

The Repoliticization of Collective Action After Neoliberalism in Peru

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ABSTRACT

Examining the popular uprising against the privatization of electric service in Arequipa and other revolts against foreign direct investment in Peru, this article explores the changing basis of antigovernment mobilizations against economic liberalization. It suggests that the transition from Fujimori to Toledo led to a major shift in the political opportunity structure, creating a more conducive environment for greater levels of mobilization while increasing the leverage of challengers, along with their chances to achieve positive goals. These new forms of collective resistance are geographically segmented or territorialized; they present concrete demands; and they often involve unexpected actors, yet they resonate at the national level. These results confirm the expectations from recent repoliticization literature insofar as collective actors remain acutely responsive to market reforms in more democratic settings.

In mid-June 2002, the residents and local government of the city of Arequipa, Peru, fiercely opposed the sale of two state-owned electric companies, Egasa and Egasur. The popular protest turned violent, and the central government responded by imposing a state of emergency and a curfew. The popular uprising successfully derailed the privatization program, not least by triggering a cabinet shake-up and thus weakening the newly installed democratic regime of Alejandro Toledo. Arequipa's local officials and residents dreaded higher electricity prices and worker layoffs. They objected to the sale of electric companies that were profitable under state management.

A similar antimarket backlash has ensued in other impoverished provinces of Peru and beyond. For instance, in April 2000, residents of Cochabamba, Bolivia, managed to expel the private, foreign-led consortium that had taken over the city's water system. Outraged at the exorbitant increases in water prices and convinced that access to clean water was a basic human right, Cochabamba residents violently opposed the plans to "lease the rain" (Finnegan 2002). What explains this wave of localized protests against market policies?¹

In the literature on how economic liberalization affects collective political activity, two main currents can be distinguished. The dominant perspective frames economic liberalization as the cause and consequence of widespread social depoliticization and demobilization (e.g.,

Kurtz 2004; Wolff 2005, 2007) and does not expect political liberalization to regenerate collective political activity. This atomization literature emphasizes the “intolerable consequences” of chronic economic crises and their drastic neoliberal resolution, such as increased poverty and inequality, higher levels of unemployment, and lower standards of living. These economic conditions hurt the collective capacity of popular subjects and produce, among other things, anomie, disorder, and societal disorganization (e.g., Zermeno 1990). Given that these economic conditions have arguably not changed much in recent years, however, the atomization literature remains ill prepared to explain the most recent surge in collective protest across the region.

Recently a second school of thought has emerged, which emphasizes the repoliticization of collective actors in the wake of economic liberalization, especially in the context of political liberalization. Existing research has shown an increase in the level of political protest in Latin America and has sought to understand the effects of these mobilizations on important political processes. Hochstetler (2006), for instance, examines the role of collective protests in forcing challenged presidents to leave office early. Other studies document the changing basis of anti-government mobilizations against economic liberalization, including the emergence of alternative forms of collective action (Garay 2007; Arce and Rice forthcoming) and the geographic segmentation of protest activity in peripheral provinces (Kohl 2002; Murillo and Ronconi 2004). The unemployed in Argentina, rural villagers in Peru, and indigenous movements in Ecuador and Bolivia, among other examples, have been the most important social forces opposing the continuation of neoliberal policies.

Recent cross-national empirical studies (e.g., Arce and Bellinger 2007) have also shown that economic liberalization leads to higher levels of protest in the presence of open and democratic politics. However, as is widely known, large-N analyses often obscure the mechanisms that cause societal actors to react to economic liberalization policies. Large-N analyses also suffer from an analytical bias in favor of national-level processes of economic and political change, thereby overlooking important changes at the subnational level. Widespread decentralizing reforms in Latin America have shifted important decisionmaking downward in the political system, so that the appropriate locus of protest activity is likely to have changed in recent decades. The existing literature continues to overlook these important changes at the subnational level. At times, these mobilizations have been far more violent than hitherto anticipated by the literature that associates economic liberalization with societal exclusion and anomie.

Understanding the interrelationship between economic and political liberalization has become a core question in comparative politics in Latin America and beyond as research has sought to understand how these

two phenomena contradict or complement each other (e.g., Przeworski 1991; Haggard and Kaufman 1995). The atomization approach suggests that economic and political liberalization have been on a collision course over the last two decades, and that political democracy has taken the brunt of this impact while the forces of economic liberalization reign uncontested in the political arena. The implication is that democracy has been reduced to a mere procedure, and thus it has made no difference to the social actors affected by economic liberalization. In contrast, the repoliticization perspective portrays political democracy as a firewall that can help correct the excesses of economic liberalization policies, through either the ballot box or extrainstitutional forms of protest.

This article focuses on the latter approach. The implication in this case is that open and democratic politics, however imperfect, matter, and have influenced societal responses to economic liberalization. Thus it is theoretically and substantively important to know how political liberalization conditions societal responses to economic liberalization.

Analyzing the *Arequipazo*, as the antiprivatization revolt came to be known, and several local mobilizations against foreign direct investment in other regions of Peru, this article seeks to explain the changing basis of collective political activity that has resulted from economic liberalization. Instead of the complete erosion of collective action from civil society, as the atomization literature suggests, other forms of protest have come to replace collective action in the labor sphere as the most important societal reaction to continued neoliberal restructuring. By extension, the focal points where significant protests take place have moved beyond large metropolitan areas. By considering these alternative patterns of collective action, including types of protest and their location, we can begin to discern how economic liberalization has transformed the societal landscape in contemporary Latin America. Existing studies do not capture these important changes in the repertoire of societal protest; or they are simply too aggregated to serve as the basis for meaningful comparative research.

Provincial revolts like those in Arequipa and Cochabamba resemble the so-called provincial outbursts (*estallidos provinciales*) of Argentina, which began in the early 1990s (Auyero 2002). These geographically segmented or territorialized uprisings represent “eventful protests,” given their size, length, intensity, resonance, and symbolism (McAdam et al. 2001). They have had politically destabilizing effects. In the Peruvian case, as many observers would agree, Toledo’s apparent failures in government began with the *Arequipazo*, which “immediately resonated at the national level” (IDB 2005, 116) and subsequently spread to other areas.²

Against this background, this study traces changes in the repertoire of societal protest. It explains how the transition from the regime of Alberto Fujimori to that of Alejandro Toledo led to more liberalized pol-

itics, a change that, as political opportunity theories emphasize, creates a more conducive environment for greater levels of mobilization. Toledo's decentralization efforts not only expanded political opportunities but also helped to territorialize a number of societal conflicts. The cycle of contentious activity in Peru is exemplified by the Arequipa uprising and other geographically segmented conflicts against foreign direct investment. Many scholars (e.g., Maxfield 1997) have identified foreign direct investment as the hallmark of globalization and economic liberalization policies; therefore these conflicts can be seen as reactions to neoliberal or market policies.

THE CHANGING REPERTOIRE OF SOCIETAL PROTEST

Much of the discussion of how economic liberalization has weakened the collective capacity of traditional organizations—labor unions in particular—focuses on the declining trend of strike activity. Reviewing strike rates in five Latin American countries (Mexico, Chile, Ecuador, Bolivia, and Peru), Kurtz (2004, 292) concludes, “the level of labor protest has declined to near nonexistence, where it has remained.” The strike figures, however, do not fully capture the new, rich diversity of mobilizations, led by a variety of new actors, that are shaping the pattern of social protest in Argentina, Bolivia, Peru, Venezuela, and beyond (Auyero 2002; Delamata 2002; López-Maya 2002; Lucero 2001; Garay 2007). Societal mobilizations have also become geographically segmented or territorialized in peripheral regions or interior provinces. These two phenomena are interrelated. The alternative patterns of collective political activity approximate Polanyi's 1944 description of the “double movement” of the market: an increase in economic liberalization imposes high social costs, and is countered by societal responses that seek to shelter the poor from the devastating effects of an untamed market.

A preliminary review of patterns of collective political activity in a number of Latin American countries reveals a shift in the pattern of social protest from institutionalized to noninstitutionalized forms of collective action.³ By shifting important decisionmaking downward in the political system, administrative and political decentralization to subnational units is one of the main forces contributing to the geographical segmentation of protest activity (Murillo and Roncoci 2004; Kohl 2002). Decentralization has indeed changed the targets of protests, yet it cannot account for the underlying sources of collective protest.

In Argentina, Auyero (2002, 190) writes, “factory strikes have ceased to be the predominant form of protest but rather have been replaced by road blockades of national and provincial routes.” Along these lines, Delamata (2004, 26) reports approximately 4,676 road blockades during

the period 1997–2002. Road blockades increased from 514 in 2000 to 1,383 in 2001, and to 2,336 in 2002. Writing about teachers' strikes, Murillo and Roncoci (2004, 78) note how the decentralization of social services in Argentina has resulted in an “uneven pattern of provincialization of protest.” Similarly, in contemporary Venezuela, López-Maya and Lander (2004, 215–17) note a “dramatic rise in the number of violent or confrontational street protests.” Based on news reports for the period 1985–99, their figures “reveal the prevalence of riots over the more conventional, peaceful forms of protest employed frequently in the history of Venezuelan democracy”; at the same time, they note a high amount of “illegal protest activity,” such as highway blockades, land invasions, and occupations.

In Bolivia, Laserna and Ortego (2003) observe that road blockades, seizures of public buildings, and marches are dominating the current pattern of social conflict more than labor strikes. Similar to the Argentine case, according to Kohl (2002, 449), decentralization in Bolivia has “served to territorialize opposition to privatization and neoliberal economic policies and, in some areas, reinforce regional social movements.” Localized revolts in the provinces of the interior have also surfaced in Peru, where decentralization initiatives have just begun to take place. Similar to the *Arequipazo*, pre-“water war” Cochabamba was the Bolivian province with the highest percentage of conflicts after La Paz, the capital (Calderón and Szmukler 2000, 335–46). Both Arequipa and Cochabamba had a high incidence of mobilizations compared to other provinces in Peru and Bolivia, respectively.

Recent rounds of protest have joined together numerous civil society groups, including indigenous peoples, students, women's organizations, workers, artists, neighborhood associations, religious groups, and sectors of the middle class. Building on preexisting social networks, mobilization sometimes occurs virtually spontaneously, without instruction or a general coordinating body. In keeping with the cyclical nature of popular mobilization (Tarrow 1998), resistance movements and protest coalitions often prove to be only transitory, disappearing shortly after a conflict is resolved or political opportunities close (Wolff 2007). Nevertheless, they have, at times, been highly effective at bringing their respective political and economic systems to a grinding halt until their demands were met or specific reform measures were reversed.

Figure 1 reports data on social protests in Peru from news reports for the period 1995–2004. The available data show that these mobilizations outnumber the traditional labor-based strikes. Rather than depicting social atomization or political apathy, as argued by the conventional wisdom about the effects of market reform, these figures capture the fallout from the continuation of neoliberal policies, where collective action simply changes, rather than disappears. Figure 1 helps us to visu-

Figure 1. Number of Social Protests and Strikes in Peru, 1995–2004



Source: Data on strikes from INEI 2002. Data on social protests from news reports and prepared by the Instituto de Estudios Peruanos (IEP) in collaboration with the author.

alize the paradoxical effect of neoliberalism: it simultaneously debilitates certain types of popular resistance while activating others.

In particular, the most recent report from Peru's Defensoría del Pueblo (Ombudsman Office) places mobilizations against foreign direct investment as the most common type of social conflict in Peru today. These protests represent 46 percent of all conflicts (Defensoría del Pueblo 2007b). The mobilizations pit local communities against large- and medium-sized transnational mining firms, which seek to extract natural resources from the surrounding area. These localized conflicts are driven by mineral extraction and the environmental contamination that comes with it (Defensoría del Pueblo 2007a). Similar to the *Arequipazo*, these conflicts are territorially grounded, and emerge from a specific issue, yet they have a high profile and economic impact.

FUJIMORI FALLING

Political opportunity theories emphasize changes in the immediate political environment as facilitating or constraining collective action. These changes might include an opening of access to political power, a polity's crackdown on collective behavior, political alignments that shift or become unstable, or the appearance of new key allies or support groups. Sources of economic discontent, in contrast, are thought to be constant and inherent in all societies; yet grievances play a vital role in

framing and mounting successful collective action (see, e.g., Tarrow 1998; McAdam et al. 2001).

The transition from Fujimori (1990–2000) to Toledo (2001–6) signaled a major shift in the structure of political opportunity that allowed for the greater use of protest. This central idea is consistent with existing research that suggests that political liberalization creates a more conducive environment for greater levels of mobilization while increasing the leverage of challengers, as well as their chances to achieve their goals (see, e.g., Yashar 1998, 31–32; Arce and Bellinger 2007). Following the 1992 *autogolpe*, Fujimori recentralized political authority and effectively created a system with few or no veto points, which, in turn, allowed for dramatic policy change. During this period, Fujimori enjoyed majority support in Congress and was able to minimize political dissension within his own party, thereby expediting legislative approval for policy initiatives drafted by the executive. This rigid discipline made Congress more isolated and less engaged with society, allowing Fujimori's majority to override any type of political opposition.

Fujimori also reversed the decentralization initiative that had created 13 regional governments in 1989. In so doing, he closed off any political space to potential challengers. Fujimori, moreover, was less willing to respond to societal grievances, particularly those wrought by the implementation of market policy reforms. Besides supporting his authoritarian tendencies, which have been widely documented (e.g., Carrión 2006; Conaghan 2005), these circumstances created a closed political system that muted the opposition from challengers.

The period of the Fujimori regime, indeed, was characterized by a general decline in strike activity, largely because the political environment delegitimated the use of protest and the economic conditions eroded and weakened collective action (Roberts 1996, 81; Tanaka 2002, 7). To be sure, a number of strikes and provincial revolts took place, albeit with limited success. In the early 1990s, for instance, unionized teachers organized a major strike. It lasted almost four months, and it ended largely from fatigue, as the government offered only minimal concessions (*Caretas* 2003). At the regional level, in 1997 the mayor of Huancavélica, Federico Salas, captured the national spotlight by making a weeklong horseback ride to Lima. He hoped to meet with Fujimori to discuss the problems of his city. But Fujimori refused to greet him, and Salas returned empty-handed (*Debate* 1997).⁴

In contrast to Fujimori's authoritarian regime, the democratic government of Toledo provided an environment that facilitated greater levels of mobilization. Unlike Fujimori after his *autogolpe*, Toledo did not have majority support in Congress, and disagreements within his party were customary. Indeed, many observers have noted that Toledo's strongest political opposition came from his own party, Perú Posible.

In 2002, Toledo restarted the decentralization process that the Fujimori regime had abruptly interrupted. The decentralization dispersed considerable political power from the central government to regional governments and created new opportunities for opposition parties to hold positions in those governments, outlets that Perú Posible ultimately failed to secure. Toledo also sought to relieve the dislocations associated with neoliberal reforms, thereby increasing the likelihood of success for mobilizations against those types of policies. In all, the more open access to political power—from Congress to Toledo's party to the newly created regional governments—enabled challengers to mobilize opposition and effectively resist further policy reforms.

Not surprisingly, Toledo's democratic government faced many mobilizations. According to the weekly magazine *Caretas*, in 2002 the city of Lima lived through at least 800 different protests, a statistic not seen in the previous decade (*Caretas* 2002a, reporting data from Ministerio del Interior 2002). On November 11 of that year, there were 24 demonstrations in Lima, or one protest for each hour of the day.

Outside the capital, in September 2001, peasants in Cuzco seized the city's airport, demanding the construction of an access road to Quillabamba (*Semana Económica* 2001). Later that month, residents of Puno arrived in Lima requesting that the government build through Puno, instead of Cuzco, the so-called intercoastal highway (*carretera interoceánica*) between Peru and Brazil (see Llosa 2003). The following month, 15 different mayors from 3 poverty-stricken regions, Junín, Huancavélica, and Ayacucho, arrived in Lima demanding more public works (*Caretas* 2001). In August 2002, rice producers in Tarpoto went on strike demanding a financial bailout from falling rice prices (*Caretas* 2002c). At least 13 different departments, mostly in the poorer regions of the country, harbor several active and latent conflicts involving local communities and transnational mining corporations over the extraction of natural resources. Perhaps no other protest was as powerful as the one that rocked Arequipa in June 2002, when citizens violently resisted the sale of the city's electric companies. Overall, this upsurge in localized protests was unprecedented (Ballón 2002).

Compared to the authoritarian regime of Fujimori, moreover, the Toledo government showed a willingness to accommodate societal and regional demands. In May 2003, nearly three hundred thousand unionized teachers sought higher wages and threatened to strike again. Government officials initially stated that fiscal constraints made it impossible to accommodate the teachers' demands (*Gestión* 2003b). The teachers decided to strike, and after almost four weeks of negotiations, the government offered a wage increase in the amount of one hundred Peruvian soles (*Gestión* 2003a).

The wage increase has not prevented teachers from organizing more strikes since then. Similarly, in Arequipa, the weeklong popular uprising successfully derailed the privatization of the city's electricity generators and triggered the resignations of various cabinet members. In 2006, weeks of protests and roadblocks by villagers in Cajamarca successfully halted the operations of Newmont, the largest gold-mining company in the world.

It is interesting that since 2000, Peruvians have held favorable attitudes toward these mobilizations: 84 percent of respondents to a poll approved of the teachers' strike (Apoyo 2003), and 58 percent approved of protest mobilizations in general (Apoyo 2002b). Moreover, 72 percent of respondents said that the antiprivatization revolt in Arequipa was justifiable, while 68 percent disapproved of the government's initial handling of the situation (Apoyo 2002a).⁵ In contrast, business owners have decried the effects of these mobilizations on private property and the country's investment climate and demanded a firmer stance from the Toledo government (*El Comercio* 2007).

DECENTRALIZATION AND THE GEOGRAPHIC SEGMENTATION OF PROTEST

As noted by Tarrow (1998, 8), "periods of generalized disorder sometimes result in immediate repression, sometimes in reform, often in both." Seeking to placate the economic problems of peripheral provinces and to decentralize the state, in November 2002 Toledo called for the election of 25 regional governments. Each of these regions elected a president. The regional authorities were set up to complement the preexisting government structure, which involved 24 departments, 195 provinces, and 1,828 districts. Among the provinces, the port city of Callao enjoyed special status because of its economic importance. The regionalization project thus provided for political representation at the departmental level and also in Callao.

Decentralization in Peru is not new (Slater 1991; Contreras 2000). In the late 1980s, the government of Alan García provided for the creation of 13 regions, but these subnational units were dismantled by the Fujimori regime following the 1992 *autogolpe*. Before the November 2002 regional elections, departments were considered administrative units of the central government, which appointed governors (*prefectos*) for each department. Since the early 1980s, in contrast, provincial and district-level mayors have been chosen at municipal elections every three years.⁶

Many observers agree that Toledo's decentralization initiative was highly disorganized and poorly improvised (Tanaka 2002, 25). In the view of economist Gonzáles de Olarte (2002, 18), the hastiness of the

decentralization process signaled “the impatience of a government eager to fight the problems of unemployment and development among an anxious population.” Neither voters nor those seeking regional office knew what these subnational governments were originally supposed to do (*Perú Económico* 2002b). In reality, the laws that structure these new institutional openings for representation were approved months after the November election and continue to be revised. Moreover, less than a third of the population believed that regionalization would slow down the rise of social protests (Apoyo 2002c).⁷

Although many people welcomed the decentralization drive, it also dispersed considerable political power from the central government, creating veto points for challengers to mobilize opposition against the government in some cases, or to fight over the allocation of central government revenues in others. In other words, decentralization expanded political opportunities while adding to the geographic segmentation of societal conflicts. Neither the Toledo government, which started the decentralization process, nor the second García government, which continues to support it, has been able to rein in the subnational governments, and thus the potential for conflict between central and regional authorities has increased. In the regional elections of 2002, for instance, Toledo’s party, Perú Posible, won only one regional government, Callao. The bulk of the regional presidencies were won by APRA (12 regions) and independent movements (8 regions).⁸ Yet APRA’s electoral gains were also short-lived, and this underscores the continuing fragmentation of Peru’s party system. In the regional elections of 2006, APRA’s control was reduced to two regions, La Libertad and Piura. What’s more, 23 different independent parties or movements gained control of the rest of the country’s 25 regional governments.

This proliferation of regional parties and movements with no ties to national parties suggests that regional politicians generally are “loose cannons” and likely to exacerbate coordination problems with the central government.⁹ Indeed, weak political parties and a poorly institutionalized party system like those in Peru are unable to channel popular sector demands to the state, much less respond to them effectively (Mainwaring and Scully 1995). The lack of responsiveness may fuel social protest as groups pressure the formal political system from outside. (Arce and Rice [forthcoming] examine how political party competition shapes the levels of social protest in Bolivia.)

Decentralization in Peru has also served to territorialize a number of political conflicts. Based on the most recent report from Peru’s Defensoría del Pueblo (2007b), the second-largest type of conflict in Peru today pits local residents against corrupt or inefficient local authorities. These conflicts represent 28 percent of all conflicts. Consistent with this information, in less than a year since the creation of these regions, 9 of

the 25 regional governments have faced fraud and corruption investigations (*Correo* 2003; *El Comercio* 2003a). Regional authorities in Ancash, for instance, were charged with misappropriation of public funds. The charges related to the disappearance of emergency funds allocated by the Ministry of Finance (*El Comercio* 2003b). The regional president of Lima, Miguel Angel Mufarech, also faced a congressional inquiry because of electoral promises made to his creditors (*El Comercio* 2003c). In a taped telephone conversation, Mufarech stated that his election as president of the Lima region was a foregone conclusion and offered his creditors “thousands of business opportunities” to erase his US\$240,000 debt. In the region of Apurímac, more than one thousand bags of cement donated by Cementos Lima to the regional government disappeared and were later found at the house of the regional president’s mother. The regional president of Arequipa, Daniel Vera Ballón, faced a judicial investigation for diverting funds earmarked for investment to hiring personnel on the basis of patronage and nepotism. The regions of Ancash, Lima, Apurímac, and Arequipa were controlled by APRA. Given the absence of an effective framework of accountability, it appears that regionalization in Peru has also served to “decentralize corruption,” similar to Kohl’s observations in the Bolivian case (2002, 462).

Comparing the decentralization experience in countries such as Bolivia reveals that the recovery of provincial economies, which served as an impetus to promote decentralization in Peru, requires much more than fiscal transfers from the national government. Since the mid-1990s, Bolivia’s central government has transferred 20 percent of government revenues to municipalities, many of them newly created. The central government has also devolved responsibilities in the areas of health, education, infrastructure, and culture (Grindle 2000). Since 1999, however, the country has been paralyzed by a wave of sectoral strikes and localized protests; the “water war” in Cochabamba was perhaps the most visible (Nickson and Vargas 2002; Assies 2003).

While teachers and the national police demanded higher wages, coca leaf farmers protested U.S.-sponsored eradication programs. In most cases, the government of Hugo Banzer gave in: the national police gained pay raises, indigenous groups obtained farming concessions, and the Cochabamba water privatization was rolled back. Faced with large-scale protests, Banzer “showed great restraint,” largely to “overcome his old reputation for brutality garnered when he ruled as a military dictator in the 1970s” (*New York Times* 2000). The government of Gonzalo Sánchez de Lozada (2002–3) encountered nothing but organized discontent by people fed up with neoliberal reforms (Barr 2005; *New York Times* 2003). In October 2003, a month of continuous social protests that left a death toll of more than 70 people forced President Sánchez de Lozada to resign from office.

Referring to the current cycle of protest in Bolivia, Barr (2005, 70) notes, "The demands of farmers, teachers, miners, police, retirees, and other protesters have not been of an ideological or esoteric sort, but have reflected very concrete concerns about economic issues and living conditions." As in Peru, the diversity of groups taking to the streets in Bolivia points to changes in the repertoire of social protest, in which traditional, class-based collective action has almost disappeared. In its place, diverse new social actors and new forms of protest have emerged to take the lead in popular resistance efforts. Geographically segmented conflicts are thus part and parcel of a widespread rejection of neoliberal policies and their lingering effects. The top-down manner in which neoliberal economic policies have been designed and implemented has exacerbated the sense of exclusion, which has undoubtedly contributed to a resurgence of protest behavior. In some cases, governments appear to have little room to maneuver.

While the transition from Fujimori to Toledo made the political context more prone to mobilization, the economy of the region of Arequipa stagnated and declined, with an outmigration of businesses and jobs beginning in the mid-1990s. These economic losses were important in mobilizing citizens across different sectors of society.

THE AREQUIPAZO

By the end of the 1990s, the province of Arequipa had the highest rate of unemployment in the country, averaging 15 percent (*Perú Económico* 2001). On average, the province's GDP as a share of the country's GDP declined from 6 percent in the 1991–95 period to 5 percent in the 1996–2000 period. Specifically, Arequipa's Human Development Index dropped from a 0.695 score in 1997 to 0.635 in 2000; the latter figure was only slightly better than the 0.633 score registered in 1993 (PNUD 2002).¹⁰

In the 1990s, during the heyday of neoliberalism, important local industries in search of bigger markets and profits gradually began to move their production facilities to the capital city, Lima, and the shift contributed to Arequipa's high unemployment rate. Companies that moved to the capital included Aceros Arequipa S.A. (steel manufacturer), Cervesur (brewer), and Leche Gloria (milk-processing plant). These companies were icons of a distinct local identity, so their exodus to Lima was an indication of, as well as a contributor to, the weakening of the provincial economy. The provincial mayor at the time of the *Arequipazo*, Juan Manuel Guillén, later remarked, "Like the great majority of Peruvians, we were only witnesses to this process" (2003). Other economic and political forces also contributed to the eventual mobilization.

Economic Conditions

Credit allocation was another indicator of the contraction of productive activities in Arequipa. In an action it considered necessary to sustain macroeconomic discipline, in the early 1990s the Fujimori government liquidated a number of decentralized state development banks in agriculture, manufacturing, and mining, thereby leaving credit allocation decisions to revolve entirely around the private sector. Arequipa's share of total private lending in the country during this period was approximately 5 percent. By the early 2000s, credit allocation in the region had shrunk to 2.5 percent. In contrast, Lima's share of private lending increased from 83 percent in 1990 to 87 percent in 2002 (Superintendencia de Banca y Seguros). Arequipa is the region with the second-highest percentage of private credit allocation after Lima.

While Lima has historically received much of the stock of private lending (Caravedo Molinari 1988, 24), this pattern was augmented considerably by the fusion of various provincial banks, such as Banco del Sur and Banco Regional del Norte, with larger banks from the capital. Even though new and larger banks now operate in the regions, moreover, credit decisions for cities like Arequipa are actually made in Lima (*Perú Económico* 2001).

The sheer size of Lima's economy may well explain the mass departure of local companies and the further concentration of private lending in the capital. Compared to the rest of the country, Lima clearly provides better infrastructure facilities, services, and human capital, among other factors.¹¹ However, it is also evident that provincial politicians like Arequipa's Guillén lacked the policy tools to counteract this recentralization of productive activities. The economic recession of the late 1990s further exacerbated these conditions.

Historical Legacies

The 2002 revolt shares a number of similarities with an earlier uprising that took place in the mid-1950s, suggesting the importance not only of economic conditions but also of historical continuities. In the mid-1950s, a broad array of actors, including merchants from the local chamber of commerce, members of the local lawyers' guild, university students, and railroad workers, coalesced under the Frente Unico de Defensa (FUD) and fought collectively against the policies of the regime of Manuel Odría (1948–56). Caravedo Molinari (1978, 105–25) notes that Odría's "liberal policies," such as export-led growth, led to serious economic dislocations in the region of Arequipa and further concentration of industrial activities in Lima.

Arequipa's local bourgeoisie played an important role during that uprising. They helped identify and define collective grievances (for example, centralization), ascribe responsibility (e.g., to the Odría regime), and prescribe a solution (e.g., collective resistance).¹² Local chamber of commerce members even agreed to pay the wages and salaries of employees and workers who participated in the protest (Caravedo Molinari 1978, 139).

The provincial revolt of 2002 was also a response to the implementation of market policies and to some of the same economic problems that surfaced in the aftermath of Odría's "liberal policies." However, whereas the 2002 uprising was also popularly widespread, the popular appeal of the city's local bourgeoisie of the 1950s had clearly disappeared by the late 1990s. Residents of Arequipa quickly rejected the last-minute proprivatization endorsement made by the local chamber of commerce (Ballón 2003). More important, it was local politicians, rather than the local business elite, who helped rearticulate the shared regional identity against neoliberalism in 2002.

Political Context

Before discussing the popular revolt in Arequipa, a few words are in order on the political context preceding Toledo's rise to power. Born in the impoverished region of Ancash, President Toledo raised hopes for the possibility of lessening the economic problems of peripheral provinces. Toledo's political campaign pledged to create jobs to relieve the unemployment wrought by neoliberalism.

During the Fujimori regime, furthermore, Arequipa's economic deterioration had already taken a toll on the relationship between the capital and the province. Mayor Guillén was a staunch critic of neoliberalism and *Fujimorismo*. To name but one example, in 1997, when Fujimori came to Arequipa to inaugurate a new 60,000-seat stadium, the president could say only a few words, as he was widely booed by local residents. Not surprisingly, Arequipa's residents welcomed the collapse of the Fujimori regime in 2000 and endorsed Toledo. In Arequipa, Toledo defeated Fujimori in the first round of the presidential election of 2000, and García in the first and second rounds of the presidential election of 2001.

On the campaign trail, Toledo told residents of Arequipa that the city's electric companies would not be sold to outsiders. Toledo subsequently signed a document indicating just that (Vargas Gutiérrez 2002). According to Guillén, Toledo's gesture led to the expectation that the relationship between Lima and Arequipa would improve and that the centralized, autocratic imposition of market reforms that had damaged the provincial economy was a thing of the past (Guillén 2003).

The Uprising

These expectations proved to be short-lived when Toledo, once elected president, decided to privatize these companies, offering no explanation for the course change. Resistance to the sale began to build as early as April 2002, and local authorities initiated a judicial process seeking to prevent the privatization from taking place. By early June, more than a dozen city mayors, led by Guillén, went on a hunger strike. Further complicating the political scenario, in the days before the bidding (June 14), Toledo announced that the privatization would take place despite the popular discontent.

The interior minister, Fernando Rospigliosi, reportedly said that only a small minority of “beggars” opposed the privatization initiative.¹³ The minister of justice, Fernando Olivera, threatened to open an internal administrative process against the judges who had blocked the government’s plan. In many ways, the Toledo government reproduced the authoritarian ways of the Fujimori regime, but in a context where politics became more liberalized and with a livelier and freer press than in the 1990s. The remarks made by various government officials simply added to the popular sentiment against the privatization decision. In the streets, thousands of local residents chanted, “Now let them say that we are a minority” (*Abora que digan que somos minoría*).

More important, Mayor Guillén questioned the alleged benefits of privatization. As he put it later, “privatizations have not reduced poverty; instead they have increased unemployment, utility prices, and corruption” (2003). Certainly, unlike the privatizations of the early 1990s, the divestitures of Arequipa’s Egasa and Egasur did not enjoy a “favorable public mood” (Manzetti 1999, 18), thus complicating state goals.

In the judicial process that blocked the privatization, local authorities questioned the legality of the sale itself, claiming that the central government did not actually own the electric companies. Guillén also noted that many of the existing electric connections had been either paid for by beneficiaries themselves or partly subsidized by the municipality of Arequipa, which oversaw those companies. In other words, the proposed privatization did not distinguish the generation of electricity from its distribution. The Belgian company Tractebel, the only bidder in the auction, would have gained exclusive rights to all of the city’s electricity. The granting of the distribution rights to outsiders like Tractebel thus denoted a form of expropriation, and this expropriation would have been similar to the one from the aborted privatization of water in Bolivia’s Cochabamba. The residents of Cochabamba had also built wells and water networks through cooperatives. If the privatization process had gone forward, it would have given the U.S.-based Bechtel Corporation, the sole bidder in that process, exclusive rights to all the city’s water (Finnegan 2002).

Having overwhelmingly supported Toledo, residents of Arequipa now vowed to overthrow him with demonstrations. As in the *cacerolazos* in Argentina, when people took to the streets banging pots and pans in protest, residents of Arequipa did the same. Recalling an old custom, others urged the ringing of church bells from the city's main cathedral, calling people to take action. Throughout the city, the Peruvian flag appeared above many houses as a sign of solidarity with the protest.

The demonstration succeeded. Arequipans rolled back the state of emergency imposed, not least by tumbling Toledo's 11-month-old cabinet. In late 2002, a judicial ruling declared that the electric companies were owned by the province of Arequipa (Paredes 2002, 46), effectively ending any central government plan to auction off these companies.

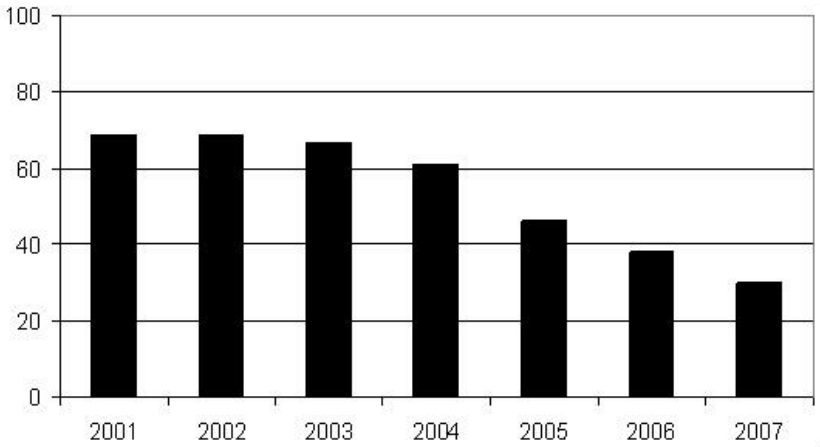
Arequipans simply felt betrayed by Toledo, who had promised a more participatory, decentralizing approach (Tanaka 2002, 24). The government's failure to take into account the provincial social discontent simply replicated the centralized, autocratic imposition of economic reforms, which, by the end of the 1990s, were already widely discredited. Yet the *Arequipazo* was not an isolated protest event. Other significant mobilizations against neoliberalism were equally visible and had a comparable economic impact.

OTHER MOBILIZATIONS AGAINST FOREIGN DIRECT INVESTMENT

One area of contention developed around the mining industry. As a consequence of Fujimori's liberalization and privatization schemes, mining investment in Peru increased fivefold during the 1990s. In 1992 alone, mining companies sought more land claims than they had in the previous 15 years (Bury 2002). Mining, furthermore, represents approximately 15 percent of all the foreign direct investment that has flooded Peru since Fujimori (INEI 2005, 847). The strong emphasis placed on foreign direct investment in Peru's economic restructuring made mining a very attractive industry.

Transnational mining companies responded very favorably to this change in economic policies; 11 of the world's top 20 mining corporations now have operations in Peru (Bury 2002, 6). Due to the geographic location of mining, which takes place in the highlands, this booming industry has had a dramatic impact on the rural population, some of Peru's poorest citizens. Given the detrimental environmental effects of mining, it is no wonder that the transnational mining companies operating in Peru's highlands have repeatedly come under siege by rural, national, and transnational protesters. Indeed, this is the most common type of social conflict in Peru today (Defensoría del Pueblo 2007a, b).

Figure 2. Peru's Policy Potential Index for Mining



Source: Fraser Institute 2001–7. The policy potential index reports a ranking score of policy attractiveness from the perspective of mineral exploration managers. The measure is a normalized ranking score ranging from 0 to 100, where 100 is the best score.

While these conflicts are geographically segmented, they have a high profile and economic impact. Furthermore, the link between foreign direct investment—a clear indicator of the trend toward globalization and economic liberalization—and protest is indisputable. Several of these conflicts, led by local villagers, have halted a number of mining activities. Most of them have taken place since Fujimori left office in 2000.

Reports from the Fraser Institute (2001–7) confirm the impact of these mobilizations. The Fraser Institute conducts an annual survey of metal mining and exploration companies to assess how mineral endowments and public policy factors, such as taxation and regulation, affect exploration investment. The survey provides a couple of indexes: the Policy Potential Index (PPI) and the Mineral Potential Index (MPI). These indexes serve as a report card to governments on how attractive their policies are from the point of view of an exploration manager. In the 2005–6 survey, for instance, the MPI index placed Peru at the top of the sample of 64 countries, suggesting that the sheer potential of the country's mineral resources was extremely high. In contrast, the PPI index—which takes into account, among other things, the presence of political stability and societal conflicts—has consistently dropped since 2003 (see figure 2).¹⁴

In almost all cases, protests have been sparked by mining accidents that have fueled longstanding fears of environmental degradation, or by mining companies' failure to live up to their social investment commitments. Some of the larger protests have been orchestrated by local and

transnational social networks, ranging from peasants and community groups to international NGOs, such as Oxfam. Each of the following examples shows how local resistance to large transnational mining companies has been at least partly successful at reducing the impact of mining on local communities.¹⁵

The most noteworthy protest events against mining have taken place in Cajamarca Province in northwest Peru. The Denver-based Newmont Mining Company, the world's largest mining company, saw a number of protests at its Yanacocha mine between 1999 and 2006, some of which turned violent.¹⁶ Conflict broke out at Yanacocha in December 1999 when more than six thousand local residents blocked the entrance to the mine, protesting against the environmental and social costs of mining activity (Bury 2002, 10). According to survey data gathered by Bury (2002, 13), locals were most concerned about water pollution, reduced water flow, and social ills that came with mining boom communities, such as prostitution, crime, and debt problems.

In Bury's survey, respondents who said that their water resources were affected were more than twice as likely to engage in protest activity as other respondents (Bury 2002, 12). Local fears of water pollution appear to be validated by international NGOs. In 1999 alone, Newmont was charged more than 159 times by the World Health Organization for violating clean water practices (Bury 2002). Negative perceptions were further fueled in June 2000, when a transportation company contracted by Newmont spilled poisonous mercury along 25 miles of road. Contention came to a head once again in September 2004, when Newmont began prospecting on the Cerro Quilish mountain. For a full month, thousands of protesters blocked the mine entrance, forcing Newmont to use helicopters to continue operations. Reports indicate that protests continued despite the presence of more than 150 special operations officers, who used tear gas, arrested a number of protesters, and even shot one in the leg (Perlez and Bergman 2005).

The same month, a regionwide strike was carried out, organized by antimining protesters and Father Marco Arana and his Grufides organization, which receives international support from Oxfam. Ultimately, protest efforts succeeded at preventing Newmont from mining on Cerro Quilish mountain, and the company's license to do so was revoked. In December 2004, three provinces in the region were brought to a standstill by another regionwide protest against mining. In late August 2006, Newmont was forced to shut down production for a full day due to a blockade led by farmers. Contentious activity has continued at Yanacocha to this day.

Violent protests began at the Tambo Grande mine in the northern province of Piura in February 2001 (Muradian et al. 2003) when about five thousand people "stormed the company's offices, burning machin-

ery and destroying models of houses for relocating people” (Muradian et al. 2003, 780). A protest leader was killed by gunshot one month later. A number of groups opposed the mining project there, including the archbishop of the diocese of Piura and the Front for Defense of Tambo Grande (Muradian et al. 2003, 780). In 2002, a straw poll funded by Oxfam UK showed that 94 percent of voters from Tambo Grande were against the project. International NGOs involved in the conflict included Oxfam America, Oxfam UK, the Mineral Policy Center, the Environmental Mining Council of British Columbia, and the Friends of the Earth from Costa Rica and Ecuador (Muradian et al. 2003, 780).

A survey conducted by Muradian et al. (2003, 780) found local residents fearful of the environmental impact of the proposed project; 85 percent were against the project, a majority did not trust the government to enforce environmental laws, 70 percent believed that pollution levels would be high, and 47 percent believed that pollution levels would be very high. Protests continued in June 2002, when more than one thousand villagers from all over Peru mobilized in Lima against the Tambo Grande project. Another three-day protest took place in November 2003 at Tambo Grande. Protests continued until the project was finally abandoned in 2005. Operated by Canada’s Manhattan Minerals Company, Tambo Grande was permanently shut down in February of that year; Manhattan Minerals cited a lack of funding due to ongoing protests.

In late May 2005, one of the most respectable multinational mining companies operating in Peru, BHP Billiton (an Anglo-Australian company and the world’s third-largest mining company) was forced to halt operations at its Tintaya copper mine for a month due to continuous peasant protests and raids on the site. About two thousand protesters actually took over the world’s third-largest copper mine for a brief period. At least three thousand demonstrators opposed BHP Billiton’s plan to open a new tailings operation, which, villagers believed, would poison water supplies. Protesters were also unhappy with the amount of community investment BHP Billiton was putting into the region; they charged that BHP Billiton had not lived up to its promises. BHP Billiton tried to settle with protesters by offering an investment package worth US\$330,000 per year, but the effort failed. Repeated protests apparently forced BHP Billiton to sell its Tintaya mine in May 2006 to another mining company, the Swiss-based Xstrata.

These conflicts over mining illustrate the paradoxical effect of neoliberalism to simultaneously debilitate certain types of popular resistance while activating others. They also challenge the conventional wisdom that protest is so difficult to organize in rural areas that it should not be expected. Ultimately, these conflicts suggest that the locus of protest activity has changed.

CONCLUSIONS

Since the early 1990s, Peru has been experimenting with market-oriented economic reforms. These reforms succeeded in restoring macroeconomic stability and reigniting growth. The atomization literature associates marketization with depoliticization, whereby societal actors are presumed to be passive recipients of painful economic reforms. Consistent with recent cross-national empirical studies (e.g., Arce and Bellinger 2007), this case study challenges these assumptions. Economic liberalization has repoliticized collective political activity by altering the traditional pattern of class-based organizing. Diverse new social actors have emerged to take the lead in popular resistance efforts. As this article has documented, market policies have sparked a number of geographically segmented mobilizations against Peru's market-oriented policies and programs, often having an impact on national policies. Future research ought to explore the implications of this new pattern of organizing and mobilizing for meeting the pressing needs of the region's poor.

Contrary to the state-centric literature on the politics of economic reform, moreover (e.g., Haggard and Kaufman 1995), the central lesson of the current round of societal mobilization in Peru is that national policy decisions can no longer be made exclusively by the legislative and executive branches of government, but must be conducted in consultation with civil society. The societal protests constitute an explicit rejection of the decisions being made by democratic actors and institutions. All together, these localized protests represent society's "protective countermovement" (Polanyi 1944) in response to the efforts to create a market society.

Future research should also examine the spatial distributional consequences of economic liberalization, a topic that cross-national studies continue to ignore. In the Peruvian case, growing disparities among regions apparently were important in framing and mounting successful collective political activity. The Toledo government reinstated a decentralized structure in an effort to revamp peripheral economies. The decentralization process has indeed changed the locus where protest takes place; and at least until very recently, has encouraged an increase in mobilizations and protests. As this article has shown, the rise in mobilizations signals a major shift in the structure of political opportunity that has allowed for greater use of protest. If the decentralization drive stagnates, these subnational governments could also serve to further "territorialize" discontent with neoliberal economic policies, as recently seen in Bolivia.

NOTES

1. In this study the terms *market reform* and *neoliberal reform* are used interchangeably, implying policies that seek to reduce state intervention in the economy. Examples include trade liberalization, privatization of state enterprises, and domestic and international financial liberalization.

2. According to Toledo's former vice president, David Waisman, the government lost much of its authority when former prime minister Roberto Daniño, anticipating the potential conflict in Arequipa, decided to go to Washington in the days immediately preceding the announcement of the privatizations (*El Comercio* 2004). The government appeared to be divided, and subsequently, the blame for the privatization process was directed at President Toledo.

3. For a strong distinction between institutionalized and noninstitutionalized forms of political activity, see Huntington 1968, 196.

4. Fujimori subsequently co-opted Salas, making him prime minister in 2000.

5. The questions read as follows: ¿Aprueba o desaprueba usted la huelga del SUTEP? ¿Diría usted que aprueba o desaprueba los movimientos de protesta en general? ¿Usted diría que las protestas en Arequipa contra la privatización de Egasa y Egesur estaban justificadas o no estaban justificadas? ¿Aprueba o desaprueba la manera cómo el gobierno enfrentó inicialmente la crisis en Arequipa?

6. Historically, provinces and districts were fiscally dependent on the central government. These subnational units accounted for 6 percent of the country's revenue base and 12 percent of its spending. For further discussion, see World Bank 2003; *Perú Económico* 2002a.

7. The question read, ¿Cree que las protestas sociales aumentarán, seguirán igual o disminuirán a partir de la regionalización? In the responses, 31 percent said that social protests would increase, 34 percent that they would be about the same, and 25 that they would decrease.

8. As Toledo put it, "in the regional elections [APRA] ate us alive" (*en las elecciones regionales [el APRA] nos han comido con zapatos y todo*) (*La República* 2003).

9. I thank an anonymous reviewer for this suggestion.

10. The Human Development Index is a summary composite index that measures a country's average achievements in three basic aspects of human development: longevity (life expectancy), knowledge (literacy), and a decent standard of living (GDP per capita).

11. Lima's GDP as a share of the country's GDP is approximately 50 percent. González de Olarte (2000) discusses economic recentralization during Fujimori's wave of neoliberal reforms.

12. On Arequipa's business elite, see Hammergren 1974; Durand 1982.

13. At the time of the protests, Rospigliosi was reported to have said, "Solo unos mil muertos de hambre se oponen a las privatizaciones en Arequipa." Later it was reported that Rospigliosi did not utter those words (see *Caretas* 2002b).

14. The Policy Potential Index is a composite index that measures the effects on exploration of government policies, including uncertainty concerning the administration, interpretation, and enforcement of existing regulations; environmental regulations; regulatory duplication and inconsistencies; taxation;

uncertainty concerning native land claims and protected areas; infrastructure; socioeconomic agreements; political stability; labor issues; geological database; and security.

15. The information about these mining protests was taken from *The Economist* 2005; Griffin 2006a, b; Perlez and Bergman 2005; Weitzman 2005, 2006; and Teh-White 2005.

16. Minera Yanacocha's stakeholders include Denver-based Newmont Gold Co. (51 percent); Compañía de Minas Buenaventura, a Peruvian company (44 percent); and the International Finance Corporation, a member of the World Bank Group (5 percent). The IFC's stake in Yanacocha was also an important point of contention for global activists. I thank an anonymous reviewer for raising this point.

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