Spatial fixes and switching crises in the times of COVID-19: Implications for commodity-producing economies in Latin America

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Abstract

The COVID-19 pandemic is exposing the vulnerabilities of Latin America's commodity-producing countries and is exacerbating their structurally weak position in global financial capitalism. Due to a high dependency on incomes from commodity exports, a reliance on external finance, and the volatility of exchange rates, the economies of Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, and Peru are hit particularly hard by the COVID-19 crisis with projections for 2020 predicting economic contractions of up to 14%. By looking through the theoretical prism of critical economic geography, this article argues that in addition to the health and direct economic consequences of the pandemic, these countries will experience so-called switching crises as a result of the constant geographical restructuring of capitalism. As capital had moved into Latin America's commodity-producing economies to provide spatial fixes to global capitalism's previous crises by displacing them geographically and temporarily, the fall in commodity prices and the sudden stop to and reversal of capital flows has caused additional burdens in the current crisis. With the resulting debt expansion, the remaining dependency on external finance, and the structural deficiencies in achieving economic diversification, the territorialization of capitalism's crisis tendencies in the COVID-19 crisis will disproportionately affect Latin America's commodity-producing economies.

Introduction

As the epicentre of the first wave of the COVID-19 pandemic has moved to the Americas, the seven[i] Latin American commodity-producing countries Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico and Peru are facing several interdependent crises. On the one hand, as cases and deaths are still rising[ii], all seven countries are confronting the impacts on public health as well as the direct economic consequences of lockdown[iii]. On the other hand, their focus on extractive export-oriented accumulation models and the overall organization of their economies has made them extremely vulnerable to changes in global capitalism. With a high dependency on income from commodity exports, a reliance on external financing of their structural current account deficits, mounting public and private debt burdens, and historically very volatile exchange rates, the COVID-19 pandemic will trigger economic contractions in all seven economies of up to 14% (see IMF, 2020). The standstill of global demand for commodities, the severe disruptions to global supply chains, and the withdrawal of portfolio from their economies due to the increasing uncertainties in international financial markets has caused additional stress to the seven commodity-producing economies in Latin America.

Drawing on arguments from the critical economic geography literature and particularly on the theory of spatial fixes developed by David Harvey, this article analyses the structural vulnerabilities of Latin America's commodity-producing countries. It argues that the way in which processes of economic financialization have facilitated the spatial reorganization of capitalism and contributed to the temporal deferral of its inherent crisis tendencies has left the economies of the seven analysed countries extremely vulnerable in the current context of the COVID-19 pandemic. In addition to the direct economic impacts of the pandemic, all seven countries are going to be at the sharp end of so-called switching crises that result from the constant geographical restructuring of capitalism. As capital had moved into Latin America's commodity-producing economies to provide spatial fixes to global capitalism's previous crises by displacing them geographically and temporarily, switching crises caused by the failure of capital to move out from these fixed investments and the sudden reversal of capital flows intensify the fallout of the COVID-19 crisis for Latin America's commodity-producing countries.

‘Fixing’ the economy in times of crisis: theoretical insights from critical economic geography

The frequent reoccurrence of crises since the neoliberal turn of the 1970s has exposed the various limits of global capitalism, making more evident than ever the impossibility of living under a regime of endless capital accumulation and economic growth. Looking through the theoretical lens of critical economic geography, these materializations of capitalism’s crisis tendencies are closely linked to the production and reconstruction of space.

The historical and continuous processes of capitalism’s search to incorporate new spaces into circuits of capital accumulation demonstrate that capitalism cannot survive without expanding geographically (see Jessop, 2006). Spatial expansion is crucial for capital to circumvent what Marx called barrier points of capitalist production (Marx, 1973). Harvey (2004, pp. 109–112) summarises these geographical dimensions of capitalism arguing that once the spatial enlargement of capitalism has happened, the crisis resulting from the excess surpluses (i.e. overaccumulation) extracted from one place can be absorbed by spatially relocating them into new productive spaces. This ‘spatial fix’, as he calls it, “consequently entails a geographical restructuring of capitalist activity… across the face of planet earth, the production of new forms of uneven geographical development, a recalibration and even recentering of global power… and a shift in the geographical scale at which capitalism is organized.” (Harvey, 2001, p. 24).

In Arrighi’s (2004, p. 528) interpretation, the “(t)emporal deferral and geographical expansion ‘fix’ the overaccumulation crises that arise from the chronic tendency of capital to accumulate over and above what can be reinvested profitably in the production and exchange of commodities”. Besides the spatial fix serving “a metaphor for a particular kind of solution to capitalist crises through temporal deferral and geographical expansion” (Harvey, 2004, p. 115), there is also a material meaning to the term. Given that capital is geographically immobile, as it “is literally fixed in and on the land in some physical form for a relatively long period of time” (Harvey, 2004, p. 65).

However, the material meaning of fixity of capital being embedded in a particular place can and often does contradict the metaphorical interpretation of the spatial fix as a solution to crises of overaccumulation. As capital is fixed in a place through investments in physical and social infrastructure, the further geographical expansion and absorption of surplus capital elsewhere might threaten the realization of these fixed investments. Capital has to be fixed in space to guarantee its own survival only to have to destroy that space at a later point in history in order to clear capital for a new spatial fix in a different geographical territory. Hence, "the vast quantities of capital fixed in place act as a drag upon the capacity to realize a spatial fix elsewhere.... If capital does move out, then it leaves behind a trail of devastation and devaluation" (Harvey, 2004, p. 116). Thus, in the short- to medium-term these fixes might geographically and temporally displace overaccumulation crises by productively absorbing excess capital through restructuring the geography of capitalism. However, in the long run more or less violent crises will be inevitable with switching crises occurring as a result of this constant geographical restructuring of capitalism (see Schoenberger, 2004). In Harvey's (2003) theory, while overaccumulation is usually seen as the cause for spatial fixes to arise, switching crises are the possible effect of this geographical reorganization of capitalism. If capital attempts to geographically reallocate to temporarily fix capitalism's crisis tendencies but is unable to do so, switching crises arise. Switching crises manifest themselves when capital that is sunk into one region or territory cannot be extracted for more profitable investments into another region or territory. Switching crises can also occur when capital *does* move out. The geographical switching of capital from one region into a different territory where investments are more profitable leads to devaluation and crises in the territory where capital moves out from.

The rise and dominance of financial capital since the 1970s has accelerated the circulation and facilitated the altering of the earthly foundations of capital. In addition to Marx's insight on infrastructural powers expanding the reach of industrial capital, financial capital has increased the speed at which crisis tendencies can be overcome, through investments that absorb current surplus capital for future profits. As this successively creates speculative bubbles elsewhere, financialized global capitalism is in constant and desperate need for short-lived solutions (i.e. fixes) to the system's underlying problems of overaccumulation. These interdependencies between the global financial system and the geographical relocation of capitalism is also reflected in the recalibration of global power with the rise of East Asian economies as main creditor nations. Aside from the importance of this geopolitical shift away from Eurocentric capitalism, destabilising the traditional metageographical categories of core/periphery (see Alami, 2018; Arboleda, 2020; Suwandi, 2019), this has also led to Latin American states becoming increasingly indebted not only to international financial institutions based in the U.S. and Europe, but also to East Asian economies and multilateral banks (see Dussel, 2016; Schmalz, 2016).

For commodity-producing countries in Latin America, the implications of these spatial fixes are visible along several lines. Firstly, increased investments in physical and social infrastructure for the extraction, transformation, transportation and sale of natural resources can be seen as spatial fixes to global capitalism's overaccumulation crises, as they contribute to "buying time through fixed investments in general conditions of production" (Jessop, 2006, p. 147). However, fixes through the absorption of surplus capital in the activities of extracting, transporting and transforming natural resources (including the building and maintenance of physical and social infrastructure) only work if the remaining capital "circulates down spatial paths and over a time-span consistent with the geographical pattern and duration of such commitments" (Harvey, 2001, p. 332). As soon as this process is interrupted and capital that is trapped within these infrastructures cannot be reallocated into new spaces, switching crises arise. Countries following extractive export-oriented accumulation models are particularly vulnerable to be at the sharp end of those switching crises, as the fluctuating materiality of and speculation on the production, circulation and consumption of capital linked to commodity markets risks to accentuate future crises.

Secondly, and linked to this last point, financial intermediation has become part of the physical and social infrastructure upon which much of the global value creation and resource extraction rests. As such, financialization is increasingly important in understanding spatial and temporal fixes. The financialization of global commodity production, supply chains, and commodity markets (particularly of oil) has increased the speed and reach of capital circulation and has led to an increasing arbitration of commodity prices where their value is no longer controlled by commodity-producing companies as they are influenced by financial instruments (see Simpson, 2019). Besides the influence of international financial institutions and East Asian multilateral banks speculating on future prices, physical producers in the extractive industries, such as oil and mining companies have developed capacities to engage with the credit system and speculative operations (see Arboleda, 2020). The financialization of oil and mining companies and the speculation with future prices has also incentivized the exaggeration of the size of extractive companies' reserves in order to inflate the price of their shares in stock markets and make additional financial profits (Labban, 2010).

Another important vector through which financial capital directly influences the spatial relocation and temporal deferral of crises is the leveraging of cheap credit provided through Quantitative Easing (QE) policies and its indebting effects. In the aftermath of the 2007-2009 Global Financial Crisis (GFC), spatially-embedded uncertainties and liquidity crises were temporarily mitigated through asset purchasing programmes by the U.S. Federal Reserve, the European Central Bank, the Bank of Japan, and the Bank of England. Besides the increased dependency of domestic markets on these government injections of cheap money, many of the government bonds landed on the balance sheets of non-financial corporations in countries of the Global South (see McCauley, 2015). Financial investors looking for new geographical frontiers to achieve high returns financially engineered the cheap credit into debt securities. These assets, largely owned by financial institutions located on Wall Street and the City of London or by East Asian banks, were then made widely available in Latin American markets. For corporations in Latin America, access to these debt securities was an attractive way to stimulate profits and offer returns to shareholders (see Palma, 2015). However, this also had the effect of further plunging non-bank corporations into debt. In 2019, non-financial companies' debt had reached a concerning 92% of Gross Domestic Product (GDP) in Global South countries (see Wheatley, 2019). This is particularly concerning as the majority of these debt securities are rated as high-risk bonds (Ward, 2020).

Given the increased speed with which capital moves in and out of different spaces across the globe, and the frequency of crises in global capitalism since the surging dominance of financial capital, the theoretical implications discussed above are becoming more relevant. The COVID-19 pandemic has exposed the structural fragilities of the overleveraged and excessively financialized world economy. While financial capital has moved out of commodity-producing economies, the fixity of other investments will likely impede capital to geographically relocate to other territories for the realization of more profitable investments elsewhere. Subsequently occurring switching crises will hence intensify the fallouts of the COVID-19 crisis for Latin America's commodity producers. To understand the implications of switching crises arising from the current COVID-19 crisis, the next section discusses how the geographical relocation and temporal deferral of previous crises has made Latin America's commodity producing countries particularly vulnerable to the economic consequences of the COVID-19 pandemic.

Where have we been? Financialization and commodity dependency in Latin America

The main source of income for most Latin American countries prior to the current COVID-19 crisis was through foreign capital flows. This is especially true for the seven commodity-producing economies Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, and Peru. While the pursuit of extractive export-led growth models throughout the 20th century had created limitations to achieving economic diversification, neoliberal reforms of the 1970s and 1980s only increased the structural deficiencies (see Ocampo and Ros, 2011). Following liberalization reforms, the penetration by Foreign Direct Investments (FDI) of nearly all sectoral activities (and particularly of the primary sector) and the preference of large companies to acquire funds abroad led to a drastic fall in in the formation of fixed capital at home (Levy and Bustamante, 2019). Forcing the opening up of capital and current accounts hence increased the degree of dependency on foreign capital flows.

This was intensified during the global commodity price boom of 2003-2014 when foreign capital inflows in the form of FDI grew, from less than US$ 50 billion in 2003 to US$ 189.951 billion in 2013. Surging commodity prices boosted FDI into the primary sectors and increased the exploitation of natural resources in the seven economies (ECLAC, 2015, p. 19), resulting in a strong increase in commodity exports (UNCTAD, 2015). Energy and mining exports rose by 35% in Bolivia, 33% in Colombia, 20% in Peru, 18% in Ecuador, 16% in Chile, 12% in Brazil and 7% in Mexico (World Bank, 2020a). Foreign portfolio investment (FPI) inflows also increased substantially. While they only averaged 0.1% of GDP in 2000, FPI surged to 6.5% of GDP in 2014 (World Bank, 2020a).

The massive surge of foreign capital inflows was particularly visible in the construction sector, where the ratio between FDI and Gross Fixed Capital Formation (GFCF) increased substantially from 2008 (see Huerta Moreno and Kato, 2019). The surge in foreign involvement in public transportation infrastructure projects and in infrastructure related to mining and the oil industry between 2008 and 2019 not only reflects the privatization of infrastructure and the penetration of infrastructure developments by external capital. It also highlights the way in which the geographical relocation of capital is embedded in the built environment, providing spatial fixes for capital to relocate into infrastructure projects in Latin America's commodity-producing countries. The growing importance of external investments in economic and social infrastructure in these economies (particularly in form of private-public partnerships) highlights the interdependency between transnational capital and the seven commodity-producing countries in Latin America. While the former is in search of new spaces to fix crises arising from overaccumulation elsewhere, the latter rely on the inflow of capital to operate and function.

However, the massive FDI inflows and the surge of foreign capital investments into physical and social infrastructure did not lead to current account surpluses, as all seven commodity-producing countries have a deficit in their current accounts (World Bank, 2020a). Goda and Lysandrou (2019) find that this is mainly due to multinational enterprises (MNE) repatriating profits. The repatriation of MNE profit and dividend payments, the appreciation in the real effective exchange rate (REER) as a result of massive external capital inflows used to finance the exploitation of raw materials, and the resulting crowding-out of other tradable sectors far outweighed the positive effects of the increase in commodity exports on countries' trade balance (Goda and Lysandrou, 2019). This further increased their dependency on external sector finance. To maintain a favourable destination for foreign capital flows, Latin America's commodity producers had to accept the demands of transnational capital and offer high interest rates. As argued by Alami (2018) this reflects an unevenness of the way in which money power of capital unfolds across the global economy and cements the subordinate positionality of Global South economies in international financial markets. These "relational geographies of money-power" (Alami, 2018) manifest themselves in Global South economies having greater cost of national currency credit, a larger vulnerability to exchange rate fluctuations, a pressure to constantly overvalue domestic currencies to manage U.S. dollar-denominated debt, and a larger burden to maintain their international reserves inactive, which has impeded a deepening of domestic financial markets. With largely sterilized financial markets at home that were unable to serve as driving forces for economic growth, governments, banks and non-bank corporations in Latin America have to turn to the international financial markets for much-needed credit and liquidity to finance their structural deficits, which expanded their debt even further (see Palma, 2015).

Governments and corporations struggling to finance their deficits and maintain solvency (particularly following the GFC) increasingly accessed liquidity through international bond markets. Financially engineered leverage and debt securities became an attractive way for Latin American companies to stimulate profits and offer returns to shareholders. Non-financial corporate debt in the region grew from US$ 76 billion in 2009 to US$ 229 billion in 2014 (ECLAC, 2019). It reached US$ 317 billion in the first quarter of 2019, making the region the second largest debtor of U.S. dollar-denominated debt in the world (BIS, 2020). The post-GFC shift towards bond markets meant that the corresponding share of debt securities in total US$ credit to non-banks for Latin America reached a record high of 65% at end-2019, the highest share of all regions worldwide (BIS, 2020).

The massive influx of FDI, subsequent current account deficits as well as the financing of these deficits through international bond markets (fuelled by QE programmes) powerfully demonstrates how spatial fixes operate in global financialized capitalism. Debt securities, leverage, and credit act to displace the crisis tendencies of capitalism in time and across space (see French et al., 2011; Harvey, 2018, 2010). The way in which financial engineering has particularly shifted spatial contradictions of financialized capitalism and temporally displaced its limitations and discrepancies to commodity-producing Latin American countries also reinforces dynamics of uneven geographical development. As Pike (2005, p. 206) points out, “geographies of financialization and shareholder value… unfold in uneven ways across the range of interdependent, social constructed, and contested scales”.

This becomes particularly evident from the way in which states and central banks are locked into a dynamic of providing fixes to the inherent and recurrent crises of financialized global capitalism by flooding the market with cheap money. This appeasing of investors from international financial institutions and East Asian multilateral banks only encourages the further expansion and geographical relocation of debt, postponing an even deeper cycle of crises into the future. The territorial absorption of debt expansion in the commodity-producing economies of Latin America not only increases the subjugation of domestic governments and corporations to the modalities of transnational capital; future crises (e.g. switching crises) will also disproportionately affect Latin American countries.

Where are we now? Economic developmental impacts COVID-19 for commodity producers in Latin America

Dependent on the continuous inflow of foreign capital financing their structural current account deficits, and struggling with mounting public and private debt burdens, the financialized commodity-producing economies in Latin America were already in a precarious situation when the World Health Organization (WHO) declared COVID-19 as a global pandemic on March 11, 2020. Besides the direct health and economic consequences of COVID-19, the seven commodity-producing economies in Latin America are now facing a triple crisis: capital inflows suddenly stopped and even reversed, commodity prices massively decreased due to the fall in demand (particularly for oil) and local currencies drastically devaluated. This has already led to a massive contraction of GDP growth. In the short term, the increased difficulty in accessing external finance as a result of the pandemic has weakened governments in their attempts to finance fiscal packages to mitigate the immediate health and economic outfalls of the pandemic. In the medium term, these interconnected shocks will cause serious balance of payments crises, for both the public as well as the private sector. In the long run, serious switching crises arise. These crises manifest themselves either through capital devaluating territories where it cannot move out leading realization problems of fixed investments or through money capital switching from Latin America to spaces that offer more profitable and robust investment payoffs.

Commodity prices were already experiencing turbulences when the pandemic hit. The rising trade tensions between the U.S. and China, the slowdown of growth in China, and the collapse of the production agreement by OPEC and its partners had dampened the 2020 outlook for commodity markets. With the COVID-19 outbreak and the simultaneously occurring major demand and supply shocks, commodity prices contracted on an unprecedented scale. The near standstill of global production and of international travel, and the collapse of supply chains and freight transportation decreased demand for energy commodities and put immense pressure on commodity prices, particularly on oil. The negative-demand and positive supply shocks sent crude oil prices plummeting by over 60% since January. Some benchmarks even traded at negative levels for the first time in history. Coal prices fell by 55% in the same period. In general, energy prices fell 18.4% in Q1 of 2020 and in 2020 are expected to average 40% lower than in 2019 (World Bank, 2020b). Prices of non-energy commodities also sharply fell in Q1 of 2020. Metals and minerals prices contracted by 5% on the quarter and are expected to fall by 13% in 2020. Due to their close relationship with global production, copper and zinc prices declined by around 15% since January while prices of iron ore fell by 7% (World Bank, 2020b).

The historically weak position of Latin America’s commodity producers within the global geographies of accumulation, dominated by the United States, Europe and East Asia as financial and industrial powerhouses has thus exacerbated the fallout for the seven discussed countries. While cheap dollar credit and heightened demand for commodities powering the industrialization of East Asian economies had supported the commodity-based expansion in the seven economies, the uncertainty in international financial markets, the drastic fall in demand and the halt to production following the outbreak of COVID-19 have had serious repercussions. As capital had become increasingly fixed in infrastructure for commodity production, transformation, storage and transportation (also in order to overcome overaccumulation crises elsewhere), the sudden stop to demand for commodities is likely leading to investments not being realized or spaces where capital has been fixed being devalued. Where capital *can* move out, and switches to other more profitable spaces in order to temporarily overcome the current crisis, it will leave behind a trail of devastation in Latin America's commodity producing economies.

As an immediate consequence, the massive contractions in commodity prices have hit the seven Latin American countries in several ways. Ecuador, Colombia, Brazil, Bolivia, and Mexico are heavily dependent on income from oil and its derivatives, which make up for 41%, 38%, 12%, 7% and 5% of their exports respectively (OECD, 2020). Colombia, as the world's fifth largest coal exporter and Chile, as the global leader in copper exports, will also be severely hit. Peru's dependency on copper, zinc and iron ore exports will lead to serious economic downfalls for the country. The fall in commodity export earnings will put even more pressure on current account balances across the region.

This negative impacts of the COVID-19 pandemic on current account balances will only be exacerbated by the massive downfall in capital inflows in the form of commodity-related FDI and FPI. While in January 2020, Latin American sovereign and corporate borrowers had placed a record US$ 38 billion worth of bonds in January, capital inflows dramatically stopped and in commodity-producing economies even reversed (CEPAL, 2020). The high volatility of financial markets as a result of COVID-19 led to capital outflows of the region surpassing levels of capital flight from 2008 (Giordano, 2020; IIF, 2020). In March, capital outflows from the region's three largest commodity producers Brazil, Colombia and Mexico peaked at US$ 15 billion (see IIF, 2020).

The capital outflows have also resulted in stock markets plummeting across the region, putting tremendous pressure on public and private balance sheets. The MSCI stock market index for Latin America was down 46% by the end of March, compared to a 24% decrease for emerging markets and a 21% drop in G7 countries (see OECD 2020). The equity drops were particularly high in Colombia and Brazil where cumulative losses were over 50%. Equities in Chile, Mexico and Peru lost over 34% of their value (ECLAC, 2020).

The stop in FDI and FPI inflows, capital flight, and the fall in stock markets will exacerbate the longstanding issue in Latin American countries of mid-project abandonment of infrastructure projects. First studies indicate that private and public infrastructure investments since lockdowns have dramatically fallen. Bancalari and Molina (2020), for example, find that since lockdown Peruvian public investments into energy and industry infrastructure were 75% and 82% lower respectively than for the same period in 2019. Colombia's largest and primary petroleum company *Ecopetrol* was forced to liquidate the ethanol and cogeneration subsidiary *Bioenergy*, making the infrastructure project the biggest white elephant in the country's history (Semana, 2020). In all commodity-producing countries, construction has been suspended as most public and private infrastructure projects are facing a force majeure (see Baker McKenzie, 2020).

On one hand, spatially fixed capital is acting as a drag upon its mobility to realize returns elsewhere. The COVID-19 crisis has led to a standstill of capital circulating down spatial paths and due to many investments being fixed in the built environment of extractive infrastructure, capital is unable to move out. The processes of capital searching for new fixes (both in the material and metaphorical sense) in physical and social infrastructures associated with commodity production, transportation, and processing are interrupted and profits are not realized.

On the other hand, while much of the investments locked into the built environment of physical infrastructure will render capitalists unable to extract sunk capital to use in other regions where investment opportunities are more profitable. Full capital mobility and the subordinate positionality of Latin American economies in international financial markets has also led to the reversal of money capital flows, switching to geographies with more profitable and robust investment opportunities. As returns to capital were greater elsewhere, investors withdrew from Latin American capital markets. This has led to investors selling stocks and bonds in Latin America to take safety in the U.S. dollar. The subsequently arising switching crises will mainly will likely lead to, to use Harvey's (2004, p. 116) words, "a trail of devastation and devaluation" that will make it even harder for Latin America's commodity-producing countries to recover from the current COVID-19 shock.

One of the immediate results of the geographical switching of capital is the massive appreciation of the dollar and the subsequent depreciation of local currencies, exacerbating the external financing pressures for the seven commodity-producing economies. Already in the years leading up to the COVID-19 shock, Latin American currencies experienced drastic devaluations. While money capital inflows following the GFC and the widespread trading of some Latin American currencies such as the Brazilian Real and the Mexican Peso on international currency markets had led to currency appreciation, their structural subordinate position in the international currency pyramid made them vulnerable to global economic changes. The slowdown of commodity prices since 2014 and a looming crisis in China prior to the pandemic particularly affected markets in Latin America, leading to currency depreciations. The COVID-19 crisis worsened the internationally weak position of Latin American currencies and their degree of convertibility. In March, the Brazilian Real, the Colombian Peso and the Mexican Peso depreciated more than 10% against the U.S. dollar while currencies in Chile and Peru depreciated around 5% (UNCTAD, 2020). Given that most non-bank corporations in the Latin America hold U.S. dollar denominated debt, the COVID-19 crisis will seriously worsen the already parlous debt position in the region. Governments and firms have started turning to reserve funds to overcome payment delays to projects across all sectors.

The various implications of arising switching crises in addition to the direct health and economic crises of the COVID-19 pandemic will have devastating consequences for Latin America’s commodity-producing economies. Despite decisive interest rate cuts and fiscal and liquidity packages by Brazil’s government, the country’s GDP is projected to fall by 9.1% in 2020 (Werner, 2020). Bolivia’s economy is set to contract by 5.9%. In Chile, the economy is projected to decline by 7.5%. The sharp contraction is largely owed to the strict lockdown measures, to weaker external demand from trading partners (particularly China), and the falling prices for copper. For Colombia the pandemic will cause the first recession in two decades with GDP expected to contract by 7.8% in 2020. The low oil prices will severely affect Ecuador’s economy which is projected to shrink by 7.4%. The country was already in trouble before the pandemic hit, as it struggled to make interest payments on its external debt (IMF, 2020). The fall in commodity prices, the volatility in international financial markets, the disruptions to global value chains and the state of the pandemic in the United States is compounding Mexico’s economic downturn as a result of COVID-19. The country’s GDP is set to fall by 10.5% and with the smallest fiscal response package among G20 states the situation is likely to worsen. Peru’s GDP is projected to shrink by 14% (IMF, 2020). Weak external demand for copper and zinc and disruption to global supply chains have offset the government’s significant fiscal support.

The economic downturns in commodity-producing Latin American countries will further worsen their fiscal balance sheets. Lower government revenue from commodities and taxes, increased spending, higher borrowing costs and overall a decrease in external funding of the current account deficits will push debt levels even higher. While most countries in the region entered the pandemic with worse fiscal indicators than they had prior to the GFC (World Bank, 2020c), the COVID-19 shock will increase fiscal deficits, current account deficits and foreign debt even further. The stop in capital inflows, the tightening international credit market, as well as currency depreciation will increase the debt burden for companies and households, with many private agents facing insolvency due to the inability to service their debt (particularly as interest rates are rising in the context of a recovering global economy). With the import structure of all seven commodity-producing countries' being far more diversified (dominated by higher-technology intermediate inputs and capital goods) than their exports, current account deficits are likely to increase, as export revenue from commodities will continue to be at a record low.

Conclusion

For Latin America's commodity producing countries, the contradictory nature of the spatial fix in its material and metaphorical meaning is displaying itself in a brutal way in the COVID-19 fallout. As capital has become increasingly fixed in commodity-related infrastructure, the geographical reorganization of capitalism following the COVID-19 outbreak will threaten the realization of these fixed investments and will cause serious switching crisis. Hence, while the fixes had geographically reallocated previous crises to commodity-producing countries in Latin America, they are now the cause of switching crises. The failure of capitalism to solve its crises tendencies by merely moving them around geographically and temporally underlines that, in fact, there is no long-run 'spatial fix' to its internal contradictions.

Financial capital and QE policies will likely play a central role in the recovery from the current COVID-19 crisis, which only encourages further debt expansion, offering only a conjunctural resolution or temporal deferral of the crisis. The increasing financial ingenuity and power of financiers has already led to the reallocation of money capital into international financial markets and the U.S. dollar for short-term profit. Facilitated by the opening of capital accounts as part of the neoliberal reforms, capital will continue to flow out of Latin American markets, stimulating an expansion of their unsustainable levels of debt. As there is no long-term fix for the inherent crisis tendencies of global financialized capitalism, ever-greater crises will subsequently arise, in the future.

However, governments in the Global North as well as in Latin American countries are seemingly once again locked into the policy idea of financial sector bailouts and new rounds of QE programmes. Sectoral diversification, financial deepening, and fiscal programmes to move away from commodity dependency are notably absent in proposals to overcome the current crises in Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, and Peru. With the resulting debt expansion, the remaining dependency on external finance, and the structural deficiencies of economic diversification, the territorialization of capitalism's crisis tendencies in the COVID-19 recovery years will likely affect the seven economies disproportionately hard.

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[i] Hailu and Kipgen (2017) and Dobbs et al. (2013) identify eight Latin American economies as commodity producers. This article excluded Venezuela due to the extraordinary circumstances of its political economy.

[ii] As of September 23rd, Brazil has the world's second largest death toll with over 138,000 with Mexico at number four having recorded 74,348 deaths. In Peru 31,586 have deceased as a result of the virus, In Colombia 24,570 people have died, Chile has recorded 12,321 deaths, in Bolivia the death toll stands at 7,693 , while in Ecuador 7,330 people have deceased as a result of COVID-19.

[iii] Lockdown measures across the seven countries have varied. Bolivia limited its lockdown to prohibiting large-scale public gatherings, the closure of schools and the ban on international travel. The response by the central government in Brazil has been rather lax, focussing mostly international travel restrictions. Stricter lockdown measures are imposed by different states, particularly in the Santa Catarina and São Paulo state. Chile, Colombia, Ecuador and Peru have all responded with very strict quarantine measures, banning international travel, and prohibiting gatherings. After initially downplaying the dangers of COVID-19 and not putting strict

lockdown policies in place, government responses in Mexico have recently been much more decisive with strict lockdown measures in place in all states.