May 2024

Latin American Participation in the Current Process of Economic Globalization

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Recommended Citation
DOI: https://doi.org/10.24073/jga/5/01/03
Available at: https://scholar.stjohns.edu/jga/vol5/iss1/3

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Abstract

From World War II to the present, Latin America has participated in the current process of economic globalization to varying degrees. The Washington Consensus of the late twentieth century supplanted the region’s earlier model of state-led development and increased its participation in the global capitalist regime. However, Latin America has shown minimal participation in the current process of economic globalization since the late 2000s and, instead, espouses regionalization. Nevertheless, regionalization has proven to be an arduous undertaking in Latin America, especially with China’s increasing regional influence. Variations of benefits are discussed, and recommendations are offered. While the future of Latin America’s participation in the current process of economic globalization has yet to be determined, the region is aware of its toolbox to guide its development in the rest of the twenty-first century.

Keywords: Latin America, economic globalization, regionalization, Global South

Introduction

The end of World War II inaugurated a new era in global history. Decolonization engulfed the world as most colonies throughout Latin America, Africa, and Asia gained their independence from a regional hegemon or an otherwise colonial power (Marks, 2020, p. 201). Newly independent countries focused their immediate efforts on political and economic development to modernize their regimes and sever their colonial past. This state-led approach to development characterized the beginning of postwar globalization, whereby former colonies increasingly interacted with modern regimes on an international scale. However, toward the end of the twentieth century, these nations reduced their regulations and embraced free market capitalism to guide their development (Marks, 2020, pp. 215-216).

The economic phenomenon that ensued profoundly affected Latin America. The transition from dirigismo (state-directed development) to neoliberalismo (state disengagement) introduced the region to “the global capitalist regime of finance, production, marketing, and consumption” (Keeling, 2004, p. 1). Economic globalization encouraged Latin American governments to privatize their state industries and deregulate their economies to promote free trade and attract foreign
investments. Although these measures stimulated economic development and integrated the region into the international system, they equally drew criticism.

Latin America has shown minimal participation in the current process of economic globalization since the late 2000s and, instead, espouses regionalization. After defining Latin America and economic globalization, with reference to their histories, this article discusses the region’s minimal participation in the current process of economic globalization, addresses regionalization, notes variations of benefits, strengths, and weaknesses, and offers recommendations for the overall Latin American area to better benefit from economic globalization.

Definitions and Background

Latin America encompasses Mexico and the countries of Central America, South America, and the Caribbean Islands. This vast region occupies almost 13% of the Earth’s land (Siddiqui et al., 2019, p. 413). Latin America consists of nations and territories in the Western Hemisphere where inhabitants have historically spoken Romance languages due to Spanish and Portuguese colonization. During the fifteenth century, Spanish and Portuguese explorers introduced their respective Romance languages – which stem from Latin – to Indigenous communities and populations on the American continent that they subsequently colonized, hence Latin America. The term originated four centuries later, in 1856, when two independent intellectuals called for Latin American countries to unite against the United States and its foreign interventions (Siddiqui et al., 2019, p. 412).

The region economically bifurcates along a north-south divide that posits Mexico and Central America against South America and vice versa. The split has stalled economic integration in Latin America because its two largest economies, Mexico and Brazil, constantly compete for regional dominance (Merke et al., 2021, p. 37). Mexico embraces economic globalization through participation in multilateral accords like the North American Free Trade Agreement and its replacement. In contrast, Brazil questions free trade agreements and maintains a protectionist economic outlook. The South American country criticized Mexico when it became a member of the Organization for Economic Cooperation and Development, claiming that Mexico had “sold out to North America and essentially given up its Latin American identity” (Merke et al., 2021, p. 37). These ideological differences contribute to the overwhelming recognition that “what is most lacking in Latin
American integration is precisely the establishment of stronger trade and financial ties between the countries of the Southern Cone and those of the North” (Calvo et al., 2017).

The north-south divide within Latin America parallels the broader division of the world between the Global North and the Global South. The Global North consists of North America (excluding Mexico), Europe, Australia, and New Zealand, where robust economies and stable governments offer opportunities and freedom. Conversely, the Global South contains the countries of Latin America (including Mexico), Africa, the Middle East, and Asia that were formerly colonized and struggle for political and economic development (Marks, 2020, p. 204). As a result, an enormous gap has materialized between the Global North’s rich nations and the Global South’s poor countries.

In its fullest sense, globalization is the process of growing interconnectedness and interdependence whereby transnational actors mediate the flows of goods, services, capital, people, ideas, and information across the globe (Dreher, 2006, p. 1092). It involves creating networks that connect and depend on various people, places, and things regardless of physical location. Since globalization bridges local communities with global institutions through transnational networks, it intensifies political, economic, and social relations, which subsequently “link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa” (Keeling, 2004, p. 3). The dynamic process of globalization informs an evolving theoretical framework that addresses how “goods and services are provided, spatial relationships are structured, and cultural identities are defined and understood” (Keeling, 2004, pp. 1-2). Therefore, globalization comprises three dimensions: political, economic, and social (Santiago et al., 2020, p. 64).

While the political and social dimensions of globalization are important, this article considers economic globalization. It defines the latter as the “long distance flows of goods, capital and services as well as information and perceptions that accompany market exchanges” (Dreher, 2006, p. 1092). Whereas general globalization describes the movement of people, places, and things through transnational networks, economic globalization examines such movement through its interaction with the global economy and the myriad markets of the international system. Economic globalization primarily deals with foreign investments, trade, and restrictions like tariffs and taxes (Dreher, 2006, pp. 1092-1093).
Economic globalization theoretically implies the absence of states. It relies on “a frictionless world without state-imposed barriers to economic interaction” (Keeling, 2004, p. 2). The flows of goods, capital, and services through market exchanges surpass the territorial limits of countries and engage nonpolitical actors, like multinational corporations, which replace state functions and dominate the global economy (Keeling, 2004, p. 3). Meanwhile, Latin American countries typically espouse a conceptualization of economic globalization inseparable from state and political affairs. It is a reasonable standpoint since most economies require steady governments to foster productivity and negotiate trade. The region has mildly abated this conceptualization with the embrace of neoliberalism.

**Latin America and the Rise of Economic Globalization: World War II to the Early 2000s**

The historical background underpinning economic globalization in Latin America dates to the fifteenth century. The Aztec and Incan Empires, stretching from modern-day Mexico to Peru, developed trade and commerce throughout the region that European colonizers captured once they arrived (Vanden & Prevost, 2021, p. 161). The discovery of the New World in 1492 commenced the period of historical globalization in which the nascent circulation of capital and raw materials and the division of labor and production across continents gave birth to the global capitalist economy (Siddiqui et al., 2019, p. 414). This early economic development of Latin America involved European countries seizing, uniting, and forming new markets. It was not until after 1500 that the region was integrated on an international scale (Vanden & Prevost, 2021, p. 161).

Although Latin America contributed to the wealth accumulation of the Global North for half a millennium, the region lacked industrialization until the twentieth century, especially after World War II, since European colonial powers discouraged manufacturing (Vanden & Prevost, 2021, p. 162). When the colonies of the Global South gained their independence, Latin American countries implemented state-directed economic measures. They promoted import substitution industrialization to protect domestically manufactured goods from imported goods and build internal economic capacities. (Vanden & Prevost, 2021, p. 174). The newly independent countries of Latin America followed this state-led development model until an economic policy change at the end of the Cold War.
Latin America became more involved in the global economy during the 1960s, 1970s, and 1980s, with Theodore (2015) noting that the process of globalization in Latin America started in the 1970s (p. 193). The region gradually integrated with industrialized capitalist countries like the United States and those in Western Europe. The rise of multinational corporations in Latin America transformed the region’s economies by facilitating the transition from only producing domestic goods to also manufacturing export goods (Vanden & Prevost, 2021, p. 176). This transition exemplified the “integrative embrace of globalization” in the region whereby multinational corporations replaced state control over production and resources (Keeling, 2004, p. 6).

Public and private entities in Latin America began borrowing foreign capital to build new factories and acquire modern technologies to meet the growing demands of the global market. This debt-led growth, compounded by a worldwide recession, crippled Latin America in the 1980s when the price of export goods dropped, and borrowers could not afford their loan repayments. The “lost decade” of the 1980s halted economic growth for many countries in the region (Vanden & Prevost, 2021, p. 177).

Nevertheless, the dissolution of the Soviet Union in the early 1990s reinvigorated economic globalization. Latin America reintegrated into the global capitalist regime alongside other large regions. The triumph of capitalism at the end of the Cold War pressed capitalist governments and international financial institutions to implement free market and free trade ideas. They opposed the type of state intervention and planning that existed in Latin America and elsewhere, especially in Eastern Europe, which provoked debt-led growth (Vanden & Prevost, 2021, p. 179). As an alternative, the global capitalist regime formed the neoliberal Washington Consensus.

The Washington Consensus united neoliberal economic policy with economic globalization. Rooted in the eighteenth-century classical liberalism of Adam Smith, neoliberalism asserted that “the magic hand of the market, not government control or trade barriers, should regulate the economy” (Vanden & Prevost, 2021, p. 180). Neoliberalism thus prescribed government reduction, economic deregulation, trade liberalization, foreign investments, and privatization to increase global commerce through free trade. It encouraged Latin America to “globalize, globalize, globalize” and “privatize, privatize, privatize” (Vanden & Prevost, 2021, p. 181). These
mantras of the Washington Consensus promised Latin America the chance to “reverse decades of economic mismanagement and squandered development opportunities,” prompting the region’s governments to overwhelmingly pursue economic globalization and neoliberal policies (Keeling, 2004, p. 1).

Free market capitalism guided the region’s development in the 1990s. Latin America established free trade zones and privatized state industries like national telephone and telecommunication companies. As a result, the region increased its participation in the process of economic globalization (Vanden & Prevost, 2021, pp. 180-181).

**Latin America and the Decline of Economic Globalization: The Late 2000s to the Present**

Santiago, Fuinhas, and Marques (2020) affirmed the acceleration of globalization in Latin America in the 1990s, which continued into the early 2000s (pp. 68–69). Latin America embraced the Washington Consensus and globalized and privatized. However, their comprehensive analysis of twenty-four Latin American countries between 1995 and 2015 revealed that the region’s globalization stagnated between 2007 and 2015 (Santiago et al., 2020, p. 69). Despite two decades of accelerated participation in the process of globalization, Latin America demonstrated stagnant participation for eight years. In other words, the region minimally participated in the process of globalization between 2007 and 2015. Therefore, the late 2000s indicates the temporal departure by which Latin America has shown minimal participation in the current process of economic globalization.

The 2008 global fiscal crisis explains the beginning of Latin America’s minimal participation in the current process of economic globalization. As the factors contributing to that economic catastrophe mounted, Latin American globalization began to decrease in 2007. When the fiscal crisis hit in 2008, it generated a slowdown in globalization that has yet to cease (Santiago et al., 2020, p. 69). Calvo et al. (2017) noted the “significant reduction of capital flows to the region and the withdrawal of several global banks” in Latin America since the fiscal crisis, which minimized economic globalization and the region’s participation in that process.

Moreover, world trade has declined overall since 2008. Calvo et al. (2017) observed that “the volume of global exports, as a measure of trade volume, has reduced its growth rate to half of what it was historically, even lower than the growth rate of
global output.” This sizeable reduction harms Latin America because the region’s economy is oriented toward exports. Despite its myriad trade agreements and market liberalization, Latin America’s economic progress has stopped since 2008 (Merke et al., 2021, p. 22).

The minimal participation of Latin America in economic globalization during the late 2000s persisted into the 2010s. While globalization stagnation occurred through 2015, the region’s gross domestic product (GDP) per capita decreased by four percent between 2014 and 2019 because commodity prices dropped (Merke et al., 2021, p. 2). This phenomenon mirrored the “lost decade” of the 1980s when the price of export goods similarly decreased, and Latin America witnessed little economic growth. The decline in GDP pushed many people to disengage from economic globalization because those who entered “Latin America’s new middle class during the commodity boom of the 2000s slid back into poverty during the 2010s” (Merke et al., 2021, p. 3). Poverty precluded Latin American people from partaking in viable economic activities, thereby inducing the region’s minimal participation in the current process of economic globalization.

Latin America further minimized its participation in economic globalization starting in 2013. Between 2013 and mid-2016, external factors such as China’s economic stagnation, the continued decline in commodity prices, and the reduction of capital flows compelled Latin America to disengage from economic globalization and address these shocks throughout the region (Calvo et al., 2017). However, their lasting effects lingered through mid-2016, at which point the United Kingdom and the United States announced their political intentions to reduce economic globalization. The Brexit referendum to leave the European Union in the former and the protectionist election of Donald Trump as president in the latter strengthened the trend toward minimizing economic globalization that Latin America had embodied since the late 2000s (Siddiqui et al., 2019, p. 416).

The onset of anti-globalization in the Global North in mid-2016 exacerbated Latin America’s already minimal participation in economic globalization. Calvo et al. (2017) cautioned that “with less flexibility of response than advanced economies, and in many cases with current account deficits…Latin America is particularly exposed to the risks arising from the new policy approach in the north.” The rise in United States protectionism under President Donald Trump threatened the region’s export-oriented economy. The increase in interest rates also endangered Latin
American public and private entities whose past with repaying foreign loans was woeful (Siddiqui et al., 2019, p. 416). These unfavorable policy shifts gave credence to the region’s minimal participation in the current process of economic globalization.

Nevertheless, Latin America has most recently pursued anti-globalization itself. Urdinez (2022) framed this emergent development within the region’s minimal participation in economic globalization since the late 2000s by stating that Latin America shows continued engagement despite a deglobalizing turn (p. 63). O’Neil (2022) likewise asserted that “globalization was always a choice, and many nations are no longer embracing it,” especially in Latin America. This phenomenon deepens the current process of economic globalization with a novel circumstance.

In the past few years, Brazil, Mexico, and Argentina – the three Latin American countries with the largest economies – have had presidents who brazenly oppose economic globalization. The former president of Brazil, Jair Bolsonaro, denounced multilateral agreements like the 2015 Paris Climate Accords and the 2018 Global Compact for Migration. He also spoke against not only economics but all globalization (Urdinez, 2022, p. 63). Despite its historic embrace of economic globalization, Mexico has attacked neoliberalism under sitting President Andrés Manuel López Obrador, who rescinded anticipated foreign investments and neglected international market norms. Lastly, the former president of Argentina, Alberto Fernández, canceled free trade negotiations in 2020 with South Korea, Singapore, Lebanon, India, and Canada (Urdinez, 2022, p. 64). The recent deglobalizing turn from Latin America’s three largest economies underscores the region’s minimal participation in the current process of economic globalization.

The early 2020s reflect the late 2000s when the region first minimized participation. The new embrace of anti-globalization among Latin American countries stems from their desire to “amend the prevailing rules [of neoliberalism] with the aim of creating the institutional foundations of a form of global governance that will produce more equitable outcomes” (Urdinez, 2022, p. 64). The region disfavors its status as a rule-taker rather than a rule-maker, particularly in recent decades (Urdinez, 2022, p. 67). Among other economic and political factors, Latin American nations have responded by minimally participating in the current process of economic globalization since the late 2000s. The protectionism of Brazil and Argentina adds to such evidence that South American countries have produced two
of the most closed economies in the world (O’Neil, 2022). Moreover, Latin America is “a full 11 percentage points below the global average (45% versus 56%) in terms of the importance of trade for their economies” (O’Neil, 2022). In other words, the region has scarcely integrated into the global capitalist regime.

Although Latin America has only shown minimal participation in the current process of economic globalization since the late 2000s, two factors impeded its full participation if the region wanted such integration. First, Latin America has an infrastructural deficit. The region lacks the critically necessary transportation systems, like railroads, ports, roads, and modern telecommunications, to engage with other parts of the world and involve itself in globalization (Keeling, 2004, p. 14).

Second, the region has inadequate mechanisms for mobility and accessibility. Latin America has little political, social, and economic mobility, meaning that “those who are well-connected can improve their circumstances, while those who are disconnected fall even further behind” (Keeling, 2004, p. 15). This lack of adequate mobility emanates from inadequate accessibility. Globalization has reshaped Latin America so that many cannot access resources, credit, services, and economic opportunities.

**Latin America and the Renewed Interest in Regionalization**

Latin America now espouses regionalization while sustaining its minimal participation in the current process of economic globalization. In recent years, Latin American countries have pushed for intraregional integration. Their efforts reflect the idea that if the region’s nations can “build and expand their links to one another in the new global context that is taking shape in the 2020s, they may yet be able to capture the economic and commercial dynamism that has helped drive growth and prosperity in other parts of the world” (O’Neil, 2022). As such, Latin American countries presently focus on expanding the region’s internal information, capital, and trade flows to develop economic capacities and enhance and augment themselves.

The region has historically advanced regionalization through organizations of economic development. The Organization of American States was founded in 1948 and remains the largest regional body whose reach extends from Canada to the Southern Cone of Latin America (Merke et al., 2021, p. 12). Other organizations
have materialized across Latin America that address specific subregions or broader economic goals, like the creation of the Andean Pact in 1969, which became the Andean Community in 1996, and the Latin American Integration Association in 1989 (Theodore, 2015, p. 194). The former established a free trade zone for Andean nations, while the latter supports economic cooperation throughout the region.

Currently, the two most influential regional organizations are Mercosur and the Pacific Alliance. Mercosur inaugurated the Southern Common Market in 1991 for the South American countries of Paraguay, Uruguay, Argentina, and Brazil. The organization commands a sizeable trading bloc alongside other regional countries (Vanden & Prevost, 2021, p. 187). Mercosur contributes to the expansion of Latin America’s internal information, capital, and trade flows by incentivizing the creation of small- and medium-sized companies within member states (Theodore, 2015, p. 194). Moreover, it has evidenced “significant success in promoting regional trade, a tenfold increase among the participating countries,” thereby advancing economic integration within Latin America (Vanden & Prevost, 2021, p. 187).

The Pacific Alliance similarly facilitates regionalization in Latin America. The alliance was founded in 2011 with ambitious integration plans shared across its member states of Chile, Colombia, Mexico, and Peru. These Pacific Rim countries agreed to eliminate economic tariffs and consolidate each nation’s stock exchange (O’Neil, 2022). The Pacific Alliance has become a colossal trading bloc on the western coast of Latin America. At one point, the Chilean government suggested a merger between Mercosur and the Pacific Alliance (Calvo et al., 2017). Although unlikely, this proposal could achieve regionalization by integrating most of Latin America and ameliorating its north-south divide.

Regionalization has proven to be an arduous undertaking in Latin America. Merke, Stuenkel, and Feldmann (2021) argued that Latin American “heads of states have insurmountable ideological differences” that thwart efforts to promote regional governance (p. 4). The isolationism of Venezuela, political tensions between Brazil and Argentina, and poor relations between Mexico and the rest of Latin America indicate the diplomatic struggle to realize intraregional integration (Merke et al., 2021, p. 6). At the same time, Latin American economic development organizations have wrestled with adequately responding to changing economic realities. Mercosur has been adversely affected by currency devaluation in the twenty-first
century, while the Pacific Alliance has done little to increase growth (O’Neil, 2022).

Meanwhile, China has been increasingly influencing the economic development of Latin America in three critical ways since the region started its deglobalizing turn and the present pursuit of regionalization. First, China is targeting Latin America’s stream of foreign capital. The region has sought alternatives to funding from the World Bank and the International Monetary Fund (IMF) because their structural adjustment policies perpetuate Latin America’s status as a rule-taker rather than a rule-maker. Therefore, “in the last ten years, World Bank and IMF loans have been gradually replaced by credit from financial institutions promoted by China” throughout the region’s countries (Urdinez, 2022, p. 67).

Second, China is deepening its trade with Latin America. It is the top trading partner in the subregion of South America and the main export partner for Uruguay, Peru, Brazil, Chile, and Venezuela (Roy, 2023; Merke et al., 2021, p. 23). In eleven years, trade between China and Latin America increased by $270 billion, from $180 billion in 2010 to $450 billion in 2021 (Roy, 2023).

Third, China is pursuing south-south cooperation in Latin America. This type of cooperation involves a more resourceful country helping a less resourceful country through trade, investments, and aid (Roy, 2023). In effect, China is leveraging its power as a Global South nation to influence other parts of the Global South, particularly Latin America.

This unprecedented engagement between China and Latin America affects the current process of economic globalization. The anti-globalization of the Global North since mid-2016 has allowed China to ascend in influence throughout Latin America. Its growing stream of capital in the region has progressively supplanted Global North funding and drawn Latin America more toward the Global South. Moreover, China is helping Latin America address its infrastructural deficit – which has long precluded the region’s full participation in economic globalization – by lending credit to infrastructure projects. Twenty-one countries across the region have already joined China’s Belt and Road Initiative, a trillion-dollar infrastructure project (Roy, 2023; Merke et al., 2021, p. 33).

The ascendancy of China also affects Latin American regionalization. China’s deep trade relations with the region have pushed Latin American countries to develop
internal economic capacities, especially in the space, energy, and infrastructure industries (Roy, 2023). This development propels Latin American regionalization because it enhances and augments the region. However, despite its apparent economic benefits, Latin America’s interaction with China has marginalized Taiwan, generating geopolitical chaos in the international system. In recent years, fewer Latin American countries have recognized Taiwan’s sovereignty. Honduras transferred diplomatic allegiance from Taiwan to China in 2023 after the former rejected a proposed foreign aid project (Roy, 2023).

**Variations of Benefits: Strengths and Weaknesses**

Latin America’s participation in the current process of economic globalization has produced variations of benefits. On the one hand, Santiago, Fuinhas, and Marques (2020) found that globalization in Latin America yielded positive and significant economic growth overall (p. 72). Conversely, economic globalization has created an enormous gap between and within Latin American countries that polarizes communities and populations (Siddiqui et al., 2019, p. 415). Therefore, several underlying strengths and weaknesses exist concerning economic globalization.

The strengths of economic globalization in Latin America principally concern the economy. Globalization has solidified economic growth in Latin America overall. Its positive impact on economic growth in the region’s countries between 1995 and 2015 led Santiago, Fuinhas, and Marques (2020) to recommend that they “stay on path to globalization and…implement policies that will ultimately allow to increase their levels of globalization” (p. 74). This economic growth materialized from the processes that economic globalization strengthened in Latin America, like utilizing comparative advantages to specialize in the production of certain goods, promoting innovation to produce those goods efficiently, and reducing their transaction costs (Santiago et al., 2020, pp. 74-75).

Economic globalization has expanded trade between the region and the rest of the world. Multinational corporations encouraged Latin American producers to sell their finished and primary products globally to earn more revenue. Brazil became “one of the largest producers of footwear on the world market,” while Colombia rigorously exported flowers (Vanden & Prevost, 2021, p. 176). Trading blocs emerged and deepened economic ties for the benefit of these Latin American
industries as well as its forestry, mining, fishing, and agriculture industries (Keeling, 2004, p. 9).

Moreover, state deregulation championed by economic globalization has improved economic activities in Latin America overall. The region’s countries supplanted “inflexible labor markets with flexible ones, closed domestic markets with open and free trade, and restrictive institutions with more innovative management approaches” (Keeling, 2004, pp. 6-7). State disengagement thereby fostered an economic atmosphere that enabled and strengthened productivity throughout Latin America. Deregulation for global economic integration reduced inflation rates to single digits in most of Latin America, especially in Argentina and Brazil, where they previously exceeded one thousand percent (Vanden & Prevost, 2021, p. 189). The absence of crippling inflation further increased economic productivity.

Beyond the economy itself, the current process of economic globalization has generated demographic improvements in Latin America. The region contains a growing middle class of accountants, engineers, and skilled technicians whose human capital and knowledge strengthen the region. At the same time, Latin America has witnessed the growth of an industrial working class (Vanden & Prevost, 2021, p. 177). Better health outcomes and greater female integration into literate and working populations have likewise developed in Latin America. Life expectancies have also improved; the dependent population over sixty-five years old has increased by fifteen percent in the past four decades (Siddiqui et al., 2019, pp. 414-415). These demographic improvements amplify the strengths of economic globalization in the region.

However, the current process of economic globalization also demonstrates weaknesses in Latin America. Despite its integration into the global capitalist regime, the region’s countries remain vulnerable to shocks throughout the world because of low levels of economic diversification (Santiago et al., 2020, p. 75). The utilization of comparative advantages in economic globalization has rendered many economies in the region dependent on the production of one crop – called monoculture – or one commodity, adversely affecting Latin American nations when their prices fall. Over half of Colombia’s exports were coffee until it was replaced by petroleum in recent decades; the country will significantly suffer should the current price of petroleum drop (Vanden & Prevost, 2021, pp. 167-168). This vulnerability due to economic globalization manifested itself between 2014 and
2019 when the drop in commodity prices shrank Latin America’s GDP per capita by four percent (Merke et al., 2021, p. 2).

Economic globalization physically weakens the region by putting pressure on its natural resources. It has created a resource extraction economy in the region whereby hectares of land are increasingly partitioned to cultivate raw materials and sell them in global markets (Keeling, 2004, p. 9). The resource extraction economy particularly undermines the Amazonian jungle, where rapid deforestation befalls the natural landscape (Vanden & Prevost, 2021, p. 192). Urdinez (2022) shared that “there are real worries that the impacts associated with the extraction of raw materials in the Global South, such as lithium, cobalt, copper, coltan, and green hydrogen, may reduce the carbon footprints of richer countries at the expense of the environments of underdeveloped states” in Latin America (pp. 71-72).

Moreover, economic globalization has engendered a host of other negative economic factors in Latin America. International competition forces the region’s companies to downsize to keep their costs low and remain desirable in global markets. In addition to unemployment, this factor of economic globalization leads to underemployment, whereby the global economy fails to utilize the entire range of its professionals’ skill sets (Keeling, 2004, p. 11). Immediate changes in economic globalization also take time to show tangible benefits. Latin American countries thus wait years for results, which weakens their ability to respond urgently to economic realities (Santiago et al., 2020, p. 77).

Polarization is among the greatest weaknesses of economic globalization in Latin America. The region’s integration into the global capitalist regime has pitted poor communities and populations against their wealthy and elite counterparts who reap the benefits of economic globalization. Vanden and Prevost (2021) observed that despite their optimistic predictions, “real-wage rates for the vast majority of workers did not, however, improve…and growing numbers of workers were forced to go into the informal sector to survive” (p. 189). Whereas multinational corporations have capitalized on economic globalization for decades, the number of people selling “fruits, vegetables, clothing, household products, and auto products on the streets and at traffic lights in larger cities all over Latin America [is] increasing significantly” (Vanden & Prevost, 2021, p. 189). The latter development has created a wide gap between the Global North and the Global South.
and between and within the region’s countries, polarizing its people and impairing economic globalization (Siddiqui et al., 2019, p. 415).

Lastly, such polarization from the current process of economic globalization has fueled two devasting effects concerning Latin America. First, limited democratization has occurred in the region. Although democracies have the power to advance economic growth and interdependence, thereby uniting neoliberal policies with democratic processes, they have been backsliding in Latin America since the onset of economic globalization, most recently in Paraguay, Bolivia, Ecuador, and Peru (Merke et al., 2021, pp. 27-28). However, at the start of the twenty-first century, Keeling (2004) noticed that “most important political and socioeconomic decisions [were] now made by the global elite, beyond the influence and reach of the vast majority of Latin America’s citizens” (p. 12). Multinational corporations have commanded immense power over Latin America, its governments, and its citizens since then, thwarting the expansion of democracy that typically accompanied economic globalization in the rest of the world and polarizing communities and populations.

Second, polarization has fueled migration within and from Latin America. Economic instability stemming from economic globalization precludes Latin American communities and populations from steadily providing material necessities. As such, their members migrate elsewhere for better opportunities. Rural-urban migration exists within Latin America, whereby people leave their agrarian employment and search for manufacturing jobs in urban areas (Siddiqui et al., 2019, p. 415). In recent years, economic instability has also expedited transnational migration, especially in Central America, creating a crisis along the border of the United States (Merke et al., 2021, p. 16). The migratory effect of the current process of economic globalization has undermined local communities and populations as integral members leave and, thereby, change social structures.

**Recommendations**

The overall Latin American area can better benefit from participation in the current process of economic globalization by making pertinent economic and political changes. The region should participate in economic globalization, whether such participation is minimal or regional. However, Latin American countries need to advance policies that will allow them to “take advantage of the best aspects of the
process…these aspects will ultimately allow for the improvement of these economies and, consequently, for the well-being of their populations” (Santiago et al., 2020, p. 75). The lack of continuity between policy formation and policy implementation must thus be addressed.

It is paramount that Latin America overcomes its dependency on natural resources. As such, the region needs to diversify its economy. O’Neil (2022) recommended that Latin America leverage its existing and “strong chemical, pharmaceutical, manufacturing, and software bases to build upon and scale.” The region has numerous advantages to hasten this diversification, from proximity to the industrialized United States to labor market growth ahead of Asia (O’Neil, 2022). Less dependency on natural resources will allow Latin America to react to international shocks more effectively and improve its participation in economic globalization.

One of the best opportunities for positive Latin American prospects in the current process of economic globalization is continuing to embrace the renewable energy transition. The region started this economic transformation years ago, and “over half of the electricity produced already comes from clean sources, and many nations are blessed with abundant sun, wind, and geothermal reserves” (O’Neil, 2022). Moreover, water, wind, and solar power grew at an average rate of thirty-four percent between 2006 and 2016 (Urdinez, 2022. p. 72). Therefore, “Latin America has the potential to be an answer for multinationals looking to meet climate pledges and reduce their global carbon footprints,” thereby integrating the region into the current process of economic globalization in a favorable way that gives it the advantage in global markets (O’Neil, 2022).

Latin America should also remain committed to regionalization. It is imperative to build internal economic capacities and pivot to the global economy from a heightened vantage point. Calvo et al. (2017) proposed turning the Latin American Reserves Fund into a regional monetary fund to mitigate “the risks that are noticed in the international financial market.” Meanwhile, trade on a more intraregional scale would produce jobs inside Latin America and “increase the chances of technological adoption and adaptation, of labor specialization and advancement, of industrial learning and innovation, and of economic diversification and development,” which are necessary for the region to better benefit from economic globalization (O’Neil, 2022).
In the political arena, Latin American governments need to temper global economic integration with local considerations. Keeling (2004) called for a “clearer democratic articulation of the social, political, and economic development goals that need to be achieved at the regional and local level within the broader context of globalization policies” (p. 16). Since economic globalization has limited democratization and undermined Latin American communities and populations, the region’s countries must advance policies that protect the sustainable development of its various localities. They need to adopt a global-local approach that focuses regionally, which Keeling (2004) named glocalization, to improve its participation in the current process of economic globalization (p. 17). The reversal of democratic backsliding through regional institutions will additionally improve such participation.

Finally, Latin America must abate the influence of China. Although economically alluring, China has contributed to debt traps in the region. Since Chinese credit has fewer conditionalities than Global North funding, less developed nations like Venezuela have accepted loans on which they may default. The geopolitical risks of China’s assistance in closing Latin America’s infrastructural deficit are also causes for concern, as China has started controlling the region’s energy grids and ports (Roy, 2023).

**Conclusion**

Latin America has shown minimal participation in the current process of economic globalization since the late 2000s. Its minimal participation stems from the 2008 global fiscal crisis, which initiated a slowdown in globalization that has yet to wane. Other shocks like the decline in commodity prices and the reduction of capital flows around 2013 further minimized the region’s participation in economic globalization until the onset of anti-globalization in the Global North in mid-2016 cemented such participation. Latin America instead focused on regionalization and presently pursues intraregional integration, as evidenced through regional organizations like Mercosur and the Pacific Alliance. Meanwhile, China has increasingly influenced the region by targeting its stream of foreign capital, deepening trade relations in Latin America, and pursuing south-south cooperation.

Latin America’s minimal participation in the current process of economic globalization has produced variations of benefits. Most strengths primarily concern
the economy itself, like solidifying economic growth, expanding trade, and improving economic activities in Latin America overall through state deregulation. At the same time, economic globalization has indicated numerous weaknesses. The region remains vulnerable to shocks because of low levels of economic diversification. Pressure on its natural resources and effects like downsizing and underemployment negatively affect Latin America. In addition, polarization has caused limited democratization and migration within and from the region.

Nevertheless, pertinent economic and political change can improve economic globalization in the overall Latin American area. The region should maintain its participation in the current process of economic globalization, whatever the degree. It needs to overcome its dependency on natural resources and continue to embrace the transition to renewable energy. While pursuing regionalization remains important, Latin American governments must balance global and local realities in the process of economic globalization, prevent further democratic backsliding, and diminish Chinese influence. While the future of Latin America’s participation in the current process of economic globalization has yet to be determined, the region is aware of its toolbox to guide its development in the rest of the twenty-first century.

References


