3.6	2.5
El Salvador	0.4	-0.2	0.2	0.5	0.2	0.3	0.4	0.3	0.9	0.8
Guatemala	0.6	0.8	1.0	1.2	1.3	1.3	1.1	1.1	1.0	0.8
Haiti	0.1	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.4	0.1
Honduras	0.5	1.0	1.0	0.9	1.0	1.3	1.0	0.9	1.0	1.1
Nicaragua	0.5	0.5	0.9	0.7	0.7	0.8	0.9	0.8	0.7	0.3
Panama	1.3	2.4	3.0	3.3	3.6	4.1	4.0	4.7	4.6	5.4

SOURCE:

ECLAC 2019 Economic Survey of Latin America and the Caribbean

Table 6
TOTAL GROSS EXTERNAL DEBT[1]
(Millions of Dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020f
NAFTA REGION											
Mexico	246	292	349	406	442	427	423	442	453	455	457
ANDEAN SOUTH AMERICA											
Bolivia	6	6	7	8	9	10	11	13	13	15	16
Colombia	64	76	79	93	105	115	122	127	135	137	142
Ecuador	15	16	16	19	25	28	35	41	45	51	52
Peru	45	62	64	68	68	67	70	68	67	66	69
Venezeula	117	136	152	155	162	161	153	149	155	131	128
BRAZIL & SOUTHERN CONE											
Argentina	127	143	140	150	153	177	189	236	281	282	270
Brazil	352	404	441	484	557	543	543	543	558	577	605
Chile[2]	87	101	123	136	152	161	167	182	184	185	190
Paraguay	16	16	16	16	16	16	16	16	16	16	17
Uruguay[2]	18.4	18.3	36.1	37.8	40.9	43.3	40.0	41.2	42.0	43.3	45.3
CENTRAL AMERICA & THE CARIBBEAN											
Costa Rica	8.2	10.3	14.3	17.1	19.7	23.6	25.6	25.6	27.8	37.2	40.4
Cuba[3]	29.0	30.0	29.0	29.0	30.0	30.0	30.0	30.0	30.0	29.0	30.0
Dominican Republic	13.5	15.1	22.1	24.0	26.3	26.7	28.3	31.2	33.9	36.0	38.0
El Salvador	11.5	12.7	13.5	14.1	15.2	15.6	16.6	17.2	17.5	17.5	17.5
Guatemala	15.0	16.3	15.4	17.5	19.5	20.4	21.5	23.0	22.3	23.5	23.4
Haiti	1.0	0.8	1.2	1.6	2.0	2.1	2.2	2.2	2.2	4.1	
Honduras	4.0	4.4	5.1	6.8	7.3	7.6	7.6	8.8	9.7	9.9	10.3
Nicaragua	7.0	5.9	7.0	7.9	9.0	9.7	10.1	10.5	10.7	11.7	
Panama	48.9	57.1	61.4	68.3	78.0	88.6	89.0	92.0	98.0	94.0	95.0

SOURCE:

World Bank *International Debt Statistics 2020*

Forecasts are from the University of Florida.

[1] Includes public and private debt, long-term and short-term debt, and debt to IMF.

[2] ECLAC

[3] Economist Intelligence Unit

Table 7
TOTAL GROSS EXTERNAL DEBT TO EXPORTS
(in percent)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020f
NAFTA											
Mexico	76	78	88	99	103	104	104	99	92	90	88
ANDEAN SOUTH AMERICA											
Bolivia	80	66	53	62	63	99	132	135	126	147	154
Colombia	128	111	110	130	154	226	254	232	216	222	221
Ecuador	70	59	56	64	80	121	159	166	163	170	168
Peru	106	115	114	130	137	154	148	120	111	112	114
Venezeula	172	143	153	172	211	412	541	413	422	492	618
BRAZIL & SOUTHERN CONE											
Argentina	150	141	143	161	181	244	255	306	348	339	318
Brazil	141	141	128	152	165	205	240	236	198	186	223
Chile	100	97	100	125	140	164	208	219	211	198	214
Paraguay	144	118	130	110	119	138	128	113	110	117	118
Uruguay	165	136	222	194	214	266	253	224	224	260	259
CENTRAL AMERICA & THE CARIBBEAN											
Costa Rica	106	101	140	146	150	153	152	160	164	174	182
Cuba	184	165	146	156	165	206	222	209	193	223	223
Dominican Republic	106	101	140	146	150	153	152	160	164	164	165
El Salvador	229	214	219	214	225	221	237	233	225	219	213
Guatemala	135	124	118	133	136	144	154	157	151	161	163
Haiti	91	57	83	97	116	116	134	133	113	155	193
Honduras	55	49	53	77	78	80	82	87	96	98	100
Nicaragua	207	189	188	208	188	203	206	189	196	194	182
Panama	267	245	226	258	281	347	343	365	361	315	306

SOURCE:

World Bank *International Debt Statistics 2020*

University of Florida forecasts

Table 8
NONFINANCIAL PUBLIC DEBT AS PERCENTAGE OF GDPw

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e [1]	2020f [1]
NAFTA REGION											
Mexico	42.0	42.9	42.7	45.9	48.9	52.8	56.8	54.1	53.6	53.8	56.2
ANDEAN SOUTH AMERICA											
Bolivia	37.6	35.3	35.4	36.1	37.6	40.9	46.5	51.3	53.9	58.8	61.7
Colombia	36.6	35.8	34.0	37.6	43.3	50.4	49.8	49.5	52.2	51.9	51.1
Ecuador	17.7	16.8	17.5	20.0	27.1	33.8	43.2	44.6	45.8	48.5	47.5
Peru	25.3	23.0	21.2	20.0	20.6	24.1	24.5	25.4	26.2	26.9	27.2
Venezuela[2]	29.0	25.1	27.5	32.9	28.5	31.7	31.1	35.5	38.3	66.5	57.0
BRAZIL & SOUTHERN CONE											
Argentina	43.5	38.9	40.4	43.5	44.7	52.6	53.1	57.1	86.1	88.9	80.9
Brazil	63.1	61.2	62.2	60.2	62.3	72.6	78.3	84.1	87.9	90.8	92.3
Chile	8.6	11.1	11.9	12.7	15.0	17.3	21.0	23.5	25.6	27.2	29.9
Paraguay	12.0	10.2	12.5	13.2	15.6	18.6	19.4	19.8	21.5	24.1	24.0
Uruguay	44.3	44.7	54.1	54.3	55.5	62.9	61.4	60.7	63.5	66.7	68.0
CENTRAL AMERICA & THE CARIBBEAN											
Costa Rica	28.3	29.8	34.2	35.8	38.4	40.9	44.9	48.6	53.5	57.2	60.0
Cuba[3]	41.7	42.6	39.8	37.8	37.1	34.8	32.7	30.9	29.9	27.7	26.1
Dominican Republic	37.3	39.1	42.3	46.7	44.9	44.7	46.6	48.9	50.5	53.2	53.9
El Salvador	57.7	57.0	61.5	60.9	63.0	64.3	65.5	67.3	67.1	68.6	69.1
Guatemala	24.1	23.7	24.3	24.6	24.3	24.2	24.0	23.8	24.7	25.5	25.7
Haiti[3]	7.2	11.8	16.1	21.5	26.3	30.3	33.7	31.0	33.3	36.5	36.5
Honduras	23.6	25.2	29.8	37.7	37.5	37.4	38.4	39.2	40.2	41.0	40.6
Nicaragua	30.3	28.8	27.9	28.8	28.7	28.9	30.9	33.9	37.2	40.3	42.5
Panama	39.5	36.9	35.3	34.4	36.5	37.4	37.3	37.5	39.5	40.9	41.5

SOURCES:

IMF unless otherwise noted.

[1]UF forecasts, except for Cuba and Haiti.

[2]ECLAC. In default as of 2017

[3]Economist Intelligence Unit.

Table 9
FISCAL BALANCE
(as percentage of GDP)

	Primary Balance							Overall Balance						
	2013 [1]	2014 [2]	2015	2016	2017	2018	2019e	2013	2014	2015	2016	2017	2018	2019e
NAFTA														
Mexico	-0.5	-1.2	-1.2	-0.2	1.2	0.4	1.0	-2.4	-2.8	-3.0	-2.5	-1.1	-2.1	-2.2
ANDEAN SOUTH AMERICA														
Bolivia [2]	2.0	-1.7	-3.6	-2.8	-4.4	-5.2	-6.6	1.4	-2.5	-4.5	-3.4	-5.0	-5.2	-5.3
Colombia	-0.1	-0.4	-0.8	-1.6	-1.1	-0.6	0.6	-2.3	-2.4	-3.0	-4.0	-3.6	-3.1	2.3
Ecuador	-4.5	-4.9	-2.1	-3.6	-3.5	-0.9	-1.6	-4.6	-5.2	-6.0	-7.3	-4.5	-1.2	-1.3
Peru	1.5	0.8	-1.0	-1.1	-1.8	-0.8	-0.5	0.5	-0.5	-2.9	-2.6	-3.6	-2.0	-1.9
Venezuela	-11.5	-11.9	-0.2	n/a	n/a	n/a	n/a	-2.0	-1.9	-7.7	-6.5	-10.1	-20.5	-20.9
BRAZIL & SOUTHERN CONE														
Argentina	-1.3	-2.3	-1.9	-2.1	-2.8	-1.6	0.1	-2.5	-4.2	-3.7	-5.8	-5.9	-5.0	-3.9
Brazil	1.5	-0.3	-1.9	-2.5	-1.8	-1.7	-1.7	-2.6	-5.0	-9.1	-7.6	-7.7	-7.3	-6.1
Chile	0.0	-1.0	-1.5	-2.0	-1.9	-0.8	-1.3	-0.6	-1.6	-2.1	-2.6	2.6	-1.5	-2.7
Paraguay	-1.4	-0.7	-0.9	-0.5	-0.5	-0.6	-0.6	-1.3	-0.9	-1.3	-1.1	-1.1	-1.3	-1.7
Uruguay	0.9	0.0	-0.5	-1.0	-0.3	0.7	0.3	-1.5	-2.3	-2.8	-3.7	-3.0	-2.0	-2.7
CENTRAL AMERICA & THE CARIBBEAN														
Costa Rica [3]	-2.8	-3.0	-3.0	-2.4	-3.0	-2.3	-2.2	-5.4	-5.6	-5.7	-5.2	-6.1	-5.8	-7.0
Cuba4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-3.9	-2.0	-6.0	-6.8	-8.5	-8.3	-6.3
Dominican Republic	-0.4	-0.1	0.3	0.5	0.0	1.2	1.0	-2.7	-2.5	-2.4	-2.4	-2.4	-2.0	-2.2
El Salvador	0.6	0.8	1.5	1.9	3.0	2.3	2.7	-2.0	-1.7	-1.2	-0.9	-0.1	-2.7	-3.1
Guatemala	-0.6	-0.4	-0.1	0.4	0.1	-0.3	-1.0	-2.1	-1.9	-1.5	-1.1	-1.3	-1.8	-2.1
Haiti	-1.0	-0.5	0.3	0.9	0.7	-2.4	n/a	-1.4	-0.9	0.1	0.6	0.4	-2.7	-4.6
Honduras	-5.8	-2.1	-0.5	-0.3	0.0	0.9	1.4	-7.9	-4.3	-3.1	-2.8	-2.8	-2.7	-2.6
Nicaragua	1.0	0.6	0.3	0.4	0.5	-0.9	-0.9	0.1	-0.3	-0.6	-0.6	-0.6	-2.0	1.1
Panama	-1.9	-2.3	-2.0	-2.1	-1.4	-1.1	-0.2	-3.1	-2.9	-2.3	-1.8	-1.9	-2.9	-1.7

SOURCES:

ECLAC. Figures are for nonfinancial public sector unless otherwise noted.

[2]IMF forecast

[3]Central government balance

[4]Public sector balance

Table 10
CURRENCY & EXCHANGE RATES

	Currency [1]	Exchange Regime [2]		Dollar Exchange Rates		
		Exchange Rate Arrangement	Exchange Rate Anchor	Dec-19	Dec-20f [3]	% Change
NAFTA REGION						
Mexico	Peso	Free floating	Inflation target	18.88	19.6	-3.9%
ANDEAN SOUTH AMERICA						
Bolivia	Boliviano	Stabilized arrangement	Monetary aggregate target	6.91	6.91	0.0%
Colombia	Peso	Floating	Inflation target	3,282	3,319	-1.1%
Ecuador	US Dollar	No separate legal tender	U.S. Dollar	USD	USD	0.0%
Peru	Sol	Floating	Inflation target	3.31	3.37	-1.7%
Venezeula	Bolívar	Other managed arrangement	U.S. Dollar	46,563	126,569	-63.2%
BRAZIL & SOUTHERN CONE						
Argentina	Peso	Floating	Other	59.87	79.96	-25.1%
Brazil	Real	Floating	Inflation target	4.02	4.07	-1.1%
Chile	Peso	Floating	Inflation target	752.0	746.1	0.8%
Paraguay	Guaraní	Floating	Inflation target	6,474	6,436	0.6%
Uruguay	Peso	Floating	Inflation target	37.1	39.0	-4.8%
CENTRAL AMERICA & THE CARIBBEAN						
Costa Rica	Colón	Crawl-like arrangement	Other	573	587	-2.4%
Cuba[4]	Cuban Peso - CUC	Dual exchange rate	U.S. Dollar	1.00	1.00	0.0%
Dominican Republic	Peso	Crawl-like arrangement	Inflation target	53.26	51.3	3.8%
El Salvador	US Dollar	No separate legal tender	U.S. Dollar	USD	USD	0.0%
Guatemala	Quetzal	Floating	Inflation target	7.70	7.81	-1.4%
Haiti[4]	Gourde	Managed arrangement	Other	96.90	105.40	-8.1%
Honduras	Lempira	Crawling peg	U.S. Dollar	24.64	25.88	-4.8%
Nicaragua	Córdoba	Crawling peg	U.S. Dollar	33.83	35.86	-5.7%
Panama	Balboa	No separate legal tender	U.S. Dollar	USD	USD	0.0%

SOURCE:

[1] The Economist Intelligence Unit

[2] IMF *2017 Annual Report on Exchange Arrangements and Exchange Restrictions*

[3] Consensus Economics, Inc. forecasts. Interpolated from forecasts for Jan 2021.

[4] Economist Intelligence Unit forecasts.

Table 11
COUNTRY RISK AND IMF RELATIONS

	Country Risk [1]			Sovereign Spreads [1]		IMF Relations [2]
	Moody's	S&P	Fitch	December '18	December '19	Summary:
NAFTA REGION						
Mexico	A3	BBB+	BBB	196	133	Consultation completed November 2019.
ANDEAN SOUTH AMERICA						
Bolivia	Ba3	BB-	BB+	413	249	Consultation completed December 2018.
Colombia	Baa2	BBB-	BBB	120	119	Consultation completed January 2019.
Ecuador	B3	B-	B-	847	919	Agreement on review of economic program, September 2019.
Peru	A3	BBB+	BBB+	97	56	Consultation completed April 2019.
Venezeula	C	SD	WD	3960	6575	No agreement on mission dates/modalities.
BRAZIL & SOUTHERN CONE						
Argentina	Caa2	CCC-	CC	884	1699	IMF technical mission to visit in February 2019.
Brazil	Ba2	BB-	BB-	244	179	Consultation completed July 2019.
Chile	A1	A+	A	97	59	IMF staff mission visited June 2019.
Paraguay	Ba1	BB	BB+	218	119	IMF staff mission visited November 2019.
Uruguay	Baa2	BBB	BBB-	160	117	Consultation completed December 2019.
CENTRAL AMERICA & THE CARIBBEAN						
Costa Rica	B1	B+	B+	730	450	Consultation completed April 2019.
Cuba	Caa2	NR	NR	n/a	n/a	Cuba withdrew from IMF membership in 1964.
Dominican Republic	Ba3	BB-	BB-	333	247	Consultation completed August 2019.
El Salvador	B3	B-	B-	502	382	Consultation completed May 2019.
Guatemala	Ba1	BB-	BB	289	210	IMF staff mission visited October 2019.
Haiti	NR	NR	NR	n/a	n/a	Consultation completed November 2019.
Honduras	B1	BB-	NR	380	275	Review of SDR 225 million Stand-By completed December 2019.
Nicaragua	B2	B-	B-	n/a	n/a	Consultation completed November 2019.
Panama	Baa1	BBB+	BBB	159	93	Consultation completed July 2019.

SOURCE:

[1] Bloomberg

[2] IMF: Under Article IV of the IMF's Articles of Agreement the IMF holds bilateral discussions with members, visits the country, usually every year.
A staff team reviews economic and financial information and discusses the country's economic developments and policies with officials and, later, the IMF Executive Board.

Table 12
SOCIAL ENVIRONMENT

	Population[1] (Millions)	Avg. Pop. Growth[1] %	Literacy Rate[1] (% age 15+)	GDP Per Capita[2] (PPP $US)	GDP (P/C) Growth %[3]	Income Inequality[4] (GINI Index)	HDI (World Rank)[5] 2016	Population in Poverty[6] %	Unemployment Rate 2017[7] %	Internet Penetration[8]
NAFTA REGION										
Mexico	126	1.09	94.9	18,273	0.7	51.8	74	11.7	3.4	59.5
ANDEAN SOUTH AMERICA										
Bolivia	11.3	1.48	92.5	7,560	2.6	47.3	118	13.5	4.0	39.7
Colombia	48.2	0.97	94.7	14,473	0.9	52.5	90	13.5	9.3	58.1
Ecuador	16.5	1.25	94.4	11,587	1.5	47.6	86	10.4	4.6	54.1
Peru	31.3	0.94	94.2	13,434	1.3	44.7	89	9.0	7.7	45.5
Venezuela	31.7	1.21	97.1	n/a	n/a	38.1	78	33.1	21.2	60.0
BRAZIL & SOUTHERN CONE										
Argentina	44.7	0.89	99.1	20,785	1.9	42.1	47	4.5	8.4	70.2
Brazil	208.8	0.71	92.0	15,484	0.2	51.7	79	9.2	12.8	59.7
Chile	17.9	0.75	96.9	24,635	0.7	48.2	44	2.9	6.7	66.0
Paraguay	7.0	1.17	94.7	13,082	3.5	49.3	110	8.8	5.7	51.3
Uruguay	3.4	0.27	98.6	22,562	2.3	42.6	55	1.9	7.4	66.4
CENTRAL AMERICA & THE CARIBBEAN										
Costa Rica	5.0	1.13	97.8	17,074	2.2	50.6	63	4.5	8.1	66.0
Cuba	11.1	-0.27	99.8	12,355	n/a	n/a	73	n/a	n/a	38.8
Dominican Republic	10.3	0.99	93.8	16,030	3.4	47.7	94	9.4	5.4	61.3
El Salvador	6.2	0.25	88.1	8,006	1.9	42.6	121	10	6.9	29.0
Guatemala	16.6	1.72	81.5	8,150	0.9	50.6	125	36.9	n/a	34.5
Haiti	10.8	1.31	60.7	1,815	-0.1	n/a	168	n/a	n/a	12.2
Honduras	9.2	1.56	89.0	4,986	3.3	52.5	133	36.5	5.6	30.0
Nicaragua	6.1	0.97	82.8	5,842	3.7	51.5	124	16.1	6.1	24.6
Panama	3.8	1.24	95.0	24,469	3.7	50.2	66	7.5	6.0	54.0
Puerto Rico	3.3	-1.70	93.3	38,867	n/a	n/a	n/a	n/a	12.5	80.3

SOURCE & NOTES

[1] The CIA World Factbook, February 2019: For Literacy Rate, Data refer to percentage of population aged 15 or older who can, with understanding, both read and write a short simple statement on their everyday life

[2] World Bank, February 2019: GDP per capita (Purchasing Power Parity in $U.S.). 1 PPP dollar has the same purchasing power in the domestic economy as 1 U.S. dollar has in the U.S. economy.

[3] CEPAL, Economic Survey of Latin American & the Caribbean 2018.

[4] IMF Regional Economic Outlook, May 2018: The Gini index measures inequality over the entire distribution of income or consumption. A value of 0 represents perfect equality, and a value of 100 perfect inequality

[5] UNDP, Human Development Statistical Update 2018:The Human Development Index (HDI) measures a country's achievements in three aspects of human development: longevity (life expectancy at birth), knowledge (combination of literacy rate and enrollment ratio), and a decent standard

[6] IMF Regional Economic Outlook, May 2018.

[7] IMF Regional Economic Outlook, May 2018.

[8] CIA World Factbook, February 2019: Data refer to number of users who access the internet.

[9] Economist Intelligence Unit, February 2019

Table 13
POLITICAL ENVIRONMENT

	Level of Democratic Consolidation				Current Government[4]		
	Election Inaugurating Democracy	Unscheduled Head of State Change	Political Rights[2]	Civil Liberties[3]	President/ PM	Term	Control of Legislature
NAFTA							
Mexico	2000		3	3	Lopez Obrador	2018-2023	Government
ANDEAN SOUTH AMERICA							
Bolivia	1980[1]	8	3	3	Áñez[5]	2019-2020	Government
Colombia	1958[1]		3	3	Duque	2018-2022	Govt. Coalition
Ecuador	1978[1]	8	3	3	Moreno	2017-2021	Govt. Coalition
Peru	1980[1]	2	2	3	Vizcarra	2018-2021	Shifting Alliances
Venezuela	1958	6	7	6	Maduro/Guaidó[6]	2019-2024	Opposition
BRAZIL & SOUTHERN CONE							
Argentina	1983[1]	4	2	2	Fernández	2019-2023	Govt. Coalition
Brazil	1989	2	2	2	Bolsonaro	2019-2022	Govt. Coalition
Chile	1989		1	1	Piñera	2017-2021	Govt. Coalition
Paraguay	1993		3	3	Abdo	2018-2023	Govt. Coalition
Uruguay	1985		1	1	Pou	2019-2023	Opposition
CENTRAL AMERICA & THE CARIBBEAN							
Costa Rica	1949		1	1	Alvarado	2018-2022	Opposition
Cuba	n/a		7	6	Díaz-Canel	2018-2023	Government
Dominican Republic	1963	1	3	3	Medina	2016-2020	Government
El Salvador	1984		2	3	Bukele	2019-2023	Shifting Alliances
Guatemala	1985[1]	1	4	4	Giammattei	2019-2023	Opposition
Haiti	1986[1]	6	5	5	Moise	2017-2022	n/a
Honduras	1982	1	4	4	Hernández	2018-2022	Govt. Coalition
Nicaragua	1984		6	5	Ortega	2016-2021	Government
Panama	1994		1	2	Cortizo	2019-2024	Govt. Coalition

SOURCE & NOTES

[1] Interrupted democracies

[2] Freedom in the World 2018: https://freedomhouse.org/report/freedom-world/freedom-world-2018 Freedom House definition: Those rights that enable people to participate freely in the political process. On this scale 1 represents the most free and 7 the least free

[3] Freedom in the World 2018: https://freedomhouse.org/report/freedom-world/freedom-world-2018 Freedom House definition: Freedoms to develop views, institutions and personal autonomy apart from the state. On this scale 1 represents the most free and 7 the least free.

[4] CIA Factbook

5 Jeanine Áñez became interim president of Bolivia after the resignation of President Evo Morales in November 2019.

[6] President Nicolás Maduro's reelection was not recognized by the United States or by most of the LABER countries. These countries recognize Juan Gerardo Guaidó Márquez as president.

Table 14
LEGAL ENVIRONMENT

	Rule of Law[1]	Corruption Perception[2]	Economic Freedom[3]	Property Rights[4]	Global Competitiveness[5]	Homicide Rate[6]	Crime Victimization[7]
	Rank 2018	Rank 2019	Rank 2019	Percentile Rank	Rank 2019	2018	2019
NAFTA							
United States (for comparison)	89↓	23↓	12↑	79	2↓	n/a	16
Mexico	27↓	130↑	66↓	59	48↓	25.8	33
ANDEAN SOUTH AMERICA							
Bolivia	10	123↑	173	20↑	107↓	6.3	28
Colombia	38↑	96↑	49↓	59↓	57↑	25	24
Ecuador	29↑	93↑	170↓	36↓	90↓	5.7	29
Peru	33	101↑	45↓	56↑	65↓	7.8	36
Venezuela	0↓	173↓	179	8↑	133↓	81.4	18
BRAZIL & SOUTHERN CONE							
Argentina	46	66↑	148↓	48↑	83↓	5.2	31
Brazil	44	106↓	150↑	57↑	71↑	25	19
Chile	84↑	26↑	18↑	69↑	33	2.7	24
Paraguay	32↑	137↓	85↓	40↑	97↓	5.1	22
Uruguay	74↑	21↑	40↑	68↓	54↓	11.2	29
CENTRAL AMERICA & THE CARIBBEAN							
Costa Rica	69↑	44↑	61↓	58↑	62↓	11.7	22
Cuba	35	61↑	178	32↑	n/a	n/a	n/a
Dominican Republic	39↑	137↓	89	51↓	78↑	10.4	26
El Salvador	20	113↓	84↓	38↑	103↓	51	21
Guatemala	13	146↓	77↓	40	98↓	22.4	20
Haiti	16↑	168↓	143↓	10↓	138	n/a	n/a
Honduras	16↑	146↓	93↑	43↓	101	40	19
Nicaragua	15↓	161↓	107↓	33↑	109↓	n/a	18
Panama	52↓	101↓	50↑	60↓	66↓	9.6	21
Puerto Rico	73	n/a	n/a	n/a	n/a	20	n/a
ASIA							
China (for comparison)	48↓	80↑	100↑	50↑	28	n/a	n/a

SOURCE & NOTES

↑↓ Up or down indicate, respectively, an improvement or a worsening of the environment from that reported in the 2019 *LABER* . The absence of an arrow indicates "no change" from the previous year.

1 As measured by the World Bank's Governance Indicators: 1966-2019 <www.worldbank.org>. The percentages measure the extent to which agents have confidence in and abide by the rules of society, including perceptions of the incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts

2 As measured by Transparency International, Corruption Perceptions Index 2019 <www.transparency.org>. Focuses on corruption in the public sector and defines corruption as the abuse of public office for private gain. The scores used in the index range from 10 (country perceived as virtually corruption-free) to almost 0 (country perceived as almost totally corrupt). The country ranks measure the corruption level in 180 countries as perceived by business people, risk analysts, investigative journalists and the general public

3 As measured by the Heritage Foundation's 2019 *Index of Economic Freedom* . Scores are based on a 1 to 100 scale, 1 being an economic environment that is least conducive to economic freedom, 100 being the most conducive. Countries are also ranked in order of economic freedom, 1 being the most free.

4 As measured by the Heritage Foundation's 2019 *Index of Economic Freedom* . The percentages measure the degree to which a country's laws protect private property rights and the degree to which its government enforces those laws. I00% indicates that private property is guaranteed by the government. 0% indicates that private property is outlawed.

5 As measured by the *Global Competitiveness Report 2019* , produced by the World Economic Forum <http://www.weforum.or/reports>. This ranking is based on a total of 140 countries and is determined by measuring 12 pillars of competitiveness, including: Institutions, Infrastructure, Health & Primary Education, Higher Education, Good Market Efficiency, Labor Market Efficiency, Financial Market Development, Technological Readiness, Market Size, Business Sophistication, and Innovation.

6 Insight Crime, 2019. Homicide rates per 100,000 inhabitants 2018.

7 LAPOP 2019. Percentage of respondents saying they have been the victim of a crim during the previous 12 months.

Table 15
BUSINESS ENVIRONMENT

	Time Required to[1]				Paying Taxes[2]			Intellectual Property[3]	
	Start a Business[a]	Register Property[b]	Enforce Contracts[c]	Trade Across Borders[d]	Number of Payments[a]	Hours Required[b]	Tax Rate (% Profit)[c]	Unlicensed Software Use[a]	Commercial Value of Unlicensed Software[b]
NAFTA									
United States (for comparison)	4↑	15	444↓	4↓	11	175	37↑	15	8,612
Mexico	8	39	341	28	6	241	55↓	49	760
ANDEAN SOUTH AMERICA									
Bolivia	40↑	90	591	192	42	1,025	84	79	94
Colombia	10↑	15	1,288	160↑	10↑	256	71↑	48	241
Ecuador	49	26↑	523	120	8	664↑	34↓	68	132
Peru	26↓	10↓	478↓	72↑	8↑	260	37	62	190
Venezuela	230	53↓	720	n/a	99↓	920↓	73↓	89	317
BRAZIL & SOUTHERN CONE									
Argentina	12↓	52	995	46↑	9	312	106	67	308
Brazil	17↑	31	801↓	61	10	1501↑	65	46	1,665
Chile	4↑	29	519↓	84	7	296	34	55	283
Paraguay	35	46	606	144	19↑	378	35	83	76
Uruguay	7	66	725	120	20	163	42	67	51
CENTRAL AMERICA & CARIBBEAN									
Costa Rica	23	11	852	44	10	151	58	58	80
Cuba	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dominican Republic	17	33↑	590	26	7	317	49	75	74
El Salvador	17	31	816	33	7	168↑	36	80	61
Guatemala	15	24	1,402	84	8	248	35	78	165
Haiti	97	319↓	530	50	47	184	43	n/a	n/a
Honduras	42↓	29	920	156↓	59↓	203↑	39↑	75	32
Nicaragua	14	56	490	120	43	201	61	81	20
Panama	6	23	790	30	36	408	37	71	112
Puerto Rico	6	190↑	630	50	16	218	64↓	41	27
ASIA									
China (for comparison)	9	9	496	30↑	7	138↑	60↑	66	6,842

SOURCE & NOTES

↑↓ Up or down indicate, respectively, an improvement or a worsening of the environment from 2019 *LABER*. The absence of an arrow indicates "no change" from the previous year.

1 As measured by the World Bank Group's report *Doing Business 2020*: a) Average time in calendar days spent registering a firm. b) Average time in calendar days spent completing the procedures to register property. c) Average time in calendar days from the moment a plaintiff files a lawsuit in court until the moment of payment. d) Average time in hours necessary to comply with all procedures required to export goods.

2 As measured by the World Bank Group's report *Doing Business 2020*: a) total number of tax payments per year b) time it takes to prepare, file and pay (or withhold) the corporate income tax, the value added tax and social security contributions c) total amount of taxes and mandatory contributions payable by the business.

3 As measured by the Business Software Alliance, *2018 BSA Global Software Piracy Study* (June 2018): a) Percentage of unlicensed software installed; b) Estimates are based on 2017 losses due to copyright business software piracy in millions of USD.

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