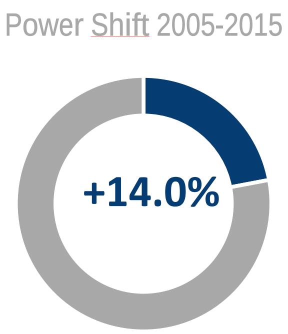
Center for Global Studies bonn
UNIVERSITÄT BONN

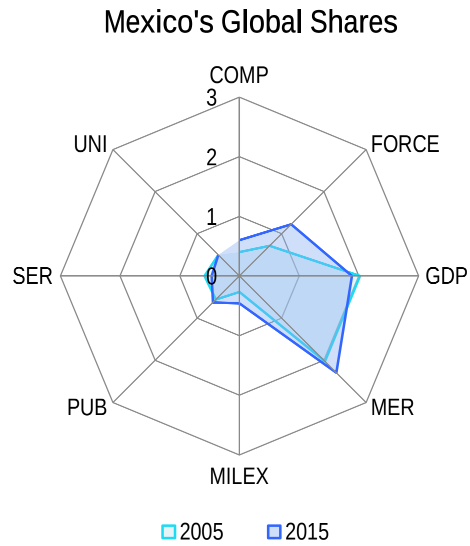
MEXICO

POWER SHIFT COUNTRY REPORT 2005-2015

Mexico – An Emerging Power?

Mexico is often viewed as an essential bridge between North America and Latin America due to its unique geographical position.[1] This is related to a special interest in the country's development and international role. Mexico's power shift profile exhibits rather an undulated development. In general, Mexico belongs to the global power gainers on our BPSM ranking corresponding with a positive Power Shift Rate of +0.12. Comparing its original 2005-power status with the 2015-ranking, Mexico's capacities have grown by 14 percent. This upturn is mainly owed to its gains in the categories of armed troops and merchandise exports. By contrast, its positive development in the categories GDP and service exports stay behind the global pace and thus curbed Mexico's Power Shift Rate. Nevertheless, the BPSM scores indicate that Mexico is indeed an emerging power within the G20.





Taking a closer look at the changes over the last decade, the phase-based Power Shift Rates reveal that Mexico was hit hard by the global financial crisis. While it gained international shares from 2005 to 2007, it lost them again to some extend in the following phases until 2011. Since then, Mexico is on a rise again. Having said that, these rebounded positive Power Shift Rates remain significantly below the original growth rate of the first phase. Tis indicates a lost but recuperating vigor in Mexico's rise for power.

Rebounding Economy

Though Mexico shows positive absolute growth rates for the economic categories comparing 2005 to 2015, there has been a severe decline in the GDP, merchandise and service export level from 2008 to 2009 when the financial crisis culminated. This in turn had an impact on Mexico's global shares, which have fallen in the categories GDP and service exports, although the overall development remains positive. In terms of merchandise trade, the country has managed to increase its weight both in absolute and relative terms (MC +0.27; ICR +77.69). In this category, Mexico exhibits even more vitality than its traditional rival Brazil, which, however, boasts a stronger power rise on our BPSM scale. The impression of a rebounding economy is corroborated by the fact that there were three Fortune Global 500 companies situated in Mexico in 2015, while there were only two in 2005. Yet the biggest Mexican company on the Fortune 500 list, Pemex (rank 47), points at challenges of corruption and falling crude oils prices in the last years that also affect Mexico's merchandise and service trade.

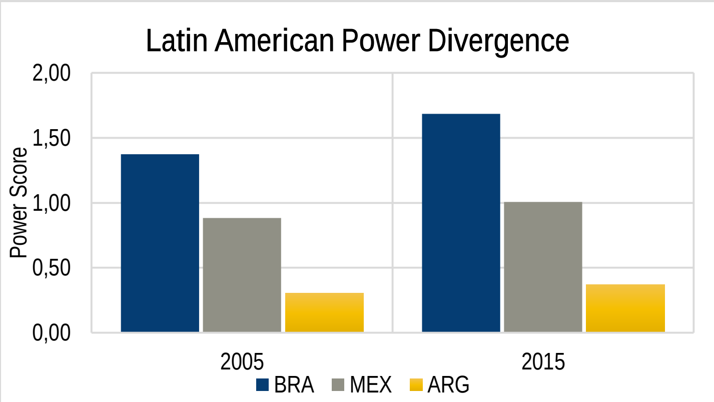
The economic numbers stress Mexico's extraordinary dependence on the United States. For example, in 2015, Mexico exported more than 80 percent of its goods to the United States. In turn, almost half of its imports originated from its Northern neighbor.[2] The close ties between these countries and little diversification of export destinations hint at factors for the severe impact of the global financial crisis on Mexico. Closely related is the image of Mexico belonging more to the North than to the South which has created some hurdles for the diversification for trade and sets limits for its soft, hard and structural power. The special observer status of Mexico within the South American Community of Nations (UNASUR) for example excludes it from the benefits of a full membership and expresses its reputation as belonging to the North instead of acting as a "bridge" to the South.[3] This seems all the more important as the reform package "Pact for Mexico" did not stimulate extraordinary economy growth.[4]

[1] Maihold 2016: 549

[2] Destatis 2017: 5
[3] Bruera 2015: 239
[4] Maihold 2016: 546

The Militarized War on Drugs

Internal challenges, especially widespread organized violence and drug trafficking, keep Mexico busy and seem to restrain its rise. The militarization of these internal challenges is visible in the enormous rise of military expenditures as well as the substantial increase in the number of force personnel. Measured by the BPSM, Mexico boasts the highest increase in defense forces among the individual G19 states in both absolute and relative terms (MC +0.51; ICR +64.73). The trend stands out because on average, the number of force personnel in the world has decreased from 2005 to 2015. In fact, the buildup of its military forces is the strongest plus factor of Mexico's positive Power Shift Rating. In a G20 view, Mexico commands the tenth largest force personnel in 2015, whereas in 2005, it would be ranked fifteenth. In the course of this buildup, Mexico surpassed the personnel levels of the UK, Germany, Saudi Arabia, Japan and France.



Considering the absolute numbers of military expenditures as well as operational forces, Mexico has bolstered its capacities since 2005. Nevertheless, it clearly lags behind the Brazilian level by not even reaching half of the respective troop or expenditure level. In contrast to this, Mexico surpassed Argentina's military spending in 2009 and commanded more troops already in 2005. In a G20 comparison, Mexico presented one of the smallest defense budgets on rank 16 out of 19 in 2015. To illustrate, next higher positioned Canada has a military budget of almost twice the size of Mexico's. The Monitor thus finds Mexico's hard power footprint expanding, yet staying behind the sophistication of the established powers and its regional competitor Brazil.

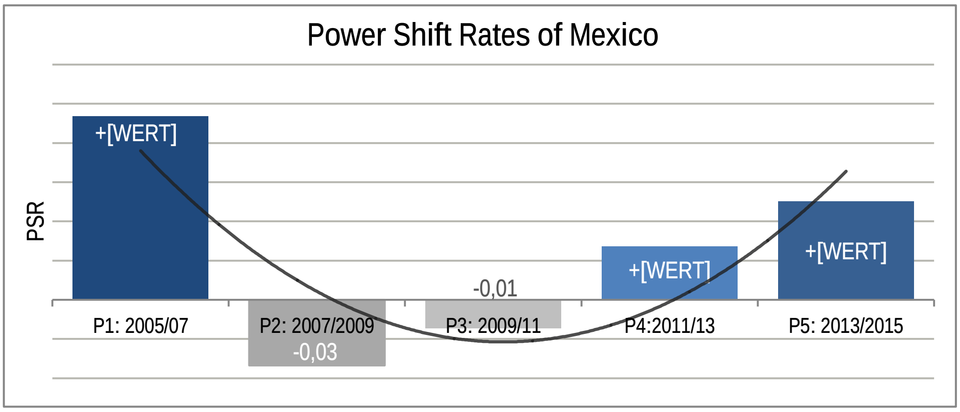
Weak Innovation Capacities

Studying the Mexican capacities for innovation, the picture seems to be mixed at best. Mexico holds only one top university, the Universidad Nacional Autónoma de México (UNAM), on the QS 200-list over the period of observation. With this, Mexico ranks poorly in world-class education but is not alone with this position in the G20. Argentina, Italy, Russia, Saudi Arabia and South Africa present the same weak number, while Indonesia and Turkey do not even house one top university. Again, Brazil is in front of Mexico housing two world-class universities in 2015.

Although this indicates certain limitations to top education in Mexico, the number of scientific publications has been rising. In comparison, these numbers do at no point in time compete with the Brazilian research output. This also indicates the incremental increase of global shares of Mexican outputs (MC +0.07 percent) in comparison to Brazil's (MC +0.84 percent). Mexico's government seems to orient towards better education indicated by rising government expenditures and education reforms in the Pact for Mexico.[5] In order to compete on a regional level with other power risers such as Brazil, as well as to increase its soft power and long-term structural capacities, greater efforts and political dedication in the domains of education and innovation are needed.

A Mid-Level Riser

Over the period of observation, Mexico managed to further its rise in the international system of states which corroborates its reputation as an emerging state. In comparison to other risers, its development is rather moderate qualifying it as a mid-level gainer. In a regional comparison, it loses the traditional competition to Brazil. The southern riser records greater global weight in all but one – the merchandise exports – category. Having said that, Mexico's leading edge in this category in front of Brazil has increased while it was surpassed in other domains such as service exports by the competing nation. Both countries managed to push to higher ranks on the power ladder of the G20. On rank 15 by aggregated power, Mexico stays at the weak places signaling its improving yet comparably weak international leverage in the system of states.



[5] Destatis 2017: 3; Maihold 2016: 546

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Country Data: Mexico

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	1.32 trillion	2.02	2.17 trillion	1.88	63.87	-0.13	60.76	0.12
Merchandise exports	MER	Total, current USD	World Bank	214.21 billion	2.02	380.62 billion	2.29	77.69	0.27		
Service exports	SER	Total, current USD	World Bank	15,73 billion	0.58	22.89 billion	0.47	45.44	-0.12		
Armed Forces	FORCE	Total number of personnel	World Bank	204,000	0.71	336,050	1.22	64.73	0.51		
Military Spending	MILEX	Constant 2015 USD m	Stockholm Institute for Peace Research	3,694	0.27	7,740	0.46	109.52	0.19		
Top Companies	COMP	Total of Top 500	Fortune	2	0.40	3	0.60	50.00	0.20		
Top Universities	UNI	Total of Top 200	QS World University Ranking	1	0.50	1	0.50	0.00	0.00		
Publications	PUB	Number of S&E Articles	National Science Foundation	8,286.00	0.56	14,485.40	0.63	74.82	0.07		

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.