



MASTER THESIS

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“Quo vadis, Peru? Between continuity and change:
Challenges of the Peruvian extractivism as a
development model”

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Claudio Francis Barrantes León, BA, BA

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List of abbreviations

ALBA-TCP – Alianza Bolivariana para los Pueblos de Nuestra América - Tratado de Comercio de los Pueblos, engl. Bolivarian Alliance for the Peoples of Our America - Trade Treaty of the Peoples

APEC - Asia Pacific Economic Cooperation

AR – Accumulation Regime

CAN - Comunidad Andina, engl. Andean Community

CLAES Centro Latino Americano de Ecología Social, engl. Latin American Center of Social Ecology

CSR – Corporate Social Responsibility

CC – Corporate Citizenship

CCT's – Conditional Cash Transfers

CFBL – Claudio Francis Barrantes León (Author)

ECA – Economic Complementation Agreement

ECLAC, UNECLAC – United Nations Economic Commission for Latin America and the Caribbean

EEZ – Exclusive Economic Zones

EJOLT - Environmental Justice Organisations, Liabilities and Trade

EU – European Union

FDI – Foreign Direct Investment

FTAs – Free Trade Agreements

GRI – Global Reporting Initiative

IDB – Inter American Development Bank

ILO – International Labour Organization

INEI – National Institute of Statistics and Informatics of Peru

ISI – Import Substitution Industrialization

MR – Mode of Regulation

Mercosur – Mercado Común del Sur, engl. Southern Common Market

PR – Public Relations

SAPs – Structural Adjustment Programs

TPP – Trans-Pacific Partnership

Unasur – Unión de Naciones Suramericanas, engl. Union of South American Nations

US, USA – United States of America

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1. Abstract

Extractivism is in a phase between continuity and change. The extractivist mode of accumulation is particularly determined by the demands of the capitalist centers of the global north. Many former colonies specialized themselves in the extraction and production of raw materials, while others took, under development assistance of the global north, the path of producing manufactured goods. The analysis of the history of the economic policy in Peru demonstrates the existence of a “neocolonial pact” (Mariátegui) between international capital and national elites (as the “creole bourgeoisie”, compromised by colonial powers). This pact perpetuated the relations of international dependency and social inequality in Peru. The country has a long tradition of focusing on primary export and developing a primary good orientated economic model under assistance of foreign governments and Foreign Direct Investment (FDI). But which are the challenges of extractivism as the prevalent growth model in Peru? The new phenomenon of the usage of the economic rents¹ for social policy measures (often called “neo”extractivism) is an answer to the increase of socio-ecologic conflicts related to extractivism. But it is also possible to see these measures as attempts to increase the legitimacy of the hegemony of the predominant fossilist-capitalist production and life patterns in South America. Furthermore, the usage of the economic rent creates the resources that are necessary for financing social programs. But at the same time, it creates the social conditions for the reproduction of capital in the extractivist mode of accumulation: payments through rents legitimate and make the populace governable – they bind a specific population group on a material substrate (Poulantzas) and also affect the weakening of upcoming social movements. One of the most important findings in this work is transferable to other extractivist States. The obfuscation mechanisms of CSR and CC measures represent a new ideologically charged manifestation of the neo-colonial pact that determines a socio-ecological decline in the region. The central goal of the research is to analyze the challenges of the Peruvian extractivism through an in-depth historical analysis of the economic structures, its regulation modes and the development of the existing accumulation regime.

¹ “Rent” is to be understood here as income over the average profit, that arises due to temporal market given (higher demand than supply) or state-interventionist scarcity, monopoly power, comparative cost advantages (lower production costs) or the like. Resource rents are generally paid by foreign companies, governments or individuals as compensation for the consumption of non-renewable resources of a State.

2. Introduction

I understand extractivism as a mode of accumulation that started on a large scale 500 years ago when world economy – and the capitalist system – began to be structured by the colonies. The extractivist mode of accumulation has been determined particularly by the demands of the capitalist centers of the global north. Many colonies specialized themselves in the extraction and production of raw materials, so called primary commodities, while others took, under development assistance of the global north, the path of producing manufactured goods. Thinking in this duality, we can distinguish between countries that export nature, and countries that import it. Peru is one of the most biodiverse countries in the world. At the same time, Peru is a raw material rich country. We are talking about the world's fifth-largest producer of gold and the leading silver mining country. In case of copper and zinc, it is among the top five. In addition, there are considerable amounts of other mineral resources extracted in the Andean country, including tin, lead and molybdenum.² The country is dependent on multiple biodiversity degradation processes. And it is not only, or even mainly, the negative impact that the extraction of nonrenewable resources (such as minerals, gas and oil) has on the renewable resources, but throughout the approach of the – generally extractive and little sustainable – use of natural resources. Social conflicts, political and economic imbalances, exploitation of some by others (Saint-Amand Bazard), and pollution occur with increasing frequency in regions that are controlled for example by gold mining. In future, Peru will have to face an enormous challenge: A turn towards a sustainable use of the renewable natural resources by all economic actors and in all sectors. This is an issue that recently has transcended the debate on the centrality of mining, gas and oil for economic growth and welfare in Peru. It is an issue that necessarily frames the current debates about extractivism and postextractivism in the region. Below, I will discuss the primacy of extractivism as mining, oil and gas activities in the Peruvian economy, and as its *fundamentum* of economic growth and development. It is to be considered that this primacy represents just a manifestation of a bigger problem that implies economical, political, as well as cultural and *ideological* aspects, because if we accept that an extractive vision of nature sustains practices of an unsustainable use of all renewable resources, this means that it does not give place for the

² Cf.: West (2001): p.657.

possibility of alternative relationship which could be established with those resources. Therefore, regarding this conception of extractivism – that reminds the primacy of the extraction of non-renewable resources – there is a major challenge to be faced: The challenge to overcome extractivism as an *ideology*³ that is imposed on those cultures that conceive the relationship with nature in a different manner. The simple questioning of the centrality of mining and hydrocarbon extraction is to be transcended, and furthermore the postulation of a change of ideologies and behaviors becomes evident. Actually, Latin American countries are often thought as a homogeneous group with similar economic and governmental systems. In fact, it is very easy to see a political and economic homogenization in Latin America. On the face of it, we can see a wave of democratization since the eighties, the ending of the tradition of autocracy and one-party rule, the trans-regional formulation and politicization of ethnic *cleavages*⁴ and the rise of indigenous movements that reached their premature climax with the current electoral successes of presidents from indigenous descent (e.g. Evo Morales in Bolivia, Ollanta Humala in Peru). Also, the current rise of the left fraction and the emergence of autonomous (international, supranational) organizations and economic alliances (Pacific Alliance, Unasur, Mercosur, CAN, ALBA-TCP), which try to escape from North American influences increasingly indicate the homogenization in the region. This seems to make it easy to evaluate generalizable statements about continental processes. But the propagation of the structural homogeneity of the subcontinent forces a concept, which focuses on the comparison of individual particulate socio-economic and political aspects, so as not to fall into the monolithic point of view. Hereinafter, an outline of the current state of research will be presented (point 3), before specific and for the understanding of this paper necessary terms will be defined (point 4). After that, the methodological aspects (point 5) as theory (point 5.1) and theory-based hypotheses (point 5.2) will be exemplified. Central theoretical aspects, as the intended interrelation of core statements of the Regulation School, José Carlos Mariátegui “Siete Ensayos de Interpretación de la Realidad Peruana”⁵ and Nicos Poulantzas Theory of the State, will be illustrated particularly. The leading research question (RQ) is: *What are the challenges for extractivism as a growth model in Peru?*

³ See point 7.

⁴ In political science, a cleavage is a specific common concern or group of concerns. Such specific concerns tend to dominate the voting patterns of individuals, causing them to vote together in elections.

⁵ Engl.: “Seven Interpretive Essays on Peruvian Reality”.

To realize the highlighting of my research interests due to a critical historical contextualization of the phases of different development and accumulation regimes in Latin America from a Regulation School based ex-post-perspective, in a first step, the historical facts and interrelated traditions of economic thought about trade and market that influenced the Peruvian economic policy are to be outlined (point 6). The development of the import substitution policy is to be described to realize a profound analysis of the development and the theoretical foundations of the ISI in Latin America and particularly in Peru. In a second step, the years of import substitution industrialization (1960s) and the long economic stagnation in Peru (1976-1990) will be analyzed (points 6.4 to 6.5.3) respective to subquestion 1 (SQ1): *Which role plays the historic experience of ISI referring to the recent promotion of open economy development models?*

The previous statements about the theoretical fundamentals of economic thought about free trade and market restrictions, as well as the fundamental essence of the Regulation School are always to be kept in mind. Furthermore, different types of import substitution are to be explained for an exact understanding for the specific type of import substitution in Peru. But before it is possible to explain import substitution policy in the case of Peru, we have to see the strategy in a global context as well as in the context of the Latin American continent, to figure out if it is possible to see the historic development import substitution in Peru as some kind of a “simultaneity of the non-simultaneous” (in terms of the German philosopher Ernst Bloch) and negate the fact that import substitution is often explained as a homogenous continental tendency. After a brief history of the Peruvian economy, I will focus on the case of Peru and analyze the demographic change and the establishment of manufacturing industry in the context of import substitution and the importance of foreign investment as well as its relation to authoritarian leadership in the country. The following points are dedicated to the actual focus of this work: The recent decades (1980 till now) of trade liberalization and economic deregulation (point 6.6). The current reprimarization and the global market focus is, however, historically grown from the specific experience at times of import substitution industrialization (ISI). It is therefore essential to see ISI as a historical condition for the current accumulation regime in Peru. The negative experiences with protectionism set the course for an extractivist dogma. As the last chapter is dedicated to recent trends in Peru, the fact that regional integration and

environmental issues are increasingly on the political agenda is to be highlighted, because these aspects are seen as part of an answer by the ruling class to the fragility of the hegemonic structure (point 6.6.2 to 6.7), respective to SQ2: *Which mechanisms of consolidation of the current accumulation regime can be observed?*

This work closes with a conclusion, where the findings referring to the research questions, as well as to the hypothesis which will be discussed in detail.

3. Outline of the current state of research

The current state of research on extractivism in Peru shows us various attempts on the investigation of the effect of the promotion of the so-called primarization. Many scientists claim that in this world, no matter what the economic differences or the level of dependence or independence of a country, everyone shares the desire to live well, but there are different ways to achieve the “good life”. The question is: do Latin American countries choose the most convenient way for them? Many scientists agree with the statement that all possible ways involve the use and the extraction of natural resources.⁶ Since the dawn of time, mankind used natural resources to calm hunger, cold and thirst, but gradually these needs have multiplied; humans cut, drill, and extract natural resources necessarily, but with a great risk: A negative EROI (energy returned on energy invested)-ratio or unsustainable exaggeration, and this is the point for a common critique on extractivism (see a study by Altvater).⁷ Open pit mining, hydrocarbon exploitation or monoculture farming for export biofuels are some of the extractivism-associated activities. In Latin America there is a strong expansion of extractive activities and toxic products are used increasingly in soaring greater concessions air. The progress of extraction responds to the consumption of other countries such as China, which requires more and more natural resources to expand its industry. Many studies focus on the questioning of the long-term focus on the export of large volumes of primary goods that are increasingly scarce as real expression of development and smart strategy.⁸ Certainly there are some economic benefits to states for extractivist economic systems, but if a real net balance where the economic costs of social and environmental impacts are subtracted takes place,

⁶ See for example: Bustamante Peña / Francke Ballvé (2013), or Altvater / Geiger (2010).

⁷ Cf.: Altvater / Geiger (2010).

⁸ Cf.: Ibidem.

many extractive businesses would no longer be seen as viable for simple financial reasons.⁹ The extractivist system is not free of (socio-)economic costs, for example: To export a kilo of gold to another continent, 540 thousand kilos of non-recyclable waste is processed.¹⁰ Destructive extractivism is a massive extraction of natural resources for export that leads to serious social, environmental and territorial impacts.¹¹ With the appearance of this emergency scenario begins a process of change, some immediate and other medium and long term: These changes are called Transitions. A concept, which seeks a way out of the destructive extractivism through a sensible extractivism and hence to an indispensable but sustainable extraction, is postextractivism. Scientists claim that the destructive extractivism and the sensible extractivism require basically supporting laws in the countries and that these are obligatory, respecting environmental requirements, justify the costs and use good technology to have better communication. Between other measures, in the sensible extractivism, the state should become an effective watchdog and defender of the common good and evaluations on sustainability no longer seem to be a formality (as in the case of Peru where a mining concession was approved by the state and then remodeled to an independent control).¹² Some scientists claim that as the Peruvian economy depends for its growth on the export of natural resources and investment in the mining and hydrocarbon sectors and the current government has introduced policies of social inclusion to soften the negative effects of the operations of mining capital and policies of dialogue to engage social actors with the essence of governmental policies. Mining companies use Corporate Social Responsibility (CSR) and Corporate Citizenship (CC) programs to exponentiate the effect of the governmental policies of social inclusion by covering the devastating effects of their operations on the environment, livelihoods and habitats of the indigenous and peasant communities.¹³ This correlates with the thesis of the political scientists Bustamante Peña and Francke Ballvé that brings out the primary export model as prototype for the reproduction of capital in Latin America.¹⁴ There is still no deeper analysis of the significance of CSR and CC programs for the establishment and legitimacy of extractivist activities in Peru, as well as there is still no research that

⁹ Cf.: Bustamante Peña / Francke Ballvé (2013).

¹⁰ Cf.: *Ibidem*.

¹¹ Cf.: Veltmeyer (2013): p.77.

¹² Cf.: Lust (2014): p.23.

¹³ Cf.: *Ibidem*, p.2.

¹⁴ Cf.: *Ibidem*, p.9ff.

includes the consideration of the opinions of scientific, civil society, economical and political actors on the future of Peruvian extractivism. The current state of research is yet to be collected and analyzed in detail in the planned work. It already can be anticipated, however, that qualitative studies on the future of Peruvian extractivism including the relationship between CSR and CC programs and the legitimacy of extractivist activities so far hardly exist.

4. Definition of terms

4.1 *Extractivism and (Neo-)Extractivism*

Various economic theories dealt in recent history with the usage of raw materials. The neoclassical theory e.g. sees raw materials as a production factor. Clear property rights and free markets would regulate their usage optimally. According to this theory, raw materials are a fundamental basis for growth. Aside, Keynesian economics emphasize the demand-enhancing effect of raw materials, however, the representatives of this school are warning of a specialization of economies on primary good production, as this could prevent industrialization and thus growth. The political economy, however, as a Marxist approach, which also Nicos Poulantzas and Louis Althusser were closely related to, defined economy as a process of transformation of natural (raw) materials through work. This leads to social struggles for the usage of raw materials which leads to a differential effect of the raw material orientation to different classes and groups at different spatial scales. Representatives of the political economy criticize neoextractivism in terms of its tendency to realize poverty reduction and social activities that are fundamentally based on raw material exploitation and the achievement of an apparent social peace on time, due to the finiteness of natural resources. In addition, political economy approaches claim that there is a constant intensification of Extractivism as part of the price and demand boom and the dependence of the economies on their world market integration. Furthermore, the limits of growth would only provoke social conflicts and environmental degradation instead of getting these problems for the long term under control.¹⁵ As alternatives to these development models, concepts such as that of “sensible extractivism”,¹⁶ “postextractivism”,¹⁷ “décroissance” or of “Buen Vivir” are

¹⁵ Cf.: Carrasco / Del Hoyo Arce (n.d.).

¹⁶ Cf.: Gudynas (2012): p. 280

¹⁷ Cf.: Ibidem.

propagated.¹⁸ Neoextractivism is typically seen as a strategy of leftist-progressive governments such as Bolivia,¹⁹ but at this point it is important to make clear that typical neoextractivist approaches are not “reserved” for leftist governments. Redistribution of resource rents and material concessions to the subalterns have always been essential for the existence of a development model based on extractivism (see below). If we understand Neoextractivism as a historically evolved development model, which can be historically established in specific societies, structuring the respective conditions and social relations as such, we talk about a specific “mode of development”, which has been pronounced differently in different historical phases.²⁰ But as we saw in the previous points of this work, this definition provides no novelty in relation to the fundamental structure of extractivism, but merely represents another phase of its existence and change under the auspice of a globalizing and modernizing capitalism. The question is now: What is “neo” about neoextractivism? There are no significant differences between “neo”extractivism and “classical” extractivism. The extractive but “social” development models of e.g. Bolivia, Ecuador and Venezuela do not question extractivism. Resource rents are used to finance social programs, e.g. the factors education, health and pauperism abatement were halved in so-called “neo”extractivist countries.²¹ Even the stronger state control over the commodity sector does not turn out as a new phenomenon. The final authority for the assignment of extraction rights and their constitution has always been the state. We see this in Peru e.g. by the mining code of 1950.²² It is often said, that the “neo” about neoextractivism is its new social appearance and de-stratifying measures by the State in its active role. But even in countries that are not ruled by leftist governments there is redistribution through resource rents. This redistribution is, however, regional, small and clientelistic due to the favour of the determining enterprises. It acts not by the state but it passes into private hands. We see here, again, that a change of extractivism was not justified with an actual paradigm shift, but only with its adaptation to the development of contemporary capitalism (regulation). Legitimizing the usage of natural resources is something directly inherent to extractivism. In other words, extractivism is in democracies not realizable without producing legitimacy for its actions by the affected subaltern

¹⁸ Cf.: Carrasco / Del Hoyo Arce (n.d.).

¹⁹ Cf.: Gudynas (2009).

²⁰ Cf.: Brand/Dietz (2013): p.7f.

²¹ Cf.: Lander (2014): p.6f.

²² Cf.: Hunefeldt (2004): p.60.

classes, or at least by the most severely touched and disadvantaged (according to Poulantzas' theory of the state). Therefore, at this point, as also previously the definition of extractivism as something "colonial", the term "neo" ill-founded due to an apparently new financing of social programs, is rejected. Henceforth extractivism is understood in its most basic definition: Extractivism as a capitalist development- and accumulation model that focuses on the exploitation of natural resources as well as on its extent into "unproductive" territories for the production of material goods.

4.2 Types of extractivism

In several countries of Latin America evolved an interesting debate on the meaning, scope and sustainability of growth strategies and development models of so-called "periphery" economies. By this, economists mean particularly Latin American countries, whose investment in extractive industries (mining, gas and oil) constitutes the *primum mobile* of growth and development. This is the debate on extractivism which has two variants in the Andean countries. First, an extractivist market, prevalent in Colombia and Peru, where the private sector plays a determinant role, second, the so-called "neo"extractivism in countries that have nationalized the economic rent²³ (Ecuador, Bolivia) and even the extractive industries as such (Venezuela). However, at the same time, they have deepened their economic and political dependence on these sectors. But to not exclude the non-Andean countries in this analysis, it is to be mentioned that this debate also concerns to other countries in the region. In fact, Mexican intellectuals unleashed an intense debate on the option to inviting the private sector to participate in the exploration and extraction of oil in the deepwater of the Gulf of Mexico, to replace the oil production of the older wells that are running low. There are voices wondering if Mexico needs to remain as dependent on oil as it is today, claiming that this would be an opportunity rather to diversify its public revenue bases. In Brazil, the discovery of huge oil and gas deposits in deepwaters of the Atlantic Ocean has opened a debate on the role of oil in the development strategy and on the dangers of following this course. In Central America, the high world market prices of minerals and oil face today several of these countries with the question if mining activities are a valid base for growth and

²³ „Rent“ is to be understood here as income over the average profit, that arises due to temporal market given (higher demand than supply) or state-interventionist scarcity, monopoly power, comparative cost advantages (lower production costs) or the like. Resource rents are generally paid by foreign companies, governments or individuals as compensation for the consumption of non-renewable resources of a State.

development. As we see, raw-material based accumulation regimes are omnipresent in Latin America. In Peru, we can see an early extensive (that means externally oriented) neo-liberal economic embedding. After his “shock“ politics, Fujimori strived for a monetary reform to strengthen the currency. It came to an overvaluation of the currency that made exports more expensive for the sales markets. At the same time (caused mainly by the overvaluation and the import boom) it came to the destruction of the national industry. A study of the World Bank states that “in the aggregate Peruvian exports have not diversified since the early 1990s, a results that seems to be associated with the booming supply and price of traditional mining exports.”²⁴ This led to the establishment of the extensive commodity-based export model. Particularly social (destruction of the bases for non-capitalist modes of production, classic proletarianization process) and natural resources (environmental destruction due to very low environmental standards that allow high economic rents) were affected and led to a high dependence on the global economy and price fluctuations. Based on the regulation school, various strategies reprimarization can be observed, as illustrated by the example of Venezuela, Brazil and Peru on the basis of the following typology by Jäger / Leubolt (2014): (1) Venezuela relies on oil exports with partial socialization of the oil rent. (2) Brazil, in contrast, follows agribusiness as part of a strategy of developing national industrialization. Both countries are looking for political solutions beyond neoliberalism. (3) Peru is following an economically liberal-oriented strategy with a traditionally dominant mining sector.

Chart 1: Typology of characteristic accumulation regimes in South America

Country	Accumulation regime	Usage of econ. Rent	Growth dynamic	Social consequences
Venezuela	Extensive extraction economy with productive orientation	Redistribution by the state, usage for social projects and productive development	Strong dependency on commodity demand	Low inequality due high redistribution by the state
Brazil	Intensive accumulation	National acquisition,	High stability due	Reduction of inequality due

²⁴ Illescas (2011): p.19.

	by extraction and financialization	increasing importance of the State	development of the domestic market	productive development and redistribution by the state
Peru	Extensive and extraverted extraction economy	Low redistribution by state and private actors, ²⁵ outflow to foreign countries ²⁶	Strong dependency on commodity demand	High inequality due liberal wage organization and low redistribution ²⁷

Source: Typology based on Jäger / Leubolt (2014): p.175.

It is concluded that, despite the commonality of reprimarization of the export structure, significant differences can be discerned in the development strategies. These are to be understood in the light of specific national politico-economic processes as well as in the context of regional interaction patterns.

4.3 Two sides of the same coin: Corporate Social Responsibility (CSR) and Corporate Citizenship (CC)

In the scientific literature, the term Corporate Citizenship is used very inconsistently. Particularly in the Anglo-American parlance, but also increasingly in the German-speaking countries, in the context of debates about corporate responsibility in societies, the concept of CC is often confused with related concepts such as that of CSR or even used as a synonym. In the German literature, however, a clear position on the relationship of the concepts has emerged:

4.4 Corporate Social Responsibility

CSR stands for Corporate Social Responsibility. The question of “good” production for a “good” society in the present and in the future is fundamental in this approach. CSR is therefore not to be understood as pure donations ethics. It is less a matter of

²⁵ See point 8.6.2 Redistribution and (neo-)extractivism as “new” approaches of extractivism in Latin America and its implications for Peru.
²⁶ Cf.: ECLAC (2013): p.47f.
²⁷ Cf.: Ibidem.

how companies use their profits, but rather about the question of relations of production; so also about how companies generate their profits. The implementation of CSR also challenges the integrity of the labor force as well as the adequacy of organizational structures in the company. This, then, alludes as well to individual as to institutional ethics. By the application of CSR, the role of the state as an economic regulation factor is reduced to a very limited centralistic actor with less power in the regions. This is due to the given distinct tendency of globalization and the penetration of various scale-dimensions by transnational cooperations (TNC's) and hence the fact that these international networked companies play an increasingly important role in the constitution of social relations by acting as local and regional hegemon. Especially in Latin America, there is an increase in of the dialectic of TNC's on the one hand, and (new) social movements on the other hand. So-called "soft laws"²⁸ form the new control mechanisms that try to aim to voluntary commitments by companies in globalized conditions.

4.5 Corporate Citizenship

The concept of Corporate Citizenship (CC) primarily describes a sustainable, civic engagement of companies in terms of generating a social surplus value. To some extent, the English term of Corporate Citizenship is connected to a North American Public-Affairs- and Lobbying-Strategy.²⁹ The CC-concept is insofar different from the CSR-concept, that it refers less to the production processes of the companies themselves and therefore the emerging relations of production, but to a contribution to the sustainable development of processes, which are only marginally concerned by the entrepreneurial activities or even take place outside of these. The companies are here to be seen as a responsible and constitutive part of the present capitalist and follow in this sense, a medium- or long-term strategy of engagement outrunning the actual business, as e.g. for local civil society or for environmental and cultural concerns. This (strategic) philanthropy of the corporations aims at the generation of a positive social feedback. This means in conjunction with the Corporate

²⁸ Soft laws are not binding agreements, letters of intent or guidelines. In contrast to the "hard laws", they are to be understood as self-obligations which do not involve the actors into any binding obligation. Soft Laws are e.g. most of the resolutions and declarations of the UN General Assembly, as well as principles, codes of conduct, action plans, or others e.g. due to pressure of public protest negotiated regional non-contractually regulated obligations.

²⁹ Cf.: Backhaus-Maul et al. (2008): p.284.

Governance,³⁰ CC shall help to ensure the social acceptance of entrepreneurial activities. A common criticism of CSR and CC-measures is the issue of its exhaustive implementation and warranty. A valid operationalization of the measures calls for a systematic monitoring and measuring of the performance of socially relevant companies and its managers.³¹ However, the handling of these validity checks is hindered by political, entrepreneurial and scientific obstacles that must be still overcome.^{32,33} Camilo León Castro, a Peruvian sociologist, argued in an interview that a fundamental problem of CC and CSR measures is that they do not have tools of punishment.³⁴ Even if there are mechanisms for monitoring these standards as the Global Reporting Initiative (GRI), there are no significant fines or reputational sanctions for their noncompliance, he said.³⁵ Furthermore, CSR and CC-measures are often abused in the sense of a so-called “greenwashing”. In case of a greenwash, campaigns and PR-actions are initiated under the disguise of these concepts that serve to make business strategies seem to be “green” and socially sustainable, by the propagation of ethical behavior and positive feedback for the employees and the society.

4.6 Power, hegemony and ideology

The term *power* is very ambiguous in social sciences and politics. Many scientists distinguish between hard power,³⁶ soft power,³⁷ great-³⁸ emerging-³⁹ middle-⁴⁰ and small⁴¹ power, that always describe the particular dominance over a system or the ability to influence people or events based on an actor. When the level of power overcomes the simple status of access to and control over key resources to domain cultural, economic and ecologic spheres materially, it is necessary to use another term. *Hegemony* is to be understood as socio-cultural and economic predominance of an institution, a country, an organization or similar actors in political, military,

³⁰ Here to be understood as the totality of the created rules and principles of corporate governance, thus the regulatory framework of the management and supervision of companies.

³¹ Backhaus-Maul et al. (2008): p.243.

³² Cf.: Ibidem.

³³ Cf.: León Castro (2015): Interview.

³⁴ Cf.: Ibidem.

³⁵ Cf.: Ibidem.

³⁶ Cf.: Robinson (2008): p.196f.

³⁷ Cf.: Ibidem.

³⁸ Cf.: Nadkarni / Noonan (2013): p.163f.

³⁹ Cf.: Ibidem.

⁴⁰ Cf.: Ibidem, p.226.

⁴¹ Cf.: Ibidem.

economic, religious and / or cultural terms. But this predominance does not essentially feed from the access to and the control over key resources, but furthermore from the successful implementation of an *ideology* related to the leading class, that ensures its supremacy. After Louis Althusser, *ideology* is the “imaginary relation to the real conditions of existence”.⁴² The term describes a specific set of standards that are followed by persons, governments and other actors, considered as an omnipresent ‘norm’.

5. Methodology

The theory-based analysis of this work was developed in two steps. First, the literature in relation to the historical development of extractivism in South America was reviewed. Here, particularly reviews about the Peruvian (macro)economic development in terms of extractivism was considered. The detailed literature research was extended to empirical findings based on the World Bank statistics. By this combination, finally concrete insights into the historical development of Peru's political economy could be drawn. For the empirical analysis of social science issues there are generally quantitative and qualitative analysis methods available. Quantitative analysis is based on large scale investigations e.g. in form of written interviews or internet-based surveys.⁴³ The collected data is standardized in order to analyze it in statistical evaluations. For the purposes of this formative work, however, this methodology is not suitable because there is insufficient data on the particular topic. Qualitative data collection methods use non-standardized data that can be obtained for example in interviews. For the purposes of the recognition of the historical manifestations of extractivism and its implications for Peru, guided interviews with selected individuals are appropriate since they represent a valid research tool to investigate specific issues.⁴⁴ These *expert interviews* come up with the thematically limited interest of the researcher respective to the experts as well as with the expert status of the counterpart.⁴⁵ *Experts* are characterized by the fact that they do not only have pure knowledge on a specific topic, but rather they are directly active in the field of interest. Experts are therefore asked questions referring to the knowledge of their own field of action which they have acquired through their

⁴² Cf.: Althusser (1965): p.38.

⁴³ Cf.: ad quantitative survey methods, see for example Atteslander (2010): p.71ff.

⁴⁴ Cf.: Atteslander (2010): p.142.

⁴⁵ Cf.: Meuser/Nagel (2005): p.448.

responsibilities and tasks in an organizational or institutional context.⁴⁶ The requirements of an expert for the purposes of this study are met by business- and governmental consultants and in questions of environment specialized social scientists, which are characterized by experience in the field of environmental problems in connection to the Peruvian extractivism and TNC's, as well as issues around CSR and CC measures and their implementation. An interview guide was developed in order to structure the expert interviews. This guide is to control the course of the conversation through targeted questions. The use of a guide serves in particular to consult all the experts on the same subjects and thus ensure a better comparability of the results.⁴⁷ Nevertheless, it is not a standardized survey. The guide is rather intended to set a framework of topics for the interviewee.⁴⁸ This flexible design of the interviews allows to carry out deeper insights through other questions referring to sub-topics in which the respondent has fundamental knowledge. Other sections can however be dealt shorter.

5.1 Theory: Regulation School, Poulantzas' theory of the state and José Carlos Mariátegui 'siete ensayos de interpretación de la realidad peruana'.

In his "theory of the state", Nicos Poulantzas develops a theory of the capitalist state that is based on the lecture and the extension of classic Marxist literature (such as the great works of Antonio Gramsci or Louis Althusser). Althusser explains the state by the duality of Repressive- (RSA) and Ideological State Apparatuses (ISA). But Poulantzas tries to expand this impression by adding a specific economic dimension to these players: Economic State Apparatuses (ESA).⁴⁹ In the first chapter of his analysis, Poulantzas defines the Repressive State Apparatus as a place, where the political terms and conditions for the reproduction of the relations of production are produced through repression (e.g. in institutions like the court and the police, in prisons, in the army, etc.).⁵⁰ On the contrary, Ideological State Apparatuses are those who are clearly on the side of the Repressive Apparatus but not identical with it,

⁴⁶ Cf.: Ibidem, p.74; Nohl (2009): p.20.

⁴⁷ Cf.: Nohl (2009): p.21.

⁴⁸ Cf.: Ibidem, p.21f.

⁴⁹ Cf.: Poulantzas (2002): P.60.

⁵⁰ Cf.: Ibidem, P.63.

because they realize reproduction via the promotion of a specific ideology⁵¹ (e.g. in institutions like the press as the 'fourth Estate', in political parties, in churches, in school, in the family, etc.).⁵² Poulantzas affirms the notion of the state in specific apparatuses, but he claims that it is important to not reduce this notion by seeing the state as a simple tool under the primacy of a power bloc (Gramsci), rather as a composition of different apparatuses that implicate oppositions, struggles, and divergent balances of power by different classes and class-coalitions. Thus, the state is nothing more than the material concentration of class relations. Furthermore, borrowing from Antonio Gramsci's notion of cultural hegemony, Poulantzas argues that repressing movements of the oppressed by RSA is not the only function of the capitalist state. Rather state power must also obtain the consent of the subalterns. The state does this through promotion of its ideology by ISA, and by class alliances, where a dominant group realizes an "alliance" with subordinate groups, as a means to get the consent of the subalterns.⁵³ These class alliances have an immediate material foundation. And this is where the ESA comes into play. The ESA is an important addition to the two other spheres because it includes elements of the economic reproduction process of the formation that are materialized e.g. in form of the welfare state, unemployment aid, social work institutions, social insurances or even Conditional Cash Transfer (CCT) Projects (now thinking of so-called "third world" realities). So, for Poulantzas, the power of a state is based on repression, force and its highly-competitive hegemonic ideology (the class-ideology, thus the ideology of the ruling class that is materialized in and reproduced by State Apparatuses).⁵⁴ But, to not fall into the idealistic notion of the production of hegemonic consensus (Gramsci) by the duality of repression and ideology (RSA/ISA), Poulantzas adds a material substrate to the relation of the masses to power and consensus. Thus, Poulantzas notion of power is always political, ideological, *and* economical. And even more: Poulantzas criticizes Althusser's illustration of the *negative* function of the state. In terms of Althusser, the state excludes, prohibits, makes belief and maintains the status-quo; it is not creative. In contrast, Poulantzas claims that the state has a *positive*, constructive function. The

⁵¹ After Louis Althusser, 'ideology' is the "imaginary relation to the real conditions of existence". The term describes a specific set of standards that are followed by persons, governments and other actors, considered as an omnipresent 'norm'.

⁵² Cf.: Poulantzas (2002): P.57ff.

⁵³ Cf.: Ibidem, P.61ff.

⁵⁴ Cf.: Ibidem.

state creates, changes, produces real, and intervenes by doing this directly into the core of the reproduction of the hegemonic structures.⁵⁵ This intervention is not to be seen as a maintaining negative gatekeeper-role. It is more a creative intervention. ISA are not the *primum mobile* for the reproduction of the ideological relations between the leading class and the subalterns, and the ideological relations are tied to spheres outrunning the Apparatuses.⁵⁶ But the ideology constitutes the ISA; parties and media establish discourses, affect the agenda setting process and “promote” their ideology. Via ESA, the state constantly takes positive material actions as material substrate for the masses to boost the legitimation of the class hegemony.⁵⁷ In other words, there is no hegemonic consensus without effective social policy. Not, without giving crumbs to the poor to avoid social protest. A second pillar of theoretical thought relevant for this work is represented by the statements of José Carlos Mariátegui la Chiras “siete ensayos de interpretación de la realidad peruana”.⁵⁸ Published in Lima, in 1928, this work made its author one of the most widespread Marxist voices Latin America. Mariátegui proposed in this book to apply the principles of historical materialism to attempt a complete reassessment of the Peruvian reality. His final goal was a contribution to the socialist critique of the economic and social problems of Peru. In this work, Mariátegui argued that a revolution in Peru would only be possible with the elimination of the bourgeoisie, because of its strong contacts with all other counter-revolutionary classes. The only way would be an anti-capitalist, anti-imperialist revolution whose goal must be an agricultural state. With this theory, he anticipated the dependency theory of André Gunder Frank years ahead. Furthermore, he claims that the absence of independent industrialization in Peru is caused by the consequent colonial influence on the leading economic forces in the country that is reflected by a *neo-colonial pact* of the leading class with international capital elites. He detected very well that it is not enough, for example, only to conquer the state apparatuses in order to pursue a socialist policy.⁵⁹ Mariátegui claimed that there was a need of a previous change from scratch by a comprehensive cultural revolution (he says this referring to the problem of the state centrism of the left thinkers of his time).⁶⁰ Later on, Mariátegui describes that Spain did not sent great

⁵⁵ Cf.: Ibidem, P.60.

⁵⁶ Cf.: Ibidem, P.66.

⁵⁷ Cf.: Ibidem, P.62ff.

⁵⁸ English title: “Seven Interpretive Essays on Peruvian Reality”.

⁵⁹ Cf.: Mariátegui (1928): p.12.

⁶⁰ Cf.: Ibidem: p.12.

masses of settlers to Peru, nor to his other estates. The weakness of the Spanish Empire would be precisely in his character and structure of a more military and ecclesiastical as political and economic organization.⁶¹ There were no large flocks of constructive *pioneers* going on land in the Spanish colonies, unlike at the coasts of New England. To Spanish America came almost exclusively viceroys, courtiers, adventurers, priests, doctors and soldiers.⁶² Therefore, there was no real colonization power originated in Peru. The population of Lima was made up of a small courtyard, a bureaucracy, some convents, inquisitors, merchants, servants and slaves. The colonizers drove the extermination of the Indians ahead while at the same time they were not capable of creating a stable and organic economy in an autarkic way. Thus, colonial organization failed because it did never develop a solid *economic base*.

The development of the feudal economy was based on the colonial economy, even after the development of a bourgeois economy. This is because – in terms of Mariátegui – the Peruvian economy has never ceased to be a colonial economy in the world context.⁶³ With this statement, Mariátegui anticipated the dependency theory of the 60s. He furthermore states that the French Revolution struck in many Latin American countries as well as in Peru on fertile ground, because there was already an existent bourgeoisie.⁶⁴ However, the bourgeoisie led indeed to the development of an independent nation-state, but the leaders, the ideologues of the revolution were neither standing above nor in front of the economic assumptions and reasons for the independence. Means of the revolution were the Spanish Creoles acting by Western-capitalist vision, and less the indigenous people.⁶⁵ Still under Carlos IV, trade with other nations than Spain was barred for Latin American countries, until in the year 1809 viceroy Cisneros opened the harbors of the Rio de la Plata region around Buenos Aires and permitted free trade with Spains allied nations.⁶⁶ Now, the natural impulse of the productive forces of the colonies was the emancipation of the former concatenation.⁶⁷ England's central role in the independence movement of Latin America was determined by its foreign minister Canning, who recognized the sovereignty of Latin American nations along with the

⁶¹ Cf.: Ibidem: p.18.

⁶² Cf.: Ibidem.

⁶³ Cf.: Ibidem: p.19.

⁶⁴ Cf.: Ibidem.

⁶⁵ Cf.: Ibidem: p.20.

⁶⁶ Cf.: Calvo (1864): p.6-7.

⁶⁷ Cf.: Mariátegui (1928): p.20f.

USA in September 1823 and thus gave them the right to emancipate themselves from the control of Spain.⁶⁸ In consequence, the former colonies turned to England because their productive forces thirsted for practical matters, and Spain maintained its antiquated economy. English bankers financed the establishment of the new republics in Latin America and strengthened by this the hegemony of “their” liberal capitalist world. England’s industrialists and bankers were colonizers of a new type. They established a wide-ranging manufacturing and free-trade economy on the continent – and this is the reason why Mariátegui sees capitalism as a “spiritual yeast” in the course of history.⁶⁹ But just as England promoted free trade, the leading forces of the movement – bankers and industrialists – knew to avoid import substitution and protectionist attempts (see 6.4f.) that would endanger Latin American nations as potential sales markets and raw material suppliers. Friedrich List stated in this context: “It is a very common clever device that when anyone has attained the summit of greatness, he *kicks away the ladder* by which he has climbed up, in order to deprive others of the means of climbing up after him.”⁷⁰ After the independence, there was a brisk trade with the capitalist centers,⁷¹ but because of their proximity to Europe, particularly the countries situated near the Atlantic (Argentina, Uruguay and Brazil) were involved by exchanging primary goods for machinery and industrial products as well as immigrants and know-how from European countries. Finally, the mass of emigrants led to an acceleration of the transformation of the economy and culture. It thus came to an assimilation of capitalistic European structures. The bourgeoisie and the liberal democracy struck firm roots in these countries, while in the rest of South America remnants of feudalism were still to overcome.⁷² In this period, the general historical process of Peru stepped in a phase of differentiation and detachment from the historical process of other nations in South America. Due to their geographical location, the development of some nations was faster than of others. The independence united them to divide them later. Peru was in an enormous distance to Europe, but it was closer located to Asia. Therefore, a brisk trade with Asia was promoted, and Asian emigrants should replace the slaves of the Viceroyalty. But the trade with Asia could not contribute to an arisement of the Peruvian economy. The most significant

⁶⁸ Cf.: Schulz (2009): p.86.

⁶⁹ Cf.: Mariátegui (1928): p.21.

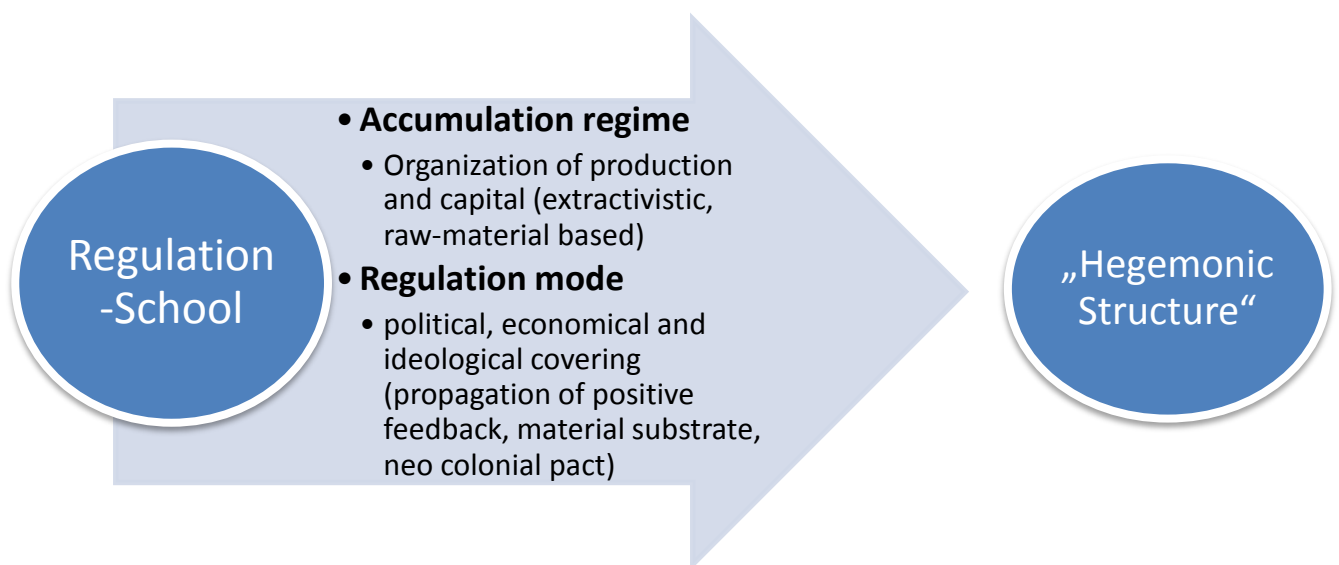
⁷⁰ List (1909), cited in: Chang (2003): p.4-5.

⁷¹ Cf.: Mariátegui (1928): p.22.

⁷² Cf.: *Ibidem*.

difference is here that they did not establish or accelerate any significant industrialization as in the Atlantic states.⁷³ Another theoretical fundament of this research is the Regulation School. This theory focuses on the historical change of the political economy towards two essential concepts. First, the accumulation regime (AR) and second the regulation mode or mode of regulation (MR). The analysis of the AR allows the reflection of the way production, consumption, and distribution are organized and perpetuate the way of capital accumulation over time. The MR is to be understood as a set of institutional norms, laws, state forms, predominant policy paradigms, and other practices that determine the conditions for the existence of the AR. MR affects the sphere of money, competition, state and the international regimes. By providing a specific conducive and supportive environment for them, MRs support ARs essentially.⁷⁴ The sum of AR and MR is the so-called hegemonic structure.

Chart 2: Graphic presentation of the theoretical core statements (Regulation School, Mariátegui, Poulantzas)



Graphic presentation of the core statement of the Regulation School (accumulation regime + regulation mode = “hegemonic structure”), adapted for the (Neo-)Extractivist reality of Peru under consideration of the material substrate from Nicos Poulantzas’ theory of the state and the neo-colonial pact from José Carlos Mariátegui’s ‘siete ensayos de interpretación de la realidad peruana’.

Source: author.

⁷³ Cf.: Ibidem.

⁷⁴ Cf.: Jessop (2007): p.5ff.

The hegemonic structure implies all concrete links between AR and MR that are historically formed. The particular hegemonic structure is the organization of production and capital and the way in which this organization is backed politically, economically and ideologically. In case of an imbalance between the two elements (AR and MR), a crisis may occur. Thus, this approach is an analogy to Marx's historical materialism and his description of historical change as a process driven by contradictions between the forces and the relations of production. The other fundamental base of this research is Nicos Poulantzas' theory of the state and its connection with the Regulation School. As already mentioned, Poulantzas argued that, borrowing this thesis from Antonio Gramsci's notion of cultural hegemony, repressing movements of the subalterns is not the only function of the state power. Rather it must also try to obtain the consent of the subalterns, e.g. through class alliances, where the dominant groups make concessions to subaltern groups, as to produce consent and to bind them on their dominance.⁷⁵ Poulantzas claims, expanding the theory of Louis Althusser's "Ideology and Ideological State Apparatuses", that besides the repressive and the ideological state apparatuses, immanent economic apparatuses are existent. The latter play an exorbitant role in terms of the desire of state power to obtain the consent of the subalterns. By using the so-called *material substrate*⁷⁶ (material concessions of the ruling class to the subalterns could be e.g. the establishment of a rudimentary or comprehensive welfare state measures or even CSR and CC measures initiated by the private hand, including e.g. conditional cash transfers (CCT's) and other material assistance) they have an effect on the division of social movements and the legitimation of the actual accumulation regime. And this is the connection between Poulantzas and the Regulation School. The material substrate is part of the regulation mode (MR) as it determines a central condition for the existence of the predominant AR: Legitimacy. The material substrate is a tool for the legitimization of the hegemonic production- life patterns from the perspective of the subaltern. The MR is the sum of the material production, the state power and the ideological forms of thought. It is subject to the cultural hegemony and the social power relations, the latter in Peru represented and determined by the neo-colonial pact. There is still a consequent colonial influence on the leading economic forces in Peru, which is reflected by a *neo-colonial pact* of the leading class with international capital elites. The neo-colonial pact is part of the

⁷⁵ Cf.: Poulantzas (2002): p.57-75.

⁷⁶ Cf.: Ibidem, p.60.

historically dominant control system of the society of Peru, and this is why Mariátegui's term is also to be mentioned in Figure 1.

The ideas above (the Regulation School and its connection with Nicos Poulantzas' Theory of the State, as well as José Carlos Mariátegui's notion of the neocolonial pact) are fundamental to this entire work. At this point the note is given that in the further course it is also referenced in an implicit way to the featured theoretical considerations.

5.2 Formulation of hypotheses

Out of the theory and the political science literature, as well as based on the research questions, four main hypotheses are formulated which will be briefly outlined below:

H1: Extractivism as a development model is a phenomenon in Peru, that has been promoted for centuries and historically formed itself to the predominant accumulation model, carried by neo-colonial structures and relations.

As mentioned in the introduction, I understand extractivism as a mode of accumulation that started on a large scale 500 years ago when world economy – and the capitalist system – began to be structured by the colonies. The extractivist mode of accumulation has been determined particularly by the demands of the capitalist centers of the global north. Many colonies specialized themselves in the extraction and production of raw materials, so called primary commodities, while others took, under development assistance of the global north, the path of producing manufactured goods. Referring to Mariátegui I see the historic dimension of the duality between development and backwardness in Peru, regarding the dialectic of powerful international centers and the Latin American periphery, the exploitation of national wealth and the simultaneous widespread of internal poverty produced by the internal and international division of labor and the promotion of primary exports and assured by the integration of periphery economies into the world market, as aspects of a colonial capitalism.

H2: Compared to other countries of the region, there was never a serious effort for independent industrialization in Peru.

The hypothesis H2 is based on the concept of José Carlos Mariátegui La Chira, who claims that the absence of independent industrialization in Peru is caused by the

consequent colonial influence on the leading economic forces in the country that is reflected by an neo-colonial pact.⁷⁷

H3: Authoritarian leadership promotes foreign investment (FDI) in Peru.

The connection of neocolonial capital elites can be demonstrated by the correlation of authoritarian leadership and the promotion of FDI in Peru. FDI is determinant for the neglect of independent industrialization.

H4: The recent environmental conflicts indicate the fragility of the hegemonic structure which implies that the government as well as the TNC's will have to make more concessions to the subalterns to legitimate extractivist activities in the region.

Legitimizing the usage of natural resources is something that is directly inherent to extractivism. In other words, extractivism is in democracies not realizable without producing legitimacy for its actions by the affected subaltern classes, or at least by the most severely touched and disadvantaged. There is actually nothing "neo" about neoextractivism, as extractivist actions always need the usage of a certain material substrate for the affected masses, in terms of their legitimization. There cannot be (neo-)extractivism without social policy. Not, without giving crumbs to the poor to avoid social outbreaks. And that exactly expresses what Poulantzas is thinking about the concessions of the ruling class of the subalterns: The material substrate.

H5: Corporate Citizenship (CC) and Corporate Social Responsibility (CSR) activities are part of the perpetuation of the neo-colonial pact and the promotion of extractivist activities by private actors.

This hypothesis feeds from the thesis of neoextractivism and the theory of state by Nicos Poulantzas. After Brandt/Dietz (2013), the "neo" in neoextractivism describes the new phenomenon of the usage of the economic rents⁷⁸ for social policy measures. In terms of Poulantzas, it is possible to see these measures as attempts to increase the legitimacy of the hegemony of the predominant fossilist-capitalist

⁷⁷ Cf.: Ibidem: p.7-9.

⁷⁸ "Rent" is to be understood here as income over the average profit, that arises due to temporal market given (higher demand than supply) or state-interventionist scarcity, monopoly power, comparative cost advantages (lower production costs) or the like. Resource rents are generally paid by foreign companies, governments or individuals as compensation for the consumption of non-renewable resources of a State.

production and life patterns in South America. Furthermore, the usage of the economic rent creates the resources that are necessary for the financing of the social programs. But at the same time, it creates the social conditions for the reproduction of capital: it makes the populace governable and binds a specific population group on a material substrate. It also affects the weakening of social movements caused by its fragmentation resulting by the establishment of material support. Namely, they fragment in the sense that a part of the protesters are convinced by the social policies, while others reject the model and strive e.g. for “Buen Vivir”.

H6: The Pacific Alliance, initiated by Alan García, is a specifically economic integration attempt that represents a counterweight to the promotion of intensive and productive-orientated accumulation regimes by initiatives of Mercosur or ALBA.

The members of the Pacific Alliance, which was founded by Peru’s ex-president Alan García (who was in office when Peru suffered the deep crisis and hyperinflation in times of ISI (See 6.5) are the most dynamic economies on the continent, with increasingly prospering economies and above average FDI growth. There is a tendency for countries of the Pacific Alliance (which are those who have all signed FTAs with the United States) to form up a block against the expanding Mercosur. The Pacific Alliance countries are slightly industrialized and are exporters of commodities, particularly oil and minerals. Brazil is still an industrial country as it is to a lesser extent Argentina. Peru is perpetuating the predominance of its unproductive bourgeoisie in the neocolonial pact, as regional integration targets the promotion of FDI and extractivism. The Pacific Alliance is a conservative pact against progressive ideas. It leads to de-facto deindustrialization, export-orientation and FDI promotion, while significant amounts of FDI earnings are immediately reinvested abroad by Peruvian subsidiaries of foreign companies.

6. A critical historical contextualization of the phases of different development and accumulation regimes in Latin America from an ex-post-perspective: The Janus-Face of (neo-) extractivism.

6.1 The term of extractivism

Specific modes of processing with raw materials are in different dimensions present in every society and in every production mode. If we understand extractivism as the

simple extraction of (renewable as well as non renewable) resources, without taking into account the changes by processing with those, we can state that every society is, capitalistic or not, to a greater or lesser extent extractivist. Agrarian and non-capitalist societies, that processed metal, copper, gold or bronze in different extent, were inherently extractivist, sometimes supplemented by a simple or complex processing of the raw materials. Even societies that survived by the recovery of wood and Para nuts connected with hunting and fishing, practiced a specific type of extractivist activity in terms of renewable natural resources. Capitalistic societies were characterized by various levels of extractivist activities,⁷⁹ which led in the course of time to an industrial workmanship. Some societies turned over to a fast transition to the application of cognitive and spiritual abilities and production forces for the processes of a capitalistic valorization, profit maximizing. But even the former, non-capitalistic societies used those methods for the production of their common goods. Mathematics, astronomy, irrigation systems⁸⁰ or even religious rituals like the ones of the societies in the Andean region and the Amazon, represented the production facilities of the society. The difference between societies with similar production modes in a specific era lies in the specialization of their productive forces that means in their participation on the regional arrangements of the international division of labor. For example, there are countries that began as raw-material producers and then concentrated on service, science and high technology production. A whole slew of countries in North America and Europe followed this path. As those countries transferred their extractive production into the periphery, countries as Mexico, India, the Philippines, Brazil, or even China turned from the raw-material production for the world market to complementary measures to their extractivist actions, such as selective industrial processing, and thus became the factories of the world. But there are some states, like most of Latin America and Africa that kept their role as raw material suppliers in an agrarian and extractivist manner. The capitalistic world system is dynamic and reconfigures itself constantly, but not without conflicts about the geographic distribution of specific production modes and processes in terms of profit, access to markets, the availability of labor and natural resources. Colonial or postcolonial societies are generally extractivist, but there is a numerous examples of colonial societies that focused later on industrial processing e.g. through import substitution of certain core industries (like Brazil or

⁷⁹ Cf.: de Vries (2008): p.33.

⁸⁰ Cf.: Horkheimer (1990): p.53.

Mexico), but some dedicated themselves also to the production of knowledge (like China and South Africa). So, basically, the term “extractivism” refers to a specific type of management of physical landscape and the treatment with raw materials. In particular, the term refers to the extraction of a big amount of raw materials in context of an export oriented capitalist production mode,⁸¹ which does not continue processing its outputs in the extraction-country. Thus, extractivism is a capitalist development- and accumulation model that focuses on the exploitation of natural resources as well as on its extent into “unproductive” territories for the production of material goods. This development model historically formed a substantial factor for the structure of productive relationship and the economic base. The strong implementation of this development model feeds not only from simple economic *calculatio* but furthermore from a historic-cultural and socio-economic dimension, because the history of Latin America is at the same time a history of extractivism. The exploitation of raw materials such as oil, gas, gold, copper or silver has constituted since time immemorial central components of the political economy of Latin America.⁸² At this point it is to emphasize that extractivism per se cannot be understood as “european sickness” that was imported during the period of colonialism and imperialism. Basic techniques of metallurgy were invented in east Africa, southern Europe and southwest Asia already in the Eneolithic age. Archaeometallurgic findings indicate furthermore that the Peruvian Moche-culture and later on also the Chimú already in the first century processed metallic materials and extracted ores.⁸³ So, many precolonial indigenous cultures integrated extractivist activities into their reciprocal barter trade circuits. That is why it is possible to state a form of *pre-Columbian extractivism*: whether in form of gold-mines in the Inca-Empire⁸⁴ or in form of the devastating monocropping of the Mayas.⁸⁵ But, if is to be dared to make a reference on economic models of pre-colonial origin, it must be emphasized that these non-monetary systems were not organized according to market rules. Nevertheless practices that can be considered as close to extractivism were dominant, because the pre-hispanic metallurgy reached a very high level of technological development.⁸⁶ In the Inca state Tahuantinsuyu, close to today's Cuzco,

⁸¹ Cf.: Nohlen (2010): p.853.

⁸² Brand/Dietz (2013) p.2.

⁸³ Cf.: Haarmann (2005): p.83f.

⁸⁴ Cf.: Marzal (1993): p.124.

⁸⁵ Cf.: Sodi Bonequi (1962): p.76.

⁸⁶ Cf.: Cruz / Téreygeol (2014): p.19f.

the wealth was based on the labor force of the inhabitants and on the property of public lands and herds. The yield of these sources of income consisted primarily of agricultural products that were stored in central storages and thus symbolized the capital of the Inca rulers.⁸⁷ But it was not just agricultural products that were produced in the form of collectively organized labor. Already in the Inca-dominated era they attributed – for example in the region of today's Cajamarca – a great religious and ritual significance mainly to gold and other ores. It was used as material for handicrafts, medical tools or jewelry. Due to this variety of uses of gold, later on the Spanish *conquistadores* knew under the leadership of Francisco Pizarro González about the mineral wealth of the region. According to legend, in 1532, Pizarro made the allegiance of the Inca ruler Atahualpa in Cajamarca fill a room with gold and two others with silver as a duty for the release of their leader.⁸⁸ The Cajamarca region is today still characterized by its colonial history. After the conquest by Pizarro, the population was confronted with systematic collective exploitation for the first time (keyword: *encomienda* system). Many community members were used consistently as laborers in the mines and the haciendas to now to generate monetary wealth. As we see, the extraction of natural products, ores and precious metals in Latin America has a tradition that roots far beyond the colonial and imperialistic history, and the interest of some entrepreneurs on gold is currently unrestricted. With the establishment of the Yanacocha mine 45 kilometers north of the district of Cajamarca as the most important economic factor since 1993, for example the Cajamarca region has set out to live many more years with gold mining and extraction of other minerals, such as copper or silver. The preceding statements under this point are to be understood as an excursus, which should provide an understanding for not interpreting basic extractivist activities in their cultural tradition as a purely European phenomenon, although the determinant of an export-oriented *capitalist* mode of production that was created only in the course colonialism might not be suggested at this point. In the light of the Regulation School should now be tried to illuminate extractivism as a “development mode” from an *ex post* perspective, which has been pronounced differently in different historical periods.

6.2 Accumulation regimes and manifestations of extractivism in Latin America: The so-called »colonial« extractivism (16th – 18th century)

⁸⁷ Cf.: Marzal (1993): p.120ff.

⁸⁸ Cf.: Splitt (2009): p.9.

A systematic extractivis production in terms of the colonial extractivism can be stated in Latin America from the 16th to the 18th century. The age of dominant colonialism was essentially determined by the extraction of various ores such as gold and silver. Already here, it can be stated that the continent was attributed to the role of the exporter and the global north's supplier of primary goods. The Uruguayan writer Eduardo Galeano speaks in this regard, alluding to the European Industrialization, of a Latin American "specialization in losing"⁸⁹ while the division of labor among nations is that the independent and industrialized nations specialize in winning.⁹⁰ The indicated marginalization of a whole continent determined to its continuation both the dominant modes of production and society in the region as well as the sphere of social nature (socially determined relationships to nature)⁹¹ in an exorbitant manner. The concept of social nature seeks to understand basic mechanisms in the relationship of nature and society in its historical continuity – now e.g. conscious of gold mining and its long historical tradition, the given and the changed relationships in the Cajamarca region – and states that the constitution of the social construction of nature determines social and political leadership. Colonial extractivism was basically dependent on the systematic exploitation of African and indigenous slaves. But at this point it is to emphasize again that slavery was not a European *novum* on the continent, so we can see that e.g. the Inca-ruler Huayna Cápac (Guayna Ohapaq) let his prisoners of war work as slaves in his mines.⁹² The real *novum* referring to colonial extractivism was furthermore the amount of extractive outcomes, the globalization and systematization of abduction of slaves from all over the world.

6.3 The so-called »classic« extractivism in Latin America (1823–1929)

The triumphal procession of capitalist production modes and the first phase of globalization between the independence of Latin American states and the Great Depression (1823 – 1929) ultimately modified emerging pattern of extractivism in the form of a postcolonial division of labor. This type of division of labor implied the export of raw materials and the import of manufactured goods. The *primum mobile* of classic extractivism was always external trade and a world market orientation; thus, Latin America articulated other forms of governance than Europe. Racialized

⁸⁹ Cf.: Galeano (1985): p.10.

⁹⁰ Cf.: Ibidem.

⁹¹ From German: „Konzept der gesellschaftlichen Naturverhältnisse“.

⁹² Cf.: Murra (2002): p.333f.

postcolonial conditions and governance mechanisms – racialized social nature relationships – were gaining in importance. Not longer dependent slaves but marginalized social classes were exploited under the control of a dominant capital elite in mines and plantations, and this elite was ruling in Europe as well as on the spot. The continuity of the occidental predominance was based on the indoctrination of capitalist production modes and the accumulation by postcolonial regulation. A liberalization, capitalization and modernization of the continent led to a transformation of the arrangement of national elites, mining entrepreneurs and *Hacendados*.⁹³ Following the colonialist tradition, power and capital was concentrated subsequently in the hands of the same social classes that formerly usurped the power under the auspices of the proclamation of progression.⁹⁴ The classic extractivism already had a clear global market orientation and strengthened the role of Latin America as a raw material supplier. The control of the resources of the continent comes from the cultural and historical connection to the hegemonic classes of Latin America to Western elites. This structure ultimately favored the development of the industrialized nations of the northern hemisphere as capitalist producers and the marginalization of underdeveloped Latin American nations as “periphery” in terms of the truncated notion of a binary conception of the world. Not least because the hegemonic classes in the New World had little interest in redistributing their wealth based on extractivism in the sense of positive feedback and in terms of the formation and development of human capital in the countries they were operating in. There was no effort to invest and thus to generate new economic incentives and branches of economic activity. Conscious of Ernst Bloch’s notion that the simultaneity of the non-simultaneous characterizes modernity,⁹⁵ it is possible to state that Latin American political economies already have been very heterogeneous already in the 19th century. Until today there can be further observed a classic dualism of both a “modern” export-oriented capitalist mode of production on the one hand, and a “traditional” subsistence-oriented sector on the other hand. But not only industrial heterogeneity should be emphasized at this point. Also social stratification intensified in the wake of the first phase of the export-oriented Extractivism by inflation, falling real wages, deterioration in the *Terms of Trade*,⁹⁶ the concentration of income and in some cases

⁹³ From Spanish: “Hacendados” – owners of a *hacienda*, major landowners.

⁹⁴ Cf.: Galeano (1985): p.42.

⁹⁵ Cf.: Bloch (1962): p.113f.

⁹⁶ The terms of trade, i.e. the real exchange relationship, is made up of the ratio of exported and imported goods of a country. When export prices are rising relative to import prices, the amount of

by all of these factors provoked deficits of political participation in the often already authoritarian governments. A major problem was the lack of diversification of exports and based thereon the vulnerability and the dependence on the world market. The cepalist theory of Raúl Prebisch was a result of the Great Depression of the 1930s helping to develop strategies against the deterioration of the Terms of Trade, which were a result of the primarization. In addition, Prebisch stated a disproportion of productivity and prices and the ignoring of the benefits by comparative advantages, which further deepened the gap between “modern” and economically “backward” industries. The antithesis of Prebisch, incarnated by the neo-marxist Paul Baran thumped in the meanwhile on the usage of the raw material trade surpluses in order to strengthen the internal market, but warned of the consequences of the privatization of public goods, the monopolization and thus the resulting concentration of market power in form of “mammoth corporations”.⁹⁷

6.4 Addition: Development of the import substitution policy.

“When we forget, the old seems to be new.”⁹⁸

Luis de Góngora (1561-1627)

The discussions about free markets or trade restrictions, the belief in an “invisible hand”⁹⁹ or the necessity of political economic intervention are reaching from the 18th century till this day¹⁰⁰ and will – thinking of the globalization of the economy and the continuity of the antagonist nation state, the duality of global economic power versus local political power – continue in future. So, when I describe the ideas and thoughts about import substitution industrialization (ISI) later on, it is necessary to embrace the historical facts and traditions of economic thought about trade and market to realize a profound analysis of the development and the theoretical foundations of the ISI in Peru.

import goods available in exchange for export goods is greater. In this case, we can speak of an improvement of the terms of trade. On the other side, rising import prices relative to export prices mean deterioration because relatively less import goods are available in relation to export goods on the world market.

⁹⁷ Cf.: Baran/Sweezy (1973): p.36f.

⁹⁸ Translated from Spanish: “Cuando se olvida, lo viejo aparece como nuevo”.

⁹⁹ Cf.: Rothschild (1994): p.319.

¹⁰⁰ Cf.: Burhop / Lampe (2006): p.47ff.

6.4.1 Structuralism as an approach to economics: From David Ricardo via Friedrich List to the Prebisch–Singer hypothesis

The story began in 1817, when David Ricardo (1772 - 1823) claimed that the international division of labor contributes to the realization of global welfare.¹⁰¹ By saying this, Ricardo refers to the theory of comparative advantage. A comparative advantage in terms of economic theory is when a country, a region, a company or a person (entrepreneur) is able to produce a particular good at a lower opportunity cost than the competitor(s). Thus, the theory of comparative advantage states that the advantages of trade between two countries do not depend on the absolute production costs, but on the relative costs of produced goods to each other. Basically, the trade between two countries is always advantageous for the trading partners when they have different production cost structures, which means, when one country will be using fewer units of another good for producing a commodity as the other country (lower opportunity costs). In this case, each country should specialize itself on the good that it can relatively (comparatively) produce cheaper than others. According to this theory, international trade and international division of labor are even for those countries advantageous that are able to produce all goods at lower costs than other countries. The theory was applied especially on trade relations between high and low industrialized countries (center periphery dialogue). The Ricardian theory generally includes a clear postulation for a worldwide free trade, which would generate global benefits and welfare if countries focus on their comparative advantages.¹⁰² But Ricardo ignores questions about the distribution of the trading profits or the effects of specialization. Even though, the Ricardian theory never reached to be an absolute dogma in economical thought, it has a big influence on thinking about the reality of trade. But there were always opponents on the idea of free trade and some persons saw the British idea of unilateral free trade critically.¹⁰³ Friedrich List (1789 - 1846) can be seen as the forefather for both the strategy of import substitution industrialization (ISI) as a trade and economic policy and the basic concept for the European Economic Community.¹⁰⁴ His concepts opposed the ideas of some pioneers of political economy like David Ricardo,¹⁰⁵ Adam Smith and his compatriot and forerunner of economic romanticism Adam Müller, but were

¹⁰¹ Cf.: Ibidem, p.48.

¹⁰² Cf.: Ibidem.

¹⁰³ Cf.: Ibidem.

¹⁰⁴ Cf.: Wintle (2002): p.367.

¹⁰⁵ Cf.: Burhop / Lampe (2006): p.48.

influenced by other political economists like Alexander Hamilton and Daniel Raymond. List opposed the cosmopolitan economic concepts of his time and criticized the “totalitarian” doctrines of free trade, which were implied by their principles. Per contra, he created the so-called “*infant industry argument*” inspired by the theorists Hamilton and Raymond¹⁰⁶ and proclaimed the idea of a national focus on the specific requirements of each nation including the individual circumstances of production and particularly the degree of the development of the state and its economy.¹⁰⁷ This implied his deep distrust of the proclamation of free trade from developed industrial nations, such as at his time Great Britain:

“It is a very common clever device that when anyone has attained the summit of greatness, he kicks away the ladder by which he has climbed up, in order to deprive others of the means of climbing up after him. In this lies the secret of the cosmopolitical doctrine of Adam Smith, and of the cosmopolitical tendencies of his great contemporary William Pitt, and of all his successors in the British Government administrations.

Any nation which by means of protective duties and restrictions on navigation has raised her manufacturing power and her navigation to such a degree of development that no other nation can sustain free competition with her, can do nothing wiser than to throw away these ladders of her greatness, to preach to other nations the benefits of free trade, and to declare in penitent tones that she has hitherto wandered in the paths of error, and has now for the first time succeeded in discovering the truth.”¹⁰⁸

This is an apt quotation representing List’s thoughts about the strategic motivation of developed industries to keep away undeveloped nations from using their so-called “infant industries” to develop themselves taking advantage of import substitution and trade restrictions. List finally promoted the development of infant industries and infant economies to an adult status via the harnessing of the economies productive forces.¹⁰⁹ This promotion included trade protectionism. The essence of List’s argumentation is that nascent industries generally do not have the power to compete with older economies from developed countries. This makes protectionism necessary until they can achieve similar economies of scale. Under reference to Alexander Hamilton, Daniel Raymond and his experiences during the residence in the United

¹⁰⁶ Cf.: Maneschi (1998): p.99.

¹⁰⁷ Cf.: Idbidem, p.98ff.

¹⁰⁸ List (1909), cited in: Chang (2003): p.4-5.

¹⁰⁹ Cf.: Maneschi (1998): p.99.

States in the 1820s, List wrote down his argumentation in 1841 in his work “The National System of Political Economy”.¹¹⁰ List’s “education duty” is a classic argument for import substitution, which is promoted for both underdeveloped countries as well as new advanced technology industry sectors in industrialized countries. This is based on the assumption of so-called learning effects in the form of, for example, technical know-how, organizational skills or human capital that can occur in complex production processes.¹¹¹ In this case, the average cost depends negatively on the number of previously produced quantities of products.¹¹² By using protectionism in particular the so far not internationally competitive industry should be promoted which otherwise would have been never built and therefore would never be able to prove its competitiveness. After List, free trade between two countries would only make sense if these were on the same stage of development. The central point of this argument is that comparative cost advantages are not fixed, but rather endogenous variables that depend on the factors fortune, luck and history and can principally be influenced by the trade policy.¹¹³ List compares the average cost of the local and the global production of certain nations. At some point, the domestic industry cannot compete with the world market. Then the producers offer their goods only starting from a duty of a certain height. Over time, the costs of production in the domestic industries can be reduced by learning effects. But the tariffs should be only temporary. The duty is to be returned continuously parallel to the economies of scale to the protected industries until it completely disappears at a moment of the guarantee of international competitiveness.¹¹⁴ In addition, the collection of duties reduces the global welfare.¹¹⁵ Another point of criticism is the possible loss of profits of domestic exporters, if their trading partners also collect duties.¹¹⁶ In this way, a constellation that is known from *game theory* as the “prisoner’s dilemma” is being constructed: If all countries impose duties, the individual and the collective welfare will be lower than if it does no country.¹¹⁷ Burhop / Lampe are claiming that “this structural problem can only be solved if the parties negotiate with each other and

¹¹⁰ Cf.: Chang (2003): p.61f.

¹¹¹ Cf.: Hemmer (1978): p.354f.

¹¹² Cf.: Ibidem.

¹¹³ Cf.: List (1909): p.42f.

¹¹⁴ Cf.: Ibidem.

¹¹⁵ Cf.: Burhop / Lampe (2006): p.48.

¹¹⁶ Cf.: Ibidem.

¹¹⁷ Cf.: Ibidem.

promise reciprocal duty reductions in binding agreements.”¹¹⁸ The integration of developing or newly industrialized countries into the international division of labor is affected essentially by both the trade policy of the same countries and the trade policy of industrialized countries. But the problem for developing or newly industrialized countries is to find adequate and suitable strategies of integration. Upon other forms, the policy of import substitution is a well-known and still active strategy amongst other forms of development concepts. Understood as an instrument for the improvement of the *terms of trade*, import substitution combats foreign currency shortage by disconnecting developing or newly industrialized countries from the international market. Raul Prebisch, director of the United Nations Economic Commission for Latin America and the Caribbean (CEPAL), and Hans Singer claimed that an autarkic economic way and the emancipation from the influence of the international market would be a promising development strategy for “periphery” countries of the global south. The so-called *Prebisch–Singer hypothesis* argues that over the long term, prices of primary commodities decline relative to the prices of manufactured goods, which has the effect that the *terms of trade* of primary-good based economies change for the worse. That means that the change relations between developed countries and countries of the global south evolve into a beneficial system for the global north. Thinking in terms of the Prebisch–Singer hypothesis, this is the essential reason for periphery economics to focus on the extension of the internal market and exportation. Basically, an improvement of the balance of payments, an incensement of the aggregate income and a betterment of the terms of trade was expected by using this strategy.¹¹⁹ Despite this, infant industry protection as a policy recommendation is – as mentioned earlier – nowadays indeed a controversial debate.¹²⁰ Most likely, entrepreneurs proclaim its necessity just to satisfy their need of promising rents.¹²¹ It seems to be difficult for political actors to know which particular industries they should put under the banner of protectionism. The case of Brazil shows us that infant industries may never grow to adult industries like the ones of their global-north competitors. In the 1980s Brazil protected its infant computer industry trying to get a better development. But this plan never succeeded. The technological gap was too big and was even stretched by the processes

¹¹⁸ Ibidem. Translated by the author.

¹¹⁹ Cf.: Schröder (1992): p.24f.

¹²⁰ Cf.: Burhop / Lampe (2006): p.47ff.

¹²¹ Cf.: Richmond (1987): p.74-75.

because the prices for the protected goods inflated and the quality of the machines never reached an adequate level. Eduardo Luzio claims in his book “The microcomputer industry in Brazil: the case of a protected high-technology industry”:

“Technology-transfer restrictions brought strong international political opposition and pressure against the market reserve [...]. Moreover, the restrictions only increased the technological gap and the price/quality difference between domestic and foreign informatics products that demonstrated that the market reserve was economically and politically unsustainable in the long run.”¹²²

As we see, countries that put up barriers and restrictions on imports face on the other side barriers to their own exports. And this potentially influences particularly the infant industries that are wanted to be protected. But however, the Mexican economist and politician Ernesto Zedillo Ponce de León recommended in 2001 “However misguided the old model of blanket protection intended to nurture import substitute industries, it would be a mistake to go to the other extreme and deny developing countries the opportunity of actively nurturing the development of an industrial sector.”¹²³ The increasing polarization between the center and the periphery has become a feature of our world.¹²⁴ And the controversy on industrial policy continues.

6.4.2 Different types of import substitution

It can be distinguished between different forms of import substitution. In order to not deal arbitrarily with the term in the following, import substitution is now defined more precisely and its various forms are distinguished from each other. On the one hand we can state some kind of a “*natural*” import substitution.¹²⁵ This means that import substitution can be induced by an international change or imbalance of supply and demand. Thus, the process is caused “naturally” within the development of structural change. On the other hand, import substitution can be understood as a forced process by economic measures. This so-called “*relative*” type of import substitution focusses on the partial substitution of the local production. Even so there should be a lower percentage rate of all imports compared to the goods of domestic production. As a third type of import substitution, an “*absolute*” type becomes evident. This type can be characterized by the absolute substitution of specific imported goods by the

¹²² Luzio (1996): p.12.

¹²³ Zedillo, cited in: Lall (2003): p.2.

¹²⁴ Ibidem.

¹²⁵ Cf.: Kaiser / Wagner (1991): p.134f.

domestic production. The final goal of the last two types is always a positive balance of trade and a reduction of imported goods influenced by political intervention on economic processes.¹²⁶ In case of an “absolute” import substitution domestic production replaces certain previously imported goods, so that the volume of imports declines absolute. In case of a “relative” import substitution, the import volume may increase under certain circumstances, but at a lower rate than domestic production, that is, the import proportion of the domestic supply falls. In other words, the import coefficient of import volume (GNP + import volume) decreases, that means, principally a disproportionate growth of an internationally competitive sector is known as *import substitution*. Generally, we can state two possible *causes* that benefit the application of an ISI strategy. First, we can state it as a result of developmental structural change as “natural” import substitution. Thus, for example, an increase of the average employment income leads normally to increased domestic demand resulting in the encouragement of potential investors in this market and their competition with foreign producers. For example, the world economic crisis of 1929 led to a decline in demand for primary goods. Many underdeveloped countries were caused to expedite the development of the domestic industry due to increased incidence of payment crises.¹²⁷ Second, there is an import substitution induced by economic measures, for example due to an increased need for economic self-sufficiency and independence. This now allows us a clear separation of import substitution and import substitution *policies*. It should be noted that the process of import substitution is empirically relatively difficult to detect because the entire increase in domestic production is not necessarily attributable to the import substitution. Thus, e.g. products from the import-competing sector are possibly also exported. Also, among other structural changes in domestic demand, changes in national income, population growth or growth segment, have a certain impact on the import of foreign products.¹²⁸ Generally, at this point it is important to underline that in Peru there was never an “absolute” type of import substitution, but when we talk about *import substitution* and its relevance in context of the Peruvian economic history later on, we refer to the “relative” type of import substitution.

¹²⁶ Cf.: Ibidem.

¹²⁷ Cf.: Thorp (1998): p.133.

¹²⁸ Cf.: Chen (1969): p.50.

6.5 Extractivism in the face of import substitution industrialization (1929-1982): Import substitution policy in Latin America and the case of Peru.

6.5.1 ISI in a global context.

As the longer-term impacts of the Second World War were disastrous for Europe, many non-European primary producers expanded their export capacity in this time because the “War gave boost to non-European industrialization, in particular in Japan, Latin America, Canada, South Africa”¹²⁹ and “changed nature of domestic and international policies and structures of individual economies.”¹³⁰ As the production fell in Europe, it increased outside. Europe as net exporter of manufactures was weakened and the declining export led to fall in the supply of manufactures consumer goods on world markets.¹³¹ This was another reason for countries of the global south to begin import substitution.¹³² Generally, governments of the global south operated an open policy towards Foreign Direct Investment (FDI) and the control of their industries by transnational corporations (TNC’s), while the mostly northern companies and investors accepted international property rights and did not even shy military intervention to protect their rights that were legitimated by private international law.¹³³ The private international law governs e.g. conflicts between private persons, rather than international bodies with standing such as states. But nowadays corporations are more and more able to shift capital and labor supply chains across the borders, as well as they are able to trade with overseas (transnational) corporations. This leads to an enhancement of the number of disputes on an interstate scale far outside from a uniform legal framework, and raises many problems thinking of the enforceability of standard practices. Historically and actually we can state a multitude of examples like the restrictions in oil business in the 20th century¹³⁴ prove the existence of this process. Focusing the ISI strategy from a global and legal point of view opens to us a completely new dimension of the attractiveness of this strategy for countries of the so-called periphery: Import substitution as key element of economic policy also guaranteed legal security by nationalizing big core industries and infant industries and getting rid of the unclear international-scale-law

¹²⁹ Burhop (2015).

¹³⁰ Ibidem.

¹³¹ Cf.: Ibidem.

¹³² Cf.: Ibidem.

¹³³ Cf.: Ibidem.

¹³⁴ “1907: YPF established in Argentina / 1937: Nationalization of oil business in Bolivia / 1938: followed by Mexico (also in Agriculture) / 1951: Iran, followed by US-British arranged putsch in 1953 / Early 1960s: Syria, Iraq.” Cited from: Burhop (2015).

problematic. While many Latin American states increased their import tariffs and the licensing of imports, and the FDI into manufacturing was rising, east-Asian countries followed the Japanese model of licensing and forming joint ventures. The result was a disastrous performance of state-owned firms in Latin America in comparison to the tremendous performance of East Asian economic model.¹³⁵

6.5.2 ISI in Latin America (1950-1960)

The devaluation race during the Great Depression of 1929 seemed to make the disadvantages of an open economy model for many Latin American countries obvious. The idea was now to realize an economic pick-up not by reinforcing liberalization, but by using and promoting protectionist measures in regions affected by the crisis. The IMF and the World Bank finally promoted import substitution industrialization aimed at the Global South through their structural adjustment programs of market-driven liberalization. In the context of Latin American development, the term “Latin American structuralism” refers to the era of import substitution industrialization in many Latin American countries. The model of the ISI as introverted peripheral Fordist¹³⁶ model induced this strategy particularly in the 1950s by the suggestion of the ECLAC¹³⁷ theorists Raúl Prebisch and Hans Singer. Base of the structuralist economic policy was the assumption that growth in the region could only be ensured if the sales-oriented integration (value chains) within the region would be expanded. This meant that local products should be continuously used by other industrial sectors. A precondition was the reinvestment of resource rents,¹³⁸ as well as a sufficient level of income to ensure the consumption of local products. This so-called „Desarollismo“¹³⁹ led from the 1950s on to wide-ranging nationalization efforts in Latin America. Examples would be the nationalization of the tin mining industry in Bolivia and Peru (1952 and 1969), the enabling of the nationalization of major mining companies through the constitutional reform of Allende in Chile (1970),¹⁴⁰ and the nationalization of the largest oil company in

¹³⁵ Cf.: Ibidem.

¹³⁶ Cf.: Deprez / Harvey (1999): p.216.

¹³⁷ United Nations Economic Commission for Latin America and the Caribbean.

¹³⁸ „Rent“ is to be understood here as income over the average profit, that arises due to temporal market given (higher demand than supply) or state-interventionist scarcity, monopoly power, comparative cost advantages (lower production costs) or the like. Resource rents are generally paid by foreign companies, governments or individuals as compensation for the consumption of non-renewable resources of a State.

¹³⁹ Cf.: Prébisch (1964): p.20.

¹⁴⁰ Vgl.: Galeano (1985): p.165.

Ecuador, called Corporación Estatal Petrolera Ecuatoriana (CEPE). Pillars of this introverted model were on the one hand protectionist measures such as import duties, on the other hand the accumulation of local capital and the attainment of autonomy from the centers with a simultaneous weakening of the dualism between progressive regimes and industrial bourgeoisie. In this case, the governments see themselves confronted with two obstacles: A first obstacle was represented by the containment of imports of internally producible manufacture goods by duties to feed the existing demand through local investment to thus improve the trade balance. The second obstacles, that were much more difficult to take, were the substitution of imports of so-called “durable goods” or “hard goods”,¹⁴¹ the covering of the capital requirements for the production of these and the emancipation from the dominant position of transnational corporations (TNCs) that provided a framework for the state action. The problems here were the restriction of necessary foreign exchange to a narrow market, with simultaneous comparative cost disadvantages in the capital-intensive production, the transnationalization and heteronomous decisions. The protectionist policy encouraged private investment and the inflow of foreign investment capital, which favored the production of goods of mass consumption, as well as the production of “durable goods” while maintaining traditional production methods such as peasant agriculture. The aim of developing industrialization was the expansion to various sectors while diversifying. However, it came to the pursuit of the highest possible subsistence within the various sectors, which meant that in the era of protectionism industries emerged, that in consideration of their size and structure were no longer market-compliant, but were maintained artificially. While the manufacturing sector achieved the supply of the domestic market with simple consumer and industrial goods quite easily, the import substitution was held up when it came to the supply of more complex capital goods.¹⁴² The state intervention led ultimately also to distortions in the structure of employment. While the protectionist measures acted in favor of the capital, the capital intensity of industrial production rose: The problem was on the one hand, the dependence on foreign manufacturing methods, and on the other hand the lack of industry-specific professionals (specialized personnel). Furthermore, the extremely unequal distribution of income

¹⁴¹ In economy, “durable goods” are commodities, which are of long duration, that is, goods that are not consumed after a single use. Examples would be refrigerators, cars or cell phones. Such commodities are generally characterized by long periods of use between the successive purchase of goods of the same category.

¹⁴² Cf.: Müller-Ohlsen (1974): p.99.

and the concentration of income (detectable by studying the Gini coefficient)¹⁴³ in the region, prevented the emergence of a broad domestic demand. Measured by the Gini coefficient, Latin America had in an international comparison between 1960 and 1994 by far the most unequal personal income distribution.¹⁴⁴ In addition, the inequality has increased further in the leading Latin American countries after the Second World War, in particular at the end of the 60s and after the “lost decade”.¹⁴⁵ Ultimately, the strategy of ISI remained lucrative for the needs of the upper population quintile but not for the masses. So, the strategy of import substitution industrialization was applied in almost all Latin American countries and showed some success in its early years, but in the long term, however, it often led to deep economic crisis, characterized by total indebtedness, inefficient supply of markets, excessive taxation of agricultural markets, miss-allocation of resources, corruption and clientelism.¹⁴⁶ Anne O. Krueger claimed in this context that “The vicious circle, once started, thus had a number of built-in political and economic interactions which resulted in a cumulative deterioration of economic performance and increasing support for intensification of existing policies. Political support of special interest for import substitution grew, while the market response increasingly undermined general support.”¹⁴⁷ Thinking of the failure of classical trade theory, the question under what conditions free trade is not optimal, is still present. As we saw in the previous chapter, Ricardo's theory of comparative advantage, extended by the work of Heckscher and Ohlin, stated that under the strict assumptions of perfect competition foreign trade ensures an efficient allocation of resources and always leads to global welfare improvements. But often the central condition for the application of the theory

¹⁴³ The Gini coefficient is a measure for the evaluation of the income distribution economics. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual. Thus a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality. The Gini index provides a convenient summary measure of the degree of inequality. Data on the distribution of income or consumption come from nationally representative household surveys. Where the original data from the household survey were available, they have been used to calculate the income or consumption shares by quintile. Otherwise, shares have been estimated from the best available grouped data. The distribution data have been adjusted for household size, providing a more consistent measure of per capita income or consumption. No adjustment has been made for spatial differences in cost of living within countries, because the data needed for such calculations are generally unavailable.

¹⁴⁴ Cf.: Foders (2001): p.9f. There is a comparison of the Gini coefficient in Latin America and the world average from 1960 to 1994. For comparison: Latin America 1960–1969: 53,00 / 1970–1979: 49,86 / 1980–1989: 51,00 / 1990–1994: 50,00. World average: 1960–1969: 38,09 / 1970–1979: 37,57 / 1980–1989: 36,46 / 1990–1994: 37,19.

¹⁴⁵ Cf.: Ibidem.

¹⁴⁶ Cf.: Bukes (2000) p.18f.

¹⁴⁷ Krueger (1993), cited in Bukes (2000): p.20.

of perfect competition of free trade is not or only slightly given in so-called “underdeveloped” countries of the global south. And this is what led us to the Prebisch-Singer hypothesis. So monopolies and distortions in the labor market can lead to suboptimal allocations. These market imperfections led in the case of market liberalization often to a lower welfare level than before the opening. For this, in underdeveloped countries a traditional structural imbalance of factor endowment between labor and capital and an immobility, especially on the production factor labor, stands in conflict to the theory of a perfect competition.¹⁴⁸ Therefore, Prebisch and Singer claimed that first of all, it could be economically useful to eliminate these structural imperfections before opening the internal market for free trade.

6.5.3 The simultaneity of the non-simultaneous: Absence of a continental tendency (ISI).

Latin American countries are often thought as a homogeneous group with similar economic and governmental systems. In fact, it is very easy to see a political and economic homogenization in Latin America. On the face of it, we can see a wave of democratization since the eighties, the ending of the tradition of autocracy and one-party rule, the trans-regional formulation and politicization of ethnic *cleavages* and the rise of indigenous movements that reach their premature climax with the current electoral successes of presidents from indigenous descent (Evo Morales in Bolivia, Ollanta Humala in Peru). Also, the current rise of the left fraction and the emergence of autonomous (international, supranational) organizations and economic alliances (Unasur, Mercosur, CAN, ALBA-TCP), which try to escape from North American influences increasingly speaks for homogenization in the region. This seems to make it easy to evaluate generalizable statements about continental processes. But the propagation of the structural homogeneity of the subcontinent forces a concept, which focuses on the comparison of individual particulate socio-economic and political aspects, so as not to fall into the monolithic point of view. I would like to express my plea for the negation of the ISI understood as a pan-continental development model. In a sharp contrast to the growing emphasis on ISI and government control in Brazil, Argentina, Colombia and Chile, there were states like Peru that continuously adjusted their economic strategy but over long terms had an open economy model and a fundamentally conservative style of internal economic

¹⁴⁸ Cf.: Ibidem: p.21f.

management while other states around the country focused ISI. At the beginning of the 20th century, Ernst Bloch claimed that “the simultaneity of the non-simultaneous”¹⁴⁹ represents some kind of a time lag, or an uneven temporal development, that is fundamentally implied in the social sphere per processes of modernization and the fact, that these processes cannot be exhaustive in sense of their omnipresence.¹⁵⁰ I will use this understanding of reading historical economic change and modernization¹⁵¹ to explain the inhomogeneous reality in Latin America in this case. At this point, it is also important to mention that the spectrum of investigations about the economic history of Peru in general and especially about the history of ISI in Peru represents a fundamental *bias*¹⁵² in business history that is to work against. To verify the previous comments, now we have to take a deeper look at the economic history of Peru, focusing on import substitution policy.

6.5.3.1 Demographic change and the establishment of manufacturing industry in the context of ISI.

Peru was a rural characterized country through the 19th century until the mid-20th century. Most of the population lived in the rural areas in subsistence economies with deep relationship to their land and a distinct tendency to barter trade. Over a large period, Peru had a strong orientation toward primary product exports. The most important and essential exports of the country were gold, silver, and guano.¹⁵³ Gold extraction has a large history in Peru. Even in the pre-colonial, Inka-dominated era gold was often used as a material for important artwork, medical tools or jewelry. Because of this, later the Spanish *conquistadores* led by Francisco Pizarro González knew about the mineral richness of the country.¹⁵⁴ The search for the precious metal has a surprisingly long tradition in Peru, and the interest of some entrepreneurs and TNCs for gold is still existent. In the middle of the 19th century, Peruvian Guano was about to conquest the fields of Europe as an important fertilizer that made Peru for a short time to the biggest exporter to the occident. This boom declined in the 1870s

¹⁴⁹ This phrase by Ernst Bloch has been used subsequently in various theories about modernity, globalization and postmodernity, like e.g. in: Jameson (1991): p.307.

¹⁵⁰ Cf.: Ibidem.

¹⁵¹ Cf.: Bloch (1932/1977): p.22ff.

¹⁵² The term “bias” is to be understood as a distortion in historiography by omitting specific topics.

¹⁵³ Guano (from Quechua: “wanu”) is the substrate resulting from the massive accumulation of excrement of bats, seabirds and seals in arid or low humidity environments. Guano is a highly effective fertilizer due to its exceptional high in the three main components for plant growth: nitrogen, phosphorus and potassium.

¹⁵⁴ Cf.: Splitt (2009): p.9. According to a legend, Pizarro demanded “a room filled with gold and two others filled with silver” in 1532 as a bounty for the release of the great Inca ruler Atahualpa in Cajamarca.

and left a deep hole in the Peruvian export market. To compensate this, the country recovered itself by focusing on other primary export goods and trying to generate an industrial production for the domestic market. After the establishment of chemical fertilizers in Europe, other primary exports like silver, rubber, cotton, lead, and sugar replaced guano. At the beginning of the 20th century, copper became one of the main export products which were followed by petroleum after 1915. In the 19th century, foreign investment played a minor role for Peru's economic development. Although there was some British investment in railroads, oil industry and the banking sector, as well as US-American commitment in sugar plantations.¹⁵⁵ But the role of FDI grew quite fast in the 20th century. In the beginnings of its first decade, Peruvian copper became more and more important and US-Companies invested buying nearly every copper mine in the country, as well as Standard Oil did with its investment in the oil extraction sector in the second decade.¹⁵⁶ The trend of intensive FDI was strengthened by the policy of President Augusto Bernardino Leguía y Salcedo (in office 1908-12 and 1919-30). As he was former in a leading position of the New York Insurance Company, he seemed to be a politician with best contacts to the US economic elite. He was an elected president who turned into dictator and he claimed that foreign investment would be a key factor for the modernization of the Peruvian industries.¹⁵⁷ Salcedo propagated the US-Peruvian partnership.¹⁵⁸ This is an example for the link between repressive governments and the expansion of FDI. Historically, we see many examples in the economic history of Peru that fed resentments about FDI linking it to repressive regimes and the control of the country by economic elites for the disadvantage of the poor.¹⁵⁹ In the second half of the 1870s, the capital Lima was the only city in Peru that counted an amount of over a hundred thousand habitants, which was only about four percent of Peru's entire population. Up to the 1930s, the primum mobiles of economic growth were primary exports, just like in the rest of the continent. Peru held on an open economy without political intervention or restrictions on FDI or trade (imports) worthy of mention.¹⁶⁰ During the 20th century, the FDIs became more and more fundamental for economic

¹⁵⁵ Cf.: Bulmer-Thomas (1989): p.14.

¹⁵⁶ Cf.: Ibidem, p.14ff.

¹⁵⁷ Cf.: Hudson (1993): p.40.

¹⁵⁸ Cf.: Ibidem.

¹⁵⁹ Cf.: Ibidem.

¹⁶⁰ Cf.: Rojas (1996): p.44f.

growth, especially in the extractivist¹⁶¹ mining industry.¹⁶² As a consequence of the Great Depression of the 1930s, many countries in the region had to change their economic policies because export prices were falling and external credits were squeezed. Protection against import and the stimulation of domestic (infant) industries became as popular as the political intervention for economic alteration.¹⁶³ At this point, despite of the Great Depression of the 1930s, Peru took the conservative way and kept on its open economy accepting FDIs and unadjusted trade. This is one reason for the fact that Peruvian postwar industrialization at this time was far away from other countries of the region leading to socioeconomic discrepancies. In many respects, Peru had a very successful economy up to the mid-1960s. This was because of the early recovery of some of its main exports in the 1930s, and also because of the development of new primary export products in the early post-World War II period, when Peru returned to the open economy model and a basically conservative style of internal economic management after a brief experience with populist-style controls.¹⁶⁴ So, unlike the rest of the region, in the late 1940s when World War II ended, Peru opened its economy¹⁶⁵ to maintain the open policy until the early 1960s when the rest of Latin America had already spent years implementing protectionist policies enthusiastically. Not coincidentally this was a period of high growth for other countries that eventually left its historical lesson. A belated ISI and a first serious attempt of protection came to Peru in the 1960s¹⁶⁶ and protectionism peered timidly during the first government of Fernando Belaunde between 1963 and 1968. During the previous “period of attachment to an open economic system, Peru welcomed foreign investment and in some periods adopted tax laws specifically designed to encourage it. That is to say, until the 1960s the small fraction of Peruvians in a position to determine the country's economic policies welcomed foreign investment without paying much attention to growing signs of popular opposition. In the 1960s, many things changed. The major change for foreign investors was that growing criticism of their role in the economy led to nationalization

¹⁶¹ “Extractivism” refers to Latin America's historical accumulation model that is deeply influenced by colonialism, which fortified the exploitation of primary resources to Europe. Richness was extracted from the colonies to feed European economies. Extractivism also includes a critique of the unfair and asymmetric integration of the continent into the world economy after independence at the end of the 19th century.

¹⁶² Cf.: Ibidem.

¹⁶³ Cf.: Ibidem: p.51f.

¹⁶⁴ Cf.: Hudson (1993): p.143f.

¹⁶⁵ Cf.: Rojas (1996): p.45.

¹⁶⁶ Cf.: Ibidem: p.263.

of several of the largest firms and to much more restrictive legislation.”¹⁶⁷ Belaunde focused on restrictions on foreign investment and implemented a more active role of his government in the economy. But this gradualism ended abruptly when he was overthrown by a military coup led by General Juan Velasco Alvarado (1968-1975) whose economic model was based on vertical planning. The public services and many other sectors which the military government defined as “strategic” were nationalized.¹⁶⁸ That part of the economy that remained in private hands was essentially socialized through different mechanisms and co-managed by officials appointed by the Government. The economic mismanagement plunged the country into a major slowdown of development and this experience also left deep marks on the Peruvian society.¹⁶⁹ A fundamental problem for the Peruvian economy was the exorbitant increase in population during the 20th century which outran the capability of using labor in a productive manner.¹⁷⁰ This fact led in the 1970s to a misbalance in the generation of arable land which is difficult in Peru caused by the mountainous constitution of the country and furthermore challenged by the exorbitant growth of the population and the demographic changes: “In contrast to earlier centuries, the 20th century witnessed a rapidly accelerating population growth and an acceleration of the rural-to-urban migration [...]”¹⁷¹ for example, “Between 1876 and 1940 Peru's population grew from 2.6 million to 6 million people.”¹⁷² The country experienced a demographic transition during the twentieth century; the population grew from 7,023,111 in 1940 to 22,639,443 inhabitants in 1993 to grow at rates between 2% to 2.8% during this period.¹⁷³ The 1970s had the highest growth rate with 2.8 percent. As international migration has been of little relevance until the 1980s, the crucial factor in population growth between 1960 and 1970 was the fall of mortality. 50.3% of the population census (13,789,517) was women and 49.7% (13,622,640) males. The number of people under 15 stood at 8,357,533, and over 60 to 2,495,643, the average age was 28.4 years.¹⁷⁴ The development of the manufacturing sector was initially not fast enough to be consistent with the development of labor force and did not facilitate the industries to make attractive offers for people to move out of their

¹⁶⁷ Hudson (1993): p.144.

¹⁶⁸ Cf.: Nogués (2011).

¹⁶⁹ Cf.: Ibidem.

¹⁷⁰ Cf.: Ibidem.

¹⁷¹ Hunefeldt (2004): p.172.

¹⁷² Ibidem, p.171f.

¹⁷³ Cf.: INEI (1993).

¹⁷⁴ Cf.: Ibidem.

rural subsistence economies and to gain a foothold in employment in urbanized industries.¹⁷⁵

Referring to data of the INEI, the National Institute of Statistics and Informatics of Peru, we can observe that from 1950 to 1990, the production in manufactures as part of the labor force fell about fourteen percentage points:

¹⁷⁵ Cf.: INEI (1996): p.432.

Chart 3: GDP and manufacturing production (growth rates and shares) in percentages

Period	GDP	MP	PI	MP/GDP	PI/GDP
1950-1954	6.5	12.3	5.6	12.8	8.4
1954-1966	5.8	8.8	3.7	17.9	6.6
1966-1975	4.3	6.4	-2.2	21.4	3.7
1975-1987	2.3	1.7	3.3	19.8	4.2
1987-1995	-0.2	-2.3	2.7	16.8	5.2

Note: MP = Manufacturing Production; PI = Industry Processing of primary resources. The shares correspond to the years-peak of the business cycle.

Source of the data: INEI (Instituto Nacional de Estadística e Informática), www.inei.gob.pe/.

During 1950-1975, manufacturing output is growing at rates well above those of GDP and industrial output processing of primary resources. The result is a decline in the share of the latter in GDP of 8.5% in 1954 to 3.7% in 1975, and an increase in the share of manufacturing in GDP generation, reaching similar percentages to industrially advanced countries. At the peak of the cycle of manufacturing production over the period 1950-1975, the following shares in the sector are recorded in the generation of GDP: 12.8% in 1954, 17.9% in 1966 and 21.4% in 1975. The situation is different in the two subsequent cycles. In those included in the period of crisis and restore liberal peaks, the share of manufacturing decreases: 19.9% in 1987 and 16.8% in 1995, while the share of industrial output processing of primary resources increased to 4.2% in 1987 and 5.2% in 1995. The production of the latter sector grows to higher percentage points than those in manufacturing production rates: 3.3% in 1975-1987 and 2.7% in 1987-1995 (see Table 1). It should also be noted that the processing branches of primary resources (fish products, sugar refining, oil refining and products of nonferrous metals) do not reveal potential to develop the industry and do have even less potential to promote an integrated import substitution process, because industries are not able to generate and disseminate technical progress. The data indicate that in the last two cycles shown in Table 1 (1975-1987 and 1987-1995), during which GDP grows at an average annual rate of 1.3%, we can observe a decline in manufacturing output to situations similar to those prevailing at the beginning of the case in the decade of the 60s. Consequently, in terms of economic growth and importance of manufacturing in this growth, the period from 1950 to 1975, or more precisely, the period from 1960 to 1975, corresponds to the “Golden Age” of import substitution. The decline and crisis of the substitution model can be put to the period from 1975 to 1990. While the liberal restoration with

deindustrialization effects belongs to the period 1990 - 1996. But, why is growth slowing down and becoming more volatile during 1975 - 1990? Peru, in contrast to other countries in Latin America, did not have a developmental state.¹⁷⁶ It did not get a new ruling class. There was no democratic and revolutionary bourgeoisie. Thus, there was no impact to produce. A revolutionary bourgeoisie, after Mariátegui, is characterized by the desire to transform the country through industrialization and the establishment of an own and independent production.¹⁷⁷ But in this sense, Peru has never formed a revolution or a movement of true emancipation. The bourgeoisie of the colonial countries is a mere intermediary bourgeoisie. They brought British goods and let them enter into their countries, while ruining their countries' industries. Initially, the liberal orientation of Peru's economic policy was outlined by the military regime of Manuel Arturo Odría Amoretti (1948-1956) dominated social and political processes until the crisis of 1967 – 1968. The economy was opened to foreign capital and income growth was based on primary exports, whose composition changed in favor of mining products with the enactment of the mining code (código de minería) of 1950.¹⁷⁸ Only when the profitability of investments in traditional export sectors began to shrink and export-dependent economy was in crisis as a result of price instability in foreign markets (1953-1954, 1957-1958), the ruling elite and powerful groups introduced some policies to promote the development of manufacturing.¹⁷⁹ In this period, fish meal from Peruvian anchovies became a highly valuable primary export product. Despite of the promotion of industrial development, manufactured products remained a long time absent from Peru's list of export goods. We see that in the 1960, manufactured goods were only 1 percent of the total exports of Peru.¹⁸⁰

6.5.3.2 The importance of FDI and its relation to authoritarian leadership in Peru

When we look at the development of the importance of FDI, we can observe that “By the end of the 1920s, foreign firms accounted for over 60 percent of Peru's exports.”¹⁸¹ And after the Great Depression of the 1930s, this “changed [...] by bringing new foreign investment to a halt and by driving down the prices of the products of foreign firms (chiefly copper) much further than those exported by Peruvian firms. That double effect brought the share of exports by foreign firms down

¹⁷⁶ Cf.: Mariátegui (1928): p.22ff.

¹⁷⁷ Cf.: Ibidem.

¹⁷⁸ Cf.: Hunefeldt (2004): p.60.

¹⁷⁹ Cf.: Ibidem, p.60ff.

¹⁸⁰ Cf.: Hudson (1993): p.142.

¹⁸¹ Ibidem: p.145.

to about 30 percent by the end of the 1940s.”¹⁸² In the postwar-era, FDI remained initially low. The reason for that is on the one hand the preoccupation of the investors of industrialized countries with rehabilitation and on the other hand the policy of the Peruvian populist government from 1945 to 1948.¹⁸³ The appreciation of foreign investors and FDI was – as mentioned earlier – particularly influenced by the Mining Code of 1950. After his Coup d'état in 1948, Manuel Arturo Odría Amoretti needed to fill the treasury to follow his populist course. By the Mining Code law, the Peruvian government offered a very favorable provision and tax advantages that quickly led to a tremendous upsurge of new foreign investment.¹⁸⁴ And at this point we can state a connection to the 1920s: Dictatorship seems to correlate with the promotion of FDI in Peru. As in the 1920s with Salcedo, Odrías repressive government turned to foreign investors for economic growth and its own advantages in the 1950s. This historic repetition culminated in an omnipresent public distrust of foreign firms.¹⁸⁵ As Peru depended upon the export of nitrates and agricultural products foreign capital played a big role. Elites profited from the system while peasants and indigenous people had to fear for their lands. Ongoing criticism of the exploitation and the system led to the formation of moderate and radical leftist groups like the left-center party and member of the Socialist International American Popular Revolutionary Alliance (APRA) in 1924, the Sendero Luminoso, officially the Communist Party of Peru in 1980, that unleashed the armed conflict till the 90s and the Tupac Amaru Revolutionary Movement (MRTA) as a leftist Peruvian terrorist organization in 1984. So, in the 1920s “Public opposition to foreign ownership focused particularly on the largest firms owning and exporting natural resources, above all in copper and petroleum”,¹⁸⁶ when Peruvian copper became more and more important and US-Companies invested buying nearly every copper mine in the country, or when Standard Oil did this with its investment in the oil sector.¹⁸⁷ We saw the same reactions with Odría in the 1950s and after that during the authoritarian regime of the Japanese-Peruvian President Alberto Fujimori after the 1992 Auto-Coup and the expansion of Sendero Luminoso and MRTA terrorist activities. After a short phase of protectionist approaches, Fernando Belaúnde Terry (in office: 1963-1968, 1980-1985) took office

¹⁸² Ibidem.

¹⁸³ Cf.: Ibidem.

¹⁸⁴ Cf.: Ibidem.

¹⁸⁵ Cf.: Ibidem.

¹⁸⁶ Ibidem.

¹⁸⁷ Cf.: Bulmer-Thomas (1989): p.14ff.

in 1963, and claimed that he would reopen the economy and realize the privatization of the oil sector, but he then delayed this question for years and finally backed away from this promise in 1968.¹⁸⁸ This provoked the military coup led by General Juan Velasco Alvarado (in office: 1968-1975). The Velasco government promptly nationalized the biggest oil companies and started a big campaign to restrict FDI.¹⁸⁹ But it was in the 1980s, that the deterioration of the economy and internal crises led many companies and international investors to withdraw and held FDI down to very moderate levels.¹⁹⁰ But then, in 1992, once again the economic policy of a quasi-dictator (Alberto Fujimori) focused on the implementation of neoliberal free-market concepts. Since his first legislative period, he was about to return to the open economy model, trying to establish welcoming conditions for foreign investment and providing in contrast to the control-oriented policies of the former governments of General Velasco and Alan García, a very favorable legal context for FDI.¹⁹¹ Although he came to stabilize the economic situation and allowed the reintegration of Peru in the international financial system and the privatization of state companies into foreign hands, he also caused massive layoffs of workers and employees, as well as the removal of protections of inefficient domestic industry, which led to its bankruptcy and high unemployment. On the one hand, he minimized union activity consequently and informal economic activity increased. On the other hand, the reduction of the state and liberalization of the economy encouraged foreign investment. As a result, in 1994, the Peruvian economy grew by 13%, despite the massive layoffs that occurred in this era.¹⁹² Finally, the protest against Fujimori's and foreign investors' changes in Peru's economic plan, culminated in 1997 by the takeover of the Japanese Ambassador's residence by the Marxist guerrilla group MRTA holding 83 hostages.¹⁹³ David Scott Palmer, a political science professor at Boston University claimed that this gave a "pause to the free marketers who have implemented economic liberalizations without a human face".¹⁹⁴ "As they restructure the economies of Latin America, governments have to provide resources for the disadvantaged, or they can expect more social unrest like what we are seeing in

¹⁸⁸ Cf.: Hudson (1993): p.152.

¹⁸⁹ Cf.: Ibidem.

¹⁹⁰ Cf.: Ibidem.

¹⁹¹ Cf.: Ibidem, p.145

¹⁹² Cf.: Sims (1996).

¹⁹³ Cf.: Ibidem.

¹⁹⁴ Ibidem.

Peru,”¹⁹⁵ Mr. Palmer said. The motivation of the rebels was the fight for an improvement of the economic conditions that in their opinion impoverished most Peruvians.¹⁹⁶ The most important result of liberal restoration of the 90s, according to the data analyzed in a study of Jiménez et al. from the Pontifical Catholic University of Peru (PUCP), is the development of a process that reduces the role of the industry in the economic growth.¹⁹⁷ The current industrial structure is very similar to that in the first years of import substitution. The industry has become more dependent on imports. The effect of openness on the propensities to import was exacerbated by the overvaluation of the currency that must also have led to an increase in the cost of Peruvian export products.¹⁹⁸ This is the reason for the relative stagnation of manufacturing exports. Investment in the manufacturing sector does not recover its historical values, but has a positive effect on labor productivity. However, this productivity growth is not reflected in gains in competitiveness. Part of this growth is due to the widespread practice of subcontracting.¹⁹⁹ The industry has also lost the capacity of job multiplication. In the 90s, there was still no clear process of generating comparative advantages, despite the cheapening of the cost of imported inputs and the relative low cost of labor.²⁰⁰ There was rather a strengthening of the traditional pattern of trade. Often characterized as a left wave President that stands for “soft nationalism” that permits state control over resources and focuses on poverty reduction,²⁰¹ Ollanta Humala as the actual and first indigenous President of Peru, recently deepened the bilateral relationship to the USA and keeps going with the open economy model, promoting FDI while holding on some populist actions. Peru’s economy is still mainly based on mining and mineral exports, agriculture and services. But as a shift one can state a surpassing of the USA as Peru’s former main trading partner by China, which is taking now some 17% of the country’s imports. Since the China and Peru free-trade Agreement of 2008, Chinese foreign investment is massively developing Peru’s primary export sector (focusing on ores like gold, silver and copper). Recently, China invested \$20 billion in Peruvian mining projects. This will set the country back in the second position among the world’s largest copper producers by 2016. In 2014, China Minmetals’ MMG bought Glencore’s Las Bambas

¹⁹⁵ Ibidem.

¹⁹⁶ Cf.: Ibidem.

¹⁹⁷ Cf.: Jiménez et al. (1998): p.77.

¹⁹⁸ Cf.: Ibidem.

¹⁹⁹ Cf.: Ibidem.

²⁰⁰ Cf.: Ibidem.

²⁰¹ Cf.: Nilsson/ Gustafsson (2012): p.257.

copper project for \$7 billion, Shougang Hierro Peru invested \$1.5 billion in ore mining in Marcona, and Jinzhao Mining's \$3.28 billion in the mine Pampa de Pongo. The recent rise of FDI, together with Peru's 19 trade agreements worldwide, including the U.S., MERCOSUR, China, Chile, Mexico, South Korea, Japan, Singapore, the EU and the Asia Pacific Economic Cooperation (APEC), are indicating at least another decade of primary export orientation. There is now a strong polarization between the proponents and opponents of this extractivist primary export oriented development model. Who opposes the extractivist raw-material orientation, will be declared often as enemy of an overall social development. This also restricts basic democratic and political participation rights. The democratic deficits manifest themselves in declining opportunities for participation at the local level while strengthening the central government and the presidential systems. This is often accompanied by an incapacitation of parliamentary actors. It is currently noticeable that the political and economic development strategies, but also concrete investment projects, are increasingly "top-down" decisions and often take place in cooperation with key economic actors (e.g. TNC's). Pretended majority rights are thereby often played off against minority rights. The extractivist projects are generally realized in relatively thin-populated areas that represent often the livelihood of indigenous peoples. But the revenues generated by the extractivist projects used to benefit mostly the urban population, even if this seems to have changed since the arisement of CSR and CC measures initiated by the operating Corporations (see 6.6.4). Accordingly profound is the assent to such a development path in the total population, while its opponents are often marginalized. The political leaders continue to legitimize their decisions through national and regional elections. However, the clash was getting increasingly harder. The preservation of power is still closely connected to the export outputs and the high, relatively uncontrolled revenues. Despite free elections, these revenues are earned on a very unhealthy base that threatens the preservation and development of democracy. Even if there is an ace in the hole as León Castro said in an interview, that the actual government of Peru noticed, that extractivism is insufficient as a tool for development and that there is a need to promote other sources of economic growth, employment and taxes.²⁰²

²⁰² Cf.: León Castro (2015): Interview.

6.5.3.3 Interim conclusion: ISI in Peru.

Summa summarum, we see historically a very inhomogeneous development of economic policy in Peru in the past century. We see phases with particular protectionism and ISI, then a reopening of economy after a Coup d'état, then again investment in manufacturing and protectionism and again the proclamation of free market and privatization. We saw Odría (1948 – 1950, 1950 – 1956) as promoter of the open economic model and populist, then Belaúnde Terry (1963 – 1968, 1980 – 1985) who tried to establish ISI and then Velasco Alvarado (1968 – 1975) who focused after his Coup d'état on the nationalization of core industries. The culmination of the insecure phases after Velasco Alvarado was García Pérez (1985 – 1990 and later 2006 – 2011) who led Peru in his first legislative period into a deep crisis and hyperinflation, which reached up to 7649% in 1990. Then, Fujimori (1990 – 2000) established a drastic neoliberal turn of the Peruvian economic policy that is, with reduced intensity, the base of Humalas (2011 – now) recent open economy model. Despite of the different politically and theoretically motivated policies we saw a continuity of primary export orientation as the *primum mobile* of the Peruvian economy. There has always been a left-right switch in politics that has led to this construction. Leftists such as APRA-near politicians (Alan García) were always more in favor of the establishment of the List-based Prebisch-Singer hypothesis whereas right-spectrum dictators mostly proclaimed the Ricardian Theory of free trade, foreign investment and the so-called open economy model propagating a primary export orientation. In terms of economic growth and importance of manufacturing in this growth, the period from 1960 to 1975, corresponds to the “Golden Age” of Peruvian import substitution. The decline and crisis of the substitution model can be put to the period from 1975 to 1990. While the liberal restoration with deindustrialization effects belongs to the period 1990 - 1996. But if we think of the role of the mining code of 1950 for the economic history of the country, we can see things from a new perspective: A “relative” type of import substitution that focused on the partial substitution of the local production with the final goal of positive terms of trade and a reduction of imported goods influenced by political intervention on economic processes was given in the 1960s, but Peru was far away from the “absolute” type of ISI that can be characterized by the absolute substitution of specific imported goods by the domestic production. The economy has always been (even in the “Golden Age” of ISI) open to foreign capital and income growth has always been more based

on primary exports, whose composition changed in favor of mining products with the enactment of the mining code. Only when the profitability of investments in traditional export sectors began to shrink and export-dependent economy was in crisis as a result of price instability in foreign markets (1953-1954, 1957-1958), the ruling elite and powerful groups introduced some policies to promote the particular development of manufacturing. Finally, this leads to the statement that ISI was not a homogeneous Latin American phenomenon. A full establishment of the Prebisch-Singer hypothesis was not given in Peru and the only attempt to follow ISI was in the 1960s. But Peruvian elites have never followed this policy seriously for a long term, and the continuity of the open economic model and primary exportation became evident. All protectionist attempts and the attempts to develop and protect infant industries, import substitution and investment in manufacturing did not work out. This is because of the absence of a politically stable economic development model and the absence of long-term investment in (infant-)industries and manufacturing. Therefore, the absence of comparative advantages in the home-market orientated industries opened the way for repressive governments to propagate the necessity of FDI and primary export orientation, exploiting the ore-richness of the country as a *natural* comparative advantage (referring to the Ricardian-Model). Thinking of the Regulation School, three phases of historical accumulation regimes are now imaginable. A first phase of world market integration and an extensive, externally oriented raw-material based regime can be stated from the independence till the appearance of ISI in Peru (ca. 1830 - 1960's). The ISI regime (1960 – 1980) is to be characterized as intensive, domestic market oriented, monitoring financial markets and core industries but leading to a big recession. A second phase of world market integration as reaction to the crisis of the 1980's can be stated from 1990 till now. This accumulation regime led to significant growth based on reprimarization and an extensive external oriented raw-material based political economy. In some Latin American economies, the already mentioned “neoextractivism” was developed at this stage. The “neo” in neoextractivism describes the new phenomenon of the usage of the economic rents for social policy measures. As we will see later (see 6.6.2f.), even if Peru is not characterized as a classical neoextractivist state, there are significant allocations due to the revenues of the extractivist model to realize social policy measures by the state *and* by private actors. This reinforces the hypothesis, that there is actually nothing

“neo” about neoextractivism, as extractivist actions always need the usage of a certain material substrate for the affected masses, in terms of their legitimization.

6.6 “Fujishock”, liberalization, conflicts and redistribution in Peru (~1980 – now)

6.6.1 “Washington Consensus”: The end of ISI and the promotion of supply-side policy, free trade and export-oriented economic policies (1982-1990)

The model of ISI peaked in the 1960s and 1970s, as many Latin American countries borrowed large sums of capital from international lenders, to promote the ISI. Due to the excellent growth of Latin American economies, the creditors were always ready to set new credits available. However, the total amount of outstanding accounts from commercial banks towards Latin America exceeded in 1982 significantly and led to the Latin American debt crisis; the so-called “lost decade”. There was a transition from the conventional internal market oriented, state-led development model to a new framework that aimed at the world market integration with regulation through the market. The “Washington Consensus”, propagated by the IMF and the World Bank in times of the hegemonic economic position of the United States, led in the early 1980s to a far-reaching opening of important economic sectors in Latin America, in which a series of Structural Adjustment Programs (SAPs) enforced liberalization and privatization. In the wake of SAPs, the first multinational companies appeared which were and are mainly active in the primary product sector of the Latin American economies. Galeano argues, that multinational does not mean in this case that companies belong to the many countries in which they operate, but simply that they let a large amount of oil- and dollar-currents flow from all of their operating countries into the capitalist power centers.²⁰³ Above all, the United States had to cover their increasing demand for raw materials and strategic minerals that were necessary for their military security during the Cold War. The aim of this North American expansion was the raw material rich regions in Latin America.²⁰⁴ After the debt crisis and the increasing globalization under neoliberal signs and under the influence of the USA, the extractivist dominated Latin American economies did not change too much. With continuous hegemonic position of the USA, the companies turned increasingly transnational and the capital as well as the state also internationalized themselves.

²⁰³ Cf.: Galeano (1985): p.182.

²⁰⁴ Cf.: Ibidem, p.157 f.

However, these did not turn out to be a separate phase of extractivism with modified terms.

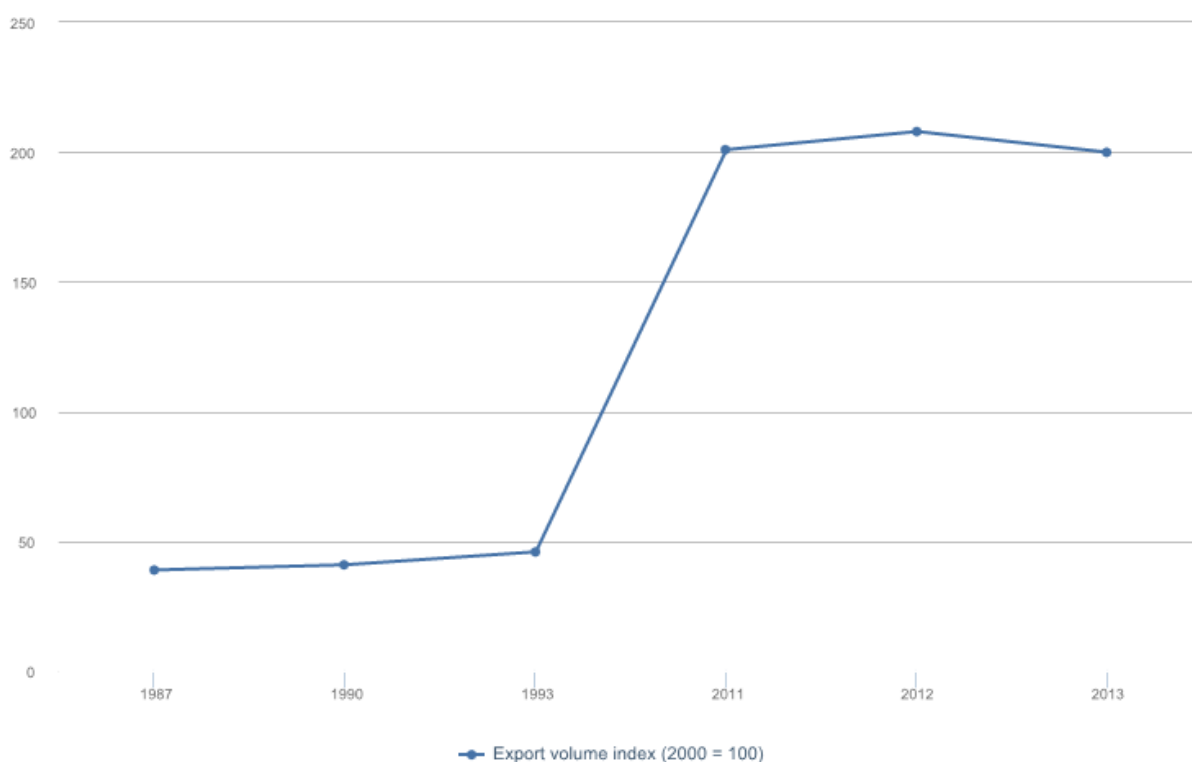
6.6.2 Humala and the “great transformation of Peru”

It has only been since the new legislature of Ollanta Humala, that it comes to first significant efforts of redistribution in the wake of the Reprimarization. The Governments of years before, from Alberto Fujimori to Alan García, are clearly attributable to the conservative-liberal spectrum. But what has changed with Humala? Although the political course no longer follows the comprehensive neoliberal market opening, the promised “great transformation of Peru” has failed. While the unemployment could be reduced from 9.6 percent in 2005 to less than 6 percent in 2014 and the implementation of social programs contributed to a sparse redistribution, market-oriented economic policies remain.²⁰⁵ Especially rural areas continue to be characterized by high poverty rates and look more towards an expansion of extractive industries that threatens their habitat and modes of production, instead of promoting social inclusion and far-reaching reforms. Primarily in the mining sector there is only little change of the dominant structure. Humala is not defaming mining opponents as “eco-terrorists and infantile leftists”, as his predecessor did, but he remains committed to the expansion and intensification of the mining sector and the oil industry. But the enforcement of these economic policies is realized under different conditions. Thus, the Humala government is looking for the dialogue with the social movements, and shows a greater tolerance to the mining critics compared to the previous governments. Nevertheless, the number of socio-ecological conflicts has increased since the inauguration of Humala.

²⁰⁵ Cf.: IMF (2014).

6.6.3 Primary export orientation, export- and import structure and its implications

Chart 4: Development of the export volume index in Peru (1987 - 2013)



Source: World Development Indicators (n.d.). Country: Peru.

Chart 4 shows us that the export volume index²⁰⁶ from 1993 till 2011 tripled and kept this level after. This is caused by Fujimori's liberalization policy and the establishment of a raw material based export oriented regime. This led to a heavy dependence on the export of metals and minerals and import of food that makes the economy very dependent on the global fluctuation of prices, while China and the USA are Peru's

²⁰⁶ Export volume indexes are derived from UNCTAD's volume index series and are the ratio of the export value indexes to the corresponding unit value indexes. Unit value indexes are based on data reported by countries that demonstrate consistency under UNCTAD quality controls, supplemented by UNCTAD's estimates using the previous year's trade values at the Standard International Trade Classification three-digit level as weights. To improve data coverage, especially for the latest periods, UNCTAD constructs a set of average prices indexes at the three-digit product classification of the Standard International Trade Classification revision 3 using UNCTAD's Commodity Price Statistics, international and national sources, and UNCTAD secretariat estimates and calculates unit value indexes at the country level using the current year's trade values as weights. For economies for which UNCTAD does not publish data, the export volume indexes (lines 72) in the IMF's International Financial Statistics are used (definition of World Bank).

biggest trading partners.²⁰⁷ According to the World Bank, it is the fifth country with the highest export growth, while between 2000 and 2008 approximately 62 percent of exports corresponded to the mining sector.²⁰⁸ Main exports are copper, gold, zinc, textiles and fish products.²⁰⁹ In recent years, there has been a process of industrialization of agricultural products (agrobusiness) and diversification of exports.²¹⁰ In the period from 2006 to 2012 the number of exporting companies increased from 6505 to 8135 which represents a growth of 25 percent.²¹¹ The broader establishment of agribusiness has not led to a decline of food imports, as products are destined for the export market.²¹² A look at the relation of real exportation and importation shows that while real exportation reached an average level of approximately 14 thousands of million US-Dollar, imports has kept expanding since 2002.

Chart 5: Real exportation and importation (in thousands of million US-Dollar)

Export				
2002	2005	2008	2011	2014
7	11	13	15	14
Import				
2002	2005	2008	2011	2014
6	10	19	24	28

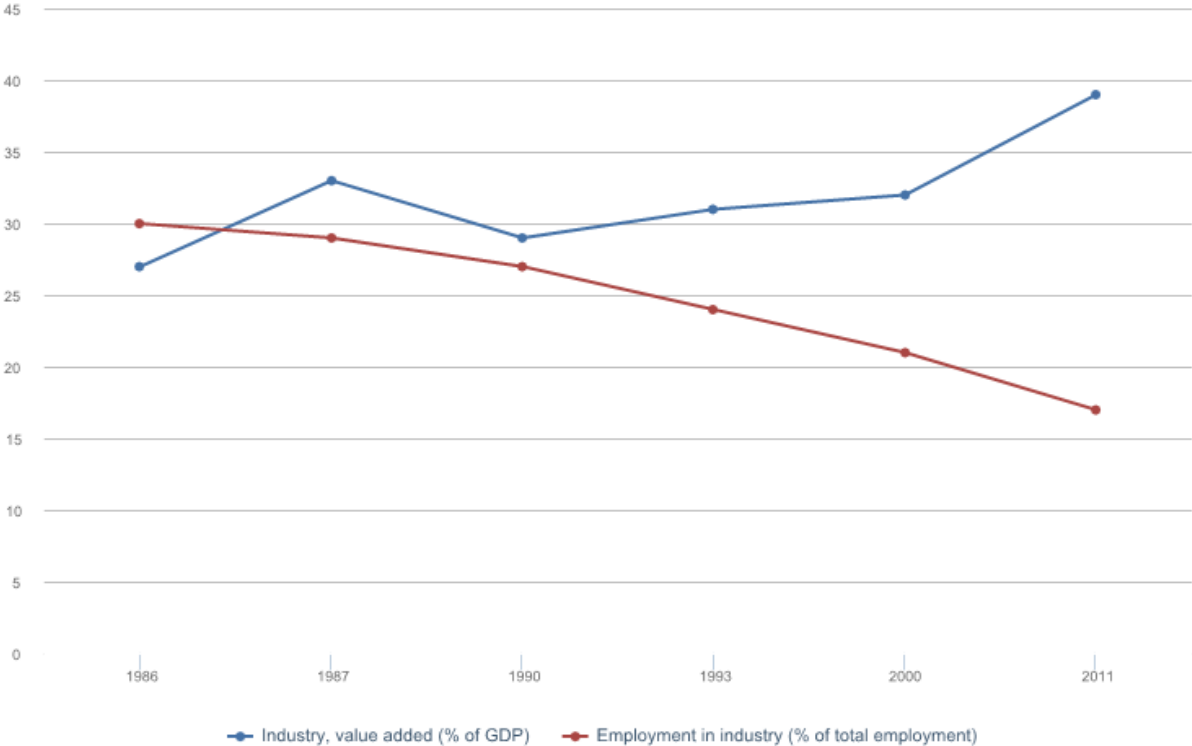
Source of the data: INEI (2003) / INEI (2014).

Chart 5 shows us a clear trade deficit that increased over the last decade.²¹³ This deficit was accompanied by very marginal redistribution approaches (Gini-coefficient stagnated over the last decade on about 0.46)²¹⁴ and little investment in processing industries, despite the octuplication of FDI from 1990 to 1994 that affected mainly the mining sector.²¹⁵ Although Peru’s economy stagnated in the last years of the “golden Age“ of import substitution, “between 1971 and 1981, growing less than one percent on average, the income of the poor in Peru increased by

²⁰⁷ Cf.: CIA (n.d.).
²⁰⁸ Cf.: Ministerio de Comercio Exterior y Turismo del Perú (2008).
²⁰⁹ Cf.: INEI (2014).
²¹⁰ Cf.: Ibidem.
²¹¹ Cf.: Ministerio de Comercio Exterior y Turismo del Perú (2008).
²¹² Cf.: CIA (n.d.).
²¹³ Cf.: World Development Indicators (n.d.).
²¹⁴ Cf.: Ibidem.
²¹⁵ Cf.: Ibidem.

more than eight percent per year over that time as peasants benefited from land reform and other redistributive policies.²¹⁶ Whereas in times of economic prosperity (e.g. 2005 – 2008), the income share held by the lowest 20 percent²¹⁷ stagnated.²¹⁸

Chart 6: Development of the Peruvian industry compared to the employment in industry



Source: World Development Indicators (n.d.). Country: Peru.

Chart 6 shows the employment in industry in percent of total employment and the industry, value added²¹⁹ in percent of the GDP. We see a continuous decline of employment in industry in proportion to the total employment, whereas the industry output in percentage of the GDP has been continuously growing since 1990. The

²¹⁶ Donaldson (2005): p.7.
²¹⁷ Percentage share of income or consumption is the share that accrues to subgroups of population indicated by deciles or quintiles (definition of World Bank).
²¹⁸ Cf.: World Development Indicators (n.d.).
²¹⁹ Industry corresponds to ISIC divisions 10-45 and includes manufacturing (ISIC divisions 15-37). It comprises value added in mining, manufacturing (also reported as a separate subgroup), construction, electricity, water, and gas. Value added is the net output of a sector after adding up all outputs and subtracting intermediate inputs. It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. The origin of value added is determined by the International Standard Industrial Classification (ISIC), revision 3 (definition of World Bank).

shrinkage of the industry output after 1987 is caused by the culmination of the insecure phases after Alan García Pérez' (1985 – 1990) government that led Peru into a deep crisis and hyperinflation which reached up to 7649 percent in 1990. As mentioned earlier, Fujimori (1990 – 2000), then, established a drastic neoliberal turn of the Peruvian economic policy that is the base of Humalas (2011 – now) recent open economy model. Employment in agriculture grew from 1 to 33 percent (2000 - 2005), while in the same period employment in services dropped from 78 to 53 percent of total employment and held that level till now.²²⁰ Over the last decade, the level of 73 percent of employment to population ratio was constant.²²¹ The inverse relationship between a high industry output and lower employment in industry is caused by Peru's specialization on raw material extraction by mining, petroleum- and agribusiness; industries that are deeply affected by technological investments (and machinery imports²²²) dramatically increase productivity without demanding more employment. In the past years, "agricultural mechanization in Peru has led a demand increase of agricultural machinery. At the same time, the government has declared the import tariff of agriculture equipments, like tractors, harvester machines etc has been reduced from 4% to 0%, which greatly helps the agriculture equipment import trade. According to the relevant statistics, the imported amount of farm machines in 2011 is 1851 sets, accounting for 40.1 million dollars."²²³ From 2012 till 2013, "Peruvian imports from Germany grew by 13.4 per cent, from USD 716.6 million to USD 813 million. This was mainly due to an increase in imports of machinery and capital goods."²²⁴ The same development can be observed referring to Canada, the value of Canada's machinery exports to Peru grew from 8.9 million in 2006 to 18.8 million US-dollar in 2011.²²⁵ INEI data also indicates that the overall import of agriculture equipment, heavy machinery, construction equipment and heavy-duty trucks grew notably over the past decade.²²⁶ Overall imports of capital goods and building materials rose from 240 million US-dollar in 2005 to 990 million US-dollar in 2014.²²⁷ The increased productivity due to machinery import also led to an increasement of mineral rents. In 1986, they represented 6 percent, in 1993, at the

²²⁰ Cf.: World Development Indicators (n.d.).

²²¹ Cf.: Ibidem.

²²² Cf.: INEI (2014/2011/2009/2006) / Ministerio de Comercio Exterior y Turismo del Perú (2008).

²²³ Amisy (n.d.).

²²⁴ Federal Foreign Office of Germany (2015).

²²⁵ Cf.: Gauthier (2012): p.2.

²²⁶ Cf.: INEI (2014/2011/2009/2006) / Ministerio de Comercio Exterior y Turismo del Perú (2008).

²²⁷ Cf.: INEI (2014a): p.10.

beginning of the Fujimori-era 0 percent, and in 2011, mineral rents rose up to 11 percent of Peru's GDP.²²⁸ In the same period, total natural resources rents nearly twelvefolded.²²⁹

6.6.4 Redistribution and (neo-)extractivism as “new” approaches of extractivism in Latin America and its implications for Peru

Due to the exorbitant increasement of mineral rents in Peru, accompanied by a disproportional stagnation of employment in industry (see 6.6.1), the idea about redistribution of mineral rents suggested itself. Eduardo Gudynas coined the concept of neoextractivism in 2009.²³⁰ Within the critical Latin American debate neoextractivism is seen as a development model, that is both based on and covering certain socio-economic, political and cultural structures, including the integration into the world market, class structures, development *dispositifs* and the structure of the state or the orientation of national policies.²³¹ Various circumstances accompanied the arisement of the so-called “neo”-extractivism from about 1980 and intensified in the mid-1990s.²³² On the one hand, as part of the “left-turn” in Latin America of the 21st century, the widespread model of extractivism changed radically. In these terms, neoextractivism refers to a new form of extractivism, which is characterized by a new, more active role of the state. On the other hand, the demand for primary goods in the old industrial countries and China grew during this period in exorbitant dimensions. While Peru was not as affected by nationalization approaches as many other countries in the region rising exports and the production for the world market led to an increasement of commodity prices. This construction led (according to the Ricardian Theory) to a renewed promotion of the extraction of primary goods (the so-called reprimarization) and the export and produticon for the world market in the country (see 6.4f.). The raw material policy is defined by access to and control over resources; in many Latin American countries it came to the nationalization of core industries and the promotion of redistributive policies (infrastructure projects and social activities), funded by the natural resource rents at the expense of biodiversity and large parts of the indigenous population.

²²⁸ Cf.: World Development Indicators (n.d.).

²²⁹ Cf.: Ibidem.

²³⁰ Cf.: Gudynas (2009).

²³¹ Cf.: Brand/Dietz (2013): p.7.

²³² Cf.: Gudynas (2009).

6.6.5 Redistribution via “Canon”

In Peru, as a state that does not commit itself on neoextractivism, we can locate nevertheless particular neoextractivist approaches on two dimensions: On a governmental (*ley de canon*) and a private (CSR and CC) sphere. According to Peruvian law, the *Canon* is the effective and adequate participation of the total income obtained by the State by economic exploitation of mineral resources (metallic and nonmetallic) received by local governments (provincial and district municipalities) and the regional governments.²³³ After the collection of income tax, the state (through the *Secretaría de Descentralización de la Presidencia del Consejo de Ministros* (engl.: Decentralization Secretariat of the Presidency of the Council of Ministers) (PCM)) transfers a percentage of revenues captured by the concept to areas where mineral resources are exploited.²³⁴ In Peru, this mode of redistribution can be estimated as highly inefficient. For example in 2011, the execution of the funds transferred by monthly fees to the regional and local governments and universities was only 60 percent, that means 6.514 Soles (S/.) were unspent. The report “Distribution and Use of the Canon”, elaborated by the General Comptroller of the Republic (*Contraloría General de la República*) states that those regions where the highest rates of poverty are, are the ones that hold least investment in infrastructure and sanitation.²³⁵ Furthermore it is stated that there are twelve regional governments that have used less than 60 percent of the Canon.²³⁶ Among them are Puno, Tacna, Amazonas, Apurímac, Piura, Ica and Ayacucho. But it is likewise with provincial municipalities. For example, Hualgayoc-Bambamarca (in the region of Cajamarca, the home of one of the biggest gold mines of the world) used only 14 percent; Tacna and Ilo, 37 percent, and Espinar (Cusco), 39 percent.²³⁷ The report shows that some regional and local governments have not prioritized investment projects that impact the quality of life of the population. Furthermore they were investing more in recreation projects. For example, Cerro Colorado (Arequipa) received 59 million Soles (S/.), of which 22 percent were used for sports infrastructure, 8 percent for education and only 5 percent for sanitation.²³⁸ It is proposed that the Peruvian congress should revise the rules relating to the distribution of the money so that it can

²³³ Cf.: RedLieds (n.d.): p.1-2.

²³⁴ Cf.: Ibidem.

²³⁵ Cf.: CGR (2012).

²³⁶ Cf.: Ibidem.

²³⁷ Cf.: Ibidem, p.14f.

²³⁸ Cf.: Ibidem, p.16.

be used to benefit the people by cutting out its use for luxuries.²³⁹ The Comptroller identified 166 million Soles (S/.) of Canon intended for payrolls, which is illegal. In addition, between January and May 2011, Perupetro transferred 1.319 million Soles (S/.) sobre canon Canon and hydrocarbons.²⁴⁰ Summing up, it is possible to state the dispersal of rules on the use of Canon brings opportunities for corruption and inefficiency in spending. Until today, there is no effective monitoring system allowing the use of financial resources canon. The report of the Comptroller proved the low level of the realization and implementation of investment through the funds of the Canon (60%).²⁴¹ Furthermore, a weakness in administrative and financial management is evidenced, affecting the regional development. There are 6.514 million Soles (S/.) of Canon and other income not used in works to eliminate the unmet needs of the population and simultaneously, there is neither public information about the use of the Canon nor of the unused funds.²⁴² Eduardo Gudynas, researcher of the Latin American Centre for Social Ecology (Centro Latinoamericano de Ecología Social, CLAES), claims in an interview that the principal objective for a development strategy should be first of all to guarantee a sustainable level of welfare (a source livelihood, health, education, i.a.) for the people living in the Andean regions, as they paradoxically represent the lowest income quintile while living in a region, where traditionally the biggest amount of economic rent for the Canon is generated through the region's ore-richness.²⁴³ The situation is even more precarious because the researchers identified entities that have invested resources out of the Canon in purposes unauthorized by law in the amount of 166 million Soles (S/.).²⁴⁴ As these numbers indicate, the Canon has been a very inefficient mode of redistribution. When we take a look in the presence of the program, the Canon is still meeting with a lot of criticism. Yet in 2014, the National Society of Mining, Petroleum and Energy (Sociedad Nacional de Minería, Petróleo y Energía, SNMPE) said it is necessary to analyze and clearly define the priorities in the allocation of resources from the Canon.²⁴⁵ Carlos Soria Dall'Orso, economist and lawyer, expert for environmental questions and member of the Pontifical Catholic University of Peru (PUCP), claimed in an interview, that the Peruvian state is not designed to

²³⁹ Cf.: Ibidem, p.20.

²⁴⁰ Cf.: Ibidem.

²⁴¹ Cf.: Ibidem.

²⁴² Cf.: Ibidem.

²⁴³ Cf.: Gudynas (2010): Interview.

²⁴⁴ Cf.: Ibidem.

²⁴⁵ Cf.: SNMPE (2014).

redistribute resources. The Peruvian state is rather designed to manage budgets. It is designed to manage a budget but in reality what happens is that the state is often busy with other things (e.g. due to the confrontation to corruption or other tasks) before directing the development of a region. This is why there is an enormous amount of resources by regional governments e.g. in Cajamarca but these do not reach the communities. So there is no access to these resources due to administrative barriers.²⁴⁶ Another problem, Soria continues, is in the analytical framework in terms of time. An investment project (e.g. in the mining industry) is thinking about its development in 30-40 years while regional municipalities are thinking only within two or three years in advance.²⁴⁷ The regional municipalities do not have an exhaustive and sustainable development plan for the regions that is coordinated with the economic key actors. Furthermore, the environmental impact studies about certain investment projects should serve as opportunities for creating space for the revision of the future development of landscapes instead of serving for just a single project.²⁴⁸

6.6.6 The role of CSR and CC in Peru.

In an assessment of the competitiveness and health of Peru's mining industry by McKinsey&Company²⁴⁹ it is stated that even if Peru is a leader in large numbers of metals, with grades similar to the world average, and even if Peru holds comparative advantages in its cost competitiveness (especially due to low energy prices) and legal constitutions for entrepreneurs, "The social area [...] [is where] one encounters the biggest bottleneck to development in mining, and hence, in the country".²⁵⁰ The paper propagates "modern mining [as a tool to] place the mining industry in a position where it becomes a source of pride for the country rather than a potential source of conflict".²⁵¹ McKinsey&Company emphasizes the importance of CSR measures and intelligent communication strategies to generate a relationship of trust between Peru's society and the mining companies. But as there is no public information about the use of the Canon (see previous point), McKinsey&Company is also stating a "perceived lack of transparency concerning activities and plans, which creates

²⁴⁶ Cf.: Soria Dall'Orso (2015): Interview.

²⁴⁷ Cf.: Ibidem.

²⁴⁸ Cf.: Ibidem.

²⁴⁹ Cf.: McKinsey&Company (2013).

²⁵⁰ Ibidem, p.6.

²⁵¹ Ibidem.

mistrust”²⁵² referring to the mining companies’ social activities. There are two reasons why the case of Newmont Mining’s activities in the region of Cajamarca, Peru has been chosen under this subitem to explore whether or not the companies’ CSR measures contributed to local sustainable development. Firstly, the Yanacocha mine is the biggest mining project in Peru and the mining industry is generally one of the most criticized. On the one hand, this is due to its poor social and environmental performance and on the other hand it is due to its historical failure to transfer the accumulated benefits and rents to the communities in which its operations take place. One can see Newmont Mining as a pioneer of CSR and CC measures in the region as it is one of the first mining companies that have begun to address these concerns (especially in Peru and Bolivia). Secondly, the various corporate foundations set up by Newmont²⁵³ have been praised for contributing to both regional developments in economical as in human aspects.²⁵⁴ However, while the company guarantees their stakeholders a “Conflict-Free Gold Standard” and that its foundations contribute to the development of the regional communities,²⁵⁵ very few considerations have currently been given to whether the promoted socio-economic development continues on long terms once the finite mineral resources are consumed. The timing of this question is particularly apt as the production began to fall in 2006 in Newmont’s biggest mine in Peru (Yanacocha), and the company is in the process of addressing this issue.²⁵⁶ Between 1993 and 2004, Newmont (and Minera Yanacocha) paid more than 600 million US dollars in income tax and 238 million US dollars in royalties to the Peruvian central government.²⁵⁷ “However, despite the millions of dollars generated from the mines between 1993 and 2000, Cajamarca dropped from 21st to 23rd spot out of Peru’s twenty-five regions in terms of human development.”²⁵⁸ As one of the country’s poorest departments is the homeland of the most profitable gold mine in the world, some tension and conflicts between the two main actors in the region (the TNC and the local communities) arose.²⁵⁹ The Minera Yanacocha has its CSR activities basically organized in two different initiatives, first, in its Community Relations and its Social Development department, second, in its

²⁵² Ibidem, p.39.

²⁵³ Cf.: Minería Yanacocha (n.d.).

²⁵⁴ Cf.: Loayza, et al. (2001), Guiterrez / Jones (2005), Pasco-Font, et al. (2001).

²⁵⁵ Cf.: Newmont Mining (n.d.).

²⁵⁶ Cf.: Brown / Mackenize (2007): p.37.

²⁵⁷ Cf.: Whellams (2007): p.52.

²⁵⁸ Ibidem.

²⁵⁹ Cf.: Ibidem, p.53.

corporate foundation ALAC (La Asociacion Los Andes de Cajamarca). Activities of the former concentrate primarily in communities surrounding the mines of Newmont,²⁶⁰ whereas the corporate foundation finances different projects in every district of the Cajamarca-region. The projects of the Community Relations and Social Development department can generally be classified as approaches in the infrastructure-, health-, education-, economy- and rural development sector. A measure that is particularly worthy of mention is the Original Landowner's Program. After many landowners argued that the corporation paid inadequate prices for their land and a series of protests against the compensational payments of Newmont for the de-facto expropriation in the region arose, the program was initiated in 2001 to quiet the minds. It was an effort to "improve the quality of life of the original landowners and their families by providing them with temporary employment at the mine, improving their occupational skills, supporting their higher education, providing them with basic health and sanitary services, improving their housing conditions, and providing support to their families in the event of an emergency (such as death or natural disaster)."²⁶¹ But the tension between the company and the local communities arose again in 2004 when Newmont and Minera Yanacocha announced the plans to exploit mineral reserves on the "holy" mountain Cerro Quilish.²⁶²

"Following days of protest and demonstration, the company requested that the Peruvian Ministry of Energy and Mines annul the company's exploration permit for Cerro Quilish. According to Ricardo Morel, Manager of Yanacocha's Community Relations and Social Development department, Yanacocha learned an important lesson from the conflict over Quilish: the company needs to listen more to its neighboring communities. [...] Quilish represented a turning point in the way Minera Yanacocha viewed its social responsibilities. The company realized that although it may have been operating legally, it was not operating legitimately in the eyes of the community members. This legitimacy is what may refer to as a company's 'social license to operate'."²⁶³

The ALAC foundations' projects, initiated in 2004, then focused on the capitalization of competitive advantages as well as on job creation in the Cajamarca region.²⁶⁴

²⁶⁰ Which means that the primary targets of the CSR activities are: Baños del Inca, La Encanada, Tumbaden and Bambamarca.

²⁶¹ Whellams (2007): p.56.

²⁶² Cf.: Ibidem, p.53.

²⁶³ Ibidem.

²⁶⁴ Cf.: Ibidem, p.56.

Primarily, the foundation finances projects that try to lead to an improvement of the performances and efficiency of local businesses.²⁶⁵ After checking certain requirements and conditions for the financial support (ALAC supports reliable projects that seek counterparts in Peru as well as existing NGO projects, businesses and development organizations),²⁶⁶ ALAC allocates the money (about one million Soles (S/)) to support between two and four projects each year. The regional healthcare projects of Minera Yanacocha are to be seen as ambipolar. On the one hand, the company is contaminating groundwater reserves in the region²⁶⁷ and on the other hand, it installed a large number of sanitation facilities and sewer systems.²⁶⁸ It seems ironic but especially these healthcare projects are representative for the illness of the existent structure in terms of economic sustainability in Cajamarca: They show us an abstruse ambivalent nature of extractivist businesses. As the company builds and supplies health centers and very large and well-equipped hospitals whose number of beds far exceed the community's needs, and "that focus on treating illnesses rather than helping prevent them",²⁶⁹ it redirects its negative outcomes into the economic cycle of the private health care system, while acting responsible. Extractivism is not questioned, but *greenwashed*.²⁷⁰ Even if, over the past years the company's development initiatives through CSR and CC have been intensified and turned out towards more efficient planned projects focusing a real sustainable development, and even if many of company's CSR projects had verifiable positive economic impacts,²⁷¹ it is still to expound the problems of the so-called "self-interest assumption". Banerjee argues that the self-interest assumption leads to a free rider scenario where a corporation will not typically take the socially responsible course of its actions unless they are conform to their profitability criteria.²⁷² Furthermore, Banerjee sees this view reflected in the "CSR is good for business" refrain heard from many CEOs, government officials, NGOs and the like.²⁷³ And as Dahl asked: "Why should [corporate, note CFBL] citizens, through *their* government,

²⁶⁵ Cf.: Ibidem, p.56-57.

²⁶⁶ Cf.: Ibidem, p.57.

²⁶⁷ In this context, the Mercury-accident of Choropampa (in the region Cajamarca) in the year 2000 is worthy of mention. See the documentary of Cabellos / Boyd (2002), with the title "Choropampa, El Precio del Oro".

²⁶⁸ Cf.: Whellams (2007): p.62.

²⁶⁹ Cf.: Ibidem, p.63.

²⁷⁰ After the Oxford English Dictionary, "greenwash" is a „disinformation disseminated by an organization so as to present an environmentally responsible public image“.

²⁷¹ Cf.: Whellams (2007): p.61-67.

²⁷² Cf.: Banerjee (2008): p.58.

²⁷³ Cf.: Ibidem.

grant special rights, powers, privileges, and protections to any firm except on the understanding that its activities are to fulfill *their* purposes?”²⁷⁴ It seems that in a democratic and capitalistic legal environment, “competitive pressures and market demand and supply become the only key drivers of corporate behavior”,²⁷⁵ leading to a situation that eclipses the importance of political lobbying and puts civil society engagement forward. After a 200-year history of particularly political lobbying, corporations understood the importance of a material substrate to legitimate their mode of production and to preserve a social license to operate. Some critics assume that the company’s projects in the region of Cajamarca are too piecemeal, too isolated and not associated enough to the government’s regional development plan. This casts a damning light on Newmonts CSR, as their projects can be seen as paternalistic, leading to a deep satellization. The corporation is developing its own development plan for the region and decides independently whether it supports or finances certain projects or not. This leads to a specific clientelism that strengthens not only the company’s economical but furthermore its political impact in the region. As Carlos Soria said in an interview, that the miners turn out to be the local ‘Caciques’²⁷⁶ of the areas they operate in.²⁷⁷ The company turns into a “state in the state” and “if they [the local population, note CFBL] wanted a new medical centre or school built in their community they would ask for funding from Minera Yanacocha rather than from the local government because the government was too bureaucratic and generally ignored the community’s demands.”²⁷⁸ From a critical perspective, with consideration of a self-interest assumption,²⁷⁹ even the focus on education and teacher training,²⁸⁰ or especially Newmonts Program for the Formation of Young Entrepreneurs in Cajamarca²⁸¹ as well as the Center of Innovative Jewelry Technology – CITE Koriwasi²⁸² can be seen as a measure of infiltration of the education sector in terms of guaranteeing the ideological reproduction of the hegemonic structure of finance capital elites. As the Corporation is “teaching students what it takes to be successful personally and in business in a free-market

²⁷⁴ Dahl (1973), cited in Banerjee (2008): p.57.

²⁷⁵ Banerjee (2008): p.58.

²⁷⁶ ‘Cacique’ is a title for the leaders of indigenous groups.

²⁷⁷ Cf.: Soria Dall’Orso (2015): Interview.

²⁷⁸ Whellams (2007): p.66-67.

²⁷⁹ Cf.: Banerjee (2008): p.58.

²⁸⁰ Cf.: Whellams (2007): p.55.

²⁸¹ Cf.: Ibidem, p.58.

²⁸² Cf.: Ibidem.

economy”,²⁸³ as well as it seeks to “generate and strengthen local skills in design, production, and trading of gold and silver”,²⁸⁴ it tries do widen the followership of the usufructuaries of an open extractivist economy. Banerjee even problematizes the popular notion of organizational stakeholders and argues that the traditional stakeholder theory basically represents a form of “stakeholder colonialism” that serves to regulate the stakeholders’ behavior.²⁸⁵ This approach, represented the companies, is biased. The companies actually define who qualifies as a stakeholder. And they neither recognize the self-declaring stakeholders nor the complexity, ambiguity, and the dynamics within the marginalized stakeholders (local (Indigenous) communities – in this context).

“Discourses of stakeholder capitalism, CSR, sustainable development and, more recently, community engagement may be seen as strategic responses to perceived threats to corporate autonomy [...] Mineral companies perpetuate their right to operate on indigenous land by 'engaging,' rather than ignoring, local Indigenous people.”²⁸⁶

In addition to this discourse, Camilo León Castro sociologist and anthropologist, director of the Clinton Giustra Initiative for Sustainable Development and former Community Relations Advisor of the Ministry of Energy and Mines of Peru, points out in an interview, that CSR and CC measures in Peru are insufficient, because many companies maintain a double standard of intervention. He argues, when the CC and CSR do not allow the project to move forward, many companies are turning back to their old patterns of exploitation, where corruption relations with authorities and violation of human rights appear directly or through local law enforcement paid by the company. Furthermore, he claims that pollution events and accidents also appear in companies with high international standards and approved Environmental Impact Studies. A fundamental problem of CC and CSR measures is, he continues, that they do not have valid tools of punishment. There are some mechanisms for monitoring these standards (like the Global Reporting Initiative (GRI)), but no significant fines or reputational sanctions for their noncompliance. Companies like Newmont and the Minera Yanacocha, which have various accusations of violation of human rights and pollution, all have approved the GRI and the World Bank as a minority partner

²⁸³ Ibidem.

²⁸⁴ Ibidem.

²⁸⁵ Cf.: Banerjee (2008): p.53.

²⁸⁶ Parent / Cappellet (2015): p.407.

(through the IFC) is endorsing this behavior.²⁸⁷ Soria objects in addition, that these environmental impact studies about certain investment projects should serve as opportunities for creating space for the revision of the future development of landscapes instead of serving for just a single project, in order to create comprehensive sustainable development.²⁸⁸

6.7 Recent trends in Peru: Regional integration and environmental issues on the political agenda

The previous points indicated that issues around the extractivist reality in Peru are very political and very ideologically charged, behind everything there is great interest by various actors and a huge concentration of power. The current accumulation of successful protests and mobilisations against the exploitation of the “open veins of Latin America” (Galeano) are an expression of the fragility of the hegemonic structure of the present extractivist development model and also reflect the demand for a sustainable economic model. Even if the measures of regulation in order to back the accumulation regime are getting more and more far-reaching, the extractivist development model is losing its legitimacy due to associated impacts on the environment. As observed, the material substrate represents a fundamental part of the regulation mode (MR) controlled by the state and large corporations. It determines a central condition for the existence of the predominant accumulation regime (AR), its legitimacy. But successful protests and mobilisations against the raw-material extraction all over Latin America indicate the fragility of the hegemonic structure and its legitimacy. And indeed there are many examples for successful protests in the region. Totoral (in Chile) was practicing resistance against MPX and E.ON, a joint Brazilian-German venture, stopping the construction of the largest coal power plant in Latin America (Castilla), including the harbor. The “campesinos” of Cajamarca (Peru) organized themselves against Newmont and stopped the construction of one of the largest gold mining projects in the world (CONGA), next to the existing mine (Yanacocha), for at least two years. In Bolivia, the construction of a planned highway through the TIPNIS National Park was stopped in 2011 due to protests, but continued in 2012. In Archipelago (Colombia) were plans for oil production prevented and in Intag (Ecuador) the mining project Los Mandariyacos

²⁸⁷ Cf.: León Castro (2015): Interview.

²⁸⁸ Cf.: Soria Dall'Orso (2015): Interview.

(CODELCO) was rejected by the Ministry of Environment.²⁸⁹ Environmental problems are growing always from their historical, political and economic context. The clarification of the questions about access to and control over resources has to be always in the foreground in the analysis of environmental conflicts. As mentioned (in point 6.5.2) the alignment of the foreign trade orientation influenced the promotion of extractivism significantly. The better organization and integration of indigenous people (with NGOs and regional cooperations) led to new significance and new manifestations of their protests. All the new challenges are facing the state and the key actors (TNC's) who are supporting the accumulation regime in exorbitant dimensions. Both the social tensions and the attempts by the ruling actors to legitimize extractivism as their mode of accumulation through the material substrate are indicators for the fragility of the historically formed hegemonic structure. It is recently noticeable, that the actual Peruvian government is starting to put discourses about sustainability and natural resource management on the agenda. According to Carlos Soria, the government does not do this on its own terms. He rather sees the government in pressure to act out of necessity.²⁹⁰ A sustainable change in terms of the present accumulation mode can only happen due to social movements' pressure or the international arena and actors such as international corporation agencies. Governments in Peru aren't that populist and don't think in longer terms than their legislation period. They are governing for short term interests. That is also shown by the Humala legislation that used to be left or central left and rapidly turned right, Soria said.²⁹¹ During his election campaign, Humala used an anti-capitalist tone to look more moderate along the lines of Brazil's former president and great reformer Lula da Silva. He dissociated himself from Hugo Chávez but articulated at the same time that he would be willing to make many social concessions. He proclaimed a fairer division of Peru's booming extractivist economy, which was for him a key issue for more than a third of the Peruvians living in poverty. Environmental problems, redistribution and extractivism related issues were crucial points during Humalas election campaign. As this led him to the presidency, it reflects the importance of the subject in Peru's current society. In his book "The environmental policies of Ecuador and Peru", Soria

²⁸⁹ For further information see the Environmental Justice Atlas (n.d.), which is an EJOLT project (a global research project bringing science and society together to catalogue and analyze ecological distribution conflicts and confront environmental injustice) promoted by the European Union, that shows mining conflicts all over the world (including particularly the mentioned conflicts in Latin America) in an nearly exhaustive interactive overview.

²⁹⁰ Cf.: Soria Dall'Orso (2015): Interview.

²⁹¹ Cf.: Ibidem.

also points out that “Environmental conflicts have the potential to impact on the development of the legal framework”²⁹² of the countries. And that this impact can be either positive or negative, as environmental conflicts can either “prime the development of environmental legislation, [...] stop the implementation of long awaited regulations, or [...] turn the direction of environmental policy development toward more lenient forms of development.”²⁹³ The period after the inauguration of Ollanta Humala in 2011 belongs to the negotiation to impose higher taxes on mining activities. This measure was included in his roadmap, as the moderate proposal of a socioeconomic reform was used on the last stage of Humala’s final presidential campaign. In September 2011, three laws were approved in this regard: On the one hand, a Mining Royalties Act (Ley de Regalías Mineras), which established the legal framework for a special mining tax, and thus created a special tax on mining. “This will allow the state to have more resources, which will be used on infrastructure in the poorest areas of the country. It will be a way to bring social inclusion to your house”²⁹⁴ Humala said at the time. On the other hand, the Ministry of Social Inclusion (Ministerio de Inclusión Social, Midis) was created in October 2011 and in September the executive promulgated the Prior Consultation Act (Ley de Consulta Previa), which represents a procedure that created the right to prior the consultation of indigenous or native people respective to legislative or administrative measures that affect them directly. There are some serious approaches by the Peruvian legislation to implement real measures of natural resource management (like NAMAs, Medidas Nacionales Adecuadas de Mitigación). And landscape analysis will find points of encounter for the agricultural-, oil- and mining-industries. But in the next decade, the biggest work will be to find solutions that confront every extractive sector and not only local operations. Besides the politicization of environmental issues, a recent trend to there are recently some serious affords to regional integration outgoing from Peru that are in a deeper connection with the former occurrence. The Pacific Alliance (Spanish: Alianza del Pacífico) is a Latin American trade bloc, by the so-called “Pacific Pumas”.²⁹⁵ The latter are a political and economic group of countries along the Pacific coast of Latin America that include Chile, Colombia, Mexico and Peru (and

²⁹² Soria Dall’Orso (2004): p.114.

²⁹³ Ibidem.

²⁹⁴ Cf.: Reuters (2011). Original terms: “Esto va a permitir al Estado contar con más recursos y esos recursos van a ser empleados fundamentalmente en temas de infraestructura en las zonas más pobres del país como forma de llevar la inclusión social a tu casa.”

²⁹⁵ Cf.: Donnan (2014).

latterly Costa Rica). The four founding member states are larger Pacific Latin American emerging markets that share certain common trends like positive growth, stable macroeconomic foundations, open economy models and an openness to world market integration. The alliance works on regional integration and trade measures differing from other integration projects like Mercosur, such as the Trans-Pacific Partnership. In addition to reducing trade barriers, the Pacific Alliance has begun several other projects for regional integration, including visa-free travel, a common stock exchange, and joint embassies in several countries.²⁹⁶ Its major aim is to create a trade bloc to negotiate agreements particularly with Asia and regional allies. On a regional micro-perspective, the new market access due to the formation of the Pacific Alliance (often seen as a counterweight to the Mercosur) could have positive effects on sustainable development in e.g. the mining industry. It could have – if it overcomes the status of a pure economic alliance – great potential to coordinate binding agreements e.g. on environmental standards. But on a macro-perspective, the problem is that Peru is promoting FDI directed at the extractive sector (which means deindustrialization) and opening the doors to Asian countries that are known for operating by very low environmental standards.²⁹⁷ Another important reason for the new integration approaches is that it represents a new way for politicians to catch up with the internationalization of the private sector:

“Chilean retailers have invested heavily in Peru and are looking at Colombia. Chile's LAN airline now has its main South American hub in Lima. Peru's Brescia family own Chile's biggest cement firm. Colombia's ISA manages much of Peru's electricity grid. Juan Manuel Santos, Colombia's president, sees hooking up electricity grids from Mexico to Chile as the first fruit of the integration scheme (there are plans to build the only missing links, between Peru and Chile and Colombia and Panama). Officials are particularly hopeful about the possibility of bundling together products from all three countries to achieve the scale that importers in China look for. María Ángela Holguín, Colombia's foreign minister says that her government is already opening joint commercial offices with Chile in Asia, and is seeking to do the same with Peru.”²⁹⁸

The Ecuadorian President Rafael Correa said that the Pacific Alliance is a purely economic union that does not face any political integration. He mentioned the

²⁹⁶ Cf.: Ibidem.

²⁹⁷ Cf.: Soria Dall'Orso (2015): Interview.

²⁹⁸ The Economist (2011).

existence of a “reconstitution” of the right-wing in the continent, that is in some way expressed by these countries, is not proposed to

“create a great society with citizens in the region; but create a huge market, creating consumers.”²⁹⁹

And Correa furthermore contributes to the ideologization of the two opposed integration models Pacific Alliance and Mercosur. According to the head of state, “Socialism of the XXI Century” has proven to be the most appropriate for Latin America

“because socialism can be summarized in two magic words: social justice, and that is what our America most needs. It does not need competition, it needs cooperation, planning and justice.”³⁰⁰

There is quite clearly an integration dilemma between the question of subordination or autonomy going on. As shown, the cold diplomatic agendas also keep a central dispute over relations of the countries of Latin America. So, the question is if a block that, in theory, seeks the integration of Latin America and the Caribbean, can be acting subordinate to the interests of the multilateral lending agencies like the IDB. Furthermore there is the question about the ideological motivations of these countries for not integrating existing mechanisms of economic, political and social integration, just like ECLAC, UNASUR, Mercosur or ALBA-TCP and if the Pacific Alliance represents an attempt to try to stop the autonomous tools of integration that have been developed in the recent years by Latin American governments. Surely, the experience with ISI (see 6.5) played a decisive role in the refusal of the Mercosur for Peru and the other three founding member states, as they all suffered deeply from this strategy and are the biggest promoters of FDI and open world market oriented economy models in the region. ISI shall not happen again, autonomy-seeking approaches (ALBA, Mercosur) are too much internal market orientated for the ‘Pacific Pumas’ and as it is forbidden for members of Mercosur to conclude bilateral FTAs with third countries, this results in considerations of rejecting

²⁹⁹ Correa, cited in Karg (2014): p.7. Original terms: “crear una gran sociedad con ciudadanos de la región; sino crear un gran mercado, crear consumidores.”

³⁰⁰ Correa, cited in RT (2013). Original terms: “porque el socialismo se puede sintetizar en dos palabras mágicas: justicia social, y eso es lo que más necesita nuestra América, no necesita competencia, necesita cooperación, planificación y justicia”.

those confederations (as recently in discussion for Uruguay and Paraguay).³⁰¹ These two countries of the Mercosur, Paraguay and Uruguay, have an observer status in the Pacific Alliance, just like Ecuador and nearly every country in Central America except Nicaragua. The members of the Pacific Alliance, which was founded by Peru's ex-president Alan García (who was in office when Peru suffered the deep crisis and hyperinflation in times of ISI) are the most dynamic economies on the continent, with increasingly prospering economies and above average FDI growth. The four nations of the Pacific Alliance gather 40% of the regional GDP and their exports are exceeding the ones of Mercosur by 60%. But the greatest potential of this alliance is its integration into a broader agreement, guided by the Agreement on Trans-Pacific Partnership (TPP) and the United States. Recently, there is a game between two blocks in Latin America going on. Every move that the open economy proponents (traditional extractivist countries allied to the US) make is answered by another move by the so-called "neoextractivists" (Bolivia, Venezuela) and the allies of independence-seeking Brazil. After the coup d'état against Fernando Lugo, Mercosur decided Venezuela's entry and the temporary suspension of Paraguay. Mercosur will now be expanded with the incorporation of Bolivia and Ecuador. There is a tendency for countries of the Pacific Alliance (which are those who have all signed FTAs with the United States) to form up a block against the expanding Mercosur. The Pacific Alliance countries are slightly industrialized and are exporters of commodities, particularly oil and minerals. Brazil is still an industrial country as it is to a lesser extent Argentina. Foreign direct investment (FDI) has climbed exponentially in South America, from just over 30,000 million dollars a year to 143,000 million in 2012, i.e. according to the latest report of the ECLAC it quintupled.³⁰² A look at the sector in which the investments are directed, illustrates the difference between the two blocks again. In Chile more than half of the investments are circulating in mining (49%) and a fifth in the financial sector. In Colombia more than half of foreign investment is going to oil and mining, and mining in Peru absorbs well over half of the investment (about 70%). In Brazil the ratio is just the reverse: the manufacturing industry absorbs about 40% of investments (declining from 47 to 38% in the last five years) while mining activities concentrate only 13%.³⁰³ Argentina and Uruguay have an intermediate situation between Brazil and the Andean countries. It is true that the

³⁰¹ Cf.: Karg (2014): p.6.

³⁰² Cf.: ECLAC (2013): p.3ff.

³⁰³ Cf.: Ibidem.

whole region undergoes a process of de-industrialization as a result of the Chinese competition. But the effects are diverse: in some cases dependence on natural resources is overwhelming, making those countries totally dependent on the prices of commodities on the stock exchanges and, most notably, on the evolution of the Chinese market. This implicates that the mentioned strengths of the Pacific Alliance members, its high growth rates and export outputs, are not sustainable. De-industrialization, dependent and extractive economy promotion can naturally not work in the long run.

“If the Peruvian economy's prospects are favorable in the short term, the sustainability of the present growth is conditioned by Peru's capacity to define a medium term development strategy. With growth highly concentrated on the primary sector and in the agricultural exporting regions, it has only marginally contributed to redressing a difficult social situation. The main source of vulnerability is a permanently high level of poverty and under-employment, caused by a growth that is too dependent on a strongly capitalist mining sector.”³⁰⁴

Peruvian growth is highly dependent on external factors, which up to now have been favorable. Its domestic demand is still not able to take charge of a possible reduction of the external demand or from world market prices of raw materials. The Peruvian employment progress is deeply concentrated in the most dynamic areas and in the informal sector. The lacks of efficiency and means of public policies and its slight institutional capacities are manifested in a permanently high poverty rate.³⁰⁵ Peru is still unable to absorb its huge flows of FDI productively, since a large amount of them are immediately reinvested abroad by Peruvian subsidiaries of foreign companies.³⁰⁶ Despite sustained growth in Peru in the last decade and its coronation as one of the fastest growing countries in the region and the world, resulting in a consequent incensement in incoming FDI, Peru still does not take a relevant position referring to its presence on the globe, as abroad total investment by Peruvian companies is with 3.041 million quite modest compared to the larger economies of Latin America Brazil, Chile and Mexico.³⁰⁷ Thinking of the theoretically enormous wealth of the country, it

³⁰⁴ Santander Trade Portal (2015).

³⁰⁵ Cf.: Ibidem.

³⁰⁶ According to the ECLAC, Peru does not emit reports FDI flows abroad or emits them imperfectly, but the data can be estimated by comparing WORLDBANK and ECLAC statistics on FDI in Peru, see ECLAC (2013): p.40.

³⁰⁷ Cf.: ECLAC (2013): p.47.

is now fundamental to define how Peru can industrialize or how the country can contribute to promote productive processes unlike exporting products without added value. Even “neoextractivist” countries seem to fail in this way, as Venezuela has deepened its dependence on exports of crude oil and Bolivia is exhausting its resources unable to move towards industrialization. Brazil is the sixth largest economy in the world but every year its industry shrinks.³⁰⁸ As indicated in point 8.5.3.2 (The importance of FDI), one can state a surpassing of the USA as Peru’s former main trading partner by China, which is taking now some 17% of the country’s imports. Since the China and Peru free-trade Agreement of 2008, Chinese foreign investment is massively developing Peru’s primary export sector (focusing on ores like gold, silver and copper). Recently, China invested \$20 billion in Peruvian mining projects. This will set the country back in the second position among the world’s largest copper producers by 2016. In 2014, China Minmetals’ MMG bought Glencore’s Las Bambas copper project for \$7 billion, Shougang Hierro Peru invested \$1.5 billion in ore mining in Marcona, and Jinzhao Mining’s \$3.28 billion in the mine Pampa de Pongo. The recent rise of FDI, together with Peru’s 19 trade agreements worldwide, including the USA, Mercosur (ECA),³⁰⁹ China, the EU, the Pacific Alliance members and the APEC, are indicating at least another decade of primary export orientation. After Soría, a turn towards sustainability in Peru is realizable but has to be realized differently in different areas. E.g. in the marine and costal area it would be possible to reinforce the work with biofuels from algae with low emissions. But this is not possible in the mining sector. After Soria, Peru has to work in landscape restoring and to work out an agreement with the local authorities in order to make a long-term development plan but that plan must include responsibility from the TNC’s for their environmental pollution as well as for the future development of the region. Soria is not against mining, but for an approach of managing the landscape sustainable.³¹⁰ He claims that a change of values and rules is needed that will not change the mining companies’ behavior immediately but the behavior of the companies that will operate in the future,³¹¹ as there are companies in Peru that act like Newmont but by way less environmental standards like Volcan, Doe Run Perú or Austria Duvaz (acting in

³⁰⁸ Indicated by the World Development Indicators (n.d.). Brazil: Industry, value added (% of GDP) - 2011: 27; 2012: 25; 2013: 24; 2014: 23.

³⁰⁹ Economic Complementation Agreement

³¹⁰ Cf.: Soria Dall’Orso (2015): Interview.

³¹¹ Cf.: Ibidem.

La Oroya, one of the most polluted places on earth).³¹² Camilo Leon states that the Peruvian government and the civil society must take control over both the weight of the excessive extractive industries in the economy and the environmental and social impacts that these activities imply. For the State, the task is to reduce the relative importance of the extractive industries, encouraging alternative sources of tax revenue (via tourism, agro-industry, manufacturing, etc.). Regional and local governments need to reinforce the process of economic and ecological zoning (EEZ) and spatial planning to determine areas of urban, industrial, cultural and extractive development. It is important to determine where mines, hydrocarbon extraction, fishing, etc., *cannot* operate as part of a deal which involves scientists, entrepreneurs, politicians and civil society. Participatory processes of EEZ and spatial planning have been systematically sabotaged by mining and hydrocarbon companies, as well as by the central government, which does not want a limited mining activity. This conglomerate of TNC's and the central government have faced regional and local governments (especially in Cajamarca) to implement the OT opening the stage for new situations of protest and violence.³¹³ Eduardo Gudynas, international expert of social ecology (CLAES) states that the "Neo"extractivist strategy is one that slows the emergence of social protest but does not solve them. Gudynas requests to return to discuss the development in its entirety. He sees the fact of the disappearance of the development topic in political discussions as an allegory to "The Dog in the Manger", because the main purpose of the extractive sector is not to satisfy national needs but rather satisfying external markets. The strategy of CLAES is to reorientate the development on regional and national needs. Regional is to understand in the sense of a coalition of countries, for example to guarantee life in the Andean region in economic and health safety. Furthermore, he claims that a postextractivist strategy based on the reorientation on national and regional needs is inevitable because natural resources are running out (plus fact that the extractivist sector causes environmental degradation processes, which in result in increased costs for their remedy). CLAES wants to realize a structural change of the productive sector aimed at new processing sectors to get out of the dependency of the world market. Gudynas proclaims a serious Latin American integration that implicates first of all the comparison and coordination of production and production

³¹² Cf.: Orihuela (2014): p.214ff.

³¹³ Cf.: León Castro (2015): Interview.

chains. Coordinating the supply of minerals for the global markets is an aim of the Pacific Alliance, but Gudynas postulates the necessity of internal commercializing by the establishment of shared production chains.

7. Conclusion and findings

Under Point 6 of this work, with regard to the hypothesis *H1*, it is indicated that extractivism as a development model is a phenomenon that has been promoted for centuries in Peru. Historically, it formed itself to a predominant accumulation model, not incipiently initiated by the colonial powers (as there was something like a “pre-Columbian extractivism”, see p.32) but carried to its extremes by neo-colonial structures and relations. The extractivist mode of accumulation has been determined particularly by the demands of the capitalist centers of the global north. Many colonies specialized themselves in the extraction and production of primary commodities, while others took, under development assistance of the global north, the path of producing manufactured goods. In regard to Mariátegui, the historical dimensions of the duality between development and backwardness in Peru are aspects of colonial capitalism. Summarizing the points mentioned above, it becomes evident that Peru will continue to follow this extractivist path at least in the medium term. But as tension is rising due to environmental conflicts and critics are getting more and more politicized, a possible transition in great foresight is to be thought out in three (challenging) spheres: An international, a national and an ideological sphere, which are to be pointed out in this conclusion which implies a clear reference to the leading research question (**RQ**: *What are the challenges for extractivism as a growth model in Peru?*).

A first challenge is the international transition towards sustainability in terms of the predominant consumerism (because demand represents one of the conditions for reprimarization). A second challenge is the national transition towards sustainability in terms of diversification and industrialization (since extractivism naturally cannot guarantee long-term growth). A third challenge, with regard to the above-mentioned statements, is an ideological transition in terms of environmental consciousness (awareness of the “greenwash” processes and for the trap of social peace for a finite period, which creates the accumulation regime by its regulatory welfare measures (material substrate)). To examine the international sphere, we need to see

extractivism as a global phenomenon. The various dependencies of extractivist states, on the world market and its prices, on external relations (due to the world market orientation) and on natural resource rents – generating social peace on time – represent what Mariátegui once described as a neo-colonial pact. The causes of the developments in Latin America are also to seek in countries of the global north and China. As Eduardo Gudynas stated, the main purpose of the extractive sector is not to satisfy national needs but rather to satisfy the needs of the external markets.³¹⁴ Western production and consumption patterns are the driving force for the promotion of extractivism. But the promotion of mining or oil production leads to biodiversity problems, pollution, land-grabs and social tensions. The international community is therefore challenged: Extractivism should be more embedded in a global discourse on sustainability. A transition could be realized by economic incentives for investment in sustainable projects focusing on altering consumer behavior at the international level, i.e. in both developed and developing countries. The idea behind this is to go from overexploitation to a “conscious” extractivism to postextractivism, a sustainable permeation of technology and “cradle-to-cradle”³¹⁵ procedures. The current focus on exports is not sustainable because it reinforces destructive mechanisms. Although extractivism brings under favorable conditions (commodity prices) and rapid growth, it destroys and pollutes areas, and for its rehabilitation after the degeneration, long-term investments are needed. Furthermore, the financial crisis demonstrated the high vulnerability of economies dependent on the exploitation of natural resources. Political economy aspects basically determine the national sphere of extractivism. Especially the statements under point 6.4 helped us to understand that the historical experience of ISI in Peru affects the recent promotion of open economy development models (e.g. by the Pacific Alliance) and thus gave an answer to the sub question SQ1.³¹⁶ Compared to other countries in the region, there is still no serious effort toward independent industrialization in Peru according to Mariátegui’s concept, which claims that the absence of independent industrialization in Peru is caused by the consequent colonial influence on the leading economic forces in the country that is reflected by a neo-colonial pact (*H2*). Due to the recent focus on extractive industries,

³¹⁴ Cf.: Gudynas (2010): Interview.

³¹⁵ C2C refers to a production mode that promotes recycling. In this model, products can either serve as biological nutrients in biological cycles or continually be held as “technical nutrients” in technical cycles.

³¹⁶ SQ1: Which role plays the historic experience of ISI referring to the recent promotion of open economy development models?

significant deindustrialization processes in Peru were pointed out under point 6.6 (see 6.6.3ff., chart 4-6) that in sum led to a socio-ecological and democratic decline. We can observe a centralization of power in the already centralist government. The local level is thereby constantly undermined. Large parts of the indigenous and rural populations are affected by large companies and governments, as they are ignoring their land rights. It often comes down to the deprivation of their farming subsistence base while the contamination of their habitat continues (and this leads to an increased disease risk). In addition, it comes down to the marginalization of environmental and human rights activists as “enemies of societal development”. The strengthening of central power leads to the loss of basic democratic participatory rights and the loss of political participation at the local level, as well as the loss of the influence of parliaments. It came to a stronger top-down policy. The influence of neocolonial capital elites is demonstrated by the correlation of authoritarian leadership and the promotion of FDI in Peru under point 6.5.3.2. Thus, the centralization went hand in hand with a promotion of FDI which is determinant for the neglect of independent industrialization. Regarding hypothesis *H3*, historically, it is worth mentioning that dictatorship correlated with the promotion of FDI in Peru. This historic repetition culminated in an omnipresent public distrust of foreign firms that also challenged TNC’s in seeking methods to legitimate their operations (*H4*). Thus an economic dimension is added to the factor of political independence. By this, putative majority interests are increasingly being enforced against minority rights. Indigenous people are politically ignored and feel now more represented by the locally operating TNC's since these actors reacted rapidly to their demands and found innovative methods to “greenwash” their operations, showing themselves open to finance local projects as part of their CSR measures, at least as long as they conform to the development plan of the Company (point 6.6.4ff.). The TNC's are turning into local “Caciques”, and thus “The problem of the Indian”³¹⁷ still is rooted in the land tenure system of the Peruvian economy.³¹⁸ President Ollanta Humala said that Latin America cannot remain a continent living “almost exclusively on the export of raw materials”,³¹⁹ and that it needs to start a policy of industrialization. He added that the region needs to “break the primary export matrix and for that it must go for

³¹⁷ Span.: “El problema del Indio”, which is the second essay in José Carlos Mariátegui “Seven Interpretative Essays on Peruvian Reality”.

³¹⁸ Cf.: Mariátegui (1928): p.20ff.

³¹⁹ Valverde (2014).

education and culture”.³²⁰ These statements came during the opening of the conference “Open Government and Transparency in Extractive Industries in Latin America and the Caribbean”, in June 2012. In Peru, the ruling classes have historically despised indigenous peoples; currently, 75 percent of citizens receive incomes below two dollars a day, and according to figures from the Census of Population and Housing provided by the Peruvian National Institute of Statistics and Information, the indigenous population of Peru make up more than four million inhabitants (Peru has about 28 million inhabitants).³²¹ With regard to the Prior Consultation Act, after two years of this regulation being active, the government of Ollanta Humala has made some progress in the legal framework of Convention 169;³²² however, it has receded and trapped on its implementation. An example of this is that the Government tried to exclude the coast and the *Sierra*³²³ of Peru from the process, precisely because mining projects are concentrated in these regions. According to the Peruvian Ministry of Energy and Mines, in these areas there are about 50,516 licenses, while in the jungle there are only 3,754 existing mining concessions.³²⁴ And this is where SQ2³²⁵ comes into play. Referring to hypothesis *H4*, that is mainly pointed out in points 6.6.4 to 6.6.6, the recent environmental conflicts indicate the fragility of the hegemonic structure which implies that the government as well as the TNC’s are making more concessions to the subalterns to legitimate extractivist activities in the affected regions. Legitimizing the usage of natural resources is something that is directly inherent to extractivism. In other words, in democracies extractivism is not realizable without producing legitimacy for its actions by the affected subaltern classes, or at least by the most severely affected and disadvantaged. As observed, this mechanism is realized by both the state and the *Canon* on the one hand and CSR and CC activities of mining Corporations in Peru (such as Newmont in Cajamarca) on the other hand (points 6.6.5 and 6.6.6). It becomes evident that there cannot be (neo-)extractivism without social policy. Not without giving crumbs to the poor to avoid social outbreaks. And this matches Poulantzas’ notion of the material substrate. It becomes evident again that Peru is a gatekeeper of extractivism. Finally, the statements underline the thesis (according to

³²⁰ Cf.: Humala, cited in: Valverde (2014).

³²¹ Cf.: Ibidem.

³²² Convention 169 is a legally binding international instrument by the ILO, which deals specifically with the rights of indigenous and tribal peoples.

³²³ Span. for mountainous regions.

³²⁴ Cf.: Valverde (2014).

³²⁵ SQ2: Which mechanisms of consolidation of the current accumulation regime can be observed?

H5) that CC and CSR activities are part of the perpetuation of the neo-colonial pact and the promotion of extractivist activities by private actors. These measures are attempts to increase the legitimacy of the hegemony of the predominant fossilist-capitalist production and life patterns in South America. Furthermore, the usage of the economic rent creates the resources that are necessary for the financing of the social programs. Yet at the same time it creates the social conditions for the reproduction of capital: it makes the populace governable and binds a specific population group on a material substrate (Poulantzas). It also affects the weakening of social movements caused by its fragmentation resulting by the establishment of material support. Namely, they fragment in the sense that part of the protesters are convinced by the social policies, while others reject the model and strive e.g. for “Buen Vivir”. Recently, mining companies have pressured the Peruvian government for better conditions, so the Prior Consultation Act is an obstacle for the government; it refuses to see that the Consultation Act process would ensure the development of long-term investment. The result of this pressure is the package of economic measures sent to congress by the executive, which is already approved in the Permanent Commission of the Congress, which aims to reduce the regulatory mechanisms of the Ministry of Environment and favor the extractive industries promoting new investments in gas, mining and oil at the expense of labor and social rights of the population.³²⁶ The development model based on extractivism wants to impose a type of development on indigenous peoples and peasant communities that does not match with the cosmovision of the people. What is missing is a step away from the top-down model of the CSR management of powerful TNC's, towards the guarantee of independent and self-determined development and living for indigenous peoples. In these years of prosperity, the state has failed to improve the quality of life of the inhabitants of the mining areas. For example, Cajamarca and Ancash are the two regions with the largest mining companies, but these regions have a high percentage of poverty and corruption has increased. National and regional governments have failed to properly manage their high income to support alternative activities in order to diversify the economy. There is a serious need to take control over the impact of extractivist activities on the economy, society and environment to reduce the relative importance of the extractive industries, encouraging alternative sources of tax revenue (via tourism, agro-industry, manufacturing, etc.). Regional and

³²⁶ Cf.: Ibidem.

local governments need to reinforce the process of economic and ecological zoning (EEZ) and spatial planning. Industrialization is not a process that can be improvised but rather requires decades of research and investment. And integration requires both political will and viable, responsible and alternative proposals. In a few decades, Latin America may no longer be the backyard of the US – but this place will be taken over by China if no structural changes on the path to real independent development are made. Thus, the questions of producing industry, if there are niches, and the questioning of the argument that the world does not work if every country produces, are becoming evident. It is time to invest the economic rents in (sustainable) industries, as extractivism is to be seen as a support that helps to provide a financial cushion for the development of a more sustainable model. Extractivism is a finite development model, legitimated by the material substratum that tries to promise its beneficiaries infinite prosperity. Legal measures are supporting extractivism (through so-called “neo”extractivist measures such as the expansion and redistribution of economic rents and local support services) as the dominant development model. From Peru emanating regional integration efforts are also aimed at the promotion of the same model: The members of the Pacific Alliance, which was founded by Peru’s ex-president Alan García (who was in office when Peru suffered the deep crisis and hyperinflation in times of ISI (See 6.5) are the most dynamic economies on the continent, with increasingly prospering economies and above average FDI growth. There is a tendency for countries of the Pacific Alliance (which are those who have all signed FTAs with the United States) to form up a block against the expanding Mercosur (Hypothesis *H6*). The Pacific Alliance countries are slightly industrialized and are exporters of commodities, particularly oil and minerals. Brazil is still an industrial country as is to a lesser extent Argentina. Peru is perpetuating the predominance of its unproductive bourgeoisie in the neocolonial pact, as regional integration targets the promotion of FDI and extractivism. The Pacific Alliance is a conservative pact against progressive ideas. It leads to *de-facto* deindustrialization, export-orientation and FDI promotion, while significant amounts of FDI earnings are immediately reinvested abroad by Peruvian subsidiaries of foreign companies. So we see efforts to strengthen the accumulation regime on all levels. On the local (mainly due to CSR/CC, which participate in the reproduction of old clientelistic patterns of development in form of a modern Corporate Colonialism), regional (due to laws), and international (Free Trade in conjunction with Pacific Alliance) level. Unlike in Bolivia,

Ecuador and Brazil, where “progressive” governments have renegotiated contracts with transnational corporations and have even established rules of the appropriation of the economic rent, the Peruvian state acted permissively, without firmness and as a defender of transnational corporations, neglecting the plight of the less fortunate in the country. So even if we see that Peru is fraught with problems caused by its current accumulation regime, at least in the medium term the extractivist model will be continued. Without a serious crisis there can be sheer no change of the current accumulation model expected. This leads us to the ideological sphere. Peru is a gatekeeper of extractivism. This comes from a historical tradition (unproductive bourgeoisie, industrialization miss, the neocolonial pact and the ISI experience that nips in the bud the current industrialization and diversification requests). Extractivism as an ideology is an expression of the hegemony of the fossilistic-capitalist production and lifestyle pattern (Ulrich Brand). The Peruvian society is held together in extractivism through the internalization of power relations and by the material substrate (Poulantzas), although they are at risk of structurally threatening crises and social disintegration processes due to their economic reproduction mechanism. The social conflicts can be seen as an opportunity to overcome the extractivist neo-colonial pact. The current answer to avoid this crisis and perpetuate the structure is redistribution and the material substrate for the masses. In the case of Peru we see both: Universal concessions by the state (Canon) and clientelistic and regional concessions by the private hand (CSR/CC measures, Stakeholder Colonialism) that help to bind the population on the current structure. The concessions of the ruling class of the subalterns were ever since an essential part of extractivism. But it is not that private actors and the state will now have to intensify their redistribution approaches by CSR/CC measures or the Canon to legitimize extractivism and its environmental impacts *per se*. Deindustrialization processes due to the focus on extractivist industries multiply the demand for redistribution measures, as the promotion of extractivist industries leads to lesser employment in industry and unemployment in the affected regions (see point 6.6.3, chart 6). In the discourse to extractivism there is much ideological work (discrediting of mining opponents as enemies of a progressive movement, the exclamations of a “nueva minería” and the ideological charging of CSR & CC programs for the purpose of greenwashing and supposed sustainability). The abundance of natural resources in Peru represented by the beginning of the colonial era was not only economic capital, but became

henceforth a clearly political issue that shapes the political, social and cultural development of the country. Nowadays we realize that we are living in an accelerated reality that is demanding new forms of development. There will be countries that acquire the technological acceleration benefits to build different, -better societies, and to that end, an intelligent and sustainable development and industrialization policy is necessary. This policy must implement the reduction of the relative importance of the extractive industries by encouraging alternative sources of tax revenue and infant industry support, emphasizing EEZ and thus developing an independent way of redistribution, escaping neo-colonial dependencies. Subsequently, it should be considered how far the investigation and its results are transferable to other extractivist States. Since similar conditions in other extractivist States with primary good orientation and strong global market integration prevail, there is nothing against the possible applicability of the results of this analysis. This work also touches the consensus norm in historical and recent discussions about a sustainable protection of industries that is omnipresent in Latin America. Finally, I want to emphasize that one of the most important findings in this work is related to the profound criticism on the so-called „neo“extractivism. As mentioned, its „greenwashing“ obfuscation mechanisms like the disguising by its promotion under the guise of CSR and CC measures represent a new ideologically charged manifestation of the neo-colonial pact that determines a socio-ecological decline in the region. I consider breaking out of this hegemonic structure – based on the extractivist accumulation regime and neo-colonial social relationships – one of the biggest challenges for many societies on the path to a sustainable and comprehensive Latin American independence.

*“Oye latino oye hermano oye amigo, nunca vendas tu destino por el oro ni la comodidad!
Nunca descanses pues nos falta andar bastante. Vamos todos adelante para juntos
terminar, con la ignorancia que nos trae sugestionados, con modelos importados que no son
la solución.”*

Part of the lyrics from Ruben Blades – „PLÁSTICO“

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9. Appendix: Declaration of originality

I hereby confirm that I am the sole author of the written work here enclosed and that I have compiled it in my own words. The quotes were identified and its sources cited. I have mentioned all persons who were significant facilitators of the work.

Vienna, 04.09.15

A handwritten signature in black ink, appearing to read 'Claudio F. Barrantes León', with a stylized flourish at the end.

Claudio F. Barrantes León

10. Appendix: Abstracts (German and English version)

English version:

See Point 1, p.7.

German version:

Der Extraktivismus ist in einer Phase zwischen Kontinuität und Wandel. Das extraktivistische Akkumulationsregime wird insbesondere durch die Nachfrage der kapitalistischen Zentren des globalen Nordens determiniert. Viele ehemalige Kolonien spezialisierten sich in der Extraktion und Produktion von Rohstoffen, während andere unter Entwicklungshilfe des globalen Nordens auf den produktiven Pfad des Manufakturwesens gebracht wurden. Die Analyse der Geschichte der peruanischen Wirtschaftspolitik demonstriert uns die Existenz eines „neokolonialen Paktes“ (Mariátegui) bestehend aus internationalem Kapital und nationalen Eliten (als einer von kolonialen Kräften kompromittierten „kreolischen Bourgeoisie“). Dieser Pakt perpetuierte die Verhältnisse der internationalen Abhängigkeit und sozialen Ungleichheit in Peru. Es kann diesbezüglich auf eine lange Tradition der Fokussierung des Primärgüterexports und der Implementierung eines auf Primärgüter gestützten ökonomischen Modells beeinflusst von externen Regierungen und ausländischen Direktinvestitionen (FDI) verwiesen werden. Doch welche Herausforderungen stellen sich dem vorherrschenden Wachstumsmodell in Peru? Das neue Phänomen der Nutzung von Rohstoffrenten³²⁷ für sozialpolitische Maßnahmen, der sogenannte „Neo“-Extraktivismus, ist eine Antwort auf die Zunahme von mit dem Extraktivismus assoziierten sozioökologischen Konflikten in der Region. Doch es ist ebenso möglich, diese Maßnahmen als Versuch der Legitimationssteigerung einer Hegemonie der fossilistisch-kapitalistischen Produktions- und Lebensweise in Südamerika zu sehen. Die Verwendung der Rohstoffrenten stellt Ressourcen zur Verfügung, die für die Finanzierung der Sozialprogramme notwendig sind. Doch gleichzeitig werden so die sozialen Konditionen für die Reproduktion des Kapitals im extraktivistischen

³²⁷ „Renten“ sind hier als Einkommen über dem Durchschnittsprofit zu verstehen, die sich aufgrund von temporaler marktgebener (höhere Nachfrage als Angebot) oder staatsinterventionistischer Knappheit, Monopolmacht von Unternehmen, komparativen Kostenvorteilen (geringere Produktionskosten) o.ä, ergeben. Rohstoffrenten werden dabei i.d.R. von ausländischen Unternehmen, Regierungen oder Individuen, an den betreffenden Staat als Kompensationsleistung für den Verbrauch nicht-erneuerbarer Ressourcen bezahlt.

Akkumulationsmodus geschaffen: Die Renten legitimieren und machen das Volk regierbar – sie binden spezifische Bevölkerungsgruppen an ein materielles Substrat (Poulantzas) und führen zusätzlich zur Schwächung aufkommender sozialer Bewegungen. Eines der wesentlichsten Ergebnisse dieser Arbeit ist durchaus auf weitere extraktivistische Staaten Lateinamerikas übertragbar: Die Nutzung der Verschleierungsmechanismen von CSR- und CC-Maßnahmen, die eine neue ideologisch aufgeladene Manifestation des neokolonialen Paktes repräsentieren, und die Demaskierung des „Neo“-Extraktivismus als ideologische Verschleierung des sozioökologischen Niedergangs Lateinamerikas. Das Ziel dieser Untersuchung ist die Analyse der Herausforderungen des Peruanischen Extraktivismus anhand eingehender historisch orientierter Analyse der ökonomischen Struktur und der Entwicklung des gegenwärtigen Akkumulationsregimes.

11. Appendix: CV

Lebenslauf von Claudio F. Barrantes León, BA, BA

Geburtsdatum, Ort: 28.07.1988 in Münster

Staatsbürgerschaft: Deutsch

Anschrift: Gumpendorferstraße 111/1/4
A-1060 Wien

Kontakt Daten: M +43 (0)680/3236307
barrantes.claudio@gmail.com

Ausbildung

seit September 2015 **Magisterstudium Publizistik- und Kommunikationswissenschaft**
Institut für Publizistik- und Kommunikationswissenschaft,
Wien

seit Oktober 2013 Universität Wien

Masterstudium Politikwissenschaft
Institut für Politikwissenschaft, Wien
Universität Wien

Studienschwerpunkte: Internationale Politische Ökonomie
& Ökologie, Rohstoffpolitik, Lateinamerikastudien.

Titel der Masterarbeit: "Quo vadis, Peru? Between
continuity and change: Challenges of the Peruvian
extractivism as a development model" (verfasst in
Englisch).

Oktober 2010 bis 2015 **Bachelorstudium Romanistik (Abschluss: B.A.)**
Institut für Romanistik, Wien
Universität Wien

Studienschwerpunkte: Vergleichende
Literaturwissenschaft, Landes- und Medienwissenschaft.

Titel der Bachelorarbeit: „Confrontación: 'La historia oficial'
y 'La Peste' de Luis Puenzo“ (verfasst in Spanisch).

Oktober 2009 bis 2013 **Bachelorstudium Politikwissenschaft (Abschluss: B.A.)**
Institut für Politikwissenschaft, Wien
Universität Wien

Studienschwerpunkte: Internationale Politische Ökonomie
& Ökologie, Rohstoffpolitik, Lateinamerikastudien.

Titel der Bachelorarbeit: „Die Entwicklung
südamerikanischer Wohlfahrtsregime“.

seit 2008 **Abitur/Matura**
Anne-Frank Berufskolleg, Münster

Auslandsaufenthalte zu Studienzwecken

Mai 2015 **Cuba**
Partizipation an der „VIII Conferencia Internacional de
Energía Renovable, Ahorro de Energía y Educación
Energética“ (z.Dt.: VIII Internationale Konferenz für
Erneuerbare Energien, Energieeinsparung und nachhaltige
Erziehung) 23.-28. Mai, Palacio de Convenciones de La
Habana, Cuba.

April 2015 **Deutschland**
Vortrag im Rahmen der 4. Fachtagung der Deutschen
Nachwuchsgesellschaft für Politik- und Sozialwissenschaft
zum Thema „Herrschaft und Widerstand“, 08.-10. April 2015,
Universität Kassel, Kassel, Deutschland.

Februar 2014 **Peru**
Partizipation an der VIII EXPROM 2014 – „VIII Encuentro
Nacional de Contratistas Mineros“ (z.Dt.: Nationale
Zusammenkunft der Bergbauunternehmer), 19., 20. und
21. Februar, Lima.
Partizipation an einer Tagung der Comisión Nacional para
el Desarrollo y Vida sin Drogas - DEVIDA (z.Dt.: Nationale
Kommission für Entwicklung und Leben ohne Drogen) im
Palacio Legislativo, Lima, Peru.

Sprachkenntnisse

(A) = Fließend, **(B)** = Fortgeschritten, **(C)** = Grundkenntnisse

Gutes Deutsch in Wort und Schrift (A)
Gutes Englisch in Wort und Schrift (A)
Gutes Spanisch in Wort und Schrift (A)
Grundkenntnisse Französisch (B)
Grundkenntnisse Italienisch (C)
Grundkenntnisse Portugiesisch (C)