LATIN AMERICA: COMMODITIES CYCLE AND THE CRISIS OF GLOBAL CAPITALISM

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Introduction

Understanding the impacts of the commodities boom, the exhaustion of this cycle and the challenges posed for the development of Latin America requires that we discuss these processes as interdependent with the expansion and the crisis of global capitalism. The commodities boom between 2003 and 2011 can only be understood as an aspect of the expansionary phase of the world economy. In the same way, its end is related to the crisis of global capitalism.

The crisis opened by the crash of the housing bubble in the US in 2008, but that was latent since the previous year, opened a long period of low growth, which some authors call a Great Depression (Roberts 2016). In 2009, world GDP declined by 0.6%, and between this date and 2017, the economy grew by an average of 3.3%, against 4.7% of the expansionary phase (2003-2008)⁴. In any case, a phase of growth much smaller than the previous one. The depth of the crisis, the largest since the Great Depression of the 1930s, in-

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⁴ This average growth was very uneven. The central regions grew very low, while the periphery, especially East Asia, showed high rates (FMI 2018).
dicates that capitalism will, as in all other major crisis situations, go through a
process of restructuring, with broad economic and political consequences for
both the center and the periphery of the system.

However, the crisis opened in 2008 did not mean the immediate end
to the commodity boom. Their prices fell the following year and recovered un-
til 2011, declining gently until 2014, when they dropped sharply\(^5\). Commodity
prices rebounded between 2010 and 2011, thanks in particular to China’s
response to the crisis of global capitalism, implementing a broad investment
program in infrastructure and industry, and this has kept demand for com-
modities high. But China’s strategy had worsened the global overproduction
crisis by causing considerable idle overcapacity in several important sectors of
its economy, associated with rising indebtedness and declining profit rates\(^6\).
This has led to a slowdown in economic activity in China, which in turn has
hit the commodities market, causing prices to fall. The end of the boom had a
strong economic and political impact in Latin American countries, but espe-
cially in South American countries.

The purpose of this article is to discuss the effects of these processes
on Latin American economies. The analysis of these questions will be made
from a historical perspective. We believe that both the expansionary phase
(2003-2008) and the open crisis in 2008 need to be understood as part of the
process of globalization of capital. The crisis, which extends to the present,
seems to mark the exhaustion of the restructuring of capitalism triggered in
response to the structural crisis of the 1970s. In this way, we enter a phase of
intensification of the struggle for the world’s hegemony and reorganization
of the system. We do not intend to exhaust such complex subjects here. These
notes reflect research still in progress.

The starting point of the analysis is the world’s economy. It is not
possible to understand the path of development in Latin America without
understanding its dependent and subordinate position in this broader con-
text. Although economic, social, political and historical national specificities
are pronounced and are of great importance in any analysis, the region forms
a unit as a result of its formation in the historical process of global capitalist
expansion and of its role as a space for capital appreciation, as a supplier of
raw materials, as a market and as an exporter of surplus appropriated by the
central economies. The forms of dependence are not static, they vary accord-
ing to the dynamics of the world economy and the local economic, political
and social transformations, and the different force correlations resulting from

\(^5\) On the behavior of commodity prices see, among others, Leite (2017).

\(^6\) On the behavior of the profit rate in China see Maito (2013).
these complex processes.

From this approach, the text is organized as follows. In addition to this introduction, it is divided into 4 items. In the first, we discuss the restructuring of capitalism in the 1980s and 1990s, and how Latin America was involved in this process. In the second item, we discussed the commodities boom and its effects in the region. Then we discussed the crisis, the end of the commodities boom and its impact on Latin America. Finally, we make some final considerations.

The reshape of capitalism and Latin America

The depth of the crisis of the 1970s led capitalism to restructure itself. There was a serious problem of falling profitability at the time, which was not fully resolved. The attempt to recover profitability and to contain the advances of social protest, which could lead to a situation of systemic breakdown, led the governments of the central countries, the investment funds, the big corporations and the big banks from the governments of R. Reagan and M. Thatcher to impose a complex and contradictory process of capitalist restructuring. According to the neo-liberals, the reorganization of the system would trigger a vigorous expansion of capital accumulation and ensure the convergence of income and consumption patterns worldwide (Corsi 2006).

The general lines of restructuring were as follows: gradual weakening of the Welfare State; deepening the commercial liberalization of national economies; deregulation of financial markets; intensification of the centralization of capital worldwide; the introduction of the so-called flexible accumulation, which has led to growing precarious working conditions and the fragmentation of the working class; technological innovations that save work; the dismantling of diverse developmental experiences in the periphery of the system and the spatial reconfiguration of capital accumulation. Part of these initiatives aimed at broadening the supply of labor at a low cost on a global scale. It was essential to squeeze wages to regain profitability and contain the growing strength of unions. Not surprisingly, in recent decades there has been a tendency for wages to rise below productivity and income concentration, although it can be seen in parallel to the reduction of poverty on a world scale.

In an extremely schematic way, the crisis of the 1970s was the result of a set of interdependent determining factors, the main ones being: the fall in profit rates, the crisis of the international monetary system, the intensification of class struggles, the erosion of U.S. hegemony, the energy crisis, the rising inflation and the apparent strengthening of the USSR.

See Piketty (2014). According to this author, in 2010, the richest 10% owned 50% of income,
scale, which was mainly due to the decrease in the number of poor people in China and India (CEPAL 2016). The restructuring of capitalism managed to staunch the fall in profits, which rose between 1984 and 1997, without, however, recovering the previous level\(^9\). Accumulation had faltered due to this profit behavior\(^10\). The difficulties of capital appreciation in production, especially in developed countries, triggered two processes that directed capital to spaces of greater profitability. On the one hand, the expansion of the financial sphere\(^11\) and on the other the search for new spaces of accumulation, particularly in Asia. (Harvey 1996, Brenner 2006, Corsi 2006, Chesnais 2012, Maito 2013, Piketty 2014).

The swelling of the financial sphere dates back to the 1980s, although since the 1960s there has been a growing expansion of financial capital. This pronounced expansion was made possible by the opening up of national economies, financial deregulation and the development of new information technologies. The result of this process was the predominance of financial capital, sustained by an increasing volume of fictitious capital in the current phase of capitalism. The appreciation of this capital is based on speculation with debt securities and their multiple forms of derivatives, currencies, stocks, real estate and commodities. In this context, the valuation of fictitious capital came to depend on speculative bubbles\(^12\).

These processes had a very unequal impact on the world’s economy. In these circumstances, the center of the capitalist system and vast peripheral areas in the period 1980-2003 showed a trend to low growth, while the

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\(^9\) The discussion of the profit rate in the current phase of capitalism is extensive and controversial. Among others, see Maito (2013) and Roberts (2016). These authors argue for the existence of a long-term downward trend in the rate of profit. According to Maito (2013), the profit rate, based on the weighted average of a sample of 14 countries, fell from 25.7% in 1969 to 16.5% in 2010, having recovered partially between 1982 and 1997 and between 2004 and 2007, but without recovering the level of the 1960s.

\(^10\) The fall in the Gross Fixed Capital Formation (GFCF) was more pronounced in OECD countries. Between 1970 and 2010, this rate fell from 27.5% of the GDP to 20.58%. In Japan, for example, the GFCF was 40.91% of the GDP in 1970; 27.30% in 2000 and 21.29% in 2010 (World Bank, 2018).

\(^11\) According to Chesnais (1998, 17): “The gradual reconstitution of a mass of capital seeking to evaluate itself financially, as lending capital, can only be understood taking into account the increasing difficulties of capital invested valorization in production”.

\(^12\) According to Chesnais (1998, 14-15), between 1980 and 1992, the average annual growth rate of the stock of financial assets was 2.6 times higher than the Gross Fixed Capital Formation (GFCF) rate for the OECD countries. Between 1998 and 2007, financial assets grew by 296.5% in the world (Chesnais 2016).
new accumulation spaces of Asia grew at an accelerated pace.¹³ The region’s accelerated growth was in part linked to the rising of US trade deficits. At this stage, there is a symbiotic relationship between the American economy and the new centers of accumulation in Asia. High consumption in the US, which cannot be fully satisfied by domestic production, contributes to keeping global demand high through growing current account deficits. Concurrently, surplus countries finance US deficits, enabling the country to maintain a level of consumption above its economic conditions and control inflation from cheap imports, particularly from Asia. On the other hand, Asian countries benefit from the incentive of US demand, which stimulate investment, production, and employment, as well as absorb US capital and technology. These countries also evaluate their surplus in the form of US Treasury bonds and thereby contribute to sustaining the valuation of fictitious capital. The Asian economies also became a privileged space for speculation with securities, stocks, currencies and real estate, attracting capital from around the world, which contributed to generate speculative bubbles in the region, such as in the second half of the 1990s (Medeiros 2008; Varoufakis 2016).

Speculative bubbles, on the one hand, and the opening of new spaces of accumulation in Asia, especially in China, on the other hand, prevented capitalism from entering a long period of stagnation. China’s reforms quickly opened up capital to a new capital appreciation space, characterized by cheap, skilled and disciplined labor; flexible environmental legislation, extensive infrastructure and high-profit rates (Medeiros 2008, Maito 2013).

An important part of the spatial reconfiguration of capital accumulation was based on the formation of global production chains, which dispersed the different stages of the productive process in many sectors through the organization of networked companies, selectively incorporating many peripheral countries. Large corporations have led this process and control the phases of higher added value, as well as the production of state-of-the-art technology. The core of these value chains of the new technological and productive standard, were based mainly on the informatics, electronic and information technology sectors. Central countries also continue to control much of the trade, finance, and multilateral institutions, notwithstanding more recent initiatives, such as the creation of the BRICS Development Bank, created in 2014, which seeks, among other things, to pressure U.S. hegemony.

The impacts of these processes on the periphery were immense. Be-

¹³ Between 1981 and 2000, industrialized countries recorded an average annual GDP growth of 2.73%, while developing countries grew by 4.31%, with Asia, Africa and Latin America growing by 5.77%, respectively, 2.44% and 2.25% in this period. The data indicate markedly uneven growth (Nayyar 2014, 110-112).
between 1980 and 2003, a number of Asian countries, which received considerable capital and technology flows, were able to accelerate industrialization and dynamically insert themselves into the world’s economy, not necessarily confronting serious problems of misery and social inequality. China, for example, managed to internalize several of these productive chains in its huge market.

However, several peripheral countries presented low growth, marked instability and regression in social indicators. The path followed by dynamic East Asian countries, such as China and South Korea, could not be followed by much of the periphery. The different paths followed by the peripheral countries depended on a set of geopolitical, economic, social and political factors that cannot be discussed herein detail. The rise of East Asia is not only associated with transformations in the world economy and the policies of capitalist powers, such as US policy, which, when aiming to contain the USSR, opened space for regional development, especially for the reinsertion of China into the economy, but also the adoption of development projects based on exports of manufactured goods.

The most important countries of Latin America, such as Mexico, Brazil and Argentina, which developed rapidly from the expansion of the domestic market and industrialization through import substitution in the period 1980 and 2003, entered a phase of low growth, instability, inflationary crisis, crisis in external accounts and social kickback. The US interest shock in 1979, implying an increasing difficulty in refinancing foreign debt, was an important element in the irreversible crisis of the development model.

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14 See among others: Arrighi, (2008); Medeiros, (2008). It is important to emphasize, however, that even if they did not follow an identical trajectory, these countries were inspired by the German and American experiences of the nineteenth and Japanese, in the twentieth century (Chang, 2004).

15 In spite of national peculiarities, the development strategies of these countries, to a large extent, turned to exports of manufactured products and were based on the broad coordination and control of the State of exchange, monetary and credit policies, as well as of the strategic sectors. Another relevant element was the policy of technological development and education. Within this framework, China presents important peculiarities, since after realizing a revolution and a socialist experience, it undergoes a process of transition to capitalism from a national project of transforming it into a great power. A project that knew how to take advantage of the gaps in the structure of the world economy (Corsi 2011).

16 It should be noted that many countries in the region failed to diversify their economies and continued to rely on primary production.

17 Latin American GDP, which grew in the 1960s and 1970s respectively 5.5% and 5.6%. In the period 1981-1990, it grew by 0.9%, presenting an average growth of 3.3% between 1990 and 1997. However, after the Asian, Brazilian and Argentine crises declined it again and, between 1997 and 2002, it had grown by an average of 1%. In the latter period, the per capita GDP fell 1.45% back (Cano 2000, CELAC 2003).
The external debt crisis has undermined the foundations of development financing. The uneven advance of the industrialization of the Great Depression from the 1930s to the 1970s, made possible to a great extent by the organization of the world economy in this period, was hampered, as the demiurge state of this process lost the condition of leading it and to articulate it, as it was paralyzed by the disorganization of public spending financing schemes, especially due to the need to pay off the nationalized foreign debt. At the same time that the strategy of financing development with external financing, followed since the 1950s, was crumbling, the largest Latin American economies began to gravitate towards the need to repay external debt and to adopt the recessive policies imposed by the IMF with the objective of generating foreign exchange at any cost to pay the interest payments to external creditors, which led the region to enter a long phase of stagnation, deepening the transfer of surpluses to the central countries. For that, it was necessary to intensify the exploitation of the labor force (Cano, 2000, Corsi, 2013).

In these circumstances, while the central economies and various Asian countries were restructured on the basis of a new pattern of accumulation and a new technological base, Latin American countries were captured by the fictitious valorization circuits of capital and industrialization, which continued to depend on imports capital goods and intermediaries, and external financing, was compromised in this new phase. The conditions were set for the regression in the productive structure and for a new advance of the insertion of the region as an exporter of primary goods in the world economy. It was a much less dynamic insertion in global capitalism than the developing countries of Asia, which did not follow neoliberal economic policies, China’s case is exemplary (Cano 2000, Corsi 2013).

There is a decline in the participation of the manufacturing industry in the GDP of Latin America. In 1970 this sector accounted for 23.5% of regional GDP, falling to 21.9% in 1990 and 16.1% in 2010. By 2016, this number had declined to 14.3% of GDP. In the same period, agriculture’s share of GDP dropped from 11.6% in 1970 to 5.7% in 2010, reaching 5.8% in 2016. Meanwhile, there is a trend of growth in participation of the services sector, which

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18 The dismantling of the development model in the region began in parallel with the structural crisis of capitalism as a result of the establishment of dictatorships in Chile in 1973 and in Argentina in 1976. In the 1980s, Latin American economies were plagued by the external debt, inflationary and fiscal crises. Latin American countries were left out of capital flows and suffered the sharp fall in terms of trade as a result of the global crisis, triggered by the sharp rise in the US interest rate and the second oil shock. This made repayment of foreign debt very difficult, whose services grew exponentially with the increase of the interest rate, but even so, these countries exported large resources to the developed countries (Basualdo and Arceo 2006).
went from 52.8% to 61.7% of GDP in those two years. This sector cannot, in general, be characterized as concentrated in modern and dynamic services. Latin America’s share of global industrial value added rose from 4.5% in 1970 to 7.2% in 2010. At the same time, Asia’s share rose from 7.2% to 32.6%. Latin America’s share of world exports of manufactured goods between 1990 and 2010 rose from 2.2% to 4.1%, and in Asia these figures were respectively 14.8% and 35.3% (Nayyar 2014, 166-174, CELAC, 2018, 34)

The exhaustion of the so-called developmental period, largely due to the external debt crisis and inflationary crisis, coupled with the transformations of the world economy and the strong political pressures of the U.S., IMF and global financial capital, led several governments in the region to adopt neoliberal policies. Although with national variations, economic policies, inspired by the Washington Consensus, were characterized by stabilization plans with exchange-rate anchors, the opening and deregulation of economies, and the privatization of state-owned enterprises. This strategy, despite having controlled the inflationary processes, created a trap for economic growth, because of the overvalued exchange, associated to the opening and deregulation of the economy and the reduction of state action in the economic sphere, resulted in the deterioration of the external accounts, in a unstable period of the world’s economy. Given the need to balance external accounts and reduce growing vulnerability, it was necessary to raise interest rates much higher than international rates in order to attract growing flows of external capital, which is essential to pay the balance of payments. However, the maintenance of interest at very high levels and valued currencies, on the one hand, resulted in a reduction in consumption and investment and, consequently, implied low economic growth, unemployment, expansion of public debt, deterioration of the fiscal situation, growing deficits in the trade balance and unsustainable external vulnerability, and, on the other hand, a strong flow of speculative capital, which took advantage of the differences in interest rates and the opportunities to speculate with the exchange rate. The dependence on these speculative flows has grown. The external resources attracted by the privatization processes of state-owned enterprises were not enough to balance the external accounts, reduce internal debts and boost growth. In general, states have lost some control over their national economies and are no longer able to coordinate and lead development (Cano, 2000, Carneiro 2002, Gonçalves 2002)

19 In the case of Brazil, the abandonment of the exchange rate anchor in 1999 led the Cardoso government to adopt an economic policy based on inflation targets, flexible exchange rates and a primary surplus in public accounts. This policy, similar to the previous one, continued to curb growth, because, in a context of increasing disruption of production chains, a more pronounced growth of the economy would tend to deepen the imbalances of the external accounts and...
This path deepened the dependence and external vulnerability of the region on global capitalism and allowed the region to open up as a fictitious capital appreciation space, as was evident in the processes that led to the crises of Mexico (1994), Brazil (1999) and of Argentina (2000), triggered by extensive speculative movements against the currencies of these countries\textsuperscript{20}. The processes of privatization of state-owned enterprises in strategic sectors have also opened up numerous opportunities for capital appreciation in developed countries (Cano 2000, Basualdo and Arceo 2006). In a situation of increasing external vulnerability, low and fluctuating growth, high-interest rates and strong external competition derived from the trend of appreciation of the currencies of the region, the disorganization of the productive chains and loss of weight of the industrial sector in the economy were observed. This phase of low growth and instability only ended with the commodity boom.

The commodities boom (2003-2012)

The expansionary phase of the world economy resulted from the resumption of the US economy after the Nasdaq crisis in 2001 and the strong expansion of the Chinese economy. The economic policy adopted by the Bush administration, notably the increase in public spending, the reduction of interest rates, and the expansion of credit contributed to the recovery. The growing indebtedness of families and companies was also important. But the decisive factor was the formation of a new speculative bubble in the real estate sector from the reduction of interest and easy credit. The strong growth of the real estate industry, which has extensive links with several other sectors, has boosted the US economy as a whole (Brenner 2006, Belluzzo 2009).

The growing trade deficits, which resulted from the resumption of the generate inflationary pressures, in part due to the devaluation of the currency. Thus, in order to halt the rise in inflation and external imbalance, following the constraints established by the inflation targets, interest rates should be increased, resulting in growth slowdown, currency appreciation, deteriorating public finances, unemployment and lower wages. The need, in these circumstances, to increase the primary surplus to balance the public accounts would reinforce the slowdown of the economy. The appreciation of the currency would negatively affect the industrial sector. The result of these processes would be an oscillating behavior of the economy (Katz 2012). The commodity boom, being fundamental to reduce the external vulnerability, allowed the Brazilian economy to temporarily escape this trap.

\textsuperscript{20} Between 1990 and 2000, US $ 481.9 billion went into private equity in Latin America, of which US $ 269.8 billion in portfolio investments accounted for 54.19\% of the total. This indicates how important the region was as a fictitious capital appreciation space. From 1990 to the Asian crisis of 1997, Asia received US $ 390 billion, of which US $ 105.6 billion in the portfolio, 27\% of the total (Carneiro 2002, 252).
US economy, stimulated the world economy, particularly the Asian countries, which had exports at the core of their growth. This was the case of the Chinese economy. However, it should be noted that the very growth of the Chinese domestic market was relevant to transforming China into a dynamic space of capital accumulation on a global scale. Since the 1980s, this country seems to undergo a process of transition to capitalism and this has had an impact on the whole system. China’s growing weight has tended to reorganize the regional and global division of labor. However, the US continues, at least in the medium term, to be the center of capitalism (Belluzzo 2009).

In this context, since the 1997 Asian crisis China had been gaining weight in the world economy. It gradually replaced Japan at the center of the regional economy and altered the international division of labor. Its intense growth had a huge impact on the commodities market and the price of commodities rose from 2003, as can be seen in Chart 1. This behavior was also due to the recrudescence of speculation. In a context of high liquidity in the world market, investment in commodities flourished. Between 2003 and 2011, commodity prices increased by 230%, with mineral commodities rising by 322% and energy commodities rising by 310%.

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21 Between 2002 and 2007, China’s share of world iron ore consumption raised from 22.3% to 43.9%. In the same period, the price of the ore increased by 184.7%. Considering Chinese participation in copper market, it rose from 18.2% to 27.1% and commodity prices rose 356.5%. Similar developments can be verified regarding 15 of the most important products on the export agenda of Latin America. The strong rise in commodity prices was also due to the devaluation of the dollar (about 25%) and speculation, which grew in these markets due to the high international liquidity (Jenkins 2011, 79-82).
In this context, Latin America increasingly tended to gravitate towards the Chinese economy and inserted itself into the global economy as a supplier of commodities and low value-added manufactured goods, reaffirming a dependent and subordinate insertion in the capitalist system. One of the consequences of higher commodity prices was the improvement in terms of trade in Latin America, which rose by 38% between 2001 and 2008. The region’s bilateral trade with China multiplied 22 times between 2001 and 2013. Graph 2 shows how exports from South America, the region that most inserted itself as an exporter of primary goods, began to follow the movement of the Chinese economy. The behavior of Latin America as a whole does not follow this pattern since Mexico, a major exporter of manufactured goods, has the United States as its main market.
This performance was accompanied by a reprimarization of the Latin American exports, as can be seen in Table 1. Considering its trade with China, between 2001 and 2013, Latin America’s favorable balance on commodities increased from 2.3 billion dollars to 62.6 billion, while the deficit of industrialized products jumped from 7.5 billion to 130.7 billion dollars. In 2011, 60.7% of the region’s exports were made up of primary goods, while in 2004 exports of primary goods accounted for 46.3% of total exports. In constant 2000 figures, exports of primary goods to China, which in 1990 accounted for 68% of the total, rose to 85% in 2011. Data shows a significative low dynamic insertion of the region in international trade, since the trade of manufactured goods is much more dynamic. A reinforcement of the historical standard of insertion of the region as an exporter of primary goods for the majority of Latin American countries is noted. Also, a regression in the case of Brazil, which had a more diversified structure of exports, inherited from the developmental period, before the commodities boom is observed. The weight of manufactures in the Mexican economy is due to the maquiladora industry, which mainly reprocesses and assembles imported manufactured products, presenting few internal threads. The decline in the weight of primary products in total exports as of 2012 reflects the end of the commodity boom, but it is early to say that it represents a new trend (Camargo 2014, Santos 2015, Leite, 2017)\textsuperscript{22}.

\textsuperscript{22}The Brazilian case, a country that had managed to advance substantively in its industrialization process in the developmental phase, although it did not complete its industrialization process,
This new context coincided with the rise of social movements in the region and widespread discontent with the results of neoliberal policies adopted since the 1990s that were responsible for instability and social setbacks. The Argentine crisis of 2000 was the pinnacle of this process. This situation was reflected in a center-left turn in Ecuador, Venezuela, Bolivia, Uruguay, Paraguay, Argentina and Brazil. The commodity boom contributed to creating the conditions for Latin American governments to adopt expansive and distributive income policies, which did not necessarily mean a break with neoliberal macroeconomic policies. In this respect, the Brazilian case is exemplary. Rising commodity prices and terms of trade reduced external constraints on growth and opened the way for expanding the domestic market based on increased consumption, investment and public spending, without this leading to currency crises. This process, coupled with the significant inflow of foreign capital, had lessened external vulnerability in the short term, which had also opened space for economic policies of expansion. Growth with modest income distribution was an important pillar to sustain these governments and the class alliances that sustained them. Graphs 3 and 4 indicate the reduction of short-term external vulnerability during the commodity boom, which allowed the adoption of expansionary policies based mainly on increased consumption. In general, these favorable conditions especially with regard to the production of technology, illustrates this process.
were not used to implement broad policies of structural transformation of the economy. We can see the trend of robust trade surpluses until the crisis, as well as positive balances in the Current Transactions, account between 2003 and 2006 when they began to decline. The terms of trade improved until 2011, falling after the end of the expansionary phase of the commodity cycle.

Chart 3 - Latin America: Trade Account and Current Account (In US$/Current Values)

Source: CEPAL (2018).

Chart 4 - Latin America: Terms of Exchange (2010=100)

Source: CEPAL (2018).
Although the region’s economies were hit hard by the 2008 crisis, they quickly recovered. Latin American GDP, between 2004 and 2011, grew by an average of 4.18%. GDP per capita, between 2006 and 2011, grew by an average of 1.66%. The unemployment rate fell from 8.6% to 6.7% between those two years. Between 2002 and 2012, the share of the poor in the total population fell from 43.9% to 28.2%. The share of indigents in this period fell from 19.3% to 11.9% (CEPAL 2016, Leite 2017).

However, the effects of the commodity boom were not homogeneous in the region. South America benefited greatly and showed a high rate of growth, accompanied by an improvement in income distribution and a reduction in poverty, both higher than the previous and subsequent periods (Santos 2015). Between 1980 and 2003 the region grew by 2.8%. Between 2004 and 2011 it grew by an average of 5.3%, and between 2012 and 2017 grew by an average of 1.2%. The terms of trade grew by around 60% from 2000 to 2010. There was also an improvement in current transactions until 2008. As a result of the global crisis, the situation deteriorated. We also observed an increase in international reserves and currency appreciation, which contributed to the appreciation of wages (Santos 2015, CEPAL 2016).

Mexico, according to Santos (2015), was virtually unaffected by the commodity boom, although it is an oil exporter. It grew, between 1980 and 2003, an average of 2.7% per year. In the period 2004-2011, it grew by 2.7%, and, in the period 2012-2016, it grew by 2.5%. Its exports grew 75% between 2000 and 2008, while the South American ones grew 324%. This behavior was mainly due to the fact that this country is very dependent on the US, exporting little to China and having suffered strong Chinese competition from manufactured products, especially in the North American market. The reduction of poverty in Mexico was less pronounced. In 2002, the number of poor people accounted for 39.4% of the population and fell to 36.3% in 2010, while the number of poor people increased from 12.6% to 13.3% in the same period. Mexico did not show great imbalances in current transactions and its currency did not appreciate as the South American countries. It also showed a more marked growth in exports of manufactured goods since 2006 compared to this region (Santos 2015, CELAC 2016).

The Central American countries, according to the author, have benefited little from the commodity boom, as the region is not a major exporter of raw materials and quite dependent on the US. The terms of trade of the Central American countries, between 2000 and 2010, declined 14%. Its growth depended, in part, on external financing. The growth of the countries of the region was quite uneven. Panama, the Dominican Republic, Honduras and Costa Rica grew more strongly, while Belize, Haiti, El Salvador, Nicaragua and Guatemala showed low or moderate growth (Santos, 2015, CELAC 2016).
Although the commodity boom boosted Latin America’s growth, its insertion in the global economy as a raw material exporter led to the reprimarization of exports and the de-industrialization, especially in South America. In other words, the old structures were reinforced, which hinders the greater economic integration of the region and a more autonomous and dynamic insertion in global capitalism.

As indicated by many authors, among them Pinto and Cintra (2015) and Leite (2017), the diversification of the economy seems to be fundamental to guarantee sustained development with income distribution and a dynamic insertion in the world economy, as the diversification of the productive structure, especially the development of the processing industry, is important in the long-term growth process. The center-left and left-wing governments that gained ground in the expansionary phase in Latin America did not advance in this direction. These governments have implemented growth models based mainly on expanding consumption and exports. Models that rely on reducing external vulnerability. The limits of this growth model were explained by the gradual depletion of the commodity boom since the 2008 crisis and the current slowdown in the Chinese economy, in addition to countless internal contradictions. This exhaustion is an important element in explaining the neoliberal reaction, which happens to be concentrated in South America. Obrador’s election in Mexico, which has been little affected by both the boom and the commodity cycle crisis, indicates the different trajectories. The neoliberal reaction in South America is also linked to the response that capital is giving to the structural crisis of global capitalism and the intensification of struggles for world hegemony (Pinto and Cintra 2015, Leite 2017).

The end of the commodity cycle and its unfolding in Latin America

The crash of the speculative bubble in the North American real estate market quickly turned into a global crisis. The bankruptcy of Lehman Brothers led to a sharp contraction in global liquidity, negatively impacting world economic activity, especially in developed countries. Capital accumulation, employment and income have declined, ending the expansionary phase and opening a phase of low world growth, from which deceleration of the Chinese economy is one of the ramifications. Despite the depth and breadth of the crisis, the surplus of fictitious capital and productive capacity on a world scale has not been devalued enough or destroyed. Once more, the crisis made evident the inability of markets to regulate the economy efficiently.
Despite the global crisis range, Latin America was not plunged into financial and foreign exchange crises as in the 1990s, but this did not save the region from a declining phase, resulting both from internal problems and from the slowdown of the global economy, especially the Chinese economy, since its performance is an important factor in the international commodity market. The declining behavior of Latin American economies denotes the limits of a pattern of growth dependent, in large part, on exports and consumption.

The strategy followed by the central countries to deal with the crisis, to recover profit rates and to avoid the collapse of financial capital was based, on the one hand, on fiscal austerity, wage tightening and the reduction of workers’ rights. On the other hand, the sharp reduction in the interest rate and the adoption of a broadly expansive monetary policy aimed at saving the fictitious capital, which allowed a strong inflow of capital in Latin America in search of fictitious valuation due to the high-interest rates of region. Between 2010 and 2016, the average annual portfolio investment in Latin America was US$ 98.40 billion and between 2003 and 2009 was US$ 15.90 billion. Starting in 2015, with the fall in economic activity in the region and rising interest rates in the US, there was a drop in these flows, which in 2016 were US$ 67.15 billion. Added to this are direct investments, whose annual average in the first period was US$ 187.20 billion. It should be noted that part of these investments is in fact intra-firm loans, which are directed to financial investments. The massive inflow of capital led to a sharp increase in remittances abroad. Latin America reaffirms its insertion in global capitalism as a privileged space for the valorization of globalized financial capital (CELAC 2018).

However, the limits of the pattern of growth dependent on good export performance were not immediately apparent despite the downturn in the regional economy in 2009. This was due, on the one hand, to the countercyclical policies adopted and the way in which China responded to the global crisis by adopting comprehensive investment policies.

At first, Latin American economies had suffered a strong impact. Regional GDP declined 2.0% in 2009. However, they returned to growth the following year, mainly due to the adoption of countercyclical policies, based on the reduction of interest rates, the increase in public spending and the expansion of credit. Latin America was not an isolated case, it accompanied the growth of other peripheral regions. The resumption of economic activity was due to increased consumption, investment and exports. Gross Fixed Capital Formation (GFCF), which had declined 9.9% in 2009, increased by 11.2% in 2010, accounting for 21.3% of the GDP, against 20.8% in the previous year. Consumption showed similar behavior, growing 5.5% in the last year, after
having retreated 0.1% in the previous year. In 2010, regional GDP had grown 6.1% (CELAC 2018).

However, due to the effects of the world crisis, as a product of the escalation of the situation in the euro zone, the region’s economy slowed down, growing 4.3% in 2011; 3.2% in 2012; 2.9% in 2013; 1.2 % in 2014; -0.2,% in 2015, and -0.6% in 2016. This declining trend followed the downturn of the world economy, in particular the Chinese one. In 2017, it showed, once more, a modest growth. Between 2011 and 2017, the GFCF rate in relation to the GDB fell from 21% to 17.7%, an insufficient rate to sustain a robust economic growth. Until 2012, the slowdown was not that hard due to the expansionary policies adopted by major Latin American countries that, however, lost its strength in a context of inflation rise and the ongoing strong Chinese growth, that prevented an acute retraction of exports. It is also important to emphasize the Chinese Foreign Direct Investments (FDI) focused, mainly, to increase the production of raw materials, manufactures and energy in the periphery. One should point out the increase of Chinese investments in the region. In 2010, China was responsible for 9% of the regional FDI, only lagging behind the US with 17% and the Netherlands with 13%. It made a series of investments in Latin America in the oil, energy, mining, steel industry, telecommunications and automotive sectors, comprising US$ 15 billion. Yet, since these investments focused mainly on sectors dedicated to the exploitation of natural resources, they reinforced the less dynamic insertion of the region in global capitalism. (CEPAL 2011 a, 2014, 2018).

In 2009, Latin American exports to the US and the European Union, respectively declined 26% and 29%, whereas to Asia they increased 4%, and the ones destined to China 11% (CEPAL 2011b, 13). In 2010, exports increased by 29% after a decline of 23% in the previous year. In the first six months of this year, exports to China showed a growth higher than the total of exports, growing 45% when compared to the same period of 2009. From 2000 to 2011, Asian developing countries increased their share of Latin American exports from 3.5% to 15%, surpassing the European Union and lagging behind the US only. (CEPAL 2011b, 25; CEPAL, 2012, 101; CEPAL 2012b, 56-58)23.

23 Between 2000 and 2010, Latin American exports to developing Asian countries rose from 7% to 24% of total exports, while to China from 2% to 13%. At the same time, the weight of trade with the United States and the European Union declined sharply. Mexico and the Central American countries benefited, as we discussed above, less from this process. In addition, they are facing strong competition from Chinese products, which have a strong presence in the North American market, since most of the exports from Central American countries and Mexico are made up of manufactured products. Mexico has raised its exports of primary goods. In that time frame, Mexican exports of primary goods and natural resource-based manufactures to China grew from 14% of total exports to 43%. But these numbers are of little importance to
From 2011 onwards, a slowdown in the pace of exports was observed, even though they still raised by 23.9% this year. In 2012, there was a significant fall. The growth was of 1.6% only. In 2013, exports declined 3.1% and 23.6% in the following year. In 2016, the fall was of 1.3% (CEPAL 211b, 25; CEPAL 2012b 56-58, 101; CEPAL 2007-2018). This declined was coupled by the Chinese GDP slowdown and of the world’s trade.

At the same time, the imports from China and further developing nations in Asia had grown more than in other regions. Latin America presents a chronic deficit in its imports of manufactured goods from Asia since 2005. One of the results of this situation was the worsening of competition in Latin American markets, in particular the ones that suffered the most due to the presence of Chinese products. The sectors that were the most affected were: textiles, footwear, clothing, rubber and plastic materials, machines, hardware and automotive and its components. Argentina, Brazil and Mexico were particularly affected. (CEPAL 2012b, 60).

In 2012 and 2013, there was a reversal of the region’s trade surplus due to the slowdown in the world economy. Especially for South America, there was a drop in the prices of the products it exports, partially offset by the increase in the volume exported. Meanwhile, the prices of imported products remained stable. The result was a 1.8% drop in terms of trade. The current account deficit, after remaining at 1.8% of GDP between 2009 and 2012, in 2013, had risen to 2.7% of regional GDP. In the following four years, the figures were 3.0%, 2.8% and 1.9% and 1.5% respectively. The improvement was largely due to the economic slowdown itself (CELAC 2018). Although these deficits were covered by direct foreign investment, the deterioration of current transactions indicates the persistence of external vulnerability.

The reprimarization of Latin American exports, stimulated by the increase in the prices of primary products in the last decade, had led to specialization in primary and low-value sectors with low technological content. At this point, the evidence suggests that Latin American economies are at least in terms of the more developed countries of the region, undergoing a structural transformation of their economies, which tends to reinforce the subordinate and dependent position in the world economy. There has been a lack of broad and consistent industrial policies in the region since the adoption of neoliberal policies in the late 1980s. The center-left governments that gained the foreign trade of this country (CELAC 2012b, 53-62).

24 In the 2000s, Latin American imports from China grew by 24.5% on average per year, while those from the US 13.9% and those from the European Union 7.8%. (CELAC 2012b, 60).

25 At constant prices, the value of exports of primary goods and manufactured goods based on natural resources for the entire region is declining. See CELAC (2012b, 54)
ground in the 2000s did not reverse this trend, at most adopting reactive policies of scope, not realizing that the world is going through a change in the technological standard.

The repercussions of this situation of vulnerability are manifested in the decreasing participation of Latin America in the trade of goods on a world scale. Between 2000 and 2015, this share dropped from 5.7% to 5.5%. A more serious situation can be observed in the trade in high-tech goods and modern services, which fell from 8% to 5% and 2% respectively, 4% to 1.9% in the same period. It is not by chance that the region’s participation in international value chains had increasingly concentrated on providing basic products for exports from third countries, although there has been an increase in the insertion in these chains. The backward linkages in Latin America are smaller than in other regions, especially when compared to Asian countries. Between 2000 and 2011, Latin America’s share in backward linkages in global value chains was 25% to 20% and in the forward links from 14% to 21%. While Asia, in the same period, kept its share in the forward threads by 21% and increased its share in backward threads from 25% to 30%. It should be noted, however, that Mexico and Costa Rica have an important insertion in the North American value chains in the automotive, telecommunications, medical and electronic sectors. The other Central American countries follow this trend, with relevant participation in the textile and clothing sectors (CELAC 2016, 20-22).

The reaffirmation of the historical trend, particularly in South America, of Latin America as an exporter of primary and low-tech manufactured goods, especially in the commodity boom, does not contribute to the intensification of regional integration. Interregional trade declined more than extra-regional trade between 2012 and 2016, especially in South America. This behavior was partly due to the decline in economic activity during this period, which affected Brazil and Venezuela (CEPAL 2016, 119-122).

The victory of the center-right political forces that have taken over many governments in the region, particularly in South America, had brought a radicalization of neoliberal policies, which in no way offer answers to the deadlock in Latin America in this phase of crisis and redefining the course of global capitalism. Countries such as Argentina and especially Brazil have aligned themselves to the strategy of austerity and are approaching the US, which in turn seeks to regain space in the region. The coup in Brazil and the victory of Jair Bolsonaro in the 2018 elections, the crisis in Venezuela, Macri’s victory in Argentina, Correia’s difficulties making his successor, Morales’ defeat in the plebiscite that would guarantee another reelection are indicative the impasses of the left and center-left forces of the region, which is reflected
in the weakening of UNASUR and ALBA and the emergence of the Pacific Alliance, which brings together countries that bet on neoliberal strategy. Although the Alliance for the Pacific aims to diversify the economy and export agenda, it faces enormous difficulties, as Asian countries, especially China, see Latin America as a commodity exporter and Mexico is tied to the US economy. The option to strengthen regional integration, expressed in resistance to the FTAA and in the strengthening of Mercosur, seems weakened. Just as the South-South policy and the bet on the BRICS had lost ground with the coup in Brazil. In other words, strengthening the insertion of the region, especially South America, as an exporter of primary goods in the world economy, and Mexico’s deep articulation with the United States\textsuperscript{26}, put obstacles in the way of a more integrated region, which has actually made modest progress and indicates the maintenance of dependent and subordinate patterns of insertion of the region into global capitalism.

Final Considerations

The restructuring of capitalism as a response to the structural crisis of the 1970s restricted spaces for development experiences in Latin America, especially by undermining development finance with external indebtedness. The state lost the conditions to articulate a new phase of development. In this context, Latin American countries failed to keep pace with the new pattern of accumulation and technological progress in global capitalism and were captured by the capital’s fictitious valorization circuits. The conditions for the structural regression of the Latin American economies and for the reaffirmation of the region’s insertion as exporters of primary goods were developed. Of fundamental importance in this process were the neoliberal policies, inspired by the Washington Consensus, that financially and commercially opened the region’s national economies, weakened states, and blocked industrial policies.

Despite the failure of these policies, whose apex is expressed in the crises of Brazil and Argentina, there was no radical break with this line of policy. The center-left forces that have taken over several governments in the region to varying degrees failed to implement policies that would lead to the diversification of the economy and a dynamic insertion into global capitalism. In particular, the commodity boom has deepened the insertion of South America as an exporter of primary goods and did not contribute to greater

\textsuperscript{26} We do not take into account, in this text, the US policies adopted by Donald Trump, which tend to weaken the NAFTA architecture, or the recent election of Lopes Obrador in Mexico, which may change this situation in the medium term.
regional integration, although reducing the external vulnerability had opened the possibility for the adoption of expansive economic policies, based on the enlargement of consumption, the rise in investment, the increase of employment and numerous measures aimed at reducing poverty and improving the distribution of income. However, these policies, by failing to promote structural change, which would entail, among other things, developing the industry and expanding and modernizing the infrastructure, failed to articulate solid foundations for the advances observed in the commodity boom phase.

With the depletion of the commodity boom, a period of low growth and maintenance of a subordinate and dependent insertion in global capitalism, which is experiencing a deep crisis, seems to be outlined for Latin America. Symbiotic relations between the US and Asian economies, particularly China, are being called into question by the current crisis, which seems to open a phase of intensification of disputes over global hegemony. Latin America, which is far from being a unit, is at a crossroads. Mexico’s economic elites continue to bet on its strategic alignment with the US, but if the Trump government reviews its policy on NAFTA, this country will be in a delicate position. The Brazilian choice, initiated by the Temer’s government and probably to be deepened by Bolsonaro, to align itself politically to the US does not represent an auspicious path. The proposal of the renewed neoliberal forces in the region is austerity, which seeks to restore profitability and competitiveness through wage tightening, degradation of living conditions and reduction of social rights, following the response that capital seeks to give the crisis of overaccumulation. Left forces, which fail to diversify their economies while in government, despite some efforts in this direction, will have to rethink their strategies of development and insertion in the global economy. However, they will have to address these issues in a more competitive and less dynamic context, marked by the intensification of disputes over hegemony and without the bonus of the commodities boom.

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ABSTRACT
This article aims to discuss the impacts of the commodity boom in Latin American economies. We will discuss the boom and its crisis within the contradictory and unstable process of globalization of capital characterized, among other things, by the hegemony of financial capital and by the spatial reconfiguration of capital accumulation, which has an enormous influence on the periphery of the system and the reorganization of the international division of labor. The paths pursued by the Latin American economies are part of this process. Thus, the analysis of the possibilities and obstacles to an inclusive economic and social development has to start from this frame of reference.

KEYWORDS
Latin America, Commodities Boom, Crisis, Development

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