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# The Role of Conflict in the Construction of the Peruvian Alpaca Fibre Commodity Chain: A Limited Access Order Approach from 1532 to present

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# PRESENTATION OUTLINE

- I. INTRODUCTION & BACKGROUND
- II. THE LAO/OAO FRAMEWORK
- III. TRANSFORMATION AND CHANGE OF THE AFCC (1532 to present)
- IV. EVOLUTION OF THE AFCC LAO
- V. CONCLUSIONS

# I. INTRODUCTION & BACKGROUND (1)

*“Studying commodity chains is // something like // measuring indirectly and imperfectly a total phenomenon that we cannot see directly no matter what we do. The point however is to figure out how this total phenomenon operates, what are its rules, what are its trends, what are its coming and inevitable disequilibria and bifurcations. It requires imagination and audacity along with rigor and patience.”*

*Immanuel Wallerstein (2009)*

Peruvian economy since XVI century: (i) primary resource-based/export dependent; (ii) concentrated ownership of production factors; (iii) marginal technological progress; and, (iv) highly informal, asymmetric, uncoordinated and non-transparent.

Paradox of plenty => rich country affected by poverty and inequality => access to and distribution of rents controlled by a few in detriment of the many => **CONFLICT** => impact on domestic economy and engagement in global trade.

# I. INTRODUCTION & BACKGROUND (2)

**WST => Commodity Chains (CCs)** (Hopkins and Wallerstein, 1986 and 1994)  
Value Added Chains (VACs) (Kogut, 1985; Porter, 1985 and 1990)  
Global Commodity Chains (GCCs) (Gereffi and Korzeniewicz, 1994)  
**Global Value Chains (GVCs)** (Gereffi et al, 2005)  
All related to the passage from raw materials to end products

**GVCs incorporate governance** (Gereffi et al, 2005) and **upgrading** (Humphrey and Schmitz, 2002) to assess **coordination failures**, **power asymmetries** and **access to/distribution of rents** among **geographically/functionally fragmented actors** => At the analytical core of GVCs is **Power Relations**

Case studies on SA Maize filiere (Bernstein, 1996), Indonesian timber industry (Gellert, 2003), wine production in Argentina (McDermott, 2007) and cattle-cocaine chain in Colombia (Hough, 2011).

Theoretical refinement from CCs to GVCs has abandoned political economy and historical perspectives. GVCs have turned too “economistic” (Bair, 2005) and concerned with role /dominance of lead firms (Hough, 2011).

# I. INTRODUCTION & BACKGROUND (3)

**Aim of this paper** => To recover the richer political economy and historical tradition of CCs for the analysis of power relations by reviewing the evolution of the political and economic institutions and organizations which have governed the Alpaca Fibre Commodity Chain (AFCC) from 1532 to present.

Competition among actors for access to and distribution of rents frequently leads to conflict.

**Research question** => How does conflict shape the geographical and functional structure of a commodity chain?

AFCC framed by the **Limited Access Order/Open Access Order (LAO/OAO) model** developed by North, Wallis and Weingast (NWW) (2009)

## II. THE LAO/OAO FRAMEWORK (1)

**LAO/OAO Logic** => **Creation and distribution of rents and the threat of violence** posed by individuals/organizations willing to capture them.

**OAO** => Open political access and organization sustains free markets competition and participation. Three conditions: (i) rule of law for all; (ii) perpetually lived organizations; and, (iii) civilian control of organizations with violence potential (e.g. army, police).

**LAO** => Elites control the political system to design and enforce rules of an economic system that guarantees them control over rents (extractive base)  
Rents hold this **dominant coalition** together. Violence emerges when factions within/excluded from the dominant coalition are not satisfied with rent distribution .

Progress/regression from LAO to OAO is possible. Three types of LAO: (i) Fragile; (ii) Basic; and (iii) Mature

## II. THE LAO/OAO FRAMEWORK (2)

Conflict determinants: (i) political institutions; (ii) economic institutions; (iii) dominant coalition; and (iv) sources of rents.

Two modifications to the LAO framework: (i) CCs replace the nation-state as unit of analysis; and (ii) violence is not restricted to physical as in the original framework.

Paper adopts a macro-historical approach. Detailed accounts replaced by general patterns/trends where conflicts have played a role in shaping the structure of the AFCC

## III. TRANSFORMATION & CHANGE

History of the emergence and transformation/transition of the AFCC since 1532 to present.

Identification and description of all conflict determinants/outcomes and their impact on chain structure.

# IV. EVOLUTION OF THE AFCC LAO (1532-1929)

	Old Colonial Rule 1532-1782	Transition 1782-1850	Neocolonial Rule 1850-1929
<b>LAO</b>	BASIC	BASIC-FRAGILE	FRAGILE-BASIC
<b>Political Institutions</b>	Viceroyalty of Peru <i>Encomiendas</i> (1540s-1570s) - Land estates granted by royal grace <i>Corregimientos</i> (1570s-1784) - Colonial administrative unit (provinces) <i>Cabildos</i> (1570s-1784) - colonial administrative unit (municipalities) Catholic Church	Viceroyalty of Peru Viceroyalty of La Plata (1776-1796) <i>Intendencias</i> (1784-1821) - Geopolitical and administrative units (regions) Republic of Peru (since 1821) - Central govt. (exec., legislative, judiciary) Catholic Church	Regional/provincial/local political/judicial/military/police orgs. Catholic Church First political parties (1872-1919) Mass political parties (1920s)
<b>Economic Institutions</b>	<i>Reducciones de indios</i> - indigenous settlements for religious conversion <i>Mita</i> - system of forced indigenous labour in the mines Taxes - on land, harvests and labour and <i>Haciendas</i> - large land estates <i>Obrajes</i> - colonial textile factories <i>Repatriamientos mercantiles</i> - system of forced purchase of goods	<i>Haciendas</i> Taxes <i>Obrajes</i>	<i>Casas Comerciales</i> <i>Haciendas</i> Taxes
<b>Dominant Coalition</b>	Spanish political bureaucracy ( <i>Viceroy, corregidores, alcaldes</i> ) Spanish encomenderos and hacendados Priests <i>Caciques</i> - former indigenous noble class serving the crown's interests	Spanish political bureaucracy (Until 1821) Rising creole and <i>mestizo hacendados</i> (1780s-1850s) Foreign capitalists' export houses ( <i>Casas Comerciales</i> ) (1840s-1880s) Priests	Regional, provincial and local political bureaucracies Creole and <i>mestizo hacendados/gamonales</i> (1850s-1920s) Foreign capitalists ( <i>Casas Comerciales</i> ) (1840s-1920s) National merchants/traders ( <i>Casas Comerciales</i> ) (1890s-1920s)
<b>Rent Sources</b>	Land Surplus value of indigenous labour Taxes (in-kind and since 1570s also monetized) Natural resources (silver, wool, coca)	Land Surplus value of indigenous labour Taxes (monetized and in-kind) Natural resources (silver, wool, coca, <i>guano</i> ) Unequal terms of exchange (trade and transportation)	Land Taxes (monetized) Credit Natural resources ( <i>guano</i> , wool, alpaca fibre, silver, gold) Unequal terms of exchange (trade and transportation)
<b>AFCC Milestones</b>	Depopulation, displacement and fragmentation of alpaca herds Foundations of unequal land distribution Development and expansion of wool <i>obrajes</i> (1540s-1760s) Finished alpaca fibre goods for indigenous consumption Lima-Cuzco-La Paz-Potosi mining and trade axis	Dislocation of the mining and trade axis (1776-1796) Recomposition of peasants lands (1820s-1850s) Agrarian Reform (1821-1824) Exports to Europe and US begin (1830s-1920s) Arequipa becomes the hub for international trade of fibre (since 1830s)	Alpaca fibre becomes an important export commodity (1890s-1920s) Mollendo-Arequipa-Puno-Juliacá-Cuzco Railway (1868-1876) Expansion of <i>haciendas</i> (1890s-1910s) Development of middlemen networks and informal standards Liverpool crisis (1921) - international collapse of wool/fibre prices
	Vilcabamba Incas (1536-1572) Revolts against taxation and the <i>mita</i> system (1724-1736) Revolts against legalization of <i>repatriamientos mercantiles</i> (1751-1756) Revolts against the Bourbonic Reforms (1770s) Revolution of Tupac Amaru II (1777-1781)	Cuzco Rebellion (1814-1815) War of independence (1821-1824) Sierra <i>hacendados</i> /national traders vs foreign merchant elites (1825-1860s)	Sierra <i>hacendados</i> vs coastal merchant elites (1850s-1910s) War of the Pacific (1879-1883) Endemic indigenous rebellions (1886-1915) Southern indigenous rebellion (1920-1923)



# IV. EVOLUTION OF THE AFCC LAO (1929-2013)

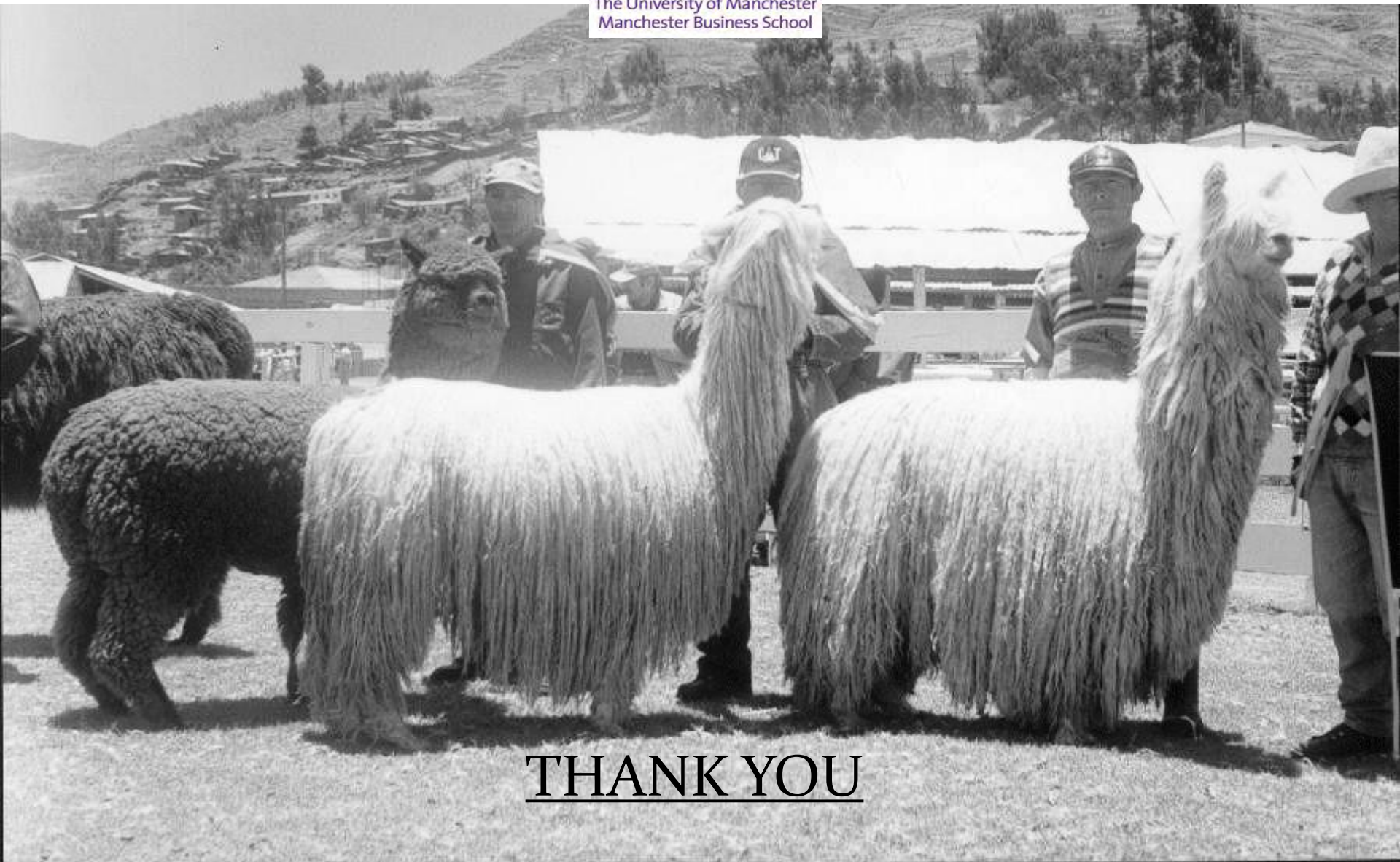
	Modernization and Privatization 1929-1968	Reform and Collapse 1968-1990	Growth under Free Markets 1990 to present
LAO Type	BASIC	BASIC-FRAGILE	FRAGILE-BASIC
<b>Political Institutions</b>	Regional/provincial/local political/judicial/military/police orgs. Established mass political parties, Emergence of middle class parties (1950s) Emergence of labour unions Catholic Church	Military rule - <i>Junta Militar</i> - Central government (1968-1980) Regional/provincial/local political/judicial/military/police orgs. (1980s) Sendero Luminoso and MRTA (1980 to present) Labour unions Catholic Church	Regional/provincial/local political/judicial/military/police orgs. Political-Military coalition - Central government (1990-2000) Political fragmentation (multi-part system) (2001 to present) Labour unions Catholic Church
<b>Economic Institutions</b>	<i>Haciendas</i>	ISI model State-led development programmes Cooperatives National industries and public enterprises Agrarian Bank (public)	Rural land titling programmes PETT-COFOPRI (1992 to present) State-led social development programmes (1990s to present) Agrarian Bank (public)
<b>Dominant Coalition</b>	Regional, provincial and local political bureaucracies <i>Hacendados</i> (concentrated)	Military elite (1968-1980) Leadership factions of peasant organizations (1969-1975) Regional, provincial and local political bureaucracies (post-1980) Shining Path and MRTA leadership	Regional, provincial and local political bureaucracies Business elites (regional and local levels)
<b>Rent Sources</b>	Land Natural resources (oil, copper, fishmeal, sugar, cotton) Intermediation (set prices, unequal terms of exchange and transport) Surplus value of indigenous labour	Natural resources (copper, oil, fishmeal, silver) Intermediation (set prices and unequal terms of exchange) Foreign exchange Public companies and social development programmes	Natural resources (copper, silver, gold, natural gas) Land Set purchase prices Intermediation (set prices and unequal terms of exchange)
<b>AFCC Milestones</b>	Rural migration induced by population pressure on land (1930s-1960s) Peasants invasion of haciendas (1930s-1960s) Emergence of Large Textile Industries (1930s-1950s) Juliaca becomes middlemen's hub, emergence of fibre cartels (1940s-1960s) Modernization of textile plants	Expropriation of haciendas and creation of peasant cooperatives/unions Atomization of land and herds (1968-1875) Disruption of local, provincial and regional trade circuits (1980s) Land decapitalization and production collapse (1968-1980s) Rural migration induced by terrorist violence (1980s)	State intervention (CONACS) (1992-2007) and subsidies (1996-2004) Diversification of export destinations through FTAs (2000s) Consolidation of duopsonic and duopolic fibre market (2011) Private-led standardization process (2004 to present) Emergence of peasant-run Local Collection Centres (2000s)
	<i>Hacendados vs colonos</i> (1956-1960s) MIR-ELN terrorism (1964-1965) <i>Juliacazo</i> (1965)	Landless peasants vs Agrarian Reform (1970-1980) Conflicts among regional, provincial and local bureaucrats Sendero Luminoso and MRTA Terrorism (1980 to present)	Peasant mobilizations against mining (2000s) Peasant mobilizations against political bureaucracies (2000s) Conflicts among regional, provincial and local bureaucrats

## V. CONCLUSIONS

- Evolution of the AFCC LAOs from 1532 to present can be divided into six transitional periods
- Conflicts stand as causes for and/or consequences of structural shifts in CCs. They do have a major impact on the geographical and functional configuration of CCs
- The combination of political economy and history provides a superior and more comprehensive assessment of power relations in CCs than economics alone
- Fear of creative destruction is often at the root of the opposition to inclusive political and economic institutions (Acemoglu and Robinson, 2011: 84)
- LAO/OAO framework useful for CC research because it provides context to the analysis /understanding of power relations

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