



# OPINION

European Economic and Social Committee

## **Socio-economic situation in Latin America following the COVID-19 crisis – the role of civil society in the recovery process**

---

Socio-economic situation in Latin America following the COVID-19 crisis –  
the role of civil society in the recovery process  
[own-initiative opinion]

**REX/552**

Rapporteur: Josep PUXEU ROCAMORA

[www.eesc.europa.eu](http://www.eesc.europa.eu)

**EN**

Plenary Assembly decision	14/06/2022
Legal basis	Rule 52(2) of the Rules of Procedure Own-initiative opinion
Section responsible	External Relations
Adopted in section	16/11/2022
Adopted at plenary	15/12/2022
Plenary session No	574
Outcome of vote (for/against/abstentions)	158/0/2

## 1. Conclusions and recommendations

- 1.1 Efforts should focus on improving dialogue and enhancing cooperation between the two regions by taking a horizontal approach and engaging in multilevel dialogue.
- 1.2 The bi-regional relationship is being strengthened based on shared values and objectives. However, it also needs to be attractive in terms of resources, technology transfers and results, and in its social dimension.
- 1.3 With regard to the EU's and Latin America's geopolitical competition, establishing strategic autonomy makes it possible to enhance bi-regional cooperation, strengthen commitment to multilateralism and give a bigger presence and more relevance on the international stage when it comes to strategic issues.
- 1.4 One of the most important characteristics of vulnerability in Latin America is the low quality of jobs. The recovery would need to focus on promoting the creation of more formal and decent jobs, improve the vocational training and sectoral policies as well as promoting minimum wage and collective bargaining, within the framework of social dialogue.
- 1.5 Europe and Latin America are committed to democracy, the rule of law and environmental sustainability, which means ensuring civil society has the protection and guarantees to play a leading role in development and in overcoming crises and to promote the necessary dialogue for a new social contract.
- 1.6 The principle of leaving no one behind must be maintained, which involves re-thinking vulnerability not only in terms of income, but also in terms of its impact on different groups of the population, such as women, people with disabilities, older people and children. Freely and democratically organised civil societies are the best instrument to make this affirmation cease to be a mere statement and become reality.
- 1.7 The social tension in Latin America and the threats to democracy around the world highlight the need to rethink development with more and better policies, greater inclusion and pluralism, and by understanding the underlying sources of discontent so that they can be turned into sources of social well-being. Europe and Latin America can be partners in an alliance for democracy, sustainability, social justice and multilateralism<sup>1</sup>.
- 1.8 Europe and Latin America should be partners in an alliance for the defence of democracy, for fairer and more egalitarian economies and societies, which strengthens multilateralism and fully assumes the protection of the environment. This alliance requires the full recognition and participation of its organised civil societies, human rights organisations, trade union and business organisations, environmental associations, among others.

---

<sup>1</sup> REX/532, rapporteur: Tanja BUZEK; REX/536, rapporteur: Stefano PALMIERI.

## 2. **General comments**

- 2.1 Latin America has been experiencing a gradual economic slowdown, following the end of the expansionary cycle in raw materials. Before the COVID-19 crisis, average growth was only 0.3%. In fact, the 2014-2020 period saw the lowest economic growth in seven decades, while public debt has reached record levels.
- 2.2 The health crisis caused by coronavirus has had hard consequences in the region, overtaking the average number of cases and deaths worldwide. This took a heavy toll on health systems, which were already having difficulties in coping with endemic diseases and even in primary care<sup>2</sup>. The COVID crisis has only highlighted the negative effects of the policies implemented during decades (health budgets cuts, staff reduction, disinvestment in infrastructure among others) which proved ineffective in facing the challenge imposed by the virus.
- 2.3 Faced with the pandemic, most countries in the region anticipated events by imposing restrictions on mobility and preparing support and transfers for vulnerable sectors. In addition, unprecedented counter-cyclical fiscal and monetary policies were implemented<sup>3</sup>. Despite this, losses in terms of human life, the economy and social inclusion have been high, given structural weakness and the limited fiscal scope of response measures.
- 2.4 Average inflation in the region, which has been on the rise, reached 9.8% in 2021. Exacerbated by the effect of the war, it is expected to increase to 11.2% in 2022<sup>4</sup>. This is widening the gaps that limit development.
- 2.5 **Latin America is facing "development traps"**<sup>5</sup>
- 2.5.1 The productivity trap means that diversified economic structures and more sophisticated products and services are required. Returning to primary sector production does not guarantee proper integration into global value chains and generates few incentives to invest. Moreover, the pandemic hit MSMEs especially hard as they have more difficulties in adopting new technologies, while the war is weakening the agricultural sector.
- 2.5.2 In order to get out of the social vulnerability trap, labour and social protection institutions should be improved where more inclusive formal employment and better quality jobs need to be created in order to break the vicious circle of vulnerability, volatile incomes and poor social protection.
- 2.5.3 To solve the institutional trap, better institutions and inclusion policies are needed to restore trust, improve the quality of public services, respond to the aspirations of a broad middle class and provide strength to resist populist and authoritarian impulses.

---

<sup>2</sup> UNESCO (2021), COVID-19 and vaccination in Latin America and the Caribbean: challenges, needs and opportunities.

<sup>3</sup> OECD (2021), Latin America Economic Outlook 2020.

<sup>4</sup> IMF data.

<sup>5</sup> OECD (2022), Latin America Economic Outlook 2021.

2.5.4 The environmental vulnerability trap is rooted in the production bias towards natural resource-intensive sectors and means incurring the high costs of adapting a model based on high carbon emissions and exploitation of non-renewable resources.

2.6 Structural problems and development traps<sup>6</sup> are affecting the economic and jobs recovery. Regional GDP contracted by 6.8% in 2020<sup>7</sup>. Average growth was 6.1% in 2021, and the region is expected to grow by only 2.1% in 2022, which is considered insufficient to compensate for increased structural problems. The situation is worsening due to the crisis caused by Russia's aggression against Ukraine and the rise in the price of fossil fuels, agricultural inputs and food, even though some countries are offering more primary goods for export.

### 3. Social and economic impact of the pandemic and the war

3.1 Of the 22 million jobs lost in 2020, 4.5 million still need to be recovered, mainly affecting low-skilled jobs and female, youth and informal employment. Between 2019 and 2020, the female employment rate fell from 51.4% in 2019 to 46.9% in 2020. Job losses in the domestic sector (20.9%) affected between 11 and 13 million women in 2019<sup>8</sup>.

3.2 The region has lost more than a decade in terms of poverty reduction and could find itself facing another lost decade<sup>9</sup>. In 2021, the poverty rate reached 32.1% and the extreme poverty rate reached 13.8%. The number of poor people stands at 201 million and the number of people in extreme poverty has increased from 81 million to 86 million.

3.3 The health and inflation crises highlight the vulnerability of those on middle incomes, characterised by limited contributions to a contributory welfare system and low coverage of non-contributory welfare<sup>10</sup>. The informal economy has become smaller, but it still generates 140 million jobs, in particular for agricultural workers, women and young people. This means greater vulnerability, less social mobility and less revenue-raising and welfare on the part of the State.

3.4 The pandemic had a major impact on children and young people by limiting the protection provided by in-person education: 114 million children were out of school, and in some countries this situation lasted for up to two years. The gap in connectivity, digital skills and families' abilities to cope with the compulsory switch to online learning created a difference between high-income and low-income students that is equivalent to two years of education<sup>11</sup>. Moreover, the burden of care work increased for women. People with disabilities – some 85 million people –

---

6 Idem.

7 ECLAC (2021), Economic Survey of Latin America and the Caribbean.

8 ILO (2022), Labour Overview; ECLAC, 2021, Social Panorama of Latin America.

9 ECLAC (2022), op. cit.

10 Nieto Parra (2020), *Desarrollo en transición en América Latina en tiempos de la COVID-19* (Development in transition in Latin America during COVID-19), Fundación Carolina.

11 UNESCO (2021) Responding to COVID-19: Education in Latin America and the Caribbean.

have also been affected. The lack of accessible information, as well as discrimination in healthcare, are worsening fragile inclusion, which is also being threatened by inflation.

3.5 Given the concentrated supply limits in the global north, Latin American countries accessed vaccines through bilateral negotiations, and received 93 million doses under the COVAX programme. The EU exported over 130 million doses, and Member States donated another 10 million doses<sup>12</sup>. Despite the difficulties, an average of 63.3% of the population in the region has been vaccinated with two doses. While this figure has reached 89% in some countries, it is less than 1% in others<sup>13</sup>.

#### 4. **Heightened social unrest**

4.1 The social protest movements that shook several countries in 2019 have not been fully addressed. Some tensions have worsened and will worsen even further due to the increase in food prices. Aggrieved citizens are concerned about the poor quality of public policies, corruption, the vulnerability of the middle classes, social exclusion and lack of safety. Social expectations in the first decade of the 21st century were not met and the gap between citizens and institutions widened. The results of the 2020-2022 regional electoral cycle show a trend towards change, posing major challenges for elected presidents.

4.2 The region is one of the most unequal in the world. Between 2019 and 2020, while the high and medium-high income groups shrank by 1%, the medium-intermediate and medium-low income groups decreased by 3.5%; meanwhile, low-income sectors (with incomes 1.8 times below the poverty threshold) increased by 4.7%, and the population experiencing poverty or extreme poverty by 3.3%<sup>14</sup>.

4.3 Another area of dissatisfaction is the lack of safety that Latin Americans experience, especially in cities. Violence could certainly be connected to organised crime, trafficking and the inability of states to stop it<sup>15</sup>. However, it is not just associated with crime; there is also a social violence, linked to extreme poverty rates, that requires public policies on the creation of decent work and changes in quality education for all; and there is also a political violence that encourages adversary disqualification, that tries to preserve power through it. The very disturbing violence against trade unionists, journalists, environmental and human rights activists and businesspeople has also increased during the pandemic and the waves of protests.

4.4 Following the last EuroLat meeting, where the need for greater protection of justice operators was underlined, the evaluation of the COPLA project (Corte Penal Latino Americana y del Carribe) would be useful.

---

<sup>12</sup> 2.12.2021 – meeting of EU and Latin American and Caribbean leaders: Joining Forces for a Sustainable post-COVID Recovery – Press release by Presidents Charles Michel and Ursula von der Leyen.

<sup>13</sup> Our World in Data.

<sup>14</sup> ECLAC (2021), op. cit.

<sup>15</sup> UNODC (2019), Global Study on Homicide.

- 4.5 One structural challenge is vulnerability to climate change: the region is one of the most affected, with an economic impact of up to EUR 85 852 million per year. The social dimension of this impact needs to be considered, including food insecurity and increasingly frequent disasters.
- 4.6 Lack of safety, poverty and the presence of authoritarian regimes have sparked a significant flow of people across the continent. The vulnerability of these migration and asylum processes has created a humanitarian crisis to which there has not been an adequate response and that requires a regional approach.
- 4.7 Democracies are in a vulnerable position. Elites, political parties and parliaments are suffering from a crisis of legitimacy and trust, which, together with the perception of corruption, and high levels of fragmentation and polarisation, has rendered the collective decision-making and bargaining mechanisms inadequate<sup>16</sup>. The current situation of global instability highlights even further the threat of authoritarianism and the need to strengthen democracies.

## 5. **Towards a new social contract**

- 5.1 Despite discontent and low trust in the system, citizens are willing to call for political change on the street and at the ballot box. The role played by young people and women in these movements is important: their involvement in the political sphere is a valuable asset. It is vital to promote an institutionalised social dialogue model like that in Europe and to consolidate existing cooperation with the European Economic and Social Committee and the International Association of Economic and Social Councils and Similar Institutions.
- 5.2 Citizens must play a key role in transitions, strengthening mechanisms for deliberation and participation, and ensuring their accessibility and protection. There is a need to restore trust through open and inclusive policy-making, and to create clear communication strategies and have social compensation systems. There is also a need to strengthen accountability, and the evaluation of policies and their impacts.
- 5.3 A new social contract can be achieved: through cross-cutting agreements between socio-economic groups, between regions and between generations; fostering resilient and sustainable productive strategies that create quality employment, and fostering the green and digital transition. This also requires comprehensive and effective social protection systems and a more sustainable model for financing development. It should make sure that rights are respected, jobs are decent with minimum living wages and collective bargaining, social protection is universal and that social dialogue ensures just transition measures for climate and technology.
- 5.4 This social contract needs a stable and fiscally sustainable public expenditure policy. In the short term, international cooperation initiatives, increasing liquidity and channelling it towards middle-income countries, and debt relief for low- and middle-income countries are important. This is in addition to boosting public revenue through more efficient tax collection. In the medium term, progressive and efficient tax collection needs to be strengthened in order to meet the permanent expenditure needs of an active social policy. International consensus will also be needed to

---

<sup>16</sup> IDEA Int.(2021), The State of Democracy in the Americas 2021.

restructure public debt. In the long term, there is a need to increase the role played by taxes, digital collection and green taxation. International cooperation is also needed to reduce tax evasion and avoidance<sup>17</sup>.

- 5.5 In this connection, it is essential to develop the social market economy in the region, given its key role in developing an inclusive and resilient production system. To this end, the right markets and distribution channels need to be created<sup>18</sup>. It is important to recognise and strengthen the role of Domestic Advisory Groups in monitoring free trade agreements<sup>19</sup>.

## 6. Alliance with the European Union

- 6.1 The EU's development cooperation policy recognises the need to implement new approaches that go beyond north-south paradigms and those relating to official development assistance (ODA), by adopting new forms of multi-actor and multilevel partnership<sup>20</sup>. The Neighbourhood, Development and International Cooperation Instrument (NDICI) meets the need to allocate funds more flexibly in terms of geographical and thematic areas and to deal with global challenges and the SDG roadmap. The Global Gateway strategy aims to connect the world in a smart, clean and secure way in the digital, energy and transport sectors, and to strengthen health, education and research systems. These changes aim to equip the EU with the necessary resources and tools to reconcile its values and interests in a more complex, contested and interconnected international environment.
- 6.2 To coordinate strategies, the Team Europe initiative has been launched, which aims to combine the efforts of the European institutions, the Member States and their implementing agencies, and development finance institutions.
- 6.3 The aim of European cooperation has been to move away from graduation based on income per capita and embraces the concept of "development in transition", which is better suited to the needs of the region. However, there is still the challenge of improving dialogue and the ability to communicate the strength of the relationship and its advantages.
- 6.4 At the current juncture featuring many extremely serious challenges at the global, regional, and national levels, it is important to point out that Europe and Latin America could be ideal partners in an alliance for the defence of democracy, for fairer and more egalitarian economies and societies, which strengthens multilateralism and entirely assumes the protection of the environment. And to emphasize that this alliance would not be viable without the full recognition and participation of its organised civil societies, human rights organisations, trade union and business organisations, environmental associations, among others.

---

<sup>17</sup> ECLAC (2021), Fiscal, Panorama of Latin America and the Caribbean 2021.

<sup>18</sup> European Commission (2021), EU Social Economy Action Plan.

<sup>19</sup> REX/532, rapporteur: Tanja Buzek; REX/536, rapporteur: Stefano Palmieri.

<sup>20</sup> Sanahuja, Ruiz Sandoval, E (2019), *La Unión Europea y la Agenda 2030 en América Latina: políticas de cooperación en una región de «desarrollo en transición»* (The European Union and Agenda 2030 in Latin America: cooperation policies in a "development in transition" region), Fundación Carolina; new European Consensus on Development (ECD) 2017, Multiannual Financial Framework 2021-2027, 2018.



## 7. Supporting a recovery that involves civil society

- 7.1 There were changes in the origin of foreign direct investment in 2020. Until 2019, European businesses were the main investors in the region and accounted for 55% of foreign direct investment inflows. In 2020, European investment fell by 49% and intra-regional investments by 35%, compared to a drop of 4% from the US<sup>21</sup> and a rise in investment from China.
- 7.2 Europe's crisis exit strategy is based on improving its economic model through the European Green Deal and Next Generation funds. These aspects are key to the bi-regional strategy and the development of tools to promote the energy, digital, green and social transitions, which will also have broad benefits for both regions.
- 7.3 The trade relationship with Europe must be strengthened through agreements already signed or those with Mercosur, Chile and Mexico. These agreements not only strengthen trade, but affect the quality of employment and its social function, technology transfer and the transition to sustainability. This means promoting a trade partnership that sets itself apart from other partners in terms of its quality, long-term sustainability and profitability, in contrast to other, predatory and irresponsible international relationship models. However, the trade agreements must focus on people and their fundamental rights, decent work and solidarity with the most vulnerable, respect for the environment and the defence of democracy and be able to effectively enforce rights. The main aspects are:
- 7.4 Attracting investments that help to meet the SDGs, with a multilateral regulatory framework to help achieve this, focusing on people's quality of life, their rights, decent employment, inclusion, sustainability and the defence of democracy. Further cooperation through projects and positive implementation of the European Strategic Compass is also desirable in order to achieve common objectives.
- 7.4.1 Digitalisation as an opportunity for development. Latin America is at an intermediate level of development in terms of digitalisation, but its growth rate is the lowest of the emerging countries. On the digital front, the EU-LAC Digital Alliance, linked to the transatlantic fibre optic cable (EllaLink), and the European Union's connectivity strategy "Global Gateway" will come together. Strong backing for digitalisation must enhance the social dimension and support stronger businesses.
- 7.4.2 Promoting the formal economy and preventing informal employment<sup>22</sup>. The multi-party agreements include specific clauses that require compliance with ILO agreements, as well as steps to guarantee rights, prevent child labour and strengthen labour inspection. These clauses have a

---

<sup>21</sup> ECLAC (2021), Report, Foreign Direct Investment in Latin America and the Caribbean 2021.

<sup>22</sup> See: European Consensus on Development (2006); European Commission Communication on promoting decent work for all (2006); Agenda for Change, European Commission (2011); New European Consensus on Development (2017); Working document: Promote decent work worldwide: responsible global value chains for a fair, sustainable and resilient recovery from the COVID-19 crisis, European Commission (2020); A new neighbourhood, development and international cooperation instrument of the European Union (NDICI) (2020).

positive effect on capacity-building in the Andean countries with which agreements were signed<sup>23</sup>.

- 7.4.3 Directly supporting the improvement, quality and coverage of education at all levels and stronger education and science networks with Europe. The Erasmus Mundus programme is an asset that can be further exploited to connect universities.
- 7.4.4 The EU has embarked since 2021 on a process of reviewing its trade policy and strengthening its approach to trade and sustainable development. It affirmed that its objective is an open, sustainable, and assertive trade policy, mainstreaming sustainable development must go hand in hand. Which while promoting competitiveness between productive sectors and economic agents (large, medium, and small) must go hand in hand with promoting values and principles such as democracy, all human, cultural, gender, environmental, labour and trade union rights. The organised civil society of both regions should actively participate to strengthen their relationship through virtual and/or face-to-face thematic meetings, with a more ambitious calendar and implementing roadmap.
- 7.4.5 The European Union aims to achieve climate neutrality by 2050 and to lead the global effort to protect the planet and ensure its ecological recovery<sup>24</sup>. Promoting these objectives in European trade policy to achieve more ambitious environmental cooperation<sup>25</sup> is important for trade relations with Latin America and for strengthening civil society, which is facing numerous threats both because of vulnerability to climate change and because of its confrontation with violent actors. It is vital to protect the people concerned and those who defend human rights, as well as trade unionists and journalists, and to urge Latin American governments to commit to ensuring their integrity.
- 7.4.6 The Team Europe initiative supports efforts to tackle deforestation in the Amazon, and the new phase of the EUROCLIMA+ programme will allocate EUR 140 million to support commitments under the Paris Agreement. However, Latin America has earmarked only 15% of fiscal investment for the post-pandemic economic recovery, with less than 6.9% going towards the green recovery. It is essential to support the region in order to generate green taxation, public spending and private investment. It is also desirable to strengthen an alliance for the responsible management of strategic raw materials and to ensure sustainable technology transfer based on European experience and knowledge.
- 7.4.7 The European Union's partnership with Latin America needs the agreement with Mercosur, a common market of 780 million consumers, which could increase GDP by 1.5% in Brazil or by up to 10% in Paraguay. Environmental protection must be a step forward that paves the way for

---

23 Fairlie Reinoso, A. (2022), *Nuevos retos para el Acuerdo Comercial Multipartes de la Unión Europea con Perú, Colombia y Ecuador* (New challenges for the European Union's Multiparty Trade Agreement with Peru, Colombia and Ecuador); Fundación Carolina-EULAC.

24 Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on the European Green Deal, [COM(2019) 640].

25 Giles Carnero, R. (2021), *La oportunidad de una cláusula ambiental de elementos esenciales en acuerdos comerciales de la Unión Europea con Estados terceros: a propósito del Acuerdo Unión Europea-Mercosur* (The opportunity for an environmental clause of essential elements in EU trade agreements with third countries: the European Union-Mercosur Agreement); Fundación Carolina DT. 44.

new-generation bi-regional partnerships. Progress should be made in the search for viable systems to include environmental protection certificates for some products and mirror clauses. If the EU successfully articulates this dimension, it will strategically strengthen its vision of global development and its strategic potential.

Brussels, 15 December 2022

Christa Schweng  
The president of the European Economic and Social Committee

---