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Subordinated integration and political waves in the 21st century Latin America

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ABSTRACT
In the 2000s and early 2010s, Brazil, Peru, and Chile experienced leftist electoral victories, reflecting the regional trend known as the Pink Tide. However, in the mid-2010s, the erosion of the popular support for left-wing governments interrupted this process, marking the start of a period of instability. On the one hand, in different countries, conservative forces managed to regain power, renewing the impulse to marketization; on the other hand, left-wing parties kept their electoral strength, obtaining new victories after the late 2010s and even opening the debate about a second left turn in the region. Although these electoral cycles in Brazil, Peru, and Chile reflected domestic political conditions, they cannot be detached from Latin America's position in the hierarchy of global capitalism. This paper argues that the region's integration into international trade and global finance has also shaped and subordinated political cycles, introducing varied constraints and opportunities for domestic political actors. We show that during the first left turn, relatively stable inflows from the commodities boom and foreign direct investment allowed governments to implement progressive policies. However, recent left-wing governments have not experienced a similar commodities surge and had to rely more heavily on volatile, short-term financial inflows, posing significant challenges to these countries' stability and policy space. We argue that the analysis of the trade, financial and political past of Latin American countries should serve them to change their path to avoid being trapped in shrinking waves that curb the space for autonomous development.

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KEYWORDS Productive subordination; international financial subordination; Latin America; Pink Tide; political waves

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Introduction

In the 2000s and early 2010s, after decades of neoliberalism, Latin America experienced the so-called Pink Tide, an unprecedented wave of electoral victories by left-wing parties that covered a large number of countries in the region (Levitsky & Roberts, 2011). In the mid-2010s, however, this progressive wave lost momentum, opening a period of uncertainty: On the one hand, conservative forces regained power in many countries of the region, renewing the impulse to marketization (Grugel & Riggirozzi, 2018); on the other hand, left-wing parties kept their electoral strength, returning office in different countries since the end of the 2010s, raising hopes for progressive initiatives (Stuenkel, 2022). Although these electoral cycles reflected domestic conditions, they cannot be detached from Latin America's subordinate position in the global structure of capitalism (Cerpa Vielma & Dymski, 2022).

Parallel to the political pivots started in the early 2000s, this period also witnessed an increased access to external resources. From the early 2000s to mid-2010s, the supercycle commodities boom significantly improved the region's terms of trade, as trade (TB) and current account (CA) balances surged due to a heightened demand for commodities from China (Gottschalk & Prates, 2005). This also boosted investor confidence, leading to increased inflows of foreign direct investment (FDI) into the region, predominantly in the primary sector (CEPAL, 2015).

Since the turn of the millennium, institutional investors have, once again, been increasingly directing investments into Latin America (Kaltenbrunner & Painceira, 2018). However, these inflows differ significantly from more stable trade or FDI inflows, being primarily monetary and more volatile. Such nature has been largely determined by global investors' fluctuating confidence and fear, often independent of domestic conditions (Bonizzi & Kaltenbrunner, 2019). Consequently, even with robust fundamentals, Latin American economies may still face external vulnerabilities and volatile exchange rates, along with large and sudden shifts in cross-border financial inflows.

We argue here that subordinated patterns of integration of Latin America into international trade and a globalized United States (US)-dollar market-based system also shape political cycles, introducing a variegated set of constraints and opportunities on domestic political actors (Campello, 2015). In particular, we show how the Pink Tide governments during the 2000s and early 2010s had more space to implement progressive policies as they relied on a more stable source of capital due to the supercycle commodities boom and increasing FDI inflows (Grugel & Riggirozzi, 2018). However, from the late 2010s onwards, left-wing administrations had to rely more heavily on an unstable influx of external resources.

At the same time, we contend that the shift toward—and reliance on—these more volatile inflows has been driven by the consistent adoption of neoliberal policies since the 1980s, which has been reinforced in the following decades, culminating in the recent conservative administrations across the region, also known as Blue Tide[1] (Salgado & Sandrin, 2021; Stone et al., 2020). This push for marketization is expected to interact with processes of deindustrialization, regressive specialization, and financial subordination, further eroding the space for progressive initiatives and making them more homogenous during the post-2020 left-wing governments, which generated a debate about the existence of a second Pink Tide[2] (Stuenkel, 2022).

To assess our argument, we conduct an exploratory three-case study centered on Brazil, Chile, and Peru. Following a diverse case selection strategy, this choice allows us to map the relationship between economic and political cycles in countries with different patterns of productive and financial subordination. Moreover, as examples of the moderate strand of the Pink Tide that also experienced left-wing victories in recent years, these countries can be used for both cross- and within-case comparisons in contexts shaped by uninterrupted ties to global markets.

The article is organized as follows. The next sections present the theoretical framework and the research design. Sections 4, 5 and 6 analyze trade, financial, and political cycles in our three cases studies. The seventh section discusses how these cycles interacted, gradually eroding the policy space for progressive initiatives. The eighth section outlines the findings and provides final remarks.

The political economy of Latin American subordination

This section performs two complementary roles. First, building upon the structuralist perspective, it discusses how the subordinate patterns of trade and financial integration constrain the development of Latin American countries. Second, by incorporating the concept of International Financial Subordination (IFS), it frames these dynamics as systemic manifestations of global financial hierarchies, characterized by asymmetrical power relations, value extraction, and structural constraints on policy autonomy in Developing and Emerging Economies (DEEs). Combining these approaches with the recent literature on neoliberalism and post-neoliberalism, this section discusses how these dynamics decisively shape the agenda and policy space of left-wing governments across the region.

According to Prebisch (1950) and ECLAC (2012), Latin American economies have experienced a long-term tendency of declining terms of trade. Diamand (1972) significantly advanced the debate on peripheral economies, highlighting their 'unbalanced productive structure' with a dual-speed dynamic: a highly productive extractive sector and a low-productivity industrial sector. He argued that growth in such economies increased imports, requiring export expansion. However, supply constraints in extractive industries limited export growth, leading to structural trade deficits, pervasive deindustrialization, and heightened risks of exchange rate and balance-of-payment crises (Bibi & Valdecantos, 2023).

Notwithstanding the long-term declining terms of trade, they might improve for specific periods like between 1880 and 1914 or since the beginning of the twenty first century during the supercycle commodity boom. This recent upward period for Latin American countries deepened the reliance on primary exports, a phenomenon commonly referred to as reprimarisation, but it also created a space for the implementation of inclusionary policies by progressive administrations. It is worth noting, however, that this window of opportunity has not altered Latin America's structural position within global financial markets and value chains.

In addition to the trade ties, Latin America's financial integration has deepened since the early 2000s. This period has been marked by a substantial expansion of capital inflows, reflecting the growing role of global financial actors in shaping Latin American economies (Cerpa Vielma & Dymski, 2022). While these inflows were historically associated with CA and FDI components, recent evidence highlights an increasing reliance on portfolio investment and short-term financial flows, largely driven by the growing presence of institutional investors in DEEs since the early 2000s (Bonizzi & Kaltenbrunner, 2019, 2021).

However, these short-term flows are deeply embedded in a hierarchical global financial structure that reinforces Latin America's structural subordination. First, these flows are often characterized by their speculative nature and high volatility. Second, as post-Keynesians have argued, Latin America's lower position in the international currency hierarchy—combined with the dominant role of the US dollar (US$)—forces DEEs to offer higher interest rates to attract cross-border capital flows (De Paula et al., 2025). This, coupled with significant exchange rate volatility, makes DEEs' assets and currencies prime targets for unstable carry trade operations, driven by both global institutional investors and domestic agents (Bonizzi & Kaltenbrunner, 2019). In this sense, we frame the hierarchical and speculative nature of short-term capital flows into Latin America, through the lens of IFS to highlight the limited agency of DEEs in navigating the aforementioned global financial hierarchies and the structural inequalities underpinning these hierarchies.

The concept of IFS captures the structural power dynamics of global finance, which manifests in these asymmetrical relations of domination, financial dependency, and value extraction that constrain national development and policy autonomy in DEEs. We draw on Alami's concept of hierarchical monetary relations (Alami, 2019), to reflect the historical pattern of unequal integration of Latin America into global markets and the monetary and financial state power of core economies with liquid and stable currencies, while relegating DEEs to reliance on volatile short-term capital inflows. This asymmetry imposes structural vulnerabilities that shape trade and financial dynamics, limiting domestic policy responses and perpetuating dependency. By embedding these perspectives into our analysis, we discuss in the following sections how Latin America's subordinated integration has also shaped and subordinated political cycles, introducing varied constraints and opportunities for domestic political actors, perpetuating dependency.

The aforementioned trade and financial dynamics have interacted with political waves in Latin America. For instance, in the 1990s, the ups and downs of capital inflows had a pivotal role in both the implementation of market reforms and the subsequent legitimacy crisis of neoliberalism, which paved the way for the regional wave of leftist triumphs in the 2000s and the late 2010s.

Rooted in the social movements' resistance to market reforms, the Latin American Pink Tide encompassed a multiplicity of left-wing experiences, which varied in the extension of their contestation to the neoliberal hegemony at both domestic and global dimensions. Still, these different leftist alternatives embraced the so-called post-neoliberalism, a hybrid political project that sought to rebuild the economic capacity of the state and expand citizenship rights, while keeping at least part of the neoliberal legacy (Grugel & Riggirozzi, 2018). To explain the post-neoliberal hybridity and the cross-national policy diversity, the literature on the Pink Tide has referred to a myriad of factors. For instance, Campello (2015), and Mazzuca (2021) have argued that the relevance of primary goods in the export basket and the type of exported commodity shaped the policy space of left-wing governments, affecting their ability to adopt inclusionary policies and challenge neoliberal prescriptions. With a focus on political variables, Biglaiser (2016), Etchemendy (2020), and Flores-Macías (2012) have contended that the orientation of left-wing administrations also depended on the degree of party system institutionalization, the size of electoral majority, the strength of bottom-up social pressure, and the party-movement relationship. Finally, Levitsky and Roberts (2011) have highlighted that the legacy of liberalizing reforms interacted with the leftist agenda, limiting its transformative capacity.

Despite acknowledging the relevance of such contributions, we extend the arguments of the Pink Tide literature in three directions. Firstly, without overlooking the role of commodity exports in the productive structure, we pay more attention to the dynamics around financial subordination and its role in reinforcing regressive specialization. Secondly, we discuss the drivers of cross-national variegation but dedicate more space to how structural pressures in trade and finance have constrained national policy space over time. Thirdly, we build a longitudinal comparison of the progressive experiences, comparing the Pink Tide period with the leftist governments that entered office since the late 2010s.

In this sense, we build upon recent studies by Bogliaccini and Madariaga (2025), Reis and de Oliveira (2023), and Villegas Plá and Peña (2025), who have traced political outcomes under left-wing administrations to productive and financial subordination, highlighting the difficulty of combining external restrictions with inclusive growth. Moreover, our analysis finds echo in Sierra's (2022) study of the switching dilemma faced by left-wing governments in commodity-driven growth models. Specifically, we discuss how the deepening of productive and financial subordination restricted the policy space of recent left-wing governments in comparison to the Pink Tide period, making it more difficult to challenge the growth coalition rooted in the primary and financial sectors.

Case selection and methods

In light of this theoretical background, we build a three-case study of Brazil, Chile, and Peru with the aim of exploring the relationship between trade, financial, and political conditions. Following Bogliaccini and Madariaga (2025), we build a descriptive argument in two forms. First, we provide an account of the commodity and capital flow cycles experienced by these countries from the early 2000s onwards. In this sense, we also shed light on how domestic political-economic conditions mediated the response of left-wing governments to these region-wide cycles.

Second, when comparing recent left-wing governments with the Pink Tide of the 2000s and early 2010s, we suggest that there is a plausible relationship between the deepening of productive and financial subordination, and the increased homogeneity between left-wing administrations around limited policy changes. According to this associational argument, the regressive specialization that followed the commodity boom and the growing reliance on short-term capital movements coincides with a lower capacity of recent left-wing governments to turn moments of cyclical boom into transformative policy orientation, eroding the relevance of their political and economic structural differences. While we do not suggest a causal relationship, we leave this open for future research.

Considering these objectives, the focus on Brazil, Chile, and Peru follows a diverse case selection strategy, which seeks to map the full spectrum of the relationship of interest (Seawright & Gerring, 2008).

Specifically, we pick these countries because they display different degrees of productive and financial subordination, allowing us to discuss the erosion of policy space faced by recent left-wing governments in Latin America as a region-wide trend. Brazil is the most industrialized of these economies and presents a developed financial system dominated by domestic banks. Peru, on the other hand, is the least industrialized among them and shows a financial system led by foreign banks. Chile, for its part, occupies an intermediate position, in terms of both financial and industrial development.

Two additional reasons underpin our case selection. Firstly, as we seek to compare the Pink Tide with the recent period, we only considered countries that experienced left-wing administrations in both moments with an interruption in between[3] (Table A1). Secondly, due to our focus on the repercussions of trade and financial integration for national policy space, we chose countries that have not attempted to weaken their ties to global markets, favoring cases that sit at the moderate strand of the 2000s left turn (Flores-Macías, 2012).

We acknowledge that our cases present relevant differences regarding political systems, socioeconomic levels, institutional patterns, and democratic quality. However, our interest is exactly to discuss how the deepening of productive and financial subordination eroded policy space in all these countries in spite of such diversity.

In terms of supportive evidence, we considered a multitude of complementary sources. Regarding trade and financial statistics, we rely on data from the World Bank (WB), the International Monetary Fund (IMF), and the Observatory of Economic Complexity (OEC). When it comes to political analysis, we combine academic literature with the data on anti-government protests provided by Martínez (2021).

Trade cycles and productive subordination

In line with the structuralist perspective about Latin America's productive patterns (Bibi & Valdecantos, 2023; Diamand, 1972; Prebisch, 1950), our analysis of Brazil, Peru, and Chile highlights two major stylized facts: first, the strong cyclicality of both their TB and CA with increasing values particularly during the supercycle commodities boom of 2003-2013; second, a synchronization of their upward and downward trends in the period under investigation.

The analysis of trade dynamics and CA compositions across Peru, Chile, and Brazil from 1980 to 2022 reveals several noteworthy trends. Despite generally positive net trade for these countries (Figure 1), indicated by an average of 0.85% of GDP during the period, their CA averages were negative for the overall period (-2.86%) and also since the

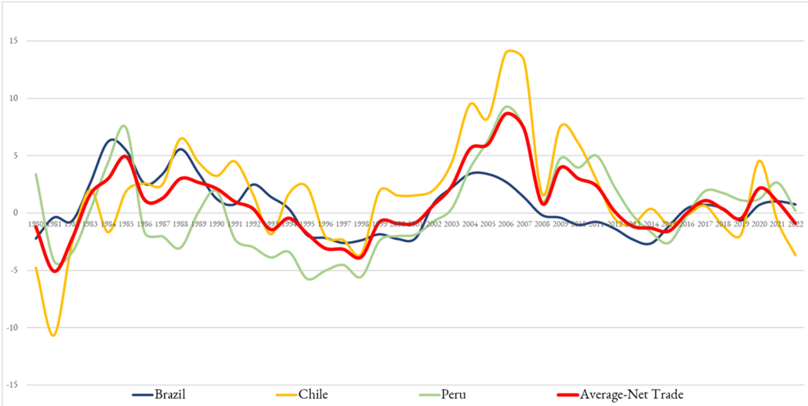

Figure 1. Trade balance of Peru, Chile and Brazil, % of GDP, 1980-2022.
Source: Author's elaboration based on IMF Balance of Payments Database.

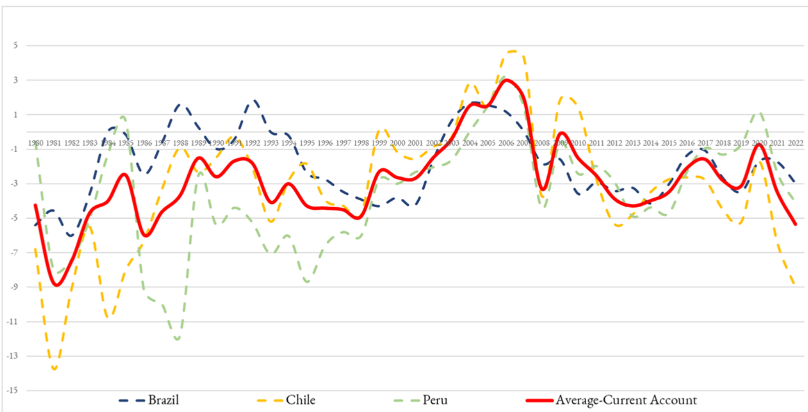

Figure 2. Current account of Peru, Chile and Brazil, % of GDP, 1980-2022.
Source: Author's elaboration based on IMF Balance of Payments Database.

2000s (-1.78%) (Figure 2). The discrepancy between TB and CA has only marginally decreased over time, indicating persistent challenges. In particular, negative primary income values have continued to outweigh trade balance and secondary income positivity, dragging down the overall CA.

Brazil

Together with positive but negligible secondary income account values during the period under investigation, Brazil endured persistently greater negative net trade in services values, mostly remaining lower than 2% (Figure 3). Even if net trade in goods products started to be positive since

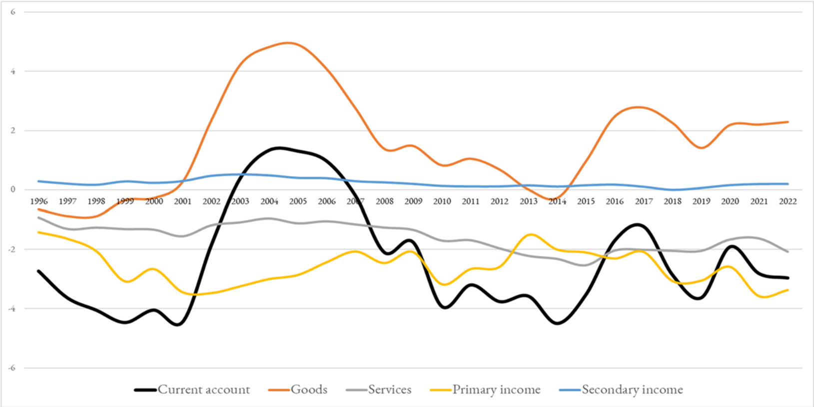

Figure 3. Current account of Brazil, % of GDP, 1996-2022.
Source: Author's elaboration based on IMF Balance of Payments Database.

2001, with a well-visible bell shape during the supercycle commodity boom, its values were always contained between −1% and its 5% peak. On the contrary, with values oscillating between −1% and −4%, its primary income has been persistently negative.

That way, Brazil seemed to have been somehow dissimilar when compared to Peru and Chile (see later). First, its CA components values and fluctuations were quite mild and markedly smaller when compared to those countries. Second, if the production and export of Peru and Chile were based on minerals, Brazil has had a long trajectory of strong attempts to diversify its economy. Even if the natural resources still have remained the core bulk of Brazil's exports (Figure A1), the strong relevance of minerals (mainly iron and crude oil) has been twinned by vegetable products (soybeans) and foodstuff (raw sugar) exports.

If the decades in the previous century (1960s in particular) saw several attempts at industrialization and diversification of the economy, the last two decades were characterized by reprimarisation dynamics similar to Chile and Peru. In fact, the observed decline in intermediate and consumer goods exports has been accompanied by a reduction in capital goods exports, which saw their share of total exports halve from 20% to 10% (Figure A2). The exports composition has been characterized by an increase in raw materials from about 20% to about 55% during the period under examination, even though the partial diversification, at least among natural resources exports, coincided with the dynamics of the export product by sector seems to be less straightforward.

It is worthy noticing that the first PT governments attempted to recover the manufacturing industry. In this sense, industrial plans published in

2003, 2008, and 2011 gradually increased the number of benefited sectors and the percentage of local content requirements (Gaspi, 2024). However, those policies were reversed under the right-wing administrations led by Temer and Bolsonaro. Moreover, the industrial policy launched by the current PT government has been constrained by the limited fiscal space (Guerra et al., 2025).

Peru

While the Peruvian 1950-2000 period was marked by political-economic instability, since the beginning of 2000 Peru has experienced a golden age often being named 'the Latin American miracle'. Peru has importantly increased its reliance on external trade as an engine of its growth, somehow passing from an agricultural products export-led economy to a mining one with high and increasing concentrations of minerals, with copper alone representing more than 60% of exports (Bibi & Valdecantos, 2023). However, despite changing the source of export resources, the country still has moved away from the reliance on natural resources.

As in Brazil, the 2003-2014 supercycle commodity boom favored the trade balance and the CA of Peru. In particular, contrary to the last years of the previous decade's negative values, in the new millennium the exports were structurally positive (except at the end of the commodity boom years in 2014-2015) with peaks higher than 10% of GDP (Figure 4). That way, together with the positive values of the secondary income account and despite the low but structurally negative values of the trade in services, the trade in goods was the main contributor to the positive

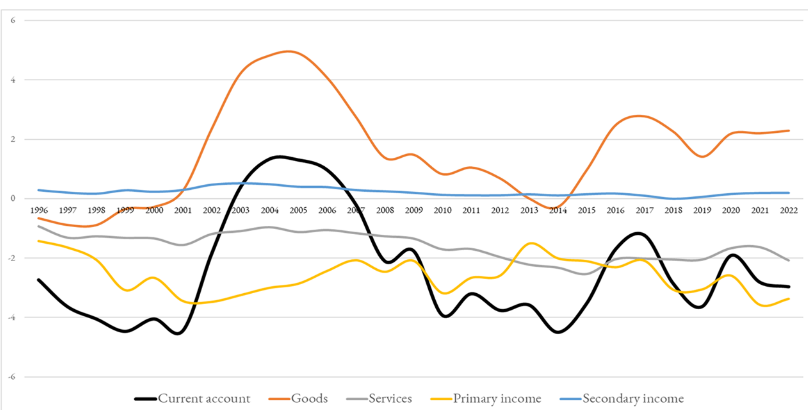

Figure 4. Current account of Peru, % of GDP, 1996-2022.
Source: Author's elaboration based on IMF Balance of Payments Database.

values of the CA. However, as for Brazil, the negative values of the primary income of Peru, almost structurally higher than 5% of GDP since the beginning of the supercycle, dragged down the CA of Peru into negative values, except for the 2004-2007 heyday of copper price, and more recently in 2020.

Since the end of the previous century, Peru has also faced several changes in terms of the export structure by both share and stage. While exports of consumer goods significantly increased as composition of the overall exports since the beginning of the analyzed period until the end of the commodity boom in 2014, the exports of intermediate goods have persistently declined (from about 60% to less than 40% during the same period; Figures A3 and A4). As the majority of Latin American countries, Peru also faced a strong reprimarisation process with values of raw materials passing from 15% to 50% during the 2000-2020 decade.

Peru has not only faced a switch in terms of the stages that drove its exports but also in terms of the sectors responsible for driving them. If Peru was majorly an agricultural export led economy during the 1950 and 1960, with agricultural products alone counting more than 50% of its exports, that weight strongly declined with time until reaching values lower than 3% in the 2020s, and with minerals being the real driver of Peruvian exports which values increased from about 20% during 1950 to about 47% and intensifying its weight even further up to 60% of exports during the period under observation (Bibi & Valdecantos, 2023).

The left-wing administration led by Humala attempted to partially diversify the economy through the National Policy for Productive Diversification. However, the goal of reducing Peru's dependence on mineral exports was pursued through infrastructural investments to deepen the integration into global value chains, falling short of crafting bolder initiatives to break with productive subordination (PRODUCE, 2014). The limited scope of this initiative helps to explain why subsequent right-wing administrations kept them in place, opting for redirecting the policy tools to favor extractive industries.

Chile

Chile resembles Peru in terms of productive and export structures, both having been driven by commodities surge during the last two decades. The dynamics and the composition of the CA have also been similar even if Chile's components reached higher values. In fact, like Peru, Chile's net exports of goods started to be structurally positive toward the end of the previous millennium, increasing further up to 15% of GDP during the first surge of copper (when its values more than tripled from less than

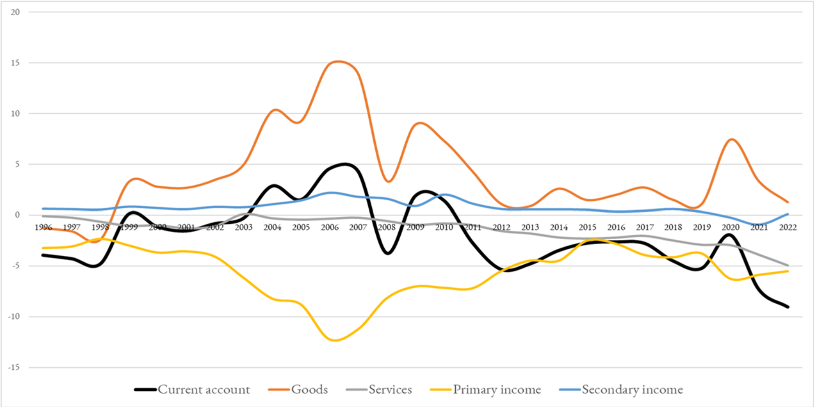

Figure 5. Current account of Chile, % of GDP, 1996-2022.
Source: Author's elaboration based on IMF Balance of Payments Database.

US$1 to over US$3.5/Lbs) and lifting Chilean CA to positive values during the majority of the commodity boom supercycle (Figure 5).

However, at the end of the supercycle commodity boom, the net trade of goods went back to its normal values, below 5% of GDP, and unable to generate enough resources to keep a positive CA. Like Brazil and Peru, Chile has had a positive, although very low, secondary income account and structural negative net trade in services which average remained however below 2% of GDP. The strongest structural negative component of the CA consisted also in this case by its primary income which increased further during the supercycle commodity boom, reaching 12% of GDP in 2006, in the first heyday of copper. After the last 2020 copper price rush, those dynamics have been once again in place.

In terms of its composition, Chile also traversed a pattern of declining share of intermediate goods exports and an opposite trend for raw materials passing from about 30% to more than 50%, with a stronger increase starting with the supercycle commodity boom (Figures A5 and A6). In terms of sectoral decomposition, the strongest trend is marked by the persistent increase in the composition of minerals from about 15% to almost 35% of exports toward the end of the studied period.

If the resource-based nature of Chilean exports is the strongest common trait to the Peruvian economy, a difference has been its higher diversification in terms of stages of copper exported (Figure A5). While Peru relies entirely on copper ore, Chile has also exported refined copper.

That way, similar to Brazil and Peru (even if with stronger values), Chile experienced persistent CA deficits, resulting from the combination of higher waves dynamics of trade balance during the supercycle commodity boom with stronger (negative) values of structural primary income.

However, in comparison to our other two cases, Chile has been the one with the lightest tax and royalties burden system (Coopers, 2012).

During the Pink Tide, Chile's industrial policies occupied an intermediate position between Brazil and Peru in terms of scope. On one hand, the left-wing administrations led by Ricardo Lagos and Michelle Bachelet rejuvenated the Production Development Corporation (CORFO) and fostered public-private collaborations; on the other hand, these policies did not have a clear sectoral focus due to the mining lobby, keeping a horizontal orientation (Gaspi, 2024). Moreover, during Piñera's presidencies, initiatives committed to diversification were weakened or abolished. Finally, except for taking steps to strengthen national control over lithium production, Boric did not alter the orientation of industrial policies under previous left-wing governments.

Capital inflows and financial subordination

Capital flows to Latin America have historically been volatile, with destabilizing effects reported on CA imbalances (Ocampo, 2016), uneven development (Frenkel & Rapetti, 2009), and more recently, their currencies (de Paula et al., 2025). Since the early 2000s, this volatility has been accompanied by a substantial expansion in cross-border capital inflows to Latin America (Cerpa Vielma & Dymski, 2022). However, the precise mechanisms of capital inflows have not been clearly elucidated.

Aggregate measures of capital flows often mask important differences between net trade-related flows and gross financial transactions, the latter being more volatile (Bonizzi & Kaltenbrunner, 2019). Drawing on Minsky's (1975) view of a monetary economy, we emphasize gross liabilities in the balance of payments, particularly portfolio, other investments, and derivatives—hereafter foreign financial inflows (FFFs). Contrasted with FDI, these flows highlight two aspects: their speculative and short-term character, and the way neoliberal policies have shaped their predominance in Latin America.

We identify two particular phenomena. First, during the initial phase of the 2000s Pink Tide—from 2003 to 2011—FDI appears to hold greater significance relative to GDP than FFFs in Brazil, Peru, and Chile. However, this trend reverses in the late 2010s, as FFFs to Chile and Peru surpass FDI inflows by a considerable margin. Although this trend is more subtle in Brazil, there is still noticeable growth in FFFs, particularly after 2020. The second phenomenon evident in our analysis reveals nuances between countries. Chile and Peru exhibit more similar FDI inflow patterns compared to Brazil from 2000-2022. However, the volatility of FFFs in the three countries exhibits very different patterns, which seem exacerbated in the late 2010s and early 2020s. The following subsections discuss the specific cases of Brazil, Chile, and Peru regarding the nature of capital inflows during the period from 2000 to 2022.

Brazil

In this context, patterns of FDI and FFFs for Brazil exhibit clear nuances. As illustrated in Figure 6, FDI inflows have been particularly significant for the Brazilian economy since the turn to the millennium (CEPAL, 2023), fluctuating between 2-4% of Brazil's GDP from 2002 to 2009—coinciding with the beginning of the commodities boom and the first wave of the Pink Tide in Latin America—and about 4% from 2010 to 2019. This consistent pattern in FDI inflows can be attributed to the increasing deregulation of the financial account and the privatization wave initiated in the 1990s, which particularly encouraged productive investment through mergers and acquisitions (M&As).

On the other hand, during the initial phase of the commodities boom and the Pink Tide (2002-2006), FFFs (represented by the black line) did not reflect a significant source of inflows for Brazil's GDP. This slow increase in FFFs since the early 2000s may be attributed to the reassessed form of capital controls adopted after the second Washington Consensus. The election of Luiz Inácio Lula da Silva in 2002 signaled a shift in Brazil's approach to financial openness. While his administration remained committed to macroeconomic stability, it also introduced selective capital controls to mitigate excessive currency appreciation driven by inflows (Fritz & Prates, 2018).

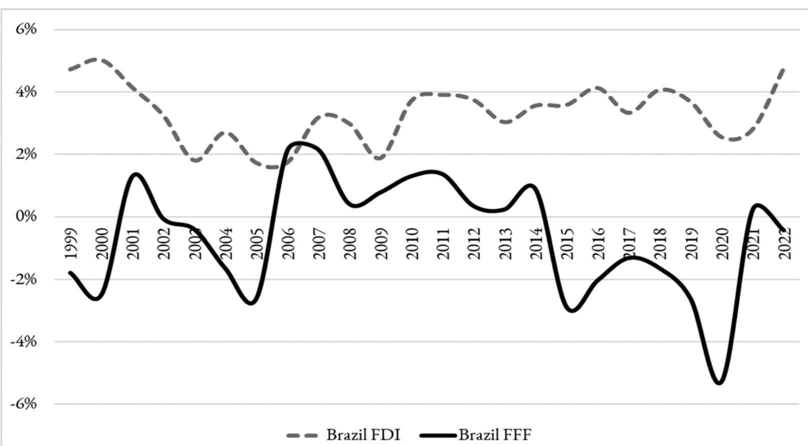

Figure 6. FDI vs Foreign financial flows, Brazil, 1999-2022 (%GDP).
Source: Author's elaboration based on the IMF Balance of Payments Database.

However, as the pre-crisis years unfolded, a noteworthy surge in FFFs emerged, persisting until 2014, albeit with slight declines in 2008 and 2012. These downturns may have been reactions to heightened uncertainty among institutional investors regarding the global landscape. Notably, even though the 2007-08 Great Financial Crisis (GFC) changed the international setting around capital account policies (Gallagher, 2014), along with efforts pursued by the IMF in 2011 to update its institutional view on capital controls and Brazil's temporary implementation of such regulations in 2009-2011, cross-border financial inflows to the Brazilian economy did not experience a significant setback in the years following the crisis. It was only in 2015, under Dilma Rousseff, that a clear drop of these inflows occurred—immediately following the conclusion of the commodities boom—with a partial recovery in 2017 under Michel Temer, followed by another sharp decline in 2020 with the onset of the COVID-19 pandemic.

What is particularly noteworthy here is the exponential recovery of FFFs in 2021, which saw an increase of almost 6% within a single year. This increase could be attributed to the quantitative easing programmes put in place in the Global North in 2020 (CEPAL, 2020). At the same time, in 2021, under Jair Bolsonaro, Brazil updated its foreign exchange and foreign capital law—formally known as Law No. 14,286. This legislation sought to expedite international transactions by ensuring easy access to foreign exchange markets, reducing the bureaucracy involved in foreign exchange contracts and capital flows, and strengthening the convertibility of the Brazilian real, thereby enabling foreign banks to maintain accounts in Brazilian currency (Banco Central do Brasil, 2024). Still, despite this regulatory overhaul, the magnitude of FFFs for the Brazilian economy after the COVID-19 crisis remained relatively low—close to 2% of Brazil's GDP and close to 0% in 2021-22.

Peru

Similar to Brazil, Peru underwent a wave of neoliberal reforms under President Alberto Fujimori in the 1990s. The country lifted most capital controls during this period, integrating into global financial markets. However, unlike its neighbors, Peru maintained a more flexible and cautious approach to capital account management, particularly in the 2000s, when the country navigated a turbulent political landscape while adhering to the 'second' Washington Consensus recommendations. Under Alejandro Toledo (2001-2006), Peru continued reinforcing an open financial account.

As shown in Figure 7, FDI inflows began to follow an upward trajectory in 2003. However, during the administration of Alan García (2006-2011), the Peruvian government implemented prudential capital measures, such as

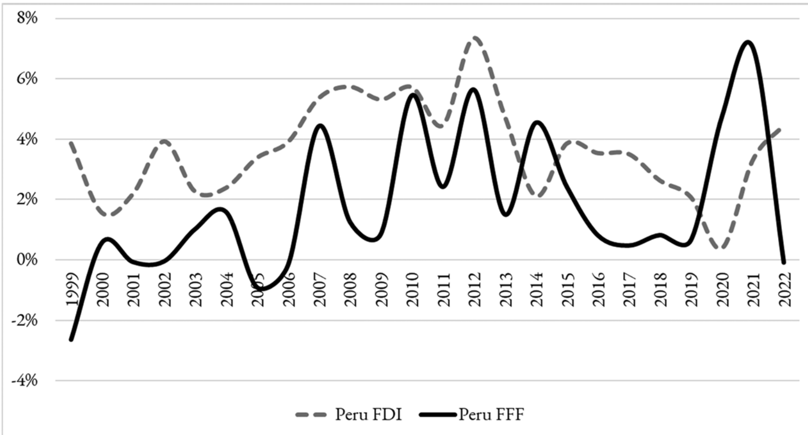

Figure 7. FDI vs Foreign financial flows, Peru, 1999-2022 (%GDP).
Source: Author's elaboration based on the IMF Balance of Payments Database.

raising reserve requirements on foreign exchange deposits in 2008 to manage the surge in inflows following the GFC. These measures led to a peak in FDI inflows in 2012 under President Ollanta Humala although with a slight decline in 2011, reaching nearly 8% of GDP. However, this peak was short-lived, as capital controls were gradually relaxed between 2012 and 2013, mirroring Brazil's approach. From 2015 to 2019, there was a minor resurgence, with inflows peaking again in 2015, before declining to near-zero levels in 2020 amid the COVID-19 pandemic. Since then, FDI inflows have gradually recovered, exceeding 4% of GDP in 2022, largely due to growth in reinvested earnings from existing subsidiaries rather than new equity investments (CEPAL, 2023).

On the other hand, FFFs to Peru have shown significantly greater volatility compared to the experiences of Chile and Brazil. While these flows were relatively minor in the early 2000s, they began to change dramatically in 2007, coinciding with rising commodity prices. This period coincided with the economic policies of Alan García, who promoted foreign investment and financial deregulation, creating an environment conducive to greater capital mobility. However, the volatility of FFFs intensified between 2007-2016, with larger and more frequent waves of capital inflows, particularly during Humala's term. Notably, the declines in FFFs in 2008 and 2011 overlap with the GFC and the Eurozone crisis, respectively, which could highlight the influence of external economic events on Peru's FFFs volatility. After 2016, these flows diminished almost entirely. In 2021, under President Pedro Castillo, FFFs unexpectedly surged from nearly zero to 6% of GDP within a single year. However, much like in Chile, this surge in FFFs was short-lived. By 2022, FFFs had plummeted back to zero, reflecting investor uncertainty over Peru's deteriorating political climate.

Chile

Chile adopted financial account liberalization policies in the mid-1970s. What sets Chile apart as a unique case within the region is its status as the first country to implement neoliberal policies more radically and consistently. As Alejandro Foxley described, Chile represented 'the pure case' of neoliberal reforms (Foxley, 1983). However, this unrestricted approach took a prudent turn following the 1982 Latin American debt crisis.

In response to the crisis, stabilization macroeconomic policies were introduced in 1985-86, but Chile resumed financial liberalization under Presidents Patricio Aylwin (1990-1994) and Eduardo Frei Ruiz-Tagle (1994-2000). By 2001, Chile had removed any remaining capital controls. However, the 1997 Southeast Asian Crisis exposed the vulnerabilities of the Chilean model, leading to exchange rate volatility and a temporary tightening of financial regulations. The period that followed became known as the 'Chilean Miracle', as Chile was often cited as a model for successful neoliberal reforms—though this narrative was later challenged. Between 2001 and 2003, under President Ricardo Lagos, Chile reassessed its approach to capital account liberalization. The Chilean Central Bank imposed reserve requirements on capital inflows to limit speculative short-term instability. Simultaneously, Chile adopted a more flexible exchange rate regime, allowing greater intervention in currency markets to manage volatility. As Chile continued to refine its financial policies, FDI inflows followed a fluctuating pattern from 2000 to 2022, with peaks in 2008, 2012, and 2014, as reflected in Figure 8. Under Lagos, FDI surged, peaking in 2004.

This trend toward financial integration continued under President Michelle Bachelet until the end of her first term in 2010. Interestingly, even the rise of the blue tide—with the election of Sebastian Piñera in 2010—did not significantly alter the trajectory of FDI inflows, as it remained strong, reaching 12% of GDP in 2012.[4] However, after 2014, under Bachelet's second term, FDI inflows fell sharply from 10% to 2% of GDP in 2017, which reflects Bachelet's macroprudential approach. There has been a modest recovery since 2017, with levels in 2021-2022 returning to those seen in the early 2000s, coinciding with Pinera's second term, which continued the trend of maintaining open financial accounts with policies aimed at attracting FDI.

In contrast to Brazil, FFFs to Chile have historically been less volatile, though they have exhibited a downward trend since 1999, punctuated by key fluctuations. A peak in 2003 coincided with the Chilean Central

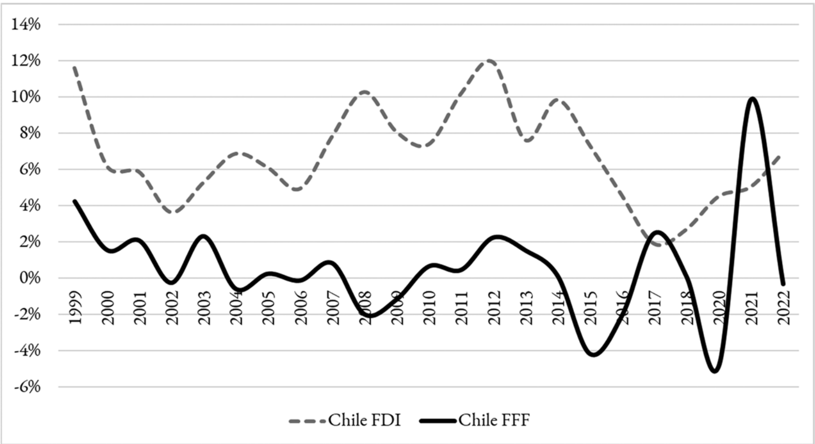

Figure 8. FDI vs Foreign financial flows, Chile, 1999-2022 (%GDP).
Source: Author's elaboration based on the IMF Balance of Payments Database.

Bank's program allowing the gradual exchange of dollar-denominated debt securities for pesos to stabilize financial inflows (Banco Central de Chile, 2008). A sharp downturn in FFFs followed the 2008 GFC, but between 2009 and 2014, FFFs grew moderately, peaking at 2% of GDP in 2012 as Chile faced worsening trade balance dynamics but remained an attractive destination for financial inflows. After 2015, however, FFFs became increasingly volatile. A decline in 2015 corresponded with the end of the commodities boom, while a temporary surge in 2017—surpassing 2% of GDP—was followed by another sharp decline in FFFs during the 2020 COVID-19 pandemic.

Particularly noteworthy is the remarkable surge in these inflows in 2021, reaching unprecedented levels since the turn of the millennium, accounting for 10% of Chilean GDP and significantly surpassing FDI inflows. However, this surge was short-lived as these inflows plummeted to nearly zero by 2022 coinciding with the election of President Gabriel Boric. Such volatility poses significant challenges to financial stability, as large fluctuations can destabilize the exchange rate of the Chilean peso. Despite these challenges, Chile has retained its liberalized financial structure, a legacy that Boric's administration has inherited.

Political cycles

Considering Latin America's peripheral position in global capitalism, any analysis of political cycles should consider the interplay between domestic and international factors. In this sense, the left-wing triumphs during the 2000s were certainly a consequence of domestic structural features, namely the democratization that allowed leftist forces to compete in relatively equal conditions and the economic inequality that strengthened pro-redistribution parties (Kapiszewski et al., 2021). However, it is not possible to understand the 2000s left turn without accounting for the late 1990s financial instability, the 2000s commodity boom, and the increased capital inflows resulting from post-2008 unconventional monetary policies in advanced economies (Gallagher, 2014; Levitsky & Roberts, 2011).

The same rationale applies to the end of the left turn in the mid-2010s. Here, corruption scandals and the populist right are surely part of the explanation (Kapiszewski et al., 2021), but these domestic drivers interacted with external shocks, like the end of the commodity boom and the Federal Reserve's Taper Tantrum (Grugel & Riggirozzi, 2018).

Recently, in the late 2010s and early 2020s, the failure of right-wing governments to restore growth and the renewed dissatisfaction with neoliberalism led to new leftist victories (Salgado & Sandrin, 2021). Again, external factors like the COVID-19 pandemic and the subsequent global instability played a pivotal role (Campello & Zucco, 2020). However, at this time, external enablers were not the same as the rise of commodity prices was less stable, and surges in capital inflows found governments without enough policy space to align foreign investments and national goals.

Brazil

Despite having the largest manufacturing industry and experiencing the longest left-wing administration among our cases, Brazil's political cycle shows clear similarities with the ones in Chile and Peru, further highlighting the preponderance of productive and financial subordination. Within the limits set by these constraints, however, domestic factors played a part in explaining cross-national variegation, especially in the Pink Tide period.

In 2002, the Workers' Party (PT) won the presidential election. Besides democratization and high economic inequality (Levitsky & Roberts, 2011), the 1999 currency crisis was a pivotal factor for this triumph, eroding the support of the governing center-right coalition (Gallagher, 2014). Benefitting from the commodity boom and the growing capital inflows, PT combined economic growth, moderate inflation, and social inclusion, remaining in power for more than a decade (Fritz & Prates, 2018).

In 2016, PT lost support and left office after the impeachment of Dilma Rousseff. The corruption scandals, the pro-impeachment position of business leaders, and the emergence of a populist right certainly contributed to this process; however, the demise of PT also stemmed from the economic deterioration following the end of the commodities boom (Fritz & Prates, 2018). In this sense, the reversal of the global financial cycle in 2013 played a pivotal role, leading to a currency devaluation that deepened inflationary pressures, hurting the party's popular support (Araujo et al., 2020). As shown by Figure 9, this period of higher external vulnerability coincides with the peak of anti-government protests.

The demise of PT paved the way for the far-right, led by Jair Bolsonaro, in the 2018 election. Even though the neoliberal agenda of the government alienated the poorest social strata, the challenging external environment, shaped by the COVID-19 pandemic and new geopolitical tensions, also hurt the economic performance, opening an opportunity for the return of PT in 2023 (De Paula et al., 2023).

Despite keeping macroeconomic orthodoxy like Chile and Peru (Flores-Macías, 2012), the 2000s left turn in Brazil had distinctive traits. For instance, the PT administration implemented large and inclusive non-discretionary social policies, expanding the safety net to a large pool of outsiders as well as in Garay, (2021). Moreover, it deployed encompassing vertical industrial policies and temporary capital controls over inflows and derivatives (see sections 4 and 5).

To explain the relative ambition of Brazil's Pink Tide, we should pay attention to two sets of factors. Firstly, in comparison to its counterparts in Chile and Peru, the PT had stronger ties with social movements, which exerted some bottom-up pressure and were relatively incorporated to policy design (Etchemendy, 2020; Garay, 2021). Secondly, besides inheriting a larger manufacturing industry, the party was in power since the beginning of the commodity boom, and its bolder initiatives were taken during the post-crisis surge of capital inflows, benefitting from an expanded policy space (Alami, 2019; Gallagher, 2014).

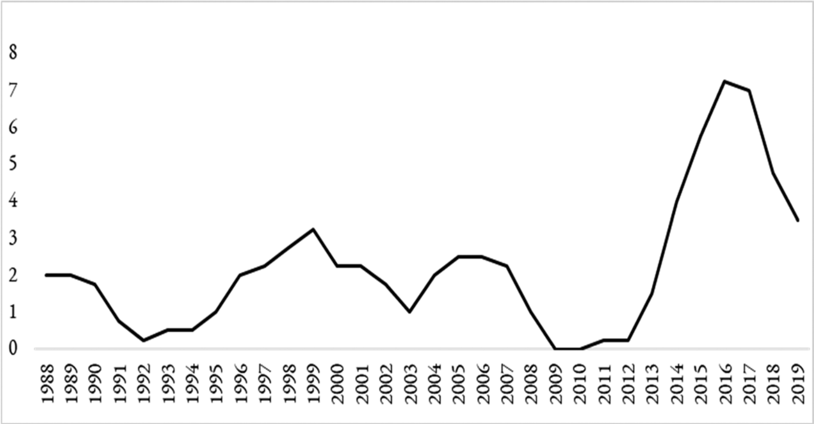

Figure 9. Number of anti-government protests in Brazil, 4-year average, 1988-2019.
Source: Martínez (2021).

However, a preliminary analysis of the current PT administration indicates an erosion of its distinctiveness. In terms of productive and financial subordination, the fewer resources retained in the CA and the instability of capital flows constrained the country's policy space (see sections 3 and 4). Moreover, the institutional legacy of the right-wing administration—which includes labor market deregulation, and central bank independence—has contained the transformative impetus of the government (de Paula et al., 2023). Against this background, despite restoring the funding for social programmes, the administration kept a strong commitment to fiscal balance, discarded the use of capital controls, and opted for a targeted rather than encompassing industrial policy.

Peru

Compared to Brazil and Chile, Peru presents the least complex industrial structure and the shortest left turn. Despite these differences, there are similarities between its political evolution and the ones experienced by its peers.

Following the demise of Fujimori's neoliberalism in the early 2000s, the triumph of progressive forces was also made by the progress of democratization and the dissatisfaction with inequality (Kapiszewski et al., 2021). However, reflecting the relative macroeconomic stability in the late 1990s and the organizational fragility of the Peruvian left (Handlin, 2021; Mazzuca, 2021), Humala and his Peruvian Nationalist Party (PNV) only triumphed in 2011 elections, after the peak of the commodity boom (see section 3). Moreover, the left-wing administration had to deal with corruption scandals and a decline in capital inflows, which helps to explain the decrease in government approval and the macroeconomic deterioration (Avilés & Rosas, 2017; also see section 4). This period of higher external vulnerability also coincides with the peak of anti-government protests (see Figure 10).

The limitations of the leftist cycle turned the 2016 elections into a competition between neoliberalism, led by Pedro Pablo Kuczynski, and right-wing populism, led by Keiko Fujimori. Despite some improvement in the current and financial accounts, the victory of the moderate right did not lead to political stability due to the lack of legislative majority, the resilience of Fujimori's support, and the corruption scandals across the party system (León & Ayala, 2019).

After Kuczynski's impeachment in 2018, Peru entered troublesome years, which included a permanent political crisis, three new presidents, and the COVID-19 pandemic (Barrenechea & Encinas, 2022). This context of party system deinstitutionalization opened an opportunity for leftist forces, culminating in the triumph of Pedro Castillo in the 2021

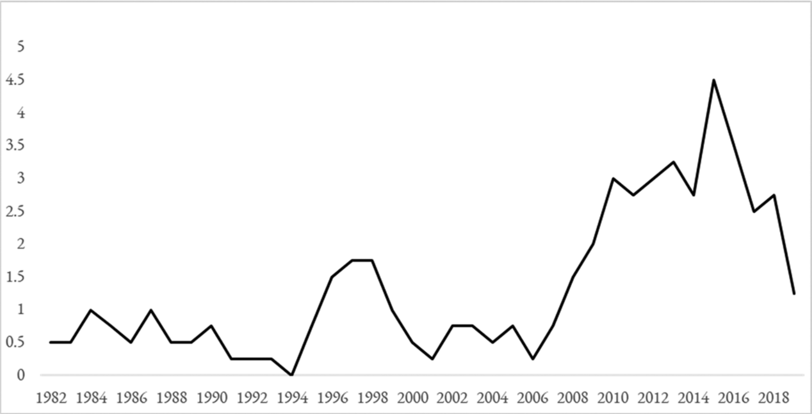

Figure 10. Number of anti-government protests in Peru, 4-year average, 1982-2019.
Source: Martínez (2021).

election. Entering office with a populist platform, the party abruptly moderated its agenda to build a legislative majority, alienating at least part of its supporters. In 2022, when the government's weak position in the parliament led to an impeachment process, Castillo tried a self-coup and was removed from office (Barrenechea & Vergara, 2023).

Similar to Brazil and Chile, the late 2000s and early 2010s left turn in Peru led to progressive initiatives, like the expansion of social protection and the strengthening of macroprudential regulations (IMF, 2022; Mazzuca, 2021). However, there were some relevant differences, namely the fragility of industrial policies and an even deeper commitment to macroeconomic orthodoxy (see sections 4 and 5). Moreover, social policies remained limited, relying on small-scale programmes that fell short of incorporating a relevant share of the outsiders (Garay, 2021).

To explain the relative lack of ambition of Peru's left turn, we should consider two sets of factors. Firstly, compared to left-wing parties in Brazil and Chile, APRA and PNP displayed lower levels of party institutionalization, had weaker ties with social movements, faced fragile bottom-up mobilization, and remained in office for only one term each (Flores-Macías, 2012; Garay, 2021; Handlin, 2021). Secondly, besides inheriting an economy that relies almost exclusively on the primary sector, left-wing forces experienced unstable capital flows and were not in power since the beginning of the commodity boom, lacking policy space to implement a bolder agenda (see sections 3 and 4).

After returning to power in 2021, the fragility of leftist forces became even more evident as they failed to remain in power for the full term. Here, the bait-and-switch political strategy adopted by Castillo and the preponderance of conservative forces in the parliament certainly played a key role (Barrenechea & Encinas, 2022). However, in line with our argument, the political opportunity structure faced by the Peruvian left was set by the country's productive and financial subordination, namely the deterioration of the CA performance and the abrupt decline of capital inflows (see sections 3 and 4).

Chile

In our three analytical dimensions, Chile is an intermediate case between Brazil and Peru. As in these countries, productive and financial subordination played a key role in the country's political evolution. Likewise, these constraints interacted with domestic factors, forging differences between Chile and the other cases.

Rather than being a result of anti-neoliberal mobilization, the 2000s left turn in Chile emerged from within the governing coalition, Concertación, a broad alliance formed to defeat Pinochet's dictatorship which stayed in power until 2010. As a pro-democracy front that included center and center-left parties, the Concertación was initially led by Christian Democrats, opting for keeping Pinochet's neoliberal legacy in macroeconomic management (Campello, 2015).

In the 2000s, the leadership of the Concertación passed to center-left forces, the Party for Democracy (PPD) and the Socialist Party (PS), which kept the macroeconomic orthodoxy but attempted to speed up the inclusionary turn (Levitsky & Roberts, 2011). Benefitting from the commodity boom and the resulting CA performance, the presidency of Ricardo Lagos (2000–2006) expanded social safety nets and restored the growth trajectory (Flores-Macías, 2012). Despite following a similar orientation, the last Concertación's government, led by Michelle Bachelet (2006–2010), faced a challenging conjuncture, which included a slowdown in the CA performance, unstable capital inflows, and even a violent earthquake (Fernandez & Vera, 2012; also see sections 3 and 4).

As a consequence, conservative forces regained ground, winning the 2010 presidential elections. Despite experiencing a surge in capital inflows, the administration led by Sebastian Piñera faced further CA deterioration and growing dissatisfaction with Chile's development model, especially among the youth (Navia & Perello, 2019).

In this context, the triumph of Bachelet in the 2014 election required an update of the Concertación, which was rebranded as the New Majority and presented a bolder platform (Benedikter et al., 2015). However, the center-left administration experienced unstable capital inflows and the end of the commodity boom, falling short of the proposed left turn and being unable to prevent another victory of Piñera in 2018 (see sections 3 and 4). The center-right government enjoyed brief surges in trade surplus

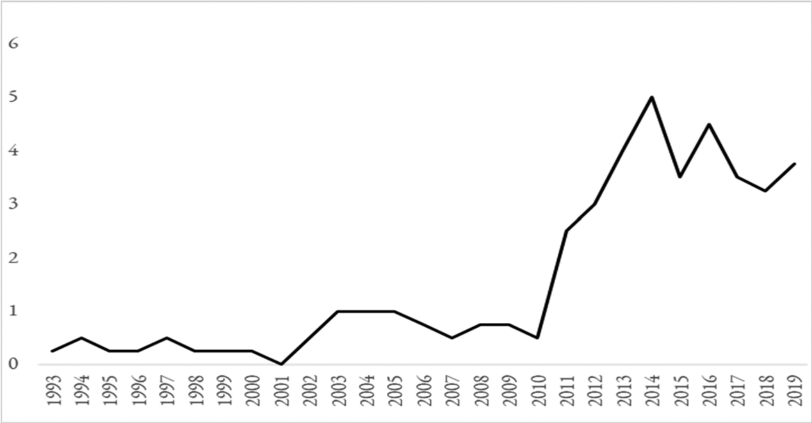

Figure 11. Number of anti-government protests in Chile, 4-year average, 1993-2019.
Source: Martínez (2021).

in 2020 and capital inflows in 2021; but this policy space was not used to revise the Chilean social contract, culminating in a wave of protests, the Estallido Social (Arias-Loyola, 2021). Taking a broader perspective, like in Brazil and Peru, we can connect the 2010s booms-and-busts with a higher incidence of anti-government protests (see Figure 11).

The legitimacy crisis of center-right and center-left parties created opportunities for outsiders from both sides of the ideological spectrum. As a result, in the 2021 presidential elections, the second round was disputed by the populist right, led by José Antonio Kast, and a new left-wing coalition that outflanked the traditional Concertación members, the Approve Dignity, led by Gabriel Boric.

Boric's platform would lead to a clear left turn, finally overcoming the institutional legacy of Pinochet's regime (Sazo, 2023). Again, the country's trade and financial subordination strongly constrained the policy space as the deterioration of CA and capital inflows contributed to the slowdown of GDP growth (see sections 3 and 4), hurting the government's approval when Boric was struggling to build support for the constitutional revision.

The policies implemented during the 2000s left turn sit in an intermediate position between Brazil and Peru. For instance, there was an impulse to large-scale nondiscretionary social policies. However, they provided reduced benefits that reached a minority of the outsider population (Garay, 2021). Similarly, the industrial policy kept a horizontal design, and the management of capital flows relied on macroprudential regulations rather than capital controls (see sections 4 and 5).

Again, two sets of factors underpin these choices. Firstly, compared to its counterparts in Brazil and Peru, the center-left members of the Concertación, PPD and PS, occupied an intermediate position regarding the strength of the ties with social movements and the duration of the center-left administrations (Etchemendy, 2020). Secondly, even though center-left forces were in power since the beginning of the commodity boom, their policy space was not as expanded as in Brazil due to the weakness of Chile's manufacturing industry, the relative instability of capital inflows throughout this period, and the legacy of neoliberal policies during right-wing administrations (Levitsky & Roberts, 2011; see sections 3 and 4).

Like in Brazil and Peru, the most recent progressive administrations faced similar constraints. Specifically, both the second presidency of Bachelet and the current Boric government had to navigate a scenario of CA deficit and unstable capital inflows, lacking policy space to fulfill their pledges of speeding up the left turn (see sections 3 and 4).

Comparative analysis

The trajectories of Brazil, Chile, and Peru have been shaped by distinct waves of economic and financial cycles during the last decades, which in turn have interacted with the policy space available for progressive reforms. Somehow, the seed of an unstable path dates back to the integration of Latin American countries into the global markets during colonization and post-independence periods. In the late twentieth century, the triumph of neoliberalism led to privatization, deregulation, trade liberalization, financial liberalization, and fiscal austerity, further constraining the policy space for financial and productive upgrade (Flores-Macías, 2012).

However, the new century marked a new phase and hope for the left. The beginning of the supercycle commodity boom in 2003 not only attracted the interest of foreign investors that together with the continued liberalization policies allowed the country to absorb enormous amounts of foreign resources. It also represented an opportunity for the progressive parties of those (and many others) Latin American countries. In fact, the influx of resources during that period supported the argument from left-wing candidates to use the higher fiscal revenues from the cash-generating sectors, particularly extractive natural resources (Grugel & Riggirozzi, 2018). This would have been pursued to implement redistributive measures and expand public services.

In our three case studies, left-wing parties succeeded and joined the so-called Pink Tide. Indeed, the conducive environment of the supercycle commodity boom in the following years allowed for the implementation of inclusionary policies (Kapiszewski et al., 2021). The capital inflows, coupled with favorable commodity prices, bolstered economic growth and afforded governments in the region greater latitude in pursuing their policy agendas. At the same time, thanks to the continuous inflows of more stable resources (FDI), left-wing governments were able to implement controls aimed at tempering the more unstable and speculative resources, generators of inherent volatility of financial cycles, thereby fostering a more stable economic environment and even implementing some diversifying industrial policies (Grugel & Riggirozzi, 2018).

As in many other countries covered by the Pink Tide, inequality dropped in Brazil, Chile, and Peru.[5] However, reflecting these countries' differences in the productive and financial structures, the extension of progressive transformations was not homogenous. As discussed in previous sections, the Brazilian left, for example, benefited from the country's relatively higher position in trade and financial hierarchies, being able to take bolder initiatives in the realms of social protection, industrial policy, and capital flow management. The Peruvian progressive forces, on the other hand, relied on a much more fragile productive and financial structure, which favored a more moderate strategy. In this sense, Chile occupied an intermediate position—both in terms of structural features and left-wing policy choices.

The Pink Tide in those countries mainly ended with the decline of commodity prices in the mid-2010s. A reasonable hypothesis for that could be the frustration of the respective populations that were not seeing anymore the effects of redistributive policies (Grugel & Riggirozzi, 2018). Since the mid-2010s, following the regional trend, our three cases experienced a resurgence of right-wing forces. Again, during the so-called blue tide, there was a notable shift toward liberalized policies that embraced and promoted financial openness, including speculative sources (Petras & Veltmeyer, 2020). This further entrenched the challenges faced by subsequent left-wing governments, which inherited an already liberalized financial landscape.

Toward the end of the 2020s, another external shock happened. A second economic commodity cycle started with new promises for left wing governments to redistribute resources in case of victories. For example, in Peru, during the electoral period, Castillo declared his plans to renegotiate mining contracts, raise corporate taxes, and even nationalize mines, contending that the existing system did not adequately contribute to community development, harmed the environment, and fostered corruption (Bibi & Valdecantos, 2023). Furthermore, Covid-19 also played a role since the right-wing governments generally did not devote many resources to public health care to tackle the pandemic. The example of Bolsonaro in Brazil in downplaying the virus instead of tackling it remains notorious.

The recent electoral triumph of some left-wing candidates (2018-present) gave renewed hope for progressive voters. However, this new turn to the left has been different from the Pink Tide of the 2000s and early 2010s in several ways. It was marked by a diminished reliance on stable economic sources in the real sector, either in terms of cash generating exports or FDI. Without the robust backing of the 2003-2013 supercycle commodity boom and FDI inflows, governments found themselves grappling with a more precarious economic landscape. First, because the more unstable financial framework and channels had been approved during the previous blue tide, it was more difficult to restrain those forces once the financial dynamics were already in place. And second, without high commodity prices and stable FDI inflows, the governments became more dependent on short-term, unstable capital flows (FFFs).

This challenging context constrained the policy space when the Latin American left regained power, leading to two interrelated outcomes. Firstly, in our three cases, the recent left-wing governments have been politically more fragile than their counterparts in the first left turn, struggling to launch a new set of progressive initiatives. Secondly, regarding the extension of policy reorientation, our case studies indicate that the recent left turn has been more homogenous. This shared fragility and moderation reflects the fact that Latin American economies became more similar in the last decades, experiencing converging processes of deindustrialization, regressive specialization, and financial subordination.

Despite recognizing its limitations and with the risk of making an overgeneralization, Figure 12 attempts to describe the intertwined dynamics between the economic and the political spheres just described. The black line represents the long-term declining tendency of the terms of trade that the countries under analysis (as other Latin American ones as well) have been facing over time. As highlighted, despite the long-term declining path,[6] the 2003-2014 supercycle commodity boom and the surge

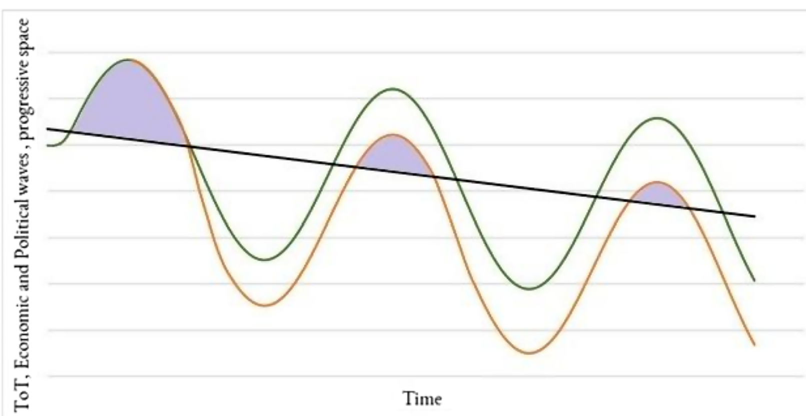

Figure 12. Economic and Political waves interactions: The hysteresis effect on the progressive space.
Source: Author's elaboration.

in FDI and short-term capital flows gave rise to a period of overall economic bonanza. This increase in economic resources more easily obtainable from abroad can be denoted by the surge in the green line cycle that opened a window of opportunity for further progressive policies which have been adopted in several ways across those countries. The political space for progressive policies is represented as the highlighted area between the extra resources generated by the favorable cycle and the declining long-term terms of trade black line.

The end of the favorable external resources period—which coincided with the decline of the left wing and the rise of the right-wing parties (Table A1)—is represented by the contractionary part of the green line cycle. In that period, generally, right wing parties reversed the progressive policies, instead putting forward neoliberal economic policies, such as fiscal austerity, deregulation, and reductions in social spending. That way, the space for progressive policies has been structurally affected with less and less allocated resources, beyond specific policies (orange line). The result of that process has hence been (and would be) a longer-term hysteresis effect reduction of the policy space for progressive policies due to the interaction between the economic and political waves (declining shaded areas). The process described is of course a simplified generalization, and a nuanced analysis of the trajectories of Brazil, Chile, and Peru was presented in the previous sections. However, we consider that the notion of hysteresis serves to highlight the overall dynamics in place.

Conclusion

The examination of the political waves in Latin America should not be done in isolation with respect to the economic (both real and financial) ones. In truth, a strong interrelation can be noticed both across time and countries. The analysis of Brazil, Peru and Chile during the last decades reveals significant shifts in the contextual factors that influenced the surge of left-wing political waves as well as the implementation of their progressive policies.

The Pink Tide of the 2000s and early 2010s was supported by the promises of redistributive resources thanks to the supercycle commodity boom and growing capital inflows. Indeed, left wing governments enjoyed a broader scope for implementing progressive measures, and that period was marked by a favorable economic environment, allowing for greater maneuverability in progressive policy implementation and reduced inequality. However, the experience of left-wing governments since the late 2010s was different in both domestic and external settings. Specifically, the liberalizing policies implemented by right-wing administrations, the volatile commodity cycle, and the reduction of stable and reliable capital inflows shrank the space for progressive policies leading to a more uniform regional context. That way, a momentaneous trade boom might add policy space to left-wing governments, but new opportunities shrink as waves as soon as the boom ends, forcing the countries to rely on more unstable financial flows which do not guarantee the resources required for structural change across Latin America.

Notes

1. There is no consensus on a clear shift to the right in this period, but for the sake of comparison we use this terminology to signal that conservative governments replaced left-wing governments in the 2010s.
2. The term Pink Tide referred to a region-wide wave of left-wing victories that inaugurated a period of persistent leftist dominance with variegated policy implications. Regarding policy content and political hegemony, the recent period certainly falls short of what happened from the late 1990s to early 2010s. However, in the late 2010s and the early 2020s, left-wing parties won presidential elections in a similar number of countries, therefore justifying the *debate* about a second Pink Tide at least at the electoral arena.
3. One could argue that Peru has not experienced a sufficient leftward shift under Humala's administration to justify the country's inclusion into the Pink Tide. However, echoing a number of scholars (Biglaiser, 2016; Feierherd et al., 2023; Grugel & Riggirozzi, 2018; Handlin, 2021; Mazzuca, 2021), we classify Humala as part of the Pink Tide based on his electoral pledges and his party's ties with the Latin American left (e.g., the membership into the São Paulo Forum and the involvement of advisors of Brazil's Workers' Party in his presidential campaign). The same rationale applies to Pedro Castillo and his Free Peru party.
4. Despite the IMF's new institutional framework, Chile kept distance from capital controls (Gallagher, 2014).
5. Although this was a region-wide phenomenon, left-wing governments lowered income inequality faster than non-leftist administrations (Feierherd et al., 2023).
6. Figure 12 refers to the very long-term declining terms of trade trend that has been studied by structuralist scholars (Bibi & Valdecantos, 2023; Prebisch 1950).

Disclosure statement

The authors have no conflict of interest. For the purpose of open access, the authors have applied a Creative Commons Attribution (CC BY) license to any Author Accepted Manuscript version arising from this submission.

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