

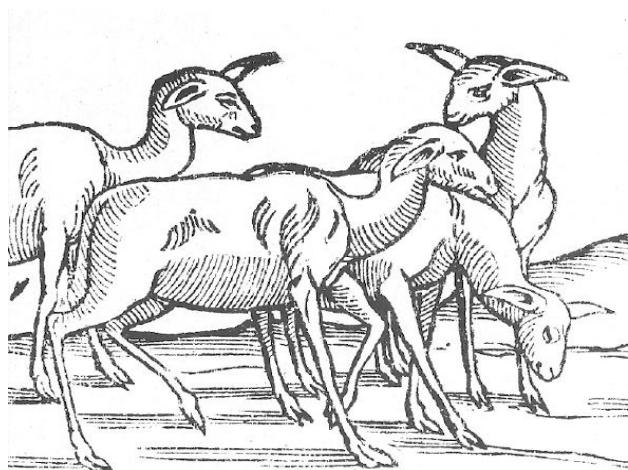
Paper to be presented at the
Eu-SPRI Early Career Researcher Conference Innovation in a Globalized Economy: On
the Role of Knowledge Dynamics, Institutions and Innovation Policies
CIRCLE, Lund University, Sweden, 2-3 October 2013

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

MIKLOS LUKACS DE PERENY

Manchester Business School, University of Manchester, Manchester, UK

miklos.lukacs@postgrad.mbs.ac.uk



Abstract

This theoretically grounded paper shows how conflict shapes the geographical and functional structure of a commodity chain. It goes beyond the economics centred analysis of governance and power relations that characterize contemporary Global Value Chains research by adopting the political economy and historical tradition of Commodity Chains. Taking the Peruvian alpaca fibre commodity chain (AFCC) as case study, a general account of the organizations and institutions which have governed this chain since 1532 to present is provided. The AFCCs story of transformation is framed by the Limited Access Orders (LAO) approach developed by North, Wallis and Weingast. Through a descriptive and explanatory account of the political and economic institutions in which the AFCC is embedded it is possible to understand the causes of uneven distribution of rents and conflicts among competing actors to capture them. In turn, these struggles lead to structural change of the chain. Conclusions stress the merits of the LAO framework as a provider of context to commodity and value chain research and show how creative destruction is replaced by destructive creation when chains are governed by extractive and exclusive economic and political systems.

Key Words: Commodity Chains, Limited Access Orders, Conflict, Structural Change, Development, Peru

¹ Illustration of “Peruvian Sheep” or “Ram of the Land” appeared in the “Chronicles of Peru” authored by Pedro Cieza de Leon, Seville, 1553.

I. Introduction

“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: 89)

Since Spanish colonization in the XVI century and throughout its Republican history, the Peruvian economy has remained primary-based and export-dependent. From silver to cotton and guano to copper, the country's productive base has been characterized by concentrated ownership of factors of production, poor infrastructure and marginal technological progress. The resulting supply of low value-added goods has limited Peru's options for industrial upgrading. Moreover, this paradox of plenty has been aggravated by historically rooted socio-cultural, economic, and political problems of structural nature. Within highly informal, uncoordinated and non-transparent markets, the distribution of rents generated by primary resource exports has been systematically controlled by the few rich in detriment of the many poor. However, poverty and inequality stemming from these power asymmetries have led to frequent conflicts between the elites and the rest since the XVI century to present. These conflicts have significantly shaped the structures and institutional arrangements of regional and national commodity chains engaged in global trade.

Engagement by developing nations in global markets has been studied using several chain frameworks. Theoretically founded on World-Systems Theory, the Commodity Chain (CC) approach (Hopkins and Wallerstein, 1986 and 1994) highlighted the unequal terms of trade between central and peripheral countries and discussed the effects that globalization had on the economic development of the latter. However, management scholars went beyond terms of engagement and division of labour concerns of CCs to propose the Value Added Chain (VAC) framework (Kogut, 1985; Porter, 1985 and 1990) in which inputs and profits at each stage of the production process could be more clearly specified. The combination of CC and VAC frameworks led to the emergence of Global Commodity Chains (GCC) (Gereffi and Korzeniewicz, 1994) which characterized chain structures according to their technological development. Further theoretical contributions to the GCC approach from neo-institutional economics and international business literature resulted in the currently dominant Global Value Chain (GVC) framework (Gereffi et al, 2005)².

A common concern of chain frameworks has been mapping and describing the productive and commercial passage of raw materials to end products. Furthermore, concepts such as governance (Humphrey and Schmitz, 2001; Gereffi et al, 2005), and upgrading (Gibbon, 2001; Humphrey and Schmitz, 2002) have been leveraged into the GVC framework to describe coordination activities, opportunities for market participation and distribution of profits among geographically and functionally fragmented actors. Given that coordination is conditioned by formal and informal incentives/disincentives, chain governance cannot be understood independently from institutions, both economic and political. In this regard,

² Among competing chain frameworks we also find the French *filière* and Global Production Network (GPN) approaches. The former is concerned with price formation mechanisms from raw materials to end consumer products while the latter - informed by Actor Network Theory (ANT) and GCC/GVC frameworks - provides a network perspective on global production and exchange systems. For a comparative theoretical review between *filières* and GCCs see Raikes et al (2000) and for a similar exercise between GPNs and GVCs see Coe et al (2008).

different institutional contexts set different patterns for the generation and distribution of rents which in turn can become a source of conflict or cooperation among chain participants. The ways in which the institutional context is configured determine the position of actors in the chain, their shares of political and economic power and the generation and distribution of rents along the input-output structure of the chain.

The analysis of power relations stands at the core of commodities and value chain research. However, only a small number of case studies on the South African maize filière (Bernstein, 1996), Indonesian timber industry (Gellert, 2003), wine production in Argentina (McDermott, 2007) and the shifting cattle-cocaine commodity chains in the Caguán region of Colombia (Hough, 2011) have explicitly adopted a political-economy perspective to study power asymmetries and their effects on chain articulation and governance. In this regard, the theoretical refinement of CCs has gradually abandoned its political and historical narrative foundations and evolved, as noted by Bair (2005: 153) into a more “economistic” GVC variant. Hough (2011) concurs with Bair’s criticism and argues that too much attention has been paid by GVC scholars to economic analysis and to the dominance exercised by transnational lead firms in detriment of actors embedded in national territories.

Building on these criticisms, the aim of this theoretically oriented paper is to recover the richer political economy tradition of CCs by reviewing the evolution of the political and economic institutions which have governed the alpaca fibre commodity chain (AFCC) since 1532 to present. Through a descriptive and explanatory approach of the chain’s institutional and organizational forms it will be possible to understand the shifting position of actors throughout the transformation process of the AFCC and how uneven distribution of rents has led to conflict among competing actors. As Bates (2001) notes, development implies the passage of time where stories of transformation demand not only a spatial but also a temporal analysis. For Le Billon (2007), commodity chain structures are shaped through historical processes of transformation, whereby the very existence of a resource and its modes of production should be examined in relation to conflict. Moreover, Talbot (2002) and Rammohan and Sundaresan (2003) agree on the need for long-run historical perspectives which incorporate non-economic variables into the analysis of commodity chain development.

The evolution of the AFCC will be framed using the Limited Access Orders (LAO) approach developed by North, Wallis and Weingast (NWW) (2009). The LAO framework is useful as it provides the operational and analytical means for identifying, describing and explaining the political and economic institutions set by powerful actors as well as the mechanisms applied to control access and distribution of rents. As North et al (2013) point out, the creation and distribution of rents and the threat of violence posed by individuals and/or organizations to capture them constitute the core of the LAO logic.

The paper is organized in five sections of which this introduction corresponds to the first. Section II provides an overview of the theoretical and methodological features of the LAO framework and the rationale for its applicability in CCs research. Based on the seminal contributions to Peruvian historiography provided by Bonavia (2009), Jacobsen (1993), Sheahan (1999), Thorp and Bertram (1985) and Wise (2009), Section III reviews 500 years of history - particularly of the southern Andes region where alpaca fibre production is concentrated - to describe the political and economic determinants of AFCC transformation. Section IV discusses the historical transformation and transitions of the AFCC under the LAO framework while the fifth and final section concludes.

II. Theoretical Framework

The Limited Access Orders/Open Access Orders (LAO/OAO) approach developed by NWW (2009) stands as an alternative framework for exploring and understanding political, economic and social interactions. However, the LAO framework does so by placing violence at its analytical core and by using the nation-state as its analytical units. According to NWW, LAO societies permanently confront the threat of violence by individuals and/or organizations competing to capture rents. Violence in LAOs is limited through the manipulation of economic interests by elites controlling the political system. These elites constitute dominant coalitions which are set up to implement and enforce mutually beneficial institutional and organizational arrangements. Exclusive creation and/or distribution of rents keeps the coalition together and deters the use of violence (North et al, 2013). With limited political rights and participation, those excluded from the dominant coalition have difficulties to form organizations and freely engage in market activities. Political exclusion is reinforced by economic exclusion – usually in the form of oligopolies or monopolies - which hampers long-term economic growth.

The asymmetric distribution of political and economic power leads to exclusive but also to extractive institutional orders. According to Acemoglu and Robinson (2012: 76) extractive economic institutions are “designed to extract incomes and wealth from one subset of society to benefit a different subset.” These authors point out the synergies between extractive economic and political institutions where the latter enable dominant coalitions to advance their interests and perpetuate their extractive base. While LAOs are plagued by these vicious cycles, Open Access Orders (OAOs) are characterized by virtuous ones. In developed countries open political access and participation sustain markets by securing property rights and protecting the freedom to exchange and establish contracts. Through civilian-controlled military and police forces these countries exercise a monopolistic but legitimate use of violence. Entry and participation in these orders does not depend on personal connections and the rule of law is impartially applied to all (North et al, 2013).

Although political stability of LAOs depend on effective coordination of the dominant coalition to access, control and distribute rents, transition to an OAO is possible. However, this transition requires the institutionalization of the rule of law for elites, perpetually lived organizations and democratic control of the state's forces with violence potential. These “doorstep conditions” can be gradually achieved throughout the progression of LAOS from Fragile to Basic to Mature orders (North et al, 2013: 15). In Fragile LAOs governments may or may not exist. If they do, they do not have the monopoly of violence and have to compete with a number of factions within a dominant coalition for territorial control and distribution of rents. Competing factions are deeply influenced by personal leadership and are all capable of effectively displaying violence potential. Within this context, dominant coalitions are unstable and vulnerable and organizations are inexistent or short-lived. Permanent instability and risk also affect the hardening of formal and informal institutions which limit the capacity of personal leaders to establish credible commitments.

Basic LAOs differ from Fragile ones by having relatively well established and stable governments which constitute the heart of the dominant coalition. Non-state organizations exist but become attached to the dominant coalition only through personal ties of their leaders with political elites. Organizations without access to political elites will orbit around the government and compete with other excluded organizations to gain acceptance into the dominant coalition. Violence capacity remains under government control but is dispersed among a number of government organizations with an uneven capacity to display it. When

orbiting organizations proliferate, the dominant coalition may decide to set and enforce rules fostering competition, preventing violence and/or limiting access to and distribution of rents. If these institutions harden over time they may evolve into formal legislation specifying functions, duties and responsibilities of government as well as methods for conflict resolution. This institutional upgrading may lead towards a complete transition to a Mature LAO.

In Mature LAOS the dominant coalition remains within government but provides support to internal as well as external organizations. However, government still decides which nonstate organizations will be allowed into the dominant coalition. Through support of a larger variety of organizations, the dominant coalition can limit competition by selectively allocating rents for self-preservation and violence prevention. The consolidation of formal institutional settings enhances credibility on government commitments. It also provides a background for non-state organizations with economic power to press for government abidance if their interests are threatened. Institutional and organizational maturity and higher stocks of trust enhance LAOs stability and predictability making these orders more flexible and resistant to internal and external threats. LAOs can progress but also stagnate or regress if elites disagree in power bargaining: instability within the dominant coalition may lead to violence and disorder.

As we have seen, the distribution of rents and the threats posed by violence to control them constitute the essence of the LAO framework but in CC research its mechanisms and outcomes will be assessed under governance and/or power relations perspectives. However, when embedding the CC approach into the LAO framework, a set of new questions arise: (i) what political institutions – formal and/or informal - govern interactions among dominant coalitions to secure access and control of rents?; (ii) what economic institutions designed and enforced by the political elites govern interactions among chain actors as well as ownership and distribution of factors of production?; (iii) which actors conform the dominant coalition and how do they relate to each other to preserve stability of the extractive system?; and, (iv) where do rents come from and how are they extracted and distributed by the dominant coalition?. With these four questions in mind we can plot - through historical narratives - the institutional and organizational trajectories of CCs, identify its actors and determine its LAO stage of maturity.

The LAO/OAO framework can prove useful for CCs research because it provides context and leverages non-economic factors to their analysis. However, this paper introduces two modifications to the original LAO framework: (i) commodity chains replace the nation-state as the unit of analysis; and (ii) it approaches violence in a broader sense, not restricted to physical violence against those at the bottom-end of the chain but also the coercive potential of dominant coalitions through market and non-market means. At last, the large amount of data contained in 500 years of political, economic and social history requires the reader to shift his/her expectations from detailed accounts to general patterns and trends where conflict has played a role in shaping the current geographical and functional configuration of the AFCC.

III. Evolution of the Alpaca Fibre Commodity Chain Limited Access Orders³

The fall of the Inca Empire in hands of the conquistadores in 1532 marked the beginning of three centuries of Spanish colonial rule in Peru. One of the first measures adopted by the Spanish crown in order to exploit the rich natural resources of the New World was to expropriate the natives' land and parcel it into encomiendas granted by royal grace to distinguished conquistadores⁴. Each encomienda was allocated an administrator, usually a cacique, who was also entitled to tax and manage the abundant and inexpensive labour supply. However, conquered land and labour remained property of the crown, a situation that stood in sharp contrast with the British colonial experience in North America where after an arranged period of free labour provision, each newcomer was granted political participation attached to individual property rights over land (Ferguson, 2011).

The encomiendas not only meant profit maximization for the dominant coalition conformed by encomenderos and caciques but also the abolition of upward mobility for the indigenous population (See Appendix 1). The intensity of extraction was such that in 1542 the Spanish crown was obliged to relocate the indigenous people in reducciones as means of maximizing labour productivity. The reducciones were established around colonial villages where natives were totally displaced from their ayllus – ancestral patrilineal communities – and forced to adapt to the vertical institutional conditions imposed by their European masters. The reducciones not only optimized other extractive institutions such as tax collection and the organization of forced labour but also facilitated religious conversion into Catholicism to accelerate indigenous assimilation of Spanish values and traditions.

Agricultural production stood as the core economic activity during the initial years of colonization and involved the introduction of new animal species such as sheep and cattle which displaced domestic species to low quality pastures in the Andean highlands (Bonavia, 2009). With economic expansion over more profitable mining activities, unskilled labour supply was relocated to satisfy increasing precious metal demands from Spain. Appointed Viceroy of Peru between 1569 and 1581 by Phillip II, Francisco de Toledo reorganized reducciones and revived the XIII century Inca institution of the mita⁵. Although subjected to forced labour by the Inca, indigenous people worked in exchange of protection and food security, a far better arrangement than forced religious conversion alone. During the following two centuries, the institution of encomiendas evolved into hereditary property under the form of haciendas owned by Spanish and creole aristocrats while the forced labour schemes of reducciones and mitas continued diminishing the native population, thus forcing them to escape to the harsh conditions of the Andean highlands.

The XVI century saw the development of the silver mining industry based in Potosi – present-day Bolivia – and established a production and trade axis stretching across the cities of La Paz, Cuzco and Lima (see Figure 1.) Alongside this corridor, a number of obrajes devoted to the production of wool textiles were flourished. Alpaca fibre was considered a lower quality product and artisan production was entirely channelled for indigenous consumption. The

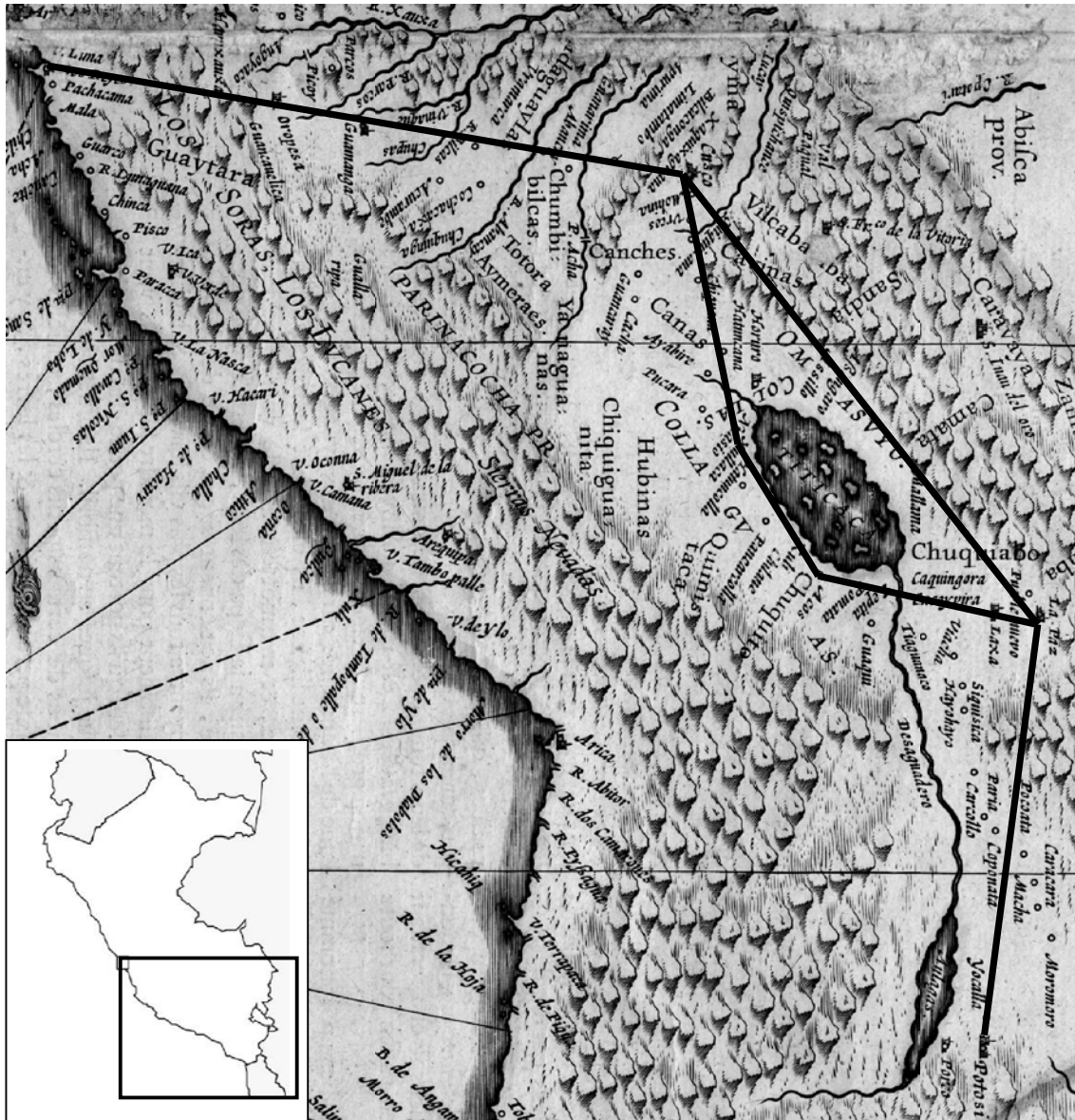
³ This section serves to provide paper discussants with some basic notions of the AFCC. Its contents and arguments have been slightly adapted from a draft written by the author in late 2011 but will not be part of this paper. Text for this section is currently subject to major developments and refinement and completion is expected on October 31st, 2013.

⁴ Please refer to Tables 2 and 3 placed on Section IV to find the meaning in English of Spanish terminologies.

⁵ Under the mita system, the ruling Inca organized his empire's labour force during fixed periods in agricultural activities to secure his needs and those of his empire's elites (e.g. priests and the army).

pressure exercised by mitas, reducciones and obrajes had profound demographic consequences. Manrique (2006) points out that at the beginning of Spanish conquest, the indigenous population amounted nine million but was later reduced to 600,000 in 1720 by a combination of diseases imported from Europe and the intensity of extraction and rent capture implemented by the dominant coalition. These events led to the revolution of cacique Tupac Amaru II in 1782 against the Spanish political elites. Although the rebellion did not succeed, it led to major geopolitical changes which had a direct impact on the geographical fragmentation of the AFCC.

Figure 1. The Lima-Potosi mining production and trade axis (1570-1770)



Source: Fondos Bibliográficos y Cartográficos del Archivo Histórico del Guayas, Guayaquil, Ecuador (2010).

After Peru achieved its independence in 1821, a liberal Agrarian Reform was introduced to solve the parcelling of indigenous communities through the provision of communal property rights over ancestral land. However, the reform benefited creole hacendados and former caciques who colluded with judges and notaries to “legally” expropriate indigenous lands. Thus, the concentration of large extensions of land remained in hands of a few while the larger indigenous population remained confined in the highlands with their fragmented alpaca herds. The exclusive distribution of land continued throughout the IXX and early XX centuries and was supported by the same extractive economic and political institutions established by conquistadores in the XVI century. Change was restricted to members of the dominant coalition who continued amassing large portions of land through political lobbying or straightforward violence against the natives.

During the first half of the XX century the vast majority of productive land was owned by hacendados who inherited the cheap, abundant and unskilled indigenous labour attached to it. However, growing inequality and popular unrest forced the Constitution of 1933 to grant legal recognition to indigenous communities. However, this nominal recognition did little to reverse the concentration of property, a situation exacerbated by the national agrarian crisis of the 1940s. Between the 1930s and 1950s, large haciendas also began a modernization process which privileged wool production to satisfy demand from textile industries in Lima. The period between 1929 and 1968 also witnessed the creation of the large textile industries - Michell and Co, Productos del Sur (PROSUR) and Grupo Inca - which took advantage of the decline of export houses established by foreign capitalists and national merchants during the second half of the XIX century. These textile industries based in Arequipa began to organize fibre supply from the highlands of Ayacucho, Cuzco and Puno with the support of an already well established network of middlemen based in the city of Juliaca.

Throughout the second half of the XX century Peru experienced fast urbanization mainly in Lima but also in Arequipa and Trujillo although public investment was heavily channelled towards the capital's infrastructural development to absorb massive rural migration (Matos Mar, 1984). However, infrastructure and industrial development as well as the provision of basic public services in the Andean and Amazon regions paled in comparison to coastal urban areas and poverty rates among the landless, illiterate and politically absent indigenous people continued to rise. As a result, since the origins of the old colonial order of the XVI century until the late 1960s, an iron law of oligarchy was perpetuated under a set of hardened extractive institutions. As Acemoglu and Robinson (2012: 81) point out “this synergistic relation between political and economic institutions introduces a strong feedback loop: political institutions enable the elites controlling political power to choose economic institutions with few constraints or opposing forces.”

The Agrarian Reform of 1969 stood as a radical attempt to break the extractive feedback loop and Peru's agricultural iron law through redistribution of land and allocation of collective property rights. The reform began with the expropriation of private haciendas in favour of peasants and conversion into communal units known as Agrarian Societies of Social Interest (SAIS) in the Andean region. Until 1979, 15,826 haciendas covering nine million hectares - 30% of Peru's agricultural land and natural pastures - were expropriated in favour of 370,000 peasants, roughly a quarter of their total population (Thays, 1990). However, the Agrarian Reform experienced premature failure because transfer of land was not accompanied by transfer of capital, technology and knowledge, thus limiting incentives for entrepreneurship and innovation. In addition, poor management of SAIS by a largely illiterate peasant leadership, conflicts of interest between competing communities and exploitation of land under ancestral production techniques catalyzed productive decline which contributed to the

national economic crisis of 1975 and the emergence of a new dominant coalition led by the Peruvian military elite.

With the return of democracy in 1980, expropriations were drastically reduced and the government attempted to liberalize the land market by granting members of cooperatives freedom to choose their business and production models. According to Zegarra et al. (2008), the formal restructuring of SAIS resulted in further fragmentation into small parcels or minifundios with high geographical dispersion and massive informal ownership. This chain fragmentation atomized alpaca herds and geographical isolation restricted access of small producers to public and private sources of credit. The results of property distribution and fragmentation are expressed in Table 1. and show how small producers owning properties below 10 has - 84.4% of total Agricultural Units - covered only 10.5% of the land. Declining productivity and public and private investment throughout the decade continued, a situation further aggravated by a combination of terrorist maoist guerrillas and incompetent governmental management⁶.

Table 1. Distribution of rural property in Peru, 1994

Type of property	Extension (has)	N. Agric. Units	% Agric. Units	% of Agricultural
Minifundio	1 - 2.99	967511	55.4	3.2
Small agricultural unit	3 - 9.99	507014	29.0	7.3
Medium agricultural unit	10 - 49.99	219600	12.6	11.9
Large agricultural unit	50 or more	51648	3.0	77.6
Total		1745773	100	100

Source: Adapted from Zegarra et al. (2008)

The 1990s saw the implementation of economic reforms to control hyperinflation and anti-terrorist measures to achieve national pacification aimed at increasing the stock of social capital. In the agricultural sector, the promulgation of DL 653 in 1991 formally put an end to the Agrarian Reform of 1969 and was followed a year later by the creation of the Special Project for Land Titling (PETT) in order to formalize rural property. The Constitution of 1993, the 11th during Peru's republican period - allowed market transfers of communal land to third parties and the Land Laws of 1995 set no limits for private property extension thus allowing peasant communities to engage in private modes of production. This package of liberal measures attempted to reorganize and increase the agricultural output, reduce transaction and coordination costs and incorporate peasants into the market economy.

According to the III National Agricultural Census - CENAGRO (INEI, 1994), until 1993 only 17% of rural parcels were formally registered. In its second stage of implementation during the period 1996-2001 the PETT's titling efforts were oriented mainly to haciendas and parcels along the coastal region which had been affected by the 1969 Agrarian Reform; in 2002, the emphasis of the program switched toward titling parcels in the Andean region and until October 2008, only 902,344 parcels of 3,750,700 or 24.1% of the total remained without formal ownership (INEI, 1994; Zegarra et al, 2008).

⁶ The vicious cycle of terrorism and systemic economic crisis had severe implications for national development. Economic losses generated by the terrorist actions of the Shining Path during the 1980-1992 period totalled US\$21 billion. Terrorism was concentrated in the rural Sierra region and its actions led to forced migration of peasants, below-subsistence productivity levels and protracted public and private investment. Between 1985 and 1990, accumulated inflation reached 2,200,000%, national poverty rates exceeded 60% and by the end of 1990 extreme poverty affected 79.6% of Peruvians living in rural areas (Manrique, 2006; Zegarra, 2008).

In spite of 20 years of rural property formalization efforts, five centuries of unequal economic and political distribution of power have proven a formidable obstacle for policies aimed at improving the living conditions of peasants embedded in the AFCC. Labour and land remain the most important factors of production in the peasant economy and markets remain extremely sensitive to the institutional context in which they are embedded. Although institutional learning takes time and formalization strategies support these efforts, these will not solve alone problems such as access to credit, high transaction costs, information asymmetries and unequal land distribution. Influenced by cultural practices shaped by historical circumstances, peasants are embedded in a geographically and institutionally isolated environment where lack of networks and trust, poor organizational capabilities and flat learning curves perpetuate a disabling and downgrading environment.

IV. Discussion⁷

This section discusses the evolution of the AFCC LAOs and presents six transitional periods from 1532 to present (see Tables 1 and 2). Transitions have been established according to the consequences of violent conflict on the political and economic institutions of the extractive system, the composition of the dominant coalitions and the sources of rent for each period.

⁷ This section will be orally outlined and discussed during presentation at Lund.

Table 2. Evolution of the Alpaca Fibre Commodity Chain Limited Access Orders from 1532 to 1929

	Old Colonial Rule 1532-1782	Transition 1782-1850	Neocolonial Rule 1850-1929
LAO	BASIC	BASIC-FRAGILE	FRAGILE-BASIC
Political Institutions	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)
Economic Institutions	<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>Repartimientos mercantiles</i> - system of forced purchase of goods	<i>Haciendas</i> Taxes <i>Obrajes</i>	<i>Casas Comerciales</i> <i>Haciendas</i> Taxes
Dominant Coalition	Spanish political bureaucracy (Viceroy, <i>corregidores</i> , <i>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)
Rent Sources	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)
AFCC Milestones	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-Juliaca-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

Table 3. Evolution of the Alpaca Fibre Commodity Chain Limited Access Orders from 1929 to present

	Modernization and Privatization 1929-1968	Reform and Collapse 1968-1990	Growth under Free Markets 1990 to present
LAO Type	BASIC	BASIC-FRAGILE	FRAGILE-BASIC
Political Institutions	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
Economic Institutions	<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)
Dominant Coalition	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)
Rent Sources	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)
AFCC Milestones	Rural migration induced by population pressure on land (1930s-1960s) Peasants invasion of haciendas (1950s-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 (1968-1975) 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)

V. Preliminary Conclusions⁸

This paper has examined the role of conflict in the construction of the AFCC since 1532 to present by adopting a LAO approach. Against the economics-centred analysis of governance and power relations prevailing in the dominant GVC perspective, the paper has leveraged a political economy and history tradition found in CC studies to describe and explain the dynamics of rent control and distribution and how violence applied by dominant coalitions has impacted processes of transformation and transition of the AFCC LAO. From a joint CC-LAO perspective, governance and institutions are mutually dependent; both develop and co-evolve continually through complex processes of change which are directly influenced by the degree of conflict displayed by competing actors. Therefore, institutions can no longer be conceptualized as external factors of structural change because they configure the economic, social and political determinants, structures, dynamics and outcomes of CCs. A well grounded institutional perspective as the one provided by the LAO framework provides an explanatory – not just descriptive - means to understand processes of change within context-specific settings.

From a policy perspective, a deep understanding of political and economic institutions - formal and informal - is needed to identify, characterize and resolve market and non-market failures – frequently resolved through violence - in context-specific CCs. For instance, institutions have profound effects on CC governance mechanisms because they jointly constraint actors' choices for political and market access and participation. Institutions matter because as intangible factors of production they cannot be separated from the social, economic and political trajectories in which actors constrained by them are embedded. In this regard, as the role of violence in structural change has shown, AFCC market exchanges and arrangements are shaped by factors beyond neoclassical assumptions. An understanding of the outcomes of CC conflicts (e.g. distribution of profits, upstream-downstream mobility) demands economic as well as political perspectives expressed in histories of institutional development which can provide richer theoretical insights to the “economistic variants” of CC research.

⁸ This section is still under development.

References

1. Acemoglu, D. & Robinson, J. A. (2012). *Why Nations Fail – The Origins of Power, Prosperity and Power*, Profile Books: London.
2. Bair, J. (2005). Global Capitalism and Commodity Chains: Looking Back, Going Forward. *Competition and Change*, 9 (2): 153-180.
3. Bates, R. H. (2001). *Prosperity & Violence: The Political Economy of Development*. W. W. Norton & Company: London.
4. Bernstein, H. (2006). The Political Economy of the Maize Filière. *The Journal of Peasant Studies*, 23 (2-3): 120-145.
5. Bonavia, D. (2009). *The South American Camelids*, Cotsen Institute of Archaeology, University of California at Los Angeles: Los Angeles, CA.
6. Coe, N., Dicken, P. & Hess, M. (2008). Global Production Networks: Realizing the Potential. *Journal of Economic Geography*, 8: 271-295.
7. Ferguson, N. (2011). *Civilization: The West and the Rest*. Penguin Books: London.
8. Gellert, P. K. (2003). Renegotiating a Timber Commodity Chain: Lessons from Indonesia on the Political Construction of Commodity Chains. *Sociological Forum*, 18 (1): 53-84.
9. Gereffi, G. & Korzeniewicz, M. (1994). *Commodity Chains and Global Capitalism*. Praeger: Westport - CT, US, 95-122.
10. Gereffi, G., Humphrey, J. & Sturgeon, T. (2005). The Governance of Global Value Chains. *Review of International Political Economy*, 12(1): 78-104.
11. Gibbon, P. (2000). Upgrading Primary Production: A Global Commodity Chain Approach. *World Development*, 29 (2), 345-363.
12. Hopkins, T. K. & Wallerstein, I. (1986). Commodity Chains in the World-Economy Prior to 1800. *Review*, 10 (1): 157-170.
13. Hopkins, T. & Wallerstein, I. (1994). Commodity Chains: Construct and Research, in Gereffi, G. and Korzeniewicz, M. (eds.), *Commodity Chains and Global Capitalism*. Praeger: Westport – CT, US, 17-50.
14. Hough, P. A. (2010). Disarticulations and Commodity Chains: Cattle, Coca, and Capital Accumulation along Colombia's Agricultural Frontier. *Environment and Planning*, 43: 1016-1034.

15. Humphrey, J., & Schmitz, H. (2001). Governance in Global Value Chains, IDS Bulletin, 32 (3), 19–29.
16. Humphrey, J. & Schmitz, H. (2002). Developing Country Firms in the World Economy: Governance and Upgrading in Global Value Chains. Institut für Entwicklung und Frieden der Gerhard-Mercator- Universität Duisburg, INEF Report Heft 61, 1-35.
17. Instituto Nacional de Estadística e Información – INEI, (1994). Tercer Censo Nacional Agropecuario – III CENAGRO, Lima: Peru.
18. Jacobsen, N. (1993). Mirages of Transition: The Peruvian Altiplano, 1780-1930. University of California Press: Berkeley, CA.
19. Kogut, B. (1985). Designing Global Strategies: Comparative and Competitive Value Added Chains. Sloan Management Review, 26(4): 15-28.
20. Le Billon, P. (2007). Scales, Chains and Commodities: Mapping out “Resource Wars”. Geopolitics, 12 (1): 200-205.
21. Manrique, N. (2006). Democracia en el Perú: proceso histórico y agenda pendiente, Programa de las Naciones Unidas para el Desarrollo (PNUD). Lima: Peru.
22. Matos Mar, J. (1984). Desborde popular y crisis del estado. Instituto de Estudios Peruanos, Lima: Peru.
23. McDermott, G. A. (2007). The Politics of Institutional Renovation and Economic Upgrading: Recombining the Vines that Bind in Argentina. Politics and Society, 35 (1): 103-143.
24. North, D., Wallis, J. J. & Weingast, B. (2009). Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History, Cambridge University Press: Cambridge.
25. North, D., Wallis, J. J., Webb, S. & Weingast, B. (2007). Limited Access Orders in the Developing World: A New Approach to the Problems of Development. The World Bank, Policy Research Working Paper 4359, 1-48.
26. North, D., Wallis, J. J., Webb, S. & Weingast, B. (2013). In the Shadow of Violence – Politics, Economics and the Problems of Development, Cambridge University Press: Cambridge.
27. Porter, M. (1985). Competitive Advantage: Creating and Sustaining Superior Performance. Free Press: New York.
28. Porter, M. (1990). The Competitive Advantage of Nations. Free Press: New York.

29. Raikes, P., Friis Jensen, M., & Ponte, S. (2000). Global Commodity Chain Analysis and the French Filière Approach: Comparison and Critique. *Economy and Society*, 29 (3), 390-417.
30. Rammohan, K. T. & Sundaresan, R. (2003). Socially Embedding the Commodity Chain: an Exercise in Relation to Coir Yarn Spinning in Southern India. *World Development*, 31 (5): 390-417.
31. Sheahan, J. (1999). *Searching for a Better Society: The Peruvian Economy since 1950*. The Pennsylvania State University Press: PN-US.
32. Sturgeon, T. J. (2008). From Commodity Chains to Value Chains: Interdisciplinary Theory Building in an Age of Globalization. Industry Studies Association, Working Papers, WP-2008-02.
33. Talbot, J. M. (2002). Tropical Commodity Chains, Forward Integration Strategies and International Inequality: Coffee, Cocoa and Tea. *Review of International Political Economy*, 9 (4): 701-734.
34. Thays, I. (1990). Situación actual de la tenencia de la tierra en el Perú. Informe para el Banco Mundial, Washington DC, EE.UU.
35. Thorp, R. & Bertram, G. (1985). *Perú 1890-1977: Crecimiento y Políticas en una Economía Abierta*. Mosca Azul Editores, Segunda Edición: Lima.
36. Wallerstein, I. (2009). Protection Networks and Commodity Chains in the Capitalist World-Economy. In Bair, J. (Ed.), *Frontiers of Commodity Chain Research*, Stanford University Press: Stanford, CA, pp. 83-89.
37. Weingast, B. (2011). The Failure to Transplant Democracy, Markets, and the Rule of Law into the Developing World. Social Science Research Network Working Paper Series, 29-39.
38. Wise, C. (2009). *Reinventing the State: Economic Strategy and Institutional Change in Peru*. The University of Michigan Press: Ann Arbor, MI.
39. Zegarra, E., Escobal, J. & Aldana, U. (2008). Titling, Credit Constraints, and Rental Markets in Rural Peru: Exploring Channels and Conditioned Impacts. Inter-American Development Bank – Research Department, Working Paper CS1-152, PE-P1085.

Appendix 1: Major Conflicts throughout the Evolution of the AFCC LAOs

<p>Vilcabamba Incas (1536-1572)</p> <p>Revolts against taxation and the <i>mita</i> system (1724-1736)</p> <p>Revolts against legalization of repartimientos mercantiles (1751-1756)</p> <p>Revolts against the Bourbonic Reforms (1770s)</p> <p>Revolution of Tupac Amaru II (1777-1782)</p>	<p>Cuzco Rebellion (1814-1815)</p> <p>War of Independence (1821-1824)</p> <p>Sierra hacendados/national traders vs foreign merchant elites (1825-1860s)</p>	<p>Sierra hacendados vs coastal merchant elites (1850s-1920s)</p> <p>War of the Pacific (1879-1883)</p> <p>Endemic indigenous rebellions (1886-1915)</p> <p>Southern indigenous rebellion (1920-1923)</p>
<p><i>Hacendados</i> vs <i>colonos</i> (1956-1960s)</p> <p>MIR-ELN terrorism (1964-1965)</p> <p><i>Juliacazo</i> (1965)</p>	<p>Landless peasants vs Agrarian Reform (1970-1980)</p> <p>Conflicts among regional, provincial and local bureaucrats</p> <p>Sendero Luminoso and MRTA Terrorism (1980 to present)</p>	<p>Peasant mobilizations against mining (2000s)</p> <p>Peasant mobilizations against political bureaucracies (2000s)</p> <p>Conflicts among regional, provincial and local bureaucrats</p>

