Latin America Face Global Threats: Movement of Capital and Investment Attractiveness

O. N. Fomina^(✉)

Moscow State Institute of International Relations (University)
of the Ministry of Foreign Affairs, Moscow, Russia
o.fomina@inno.mgimo.ru

Abstract. In modern conditions, investment attractiveness determines the level of the countries' participation in the movement of capital, the rate of economic growth, the position of national economies in the structure of the world economic system. The article presents theoretical and methodological foundations of the process of forming the investment attractiveness of Latin American countries as the main factor in attracting capital under conditions of action and development of global threats. It is proposed to use systematic and structural-logical approaches to develop and justify stages and factors of the process of forming investment attractiveness of Latin American countries in the context of the growing impact of non-economic processes on the nature and level of trends in the world economic development. These stages and factors allowed the author to create model for the development of competitive advantages of Latin American countries to foster the participation of countries in the international capital movement. That will determine the competitiveness of these countries on the world stage.

Keywords: Global threats · Investment attractiveness · Latin America

1 Introduction

To date, there is quite a large number of studies on international capital flows, investment attractiveness of countries and regions of the world in the context of traditional overproduction crises, financial crises, and other types of crisis related to economic and political factors, demographic, social, and environmental processes. Modern challenges are not just international, country-specific, regional factors of global crises, but also global factors and threats that affect all countries in one way or another, regardless of country differences, differences in the level and quality of life, socio-economic development and potential. On the agenda of many economic studies is the research of the impact of modern types of threats and possible counteraction to them. Despite the initial predictions of possible changes in the global architecture of the international capital movement, the state of the capital markets, changes in the investment attractiveness of countries and regions of the world under pandemic conditions (coronavirus) there are not still enough informed and structured

recommendations on the formation of investment attractiveness of regions in the world, including Latin America.

Therefore, research on the process of forming investment attractiveness of Latin American countries in the context of the action and development of global threats is an extremely relevant area for analysis of international capital flows at the present stage.

We conducted a review of research on features and trends in capital flows and investment attractiveness of country groupings and individual national economies. The assessment of the development level of the problem of the capital movement and investment attractiveness of economic systems in the face of global threats of both economic and non-economic nature was carried out. It is revealed that the development genesis of international economic relations in the context of regional economic groupings on a global scale are influenced by general trends caused by the action of global threats, regardless of the economic development level, investment attractiveness, technology development, or the financial system of a particular state. Therefore, general principles and recommendations for creating and improving the investment attractiveness of country groupings and individual national economies simply do not work in these new conditions. As a result, at the second research stage, general approaches and principles were studied to understand the category of investment attractiveness, factors and conditions for its formation in order to identify stages and factors of forming and increasing the investment attractiveness of national economies in the face of new global threats. The critical analysis revealed that there is practically no research on stages and factors of the process of forming the investment attractiveness of Latin American countries in the context of the action and development of global threats.

2 Methodology

The main issues raised in this study were solved using such methods as: system and institutional approach, method of structural and logical analysis, analysis and synthesis, and evolutionary analysis. The use of systemic and institutional approaches allowed us to reveal the nature and essence of the category «investment attractiveness». The use of structural and logical analysis helped to identify and justify stages and factors in the process of forming investment attractiveness of Latin American countries as the main factor in attracting capital.

General scientific methods of analysis and synthesis, elements of evolutionary analysis, allowed us to identify and describe the main stages and factors in the process of forming the investment attractiveness of Latin American countries as the main factor in attracting capital in the face of the action and development of global threats.

The analysis of components and trends of forming the investment attractiveness in Latin America countries has allowed to determine key competitive advantages of the countries in this region under conditions of action and the development of global threats and to shape the author's position on the development of a model to counter global threats in the Latin America countries, increasing their investment attractiveness and their participation in the international capital movement.

3 Results

Investment attractiveness is a complex category, generalizing a set of economic and non-economic factors, conditions, principles, methods, and tasks for attracting investment to a certain territory. According to Grishina, Shakhnazarov, Roizman the concept of investment attractiveness at the regional level is a set of objective features, means, opportunities and restrictions that determine the intensity of attracting investment to a certain territory [7]. Tumusov determines the investment attractiveness of a region as a set of investment resources that make up a part of accumulated capital that is represented in the investment market in the form of potential investment demand and has the ability to turn into a real investment demand meeting material, financial and intellectual needs for capital reproduction on a certain territory [16].

Developing this point of view, Tumusov identifies potential investment demand and specific investment demand as the real supply of capital, the first of them occurs in the absence of the intention of a subject of investment demand by the presence of available income or profit to direct it to the accumulation [16]. Calling this approach «formal», researchers define the investment attractiveness of a region as a source of future investment in a certain territory [3, 4, 11].

Based on scientific positions of Tumusov, the investment attractiveness of a certain national-state territory is a set of investment resources that characterize a part of the capital in the form of potential investment demand, ready and able to turn into a real investment offer [16]. According to Golovikhin, Nezhivenko, the investment attractiveness of a national-state territory is considered from the perspective of supply: it is a set of characteristics that determine the potential offer of a socio-economic system for the development of investment resources and providing conditions for their development [6]. Elsukov, Mayevsky, Cheberko [5] identify the investment attractiveness of a national-state territory with the investment capacity of the region. For example, according to Konyagina [9], investment attractiveness of a region or investment capacity of a territory is a sum of objective prerequisites of a national-state territory for investment, depending both on the availability and diversity of areas and objects of investment, and on their economic efficiency.

The third approach to determining the investment attractiveness of a national-state territory is based on the theory of comparative and absolute advantages [18], and the starting point of this theory is a condition of limited resources for functioning of national-state territory, which leads to the fact that each of the regions has certain advantages. Thus, the level of investment attractiveness of a national-state territory is a constant dynamic process for distributing absolute and relative advantages [1, 2]. Anticipating such changes opens up additional opportunities for any national-state territory to attract investments to the territory. The reviewed scientific sources have a common point: the concept of investment attractiveness of a region is often considered as «a set of conditions and resources, factors and advantages».

The definition of investment attractiveness of a national-state territory through a set of conditions and resources, factors and benefits is appropriate, therefore, for purposes of further research, the following interpretation of the term is suggested: investment attractiveness of a region is a collection of investment resources located in a territory

and having high importance for attracting investment into the economic system of the national-state territory.

Investment attractiveness of a national-state territory, based on the semantic content of the word “attractiveness”, is a subjective concept, in other words, it reflects a subjective attitude of a potential investor to the object of investment. Investment attractiveness of a region includes a specific set of characteristic properties and conditions that promote investment, which reflects the objective state of the investment object.

Thus, the investment attractiveness of a national-state territory in Latin American countries is a view of a specific investor on the potential object of investment. In contrast, the category «investment potential of a region» does not depend on characteristics of the subject of investment, which excludes the subjectivity of opinions. As a result, we can conclude that the investment attractiveness of Latin American countries is different for different categories of investors, and the investment potential remains unchanged for all investors.

The problem of attracting investment is the main issue of the socio-economic development of the Latin American countries, territories, industrial and economic entities in the current market conditions and an increasingly urgent task. The system of investment attractiveness of a region as a whole consists of a set of interrelated subsystems, processes and components. As in any general system, the system of investment attractiveness of the Latin American countries contains a subject, an object of management, a mechanism for implementing the process of forming the investment attractiveness of a region, the input and output of the investment attractiveness system in the Latin American countries, and at the moment – global threats.

Figure 1 shows a general diagram of the process of forming the investment attractiveness of Latin American countries in the face of global threats. The external environment for the investment attractiveness formation of Latin American countries in the face of global threats includes resources, conditions, markets and technologies, political, economic, social, and environmental factors. The development strategy for the formation of investment attractiveness in these countries should reflect the main criteria, goals and objectives of the investment attractiveness formation. The main goal of developing the investment attractiveness in the Latin American countries is to increase the level of investment attractiveness in the region in comparison with other regions of the world and the share of global capital flows, which are the main driver of the economic development. Kostyunina, Baronov notes that in some developing countries investors are guaranteed protection of their rights and interests, including protection from nationalization or expropriation (direct or indirect), which is possible in the interests of the state or citizens of the country [10].

There are some tasks of the investment attractiveness formation at the regional level in the context of global threats:

- to improve regional legislation in the field of investment attractiveness of a region;
- to improve the efficiency of investment projects in a region;
- to reduce administrative barriers and procedures in the implementation of investment projects in a region;
- to increase the level of counteraction to global threats.

Fig. 1. General scheme of the formation process of investment attractiveness in the Latin American countries in the context of global threats. (Source: author)

Subjects of forming the investment attractiveness of the Latin American countries in the face of global threats are all economic entities and processes whose tasks are to develop and implement measures to improve the investment climate in the region, attract capital, and develop business initiatives. The stages of the process of forming and managing the investment attractiveness in these countries in the context of global threats are shown in Fig. 2.

Let's consider in more detail stages of the formation process of the investment attractiveness in the region under conditions of global threats. The external environment, and the market conditions (for which measures are being developed to create investment attractiveness of Latin American countries) are the starting point in terms of countering global threats. It is the current situation which includes trends and prospects for the development of the investment market that serve as the main criteria for selecting an investment object, the basis for formulating goals and objectives to create investment attractiveness of the region in the face of global threats. The main subject of forming the investment attractiveness of the region together with the political leadership is big business.

Depending on a type of investment project, market type, and product, the investment market is analyzed and evaluated in the context of global threats – the market is very dynamic and unpredictable – and it is necessary to constantly monitor needs and target consumers of this market, its capacity and geography. Assessment of the region's competitive advantages in the face of global threats is an important component of forming the regional investment attractiveness, since it is difficult to predict demand

Fig. 2. Stages of the formation process of the investment attractiveness in Latin American countries in the context of global threats. (Source: author)

forecasts for a particular product, which is the basis for making decisions on investment in a region and choosing priorities in the development of industries and economy sectors.

There are objective prerequisites for the movement of capital on a global scale. First of all, the reasons for this are the excess of capital and the lack of acceptable investment objects in one region and the opposite situation in another: the lack of capital and a favorable investment climate in another region.

Among the significant reasons for the capital movement between countries and regions in the face of global threats there are the following ones:

- lack of a balance between supply and demand of capital in the region;
- formation of new commodity markets and regression of existing markets in the face of global threats;
- availability of cheap labor and raw materials in the region where the capital is exported to;
- a favorable investment climate in the region, accompanied by a stable political situation;
- availability of a preferential investment regime in special economic zones;
- low environmental standards in the host region;
- a strategy for expanding participation in new markets.

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And in modern conditions, a factor of global threats is also the coronavirus pandemic, which has brought down the markets for energy resources and many types of industrial products. Therefore, the main motive for the export and import of capital is now the epidemiological situation in countries and regions of the world. Global threats determine the global demand, dramatically destabilizing global capital flows, and changing the level of investment attractiveness in different regions.

The formation of the investment attractiveness in Latin American countries is always associated with risks and factors that shape it. In the process of forming the investment attractiveness in this region, the least predictable and often the most important elements are identification, assessment and management of countering global threats that are currently forming the level of investment attractiveness.

At the moment, we can distinguish two groups of factors that form the level of investment attractiveness of Latin American countries: financial factors that shape the level of investment attractiveness in the region; strategic factors that shape the level of investment attractiveness of the region as a whole. Let's consider these factors that form the level of investment attractiveness of Latin American countries in more detail. Figure 3 shows factors that form the level of investment attractiveness of these countries, which can be included into the group of financial factors.

Fig. 3. Group of financial factors that form the level of investment attractiveness of Latin American countries. (Source: author)

The instability of prices and demand on international markets because of global threats is perhaps one of the most significant factors shaping the level of investment attractiveness of Latin American countries in modern conditions. Falling prices for oil and gas products and other industrial products on international markets not only leads to a reduction in revenues, but also reduces the ability of regions to provide additional financing. Financial conditions in the global capital market are becoming more complex. This factor is related to the first one, since a sharp decline in demand on world commodity markets inevitably leads to a similar deterioration of the capital market.

The second group of factors that form the level of investment attractiveness in Latin American countries is presented in Fig. 4. The group of strategic factors that form the level of investment attractiveness in the considered region includes two types of factors: factors of a political nature and global threats. Political factors that have traditionally been the main limiting factor for increasing the investment attractiveness in these countries for several decades are added to the effect of global threats that reduce demand for products, raw materials and materials which are used in the production and exported from the region.

Fig. 4. Group of strategic factors that form the level of investment attractiveness of Latin American countries. (Source: author)

In these conditions, it is necessary to use other competitive advantages, in addition to those traditionally used in Latin American countries (the availability of extensive energy resources and cheap labor forces). When the demand for industrial products and energy resources decreases, it is necessary to re-focus on the production increase of food products taking into account that there are resources and conditions for this in the region. The demand for food products in the context of a pandemic, as any global threat, will be stable and may even grow. Therefore, in the face of global threats, the main factor in the investment attractiveness of Latin American countries should be the maximum use of the agricultural potential of countries in this region to increase production and export of food products to other countries and regions of the world.

The use of agricultural potential of the considered countries is impossible without entrepreneurial initiative and support from state authorities, without attracting additional financing for the production and export of food products to other countries and

regions of the world. Therefore, the development of this competitive advantage of Latin American countries in the face of global threats, the coronavirus pandemic, instability and a sharp drop in activity in the financial markets and industrial goods markets is possible with the development of entrepreneurial initiative, the search and use of sources to attract investments and capital. This is possible thanks to the use of digital FINTECH technologies, access to markets not only for large private and public capital, but also for small-scale capital, funds of individuals, and small businesses.

Thus, Santos, Fernandes and Ferreira [14] determined that the financial crisis and recession returned the intermediary effect between socio-demographic characteristics and informal entrepreneurship at the current stage of economic relations development. Williams and Kedir [17] note that in the World Bank's survey of 67515 enterprises in 142 countries, it was found that one in five (19.9%) of the official enterprises started their activities without registration, although this varies in some countries (for example, in Pakistan, Slovakia). Reasons for these trends are:

- insufficient economic development and lower quality of management (modernization theory),
- too much state intervention (neoliberal theory),
- too little state intervention (theory of political economy),
- inconsistency between laws and rules of formal institutions and beliefs, values and norms of informal institutions (institutional theory).

In addition to insufficient economic development, the lack of registration is related to too little state intervention and rules of formal institutions that are incompatible with the socially shared beliefs of entrepreneurs [8, 13]. According to the research by Mac an Bhaird, Owen, Freel [12], to increase the efficiency of providing financing from alternative sources, it is necessary to improve the supply of finance in the private investment and equity markets and to provide greater diversification and depth in the financial markets.

Taking into account these aspects, the following model of forming the investment attractiveness of Latin American countries in the context of global threats is proposed (Fig. 5).

According to this model, the global scale and volume of global threats' impact on processes of capital movement and investment attraction negatively affect the level of investment attractiveness in Latin American countries, their participation in the capital movement. In these conditions, it will not be possible to simply wait for changes in the global market environment due to the high uncertainty in terms of timing and recovery parameters for goods and capital markets, possible changes in the trends of the world economy, the increasing role of digital technologies in processes of the capital movement and the implementation of business activities themselves.

It is necessary to search for and implement other competitive advantages that will work in new difficult economic conditions. That determines the expediency of choosing resources, conditions, markets and technologies for implementing these competitive advantages. For the Latin American countries, such resources, conditions, markets and technologies for implementing competitive advantages in the production and export of

Fig. 5. Model of investment attractiveness formation for Latin American countries in the context of global threats. (Source: author)

food products to other countries and regions of the world will be natural resources of plant and animal origin, climate conditions, small and medium-sized capital markets, and modern digital FINTECH technologies, which are already actively developing in most countries of this region.

Nowadays it is needed to move from such institutional forms of attracting and developing investment in Latin American countries as large integrated business structures with broad involvement of state and foreign banking capital, TNC capital, to more flexible and mobile institutional structures, such as small and medium-sized businesses. So, Tsigelkova, Platonova, Frolova note that in China, working closely with large firms in the structure of global value chains, small businesses can be credited by a specially created financial institution or take advantage of cross-border investments [15]. Such structures may well attract investment in the markets of individuals' funds both within the Latin American countries and abroad, especially since modern digital FINTECH technologies allow this to be done with lower costs and terms of their attraction without losing economic independence and simultaneously forming pre-orders for their products. The systemic effect of actively using new sources of investment attraction without deviating from the traditional schemes of forming investment attractiveness will allow the countries of the region to overcome the next larger-scale global crisis in the face of global threats, but also use their own competitive advantages, to improve the level and quality of life in the countries of the considered region.

4 Discussion

Research on the development of the world economy and the international movement of capital in the works of domestic researchers, such as Kostyunina, Baronov [10].

Studies of regional aspects of investment attractiveness, institutional aspects of attracting investment and financial entrepreneurship are marked in the works of such scientists as Buzyrev, Polyakov [2], Zhukov [18], Santos, Fernandes, Ferreira [14], Tumusov [16], Chub [4], Mac an Bhaird, Owen, Freel [12] and other authors.

The analysis of components and trends of the investment attractiveness formation of a region as a whole has allowed to identify the key competitive advantages of the countries in the considered region in the conditions of action and the development of global threats and to shape the author's position on the development of a model for countering global threats, increasing the investment attractiveness of Latin American countries and increase their participation in the international capital movement.

5 Conclusions

The author's model of the investment attractiveness formation for Latin Americans countries in the conditions of global threats is proposed. In general, the obtained research results are necessary and in demand in terms of finding and implementing other competitive advantages of the considered countries that will work in the new difficult economic conditions.

Directions of further research are related to the justification of the choice of resources, conditions, markets and technologies for the formation of investment attractiveness in Latin Americans countries and will concern the detailed development of institutional factors for the use of new sources of investment attraction based on modern digital technologies in the face of new global threats.

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