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**The Geography of Free Trade:
Explaining Variation in Trade Policy in Latin America.**

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**The Geography of Free Trade:
Explaining Variation in Trade Policy in Latin America.**

by

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**The Geography of Free Trade:
Explaining Variation in Trade Policy in Latin America.**

Omar Awapara

The University of Texas at Austin, 2018

Co-Supervisors: Raúl L. Madrid and Rachel Wellhausen

Abstract: The backlash against globalization spread across several Latin American countries in the 2000s, yet a few countries such as Peru doubled down on their bets on free trade by signing bilateral agreements with the US and the EU. Why do anti-trade forces in developing countries sometimes fail to effectively exert pressure on their governments? This study uses evidence from three Latin American countries (Argentina, Bolivia, and Peru) to suggest that geography can play a significant role in shaping trade preferences and undermining the formation and clout of distributional coalitions that seek protectionism. Because trade liberalization can have uneven distributional impacts along regional lines, trade liberalization losers can find themselves in unfavorable conditions to associate and engage in collective action. Under these circumstances, few coalitions emerge to battle for protection in the policy arena, and when they do, geographic distance from decision-makers in the capital city can be a significant barrier to realizing their interests. As a result, even where a majority of the population living in regions that have not benefitted from trade elect a leftist president, trade reform reversal will not occur unless protectionist interests are close to the capital city. The cases of Argentina, Bolivia, and Peru in the 2000s highlight the powerful influence geography can have on reversing trade policy or preserving the status quo.

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CHAPTER ONE INTRODUCTION

A specter is haunting the world – the specter of protectionism. In the most developed economies of the world, electoral outcomes such as the Brexit referendum and the historic upset by Donald Trump took many by surprise. Similarly, in developing countries, where the backlash against globalization has been brewing since the early 2000s, domestic interest groups have led protests to draw attention to their vulnerability to free trade. In Latin America, where trade liberalization was widely implemented during the 1990s, the backlash against free trade started in the streets and then spread to the electoral arena in the 2000s. Yet, the reversal of trade openness was not uniform throughout the region. In Peru, trade liberalization has only deepened in recent years, thanks to a very low average tariff rate and the proliferation of free trade agreements, most notably with the US in 2006. The country has maintained a strong free trade orientation and pro-export bias while many of its neighbors succumbed to protectionist forces.

The persistence of free trade policies in Peru is puzzling for both empirical and theoretical reasons. First, Peru’s current liberalization streak stands in stark contrast with its own history of frequent, short lived reforms, aptly described by Gonzales de Olarte and Samamé (1991) as the “Peruvian pendulum”. During much of its independent history, periods of export promotion policies were interrupted by phases of inward-oriented strategies. Recently, the election of Ollanta Humala in 2011, who had run previously on an anti-trade platform, suggested that there might be a return to protectionist policies, but he did not deliver on his campaign promises (Vergara and Encinas 2016; Cameron 2011).

Second, Peru's free trade commitment also contrasts with the policies of other countries in the region, famously swept by a 'pink tide' that reversed market reforms in several Latin American countries (Cameron and Hershberg 2010, Weyland, Madrid, and Hunter 2010, Levitsky and Roberts 2011, Flores Macías 2012). Specifically, when compared to Bolivia and Argentina, "aggressive reformers" (Corrales 2008) that adopted similarly sweeping neoliberal policies at approximately during the late 1980s and early 1990s, trade policy in Peru appears stubbornly stable. While both Bolivia and Peru had special trade agreements (ATPDEA¹) with the US up to the mid-2000s, only Peru actively pursued an upgrade to a full commercial treaty. In Bolivia, opposition from anti-globalization movements, which had previously toppled market friendly governments, pushed Evo Morales' government to let its trade preferences agreement expire. In Argentina, the administrations of Nestor Kirchner and his wife Cristina Fernández adopted a staunch anti-export policy by heavily taxing their most profitable commodities (soy, grains, meat) in order to transfer this revenue to their vociferous urban constituencies. In contrast to these countries, Peru has seen a proliferation of explosive yet uncoordinated bursts of discontent from isolated actors, but lacked a coalition of domestic-oriented sectors (organized labor or urban actors) capable of effectively challenging the status quo.

In theoretical terms, Peru's trade policy defies the received wisdom in trade scholarship regarding the strength of import-competing groups vis-a-vis exporting groups (Alt et al. 1996), which is based on the idea that free trade has the traits of a public good,

¹ ATPDEA stands for Andean Trade Promotion and Drug Eradication Act. There were agreements signed between the US and the Andean countries (Colombia, Ecuador, Peru, and Bolivia) that granted preferential access to the US market to a wide range of exports as a way of promoting alternatives to coca production.

in the sense that no one can be excluded from enjoying its benefits, such as cheaper imports. The diffuse benefits of free trade are supposed to discourage the formation of pro-trade coalitions. In contrast, protectionist policies tend to benefit specific sectors or firms, who have a vested interest in pursuing any means necessary to extract rents or benefits from the government and can more easily engage in collective action. Thus, in the political struggle between individual consumers and organized producers for the government's attention, the latter are expected to prevail. That was indeed the case in countries such as Argentina and Bolivia, but not in Peru. How can we explain this anomaly?

ARGUMENT IN BRIEF

In a nutshell, I argue that geography influences the formation and clout of the distributional coalitions that seek protection from the state. I first show that trade liberalization has an uneven regional impact, and that losing actors are more likely to be found in regions lacking a labor-intensive exporting sector. I then argue that these actors have better chances of aggregating their preferences into protectionist coalitions in areas of the country where there is a concentration of experienced activists capable of rebuilding collective action capacities. In that sense, geography underlies both motive and opportunity, and helps to explain why we observe contentious events against trade in some regions within each country, but not in others. The final part of my argument addresses the variation in the level of success of protectionist forces. Despite having dissatisfied individuals in many areas, and active contestation of trade policies in some of them, the demands of protectionist coalitions are not always met ('supplied') by governments.

Bringing preferences and organization back full circle, I argue that trade policy reversal is more likely when 1) the bulk of the population lives in areas that saw little improvement or were negatively affected by trade liberalization, potentially leading to the election of a leftist/protectionist leader, and 2) protectionist forces are located near the capital city which enables them to apply stronger and more organized pressure to enforce the anti-trade mandate of the elected president. As I will show in greater detail, geography plays a crucial role in each step of the argument.

This dissertation follows a line of argumentation often pursued in the political economy literature to understand why specific actors or groups are able to prevail in their political struggle over economic and social rivals. As in the OEP (Open Economic Politics) paradigm, my inquiry begins with individuals and economic sectors as the unit of analysis and derives their interests over trade policy from the impact of globalization on them. It also shares a view of domestic institutions (formal and informal) as “mechanisms that aggregate interests” and that “structure the bargaining of competing social groups” (Lake 2009: 225). In order to explain why protectionist forces succeed in some places, but fail to see their interests represented in others, I carry out three related tasks that mirror the sequence identified by Frieden (1991) and Rodrik (1995), tracing trade preferences from their formation through their aggregation into the institutional framework of domestic politics and, finally, their potential translation into policy outcomes.

The first task is to identify the determinants of trade policy preferences. Preference formation is at the root of protectionist coalitions, and explains the motivation of the losers of trade liberalization to try to reverse the policies that hurt their interests in the first place

(Rogowski 1989: 4-5). A country that opens its economy to international trade may see positive gains in its aggregate welfare, but will certainly disrupt the livelihoods of import-competing actors, unable to contend with cheaper foreign goods. For some authors, this reshuffling of winners and losers represents the “fundamental problem” that international trade creates for states (Alt and Gilligan 1994: 165). While in the long run the optimistic expectation is that growing sectors of the economy absorb the idle factors, in the short run governments necessarily face “transition costs” (Krugman 1993: 145-146) in the form, for instance, of unemployment.

In consequence, I argue that protectionist sentiment is more likely to be found among individuals living in import-competing, ‘trade-neutral’ or even non-labor intensive exporting regions, while individuals living in labor-intensive exporting regions tend to support trade liberalization. Importantly, by using a geographic variable I am suggesting that it is not just disadvantaged workers that are protectionist, but also their neighbors who are affected by the economic spillovers of such activities. This approach goes beyond the standard theories of international trade that expect protectionist coalitions to form as a result of political cleavages across classes, under the Heckscher-Ohlin (HO) model, or across sectors, under the Ricardo-Viner (RV) model.

Instead, the first part of my argument is that trade liberalization can have an uneven distributional impact along geographical lines within a country. Geography allows us to capture two dynamics that have been overlooked or neglected by scholars, and that stem from the location-specific nature of economic activities affected by trade liberalization. As I will show in more detail in Chapter 2, South American economies have mostly integrated

to the world through commodity exports, which can present large variation in a) factor intensity and b) economic spillovers. As a result, I argue that trade preferences can be traced down to an individual's location within a specific geographic environment as a relevant factor.

The second and third tasks, addressing the aggregation and representation of preferences, are influenced by the 'strategic setting' (Frieden 1999), or the 'supply side' (Rodrik 1995: 1459) of trade policy. When deciding to act collectively and voice their demands, protectionist actors take the institutional structure of governments into account. Because of the embrace of neoliberal policies and the "technocratic depoliticization" of policymaking in Latin America (Roberts 2008: 330), protectionist coalitions challenging the status quo usually lack regular access to representative institutions, which are defining characteristics of contentious collective action (Tarrow 2011: 7). As a result, they seek to attract the attention of policymakers not through formal channels in Congress, but by employing disruptive tactics such as roadblocks and strikes. In that vein, I argue that geography plays an important role when groups voice their demands in the streets and outside of formal channels.

Accordingly, the second task takes the institutional setting into consideration when assessing the obstacles to collective action that disgruntled individuals may face in their attempts to aggregate their preferences. Protectionist individuals and groups follow specific "strategies for pursuing these preferences" (Chase 2015: 316), which in this case, given the incentives of the political system, involve contentious actions such as strikes, roadblocks, or protests. While most of the literature on trade has focused on the incentives

to collective action provided by formal institutions, such as district size or electoral rules, my argument emphasizes the impact of geography on strategies involving alternative mechanisms of preference aggregation, such as social mobilizations and collective protests. In short, I argue that these contentious events are more likely when experienced actors are geographically concentrated in specific areas of the country.

Finally, the third task examines the conditions under which a protectionist coalition can be successful. Where strong presidential systems and insulated technocrats safeguard economic orthodoxy, trade policy reversal requires the election of a leftist president coupled with organized pressure from protectionist groups. Both conditions are strongly influenced by geography. Whereas the first part of my theory expects trade preferences in the wake of trade liberalization to be shaped by geography, the last part of the argument turns trade preferences into the independent variable explaining electoral outcomes. In short, I argue that left-wing candidates are more likely to be elected when the bulk of the population lives in areas that benefit little from or are harmed by free trade. These elections provide an opening in the political opportunity structure (Tarrow 2011) by eroding the consensus that underpins neoliberal reforms. Nevertheless, in contrast to some of the recent literature on the left turn in Latin America, I separate analytically the election of a leftist candidate from actual policy reversal. As we will see, there was significant variation in the extent to which leftist governments undermined the policies embodied by the “Washington Consensus,” including free trade. The ultimate success of protectionist forces depends on the amount of pressure they are able to put on elected presidents to pursue protectionist policies, which I argue is a function of their geographical proximity to the seat of power.

In sum, this dissertation argues that geography plays a significant role in facilitating or undermining the formation and clout of protectionist coalitions. I identify these coalitions as the main social groups behind the ‘demand’ side of trade policy (Frieden 1991; Rodrik 1995), and highlight the role of geography behind each of its ‘building blocks’ (preference formation, preference aggregation, and interest representation). It is the relative clout of these coalitions that ultimately explain why we observe variation in trade policies in Latin America.

This theoretical framework explains why some governments in Latin America decided to challenge the pro-export bias of trade policy and undermine some of the principles that had guided it since the 1990s, while others did not. In Argentina and Bolivia, trade-related protests were massive and centrally located, both before and after the election of a leftist leader in 2003 and 2005 respectively. Once in power, Néstor Kirchner and Evo Morales adopted specific policies that were at odds with the reigning free trade orthodoxy, such as raising taxes on and even nationalizing their booming export industries, in order to placate and redistribute resources to urban domestic constituencies. I argue that protectionist coalitions in Argentina and Bolivia gathered strength in large part because of the absence of a labor-intensive exporting sector capable of absorbing experienced trade reform losers who were concentrated in areas in these countries with lower barriers to collective action. After a large proportion of the population proved willing to vote for anti-trade candidates, highly mobilized actors made certain that Kirchner and Morales stood by their mandates.

By contrast, protectionist forces in Peru were not successful in seeing their demands met by the administrations of Alan García (2006-2011), or even of Ollanta Humala (2011-2016) who had run in both the 2006 and 2011 elections on a leftist platform. Although Peru's main exports are based on extractive, capital-intensive industries as in Bolivia, the country also developed a strong, labor-intensive agribusiness sector that created substantial employment growth and positive spillovers in populated coastal provinces. In addition, because losers from trade liberalization with prior experience in collective action were found in the primary sector, they were less concentrated than in Argentina and Bolivia, raising the costs of mobilizing and protesting. Moreover, protectionist coalitions in Peru were not found close to the capital city, and could only apply limited pressure on the government. As a result, even when a leftist candidate as Humala was finally elected president in 2011, he could easily turn his back on the voters who had vaulted him to power.

The theory should explain why some protectionist coalitions in commodity exporters in the developing world are more successful than others, and as a result, undermine the free trade policies that were extensively adopted in the late 20th century. The first scope condition is that the theory explains trade policy in commodity-rich countries. In Chapter 2 I compare the pattern of trade specialization of Argentina, Bolivia, and Peru, to that of Mexico, in order to highlight the contrast with economies that rely more on manufacturing exports and less on primary products, and the different geographical effects that follow from such trade structure. Second, the theory applies to cases in which labor mobilizes to challenge the status quo. A few years into the Morales and Kirchner

administrations, organized business groups in Bolivia and Argentina were at the losing end of trade policies. Although I suggest in the conclusions that distance from the capital city may have hurt their chances, the strategic setting may shape the relationship between the business sector and the state in a different way than with organized labor.

KEY CONCEPTS – FREE TRADE AND PROTECTIONISM

What do I mean exactly by free trade, trade liberalization, or protectionism? Several key terms used in this dissertation merit a larger discussion. In a narrow sense, there has been little variation in trade policy since the 1980s-1990s process of liberalization. Following episodes of hyperinflation and disastrous economic performance in the 1980s, countries in Latin America were encouraged to adopt a package of structural reforms in the early 1990s. Often identified with the “Washington Consensus”, this set of economic policies sought to “stabilize, privatize, and liberalize” (Rodrik 2006: 1) ailing economies. In the previous decades, and to different degrees, Latin American countries had pursued state-led strategies under the paradigm of import-substitution industrialization (ISI). Consequently, the prescription recommended opposite measures: opening the economy to trade, privatizing state companies, and liberalizing domestic markets. Bolivia was one of the first Latin American countries to liberalize its economy beginning in 1985, followed by Argentina and Peru in the late 1980s and early 1990s.

Argentina, reduced the maximum tariff from 65 per cent to 30 per cent in 1988, and the average tariff fell to a level of 12.2 percent by 1991 (De Ferranti et al 2002: 82). More dramatically, in Peru the average tariff decreased from 108 percent to 25 per cent and in

Bolivia from 150 percent to 10 percent (Jenkins 1997: 308). In addition, according to Jenkins, in Bolivia quantitative restrictions on imports were eliminated and a relatively low, uniform tariff structure was adopted. By 1990, import duties were established at 10 per cent. The reform also included the removal of “virtually all non-tariff barriers” (1997: 314).

A basic definition of trade liberalization includes any attempts to remove or reduce restrictions and obstacles to trade between countries. Traditionally, tariffs and non-tariff barriers have represented the largest barriers to the exchange of goods between countries, and in Latin America, they were a common mechanism employed to protect domestic industries from external competition. However, if we look beyond import-protection measures, there are also several instruments applied by states that can run against trade liberalization by hurting exporters. Export taxes or export quotas, for instance, can alter producers’ incentives to trade. In either case, a country that increases tariffs is distorting free trade in the same way as another one that increases export taxes. In both cases, trade is less free.

In all three countries, tariff rates have not been substantially altered since they were drastically reduced in the late 1980s and early 1990s. However, when we go beyond this emphasis on tariffs as the main component of trade policy, we will see that there are other ways in which free trade can be reversed or undermined. I argue that trade reforms in Latin America had three main pillars: 1) slashing tariffs to liberalize markets; 2) pulling back the state from any tradable activity and delegating growth responsibilities to the private sector; and 3) the active promotion by the state of exports via trade agreements. I argue that both

2) and 3) can have as much a distributional impact on actors and sectors as 1). If we focus the analysis just on tariff cuts and the removal of other barriers for imported goods, the set of anti-trade groups would be reduced to the ‘classic’ protectionist actor, facing competition from cheaper imports. There are examples of this in every country, but it is also true that the combination of trade liberalization and economic crises of the 1980s left import-competing actors decimated. In a way, there is no point for owners or workers of a closed or bankrupted factory to ask for tariffs if they can no longer produce any goods.

When we incorporate other mechanisms besides tariffs to trade policy, we can better understand how disruptive trade liberalization was in Latin America and why we observe broad anti-trade coalitions that demand much more than just protection from import-competition. In the case of the state withdrawing from the tradable sector, trade liberalization can result in the privatization of major export activities (Sachs and Warner 1995: 22), and with export promotion, in the removal or reduction of export taxes (a main source of revenue for states seeking to promote other areas of the economy). When adopted as part of the reforms commonly known as the ‘Washington Consensus’, the goal was to open economies to foreign goods, but also to promote the export of each country’s comparative advantage. One of the many ways in which this was pursued was through the signing of trade agreements. As several authors have argued, free trade agreements are a strong signaling device from leaders to voters, displaying a public commitment to free trade, but also an institutional mechanism that ties trade policy to an international contract (Kurtz 2004a; Mansfield, Milner, and Rosendorff 2002: 479; Tussie and Heidrich 2008).

My definition of anti-trade coalition is then broad and encompasses more actors than the traditional understanding in the literature. I define these coalitions, following Olson, as groups “oriented to struggles over the distribution of income and wealth rather than to the production of additional output” (1982: 44). This definition enables us to incorporate a wider set of actors who are affected not only by the reduction of tariffs in previously protected industries, but also those who, for example, demand a different distribution of the windfall revenues produced by the commodity boom, as it was the case in Bolivia. Although import-competing producers found themselves at the losing end, stripped of tariffs that had protected their interests from external competition, they were not the only actors affected by trade liberalization. The distributional impact of the privatization of export industries and the pro-export bias of trade policy resulted in a larger set of domestic actors with a dog in the fight.

This understanding of trade liberalization that goes beyond tariff cuts and import competition explains in part why I decide to emphasize labor-intensive exports and its regional sociotropic impact in my analysis of trade preferences in Latin America. Another justification stems from the fact that the biggest external shock (the ‘China’ shock) affected the export, and not the import sector in Latin America, in contrast to the developed world. By far, the largest distributional impact of trade in these countries came in the form of extraordinary revenue from the sale of commodities with rising prices to the world. How this windfall revenue was shared or distributed in each country had crucial implications for trade policy. In cases in which the export sector demanded labor, some of the transitional unemployment created by trade liberalization could be receive a piece of the pie. By

contrast, when those gains are earned by capital-intensive or land-intensive sectors, or worse, by previously state-owned firms that used to employ large number of workers (mining companies in Peru or Bolivia, for example), there are likely to be louder demands for revenue redistribution.

In several countries in Latin America, a long-standing debate regarding the property and the distribution of rents generated by the export of extractive activities (minerals, natural gas, oil) resurfaced at this time. It is in the attempts to renationalize these firms, bolstered by the sudden increase in export revenues, that we must consider instances of trade policy reversal. When the state intervenes in the external sector, either by taking control of a privately-owned exporting firm, or by raising export taxes in another, free trade is challenged, at least in the way it was meant to work in Latin America. It is in this sense that we should understand the backlash against globalization and free trade in the continent. As Stokes has argued, left-leaning governments have responded to societal pressures to expand public spending rather than reversing globalization, and in fact, viewed export commodities as the goose that laid the golden eggs. In this case, “protection” should be understood as refuge from the vulnerability to market fluctuations that neoliberal reforms threatened to impose on individuals. It would require the redistribution of resources from expanding sectors towards losers from trade liberalization, through social programs and public expenditures targeted to specific sectors of the population.

As we can see, although neoliberal reforms did not handpick winners within specific sectors (which was one of the most criticized aspects of the ISI era), they were also

not sector neutral but rather were biased towards the exports of what each country had as its comparative advantage (Stallings and Peres 2000). For several decades, Latin American states had intervened in the tradable sector by controlling or participating in “strategic” industries, such as the extractive sector, and especially by siphoning away export revenues into protected industries. To a large extent, trade reform in the 1990s was set on reversing the strong anti-export bias of the ISI era.

Was the new free trade policy then just a reflection of the power of the export sector and, as a result, more vulnerable when external-oriented actors were weaker? It could be argued that the decision to open the economy to international trade was endogenous to the explanation--that is, it was an outcome of the power struggle between actors in the tradable sector in each country. However, in most if not all countries, the adoption of the standard neoliberal package usually followed from prescriptions by the IMF and the World Bank and was a condition to access international credits and loans in the midst of a deep economic crises that characterized the ‘Lost Decade’ in Latin America (Edwards 1993: 1359). Because of this critical situation, Latin American countries were in no position to negotiate or resist the prescriptions of the international financial institutions, and most of them adopted ready-made, wide ranging structural reforms. Trade liberalization figured prominently on that agenda (Williamson 1993). In addition, as Simmons and Elkins (2004) have shown, the adoption of market reforms was highly clustered both temporally and spatially, which would suggest that exogenous determinants (such as policy diffusion) were stronger than internal ones. Thus, I consider these episodes of trade liberalization as

“externally induced changes” (Rogowski 1989: xiii) in the political economy of these countries, relatively exogenous to domestic distributions of power.

THEORETICAL RELEVANCE

This dissertation makes several theoretical contributions to the study of trade policy, comparative politics and international political economy. First, in finding that geographical variables play a significant role in preference formation, preference aggregation, and preference intermediation with regard to protectionism,² this study seeks to fill in the “missing link between individual attitudes and group behaviors through collective action and aggregation via social, political, and economic institutions” (Kuo and Naoi 2015: 100). Moreover, it provides a unifying framework to explain why certain protectionist groups become politicized and “effective as lobbies, while others do not” (Goodhart 2015: 163). Although scholars have advanced our understanding of the determinants of individual attitudes toward trade policy (Rogowski 1989; Scheve and Slaughter 2001; Mayda and Rodrik 2005; Baker 2009; Ardanaz et al. 2013; Owen and Johnston 2017), and the influence of organized groups over trade policy outcomes (Alt and Gilligan 1994; Busch and Reinhardt 1999, 2000; Roberts 2008; Arce 2008, 2010), this study attempts to combine individual- and group-level analysis to provide an explanation of the “building blocks” (Rodrik 1995) behind trade policy (Milner 1999: 103).

Second, and more specifically, the analysis of preference formation and interest representation seeks to strike a balance between the egocentric and the sociotropic

² For a recent review of the influence of domestic geography over trade policy see Chase (2015)

variables that have been commonly used to predict individual levels of support or opposition for trade. By incorporating a regional dimension into the analysis, we can assess the direct and indirect effects of economic activities over personal incomes. More often than not, the performance of a particular industry or sector has a crucial impact on the area in which it is located, beyond the number of people it employs or fires. This is a factor that needs to be incorporated not only into the analysis of preferences for trade, but also into economic voting. With a few exceptions, spatial variations in trade preferences and voting patterns at the local or regional level have been neglected in favor of an emphasis on the individual or national level. As Johnson and Pattie suggest, it is worth looking into an intermediate geographical scale that captures the regional “sociometric” influences on individual preferences and electors’ behavior (2001: 311). Although this dissertation only peripherally addresses economic voting, it recognizes the value of analyzing regional influences on the aggregate preferences and attitudes of individuals towards trade.

Third, regarding preference aggregation and interest representation, this dissertation highlights the role of social protests and mobilizations as a form of lobbying through alternative, informal channels. The literature on trade policy often focuses on the role of formal institutions such as regime type, executive-legislative relations, party systems, or electoral district size, to explain variation in interest representation. In developing countries however, formal institutions and channels are usually weak or ineffective, and as a result, they are often circumvented by protectionist groups. Indeed, in recent Latin American history, the effective challenges to neoliberal policies such as trade liberalization have come from popular mobilizations that paralyzed and encircled capital

cities, such as La Paz, Buenos Aires, or Quito in the early 2000s, buttressing the role of ‘street’ politics as a political strategy. Although formal institutions such as the executive branch still play a crucial role in policymaking, I argue that an attention to informal mechanisms is needed to better understand the influence of social actors in trade policy.

Fourth, my analysis also has implications for the relationship between democracy, majoritarian electoral politics, and free trade. The idea that democracies are more likely to champion free trade policies is rooted in the same optimistic expectation regarding the positive effect of trade liberalization in labor-abundant, developing countries. Democracies in developing countries are supposed to embrace trade liberalization because it allegedly brings higher incomes and cheaper import goods to a majority of the electorate (Milner and Kubota 2005; Mansfield, Milner, and Rosendorff 2002). Moreover, as Dutt and Mitra (2002) have argued, this should be especially the case of democracies ruled by left-wing governments who represent the interests of unskilled labor and popular sectors. In that vein, the fact that there was a left turn in Latin America after trade liberalization presents a challenge to these expectations, since the belief was that the majority of the population (and the electorate) would gain from opening the economy to the world, and presumably they would vote for the party or candidate that supports those policies. As we will see, however, the positive effects of trade liberalization on unskilled labor are conditioned by whether the export sector is labor-intensive. Non-labor-intensive export sectors, by definition, have a limited impact in terms of jobs, which undermines the benefits of trade liberalization for many people.

Finally, this analysis can also help us shed light on the unlikely continuity of market reforms in Peru. In the recent literature that has emerged as an attempt to explain and understand the left turn in Latin America, Peru appears as an outlier. Despite its weakly institutionalized political system, and the recent election of a candidate who ran explicitly against the free trade agreement with the US, Peru never joined the ranks of the left. We can begin to better comprehend not only the particularities of the Peruvian case but also the sources of variation in Latin America's economic model by studying trade policy, following authors such as Rogowski (1987, 1989) and Sachs and Warner (1995), who grant trade liberalization a preeminent role in the formation of political cleavages and the overall market reform process, respectively.

RESEARCH DESIGN

I exploit subnational variation in Peru, Argentina, and Bolivia, to examine why, at the national level, protectionist forces in Peru have not been as successful as in the other two countries. A geography-based theory of trade policy helps us account for the “high degrees of internal heterogeneity” (Snyder 2001: 94) that is usually masked under aggregate measures of factor endowments. I contend that by avoiding the ‘whole-nation bias’ (Rokkan 1970) and looking at the spatially uneven effects of trade liberalization across these three countries, we can explain the different outcomes found at the national level in Peru, Argentina, and Bolivia. As Snyder puts it, “disaggregating countries along territorial lines makes it possible to explore the dynamic linkages among the distinct

regions and levels of a political system” (2001: 94). My objective is to explain or characterize a national outcome by looking at the different subnational units that shape it.

Scaling up to the national level, the comparison between Peru, on one hand, and Argentina and Bolivia, on the other, adds leverage to the determinants of success for protectionist coalitions. These cases have been selected, employing a “most similar systems design” (Przeworski and Teune 1970), given that they share similar historical, economic, and political trajectories which I can control for, and yet present variation in the dependent variable (trade policy reversal and maintenance).

While all three countries followed a similar pathway in terms of trade policies before the 21st century, their trajectories diverged starting in the early 2000s. Although Latin American countries had pursued export-oriented policies before 1930, the Great Depression and World War II moved Latin American countries towards protectionism (Sachs and Warner 1995: 19; Dornbusch 1993: 11). The extent to which each country implemented import-substitution industrialization (ISI) in the 20th century varied, probably reflecting the strength of domestic import-competing sectors vis-a-vis land and mine owners, but the important thing to note is that all three countries were classified by the World Bank as “Strongly Inward Oriented” for the 1973-1985 period. In the five-year period before adopting neoliberal reforms, Argentina, Bolivia, and Peru also shared four unfavorable conditions: negative growth, very high inflation rates, high economic distortion and low governability, with a “disintegrating state in Bolivia, the inability of President Alfonsín to even complete his term in Argentina, and the Sendero Luminoso guerrilla war in Peru” (Stallings and Peres 2000: 47).

The pace and extent to which these countries embraced market reforms earned them the label of “aggressive reformers”³ (Corrales 2008, Edwards 1993, Stallings and Peres 2000: 47). These were the five Latin American and Caribbean countries who went furthest in terms of adopting neoliberal reforms between 1985 and 1999 (the other two are Jamaica and Trinidad and Tobago) (Lora and Panizza 2002: 7). Amid a precarious institutional setting, all three countries were shaken by the Asian crisis of 1997 and its lingering effects, but only in Peru did free trade remain intact during the first decade of the 21st century.

The maintenance of free trade policies in Peru stands as a challenge to most accounts of the left turn in Latin America. In many ways, Peru should be a “most likely case” (Eckstein 1975) for trade protectionism according to recent theories informed by institutional, economic, or social factors. Given its weak and unconsolidated party system which collapsed in the early 1990s (Flores Macías 2012), its legacy of inflation and economic crisis (Kaplan 2013), its access to natural resource rents (Weyland 2009, Mazzuca 2013), and its favorable terms of trade (Remmer 2011), after the election of Humala in 2011, Peru should have joined the ranks of what has been termed the ‘radical’, ‘contestatory’, or ‘wrong’ left. Instead, the Peruvian case defied conventional explanations and remains an unexplained outcome in the recent literature. By combining a subnational and cross-country approach in my research strategy, I suggest a place for Peru in the broader classification of economic regimes in Latin America.

³ In contrast to the “cautious reformers” where reforms were not as urgent because of better economic and political conditions (Stallings and Peres 2000: 47)

One of the biggest challenges in testing my explanations is the dearth of subnational data in most Latin American countries, which has limited theory testing to aggregate levels. Although public opinion surveys provide some information on individual preferences, attitudes, and perception since the late 1990s, there is still a pressing need for reliable socioeconomic data to test the implications of standard theories of international trade without having to use imperfect proxies. The lack of subnational indicators may help explain why most of the analysis of the impact of trade liberalization and market reforms has been cross-national, omitting important sources of internal variation. In order to try to overcome those limitations, I have relied on the best social and economic indicators I could find and complemented every empirical discussion with extensive qualitative analysis drawing from both secondary sources and interviews conducted in Peru.

PLAN OF THE DISSERTATION

In the next chapter I develop a geography-centered model of free trade in developing countries. To explain why protectionist forces often have different degrees of success, I first introduce individual-level hypotheses that focus on variation in exposure to trade liberalization, and that go beyond the expectations of standard theories of trade preferences. Next, I establish the conditions under which challengers to free trade can most effectively aggregate their preferences, and mobilize and (re)build organizations to express their dissatisfaction with the status quo. Finally, I introduce hypotheses that focus on the specific conditions that lead to trade reform reversal.

The next three chapters empirically test these hypotheses. I rely on multiple sources of information to test each step of my argument. In the case of individual preferences for trade (Chapter 3), I use Latinobarometer and LAPOP public opinion surveys combined with subnational information on trade in order to test the impact of trade liberalization at the lowest level of geographic aggregation available. To analyze preference aggregation (Chapter 4) I build an original dataset of trade-related protests in each country between 2000 and 2006 using the monthly Chronologies of Social Conflict of the Social Observatory (OSAL) published by the Latin American Council of Social Sciences (CLACSO). I also incorporate these media content analysis reports as well as a regional economic voting analysis into the empirical discussion of interest representation (Chapter 5). In each instance, I complement the statistical analysis with qualitative data collected from secondary sources as well as from fieldwork in Peru where I conducted over 30 interviews in the second semester of 2015, and saw firsthand the impact of free trade in places such as Piura, Arequipa, Cusco, and Lima. This has allowed me to explore the causal story behind each hypothesis.

Chapter Six concludes with a summary of the evidence and a discussion of the broader implications of my analysis. I take a longer, historical view of development strategies, contrasting the current era with previous attempts in Latin America to integrate into the world economy via the export of primary products, and highlight the institutional differences and similarities between both eras, as well as the prospects for the sustainability of market reforms in the region. The comparison between Peru, on one hand, and Argentina and Bolivia, on the other, illustrates the importance of incorporating broad sectors of the

population into the new trade regime, within the limits imposed by geography, and the challenges faced by policymakers in terms of social mobilizations when that is not possible.

CHAPTER TWO

A GEOGRAPHY-BASED THEORY OF TRADE POLICY

Under what conditions can we expect trade reform reversal in developing countries? What explains the continuity or reversal of trade liberalization? I expect governments to pursue ('supply') trade policies as a result of political pressure ('demands') exerted by societal actors (Becker 1983). Following authors, such as Frieden (1991) and Rodrik (1995), I argue that in order to understand the 'supply side' of trade policy, it is necessary to look into the three building blocks of the demand side: 1) Preference Formation, or how individual preferences are shaped by exposure to the vagaries of international trade; 2) Preference Aggregation, or how the interests of losing (and winning) actors are aggregated and channeled into social movements, political parties, or pressure groups, and 3) Interest Representation, or how the institutional or strategic setting provides access to the policymaking process to organized groups wishing to see their interests reflected in government policies.

Although both losers and winners from trade liberalization are likely to organize and lobby for their interests, given the empirical puzzle that guides this research, I will concentrate on the attempts of disgruntled actors to challenge the status quo (i.e. free trade). It is also worth noting that all three parts of my argument apply to states with a weakly institutionalized economic and political system. The theory laid out here explains the sequence from preference formation to trade policy outcomes in countries with relative

high levels of labor informality, poor political representation channels, and weak accountability of legislative and executive leaders.

This chapter is divided into three main sections, each of which discusses the virtues of a geography-based approach to understanding the three parts of the demand side of trade policy. The cycle begins with a policy decision at one point in time, in this case, the liberalization of trade. Opening the economy to international trade has a geographical impact that creates regional winners and losers. The first section of this chapter argues that individuals that live in regions lacking a labor-intensive exporting activity are more likely to express protectionist sentiments. In the next section, I first show how trade liberalization also has a detrimental effect on pre-reform coalitions (such as unions in urban centers or agrarian federations in rural ones), undermining their bargaining power. Second, I argue that experienced actors who are negatively impacted by trade liberalization have better chances of building new coalitions when they are geographically concentrated.

Protectionist sentiments motivate the formation of new anti-trade coalitions, but are also decisive in the electoral arena, especially when protectionist voters outnumber supporters of free trade. Due to the preeminence of the executive branch in the context analyzed here, a first step in the reversal of trade policy is the election of a left-wing, protectionist president. I argue that this electoral outcome is more likely when the bulk of the population lives in areas that benefited little from or were harmed by trade liberalization.

Trade policy reversals are more likely when enough disgruntled individuals vote into power a leftist leader. Yet, without social pressure that can enforce vertical

accountability outside of electoral processes, presidents can break (and have broken) promises made on the campaign trail. In sum, trade policy reversal or change comes through the combination of electoral change and societal accountability, which is determined in part by the geographical impact of trade liberalization and the geographical concentration of voters and protesters.

GLOBALIZATION AND TRADE PREFERENCES IN COMMODITY-RICH COUNTRIES: A REGIONAL PERSPECTIVE

When choosing to act collectively, individuals assess the costs and benefits of investing their time and resources in a given venture. Those who derive significant benefits from free trade may invest resources to preserve it, while those who are significantly hurt by free trade will try to challenge it (Rogowski 1989). Classical theories of international trade expect protectionist coalitions to form as a result of political cleavages across classes, under the Heckscher-Ohlin (HO) model, or across sectors, under the Ricardo-Viner (RV) model. In the case of developing countries, the HO model implies that skilled labor, the scarce factor, will be protectionist. Under the RV (or specific-factors) model, those employed in import-competing sectors oppose free trade.

I argue that trade liberalization can also have an uneven distributional impact along geographical lines within a country. In Latin America, the adoption of free trade policies went beyond slashing tariffs and other import barriers to include a return to an export-oriented development strategy, largely driven by commodities. Governments embraced export promotion through mechanisms such as fiscal incentives and credit subsidies to

exporters (Schrank and Kurtz 2005; Bouzas and Keifman 2003: 162). In addition, many governments, particularly weak ones, pursued free trade agreements and international treaties in order to tie their hands, narrow the scope of policymaking, and deter reform reversal. Opening international markets to domestic products often came at the cost of giving up protection to certain industries as part of trade deals, which had considerable distributional consequences. As a result of this strategy, the share of exports in GDP grew by 66 percent in Latin America between 1995 and 2008 (UNDP 2011: 22), but, significantly, not all regions have enjoyed an equal distribution of the benefits of these exports, and not all exporting activities have elicited equal support for trade. Below I will argue that a cleavage regarding trade can emerge not only along social classes or economic sectors, but also between labor-intensive exporting regions and other regions. These other regions include areas that have numerous import-competing industries as well as regions that have important land- or capital-intensive exporting sectors.

The case for trade liberalization in Latin America

In terms of distributional impact, few events are as disruptive to a country as opening the economy to trade. While the overall effect of trade liberalization on economic growth remains a contested issue (Baldwin 2004; Sachs and Warner 1995; Harrison and Hanson 1999; Rodriguez and Rodrik 2001), the fact is that it usually represents a radical reorientation of developing countries' economies. During most of the second half of the 20th century, Latin American countries had pursued development strategies based on import-substitution industrialization (ISI), which required the extensive use of tariffs and

non-tariff barriers to protect large sectors of their economies from external competition. Usually, protective measures benefited the industrial sectors (“infant industries”), which thus received rents from the government (Krugman 1993: 131). This promotion of domestic industries translated into higher wages for manufacturing and urban sectors to the detriment of agriculture and rural areas. In other cases, where ISI policies were not widely implemented, domestic primary producers were protected and received assistance from their governments. Agricultural products were shielded from external competition, and state-owned companies invested heavily in areas such as mining and oil extraction.

The trade liberalization measures of the early 1990s transformed this pattern. In addition to implementing significant tariff reductions, Latin American governments promoted export-led growth in hopes of achieving “greater efficiency at the microeconomic level as a result of more competition; better exploitation of economies of scale, especially for small and medium-size countries; and moderation of stop-go cycles deriving from foreign exchange shortages or recurring crises in agricultural production” (Stallings and Peres 2000: 73). Economists also built their case for trade liberalization by drawing a comparison with the successful, outward-oriented strategy of East Asian countries (Dornbusch 1992, Edwards 1993). Thus, a consensus emerged to support export-oriented sectors, in clear opposition to the anti-export bias of ISI strategies of the past. Indeed, a few years after the divulgation of his 10 policy recommendations known as the “Washington Consensus”, Williamson himself would evaluate this specific policy as one where “consensus has been established” (1993: 1331-1332). The early “Chilean miracle”,

which was attributed in large measure to the growth in exports (Edwards 1993: 1374), certainly helped to propagate the virtues of this strategy.⁴

The insufficiency of labor market and consumer-oriented theories

In pursuing this strategy, reformers anticipated broad support for trade liberalization, expecting that growth would “lift all boats” (Lora and Panizza 2003: 135). This optimistic assumption stemmed from the Heckscher-Ohlin model, and the expectation that the move towards free trade would favor unskilled labor, the abundant factor of their economies. In developed countries, several studies have found that skilled workers (the abundant factor in those economies) support trade liberalization, confirming HO’s expectations (Scheve and Slaughter 2001, Mayda and Rodrik 2005). In the case of Latin America, it was largely assumed that unskilled labor would similarly support trade liberalization, and that trade openness would improve income distribution and the well-being of the poor, since the export sector tended to be more labor intensive than the import-competing industries of the ISI era (Wood 1997; De Ferranti et al. 2002: 128-130, Lora et al. 2004: 18; World Bank 2005a: 148; Edwards 1993; Stallings and Peres 2000: 154).⁵

However, evidence in favor of HO in the initial years that followed trade liberalization in Latin America is mixed at best. During the 1990s, there was little

⁴ “Largely thanks to the boom in exports, between 1986 and 1991 Chile experienced the highest rate of growth in Latin America with an annual growth of GDP of 4.2 percent” (Edwards 1993: 1374-1375). In contrast, Peru, Argentina and Bolivia suffered devastating episodes of hyperinflation and economic stagnation during the same period.

⁵ Sachs and Warner (1995: 21) were an exception to this list, claiming that both Latin America and Africa are labor-scarce and land-abundant.

improvement in employment or income levels among unskilled labor in the region. In fact, according to Saavedra, a number of empirical analyses suggest the opposite: skilled workers (rather than unskilled) saw gains in their relative income following episodes of trade liberalization in countries such as Argentina, Chile, Mexico, and Peru (1997: 11-12). Another study examining the effects of trade liberalization on employment in 18 countries in Latin America and the Caribbean also found a small, negative effect of reforms on employment growth (Márquez and Pagés 1997). Overall, unemployment, poverty rates, and income inequality barely changed immediately following trade policy reform (Bouzas and Keifman 2003: 158).

Several authors blamed labor market rigidities for the lackluster employment results. Certain labor policies, such as hiring and firing costs, or minimum wages, hamper firms' ability to respond adequately to the change in trade policies (Harrison and Hanson 1999: 1379; World Bank 2005a: 148-149; Stallings and Peres 2000: 111), and disrupt a key assumption of HO: that there is perfect factor mobility, or that labor and capital should be able to move seamlessly across sectors of the economy. In Chile, for instance, Edwards blamed labor market rigidities for the rise in unemployment following its early episode of trade liberalization back in the 1970s. In his view, distortions such as minimum wages and wage indexation affected the capacity of the labor market to adjust to the changes produced by the trade reform (1993: 1379).

The fact that employment expanded in the informal sector during the 1990s seems to validate this claim. For instance, Stallings and Peres, who acknowledge a strong expansion of employment during the 1990s, argue that most jobs were low paid and

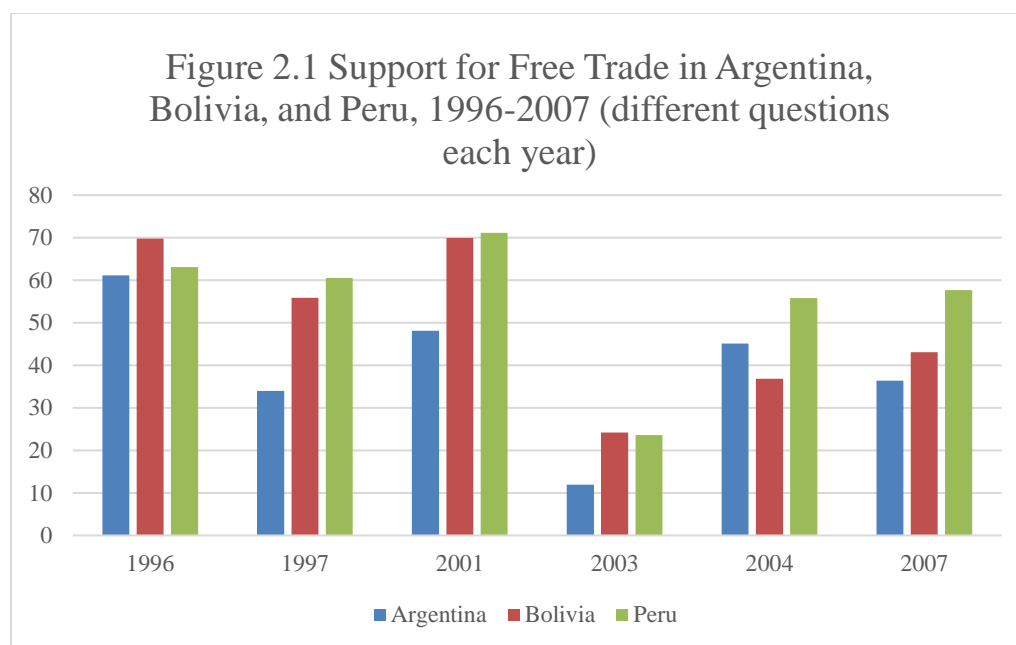
precarious, because they were concentrated in the informal sector (2000: 3). In a similar vein, the Economic Commission for Latin America and the Caribbean (ECLAC) has suggested that 60 percent of new jobs in the 1990s were created in the informal sector (cited by De Ferranti et al 2002: 10). Although neither study identifies trade liberalization, specifically, as the main culprit, they suggest that the availability of newly-open external markets may have given firms powerful incentives to circumvent complex and uncompetitive labor markets. However, country-level studies have found only weak (Colombia) or no relationship (Brazil) between trade reform and informality (Goldberg and Pavcnik 2003), and have blamed the non-tradable sector (privatizations, for instance) for the rise in informality in countries like Mexico (De Ferranti et al 2002: 134). Moreover, informality has been a staple of Latin American economies for a long time—since long before market reforms were adopted.

Although many economists predicted that reform dislocations would only be temporary, unemployment proved to be resilient in most cases. This finding is consistent with another trade model, the RV or specific factors model, which assumes no factor mobility (at least in the short run). Under this model, gains from trade accrue to specific sectors, regardless of factor intensity, which is consistent with the overall growth of externally-oriented sectors in this period, as we saw above. It would also suggest that poor job growth after trade liberalization was the result of the expansion of land-intensive or capital-intensive exporting sectors, but not labor-intensive sectors. Throughout much of their independent histories, Latin American economies revolved around the export of minerals, grains, and other land-intensive agricultural products with little to no linkages to

local economies, and thus the benefits of economic development were not well distributed (Cardoso and Faletto 1967).

However, neither HO nor RV can provide a compelling explanation for the high levels of public support for free trade in Latin America during the 1990s (Figure 2.2). According to these models, public opinion should be lukewarm at best with regard to trade liberalization, given the few or low-paid job opportunities it helped create. Piqued by this apparent contradiction between public opinion and economic performance, Baker (2009) argued that individuals did see gains related to trade openness but in their role as consumers. Based on an analysis of public opinion surveys conducted in the 1990s (first half of Figure 2.2), Baker contends that citizens in Latin America mostly benefitted from trade liberalization in their role as consumers, because of the increase in the availability of imported goods and the decrease in their cost. According to his argument, consumer-oriented interests are a better predictor than producer or labor market oriented interests due to the larger impact and visibility of consumption in people's everyday lives (2009: 13). In this vein, he argues that "reforms have produced material consequences for consumer's welfare by visibly shifting the affordability, availability, and quality of many goods and services, and these effects have been much more evident to citizens than the effects of reforms on wages and employment opportunities" (2009: 15). In sum, despite listless growth in the initial years, individual preferences for trade appeared to be influenced by consumption patterns rather than by income changes. The expectation that export-led growth would expand job opportunities did not materialize during much of the first decade following the adoption of trade liberalization, but material rewards from access to cheaper

goods seem to have muted any source of discontent, in particular from import-competing sectors.



Source: Latinobarometer

However, as Figure 2.1 shows, two things changed after 2001.⁶ First, due to the impact of the Asian financial crisis of the late 1990s, Latin American economies struggled

⁶ There are differences in the ways that the surveys word the relevant questions each year, but all of the questions address free trade. Note that the questions in 2001, 2003, 2004 and 2007 are almost the same. 1996: “Generally speaking, do you think that trade with other countries, both the buying and selling of products, helps [nation’s] economy or harms [nation’s] economy?” 1997: “(...) how do you think the importations influence over the [nationals] economy?” 2001: “(...) there are some conversations to establish in 2005 a Free Trade Area of the Americas that involve all Latin America, US, and Canada. Do you think the establishment of the FTAA will help a lot, will fairly help, will little help or will not help at all to the economic development of your country?” 2003: “(...) how do you think the Free Trade Agreements (NAFTA, CAFTA) and the Commercial Agreements benefit you and your family? Would you say they benefit you very much, somewhat benefit you, benefit you a little, or they don’t benefit you at all?” 2004: “(...) do you believe that international free trade treaties have a very positive, positive, negative, very negative impact, it doesn’t have any impact over the job opportunities?” 2007: “Do international free trade treaties have a very positive, positive, negative, very negative impact on job opportunities?”

between 1997 and 2003, a period known as the ‘lost half-decade’. Most of the pessimistic accounts of the state of market reforms are focused on this period (Graham and Sukhtankar 2003, Mahon 2003, Kurtz 2004a, Panizza and Yañez 2005), even leading some authors to coin the term ‘reform fatigue’ (Lora, Panizza, and Quispe 2004) when the drop in public support for these policies alarmed many analysts. Second, signs of discontent started to become evident, suggesting that support for free trade was fragile. Several leftist leaders were elected in the region, starting with Hugo Chávez in Venezuela in 1999, and in many countries, strong opposition to a proposed Free Trade Area of the Americas emerged. This backlash suggests, at least, that support for free trade was not uniform, and that the enthusiasm “to consume one’s way to happiness”, as Hirschman would argue, would wane and end in disappointment when consumption “yields its own eventual diminishing returns” (cited by Adelman 2013: 555, 564).

Indeed, what the early literature on trade liberalization in Latin America largely overlooked was the profound distributional consequences that this specific reform can have. This was one of the main lessons learned by economists based in Washington (active promoters of these reforms in those years): “We have also learned that, while well-implemented reform can increase economic growth, a rising tide may not lift all boats – or at any rate may raise some high while barely budging other” (Lora and Panizza 2003: 135). It was an insight long familiar to trade scholars, summarized by Alt and Gilligan:

The fundamental problem that international trade poses for states is this. Trade typically offers cheaper goods, with more choice for consumers and the greatest economic output for society as a whole. But at the same time, it is also very disruptive to individuals' lives, tying their incomes to the vagaries of international markets. In so doing, trade affects the distribution of wealth within the domestic economy, raising questions of who gets relatively more or less, and what they can do about it politically" (Alt and Gilligan 1994: 165).

Consumption benefits can easily be wiped out by income losses, as the World Bank would have to recognize:

The poor can gain from one set of policy reforms, if those lower the prices they pay for consumption goods, and lose from other trade reforms that lower the prices of the goods they produce. Poor wage earners in exporting sectors or in sectors with incoming foreign investment gain from trade and investment reforms; conversely, workers in previously protected sectors are likely to lose (World Bank 2005a: 151).

Since, as we saw, most authors underscored the (potential) benefits of trade to Latin American countries as a whole, few noticed the way it can often hurt groups within the country (Krugman and Obstfeld 2003: 38). While the short-run gains following the crisis-ridden 1980s might have silenced concerns about the distributional impact of economic openness, the new crisis of the late 1990s showed the limits of consumption-driven support and aroused lethargic protectionist forces. Even a few years later, one of the conclusions from a cross-country volume on globalization and poverty was that "the poor in countries with an abundance of unskilled labor do not always gain from trade reform" (Harrison 2007: 3). The World Bank study cited above also reached a similar conclusion, noting that "the distributive effects of trade liberalization are diverse, and not always pro-poor" (2005a: 134). The same study suggests that governments should become more active in

reallocating their labor forces from import-competing sectors to export sectors. While some authors argued, optimistically, that these dislocations were only temporary, building on the experience of Mexico and Chile (De Ferranti et al 2002: 9), some unemployment trends in specific sectors have proven enduring.

The regional impact of trade reform in commodity-rich countries

The tepid impact of trade liberalization on employment thus challenges the assumption that the abundant factor in Latin American countries is unskilled labor. Several authors suggest that relative to the world, the region does not have a comparative advantage in that factor. Summarizing the findings of Leamer (1984), Bouzas and Keifman suggest that “the abundant factor in most countries of the region is not unskilled labor but rather some natural resource, and that labor skills in the region rank at an intermediate level on a world scale” (2003: 167). Other authors add that Latin American countries “have very strong endowments of mineral and agricultural resources” (Winters, McCulloch and McKay 2004: 75), and that they have a comparative advantage not in unskilled labor, but “are biased in favor of natural resources” (Forteza and Tommasi 2007: 194) in “products that have relatively little value added and are both land intensive and natural resource intensive” (Baker 2003: 436), which would be stimulated by trade liberalization much more than labor-intensive sectors.

Natural resources encompass a wide range of products and activities that use labor with different intensities. The effects of trade liberalization will vary in each country according to whether it had as its comparative advantage a labor-intensive natural resource.

An exporting sector that absorbs labor surplus from dwindling sectors can help alleviate the ‘problem of transitional unemployment’ (Krugman 1993: 146), or the temporary lag between job destruction (in import-competing industries) and job creation (in external-oriented sectors). My argument is that in Latin America, once the consumption benefits of the 1990s eroded with the financial crisis at the turn of the century, a “commodity lottery” (largely determined by geography) was the main determinant of workforce reallocation after trade reform. The term “commodity lottery” was first coined by Carlos Diaz-Alejandro (1984), to illustrate how each country’s exportable resources were determined in large part by geography, factor endowments, and international demand (Blattman et al. 2007).⁷ Countries in the world periphery such as Argentina, Peru, or Bolivia, do have a constrained choice to specialize. Their factor endowments creates their comparative advantage in the world system:

Periphery countries generally exported the product in which they had the greatest natural advantages. A look at the New World provides concrete examples. Where minerals were produced – whether phosphates in Chile or silver in Mexico – the choice of commodity was essentially a function of what was under the soil and not prohibitively far from the coast. The range of agricultural products available to export was likewise a function of the local production advantages and transport costs. The mountainous Andean countries could never compete in wheat production with the Canadian Prairie or the Argentina Pampas – the fertility - and lay of the land provided clear cost advantages in production of these goods, and hence Canada remained specialized in wheat (alongside lumber) while Argentina focused on wheat and beef. Aside from any considerations of soil fertility, transport costs alone limited the profitability of many agricultural products in the Andes (Blattman et al. 2007: 170)

⁷ In turn, the “choice” of commodities spurs the development of specific economic and political institutions. As Bulmer Thomas put it, the fact that Chile had to export copper and not oil, and Colombia had to specialize in coffee and not wheat had crucial implications for their long-run growth (2003: 14-15).

This is actually a description of countries in the periphery between 1870 and 1930, but it is remarkable how applicable it remains today. The second wave of globalization, which reached the region's shores in full force with the implementation of neoliberal policies in the early 1990s, has ushered in a familiar trade strategy for Latin America that is largely determined by its position within the global economic structure (Lake 1988: 29-30). Unable to compete with cheap labor from Asia (Spilimbergo, Londoño, and Székely 1997),⁸ and capital-scarce relative to the US and Europe, the region found its comparative advantage in commodities. The growth of China in particular fueled an extraordinary demand for primary products such as minerals, grains (soy) and foodstuffs, and the increase in world consumption translated into higher prices (Corrales 2012: 397). As we saw above, this “commodity boom” started in the early 2000s and would last for over a decade.⁹ Exports as a percentage of GDP rose significantly in every country, but a further look into the origins of such external gains will show that they were not evenly distributed across national territories.

My argument here is that there was a replication of the commodity lottery at the subnational level. While most countries in South America were considered “winners” in

⁸ Latin America's experience with ISI in the previous decades left a legacy of higher wages that made it difficult to compete with low-wage Asian countries and hindered its re-integration to the world system. See Mahon (1992) for a comparison between the different development strategies pursued by East Asia (Export Oriented Industrialization) and Latin America (import substituting industrialization/ISI) and the implications of income and wage levels for competitiveness.

⁹ By 2014, most economic reports were forecasting the end of a supercycle that had brought impressive growth to the region: <http://www.thedialogue.org/resources/impact-of-lower-commodity-prices-on-latin-american-growth/>.

See also The Economist, “Life after the commodity boom”, March 29th 2014: <http://www.economist.com/news/americas/21599782-instead-crises-past-mediocre-growth-big-riskunless-productivity-rises-life>

the commodity lottery and benefited significantly from increased exports to China,¹⁰ there was considerable internal variation in the distribution of the spoils of trade. Some regions in Peru, Argentina and Bolivia, for example, drew a short straw or no straw at all, while in other places employment increased dramatically, challenging Baker's claim that only "a slim minority" of the Latin American population worked in the internationally competitive sector (Baker 2003: 429).

I propose a three-fold classification to distinguish among the range of primary products that drove the export boom in these countries. This classification stems from the intensity with which factors are used in each activity:

- a. Capital intensive extractive activities, which would include mining, fishing, natural gas, and oil, among other products;
- b. Land intensive agricultural activities, which would include crops such as soy and grains;¹¹
- c. Labor intensive agricultural activities, which would include fruits and vegetables.

As expected from the "commodity lottery" view, all three activities have a strong geographical link to the province or subnational unit in which they are located. Although

¹⁰ Unlike countries in Central America, that saw negative impact on their net export earnings, according to Jenkins (2011)

¹¹ Neither sugar nor cotton plantations are as relevant today as they were in the past, both in economic and symbolic terms. Again, their replacement by more "democratic" crops had important political and social consequences, as I will discuss later in the dissertation. In fact, I will argue, counterfactually, that were the Peruvian coast dotted with extensive sugar and cotton plantations as it was in the late 19th century, it is likely that support for free trade would not be as strong today - with all the implications thereof.

there is a degree of man-made intervention in each case, all three activities are directly related to the given endowments of each province, whether they are mineral deposits, fertile lands, or access to irrigation. In other words, none of these activities would be easily ‘transferable’ to another location with lower costs. Therein lies the importance of subnational differences in explaining support for or opposition to trade liberalization.

More important, each of these three activities has a different local effect in terms of job creation. Naturally, labor-intensive agriculture has the largest impact on the labor market in general and among unskilled labor in particular. There is evidence that non-traditional agricultural exports (NTAEs) offer numerous employment opportunities and higher wages than are typically available in labor-intensive agricultural regions (De Ferranti et al. 2002: 153). While unskilled labor has a smaller role in land-intensive agriculture than in labor-intensive agriculture, it is even less likely to benefit from capital-intensive extractive activities. In extractive industries, I expect skilled labor to see an improvement in their income as a result of trade liberalization. Thus, the type of export activities prevailing in a region has consequential effects on individual preferences for trade liberalization.

It is important to note the heterogeneity among the primary products that each country exports. Within export-oriented activities, the type of commodity also influences the local economies via the backward and forward linkages (Hirschman 1958) that these activities establish within a region. To illustrate forward linkages, Bulmer Thomas (2003) compares the amount of processing that an export product such as cattle requires compared to the rather simple process of exporting bananas. In the case of backward linkages, he

compares products that require mostly labor to be extracted and require no other inputs in the process (Peruvian guano being the historical quintessential example of such activity since it simply involved picking up bird droppings from the land), to those like copper or gold that require extensive use of machinery and other inputs in the export process. In this sense, while exporters of non-traditional agricultural products could easily rely on domestic inputs and foster local supply chains in their production, companies engaged in extractive activities, because they are usually owned by transnational corporations, have little incentive to establish higher value-added activities and tend to function as enclaves, with limited articulation to the rest of the economy (Stallings and Peres 2000: 186). Few, if any local companies, can compete with cheaper and technologically superior inputs from abroad.

When an export industry thrives, or an import-competing one languishes, there is a ripple effect in local communities that extends beyond the material well-being of the individuals it directly employs. Authors such as Cox (1969) have long noted the role that socio-economic variables and the inclusion of individuals within a specific “geographical milieu” (Soja 1974: 55) play in political outcomes, a phenomenon described as the ‘neighborhood effect.’ The main takeaway from this empirical regularity is that individuals who live near each other are more likely to behave in a similar way, and share similar preferences (Soja 1974). In these accounts, the emphasis is usually on the role of networks of information and group membership that explain why, more often than not, geographical proximity tends to produce shared preferences.

In addition to these mechanisms of communication and spatial diffusion, part of the explanation behind such empirical regularity may stem from the economic spillovers of the tradable sector into non-tradable sectors. Individuals employed by a booming export sector and with increasing disposable income can spark a ripple effect in the service and construction sector, for instance, by boosting demand for consumer goods and services. The effect can also be negative: analyzing the effects of NAFTA on different localities in the US, Hakobyan and McLaren (2016) show that workers in a nontraded industry, such as waiters, saw a decrease in wage growth in areas negatively affected by trade liberalization.

As some studies have shown, however, positive economic spillovers are highly dependent on the size of the local market. In areas with poor infrastructure and connectivity due to a challenging geography, such as in parts of the Andean countries, transportation costs are higher, which restricts investments to the high return resource sector, or products with a high value added per unit of weight, such as minerals and natural gas (Wibbels 2009; Morales 1993: 223; Jenkins 1997: 321). As a result, in many rural areas with poor infrastructure, investments are limited to activities with no positive economic spillovers. Their location precludes investments in non-traditional agricultural exports due to their distance from markets and the resulting higher transportation costs (World Bank 2005a: 153-156). This effect has been empirically confirmed in Chile by Garcia, Meller, and Repetto (1996), who found that non-mining exports generated positive spillovers into the non-tradable sectors of the economy but mining exports did not.

This geographical approach represents a novel contribution and incorporates a regional, “contextual” dimension to the analysis of trade preferences by taking into account the broader impact of the tradable sector on its local environment. In addition to the direct influence that externally oriented (or import competitive) activities have on employment and income in a given region, they also have an indirect impact through their effect on economic activities that flourish (or struggle) depending on the health of the tradable sector. Standard theories of international trade do not typically consider this effect.

The problem with alternative geography-based approaches

There is a rather recent and burgeoning literature in economics that focuses on the regional effects of trade liberalization, but most of these works focus (naturally) on economic outcomes, such as local labor markets (Autor, Dorn, and Hanson 2013; Kovak 2013), provincial poverty (Topalova 2010, McCaig 2011), or schooling and child labor (Edmonds, Pavcnik, and Topalova 2010). Moreover, in most of their models, geography is a variable that stands for proximity to “international gates” for export-oriented sectors (and distant locations to import-competing or non-tradable sectors) (Cosar and Fajgelbaum 2016; Venables and Limao 2002). This approach thus largely overlooks the variation in export commodity type that I have discussed here, and that can also explain why support for trade can be low even among certain export-oriented sectors.

This specific view of geography has been particularly common in the case of Mexico. Several authors have emphasized the uneven impact that trade liberalization and NAFTA had across regions (Tamayo-Flores 2001; Nicita 2004; Hanson 2007; Rodríguez-

Pose and Sánchez-Reaza 2005). There was a clear contrast between the northern states and the central and southern states, explained in part by geographical proximity to the US border (Tamayo-Flores 2001). Nicita finds that skilled workers have benefited relative to unskilled workers in terms of wages (against the expectations of HO), and in particular, that the geographic regions closest to the United States (where most of the export *maquilas* are located) have gained substantially more than the less developed states in the south (2004: 30-31). Transportation costs and access to markets appear then as the dominant factor in this case, given that most Mexican exports come from industries (traditional and hi-tech maquiladoras) that could potentially operate anywhere in the country (Tamayo-Flores 2001: 379)

Arguably, the economic development of Mexico seems consistent with the RV model: the regional dimension appears to be more a product of the location of export-oriented activities than something unique to geography. However, as the following table indicates, Mexico differs significantly from other countries in Latin America in terms of the nature of its exports.

Country	1980	1990	2000	2010
Argentina	76.9	70.9	67.9	66.8
Bolivia	97.1	95.3	72.9	93.6
Brazil	62.9	48.1	42	62.9
Chile	88.7	89.1	84	87.4
Colombia	80.3	74.9	65.9	76.1
Ecuador	97	97.7	89.9	90.2
<i>Mexico</i>	<i>87.9</i>	<i>56.7</i>	<i>16.5</i>	<i>24</i>
Paraguay	88.2	90.1	80.7	92.6
Peru	83.1	81.6	83.1	86.1
Uruguay	61.8	61.5	58.5	74
Venezuela	98.5	89.1	90.9	95.7
Source: Bulmer Thomas (2003:8), ECLAC ¹²				

Table 2.1 shows how primary products have dominated Latin American exports in the last four decades, with the clear exception of Mexico. As we can see above, Mexico's integration into the world economy, and the US market in particular since NAFTA, has led it down a different path. Mexico, together with some countries of Central America and the Caribbean, have increasingly specialized in manufacturing exports, based on comparatively cheap labor (Cimoli and Correa 2005: 54). By contrast, South American countries have largely based their exports on natural resource-based commodities (Kuwayama 2009: 15). While maquilas (labor-intensive assembly industries producing for export) and auto assembly plants, in particular, flourish in Mexico, natural resources (minerals and agroindustry) provide most of South America's exports (Paus et al 2003: 11). The evidence shows that Latin American countries south of Panama have integrated

¹² Information available online at ECLAC's webpage:
<http://interwp.cepal.org/sisgen/ConsultaIntegrada.asp?IdAplicacion=6&idTema=119&idIndicador=1910&idioma=i>

into the world economy largely via the exports of primary products. An IMF report identifies some of these countries as net commodity exporters because they exhibit “increasing commodity dependence and an export base highly concentrated in primary goods” (Sosa and Tsounta 2013). This same report acknowledges that the continent benefitted from an “unprecedented improvement in its terms of trade because of the commodity boom of the last decade.” Almost every country in the region grew at “East Asian” rates, but the specific primary product that fueled that growth varied significantly in each case.

It is also important to note that variation in regional development cannot be endogenously determined. Unlike Mexico, where industrial location decisions are likely to be influenced by proximity to markets or access to ports and transportation networks, primary commodity-export countries do not have a say in the whereabouts of production. Geography and natural endowments play a determining role in deciding which regions or subnational units become integrated into the global economy through their exports. It is important to highlight this difference because in the economics literature in particular, geographical or spatial dimensions are associated with access to ports or transport costs, which could lead policymakers to “pick winners” among specific regions (very much in the same way that industrial policies were criticized for picking winners among specific sectors).

In sum, this analysis goes beyond strictly egocentric influences on individual attitudes and incorporates an individual’s location within a specific geographic environment as a relevant factor. Individuals who live in areas that have benefited from

trade liberalization are more likely to support free trade than individuals who live in areas that have been hurt by trade liberalization, regardless of whether they work in the import/export industry. Moreover, I argue that labor-intensive exporting regions are likely to have larger positive spillovers than other exporting activities. I expect, then, that:

H1: Individuals living in labor-intensive exporting regions of a developing country are less likely to be protectionist.

HOW ANTI-TRADE PREFERENCES AGGREGATE INTO SOCIAL MOBILIZATIONS

In reality the mere existence of privations is not enough to cause an insurrection; if it were, the masses would be always in revolt. (Trotsky 1932)

In the previous section, I laid out an argument for the geographical distribution of trade preferences based on the exporting profile of subnational regions. In short, I claimed that support for free trade is driven by the presence of labor-intensive export activities in a given area. These activities have a broad, positive effect that extends well beyond their own physical boundaries. As explained before, their impact goes beyond direct job creation and includes economic spillovers to non-tradable sectors that benefit from higher levels of consumption and investment in their areas of influence. In addition, these regions have also attracted labor from areas lacking such activities, and in that way, provided an outlet for the “transitional unemployment” (Krugman 1993: 146; De Ferranti et al. 2002: 9) created by trade reform.

At the same time, not everybody has benefited from trade liberalization. For those left behind, it is only natural to expect that they will invest any resources they can muster to challenge their situation (Rogowski 1989; Grossman and Helpman 1994). The relative power of these actors to influence trade policy is subject to their capacity to organize politically (Sachs and Warner 1995: 20-21). Losers from trade liberalization face different conditions when attempting to aggregate their preferences into organized pressure (Olson 1965, Ostrom 2007). As the resource mobilization literature has shown, grievances are not enough to account for the rise of any specific social movement. Aggregation requires “some minimal form of organization” (McCarthy and Zald 1977: 1216). Individuals do not just react and mobilize in response to a grievance or circumstance—there are structural obstacles to group formation and preference aggregation.

Despite premature reports that highlighted the unexpected quiescence of Latin American societies immediately following the adoption of market reforms, protests and mobilizations against free trade have occurred with alarming frequency and strength since the late 1990s. While most of the literature underscoring this process of ‘repoliticization’ and social unrest employs a cross-national perspective, there is plenty of subnational variation that has remained largely unaccounted for. Within each country, contentious activities were not ubiquitous, but concentrated in some regions while sparing others. Trade liberalization did provoke a reaction from losing sectors of the population, but this response was geographically uneven. How can we explain the varying patterns of trade related protests across each country? Why do we observe more contentious events in some parts of a country than in others? My argument is that protests against free trade in recent years

(post-reform) are influenced by prior (pre-reform) experience with collective action. Specifically, I argue that contentious events are more likely in subnational areas where there is a concentration of experienced activists capable of stimulating collective action by using new vehicles to replace social organizations weakened by neoliberal reforms.

To understand why protests and mobilizations occur in some places and not others, we must take into account the contextual “situatedness” (Agnew 1996) of all human action. It is the appropriate combination of motivation and resources in a specific location that exemplifies the “dialectics of structure and agency” (Therborn 2006: 512). Examining subnational variation in societal protests can help us understand why the backlash against trade reform can have different degrees of intensity within as well as across countries.

The initial impact of trade liberalization on societal forces

In the previous section, I proposed using geographical location as a strategy to distinguish the winners from the losers of trade liberalization. In this chapter, the goal is to see which actors among the set of losers had the ability to express their dissatisfaction with the new status quo. Accordingly, the first task is to identify which were the main sectors and actors hurt by trade liberalization.

To recall, trade reforms in Latin America had three main pillars: slashing tariffs to liberalize markets; pulling back the state from any tradable activity and delegating economic growth responsibilities to the private sector; and actively promoting export-oriented sectors via trade agreements. Due to the internal characteristics of each country, and the different development strategies they had pursued during the second half of the 20th

century, the initial impact of, and later response to, these measures was not the same in all cases.

In broad terms, however, it is safe to say that trade liberalization in contemporary Latin America has had a negative impact on previously protected domestic actors, in both primary and secondary sectors. The fixed-asset sectors, or the “inflexible rent-seekers” (Lusztig 2004), whose capital was immobile and sunk in sectors that could not compete globally, were not only unable to seize the new opportunities but were also threatened by the arrival of foreign competition and the lack of protection from the state. As we discussed, Latin America embarked on a strategy of import substitution industrialization (ISI) roughly between 1930 and 1990, and in order to nurse their ‘infant industries,’ governments granted their fledgling manufacturing sectors rents in the form of high tariffs and subsidies. As a result, most of the domestic manufacturing sectors in these countries were uncompetitive and inefficient, and struggled mightily when the economy was open to cheaper imports once again.¹³ In cases in which ISI went further, governments partially financed these industrial programs through export taxes on agricultural products. Conversely, where industrialization attempts were more timid, domestic agrarian producers were typically the ones shielded from external competition. Often times, safeguards and quotas would guarantee a lack of competition from agricultural imports. With trade reform, and in particular the active pursuit of trade agreements, many of these protections were removed, leaving the agricultural sector in a vulnerable and precarious situation.

¹³ Only a handful of businesses, “flexible rent-seekers” according to Lusztig (2004), or “liquid-asset sectors” according to Silva (1993), were able to move to sectors in which they could compete internationally, enticed by the promise of access to new markets made by their governments.

The implementation of market reforms in Latin America found little resistance from groups that were expected to react against them (import-competing groups in the case of trade). With a few exceptions (Venezuela, for instance, where the 1989 Caracazo aborted the attempt to liberalize the economy), societal forces were too weakened by the crises (Weyland 2002) to manage any sort of response. Thus, the conventional wisdom that democracies were not as well suited as authoritarian regimes to implement these reforms was rejected (Przeworski 1991, Geddes 1994).

Free trade seemed especially vulnerable because it has all the traits of a public good, in the sense that it is expected to benefit a large portion of the population (at least as consumers) but harm very specific groups. As a result, many anticipated fierce and vocal backlash from concentrated, protectionist groups immediately after the reforms were introduced in the 1990s. Such resistance did not materialize, however. There was ample evidence of the transition costs suffered by these groups, but significant less evidence of their discontent. Many industrial workers either lost their jobs or saw their previously high wages reduced due to the end of industrial promotion, but relatively few strikes or protests occurred, at least initially.

The lingering effects of the economic crisis and the success of governments in conquering hyperinflation may have undermined attempts to challenge these reforms (Schneider 2004). In addition, some sectors of the opposition were enticed to support free trade through the promise of access to international markets. Lusztig's (2004) broad empirical study, covering several countries in which opposition to trade liberalization was less vocal than expected, emphasizes the adaptability of "flexible rent seekers" to the new

circumstances of free trade, and how former protectionist groups can actually become part of a free trade coalition as long as governments guarantee new market opportunities abroad. These new allies can help sustain trade liberalization and make it less vulnerable to societal pressures (Kaufman 2007: 25). For “less flexible” or reluctant groups, incentives could also come in the form of side payments and privileges (Armijo and Faucher 2002: 20). In some cases, these incentives were removed a few years down the line, due to deepening of trade reforms through bilateral agreements in the early 2000s or because of social spending cuts in cash-starved countries, which would help lead to protests. In the immediate aftermath of reforms, though, these incentives did appear to mute sources of discontent.

The quiescence of traditional social actors and organizations during the initial years following reforms led many scholars to conclude that trade policies had a ‘demobilizing’ effect on society (Arce and Bellinger 2007, Hochstetler 2012). Specifically, it was argued that neoliberal reforms undermined the ability of organized social forces to articulate their interests, both in urban and rural areas. In the cities, trade liberalization had a negative impact on previously protected areas of the economy, mainly manufacturing and industrial sectors, which were historically the hotbed of syndicalism. Unions that managed to survive the severe economic crises of the late 1980s were hard hit by the loss of industrial jobs that followed the opening of the economy to competing imports. Labor market flexibility undermined work-related solidarities that stood at the base of collective action (Collier and Handlin 2009: 4). The shift of urban workers into the informal sector of the economy rendered any reconstruction of labor unions virtually impossible (Portes and Hoffman 2003; Kurtz 2004a; Roberts 2002), and raised the cost of building new organizations (Alt

and Gilligan 1994: 181; Roberts 2008). This “sub-proletarianization of the workforce” (Roberts 2002: 4) dealt a strong blow to historic class-based organizations such as unions, and raised the cost of building new ones.

In rural areas, in turn, export-oriented agribusiness accumulated and concentrated land previously owned by villages and peasant communities, which were “the historical foundations of collective action” (Kurtz 2004a: 273), hindering independent political action by fragmented rural actors. The expansion of agribusiness disrupted long time patterns of residence and tight-knit communities, triggering a process of internal migration that inhibited interest aggregation. Without a piece of land to cultivate, many young people were pushed away from rural communities and moved into larger cities in search of opportunities, draining valuable resources away from social organizations in rural areas.

When mobilizations started to emerge in the late 1990s and early 2000s, the ‘repoliticization’ literature was quick to identify “new” or “unexpected” actors at the forefront of these events, such as indigenous groups in Ecuador and Bolivia, the unemployed in Argentina, and rural villagers in Peru (Arce 2008; Silva 2009; Bellinger and Arce 2011: 688). More importantly, these studies may have overestimated the extent and strength of the backlash against free trade and market reforms. Indeed, not every country witnessed a similar level of contentious events, and there was less unity in the movement resisting neoliberalism. In that sense, Weyland noted that these authors may have fell prey to the ‘sprouting bulb’ assumption, or the idea that “popular discontent is widespread and on the verge of erupting into the open” because of initial instances of

popular protests, just as “the first tulip that opens its blossom in the spring announces the coming brilliance of flowers” (2004a: 295).

Indeed, not all unemployed people or rural villagers mobilized in each country, which raises questions about the different patterns of protests that emerged. Moreover, although there were losers in both the primary and manufacturing sectors, only in rare occasions did these two sectors come together under a common movement to resist free trade. Owing to their cross-country perspectives, authors like Silva (2009) have bundled protectionist interests and overlooked the fact that they were actually protesting in different parts of each country, and that they were not always found under the same umbrella against free trade. Arce (2008) does note the geographic segmentation of conflicts in countries like Peru, but he partially attributes it to the decentralization process inaugurated roughly at the same time. While decentralization expanded opportunities to mobilize at the subnational level, it still leaves unexplained the variation found within each country. The key point is that in their battle against the status quo, different losing sectors and actors faced varying conditions to express their discontent.

Resource mobilization theory looks into the factors or resources hampering or helping mobilization, such as money, expertise, networks and incentives for participation (McCarthy and Zald 1977: 1220), or, more generally, group resources, organization, and opportunities. Drawing on resource mobilization theory, I argue that we can explain subnational differences in the abilities of losers from trade liberalization to aggregate their preferences as a function of their previous experience with collective action.

The Argument – New vehicles for experienced actors

My argument regarding organizational experience mirrors Yashar's (2005) explanation for the rise of indigenous movements in Latin America. In her cross-national analysis, she grants a crucial role to the existence of "transcommunity networks" that give highly motivated indigenous groups the ability to mobilize. New movements drew from existing networks, which provided the organizational capacity necessary to scale up demand and protest. In her argument, the relative weakness or absence of these networks (along with an unfavorable associational space) undermined the indigenous movement in Peru, as opposed to the cases of Ecuador, Bolivia, Mexico, and Guatemala.

My explanation is similar but centered on the capacity of present day actors to use previously mobilized networks to rebuild organizational ties that were mostly broken following trade liberalization. Many of the social organizations that played an important role in interest representation up to the 1990s had a national scope, but protests and mobilizations in the 2000s were not evenly spread across each country. While the labor unions that represented the urban popular interest regime during the 20th century had a strong class component, the associational networks that emerged as their replacement in the interest arena have "primarily territorially based constituencies" (Collier and Handlin 2009: 17). In Argentina, new movements emerged in urban, industrial locations where labor unions had a strong foothold in the past. In Bolivia, these networks, originally found among miners' unions in the highlands, relocated and reinforced incipient organizations in lowland coca-growing valleys and urban centers such as El Alto. In Peru, remnants of

previously strong agrarian federations rebuilt under a different label in the coast, but failed to regroup in the Andes, where conditions to re-organize were harder.

Regardless of their differences, labor unions, agrarian federations, or peasant associations can provide the organizational memory found behind new movements. This is crucial because, as Tarrow has noted, “contentious politics has to be learned” (2011: 5), meaning that performances and repertoires of collective action are tried and tested until the most effective methods are found. Only organizations can afford to do this, and even though they might formally cease to exist, their members can find a way to reproduce their tactics under different circumstances. While unions and federations were weakened or simply disappeared following the adoption of market reforms, people usually survived them, and so did their collective identities and interpersonal networks (Jenkins 1983: 538; Tilly 1978: 62-63).

In a sense, my claims run against the recent literature on the political response to market reforms. Many of the “new” actors behind contemporary protests identified by authors such as Arce (2008) and Silva (2009) are actually growing out of pre-existing networks and organizations. These latent networks and associations provide lines of communication, “places of assembly and basic organizational and administrative resources” (Crossley 2002: 93). It is not hard to demonstrate that most of these new actors were direct casualties of trade reform, who had reinvented or recycled themselves under different labels and organizations.

Prior experience with collective action varied across countries, and new movements did not emerge in all areas where there was a losing sector or group of individuals. In Latin

America, owing in part to the political strength of specific economic sectors, countries experimented during the 20th century with inward-oriented strategies to varying degrees and, as a result, had a different configuration of interest groups. Accordingly, in countries where industrial development went further (i.e., Argentina), prior experience in collective action was mostly found among formerly unionized blue collar workers. Conversely, in countries that lacked such industrial development (i.e., Peru and Bolivia), prior experience with collective action was more likely to be found among former participants (producers or workers) in primary sector activities such as agriculture and mining. In the next few paragraphs, I will examine and compare groups from both types of countries (strong ISI and weak ISI) in terms of their organizational experience and their geographic concentration.

Experienced actors in more industrialized countries

First, in countries where ISI went further, prior experience with collective action was highest among former industrial workers. Higher rates of industrialization fostered labor unions where workers were educated and trained in the routines and dynamics of social action. In fact, many of the disruptive tactics employed by the new actors bear a strong resemblance to the traditional strikes and sit-ins of the pre-reform era. If in the past the goal was to disrupt production, in recent times, the aim has been also to disrupt consumption, which Roberts (2008: 340) referred to as “the heart of the neoliberal model”. Among the favored tactics, are marches, protests, and, especially, roadblocks. These are complex activities that require high levels of coordination and logistics and involve managing numerous individuals in an organized fashion. Seasoned union leaders and

workers with plenty of experience in these situations were more likely to be able to carry them out successfully.

In addition, unemployed industrial workers, unlike agrarian or rural actors, are often lacking an “exit” option (Hirschman 1970). They are hard-pressed to find attractive opportunities outside of the cities they have lived in their entire existence. Industrial activities usually took place in, or promoted, urban development, giving birth to dense working-class neighborhoods, which remained largely in place after the factories closed. These neighborhoods typically had developed strong public transportation networks over time (Rodden 2010: 330-331). Thus, former industrial workers were concentrated in cities that provided a hospitable environment for contentious activities.

The amount of resources, in general terms, that a “social movement organization” can capture or allocate, is in part determined by the “existing infrastructure” (McCarthy and Zald 1977: 1225), which includes the means of communication, transportation, political freedoms, and the technologies available to accumulate those resources. Almost by definition, these resources are more common or developed in urban areas. In urban areas “the costs of communicating, negotiating, and coordinating strategies are comparatively low” (Bates 1981: 88). For example, recruitment in social networks has been proven to be affected by structural proximity and availability (McCarthy and Zald 1977). Thus, even after the demise of traditional labor unions, attempts to regroup were considerably easier in places where former blue-collar workers were concentrated. Overall, collective ties are stronger “when the opportunity exists for local interaction” (Miller 1992: 33), and this tends to be easier in urban, industrial areas.

Yet, it is important to note that even though urban areas are more favorable for collective action, protest will not take place in them unless they have large numbers of experienced actors concentrated in them. There are large urban centers without extended industrial development, which therefore lacked strong labor unions, and have fewer protests as a result. Examining the evolution of collective protests in late 18th and early 19th century in England, Bohstedt (1983) argues that the form of popular mobilizations depended on the type of community. Building his argument around the concept of “community ecology”, he contrasts the relative quiescence of small agrarian villages to the higher levels of disorder and violence of “towns of strangers” such as Manchester, where the scale of urbanization had broken communal ties. However, as Charlesworth has noted, the difference between Manchester and small villages was not just one of urbanization, but also of industrialization. His advice is to pay attention to capitalist dynamics beyond demographic trends (1993: 211). High levels of urbanization are not enough to explain popular mobilizations unless they are accompanied by high levels of industrial development. Labor unions were most likely to emerge in factories where workers were in close contact with each other and had common grievances and aims.

As a result, in those countries where ISI went further and fostered the proliferation of labor unions, a concentration of actors with prior experience in collective action was more likely to emerge in urban industrial areas. Those people in these areas who were hurt by free trade tended to have organizational and locational advantages that are not always present in other parts of the country that may also have struggled under a free trade regime.

Experienced actors in less industrialized countries

In countries where ISI policies were only mildly embraced in the pre-reform era, social organizations were more likely to emerge in the primary sector of the economy during the ISI era. As was the case with industrial labor unions, trade liberalization and market reforms in general had a negative impact on these rural organizations. According to Kurtz, internationally competitive agribusiness disrupted rural areas by accumulating and concentrating land previously owned by villages and peasant communities (2004b: 273). The privatization of state-owned extractive companies broke the back of miners' unions. In both cases, these rural associations, which played a central role in collective action during much of the 20th century, were reduced to oblivion.

Although miners and agricultural workers/producers might be equally experienced in contentious action as their peers in the industrial sector, especially in countries with a rich history of peasant mobilizations and miner activism, a key difference with industrial workers is their mobility. While prior experience with collective action may be found among former miners and agrarian producers/workers, there is a higher probability that they are not physically located in the same places where they originally worked. That would especially be the case when individuals were employed by a company decimated by market reforms, but it may also be true if they are independent producers.

Following the closing of a state mine, the bankruptcy of an agrarian enterprise, or the displacement of small-scale agricultural farms, miners and agricultural workers/producers are not only left without a steady source of income, they are also forced to look for employment elsewhere, given the lack of opportunities in depressed rural areas.

These individuals will typically move to areas where they can find jobs. In recent decades, employment in Latin America has been most widely found in the globally competitive sectors of the economy, especially if they are labor-intensive, or in the informal sector in large cities.¹⁴ Rural workers who migrate to other parts of their countries to find jobs bring with them their experience as members of unions or associations in rural areas, which often proves useful when it comes time to organize collectively in their new environments. Nevertheless, their migration typically leaves their hometowns deprived of resources for collective action.

In contrast to manufacturing settings, rural locations that hosted the original associations faced not only a drain of human resources but also structural obstacles to rebuilding organizations in situ, as well as an unfavorable political context. If in the past these sectors had possessed the manpower and a favorable political environment (corporatist, or neo-corporatist) that helped them overcome the challenging local obstacles to collective action, the climate in the neoliberal era was decisively anti-collectivist. As a result, efforts to rebuild organizations in situ on the foundations of pre-existing networks were hindered by a lack of human and material resources.

There may still be, of course, protests and mobilizations in these areas, but the resources that once put them in the national spotlight have disappeared. Much of their strength in the past was based on communal ties, which explains why we observed “peasant

¹⁴ A pattern observed by Bates in Africa, where he noted “the ability of African populations to use the labor market to exit from areas where economic conditions have declined and to enter areas where the economic conditions are more favorable by comparison” (1981: 84)

collective action” in revolutions and rebellions in the past (Taylor 1988: 64). Communal bonds helped overcome the “free rider” problem thanks to social norms and closer contact that provided incentives to participate or sanctions in case of defection. Cooperation was more likely (and defection less likely) in the presence of a community or group of people with shared values and beliefs that interacted frequently with each other and practiced reciprocity (Taylor 1988). All of these aspects enhanced monitoring and reduced free riding. We can think of such communities as ones with close kinship structures, where a defecting individual could not be “lost in a sea of anonymous others” (Axelrod 1984: 100). As Miller summarizes, “when an actor’s ontological security is inextricably bound to a temporally continuous, place-specific community, the sanctions and surveillance that foster selfishly rational cooperation become extremely efficacious” (1992: 30). To a great extent, neoliberal reform undermined that “ontological security” through the replacement of community-owned property by private property. Lacking a bond to a “place-specific community”, many individuals migrated to cities or expanding regions of each country.¹⁵ Without strength in numbers, the ability of rural areas to challenge the status quo suffered.

Those individuals who were left behind in regions where the primary sector was the prevailing economic activity before the adoption of market reforms faced more difficult conditions to express and aggregate their preferences. These mostly rural areas presented higher obstacles to collective action and hindered efforts to rebuild the communal ties that inspired peasant associations in the past. In fact, the institutions in charge of articulating

¹⁵ And, as we saw in the previous chapter, the ability of each country to absorb that transitional unemployment was heavily dependent in the availability of labor-intensive exporting sectors, which was not a given.

and mediating the interests of primary producers, “such as parties, trade unions, civic associations, and the media, have a superficial or highly uneven rural presence” (Fox 1990: 1) in most of these countries, although some traditional communal associations endure. The task of rebuilding these organizations faces enormous challenges and costs given “the difficulty of mass assembly, the relative dispersion of communities, the diversity of economic activities, the ecological context, and the daily precariousness of family survival” (Fox 1990: 3). Rural dwellers often live far apart, lack access to effective modes of transportation, and face more obstacles to communication than individuals living in cities. Many of these obstacles were already identified by Bates in his study of African markets, where he acknowledges that when “producers are numerous and widely scattered” organization costs are higher (1981: 87-88). Brokerage mechanisms, such as “meetings, summits, congresses and conventions” (Silva 2009: 51), which have been identified by some authors as responsible for the formation of alliances between different social organizations rely extensively on strong communication networks that are less developed in rural areas. Dispersion, rather than concentration, is the norm in rural areas.

Overall, then, communal bonds are harder to rebuild in rural areas. Trade liberalization has negatively affected the “social and institutional foundations of interest aggregation and political participation” (Kurtz 2004: 266), and this was especially the case in rural parts of Latin America. Rural associations can be disrupted by the exodus of people to the cities in search of better opportunities, and these organizations face higher obstacles to engage again in collective action.

As a result, actors with experience in collective action who live in countries that had low levels of industrialization under ISI, are typically found in two different places: First, they may be found in their original, rural location where they are relatively dispersed and have access to diminishing resources; or second, they may be concentrated in new locations, such as large cities and other rural areas, where individuals would migrate attracted by the promise of jobs or at least an alternative source of income.

In large cities, disgruntled workers can find valuable resources to express their discontent. As discussed above, motivated and experienced actors are in a strong position to make full use of the advantages that urban settings offer for collective action, such as infrastructure, transportation and communication networks and even organizational spaces. Urban areas will not see anti-free trade collective action unless there is a group of experienced actors demanding protection or compensation from the state. In many Latin American countries, large cities are the final stage of step migration, an internal process nurtured by decades of rural-urban migration that has given rise to sprawling megacities such as Lima and Buenos Aires, and which basically explains the transformation of El Alto from a small town in the 1980s to Bolivia's second largest city in a few decades.

Individuals exiting from declining, previously protected sectors might also cluster in some non-urban areas of the country where employment or income-generating opportunities are available. This has been the case of coca growers in Peru and Bolivia who typically represent former miners or agricultural producers from other areas. Although coca growing is a millenarian agrarian activity originally intended for domestic consumption, a large portion of its recent growth is associated with the illegal production of cocaine

destined for external markets. As a cash crop with relatively low barriers to entry, it represents a dangerous yet lucrative alternative for primary producers affected by trade liberalization. In Bolivia and Peru, coccaleros have concentrated in specific regions both for ecological conditions and security reasons.

As a group, coccaleros have resisted continuous attempts by their governments to curb coca production. Bolivia and Peru are two of the largest producers of coca leaves in the world, and although their governments have allowed for some legal cultivation for traditional uses, since the late 1980s the United States has strongly pushed for eradication of coca cultivation in both countries. Moreover, the US government has conditioned trade agreements with Andean countries to progress made in drug eradication programs. For the last few decades, these countries' exports were given preferential access to US markets in exchange for reductions in coca cultivation. In this sense, coca producers can be considered as a special type of domestic agrarian producer threatened by trade liberalization. Unlike other domestic producers, coccaleros started to organize at the same time that other associations fizzled out, due to the threat that US pressure represented to their main source of income. For that reason, they have been usually considered one of the "new" actors that emerged at the forefront of social protests in recent years. However, coca producers are in most cases former union workers or agrarian producers who had to find an alternative source of income following trade liberalization, and often have better organizational skills than other primary actors.¹⁶ As a result of their dubious legal status and constant

¹⁶ For a comparison of the coccalero movement in both countries, stressing differences in identity formation, see Durand (2014)

government pressure, coccaleros have relied heavily on their own organizations and associations to provide public goods that in normal conditions the state would facilitate, such as roads, sanitation, and dispute settlement mechanisms.

Figure 2.2 Rate of Trade-Related Protests			
Rate of Trade-Related Protests (per region)		Relative Number of Experienced Activists	
		High	Low
Concentration of Experienced Activists	High	Very Frequent	Frequent
	Low	Occasional	Rare

Figure 2.2 above summarizes the main expectations of this section. Its main goal has been to provide an explanation for the uneven patterns of trade-related protests found across different settings. In most places, protests should be an unlikely outcome (bottom right quadrant). In fact, I expect to find no protests in most subnational areas within each country. Even if there is a motivation to protest against trade, collective action costs should be insurmountable in regions that have few experienced actors and those that they do have tend to live far away from each other. This should be the case in most rural areas or small urban agglomerations in each country where social organizations never gained a foothold, historically.

In some regions, protests can occur occasionally. In these subnational areas, former activists struggle to rebuild the capacity to mobilize of decimated social organizations. They are usually the rural areas with broken communal ties, due to the impact of trade liberalization, that have suffered the effects of out migration and the lack of material resources. Their geographical location suggests that these activists are more likely to be dispersed rather than concentrated, as in urban areas. However, the experience of a few activists can still be enough to stage occasional protests. In these regions, protests against trade may only be sporadic and short-lived (top right quadrant) mostly because of the absence of structural conditions to engage in frequent or sustained mobilizations. This state of affairs is more likely to be found in countries where the ISI experiment was milder, and where organizational experience was as a result found mostly in primary sector activities. These are predominantly rural areas that are 'left behind', as the term is usually employed today to describe the adverse effects of globalization.

In countries with low levels of industrial development, fewer experienced activists will congregate in cities, given the relatively weak trajectory of urban labor unions (top right quadrant). At the same time, urban locations present clear advantages to even small groups of protestors, as I discussed above. In these cases, I expect trade-related protests to be frequent but not necessarily massive or sustained.

Finally, subnational areas that concentrate a large number of experienced activists should be the location for very frequent protests. Formerly industrial cities with a strong tradition of union movements belong to this quadrant, in cases of countries where ISI had

a larger role, but also urban or rural agglomerations that have attracted experienced activists from the primary sector, in the cases where ISI did not go as far.

In sum, my argument is that past experience with collective action is the central determinant of recent protests against trade. Actors with experience in collective action will be concentrated in different subnational areas in different countries depending on how much each country industrialized during the ISI era. Protests in 'strong ISI' countries are likely to be very frequent, because these countries typically have numerous highly motivated and experienced actors who are concentrated in urban, industrial areas that give them access to resources to mobilize, usually under new banners. In countries where ISI did not go very far, however, barriers to collective action and labor mobility, shape the strength of protectionist coalitions and their location (Alt et al. 1996: 690). In these countries, protests can be frequent and massive if a significant number of primary workers relocate to urban or rural agglomerations, but protests will typically be more limited, (and closer to the bottom left quadrant) if the workers with prior experience in collective action remain in depressed rural areas, where they are likely to find harder conditions to mobilize. Urban settings may help mobilizations, but in the absence of experienced activists (top right quadrant), protests should be rare. Finally, in rural areas deprived of any experienced actors, protests should be extremely rare. In short, I expect that:

H2: The frequency of anti-free trade protests should vary with both the concentration and the number of experienced activists in a subnational area.

THE GEOGRAPHICAL LIMITS TO INTEREST REPRESENTATION

Up to this point, I have argued that trade preferences in commodity-rich countries in Latin America were shaped by the geographical impact of trade liberalization, which in turn was influenced by the distribution of natural resources across territories. The geographical concentration of losers from this reform explains the uneven presence of protectionist coalitions across each country. Their goal, of course, is not simply to form associations but to actively attempt to influence public policy. Implicit in the discussion of the barriers to collective action was the fact that change is not just pursued through the ballot box but also via popular mobilizations. In the Latin American context, trade policies were contested in elections and in the streets, but trade policy reversals did not occur everywhere.

In order to understand the variation in trade policies during the 2000s, I will show how trade preferences and social organizations interact with the preferences of policymakers and the institutional setting in which policy is embedded (Rodrik 1995: 460). Going back to the political economy model presented at the beginning of this chapter, this means looking at the point of equilibrium between demand (individual preferences and organizational protests) and supply (government policies).

Traditionally, the literature on trade, which was mostly informed by the experience of developed countries with highly institutionalized political systems, has relied on voting patterns in legislatures to explain a specific outcome (in its latest manifestation, see Irwin 2017). Domestic producers in a congressional district are usually represented by someone

who defends their interests (and is held accountable if he or she doesn't), and trade preferences tend to follow party lines in Congress. In developing countries, however, legislatures do not occupy such a central role in economic policymaking.

In Latin America, in particular, political systems have long been dominated by the president. Key decisions in the economic domain are concentrated in the Executive branch, and especially since the adoption of market reforms, they are frequently taken by shielded technocrats who answer directly to the president. Changes in the general orientation of the economy, and of trade in particular, require overcoming the constraints imposed by an entrenched body of autonomous technocrats who follow orthodox policies free from political whims. Following the economic debacle of the 1980s, a strong regional and domestic consensus emerged among experts that supported and legitimized these free market principles (Dargent 2015), even if they did not fully deliver on their promises of job creation, as we will see.

It follows that any changes in economic policy would have to come from the election of a presidential candidate open to challenging the status quo. In that vein, most of the recent literature on the 'left turn' in Latin America has noted that "public disenchantment with neoliberal policies" (Madrid 2010: 588) triggered a continent-wide wave of anti-market candidates winning presidential elections. Since 1998, almost every country in the region elected a president with electoral platforms that were "decidedly less enthusiastic about market economics than was the case in the 1990s" (Corrales 2008: 39). This shift to the left stemmed from a large number of factors, including the 1998-2002 economic recession in the region (Cameron and Hershberg 2010, Weyland, Madrid, and

Hunter 2010, Levitsky and Roberts 2011, Flores Macías 2012), but I will argue here, that the geographical impact of free trade played a role in the elections of leftist candidates. Specifically, I hypothesize that the election of a left-wing protectionist candidate was more likely in those countries where the bulk of the population lived in areas that benefitted little from or were harmed by trade liberalization. This claim basically extends the discussion of the geographical distribution of trade preferences by assuming that they were also a factor in post-reform elections in Latin America. Given the saliency of trade issues during presidential campaigns, it is a reasonable and plausible hypothesis.

Having a leftist president in office offered protectionist forces better chances of success. The election of candidates running on anti-market platforms signaled a crack in the technocratic consensus that had supported neoliberal policies since the 1990s. At the same time, however, electoral mandates have not been entirely binding in recent years. In fact, market reforms were often adopted in the first place by “surprise” that is, by presidents who had campaigned against neoliberal reforms (Stokes 2001a). Thus, the election of a leftist president who is critical of free trade is no guarantee that the president will enact protectionist policies.

There is a mythical story that President Franklin D. Roosevelt once responded to a delegation’s lobbying efforts by stating: “Fine, you’ve convinced me. Now make me do it” (cited by Hacker and Pierson 2010: 107). What this anecdote suggests is that organized pressure is necessary to push policymakers in a certain direction. In order to ensure that their specific interests are a top policy priority, protectionist forces have to exert organized pressure on the Executive. The election of an anti-neoliberal candidate grants access to the

policymaking process, but the effectiveness of collective action, or interest representation, resides in the ability of protestors to influence or capture the attention of government officials. There are different ways in which the ‘voice’ of challengers to the status quo can be amplified. Proximity to the capital city – where the central government is located – is one such mechanism. Relatedly, roadblocks can also disrupt the normal functioning of the economy and the government, especially when the highways or streets link key areas of the country or the main cities. Urban areas also tend to be more visible to the press, and as a result, protests in cities will typically receive more media coverage. Moreover, the government must be careful not to use excessive force to quell the protests. All of these factors should increase the likelihood that a president will feel compelled to do something that he might otherwise would not do. Indeed, the recent ouster of elected presidents in various countries of Latin America shows that executive leaders must take these societal forces seriously (Hochstetler 2006, Pérez Liñán 2007).

Both the election of an anti-status quo candidate and the clout of protectionist forces are shaped by geography. Building on the discussion of preference formation, I argue that the uneven territorial effect of market reforms and trade liberalization can help explain the election of leftist candidates, and give them a mandate as presidents to challenge the status quo. To see their interests effectively represented, though, protectionist groups need to be geographically close to the seat of power, in order to make sure that the Executive does not shelve promises made during the campaign.

By analytically separating the electoral process from the policymaking process, I call attention to the need to distinguish how the left turn “changed not only who governed

in Latin America, but also *how* they governed” (Levitsky and Roberts 2011: 2). This focus on the Executive and, especially, on the role of organized pressure using non-institutionalized channels to raise their demands in the political system is at odds with how interest representation is commonly examined in the literature. In Latin America, however, recent deviations from free trade have stemmed not from congressional decisions but rather from presidents forced by organized pressure to do so. In that sense, the analysis presented here seeks to incorporate the ‘strategic setting’ of developing countries, which structures and channels dissent through different paths than in developed countries (Weyland 2002a).

How the Strategic Setting affects Interest Representation

Geography has been a common explanation for trade policy outcomes. However, as Busch and Reinhardt (1999) have noted, there are two very different types of geographical explanations. The first one states that geographically concentrated industries are more likely to act collectively in lobbying for protection. That is, in a way, the traditional meaning of economic geography. As Irwin (2017) has recently noted with reference to the United States, states tend to have a stable lineup of producers, whether they are dairy producers in Wisconsin or cotton growers in Louisiana. Having a concentration of producers with similar interests in a specific region or area can reduce monitoring costs and facilitate collective action, thanks to face-to-face communication and observation of group members’ behavior. The second explanation argues that geographically dispersed industries are more likely to have broad political representation (under certain electoral rules). This is the traditional meaning of political geography. According to Busch and

Reinhardt, geographic concentration begets louder voices on trade policymaking, while geographic dispersion creates a larger number of voices (spread across electoral districts) in favor of the same trade policy.

Underlying these geography explanations is the assumption that trade policy follows from the actions or demands of lobbies or pressure groups that are exerted on a legislature or other administrative entity (Gilligan 1997: 24). ‘Endogenous tariff’ theory identifies lobbies as the link between the economic system (industries) and the political system (parties) (Nelson 1988). In weakly institutionalized political systems, such as the ones predominant in Latin America, formal channels of political representation are not as effective a method to reach a desired policy, and the connection between the economic and the political worlds is usually pursued through alternative means. One such channel is social mobilizations, which take the place of political parties as intermediaries between societal groups and the government.

As Cox and Reynolds (1974: 29) have argued, political systems are also spatial systems, and individuals and groups have geographical locations that shape their relationships with one another and with the allocation of public goods. In that regard, my argument is closer to the geographic concentration approach. In contrast to the geographic dispersion approach, which assumes that legislatures are the arena in which protectionist groups seek to see their interests represented, the geographic concentration argument emphasizes how geographical proximity helps actors magnify their voices and defray organizational and monitoring costs. As such, its expectations are more in tune with the dynamics of contentious politics present in Latin America.

Still, the main obstacle to applying either of these approaches to the present study is the difference in the ‘strategic setting’ (Frieden 1999), or the characteristics of the political arena under which groups vie for attention. There are two main characteristics of the strategic setting in Latin American countries that merit special consideration. First, and as already anticipated, political parties and institutions such as Congress have been deeply delegitimized in the last few decades. In Peru, Bolivia, and Argentina, following significant political crises, formal vehicles and arenas of democratic representation such as political parties and legislatures have seen their legitimacy undermined, and have lost their monopoly as effective channels of interest expression. As some authors have shown, there is an inverse relationship between the quality of political institutions and political unrest, which means that actors are more likely to opt for protests and marches in a weakly institutionalized political setting (Arce 2010; Machado et al. 2009). As a result, demands are raised and processed not through formal institutions (e.g. Congress) but via informal arenas (the streets) (Spiller, Stein and Tommasi 2008: 13), and incentives are in place for actors to invest resources in “alternative technologies (such as violence)” (Scartascini and Tommasi 2012:789) rather than in more institutionalized arenas (such as Congress). In this context, understanding the dynamics of ‘street politics’ becomes more urgent than counting legislative votes (UNDP 2013). As Lake (2009: 227) has argued, in weakly institutionalized political systems, “we expect the side with the most guns to win.” The political context informs what strategies are most effective for aggregating preferences and turning them into organized mobilization and for jockeying for influence in the political arena.

Second, the strategic setting is also conditioned by an indirect consequence of market reforms. The technocratic aspect of these reforms had the effect of closing or narrowing the scope of policymaking to collective actors, such as organized labor and the popular sectors.¹⁷ Trade liberalization and privatization “depoliticize the social sphere by transferring policy decisions once in hands of the state to private international markets” (Kurtz 2004b: 273). For instance, in the face of potential domestic opposition, relatively weak governments sign trade agreements to tie their hands and deter reform reversal.¹⁸ By sequestering economic policymaking from the reach of democratic representatives, citizen participation is restricted (Oxhorn and Ducatenzeiler 1998: 10-12). As a result, the pro-export bias of market reforms translated into a set of specific institutions, rules, and procedures that had the effect of protecting the winners (the exporters) and diminishing the ability of challengers to contest their losses.¹⁹

These factors set up the conditions under which interest representation operates. As we saw above, unskilled labor did not always gain from trade reform, while organized labor lost everywhere, and both of these sectors of the population lack regular access to representative institutions, which are defining characteristics of contentious collective action (Tarrow 2011: 7). Along with the concentration of decision making power in the

¹⁷ For the rise of technocrats in Latin America, see Conaghan and Malloy 1995, Domínguez 1997, Centeno and Silva 1998, and Dargent 2015.

¹⁸ Kurtz considers NAFTA as an example of how the Mexican government used an international treaty to tie its hands and narrow the scope of policymaking. In the same vein, Loayza and Soto argue that in economies with “relatively weak institutional conditions, a free trade agreement can help deter reform reversal” (2004a: 19)

¹⁹ In addition, of course, to the inherent inequality that exists between the organized interest representation of business and that of labor or farmers (Lindblom 1977, Offe and Wiesenthal 1980)

executive branch, social mobilizations represent what Oxhorn has defined as the main characteristic of democratic politics in Latin America: “a plebiscitary quality defining the relationship between citizens and their leaders” (Oxhorn 2011: 4). This includes presidential elections but also the “thumbs-up or thumbs-down” quality of mobilizations that act as a mechanism of vertical accountability. It is to elections and social mobilizations that we turn our attention to in the next section.

Silent (Electoral) Majorities and Vocal (Mobilized) Minorities – What it takes to unravel trade reform

Due to the characteristics of the institutional setting, defined by the supremacy of the president and the executive branch in economic policymaking and by the lack of regular access of social actors to representative institutions, reform reversals in Latin America have only occurred after the election of a left-wing candidate and effective pressure from organized groups. My argument in this last section brings the impact of geography on preferences and organizations back full circle, by claiming that the election of a leftist leader is more likely when the bulk of the population lives in areas of the country where trade liberalization did not have a positive impact, and that the influence of protectionist actors over policymaking is higher when they are near the capital city and can put pressure on the elected president to fulfill his anti-trade mandate.

This approach to interest representation entails focusing on voters and politics (‘politics as spectacle’) on the one hand, and on groups and policies, or what Hacker and Pierson define as ‘politics as organized combat’ (2010: 113), on the other. In similar terms,

it also distinguishes between voting for the left and governing on the left (Murillo et al. 2011), a difference often overlooked that has led to a neglect of the variation in policies pursued by leftist governments across the region, under the assumption that the election of a leftist candidate was sufficient to reverse neoliberal reforms.

The electoral geography of the Left Turn

When the tsunami of leftist regimes hit Latin American shores, many went in search of the epicenter of the seismic shifts that transformed the political landscape of most countries in the continent. Because leftist candidates had a strong showing in the 11 countries (home to 80 percent of Latin America's population) that held presidential elections between December 2005 and December 2006 (Castañeda and Navia 2007: 51), one interpretation was that voters were punishing right-wing incumbents, blaming them for the sluggish economic performance of the late 1990s and early 2000s (Haber 2005; Arnold and Samuels 2011; Murillo et al. 2010). This diagnosis seemed to confirm previous work on retrospective economic voting in Latin America (Remmer 1991; Stokes 2001b). Another interpretation was that Latin American voters were dissatisfied with market-oriented policies, and were turning to vocal, anti-neoliberal candidates who were promising an alternative to the 'Washington Consensus,' the economic model that had been in place for the previous decade or so.

There are some problems with both the 'performance mandate' and the 'policy mandate' approaches, as Baker and Greene (2011) have dubbed them. Although poor economic performance has proven to be a strong predictor of voting preferences (Remmer

1991; Stokes 2001b; Roberts and Wibbels 1999) in the past, the post-reform context of Latin America weakened traditional vehicles of political and interest representation and left in its wake volatile and fluid economic and political systems, upended by massive changes in the late 1980s and early 1990s. This was particularly the case in the three countries examined here, a characteristic that could get lost when they are included in a larger sample of countries.

In this context, incumbency is an elusive category. As Remmer (1991) and Roberts and Wibbels (1999) have noted, the effects of economic performance on electoral volatility are strongly influenced by the structure of the party system and the institutional characteristics of the political regimes. In some countries in Latin America, political identities were so fluid (Remmer 2002: 4), and parties so weak and inconsistent during this period that the incumbent party did not always run a presidential candidate—this was the case, for example, in Peru in 2006 (Peru Posible) and 2011 (APRA).²⁰ Voting patterns in Latin America during the 2000s resembled those of post-communist countries during the 1990s, where incumbency status was a poor predictor of economic voting, and the main cleavage was between “old regime” and “new regime” parties (Tucker 2006). After the immediate gains in consumer welfare that followed market reforms eroded during the ‘lost half-decade’ (1997-2003), voting preferences in the region reflected support or opposition to market oriented policies, and, crucially, followed a geographic pattern, just as we saw in the first part of this chapter.

²⁰ In their own data set, that spans the whole region for a similar period, Baker and Greene find that in nearly 15 percent of the presidential elections the incumbent party did not run a candidate (2011: 52)

During this period, voters reacted to the impact of specific policies in their regions. Latin American voters did not necessarily embrace leftist ideals, nor did they alter significantly their ideological preferences towards the left (Arnold and Samuels 2011, Murillo et al. 2010, Baker and Greene 2011), but they certainly showed “reform fatigue” (Lora et al. 2004) and “declining enthusiasm for market reforms” (Madrid 2010). Electoral results reflected the uneven geographical impact of free trade, and the backlash of voters who were not satisfied with trade policy. As a result, the election of a left-wing protectionist candidate was particularly likely in those countries where a majority of the population lived in areas that did not see any gains from trade liberalization, and who voted for the left with the hope of seeing a change in economic policy.

It is important to note, however, that I am not claiming that there will actually be a change in trade policies following the election of a leftist president, as the ‘policy mandate’ approach entails. Baker and Greene have argued that the moderate economic policies of leftist governments are a result of voters’ centrist policy preferences, suggesting that governments respond to “the clear policy signals” sent to them by voters (2011: 46). There are several problems with this argument, starting with the fact that we cannot interpret what people want from those “clear policy signals” delivered through outcomes of voting which “are, or may be, inaccurate or meaningless amalgamations” (Riker 1982: xviii). Their argument is also built on the assumption of vertical accountability, which is challenged by the frequent recent cases of policy switching (Stokes 2001a) and the high levels of executive discretion (O’Donnell 1994). Finally, it also overlooks the role of other

intervening factors, such as international and domestic interest groups, that can further muddy or get in the way of those policy signals.

Although I have argued and will show below that trade liberalization had a regional impact across each country, my main concern in this section is to suggest that this impact had an electoral manifestation. There is evidence of this occurring in developed and post-communist countries. In the US, Autor et al (2017) have recently shown evidence of a ‘China trade shock’, whereby counties with greater trade exposure and rising import competition were more likely to vote for Republican candidates. In the post-communist countries, Tucker (2006) has identified clear regional patterns that match economic conditions to political preferences. In countries like Russia, Poland, or Hungary, individuals were more likely to vote for parties from the “old regime” in regions that had a concentration of economic losers from reforms, while areas with economic winners supported parties linked to the “new regime” that sought to move away from communism. In the presence of volatile party systems, I expect Latin American voters in regions negatively affected by trade to endorse leaders campaigning on a protectionist platform, vowing to challenge free trade agreements or granting safeguards to losers from trade. In sum, I hypothesize that

H3: Leftist leaders are more likely to be elected in countries where a larger proportion of the population lives in areas that have not seen gains from trade liberalization

The electoral argument only suggests that the geographic impact of free trade can shape the likelihood of the election of a left-wing protectionist leader, and does not make claims about what the policies of those leaders will be. For that reason, it does not matter whether

voters are responding to the job losses associated with the impact of import-competition or from demands for compensation in the face of skyrocketing export revenues, as Baker and Greene (2011: 56) try to argue, but only that they are expressing their dissatisfaction with trade policy through the ballot.

The Distance Factor: How proximity enforces mandates

Broadly speaking, a leftist government can be distinguished from other types of governments by its “*central programmatic objective*, to reduce social and economic inequalities” (Levitsky and Roberts 2011: 5). As is clear, there are multiple ways of achieving this goal, and especially, different ways of breaking with the neoliberal agenda that, for the most part, these governments were elected to challenge in Latin America. What specific policies is a leftist president supposed to enact? How does Kirchner’s 22 per cent of the popular vote in the first round of Argentina’s 2003 election transmit the same signal as Evo Morales’ 54 per cent in Bolivia’s 2005 election?

As the anecdote about FDR illustrates, a president often needs to be forced to proceed in a certain direction, especially when this involves measures that run against the status quo. Indeed, one of the features of ‘delegative democracies’ in Latin America is that presidents govern the country as they see fit (O’Donnell 1994), with little to no horizontal accountability. In fact, in many countries in Latin America, elected presidents have adopted “neoliberalism by surprise” (Stokes 2001a), deviating from electoral mandates. It could be argued that policy switching was largely possible because of the weakness of voters,

movements, and parties after the economic crisis of the 1980s and the demobilizing nature of the reforms themselves (Oxhorn and Starr 1999: 246).

To a large extent, the only way to guarantee that a candidate will remain accountable to promises made in campaigns is by having organized pressure that can ‘reward’ or ‘punish’ the president for his/her actions. Following Frieden, I argue that government outcomes are the answer of policymakers to pressures from society. Interest groups, social movements, and other collective actors employ different mechanisms to compel the government to adopt their preferred policy. The supply of a specific policy is a response to demands by a sector of the population. As we saw in the previous section, different groups compete for attention, and some emerged from the reform period with more strength than others.

In the recent literature on the rise of the left, revenue from commodity exports appears prominently as an explanation for the easing of constraints imposed by neoliberalism on policymakers (Mazzuca 2013, Weyland 2009). According to this argument, the significant increase in revenues since the 2000s allowed leftist presidents to have more agency, and “were thus free to pursue their preferred domestic policies on the leftward end of the ideological spectrum” (Murillo et al. 2011: 53). Although this is a valid interpretation, it leaves the preferences of presidents unspecified, and explains variation on economic policies by the degrees of freedom granted by windfall revenues. This is problematic in the face of the lack of convergence on economic issues, such as trade, in Latin American countries, given that most of them benefitted from substantial windfall rents (Remmer 2002).

In order to explain domestic variation in trade policies, I argue that the ability of groups to influence government choices and the policies they pursue is affected by proximity to the capital city, for three related reasons. First, capital cities have a strong tangible and symbolic value, as places where crucial decisions are made, where governments are installed, but also where they “lose their power” (Therborn 2006: 513). Second, events closer to the capital city are more likely to capture the attention of public opinion and the national press. Third, roadblocks and marches (common tactics employed by social movements) will have a higher disruptive effect in places where there is a larger proportion of individuals and merchandise affected, and key roads tend to connect capital cities, especially in highly centralized countries.

The interaction between central governments and peripheral actors has traditionally been examined under the light of attempts by the former to “capture” the latter. Indeed, the role of geography and distance from the centers of power has been theorized from the perspective of the state. Scott (2009), for instance, contrasts the development of states in Southeast Asia along lowland valleys with the loose, uncaptured, marginal populations of the upland hills. These populations present a challenge to state formation in their unruliness. Geography favors their attempts to remain in the margins, and hampers attempts by the state to incorporate them into their center. Herbst (2000) raises a similar explanation for the weakness of the African state, which is unable to reach every inhabitant in vast territories.

By contrast, in my approach, geographic distance represents a hindrance to citizens willing to interact with the state. Davis (1999) has raised a similar point, arguing that

citizens' distance from the state has a direct influence in the way they interact collectively with the state. Specifically, I argue that protestors will have a larger probability of success if they have a strong presence in the capital city. Even against the backdrop of technocratic governments, capital cities are the "centers of political debate about the orientation of the country" (Therborn 2006: 513), and given the nature of the strategic setting discussed above, distance-decay effects should be stronger under these conditions. In other words, the farther away a group is from that center, the weaker their potential to influence national debate on public policies. The level of interest, responsiveness, and involvement from the center should vary inversely with the distance separating it from a specific sub-area in the hinterland (Kohr 1957).

To a great extent, the saliency of distance is a result of the weakness and quality of political institutions, which enhances the role of symbolic places outside of traditional decision-making loci. As Ades and Glaeser claim, "the political power of the capital's residents is most important when governments [...] are weak and respond easily to local pressure" (1995: 199). In each country, there is usually a focal point (Schelling 1960), or "spaces of civic representation" (Therborn 2006: 521) that attracts protestors and works as a gathering place for rallies, and where leaders usually deliver addresses--that is, for instance, the case of the National Mall in Washington, Tiananmen Square in Beijing, or Trafalgar Square in London. In the context of Nepal's 1990 revolution, Routledge (1997: 75) notes the strategic importance of Kathmandu, its capital city and how, as the locus of political, administrative, and economic power, the potential impact of the revolutionary movement was greatest when directed at the heart of power. In Latin America, that space

is usually represented by the main public square, not only because of its central location, but because it is surrounded by the main buildings of power, such as Government Palaces and Congress (and the Cathedral, as a colonial legacy of Spanish influence).

Proximity to the capital city also matters because it raises the probability that an incumbent is influenced by the message or claims of the challengers since they have much more visibility in the press and much greater impact on public opinion. Protests, strikes, or manifestations in the capital city receive greater media coverage. In contrast, when protesters are confined to regions located away from the capital city, the visibility of protests is limited, and their influence on policymakers is greatly reduced. Moreover, one massive protest in the capital city is harder to disperse than “multiple smaller protests in many different places that add up to the same population of protestors” (Wallace 2013: 635). Media coverage can make a government think twice about the methods they will use to try to break up mass protests. In remote areas with little coverage, the government can ignore the demands of protestors or they can use repression to quash the protests without great cost if they happen to become a threat. By contrast, in closer locations, the threat is often greater, and repression is costlier, so the government must engage in “difference promotion” and negotiate (Lerner 1966; Merritt 1974).

Finally, some of the tactics employed by protestors will have a larger impact the closer they take place to the capital city. Roadblocks and marches can disrupt transportation and communications anywhere in a country, but they will have a larger effect if the roads blocked connect the capital city with other large cities in the country. That, in turn, will bring a political cost to the government, unable to control dissent. As Wallace has argued,

[t]he possibility of protests in large cities is also more politically damaging. The political tide in a megacity that contains a third of the country's urban population tends to be decisive more often than in a country with 10 large cities, each of which houses only a narrow slice of the population. A popular uprising in a first-tier city sends a signal of a different order than a similar protest in a third- or fourth-tier city. This is particularly the case when, as in over 90% of countries, the largest city is also the political capital of the regime (Wallace 2013: 635).

The instability threat is magnified when the geographical locus of protest is the capital city. Juscelino Kubitschek famously justified moving the capital of Brazil from Rio to Brasilia by saying that “a tramway strike in Rio de Janeiro may bring down the President of the Republic” (Campante, Do, and Guimaraes 2014: 6-7). The vital threat of popular mobilizations became very real for Latin American presidents after the fall of Fujimori in Peru (2000), De la Rúa in Argentina (2000), and Sánchez de Lozada (2003) and Mesa (2005) in Bolivia, to name just a few examples (Hochstetler 2006; Pérez Liñán 2007). Thus, politicians have ample reason to fear losing control of popular mobilizations, even if their original motive was restricted to an economic issue such as trade.

In sum, capital cities are “settings of power, exercise, and contest, truly ‘landscapes of power’” (Therborn 2006: 520), and the effectiveness of rebellions increases when they take place closer to them (Campante, Do, and Guimaraes 2014). To paraphrase E. E. Schattschneider (1960), proximity to the capital city raises the volume of anti-trade protestors singing in the “heavenly chorus”, and gives social movements “symbolic and substantive access” (Davis 1999: 604) to the state that is usually denied to groups located far from the center.

In countries where the state has an uneven reach, geographical distances can sometimes keep rebellious actors at bay (Scott 2009; Herbst 2000). Actors in the periphery may struggle to express their preferences and interests to governments. That is especially the case where most decisions are centralized in the executive branch and where presidents tend to have more discretion in trade policy-making. In these instances, interest representation in neoliberal times has usually followed a different path, one in which organized pressure has to force the hand of the Executive.

We can now discuss some scenarios that result from different combinations of electoral outcomes and protectionist forces (see Table 2.2 below). One of the four scenarios (Policy Confrontation) synthesizes what Alt and Gilligan have defined as the “essential problem for the state of a trading economy”, which is “weighing the good of the many”, served by free trade, “against the good of the powerful few”, served by restricting trade (1994: 166). The other three scenarios are the result of challenging some of the traditional assumptions behind that assertion. Is free trade always the good of the ‘many’? Are the ‘few’ always powerful? What happens when that is not the case? What kind of situations arise when these two assumptions are altered?

In developing countries, “the essential problem of the trading state” is magnified when the “powerful few” (protectionist coalitions) mobilize and protest as a response to the lack of regular access to representative institutions. When the “many” have voted for a status quo candidate, the consensus behind trade policy remains in place in the Executive branch, but protectionist actors mobilize in the streets. I have argued that the ‘power’ of the protectionist coalition, in this context, stems from their proximity to the capital city, so

I expect a direct confrontation between the government and opposing forces (top right corner of Table 2.2). Proximity to the seat of power guarantees visibility, media coverage and a tangible impact on transportations and communications inside the main city. As a result, governments find themselves between the Scylla of excessive force to repress protestors and reinstating order, and the Charybdis of insufficient response, losing legitimacy and even control over the situation. In the first case they may earn international and domestic condemnation over human rights abuses, in the second they risk losing power. It is important to remember that my theory assumes democratic governments in the ‘supply side’ of trade policy, which face different costs than authoritarian regimes when facing protests and manifestations.

In turn, the ‘problem’ may not be as dramatic if the ‘few’ are not as powerful as expected. I have argued that there are obstacles to preference aggregation that can hamper social organizations and that, ultimately, their protests (and their power) may be muted by distance from the capital city. We can still expect episodic demands for protectionism in the streets of remote or peripheral areas of the country, but given their location, they do not represent a threat to the government or to the free trade model. The protests’ lack of visibility, media coverage, and economic impact not only weakens the demands, but also raises the likelihood of state repression. Policy continuity (bottom right corner in Table 2.2) is therefore the likely result of not having a leftist leader as a president, together with protectionist forces located mostly in peripheral areas outside of the capital city.

Table 2.2: Expected Trade Policy Outcomes in the Neoliberal Era

INTEREST REPRESENTATION		LEFTIST PRESIDENT	
		Yes	No
CLOUT OF SOCIAL FORCES ADVOCATING PROTECTIONISM	High	Policy Reversal	Policy Contestation
	Low	Policy Switching	Policy Continuity

Rather than ensuring policy change, I argue that the election of a leftist candidate provides an opening in the, up to this point, monolithic edifice supporting economic orthodoxy. When institutional access opens, as Tarrow has argued, “rifts appear within elites, allies become available, and state capacity for repression declines, challengers see opportunities to advance their claims” (2011: 60). A change in the ‘political opportunity structure’ provided by an electoral process can give access to policymaking to previously neglected interest groups. As we saw in the previous section, market reforms widened the gap between policymaking and citizens by weakening the interest groups, such as labor unions and peasant federations, which were at odds with the new development strategy (Oxhorn and Starr 1999). In the context of political systems heavily dominated by the executive branch, and with an entrenched technocratic body insulated from other political and social actors, electoral processes provided an outlet for disgruntled actors to express their dissatisfaction with the current state of the economy and vote for a candidate vowing to challenge the status quo.

Whether the elected president actually follows through with the anti-trade policies that the ‘many’ elected him or her to carry out is not a given, however. Many countries in Latin America, after the democratization process of the late 20th century, were described by O’Donnell as “delegative democracies”. These regimes are characterized, principally, by the idea that, regardless of campaign promises, whoever is elected to the Presidency will “govern as he or she sees fit, constrained only by the hard facts of existing power relations” (1994: 59). In that sense, policy switching appears (and has appeared) as a real possibility. It is no coincidence that the pattern of policy switching unveiled by Stokes (2001b) happened when political parties, social organizations, and civil society were depleted by the economic crisis of the 1980s and the effects of the neoliberal reforms of the 1990s. Under those circumstances, policy switching is not as costly as it would be if a president had to confront a strong domestic constituency.

There are several reasons why leftist presidents would prefer to engage in policy switching. First, there is a status quo bias in favor of neoliberalism, which is unlikely to be threatened unless there is a deep economic crisis that warrants venturing into uncharted waters. This bias is further enhanced by institutional inertia, both at the domestic and the international level, which grants support for economic orthodoxy. Multilateral institutions such as the IMF or the World Bank are less likely to support countries that demonstrate lack of fiscal discipline, usually the first casualty of redistributive policies in leftist governments. In addition, domestic interest groups that have benefitted from free trade are also likely to denounce any attempts to undermine it. Finally, and perhaps more important,

the election of leftist presidents is often anticipated with trepidation by financial markets,²¹ which usually plunge the Monday following the election of leftists. Campello (2015) has argued that leftist politicians are forced to react swiftly and replace heterodox economists from their original teams with technocrats that transmit positive signals to the trigger-happy markets, especially when they are in need of capital. Capital flight represents a strong incentive to maintain the status quo.

For these reasons, I expect no change in trade policy in the case of candidates running and elected on a “change” platform, but that face only distant pressure from organized forces. In these instances, presidents, even if elected to challenge trade policies, will engage in policy switching and leave the status quo in place (bottom left quadrant of Table 2.2).

Finally, I expect trade policy reversal (top left corner of Table 2.2) to occur when there is a leftist president in power who has a mandate to undermine free trade that is actively enforced by protectionist interests located close to the seat of power. With a clear electoral mandate and the threat of being punished for not following through on campaign promises by a mobilized and proximate group of actors, presidents are more likely to reverse trade liberalization policies.

Thus, I expect that:

H4: The reversal of trade liberalization policies is more likely following the election of a leftist candidate when strong protectionist forces are located close to the capital city.

²¹ “No hay animal más cobarde que un millón de dólares” (There is no animal as coward as a million dollars) is a popular saying among Spanish speakers.

SUMMARY

In this chapter, I have presented a geography-based theory of trade policy that seeks to explain under what conditions free trade is more likely to be resisted in developing countries. The first part of my argument establishes the geographical impact that trade liberalization has had in Latin American countries. I have argued that, contrary to some expectations, opening the economy to trade has not benefitted unskilled labor everywhere, but only in regions with labor-intensive exporting activity. As a result, individuals are more likely to support free trade if they live in those regions, and oppose it if they live in areas where trade has not had a positive impact.

I have next presented an argument regarding the conditions supporting preference aggregation for losers from trade liberalization. Actors demanding protection are more likely to coalesce into social organizations when there is a concentration of experienced activists capable of rebuilding collective action using new vehicles to replace social organizations weakened by neoliberal reforms. My theory of preference aggregation seeks to explain why each country has a different pattern of trade-related protests, which tend to be clustered in specific areas and absent in others.

The third and final part of my theory explains why we observe reform reversal in some cases but not in others. Bringing preferences and organization back full circle, I have argued that trade policy reversal is more likely when the bulk of the population lives in areas that saw little improvement or were negatively affected by trade liberalization, which makes the election of a leftist leader more likely. Nevertheless, the presence of organized pressure is necessary to ensure that the elected president follows through with the anti-

trade mandate. This organized pressure is more likely to be effective when protectionist forces are located near the capital city. As I have shown in detail above, geography plays a crucial role in each step of the argument. The next three chapters of the dissertation empirically test the four hypotheses presented in this section.

CHAPTER THREE

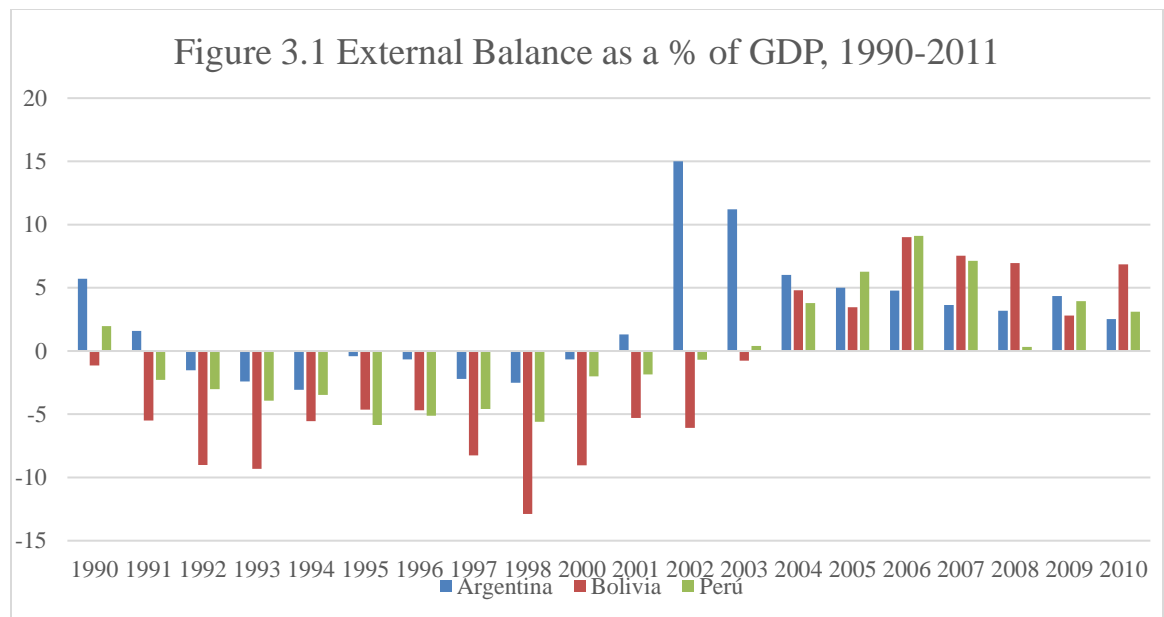
THE REGIONAL IMPACT OF FREE TRADE: AN EMPIRICAL ANALYSIS

What explains support for free trade in developing countries? This chapter examines what factors can better predict support for trade liberalization. My expectation is that the presence of labor-intensive export commodities in a given part of a country will produce bastions of support for free trade. The presence of a labor-intensive exporting activity not only benefits individuals in the surrounding areas (either through direct employment or via positive spillovers to non-tradable sectors) but also absorbs idle workers from losing or uncompetitive sectors.

In order to test this hypothesis in the Peruvian case I use data from the 2004 and 2007 Latinobarometer (LB) and the 2006 and 2008 Latin American Public Opinion Project (LAPOP) surveys. In the second half of this chapter, I extend the analysis to Argentina and Bolivia, two other countries in Latin America that adopted trade liberalization at a similar rate and extent.

There is a theoretical and a methodological justification to focus on this particular period. First, although trade reform dates back to the early 1990s in all three cases, it was not until 2003 that the benefits of an export-oriented strategy started to pay off. Between 1990 and 1999, aggregate export volumes increased at a 9 percent annual average rate, which represented only a marginal increase from the 7 percent growth of the previous decade (1980-1990) or the 6 percent growth of the one before that (1970-1980). Even then, the relatively faster export growth did not translate into an expansion of output,

productivity, or employment, and was nowhere near the “Asian” rates anticipated by reformers (Bouzas and Keifman 2003: 157). Indeed, the growth in exports during these earlier periods was unable to narrow the gap in the trade balance, fueled by an even larger growth in imports (Stallings and Peres 2000: 175; Tussie and Heidrich 2008: 50).



However, in the early 2000s, trade dynamics changed abruptly. The evolution of the external sector of the same three countries since 1990 shows the two faces of trade liberalization (see Figure 3.1 above). Between 1990 and 2001, cheap imports flooded their economies following the slashing of tariffs and other trade barriers. Access to these consumption goods after years of chronic shortages, boosted support for free trade (Baker 2009). After 2003, most Latin American economies benefitted from the exponential growth

and demand for commodities from China, finally turning trade deficits into surpluses. Thus, the period starting in 2003 should better reveal the effect of commodity exports on trade preferences.

Second, although both Latinobarometer and LAPOP have conducted surveys since the mid-1990s, there were no free trade questions asked during those years. A thorough analysis of survey questionnaires starting in 1996 led me to select the aforementioned years as ones where attitudes towards international trade could be accurately gauged. Indeed, that is one of the main limitations of previous analyses of trade reform in Latin America.²²

The statistical analysis confirms that the effects of trade liberalization on individual preferences were influenced by the type of commodity found in each subnational region. Individuals living in regions that had labor-intensive commodities as their main export were significantly more likely to support free trade than individuals that lived in other regions of each country, including those that had capital- or land-intensive exports. The evidence presented in this chapter shows that gains from trade are not equally distributed within a national territory, even in the face of skyrocketing revenues resulting from the commodity boom. Subnational variation in Argentina, Bolivia, and Peru highlights important cross country differences in support and opposition for trade in each case, which is a first step towards an understanding of trade policy outcomes in Latin America.

²² Baker's (2009) analysis of trade reform relies on Latinobarometer questions that ask about attitudes towards regional integration. Although Panizza and Yanez follow the same method, they acknowledge it as "the most problematic variable" since it is a "very imperfect proxy of attitudes toward free trade" (2005: 4). So do Graham and Sukhtankar, acknowledging that using regional integration as a proxy for free trade "muddies" their story (2004: 369).

DATA AND MEASUREMENT

The dependent variable in this analysis is individual preferences for trade liberalization. I follow standard practice in the literature and code the DV as a trichotomous ordinal variable, where 1 equals opposition to free trade, 2 groups various neutral evaluations (including “don’t know” responses), and 3 equals support for free trade. (The exact wording of the questions can be found at the top of the tables below, which present the results.)

I use subnational data on exports to measure the extent to which a given region trades internationally. A recent experimental analysis of trade policy in Argentina shows that trade preferences can be pinned down to location as much as to economic sector, based on the degree of import exposure of each region (Ardanaz et al. 2013). However, instead of using import-competition as an indicator for trade support, I choose to focus on the impact of exporting activities, which I have argued have represented the largest trade ‘shock’ to the Latin American countries in recent years.

I expect to find higher levels of support for free trade among individuals living in areas that export labor-intensive commodities. I create a dummy variable and code a region as labor intensive if more than 50 per cent of its exports comes from Non-Traditional Agricultural Exports (NTAE). Unlike traditional crops, such as sugar, cotton, or wheat, NTAEs are labor-intensive products that spur local economic growth thanks to the linkages they establish with other activities. Regions that are not specializing in labor-intensive exports should have higher protectionist sentiment among workers and the population in

general. These latter regions include capital- or land-intensive exporting regions as well as regions that have no measurable exports.

In the case of Peru, a unitary country divided into 25 regions (previously known as departments), 195 provinces and nearly 2,000 districts, export data is available at the provincial level. For Argentina and Bolivia, information on exports is available only at the highest subnational level (23 provinces in Argentina, 9 departments in Bolivia). Thus, the analysis for these two countries is not as fine-grained as the one for Peru.

To identify the independent impact of geography on trade preferences, I have to control for variables suggested by both the Heckscher-Ohlin (HO) and Ricardo-Viner (RV) schools. The expectation of the HO model for developing countries such as Peru, Argentina, and Bolivia, is that unskilled labor, the abundant factor in the economy, will benefit the most from trade openness. I measure skills using educational attainment (years of education completed) as a proxy (Scheve and Slaughter 2001, Mayda and Rodrik 2005). RV suggests that trade preferences vary by sector; I account for sector with two different categorical measures of occupation: One of the questions asks about “current employment”, and the other asks about “type of employment”. In the first case, public sector employees and unemployed are two of the categories clearly not part of the export sector.²³ In the second case, self-employed farmers and fishermen, and informal workers, can also be excluded. Neither of the questions provide enough information to identify

²³ Following Magaloni and Romero (2008), who use a dummy variable for whether an individual is unemployed or not (under the assumption that individuals located in “uncompetitive industries” lost their jobs because of free trade).

workers who are directly employed by the export sector, but they do allow us to identify which respondents are not part of it.²⁴

I also control for a few other variables. A variable measuring nationalism (“How proud are you of your nationality?”) tests Mansfield and Mutz’s (2009) claim that nationalistic or other symbolic attitudes drive individual preferences for trade liberalization. The gender and the age of the respondent are also included in the analysis. In each survey, standard errors are clustered by city, the smallest geographical unit associated with each respondent.²⁵

In the rest of this chapter, I present and discuss the results for each country, individually, and complement the statistical analyses with a qualitative interpretation of the patterns of trade specialization and its implications for trade preferences.

PERU

Peru’s more recent integration into the global economy has followed a similar pattern as in the 19th and 20th century (and even back into colonial times), as a supplier of primary products. The country’s main exports, in terms of revenues, are minerals. Peru is today one of the largest producers of gold, silver, copper, and other minerals in the world. During previous centuries, it also specialized in traditional crops grown in the coastal

²⁴ It is worth noting the difficulties of identifying occupation in public opinion surveys in Latin America. Baker goes as far as to disregard Ricardo-Viner “because the data to test it rigorously (surveys must record respondent’s sector of employment) are not available in any cross-national Latin America survey projects and because it has so far received limited empirical support as a theory of mass trade preferences”. Baker does test the Ricardo-Viner expectations in his Brazil survey and finds no empirical support for them (2003: 429, fn13)

²⁵ I do not include a control for left-right ideology because of a high percentage of dropped observations that result from “don’t know”/no opinion/indefinite answers

valleys and exported to the world, such as sugar and cotton. A key difference today is the development of a strong agribusiness sector in the same valleys that has replaced the former enclave-like plantations with modern agro-industrial companies that cultivate, harvest, and process fruits and vegetables. As I will show, it is the presence of these labor-intensive activities that has driven support for free trade in some regions of the country. By contrast, extractive activities, despite the enormous revenue they provide to the state, fail to elicit similar sentiments in favor of free trade in the regions in which they operate. The distinctive aspect of Peru's current free trade regime is its ability to incorporate and offer benefits to portions of the population that were 'left behind' because of trade liberalization.

The statistical analyses confirm these expectations in two of the three surveys, but not in the 2008 LAPOP survey (Table 3.3). They show that living in a province with high labor-intensive exports makes an individual between 8 and 12 per cent more likely to support free trade. This effect remains constant even as we add control variables (Models 3 to 6 in each table). The results indicate that having an export-oriented industry does not increase support for free trade in a province, unless it has a positive impact in terms of job creation and linkages with the local economy. When export activities are land or capital intensive, there is no significant impact on support for free trade.

Table 3.1: Determinants of Support for Free Trade in Peru – Latinobarometer surveys (2004 and 2007 combined)

DV: Do you believe that international free trade treaties have a very positive, positive, negative or very negative impact on job opportunities?						
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Provincial Exports	0.11*** (0.02)	0.04 (0.03)	0.03 (0.03)	0.03 (0.03)	0.03 (0.03)	0.03 (0.03)
Labor-Intensive Activities		-0.11 (0.20)	-0.14 (0.19)	-0.15 (0.19)	-0.12 (0.19)	-0.14 (0.20)
Provincial Exports*Labor-Intensive Activities		0.08* (0.04)	0.08* (0.04)	0.08* (0.04)	0.08* (0.04)	0.08* (0.04)
Years. of Education (HO)			0.06*** (0.00)	0.06*** (0.00)	0.05*** (0.01)	0.05*** (0.01)
Current Employment (RV)			-0.07 (0.10)		0.01 (0.08)	
Type of Employment (RV)				-0.18* (0.09)		-0.23* (0.09)
Nationalism					0.08 (0.05)	0.08 (0.05)
Female					-0.29*** (0.08)	-0.30*** (0.09)
Age					-0.00 (0.00)	-0.00 (0.00)
Year	0.12 (0.10)	0.09 (0.10)	0.16 (0.10)	0.16 (0.10)	0.26** (0.10)	0.26** (0.10)
Cities	83	83	83	83	83	83
Provinces	57	57	57	57	57	57
N	2400	2400	2400	2400	2400	2400
R ²	0.02	0.02	0.03	0.03	0.03	0.03

Estimations performed using Stata 13.0. Standard error in parentheses. *p < .05; **p < .01; ***p < .001.

Table 3.2: Determinants of Support for Free Trade in Peru - LAPOP survey (2006)

LAPOP 2006						
DV: To what extent do you believe that a free trade agreement will help to improve your personal economic situation?						
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Provincial Exports	0.12*** (0.02)	0.03 (0.05)	0.03 (0.05)	0.03 (0.05)	0.03 (0.05)	0.03 (0.05)
Labor-Intensive Activities		-0.37 (0.23)	-0.38 (0.23)	-0.38 (0.23)	-0.38 (0.23)	-0.37 (0.23)
Provincial Exports*Labor-Intensive Activities		0.12** (0.05)	0.12** (0.05)	0.12** (0.05)	0.12** (0.05)	0.12** (0.05)
Years of Education (HO)			0.03* (0.02)	0.03 (0.02)	0.03 (0.02)	0.03 (0.02)
Current Employment (RV)			0.10 (0.17)		0.13 (0.17)	
Type of Employment (RV)				0.21 (0.24)		0.25 (0.23)
Nationalism					0.06 (0.03)	0.06 (0.03)
Female					0.17* (0.08)	0.17* (0.08)
Age					-0.00 (0.00)	-0.00 (0.00)
Cities	96	96	96	96	96	96
Provinces	68	68	68	68	68	68
N	1500	1500	1499	1499	1493	1493
R ²	0.02	0.03	0.03	0.03	0.03	0.03
Estimations performed using Stata 13.0. Standard errors in parentheses *p < .05; **p < .01; ***p < .001.						

Table 3.3: Determinants of Support for Free Trade in Peru - LAPOP survey (2008)

LAPOP 2008						
DV: To what extent do you believe that free trade agreements will help to improve the economy?						
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Provincial Exports	0.07*** (0.02)	0.03 (0.04)	0.02 (0.04)	0.02 (0.04)	0.02 (0.04)	0.02 (0.04)
Labor Intensive		0.09 (0.28)	0.05 (0.29)	0.07 (0.29)	0.01 (0.30)	0.04 (0.30)
Provincial Exports*Labor-Intensive Activities		0.03 (0.05)	0.05 (0.05)	0.04 (0.05)	0.06 (0.05)	0.05 (0.05)
Years of Education (HO)			0.04** (0.01)	0.04** (0.01)	0.04** (0.01)	0.04** (0.02)
Current Employment (RV)				-0.22 (0.14)		-0.20 (0.13)
Type of Employment (RV)			0.34*** (0.12)		0.26 (0.14)	
Nationalism					0.36*** (0.04)	0.36*** (0.04)
Female					-0.05 (0.10)	-0.06 (0.10)
Age					-0.00 (0.00)	-0.01 (0.00)
Cities	128	128	128	128	128	128
Provinces	70	70	70	70	70	70
N	1409	1409	1408	1408	1405	1405
R ²	0.00	0.01	0.01	0.01	0.03	0.03
Estimations performed using Stata 13.0. Standard errors in parentheses. *p < .05; **p < .01; ***p < .001.						

One plausible explanation for the lack of significant results in the 2008 LAPOP survey is the difference in the sociotropic nature of the survey question in that year: the 2008 LAPOP survey question asks the respondent to evaluate the impact of free trade on the economy. By contrast, the 2006 LAPOP survey question asks about the impact of free trade on the respondent's personal economic situation. The questions asked in the

Latinobarometer could be interpreted as sociotropic as well, but they focus on job opportunities, rather than the macroeconomy, and are thus more likely to be interpreted from an egocentric or regional perspective.²⁶

Notably, against the expectations of the HO model, higher-skilled workers are more supportive of free trade than less-skilled workers. There is a positive and statistically significant relationship between years of education and support for free trade, in most models. This may be because “the poor in countries with an abundance of unskilled labor do not always gain from trade reform” (Harrison 2007: 3), probably since “the abundant factor in most countries of the region is not unskilled labor but rather some natural resource, and that labor skills in the region rank at an intermediate level on a world scale” (Bouzas and Keifman 2003: 167). Although Saavedra (1997: 11-12), and Graham and Sukhtankar (2004) had previously noted this outcome, it is revealing that even after the commodity boom, the impact of free trade would appear to be more limited than originally anticipated, given Latin America’s factor endowments.

In turn, the two measures that test the RV model present inconsistent results. In the Latinobarometer survey, the occupational variable based on current employment has a negative and statistically significant effect on support for free trade (the RV model would expect individuals not employed by export-oriented sectors to oppose free trade), but the variable is positive (although not always significant) in the LAPOP survey. Finally,

²⁶ See Hiscox (2006) for the importance of framing effects in survey questions

nationalism, gender and age show inconsistent results across surveys, precluding a meaningful interpretation of their effect on support for free trade.

The results confirm that there is substantial variation in terms of trade preferences across individuals located in different geographical units of Peru. In order to have a better picture of what that variation looks like across Peru, in the next section I will describe and analyze the effects of trade liberalization since the 1990s, and the impact of the ‘commodity boom’ of the 2000s.

From Asparagus to Zinc – The varying effects of commodities on trade preferences in Peru

Although the country did not promote an industrialization strategy to the same extent as some of its neighbors in Latin America, there is still clear evidence that the adoption of trade liberalization in the early 1990s in Peru brought high transition costs for its labor force. Urban unemployment in Peru went from 8.3 per cent in 1990 to 9.4 per cent in 2002. Ros shows that among the determinants of urban unemployment in Latin America, patterns of international trade played an important role. Whereas countries in Central America (and Mexico), that have a larger and increasing percentage of their exports coming from labor-intensive manufacturing sectors, saw a decrease in their unemployment levels, almost all countries in South America rely more on primary exports, and saw an increase in unemployment during the 1990s (Ros 2005: 8-14). As a result of this pattern of trade specialization, in Peru the share of manufacturing (including mining) in total employment

(excluding agricultural) fell from 19.7 per cent in 1991 to 14.9 per cent by 2003 (García 2005: 136).

The initial response of the external sector in terms of job creation was thus negative, due to the dominance of mining products as its main exports. The economic rebound triggered by the adoption of market reforms in Latin America led to a significant increase in foreign investment in the primary sector, in which countries like Peru enjoy a comparative advantage, but that have weak linkages to the local economies (García 2005: 10). This is a trend that has only intensified in the last years, as the Economic Complexity Index shows (Figure 3.2). The Economic Complexity Indicator ranks how diversified and complex a country's export basket is. Diversity measures how many different types of exports a country produces, while complexity measures how much knowledge gets translated into the production of such exports. In that sense, while machinery represents the most complex product, raw materials and agricultural products are among the least complex products a country can export.²⁷

²⁷ Information on The Atlas of Economic Complexity available at: <http://atlas.cid.harvard.edu/>



In the world ranking of Economic Complexity, Peru has dropped from the high 70s in the 1990s, to the low 90s in recent years (out of 124 countries). The higher demand and increasing prices for primary products since the 2000s contributed to this increased dependency on a few commodities. Peru’s largest exports in terms of value are minerals, which I classify as a capital-intensive product, in accordance with reports by the OECD (Korinek and Ramdoo 2017), due to the relatively few jobs they generate in comparison to other economic sectors. International prices of raw materials almost tripled between 2003 and 2013 (IMF 2014), thanks in part to voracious demand by China, attracting foreign and national investments to this sector. The price of copper, Peru’s main export, went from USD 0.60 per pound in 1999 to as high as USD 3.75 per pound in 2006. The price of gold, zinc, and silver, Peru’s other noteworthy mineral exports followed a similar path. Even

revenues for other minerals, such as molybdenum, increased significantly, jumping from USD 95 million in 2003 to USD 1, 1 billion in 2005 (BCRP 2005).

Yet, as I have argued, mining activities tend to employ few workers and behave like enclaves, with limited positive spillovers in their areas of influence. Antamina (in Ancash), heralded as the largest investment (above 9 billion dollars between 1992 and 2007) in the history of the country, employs only 1,400 workers. Yanacocha, one of the world's largest gold mining operations, employs only 6,000 workers, including contractors from approximately 100 local companies (Durand 2007: 109). Yanacocha operates in Cajamarca, perhaps one of the richest departments of Peru in terms of minerals. Between 2006 and 2013, employment in Cajamarca actually fell 2 per cent, while in the rest of the country it increased by 14 per cent (Palomino 2014). Thus, despite their enormous contribution to Peru's coffers, mining activities have had a limited impact in terms of jobs, and poor linkages to the rest of the economy (Tanaka 2005: 11). Precious and industrial metals are extracted using highly mechanized processes. Modern open pit mining operations are less labor-intensive and more automated than traditional techniques. Although by the year 2003 mineral goods represented over 40 per cent of Peru's total exports, they contributed only 6 per cent of the GDP, and employed only 3 per cent of its population (Barrantes 2005: 22).

Moreover, Ticci and Escobal (2013) find that populations living in new and non-mining areas have experienced no statistically significant changes in welfare, despite the fact that, Peru is among the top producers of silver, zinc, gold, copper, tin, and bismuth in the world. Perhaps the most revealing evidence is provided by Loayza and Rigolini (2016),

who have shown that the benefits of the mining boom have been restricted to very narrow areas. Although mining districts in Peru consume more and have lower poverty rates, this effect does not extend to neighboring districts. Furthermore, they also find higher levels of consumption inequality within mining districts. Their findings suggest an explanation for the lack of support for trade in Peruvian regions where minerals are extracted, given the narrow spillovers of this activity and the levels of inequality it produces locally.

Since 1990, in line with one of the three pillars behind the new trade strategy, every government has sought to attract more investments to the sector, offering favorable terms and juridical (legal and tax) stability agreements. The 1992 Mining Law was an initial step towards that end. Some of the revenue created by these massive operations started to trickle down to the local areas beginning in 2001, when the General Law of Canon established a decentralized way of taxing and redistributing mining revenues. Although the reform left some provisos to avoid wasteful expense or unproductive expenditures by local authorities, there was still an unprecedented transfer of resources to subnational levels, but this has not translated necessarily into an efficient provision of public goods (Maldonado and Ardanaz 2017)

In sum, in terms of job creation, economic spillovers, and cash transfers, mining activities have had a limited impact in local areas, and indeed support for free trade is not strong in provinces in which they operate. This fact could justify why a remarkable result from the analysis is that exports alone cannot explain levels of support for trade liberalization. As Table 3.4 shows, only one of the top 5 exporting provinces in 2007 is

classified as labor intensive.²⁸ The main export in the other 4 is either a mineral (gold or copper in this case) or fishmeal. In the same list, we have provinces that represent the importance of labor-intensive agriculture: Trujillo (asparagus), Piura (mangos), and Chiclayo (green coffee).

Table 3.4: Top 10 Exporting Provinces, Peru 2007

Ranking	Province	Exports, millions USD	Main Export (% of each provinces' exports)	Labor Intensive?
1	Lima	6,017	Gold (23%)	Yes*
2	Arequipa	1,813	Copper (86%)	No
3	Ilo	1,679	Copper (82%)	No
4	Cajamarca	1,121	Gold (99%)	No
5	Santa	448	Fishmeal (54%)	No
6	Trujillo	180	Asparagus (48%)	Yes
7	Huaral	144	Fishmeal (57%)	No
8	Chiclayo	144	Green Coffee (79%)	Yes
9	Juliaca	114	Gold (98%)	No
10	Piura	109	Mangos (33%)	Yes

Lima represents a special case. As the 100 percent urban capital city, no commodity is actually extracted from the province. Gold is listed as its main export, but there are actually no gold mines in Lima. The capital city does concentrate the headquarters of every exporting company in the country. In fact, the export data used in this analysis is derived

²⁸ From the sample of provinces found in the Latinobarometer survey of that year.

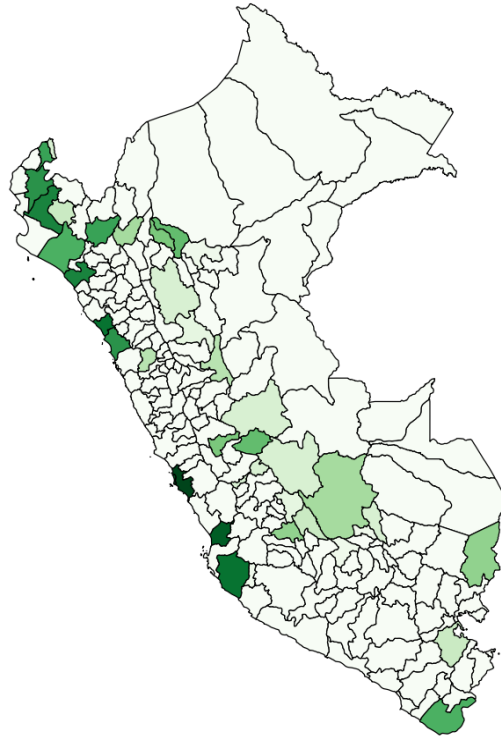
from the legal address of each company.²⁹ More often than not, exporting companies are based in Lima although they operate in other provinces in Peru, especially if they are extracting a natural resource. In addition, Lima probably plays a similar role as the one played by Mexico's capital city. Mexico City benefited from NAFTA by attracting high value-added services and becoming an important financial center (Rodríguez Pose and Sánchez Reaza 2005: 254). Finally, Lima (probably due to its proximity to the coast) has historically supported free trade policies based on agricultural exports (Vergara 2015: 130).

The key development in Peru's external sector in recent times has been the agribusiness boom, which is nowhere close to the mining sector in terms of revenue, but that has a large regional impact in terms of jobs and economic spillovers in the areas in which it is found.

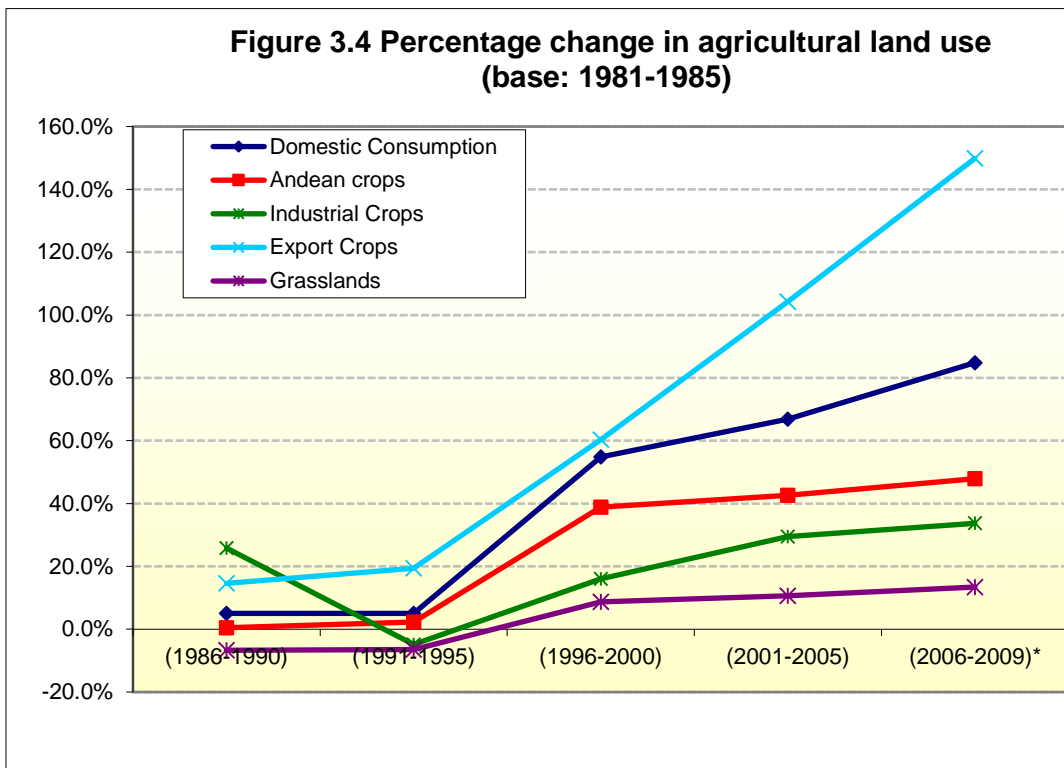
I identify 57 provinces in Peru as exporters of labor intensive commodities. In the 2004 and 2007 Latinobarometer surveys, 23 out of a total of 57 different provinces covered by the survey are classified as labor intensive, while in the LAPOP 2006 survey 23 out of 68 provinces are coded as labor intensive. The map in Figure 3.1 shows the geographical location of each of those provinces, averaging their exports for the period 2005-2010.

²⁹ Export data was facilitated by Iván Aldave, official at Peru's Central Bank. Personal communication

Figure 3.3: Labor Intensive Exporting Provinces, Peru 2005-2010



As the map above shows, the darker shades of green (reflecting higher value in dollars of labor intensive exports) are found along the coast, in provinces where the “agroindustrial revolution” (De Althaus 2007) took place since the late 1990s. That includes the three provinces that are among the top 10 exporters in Peru (Trujillo, Chiclayo, and Piura). Thanks to products such as mangos, grapes, asparagus, avocados, paprika, artichokes, among others, Peru’s non-traditional agricultural exports jumped from USD 119 million in 1990 to USD 1,912 million in 2008 (León 2008: 23).



Source: Minister of Agriculture and AgroData-CEPES.

As I mentioned, in many provinces NTAEs replaced traditional crops. Figure 3.4 above shows how much land is now destined to grow export crops, a dramatic increase especially since the late 1990s. Although land cultivated with traditional products for domestic consumption (such as rice, potatoes, beans, or barley) and industrial crops (sugar, cotton, soy) has also increased in recent years, there has been an even larger expansion in the number of hectares devoted to export crops.

In many ways, Peru followed the same export-oriented trail blazed by Chile since the 1980s. Like Peru, Chile's largest export in terms of revenue is copper. However, Chile

has long had fruit and salmon industries that represent the country's two largest exports after copper, generating over \$600 million in annual exports and more than 100,000 jobs in 2005, just in the case of salmon (World Bank 2005a: 147). Chile's presence in the Peruvian agricultural export industry is tangible and observable in Ica and Piura, two of Peru's provinces where table grape is grown. Many Chilean companies operate in those areas, bringing their know-how, experience, and skilled labor. Moreover, taking advantage of a window of opportunity provided by its geographic location with respect to Chile and countries in the northern hemisphere, Peruvian agro exporters were able to sell their products in times of low supply and high demand in global markets. Due to climatic conditions, harvest season in Peru begins in October, while the Chilean harvest season does not start until mid-November³⁰.

While Chile has long been the world's largest exporter of table grapes, Peru has increasingly become a relevant actor, creating in the process, thousands and thousands of jobs. In the year 2000, Peru exported USD 6 million dollars in grapes to the world. By the year 2008, that figure had increased to almost 100 million dollars. In 2015, Peru exported 8 per cent of the world production of grapes, worth 737 million dollars.³¹

This 'revolution' has even led to full employment in some provinces. Some figures can provide a better sense of what labor-intensive means. During the high season, harvesting grapes requires up to 600 workers per hectare.³² In less busy times, agribusiness

³⁰ Interviews with Michelle Aspee (packing expert) and Miguel Bailetti (Manager of Red Agrícola), Piura, October 15-16 2015.

³¹ Data from http://atlas.media.mit.edu/en/visualize/tree_map/hs92/export/show/all/0806/2015/

³² Interview with Benjamín Cillóniz, General Manager, SAFCO Peru. Lima, August 22 2015

can still employ at least 20 workers per hectare. In comparison, a non-labor-intensive agricultural product such as soya, employs 1 worker for every 50 hectares.³³ Daily wages in the agribusiness sector are double the minimum wage and companies are going farther and farther away looking for workers.³⁴ Labor scarcity is not a new problem for coastal producers. Back in the 19th century, landowners used to describe Peruvian agriculture as a Venus, beautiful but armless (Burga and Flores Galindo 1991: 99)

During my fieldwork, I was able to visit a fruit-packing facility in Tambogrande, Piura, where long lines of (mostly) women were in charge, in different seasons, of cleaning and packing the grapes. This was a relatively small facility, which deals with the products of smaller, independent producers, but it still employs hundreds of workers for just that process. There are companies like El Pedregal that have their own packaging facilities, the size of several football fields, under one roof.

Peruvian non-traditional agricultural exports have also created positive spillovers through the value chain or linkages they have established with local economies. León (2008) describes the linkages and identifies different actors at each of the 4 stages: production, processing, distribution, and consumption. At each stage, numerous local actors and companies intervene providing inputs and products. From herbicides, pesticides, and fertilizers, to technical irrigation systems, at the initial stage, to the inputs required during packaging (boxes, plastic containers), the brokers and traders for the distribution, and so on (León 2008: 27-30)

³³ <http://www.revistachacra.com.ar/nota/6769/>

³⁴ Interview with Julio Bustamante, investor, El Pedregal. Lima, November 4, 2015

To be sure, there have been voices decrying the negative impact of agribusiness on traditional land tenure, the asymmetrical relationships between large corporations and small landowners who often lease their land under onerous contracts. The access and use of (scarce) water by agrobusiness, and, in particular, the labor regime of agricultural companies have also been the subject of criticism. Law No. 27360, “Ley de Promocion Agraria”, established limited social compensations for seasonal workers. In many ways, these conditions fit Kurtz’s (2004a) description of rural Mexico and Chile, two other countries that built a competitive agroindustrial sector. Yet, the analysis suggests that these complaints and the struggles that workers may find due to seasonal nature of the work or their lack of benefits are overridden by the higher wages they get by working for export companies.

Much of the success of the ‘agroindustrial revolution’ in the coast has been attributed to a vast program of land titling in rural areas (De Althaus 2007: 63). As a legacy of the Peruvian Revolution led by General Juan Velasco Alvarado between 1968 and 1975, Peru’s 1979 Constitution banned private companies from the agricultural sector. As part of the 1990s reforms, this prohibition was lifted, and many small landowners were able to sell their land to larger companies. While for some authors this represented a negative consequence of neoliberalism in rural areas (Kurtz 2004b), in Peru many peasants and farmers took this cash flow as an opportunity to send their kids to college and thus gain access to higher education.³⁵

³⁵ Interview with Javier Torres Seoane, News Director of the Asociación de Servicios Educativos Rurales (SER), Lima, November 4, 2015

The state has also played a significant role in assisting the development of export-oriented industries through public investments. Specifically, public irrigation projects in the coastal valleys were a priority, and land next to them was sold in large blocks of hectares, favoring big firms over small producers, who were left with a significantly small area (Remy 2014: 88). The Olmos Project, in Lambayeque, is one such an example of the transformation of the agricultural sector stemming from the market-oriented reforms of the 1990s.

In Peru, then, the export clusters that have developed along the coast have offered substantial opportunities for people living close to those areas. This stands in contrast to the situation in the Sierra, where, like Bolivia, most of the mining operations are located, and where automated processes and capital-intensive technology have reinforced its *enclave* tradition (Cardoso and Faletto 1979). In Peru, employment in the coastal region increased by almost 30 per cent between 2004 and 2012, while it only increased by 8 percent along the highlands. In numerical terms, almost 2 million jobs were created on the coast, in contrast to the 500,000 added in the highlands. A considerable amount of the increase along the coast is explained by growth outside Metropolitan Lima, the capital city. These numbers can help explain why we observe subnational variation in Peru in support for trade liberalization, and they are clearly related to the type of commodity present in each region of the country.

ARGENTINA

Like Peru and Bolivia, Argentina underwent a rapid and dramatic process of trade liberalization in the early 1990s. There were, however, a few crucial differences between Argentina and the two Andean countries. First, during much of the second half of the 20th century, Argentina had followed, with greater intensity than other countries in the continent, a program of import substitution industrialization (ISI). As a result, it had a larger manufacturing sector, especially with regard to light industry. Second, in an attempt to convey credibility in terms of its inflation goals as part of its commitment to market reforms, it had effectively relinquished control over its exchange rate (and its monetary policy) by pegging the Argentine Peso to the US dollar beginning in 1991. The Argentine Currency Board, which was partially blamed for the economic crisis of 2001, undermined the competitiveness of its exports until 2002 when ‘convertibility’ was abandoned. Third, Argentina is a founding member of MERCOSUR, a regional free trade agreement signed in 1991 with Brazil, Uruguay, and Paraguay. Although Peru and Bolivia are also part of a regional agreement (“Pacto Andino”), trade among Andean nations pales in comparison with trade among countries in the Southern Cone. Thus, a larger part of Argentina’s external sector is South-South trade, in a more symmetrical (and less commodity-dependent) commercial relationship.

During the 1990s, Argentina grew at impressive rates, at least when compared to the ‘forgettable’ 1980s, but its success was not necessarily attributed to trade liberalization. For some analysts, economic growth came “in parallel to trade liberalization” (Bouzas and Keifman 2003: 166), and they credit the country’s growth to economic cycles and a

rebound effect, more than the reforms themselves. Argentina demonstrably opened up its economy during the 1990s, increasing the share of the external sector from 15 per cent of the GDP in 1990 to 21 per cent in 1999 (Acosta and Montes-Rojas 2008: 763) but this led to rising unemployment. The largest impact was experienced by the industrial sector (durable goods, machinery, transport equipment), which had enjoyed protection from the state until the reforms, and saw its tariffs reduced from an average of 60 per cent in 1988 to 12 per cent in 1993 (Acosta and Montes-Rojas 2008: 765). Two thirds of the decline in full time employment during this period corresponded to jobs in the manufacturing sector, partly due to the “displacement effect of imports” (Frenkel and González Rozada 2000: 18-20). According to Galiani and Sanguinetti, “approximately 30 percent of the net employment in the manufacturing sector was destroyed between 1992 and 1996” (2003: 505). In Argentina, where ISI policies were more extensive, unskilled workers were largely employed in the urban manufacturing sector, which remained protected for much of the second half the 20th century. After market reform, this was the group most affected by foreign competition and cheap imports (Galiani and Sanguinetti 2003: 499): Argentina’s automobile industry was one of the big losers of trade liberalization (World Bank 2005a: 149). With access to cheaper capital, “the production of goods and services became more capital-intensive and the structural change in the economy was based on a very low job creation” (Barraud and Calfat 2008: 367). Unsurprisingly, urban unemployment in Argentina climbed sharply from 7.4 per cent in 1990 to 19.7 per cent in 2002 (Ros 2005: 8-14).

Due to the similar composition of their economies, the initial effects of trade liberalization in Argentina (almost simultaneous to the formation of MERCOSUR) have often been compared to the impact of NAFTA in Mexico. As in Mexico, in Argentina a relatively large and protected industrial sector was forced to compete with goods produced abroad. Feliciano (2001) finds a modest decrease in the skill premium in Mexico, explained by the negotiation of lower wages as a way of avoiding layoffs. In Argentina, Porto (2006) examines the distributional effects of trade liberalization (via MERCOSUR) on households both as consumers and as income earners. He finds that the trade agreement has a pro-poor bias, which contradicts other findings that suggest that, as in Mexico, the main losers of trade liberalization were unskilled workers.³⁶ In other words, trade had a negative impact on those workers who were previously protected by tariffs and subsidies (World Bank 2005a: 150), and a positive impact on the wage of unskilled labor, thanks to an increase in the relative price of unskilled labor-intensive goods.

However, since the 2000s, Mexico and Argentina have taken different paths. While Mexico strengthened its manufacturing sector thanks to the proliferation of maquiladoras, and became a major exporter of clothing, automotive products, and other final goods, Argentina's main exports were soy and natural resources such as oil and gas, with fewer linkages and less job creation than Mexico's exports (Acosta and Montes-Rojas 764). As

³⁶ Harrison and Hanson suggest that wage inequality in Mexico was the result of high levels of protection for those sectors with intensive use of unskilled labor. In addition, they find that tariff reductions were highest precisely in these sectors. As a result, workers in manufacturing "adjusted primarily through sector-specific wage declines, rather than through employment reallocation". This was, in their analysis, due to the strength of industrial unions (1999: 142-143).

a result, when the world's demand for these products increased significantly, so did the value of its exports. Although Argentina's main exports are land- or capital-intensive, there are regions that export labor-intensive commodities, in which I expect to find higher levels of support for trade liberalization.

Trade preferences and commodities in Argentina: an empirical analysis

In this section, I first present the results of a statistical analysis of the determinants of trade preferences in Argentina, followed by a qualitative discussion of the pattern of trade specialization in the country. Although Argentina's economy is larger and more complex than Peru's, the main source of commodity revenue in both countries is non-labor intensive. At the same time, there are regions in Argentina that have specialized in labor-intensive exports, which should increase support for free trade.

It is worth noting that Argentina was not included in the 2006 round of LAPOP, and thus the analysis is limited to the 2004 and 2007 Latinobarometer surveys and the 2008 LAPOP survey. As was discussed earlier in the context of Peru, the phrasing of the free trade question in this latter survey is quite different from the rest, and the fact that in the case of Argentina the only significant effect in the analysis 2008 LAPOP survey is with regard to the nationalism variable may suggest a more 'sociotropic' (and less individualistic) approach to trade.

In the 2004 and 2007 analysis, however, there are significant effects showing subnational variation across Argentina in preferences for trade. In Models 3 to 6 in Table 3.5, an individual is between 19 and 21 per cent more likely to support free trade if he resides in one of the Argentina provinces that I label as having labor-intensive exports. The

effect is strong even when we include the same battery of controls we have included so far. It is worth noting that skill is also significant, although with a smaller effect, showing the same characteristics as in Peru: higher education makes an individual 5 per cent more likely to support trade. In contrast, the variables controlling for RV are inconsistent and lacking statistical significance for the most part. Both the subnational variation and the positive effect of years of education (as a proxy for skill) in the Latinobarometer surveys corroborate two of the main findings of Ardanaz, Murillo and Pinto (2013).

Table 3.5 Determinants of Support for Free Trade in Argentina – Latinobarometer Surveys 2004 and 2007

ARGENTINA Latinobarometer 2004 and 2007 (combined)						
DV: Do you believe that international free trade treaties have a very positive/positive/negative/very negative impact over job opportunities?						
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Provincial Exports	-0.03 (0.04)	-0.05 (0.04)	-0.06 (0.04)	-0.06 (0.04)	-0.06 (0.04)	-0.07 (0.04)
Labor-Intensive Activities		-2.6 (2.18)	-4.36* (1.89)	-4.01* (1.93)	-4.44* (1.85)	-4.30* (1.88)
Provincial Exports*Labor-Intensive Activities		0.12 (0.11)	0.21* (0.09)	0.19* (0.10)	0.21* (0.09)	0.21* (0.09)
Years of Education (HO)			0.05*** (0.01)	0.05*** (0.01)	0.05*** (0.01)	0.05*** (0.01)
Current Employment (RV)			-0.15* (0.08)		-0.07 (0.09)	
Type of Employment (RV)				-0.11 (0.08)		-0.13 (0.08)
Nationalism					-0.05 (0.05)	-0.05 (0.05)
Female					- 0.27*** (0.08)	- 0.30*** (0.08)
Age					-0.00 (0.00)	-0.00 (0.00)
Year	0.09 (0.12)	0.07 (0.13)	0.01 (0.12)	-0.02 (0.13)	-0.06 (0.13)	-0.09 (0.13)
Cities	70	70	70	70	70	70
Provinces	16	16	16	16	16	16
N	2400	2400	2400	2400	2375	2375
R ²	0.001	0.001	0.01	0.01	0.01	0.01
Estimations performed using Stata 13.0. Standard errors in parentheses. *p < .05; **p < .01; ***p < .001.						

Table 3.6 Determinants of Support for Free Trade in Argentina – LAPOP Survey 2008

ARGENTINA LAPOP 2008						
DV: To what extent do you believe that free trade agreements will help to improve the economy?						
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Provincial Exports	-0.04 (0.04)	0.01 (0.06)	0.01 (0.06)	0.00 (0.06)	0.02 (0.06)	0.01 (0.06)
Labor-Intensive Activities		-0.19 (2.59)	0.01 (2.59)	-0.59 (2.6)	0.94 (2.8)	0.25 (2.8)
Provincial Exports*Labor-Intensive Activities		0.03 (0.13)	0.02 (0.13)	0.05 (0.13)	-0.03 (0.14)	0.01 (0.14)
Years of Education (HO)			0.01 (0.01)	0.01 (0.01)	0.02 (0.01)	0.02 (0.01)
Current Employment (RV)			-0.52 (0.31)		-0.46 (0.31)	
Type of Employment (RV)				-0.19		-0.31 (0.18)
Nationalism					0.23*** (0.05)	0.23*** (0.05)
Female					0.08 (0.11)	0.08 (0.11)
Age					0.01 (0.00)	0.01 (0.00)
Cities	74	74	74	74	74	74
Provinces	21	21	21	21	21	21
N	1131	1131	1129	1129	1101	1101
R ²	0.0003	0.001	0.002	0.002	0.01	0.01
Estimations performed using Stata 13.0. Standard errors in parentheses. *p < .05; **p < .01; ***p < .001.						

While the impact of trade in Argentina could suggest differences along sectoral lines, as RV would expect, Gibson has shown that, at least initially, winners from market

reform emerged from within both business and labor (and not exclusively one or the other). Winners were found among “the more concentrated and internationally competitive sectors of business and those parts of the labor movement that were linked to those sectors and were able to gain economic and political benefits from the decentralization of the labor movement and the flexibilization of industry-labor relations” (Gibson 1997: 356). However, those internationally competitive sectors mentioned by Gibson, tend to be capital rather than labor intensive:

Unlike the old-fashioned agricultural oligarchy, these were modern businessmen who used capital-intensive methods in their production. They leased their land to tenant farmers; provided them with seeds, fertilizers, machinery, and credit; and determined which crops they would grow – usually insisting that they diversify in order to reduce the risks of climate and price changes. The ‘sowing pools’ had arisen in the 1990s, when investors, many of them foreign, had bought up tens of thousands of acres in response to high world prices for grain crops. By doing so, they drove up land prices and rural rents, thus accelerating the gradual decline in the number of independent farmers that had been going on since the 1960s (Lewis 2009: 172)

Instead of having a relatively dispersed sector, Argentina’s ‘pampa fértil’ became increasingly concentrated in a few hands, reducing the positive impact of the world demand for grains and soy. The expansion of soy fields has come at the expense of small landholders and has seen the proliferation of large estates. According to Petras and Veltmeyer, “43 percent of the productive land is owned by fewer than 4,000 landowners, representing less than 1.5 percent (1.3 percent) of agricultural producers. At the other extreme, 83 percent of small landholders and producers own and work 13.3 percent of the land” (2011: 61). In terms of jobs, according to some estimates, soy only employs one

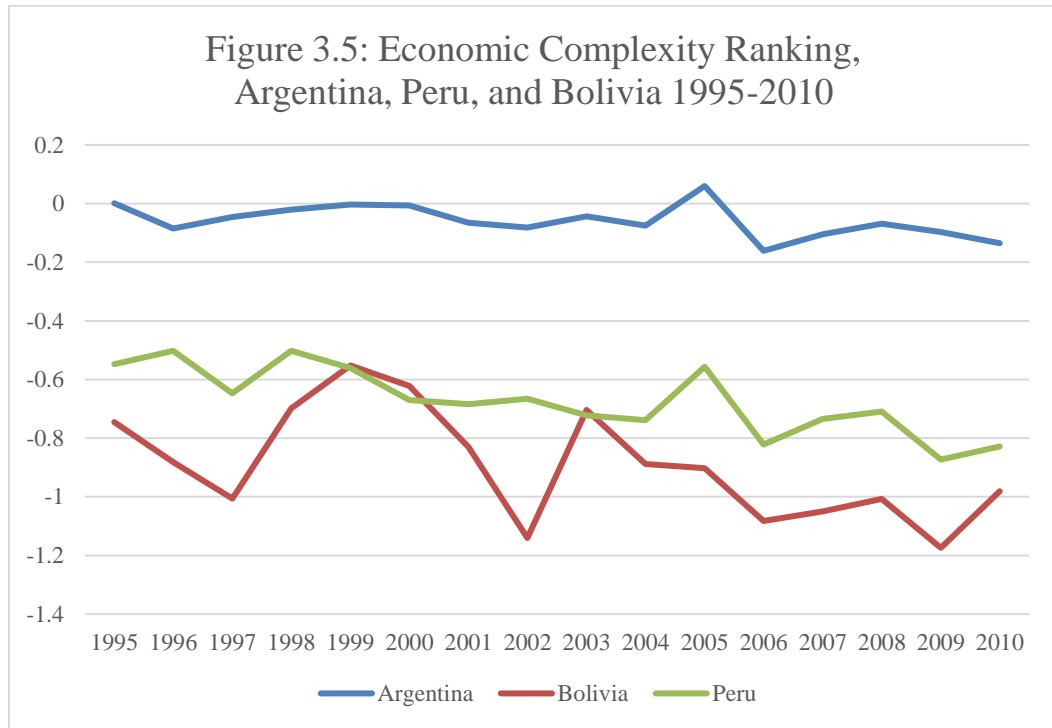
worker for every 500 or 600 hectares (Masés 2009). Soy is known to be a very poor generator of labor.

As Table 3.7 shows, by 2006, soy was the main export in five of Argentina's 24 provinces, while natural resources such as oil, gas, and minerals led in another 8 of them.

Ranking	Province	Export (millions USD), % of total exports	Main Export (% of province's total)	Labor-Intensive?
1	Buenos Aires	17,829,157,332 (38%)	Cars and Auto parts (16%)	No
2	Santa Fe	8,930,927,108 (19%)	Soy (63%)	No
3	Córdoba	4,799,082,388 (10%)	Soy (43%)	No
4	Chubut	2,113,713,259 (5%)	Oil (57%)	No
5	Catamarca	1,447,763,029 (3%)	Copper (92%)	No
6	Mendoza	1,176,337,685 (3%)	Wine (28%)	Yes
7	Santa Cruz	1,123,124,122 (2%)	Oil (41%)	No
8	Neuquén	915,879,570 (2%)	Petroleum Gas (36%)	No
9	Salta	878,869,170 (2%)	Naphtas (24%)	No
10	Entre Ríos	811,292,429 (2%)	Soy (15%)	No
11	San Juan	675,001,087 (1%)	Precious metals and stones (49%)	No
12	Tucumán	652,756,144 (1%)	Fruits (24%)	Yes
13	Tierra del Fuego	505,605,298 (1%)	Petroleum Gas (45%)	No
14	San Luis	438,648,983 (1%)	Paper (18%)	No
15	Misiones	420,964,444 (1%)	Agricultural Products (33%)	Yes
16	Río Negro	416,021,592 (1%)	Pears (36%)	Yes
17	Capital Federal	327,124,598 (1%)	Chemical products (33%)	No
18	Jujuy	285,813,241 (1%)	Tobacco (25%)	No
19	Chaco	192,202,339 (0%)	Soy (33%)	No
20	La Pampa	169,280,047 (0%)	Wheat (30%)	No
21	La Rioja	162,400,474 (0%)	Olives (29%)	Yes
22	Santiago del Estero	159,182,724 (0%)	Soy (43%)	No
23	Corrientes	134,591,791 (0%)	Rice (47%)	Yes
24	Formosa	39,639,883 (0%)	Oil (55%)	No

Source: INDEC (https://opex.indec.gov.ar/index.php?pagina=mapa_dinamico)

Yet, even though soy and natural resources bring most of the revenue to Argentina's coffers, as the graph below shows, Argentina's economy is still much more complex and diversified than Peru's or Bolivia's, and has remained that way for the last 25 years.



Large regions of the country, such as Mendoza, are the center of a booming wine industry, while other parts of the country can count on NTAE's as their main source of revenue (Figure 3.6). Except for these agricultural exports, however, Argentina still relies heavily on products that are non-labor intensive and that have a relatively low degree of complexity or processing. Almost half of the country's exports in 2007 came from soy, grains or oil and gas.

Figure 3.6: Argentina's Labor- Intensive Exporting Provinces



In sum, given its previous level of industrial development, which is considerably higher than the Latin American average, trade liberalization had a negative impact on Argentina's rate of employment, especially in urban areas. China's extraordinary demand for soy and grains represented a boon for an economy that was in critical condition in the late 1990s and early 2000s, and allowed the country to recover swiftly during Kirchner's administration. Although several regions in Argentina that specialized in labor-intensive products such as wine and fruits, benefitted from free trade, the external sector was heavily dominated by industries that brought limited benefits in terms of jobs and economic spillovers. As we will see in the next two chapters, this would bode ill for the sustainability of free trade in Argentina.

BOLIVIA

After the adoption of trade liberalization in the mid-1980s, Bolivia was in serious need of sources of employment. Urban unemployment increased from 7.3 per cent in 1990 to 8.7 per cent in 2002 (Ros 2005: 8). Self-employment increased from 30 percent in the mid-1990s to 38 percent in 2002 (World Bank 2005b: 10). The 1994 Law of Capitalization laid the groundwork for the privatization spree, turning the country's main energy, transport, and communication state-owned companies, which were bloated by decades of patronage, into privately owned businesses (Kaufman, Mastruzzi and Zavaleta 2003: 357). Among those laid off by the privatizations of the petroleum and railroad industries, only 25 per cent were able to find similarly skilled jobs, albeit at reduced pay. An additional 25 per cent immigrated to Argentina, and an approximately 50 per cent went into the informal sector of the economy or remained unemployed (Kohl 2002: 460). Several studies suggest that "the vast majority of manufacturing establishments and labor force are unofficial", making Bolivia one of the "economies with the largest share in the unofficial sector" (Kaufman, Mastruzzi and Zavaleta 2003: 351). The evidence suggests that in Bolivia, trade liberalization produced not only unemployment but also sub-employment, increasing the sources of opposition to trade reform among individuals.

Bolivia never developed a particularly strong urban manufacturing sector due to a very small and poor domestic market, made up to a large extent of indigenous people living in rural areas. Its few industries struggled with the economic crisis of the early 1980s and then with the opening of the economy to imported goods after 1986. Labor, in particular, suffered significant losses. Between 1980 and 1985, the share of manufacturing in total

employment fell from 10.3 per cent to 8.7 per cent. By 1986, 30,000 additional manufacturing jobs were lost, further reducing the share of manufacturing in total employment to 7 per cent (Jenkins 1997: 315).

Bolivian state miners suffered, more than any other group in the country, the costs of trade-related dislocation. The privatization of Bolivia's state-owned mining companies left many miners on the streets. Lacking alternatives, many of them migrated to coca-growing areas such as Chapare in Cochabamba. There, strong cocalero unions (from which Evo Morales emerged to national prominence) resisted US attempts to curtail coca leaf production and were in the frontline against agreements such as the ATPDEA (Madrid 2012: 53)

Despite efforts by the Bolivian government to promote exports, export performance did not improve considerably until external conditions became more favorable. Beyond the standard elimination of quantitative restriction on imports and the implementation of a low, uniform tariff rate, Bolivia introduced a number of mechanisms such as drawbacks and tax breaks to compensate and incentivize exporters between 1986 and 1993 (Jenkins 1996: 697). There was, to be sure, an increase in the export value of non-traditional and manufactured exports, but they only represent a small proportion of Bolivia's total exports, which was heavily dominated by commodities such as tin and natural gas. As a result, what occurred was "what critics of liberalization fear, namely reallocation out of declining industries without the resources thus released being absorbed into new expanding export

activities” (Jenkins 1997: 316).³⁷ In the absence of labor-intensive sectors, workers had to find an alternative in informal or borderline illegal sectors of the economy.

Trade preferences and commodities in Bolivia: an empirical analysis

There are a few data issues with Bolivia that are probably an expression of the role of international trade in the country’s economy. First, LAPOP does not include a ‘free trade’ question in their Bolivia surveys. Most surveys include instead questions regarding the nationalization of the country’s natural resources, a topic which was salient during much of the early 2000s. Despite some specific events that will be discussed below, free trade apparently did not merit enough attention to be included in the surveys. Thus, the analysis is limited to the 2004 and 2007 Latinobarometer surveys. Second, official data on exports from the Instituto Nacional de Estadística (INE) is only available, as far as I could find, at the departmental level. This means that we can only tell how much each of the 9 departments exported to the world and not, as in Peru, from which of the 112 provinces did exports originate.

With those limitations, the estimations for Bolivia directly contradict the expectations set out in the theory section. In models 3-6, living in a labor-intensive exporting province makes an individual 28 per cent more likely to oppose free trade. At

³⁷ This is also very similar to what the SAPRIN (Structural Adjustment Participatory Review International Network) study found in countries like Ecuador, El Salvador and Mexico, where “domestic manufacturing sectors and employment have been hit hard by indiscriminate import liberalization”, and “increases in exports have failed to generate significant domestic economic activity and employment” (SAPRIN 2002: 174-176)

the same time, although with a smaller effect, higher education makes an individual more supportive of free trade. Neither employment measure has a significant effect.

Table 3.8 Determinants of Support for Free Trade in Bolivia – Latinobarometer Surveys 2004 and 2007

BOLIVIA Latinobarometer 2004, 2007						
DV: Do you believe that international free trade treaties have a very positive/positive/negative/very negative impact over job opportunities?						
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Provincial Exports	0.09 (0.10)	0.03 (0.05)	0.04 (0.05)	0.04 (0.05)	0.04 (0.05)	0.04 (0.05)
Labor Intensive Activities		5.64* (2.75)	6.23** (2.5)	6.29* (2.5)	6.28* (2.5)	6.34** (2.47)
Provincial Exports*Labor-Intensive Activities		-0.25 (0.14)	-0.28* (0.12)	-0.28* (0.12)	-0.28* (0.12)	-0.28* (0.12)
Years of Education (HO)			0.05*** (0.01)	0.05*** (0.01)	0.04*** (0.01)	0.04*** (0.01)
Current Employment (RV)			0.03 (0.05)		0.00 (0.06)	
Type of Employment (RV)				0.09 (0.12)		0.10 (0.12)
Nationalism					0.06 (0.04)	0.06 (0.04)
Female					0.01 (0.08)	0.02 (0.07)
Age					-0.00 (0.00)	-0.00 (0.00)
Year	0.72*** (0.11)	0.73*** (0.12)	0.74*** (0.12)	0.73*** (0.12)	0.80*** (0.19)	0.80*** (0.12)
Cities	61	61	61	61	61	61
Provinces	9	9	9	9	9	9
N	2401	2401	2401	2401	2400	2400
R ²	0.02	0.03	0.04	0.04	0.04	0.04
Estimations performed using Stata 13.0. Standard errors in parentheses. *p < .05; **p < .01; ***p < .001.						

How can we explain this outcome? First, by noting which regions are identified as labor-intensive. In both surveys (2004 and 2007), I code 2 out of 9 Bolivian departments as labor-intensive: Beni (Brazilian chestnuts) and Santa Cruz, which adds to 653 respondents out of 2401. Only 98 out of those 653 respondents are from Beni, the rest are from Santa Cruz. Both departments belong (with Pando and Tarija) to the Bolivian ‘Media Luna’, a group of departments in the eastern part of the country that became an area of opposition to the government and policies of Evo Morales and his party. In that sense, a plausible explanation is that respondents associated trade agreements with ALBA, the Bolivarian Alternative for Latin America and the Caribbean, an anti-imperialist project fronted by Hugo Chávez’s Venezuela, which Bolivia happened to join in 2006. Alternatively, it is also possible that people from Santa Cruz rejected a free trade agreement for the entire Americas, as was the goal of the failed FTAA (Free Trade Area of the Americas), since it would have been forced to compete with the US, the largest producer of soya in the world. Indeed, some authors note that exporters in Santa Cruz would be the greatest losers of a trade agreement between Bolivia and the US, because of the unfair competition of subsidized American soya producers (a sector excluded from negotiations in bilateral agreements signed by the US with other countries, such as Colombia) (Montero and Rossell 2008: 127-128).

Table 3.9: Main Exporting Product per Department, Bolivia 2005

Ranking	Department	Exports, millions USD (% of total Exports)	Main Product (% of each departments' exports)	Labor-Intensive?
1	Tarija	983,534,382 (34%)	<i>Natural Gas (88%)</i>	No
2	Santa Cruz	805,849,339 (28%)	Soya (51%)	Yes
3	Cochabamba	291,385,670 (10%)	Hydrocarbons (64%)	No
4	Potosí	264,295,575 (9%)	Zinc (56%)	No
5	La Paz	241,230,006 (8%)	Jewelry (27%)	No
6	Oruro	193,727,673 (7%)	Tin (39%)	No
7	Beni	63,797,851 (2%)	Brazilian Chestnut (89%)	Yes
8	Chuquisaca	16,892,390 (0.6%)	Natural Gas (91%)	No
9	Pando	6,699,140 (0.2%)	Timber (68%)	No

It is worth noting, that soy in Bolivia is considered to be a labor-intensive export, in contrast to Argentina. According to Perez et al., a crucial difference between Bolivia and Argentina is that “the sector is an important source of jobs, with industry sources suggesting that with 43 jobs per 1,000 hectares the sector employs some ten times the number of workers per thousand hectares of soy as Argentina” (2008: 14). Moreover, they also show that smallholders represent 78% of the country’s soybean producers, although they only grow 10 per cent of the crop.

As Table 3.9 above shows, Bolivia’s export basket is highly concentrated in a few commodities, which struggled to create a significant number of jobs. Bolivia is one of the

world's top exporters of tin and has the second largest natural gas reserves in South America (Telleria et al. 2008: 3). In addition, Bolivia is the fourth largest producer of soybeans in South America, behind Brazil, Argentina, and Paraguay, countries that rank among the top ten producers in the world (Pérez et al. 2008). As we saw with regard to Peru and its mineral exports, investments in one of Bolivia's largest exports, natural gas, do not create numerous jobs. One of the largest projects, a \$400 million gas pipeline to Brazil created less than 1,000 permanent jobs (Kohl 2002: 456)

Why are there not more labor-intensive exports in Bolivia? Bolivia has been unable to develop non-traditional agricultural exports partly due to its geography, which shares many similarities to the Peruvian Sierra. Bolivia is a landlocked country located in the Andes, where geography has a negative impact on transportation costs. Difficult terrain and poor infrastructure hamper Bolivia's export competitiveness (World Bank 2009). The World Bank (2005a: 153) has recognized the impact in employment of Nontraditional Agricultural Exports (NTAE), both in terms of opportunity and wage rates, but they also show that the effect is smaller to nonexistent in indigenous communities, which "are often distant, poorly served by infrastructure and schooling facilities, and distant from markets" (2005: 156). Such is the situation of large pieces of territory in Peru outside of the coastal region, as well as in the Bolivian highlands. Both countries have large indigenous communities. According to a study done by the Bolivian government and the World Bank, which sought to identify the competitiveness of indigenous communities, 77 percent of them were either not competitive at all or were only slightly competitive. No community was considered to be very competitive (cited by De Ferranti et al. 2002: 156). These regions

of Bolivia, as well as most of the Peruvian Sierra, probably have many attractive products to offer to the world but they cannot easily develop a labor-intensive export sector due to geographical conditions (e.g., mountainous terrain and a long distance to ports) and poor infrastructure.

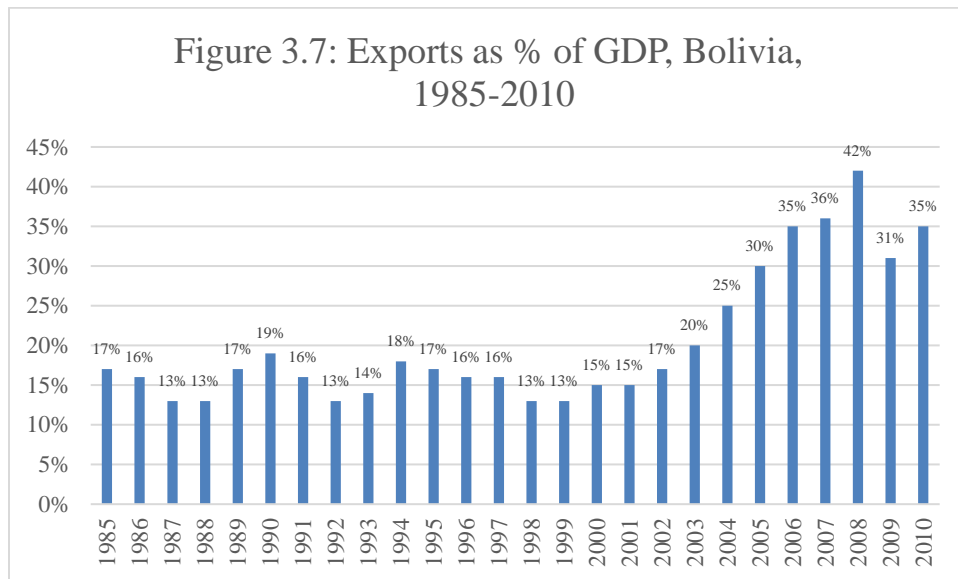
A similar conclusion was reached by Morales (1993: 223), who found that geography negatively affected transportation costs and thus the possibility of expanding Bolivia's foreign trade beyond products with a high value-added per unit of weight, like tin, minerals in general, petroleum and natural gas:

Geography is an important determinant of the pattern of Bolivia's foreign trade. A large share of the population is concentrated in the highlands. The country has no direct access to the sea and only a few waterways free from natural obstacles. Roads and railways are limited because the topography is such that building costs are steep. Thus transportation is very expensive.

There are, to be sure, a few non-traditional agricultural exports in Bolivia. Brazilian chestnuts, grown in the departments of Beni and Pando in the eastern part of the country, represent half of Bolivia's agricultural exports. Certain provinces of La Paz export coffee, and a few provinces in Chuquisaca sell oregano to the world. In recent years, the millenarian quinoa, a 'super food', has captured the attention of world markets. Outside of this handful of products, Bolivia's export basket relies heavily on capital-intensive minerals, and to a lesser extent, land-intensive soy. But the fact is that by 2003, when all Andean countries were part of the ATPDEA, Peru's exports to the USA had grown to 2,416 million dollars (from 1,201 in 1996). In stark contrast, Bolivia's exports to the USA amounted to 185 million in 2003, down from the 268 million they had exported in 1996 (Fairlie 2005: 11). Seventy five per cent of Bolivian exports to the US were concentrated

in five products (jewelry, hydrocarbons, timber, tin, and other minerals) and none of them were labor-intensive. In fact, it is estimated that the ATPDEA generated only 3,028 direct and 1,356 indirect jobs in the whole country (Montero and Rossell 2008: 130)

As a result of this, despite the commodity boom of the early 2000s, employment levels in Bolivia remained unaltered.



Source: Muriel and Mayorga (2012)

Muriel and Mayorga (2012) have analyzed the relationship between exports and employment in Bolivia since the external sector was liberalized. As the graph above shows, there was almost no discernible change in the value of exports as a percentage of GDP between 1985 and 2001, but a dramatic increase since 2001-2002. Looking into more detail at the composition of exports during this period, the authors note that non-traditional exports (all exports excluding mineral resources and hydrocarbons) benefit from trade liberalization, explaining up to 9 per cent of Bolivia’s GDP in 1994, in comparison to 0.8

per cent pre-reform. In other words, up to the early 2000s, non-traditional exports (soy, mainly) accounted for almost 50 per cent of Bolivia's exports.

The big jump in exports since 2002, however, is explained by traditional commodities, which are known for their low job creation and poor linkages to other productive areas of the economy (Muriel and Mayorga 2012: 12). This is proven by calculations of the amount of direct employment generated by exports, which decreases from 61 per cent in 1999 to 52 per cent in 2010, despite a sharp increase in the amount of exports during this period. Overall, in the period 2001-2009, Bolivia's exports as a percentage of GDP grew from 15 to 31 per cent, and yet the export sector employed almost the same percentage of the total population in 2009 (16.5 per cent) as in 2001 (16.4 per cent). The evidence therefore shows that exports in Bolivia have brought a substantial amount of revenue but had a poor impact in terms of job creation (Muriel and Mayorga 2012: 19).

Moreover, after the election of Evo Morales in 2006, relations with the US became strained, and by 2008, Bolivia lost its preferential trade status. The end of the ATPDEA meant the loss of a few thousand jobs in non-traditional exports (Telleria and Ludena 2015). In Bolivia, by the year 2013, 100 companies were responsible for 92 per cent of the countries' total exports. YPFB, a large oil company, alone concentrates 50 per cent of the total.³⁸ The absence of new sources of employment connected to trade liberalization is presumably what has made Bolivians skeptical about the benefits of free trade.

³⁸ <http://www.datasur.com/datamerica/bolivia/exportadores-bolivia.php>

CONCLUSION

Following a decade of relatively tepid export-oriented growth, Argentina, Bolivia, and Peru witnessed a ‘commodity boom’ thanks to a huge demand for raw materials from countries such as China and India. Although most of the revenue from exports can be traced to land-intensive (soy) or capital-intensive (minerals) sectors, the analysis presented above shows that support for trade liberalization among citizens was higher where labor-intensive activities were found. The results for Peru and Argentina confirm that there is variation in terms of trade preferences across individuals located in different geographical regions. Data limitations suggest that the statistical results for both Bolivia and Argentina should be interpreted carefully, though.

In Peru, Ghezzi and Gallardo (2013: 18) recognize that globalization has had an uneven effect on regional development. Probably the main difference with other countries in the region, in particular Argentina and Bolivia, is that Peru developed a labor-intensive agroindustry in several regions of the country. Thus, although all three countries have their fair share of capital-intensive extractive industries, for geographical reasons Argentina pursued a land intensive agroindustry, based on large fields of soy and other grains in the ‘la Pampa’, while in Bolivia labor-intensive agriculture was concentrated in a few places in the country. In contrast, narrow valleys along the desert coast of Peru favored a model put forward by Chile earlier, in which several different crops are cultivated using relatively cheap labor in numerous provinces of the country.

How much choice did these countries have in terms of their trade patterns? On the one hand, the position of Latin American countries in the world economy pushed them

towards an export strategy that emphasizes investments in extractive or agricultural products. Peru and Bolivia have been exporting minerals such as gold, silver, or tin since the 16th century, and Argentina's role as the 'granary of the world' dates back to the 19th century. In that sense, it is clear that the comparative advantage of these countries is as exporters of natural resources. On the other hand, it could be argued that there is still margin for maneuver within this role, and room for choice in terms of the type of commodities embraced. The Peruvian experience suggests that traditional, land or capital-intensive products such as sugar and cotton can be replaced with labor-intensive agricultural goods such as grapes or asparagus.

However, there are still geographic limits to this, which makes commodities location-specific and bound to some specific areas. The "agribusiness revolution" in Peru is heavily concentrated in coastal valleys, and has not expanded, to this day, to other parts of the country, including the Andean highlands, which represent one third of Peru's geography. The Andean highlands also represent about one half of Bolivia's territory, and due to high transportation costs and lack of infrastructure, among other reasons, non-traditional agricultural exports are not a viable business opportunity there. Bolivia's other half, in turn, is similar to Argentina's pampas, and amenable for the type of land-intensive agriculture that has long dominated Argentina's economy. The choice, in both cases, has been to privilege some crops over others, with the consequences we have seen in terms of support for or opposition to free trade.

This variation, unsurprisingly, challenges the optimistic expectations of the 1990s reformers, who anticipated high support for trade under the assumption that the majority

of the population in Latin America (categorized as unskilled labor) would see their relative wages increase following the opening of the economy. The subnational variation found also challenges Baker's (2009) claim that individuals have mostly benefitted of trade liberalization because of their access to cheap imports (i.e., that their role as consumers overshadows the distributional impact of trade liberalization on incomes). To be fair, however, neither Baker nor a strictly preference formation approach can explain differences in trade policies across Latin America. If trade is so popular everywhere, why have import-competing interests been able to succeed in some countries (Argentina and Bolivia) but not others (Peru)? None of the models discussed so far can provide an answer to that question, since they cannot predict how likely it is that preferences will aggregate into organized coalitions vying for influence in the political arena. That is the task of the next chapter.

CHAPTER FOUR

SOCIETAL RESPONSE TO TRADE LIBERALIZATION: TRADE-RELATED PROTESTS IN POST-REFORM LATIN AMERICA

“Social protests are the poor people’s lobby”
– Carlos Meléndez (2017)

At the dawn of the 21st century, anti-neoliberal protests erupted across Latin America, following a period of relative quiescence in the 1990s that took many by surprise, given the expected costs of market reforms to important sectors of the population. In the specific case of trade, I have argued that the margin separating winners from losers was significantly increased during the ‘commodity boom’ (starting in 2003, approximately), when an extraordinary demand for commodities benefitted some groups in each country but also left others notably behind. As a result, protectionist coalitions popped up, demanding safeguards from the state or a piece of the windfall revenues that were not trickling down to them.

Anti-trade protests were not ubiquitous, though, and were found in certain areas of each country. La Paz and Buenos Aires were under siege, but streets in Lima were relatively calm. How can we explain the variation in the prevalence and location of anti-trade protests in these three countries? My central argument regarding preference aggregation, or the ability of anti-trade groups to coalesce into organizations and mobilize in defense of their interests, is that it hinged on the geographic concentration of experienced activists. Protests against free trade in recent years (post-reform) are influenced by prior (pre-reform) experience with collective action. Specifically, I argue that contentious events

are more likely in subnational areas where there is a concentration of experienced activists capable of stimulating collective action by using new vehicles to replace social organizations weakened by neoliberal reforms.

Since each country had its own history of economic and social development, labor activists were stronger in different sectors of the economy. In more industrialized economies, such as Argentina, labor unions and experienced activists were concentrated in urban areas. By contrast, in countries such as Bolivia and Peru, where the primary sector played a larger role in the economy, social organizations were stronger in the mining industry or in the agricultural sector. In both instances (more and less industrialized countries), trade liberalization disrupted these organizations, but while manufacturing workers usually stayed in the cities, primary sector workers often dispersed across the territory. I expect anti-trade protests to be more frequent in the cases in which there is a large number of experienced activists concentrated in urban areas. Although this is more likely to be the case in countries with higher levels of industrialization in the past, such as Argentina, it could also occur in countries where a significant number of activists relocated to cities, as was the case of El Alto in Bolivia. Where experienced activists did not relocate in large numbers to the cities, as was the case in Peru, protests should be less frequent and not centralized in large urban centers.

In this chapter, I first present a qualitative discussion of each country, based on secondary sources and, in the case of Peru, on interviews conducted in Lima, Arequipa, Piura, and Cuzco in 2015, to assess the theoretical expectations regarding preference aggregation. In each case, I begin by describing the geographic pattern of trade-related

protests, and then proceed to explain this pattern based on the location and concentration of experienced activists in each country. I follow that discussion with a statistical analysis of trade-related protests, in which I test my hypothesis using subnational data to identify patterns of contention in Peru, Argentina, and Bolivia between 2000 and 2006.

Throughout this chapter, I employ an original dataset of protest events between 2000 and 2006 that is based on the monthly Chronologies of Social Conflict of the Social Observatory (OSAL) published by the Latin American Council of Social Sciences (CLACSO). I use Protest Event Analysis (PEA) (Koopmans and Rucht 2002, Hutter 2014) to identify and classify trade-related protests that have free trade as a target, or that are a direct result of the distributional impact of free trade in each country. In each case, I identify the date in which the protests occur, its location, the actors or organization behind them, and the tactic they employed. It is important to note that, since the main sources of information of OSAL are national newspapers, there can be a bias towards reporting larger events, or of protests taking place in larger cities.

There are several reasons to limit the analysis to the period between 2000 and 2006. Theoretically, several authors have shown that the adoption of market reforms in the 1990s had a demobilizing effect on societal forces, and that it was only starting in the 2000s that there was a repoliticization of collective action (Kurtz 2004a, Portes and Hoffman 2003, Roberts 2002, Arce and Bellinger 2007, Hochstetler 2012). It is not a coincidence that CLACSO starts publishing its Chronologies of Social Conflict in the year 2000. Prior to that year, there is no systematization of data on social protests in Latin America. In addition, as authors such as Yashar (2005) and Silva (2009) have noted, drawing from a

vast literature on contentious politics, the political opportunity structure represents an important variable behind social mobilization. Unlike Argentina and Bolivia, Peru was a not democracy during the 1990s, which meant that social groups had an unfavorable associational political space. In that sense, it is no surprise that the period between 2000 and 2006 represented the height of social protests in Latin America.

The unit of analysis used here is province-year in Peru and Bolivia, and department-year, in Argentina (the second largest subnational units in each case). There are 195 provinces in Peru, distributed across 24 departments, and 112 provinces in Bolivia, distributed across 9 departments. In Argentina, the largest subnational units are provinces (24 of them, including Capital Federal) which are divided in 507 departments. On average, each unit of analysis has between 64,000 (Argentina) and 140,000 (Peru) inhabitants during this period.

The dependent variable, or the main outcome of interest, is an event count of trade-related protests, operationalized using the following criteria. First, to be counted a protest had to involve a demand for protection by domestic producers or workers. Here, I include protests from cocalero groups in Bolivia and Peru, threatened not by import competition but by drug eradication policies directly tied to trade agreements. I also include protests against regional (FTAA) or bilateral free trade agreements, which would represent a further threat to the livelihood of domestic producers. Second, I include protests that had a broad platform (such as a march against ‘neoliberalism’, for instance), in the cases in which there is some reference to trade. Several protests in Bolivia targeted neoliberalism with a special emphasis on a rejection of Supreme Decree 21060 from 1985, which reduced tariffs and

shrank the role of the state in the economy. Third, I include protests by trade losers asking for compensation by the state. In Argentina, an overwhelming number of contentious events were carried out by groups of unemployed workers demanding monetary transfers and jobs from the government. In Bolivia, these demands were focused on the resource windfall accrued to the state by the export of natural gas.

In order to evaluate whether prior experience with collective action could explain higher levels of protest in each country, acknowledging the different extent to which they each had implemented ISI policies in the past, I had to rely on multiple sources of information. In only one instance was I able to find an indicator of pre-reform organizational affiliation (agrarian organizations in Peru). In the analysis of Argentina and Bolivia, I use subnational indicators of secondary activity as proxies. Unfortunately, there is no economic database at the subnational level that uses the same variables for every country in Latin America, so I employed different sources of information in each case, drawing mostly from national and economic censuses. All three countries had a census approximately at the same time, in the early 1990s, and most of the data used to examine the size of the manufacturing sector before market reforms is from those censuses.

As a reminder, in Argentina, where ISI policies were more extensive, prior experience with collective action should be concentrated in provinces with a large industrial sector. Consequently, I expect higher levels of protests in these provinces. By contrast, in Peru and Bolivia, prior experience with collective action should be found in places where former agrarian or mining actors clustered and where they found favorable conditions to mobilize.

In all three countries, I include additional control variables, such as population size and the percentage of urban population per province, to account for the possibility that protests tend to be more frequent in larger cities, or in highly populated provinces. I expect the effect of population size and urbanization to be positive, since urban areas may provide a more favorable environment in terms of communications and transportation. However, it is the motivation and the organizational experience of industrial workers that should explain higher levels of protests.

With a few exceptions, I use zero-inflated negative binomial regression (ZINB) models to estimate the impact of prior experience with collective action on anti-trade protests. Summary statistics show that the dependent variable in each country has a much larger variance than its respective mean, suggesting overly dispersed data. Non-normal distribution violates assumptions of OLS. In addition, the dependent variable has excessive zeros, given that most subnational units witnessed no anti-trade protests in this period. In that sense, ZINB is a useful model that accounts for the possibility that the excess zeros are being generated by a different process, independent or separate from the process generating the count values, because it estimates in a first stage whether a variable is more likely to belong to a true or certain zero, using a logit regression, and then estimates the frequency (count) of protests with only data from observations not classified in the true or certain zero group, using a negative binomial regression. In other words, the first model focuses on the presence or absence of the outcome, and the second models the extent of the outcome when it is not zero (Atkins and Gallop 2007: 726). I will present results for both models in each country, unless tests suggest that a standard negative binomial or

zero-inflated Poisson regression should be used, but my main attention will be on the results of the count, since I anticipate to find variation across provinces in terms of the number of trade-related protests.

Table 4.1: Summary Statistics

Variable (Provincial Level)	N	Mean	SD	Min	Max
Number of Trade Protests (DV)					
Peru	1365	0.21	0.73	0	11
Argentina	3542	0.05	0.48	0	16
Bolivia	784	0.19	1.05	0	13
Number of Agrarian Organizations					
Peru	1344	0.35	0.25	0	0.9
% Urban					
Peru	1365	0.52	0.25	0.1	1
Argentina	3542	0.64	0.29	0	1
Bolivia	777	0.26	0.29	0	1
% Industry (Pre-reform)					
Peru	1316	0.06	0.04	0.01	0.18
Argentina (logged)	3108	9.34	2.89	0	16.37
Bolivia (1992)	777	0.2	0.15	0.01	0.54
Bolivia (2001)	784	0.09	0.05	0	0.29
Population Size					
Peru	1365	140575	555279	3746	7605742
Argentina	3542	63913	178491	586	2965403
Bolivia	784	73878	188330	1130	1484328
Coca Growing (Dummy)					
Peru	1365	0.15	0.36	0	1
Argentina	N/A	N/A	N/A	N/A	N/A
Bolivia	784	0.07	0.26	0	1

Every ZINB regression is also compared to alternative models using alpha parameters and a Vuong test. Statistically significant results for alpha=0 would confirm that the ZINB model fares better than a zero-inflated Poisson model, while a significant z-test for the Vuong test does the same for the negative binomial regression. Only in two cases, both in Bolivia, is the Vuong statistic not statistically significant, and in these cases the models are run with a standard negative binomial regression. In one additional case, in Peru, the alpha parameter is not significant, but results using a zero-inflated Poisson regression are not different from the original regression. To account for the possibility that observations across provinces or time are not truly independent, I use robust standard errors³⁹ and I also include a year dummy in each model.

PERU

“A los indios les falta vinculación nacional. Sus protestas han sido siempre regionales. Esto ha contribuido, en gran parte, a su abatimiento. Un pueblo de cuatro millones de hombres, consciente de su número, no desespera nunca de su porvenir. Los mismos cuatro millones de hombres, mientras no sean sino una masa inorgánica, *una muchedumbre dispersa*, son incapaces de decidir su rumbo histórico”⁴⁰

- José Carlos Mariátegui (1928)

The relative strength of peasant federations and mining unions in Peru, coupled with low levels of industrialization before market reforms, suggest that sub-national trade-

³⁹ Because it is not possible to combine robust standard errors with Vuong tests, I ran them separately.

⁴⁰ “The Indians lack national attachments. Their protests have always been regional. This has contributed to a large extent to their defeat. A people of four million men, conscious of their size, never despair of their future. The same four million people whilst they are only an organic mass, *a dispersed crowd*, are not capable of deciding the direction of their history” (translation taken from Mar-Molinero 2000: 57).

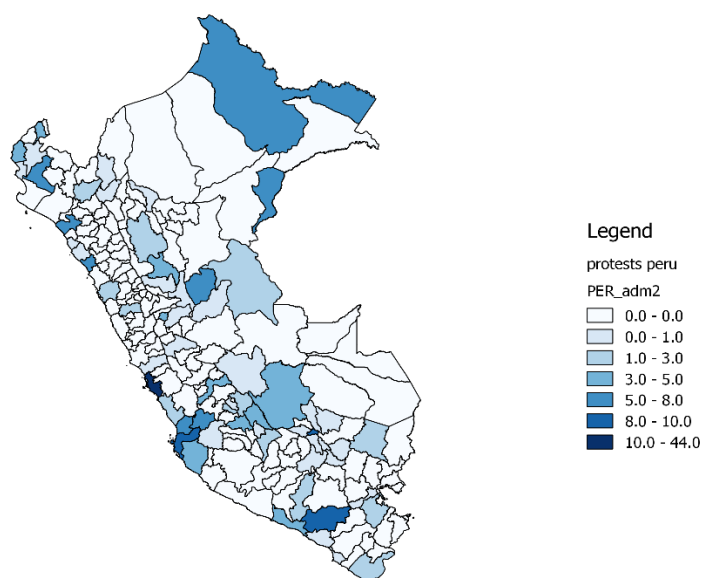
related protests should not be as frequent as in countries where urban manufacturing sectors were stronger. Historically, industrial development was limited in Peru. Labor unions did play an important role in the 20th century, but they had a heterogeneous base and were dependent on the state. Unlike their peers in Argentina, they were not concentrated in a specific region, but were often found in different parts of the country. The same applied to associations found in the primary sector, such as mining workers or peasant organizations. Although they were often a legitimate agent of societal actors and had a voice in political decision-making under corporatist governments during the 20th century, the dispersion of their members hampered most attempts to rebuild nationwide organizations in the neoliberal era.

Prior experience with collective action should be found in areas where former members of social organizations concentrated after trade liberalization. Given Peru's tepid industrialization, former manufacturing union membership should not be as relevant as in more industrialized countries in Latin America. Instead, I expect prior experience to be stronger among workers and producers from the primary sector. Unlike urban industrial workers, who have little mobility, many primary sector workers left their hometowns in search for better opportunities elsewhere after market reforms were implemented in Peru. Many of them were able to find an alternative in a labor-intensive exporting sector (see previous chapter), but they also inserted themselves in the informal sectors of large cities, where collective action costs were higher. In areas where organizations had a stronger presence, and there were favorable geographical conditions, "voice" remained a possibility, and workers and producers tried to resist the blows of neoliberalism.

Location	Number	%
Lima	45	16%
Arequipa	12	4%
Piura	11	4%
Cusco	10	3%
Pisco	10	3%
Chiclayo	9	3%
Leoncio Prado	8	3%
Chincha	7	2%
Trujillo	6	2%
Maynas	6	2%
Padre Abad	6	2%
<i>9 provinces with 5 protests each</i>	<i>45</i>	<i>16%</i>
<i>4 provinces with 4 protests each</i>	<i>16</i>	<i>6%</i>
<i>8 provinces with 3 protests each</i>	<i>24</i>	<i>8%</i>
<i>15 provinces with 2 protests each</i>	<i>30</i>	<i>10%</i>
<i>42 provinces with 1 protest each</i>	<i>42</i>	<i>15%</i>
Total	287	100

Unlike Argentina and Bolivia, protests in Peru between 2000 and 2006 were not heavily centralized in one location, but quite spread across the country. Lima, the capital city, was the site of only 16 per cent of the protests. In comparison, Buenos Aires had 56 per cent of Argentina's protests, and Murillo (which hosts La Paz and El Alto) had 41 per cent of trade related protests in Bolivia. While some secondary cities, such as Arequipa, Piura, Cusco, Pisco, and Chiclayo saw frequent protests, there were also numerous provinces with a single protest. In fact, there was at least one protest in 89 out of 195 provinces in Peru, which lends support to Riva Agüero's century-old depiction of Peru as an "archipelago" of populations separated by geography (cited by Webb 2013: 17). The pattern that emerges from trade-related protests across the territory largely resembles his view.

Figure 4.1: Trade-Related Protests in Peru by province, 2000-2006



Why do we observe such a pattern of protests in Peru? In contrast to Argentina, Peru never reached significant levels of industrialization, and as a result, labor unions did not leave a strong imprint in the tradable sector of important cities. As a result, labor unions did not represent a reliable source of anti-trade protests. Traditional organizations, such as CGTP (Confederación General de Trabajadores del Perú), were still responsible for, or part of, some mobilizations in urban areas, either contesting the free trade agreement with the US or rejecting neoliberal policies as a whole, but these protests occurred with only occasional frequency.

Because of its relatively small manufacturing sector, losers from trade liberalization in Peru were basically found in the primary sector, where workers and producers are less

geographically concentrated. Following trade reform, some areas witnessed a human drain, as groups of workers migrated and spread out over a range of destinations, including labor-intensive sectors of the economy (unlike Bolivia, where they were mostly drawn to cities such as Cochabamba, El Alto, and La Paz). Other places, in turn, offered more resources to producers to put up a sustained fight instead of leaving. As a result, we can identify two main groups that protested against free trade in Peru outside of urban areas. First, those primary sector actors that were “left behind”, who were able to mount a single or few protests or strikes in their local area but failed to aggregate into a regional or national organization. In this instance, small scale contentious events scattered across the country reveal some capacity to act collectively, but not to escalate those similar demands into a larger platform (as was the case in Bolivia, for example). An attempt by CONACAMI, a national organization to group together these interests was short lived and weak, as we will see.

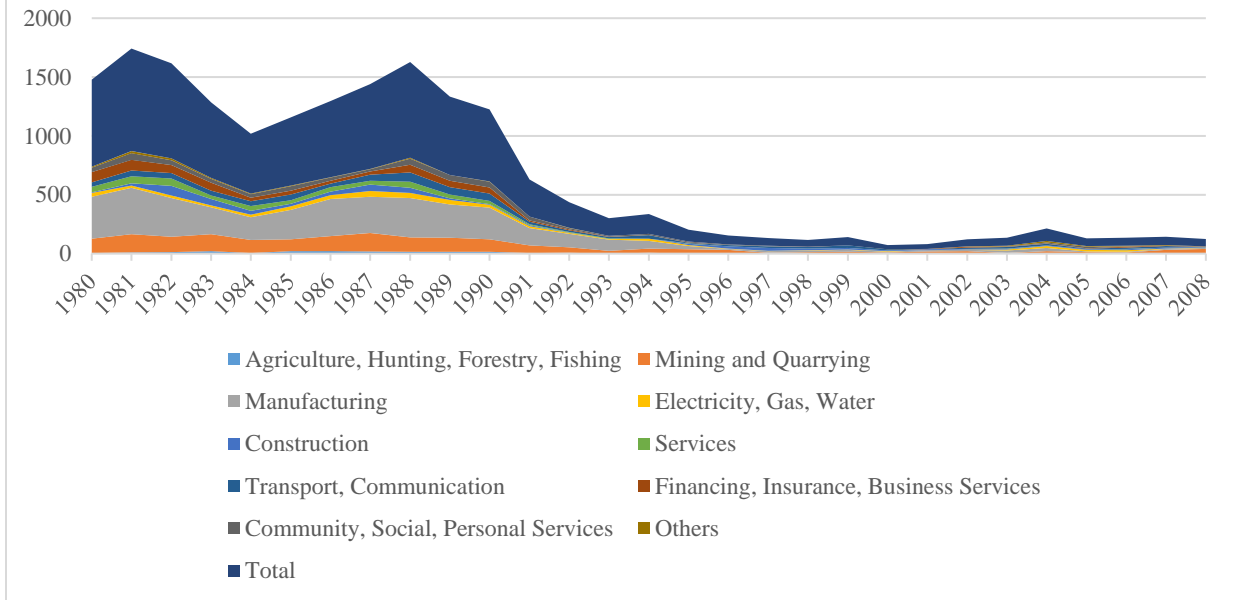
Second, deeper commercial integration with the US represented a threat to two sets of domestic producers better equipped to articulate a strong opposition to trade liberalization. On the one hand, the imminent signing of a Free Trade Agreement (FTA) with the US triggered a response by agrarian producers who saw that treaty as an existential threat. Gathered under the umbrella of CONVEAGRO, most of these producers had been affiliated in the past with traditional peasant and agrarian associations, and had a favorable coastal location that facilitated collective action. On the other hand, cocaleros had been fighting US-backed eradication policies since the 1980s, and Washington had tied the growing commercial integration between both countries to progress by Peru on the war

against drugs. The coccaleros' experience resisting efforts by different governments to curtail their production was enhanced by their concentration in a few lowland valleys in Peru. As a result, they have been also at the forefront of frequent protests against free trade. I will discuss each of these groups in the next sections.

Traditional Labor Unions

Peru's industrial sector has been historically small. With the exception of a brief attempt during the 1960s, import substitution industrialization was not a development strategy that took hold (Parodi 2009). The country has traditionally relied on the export of primary goods as the engine of growth, and the industrial sector was much smaller than the mining and agricultural sectors. Urban labor unions did play a role as social actors, drawing from a heterogeneous base that included state employees and members of the non-tradable sectors. However, several issues contributed to the decline of urban labor unions, chief among them the adoption of market reforms that undermined their base of support. As we can see in the figure below, strikes and lockouts in the manufacturing sector decreased significantly in the midst of neoliberal reforms between 1990 and 1994. Since then these groups have weakened further and this type of collective action has largely disappeared, which explains in part why we observe relatively few protests in industrial, urban areas of Peru.

Figure 4.2 Strikes and Lockouts by economic activity - Peru, 1980-2008



Domestic Agrarian Producers

Most opposition to trade policies came not from industrial areas, then, but from domestic agrarian producers who had the resources to take their protests to large cities, and by others that protested in situ, usually in rural and remote parts of the country. In both instances, these actors had typically gained experience and organizational skills as part of influential peasant associations and miners' unions that were prominent in Peru during the 20th century. At its height, for example, during a very favorable political context in the 1970s, the Confederación Nacional Agraria (CNA) had 679,825 members in 20 departmental federations (out of 24 departments in Peru), and 3,365 local organizations

(Espinal 2016).⁴¹ However, by 1993, according to official statistics, the total number of members of national agrarian or peasant associations (including the CNA) was barely above 13,000. Formerly powerful rural organizations such as the CNA, and the Confederación Campesina del Perú (CCP), were decimated by the political violence and the economic crisis of the 1980s,⁴² and attempts to rebuild them were hampered by the effects of trade liberalization, which left domestic agrarian producers without state protection and triggered a human exodus to other parts of the country. As many individuals left these associations by exiting depressed regions, others regrouped under a different roof to exercise their ‘voice’. So even if, as the statistical analysis will show, there is a strong influence of pre-reform agrarian organizations (of any kind, not only national) on contemporaneous protests, a closer look at contentious events in Peru suggests important differences in organization and scale between groups able to mobilize in large cities and those that remained in rural, even when they were both capable of engaging in eye-catching and newsworthy protests.

One of the strongest and sustained sources of opposition to free trade in Peru came from agrarian producers grouped under CONVEAGRO, an umbrella organization that was built on the remains of Peru’s traditional agrarian associations and was galvanized by the FTA with the US. As a result of the failed attempt to build a Free Trade Area of the Americas, the US government decided to pursue bilateral agreements with individual countries in South America. President Toledo, who was elected in 2001 following the

⁴¹ Peru’s total population in 1981 was of 17.8 million inhabitants

⁴² Interview with Fernando Villarán, former Minister of Labor (2001-2002). Lima, November 23, 2015.

resignation of Fujimori, eagerly jumped at the opportunity, claiming early on, before most negotiations were conducted, that the agreement would be signed “Sí o Sí”.⁴³ Fearing the loss of protection and the entry of (subsidized) agricultural products from the US, thanks to provisions to end a system of safeguards that has guaranteed stability to Peruvian wheat, dairy, rice, and sugar producers,⁴⁴ domestic agrarian producers led a coalition in defense of their interests. The “Coordinadora Nacional de Lucha contra el TLC” (National Convention against the Free Trade Agreement) was formed, headed by CONVEAGRO.

CONVEAGRO was behind many of the protests and mobilizations in Peru’s largest cities, including Lima. It was able to overcome the organizational and locational obstacles that domestic agrarian producers usually face in their attempts to aggregate their preferences thanks to the experience of its leaders and rank and file, and their privileged location in Peru’s coastal valleys. Founded in 1994, CONVEAGRO had at its helm leaders with significant trade union experience, although not typically from the industrial sector. According to different sources, CONVEAGRO’s success cannot be explained without acknowledging the role of Lucho Zuñiga, Efraín Gómez and Miguel Caillaux.⁴⁵ The first two came from APRA, a party strongly linked to the working class for much of the 20th century, which gave them significant experience in politics and social organizations, while

⁴³ Interview with Alejandra Alayza, Coordinadora Nacional de Lucha contra el TLC. Lima, August 31, 2015.

⁴⁴ Interview with Guillermo Rebosio, head of CONVEAGRO’s technical group during the FTA negotiations. Lima, November 19, 2015.

⁴⁵ Interview with Alejandra Alayza. See also Burneo (2009)

Zuñiga had gained experience as leader of the rice producers, while Caillaux, who was an independent business owner, represented the interests of milk and dairy producers.

CONVEAGRO represented domestic-oriented, import-competing producers located mostly in rural areas along the coastal valleys⁴⁶ in relatively urban and densely populated provinces (Diez 2008), where most of the exporting agribusiness has developed. It is one of the few organizations with national coordination mechanisms (Bebbington et al. 2011: 141), thanks to its proximity to urban centers, including Lima, which is also located on the coast of Peru. However, it has not been immune to the effects of trade liberalization, which created obstacles to CONVEAGRO's organizational growth. The expansion of the agricultural frontier, which has occurred thanks in part to expensive irrigation projects funded by the Peruvian state, has encroached upon and invaded land previously owned by peasant communities in Peru's coast. Marshall (2014) describes the case of the San José-Viru peasant community, located in the area of influence of the Chavimochic project in La Libertad, which has lost all of its territory in the last twenty years as a result of efforts by the Peruvian state to encourage large-scale agricultural enterprises. In line with Kurtz's analysis of rural Chile and Mexico, many individual producers and peasant communities were dispossessed of their land and property by agribusiness corporations and forced to relocate to nearby urban centers.

⁴⁶ Through the Junta de Usuarios de Distritos de Riego del Perú, an association that controls access to irrigation water access in Peru. Interview with Ricardo Fort, development expert and researcher at GRADE, Lima, August 21, 2015.

Nevertheless, this set of producers were behind sustained protests against the FTA between Peru and the US. Thanks to their concentration in coastal provinces, which has lower costs of communication and transportation than other parts of the country, most of the approximately 40 agrarian associations and guilds that are grouped under CONVEAGRO were able to mobilize frequently in Peru's largest cities (Arequipa, Piura, Chiclayo, Pisco, Chincha, Trujillo).

The bilateral agreement with the US not only threatened the interests of traditional agrarian producers, but also of coca growers, who were responsible for a large number of protests in this period. The free trade agreement is an outgrowth of programs sponsored by the US that gave Andean countries' exports preferential access to the US market in exchange for reductions in the cultivation of coca. In these countries, coca leaves have been grown for thousands of years, and consumed and used in traditional rituals. However, they are also the main source of cocaine, and coca cultivation has grown beyond the necessities of traditional and legal uses to be sold to illegal drug producers. Attempts to curtail production by the US government run against the interests of Peruvian coca growers, and they have voiced their discontent with regard to any agreement with the US. In fact, most of the mobilizations, strikes, and protests from coca growers came a few months after the US government announced the enactment of the ATPDEA in 2002, a trade agreement that preceded the FTA, and was an upgrade from the original ATPA that had in force since the 1990s. As trade between both countries became increasingly linked to drug eradication goals beginning in October 2002, coca growers in Peru reacted with strikes, roadblocks,

and marches to Lima. Their presence became very visible in the newspapers and in the streets during the first months of 2003.

The contrast between CONVEAGRO and the cocaleros, on the one hand, and other agrarian producers and organizations, on the other, is stark. While all primary sector actors may have had some experienced activists, most were depleted by migration and were hampered in their attempts to rebuild organizational ties due to their poor location. Regional and local agrarian associations were plagued by a lack of trust and the inability to rebuild the communal ties that had once characterized them.⁴⁷ Victoria Quispesivani, president of FARTAC (Frente Agrario Revolucionario Tupac Amaru Cusco), told me in an interview that her main concern and goal was to “strengthen organizational unity”.⁴⁸ Some of the obstacles in that task were that FARTAC groups over 1,300 agrarian leagues only in the department of Cusco, most of them located in rural and inaccessible locations.

Similar difficulties were also prominent in the case of CONACAMI, and have been singled out as one of the main reasons for its downfall. Protests related to extractive activities in rural areas are at the top of the list of contentious events in Peru, but never garnered enough momentum to establish a national platform, as they did in Bolivia with the October Agenda. In fact, these protests remained fragmented and isolated in rural and mountainous areas of Peru, and the only attempt to turn those localized demands into a national organization was not successful. Probably as a result there has never been a

⁴⁷ Interview with Raphael Hoetmer, Director of BD (Belgian NGO), advisor to several social organizations. Lima October 5th, 2015.

⁴⁸ Interviewed in Cusco, September 23rd, 2015.

national debate regarding the redistribution of natural resource revenues, as there has been in Bolivia and Argentina.

Founded in 1999, CONACAMI, was not formed by former union (or mining) workers, but rather by peasant communities affected by mining activities. According to Bebbington (2005: 16), it represented the struggle of rural territories against extractive activities. At its height, it had 2,000 Andean community affiliates in 16 out of the 24 departments in the country (Poole 2010). Like CONVEAGRO, it took advantage of the demise of the CCP and the CNA, using the local chapters left behind by the two former agrarian organizations, rather than building new ones of its own.⁴⁹ CONACAMI briefly stood as the largest social movement in Peru, but by 2012, a decade later, it had fizzled out. Although several factors explain the decline of the movement, the varying dynamics and leaderships of its northern, central, and southern bases had a detrimental effect on the organization.⁵⁰ More important, according to close advisers, individuals and leaders were very bold in their struggle, but failed when it came to the task of building an organization.⁵¹

In sum, social movements in Peru have generally lacked the concentration of activist experience and knowledge that are usually found in labor unions in the manufacturing sector. Some of the relatively successful cases, such as CONVEAGRO and CONACAMI, were able to draw organizational resources from moribund rural

⁴⁹ Interview with Martin Scurreh, researcher, Lima September 21, 2015)

⁵⁰ Interviews with Raphael Hoetmer (Lima, October 6, 2015) and Luis Vittor (Lima, November 2 2015), former advisers to CONACAMI.

⁵¹ Ibid.

associations. Nevertheless, CONVEAGRO and CONACAMI were based in different parts of the country, and their location had a strong influence on the varying levels of success of both organizations in terms of collective action.

With some caveats, CONVEAGRO was able to overcome the limitations usually faced by agrarian organizations located outside of urban centers. In its favor, it had some organizational and locational resources that we would expect from urban-based associations built by former union workers, as in Argentina. By contrast, CONACAMI faced all the obstacles associated with preference aggregation in rural areas that were discussed in Chapter Two. Although CONACAMI and CONVEAGRO were once the most significant social organizations in Peru, only CONVEAGRO was able to mobilize its members in frequent marches, roadblocks and strikes against trade liberalization. Despite its presence in numerous parts of the country, CONACAMI was never able to put together a common agenda against extractivism, or hold a noteworthy mobilization in defense of its interests. While CONVEAGRO was behind most of the protests spanning several provinces of Peru (not including those which were motivated by mining or coca-growing concerns), CONACAMI's bases were mostly located in rural areas of the country.

Statistical Analysis

In this final section, I use Peru's 1994 National Agrarian Census to test whether prior experience with collective action has an influence on post-reform anti-trade protests. The 1994 Agrarian Census has detailed information on pre-reform affiliation in agrarian organizations at the provincial level. I also include an indicator of Pre-Reform Industry

drawing on occupational data from the 1993 National Census (INEI 1993). For every province,⁵² there is information on the economic activity of population of 15 years of age and older, following the 2-digit categories of the International Standard Industrial Classification. I divide the number of individuals under “Industrias Manufactureras” (Manufacturing Industries) by the total population to get a percentage of people 15 years or older employed by the secondary sector. From the same census, I use the percentage of the population that lives in urban areas and population size as control variables. In addition, I include an indicator of coca cultivation to test its effect on current social protests. Information on coca cultivation is taken from the annual reports produced by the UNODC, the United Nations Office on Drugs and Crime. As in previous analyses, I include a year dummy.

Results from Model 1 lend support to the main hypothesis, showing that the likelihood of trade-related protests is more than three times larger for every standard deviation increase in former members of agrarian organizations in a province. In other words, in provinces with a larger number of experienced primary workers, who were likely on the losing end of trade liberalization, trade-related protests are considerably higher. Provinces where coca is cultivated are also more likely to host trade-related protests. The percentage of the population that is urban is also significant, although the effect is not as strong (only about 3 per cent). In terms of the inflation side, only Pre-reform industry and

⁵² There were 188 provinces in Peru until 1993, seven more were created since then.

coca cultivation have statistical significance, but the size of their effect is almost negligible.⁵³

	ZINB			
	Model 1		Model 2	
	Count	Inflation	Count	Inflation
Agrarian Orgs.	1.32** (0.45)	1.88 (1.91)	0.79 (0.88)	0.12 (2.88)
Pre-Reform Industry	3.65 (7.54)	-55.05* (20.3)	-3.57 (10.46)	-9.54 (31.4)
Urban	0.03** (0.01)	0.04 (0.02)	0.01 (0.02)	-0.01 (0.06)
Coca Cultivation	0.90** (0.34)	-15.58*** (0.97)	0.28 (0.48)	-1.79 (2.47)
Year	0.21*** (0.04)	-0.23 (0.13)	0.13 (0.11)	-0.43 (0.44)
Population Size			1.45*** (0.45)	-1.99*** (0.52)
N (Total)	1302		1302	
N (non-zero)	183		183	
N (zero)	1119		1119	
Wald Chi2(3)	107.1		66.8	
Prob > Chi2	0		0	
Alpha	32.54***		2.04	
Vuong Test	1.78*		2.92***	
Estimations performed using Stata 13.0. Robust Standard Errors, clustered by department (n=24), *p < .05; **p < .01; ***p < .001.				

In Model 2, I add population size as an additional variable, which has the effect of undermining most of the results in Model 1. However, an alpha with no statistical

⁵³ Out of all the independent variables (including population size) only Urban and Pre-Reform Industry (0.58), and Population size and Pre-Reform Industry (0.57) have high correlations.

significance suggests the use of a zero-inflated Poisson regression instead. In either case, results remain the same, which suggest that population size might be explaining most anti-trade protests in Peru and obscuring other sources of variation in their frequency and occurrence.

In sum, the obstacles to collective action are lower in the highly urban coastal provinces of Peru, but individuals have less motivation to organize against free trade in these provinces because they have enjoyed most of the benefits of trade liberalization. By contrast, individuals in rural areas of Peru face higher obstacles to preference aggregation but are more motivated to protest, given how little has trickled down in terms of gains from trade liberalization. In Peru, free trade represented a threat mostly to agricultural producers, but not all of them had the organizational or locational resources to mobilize against it.

There has yet to appear a coalition or organization capable of uniting the different groups of disgruntled actors that have emerged in recent years in Peru (Scurrah and Bebbington 2012).⁵⁴ The fact that most of them are concentrated in rural areas suggest that the likelihood of an emergence of a broad-based coalition will remain low unless they can find support in urban areas.

Trade liberalization had a limited impact in urban areas in Peru, due to the country's lack of industrialization, but it had a larger impact in rural areas. Some of the workers affected by trade liberalization were able to move across sectors, thanks in part to the

⁵⁴ Meléndez (2012) describes this failure of aggregation as a “vertical gap” between the local and the regional or national spheres.

flexibility of labor markets. Undoubtedly, Peru's large informal sector (De Soto 1986) was further expanded by the addition of losers from trade liberalization. Job opportunities in booming activities also eased the demographic pressure on big cities. One of the reasons why the organizational resources of former union workers were "lost" or not employed by new organizations is that in Peru, unlike Argentina and Bolivia, a labor-intensive exporting sector was able to absorb transitional unemployment. In contrast, most losing sectors, such as the import-competing agrarian producers, the cocaleros, and the neighboring communities of extractive activities, were located in rural areas of the country. Thus, geography has directly undermined trade-related protests in Peru.

ARGENTINA

Argentina was, up until the reforms introduced by President Carlos Menem in the early 1990s, one of the more industrialized countries in Latin America. Although it is a federal country, it is heavily centralized in Buenos Aires, its capital city, and the numerous "partidos"⁵⁵ that surround it, which together form the Greater Buenos Aires area. Historically, it has been a highly mobilized society, where labor unions played a significant role as a link between the state and its citizens. Not surprisingly, most protests have occurred in urban industrial areas, where former union members are concentrated.

Protests in Argentina since 2000 have been concentrated in large cities and led by a movement of the unemployed generically called 'piqueteros', a label that has certainly helped to present them as a new set of social actors (Mazzeo 2004). Many organizations

⁵⁵ Only in the Province of Buenos Aires, departments are called "partidos".

flourished in the main cities, mostly formed by unemployed workers, which called themselves the “Movimiento de Trabajadores Desocupados (MTD),” a label commonly shared by piquetero movements (D’Atri and Escati 2008: 4). Protests against trade outside of provincial capitals are rare. More than half of the contentious events (94 out of 170, or 56 per cent) identified in Argentina between 2000 and 2006 occurred in Greater Buenos Aires, which consist of the Federal Capital, also known as the city of Buenos Aires, plus the 19 “partidos” of Buenos Aires province that surround the city of Buenos Aires. Greater Buenos Aires has historically concentrated up to 90 percent of the industrial activities in the country.

Location	Number	%
Buenos Aires (Capital Federal)	59	35%
Greater Buenos Aires (19 ‘partidos’)	35	21%
Buenos Aires (Province)	14	8%
San Fernando (Chaco)	9	5%
Capital (Jujuy)	7	4%
Capital (Tucumán)	7	4%
Gral. José de San Martín (Salta)	5	3%
Deseado (Santa Cruz)	5	3%
Rosario (Santa Fe)	3	2%
22 others with less than 3	26	15%
Total	170	100

At least 84 per cent of all protests were carried out by ‘piqueteros’, either as individual organizations or as part of a broader mobilization (Table 4.5). Import-competing producers (cotton, footwear, tobacco, winemakers, and steel producers) held their own protests in defense of their interests, but these occurred at a significantly lower rate. These

import-competing producers were also part of protests against the aborted FTAA (Free Trade of the Americas) and against “neoliberal policies” in general, which were led by traditional labor unions, such as the CGT and the CTA. Overall, it is clear that the leading role behind trade-related protests was played by “new” groups, and that old organizations such as labor unions were hardly making waves on the political scene. Nevertheless, as we will see, the individuals behind the most important contentious events in contemporaneous Argentina had close ties to the waning social organizations that were so prominent during the 20th century. They were aided by this experience as well as by their concentration in Buenos Aires and neighboring provinces.

Motive	Number	%
Unemployed (Piqueteros)	127	84%
“Against ALCA/Free trade Agreements” collectives	9	6%
Domestic Producers	9	6%
Labor Unions	6	4%
Total	151	100

The framework laid out in the theoretical section can help us understand why Argentina witnessed what some have called, using Bourdieu’s words, a social miracle, or the emergence of a movement of the unemployed (Wolff 2007: 6). There are a few conditions that can help result in a social movement formed by unemployed workers, two of which were introduced in the theoretical section: organizational experience and geographic concentration. The presence in Argentina of a large concentration of highly

motivated former union workers (who were losers from trade liberalization) in densely populated areas helps explain the prominence of the piquetero movement behind trade-related protests. Vital experiences (resources) as well as the lack of opportunities elsewhere (no “exit”, to borrow a term from Hirschman (1970), from depressed urban regions), added up to produce an unlikely phenomenon.

Organizational Experience

Although the first movements of unemployed workers known as piqueteros were found in rural towns in the 1990s, they increased their visibility when they emerged in large industrial settings. It was in the cities, Buenos Aires in particular, where the fire would reach inflammable material (Aron 1968: 67). Following Charlesworth’s assessment of protests in Manchester discussed earlier, it was not only (or necessarily) urban factors that explain differences in the extent of protests between large cities and small villages, but mostly levels of industrialization, and especially the organizational experience of the main actors behind the protests.

Argentina was one of the more industrialized (and protected) countries in Latin America until the 1990s, and it had a large number of strong labor unions associated with different manufacturing activities. The opening of the economy in the early 1990s had a strong, negative impact on the industrial sector, and by extension, on its labor unions. Consequently, many industrial workers lost their jobs, and labor unions lost their leverage. In parts of Greater Buenos Aires Area such as Florencio Varela and La Matanza, which were in the heart of the country’s industrial belt, unemployment rates reached as high as

40 per cent (Lobato and Suriano 2003: 144; Almeyra 2004: 129). It is no coincidence that these two ‘partidos’ of Buenos Aires subsequently became the headquarters of important piquetero movements, and the site of numerous protests.

The piquetero movement was formed and led mostly by former union workers who had lost their jobs following the adoption of trade liberalization. As Svampa and Pereyra (2009) argue, the rise of the piquetero movement, which accounts for almost all of Argentina’s contentious events in this period, is inextricably linked to the deindustrialization process that followed trade reform. While the economic crisis of 2000-2001 may have expanded the protests, the truth is that protests by unemployed workers had already occurred in the mid-1990s, revealing the initial effects of trade liberalization in industrial areas. For instance, by 1997, unemployed protestors in Greater Buenos Aires had already produced 23 roadblocks.

As former industrial workers, the ‘piqueteros’ were, in fact, the main casualty of trade liberalization. For many, the piquetero movement revamped, under different circumstances, the historic tradition of the country’s working class (Oviedo 2004: 4). The first organizations made up of piqueteros were born out of the combination of a militant past and the current unemployment status of most its leaders and members (Almeyra 2004). The movement’s ties to organized labor--many of its members were drawn from the CTA (Central de Trabajadores Argentinos)—gave it strength (Lewis 2009: 156). In fact, most ‘piquetero’ leaders are former union employees: Luis D’Elia, leader of the Federacion Tierra y Vivienda (FTV) that counts with over 120,000 members, was a former union worker. Juan Carlos Alderete, one of the leaders of Corriente Clasista y Combativa (CCC)

was a union activist during the 1970s in one of the country's largest textile factories. Roberto Martino, a leader within the Movimiento Teresa Rodríguez, used to be a steel worker and a member of the "Partido Revolucionario de los Trabajadores", a Trotskyist party.

These same leaders acknowledge the role of trade liberalization in explaining the origins of their own organizations. For example, Oscar Kuperman, of the Coordinadora de Unidad Barrial (CUBa), noted that opening the economy to imports in the 1990s led to plant closures and unemployment. D'Elía (FTV) blamed "the indiscriminate opening of the economy" (Germano 2005: 186). Jorge Ceballos, from Barrios de Pie, mentioned the destruction of the national industry as a result of opening the economy to imports. As these quotes suggest, social protests in Argentina came as a result of high unemployment, wage losses, and worsened labor conditions (Campione and Rajland 2006: 298).

There are clear signs of continuity between actors in both eras. Analyzing the main characteristics of social conflicts in Argentina since 1990, Giarraca claims that they were mostly "defensive", or aimed at preserving some of the living conditions they had enjoyed during much of the 20th century. He notes that the protests had started with a strong union leadership and presence but were later replaced by unemployed actors. Moreover, the tactics also shifted over time, from large mobilizations to roadblocks and marches (Giarraca 2003: 195). Almeyra makes a similar claim, arguing that many protests in Argentina (even if not trade-related) were not driven by pariahs or socially marginalized people, but rather by organized workers asking to be reincorporated into the labor market (2004: 118)

Luis D'Elia uses similar language, underscoring that in his current movement, the FTV, everyone was part of an industry. "We are not newly poor", he claimed, "we are unemployed workers with union experience temporarily out of work" (cited in Almeyra 2004: 148). Alderete (CCC) goes even further, complaining about being labeled as piquetero, which he considers to be just a tactic, and not an identity. Moreover, he locates the 'unemployed' movement as one of the three legs of the working class movement, together with the "employed" and the "retired" (cited in Almeyra 2004: 158). In his view, there is more than just continuity between both the labor union movement and the piqueteros, they are essentially two different currents within the same working class movement.

Geographic Concentration

As mentioned earlier, the piquetero movement had its origins in rural towns, but it was in the "de-industrialized suburbs around Buenos Aires" (Wolff 2007: 6), the metropolitan areas surrounding the capital city of Argentina (Capital Federal), where the piquetero movements reached their full potential (Campione and Rajland 2006: 310). According to Luis D'Elia, the movement became strong when it left the rural areas of Salta and materialized in urban settings, in places like La Matanza in the Great Buenos Aires (interviewed in Germano 2005: 186). According to Massetti, the period between 1996 and 1999 represented the "mythical" origins of the movement ("mítica piquetera"), while the period between 2000 and 2003 stood for its organizational foundation, when the protests intensified and relocated in Buenos Aires (2009: 84-85).

Former union workers had low labor mobility and were mostly trapped in the same working class neighborhoods when they lost their jobs. This factor, however, reduced collective action costs. Urban neighborhoods favored face-to-face interaction between individuals, especially in cases where the people organized themselves around communal kitchens or workshops as a palliative measure. Massetti (2009) observes the emergence in the Greater Buenos Area of civic associations and cooperatives as a response to the dire situation of unemployed workers. With the neighborhood as the epicenter of social interactions, people gravitated towards communal kitchens, community gardens, clothing exchanges, which provided a foundation for social networks and associational power. For instance, the Movimiento Barrios de Pie, which had a presence in the city of Buenos Aires, the Great Buenos Aires, and 12 other provinces, organized soup kitchens, community gardens, bakeries, literacy workshops, popular libraries, health campaigns, and cultural events, among other activities (Cortés 2010: 99). In terms of making resources available for collective action, many self-help associations formed by the unemployed in urban neighborhoods mimic the role played by black churches in the civil rights movement in the US, for example (McAdam 1982).

In fact, neighborhoods came to resemble the dynamics of factories, leading some to coin the slogan “The Neighborhood is the New Factory” (Cross 2004). “The factory is the neighborhood to us”, claimed one CTA leader (quoted in Germano 2005: 42). The neighborhood was the place where the unemployed spent most of their time, much as the factory played that role in the past for labor unions. It was in the *barrios* that the unemployed found the local networks necessary to cope with the deprivation brought by

economic reforms (Wolff 2007: 14). It was also the proximity and concentration of neighborhoods that allowed the movements to work through local assemblies [Silva's "brokerage mechanisms" (2009)], where the unemployed individuals were able to rebuild a collective identity (Germano 2005: 71). The significance of urban agglomerations in the aggregation of interests was clear. Territory facilitated the unity of the workers and their political articulation (Mazzeo 2004: 106).

It is also true that not every neighborhood in the Greater Buenos Aires witnessed the emergence of these movements. For some authors, they were more likely to appear in places where the social fabric was stronger, where a process of identity building and awareness had taken place in the past. In most instances, these collective values and sentiments were the result of years of activism by the working-class unions (Almeyra 2004: 135). That, in a way, would explain why protests were not exclusively, or not necessarily, an urban phenomenon, but they were certainly strengthened by the resources available in these urban neighborhoods.

In sum, urban settlements, and in particular large industrial centers such as Buenos Aires, offered a powerful combination of disgruntled actors displaced by trade liberalization and a wealth of organizational resources. Many union leaders brought their experience and knowledge to the piquetero movement. There are significant continuities between Argentine unionism and the piquetero movement. Organizations "drew from the experiences of the (functionally defined) Argentine labour movement" (Wolff 2007: 14), especially its leadership. That was the case of the most vocal organizations within the

movement such as Federación de Tierra y Vivienda (FTV), Corriente Clasista y Combativa (CCC), Movimiento de Trabajadores Desocupados Teresa Rodríguez (MTR), Coordinadora Aníbal Verón, Polo Obrero, and the Movimiento Independiente de Jubilados y Desocupados (MIJD), all of which were led by former union leaders or activists with years of experience in social mobilizations, even going back to the 1970s (Germano 2005: 193)

The same explanation can be extended to places outside of Buenos Aires that have a high number of protests. Resistencia, the capital city of Chaco, had 9 protests in this period, despite not being as industrialized as other parts of the country. However, it had an unusually strong working-class movement in its local vegetable oil industry which started to dwindle with trade reform. Industrial employment in Chaco dropped from 11.9 per cent of the working population in 1980 to 6.4 per cent in 2001. By 2006, there were only 22 ginners left, and no oil factories, and the number of union workers had fallen to 1,500 members. Membership in the Unión Obrera Metalúrgica (the main labor union in the Steel industry) dropped from 7,000 members in the late 1980s and early 1990s to 800 workers in 2006 (Iñigo Carrera and Cotarelo 2010: 430). Other authors have highlighted the strong ties of the piquetero movement in Chaco with pre-existing networks stemming from the Communist Party (Roman 2012). The strong influence of the declining labor movement in Chaco also highlights the role of industrial development behind contemporaneous protests.

Two important issues aggravated the dire situation of workers in urban areas, both related to factor mobility and the ability of losers from trade liberalization to opt for an alternative. First, booming sectors of the economy were not labor-intensive. Argentina's

major exports were capital (auto parts sold to Brazil, one of the few holdouts from trade liberalization) or land intensive (grains and soy, for which Argentina has traditionally earned the nickname of “the granary of the world”). Neither sector was able to absorb workers and function as an escape valve for the mounting unemployment in urban areas. Second, even though there were some exporting activities that were labor intensive, they were geographically distant from the main sources of unemployment (i.e., the wine industry in Mendoza), and more important, the labor market lacked the flexibility that characterized highly informal economies in Peru and Bolivia. Consequently, frictions or rigidities stopped workers from shuffling across sectors.

In rural Argentina, by contrast, workers had little organizational experience. Most of the well-known and relevant associations coming from that part of the country were formed by landowners, such as the *Sociedad Rural Argentina*. In rural areas, land-intensive export agriculture had historically expanded at the expense of dispossessed peasants. In Santiago del Estero, for instance, business interests bought large tracts of land to grow soy and grains, and many local agricultural workers were evicted and expelled. De Dios argues that these processes of “silent exclusion”, or “silent dispossession”, often using violent means and privileged access to the justice system, were never met with a response from local actors because they lacked the resources to defend themselves. No visible conflict emerges when the losing side is not able to put up a fight (De Dios 2010: 28)

Collective action is also impaired by employment type and land tenure regimes in rural areas. In rural Chaco, for example, cotton is the main agricultural product, and it is a labor-intensive product but only at harvest time. During the second half of the year,

employment drops in half, which precludes any long-term form of association. Cotton is also grown in Formosa, another province with a large primary sector. In other provinces, such as La Rioja, the main products come from the wine industry, but it is the land tenure regime which stands as a barrier to collective action. In this province, and probably in many others in Argentina, 30 per cent of the land (approximately 3 million hectares) is occupied by “intruders”, or people lacking full possession of the land they work. Smallholdings without full property rights predominate in large parts of La Rioja, and represent a significant obstacle to collective action. There was just one protest in the entire period that was located in Santiago del Estero, and none in La Rioja, and that single protest was carried out by 100 protesters blocking a road.

Statistical Analysis

Table 4.6 reports the results for Argentina. Alpha parameters and Vuong statistics are significant in both models, which justifies the use of ZINB regression. The main independent variable is an indicator of Pre-Reform Industry that uses an estimate of industrial output taken from the 1994 National Economic Census. The assumption is that higher levels of industrial production should lead to more organization and collective action experience. The only difference between Model 1 and Model 2 is the inclusion of population size as an additional variable.

Table 4.6: Determinants of Protests in Argentina, 2000-2006				
	ZINB (Industrial Output 1994)			
	Model 1		Model 2	
	Count	Inflation	Count	Inflation
Pre-Reform Industry	0.39* (0.18)	0.16 (0.11)	0.16*** (0.02)	0.60** (0.21)
Urban	4.19 (6.31)	-10.16*** (2.71)	-4.02 (3.4)	-10.22** (3.65)
Year	0.16 (0.09)	0.60 (0.41)	0.11 (0.06)	0.55*** (0.15)
Population Size			0.84*** (0.13)	-1.19** (0.44)
N (Total)	3542		3542	
N (non-zero)	87		87	
N (zero)	3455		3023	
Wald Chi2(3)	30.04		1065.13	
Prob > Chi2	0		0	
Alpha	10.95***		3.40*	
Vuong Test	2.58**		2.92**	
Estimations performed using Stata 13.0. Robust S. E, clustered by Province (n=25), *p < .05; **p < .01; ***p < .001.				

Results in Models 1 and 2 suggest that the size of Pre-Reform Industry can explain variation in the frequency (count) of protests in Argentina between 2000 and 2006. The effect is smaller when we include population size in the regression, but still significant. In Model 1, the odds of having trade-related protests increase by 48 per cent for every one unit increase in industrial output, while in Model 2 it increases by 17 per cent for every one unit increase. Population size also has a strong and significant effect on the likelihood of trade-related protests.⁵⁶

⁵⁶ Pre-reform industry has 0.7 correlation with Urban, and 0.75 correlation with Population Size.

The size of the urban population in a province does not appear to affect the frequency of protests, but it has a negative and significant effect in the model that predicts membership in the “true-zero” group. Its negative sign indicates that the log odds of being an excessive zero would decrease for every one-unit increase in urban percentage in a province. In other words, the larger the urban population, the less likely that the province is not the site of an anti-trade protest. The size of the effect is very small, but statistically significant in both Models 1 and 2.

Other sources of information have limitations and provide conflicting results. Argentina’s 1991 National Census does not identify economic activity. Using “obrero” (private sector worker) as a proxy for industrial sector yields inconsistent values, and so does using the sum of “independent worker” and “family worker” as a proxy for the primary sector. Both measures are unreliable because “obreros” can be found in both the manufacturing and primary sectors, and “independent workers” can be part of the tertiary or informal sector. The 2001 National Census does identify economic sector, but it provides information a decade after the adoption of market reforms. In this case, industrial employment, for instance, could be capturing the information of those manufacturing businesses that were able to weather market reforms, and not of the losing sectors, which were presumably run aground by 2001.

In conclusion, Argentina’s level of industrial development before market reforms meant that experienced activists were highly concentrated in urban industrial areas. The quasi-monopoly of ‘piqueteros’ over trade-related protests in Argentina, in particular in Greater Buenos Aires, justified an almost exclusive analysis of their role in contentious

events in this country. Protests in other regions of the country were very rare, due to the lack of a sufficient number of experienced activists. The strength of the unemployed movement, a legacy of industrial development in Argentina, may suggest the idea that the fate of trade reform was sealed from the start, and that the backlash would be too strong to be contained. As we will see in the next chapter, though, there were specific steps taken by the Argentine government that would finally undermine trade liberalization, but that were not necessarily determined by the history and the geography of the country.

BOLIVIA

Bolivia occupies somewhat of a middle ground between Argentina and Peru in terms of its geographic patterns of social activism. Although its level of industrial development is closer to that of Peru, labor unions have been a prominent actor in Bolivia's politics since the Revolution of 1952. Unlike Argentina, their leverage came from their control of state-run mines in remote parts of the country. As part of the market reforms adopted in the 1980s, many of these mines were closed or privatized, leaving a significant number of experienced activists deprived of a steady source of income, and forced to migrate to large cities such as Cochabamba, La Paz, and El Alto, or the rural provinces of Chapare and Carrasco, where they would find a viable alternative in growing coca. As a result, many losers of trade liberalization and market reforms ended up concentrated in a few areas of the country, with resources at hand to signal their discontent to the government. In that sense, Bolivia's trajectory presents an empirical challenge, because of

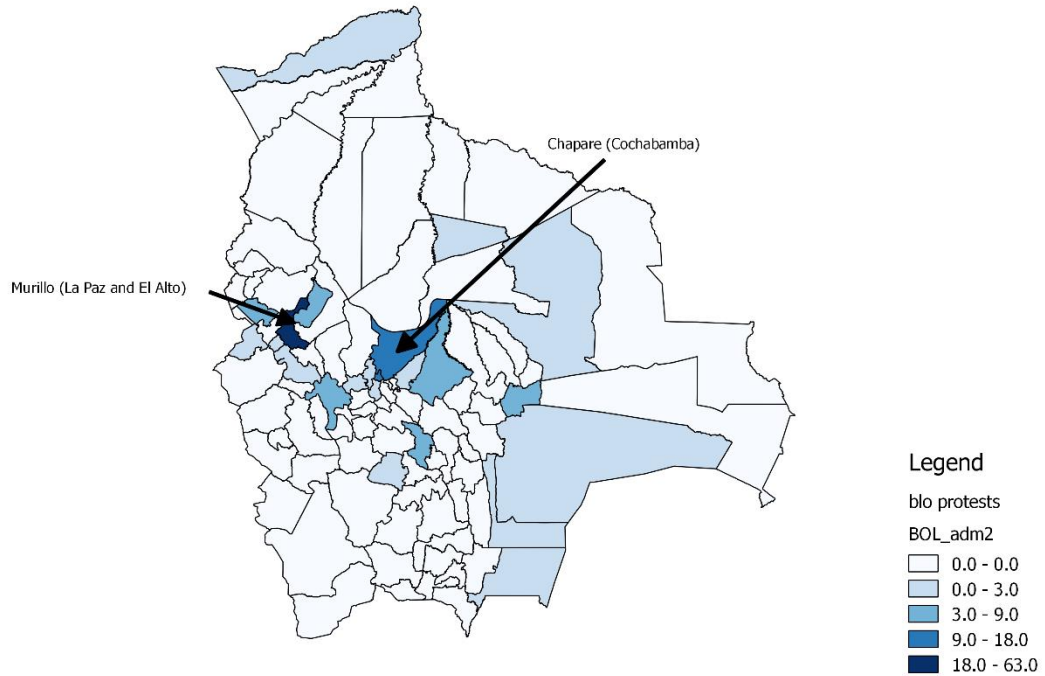
the high mobility of its experienced actors, who rarely stayed in the same location after economic reforms.

When we take a closer look at the actual events, we can build a better image of trade-related protests in contemporary Bolivia. In terms of frequency, the province of Murillo in La Paz department mimics the importance of Greater Buenos Aires in Argentina. The capital city of La Paz, and its neighboring city of El Alto, account for almost half of all protests in Bolivia between 2000 and 2006. Protests in coca-growing provinces area are a close second, representing 27 per cent of the total in Bolivia for the same period, if we add the numbers in Chapare and Carrasco, in Cochabamba, and Nor Yungas, in La Paz.

Location	Number	%
Murillo (La Paz and El Alto)	63	41%
Chapare (Cochabamba)	18	12%
Cercado (Cochabamba)	17	11%
Carrasco (Cochabamba)	9	6%
Cercado (Oruro)	8	5%
Nor Yungas (La Paz)	6	4%
Andrés Ibáñez (Sta. Cruz)	6	4%
Oropeza (Chuquisaca)	5	3%
Tomás Frías (Potosí)	3	2%
5 provinces with 2 protests each	10	7%
8 provinces with 2 protests each	8	5%
Total	153	100

A key difference between Murillo and Buenos Aires, though, is that the former never really had a strong industrial sector. And coca producers are mostly located in rural areas dominated by primary activities, where the conditions for collective action should be unsurmountable. So, why are protests so frequent in these two different areas of Bolivia?

Figure 4.3: Trade-Related Protests in Bolivia by province, 2000-2006



Urban Unrest fueled by migration

Despite its low levels of industrialization, Bolivia did develop a strong union base. The main difference between Argentina and Bolivia is that Bolivia's trade unions had their stronghold in the state-owned mining companies, and not in the manufacturing sector as in Argentina. The difference is important because workers in Bolivia had the organizational

skills that I have identified as one of the causes behind protests, but were not located in cities in the time prior to the adoption of trade reform. Instead, they were found where minerals were being extracted. As a result, pre-reform levels of industrial development in Bolivia are a poor predictor of current protests against trade.

The enactment of Decree 21060 which implemented market reforms in 1985, undermined the power of large mining unions in the country, which were already weakened by the crisis and military repression during the 1970s and 1980s (Petras and Veltmeyer 2011: 170). The privatization of state-owned mining companies⁵⁷ crippled the labor movement, in particular the COB, which had enjoyed a privileged position since the 1952 revolution (Do Alto 2007: 34). Bolivia continued exporting minerals, albeit now through private firms, but it lacked a labor-intensive exporting sector capable of absorbing laid off workers, one of the main casualties of liberalization and privatization. Most unemployed union workers were forced to relocate to other parts of the country in search of job opportunities. They were drawn, in particular, to two areas of the country: large cities where they looked for opportunities as small business owners and/or joined the ranks of the informal sector; and the rural provinces where coca production represented an alternative source of income.

In large cities such as Cochabamba, El Alto, and La Paz, migrant workers from losing sectors found resources and opportunities to mobilize. Market reforms triggered a

⁵⁷ As argued previously, this measure was consistent with one of the three main pillars of trade liberalization in Latin America, the one that delegated export responsibilities to the private sector.

large wave of internal migration in Bolivia that relocated individuals with organizational skills and experience into these cities. According to official statistics, Bolivia's annual rate of population growth between the census of 1992 and 2001 was 2.74 per cent. In the outskirts of the city of Cochabamba, the province of Quillacollo grew by 5.7 per cent. El Alto, next to La Paz, grew at a similar rate (5.1 per cent). These cities absorbed many migrants but offered little in return in terms of formal employment.

As a result, the experience and skills acquired and accumulated in years of employment in the mining sector, the sector with the "higher propensity for strikes" (Kerr and Siegel 1954), were transferred to a different setting. As union workers left the mines to find alternative occupations in the informal sector of growing cities like El Alto or in the coca fields of El Chapare, in Cochabamba, the location of large scale social movements shifted towards new areas of the country (Petras and Veltmeyer 2011: 170), both urban and rural. The tactics and forms of protest also began to shift. While labor strikes were the typical form of protest in Bolivia after 1970, starting in 1995 there was a significant increase in marches and demonstrations, especially in urban areas (Laserna and Villaroel 2008: 21-23). These new tactics drew from radical traditions of "trade union politics engrained over the course of the twentieth century" and "transmitted to new popular organizations and younger generations" (Hylton and Thomson 2007: 21).

In large cities, these experienced workers formed or joined new organizations that led the opposition to free trade such as the *Bloque AntiNeoliberal*, the *Coordinadora por la Defensa del Gas* or the *Bolivian Movement against ALCA*. The *Bloque AntiNeoliberal* basically came to replace the traditional labor unions such as the COB, since both drew its

members from the same pool of trade organizations, mostly from the mining and textile sectors. In fact, authors as Cajías (2006) have tried to show that even if the COB was weak as an institution, the “political and union culture of mining workers” was strongly present in the mobilizations since 2000 because they had successfully relocated to places such as El Alto. The *Coordinadora por la Defensa del Gas* gathered numerous interests and associations, such as the COB, Central Obrera Departamental (COD), Confederación Sindical Única de Trabajadores Campesinos de Bolivia (CSUTCB), FEJUVE, COR- El Alto, MAS, among others.

A good example of the ties between traditional and “new” social actors in Bolivia is the case of Oscar Olivera. Olivera was at the helm of the *Coordinadora por la Defensa del Gas*, the organization that was behind many of the protests against Sánchez de Lozada’s decision to export natural gas. He was an experienced labor leader going back to the 1980s and had served as the executive secretary of the Cochabamba Federation of Factory Workers. Through that role, he became the spokesperson for the Coalition in Defense of Water and Life, the main organization responsible for Cochabamba’s Water War of 2000, which reversed the privatization of the city’s water system.

Overall, leaders and organizers of Bolivia’s largest social mobilizations in this period shared a common origin as labor activists and union workers, and often build on recent experiences to replicate them elsewhere. For instance, the *Bolivian Movement against ALCA* (‘Movimiento Boliviano de Lucha contra el ALCA’) was founded in May 2002, as a response to the attempts by the US to build a free trade area in the Americas. It had as its main strategy to “promote popular mobilizations” against that project (Solón

2004: 39). It was founded in Cochabamba (Mayorga and Córdova 2008: 59) as an offshoot of the 2000 Water Wars (Solón 2004), and its leaders drew parallels between a free trade agreement with the US and privatizations in general.⁵⁸

As we saw earlier, traditionally strong trade unions (e.g., the COB) relinquished their leadership of contentious actions to new organizations with different names but similar leadership composition. The main difference was that these new organizations sprang up in urban areas, not in rural mining towns. The collapse in the late 1980s of COMIBOL, Bolivia's public mining company, and the foreclosure of its mines, left thousands of unionized workers literally in the streets. With their severance benefits, many of them formed small businesses in the service sector in Bolivia's main cities (Laserna et al. 2011: 85). It is no coincidence that the bulk of social mobilizations in Bolivia after 2000 were heavily concentrated in urban areas of El Alto and La Paz (Laserna et al 2011: 101).

In January 2003, when the confrontation between the opposition and Sánchez de Lozada's government was reaching its climax, the city of Cochabamba was where a "Popular State" demanded the president's resignation. Among the social organization and sectors behind this front were the COB (traditional labor union), textile workers, the Landless Movement (MST), coca producers, the CSUTCB (peasants), student

⁵⁸ For example, when the city of El Alto had its own Water War in 2005, fighting against the privatization of *Aguas del Illimani*, a booklet published by the main social organization behind it concluded with the following invocation: "Aguas del Illimani threatens to sue Bolivia for millions of dollars based on an international agreement similar to the Free Trade Agreement with the US. For this reason, we the citizens of El Alto should reject this Agreement. Say No to the FTA with the US!" (cited by Mayorga and Córdova 2008: 75).

organizations, and others, most of which predated market reforms. The two main claims were centered on the opposition to the FTAA and a rejection of the plan to export natural gas via Chile.

An even larger role in social unrest was played by the city of El Alto from then on. El Alto was probably the main destination of miners and farmers who saw their livelihoods disrupted by neoliberal reforms. Despite only being incorporated in 1987, by 2006 it had almost 1 million inhabitants, most of which had built their own houses and neighborhoods. And what they couldn't build themselves, "they demanded from the government in protests for roads, schools, and potable water" (Dangl 2007: 141). This combination of self-help neighborhood communities and activist experience helped El Alto become a stronghold of protests throughout these boisterous years. "We organized a blockade of the airport to get electricity in 1983 and 1984. We organized another *bloqueo* to get water (...) It always took force to achieve anything", recalls an early settler (cited by Crabtree and Chaplin 2013: 57).

In El Alto, the main social actor was the FEJUVE (Federación de Juntas Vecinales – Federation of Neighborhood Councils). The FEJUVE is known for its organic structure, in charge of overseeing everyday neighborhood affairs, such as security and welfare (Mayorga and Córdova 2008: 213). Crabtree and Chaplin estimate that there were approximately 700 neighborhood associations (*juntas vecinales*) in El Alto, which are grouped according to each of the 14 districts into which the city is divided. It is the FEJUVE, and not elected representatives such as the mayor that best represents the

interests of the people of El Alto (Crabtree and Chaplin 2013: 57-58). Notably, a chapter of COB, the COR (Central Obrera Regional – El Alto) also turned out to be a key actor in organizational terms in El Alto, especially during the buildup to the 2003 Gas War. FEJUVE was not formed around trade as an issue, but it did bring under the same roof a large mass of displaced workers who were able to build common ties, despite not sharing the same occupation and with informality looming as a threat to preference aggregation. Although a pre-existing network helped to structure social action in El Alto, it was also fostered by a great number of individuals with collective action skills and experience.

Cocaleros in Rural Areas

Outside of urban areas, many former union workers migrated towards to the coca-growing areas of Bolivia. According to INE (Instituto Nacional de Estadística), between 1992 and 2001, the province of Chapare in Cochabamba, grew by an annual average of 3.81 per cent, with parts of it growing at almost 6 per cent annually, according to Because of the massive influx of experienced workers, these areas stood as an exception to the quiescence of rural areas. And they had an existential reason to protest. Their position with respect to free trade was inseparable from their view of the US and its war on drugs. The movement was strengthened by decree 1008 from 1988, which stemmed from US pressure to limit the total number of hectares of coca bushes to be cultivated in Bolivia. In these coca-growing provinces, workers would find sustenance as cocaleros, and they transferred their organizational skills and union experience into the local governments and assemblies. However, the contrast between the two coca-growing areas of Bolivia can help us understand why the cocalero movement in Bolivia was able to overcome the limitations

posed by its location in rural areas. In a sense, both the Nor-Yungas area of La Paz and the provinces of Chapare and Carrasco in Cochabamba had inherited the “organizational experience” of former union workers but only one of them had the urban-like features that enabled its producers to be more successful in defending their interests.

Cocalero organizations in the area of Chapare in Cochabamba date back to the 1960s, but were reinforced and radicalized by the influx of migrants escaping from the effects of neoliberal reforms and by government efforts (actively sponsored and funded by the US) to eradicate coca fields in the context of the ‘War on Drugs’ (Madrid 2012: 53). As a result, inchoate organizations formed for community and self-help purposes grew into the Six Federations, a large union that groups nearly 40,000 cocaleros in Chapare alone (Dangl 2007: 39). Already by the early 1990s, coca unions in Bolivia had become “the most powerful and militant labor movement in the country”, and built experience through numerous roadblocks, marches, and rallies in response to eradication efforts by the government (Madrid 2012: 53).

It is worth noting, as Do Alto (2007: 35) does, that despite being a millenarian tradition, growing coca had been stigmatized and repressed as an illegal activity during much of the 1980s, since the US started to apply pressure on Bolivian governments. The decision to move to Chapare was not an easy one, but it is evidence of the lack of alternatives for many workers. In other words, people were not attracted to coca fields because of the opportunities it presented, but because there was no other place to go. In the absence of a labor-intensive sector capable of absorbing the unemployed, many were forced to engage in a questionable activity. That was, for instance, the case of Evo Morales.

Despite being in provinces with a large rural population, as we saw earlier, cocaleros in Cochabamba possessed not only the advantage of experienced leaders, but also a strategic location that worked in their favor. In terms of contentious activities, the organizational prowess of cocaleros in Chapare is far superior to that of the coca growers in the Yungas of La Paz, the other region where coca is grown in Bolivia. Although both are eminently rural areas, geographic elements are gentler in the lowland valleys of Cochabamba and harsher in the highlands of the Yungas of La Paz, which may suggest why cocaleros in the former area were able to mobilize at a larger scale. Out of the 42 protests by cocaleros in this period, 29 occurred in Cochabamba and only 13 in La Paz.

In rural areas with no coca production, internal migration undermined grassroots-level organization and the traditional foundations of collective action (Crabtree and Chaplin 2013: 46). In these areas, rural organizations faced larger obstacles. There were only a few cases of protests in rural areas related to extractive activities, where indigenous communities engaged in collective action. A large migration movement not only decimated rural associations in Bolivia, but also reinforced new ones in urban areas.

Statistical Analysis

In the case of Bolivia, a first set of indicators is taken from the 1992 National Population Census, which includes information on the occupational category of the economically active population 7 years and older by province. It does not distinguish between economic sectors, but we can group and link some of the categories to specific activities. For instance, as a proxy for the size of the secondary sector, I use the ‘obrero’ (worker) category, under the assumption that all workers in the industrial sector are

employees (as in employed by a company). It is also more likely that self-employed workers, cooperative workers, and unpaid family workers are all part of the primary sector.⁵⁹ I calculate the percentage of the total economically active population that could belong to the secondary and the primary sector in each province. There is also occupational data following the two-digit industrial classification for each Bolivian province in the 2001 National Census, which can provide additional evidence even though it is not exactly pre-reform. Finally, as in Peru, the extent of coca cultivation areas is measured in hectares, according to UNODC annual reports.

Table 4.8 presents the results using secondary sector data from the 1992 Census. Model 1 reveals that only coca cultivation is a large and significant predictor of the frequency of trade-related protests, and also that having coca fields within a province makes that province significantly less likely to be part of the “true-zero” group, or in other words, that the province belongs to the group where protests are more likely to occur. However, the Vuong statistic is not significant, which suggests that the model should be regressed using a standard negative binomial regression. The results for that regression confirm the strong effect of coca production, but also of urban population. Both results, and the absence of a significant effect of the industrial sector lend support to the main hypothesis that protests should be more common where there are actors with prior organizing experience. Collective action should be more common in urban areas and coca-

⁵⁹ In addition to these categories, I assume that independent professional workers and unspecified workers are more likely to be part of the tertiary sector.

growing areas in Bolivia because experienced actors mostly migrated to large urban agglomerations, such as La Paz, El Alto, and Cochabamba, but also to coca growing areas of the country, such as Chapare and Carrasco, where they would find an alternative source of income.

Table 4.8: Determinants of Protests in Bolivia, 2000-2006					
	Negative Binomial	ZINB (1992 Nat Census)			
		Model 1		Model 2	
		Count	Inflation	Count	Inflation
Pre-Reform Industry	-0.39 (1.95)	-6.36 (7.95)	-10.45 (16.66)	-4.98 (3.66)	-10.87 (8.1)
Urban	5.03*** (0.91)	6.6 (5.1)	1.86 (10.52)	6.51*** (1.85)	10.69* (4.67)
Coca Cultivation	3.04*** (0.3)	1.93*** (0.4)	-3.03* (1.51)	1.88*** (0.32)	-4.52 (3.3)
Year	-0.12 (0.06)	-0.00 (0.29)	0.27 (0.55)	-0.11 (0.06)	
Population Size				-0.05 (0.53)	-6.66* (2.77)
N (Total)	770	770		770	
N (non-zero)		57		57	
N (zero)		713		713	
Wald chi2 (4)	169.50				
LR Chi2(3)		58.45		142.40	
Prob > Chi2	0	0		0	
Alpha		8.89***		10.8***	
Vuong Test		1.07		2.34**	
Estimations performed using Stata 13.0. Robust standard errors in parentheses. *p < .05; **p < .01; ***p < .001.					

Model 2, which adds population size as a variable to the regression, has both a significant alpha parameter and Vuong statistic, and confirms most of the findings in Model 1. The inclusion of population size reduces the effect of coca cultivation on the frequency

of anti-trade protest. In terms of the inflate part of the model, now a larger urban population has the (negligible) effect of increasing the likelihood of predicting membership in true-zero group, which would simply suggest that higher urban populations are less likely to be classified in the group of provinces with protests. However, the significant and strong effect of the urban variable in the count model (which is run after the logit model) still lends support to the main theoretical expectations.

Table 4.8 (cont.): Determinants of Protests in Bolivia, 2000-2006					
	Negative Binomial	ZINB (2001 Nat Census)			
		Model 3		Model 4	
		Count	Inflation	Count	Inflation
Pre-Reform Industry	-3.24 (3.15)	21.23* (9.35)	39.34 (21.47)	-20.85** (5.72)	-48.47 (35.6)
Urban	5.08*** (0.62)	0.35 (2.38)	-9.04** (3.25)	5.99*** (1.15)	12.23* (6.13)
Coca Cultivation	2.97*** (0.27)	2.07** (0.7)	-1.63 (1.4)	1.99*** (0.29)	-43.11*** (1.43)
Year	-0.12 (0.06)	-0.09 (0.15)	0.07 (0.39)		
Population Size				0.69 (0.56)	-6.22* (3.21)
N (Total)	777	777		777	
N (non-zero)		59		59	
N (zero)		718		718	
Wald Chi2(3)	196.02	109.92		199.74	
Prob > Chi2	0	0		0	
Alpha		11.08***		10.96***	
Vuong Test		1.00		2.11*	
Estimations performed using Stata 13.0. Robust S. E. *p < .05; **p < .01; ***p < .001.					

Models 3 and 4 use an alternative measure of pre-reform secondary sector, which has the advantage of classifying industrial workers in a more accurate fashion but has

timing as a drawback, since the information is taken from a census that occurred several years after the trade reforms. As a result, industrial workers may be in winning sectors of the economy, assuming that they have been able to weather the negative impact of trade liberalization. Model 3 has a statistically significant Vuong Test, like Model 1, and the results of the standard negative binomial regression largely confirm the output of Model 1, with similar effects for the coefficients for urban and coca-growing areas. Model 4, which adds population size to the analysis, also replicates the findings of Model 2.

In sum, the absence of a viable alternative left many unemployed workers in a precarious situation. As Kohl and Farthing argue, neoliberal policies “did nothing to incorporate Bolivia’s rural and indigenous population into sharing even the limited fruits of neoliberal market development” (2006: 83). Thus, the challenge from the society to economic reforms came from newly mobilized actors with union experience who had relocated into highly urban or coca-growing areas. As union workers left the mines to find alternative sources of income in the informal sector of growing cities like El Alto or in the coca fields of El Chapare, in Cochabamba, the location of large scale social movements shifted towards new areas of the country (Petras and Veltmeyer 2011: 170), both urban and rural. The protests they carried out went so far as to block free trade agreement with the US and bring down two presidents.

CONCLUSION

As this chapter has demonstrated, trade-related protests in Peru, Argentina, and Bolivia, have followed a different pattern. While in Argentina and Bolivia contentious events have been heavily concentrated in a few provinces, in Peru they are dispersed across the country. As expected, higher levels of industrialization appear to have had an influence on current protests in Argentina. It is in the industrial belt of the country where a large majority of protests took place, led in most instances by former union workers. In Peru, where industrialization was not as pervasive, protests took place mainly in the primary sector. In those provinces where its actors were more concentrated and faced less obstacles, agrarian producers had better chances of mobilizing in defense of their interests. Finally, patterns of migration in Bolivia among experienced workers led them to concentrate in areas of the country where they would find pre-existing organizations (the Six Federations of Cocaleros, or FEJUVE in El Alto) that they could empower with their activism.

The evidence presented in this chapter shows that urban protests are more likely when a country carried industrialization further and when it lacked a labor-intensive sector capable of absorbing transitional unemployment. In contrast, when the main protected group was the agrarian sector, protests are more likely to flourish in rural areas, but the limitations of rural settings tend to play against collective action. In both instances, social protests were more likely to be found in places where there was a concentration of experienced actors. The positive and significant effect of coca cultivation on protest suggests that agrarian producers can organize collectively when concentrated in given

areas, in this case, the valleys where coca is grown in Peru and Bolivia, even if they don't have the structural advantages typically found in urban locations.

CHAPTER FIVE GEOGRAPHY AND TRADE REFORM IN LATIN AMERICA

A decade or more after its implementation, free trade lost its momentum and was challenged in several countries in Latin America. While tariffs have remained low across the board, state intervention in the export sector has increased, the FTAA was nipped in the bud, and bilateral trade agreements have been suspended, stalling some of the progress made by trade liberalization.

In Bolivia, after a few years of social unrest, one of the first measures of President Evo Morales in 2006 was to nationalize the country's hydrocarbons industry, its main commodity export. He also let the preferential trade agreement signed with the US to be suspended indefinitely. Less dramatically, but still in opposition to neoliberal orthodoxy, President Néstor Kirchner of Argentina kept collecting significant export taxes on beef and grains, even though it was an emergency and temporary policy established to navigate the crisis of 2001. He also led an initiative to block a regional free trade agreement between the US and Latin America, as the host of the 2005 Summit of the Americas. In stark contrast, during the same period, President Alan García signed a free trade agreement with the US and politely asked Peru's larger mining companies for a 'voluntary offering' ('obolo minero voluntario'). In the face of growing world demand for export commodities, the governments of Argentina and Bolivia sought to capture a larger piece of external revenues, running afoul of the economic policies that have guided them for the last decade, while in

Peru there were no attempts by any government since 2000 to alter the same principles of export-led growth. What explains these differences in trade policymaking?

In this chapter, I provide evidence to support my claim that trade reform reversal was more likely after the election of a leftist (anti-free trade) candidate and when protectionist forces had a stronger influence in policymaking. Both conditions are explained partly by geographical factors and are derived from the previous parts of the argument. The electoral strength of leftist candidates is related to the geographic impact of trade liberalization, and the likelihood of having an anti-trade president increases when losing regions are heavily populated. In turn, the geographical location of protectionist forces can also have a determinant effect on policymaking. A contentious event in a remote area of the country does not have the same weight or impact as protestors flooding the streets of the capital city. Proximity to the seat of power conveys specific interests and demands in a much more powerful way.

So far I have argued, and then shown, that support for, or opposition to, trade liberalization in Latin America was shaped by the presence or absence of a labor intensive exporting activity in a given region. Winners and losers from trade reform were divided along geographical lines, owing to the pocketbook and sociotropic impact of different export activities. I will show in this chapter that the population distribution of trade preferences across national territories made an arithmetic difference that explains more or less support for protectionist candidates. When the bulk of the population lives in areas that saw little gains, or were negatively affected by trade reform, the probability of electing a leftist leader increases. As Therborn has put it, in democracies, “the decisive thing is not

just how many votes you get. It matters also, and sometimes crucially, where you get your votes” (2008: 524).

Accordingly, I argue that in Argentina and Bolivia, Kirchner and Morales won because they received the electoral support of heavily populated areas that were hurt (or saw no gains) from trade liberalization, while in Peru in 2006, left-leaning Ollanta Humala lost because he had the support of areas that were also hurt by trade but were not as populous as other parts of the country, such as Lima and the coastal provinces, that did benefit to a large extent from trade. In that way, the electoral arithmetic opened the doors for leftist leaders in Argentina and Bolivia, but not in Peru. This helps explain why, despite extensive protests against trade liberalization in all three countries, protectionist groups only succeeded in the first two.

This focus on elections as a driver of policy change is consistent with the institutional setting and the empirical record in Latin America. In a context of weak political institutions, strong presidents, and insulated technocrats running the economy, changes to the status quo required the election of leftist candidates who provided protectionist groups with access to the policymaking process. Given the international and domestic constraints imposed by the neoliberal consensus, access to policymaking by protectionist groups provides an opportunity to expand the set of economic policies available to leaders.

Empirically, the electoral triumphs of Hugo Chávez in Venezuela (1999), Lula da Silva in Brazil (2002), Néstor Kirchner in Argentina (2003), Tabaré Vázquez in Uruguay (2004), Evo Morales in Bolivia (2005), Michelle Bachelet in Chile (2006), and Rafael

Correa in Ecuador (2006) were a clear sign that voters were upset with the status quo. In 2006, in Mexico, López Obrador was narrowly defeated, and in Peru, Ollanta Humala lost to Alan García in a runoff election after finishing first, but short of a majority, in the first round that same year. By 2009, nearly two-thirds of Latin Americans were governed by a left or center-left leader. (Levitsky and Roberts 2011: 1). Noting the supremacy of the Executive branch in the political systems of these countries, Baker and Greene have underscored that *“the Left Turn in Latin America has been a strictly presidential phenomenon”* (2011: 50, in italics in the original).

The economic recovery following the continent-wide crisis of the 1980s had diminished the importance of economic voting during the 1990s (Remmer 2003) but the effects of the “lost half-decade” (1997-2002) revealed that Latin American voters were expressing their “declining enthusiasm for market reforms” (Baker and Greene 2011: 44) and showing their discontent with underperforming market-friendly governments at the ballot box (Murillo et al. 2010). Elections in this period became quasi-referenda on the direction of the economy, and the victory of radical leaders represented a change in the ‘political opportunity structure’, or the way in which the political environment shapes how organizations operate and compete for attention. These elections broke the technocratic consensus and gave access to policymaking to heretofore excluded actors.

In that sense, it could be argued, then, that the difference between Argentina, Bolivia, and Peru, is explained solely in terms of the election of a leftist candidate, by voters that were successful in inducing their governments to follow a mandate “by sending clear signals” (Baker and Greene 2011: 45) to them. In fact, Peru avoided turning left by

electing Alan García and not Ollanta Humala in 2006. While Argentina and Bolivia gave Kirchner and Morales an anti-neoliberal mandate in 2003 and 2005, respectively, in Peru Humala fell short of potentially delivering radical reforms after losing in a runoff election to Alan García in 2006 by a narrow margin, despite receiving the most votes (30 per cent) in the first round. Accordingly, trade reform reversal did not occur in Peru, but went through in Argentina and Bolivia.

One issue with that explanation is determining the transparency of electoral mandates. Evo Morales' astounding victory delivered a clear message, rendering moot a runoff election in Bolivia for the first time since 1966, but Kirchner obtained a meager 22 per cent of the national vote, and was elected president only after Menem withdrew from the runoff. Even though it was expected that Kirchner would defeat Menem, Kirchner's election owed as much to Menem's lack of popularity as to any issues he may have campaigned on. In fact, lacking a clear mandate, Kirchner's administration was rather respectful of the status quo during its first few years, and more drastic changes would only arrive after he sacked Roberto Lavagna, his orthodox Minister of Economics, in 2005.

By contrast, Ollanta Humala obtained almost 48 per cent of the total votes in the runoff he barely lost to Alan García, after winning the first round with more than 30 percentage points. Notably, even though García had run to the center of Humala, who was considered to be a radical leftist sponsored by Venezuela's Hugo Chávez, the former president had been more than ambiguous in his position towards free trade, and in particular the free trade agreement with the US. As the head of the traditional APRA party, that had its origins among workers of sugar plantations in the northern coast of Perú (Klarén 2016)

and had a reformist vein representing center-left interests, García had announced his decision to renegotiate and reassess Peru's trade agreement with the US during the campaign (Durand 2008: 90), which was all but signed by the outgoing administration. However, once elected, he fully embraced the agreement without giving a second thought to his campaign promises. Crucially, five years later, Humala would run again and win this time, but governed in a largely orthodox fashion, renegeing on even the substantially more moderate changes he had promised to carry out if elected. The point is that policy decisions do not always stem from electoral mandates, but require something other than the arithmetic of votes.

Many of the changes in economic policy we saw in Latin America in the 2000s came as the result of the election of leaders who were ideologically aligned with domestic-oriented interest groups, and whose voting results reflected the uneven geographical impact of trade reforms. But at the same time, it was necessary to ensure that the preferred policies of protectionist groups would be "supplied" by the government, and that there would be no "policy switching" as in the past. Given the insulated and technocratic nature of policymaking in these countries, it was essential that societal forces put pressure on the government via social mobilization.

Accordingly, I argue that trade policy reversal depends also on protectionist coalitions that can influence policymaking and see their interests represented in politics. In this chapter, the second half of each country analysis will show that geography "matters for representation," although not through the way that formal rules influence the electoral map (Chase 2015: 327). I will show that effective representation is less likely if a

protectionist coalition is located away from the capital city, the nerve center of public policy making.

Table 5.1: Trade policy outcomes in the neoliberal era by electoral results and influence of protectionist forces in Argentina, Bolivia, and Peru

INTEREST REPRESENTATION		LEFTIST PRESIDENT	
		Yes	No
CLOUT OF PROTECTIONIST FORCES	High	<i>Policy Reversal</i> Bolivia 2005 Argentina 2003	<i>Policy Contestation</i> Bolivia Pre-2005
	Low	<i>Policy Switching</i> Peru 2011	<i>Policy Continuity</i> Peru 2006

Table 5.1 above presents the location of each case with regard to the ideology of the president and the influence of protectionist forces. As I will show below, Argentina and Bolivia’s reversal of trade policies can be explained by the election of left-of-center presidents in 2003 and 2005 respectively, and by the strength and proximity of protectionist groups to the seat of power. In contrast, Peru’s trade policies remained liberal and export-oriented even after left-leaning Ollanta Humala was finally elected in 2011, in large part because of the remoteness of import-competing producers and protectionist actors, who

were unable to put significant pressure on the elected government to follow through with its campaign promises.

CROSS COUNTRY EVIDENCE

Before moving into the individual analysis of each country, in this section I present some evidence that shows the differences between Peru, Argentina, and Bolivia in terms of the geographical impact of trade liberalization and the territorial distribution of social protests.

First, as Table 5.2 below shows, in Peru, a much larger percentage of the population lives in areas that have benefitted from free trade, while the opposite is true in Argentina and Bolivia, where the most populated areas did not see as many gains as other, less populated regions.

Table 5.2 Exports and Population at the Subnational level (2005)

	Total Exports (Millions USD)	Average Exports (Millions USD)	Total Population (Millions)	Average Population
Peru (Provinces)				
Labor Intensive Exports (34)	8,702	256	14.4	425,000
Non-Labor Intensive (161)	8,299	51.5	12.9	80,522
Argentina (Provinces)				
Labor Intensive Exports (6)	2,963	494	5.7	942,915
Non-Labor Intensive (19)	41,642	2,313	30.6	5,657,492
Bolivia (Departments)				
Labor Intensive Exports (2)	870	435	2.4	1,195,996
Non-Labor Intensive (7)	1,998	285	5.9	840,333

In Peru, I identified 34 labor-intensive exporting provinces and 161 non-labor intensive exporting provinces (including provinces that export capital- or land-intensive goods, and provinces with no exports at all), out of a total of 195 provinces. The 34 labor-intensive provinces in Peru are found in 11 different departments (out of 24). As discussed earlier, I was unable to find information on exports at the same subnational level for Argentina and Bolivia, so I use the largest subnational unit in these cases (provinces in Argentina and departments in Bolivia). I identify six provinces in Argentina as exporters of labor intensive goods, out of 24 total provinces, and only 2 out of 9 departments in Bolivia (Santa Cruz and Beni).

It is clear that trade liberalization helped more subnational units in Peru than in Argentina and Bolivia, but the differences are even more pronounced when we look into the population of these provinces. Although Peru's labor intensive exporting provinces represent no more than 20 per cent of the total provinces, they are home to a majority of the population. Even if we remove Lima from the calculation (since it counts for 7 million Peruvians), there are still another 7 million individuals living in regions that have seen a positive impact of trade liberalization, in relatively populated provinces that average more than 200,000 inhabitants. In contrast, in non-labor intensive exporting regions, the average province has only 80,000 inhabitants, and together, the 161 provinces add up to only 13 million people.

The positive impact of trade liberalization was concentrated in less populous provinces in the case of Argentina and Bolivia. Although I count nearly 30 per cent of Argentinean provinces as labor-intensive, these provinces only host 5.7 million inhabitants,

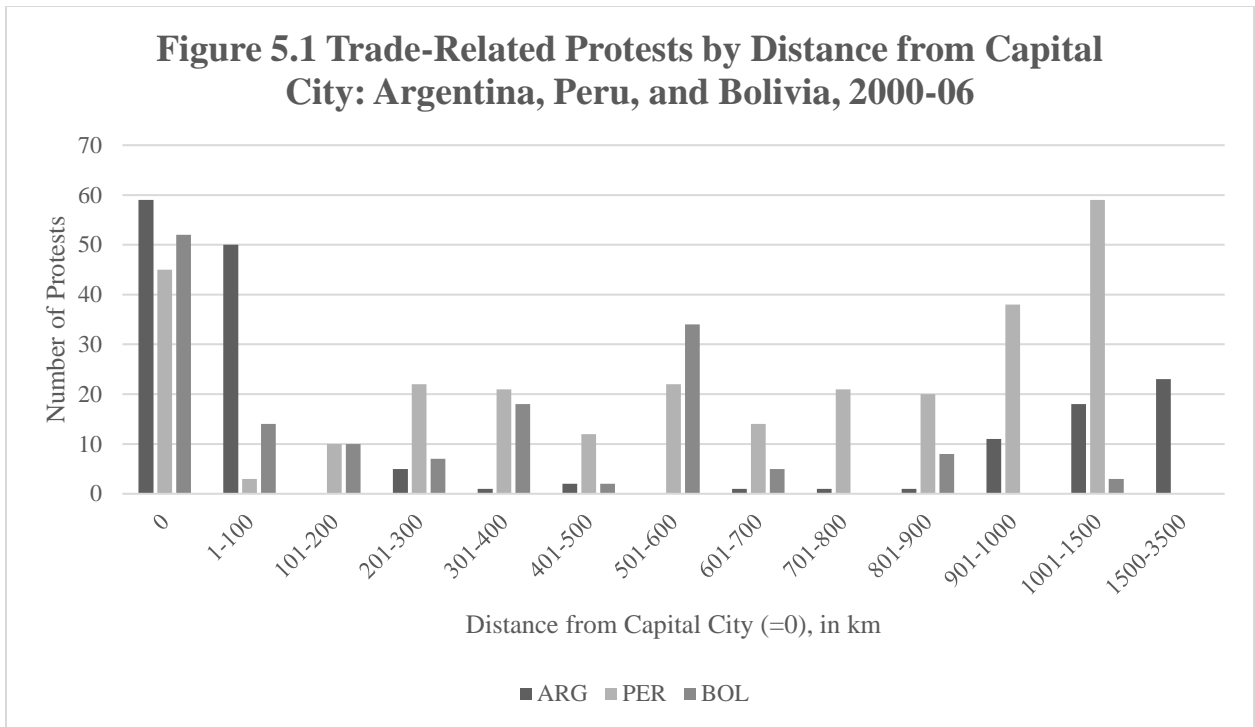
in a country of more than 36 million people (using data from the 2001 Census). In addition, the value of labor-intensive exports pale next to the amount of non-labor intensive exports in Argentina, and are about one quarter of the amount earned by the same sector in Peru.

A similar picture emerges from Bolivia. I identify Santa Cruz and Beni as the only provinces with a labor-intensive exporting sector, and these two regions are home to less than one third of the country's total population. In comparison, almost 6 million people live in provinces that have not benefitted from trade liberalization, mostly because their economies are based on extractive activities that are not labor intensive, such as mining, or because they lack an export sector. Bolivians living in heavily populated areas such as Cochabamba, El Alto or La Paz have not enjoyed the gains from globalization.

This relatively simple comparison between Peru, Argentina, and Bolivia reveals the extent to which the population of these countries has benefitted from free trade. Of course, this is very coarse data, but it nonetheless hints at significant cross-country differences. In short, there is a larger pool of individuals that have not seen the gains from free trade in Argentina and Bolivia, despite skyrocketing revenues from commodities filling state coffers. As I will discuss in the country sections, the election of leftist leaders in Argentina and Bolivia was not strictly a call for protectionism as in the past, but a demand to strike a “greater balance between globalization and the size of the public sector”, rejecting austerity and pressuring governments to expand spending for those ‘left behind’ (Stokes 2009).

Organized pressure is also key, though, as I discussed in the theoretical section. In the second half of each country section, in order to show that proximity matters for interest representation, I build on the same database used in the previous chapter (where I analyzed

the geographic patterns of social mobilizations), to focus now on their distance from the capital city. As in the two previous exercises, the goal is to show both within and across country variation in the level of success of anti-trade protests. As the graphic below shows, all presidents faced protests in the capital city. Even overlooking the sizes of the crowds, which are not always accurately relayed by the news outlets, and the total population in each country, Argentina and Bolivia have more social protests in their capital cities than Peru. Moreover, if we add protests occurring in a radius of 100 kilometers, the gap between Argentina and Bolivia, on one hand, and Peru, on the other, increases in a significant manner. While contentious actions in the department of Cochabamba in Bolivia, including protests by cocaleros in Chapare and Carrasco, are approximately 501-600 kilometers from La Paz, the provinces with the highest frequency of protests in Peru are found somewhere between 1000 and 1500 kilometers away from Lima.



In sum, the cross-country evidence presented here shows that the effects of trade liberalization were unevenly distributed in terms of human geography. While a significant number of Peruvians lives in regions that have been positively impacted by free trade, the number of people living in provinces that benefitted from globalization in Argentina and Bolivia was considerably more limited. As I will show in each case, the electoral strength of leftist candidates in these countries also reflected the regional impact of trade openness, among other factors. Even where leftist candidates were elected, however, policy switching remained a possibility unless organized actors proximate to the capital city put pressure on the elected president to remain true to his mandate.

PERU

¿Cómo vas a presionar al gobierno nacional desde Iquitos? – Martín Scurrah⁶⁰

Peru's trajectory between 2000 and 2011 captures two of the scenarios laid out in the theoretical framework regarding trade policy. Despite meeting most of the conditions identified by the literature on the left turn as conducive for the reversal of market reforms, such as a weakly institutionalized party system (Flores Macías 2012), access to natural resource rents (Weyland 2009, Mazzuca 2013), and favorable terms of trade (Remmer 2011), there was no significant change in the country's economic policies, including free trade. After the narrow defeat of the radical leftist Ollanta Humala in 2006, the country finally elected him in 2011, only to see him betray his electoral promises. The period between 2006 and 2011 is an episode of policy continuity, while the one after Humala's election in 2011 is an episode of policy switching. Both episodes can only be understood in the light of the remoteness of protectionist groups in Peru, unable to influence trade policy even after the election of a leftist, anti-free trade candidate. In what follows, I will first analyze how trade preferences manifested themselves in the 2006 election, and then present evidence regarding the distant location of the most relevant anti-trade groups in Peru.

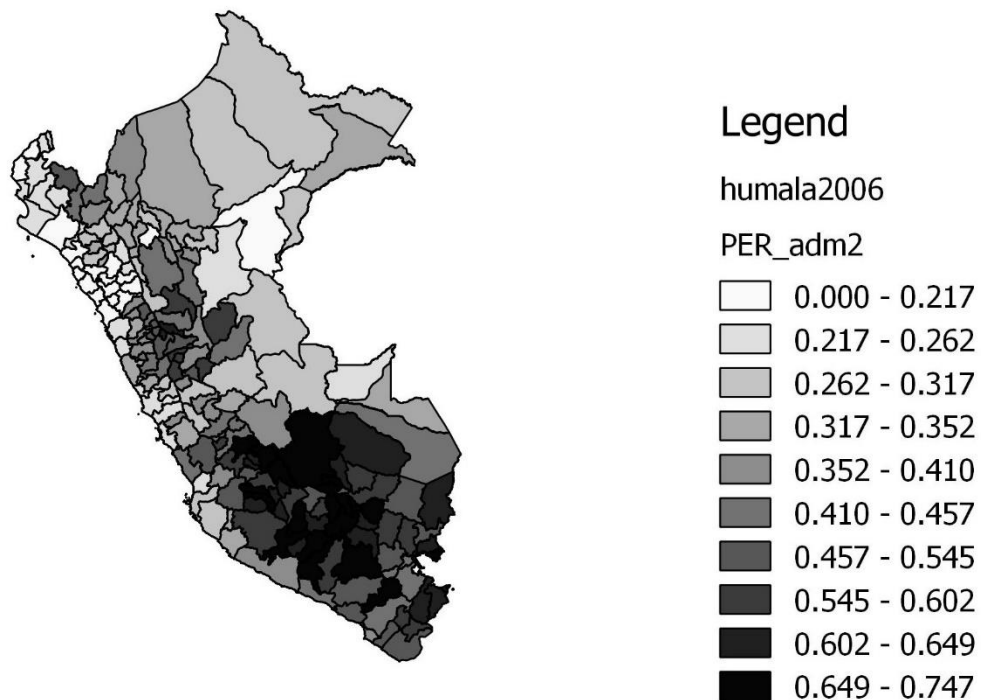
⁶⁰ [How are you going to put pressure on the government from Iquitos?] Interviewed in Lima, September 21, 2015. Iquitos is the main city in the Peruvian Amazonian. According to Wikipedia, it is the largest city in the world (half a million inhabitants) that cannot be reached by road, only by river and air.

Regional trade preferences in the 2006 election

Elections in Peru after the fall of Alberto Fujimori (1900-2000) have been marked by uncertainty. A large number of candidates representing political organizations that can hardly be described as parties have competed amidst deep political and economic transformations. Despite the remarkable economic performance of the country, political leaders have struggled with low approval ratings. When President Toledo left office in 2006, the country was growing at more than 7 per cent, but his approval rating were in the single digits and his party was unable to field a candidate for the following election. Yet, support for the government often varied across social classes and, especially, across the national territory (Grompone and Barrenechea 2010: 113), with regions in the Highlands and the Amazonian strongly rejecting the performance of its national leaders.

Election results since 2001 in Peru reveal that pro-market candidates have fared relatively well along the coast, and anti-system candidates have won most of the provinces in the Highlands. In that sense, the 2006 election was no different. Voters in coastal provinces, where most of the gains of trade liberalization have concentrated, prevented the victory of an anti-market *outsider*, Ollanta Humala, who won by a landslide most of the provinces in the *sierra* (the central part of the country), as the map in Figure 5.2 shows

Figure 5.2 Provincial Vote for Ollanta Humala in Peru's 2006 Presidential Election



In terms of the importance of electoral outcomes, Peru's 2006 presidential election was largely seen as a "referendum" on market reforms, and specifically on the Free Trade Agreement with the US that was in its last rounds of negotiation. In the larger picture, it was also another country that was expected to be swallowed by the pink tide, following the steps of Venezuela, Brazil, Argentina, Bolivia, and others. The winner of the first round of the election was Ollanta Humala, who had campaigned against the neoliberal policies, including a Free Trade Agreement with the United States, and who had close ties to the Bolivarian project that Hugo Chávez led from Venezuela. However, because he was unable

to reach a majority of the electoral vote in the first round, Humala had to face former President Alan García in a runoff election, where Humala lost by a few thousand votes. With the triumph of García, Peru missed the electoral left wave that swept the continent.

All in all, it is fairly clear that Humala's election in 2006 would have represented a seismic change in the political opportunity structure, giving access to policymaking to protectionist interests that were excluded and that opposed the main elements of the market-friendly program that was in place since the early 1990s.

In this section, I draw on the same data analyzed on Chapter 3 (where I discussed the geographical distribution of trade preferences), with the emphasis now on the provincial correlates of vote for Ollanta Humala in the 2006 presidential election. It was evidenced in Chapter 3 that trade liberalization had divided winners and losers along geographical lines, and now the goal is to test whether this had implications in terms of electoral preferences. When trade reform hinges on part on the arithmetic of elections, it is worth looking at the demography of winning and losing regions in each country.

To recall, my expectation, as laid out in Hypothesis 3 above, was that *leftist leaders are more likely to be elected in countries where a larger proportion of the population lives in areas that have not seen gains from trade liberalization.*

There are 195 provinces in 24 departments in Peru. The country is divided in three natural regions: the Coast, which represents 12 per cent of the territory but that is home to 53 percent of the total population; the Andean Highlands (Sierra), that covers 28 per cent of Peru's territory and hosts 38 per cent of the population; and the Amazon jungle, that covers 60 per cent of the territory but is home to less than 10 per cent of the population. I

use data on provincial exports on 2005 and 2006 from Peru's Central Bank, and provincial population from the 2007 National Census, to show that coastal, heavily populated provinces have been helped by free trade.

I follow a similar strategy as in Chapter 3, and identify each of the 195 provinces as having a labor-intensive export sector or not. In most cases it is a rather simple coding exercise. For instance, many of Peru's top provinces in terms of export revenue specialize in minerals. In 2005, the province of Huaraz, in Ancash, had the second highest revenue (2,041 million dollars) from the export of copper, gold, and molybdenum, three capital-intensive mining products. In contrast, the province of Piura, in Piura, had 154 million dollars in revenues from the export of agricultural products such as mangos and coffee, among others. I code a region as labor-intensive if more than 50 per cent of its exports comes from Non-Traditional Agricultural Exports (NTAE). Crucially, most these activities have concentrated in the heavily populated Peruvian Coast, while mining and extractive activities are usually found in the Andes Highlands.

Table 5.3 Correlates of Provincial Vote Share for Ollanta Humala in Peru’s 2006 Presidential Election.

OLS Regression	2006 Provincial Vote Share of Humala	
	Total Exports	-0.005 (0.003)
Labor Intensive Exports		-0.011*** (0.003)
Index of Human Development 2003	-0.43** (0.16)	-0.22 (0.17)
Population Change (1993-2007)	-0.02** (0.008)	-0.02** (0.008)
N	195	195
R ²	0.18	0.21
Estimations performed using Stata 13.0. S. E, *p < .05; **p < .01; ***p < .001.		

Table 5.3 presents the correlates of provincial vote share for Humala in the 2006 election. Humala’s strong showing in regions that were harmed (or did not gain) from free trade is not just a product of poor economic performance or even the fact that these areas tend to be poorer and less developed than other parts of the country. As the results show, controlling for levels of development, unemployment, or even export revenues overall, labor intensive exporting provinces were less likely to vote for Humala. Provinces with a lower score in the Index of Human Development (a composite statistic of life expectancy, education, and per capita income indicators) were also significantly more likely to vote for Humala. In addition, results remain strong and statistically significant when I use the provincial vote share of the runoff election (instead of the first round), or when I use the

IDH of 2007 instead of 2003. In all instances, total provincial exports do not predict vote for Humala, but having a labor-intensive exporting sector does, even controlling for levels of provincial development.

This quick analysis thus reveals that the election of a leftist leader in Peru fell short in part because of the positive impact of trade in labor-intensive exporting regions “Reading the election-result tea leaves is a highly imperfect science” (Baker 2009: 6), but the election of García in 2006 would appear to represent a victory of free trade and the status quo with regard to economic policy.

After García’s term, Humala ran again in 2011 and won the majority of the popular vote, but once again fell short of the 50 per cent mark. In his second consecutive runoff election, he defeated Keiko Fujimori, the daughter of Alberto Fujimori, by a small margin, and became Peru’s newly elected president. Although his campaign was not as radical and protectionist in its economic proposals as in 2006, most of his voters were still found in the areas of the country where trade liberalization had a negative impact.

Nevertheless, once in office, Humala switched his economic policies, as he was “captured” and influenced by powerful sectors who had a stake in the continuity of the economic model (Crabtree and Durand 2017). Humala turned his back on the voters outside of Lima who had supported him since he first ran for president in 2006, and governed largely in the same way as previous presidents, upholding the pro-export status quo in place. Notably, the key decision that revealed this was the appointment of Castilla, a technocrat endorsed by the economic elite, as the Minister of Economics, and the unusual

confirmation of Julio Velarde as head of the Central Bank, for another 5 years, instead of appointing a new official, as is customary (Durand 2016: 53).

The relatively large sector of the population that had brought Humala to power with their votes was organizationally weak and, crucially, distant from the capital city. In the next section I will discuss how García and Humala were able to preserve the status quo without taking revenue from the external sector and without increasing social spending to levels found in other countries in Latin America. In short, there was no one knocking at the doors of Palacio de Gobierno in Lima because the protestors were many hundred miles away.

The fateful remoteness of protectionist forces

As several authors have noted, social protests in Peru, including trade-related ones, are strongly territorial in character (Bebbington 2007; Grompone and Barrenechea 2010; Remy 2010). A key difference with Argentina and Bolivia, besides the location of these groups, was that they lacked a common agenda and banner. Some of the actors we see protesting trade in Peru focused specifically on the impact of the Free Trade Agreement with the US, in their role as domestic agrarian producers (CONVEAGRO). Cocaleros in Peru were also against the FTA, fearful of increasing drug eradication programs and with no line of communication with CONVEAGRO. Others tried to promote, as in Bolivia, an agenda regarding the ownership of natural resources, but from a significantly weaker position (CONACAMI). All three groups mobilized in different parts of the country, and lacked reliable allies in urban areas, including Lima, as we will see. Under these

circumstances, no government in Peru has faced pressure to redistribute resources from the external sector to mobilized constituencies, even if, as in the case of Humala, they had helped bring him into power. In terms of influence, then, there were fragmented and isolated trade related protests in Peru during this period, carried out by groups demanding protection from the state, but the situation was never as dramatic as it was in Bolivia up to 2005. The main reason for that, as we will see, was the remoteness of these groups challenging the status quo. As a result, between 2006 and 2011, there was no significant change in trade policy. In fact, one of Alan García's first measures was to sign the Free Trade Agreement with the US, and push hard for its implementation.

The strategic setting in Peru provides an incentive for social actors to mobilize, but at the same time hampers any efforts to empower protectionist interests in the policymaking arena. Meléndez (2012) has called attention to a “double gap” between the societal and the political arenas in Peru. The first gap, defined as a vertical gap, separates the local and regional from the national scene, and is evidence of the failure of preference and interest aggregation. Local or regional demands are not transmitted towards national decision-makers due to the absence of linkages between both spheres. Probably as a result of this failure of institutionalized politics, actors have an incentive to go through alternative channels, raising their demands outside of traditional vehicles such as political parties and legislatures. However, Meléndez notes that the second gap, the horizontal gap, does not connect these mobilizing efforts to institutionalized settings. In line with my argument, he underscores the inability of multiple, fragmented, ephemeral, and distant organizations (“comités de luchas, frentes de defensa, plataformas regionales, sindicatos y coordinadoras

sociales”), operating at a local level, to aggregate their interests and effectively raise their demands at a national level (2012: 22-23). Part of that failure stems from the location of these organizations with respect to the capital city.

Trade in Peru gained national attention with the negotiation and signing of bilateral agreements, most notably with the US in 2005. Domestic agrarian organizations strongly opposed these agreements or sought compensatory measures to cushion the blow of external competition. In the end, despite protests, roadblocks, and national strikes, few to none of their demands were met. I will show that the failure of these organizations to influence policymaking and see their interests protected by the state can be traced to their geographical location and their lack of support among citizens from Lima, the capital city.

As noted, CONVEAGRO was a crucial actor organizing the interests of agrarian producers, at the top of the “Coordinadora Nacional de Lucha contra el TLC” (National Coordination against the Free Trade Agreement with the US). Founded in 1994, CONVEAGRO grouped over 40 agrarian associations and guilds, including the two long-standing peasant organizations, the Confederación Nacional Agraria (CNA) and the Confederación Campesina del Perú (CCP). Significantly, the main products (sugar, corn, rice and dairy) produced by CONVEAGRO’s members were protected from external competition after 2001 by a price band that adjusted tariffs when import costs dropped below or exceeded specific levels.⁶¹ However, as part of the bilateral trade agreement, the US demanded a tariff elimination schedule for yellow corn, ending the price band

⁶¹ <https://www.mef.gob.pe/es/economia-internacional/politica-arancelaria/franja-de-precios>

mechanism for that product. Although Peruvian negotiators (led by the Minister of Foreign Trade) argued for longer deadlines for compliance for products such as cotton, yellow corn, and wheat (Mincetur 2005: 18), and promised compensatory programs through subsidies and technical assistance, there was little to no actual protection by the end of the negotiation, according to a participant in the process.⁶²

In geographical terms, CONVEAGRO mainly represents the interests of domestic-oriented, import-competing producers located in relatively urban and densely populated provinces along the coastal valleys (Diez 2008, Burneo 2009). Much of CONVEAGRO's relative success stems from its ability to block the Panamericana,⁶³ the Peruvian highway that runs all along its 2,500km-long coastline. Crucially, the Panamericana highway links the southern and northern parts of the country with Lima, the capital city, which is located in the middle of the country on the coast. Because of the disruptive power of roadblocks, President Toledo's administration (2001-2006) decided to criminalize them (January 2003), in an attempt to reduce the clout of organizations protesting the government's economic policies.

Nevertheless, most of these agrarian producers are still far away from Lima. Although CONVEAGRO was able to organize national strikes and marches through Lima, thanks to its national coordination mechanisms (Bebbington et al. 2011: 141), most of its members are found in provinces far from Lima, such as the rice (905km, 667km), potato

⁶² Interview with Guillermo Rebosio, head of CONVEAGRO's technical group during the FTA negotiation. Lima, November 19, 2015.

⁶³ Interview with Ricardo Fort Meyer, development expert and researcher at GRADE, Lima, August 21, 2015.

(727km) or cotton (230km, 278km) producers who have also protested individually. The remoteness of CONVEAGRO members is symbolized by the average distance of trade protests from the capital city (648 km) as compared to Argentina (485km, in a significantly bigger area) and Bolivia (291 km). Other regional organizations that were somehow able to overcome the obstacles of rural environments, such as FARTAC and AIDSESEP, faced a similar situation in terms of remoteness. Urban labor unions were typically located in or close to the capital city, but they were extremely weak and unable to sustain a strike for more than a day or mobilize more than a few hundred workers in a march.

Still, the relative clout of CONVEAGRO gave them a seat in the negotiations of the free trade agreement with the US, which they used to voice their demands for protection. At the same time, they continued to use popular mobilizations to push their agenda, but with little success. CONVEAGRO called a national strike a few days after a large majority in Congress ratified the agreement with the US, but the response was only tepid in Lima. While roadblocks and demonstrations were reported in several other provinces and regions of the country, newspaper reports suggested that there were more policemen than protesters in the capital city. Union leaders justified such meager turnout by calling Lima a “city of consumers”⁶⁴. While most of the agrarian producers are located outside of Lima, their cause does not resonate among people living in the capital city, who have mostly benefited from trade liberalization. For example, a big source of employment in Lima is the garment industry, which had a vested interest in tariff reductions to give it

⁶⁴ “Paro contra el TLC solo fue parcial en Lima y provincias”, *La República*, June 5 2006

cheaper access to American cotton.⁶⁵ Thus, in some cases the interests of CONVEAGRO producers even run against those of workers in the capital city. In that sense, the weak appeal of protectionism in Lima contrasts with the situation in other capital cities in the continent. Lima never developed a strong industrial sector, and the manufacturers that existed were already weakened by the economic crisis of the 1980s, before free trade policies were implemented. In addition, although few export activities are located in Lima, practically all exporting firms have their corporate headquarters in Lima, or use Lima's airport and port (Callao) to ship their products.

Remoteness and lack of access to key roads also represented a significant obstacle to cocaleros in Peru. Coca is grown in remote and rural areas of Peru, and cocaleros face obstacles organizing under such circumstances. In comparison to coca growers in lowland valleys in Bolivia, who have the ability to disrupt a key road connecting major cities, the cocaleros in the Huallaga region and the VRAEM (Valleys of the Rivers Apurimac, Ene and Mantaro) of Peru are located in two scarcely populated provinces that do not connect major cities. With the exception of two visible marches in Lima during this period, all of the protests of the cocaleros took place in the same remote provinces in which they live, hundreds of kilometers away from the closest urban center. Even Tingo María, the closest city to the Huallaga region, has only a little more than 50,000 inhabitants. Ayacucho, the largest city next to VRAEM, has slightly above 200,000 inhabitants, and it is not easily accessible from the areas in which coca is grown. This is a stark contrast to the location of

⁶⁵ Interview with Guillermo Rebosio.

cocaleros in Bolivia, and impedes the Peruvian cocaleros from being part of a larger movement capable of aggregating anti-trade preferences.

Groups associated with the agenda of CONACAMI have won a few battles, and they have put the debate regarding extractivism on the public agenda. Popular mobilizations have blocked mining projects in places like Cajamarca (Conga), and they have pushed for some reforms, such as Ley de Consulta Previa (Prior Consultation Act, which grants some voice to indigenous communities regarding extractive activities).⁶⁶ Yet, as Miguel Palacín, former leader of CONACAMI recognizes, their demands for redistribution and their calls to nationalize natural resources (“tenemos que ser dueños de nuestros recursos”) have not resonated as they have in Bolivia. Palacín, notably, blames people in coastal cities for not buying into their maximalist agenda, and for focusing on the redistribution of wealth rather than the ownership of natural resources.⁶⁷

The demands for protectionism in Peru have fallen on deaf ears, or rather, have not been as loud as in other parts of Latin America. The state’s commitment to promote and boost its external sector has not wavered, while social spending remains remarkably low. Unlike in Argentina and Bolivia, social spending in Peru remains low, despite the creation of large social protection and cash transfer programs in recent years (Jaramillo 2014). In fact, according to CEPAL (2011), Peru’s total social spending (8.2 per cent of the GDP, in 2006-2007) stands well below the Latin American average for this period (17.2 per cent).

⁶⁶ Interview with Raphael Hoetmer.

⁶⁷ Interviewed by Emma Gascó and Martín Cúneo, *Los Movimientos Contraatacan* (2011). Available at: <https://losmovimientoscontraatacan.wordpress.com/2011/06/26/%E2%80%9Ccinco-anos-atras-no-habia-movimiento-indigena-en-peru-ahora-somos-actores%E2%80%9D/>

Democratic governments after 2001 reversed the clientelistic spending that Fujimori adopted using revenue from privatizations, and did not replace it with anything similar, even in the more underserved areas of the country (Remy 2010: 295).

Peru represents the failure of contentious politics. Trade policy reversals require access to policymaking and sustained collective action. In Latin America, where presidents are stronger than legislatures, explanations for the reversal of market friendly policies have usually stopped at the election of a left-wing candidate. The case of Peru, where a leftist candidate who had campaigned on an anti-trade platform but failed to deliver his campaign promises once elected, suggest that policy shifts take more than a leftist politician in power.

Major socioeconomic protests in Peru have had a very narrow target, and have never aggregated into a broader platform or agenda (Vergara 2015: 60). As the cocalero movement vividly shows, there was never a true social movement in Peru during those years, nothing compared to the cocaleros in Bolivia (Durand 2014) or the piqueteros in Argentina. Social mobilizations in Peru have multiplied since the 1990s without growing into a social movement, due to their fragmentation and the lack of articulation of the popular sectors (Pajuelo 2004: 53). There was a proliferation of regional fronts, representing the interests of specific provinces and departments, which led to a short-lived attempt to unite them in a National Organization (Coordinadora Nacional de Frentes Regionales), but it never became a reality (Pajuelo 2004: 57). At the same time, the collapse of the party system and the absence of trust in and the legitimacy of political institutions reduces political action to “contentious representation” (Panfichi 2011), in which particular demands and claims are expressed in small scale protests, marches, or roadblocks.

Remy summarizes, perhaps laconically, the lack of influence of mobilized actors in Peru:

Some groups manage to build networks or connect themselves to pre-existing networks, that allows them to scale up from the local to the regional and the national level (...) Others are restricted to small spaces, mostly rural, where only high levels of violence manage to capture the attention of the national media, although in most cases they will only add an anonymous number to the count [of protests], relevant only for its accumulation of cases (Remy 2010: 277).⁶⁸

Her article is aptly titled “Under siege from the margins” (“El asedio desde los márgenes”). A relatively high number of remote and ineffective protests, from distant provinces in Peru, are only relevant insofar as they depict a mobilized society in the margins and far away from Lima that fails to aggregate to a national scale or exercise pressure on presidents that are supposed to represent them.

ARGENTINA

“[Con esta marcha] espero que se derritan los tapones que tiene el Presidente en los oídos”
“[With this march] we hope to melt the President’s earplugs”

– Hugo Yasky, general secretary of the CGT (Argentine Workers’ Centre).
Buenos Aires, April 29 2016

Argentina’s trade policies became increasingly biased against exporting sectors after Néstor Kirchner was elected president in 2003, and this bias would eventually result in a direct confrontation between the government of Cristina Fernández de Kirchner and

⁶⁸ The translation is mine.

the large agrarian producers ('El Campo') in the late 2000s. Both administrations saw in export revenues a means to redistribute income to urban sectors, who were highly mobilized during this period of time and exerted strong pressure on the government thanks to their geographical proximity to Buenos Aires, the capital city. The evidence presented here will show that although the election of Néstor Kirchner opened the door for protectionism in Argentina's trade policies, Kirchner was hardly a radical leftist candidate with a strong electoral mandate to reverse free trade in the country. Instead, growing organized pressure was successful in pushing for redistribution and increasingly chipped away at the exporters' earnings, undermining the policies of free trade that had been in force in Argentina since the 1990s and antagonizing the country's externally oriented sectors.

The weak mandate of the 2003 election

Argentina's 2003 presidential election marked a shift in the political opportunity structure, opening the door for reform reversal, even if the results did not transmit a clear signal. This election resembles Tucker's (2006) description of elections in post-communist countries because of the number of political parties running, the lack of familiarity of voters with these candidates, and the context in which the election occurred—Argentina was coming out of one of the deepest economic crises in its history. As a result of the political and institutional crisis that had produced the resignation of President De la Rúa in December 2001, an unprecedented electoral reform was enacted that allowed political parties to run more than one candidate in the general election. The two main parties in

Argentina, Justicialismo (Peronismo) and the Unión Cívica Radical (UCR) fielded more than one presidential candidate. Three different Peronist candidates ran in the election, including former President Carlos Ménem, who had adopted market reforms during his 1989-1999 tenure, and Néstor Kirchner, a relatively unknown former Governor of Santa Cruz, a province located in the Patagonia region of the country. Not only had the number of parties running for office in Argentina increased from its traditional number, but the main parties were running candidates who were not entirely familiar with the voters, and had a relatively unknown track record. As a result, there were barely more than ten percentage points between the most voted candidate (Menem, 24.5%) and the fifth-place candidate (Elisa Carrió, 14%).

In the wake of a deep economic, political, and institutional crisis, in a “climate of political fragmentation and uncertainty” (Levitsky and Murillo 2008: 16), we should not expect an alignment between electoral mandates and policies. Moreover, the eventual winner, Néstor Kirchner, obtained only 22 per cent of the popular vote in the first round, but since the most voted candidate, former President Menem, anticipated a humiliating defeat in a runoff election, he pulled out of the race, leaving Kirchner as Argentina’s president. For some, Menem deprived Kirchner of an electoral mandate (Sánchez 2005: 471). Electoral results, in that sense, offered a partial and restricted view of voters’ attitudes, preferences and perceptions.

Despite representing the same party, but under different banners, Kirchner and Menem advocated different approaches towards the economy. As his record as president during the 1990s indicated, Menem was to the right of the ideological center, while

Kirchner was closer to the center-left, even though voters had little information about the former Governor. In fact, Kirchner was only a few points ahead of other candidates, and narrowly acceded to the runoff in a crowded field, thanks to the endorsement of Eduardo Duhalde and his political machine in the Province of Buenos Aires (one of the most populated areas of the country, but also one of the most negatively affected by trade liberalization).

Had the actual runoff occurred, we would have more reliable information about both candidates and their supporters, but simple correlations reveal some of the sources of support or opposition for Kirchner at the provincial level.⁶⁹ Two main features are worth noting from Table 5.4. First, the provincial vote for Kirchner in the 2003 election is negatively correlated with labor-intensive exporting provinces. Out of the six Argentinean provinces identified as labor-intensive, Kirchner only carried one, Río Negro, with 35 per cent of the vote (Río Negro also happens to be located in the Patagonia region, close to Kirchner's province of Santa Cruz, as we will see). In Corrientes (26%), Tucumán (24%), and Misiones (23% cent), he was close to his national average, and in La Rioja (Menem's hometown) and Mendoza (where the largest revenue from labor-exporting activities originates) he obtained less than 10 per cent of the vote.

⁶⁹ The lack of information on trade at the department level ($n > 500$) leaves a very small n (24) at the provincial level, which yields no significant results for any variable.

Table 5.4 Correlates of Provincial Vote for Kirchner in Argentina's 2003 election

Correlation	2003 Provincial Vote Share of Néstor Kirchner
Total Exports (2003)	-0.09
Labor Intensive Exports (2003)	-0.19
Urban (2001)	0.23
Index of Human Development (2006)	0.12
N	24

Second, higher levels of urbanization were also positively correlated with votes for Kirchner. Higher industrialization in Argentina meant that urban areas were among the biggest losers of trade reform, since they concentrated the protected industries unable to compete with cheaper imports after trade liberalization. Notably, one would expect urban provinces to be more populated. It is also worth remembering, as we saw earlier, that labor-intensive exporting provinces were not as populated as other areas in the country.

Still, it is very hard to draw any conclusions from electoral results. A few subnational results from the 2003 election are clear evidence of how little information the voters had to decide their vote, and the limits of any interpretations of the victory of Kirchner as evidence of a “clear policy mandate”. Kirchner’s national average was 22 per cent, but in Santa Cruz, where he was the governor, he won almost 80 per cent of the vote. He also received 50 per cent of the vote in Chubut, and 48 per cent in Tierra del Fuego, the two Patagonian provinces that border Santa Cruz. Another Peronist running for office, Rodríguez Sáa, who governed the country for 8 days in December 2011, and was also the

Governor of San Luis between 1983 and 2001, obtained 14 per cent of the national vote. He won his province with 87 per cent of the votes, and also carried San Juan and Mendoza, two of the provinces next to San Luis. Former President Menem, who had governed Argentina in the 1990s and was responsible for the neoliberal turn, won in several provinces, including La Rioja, where he served as Governor in the 1980s. 82 per cent of Riojanos voted for him.

It is true, at the same time, that voters had a few clues to help them decide. Menem trumpeted his free market policies of the 1990s and campaigned on the right, while Kirchner positioned himself on the center-left. Although Kirchner's opposition to Menem in the 1990s and his "neo-keynesianism" may have made him a natural choice to anti-free trade voters, Kirchner's strong showing in the election would not have occurred if Duhalde had not delivered the votes of the "densely populated municipalities in the rust belt of Greater Buenos Aires" (Levitsky and Murillo 2003: 158). This area, which concentrated a crucial 37.2 per cent of the electorate (Sánchez 2005), was the epicenter of de-industrialization and unemployment, and this region's support for Kirchner propelled him to the second place, which was enough to win the presidency once Ménem withdrew from the runoff. Néstor Kirchner, also known as "the Penguin" (*el Pingüino*), had become President of Argentina with a mere 22 per cent of the vote, and was forced to look for support if he planned to complete his term, unlike several of his immediate predecessors.

Figure 5.3, taken from Bonvecchi and Giraudy (2007: 39), presents a good summary of the situation that Kirchner faced at this point. The first third of the chart shows a 'demobilized' society, struggling to adapt to the effects of trade liberalization and the

blow it dealt to traditional unions. The economic crisis of 2001 triggered the ‘repoliticization’ of the society, only with a new face and using different tactics. The ‘piqueteros’, heirs of a decaying labor movement, erupted in the streets of Argentina, and even after 2002, kept mobilizing. As Bonvecchi and Giraudy have argued, 2006 witnessed a slight decrease in the number of roadblocks, and more important, and not shown in the graphic, a decrease in the roadblocks organized by piqueteros. They attribute this situation to Kirchner’s successful cooptation of the movement, through state patronage (giving public sector jobs to its leaders) and cash transfers. As I will show in the next section, despite having a weak mandate, Kirchner faced strong demands from protesters who were almost literally a stone’s throw away from Casa Rosada.



Source: Bonvecchi and Giraudy (2006)

The siege of Buenos Aires – Distorting trade to quell protests

During the first few years of his administration, Kirchner made no significant changes to the economic orientation of the country. In fact, for many scholars of the “left turn” in Latin America, Argentina under Kirchner was a “borderline” case, not fully in the camp of other leftist regimes such as Venezuela, Bolivia, Brazil, or Chile (Weyland et al. 2010: 5). Indeed, although he campaigned on an anti-market platform, Néstor Kirchner showed a “rigid commitment to fiscal discipline” (Kaplan 2013: 2), and his administration was characterized by a “macroeconomic conventionalism” and followed “mainstream macroeconomic policies” (Tussie and Heidrich 2008: 56). Others identified a mix of statist policies in some areas (some nationalizations, sovereign debt default, price controls on utilities and food) and pro-market policies in others (steady tax rates, maintaining fiscal surpluses) (Flores Macías 2012: 42).

In order to garner support for his regime and appease Duhalde’s machinery in Buenos Aires and the unemployed movement across the country, Kirchner embraced a process initiated back in the 1980s, whereby clientelist linkages replaced the traditional party-union linkages that were at the base of the Peronist party (Levitsky 2003). Even though fiscal expansion and redistribution are in the DNA of Peronismo, the economic crisis of 2001 had loosened the grip that the party had on its urban constituency, and there was a need to re-establish some sort of connection with the urban poor. A different strategy of development (neoliberal instead of corporatist) and limited access to resources meant that redistributive programs had to be narrower and targeted. Under ‘neodesarrollismo’ (Wylde 2011; Grugel and Ruggirozzi 2007), the piquetero movement came to replace in

part the broader coalition of the ISI era, originally formed by an amalgam of unionized workers, urban poor, and the lower middle classes (Grugel and Riggirozzi 2007:88). Kirchner could increase public spending while keeping fiscal discipline thanks to the 20 per cent tax on export revenues that Duhalde had put in place in 2002 to fund emergency social programs, such as Jefas y Jefas de Hogares Desempleados, and income subsidies for the poorest (Grugel and Riggirozzi 2007: 96).

In desperate need of popular support, President Kirchner found an unexpected windfall in skyrocketing export revenues. After the 2001 economic debacle, the commodity boom fueled by China's and India's high demand for products such as soy and beef (Argentina's land-intensive comparative advantage) boosted the country's recovery. Rather than revoke the "retenciones" and return to the 1990s pro-export framework, Kirchner used these resources to finance his income transfer policies and support domestic consumption through unemployment subsidy programs and other social programs in large urban areas (Gallo 2012: 57). Between 2003 and 2009, social spending as a share of GDP increased by 7.6 percentage points, including programs such as Jefas y Jefas de Hogar Desocupados, Familias (after 2006), scholarship programs, unemployment insurance, and direct cash transfers (Lustig and Pessino 2014). The number of beneficiaries of noncontributory pensions swelled from 340,000 in 2003 to nearly three million in 2009 (Lustig and Pessino 2014: 309). Some of these measures, however, also started to fuel an inflationary process by 2005. That same year, in November, during the IV Summit of the Americas in Mar del Plata, Kirchner confronted US President George W. Bush and put the final nail in the coffin of the Free Trade of the Americas as a regional integration project.

A few years into his government, Kirchner's recipe for governability had started to run into trouble, while the 'demand' for redistribution remained high. Some of the measures that followed were preceded by the departure of Roberto Lavagna from the Ministry of Economics in November 28, 2005. The ouster of Lavagna signaled a crack in the technocratic management of the economy, and put an end to a streak inaugurated in 1991 in which US-trained economists headed Argentina's Economic Ministry. On March 8, 2006, the new Economics Minister, Felisa Miceli, announced that meat exports would be suspended for 180 days, and that there would be a 10 percentage point increase in the "retenciones" (export taxes). The goal was to increase the supply of meat and reduce its price in local markets. On a public stage in Avellaneda, a piquetero stronghold in Buenos Aires, Kirchner promised that meat would be affordable to everybody. The following day, after a meeting with union leaders, accompanied by his Labor and Economics Ministers, Kirchner signed a decree increasing unemployment insurance and easing some of its requirements. Four thousand people from piquetero organizations would later march in support of Kirchner and protest in front of the Sociedad Rural Argentina (representatives of the export sector) demanding a decrease in the price of meat.

These policies helped keep urban constituencies demobilized or at least under control while sustaining a budget surplus (Kaplan 2013: 231), and enabled Kirchner to incorporate the mobilized 'piqueteros' into his political coalition (Svampa and Pereyra, 2004: 211-218; Campione and Rajland 2006: 313; Lewis 2009: 156). Although contentious events are not a new phenomenon in Argentina, a country long known for its highly mobilized society, they reached a peak during the 2000s. The deep economic crisis

of December 2001 and the series of popular revolts that followed, which forced the resignation of President De la Rúa, also marked a nadir for the formal political system. As in other parts of Latin America, traditional vehicles of political participation were discredited. The slogan ‘Que se vayan todos’ (Everyone should go) represented the mood of this period. Massive mobilizations became the main expression of public opinion, and were a frequent sight in many parts of the country.

Mobilizations were also carried out to influence policymaking. As we saw in the previous section, many actors that were part of the labor movement but found themselves in the streets because of trade reform were able to regroup in the unemployed movement, the main actor behind most social protests in post-reform Argentina. Building up from neighborhood associations, urban movements in Buenos Aires were able to negotiate directly with the national government, “cornering” it by using multiple and simultaneous protests (Masseti 2009: 85), overwhelmingly in or close to the capital city.

Proximity to the capital city gave these groups a powerful weapon to provoke a response from the government. Due to its location, nestled against the Rio de la Plata, the city of Buenos Aires has few points of access, which provides a tactical advantage to protestors. For over a century, strikes were the method of choice of the working class in Argentina, which was concentrated in the industrial belt that encircles Capital Federal. When trade liberalization deindustrialized the economy and forced workers out of their union jobs, strikes lost their relevance, and were replaced by roadblocks or piquetes by the unemployed (Lobato and Soriano 2003: 12). As workers moved from the factories to the streets, so did the venue for contentious action. If strikes were defined by the disruption of

production in a specific setting (the workplace), roadblocks in the streets came to symbolize the disruption of the new economic model, based on consumption. By disrupting commerce as well as transport, picketers “strike at the heart of the neoliberal model” (Roberts 2008: 340). They “interrupt the flow of merchandise that they did not produce and would not consume”, contesting in the streets and highways the notion of “economic freedom” (Abal Medina 2011: 94). It is also the only tactic they have left. Unemployed workers cannot strike, they can only disrupt production and commerce (Campione and Rajland 2006: 311). As a former union worker claims, “yo no puedo hacer huelga, porque fui despedido de una fábrica que quebró. Hago piquetes” [“I cannot strike, because I was fired from a factory that bankrupted. I do pickets” (quoted in Porto-Goncalves 2009: 51).

As discussed previously, these mobilizations were mostly composed of unemployed workers, demanding jobs and monetary transfers from the government. According to Campione and Rajland, the unemployed workers movement had as one of its goals to demand welfare assistance from the state (2006: 307). Some authors have strongly suggested that the Unemployed Heads of Household Program (Plan Jefes y Jefas de Hogar Desocupados) only came to fruition because of popular pressure, and that several thousand tons of food were delivered to those neighborhoods thanks to an active mobilization by urban actors in Greater Buenos Aires (Masseti 2009: 66). According to the account of a member of the MTD, Aníbal Verón, from Florencio Varela, the origins of the movement can be traced back to the decision, in 1997, to pursue a piece of the Planes Trabajar (a

government assistance program during the late 1990s) granted by the local councils.⁷⁰ Crucially, Massetti (2009: 85) shows that local and targeted actions quickly escalated and gained strength as they turned into mass mobilizations that always had Plaza de Mayo (“the symbolic political center in Argentina”) as a final destination, even if it meant walking for more than 50km in some cases.

As protests moved from the factories to the streets, specific places in the capital city of Buenos Aires, full of historic meaning, helped bring visibility to their cause. Going back to general strikes and mobilizations of the 20th century, workers in Buenos Aires and nearby cities have always marched towards public squares. Large, open public spaces enhanced the visibility of their demands, and ensured that the government and the public opinion were aware of their claims. In Buenos Aires, no place guaranteed that more than Plaza de Mayo, which faces on one of its flanks the Casa Rosada (Presidential Palace) (Lobato and Soriano 2003: 13). Since at least 1945, it has become a place full of political symbolism, and remains the main destination of any social mobilization in the city to this day. It is also very revealing that since 2001, amidst the wave of popular protests that would lead to the resignation of President De la Rúa, the government decided to set up a fence dividing the Plaza de Mayo in two, with the goal of “protecting Casa Rosada” (Sánchez 2018).

⁷⁰ “Hablabamos con la gente en la bolsa de trabajo y empezamos a sumar gente desde ahí también, y ya a mitad de año les dijimos que si no nos daban planes, cortábamos la ruta. Y ahí, comunicación directa desde el municipio al gobierno nacional, nos bajaron 70 planes” (interviewed in Germano 2005: 160).

As in Bolivia, protests in the country snowballed towards the symbolic and political center of Argentina. Auyero (2002), for instance, locates the widespread protests, roadblocks and lootings of December 2001 that led to the resignation of President De la Rúa, as the high point of a broader cycle of contentious events and popular mobilizations initiated ten years before. Challenging the claims of the ‘demobilization’ literature, he identifies the *Santiagazo* (1993), the “pueblada” of Cutral-Có and Plaza Huincul (1996) and the “Plaza del Aguante Correntino” (1999) as earlier manifestations of the same phenomenon. Similar events sharing the same tactics could be found elsewhere in the country. Nevertheless, it is not until they reach Buenos Aires that they really become explosive and take down a president, first, and then exercise a strong and continuous pressure on the Kirchner’s government to transfer resources from the winning (rural) sectors of the economy to the losing (urban) ones.

In a way, the piquetero movement found their *raison d’être* as financial intermediaries between the government and the general population. The movement also created a dynamic whereby access to government transfers fostered the creation (and later, the subdivision and atomization of the piquetero movement) of organizations in charge of redistributing the subsidies. The government privileged its urban constituencies. Piquetero movements were easier to create in urban settings, with a legacy of union organization, and the government was able to target more people via transfers. Of course, it also helps that partly because of its topography, Argentina is one of the more urbanized countries in the world. In the year 2001, almost 90 per cent of its population lived in cities. Kirchner could not risk to alienate the piquetero movement by repressing their demonstrations. After all,

repression has proven to be costly in the past. President De la Rúa's fall, for example, was precipitated by the violent response of government forces to social mobilizations in December 2001, when at least 5 people were killed in downtown Buenos Aires.

In sum, trade reform reversal in Argentina had a slow start following the election of Néstor Kirchner in 2003, but gained strength as domestic groups increased their demands for redistribution over time. Changes in trade policy between 2003 and 2007 were not merely the result of having a left-leaning politician as a president, but also the result of increasing pressure from 'piqueteros' and urban movements that used their geographical location to their advantage. Argentina, in short, shows that both access to, and influence in policymaking are requisites to obtain a response from the government.

BOLIVIA

In the post-reform period, Bolivia went through a period of Policy Contestation (2000-2005) and, following the election of Evo Morales, a period of Policy Reversal (2006-present). In the first period, social forces located very close to the seat of power constantly mobilized demanding protection and redistribution from administrations that were committed to neoliberal orthodoxy, and privileged market solutions to highly politicized issues. This was followed by a period of Policy Reversal, when the combination of a leftist president and proximate protectionist forces helped undermine the free trade policies that had been in force since the mid-1980s. In this last section, I will discuss those two episodes in Bolivia in chronological order.

Policy Contestation (2000-2005): Governing behind enemy lines

The period between 2000 and 2005 was marked by a ‘political crisis’ (Mayorga 2010: 16) in which the institutional channels of Bolivian politics were overwhelmed by a highly mobilized civil society. The pact that had allowed traditional parties to govern (‘democracia pactada’) along neoliberal lines in a rather stable fashion since the 1980s had reached its limits in the face of the meager performance of the economy and the lack of representativeness of the political parties. As in other countries in Latin America, Bolivian society took the stage by storm after a period of relative quiescence.

Precarious and constrained governments tried to preserve the main elements of market friendly policies first adopted back in the mid 1980s, while in the streets, massive protests demanded radical economic changes. In the midst of an economic crisis, and in an extremely tight race, former President Gonzalo Sánchez de Lozada, nicknamed Goni, was elected president in 2002 with only 22.5 per cent of the vote. He defeated Evo Morales by less than 50,000 votes. Notably, Sánchez de Lozada carried the Eastern departments of the country (Pando, Beni, and Santa Cruz), which tended to have more labor-intensive exports, as well as Chuquisaca, while Morales won in La Paz, Cochabamba, Oruro and Potosí.

As Vergara has put it, this meant that Goni had to govern from La Paz, behind enemy lines, where the parties and social movements that oppose his main policies were based, while most of his supporters were more than a thousand kilometers away in the Eastern departments known as the ‘Media Luna’ (2015: 264-265). By the early 2000s, a majority of Bolivians, especially in the heavily populated areas of La Paz and Cochabamba, had grown dissatisfied with the market policies that had been implemented since 1985 and

that Goni embraced during his first term (1993-97). These policies had been initially successful, but by the late 1990s and early 2000s, the economy was in a recession and, as a result, disenchantment with neoliberal economic policies grew significantly (Madrid 2012: 66). Market reforms had helped overcome hyperinflation and stabilize the country's economy in the 1980s, but they may have had a negative impact in terms of employment. Privatizations and the liberalization of prices and markets had dealt a blow to large sectors of the population employed in protected or state-owned industries. Few alternatives were left for those looking for a job, since Bolivia's main exports were mostly capital-intensive.

The discovery of gas reserves in the early 2000s only raised the expectations of the population, especially of those who were struggling in the large cities. Moreover, a series of unpopular trade-related decisions proved to be costly for Goni and also to his successor, Vice President Carlos Mesa. The 'cost-efficient' decision to export natural gas through Chile triggered a series of protests in El Alto and La Paz that brought down Goni's government in October 2003. The 'Gas War', as the episode was known, had its origins in a proposal made in 2002, during President Quiroga's government, to use a pipeline that would reach the Mejillones port in Chile to export Bolivia's gas to the world. (Bolivia is a landlocked country since the end of the 19th century, when it lost its coastal territory in a war with Chile). Nationalistic forces vigorously rejected the plan and proposed instead to use a Peruvian port. A year later, when President Sánchez de Lozada rehashed the idea, half a million protesters flooded the streets of La Paz and other cities, under the slogan "El gas para los bolivianos" (Gas for the Bolivians) (Fundación UNIR 2013: 31).

A larger issue with exporting natural gas is that there is little left for domestic consumption. As with beef in Argentina, higher international prices for natural gas drives the decision to export it rather than using it to develop local industries. Over 90 per cent of Bolivia's gas is exported and only a small amount of the remaining 10 per cent is domestically consumed. More than half of the diesel used in Bolivia is imported from abroad, when it could be sourced from the country's natural gas reserves. Notably, protestors behind the 'gas war' complained that the Bolivian gas industry had not significantly benefitted the country, either through job creation or as a source of revenue for social programs (Dangl 2007: 122-127). As Laserna et al. (2011: 21) show, between 1999 and 2000, gas reserves in Bolivia tripled thanks to the discovery of new fields and the successful exploitation of existing ones. This windfall, they argue, significantly raised the expectations of people in Bolivia. This argument has been empirically supported by Mahler and Pierskalla (2015), who have found that the presence of natural resources (gas reserves, specifically) helped politicize the ethnic cleavage in Bolivia, and raised the likelihood of social protests and contentious events.

Notwithstanding the heightened expectations, the critical issue in Bolivia, as in Argentina but unlike in Peru, was the proximity of social movements to the seat of power. The history of Bolivia's social movements since 2000 can be read as one of gradual advance towards La Paz, the capital city. Starting with the Water War in 2000 in the city of Cochabamba, one of the country's main urban centers which is located 400 km away from La Paz, protests started to build up in different parts of the country. Indigenous mobilizations took place in the eastern and southern altiplano (Achacachi) of Bolivia in

2001, cocalero revolts occurred in rural Cochabamba in 2002, roadblocks and barricades sprang up in El Alto, just outside of La Paz, in 2003. By the time the tide reached the Plaza Murillo in La Paz in 2005, the die had been cast against free trade and neoliberal policies more generally. This process contained what Chávez (2007) calls “avanzadas”, in which territory was occupied and cities were put under siege.

The city of El Alto, a stone’s throw away from the capital city of La Paz, became the epicenter of social mobilizations, which were fueled by these unmet expectations. El Alto had two distinctive advantages from the perspective of protestors. First, its proximity to La Paz. El Alto is inextricably linked to the capital city of La Paz, as they represent the top and the bottom of the same geographic bowl, separated by no more than a dozen miles. Protesters from El Alto could easily march to La Paz. Second, controlling El Alto and its roads and access points means controlling how much food and resources get to La Paz, and the connection between La Paz and Bolivia’s main cities (Crabtree and Chaplin 2013: 54). It is also where the country’s main airport is located. A violent attempt by the government to regain control of the situation only fueled more protests. On Sunday, October 12, 2003, 26 people died and 60 were injured as a result of government repression. Road blocks in El Alto left La Paz, the capital city, isolated, and when nearly 250,000 people gathered in the Plaza Murillo in La Paz to protest his government, President Sánchez de Lozada was forced to resign and flee the country.

During this period, institutional channels in Bolivia were overwhelmed and delegitimized, and social demands were expressed mainly through strikes, roadblocks, and

marches (Mayorga and Córdova 2008: 51-52). Before and during Sánchez de Lozada's government, the country's meager economic performance and the distributive consequences of the reforms provoked a cycle of violent protests, not only around the export of gas, but also regarding free trade agreements and the drug eradication programs tied to them.

In Cochabamba, a group of cocaleros also opposed the neoliberal and pro-US policies of Sánchez de Lozada. As we have seen, Bolivia and the US had signed a preferential trade agreement tied to progress by the Andean country on coca eradication. The cocaleros formed an important part of the broader resistance against neoliberalism. Part of the success of cocaleros in Cochabamba stems from their geographic location and their proximity to key roads connecting the capital city with the rest of the country. This is a crucial difference between cocaleros in Bolivia and those in Peru whose geographic location in remote valleys of the country worked against their interests. As we saw in the previous chapter, a significant number of protests in this period were located in the department of Cochabamba. A majority of these protests were led or had the participation of cocaleros from the lowland valleys of Chapare and Carrasco. Their proximity to the city of Cochabamba, one of Bolivia's largest cities, facilitated their mobilization efforts, but they also had a key strategic factor in their favor. A crucial aspect of El Chapare is that a highway linking Santa Cruz de la Sierra to Cochabamba and La Paz (Bolivia's three largest cities) passes through it, making roadblocks a very powerful tactic to disrupt transport and commerce between the Eastern and the Western parts of the country (Crabtree and Chaplin 2013: 9). As a result, even protests and roadblocks by cocaleros who were not so close to

La Paz, but were able to control one of its key access points, had a large impact over the government.

Policy Reversal (2006 - present): Unraveling Free Trade Policies in Bolivia

As it was the case with Argentina, there is limited information at the provincial level that can be used to investigate whether free trade had an influence in the 2005 election. Export data is found only at the department level, and presents a very broad picture of the external sector in Bolivia. With these caveats, a simple correlation analysis of the vote for Evo Morales in Bolivia's 2005 election confirms that in the two departments identified as having labor-intensive exports, support for Morales was lower. Of course, there are multiple other factors to consider in this election, including the ethnic (Madrid 2012) and regional (Vergara 2015) cleavages that have marked Bolivian politics in the last years, but it is worth noting the relationship between exports and the departmental vote for Evo. In addition, the vote for Morales was higher in departments that scored worse on the Index of Human Development—that is, where development indicators, such as life expectancy or per capita income, are lower.

Table 5.5 Correlates of Departmental Vote for Morales in Bolivia's 2005 election

Correlation	2005 Departmental Vote Share of Evo Morales
Total Exports	0.17
Labor Intensive Exports	-0.54
Index of Human Development 2007	-0.40
N	9

As Table 5.6 shows, in 2005, Evo Morales received an outstanding level of support in the Western departments of Bolivia (La Paz, Cochabamba, Oruro, Potosí, Chuquisaca), averaging 56 per cent of the total vote, in stark contrast to the 24 per cent average obtained in the 'Media Luna', the Eastern part of the country (Tarija, Santa Cruz, Beni, and Pando). Only one of these eastern departments, Santa Cruz, is heavily populated, however. Santa Cruz and Beni benefitted from globalization, but as we saw earlier, the bulk of the population is located in the western half of the country, and especially in La Paz and Cochabamba. In these heavily populated departments, export revenues did not trickle down to labor and, as a result, the people in these departments favored a candidate that promised to challenge the status quo.

Table 5.6 Departmental exports, population, and vote for Morales

Department	Exports, millions USD (% of total Exports)	Main Product (% of each departments' exports)	Labor- Intensive?	Population (2001)	Vote for Morales (2005)
Tarija	983 (34%)	<i>Natural Gas (88%)</i>	No	391.226	28.7%
Santa Cruz	805 (28%)	Soya (51%)	Yes	2.029.471	31.4%
Cochabamba	291 (10%)	Hydrocarbons (64%)	No	1.455.711	60.1%
Potosí	264 (9%)	Zinc (56%)	No	708.695	49.3%
La Paz	241 (8%)	Jewelry (27%)	No	2.349.885	62.5%
Oruro	193 (7%)	Tin (39%)	No	392.769	57.8%
Beni	63 (2%)	Brazilian Chestnut (89%)	Yes	362.521	15.4%
Chuquisaca	16 (0.6%)	Natural Gas (91%)	No	531.522	47.6%
Pando	6 (0.2%)	Timber (68%)	No	52.525	19.9%

In terms of economic policy, the 2005 election in Bolivia delivered a clear mandate to Evo Morales, whose campaign had embraced the widespread call to nationalize the revenues from hydrocarbon exports. It was primarily this objective that produced the fall of two presidents, Sánchez de Lozada and Carlos Mesa, who failed to address the ‘October Agenda’ (as the issue was known in Bolivia) in the terms expected by the social protestors. In that sense, the election of Morales can be considered a triumph of the social movements, which had been advocating for this measure for several years, as part of a broader anti-neoliberal agenda.

When Morales was elected by a majority of Bolivians, he quickly adopted the most important demands raised by the social movements, translating a clear electoral mandate into policy. The new president even defined his administration as the ‘government of the

social movements' (Mayorga 2010: 193). On May 1, 2006, Evo Morales issued a decree nationalizing Bolivia's hydrocarbons, the country's main export commodity, and 12,000 people cheered the announcement in the streets of La Paz. During his campaign, Evo had spoken about how the MAS's program was 'about stopping and reversing privatization. We want to get our companies and natural resources back, because we can't allow them to be concentrated in the hands of a few transnational corporations... In concrete terms, we'll promote national production and block free trade in that way. We'll reverse the economic reforms that have brought more inequality and poverty over us' (Madrid 2012: 66-67). Previous mass mobilizations behind the Gas War, and its strong presence in the capital city made it clear to the new government that it could not backtrack from these campaign promises.

What the omnipresent slogan, 'El Gas para los Bolivianos,' called for was to redistribute the booming rents from the hydrocarbon sector to the population as a whole. Bolivia's fiscal record during Morales government suggests that it has tried to do this. Social spending increased from 11.5 to 14.7 percent of GDP between 2007 and 2009, fueled by a significant increase in government revenues (Paz Arauco et al. 2014). Almost 80 percent of primary government spending consisted of social spending, which includes expenditures in health, education, and social assistance, as well as direct cash transfers. Two of Morales' emblematic creations were the Bono Juancito Pinto and the Bono Juana Azurduy, conditional cash transfer programs that target school-age children and pregnant women and recent mothers lacking access to health insurance. These programs represent almost 2 per cent of Bolivia's GDP (Paz Arauco et al. 2014: 330).

Evo Morales has defined his administration as one of “Ruling by Obeying”, by which he means that he seeks to comply with the demands of the people and the social movements. At least rhetorically, this is the opposite of policy switching. Moreover, there is evidence that social movements have checked Morales’s attempts to govern as he sees fit, in spite of the fact that the president has concentrated great power in his hands (Anria 2013: 37; Do Alto 2007). Protests from social movements proximate to the administration have indeed occurred, in a few instances with a great use of violence, and they have even pushed the government to backtrack on economic decisions. Notably, accountability in Bolivia has stemmed principally from popular organizations, and not from other branches of government.

In Bolivia, natural gas and coca production represented key aspects of its trade policy. The decision to nationalize the hydrocarbon industry represented a radical departure from an economic cycle guided by the logic of neoliberalism and free trade. In the same vein, the electoral triumph of MAS and Evo Morales (who remained as the formal leader of the cocaleros even after being elected president of Bolivia) increased the influence of the ‘Movimiento Boliviano de Lucha contra el TLC y el ALCA’, which meant in practical terms the impossibility of a free trade agreement with the US (Mayorga and Córdova 2008: 15-17).

It is hard to overestimate the role of social movements in Bolivian politics. Their geographic concentration in areas surrounding the capital city and other key areas of the country grants them a great deal of power and influence, which has allowed them to topple governments and has given them literally a seat at the policymaking table. Since 2000,

they have effectively replaced traditional parties and politicians as the main actors in Bolivia, and political decisions are typically made in the streets, rather than in formal institutions, such as Congress (Asociación Boliviana de Ciencia Política 2008: 9). It is revealing that in a study of social protests in Bolivia that spans nearly 4 decades, it is only since the year 2000 that the authors point out the deterioration of institutional mechanisms that are increasingly unable to channel demands and solve social outbursts in a peaceful way (Laserna and Villaroel 2008: 9-10). For some, Bolivia stands out in Latin America “for the strength and assertiveness of its social movements in achieving major social conquests” (Crabtree and Chaplin 2013: 1). Social protests in Bolivia follow a similar logic as in other parts of the continent, aggravated perhaps by the fact that they happen in “a state with holes” (UNDP 2007), with an uneven reach and, especially, with a weak rule of law and poor legitimacy.

CONCLUSION

In this chapter, I have shown that trade policy reversal in Latin America was more likely after the election of a leftist, anti-free trade candidate and when protectionist forces were close to the capital city to ensure that their interests would be represented by elected presidents. Policy Reversal was the outcome after the election of Kirchner in Argentina in 2003, and Evo Morales in Bolivia in 2005, in large part because of the level of influence of protectionist forces in Buenos Aires and La Paz. In contrast, the lack of protests and mobilizations in Lima facilitated Policy Continuity during Alan García’s administration

(2006-2011), and Policy Switching when left-of-center Ollanta Humala came to power in 2011.

I have argued that the election of left-leaning candidates in these countries was influenced by the geographical impact of trade liberalization. In Peru, Humala's anti-free trade message had a strong support, in 2006 and 2011, in areas of the country that had seen little gains from trade liberalization but that were also less populated, relatively speaking. In both elections, he won decisively in the provinces in the Sierra, and had significantly less support in the heavily populated provinces of the Coast, where most of the benefits of free trade have been concentrated. Kirchner and Morales also received the support of regions of the country that had struggled after trade reform, but the difference was that these areas, such as the rust belt of Buenos Aires and the cities of El Alto and La Paz, were heavily populated, while the areas that had benefited from trade were generally not.

Market reforms in Argentina and Peru were adopted following episodes of 'policy switching' by Menem and Fujimori, so there is no guarantee that an elected president will remain true to the mandate given to him or her by the voters. The difference was that while in countries such as Bolivia and Argentina "presidents challenging neoliberalism governed in capitals surrounded by the voters who elected them", in Peru the voters and groups, that elected a left-leaning candidate in 2011, were "far away in the highlands", while the defenders of the status quo "live just down the street" from the president (Vergara and Watanabe 2016: 154). In other words, domestic-oriented producers in Peru were not able to exercise enough pressure on policymakers and, as a result, saw their interests neglected, even after the election of Humala in 2011. Under these circumstances, it is not about how

many guns protectionist actors have, to paraphrase Lake (2009), but whether they are at point-blank range or not.

CHAPTER SIX

CONCLUSION

This dissertation presents an in-depth comparative analysis of trade policy in Peru, Argentina, and Bolivia. In contrast to extant labor market or consumer-oriented theories about trade that typically emphasize formal channels of preference aggregation and interest representation, my theory highlights the role of regional sociotropic effects and the saliency of geographical factors in explaining the success or failure of challenges to free trade in these countries. This study develops a theoretical framework that incorporates all three building blocks (preference formation, aggregation, and representation) of trade preferences.

The adoption of trade liberalization (and other market reforms) in Latin America during the final decades of the 20th century represented a watershed moment in the political economy of these countries. It also gave rise to two initial and somewhat contradictory expectations. First, economists heralded a new era of export-led growth that would have positive effects on job creation and inequality. Their optimism was rooted in the predictions of the Heckscher-Ohlin (HO) model and the assumption that unskilled labor was the abundant factor of Latin American economies. Second, social scientists foreshadowed a negative reaction from concentrated, protectionist interests and cautioned about the threat they represented to the sustainability of trade reform. However, neither prediction was borne out during the first decade of trade openness.

During the first ten years (1990-2000) that followed the reforms, the trade balance in Latin America was negative and overall growth was sluggish, yet there were few signs

of a backlash to free trade. It was not until the turn of the century, following the aftershocks of the financial crisis of 1997-2003, that protests became increasingly common in Latin America—leading in some cases to the election of leftist presidents who ran on anti-trade, anti-market platforms. Subsequently, China’s increasing demand for commodities finally delivered the promise of export-led growth, and in the early 2000s trade deficits turned into record surpluses.

In line with the substantive issues that advance the study of international political economy, I pursue an integrated response to two crucial questions related to this turning point in recent Latin American history that are usually analyzed separately (Lake 2009: 221). First, how did the integration of Latin America into the global economy shape the preferences of individuals and sectors within each country? With this question, trade preferences and their aggregation into organizations seeking to influence national (trade) politics are the dependent variable, or the outcome, to be explained. The answer to this question, I suggest, can help us answer the second question (which ultimately motivates this dissertation), namely, under what circumstances do Latin American countries decide to reverse free trade policies? In this case, the question is about the political determinants of anti-globalization measures, and the success or failure of protectionist coalitions that aim to see their interests represented.

This dissertation sought to answer both questions by emphasizing the role of geography in each of the ‘building blocks’ of trade policy. I begin by arguing that the insertion of Latin America into the global capitalist order has produced a set of economic winners and losers in each country, which are divided along geographical lines according

to the presence or absence of labor-intensive exporting activities. Due to their position in the global political economy, Latin American countries have witnessed a re-primarization of their exports that, nonetheless, exhibits significant variation in the use of labor as a factor of production. Moreover, the commodity exports have a regional, sociotropic impact that goes beyond the amount of employment created by each sector. The geographic distribution of commodities can explain varying levels of support for free trade in each country by the degree to which they have a positive impact in the region in terms of job creation and economic spillovers.

As I show in Chapter 3, drawing from public opinion surveys and subnational data in Peru, Argentina, and Bolivia, support for trade is significantly stronger in areas in where there is a labor-intensive exporting activity, especially in Peru and Argentina. The results across provinces (or departments, in the case of Argentina) suggests that this effect is not solely the product of direct employment in a thriving activity, but is also influenced by the economic spillovers of dynamic activities in local environments. More importantly, this effect is not present if we just use total provincial exports as an explanatory variable, suggesting that land or capital-intensive exports do not garner support for trade compared to labor-intensive ones.

How do these mass attitudes manifest themselves in interest groups and organized politics? In terms of preference aggregation, or the means by which disgruntled individuals attempt to challenge the trade policy status quo, trade liberalization hammered the labor unions and peasant federations that were the “backbone of corporatist political representation in the ISI era” (Roberts 2008: 342). In most countries, they were replaced

by new groups that reflected the predominance of neoliberalism. Contemporary coalition building has been strongly influenced by the institutional setting, which has been marked by the discredit of traditional vehicles and spaces of political representations such as parties and legislatures. Against that backdrop, I have sought to highlight the geographical pattern of social organizations in post-reform Latin America, and the factors that facilitate or hinder “horizontal and vertical integration” (Roberts 2008), or the ability of disgruntled actors negatively affected by trade liberalization to aggregate their interests and successfully demand changes to trade policy.

In Chapter 4, I draw from an original dataset on social protests in Latin America since 2000 to show that contentious events were more likely in areas of each country where there was a concentration of experienced activists. Patterns of protests vary according to previous levels of industrial development: countries with a deeper ISI history witness more urban protests led by former union members, and countries with stronger primary sectors have more protests in areas where activists tend to relocate following trade liberalization.

The findings of the first question, regarding the impact of trade liberalization on preference formation, hint strongly at the answer to the second question, namely, why some countries decided to change course and weaken trade policies they had adopted during the liberalization era. I identify two related conditions that are derived from the geographical impact and distribution of losers from trade across national territories. First, trade reform reversal was more likely where the bulk of population lived in areas that have not benefitted from trade liberalization and, as a result, were inclined to vote for anti-trade, leftist candidates that promised to upend the status quo. Second, organized pressure is required

to guarantee that the elected president follows up on his mandate, as numerous cases of policy switching in Latin America would indicate. Protectionist forces can only force change, however, if they are close to the capital city, where they can cause enough disruption to influence the decision making process of the president.

In Chapter 5, I showed that variation in trade policy outcomes in Peru, Argentina, and Bolivia, could be explained by combining these factors. I illustrate my case with discussions of policy contestation in Bolivia between 2000 and 2005, policy continuity in Peru between 2006 and 2011, policy switching in Peru since 2011, and policy reversal in Argentina after the election of Nestor Kirchner in 2003 and in Bolivia after the 2005 election of Evo Morales. Proximity of protestors to the capital city is a key factor present in Argentina and Bolivia, where groups demanding protection and compensation from the state had Buenos Aires and La Paz under siege, while in Peru, protests in Lima were not as significant as in other parts of the country.

The main contribution of this dissertation has been to highlight the role of geography in trade policy outcomes in developing countries. This is not a unique approach, but my incorporation of domestic geography as a relevant factor in every step of the trade policy process in developing countries offers a more comprehensive understanding of the mechanisms through which geography affects these outcomes. In a thorough survey of the impact of geography as an explanatory variable in trade policy outcomes, Chase (2015) divides the literature into the three traditional building blocks of policy (preference formation, preference aggregation, and interest representation), while at the same time emphasizing formal institutional channels such as legislatures or political parties as the

main locus of political action and representation in the developed world. Most recent examples fit into that compartmentalized and ‘formal’ way of studying trade policy. For instance, geography has figured prominently in recent analyses of the ‘China shock’ in the US and the UK. In the US, David Autor and collaborators have several papers on the regional impact of increasing import competition and its effects on labor markets (2013) as well as electoral outcomes (2017). Colantone and Stanig (2018) have recently shown that support for the Leave option in the Brexit referendum was higher in regions that were hit harder by economic globalization, or the shock of surging imports from China, as they put it. In both cases, the analysis stops at preference formation, without addressing collective action issues or interest representation outside of voting behavior. From another perspective, Daron Acemoglu was recently quoted in the *New York Times* discussing how geography can temper the economic dislocations brought by technological shifts, noting that if the impact is “concentrated in big cities, where workers have more options to find new jobs, the backlash will be more muted than it was when trade took out the jobs of single-industry company towns” (Porter 2018). As I have tried to show, dynamics are dramatically different in developing countries, both regarding the ‘China shock’ and the ‘strategic setting’ faced by displaced actors. In fact, the opposite is true regarding the nature of the shock and the ‘volume’ of voices concentrated in big cities.

In this dissertation I have tried to incorporate all three steps into a single theoretical framework. Moreover, I do this with special attention to the distinctive impact of China’s irruption into Latin America, and also to the institutional features of developing economies, an aspect often overlooked by the bias toward the formal institutions that shape trade policy

in the developed world. First, a central difference with the literature on developed economies has been empirical. The ‘China shock’ has impacted trade via exports and not through imports. Indeed, the great revolution in recent years has been the skyrocketing revenues from commodities that have transformed Latin American societies. By focusing on labor-intensive exports rather than import-competing sectors, my goal is to capture how different countries responded to the world demand for commodities, and how that impact manifested politically at the domestic level. The second difference has been to emphasize the role of geography beyond electoral outcomes, noting how preference aggregation and interest representation can be facilitated or hampered by geographical factors such as proximity to the capital city. I have argued that the analysis of Latin America’s political economy needs to come to terms with the relevance of both formal and informal channels of representation. Although I have largely characterized the strategic setting as dominated by organized pressure from below and in the streets, this does not mean that formal politics are absent from the argument. Contentious politics, or the “episodic, public, collective interaction among makers of claims and their objects” often crosses the line between “institutionalized and non-institutionalized politics” (McAdam et al. 2001: 5-6). Many of the outcomes in political economy take place in the official arena (laws, decrees, regulations) but are the result of the input of “extra official” sources, of organized pressure by interest groups using informal channels. At the same time, in the Latin American context, trade policy rarely changes because of a debate in Congress, or agreements between parties, but rather as part of a broader change in the economic regime (widely

understood), usually triggered by executive turnover and the election of anti-status quo leaders.

Is geography destiny? I have discussed here the implications of physical characteristics of the territory (and whether it lends itself to specific economic activities) as well as the effects of patterns of settlement of Latin American populations, two channels of influence of geography in the continent (Gallup et al. 2007). Even the location of these countries in the global economy can set a limit to how much they can transform their production structure, unable to compete in capital-intensive sectors with the developed world, or with labor-intensive sectors in other areas of the periphery. Attempts in Argentina and Bolivia to challenge the neoliberal script in order to transform the role of these countries in the global economy may fall short or not be “sufficiently postneoliberal in raising labor and welfare standards” (Gray Molina 2010: 57). As a result, nature and geography provide a set of resources that define their comparative advantages, whether it is minerals in Peru and Bolivia, or soy, grains, and beef in Argentina—but as the strategies of the actors I focus on demonstrate, there is still room for agency and choice.

THE AFTERMATH OF THE CASES

Reversing trade policy in Latin America was never about raising tariffs again and returning to an era of industrial promotion by the state. The main way in which the principles that guided trade policy since the 1980s and 1990s were undercut was by using the revenue generated by the export sector to reassert the role of the state in the economy and in people’s lives. In the case of Argentina and Bolivia, this implied either raising export

taxes on its main commodities, or simply nationalizing their production. Both mechanisms ran diametrically against the orthodoxy that had ruled these countries' economies for the previous two decades. In the years that have followed trade reversal, the countries have also pursued different paths.

In Argentina, in 2007, voters rewarded the Kirchner administration by electing his wife, Cristina Fernández de Kirchner, as the new president. According to Levitsky and Murillo, the victory of the incumbent Peronists was a “foregone conclusion” (2008: 16). Emboldened by a first round victory and a clear mandate, the new administration tried to increase export taxes once again, but this time it found some resistance and opposition from agrarian producers, leading to a protracted conflict between exporters and the government. In the wake of the government's increase in export taxes, the rural agricultural barons in Argentina stood up against those measures and initiated a long fight against the Kirchner's administrations, using similar tactics to the ones employed by the piqueteros in urban settings (especially piquetes or roadblocks). Although export interests had significant economic power, their location undermined their cause. Despite the enormous advantage in resources that ‘el campo’ has over other social groups, their claims were relatively ineffective in large part because their roadblocks were in rural areas, and their claims did not resonate with urban constituents.

Agro-businesses accounted for over 70 per cent of Argentina's industrial exports (Ortiz 2010: 28) and were represented by century-old organizations such as the Sociedad Rural Argentina (SRA), the *Confederación Rural Argentina* (CRA), and the *Federación Agraria Argentina* (FAA), each representing the interests of different rural actors.

Together, they fought taxes (*retenciones*), pushing for their abolition, and tried to convince the rest of the society to buy into their cause, selling the idea of Argentina as the granary of the world, a country that must specialize in the export of soy, cereals, and beef. They went so far as to claim that “soybeans are in themselves a value-added product” (cited in Ortiz 2010: 24-25). The conflict between the government and the agricultural export sector, is a good example of the Argentinean state as a ‘battlefield’ (Germano 2005).

Fernandez largely triumphed in this fight, but by 2015, unable to rein in inflation, Kirchner’s party was punished by voters who turned to Mauricio Macri, a businessman and one of the country’s richest men. Unsurprisingly, his attempts to reverse some of the economic programs implemented in the previous administrations have met fierce resistance in the streets, which threaten to destabilize his right-wing government. Argentina’s policies have therefore followed a stop-and-go cycle, similar to the Peruvian pendulum of the past, which may have long-lasting effects on the country’s level of development.

In Bolivia, economic issues among other factors divide the country, pitting the eastern departments in the Media Luna against the Western departments in the Highlands. Trade reform reversal in Bolivia brought significant resistance from pro-trade actors, which nevertheless failed to stop the changes to the status quo. The clash between La Paz and the ‘Media Luna’ certainly encompassed issues other than trade policies, but trade was an important spur. Despite the economic strength and unity of actors located in the eastern part of the country, they could not block the economic policies adopted in La Paz, which hurt their economic interests.

Recentralizing efforts by the Morales government included a 70 percent reduction in the departments' share of revenues from the direct tax on hydrocarbons, which was then used to finance social programs in the whole country (Eaton 2014: 1142). Yet, as Eaton argues, the struggle between the central government and its bases in the western highland departments (where most of the action against trade liberalization took place) and the 'Media Luna' departments (where Bolivia's most lucrative commodities are found) did not favor the government in the manner that recentralization efforts succeeded in Ecuador and Venezuela. . There was some effective resistance from the Eastern departments, which were not able to block the redistribution of resources away from their departments, but still managed to preserve the decentralizing reforms that granted them relative autonomy from the central government.

Strong pro-trade groups in the Eastern part of the country had no access to the Executive and, because of their distance with respect to La Paz, the capital city, they had little influence on policymaking, even though they were powerful in terms of resources and people. Mobilizations by the CCPSC (Comité Pro Santa Cruz) in Santa Cruz in 2004 as a reaction to Morales's "October agenda" gathered at least 200,000 people, and another one in 2005 drew 350,000 protestors. It is important to note that in addition to ethnic or regional cleavages, economic cleavages divide east and west in Bolivia, as the result of the development of an external-oriented sector in the east, which is heavily invested in natural resources and includes labor-intensive (soy) and non-labor intensive (hydrocarbons) industries. This export-oriented sector challenged the anti-trade orientation of the national government headed by Evo Morales (Vergara 2015: 275). Their frustration with the

inability to shift policies grew to the point of voicing demands for secession from the Bolivian state, given their inability to see their interests represented. Nevertheless, their distance from the capital city impeded their efforts to change the new status quo.

In Peru, meanwhile, the past may paint a clearer picture than recent events, because of the similarities and contrasts in the pattern of trade specialization between both periods. A key difference though, is hinted by Tussie and Heidrich (2008) when they talk about the “new heroes” that drive trade policy today. While in Bolivia and Argentina exporters may resemble the “oligarchies of yesteryear linked to the exports of commodities” (2008: 50-51), such as minerals, cattle, and grains, in Peru the current export-led growth has been based less in enclaves (Cardoso and Faletto 1979): Peruvian exporters are substantially more integrated into local and regional economic circuits. In the late 19th century, and for stretches of the 20th century, Peru embraced a strategy of export-led growth based on “isolated enclaves of economic modernity such as mines and highly mechanized plantations” (Collier 1976: 9). In the 1990s, the country could have easily returned to this pattern of sugar cane and cotton plantations dominating the narrow valleys of the Peruvian coast, and had that been the case, it is highly probable that support for trade and market reforms would have faltered.

In addition, while in the 1920s and 1930s, the “pattern of growth produced the APRA party” (Collier 1976: 12; Klarén 2016), workers face very high obstacles today to forming labor-based parties. Mining and agricultural enclaves in the past created a rural proletariat that is largely absent from current modes of capitalist, export-oriented

production. Ironically, the outdated enclaves may have facilitated unity and solidarity among workers, in part by limiting social mobility (Di Tella 1968: 386-387). In contrast, mining and agricultural production centers are today intensive in their use of technology, and establish labor practices that are unfavorable for group solidarity. Mining workers, for example, are often transported to the mines where they stay for several days in a row, and then return to the cities for their breaks. Even modern agribusiness in Peru shuttles in workers from distant locations and has not fostered camps or neighborhoods where bonds may give rise to unions and collective bargaining.

No single factor determined this outcome, although there is evidence that suggests that the Chilean experience influenced the decision of Peruvian entrepreneurs to embark in agribusiness.⁷¹ Nevertheless, it is an exaggeration to attribute policy continuity in Peru to an “inclusive” institutional setting, which would contrast to an “extractive” one in Bolivia and Argentina. According to Carol Wise, efforts by Peruvian governments since 2000 to be more aggressive in export promotion, rewarded by a favorable international context “shielded the Peruvian model against any economic threats” (2003: 190). Wise was wildly optimistic regarding the intentions of the ruling class, who she thought were adopting a “competitive strategy” that combined “sound macroeconomic management with strategic institutional interventions and human-capital upgrading” (2003: 236). The reality was that efforts by Peruvian governments to boost labor productivity were minimal, and efforts to strengthen the institutional framework were altogether inexistent. Peru’s paradox is evident

⁷¹ Interview with Miguel Bailetti. Piura, October 2015.

in the elements that make up indices such as the Global Competitiveness Report. In the 2013-2014 edition, for instance, the country was ranked in 61st place, which is above average for the region. While the country's very strong macroeconomic performance put it in the 20th place overall, and it received high marks for efficiency in financial, goods, and labor markets, Peru ranked 124th in terms of the robustness of its public institutions, 107th in government efficiency and 109th in fighting corruption. The stark contrast is revealing of the chasm between the economic and the political institutions in the country (GCR 2013: 13)

THEORETICAL ISSUES AND AVENUES FOR FURTHER RESEARCH

Reform sustainability

What can the Latin American experience teach us about trade policy and its sustainability over time? First, the evidence from Argentina suggests that governments must go beyond neutralizing the losers or empowering the winners, as has been usually recommended. In Argentina, market reforms were implemented in the early 1990s by a party (Peronismo) that had historical ties to the working class and had trade unions as one of its major constituencies. President Menem's strategy to pass reforms that were anathema to its base was to invite business holdings with exporting interests to be part of the government ("empowering winners"), while coopting and dividing the labor movement ("neutralizing losers") (Acuña et al. 2007). On the cooptation side, there were some areas of the economy where heavily regulated labor markets persisted (Bambaci, Saront, and Tommasi 2002), or where labor unions and workers were compensated, giving them

participation in funds and firms outside of their sector, or creating employment programs (temporary state jobs) (Etchemendy 2001, 2011). With respect to weakening and dividing labor, unions were the target of legislation that undermined their sources of power. Decrees were passed “restricting the right to strike, decentralizing collective bargaining, limiting wage hikes, and flexibilizing hiring and firing practices in the private sector” (Gibson 1997: 358). Ultimately, however, as described in Chapters 4 and 5, losers managed to emerge from a different setting (not the factory, but the neighborhood) and multiply (in the absence of alternatives to cash transfers or state jobs) to challenge the foundations of reforms. One of the lessons that emerges from this discussion then is that reform sustainability cannot hinge on the same factors that favored its adoption in the first place.

Second, an alternative voiced in the literature on international organizations and regimes is that governments should bind their economic policy through international agreements. In this view, trade agreements not only reward exporters with access to new markets, they also represent a costly signal for governments who cannot easily withdraw from them. Tussie and Heidrich defend the reluctance of Brazil and Argentina to participate in trade agreements, which was strong during the years in which the US promoted the FTAA, on the grounds of the size of their economies and domestic markets (2008: 52). For Bolivia, neither explanation seems to apply. The cost of renouncing an established trade agreement with the US (the ATPDEA) was apparently negligible for Evo Morales’ government. Domestic considerations weighed heavily in this decision, given the ties of the administration to the cocalero movement, the target of the drug eradication programs sponsored by the US. Yet, the weakness of exporters with vested interests in free trade also

facilitated that decision. This indicates that international trade agreement only loosely tie the hands of governments unless they have a domestic interest group benefitting from an international agreement.

Third, some authors have also praised the role of technocrats, a “handful of heroes” (Harberger 1993), in deflecting organized pressure for protection. Market reforms in Latin America were often zealously guarded by a powerful technocratic body that monopolized macroeconomic decisions. The appointment of “larger-than-life economic ministers” like Domingo Cavallo in Argentina or Pedro Pablo Kuczynski in Peru was taken as a sign of good will and insurance to volatile investors (Campello 2015, Kaplan 2013). Under the strategic direction of this group of actors, who were characterized by a penchant for fiscal orthodoxy and austerity, Argentina, Bolivia and Peru all followed a relatively similar approach in terms of preserving the stability of the neoliberal regime. In order to avoid social unrest, they sought to compensate sectors of the population that were affected by trade and market reforms, mainly through conditional cash transfer programs and social expenditures, while maintaining fiscal discipline to avoid inflation. In that way, Latin American governments hoped to avoid “pot-banging popular protests” associated with orthodoxy and austerity (Kaplan 2013: 18).

However, outcomes in Peru, on the one hand, and Argentina and Bolivia on the other, suggest that this strategy did not pay off for the technocrats in power. In Peru, where there has been no discernible change in the way the economy is managed since the early 1990s, social expenditures have not increased in the last few decades and are in fact way below the average in Latin America. By contrast, in Argentina and Bolivia, social

expenditures and conditional cash transfers increased to the point that fiscal orthodoxy was abandoned. While Néstor Kirchner showed, initially, a “rigid commitment to fiscal discipline” (Kaplan 2013: 2), he also took advantage of the export taxes on agricultural commodities and hydrocarbons imposed, as an emergency measure, by the previous administration. The next government, led by Kirchner’s wife, Cristina Fernández could only keep a balanced budget and the pot-banging at a low volume thanks to a controversial increase in export taxes, further alienating the external-oriented sector. The growing demands for monetary transfers from people in the popular, urban sectors who were unable to find a job, could not be reconciled with the fiscal orthodoxy described above. In a similar vein, the administration of Evo Morales was able to take pride in Bolivia’s “recurring budget surpluses, prudent fiscal attitude...responsible fiscal management and defeating inflation” (in the words of Luis Arce, Bolivia’s Minister of Economics, quoted in Kaplan 2013: 13), because it had nationalized the hydrocarbon sector, giving the government access to a seemingly endless source of revenue. Consequently, governments in Bolivia and Argentina cashed in their cash cows (almost literally), in order to transfer resources to vocal, urban sectors without drifting away from fiscal orthodoxy (at least at the beginning, in the case of Argentina).

Drawing from the experience of Argentina, Bolivia, and Peru, it would appear that the better recipe for reform sustainability is to include as many people as possible in the process. Not as passive consumers, but as income earners. As Graham presciently argued, “the poor in the region – the majority of the population – must believe that they have a direct stake in market-led growth” (1997: 10). As I have shown, although free trade has

significantly improved the economies of Latin America, and is probably responsible for the high rates of growth experienced since the early 2000s, the aggregate gains tend to hide large discrepancies between winners and losers. Unless the gains from globalization are more evenly distributed, and booming sectors incorporate larger sectors of the population into the market model, the fate of reforms will remain precarious and subject to reversals. There is no clearer example than the contrast between agribusiness and mining in Peru. Even under questionable hiring practices, favored by a flexible legislation, the impact of export agriculture in terms of job creation and economic spillovers has created stable support for free trade, while astronomical revenues from the mining sector have not trickled down to local economies and, as a result, have created resistance among the population. In a way, the fate of reforms is strongly linked to the ability of the model to absorb labor, including workers from previously protected sectors. In that sense, Bolivia and Argentina had a bigger hurdle to clear given that they had a smaller labor-intensive sector and a large population caught in transitional unemployment. Rather than providing state compensation or temporary work programs for unemployed workers, an alternative for these governments would have been to invest further in their labor-intensive export sectors, which they did not do.

In countries such as Peru and Bolivia where the backlash seemed to originate in rural areas (either because experienced actors got their start in primary sector organizations, or because rural agrarian producers mobilized against free trade) having allies in urban areas was key for the success of protectionist coalitions. Part of the success of Morales's MAS party hinged on the construction of a strong rural-urban coalition (Anria 2013), which

successfully represented the interests of cocaleros, for instance, even despite its strong ethnic identity. The MAS's "ethnopoliticism" (Madrid 2012) allowed it to combine an ethnic discourse with broader class appeals and attract rural and urban voters. In stark contrast, cocaleros in Peru were never able to add other actors to their struggle, and rural interests in general have found no echo in urban areas of the country (Van Cott 2005). Although the role and strength of ethnic identities and movements is not part of my discussion, it is clear that rural and urban areas in Peru were out of sync. In Peru, urban areas were not ready to reject neoliberalism and free trade so easily.

In sum, the key condition behind support for or opposition to free trade is the capacity of a country to absorb the transition losses from opening its economy. In Peru, the availability of jobs in labor-intensive sectors (agribusiness) eased this transition. Many agricultural producers who could have been devastated by cheaper competition (sugar, rice, cotton) had already moved as workers into booming export sectors, selling their land in their way out. By contrast, opportunities in Argentina were lacking. The main Argentine exports were capital or land intensive, and industrial, leaving unionized workers from the ISI era without many options. In Bolivia, miners from state owned companies relocated to coca-growing areas (Chapare), which was in direct challenge to the ATPDEA, or they moved to El Alto, as service or informal sector workers. In either case, they had no interest in seeing a Free Trade Agreement with the US. Peru's relatively positive experience with free trade, at least in contrast to that of Bolivia and Argentina, suggests that there might be a "kinder, gentler" solution to the upheaval caused by globalization, one in which labor-intensive activities cushion the distributional effects of trade liberalization.

State and society in Latin America

The role of technocrats is related to the character of the Latin American state and its degree of autonomy from social forces and interest groups. Neoliberal reforms allowed a few technocrats to manage and reduce the size of the state. Bloated public companies were drastically reduced via privatizations, and trade reform contributed by delegating export responsibilities to the private sector and cutting subsidies to protected sectors. The corporatist structure of the 20th century came crumbling down, including political parties, and a handful of actors took charge behind closed doors. While some have equated this with state capture (Crabtree and Durand 2017), the truth is that market reforms represented a drastic re-orientation of the economy that was upheld as long as it provided some benefits, especially after the devastating crises of the 1980s. Starting in the year 2000, the model came under scrutiny in many countries, and control of the state changed hands again. As Vergara has argued, the Latin American state is not an impartial arbitrator above societal interests, nor is it the organizing committee of the ruling class, but rather it is a porous space that can be influenced by different social groups (2015: 228).

Although I have not devoted much space to the ‘supply side’ of trade policy, there seems to be more similarities than differences across my cases in that regard. In Bolivia, Gray Molina has argued that there is a “tug of war between state and society, in which neither is able to dominate the other, and where mobilizations and organized protests are structural characteristics of the state and institutional development in the Bolivian society” (2008: 124). Admittedly, in Argentina the pull from society appears stronger, and the state sometimes “dances to the beat of societal forces”, as in a “battlefield”, where different

interest groups alternate power (Germano 2005: 77). By contrast, in Peru the state side of the rope has dominated, but due to the weakness or fragmentation of society rather than state autonomy. Moreover, given its chronic institutional weaknesses, it is rather surprising to observe continuity in Peru, where with little variation, neoliberal policies have ruled since 1990, an eternity in Peruvian times.

Overall, social forces in Latin America managed to reorganize under different banners a few years after the reforms. Winners have benefitted from exceptional favorable market conditions. There are also mechanisms of reproduction that have underpinned neoliberalism. Trade openness has distributional effects that tend to generate positive feedback over time, through institutional and political mechanisms. Economic gains generate political influence, and sectors with economic losers “suffer a decline in their political clout” (Weyland 2004a: 302). In the case of Peru, the development of agribusiness on the coast has been aided by a flexible labor regime and the decision by the state to look the other way in the face of anti-labor activities by these corporations. Facing obvious structural barriers (seasonality, mainly), unions have had a hard time organizing workers in this sector. On the few occasions that workers have tried to act collectively, they have been quashed by large corporations with the tacit consent of the state.

The Political Economy of Trade and Democratic Regimes

One last promising avenue of research is suggested by the recent political trajectory of Argentina, Bolivia, and Peru. There are striking similarities between this current development model and previous ones in Latin America history. Of course, the expansion of political and civil rights has changed the relationship between labor and capital. Until

the 1980s and the third wave of democratization, free trade was often upheld by force against the interests of urban sectors. As Sachs and Warner have argued, Latin American democracies in the second half of the 20th century were often protectionist, in response to the pressure of urban workers, while military and authoritarian governments often defended the interests of landowners and mineowners (1995: 21). In the 1970s, Chile was a forerunner in the adoption of neoliberal economic policies but under the auspices of a military dictatorship that could guarantee its maintenance. In fact, for many years it was the “conventional wisdom” (Geddes 1999) to argue that there was an incompatibility between economic and political liberalization.

Initially, neoliberalism “weakened the organizational infrastructure of democracy,” and fragmented and atomized social actors (Weyland 2004b: 147; Kurtz 2004a), but the populist reaction that followed in countries such as Argentina and Bolivia started to undermine democracy from the top down. Néstor Kirchner’s premature death in October 2010 interrupted a political project that he and his wife, Cristina Fernández, were looking to establish in Argentina. Evo Morales, meanwhile, has not stepped down since he was first elected in 2005, consolidating his hold over Bolivian politics with illiberal tendencies.

If democracy stumbled in Argentina and Bolivia, it has not been any better in Peru, where the unresponsiveness of elected officials to important sectors of the population threatens to undermine mass support for democracy and prolong the country’s lengthy disaffection with political institutions and actors. Despite the long uninterrupted period of political stability since the fall of Fujimori, the administrations of Toledo (2001-2006), García (2006-2011), and Humala have governed on “automatic pilot,” enabled by the

favorable international context and steady flow of commodity revenue. However, the relative economic success of the country, which has even been dubbed the “Peruvian miracle” has not been kind to its presidents. Every president after Fujimori has faced dwindling approval rates, usually in the teens, and in some cases, reaching single digits. This, despite the extraordinary rates of growth experienced by the country. No public institution really escapes from this popular disenchantment, which represent the lowest levels of support in the region. Cotler attributes this to the public perception that presidents have ruled on behalf of elites in Lima and foreign capital, and against the interests and demands of the general population (2008: 391). The disenchantment of the population with an unresponsive political elite may undermine the legitimacy of the democratic regime, perhaps at a different rate and further down the road.

The idea that the economy was immune to the dysfunctionality of a volatile political system has only recently been challenged by an electoral outcome that produced a divided government, and the ultimate fall of Pedro Pablo Kuczynski as president after less than two years in office. And yet, nothing really changed in Peru, certainly not the free market orientation and its open trade policies.

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