Center for Global Studies bonn

UNIVERSITÄT BONN

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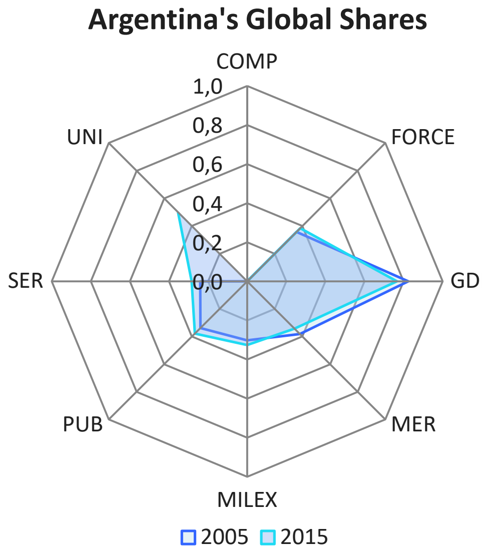
ARGENTINA

POWER SHIFT COUNTRY REPORT 2005-2015

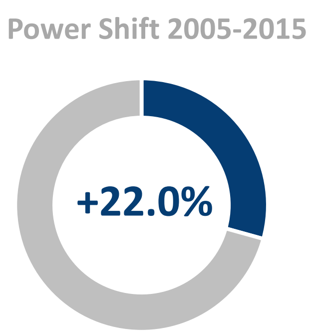
The Slow Progress of a Regional Power

Argentina, the Southern Cone of the G20, is already known for its "chronic instability" [1] in the 20th century. Its ups and downs since the turn of the millennium indicate that the country has not yet escaped the vicious cycle of instability. On the Bonn Power Shift Monitor, Argentina ranks 9 with a Power Shift Rate of +0.07. In international comparison, this figure signals almost power stagnation, as for example Brazil ranks fifth for power shifts presenting a higher increase of +0.31 points. Considering Argentina's original power score in 2005, the incremental increase in power still equals a plus of 22 percent. This underlines that even though the country is lagging behind other rising powers on the index, it still creeps forward as a new middle power.



Marginal Improvements

In the 2005 to 2015 period, Argentina has increased its global shares incrementally in five of the eight BPSM-categories which are service exports, force size, military expenditures, top universities and scientific publications. In this positive outline, the most interesting finding is the rise of the Universidad de Buenos Aires (UBA) on the QS top universities ranking. While there was not even one Argentinian university listed among the world's elite in 2005, UBA has joined the top 200 in 2015 and is enhancing its ranking ever since. In combination with the – yet marginally in international comparison – increasing number of scientific publications, this positive trend underlines Argentina's innovative potential. Yet this trend should not be overestimated regarding its global power position as for example Brazil boast seven leading universities in 2015 and produced more than five times the publications. The rising number of university students as well as slowly increasing governmental R&D expenditures though underline Argentina's willingness to boost innovation and upgrade its economic outlook.[2] Still, Argentina rather underperforms in innovation and knowledge production, which can turn out to be a major structural disadvantage in societal, economic as well as power political terms.[3] This is also reflected in the category of publications in which Argentina was outperformed by both South Africa and Saudi Arabia and only published more scientific articles than Indonesia among the G20 individual states.



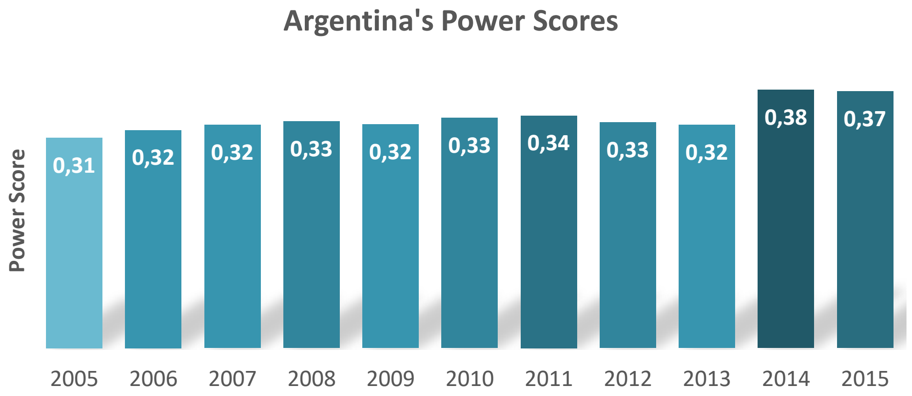
A trend of underachievement can also be detected in the category of the world's largest enterprises, in which the Argentinian position remains unchanged with a total of zero companies on the list. The only other G20 individual country with a similar pattern is South Africa. This finding underlines the difficult economic situation in Argentina that has been affected by uncontrollable inflation rates rising to more than 40 percent in 2016. Protectionist policies that are gradually revised as well as high perceived corruption have also contributed to little trust of foreign investors in the country which restrains economic rise.[4]

Potential Trade Broker

At the same time, Argentina has laid the basis for deeper trade relations by belonging to the MERCOSUR customs union and the Union of South American Nations (USAN). These are suitable platforms for Argentina to act as a mediating power and trade broker in order to shape these unions and trading practices in its interests. Even though Argentina has lost marginal global shares in the categories GDP (-0.06 percent) and merchandise exports (-0.04 percent), it still keeps growing in absolute terms in all reviewed economic aspects. Thus though Argentina suffers deteriorating international

[1] Bertelsmann Stiftung 2016: 3
[2] Destatis 2017: 3, 6
[3] OECD 2017: 96-97
[4] OECD 2017: 92-95

competitiveness, it has still managed to neither politically collapse nor fall into a devastating recession. While these figures suggest little progress, it should be kept in mind that Argentina has risen from the dust of a grave system crisis in 2001/02 and was also affected by the backlash of the 2008/09 global economic crisis. Despite these events, its GDP has still grown by more than 60 percent over the review period. This hints at an extraordinary resilience and again economic potential that still waits to be unleashed. The overall positive trend in service exports over the research period further emphasizes this potential, though the Latin American country exported the least services of all G20 individual states in both 2005 and 2015.



Addressing the Neglected Military

Since the end of the military dictatorship in the 1980s, the armed forces have not only been politically neglected, but suffered from social condemnation and a strong anti-militaristic attitude in the society. Consequently, decade-long underfunding led to a deterioration of material capacities and thus the country's hard power.[5] As there is no direct threat to Argentina's security, the lack of attention continues, whereas the BPSM data shows a certain shift towards military modernization since the Kirchner administration took office in 2003/04. Since then, defense spending and armed forces staffing levels began to rise in both relative and absolute terms. For the 2005 to 2015 period, we observe an increase of 3.4 percent in the staffing level and more than 30 percent in the military budget. Yet from a global perspective, this marks a comparably small increase. For example, Argentina's military expenditures of around $ 5.5 billion in 2015 roughly equal one fifth of Brazil's $ 24.6 billion budget.[6] The hard power gap is even worse for its armed forces level of around 105,450 in 2015 in view of Brazil's estimated manpower of 729,500. The modest size of Argentina's buildup is also visible in the level of international shares gained in the two categories which are only 0.03 percent for the armed forces and 0.02 percent for military spending.

Under Néstor Kirchner and Cristina Fernández de Kirchner, politics embraced a new vision of the military as a promoter of development. The military sector was re-discovered as an instrument for modernization after the previous systemic crisis. This resulted in a revival of strategic planning without overrating the army with excessive resources. The new strategy was mainly based on the principle of protecting Argentina's strategic interests, i.e. natural resources and aims to increase the defense budget to 1.5 percent of GDP by 2020.[7] This upward trend sounds quite remarkable as the current spending has stabilized at around 1 percent of GDP over the last years.[8] Concerning the iterated assessments that force capabilities and equipment are precarious and technologically backward, stronger investments facilitates strategic progress which is also continued under the present President Mauricio Macri.[9] As more than two thirds of the current spending goes on personnel salaries, the targeted increase would leave the needed room for the renovation of gear.[10]

Connecting Power to Stability

Among the G20 individual states, Argentina belongs to the power gainers of the 2005 to 2015 period. Its positive power shift particularly affects its hard and structural power capacities, whereas it is challenged by relative underperformance as well as negative reports about endemic violence and social discontent. This in turn curbs its growth potential as well as soft power perceptions.[11] Its underperformance is particularly visible in the regional comparison to Brazil and Mexico. Both countries outperform Argentina in their absolute power ranking as well as power gains over the review period. Among the G20 individual states, Argentina only competes with South Africa among the last power ranks which reflects its struggle to anchor its reputation as a regional middle power and expand its global influence.

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[5] Battaglino 2013: 10
[6] Constant 2015 USD according to SIPRI

[7] Battaglino 2013: 8, 10
[8] Resdal 2016: 113
[9] Calderón 2017: 242-243
[10] Battaglino 2013: 10
[11] Bertelsmann Stiftung 2016: 11

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Country Data: Argentina

Indicator	Code	Unit	Source	2005 total	2005 CS	2015 total	2015 CS	2005/15 ICR	2005/15 MC	2005/15 CC	2005/15 PSR
GDP	GDP	PPP; current int. Dollar	World Bank	540.90 billion	0.82	883.02 billion	0.77	63.25	-0.06	53.68	0.07
Merchandise exports	MER	Total, current USD	World Bank	40.35 billion	0.38	56.79 billion	0.34	40.74	-0.04		
Service exports	SER	Total, current USD	World Bank	6.46 billion	0.24	13.94 billion	0.28	115.90	0.04		
Armed Forces	FORCE	Total number of personnel	World Bank	102,000	0.36	105,450	0.38	3.38	0.03		
Military Spending	MILEX	Constant 2015 USD m	Stockholm Institute for Peace Research	4,151	0.30	5,483	0.33	32.08	0.02		
Top Companies	COMP	Total of Top 500	Fortune	0	0.00	0	0.00	0.00	0.00		
Top Universities	UNI	Total of Top 200	QS World University Ranking	0	0.00	1	0.50	100.00	0.50		
Publications	PUB	Number of S&E Articles	National Science Foundation	5,009.20	0.34	8,719.70	0.38	74.07	0.04		

Red numbers consist of uncertain estimates or a BPSM input if the start value equates zero; Figures in blue are SIPRI estimates.
CS: Country Share in percent of the world's total; ICR: Indicator Change Rate in percent between two point in time; MC: Market Change, measures the difference of a country's share between two points in time in percent; CC: Rate of Country Change, gives the average of country shares; PSR: Power Shift Rate, difference between the Power Scores of two point in time / average of all market change rates.