Geography Theme 2: Part One
Territorial Dynamics, Cooperation and Tensions in Globalization

Contemporary globalization leads to the assertion or confirmation of existing powerful actors and the emergence of new ones. **Territories, regardless of the scale** considered (states, infra- and supra-state regions, or metropolises) **have unequal access to globalization**. The effects of distance and trade barriers (protectionism), which limit international trade (and globalization) will be studied in addition to a country study of the **USA: The United States, a country in globalization: unequal integration of territories, tensions and international cooperation** and **France: differentiated international influence and unequal attractiveness in globalization.**

Local Scale
The hierarchy of global decision centres is constantly evolving. Among the largest financial centres, five are now in Asia, three in Europe (London, Zurich and Frankfurt) and two in North America (New York and San Francisco/Silicon Valley).

Intra-Regional Scale
The European Union has enabled the south of Europe to “catch up” considerably and quickly, compared to the north. However, inter-regional gaps persist. The issue of E.U. territorial inequalities, focusing on the persistence of inter-regional gaps (illustrative examples of which could include: North/South disparities within the E.U.) will be addressed.

Global Scale
Students will critically assess the role and varied effectiveness of regional economic agreements within the context of globalization. (Illustrative examples could include: ASEAN, USMCA, MERCOSUR, WTO).

Question Spécifique: France: differentiated international influence and unequal attractiveness in globalization.

France asserts its place in globalization, from diplomatic, military, linguistic, cultural and economic points of view. It rivals other countries and seeks to consolidate its alliances. France maintains its influence abroad through its diplomatic and educational network, cultural, scientific and linguistic organizations (French institutes, International Organization of the Francophonie, Louvre Abu Dhabi, French high schools abroad), but also through the establishment of French company subsidiaries outside of France.

In its territories, especially in Paris and in its major cities, France attracts the headquarters of international organizations, subsidiaries of foreign companies, sports and cultural events with global appeal, as well as tourists.

Key Questions

1. General Question: Why are different territories unequally integrated into globalization?
2. General Question: Analyze cooperation, tensions, and regulations at the global, regional, and local scales.
3. In what ways are (U.S.) territories unequally integrated into globalization?
4. How does cooperation among actors affect globalization?
5. What trade-related tensions surround globalization (at global, regional, local levels)?
6. To what extent do regulations influence globalization?
7. QS: France - To what extent is France a global power? To what extent does it attract or miss out on global flows?

Learning Objectives

❖ **Identify** the various actors involved in processes of globalization.
❖ **Understand** how globalization leads to shifts among actors and the emergence of new actors (e.g., countries or TNCs).
❖ **Analyze** the consequences of globalization on the U.S. at local, regional, and global scales.
❖ **Evaluate** the European Union's interactions on continental and global scales
❖ **Apply** a multi-scale (global-regional-local) analysis to globalization processes.
❖ **Evaluate** territories at different scales to recognize that they do not all benefit from equal access to globalization.
❖ **Analyze** the impact and integration of France in globalization.

Key Terms

● **Cluster**: geographic concentration of interconnected firms, suppliers, and institutions in a particular field. British economist Alfred Marshall in the late 19th century identified three basic advantages of clusters which are still acknowledged and have come to be known as "Marshall's trinity".

1) a pool of skilled labour
2) knowledge spillovers; and
3) inter-firm linkages.

These factors are widely recognized to convey benefits to enterprises located in a cluster, but the benefits have proven difficult to quantify. In addition to the traditional sources of cluster advantages cited by Marshall, a number of contemporary analysts, notably Michael Porter, have argued that highly clusters localities in which intense competition for ideas occurs are more conducive to innovation.

● **Globalization**: the process by which business or other organizations develop international influence or start operating on a global scale.

● **Global decision centres**: a place where strategic decisions concerning and having an impact on the world economy are taken, such as London, New York and Tokyo.

● **Global cities**: a global city is a significant production point of specialized financial and producer services that make the globalized economy run.

● **Sustainable Development Goals (SDGs) 2030**: these are 17 objectives to transform the world adopted by the UN in 2015. They include: No Poverty, Zero Hunger, Quality Education, Decent Work & Economic Growth, Gender equality…

● **TNCs**: Transnational Corporations are businesses that operate across international borders, though most of them have their headquarters in the USA, Europe and Japan.

● **WTO**: The **World Trade Organization** (**WTO**) is the only global international organization dealing with the rules of trade between nations. At its heart are the **WTO** agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments.

● **USMCA/ NAFTA**: United States Mexico Canada Agreement is a free trade agreement between these countries which came into force on 1st July 2020 and replaced the earlier North American Free Trade Agreement.

● **ASEAN**: The Association of Southeast Asian Nations (**ASEAN**) is a regional grouping that promotes economic, political, and security cooperation among its ten members: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

● **MERCOSUR**: South American trade bloc established by the Treaty of Asunción in 1991 and Protocol of Ouro Preto in 1994. Its full members are Argentina, Brazil, Paraguay and Uruguay.

1. What is the Role of Actors in Globalization?

TNCs, which represent 25% of the global economy are central to globalization. They make huge investments in innovation but their activities also degrade the environment. These companies are also present across all fields from industry (Toyota) and finance (Goldman Sachs) through to culture (Disney).

States also participate in globalization through free-exchange agreements (such as the WTO at a global scale or CETA, Canada-European Union Comprehensive Economic and Trade Agreement, at a transcontinental scale), and via supportive investment policies intended to attract FDI to their territories (for example through the creation of free-trade zones).

International organizations manage these exchanges. Free-exchange zones and/or customs unions such as the EU, promote an increase in the quantity and quality of flows. However, they are often criticized by NGOs such as Oxfam or WWF, who highlight the negative consequences of globalization in terms of the environmental, political and social costs.

These actors organize global networks which produce and supply multiple flows: material flows (merchandise), immaterial flows (capital, information, services) and human flows (tourists, students, migrants, refugees). Flows are concentrated into hubs (airport for example) in global cities and along the coastline.

Actors privilege certain territories with global cities and/or coasts so that their activities are sited as close as possible to the global transport and telecommunications network.

FDI benefits from the comparative advantages offered by different territories. Production activities locate in those territories that can offer low cost labour environment or less rigid labour protection regimes, such as Bangladesh and Indonesia, as a result of the international division of work under which R&D functions are concentrated in the developed countries.

Divergent viewpoints can exist between local and national actors regarding investment. For example the population of Brooklyn, in New York succeeded in preventing Amazon from locating its head in the borough. However, even within the same organization, actors can be rivals in the effort to attract FDI. A case in point is the fiscal competition within the EU whereby Ireland, with a level of taxation for businesses three times lower than that of France has been able to attract massive investment from Google, Yahoo and Amazon.

DOCUMENT: 2019 Global Cities Report

The vibrancy of the world’s most competitive cities—places such as London, New York, Singapore, and San Francisco—is no happy coincidence. With a focus on human capital, thoughtful municipal policies, smart corporate investment, and a commitment to building a technology pathway into the future, these cities have become bustling, global hubs that attract people and businesses alike.

The Global Cities Index and Outlook provide insights into the current performance and future potential of cities (see figure 1). Complete rankings and more details about the methodology are provided in the appendix. The Index reveals which cities are the most competitive now in key areas from business activity and culture to human capital, political engagement, and information exchange. New York, London, and Paris continue to hold the top three places. This trio has dominated the Index for the past decade, but even as their standings remain the same, changes in the broader Index scores suggest a fundamental shift is under way.

The top 25 cities in the Global Cities Index and Outlook

Global Cities Index rank

2019	2018	Δ	City
1	1	–	New York
2	2	–	London
3	3	–	Paris
4	4	–	Tokyo
5	5	–	Hong Kong
6	7	+1	Singapore
7	6	-1	Los Angeles
8	8	–	Chicago
9	9	–	Beijing
10	11	+1	Washington, D.C.
11	15	+4	Sydney
12	10	-2	Brussels
13	12	-1	Seoul
14	16	+2	Berlin
15	13	-2	Madrid
16	17	+1	Melbourne
17	18	+1	Toronto
18	14	-4	Moscow
19	19	–	Shanghai
20	22	+2	Amsterdam
21	24	+3	Boston
22	20	-2	San Francisco
23	23	–	Barcelona
24	25	+1	Buenos Aires
25	21	-4	Vienna

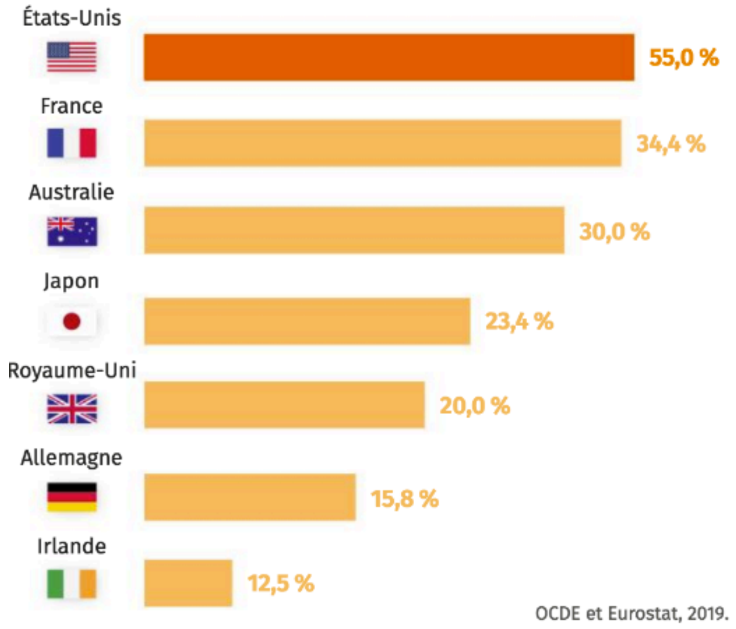
Global Cities Outlook rank

2019	2018	Δ	City
1	3	+2	London
2	5	+3	Singapore
3	1	-2	San Francisco
4	6	+2	Amsterdam
5	4	-1	Paris
6	14	+8	Tokyo
7	8	+1	Boston
8	7	-1	Munich
9	33	+24	Dublin
10	11	+1	Stockholm
11	12	+1	Toronto
12	16	+4	Geneva
13	19	+6	Sydney
14	10	-4	Melbourne
15	13	-2	Zurich
16	18	+2	Berlin
17	23	+6	Copenhagen
18	25	+7	Vienna
19	17	-2	Vancouver
20	50	+30	Abu Dhabi
21	9	-12	Houston
22	20	-2	Moscow
23	21	-2	Montreal
24	2	-22	New York
25	38	+13	Taipei

https://www.kearney.com/global-cities/2019?__hstc=209554509.63296358d602dbfeaa7ebbb3b677644d.1610630701649.1610630701649.1610642679423.2&__hssc=209554509.1.1610642679423&__hsfp=3181483351

Document: Fiscal competition between States to attract TNCs

Average rate of imposition on companies (in %)



2. How does globalization lead to a hierarchical ordering of territories?

Major global cities, metropoles, such as New York, Tokyo, London, Paris, Hong Kong and Shanghai dominate and organize the process of globalization. To illustrate the wealth and by association the influence of certain metropoles, at 1.5 trillion dollars, New York's Gross Urban Product is superior to the GDP of Spain (in 2018) which stood at 1.42 trillion dollars.

Metropoles are also emerging rapidly in the South, for example Mumbai in India, Sao Paulo in Brazil and Johannesburg in South Africa. However the three most powerful regions, sometimes referred to as the triad, still dominate the global economy: the megalopolis of the North-East USA, the Japanese and European megalopolis.

Coastal zones are also at the heart of globalization since they form the interface with the principal maritime axes. Cross-border spaces are also very important such as the US-Mexico border. It concentrates large flows of both a legal (goods and services) and illegal character (illegal migration, illegal products). Globalization thus reinforces socio-spatial inequalities and leads to a hierarchisation of territories. Areas which are marginal to this process develop into negative spaces (antimondes in French) which are marked by isolation and the presence of many illegal activities.

In sum, areas of power in both the North and in Asia with high levels of human and economic development dominate the planet, although these areas are growing less quickly due to successive economic crisis and massive inequalities. Next come emerging territories such as those in the BRICS which are becoming more important and experiencing rapid level of growth. Finally, there are the regions that are exploited by the great powers. These include other southern countries, scarred by conflict, with low levels of development and often include enclaves. They are collectively known as the least developed countries. The 47 such states, mainly located in sub-Saharan Africa, are frequently conflict torn but still play an integral role in globalization due to raw material resource exploitation by TNCs and by FDI by states such as China.

DOCUMENT: North and South, outmoded terms?

The North/South division is story that is about to end. It remains correct that if one maps the human development index scores, then the majority of the poorest states of the world are in sub-Saharan Africa...

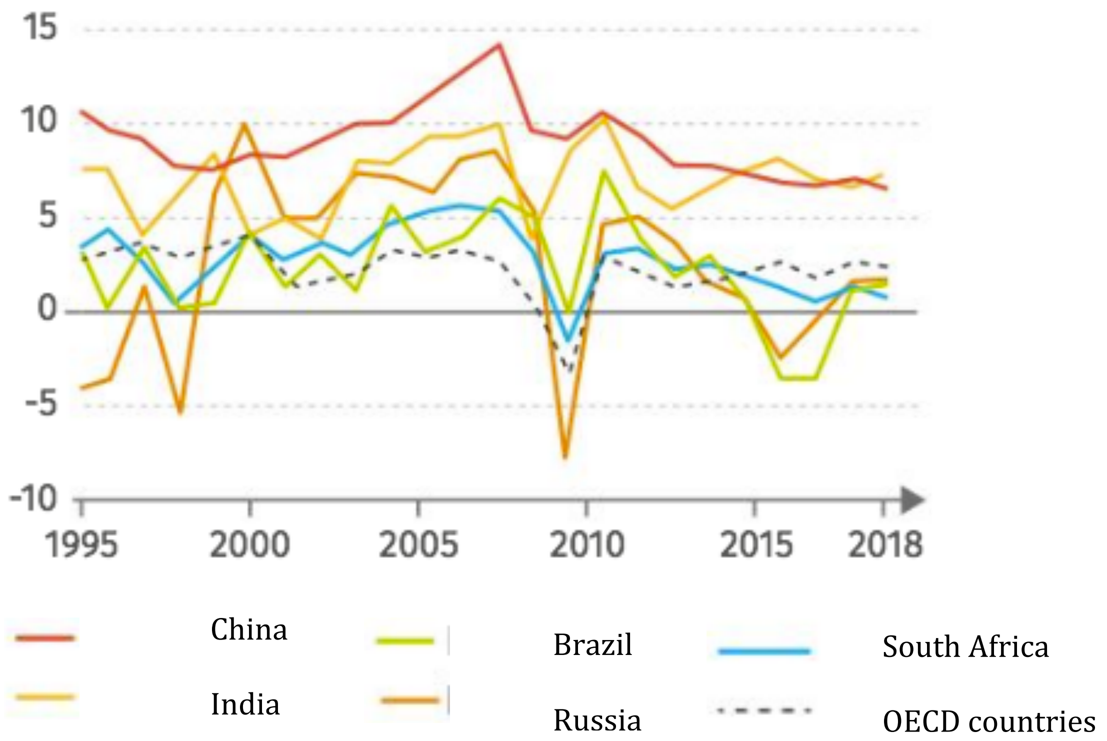
This division developed after the Second World War in the political context of decolonization. We subsequently used the terms 'developed countries' and 'less developed countries'. The corollary to this idea would be to say: 'We were all poor societies. But bit by bit we have taken steps to become developed'. This is progress.'

This North/South pairing is still widely used today but it is increasingly irrelevant. In terms of classifying countries, certain states in the South (geographically) can be classed as Northern countries and vice versa. The appearance of the emerging countries and the BRICS has called into question the North/South division.

The distinction between 'Northern countries' and 'Southern countries' is basically a western-centric vision of the world.

Translated from a conference by Christian Grataloup, Cafés géographiques, 2015.

Document: Comparison of growth in developed countries and BRICS



3. How does cooperation among actors affect globalization?

International Organizations

At a global scale, cooperation between States promotes competition for a better level of integration within the global economy. It also encourages the deregulation of exchanges through the decisions of major actors such as the World Bank, International Monetary Fund and the World Trade Organization and international summits of major powers such as the G7 and G20.

The WTO promotes free-exchange and help States resolve their differences and limits customs barriers. The IMF's mission is to maintain global economic stability and intervene in case of international crisis and by lending money to countries with balance of payments difficulties. The World Bank seeks to reduce inequalities by granting financial aid to promote development.

However, the decisions and actions of these institutions are controversial since their structural adjustment programmes impose austerity of States in crisis.

DOCUMENT: Extracts from: 'IMF and World Bank complicit in 'austerity as new normal', despite availability of alternatives'. 12 February 2020 by **Bretton Woods Project**

In October, a report by Matthew Cummins and Isabel Ortiz, entitled *Austerity: The New Normal; A Renewed Washington Consensus 2010-24*, established that most governments are on track to reduce public spending, as a percentage of GDP and nominally adjusted by inflation, at least until 2024…

The report detailed that an initial phase of fiscal stimulus in response to the 2008 financial crisis was followed by a distinct second phase starting in 2010, in which governments started to reduce spending. This fiscal contraction phase is projected to continue at least until 2024 and is “characterised by shocks [in total spending] in which adjustment deepens, the first occurring in 2010-11, the second taking hold during 2016-17, and a third expected to initiate in 2020.” According to the report, this “forthcoming adjustment shock is expected to impact 130 countries in 2021 in terms of GDP,” adding that “the developing world will be the most severely affected,” and that “projections indicate that austerity will affect approximately 5.8 billion persons by 2021 – about 75 per cent of the global population.

The projected austerity measures include pension and social security reforms; cutting or capping the public sector wage bill; labour flexibilisation reforms; reducing or eliminating subsidies; increasing regressive consumption taxes; strengthening public-private partnerships (PPPs); and privatising public assets, all of which exacerbate inequalities.

The IMF’s November working paper, *Doing more with less: How can Brazil foster development while pursuing fiscal consolidation?* … argues that Brazil has “room for public savings of about 3 per cent of GDP per year in the health and education sectors,” which, it estimated, is what would be “required…to reach satisfactory progress in the Sustainable Development Goals [SDGs]… given Brazil’s current fiscal consolidation needs.” As pointed out on online news platform *openDemocracy* in April, data indicates that three years of deepening austerity policies in Brazil have already led to a further lowering of GDP and an increase in public debt, while exacerbating social inequalities to detrimental effects, undermining Brazil’s ability to achieve its SDG (Sustainable Development Goals) targets.

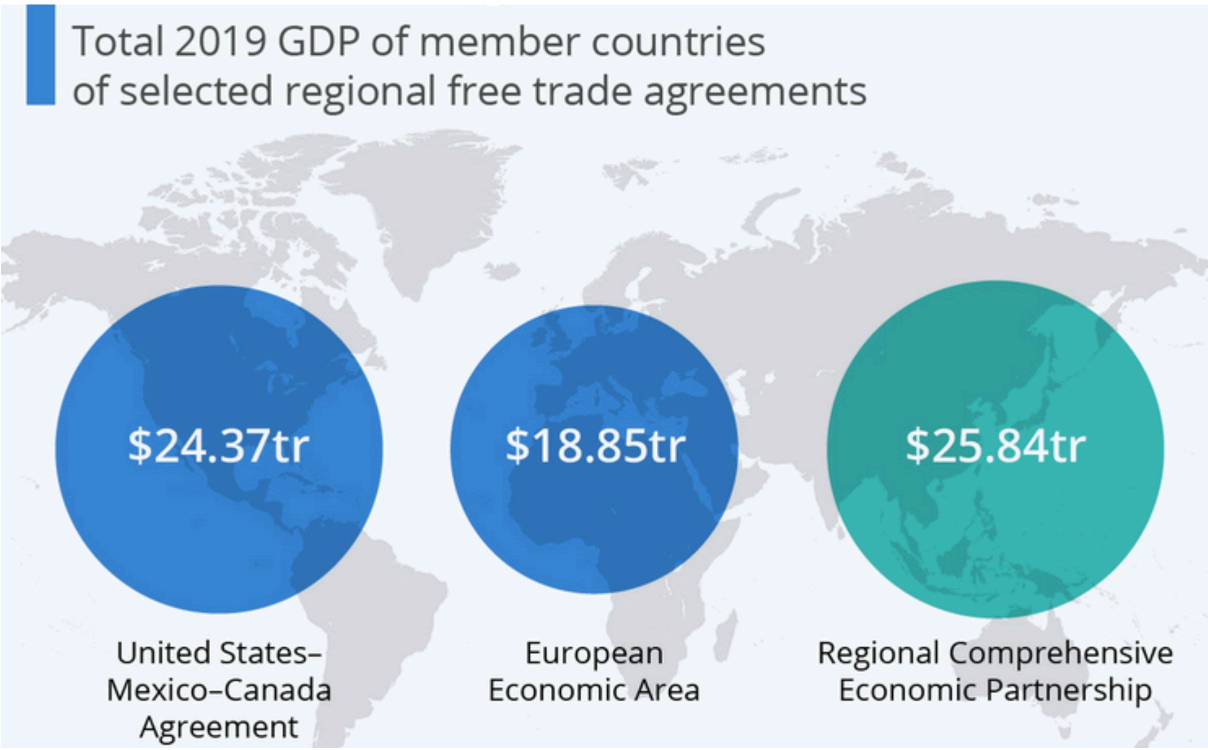
A September white paper by the World Bank on rethinking social protection systems, meanwhile, was premised on the idea that governments can only finance a minimum safety net of last resort if, “they scale back widescale public social insurance schemes, lower the size of social insurance contributions and put greater emphasis on privately-managed mandatory and voluntary individuals savings and insurance schemes,” according to an October blog, published by UK-based consultancy organization Development Pathways. In doing so, it argued, the World Bank proposed “a rollback of existing rights and protections for workers, both in terms of social security and labour market protections.”

https://www.cadtm.org/IMF-and-World-Bank-complicit-in-austerity-as-new-normal-despite-availability-of accessed 15/01/2021

Regional Organizations

Commercial agreements at a regional scale facilitate free trade, and flows of merchandise, capital and information at negotiated tariff rates e.g. EU, ASEAN) or concern flows of raw materials (such as OPEC which regulates oil exports). Numerous cross border projects and development corridors also lead to joint projects intended to link up infrastructure and further promote trade. Co-operation at this scale is led by public State actors particularly from the more developed North. Private actors, such as TNCs invest in projects to develop their activities whilst Non-Governmental Organizations undertake development projects.

Document: GDP of selected trade blocs, 2019
November 16th 2020



https://www.statista.com/chart/23503/combined-gdp-of-regional-trade-blocs/

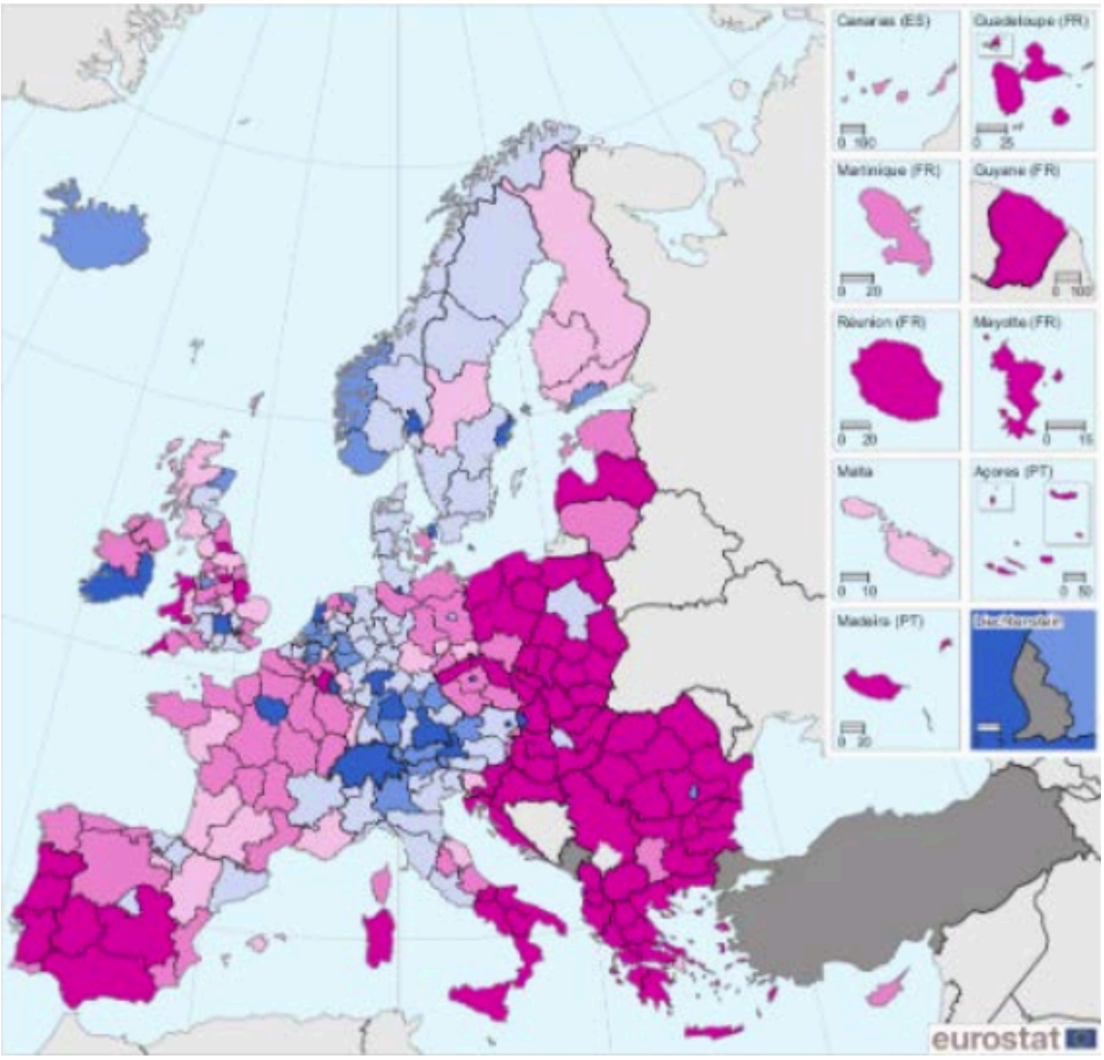
Document E.U. territorial inequalities: North-South Divide

The Gini coefficient is the most common measure of income inequality used internationally. It compares each household's income position to that of all other households in order to measure income distribution. For the EU-28, the Gini coefficient was around 30.7 % in 2017. The highest income disparities of at least 35.0 % were recorded in Bulgaria and Lithuania. A group of countries –Estonia, Italy, Romania, the United Kingdom, Greece, Portugal, Spain and Latvia – had a Gini coefficient above the EU-28 average (31.0 % – 34.5 %). On the other end of the spectrum were countries with a more even income distribution (26.0 % or less): Slovakia, Slovenia, the Czech Republic, Finland and Belgium.

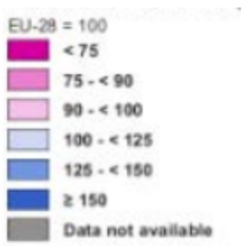
Gini coefficient Definition

The Gini coefficient (sometimes called Gini index) measures the extent to which the distribution of income within a country deviates from a perfectly equal distribution. A coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 1 expresses full inequality where only one person has all the income. It can also be presented as a percentage with values ranging from 0 to 100.

GDP per inhabitant relative to EU average, 2016



EU average = 100



https://www.europarl.europa.eu/RegData/etudes/BRIE/2019/637951/EPRS_BRI(2019)637951_EN.pdf

DOCUMENT: Has the European social model withstood the rise in inequalities?
Thomas Blanchet, Lucas Chancel, Amory Gethin
April 2019

Document a: Extract from the summary

To date, the European Union institutions have focused on the reduction of inequalities between Member States. However, the differences in average income only explain a small proportion of inequalities in Europe which are mainly the outcome of levels of inequality within countries. Consequently, European Union policies have difficulty in promoting more inclusive forms of growth. The rate of poverty in Europe which stands at 21% is the same today as it was in the mid-2000s.

While inequalities in Europe are significantly lower than in the United States, this is largely because the social and fiscal policies of the European States enable a more egalitarian distribution of income before taxation: in particular the educational and health systems are more egalitarian than in the United States. In future, if the European Union wishes to contain the rise in inequalities on the continent, it will have to create conditions for the long-term and equitable financing of the public services, in particular via more progressive taxation on individuals and firms at European level.

Document b: Extract from the conclusion

Thus, if the European Union wishes to contain the rise in inequalities in the future, it will have to give more support to Member States in their policies reducing inequalities. This involves in particular the implementation of common fiscal policies in order to end the race to the lowest tax rates in which Member States have been engaged for the past three decades. The implementation of a common set of policies for the income tax, the wealth tax or the corporate tax would not only enable the level of fiscal progressiveness to be raised in Europe (on the whole these are lower than in the United States) but also to finance in a progressive manner the high levels of social expenditures in Europe, which play an essential role in the reduction of pre-tax inequalities.

https://wid.world/document/european-inequality-wil-summary-2019-en-pdf/

What are the tensions and limits of cooperation?

Tensions and competition between territories reinforce protectionism

Tensions between States can be highly detrimental for co-operation. Bi-lateral agreements are often preferred in place of multilateral accords. The USA, for example, since 2017 has put much more effort into bi-lateral accords between countries such as the UK and Japan whilst simultaneously withdrawing from international agreements which are considered less relevant for their interests (e.g. the Vienna accords on the Iranian nuclear program and the Paris climate agreement).

States have also returned towards protectionist practises. Such moves throw into question the efforts made to reduce import barriers since protectionist practises mean protecting domestic economies from international competition (USA, Brazil) and relocating industrial activities. Examples include the American companies of Ford and Fiat-Chrysler which have displaced Mexican factories to Michigan and Ohio.

Competition between territories is also expressed at a local level since financial centres are in fierce competition with each other and their place in the global hierarchy is undergoing change. For example, the historic domination of New York and London has been threatened by new centres such as Shanghai and Hong Kong.

Limits to cooperation

A number of relationships have undergone changes in recent years. Following the Ukrainian crisis of 2014, Russia was excluded from the G8 and placed under international sanctions. Venezuela's membership of MERCOSOR was suspended in 2016 and the EU has been weakened by BREXIT with the UK withdrawing from the organization in 2020.

New agreements such as the abandoned TTIP (Transatlantic Trade and Investment Partnership) between the EU and the USA and CETA (Comprehensive Economic and Trade Agreement) between Canada and the EU have the potential to increase trade and employment but have also been criticised.

DOCUMENT: CETA toxic in France, why not in Canada?
Sujata Dey

On July 23 2019, the French National Assembly ratified the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). At the same time, in Montréal, a group of EU and Canadian politicians were celebrating this apparent victory. While there was little criticism in Canada, a big political storm was brewing in France.

In fact, only a minority of French parliamentarians voted for the agreement. With 266 votes in favour, 213 against and 74 abstentions, there was not a clear majority for CETA. Only members of President Emmanuel Macron's ruling party, La République en marche, and a few members of the MoDem Party supported the agreement. Within the president's party, it was the most contested policy ever put to a vote. Nine members voted against the agreement.

Meanwhile, on this side of the Atlantic, while many criticize the agreement, the government's blind faith in CETA is unfazed. Even while trade statistics show that Canada's exports to Europe have not increased since the provisional implementation of the agreement almost two years ago, and Canada has had to swallow policies that cut into our farmers' livelihoods, raise drug prices by extending patents, and hurt jobs by restricting our governments ability to buy local.

For example, because of CETA, Via Rail was prohibited from preferring Bombardier as a train supplier, contributing indirectly to job losses in La Pocatière and Thunder Bay. In fact, Canada's trade deficit with the EU has increased $10 billion, reaching $30 billion since the agreement went into force, according to economist Jim Stanford, something predicted by EU and Canadian economic studies. And it will only get worse when our largest EU trading partner, Great Britain, Brexits out of CETA.

https://canadians.org/analysis/ceta-toxic-france-why-not-canada

Exercises for consolidation of understanding

You could produce paragraph based or spider diagram responses. What is important is to understand the key concepts so you can draw on this case study as a country level study in either a DBQ or essay.

Use: What is the Role of Actors in Globalization?

1. Identify examples of the different actors in globalization (International Organizations, States and TNCs) and explain their role.

Use Document: 2019 Global Cities Report

2.
a) What criteria is used to determine city rank in the Global Cities report? Why is there competition between these cities?

b) What patterns exist in the Top 10? What conclusions can be drawn from the rank and outlook positions of these cities?

Use: How does globalization lead to a hierarchical ordering of territories?

3. Why can territories be described as being ordered in a hierarchy due to globalization?

Use document: North and South, outmoded terms? AND Comparison of growth in developed countries and BRICS

4. To what extent are the terms 'North' and 'South' still relevant?

Use: How does cooperation among actors affect globalization? AND Extracts from: 'IMF and World Bank complicit in 'austerity as new normal', despite availability of alternatives'

5.
a) How to international organizations promote cooperation?
b) How is the impact of the contraction in government spending which began in 2014 likely to be felt in developing countries?
c) 'The IMF and World Bank recommendations for Brazil's economy, in terms of '*pursuing fiscal consolidation … (and) … rethinking social protection systems'* are viewed as likely to diminish its ability to meet the UN SDGs'. Explain why.

Use: Document E.U. territorial inequalities: North-South Divide AND Map AND Has the European social model withstood the rise in inequalities?

6.
a) To what extent is a regional North-South divide visible within the EU in terms of national economies?

b) Why has the EU poverty rate remained constant between 2000 and 2019?

c) How could these inequalities be addressed?

Use: What are the tensions and limits of cooperation? AND CETA toxic in France, why not in Canada

7.
a) How has the return of bi-lateralism and protectionism placed tension or limits on international cooperation?

b) What is Ceta? Why has it been criticised?

Case Study: Integration of the Caribbean Islands and West Indies into globalization

The West Indies and the Caribbean are located close to the north American population centre and form a major tourist basin at a global scale, notably for pleasure cruises. Tourism is a critical tool of development and integration for this region. Following the example of Florida and Miami, cruise ship capitals, numerous territories have developed resorts and these include St Dominic, the Bahamas and the West Indies archipelago. The clientele are mostly from the USA and the proximity of the USA has led to the delocalization of many companies in the free zones that have been established in many of the islands, particularly the Dominican Republic and Trinidad and Tobago. Innumerable financial flows emanating from North America and Europe are also concentrated in the fiscal paradises on the Cayman Isles, Bahamas, Panama and Aruba. The EU also makes its presence felt in this region in terms of tourism and FDI. China has also begun investing in the fiscal paradises as have those countries with resist US domination: Cuba and Venezuela.

Integration and globalization has clearly reinforced disparities between the islands of the Caribbean basin. Certain emerging countries have benefitted from comparative advantages. Aruba, the Caymans Isles and the Bahamas already have a HDI score in excess of 0.8 whilst other territories are excluded from this process. Haita is the only less developed country in the region.

This development gap feeds migration flows, often illegal in nature, towards the USA. Florida and Texas receive immigrants from both Central American and the Caribbean basin. The USA has sought to limit such flows via the construction of walls facing Mexico and Cuba. However under development inevitably leads to illegal migration flows. Two principal axes of such flows exist, one crossing Central America and the other stretching from the West Indies to Florida.

The Port of St-Thomas in the Virgin Isles, USA
This US territory is a free zone and attracts two million tourists annually. It is also a fiscal paradise.

Tourism: economic motor of the region

Pays ou territoire	Touristes internationaux, en milliers		Croisiéristes (2015), en milliers	Recettes liées au tourisme (en millions de $)
	2010	2017		
Aruba	824	1 070	667	1 733
Bahamas	1 370	1 439	4 804	2 598
Cuba	2 531	4 594	n.d.	3 302
République dominicaine	4 124	6 188	435	7 178
Jamaïque	1 926	2 353	1 423	2 809
Martinique - Guadeloupe	476	489	177	NC
Porto Rico	1 368	3 797	1 356	4 090
Saint-Martin	443	2 001	2 001	646

Extracts from the Executive Summary:
Migration In the Caribbean: Current Trends, Opportunities And Challenges
25 Sept 2017

In 2007, the Caribbean emigration rate was four times higher than Latin America's overall emigration rate. The Caribbean emigration rate has somewhat slowed, but the region nevertheless remains an area of net emigration. Guyana and Saint Vincent and the Grenadines show the strongest emigration movements: 9.65 and 9.6 per 1000 people respectively were emigrating in 2013. Of the countries included in this study, the only confirmed2 net recipients of migrants are Antigua and Barbuda and Suriname, with

immigration rates of 2.23 and 0.57 per 1,000 respectively for 2013 (CIA World Factbook, 2015).
In absolute terms, Cuba, the Dominican Republic and Haiti have the largest diaspora communities: over a million emigrants each, with most living in the United States (World Bank, 2015). Guyana and Haiti are, in absolute terms, the primary countries of origin of intraregional migrants. In relative terms, Guyana and Saint Vincent and the Grenadines have the most emigrants. Respectively, the emigrant population is 58.2 per cent and 55.5 per cent the size of the population living at home (World Bank, 2015).

Over half of total Caribbean migrants to the US, Europe, and Canada are women. Furthermore, migrants are predominantly of productive and reproductive age. Cubans form an exception – the largest group of Cuban migrants is aged 45 and over (Thomas-Hope, 2000).

The Caribbean islands are especially vulnerable to extreme weather events and global climate change – events and processes that can cause internal displacement and set in motion emigration processes. Haiti and the Dominican Republic are amongst the world's countries most vulnerable to climate change: they occupy the third and eighth place on the Global Climate Risk Index (Kreft et al. 2015).

https://reliefweb.int/report/haiti/migration-caribbean-current-trends-opportunities-and-challenges

Overview of the Dominican Republic's free zone sector
By the General Directorate of Customs, Dominican Republic

By 2017, the free zone sector in the Dominican Republic consisted of 71 parks, bringing together 665 companies. The Free Zone Parks generate 165,724 direct jobs and account for exports amounting to just under 5,695 million US dollars. Industries established in the country's free zones are known for their production capacity and quality.
The free zone sector is a key driver of the country's development, creating jobs, generating foreign trade, and fostering technology transfer. In evaluating the sector, all the variables grew in 2018, with exports from free zones exceeding six billion US dollars, representing over 60% of the country's total exports. The dynamic nature of the sector is also worth noting: there are currently Free Zone Parks in 27 of the country's 32 provinces and, in 2018, a total of 126,095 imports, 75,091 exports and 157,284 merchandise transfers between companies were registered.

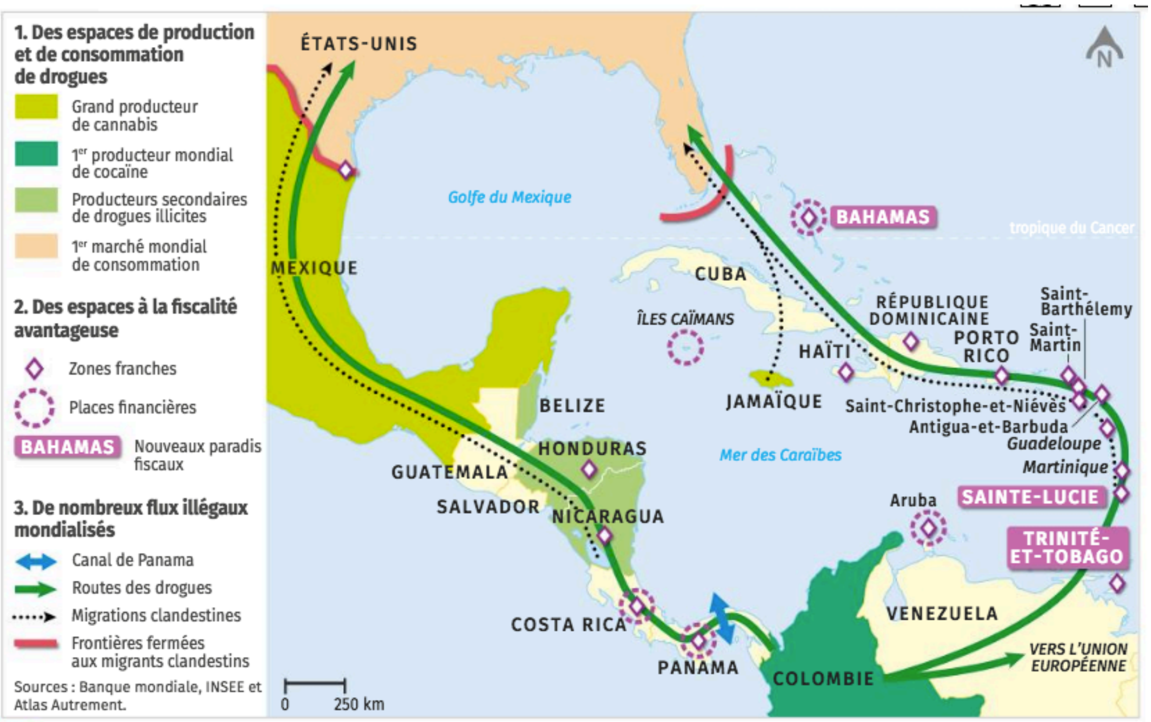
However, it has been detected that companies, which are not part of the free zone sector, have been trying to declare goods under this regime in order to benefit from import exemptions granted to free zone participants. Fortunately, these non-participating companies have not had much success, due to the vigilance of the Dominican Republic's General Directorate of Customs.

https://mag.wcoomd.org/magazine/wco-news-88/overview-of-the-dominican-republics-free-zone-sector/

Clear disparities between territories: HDI scores

Viewed regionally, the HDI (Human Development Index: a composite measurement based on health, education and economy) for the states of the Caribbean is above the world average. Only seven countries find themselves below the average of 0.693 in 2012, amongst whom one is very close: Suriname. The most worrying situation is that of Haiti, with an index 34% lower than the world average.

Illegal flows and Production in the Caribbean



Rodolfo Sabonage: Making the Caribbean connection
Ria Chaitram ***Sunday 20 December 2020***

It has only been one month since the new general secretary of the Association of Caribbean States (ACS) took up office in Port of Spain, but he already has plans to significantly upgrade the convention of the organization to fit the changing landscape.

The ACS was formed in 1994 with the signing of its convention in Cartagena de Indias, Colombia. It aimed to provide a platform for dialogue for the 35-member and associate states which would allow dialogue in areas of common interests, concern, opportunities and solutions at a regional level.

He said an efficient ferry service was one of the mechanisms to achieve this and because of the large geographical spread. The transportation hub, which should include air sea and land, should be broken-up into various stations to accommodate trade and the movement of people.

Sabonge said, "To get an initiative like that going we need to remove a lot of barriers such as trade, health, immigration and a lot of the processes that have blocked harmonisation in the region.

"Digitalisation is a major part of this transition. If we are able to have other countries within the same digital platform then we can start facilitating trade, people and cargo. Competitiveness will be improved because we will now be facilitating intra-trade and international trade."

With this type of interconnectedness, protection of each sovereign states' borders and people become grave concerns. Security issues in a region that was already plagued with numerous cases of drug, human and animal trafficking, just to name a few are issues governments continue to struggle to get a handle on.

Sabonge's belief is that proper monitoring and control, by establishing good border controls at the transportation hubs, can be a mitigation mechanism in this fight. "For security nowadays, it is not just having physical security but having intelligence. Developing the intelligence network, understanding risk and how to manage it should be taken into account," he posits.

At the recently concluded Caricom-Cuba summit, participating members agreed to continue receiving covid19 assistance from Cuba and to also work towards covid19 management and the possible application of innovative Cuban biotech medicines, as epidemiological conditions in the region showed a common trend. This type of cooperation and inclusivity was welcomed by Sabonge.

And while manoeuvring covid19 was important for all nation-states, Sabonge said the pandemic has shown the importance of diversification and investments in areas taken for granted.

He said, “We need to diversify our economies. What covid19 showed was that food security was most important and if you do not have it and accustomed to importing it, then you see it was not easy.

“It also showed that instead of bring things from far away, you can now look to your neighbours. This has taught us to look at regional supply and demand of not only food, but every other product.”

Sabonge urged for cultural barriers to be broken because the Latin America and the Caribbean had many similarities. Rather than looking at the differences, he said, the similarities offered much more positive opportunities.

“Diversity is not bad; it increases the value of a culture. Many of the small islands have a French, Spanish or English background and you need to look at all of them as one.”

https://newsday.co.tt/2020/12/20/rodolfo-sabonage-making-the-caribbean-connection/

Exercises for consolidation of understanding

You could produce paragraph based or spider diagram responses. What is important is to understand the key concepts so you can draw on this case study as a regional study in either a DBQ or essay.

1. Identify the advantages of this region which aid its development.

2. Explain how tourism is a tool for integrating the Caribbean and West Indies into the wider global economy.

3. Comment on the persistence of inequalities across this region.

Case Study: How has Russia integrated into globalization?

Document: Russia Integrates: Deepening the Country's Integration in the Global Economy

Russia's early development successes resulted from undertaking ambitious structural reforms, a commodity cycle boom, and taking steps to promote greater economic openness, including becoming a member of the WTO in 2012. Between 2000 and 2012, Russia's gross domestic product (GDP) rose on average by 5.2 percent a year, slightly below the 5.8 percent average for all upper middle-income countries over the same period, but above the 2.9 percent average for the global economy as a whole.

Per capita GDP in real terms grew by about 80 percent between 2000 and 2012 (from 14,615 US Dollars to 26,013 US Dollars in purchasing power parity (PPP), 2017 prices).

Since 2003, Russia has been the sixth largest economy in the world in PPP terms, moving up from ninth position in 2000. A favourable external environment and strong macroeconomic fundamentals facilitated inclusive growth throughout the 2000s. Structural policies were also key drivers of growth, reflecting the impact of reforms and structural changes launched during this time.

Breaking the 2000s decade into early and late periods reveals that structural policies were the key driver of growth in the early 2000s (2000 to 2005). With better terms of trade, the contribution of the external environment to growth improved significantly from 2005 to 2010.

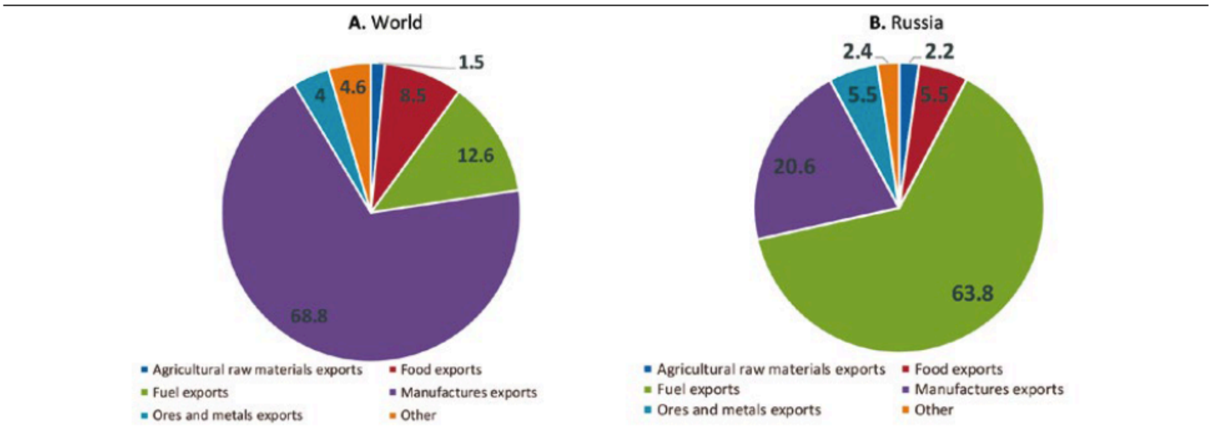
Prudent macroeconomic management and booming oil revenues facilitated fiscal surpluses, a reduction in external debt, and a rise in reserves. This helped Russia to respond with strong countercyclical policies to the recession during the 2008–09 Global Financial Crisis, limiting its impact on the economy.

Meanwhile, potential growth estimates for Russia show that it peaked before the Global Financial Crisis and has since continued to decline. The estimated potential growth rate — the rate at which the economy can grow when labour and capital are fully employed — was 3.8 percent in 2000–09 and 1.7 percent in 2010–17.2 This deceleration was due to a slowdown of productivity growth and a shrinking potential labour force, rather than a shortfall in capital accumulation.

In 2014, the economy suffered from adverse oil price shocks and the imposition of economic sanctions, which led to Russia becoming more insular and less integrated globally. One manifestation of this has been reduced foreign direct investment (FDI) inflows since 2014. Although economic activity in Russia has continued to recover from the 2015-16 recession, potential growth has continued to decline. A weakness in potential growth is not specific to Russia. Potential growth has been adversely affected in both advanced economies, where it was evident even before the Global Financial Crisis, and emerging markets and developing economies, especially since 2010-12. However, a faster-than-average decline in Russia's potential growth has raised concerns about its medium-term prospects and the risks of stalled convergence in GDP per capita with advanced economy levels.

Published by World Bank, 14/12/2020
https://openknowledge.worldbank.org/handle/10986/34994

Document: Global and Russian Exports Compared



Source: Comtrade

Document: What future for EU-Russia relations?
Sabine Fischer and Ivan Timofeev
Nov 9th 2020

The EU has been debating recently whether it should keep, amend or discard the five guiding principles for its Russia policy. When they were adopted in 2016, two years after the outbreak of the Russian-Ukrainian conflict, EU-Russia relations seemed to have hit rock bottom. However, developments since proved otherwise.

Mutual accusations of interference in elections and domestic affairs, the Salisbury incident, and, most recently, discord over the Navalny poisoning and the political crisis in Belarus have taken the relationship to even lower levels.

Today, the atmosphere between the EU and Russia is characterized by escalating contradictions and new sanctions, as Moscow and the EU are losing interest in each other. Negative trends in EU-Russia relations are strong, but not irreversible. It will depend on both sides whether relations will improve – or descend further into conflict in the coming decade. Such is the conclusion made by the EU-Russia Expert Network on Foreign Policy.

EUREN, an initiative of the EU Delegation to Moscow and the Russian International Affairs Council, is one of the few remaining platforms bringing together experts from the EU and Russia. It has just published a Report on alternative futures of EU-Russia relations in 2030.

The first scenario takes the EU and Russia to the brink of war. The West rebounds after the COVID-19 pandemic. Putin still rules in Moscow. The Russian political system is authoritarian, based on state capitalism and the suppression of political opposition. An assertive and nationalist foreign policy helps to secure domestic legitimacy. NATO consolidates around the Russian threat. The negative dynamic between the Washington and Moscow leads to a new arms race, increasing hostility and, eventually, military confrontation.

In the second scenario, the EU disintegrates and the European continent descends into anarchy. EU member states prove unable to cope with the COVID-19 pandemic. Populists become the dominant political force. A radical course is gaining the upper hand in Russia, too. The United States is engrossed in a Cold War with China and forms selective coalitions with individual European states. In 2029, the Donbas conflict re-escalates and former European and transatlantic allies turn on each other.

The third scenario is the result of a political transition in Russia. Public protests bring to power a young politician with pro-Western ideas in 2024. He sets out to normalize relations with the EU. Russia no longer supports the breakaway territories in the Donbas, which paves the way for a sustainable resolution of the conflict. In response, the EU starts to lift the sanctions. By 2030, the EU and Russia are united in a “community of values”.

In the fourth scenario, both Russia and the EU cope successfully with the consequences of COVID-19. Russia is led by a technocratic leader, Vladimir Putin's successor. He successfully pursues administrative and economic reforms and curbs corruption. The investment climate is improving. Moscow opens up to a partial normalization of relations with the EU. Meanwhile, the EU transforms into a more active international player. Its diplomacy helps to facilitate the implementation of the Minsk Agreements. However, key security and political issues, including the discord over Crimea, remain unsolved. Relations between Russia and the EU turn into a "cold partnership."

Clearly, many in the EU would prefer the "community of values" scenario to become true by 2030.

A collapse of European integration may be the dream of Russian conservatives. EUREN members believed a "cold partnership" to be the most plausible scenario for the future of the relationship.

The EU and Russia will not be able to overcome their disagreements in the coming decade. But if they so choose, they can come to a pragmatic partnership that safeguards peace and stability in Europe.

https://www.euractiv.com/section/global-europe/opinion/what-future-for-eu-russia-relations/

Document: Permanent Mission of the Russian Federation to the European Union

Brief overview of relations

Russia and the EU enjoy intensive trade and economic relations. In 2015 trade with the EU accounted for 45 per cent of Russia's total foreign trade volume. For its part, Russia is EU's fourth largest trade partner which in 2015 accounted for 6 per cent of its foreign trade. In 2015, after visible contraction in comparison with 2013-2014, trade volume between Russia and the EU stood at 209.5 billion euros. EU companies make up a significant share of total investments to Russia. Russia firmly holds the position of key energy supplier to the EU, satisfying the EU demand for crude oil, natural gas and coal by a third.

Russia and all EU Member States are members of the United Nations, the Organisation for Security and Cooperation in Europe and the Council of Europe. In view of spreading cross-border threats and challenges Russia is interested in strengthening cooperation with the European Union in countering terrorism, organized crime, illegal migration, human trafficking and illicit drug trade. Furthermore, there is obvious interest in joining efforts in mitigating the effects of climate change.

https://russiaeu.ru/en/brief-overview-relations

An immense and unequally integrated territory

An immense and unequally integrated territory? (Answers)

Development inequalities (HDI)

Special Economic Zones (SEZ)

Scientific Innovation zones

New SEZs (2014)

Port or industrial zones

Tourist development zones

Infrastructure enabling integration at different levels

Major ports undergoing development

Northern maritime route

International airports

Bridge connecting the Crimea and the Caucasus (2018)

Gas pipeline projects

Natural Liquid Gas Factories project

High speed rail line project

Infrastructure linked to 2018 Football World Cup

Exercises for consolidation of understanding

You could produce paragraph based or spider diagram responses. What is important is to understand the key concepts so you can draw on this case study as a country level study in either a DBQ or essay.

Use Document: Russia Integrates: Deepening the Country's Integration in the Global Economy

1. Explain how potential growth in Russia has encountered limits in the decade 2010-2020.

Use Document: Global and Russian Exports Compared

2. Explain and comment on how the pattern of Russian exports differs from that of global exports.

Use Documents: What future for EU-Russia relations AND Permanent Mission of the Russian Federation to the European Union

3. Survey the extent of economic and foreign relations between the EU and Russia.

4. How does the EERACTIV media network report see the EU-Russia relationship evolving over the course of the newt decade?

Case Study: Development corridors in Latin America: a tool for integration and opening up.

Document: Belt and Road in Latin America: A regional game changer? Pep Zhang October 8th 2019

With one hundred and thirty-one countries signing on, and with more than $575 billion worth of investments mobilized, the Belt and Road Initiative (BRI) could mark a paradigm shift in infrastructure development around the world. Will it help to advance countries' prosperity through improved interconnectivity, or is it primarily focused on extending China's reach? The answer is neither simple nor binary. Much depends on how BRI projects are conceptualized, implemented, and enforced, and which interests are driving these actions.

Inspired by the ancient Silk Road trade routes, China initiated BRI in 2013 primarily as a project linking Eurasia through physical infrastructure, but it has since expanded into other sectors and regions. By late 2017, Beijing had formalized Latin America and the Caribbean as a "natural extension of the 21st Century Maritime Silk Road." In November 2017, Panama became the first Latin American country to officially endorse BRI, five months after switching diplomatic ties from Taiwan to China. In the next two years, eighteen of the thirty-three countries in the region would join BRI, with some notable exceptions. Argentina, Brazil, Colombia, and Mexico—the four largest economies in the region, accounting for nearly 70 percent of its GDP—have closely followed the initiative, but have yet to sign on.

Many Latin American governments and companies consider BRI an opportunity for furthering international engagement. As in other regions of the world, a main allure of BRI is expanded access to China, a growing export destination and source of external financing. Over the past twenty years, China has transformed from one of the region's modest commercial partners to one of its most important. Bilateral trade grew twenty-five times, from $12 billion in 1999 to $306 billion in 2018, placing China as Latin America's second-largest trade partner, after the United States.[4] Since 2005, Chinese policy banks have provided more than $141 billion in loan commitments to Latin America—exceeding, in several years, the lending of the World Bank, the Inter-American Development Bank, and the CAF Development Bank of Latin America combined.[5] China is also becoming an increasingly important foreign direct investor for the region, especially through mergers and acquisitions.[6]

… for many in Latin America and the Caribbean, BRI appears a low-risk gamble for greater economic growth and international cooperation—especially at a time of rising protectionism, and in the absence of truly global alternatives. At the minimum, BRI represents a useful mechanism for high-level dialogue and exchange, critical to cultivating long term commercial relations with China and other international players. The second Belt and Road Forum … held in Beijing on April 25–27 this year … saw the signing of more than twenty agreements between China and at least one Latin American or Caribbean country, covering different cooperation areas including energy, science, finance, and regulatory coordination. Some agreements involved Argentina, Mexico, and Brazil—each of which has yet to become BRI members, but still followed BRI and sent delegates to attend the BRF.

https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/belt-and-road-in-latin-america-a-regional-game-changer/

Document: Bioceanic Corridor: road from Mato Grosso to the Pacific
Pedro Silva Barros
6 October, 2020

After almost a century, it seems that the antagonism between the Atlantic and the Pacific is beginning to be overcome by road corridors in underdeveloped regions. The bioceanic road corridor is a physical integration project that will connect Porto Murtinho (Mato Grosso do Sul) with the ports of northern Chile, near the Tropic of Capricorn. The first road that crosses the Paraguayan Chaco in an east-west direction is being paved and should be completed in 2022. The sections in Argentina and Chile are ready and need rapid improvement. The resources for the bridge between Porto Murtinho, in Brazil, and Carmelo Peralta, in Paraguay, are already approved by Itaipu Binacional. The completed work is expected to be ready in 2023.


Location of Mato Grosso state, Brazil.

In the last four decades, investment in infrastructure in Latin America has been far below the world average and far below the region's needs… This corridor project was formalized in 2015 … The Working Group (WG) created by the presidents of Argentina, Brazil, Chile and Paraguay resisted the changes of governments and political orientations in the four countries. The explanation for this exceptionality lies in the global geo-economic changes, the economic dynamism of Mato Grosso do Sul and its neighbouring regions, and the commitment of its sub-national governments.

The enormous Asian economic dynamism has recently exerted an impressive power of attraction. Twenty years ago, less than 2% of Brazil's exports went to China. In 2019, a record 28% was reached. In the first eight months of 2020, the Asian giant alone accounted for 34% of Brazil's total sales. This year, for the first time in history, more than half of Mato Grosso do Sul's exports were to China and more than 2/3 to the Asia-Pacific region as a whole. This movement is one of the factors of the boom of the Brazilian Midwest, an agro-exporter one, in the last four decades. This period coincides with the relative decline of the industrialized regions of the south and southeast.

If Brazil's total exports fell by 7% in the first eight months of 2020 compared to 2019, exports from Mato Grosso do Sul increased by 13% in the same period.

Studies by the Institute of Applied Economic Research (Ipea) and the Planning and Logistics Company (EPL), both Brazilian government institutions, show that logistical gains from exports through the corridor could reach US$500 million per year for Mato Grosso do Sul products in exports to the Asia-Pacific region, concentrated in pulp, maintaining current quantities.

The challenge is for the bioceanic corridor to be a catalyst for a development network that extends its benefits beyond the already consolidated export sectors, such as soybean, pulp, and traditional meats. As the corridor makes exports more competitive, it opens up opportunities to promote intraregional trade (which has been declining in recent years) through the development of regional value chains.

The corridor will enable the articulation of small and medium-scale production in central-western Brazil, Paraguay and northwestern Argentina with Chilean production chains that already have structured logistics in Asian markets. The production of dairy products from the Paraguayan Chaco will be expanded to markets in western Brazil and northern Chile.
The land corridor will be much better used if it is linked to the railroads and waterways.
https://latinoamerica21.com/en/bioceanic-corridor-road-from-mato-grosso-do-sul-to-the-pacific/

Document: New development corridors partially financed by China

Document : Special Focus: Latin America's Bi-Oceanic Railway Corridor January 2019

The Bi-Oceanic Railway Corridor aims to join the Pacific ocean with the Atlantic through a railway line running 3,755 km. This project has been dubbed "The Panama Canal of the 21st Century", and is already considered as the largest infrastructure project in Latin America. The journey will start in Puerto Santo (Brazil) entering Bolivia through Puerto Suárez, passing through the eastern municipalities of Santa Cruz: Montero and Bulo Bulo, until reaching the high plateau of La Paz, to conclude at the Port of Ilo, in Peru. On its way it will cross the Andes mountain range and the Bolivian Amazon Rain Forest. The estimated cost of the works is 13.7 billion dollars. This project aims to increase transport capacity to 10 million tons per year at around 100 kilometres per hour. With regard to passenger traffic, the estimated speed for the transport of up to six million users is 160 km/h, more than double the current one.

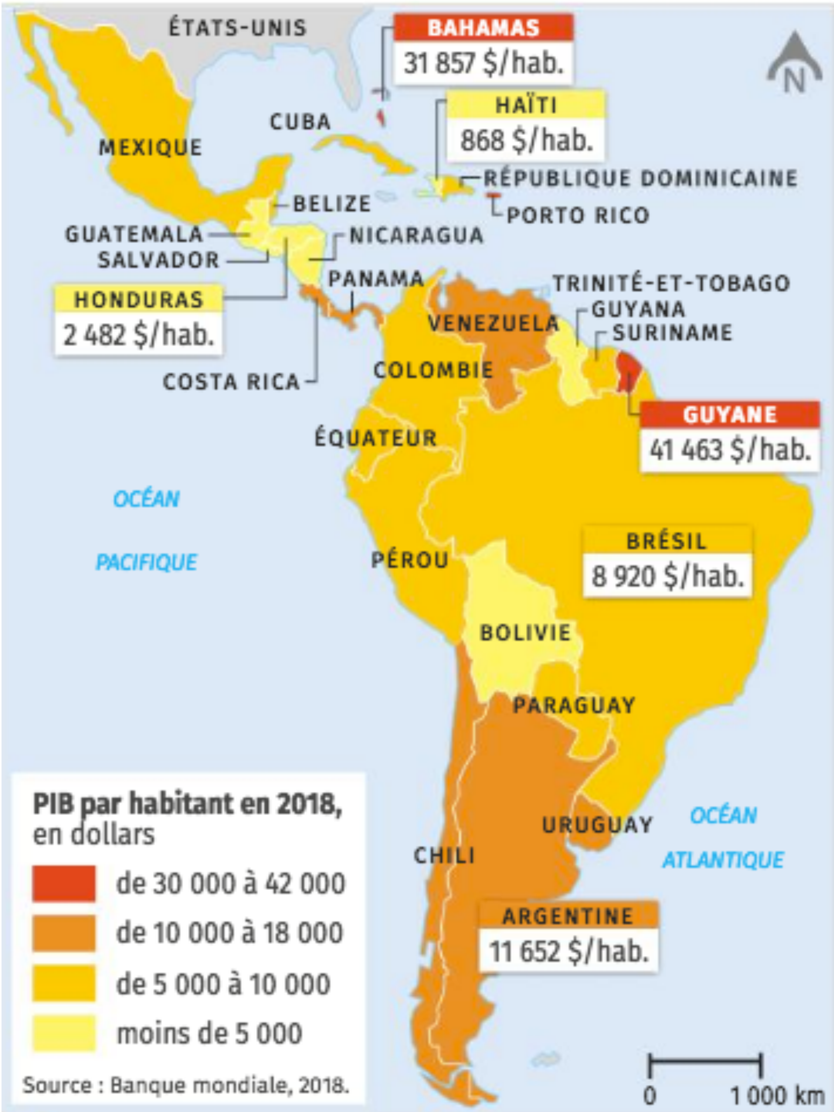
The significance of this new connection lies in the major boost it will give to trading exchanges between the surrounding countries, as well as in the increase that exports and imports will experience to other markets, by reducing costs and transport times. Likewise, it will be an axis of territorial integration that will foster economic and social cohesion, thus driving the evolution of the population, sustainable development and improving competitiveness. The corridor will become a bridge between the Atlantic and Pacific Oceans designed to consolidate regional connectivity conditions and take advantage of cross-border synergies. Another of its great advantages for international trade is its increased outreach to the Asian market. In this sense, it is considered that the network would contribute to reduce to 25 days the journey between Brazil and Asia. In this way, the connection times would be considerably reduced.

In order for the entire 3,755-kilometre route to become operational, modernisation and expansion work must be carried out in the countries through which it will pass. On the one hand, in Brazil, 1,900 kilometres of track will be rehabilitated. On the other hand, the construction of another 340 kilometres is scheduled in Peru, between La Paz and the port of Ilo, the adaptation of the Brazilian infrastructure in the borders and the branch of Paraguay, which in turn would connect with Uruguay and Argentina. The bulk of the works will take place in Bolivia, through which 1,894 kilometres of the network will run. In this territory, around 1,500 kilometres of track must be modernised or added. It is in this country where the largest investment is planned (between 7 and 10 billion dollars / 8.163 and 11.661 billion euros) since it is necessary to connect its two rail networks (the Andean and the Eastern). Furthermore, 500 kilometres of network have to be built to connect Santa Cruz de la Sierra and Oruro / Cochabamba. In turn, the railway infrastructure must be updated to improve operations, since tons per axle and a speed of 70 kilometres per hour for passengers and 40 for freight.

The construction of this transcontinental corridor is driven by Bolivia, along with Peru, Brazil, Paraguay and Uruguay. In addition, as indicated by the Bolivian Ministry of Public Works, Services and Housing, the project "is advancing at a steady pace" and has the international backing of countries such as Spain, Germany, Austria, Switzerland and the United Kingdom, with which there is already signed Memorandum of Understanding for technological and financial cooperation.

https://railbus.com.ng/index.php/policy/special-focus-latin-americas-bi-oceanic-railway-corridor/

Document: Latin American GDP Disparities



Document: Foreign investment in Latin America expected to halve in 2020
16 June 2020

COVID-19 shock sends ripples across sectors, with commodities, tourism and transportation among the most severely hit, new UNCTAD report reveals.

Investment flows to the Latin America are expected to halve in 2020 from the $164 billion received last year, according to UNCTAD's World Investment Report 2020.

“The pandemic compounds both political and social unrest and structural weaknesses, pushing the region’s economies into a deep recession and exacerbating challenges in attracting foreign investment,” said UNCTAD’s director of investment and enterprise, James Zhan.

He further explained that the shock would have a different impact across sectors, with commodities, tourism and transportation among the most severely hit.

The low oil and commodities’ prices will hurt investment in major economies in South America - Colombia, Brazil, Argentina, Chile and Peru - that depend on foreign direct investment (FDI) in extractive industries. Other economies, especially those in the Caribbean, will be hit hard by the collapse in tourism and the halt to investment in the travel and leisure sector.

In manufacturing, automotive and textiles, two important industries in the region, are suffering both supply and demand shocks. Central America and the Caribbean might see some new international investment to expand the production of medical equipment.

https://unctad.org/news/foreign-investment-latin-america-expected-halve-2020

Mercosur: South America’s Fractious Trade Bloc
Claire Felter, Danielle Renwick, and Andrew Chatzky
July 10th 2019

Mercosur is an economic and political bloc comprising Argentina, Brazil, Paraguay, Uruguay, and Venezuela. Created during a period when longtime rivals Argentina and Brazil were seeking to improve relations, the bloc saw some early successes, including a tenfold increase in trade within the group in the 1990s. However, many experts say Mercosur has since failed to live up to its ambitions of integrating the region.

In recent years, some have also questioned the bloc’s commitment to democracy, especially since right-wing presidents in Argentina and Brazil have downplayed the severity of their countries’ military dictatorships in the 1970s and 1980s. Mercosur’s one-year suspension of Paraguay in 2012 and indefinite suspension of Venezuela in 2016 have also revealed fractures within the group.

However, Mercosur economies have recently signalled a willingness to open to other markets, reaching a landmark trade deal with the European Union in 2019 after long-stalled negotiations. If ratified, it would be the largest free trade agreement in the world.

Mercosur was created in 1991 when Argentina, Brazil, Paraguay, and Uruguay signed the Treaty of Asuncion [PDF], an accord calling for the “free movement of goods, services, and factors of production between countries.” The four countries agreed to eliminate customs duties, implement a common external tariff of 35 percent on certain imports from outside the bloc, and adopt a common trade policy toward outside countries and blocs. The charter members hoped to form a common market similar to that of the European Union, and even considered introducing a common currency.

“Mercosur had grand ambitions,” says CFR’s Shannon K. O’Neil. “It was going to be a customs union with a political side.” The Mercosur stamp is emblazoned on member countries’ passports, and license plates display the Mercosur symbol. Residents of the bloc are authorized to live and work anywhere within it. In 1994, the group signed the Protocol of Ouro Preto, formalizing its status as a customs union.

Venezuela joined Mercosur’s four founding countries as a full member in 2012, but was suspended in late 2016. Today, the four have a combined gross domestic product (GDP) of roughly $3.4 trillion, making it one of the world’s largest economic blocs. By contrast, Latin America’s second-largest trade group, the Pacific Alliance, which comprises Chile, Colombia, Mexico, and Peru, has a combined GDP of about $2 trillion.

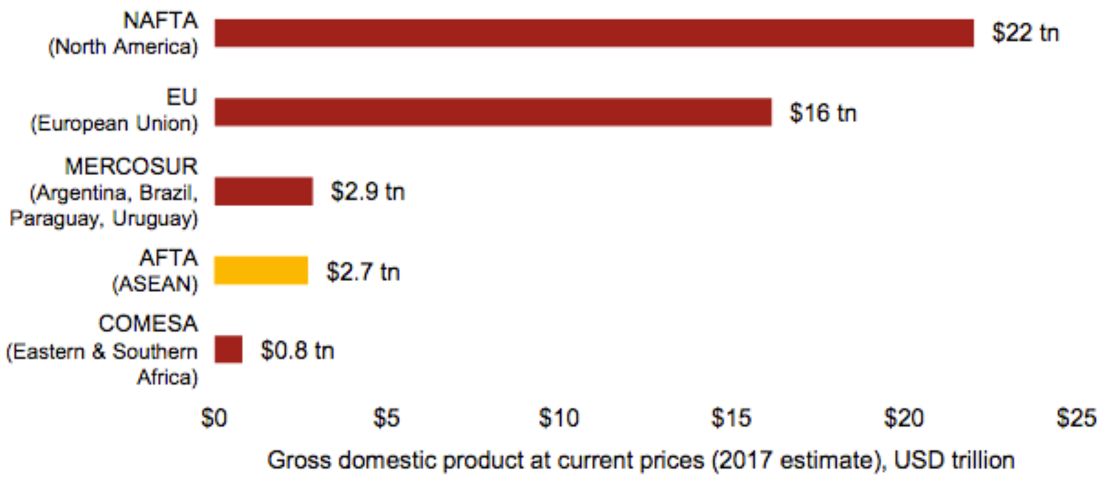
Bolivia, Chile, Colombia, Ecuador, Guyana, Peru, and Suriname are associate members. They receive tariff reductions when trading with the full members but do not enjoy full voting rights or free access to their markets. Bolivia was invited to join as a full member in 2012, but its accession is pending authorization from Brazil’s congress and is not expected to be completed in the near future.

Experts say integration has been further stifled as Mercosur economies continue to fall back on protectionist policies and show reluctance toward creating value-added supply chains or regional production hubs. Instead, Latin America’s traditional reliance on low-value-added commodity exports, particularly to China, continued during the commodities price boom of the 2000s. Many economists argue that this has contributed to the disappointing growth of trade within the bloc, which has fallen since 1998 as a share of members’ total trade.

Since its admission to Mercosur, Venezuela had failed to comply with many of the group’s trade regulations. Mercosur suspended Venezuela in late 2016, citing violations of human rights and the bloc’s trade rules by President Nicolas Maduro’s government. In August 2017, the group made Venezuela’s suspension indefinite. And in 2019, Argentina, Brazil, and Paraguay called on Maduro to cede power to the Venezuelan opposition.

https://www.cfr.org/backgrounder/mercosur-south-americas-fractious-trade-bloc

Document: GDP of Top five Trade blocs in 2016



https://www.pwc.com/gx/en/issues/economy/global-economy-watch/assets/pdfs/gew-october-2017.pdf

Document: A Tale of Two Trade Blocs: The Rise of the Pacific Alliance and the Eventual Fall of Mercosur

Rafael Paz

31st October 2019

It was the best of trade blocs, it was the worst of trade blocs. It was the age of free trade, it was the age of protectionism. Some trade blocs get a deal with the EU, some . . . don't. Mercosur, the South American customs union comprised of Brazil, Argentina, Paraguay, and Uruguay, found itself in this very situation after Austria on September 19, 2019, and France on October 8, 2019, chose not to sign the Mercosur-EU trade deal due to Brazil's controversial environmental policies.

On the other hand, the Pacific Alliance, a South American trade bloc comprised of Chile, Mexico, Colombia, and Peru, recently announced its commitment to greater ties with the EU at an EU-Pacific Alliance summit meeting on September 25, 2019 with no EU-member nation voicing objections. With Brazil's domestic policy driving away important Mercosur trade deals, it seems like Brazil is either knowingly or unknowingly sabotaging potential deals with other countries.

Established in 1991, the goal of the signatories of Mercosur was to "promote a common space that generates business and investment opportunities through the competitive integration of national economies into the international market." However, in the almost thirty years since, Mercosur seems to be constraining opportunity, particularly that of Brazil. For example, Mercosur imposes on all its members' common external tariffs that can be as high as 35% for certain goods. Because it has the highest GDP in South America, Brazil has great reason to feel stifled if these and other constraints continue at their current stature. The pressure on Brazil worsens when compared to what it stands to gain in a post-Mercosur universe. Some studies indicate that Brazil could receive an additional 1.25% bump to its annual GDP growth by moving beyond such high tariffs. Nevertheless, Brazil seems to have not completely dropped out of the bloc in recent years because of the potential of a future EU trade deal, which now seems dead for the time being.

The Pacific Alliance has everything to gain from remaining together. Not only does its founding treaty proclaim free trade and global economic integration as its objective, but it also actively searches for trade deals with the rest of the developed world. As of the summer of 2019, the Pacific Alliance expects to finalize an agreement that would bring Australia, Canada, New Zealand, and Singapore into the trade bloc as associate members. Indeed, the raw numbers alone indicate the success that the Pacific Alliance has achieved. Since its founding in 2011, its integration with global markets has skyrocketed, where exports to Asian markets comprise more than 30% of the exports of the member nations of Chile and Peru.

https://inter-american-law-review.law.miami.edu/tale-trade-blocs-rise-pacific-alliance-eventual-fall-mercosur/

Exercises for consolidation of understanding

You could produce paragraph based or spider diagram responses. What is important is to understand the key concepts so you can draw on this case study as a country level study in either a DBQ or essay.

Use Document: Belt and Road in Latin America: A regional game changer? AND some research

1.
a) What is the Belt and Road Initiative?

b) Analyse bi-lateral trade between Latin America and China? How/Why is the BRI of interest to Latin American countries?

Use Document: Bioceanic Corridor: road from Mato Grosso to the Pacific AND Document: New development corridors partially financed by China AND Special Focus: Latin America's Bi-Oceanic Railway Corridor

2. What are the bioceanic corridors, through which countries do they cross, what are their implications in terms of infrastructure and how are they anticipated to render the region more dynamic particularly in regards to the land-locked states?

Use Document : Latin American GDP Disparities

3. Describe the pattern of Latin American GDP (research up to date HDI figures and assess to what extent these correspond to the GDP figures).

Use Document: Foreign investment in Latin America expected to halve in 2020

4. What is the likely impact of the Covid-19 pandemic on FDI in Latin America?

Use document: Mercosur: South America's Fractious Trade Bloc AND A Tale of Two Trade Blocs: The Rise of the Pacific Alliance and the Eventual Fall of Mercosur WITH GDP of Top five Trade blocs in 2016 PLUS any up to date information you research.

5. SHORT DBQ STYLE ESSAY: How do the Mercosur and Pacific Alliance trade blocs represent interregional cooperation and tension?