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Global Quarantine IX

In the corona crisis, a strong welfare state can prevent the worst. Latvia, Honduras, and Guatemala however are struggling

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Read this article in German.

Latvia

If the prediction proves that the Covid-19 pandemic is pulling existing trends and developments into the spotlight of public awareness, Latvia could turn out to be one of the more interesting cases in the European Union. Almost exactly three decades after regaining its independence, the small Baltic country has demonstrated how successful and efficient its administration can act in crisis management, as long as there is a stable political consensus in the country.

Similar to its Baltic neighbours, Latvia reacted decisively on 13 March 2020 and declared a state of emergency when it became apparent that the pathogen could not be contained geographically. The country closed off its borders and enacted various regulations that were gradually tightened and extended in the following weeks. It largely dispensed with harsh bans and most shops were required to close only on weekends. However, public life largely came to a standstill because of the recommendations on social distancing.

Moreover, extensive and strategically skilful testing along possible chains

of infection was also carried out early on, while the capacities to do so were gradually increased. Since then, just over two per cent of the almost two million Latvians have been tested, which puts the country and its Baltic neighbours in the top third worldwide with regard to tests per inhabitant. This strategy and the discipline of the population has so far made it possible to successfully limit the spread of the virus. A little luck certainly entered into it as well: as was the case in Estonia and Lithuania, there were no local hotspots.

And as with other European countries, the price was the shock freeze of economic and social life. The Latvian central bank estimates that the Latvian economy will contract by just over 10 per cent in 2020. As with the financial and debt crisis a decade ago, Latvia will be hit harder than its neighbours. The question arises as to why.

For the first time, a broad debate has flared up about the role of the state as a guarantor of social security and welfare. This is sparked by dissatisfaction with the economic stabilisation programme. At the beginning of April, Finance Minister Jānis Reirs announced a plan to include measures up to a total of almost €3bn for the small country. The calculations assumed that around €130 million in direct aid could be paid to around 150,000 employees in the first two months. The figures on actual aid that have been published since then, on the other hand, make for sobering reading; and accordingly have led to a storm of indignation. As of 21 April, only €4.8 million had been paid out to 17,605 workers and 3,308 companies – out of a total of 52,000 companies and around 465,000 employees in Latvia. So far, the average support rate has been just €259 – for 87 per cent of the individual beneficiaries that's below the national minimum wage. 302 people are even receiving less than €20 a month. At the same time, applications from 2,240 companies and 877 freelancers and self-employed were completely rejected for technical reasons.

This is now taking its toll in view of the size of the shadow economy, which accounts for over one fifth of economic output, and the fact that lending to individuals and small and medium-sized enterprises effectively stopped after 2009. Moreover, the flat tax system contributes little to tax compliance. Therefore, there is now talk that the state support programme was not created with the idea of helping the economy, but rather to discipline Latvians. Considering that general cuts of one third were accepted without complaint after the financial crisis and that the country was largely proud of its own fulfilment of the criteria of austerity policy, this is a significant development.

Peer Krumrey, FES Baltic

Guatemala and Honduras

In the Central American countries of Guatemala and Honduras, fragile economies and poverty-stricken societies are coming under pressure from the pandemic. It is the great social and economic grievances that have driven migration to the north in recent years. Most recently, the phenomenon of migrant caravans made the headlines: desperate men, women and children joined together to march to the United States – many of them with little more than the clothes on their backs. Poverty, inadequate income opportunities and a desperate security situation were among the motives for migrants to leave their homes. In many areas – especially in Honduras – criminal gangs are also terrorising the population, demanding road tolls, and extorting protection money.

But now the migration flow has been shut down. Curfews and the closing off of districts and national borders along the migration routes are leading to a hopeless situation. The health protection measures that governments have ordered in connection with Covid-19 have exacerbated the problems that are among the factors inciting migration.

The curfew is much stricter in Honduras than in Guatemala: each person is allowed to leave the house only on weekdays. For this reason, many people who depend on their daily earnings are being deprived of their income because in both countries the vast majority of the working population is employed in the informal sector. According to estimates by the Inter-American Development Bank in April 2020, approximately 80 per cent of the workers in both countries have no fixed employment contract or social security such as unemployment insurance.

At the end of March, the Honduran government decided at the end of March to distribute food to needy households ('Honduras solidaria'), but this is inadequate given the large scale of hardship. Since the curfew was imposed on 15 March, there have repeatedly been minor protests and roadblocks, some of which are violently broken up by security forces. The demonstrators are demanding basics such as food and water. To make matters worse, the capital has been experiencing a drought since the beginning of the year, so that from week to week, the drinking water has been rationed and is not available in all city districts at the same time.

Draconian fines for curfew violations, harsh security measures and corruption in the management of funds to fight the pandemic have all further reduced the president's already low popularity. Large sections of the population viewed the re-election of Juan Orlando Hernández in 2017 as unconstitutional and the election results as having been manipulated, so that the government enjoys little legitimacy anyway.

In Guatemala, however, President Alejandro Giammattei, who has been in office for only 100 days, has gained approval during the crisis – even if he has so far refused to enact a law on continuing the supply of electricity, water, telephone and internet when consumers cannot pay their bills. The trained doctor is ubiquitous through his daily press conferences, he has caused the deputy minister of health to resign after incidents of corruption and has been pushing ahead with the expansion of the health system since the pandemic broke out. Indeed, this is absolutely essential: in Guatemala, for every 1,000 persons there are only 0.89 doctors (compared to 4.3 in Germany in 2018) and 0.6 hospital beds (with 8.3 in Germany in 2019). In addition to the five temporary hospitals that are to be built at short notice in different parts of the country, four new permanent hospitals are slated for construction.

Even so, the capacity of the health systems in both countries is far from sufficient to ensure adequate care for the population. As of 23 April, only 2,500 tests were carried out in Honduras, with its total population of 9 million, and in Guatemala, only 7,200 out of 17 million people. In each country, the samples had to be transported to the capital, since these are the only places where laboratories have the necessary equipment. It can be assumed that the current number of cases as of 30 April in Guatemala (585, with 16 fatalities) and in Honduras (771, with 71 fatalities) are actually much higher. Incidentally, 85 of those who tested positive in Guatemala are part of a group of migrants who were deported from the United States.

Falling remittances among migrants working abroad are another reason why the prospects in both countries are bleak for the vast majority of the population. The sole source of hope may be the news that for the time being, US President Donald Trump wants to avoid expelling migrants who work in agriculture.

Given the failure of the two governments to invest in effective public provision, the opportunities to protect the population are limited. Much would be gained, however, if there were an increased awareness among the business elites that social solidarity and an effective state were needed to overcome the crisis.

Ingrid Ross, FES Zentralamerika



Peer Krumrey
Riga

Peer Krumrey heads the Friedrich-Ebert-Stiftung's Regional Office in the Baltic States. Previously, he worked as a project staff member in the FES Nordic Office and as a junior researcher in the Northern Europe project of the *Stiftung Wissenschaft und Politik* (SWP).



Ingrid Ross
Berlin

Ingrid Ross is Head of the Latin America and Caribbean Department at the Friedrich-Ebert-Stiftung. Previously, she was editor-in-chief of the magazine *Nueva Sociedad* in Buenos Aires and also headed the Foundation's offices in Costa Rica, Guatemala and Honduras, amongst others.

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