



LSE Global South Unit Policy Brief Series

Policy Brief No.1/2018.

The discrete role of Latin America in the globalization process.

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Introduction.

The global presence of a country may be defined by posing the following question: to what extent and in what form is the country "out there", beyond its borders? The Elcano Global Presence Index is a synthetic index that can answer this question by ordering, quantifying, and aggregating the external "projection" - (not necessarily power as such) - of countries along three dimensions: economic (from energy to investments), military (troops deployed and military equipment¹), and soft (migration, tourism, science, development cooperation, etc.). In a sense, global presence can be the basis of power – the platform or asset base capable of being transformed into influence or power - that is, insofar as the country which is projecting a "presence" is not only able but also willing to pursue such ends. This policy brief highlights the main findings of the Elcano Global Presence Index for the Latin American region.² The Index values are based on cumulative analyses appearing in topical briefs published since late 2015: Datamérica Global.³

The 2016 edition of the Index has been calculated for 100 countries, including the 92 top economies (by GDP in current US dollars measured according to the World Bank) as well as countries not part of this ranking which are nonetheless members of the European Union and/or the Organization for Economic Cooperation and Development (OECD).

The economic reforms undertaken worldwide during the 1980s and 1990s accelerated the globalisation process and increased the number of developing, emerging and developed countries interactions with other countries economically, militarily, politically and socially. Not all of them necessarily aim at exerting regional or global power – something that more traditional indexes such as the National Power Index purports to measure, - but they all do

3. Datamérica Global is a joint project of the Elcano Royal Institute, FLACSO - España and Estudios de Política Exterior.





^{1.} Military capacities can be considered assets of a country, rather than an element of projection per se. In this sense they escape the criteria for inclusion in this Index. However, after consulting experts in strategy and defence, we decided to include this variable in our measurement of global presence, due to the fact that the mere number of troops deployed is an imperfect measure of a country's military role on a world scale. Troops deployed is extremely sensitive to the number and location of conflicts relative to the country deploying them; so are more a reflection of a country's situation in the world of conflict than of any truly global role. Military capacities can therefore be interpreted as troops available to be deployed internationally which, in addition to troops actually deployed, are a fair reflection of a country's global presence in the military domain.

^{2.} It should be noted that, as with other regions, Latin America's global presence is calculated by merely adding the global presence of its countries. Countries' external presence may be projected within the region (for instance, Brazil's economic ties with Argentina) or outside it (as, Chilean copper exports to China). The aggregate global presence of a country is thus indiscriminately projected inside or outside its region. When referring to "Latin America's global presence", it is not implied that this presence is projected in toto outside the region.

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have a foreign policy, as well as a given set of historic, geographic and cultural features that, all combined, produce a certain nature and extent of external projection. Ultimately, global presence is explained both by internal characteristics and by external strategies.

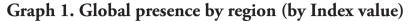
This latter – global presence, simply – is the phenomenon which the Elcano Global Presence Index ambitions to capture and calculate for the maximum possible number of countries, and this is why ten new countries are added to the project every year. North, South, developed, emerging and developing countries are treated on equal terms, regardless of their actual ambitions in world politics.

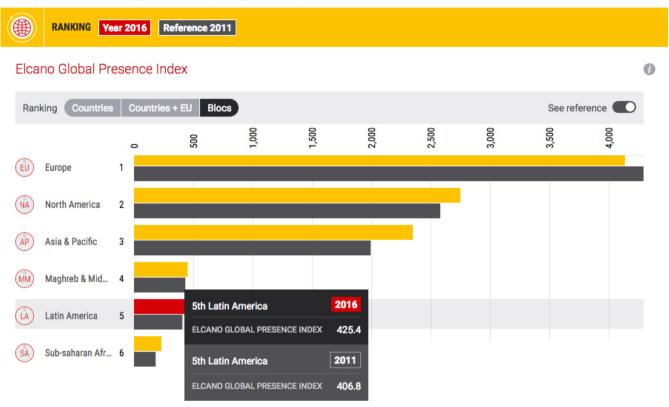
As new countries are added to the Index, the accumulating database enables regional analyses. The current version of the Index includes countries accounting for 98% of world GDP and 91% of global population. At the regional level of Latin America and the Caribbean, the 15 countries for which the Index is calculated (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Mexico, Panama, Peru, Uruguay and Venezuela) yield 97% of the region's GDP and host 93% of its population.

LATIN AMERICA, A PASSIVE PLAYER IN THE GLOBALIZATION PROCESS.

Latin American countries record a low level of aggregate global presence (425 points in 2016) compared to countries in other regions. The 100 countries included in the project so far are grouped in six regions (North America, Europe, Asia and Pacific, Maghreb and the Middle East, Latin America, and Sub-Saharan Africa). In this ranking, Latin America is 5th in global presence, after Europe (1st), North America (2nd), Asia and Pacific (3rd), and Maghreb and the Middle East (4th), and only before Sub-Saharan Africa (which is 6th). It has held this position for the last decade and a half, whereas during the nineties Latin America was the 4th-highest region in global presence, ahead of Maghreb and the Middle East which was 5th. It should be noted, moreover, that the Index for the Sub-Saharan region comprises only 10 countries which account for less than 80% of its GDP and 59% of its population. In the event of a wider sampling of this region in the Index, the gap between the aggregate global presence of Latin America and Sub-Saharan Africa would close up.







Source: Elcano Royal Institute, Elcano Global Presence Index

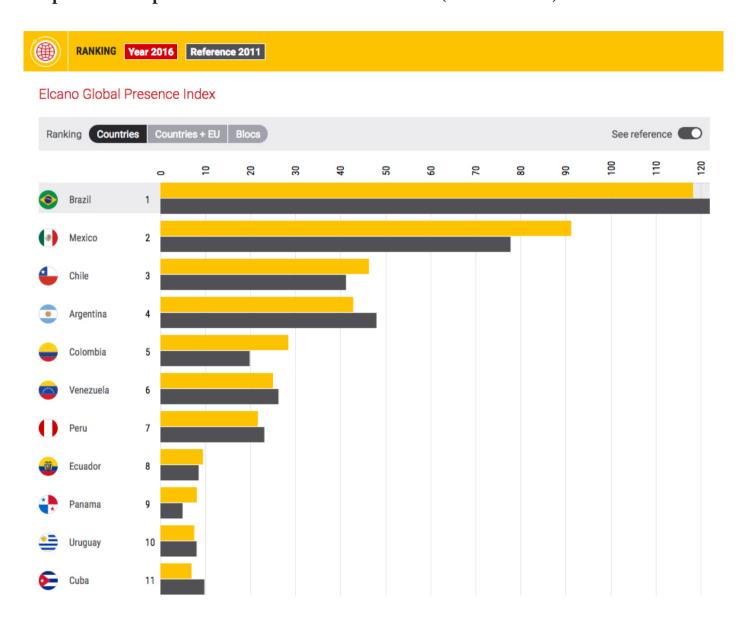
GLOBAL PRESENCE CONCENTRATED IN VERY FEW COUNTRIES.

Just two of the 15 Latin American countries, Brazil (118 points in index value in 2016) and Mexico (91), account for 49% of the external projection of the whole region (Graph 2). Adding Chile (46 points) and Argentina (43) increases this proportion to 70%. The extent, evolution and nature of Latin America's global presence are therefore pivotally determined by the acts of these four countries.

This explains the decline in the external projection of the region from almost 454 points in 2013 to its current level of 425. As seen in graph 2, Brazil and Argentina record significant declines in the 2013-2016 period, along with countries with lower weights in the region's external projection such as Venezuela, Peru, Uruguay, Cuba and Bolivia.



Graph 2. Global presence of Latin American countries (in index value)



Source: Elcano Royal Institute, Elcano Global Presence Index

EXTERNAL PROJECTION STRONGLY DETERMINED BY PRIMARY GOODS.

More than half (54%) of Latin America's global presence is based on its economic dimension, particularly on exports of primary goods (16%) and foreign direct investment (over 14%).





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The more modest contribution of soft variables (which constitute less than 29% of total external projection) is distributed across the range of such variables, with a very modest participation of technology⁴ (1.2%) and education⁵ (1.4%). The contribution of military presence to intra- and extra-regional projection is similar to the other regions (with the exception of Sub-Saharan Africa and North America at the opposite extremes), and amounts to 12%.

Other developing or emerging regions such as Asia and Pacific show different patterns of external projection. Although the economic dimension's contribution to global presence is similar, different economic variables contribute in differing degrees in other regions, with a much higher profile of manufactures (almost 19%), services and investments, and, in turn, a much lower profile of primary goods and energy. The same goes for the soft dimension, with a higher profile of technology, science and education in Asian countries; something that may be linked to their specialization in export-oriented manufactures.

Latin American countries' external projection declined by 28 points (from 454 to 425) between 2013 and 2016 (see Tables 1 and 2 below).

During this period, there was an augment of the region's soft projection (up 40 points), and a retrenchment of the military dimension (-68 points) and economic dimension (-77 points). The economic decline is due to a dramatic fall in two variables. On the one hand, exports of energy fell, resulting in a huge drop in the Index value (over -282 points⁶) that pertained to all countries in the region, but especially Colombia (-45 points), Mexico (-63), and Venezuela (-115). On the other hand, sales of primary goods were also hit by the cyclical fall of commodity prices (-207 points for the whole region).

- 4. Measured by the number of interrelated patent applications filed in one or more foreign countries to protect the same invention (foreign-oriented patents).
- 5. Taking account of the number of foreign students in tertiary education on national territory.
- 6. Note well that index values for individual variables were measured on a 0-1000 scale so that they can be aggregated in their corresponding dimensions. This explains how the region can record a 282 point loss in the energy variable whilst the whole economic dimension only loses 77 points in the same period.







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Table 1. Contributions by dimension to economic presence of Latin America and Asia and Pacific (in %)

Latin America	INDEX VALUE	Asia & Pacific 2,349.4 (a)
<u> </u>		
PRESENCE CONTRIBUTION	VARIABLE	PRESENCE CONTRIBUTION
54.4 %	↑ ECONOMIC PRESENCE	55.6 %
3.9 %	ENERGY	2.1 %
16.0 %	PRIMARY GOODS	5.1 %
11.4 %	MANUFACTURES	18.6 %
8.8 %	SERVICES	12.3 %
14.3 %	INVESTMENTS	17.5 %

Source: Elcano Royal Institute, Elcano Global Presence Index

Table 2. Contributions by dimension to soft presence of Latin America and Asia and Pacific (in %)

Latin America

Asia & Pacific

9 425.4	INDEX VALUE	2,349.4
PRESENCE CONTRIBUTION	VARIABLE	PRESENCE CONTRIBUTION
28.7 %	1 SOFT PRESENCE	29.1 %
2.3 %	MIGRATIONS	2.0 %
2.8 %	TOURISM	1.4 %
3.0 %	SPORTS	1.2 %
2.9 %	CULTURE	1.9 %
8.8 %	INFORMATION	2.3 %
1.2 %	TECHNOLOGY	10.6 %
4.3 %	SCIENCE	5.8 %
1.4 %	EDUCATION	2.5 %
2.1 %	COOPERATION	1.6 %

Source: Elcano Royal Institute, Elcano Global Presence Index





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Not all countries, however, recorded global presence declines in this variable between 2013 and 2016: Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Mexico, and Panama escaped this trend. The largest declines were due to Brazil (almost -100 points), Chile (-51 points), and Argentina (-45 points). It should be noted that meanwhile, the external projection of the region through manufactures, services and investments actually increased, including the outstanding performance of Mexican exports of manufactures (+63 points from 2013 to 2016). The drop in military presence is mainly due to both the declining military capacities of Brazil and the repatriation of Argentine and Brazilian troops previously deployed for more than a decade in the UN mission in Haiti. This is expected to continue in the foreseeable future, thereby reducing the weight of the military dimension in the global presence of the region.

LATIN AMERICA IS NOT A COUNTRY: DIVERSE PROFILES OF GLOBAL PRESENCE.

Latin America has a rich history of regional integration initiatives with different objectives and intensities. Two of these initiatives are the Pacific Alliance, founded in 2011, and ALBA (Alianza Bolivariana para los Pueblos de Nuestra América), founded in 2004. These two are often compared on the basis of the political-ideological divide between them. To put it simply, the Pacific Alliance is a trade bloc made up of the neoliberal economies of the Pacific Coast (Chile, Colombia, Mexico, Peru), with foreign supply-orientation and intensive links with Asia. By contrast, ALBA, an initiative of Hugo Chávez and Fidel Castro, was a left-wing response to commercial treaties and agreements with North America. Its major economies are included in the Index (Bolivia, Cuba, Ecuador, Venezuela).

The Pacific Alliance, which includes Mexico, one of the region's economic and geopolitical giants (the other being Brazil), projects four times more global presence than ALBA (187 versus 45 points in 2016). It scores higher in all dimensions and variables with the exception of education and (more significantly) development cooperation. This explains why the soft contribution to global presence is higher for ALBA than for the Pacific Alliance (40% and 20%, respectively). On the other hand, the economic dimension makes up a larger proportion of the Pacific Alliance's than ALBA's external projections (65% and 45%, respectively). In both cases, the military dimension contributes around 15% of global presence. In the case of the Pacific Alliance, the economic contribution consists of primary goods, manufactures (Mexico being part of the group) and investments. In the case of ALBA, the single most important contribution is the economic variable of energy.





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The two blocs have coped with the economic crisis in different ways. The Pacific Alliance has strengthened its global presence (with an increase of almost 8 points between 2013 and 2016), but ALBA has lost global presence (-11 points in the same period). Both have recorded a decline of economic presence (-10 points for the Pacific Alliance, -28 points for ALBA), although this was more severe for ALBA due to its energy specialization. Losses in the military dimension were, however, higher for the Pacific Alliance (-7 versus -2 points). The Pacific Alliance has intensified its initially low soft projection (an almost 33-point increase in 2013-2016) while ALBA's soft presence has plateaued.

Lastly, the divergent political and temporal origins of the two treaties, and the geographical differences ought to be noted. ALBA was born as a political (and then an economic) counterweight to the ALCA (Área de Libre Comercio de las Américas), which was seen as a South-wards expansion of NAFTA (North American Free Trade Agreement). It was not until 2009, after the disappearance of the ALCA, that the trade content of ALBA was added; the acronym TCP (Tratado de Comercio de los Pueblos) was incorporated; and the name changed from Bolivarian Alternative to Bolivarian Alliance. As for the Pacific Alliance, the trade dimension was a key element from the beginning, as was the resolute orientation toward Asia. This has resulted in a greater trade dynamism. Most members of the Pacific Alliance border the Pacific Coast, whilst ALBA's members are geographically scattered: – an important issue in trade terms and all the more so in a region with serious orographic obstacles to overland movement of goods and people and deficiencies in transportation infrastructure.

CONCLUSION: GLOBAL PRESENCE AND GLOBAL GOVERNANCE.

Is the global presence of Latin America good or bad? Is it better or worse than Asia and Pacific? Is the Pacific Alliance better at external projection than ALBA? Well, it depends. The Elcano Global Presence Index is non-normative: higher levels of global presence are not necessarily good news (nor bad); however, it does give a measure of the role of countries and regions in the globalization process, hence their potential to shape that process and its governance structures.



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Latin America is now 5th in global presence with respect to other regions, having lost one rank during the globalization process. This means that, in principle, it is weaker than Maghreb and the Middle East and, most significantly, than Asia and Pacific, in its position to influence global governance structures, as international relations trends are actually showing.

Global presence in Latin America relies to a great extent on a short list of countries (Brazil and Mexico being outstanding), meaning that the number of potential global players from the region is limited. This concentration also affects the dimensions and variables of global presence. Latin America's international role is highly determined by its outward-oriented primary sector (even more strongly in ALBA countries than in the Pacific Alliance). In this sense, its potential global role is probably also limited from a sectoral standpoint, with no bold actions in global governance to be expected in the fields of technology, science, or manufactures (with the exception of Mexico in the latter case).

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