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THE INFLUENCE OF OWNERSHIP STRUCTURES ON SOCIO-ECOLOGICAL CONFLICTS IN THE PERUVIAN MINING SECTOR

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DECLARATION:

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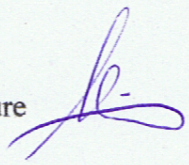
Your name Stefan Nentwig Your signature  Date 12.10.2016

The Influence of Ownership Structures on Socio-Ecological Conflicts in the Peruvian Mining Sector

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ABSTRACT

The analysis of ownership structures as aspect in the relationship of natural resources and intrastate conflicts is a relatively new field of study. This thesis contributes to this debate, by analyzing the case of Peru with its specific socio-environmental conflicts. Based on comprehensive literature, a logistic regression model will be applied in order to account for the specific effects of different patterns of ownership. With the distinction between local and national private actors, a new approach is offered. The results suggest that local ownership significantly decreases the likelihood of civil conflict, while foreign ownership increases it. However both statistical evidence and the conducted case study of the La Bambas mine suggest, that the relationship is more complex than originally expected.

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Introduction

„*Under the current social and political environment, the Company does not anticipate being able to develop Conga for the foreseeable future*“[1]. This short sentence that could be interpreted as a sign of permanent stopping, is only the latest episode of disruptions of the $5 Million Project of Newmont Mining corporation in the Cajamarca Region of Northern Peru. Newmont is the world's second largest gold miner, with 37 mines and 59 exploration projects in 10 countries, and the company has been investing in the exploration of the project since two decades[2]. The company itself expects Conga to be able to produce 680.000 ounces of gold and 235 million pounds of copper in the first year of production. Currently, Newmont holds the majority of shares (51.35%) of the operating Pervuian company *Minera Yanacocha*, with the rest of the shares distributed between large Peruvian miner *Buenaventura* (43.65%) and the International Finance Corporation (5%) of the World Bank Group.

What caused the stoppage of this mega-project? As the phrasing of the introducing quote indicates, the social environment has played a crucial role: Citizens and local communities of the neighboring regions have addressed their concerns regarding the project since it was publicly announced in 2010. The local population feared substantial negative impacts on their lives, if the project will be established. As Máxima Acuña de Chaupe, a local farmer who became the face of the protest

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[1] *https://www.sec.gov/Archives/edgar/data/1164727/000155837016003258/nem-20151231x10k.htm (accessed 06.09.2016).*

[2] *http://www.mining.com/community-opposition-forces-newmont-abandon-conga-project-peru/ (accessed 06.09.2016).*
All other information on the Conga mine is retrieved from the INFOMINE database

movement, states: „*[…] our way of life, and the clean water we need to sustain it, is more important to us, than Newmont's new gold mine ever could be. We know from Newmont's Yanacocha mine that, […] we can't have both the mine and our way of life.*"[3].

Since 2010 protests have pivoted around these two aspects: protection of the environment and retention of the chosen way of life. Between then and now, the conflict has occurred in different fashions. Early on, Minera Yanacocha tried to ease tensions by forwarding a concept of civic participation. Yet, during the course of the next years violence was used by both protesters and mining securities, resulting inter alias in a state of emergency being proclaimed in November 2011. Mining operations were repeatedly and perpetually halted, until the company set a preliminary stopping point in this year's April.

Recently, Newmont has announced that it still intends to develop the project, but is prepared to wait with further operations until external experts employed by the government of Peru have concluded their analysis of the environmental impact assessment of the Conga project[4]. As there is no prospect of an end for the Conga mine, there appears to be also no end for the protests around it.

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[3] *http://us7.campaign-archive1.com/?u=8f98b851e94f659be52c775d5&id=a57f26fd09&e=449559953c (acessed 06.09.2016)*

[4] *http://www.bloomberg.com/news/articles/2012-02-28/newmont-says-it-s-too-early-to-say-whether-conga-will-proceed (accessed 06.09.2016).*

This tale of the Conga project is only one exemplary (though comparatively large) case, of many similar conflicts in contemporary Peru. According to the *Defensoría del Perú* - a governmental institution best described as an equivalent to an *Ombudsman* - there have been 211 conflicts in Peru in July 2016, 154 of these active, the rest latent. 78.6% of the active conflicts involve socio-environmental issues and 62.0% are concerning issues related to mining. Most cases are constituted by local communities demanding either the stoppage of mining operations or the payment of compensations, due to the ecological and social costs that mining brings with it (or is expected to bring). There are other conflicts regarding mining, such as classical labor conflicts or a wide-spread issue of illegal mining, however the socio-environmental dimension constitutes the vast majority.

The topic of mining-related socio-environmental conflicts is relevant for at least two streams of literature. *First,* it serves as a special example for the negative impacts that natural resources can have on a country - including its security. In this regard the Peruvian case is part of the resource curse literature. Latin American has often been regarded as an exception of many rules that this approach implies, as none-withstanding resource abundance and dependence, it has not experienced the same economic struggles and political draw-backs, that other comparable countries in the world had (cf. Ross 2015: 111ff.). With respect to conflict, the pattern is less clear: Large-scale wars over resources are no feature of contemporary Latin America. In fact the conflicts in contemporary Peru do not even meet the standards of most

standard measurements of intrastate conflicts[5]. Especially striking is the absence of secessionist wars, in spite of a relatively large and poor indigenous population

Lowering the threshold, Peru appears to have the striking number of conflicts mentioned in the penultimate paragraph. The case of Peru becomes even more remarkable when one includes the fact, that economically and politically Perú has been a relatively stable country in Latin America since the re-democratization in the 2000s.

The *second* school of thought that the Peruvian case is relative for, is the one of Contentious Politics as a (often) low-scale expression of discontent through various forms of protest. This notion incorporates the importance of locality, as politics of contention rarely include large-scale nation-wide conflicts, but rather low-scale regional conflicts. The aspects of *the local* play a decisive role in the Peruvian Case. Contentious politics can conceivably offer a social explanation, why Peru except economical stability and growth, continues to experience resource-related conflicts.

This paper approaches this two dimensions of the Peruvian case, by structurally analyzing mine-related socio-environmental conflicts between 2006 and 2016 on the basis of federal districts. Moreover the given work is set to contribute to the relatively new debate on the influence of ownership over natural resources on the likelihood of conflict. Most research on the resource curse's effect on civil conflict

[5] *For the sake of readableness, I will refer to intrastate conflicts, civic conflicts and conflicts interchangeably. In case that I will speak about different types of conflict, I shall indicate that when doing so.*

has taken state ownership for granted. This may be understandable for the case of hydrocarbons where state ownership appears to be the dominant pattern, but with regard to mining the situation is different: Mining concessions are owned by public actors as well as domestic and foreign private actors.

Focussing on the local socio-environmental conflicts, the relevance of ownership is evident: As companies and their actions are the direct recipients of actions of discontent, they become a *new* actor in the conflict's structure. However, the more important aspect is the following: If we expect different groups of owners to differ regarding their capacities and behavior, and if we expect affected actors to have different perceptions of the owners and act accordingly to them, we can expect that different ownership patterns will influence the likelihood of conflict differently.

Thus, this paper aims at bringing the question of ownership patterns into both the general debate on natural resources and conflict and into the debate on contentious politics. Peru was chosen as a case of concern because of both its special structure and the availability of information for alle relevant aspects.

The first part shall give a brief overview over the debate of the natural resource curse and conflict, as well as introducing existing approaches to the question of ownership in this context. Hereupon I reflect on the history of mining in Peru with special regard to the implications that certain watersheds had for today's conflicts and institutional conditions. Based on this foundation, the third analytical part analyzes relevant Peruvian conflicts in recent history and provides an overview over the

literature that has dealt with one or many examples. A short introduction of first evidence on the role of ownership in Peru's conflicts will terminate the first part.

The second part will then offer a two-fold approach. *First,* a framework of ownership patterns in the Peruvian conflict structure will be established, on which a logistic regression will be performed. Based on the results, a typical case will be identified to further investigate certain mechanisms and provide incentives for further analysis. A debate on the results and the challenges for the studies of Peru's conflict structures and in general of ownership patterns and civil conflict in general will conclude this paper.

2 Resources and Conflicts

This study is situated in the complex that deals with the question how natural resources can be linked to conflict. For reasons of clarity and comprehensibility, I will now only briefly introduce the core arguments and theories of this broad field of study. The second part of this chapter shall shed closer light on the relatively new research that deals with questions of ownership.

2.1 Theoretical Background

The connection between natural resources and intrastate conflicts is one of the most prominent fields of research in international peace and conflict studies and has produced a wide range of theory and academical output. Scholars in this regard have pointed to both direct and indirect causal mechanisms that provide explanations for the question at hand.

One of the most ground-breaking studies on potential *direct* effects of natural resources has been the the work of Collier and Hoeffler (1998). Conducting a cross-section analysis they come to the conclusion that the incentive to initiate civil conflicts is strongly influenced by the potential of economic gains through rebellions The abundance of natural resources (measured through the ratio of primary commodity exports to GDP) functions as a catalyst which produces a curvilinear effect on onset and duration of conflicts (ibid). Based on this logic the concept of the

Greedy Rebels Mechanism was introduced. Within this context, civil conflict is seen as the result of a rational-choice decision, based on the opportunity to enrich oneself through the act of rebellion (Collier & Hoeffler 2004). Natural resources are thus the incentive to conduct rebellions as quasi-criminal exploitation and function as the actual motivation to stir conflict.

Non-surprisingly these assumptions have led to both various amendments and criticisms, which will be thematized in the end of this chapter.

The most important approaches towards potential *indirect* influences on natural resources on conflict can be derived from the natural resource curse literature, which revolves around the economical impact that these resources have: During the 1980s ecological wisdom suggested that abundance of natural resources within a certain country is beneficial for both the given countries economic performance and thus its internal stability (cf. Nurkse 1953, Rostow 1960). During the 1990s a broad number of studies have reversed this idea of an exclusively positive impact of resource abundance and linked it to more negative outcomes. The most prominent and influential theory with this regard is the notion of the *resource curse*. Faced with developmental evidence after the second world war, scholars like Auty (1994), Gylfason et al. (1999) and Sachs & Warner (1995a, 1999 2001) attributed resource abundance to slow economical growth, which the latter backed with a series of cross sectional analyses.

From this basic assumption, numerous implications of both political and economic nature can be drawn: Economies of resource-rich countries are connected with: mechanisms of the famous *Dutch Disease* (cf. Ross: 2012: 47ff.), volatility of income and macroeconomic instablitiy through the focus on exports (ibid: 50ff.; cf. Miguel et al 2004; van der Ploeg & Poelhekke 2009), and poverty respective horizontal disparity (cf. Torvik 2002). In turn, governments of resource-rich countries are attributed with: tendency towards autocracy and centralisation (Ross 2001), reduced accountability and reliability through the lack of need of taxation and secrecy (cf. Ross 2012: 31f; 69f.), corruption (cf. Gylfason 2001) and finally institutional weaknesses in sectors not related to primary commodities (cf. Fearon 2005).

All these potential aspects can be used to connect this theory to civil conflict or even to the above mentioned direct mechanism. Ross (2012: 148f.) argues, that the opportunity costs of joining a rebellion or conflict are lowest, when a country is underperforming economically. Adding up to this, the combination of resource abundance and economic disparities can lead to separation tendencies within the population of that region, in which the given resource is allocated (ibid.: 164ff.). The political component of poor institutional performance has likewise been identified as working in the same direction, as countries with weak structures are less likely to effectively cope with rebellious movements both before the start of a rebellion and during the course of combats (Hegre et al. 2001, cf. Schneider & Wiesehomeier 2008). Combining these two dimensions, a weak state with large income from

natural resource within a underperforming economy can be seen as a *great prize* for potential rebels.

These direct and indirect explanations for the positive impact of natural resources on the likelihood are self-evidently only the most basic explanations and they have been both augmented, criticized and combined with other streams of literature. Some scholars have contested the core of both theories, that it is abundance that increases the likelihood of conflict, by either advocating for resource scarcity as decisive condition (e.g. Hom.er-Dixon 1999) or suggesting that the causal mechanism works in the opposite direction (Brunnschweiler & Bulte 2009: 655f.). Other scholars have criticized the use of definitions and specifications: Basedau & Lay (2009) point out, that resource abundance has been often falsely used interchangeably with resource dependence (760). According to them the mere existence of resource and their abundance has a rather pacifying effect, by giving governments the capabilities to finance repressive measures against rebels, while it is actually resource dependence that increases the likelihood of conflict by destabilizing governments (ibid). The differentiation between abundance and dependence and their respective definition has also been discussed by scholars such as De Soysa (2002).

Other scholars have pointed to specific contextual conditions that either define or alter the effect of natural resources. With respect to the constitution of the resource itself, authors have adverted to the aspects of *lootability.* According to this idea, the impact that a natural resource has on the likelihood of civil conflict heavily depends on its condition: The strength of the mechanism hereby depends on the type of the

resource at hand; a resource that can be obtained, processed and consequently sold (such as secondary diamonds) should be connected to a higher risk of conflict than a resource which requires extensive mining with technical equipment (Lujala et al 2005: 543ff., cf. Le Billon 2001). Another field of discussion has been been the influence of the geographical location and distribution of the resource itself as well as rebels access to it (Lujala 2010: 17f.). Le Billon (2001) differentiates between the nature of a resource (point versus diffuse) and its geography (proximate versus distant) and relates these factors to the type of conflict (573, cf. Lujala et al 2005: 543). And finally, there has been a broad band of research on specific resources, their influence and the conditions in which their influence changes - most notably the debate on on-shore and off-shore oil (Ross 2012: 162f.).

Finally there have been different approaches that have been connected to the logic of natural resources: Theories on ethnic grievances (Collier & Hoeffler 1999, Sambanis 2001), ethnic polarization (Esteban & Ray 1994), democracy and regime types (Hegre et al 2001), insurgency (Fearon & Laitin 2001), prior wars (Brunnschweiler & Bulte 2009) pose both alternative explanations and potential for combination or even merging: for example ethnic grievances can either be instrumentalized in order to start a rebellion with the goal of gaining control over natural resources or the negativ impact of natural resources can intensify existing grievances (cf. Humphreys 2005: 511ff.).

Vice versa the income of natural resources can be used as a *feasibility mechanism* to finance rebellions with other causes (ibid: 512). Aside the question of conflict

outbreak, studies have also dealt with questions on conflict duration (Collier et al. 2004, Fearon 2004) or intensity / severity (Lujala 2009). Hegre & Sambanis (2006), Humphreys (2005), Ross (2004) offer comprehensive overviews of the foundations of this field.

2.2 Resource Ownership

All the above approaches share one common aspect: Most fights are fought in order to gain or keep control of a certain resource for different purposes. Or as Buckles & Rusnack (1999: 1) formulate it: „pitting those who own the resource against those who own nothing but whose work makes the resource productive."

The first half of this quote leads to a central question of this paper: Who owns the natural resources at hand? For most literature I have discussed in the previous section, the answer to this question is predetermined: The state. One key aspect that lead to this presumption was the historical reality of the 1960s and 1970s when a *wave of nationalizations* hit the developing world (Ross 2012: 39). There are at least two broad explanations for this trend, which was especially evident in the oil extraction sector - a social one and an economic one.

The *social* one stresses the rise of *nationalist sentiments* following the process of decolonization, which in turn made nationalization of relevant economic sectors a political priority for many governments in the developing world. The *economic* explanation build upon basic aspects of the resource curse literature, assuming that

the government has an economic interest of controlling the large income to be generated by export of natural resources and is often the only actor with sufficient capacities to conduct the process-chain of resource extraction, processing and selling (cf. Karl 1997). Luong and Weinthal (2006: 244) conclude, that „*ownership structure has heretofore been viewed as a constant rather then a variable*".

Yet, as the authors also stress, this assumption of governmental control does not meet the empiric reality, as countries like Canada, Australia or Peru have majorly privatized their natural resource sector and one can identify at least two dimensions of ownership structures of natural resource concessions: Private/Public and Domestic/Foreign. With that regard, natural ownership can be owned by (a) the national government in form of nationalized companies, (b) domestic private companies, (c) foreign private companies (and/or foreign governments), (d) combinations of a, b and c.

Luong & Weinthal (2006) discuss this matter in reference to the respective business-state relationship and institutional outcome. Therefore they develop four categories based on the majority structure within a company: *state ownership with control, state ownership without control, private domestic ownership,* and *private foreign ownership* (Luong & Weinthal 2006: 244f.). The difference between the first two categories, lies in the potential for foreign participation - state ownership with control is marked by a more limited participation potential. Table 1 shall introduce this model.

Table 1: Ownership structures according to Luong and Weinthal

	Primary Actors	Business-State Relationship	Incentives for building institutions	Institutional Outcome
State ownership *(with control)*	state elites + bureaucrats	blurred + symmetrical	converge	weak
State ownership *(without control)*	state elites + foreign investors	clear + asymmertrical	diverge	hybrid
Private Domestic Ownership	state elites + domestic owners	clear + symmetrical	converge	strong
Private Foreign Ownership	state elites + foreign investors	clear + asymmetrical	diverge	hybrid

Source: Luong & Weinthal (2006: 247; own depiction)

Van der Ploeg & Rohner (2012) have presented a broad framework on conflict behavior and resource extraction, which also partially focusses on the different outcomes of private and public ownership as well as the relationship of extraction companies and the state: According to the authors, the question whether private or public ownership is more applicable, depends on the level of threat, as private ownership needs both strong governmental defense commitments and the office rents are large (Van der Ploeg & Rohner 2012: 1726.).

Schneider et al. (2013:5) point to a similar aspect, as private companies also depend on the respective government's commitment to negotiated terms of extraction and taxation. In a second step, this feeling of uncertainty is linked to behavior of private

companies (e.g. rapid extraction in order to preempt the loss of concession, less concern for sustainability, etc.) that can extend grievances among the local population. Based on this direct mechanism, the authors assume that regions with private ownership face more violent conflict than those with state ownership or no natural resources.

In this regard, the authors also discuss potential mechanisms of the foreign/domestic dimension: „*In addition to resource-related local grievances caused by private companies […], the presence of foreign worker of firms often produce feelings of exploitation among local actors*“ (Schneider et al. 2013:5). This assumption can be related to the logic of a *liability of foreignness.* The concept of liability of foreignness steams form the literature on multinational enterprises (MNEs) and focusses on the „cost of doing business abroad“ (Zaheer 1995:346). Aside geographical and financial aspects, liability of foreignness also points to cultural costs that can arise when a company is not familiar with the foreign environment (ibid.). This in turn can again enhance the behaviors discussed in the last paragraph and increase the populations incentive to protest against the company.

In contrast to this, Bebbington (2012 :71) argues, that foreign owners do not only often have higher capacities to meet demands from workers and/or the population, but have shown to be more prone to constructive dialogue than domestic companies.

Concerning public ownership, Schneider et al. (2013: 4) suggest, that state-owned natural resources can increase and intensify political competition and feeling of

greed, which indirectly increases the likelihood of conflict. This leads to two hypotheses; one linking the impact of state-owned natural resources on the likelihood of conflict to the distribution of ethnic minorities in the region and the other attributing state ownership to economic disparities between center and periphery.

Finally, Wegenast (2016) points to the incentives to nationalize mentioned above, but also alludes to studies, that have connected public ownership with corruption and non-transparency. This once again leads back to the aspect of secrecy (cf. Ross 2012). Conducting a logistic regression for oil- and gas property rights, the author identifies that the impact of public control depends on the respective level: „*At intermediate levels, state-controlled oil and gas production fosters internal violence, while reducing the likelihood of conflict at high levels*“ (Wegenast 2016: 49).

The focus on ownership structures, conflict, and natural resources is still a relatively new one and their is still demand for numerous of both empirical and theoretical research. Currently, there is also no consent over the direction and mechanisms of potential effects. The ends of both dimensions are still associated with both positive and negative outcomes and a lot of factors only hold true for specific settings, partially reflecting the general debate on natural resources and conflict.

The discussion on ownership also alters the types of conflict inside the focus: When taking state-ownership for granted, the conflict will mostly between the state and individual or collective actors that intend to take-over control over the resources - either permanently (by overthrowing the government or conduct a secession) or temporarily (by exploiting the resources for the own cause). When converting

ownership into a variable, other forms of conflict become apparent - which leads back to the second half of the quote from Buckles & Rusnack (1999: 1) that was used in the beginning of this chapter „pitting those who own the resource against those who own nothing but whose work makes the resource productive.“.

In this regard, conflicts are not only limited to conflicts about control of the resource itself, but also open up space for conflicts that focus on the different impacts that different ownerships have on either the local population or employees of the respective company. This directly leads to the situation in Peru and the *politics of contention.* The following chapter will first give an overview on Peru’s mining and conflict history, before returning to this aspect.

3 Mining in Peru

Peru is one of the most important producers of metals worldwide, having the third highest production value in Copper, Silver, Tin and Zinc; the fourth-highest in Lead and the fifth-highest in Gold[6]. This makes the country the biggest producer of Gold, Lead, Tin and Zinc in Latin-America, and the second biggest one in Copper (first place: Chile) and Silver (first place: Mexico), with comparable rankings concerning reserves.

This chapter shall provide an overview over the Peruvian mining sector and its historical background.

3.1 Historical Background

Like many other states in Latin America, Peru has a history of mining which can be tracked back to the colonial era: After first expeditions lead by Francisco Pizarro in the first half of the 16th century revealed the mineral wealth of the now Peruvian Andes, the region was subsequently colonized and first exploitation of natural resources began under Spanish government (cf. Brading & Cross 1972). After the recognition of independence of Peru from the Kingdom of Spain in 1879, the newly founded state implemented a liberal approach to mining, which still guaranteed broad access rights for foreign companies to the Peruvian market combined with a liberal

[6] *These and the following numbers have been acquired from the 2016 Reports of the U.S. Geological Survey, obtainable via ….*

legislature on mining concessions (Singewald & Miller 1919: 846f.). Kruijt & Vellinga (1977) state that the *Código de minería* introduced in 1901 was purposely aiming at attracting foreign investment in order to foster economic progress (109).

This liberal framework was upheld during the 1950s and 1960s. As Brudenius (1972) has presented, particularly US American companies entered the Peruvian market in the 1950s, resulting in almost a threefold rise of direct investment of US companies in mining between 1950 and 1953. At that time three companies, collectively known as the *Gran Minería,* were dominating the Peruvian mining sector: Cerro de Pasco Corporation - and American company which was the major actor of the sector since the beginning of the 20th century -, and Marcona Mining and Southern Peruvian Copper Corporation, which both started gaining influence in the 1960s (Kruijt & Vellinga 1977: 97f.). These three companies where accountable for above 80% of all mining investment in Peru, a number which increases to over 90% when including de facto affiliated companies. The rest of the sector was made-up by medium-sized companies under foreign ownership and smaller domestic ones (ibid.).

For the understanding of dynamics of today's Peruvian mining sector, the case of Cerro de Pasco is striking: In the late 1960s this company was able to establish a monopoly of the procession and concentration process in Peru, forcing smaller companies to sell their dug ores at lower prices (Brudenius 1972: 193, cf. Li 2015: 40ff.). This consequently lead to economic pressures and takeovers that incorporated those smaller companies into Cerro de Pasco's structure (ibid.).

The year 1968 marks a first watershed in the Peruvian mining sector: The new military *junta* under General Velasco enforced a nationalist program in order to decrease the influence of foreign investors (Kruijt & Vellinga 1977: 110f.). During the early stage of the military government the composition and procedural system of the sector largely remained the same (only the relative shares of the three *Gran Minería* diverged), and there were shifts between protectionism and liberal instruments, but consequently the junta pursued an active role of the state, more control over foreign companies and a more restrictive legal framework (Kruijt & Vellinga 1977:110, cf. Arce 2003: 574f.). The most important developments were the nationalization of the Cerro de Pasco Corporation in 1974, which was renamed to CENTROMIN and acquired full control over the processing of mined copper ores as well as the institutionalization of governmental mining departments and institutions (ibid.; cf. Kruijt 1982: 52).

3.2 The Fujimori Era

The next turning point is marked by the presidency of Alberto Fujimori beginning in 1990. Ten years before that, the military junta was replaced by a democratically elected government, which partially re-opened the economy, but was subject to pressure by inflation, unemployment and economic downfall, as well as the insurgence by the Maoist group *Sendero Luminoso* (Shining Path) (Arce 2014: 27ff.). When Fujimori was elected in 1990 he revoked the remaining nationalist policies and introduced neo-liberal concepts, a centralization of the country as well as strict counter-insurgent measures against the terrorist group (refer to the next chapter for

more details) (ibid, cf. Arce 2008: 43). Fujimori was reelected both in 1995 and 2000, but was forced to resign in the same year as result of protest about abuse of administrative authority and corruption (Arce 2014: 28f., 2003: 575f.).

For the mining sector the era of Fujimori meant the re-privatization of companies, the successive dissolution of CENTROMIN and a return to the more open and investment-friendly taxation politics of the first half of the 20th century. This process was accompanied by strong economic growth of the Peruvian economy as a whole as well as the share of the mining industry within this process (Bebbington et al. 2008: 2889f., cf. Durand & Thorp 1998). These numbers were mirrored by similar developments in other parts of Latin America and the world, which faced comparable neoliberal policy chance and - like Peru - profited from technological progress which allowed operations at new facilities and a higher demand for mineral products, especially through the growth of the BRICS states (ibid., cf. Dougherty 2011). Arellano Yanguas (2011: 620) has referred to this period as reinforcing the influence of the private sector over the state, as the liberal tax regime was - similar to the one in the beginning of the century - consciously implemented in order to attract foreign investment. Fujimori even went so far, as to granting mining companies a say in legislation that would otherwise directly impact their taxes and conditions (ibid). As a consequence, mining investment increased fivefold in Peru during the 1990s (cf. Arce 2008: 52)

3.3 Modern Developments

This general neo-liberal impetus of Fujimori was kept up by his successors in the new millennium, as Peru continued to profit from favorable market conditions, which made it become one of the power-houses in international metal mining and trade (Arellano-Yanguas 2011: 620)

While the fiscal system remained focussed on providing favorable conditions for investors (in spite of contrasting electoral manifestos), President Toledo pushed for a decentralization program in 2002, which was implemented in order to revoke the centralization process of Fujimori's rule (Arellano-Yanguas 2011: 621f.). During the 1990s centralization has lead to a shift of capital towards the capital of Lima, which while only accounting for 31% of population concentrated 55% of GNP, 80% of private investment and 96% of fiscal revenues (Dammert 2003: 34, cited by Arellano-Yanguas 2008: 16). Still the rate of population below the poverty line lies at 24.5%, with a substantial divergence between rural (53%) and urban regions (17%) (cf. EY Peru 2015: 9). Resulting economic disparities lead to social unrest and the reform mentioned above. The new system currently includes 25 regions (*departamentos*) with 194 provinces (*provincias*) that entail 1.838 districts (*distritos*); the latter two constitute the municipal governments, while the first one represents the regional level (Aresti 2016: 4). Asides this new three-tier structure, the decentralization also provided an increase of redistributive measures, which were aimed at providing a fairer distribution of gains from mining taxation within the country (Arellano-Yanguas 2011: 621ff.).

At the heart of these measurement, the so called *canon mínero*[7] allocates revenues between regional governments and municipalities involved in the extraction process. Originally introduced in 1992 as a policy that guaranteed territories in which mining was conducted 20% of the income tax, the instrument was reformed in 2002 and 2004 in order to match the new political and federal structure: Currently 50% of the income tax is redistributed to the different federal layers (MEF 2016, cf. Arellano-Yanguas 2011: 622). The specific distribution is the following:

(1) 40% Municipalities of the department where the resource is extracted,

(2) 25% Regional Government (one fifth of these shares go to universities),

(3) 25% Municipalities of the province, where the resource is extracted,

(4) 10%: District municipality in which the resource is extracted.

Adding royalties and a smaller instrument called the *derecho a vigencia* (sub-surface fee), around 60.3% of the revenue from the mining sector gets redistributed to sub-national levels of governments (cf. Aresti 2016: 5).

A second reform aspect was the risen impetus on civic participation. Aside general political measures, the increased focus on participation in mining issues is noteworthy: In 2001 the Environmental Impact Assessment (*estudio de impacto ambietal*, EIA), an institution which was already established in the 1990s, became a

[7] *For a comprehensive list of Peruvian legislation regarding mining regulations between 1979 and 2014 see Aresti (2016).*

mandatory part of mining operations, that was installed in order to weigh economic and environmental interests (cf. Jaskoski 2014).

Veltmeyer (2012) has referred to this progress since the 1990s as the „*reprimarization of Latin America's economies"*, which practically has retrieved the liberal, investor-friendly regime before the nationalization of the economy in the late 1960s. Since 1991 the Peruvian GDP has continuously grown, with only a slight set-back during the American financial crises 2008/2009, resulting in more than a duplex of the value between 1991 and 2015.

3.4 Current Situation

Despite a decline of investment since 2013, the Peruvian mining sector grew by 15.5% in 2015, while the hydrocarbon sector decreased by -11.5%. For the whole resource sector this resulted in an increase of 9.3% which is above the ten year average of 3.3 % (EY Peru 2015: 25). Table 2 shows the production values of 2015 as well as values from 2014 and 2006 for comparison.

With these numbers, the mining sector made up around 12% of Peru's GDP in 2014; this means a slight decrease from 16% in 2004 (Aresti 2016: 8). Based on these values, mining exports make up for 55.2% of all exports of the Peruvian economy, with China, the United States of America, Canada and Japan as the major trade-partners (EY Peru 2015: 11). Mining exports also see a slight decrease since 2011 as

prices sunk recently. About a fourth of Foreign Direct Investment conducted in Peru was focussed on the mining sector (ProInversión 2016).

Table 2: Production of primary commodities in Peru in 2006, 2014, and 2015

	2006	2014	2015
Production of Copper *(Thousand fine metric tons)*	876	1.294	1.628
Production of Gold *(Thousand troy ounces)*	6.521	4.504	4.663
Production of Lead *(Thousand fine metric tons)*	313	277	316
Production of Silver *(Thousand fine troy ounces)*	112	121	132
Production of Zinc *(Thousand fine metric tons)*	1.203	1.315	1.4222

Source: EY 2015; own depiction.

With these numbers, the mining sector made up around 12% of Peru's GDP in 2014; this means a slight decrease from 16% in 2004 (Aresti 2016: 8). Based on these values, mining exports make up for 55.2% of all exports of the Peruvian economy, with China, the United States of America, Canada and Japan as the major trade-partners (EY Peru 2015: 11). Mining exports also see a slight decrease since 2011 as prices sunk recently. About a fourth of Foreign Direct Investment conducted in Peru was focussed on the mining sector (ProInversión 2016).

The Peruvian Mining sector remains to be highly diversified, with at least three major groups of actors in ownership of mining properties: (1) Major international companies such as Glencore or Hochschild, (2) Large national companies, (3) Minor and Medium-Sized Local Companies. 50% of the mining production is controlled by five firms (Antamina, Southern Peru, Cerro Verde, Yanacocha, Barrick), 30% by 15 large- and medium-sized firms, and 15% of 270 small firms (Aresti 2016: 9). The distribution of international companies is rather diversified, with mining companies from over 1.000 countries involved in the sector (EY Peru 2015: 35).

Finally, Peruvian remains to have a comparatively high Investment Grade Rating, the lowest inflation estimation and the second highest estimation rate within the Latin-American context (EY Peru 2015: 16f.). Peru remains a growing economy and has received satisfactory ratings from the National Resource Governance Institute in the field of institutional and legal settings (NRGI 2016).

4 Conflicts and Mining in Peru

Despite these generally positive economics outcomes und expectations, Perus has continuously faced a number of civil conflicts and uprisings, which where directly related to natural resources and mining or at least had impact on these aspects. While especially newest examples do not meet common definitions of a large-scale civil war, these conflicts still are factors of the connection between natural resources and conflicts.

Following the political watersheds of modern Peruvian political history, at least three major groups and time-frames of conflict can be identified.

4.1 The Sendero Luminoso Insurgency

The most famous conflict in Peru in recent history was without a doubt the insurgency of the *Sendero Luminoso* (SL) between 1980 and 1993[8]. Originally the Sendero Luminoso was a Maoist student organization, in the city of Ayacucho that was build around initiatives to both improve the situation of population in rural periphery and to overthrow the given governmental structure. For this purpose the SL began establishing an para-military structure and instead of participating in the newly established democracy in 1980, decided to go under-ground and declared war on the

[8] *For extensive information on the Sendero Luminoso, its origins, and implication for the Peruvian security structure see McClintock (2001) or Strong (1992). For the sake of completeness it shall be noted that at the same time a second socialist terrorist group was active in Peru: The Movimiento Revolucionario Túpac Amaru (MRTA) conducted comparable terrorist attacks, with around 100 members. Yet, the MRTA did not have the long-lasting impact that Sendero Luminoso had, and will not be dealt with specifically.*

Peruvian state (Taylor 1998: 41f; cf. León 2012: 995). Using the favorable situation - weak newly established government, poverty and rough, inaccessible areas (cf. Fearon & Laitin 2001, Kent 1993), the SL initiated an insurgent rebellion in he region of Ayachucho. The following combats between rural population and governmental forces resulted in high casualties in the rural population and transported the conflict towards more regions of the country (cf. Taylor 1998: 43).
As indicated earlier, the election of Alberto Fujimori in 1990 marks the turning-point in this conflict: Before his inauguration, government's efforts to stop and push back the rebellion were largely unsuccessful, due to lacking military capacity and the economic draw-backs mentioned in the previous chapter. At that time SL controlled about 20% of the municipalities and hat around 25.000 combatants (cf. León 2012).

Fujimori consolidated the military and initiated a large-scale counter-insurgency in 1993, which quickly was able to detain rebel leaders and in such incrementally declined the groups organizational capacity and influence (ibid). While splinter groups are still active today and singular terroristic attacks continue to occur, Sendero Luminoso is not regarded as a major threat to the countries stability anymore. After the resignation of Fujimori a Truth and Reconciliation Commission was established to investigate and account for the events. According to its findings, almost 70.000 people (0.31%) of the population were killed during the rebellion, many of which of indigenous descent (cited by León 2008: 995).

For the purpose of this paper, the Sendero Luminoso has two major implications: *Firstly* the success of the rebel group to generate support among the local population,

can partially be related to two hallmarks of the mining sector: Both the focus on drawing foreign investors into the market and the experience of being underpaid and almost lawless workers under colonial rule, can bee seen as catalysts for civic participation in the rebellion. *Secondly,* the experience of strong rebellion has influenced the economic and political structure of certain regions

4.2 Indigenous Grievances

Like many other Latin American countries, Peru is ethnically heterogenous., being mostly composted by 45% Amerindian, 37% Mestizo and 15% White. Yet, as Thorp et al. 2006: 465) point out, Peru has not experienced the rise of large-scale ethnic movements or conflicts during the last century, that other comparable countries have. While existing and influencing other conflicts (see next sub-chapter), ethnicity does not play a dominant role in Peruvian politics and conflict schemes.One can attribute this fact to at least three factors: History, Geography and Politics.

Historically, during the colonial period of mining, conflicts between the new white, european rulers and owners of mining concessions and the workers, which were majorly constituted of indigenous populations were the common picture (Paredes & Thorp 2015: 3f.). Especially the Rebellion of Tupuc Amaru in 1780 can be seen as an exemplary incident, where indigenous workers rebelled against Spanish taxation and suppression and were struck back with full force, raising original ethnic grievances (Thorp et al. 2006: 466). However, these grievances where moderated by two related processes: On the one hand, the failure of the rebellion of Tupuc Amaru reduced the

influence of former indigenous elites and thus consequently facilitated the emergence of a new indigenous middle-class which oriented towards the white population and developed a sense of Peruvian national identity (ibid, cf. Flemmer & Schilling-Vacaflour 2016: 176ff.). On the other hand indigenous groups lacked of both internal cohesiveness and external links between the different indigenous groups, which prevented the formation of a common indigenous bloc (ibid.).

Ironically, the idea of Peruvian identity was fostered by an interstate war between Bolivia, Chile and Peru between 1879-83 which broke out because of competing interests over a resource abundant region and involved many indigenous fighters (cf. Ross 2015: 110).

This environment abetted other developments, such as the disappearance of certain indigenous languages and the wreaking of traditional institutions due to the rapprochement with the white population (Thorp et al. 2006: 468).

Another factor that contributed to this process is the *geographical* structure of Peru: While indigenous populations used to stay in the remote mountainous regions of the country, the new white elite reallocated the center of political and economic life to the coastal region around today's capital of Lima (Thorp & Paredes 2015: 3). Subsequently this both turned traditional indigenous settling points into areas of periphery and resulted in migration of young indigenous workers to the centre, which enforced mechanisms of assimilation (ibid.).

This explanation has close ties to *political* factors: As has been mentioned before, President Fujimori centralized the country and its institution, putting more impetus on the capital itself and less on the rural periphery. Within the political landscape, the decisive national parties are inherently constituted around class divisions, that incorporate ethnic interests, but are not build upon them (cf. Raymond & Arce 2011: 556ff.). Thus before the 200s, ethnicity was not seen as a topic to be dealt with specifically and indigenous voters were not approached individually (ibid.). An example that illustrates this absence from the indigenous factor in Peruvian politics, is the fact that national censuses have not involved questions on ethnic origin (Muñoz et al. 2007: 1931).

A slight change in this picture can be seen since the 2000s, when presidential campaigns tried to activate the indigenous voting potential since the 2000s, by actively including discussions on ethnic and indigenous questions, consequently politicizing indigenous interest. This development on the national level is mirrored by similar evidence on the sub-national level and regional politics (Raymond & Arce 2011; cf. Thorp & Paredes 2015).

Summing up, ethnicity and indigenous populations are an existing factor in contemporary Peru and it has both been connected to historical conflicts and social cleavages. However, political, geographical and historical realities have permitted that these cleavages have resulted in long-lasting outbreaks of conflicts that were specifically drawn around these factors. Yet, certain conflicts have had implications for the indigenous issue: The report of the Peruvian Truth and Reconciliation

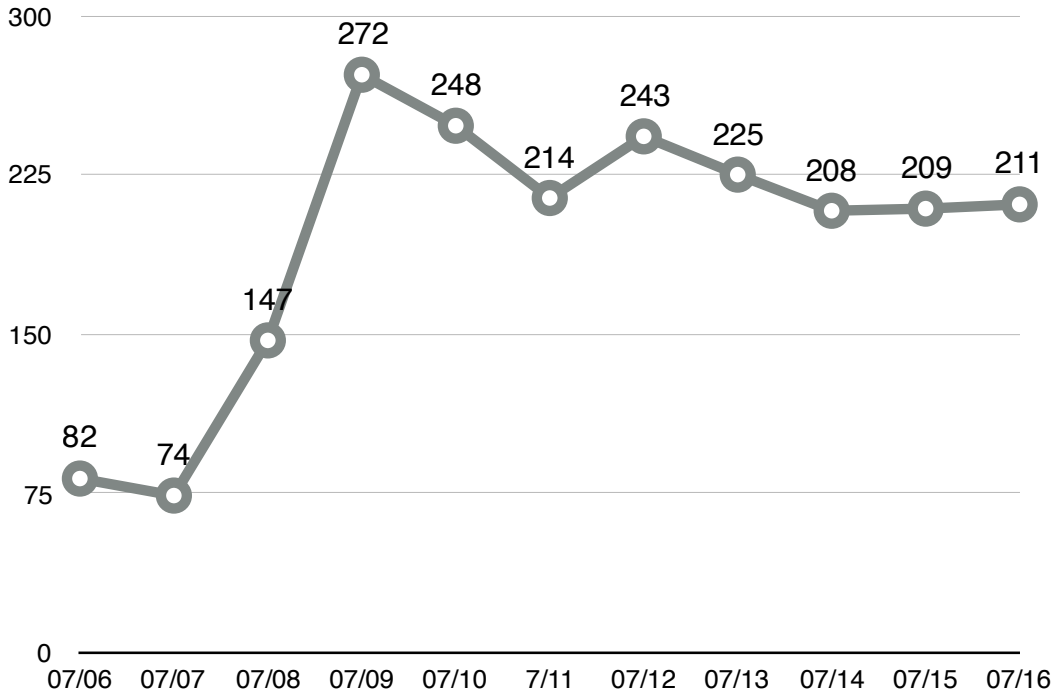
Commission (Comisión de la Verdad y de Reconcilliación) has shown that 75% of the around 70.000 victims of the Sendero Luminoso conflict have been of indigenous heritage (CVR 2003). However this number has to be read in the context, that this can partially be ascribed to the fact, that the rural periphery in which the insurgency was concentrated, was primarily inhibited by individuals of indigenous origin. This pattern is also relevant for the conflict of contemporary Peru, as they often also involve indigenous groups, however almost exclusively neither arise from ethnic grievances, nor are they formed along strict ethnic lines, but rather are expressions of contentious politics and a potential a specific resource curse.

4.3 Contentious Politics and the Local Resource Curse

In the second half of the 2000s, Peru has faced a stark increase of social conflicts: While the Peruvian Ombudsman only listed 74 conflict in 2007, the number increased more than threefold during the next two years to 274 and has since then stayed above the threshold of 200 conflicts (see. Figure 1). While the shock in 2009 can be partially attributed to the indigenous unrests mentioned before, the continuously high number is striking. A similar array of conflict has only been seen in the 1980s; yet that era was marked by both political and economic instability (see. Chapter 3.1), and thus social uprising in the sense of classical warfare were to be expected. However, as Arce (2014) points out, the 2000s were highlighted by both economic progress and political liberalization after the presidency of Alberto Fujimori.

As the reports of the Peruvian Ombudsman show, these conflicts share specific patterns: In 2016, about 69.5% of the recorded conflicts where of socio-environmental nature and 62.5% of the conflicts were related to mining activities[9] (cf. OCM 2016: 18). Another pattern is related to geographies of the conflicts: 93% of the conflicts are considered to be of regional nature (32% south, 28% north, 24% central region, 9% east), with only 6% multiregional and 1% national conflicts (ibid.). Conflicts occur in all 25 regions of Peru.

Figure 1: Social Conflicts in Peru between 2006 and 2016



Source: Denfensorá del Pueblo (div.); own depiction

[9] *Other natural resources represent the following shares. Hydrocarbons: 15.9%, Agroindustrial: 2.8%, Forestalls: 2.1%.*

Most conflicts also do not meet the standard definitions of internal struggle about natural resources: Conflicts are rarely fought between an established rebel group and the central government, but rather over impacts of the mining and processing of certain resources itself. The goals of these conflicts is neither the replacement of a government nor the direct control over a resource and while sometimes including human casualties, these conflicts mostly do not meet the typical thresholds for full-scale civic conflict. Instead most conflicts are constituted by different ways of protest from local communities and/or workers against either mining corporations or political institutions. Thus one can identify a pattern of local conflicts that are related to both mining and socio-environmental issues.

4.3.1 „The Local" and Contentious Politics

In order to analyze these patterns, one must first grasp the importance of „*the local"* The previous chapter has already shown, that aspects of geography have influenced the economic and political evolution of Peru. With regard to mining, the local aspect has a second impetus: Most direct impacts from mining affect populations living in proximity to mines - both with positive and negative effects. On the positive side these impacts include regional economic benefits such as job creation and investments into the infrastructure or local multiplier effects (Ticci & Escobal 2015: 102). On the negative side one can list economic disparities, environmental issues and pressure on existing social norms and compositions (ibid.)

One might use the concept of *contentious politics* for these patterns. According to McAdam et al. (2003: 100) the term contentious politics „*refers to all kinds of*

‚collective political struggle'" and is seen as a hypernym for different types of conflict. This broad range of conflicts are reflected in the literature on different conflicts in Peru, most of which in the form of singular or comparative case-studies. A selective list can be found in the Appendix. Apart from research on aspects of the classical research approach, one can differentiate between social, environmental, political and economic implications of these conflicts (cf. Urkidi & Walter 2011: 684).

The predominant actors of these conflicts are local communities that are situated in proximity to mining sites. Some conflicts also include workers of the mines, yet those groups often overlap. By focussing on local groups, the notion of *space* gets important. A stream of literature has introduced *space* as a concept that described how for local communities the shared environmental context has become an entity in itself that transports values and is a symbol for the cohesion of the group (cf. Kemmis 1990, Cheng et al. 2003). This notion can also help to explain, why indigenous groups are often involved in such conflicts, but ethnicity is rarely a direct component: The local aspect of the local community has become the more important issue.

4.3.2 Context

As said in the beginning of this chapter, the economic and developmental progress achieved during the 2000s, does raise the question, why such an increase of conflicts happened in that period and has sustained relatively stable since then. Some scholars

have focussed on this question and at least three general lines of thought can be identified:

First, the rise of movements has been attributed to the influence of neo-liberalism and globalization, which have been seen as factors that influenced the structure and relationship of the state and its sub-units (Kiely 2000: 1064). Globalization is identified as a factor that detangles states control over its economical system and thus decreases its capacities to address challenges appropriately (cf. Haarstad & Fløysand 2007: 291ff.). Some authors like Himley (2013) or Perrault (2006) have in this regard pointed to regulative systems, that involved more actors but were perceived as rather focussing on company interest than on social interest and are thus more likely to lead to conflict. In short neol-iberalization is seen as a potential source of economic threats and grievances within certain groups of actors (cf. Silva 2009). Dougherty (2011: 2) calls this aspect a „*resistance against a backdrop of neoliberalism"* and represents an unambiguous path out of explanation towards social justice(cf. Dupuy et al 2015: 896; Muradin et al. 2012; Szablowski 2002). As I have already pointed out, this feeling is very prevalent in Peru, especially since the re-privatization of Perus mineral sector and the return of an investor-friendly legal system.

Globalization also offers a second explanation that scholars have adverted too: Globalization is widely seen as driving forward a confluence of the world by spreading knowledge and information. Putting into the perspective of mining and local communities, this offers an internal and an external explanation. *Internally*,

local communities can advance their knowledge about the impacts of mining, through more accessible information and communication with external actors such as Non Governmental Actors or national activist group (cf. Arellano-Yanguas 2008: 25). The same channel can also improve the capacities of local communities to engage in political processes, address their issues or organize movements of contentious politics. Finally, Söderholm & Svahn (2015: 83) have added, that different communities also get enabled to share experiences and opinions with each other.

Externally, local conflicts which revolve around environmental concerns can be easier descried by the international actors, which in turn can turn towards local population to offer direct help or increase public attention and thus raise the pressure on companies to accomplish the demands of local communities (cf. Arellano-Yanguas 2008). Different scholars have pointed to cases, in which international actors have supported local communities in addressing their opinions and claim their rights (Arellano-Yanguas 2008: 629, Bebbington et al. 2008: 2901, Haarstad & Fløysand 2007: 294; cf. Szablowski 2002).

This aspect reflects also the wider worldwide attention that both general environmental issues and local impact of international mining operations have gained during the last decades (cf. Svahn & Söderholm 2015: 83).

While these two approaches are based on general assumptions on the structural impact of globalization and liberalization, other scholars like Arce (2008, 2015) have argued in favor of specific Peruvian conditions, which are especially used to explain

why the increase of such movements happened in the 2000s, while economic liberalization was conducted in Peru during the prior decade - which actually was marked by a decline in protest and comparable activities. According to this stream of literature, the „interrelationship between economic and political liberalization“ is the driving force (Arce 2008:38). Their assumptions base on the assumption, that political liberalization offer more opportunities for dissatisfied citizens to address and articulate their issues of discontent and organize movements arounds them (cf. Yashar 1998).

Arce (2014: 7) introduces a *repolitization perspective* that, basing on political process theory, applies this logic to the Peruvian case*:* As has been said, the political system under President Fujimori in the 1990s was highly centralized, with reduced checks and balances and limited participation opportunities Contrarily the succeeding government of President Toledo introduced political liberties in the form of decentralization, the resurrection of a check and balance system and more opportunities for individual and collective actors to participate in and shape the political process, as well as civic liberties of expression (Arce 2014: 45ff., cf. Arce 2008: 42ff.). Combined with a continuing polarization of the political party spectrum (cf Cotler 2011) and weak responses of the state towards existing social uprising (cf. De Echave 2009), this increased the leeway and the incentive for contentious politics. The Peruvian Institute of Economic has estimated, that protests and conflicts

have delayed projects worth $21.5 Billion during the last years, while these clashes were also responsible for the death of 94 people in the last five years.[10].

These debates suggests interactions between economic liberalization, civic political activity and democratization (cf. Arce 2010: 671).

4.3.3 Environmental Conflicts

Most Peruvian environmental conflicts are related to conflicts between local communities and mining corporations. Arellano-Yanguas (2011) differentiates between two general sub-types of this conflict pattern: The *first* one, incorporates conflicts that are related to aspiration of mining companies to either construct a new mining operation or expand currently running operation (ibid: 628). One could see these conflicts as a genuine environmental conflict, as the outbreak of protests and conflict is directly related to potential environmental consequences of changed mining activities.

The *second* one, which the author finds to be more common, describes conflicts, in which local communities employ or even instrumentalize narratives of environmental issues and discontinuous politics in order to improve the own bargaining position. This type of conflict should mostly occur, when market prices for mining resources rise, and thus local communities have incentives to demand higher or new compensations from mining corporations in their neighborhood

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[10] http://www.minesandcommunities.org/article.php?a=13131 (accessed 06.09.2016); http://elcomercio.pe/sociedad/apurimac/conflictos-sociales-dejan-94-muertos-ultimos-5-anos-noticia-1845064 (acessed 05.09.2015)

(Arellano-Yanguas 2011: 630). By attaching these claims to environmental concerns, companies are able to increase the pressure that these claims put on the mining operators - especially in the higher attention circle of the globalized world mentioned before (cf. ibid: 629).

Thus conflicts that are related to environmental issues commonly also include issues of political regulation and economic participation. The literature on contemporary environmental conflicts in Peru has shed light on different attributes of these conflict:

A first stream of literature focusses on contextual impacts that mining has on the live of populations that live at or next to mining sites. Hilson (2002: 68) argues, that conflicts between communities and mining companies are predicated on different values on the concept of land and specific impact that mining activities have on indigenous populations. The author points to five basic interests which can be pushed back by mining activities: (a) self-determination, (b) consent regarding protection of traditional knowledge, (c) cultural rights (expression, religion, access to sights with cultural value), (d) right to communal property, and (e) control of the traditional knowledge of property (ibid.). Urkidi & Walter (2011: 684f.) have added to this argument, by raising the importance of recognition of collective identities, needs, concerns, and livelihoods both directly with regard to mining activities as well as indirectly within the political institutions governing these processes.

This notion has an ecological and a political dimension: The ecological dimension is closely related to the term of livelihood or the way of life of communities.

Bebbington et al. (2008: 2890) define livelihood as „*a function of assets and structures, and a source of subsistence, income, identity and meaning"*. With regard to conflicts, livelihood does not only incorporate classical conflicts that focus on exploitation through labor, (accumulation by exploitation), but also about conflicts, that base on the loss of habitats or cultural and economic foundations (accumulation by dispossession) (ibid.).

The latter can be seen as fitting the definition of contemporary environmental conflicts in Peru. Urkidi (2010: 220) defines environmental conflicts as „*a manifest situation in which different social actors have opposing evaluations on a matter very related to the environment"*. However, it is important to notice, that this definition of environmental issues differs from the one used in postmaterialist context, where environmental issues are commonly raised and addressed, when other more basic needs are fulfilled (cf. Muradin et al. 2003: 776ff., Inglehart 1981). The definition follows more the idea of environmental justice (cf. Urkidi-Walter 2010: 684f.), which combines environmental concerns with other social issues.

In this context here, livelihood itself and thus the fulfillment of basic needs are directly related to ecological questions: Most importantly scholars have pointed to the fact that mining activities are not compatible with the agricultural basis that most local communities in Peru's periphery have (Bebbington & Bury 2009: 17298, Bebbington & Williams 2008: 190f.). Haarstad & Fløysand (2007: 300) go so far, as to define the agricultural way of life as part of the indigenous identity as something which has to be defended against external influence.

This influence can be both direct and indirect: First and foremost, mining concessions directly threaten land that has been used for agriculture before, especially when mining is conducted as an open-pit operation. However mining also influences agricultural life by the impact it has an fresh water resources. As Bebbington & Bury (2009: 17297f.) point out, large portions of populated watersheds are either located directly under mining concessions or are influenced by it. On the one hand this fosters competition between mining companies and local communities about water resources, on the other hand chemical components that are used in certain mining methods can potentially contaminate water or just influence the quality of it (ibid.: 17298, cf. Bebbington & Williams 2008).

Other aspects of livelihood include the complete loss of territory (e.g. Bebbington et al. 2008), loss of ability to hunt, fish, and gather (e.g. Hilson 2002), loss of freedom of movement (ibid.), a reduction of air quality (e.g. Bebbington & Williams 2008; Li 2015), health concerns (e.g. Arellano-Yanguas 2008: 25), recognition of the local identity (e.g. Urkidi & Walter 2011), religion (e.g. Li 2015), migration flows and urbanisation (e.g. Ticci 2015), and other impacts that influence the produced, human, natural, and social capitals (Bury 2004: 79). It is noteworthy, that authors like Ticci (2015) have highlighted, that an influx of mining corporations can also have positive affects on agriculture or other comparable local aspects as mining companies have often financed local development projects and thus tried to integrate their progress with the progress of the local community.

These conflicts can be seen as classical examples of ecological distribution conflicts, which are marked by different position of social actors on matters related to economic questions (Urikidi 2010: 220; cf. Martínez-Allier 1997).

All these issues also have a political component, as communities continue to feel underrepresented. This notion reflects the feeling discussed before, that the Peruvian state subordinates itself under the economy and especially under the interest of mining companies, a topic which has gained importance and attention after the re-privatization of the mining sector in the 1990s (cf. Arellano-Yanguas 2011: 620; Dupuy et al. 2015: 915; Himley 2013: 400; Jaskoski 2014: 874). This feeling should also be influenced by the fact, that governments in the prior decades did not give much attention to environmental concerns, when industrializing and internationalizing the mining sector (cf. Haarstad & Fløysand 2007: 297).

Interviews conducted by Armstrong et al. (2014) have also suggested, that local communities continue to perceive the government to be rather an ally of companies, than an agent of their interest. A second aspect revealed by these interviews, is the importance that certain *narratives* of local communities have on the community's perception of the state, economic actors and their relationship (ibid: 10).

This has several implications: On one side Haarstad & Fløysand (2007: 301) find that local leaders feel that there is a lack of local epxerience in dealing with mining and related political processes, while other scholars have pointed to the fact that there are not enough opportunities to actively engage in the regulation of mining activities

(cf. Ukidi & Walter 2011: 684, cf. Arce 2014) and environmental regulation (cf. Jaskoski 2014: 874). Urkidi & Walter (2011: 693) fittingly remark, that the political dimension of this aspect can be subsumed unter the question, which actors should decide which direction progress on the local level should take. These issues can also be framed under the aspect of Peruvian national identities and global democratic rights (cf. Haarstad & Fløysand 2007: 301f.).

Li (2015) has pointed to the importance of narratives from the companies' perspective: companies in the 2000s have used a discourse of *modern mining* that was distinguishing new mining from traditional mining in Peru, as being environmental conscious and integrating the interests of local communities (Li 2015: 71f.).

Some scholars have pointed to inconsistent outcomes of existing participative measurements: Triscritti (2013) has analyzed the performance of public-private partnership in Peruvian mining regulations. The author comes to the conclusion that while grassroots-initiatives recently have become a factor in Peru, the participation process is still limited and constrained. Similarly, Perralta et al. (2015) stress, that incentives to include local interests into the environmental regulatory framework almost exclusively came from the local communities themselves, why both governmental and economic actors only reacted to those concerns. Li (2015) has shown, that that while the institutionalization of Environmental Impacts Assessments has given local communities a platform to address their interests and established a *scientification* of the debate, distrust in the institutions independence from economic

interest is still widespread. Finally, a relatively new study from Sexton (2016) has proposed, that conflict will most likely occur, when local communities expect either the local government or economic actors will not hold up their promises regarding environmental regulations .

Regarding these political aspects, research has also indicated an issue of uncertainty: Speaking with local leaders Bebbington & Bury (2009: 17299) have found that local leaders have commonly expressed a feeling of having inadequate information about the impact that mining has on their future and their options to raise their interest in the political circle.

Jaskoski (2014: 874) emphasizes, that this aspect in general includes a local dimension. Governments of regions in which mining concessions are forced to balance the interest and voting potential of local communities, with the potential economic gains connected to satisfying the interest of relevant economic actors like mining companies. Combined with the aspect, that through the canon mínero mining will directly increase local governments income, this is connected with a intensification of political competition, which in itself is connected to a reinforcement of cleavages (see p.11f.). Bebbington et al. (2008) are advocating a process of rural territorial developments, that includes both economic interests of modernization and respects the interests of local communities. Both Jaskoski (2014) and Söderholm & Svahn (2015) allude to the fact, that these negative consequences are complemented by a lack of compensations.

For the sake of completeness of contents, Lust (2014: 6) has declined the interpretation of environmental conflicts being instrumentalized to improve bargaining positions or increase the share of revenue and benefits. Contrarily, the authors put the conflicts exclusively into the perspective of a fight for survival.

4.3.4 The Local Resource Curse

A second pattern of conflict can be described as what several authors have describesd as a local resource curse. This conflict pattern is closely related to the re-distributional framework around the canon mínero I have introduced in Chapter 3.3. Arellano-Yanguas (2008: 12) as well as Cust & Viale (2016: 2) argue that deficient institutional capacities of both the national and different regional levels prevent the appropriate allocation of fiscal revenues of mining, which otherwise would have been a mechanism to pacify potential sources of conflict. As a consequence, the negative impacts of mining are not compensated in a way that satisfies the concerns of local communities and other affected actors. In mining the resource curse is especially local, as most negative impacts of mining activities especially affect the region in which mining operations are conducted.

Aside he environmental impacts analyzed before, one needs to draw attention to the potential local impacts of mining in economical terms. Söderholm & Svahn (2015) which have studied the benefit-sharing mechanisms within the mining sector of four developed countries, have suggested four linkages between the local level and mining companies that can be applied to the Peruvian case:

(1) *Backward linkages*: Economic gains from the demand of the mining company for input factors;
(2) *Forward linkages*: Economic gains from the subsequent processes of mining activities (processing, transportation, subcontractors);
(3) *Final-demand linkages*: Economic gains from money spent by employees of the mining operators;
(4) *Fiscal linkages*: Revenues from taxes and royalties (Söderholm & Svahn 2015: 80f.).

Especially the last linkage can be attributed to the natural resource curse. Distributional politics are an easy accessible policy field, which according to Arellano-Yanguas (2011) are apparent explanatories for Peruvian conflicts: In general, conflicts arise as different actors have and address different interest in the distribution and utilization of the fiscal transfers. The author presents four sub-categories (ibid: 632):

(1) Conflicts between local population and local authorities about efficient use of revenue transfers.
(2) Conflicts between different levels of government over their respective shares and distribution rules.
(3) Conflicts between equal levels of governments of different entities about boarders and thus their appropriate shares of revenues.
(4) Classical labour conflicts, as local governments use their revenue shares to employ unskilled labor.

The first category ist the only one with direct influence on mining conflicts, sharing structural similarities with the second type of environmental conflicts. However, the second and third category do offer some implications as well, as they increase the political competition and its polarization, which in turn increases the likelihood of a conflictual climate. Moreover, authors have pointed to the fact that while possession liberties in introducing environmental regulation and the use of mining revenues, local governments are perceived as both lacking of capacities and will to introduce sufficient reforms (cf. Arellano-Yanguas 2008, Sexton 2016).

Using a district-level database, Loayza et al. (2013) find divergent results: Ostensible, their results support the proposition that mining improved the live of local communities, by raising income and literacy as well as reducing poverty (ibid.: 17). However, three findings can explain the existing and rising discontent and conflicts. The first two aspects point to a higher level of inequality both within and between local and regional districts: Within districts, the high wages of mining employees result in higher differences, across districts mining revenues and their distributional system favors district with mining operations over those without (Loayza et al. 2013: 16f.). Loyayza & Rigolini (2015: 4ff.) similarly show that mining activities are in sum beneficial for mining districts, but result in larger inequalities.

It is apparent that these conflicts also have an environmental component: When conflicts occur because local communities don’t see mining benefits and mining costs appropriately distributed, environmental costs are one potential factor initiating

these conflicts.If local communities come to the conclusion that their mining related limitations on livelihood are not sufficiently compensated by the economic benefits, conflicts of the local resource curse can be stirred by ecological concerns. Arellano-Yanguas (2008: 630) argues, that local communities can improve their bargaining position, by attributing environmental concerns to distributive conflicts. Finally, Martinez-Alier (1997) frames contemporary Southern American environmental conflicts as ecological distribution conflicts, which base on asymmetries regarding natural resources (cf. Urkidi 2010: 220).

Consequently, one can also point to similar explanations for the increase of outbreaks of conflicts with regard to the local resource curse: Risen attention for environmental issues within the local opportunity influence the calculation of gains and losses, while the liberalized political structure provides more opportunities of mobilization (cf. Söderholm & Svahn 2015: 80f.). This calculation is also influenced by the fact, that certain local benefits of mining operations appear delayed in time and thus will not be weighed immediately against the negative impacts (cf. Arellano-Yanguas 2008: 25).

Peralta et al. (2015: 40) stress supportingly, that local actors are less likely to organize themselves advocating more regulative influence, when they get a share of the benefits of mining activities.

4.3.5 Ownership

Non-surprisingly, ownership has not received larger attention in the existing literature on resources, mining and conflict in Peru - with few exceptions: Some critical analyzes of the impact of neo-liberalism, have added to their argumentation by framing conflicts of fights of local communities against large, multinational corporations (cf. Himley 2013; Muradian et al. 2003). Most case studies introduced earlier also use ownership rather as a constant, than a variable - with the distinction that unlike in classical resource curse theory the authors mostly assume foreign private ownership or have chosen cases that reflect this structure. Especially Armstrong (2014) has put strong focus on the perception of mining companies in the eyes of local population, but have not analyzed different patterns of ownership throughly.

A recent study by Haslam & Tanimoune (2016) is a first approach to integrate questions of ownership into the debate. Conducting a logit econometric model based on 713 properties in 23 Latin American Countries, the authors focus on determinants of social conflict, which reflects certain aspects of the overview in the sections above, like focus on the local level, combination of environmental impacts and questions of livelihood as well as socio-economic, and distributional aspects (ibid: 403ff.). However for the purpose of this paper, the introduction of *firm property characteristics*, which also include capitalization of the mine and characteristics of the resource, is of utmost importance. Haslam & Tanimoune (2016: 407) here control both for foreign or local majority as well as state ownership, for which they largely apply the theories of ownership introduced in Chapter 2.2. Their results suggest, that

firm level characteristics including ownership patterns are necessary and functioning explanations of contentious politics and can both be related to environmental and distributional aspects , thus raising concerns of an omitted variable problem in the existing literature (ibid: 408f.). Especially the mechanism of the liability of foreignness is supported to be a decisive aspect in the political opportunity structure and in negotiations.

5 Methodology and Analysis.

This section will merge the discussions above and subsequently perform regression estimates in order to establish a first analytical framework on the impact of mining ownership on the likelihood of local civil conflict in Peru.

5.1 Hypotheses and Estimation Method

Both the elaboration on the history of Peru's mining sector and its conflict, as well as the existing literature have shown why ownership should matter when talking about the local socio-environmental conflicts in contemporary Peru, in at least two distinctive ways. *First*, the given conflicts are not conflicts that are generated by the resource or its impacts itself, but by the impacts of exploiting and processing the resource. It can be expected that the role of the owner is more relevant in this definition, as he is a direct party to the conflict. *Second*, the literature review has shown that there is a relative large climate of distrust towards the collaboration of the state (or its institutional entities) and mining corporations. This feeling is particularly related to the focus on attracting foreign investors within the Peruvian taxation and regulation structure.

The last argument also points to a third implication with regard to international mining corporations: If a central issue of the conflicts is the feeling of local communities to protect their livelihood and identities, one can expect that foreign

leaders should be especially suspected to disregard the interests of local communities. This notion is strongly related to the concept of liability of foreignness, which was introduced earlier.

One can also add to this logic, when changing the direction of the argument: A foreign, potential multinational company should be intuitively less concerned with the interests of local communities when conflict has not yet occurred. One could argue, that due to higher capacities and increased international attention, foreign companies will have a risen interest to end conflicts and appease the rebelling population, but there are less incentives to act accordingly in a preemptive way. Combined with the arguments of the scholars from Chapter 2.2 this leads to the assumption, that foreign owners have incentives to act in a way, that is not in the interest of local population. Thus the first Hypothesis ist formulated in this way:

> H_1: *Mines with foreign majority ownership experience more outbreaks of socio-ecological conflicts than those with domestic ownership.*

Most existing research has used the dichotomous separation of domestic/foreign when talking about the dimensions of private ownership. I argue, that it is feasible to further differentiate the domestic aspect - especially when talking about local conflicts. One should expect that a corporation that has different mining concessions across the country, will be perceived differently than a company that is entirely focussed on one region or even one mine. If compared to a nation-wide company, it appears to be more likely that a local actor is better integrated and networked within

the local community or regional politics and that he has more intrinsic knowledge about the issues of the population on site.

One could make the argument, that local corporations will less likely possess the capacities to apply protective measurements against environmental spill-overs, that national domestic or even foreign corporations might have. However, I argue that this mechanism will at best diminish the advantage of being local and can be compensated by the arguments of the previous paragraph. Thus I conclude:

> H1: *Mines with local domestic majority ownership experience less outbreaks of socio-ecological conflicts than those with majority ownership of a nation-wide domestic company.* .

In order to test these hypotheses, I will apply a logistic regression analysis to fit the binary dependent variable of conflict outbreak.

5.2 Database and Operationalization

A genuine data-set was developed to approach the question at hand. For the definition of socio-environmental conflicts I followed the definition of the Peruvian Ombudsman, as a conflict that revolves around control, usage or access to the nature and its resources, including political, economic, social, territorial and cultural aspects (cf. Defensoriá del Pueblo 2016). Based on this, conflicts were collected from 120 monthly reports of the Peruvian Ombudsman in the period between August 2006 and

June 2016[11]. The time-span was chosen with regard to the institutional changes in the first half of the first decade of the century (re-liberalization, decentralization, restructure of revenue-sharing structures), so that the institutional setting remained relatively stable in the time of interest.

Conflicts were generally coded as socio-environmental when two conditions were met: (1) the conflict was defined as both *socioambiental* (socio-environmental) and active by the Peruvian ombudsman and (2) the participation of a ming company as direct party to the conflict was apparent. Furthermore, I excluded cases that either focussed on demands of mining employees or the issue of illegal mining and cleaned the data from doubling cases. At this first step the database included over 150 cases. The record of cases includes regional information, the relevant mining corporation, the date out of the outbreak (and potentially the end), as well as a column of the reason of outbreak, as two categories became apparent: On the one hand conflicts that broke out, because a local community raised concern about socio-environmental impacts or demanded repercussions; on the other hand local communities initiated conflicts because mining corporations did not fulfill their guaranteed conditions and arrangements regarding environmental protection or infrastructural equalizations.

The next step integrated these conflicts into data that was originally collected for the *Governing the Resource-Violence Nexus* research project on the basis of information from Infomine[12]. The integration was conducted as follows: For each given conflict a

---

[11] *All reports can be obtained via http://www.defensoria.gob.pe/temas.php?des=3 (accessed 06.09.2016) under the tab R*eporte Mensual.

[12] *http://www.infomine.com*

mine was associated based on the information on the province at which the conflict took place, the label of the involved company and potentially direct information on the name of the mine (although the latter was rarely indicated). If no direct match was found, it was checked wether there is a mine in a neighboring district or province that fits the other information and the involved mining company. If that was not the case and the conflict could not be attributed to a mining operation, the conflict was dropped. Moreover, both strings of data were also cleaned from cases that were no longer active within the given time-frame, or included neither copper or gold as minerals of interest. Hereafter, the dataset included 874 cases and exactly 100 incidents of conflict. Conflict was coded as a dummy-variable, with 1 indicating that a conflict broke out at the given mine in the year of reference. The table can be found in the electronically appendix.

The given data on ownership was restructured to fit the hypotheses: A company was coded *foreign*, if a company that is not situated in Peru owes the majority of the shares of a property (or the respective sub-unit). A company was coded *national*, if the company had mining operations or projects in more than one region of Peru. Consequently, a company was coded as *regional,* if the company had only operations or projects in one region. Originally, I also intended to add a condition of number of mines (e.g. a local company can maximally have operating two mines), but the first

rule was already sufficiently separating these cases and thus the second rule became redundant. [13]

I included four more variables, that I expected to have an impact on socio-environmental conflicts and could potentially interact with the influence of ownership:

(1) P*rincipal commodity of the given mine.* Existing research has shown, that different kinds of metals may produce separate outcomes, as their ways of exploitation differ in their impact on the environment. Especially gold has been linked to be especially hazardous due to the extensive use of cyanide (cf. Haslam & Tanimoune 2015: 403). The principal commodity (gold or copper) was also derived from Infomine.

(2) Mining method. The method of extraction is also expected to have an environmental impact, as surface- or open-pit operations are both more land-intensive and polluting than underground activities. A categorical variable was coded from information from Infomine.

[13] To account for the other dimension of ownership patterns it shall be noted, that public ownership does not play any decisive role in Peruvian's mining sector. The Peruvian governments has given up all its stakes during the re-privatizations and has been reduced to a role of regulating the mining sector and acting as moderator in conflicts. Through the shares that the Qatari Investment Fund has in the anglo-swiss company Glencore plc and the 30% that the Chinese government controls in the mine of Toromoche, foreign governments are also actors of the sector, without playing any decisive role.

(3) *Age of the mine*. I expect mines that have been constructed decades ago to not feature measurements of ecological protection, that modern mines offer. Thus, I use a dummy-variable of age, that gets the value of 1, when a mine was already operating before 1990. This variable is partially built upon the discussion on modern mining that Li (2015) has reflected upon.

(4) *Share of population that lacks of at least one basic need*. This variable is used as a substitute for poverty. The statistical institute of Peru publishes this data specifically for each region. I chose this measurement, as case studies have shown that discontent of the local communities is not limited to economic issues. The data stretches from 2007 to 2014. For 2006 the same number was coded as in 2007, while 2015 and 2016 were left uncoded.

6 Estimation Results

Looking at the data, first patterns become strikingly obvious: the relative share of conflicts involving foreign companies is substantially higher than the share of conflicts involving national domestic or especially regional domestic actors suggesting that there is at least some connection between the variables.

Table 3: Different Ownership Patterns and Conflict

	Foreign	**National**	**Regional**	Total
Total Cases	340	288	246	874
Conflicts	62	30	8	100
%	*18.26*	*10.42*	3.25	/

While the same estimations for age of the mine and the principal resources don't show such distinctive pattern, the distribution within the different methods of Mining. offers more insight regarding Surface and Open-Pit operations.

Table 4: Different Methods of Extraction and Conflict

	Under-ground	**Surface**	**Mixed**	**Open-Pit**	**Tailings**	Total
Total Cases	490	22	89	262	11	874
Conflicts	39	5	5	51	0	100
%	*7.96*	*22.7*	5.61	19.47	/	/

A first logistic regression of the generell model provides mixed results. With regard to ownership, both local domestic ownership (*ownrlocal*) and (*ownrnational*) provide strong and highly significant negative impacts on the likelihood of conflict, while foreign ownership is omitted. Highly significant is also the measurement of poverty through the demand of basic needs (*pvrt)*, though the positive effect on the likelihood is not very strong. Finally two means of extraction imply strong and significant effects. Neither the gold-factor, nor the age of the mine provided substantial results.

Figure 2: Logistic Regression I

```
Deviance Residuals:
    Min       1Q   Median       3Q      Max
-1.0234  -0.5597  -0.3966  -0.2466   2.7976

Coefficients:
                  Estimate Std. Error z value Pr(>|z|)
(Intercept)      -3.213138   0.621767  -5.168 2.37e-07 ***
oprtOpen-Pit      1.351374   0.560180   2.412 0.015848 *
oprtSurface       1.588484   0.757543   2.097 0.036003 *
oprtTailings    -13.049832 797.451459  -0.016 0.986944
oprtUnderground   0.337030   0.555761   0.606 0.544230
rsrcgold          0.109434   0.254846   0.429 0.667622
age1              0.211177   0.275572   0.766 0.443483
ownrlocal        -1.360919   0.402396  -3.382 0.000720 ***
ownrnational     -0.765930   0.269634  -2.841 0.004503 **
pvrt              0.030568   0.008905   3.433 0.000598 ***
---
Signif. codes:  0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

(Dispersion parameter for binomial family taken to be 1)

    Null deviance: 579.77  on 786  degrees of freedom
Residual deviance: 524.24  on 777  degrees of freedom
  (187 observations deleted due to missingness)
AIC: 544.24

Number of Fisher Scoring iterations: 15
```

For a second run of estimations the data was slightly recoded. Age was dropped, as well as the value „Tailings“ regarding mining methods. The latter variable as a whole was reshaped into a dummy variable that took the value of 1 in the case of open-pit mining (wrk1); ownership was also recoded to two dummy variables for foreign ownership (frg1) and local ownership (lok1) respectively. Local ownerships remains to be producing a significant negative impact on the likelihood of civil conflict, while the positive impact of foreign ownership has unexpected low significance in this model. Surface mining remains to show relatively strong and significant numbers.

Figure 3: Logistic Regression II

```
Call:
glm(formula = ons ~ ., family = binomial(link = "logit"), data = perdat)

Deviance Residuals:
    Min       1Q   Median       3Q      Max
-0.7141  -0.5055  -0.4054  -0.2367   2.7268

Coefficients:
            Estimate Std. Error z value Pr(>|z|)
(Intercept)  -2.4577     0.2447 -10.042  < 2e-16 ***
wrk1          0.7568     0.2196   3.446 0.000568 ***
rscgold      -0.1326     0.2203  -0.602 0.547292
frg1          0.4645     0.2417   1.922 0.054615 .
lok1         -1.1029     0.4087  -2.699 0.006965 **
---
Signif. codes:  0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

(Dispersion parameter for binomial family taken to be 1)

    Null deviance: 644.61  on 973  degrees of freedom
Residual deviance: 603.70  on 969  degrees of freedom
AIC: 613.7

Number of Fisher Scoring iterations: 6
```

Finally, I controlled for a potential interactive effect of foreign ownership and surface-mining. Table 5 shows, that the raw data at least implies some sort of numerical connection between these variables. The connection between open-pit minings and foreign companies appears to be evident, as over 50% of all open-pit operations are conducted by foreign companies.

TABLE 5: Ownership Patterns and Methods of Extraction

	Foreign	National	Regional
Open-Pit	162	56	95
Mixed	23	35	36
Surface	*18*	*0*	9
Underground	*199*	*152*	178
Tailings	*0*	*11*	0

Although, the interactive variable did not provide any significant effect and this mode raised the significance of foreign ownership; no deceive assertion can be made.

Figure 4: Logit Regression II

```
Deviance Residuals:
    Min       1Q   Median       3Q      Max
-0.7201  -0.4690  -0.3426  -0.3426   2.3936

Coefficients:
            Estimate Std. Error z value Pr(>|z|)
(Intercept)  -2.8059     0.2102 -13.349   <2e-16 ***
wrk           0.5250     0.3506   1.497   0.1343
frg           0.6541     0.2981   2.195   0.0282 *
wrk.frg       0.4094     0.4501   0.910   0.3630
---
Signif. codes:  0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

(Dispersion parameter for binomial family taken to be 1)

    Null deviance: 644.61  on 973  degrees of freedom
Residual deviance: 611.84  on 970  degrees of freedom
AIC: 619.84

Number of Fisher Scoring iterations: 5
```

The empirical estimations have identified two strong patterns regarding the outbreak of socio-ecologic conflict in Peru: Wit regard two ownership, the newly introduced local variable has produces continuously strong result and should thus be differentiated from larger, nation-wide orientated companies. A second decisive factor appear to be surface- and especially open-pit mines. These appear also to be somewhat connected to foreign companies - the direction and scale of it has yet to be identified. While the first Hypothesis can thus not conclusively adopted, the second hypotheses regarding local communities appears to be supported.

7 Case Study: Las Bambas

As the previous chapter has shown, the triangle between foreign ownership patterns, certain methods of resource extraction and socio-environmental conflicts appears to be a decisive, yet relatively unexplored factor in the conflict structure of Peru. Albeit inconclusive results, evidence suggest that there is more to the high share of conflicts with companies owned by foreign companies than just the diffuse concept of a *liability of foreignness*. The concept can be well explained with regards to Peru's history of adjusting taxation and regulative systems based on the preferences of potential and existing foreign investor, but does not offer final insight into mechanisms that link this ownership patterns to other factors. The quantitative framework of the previous chapter has identified open-pit and surface mining as potential factors that influence this dynamic. In order to show other aspects worth turning one's attention to in further research, I will now provide a short case-study of the conflict around the Las Bambas mine, which will commence the conclusive part.

Las Bambas is a copper mine project in the region of Apurimac, that has been under development since 2004, when the government granted mining concessions[14]. Originally, the property was owned by the Swiss company *Xstrata*. In 2013 Xstrata merged into the Anglo-Swiss concern Glencore, but was forced to sell Las Bambas to a Chinese conglomerate in order to receive the approval of the Chinese regulatory agency. Now - through a net of eight different corporations, the government of China

[14] *The majority of information presented in this chapter is either obtained from Infomine and reports of Peruvian institutions, or from various articles and newspaper-reports. For the sake of readability, I will provide the list of the articles in the Appendix.*

holds 83.75% shares of the project - the first project in Peru with a foreign public majority. Las Bambas started production recently and is already expected to be the mine with the third biggest copper production value worldwide.

Yet, Las Bambas appears to face the same problems that many Peruvian mines have faced and protests, conflicts and outbreaks of violence have accompanied the project since the very beginning. Table 6 presents a summary of relevant incidents.

Table 6: History of selected Conflicts regarding Las Bambas

Date	*Incident*
Oktober 2004	Local communities raise concerns regarding the future of their properties and critique the government for not utilizing all money that was acquired through the sell of the concession for regional development.
July 2007	Diverse actors of the local district protest against the contract between Xstrata and the local government regarding Las Bambas. At least three groups of actors can be identified: • Farmers that see their stocks threatened • Intellectuals and Workers that adress the issue of structural changes through the new mine. • Groups that (successfully)demand that more local actors should participate in the regulatory body.
June 2008	The Peruvian Organization for Investment in Energy and Mining (OSINERGMIN) issued a fine against Xstrata, for violating environmental regulations

Date	*Incident*
March 2011	The Peruvian government approves the Environmental Impact Study for Las Bambas. Government officials praise the deals and deny political ecological hazards.
May - Jue 2011	Operations at La Bambas are temporally stopped due to long-lasting protest of local groups. Protests are directed against both the company and the government, demanding that more local investment and participation are granted. Protests and strikes continue throughout the summer.
May 2012	The government evokes a state of emergency, after two individuals were killed during protests at Las Bambas. The local government claims that political interests want to prevent mining as a whole, while protesters state, that they want the local government to spend more of the revenues for regional development.
November 2013	Xstrata stops plans for the construction of a road between its facilities after local communities raised their concerns.
September - Oktober 2015	The government again evokes a state of emergency after clashes at the mining site resulted in four individuals killed. Violence broke out, when it became apparent that the Chinese owners and the Peruvian institutions had amended the environmental regulations without giving notice to the local communities. In early October the government agreed to provide repercussions to those affected by the violence.
July 2016	Several activist groups demand the fulfillment of guarantees that Xstrata had given them when it still owned the property.

These are just selected few cases of major incidents and developments regarding Las Bambas. The term „Las Bambas“ can be found in 108 of the last 120 monthly reports of the Office of the Public Defender of Peru, proving that the issue of Las Bambas has been permanently switching between latent and active during the last 12 years.

Considering the incidents mentioned above and further insight from the literature provides a broad range of issues that have fueled the conflicts: Diffuse environmental fears were apparent as well as concrete issues of fields and pasture that were effected by mining activities; other protesters did not agree with the spending of revenues through the local government, the deal that the mining companies struck with the central governments and the perceived lack of social responsibility by the mining companies itself. While some actors rejected the mining project itself, others were discontent with the few job opportunities that the endeavor offered to them.

These issues are multi-dimensional and partially are interdependent. Foreign liability appears to be an insufficient explanatory for such long-lasting protests and contentions. While the previous chapter was able to show potential links between the influence of ownership on civil conflicts and structural patterns of mining projects, the case of Las Bambas provides a political dimension: A recurring issue of the conflicts over the years have been deals that either Xstrata or their Chinese successors made with the political elite of Peru and which the local communities disagreed with. Beginning with the claim that the price that Xstrata paid for Las Bambas was disproportionally small and continuing until today with repetitive rejection of proposed or existing implementations of infrastructural contracts.

This observation mirrors the historical notion that parts of the Peruvians saw the state as an institution that subordinated itself under foreign actors in exchange for prosperous investments. Returning to the model of Luong & Weinthal (2006) that was briefly introduced in Chapter 2, this raises some questions. For instances in which foreign companies are the dominant pattern (private foreign ownership), the authors expect to outcomes: Initially, they expect that foreign companies will have leverage on state elites to offer a fitting taxation and regulation model in order to make investions feasible (cf. Luong & Weinthal 2006: 249). This aspect fits perfectly into both the historical and contemporary experience of Peru, where investor-friendly politics aiming at attracting major international companies into the mining sector are implemented. However for later periods of time the authors predict that the asymmetries are modified and the state is able to get into a better bargaining position (ibid.).

The Peruvian case as illustrated by the incidents at Las Bambas is rather an example where politics and economic actors appear to be so entangled that - at least on the national - they either genuinely share common interests, or the companies are able to continuously influence the political process. Conclusively, the case of Las Bambas indicates, that foreign ownership is a multi-dimensional and diversified aspect, which needs to be explored cautiously.

8 Discussion

The given thesis has shed light on an issue at the margin of two distinctive fields of research: The socio-environmental conflicts that the Latin American country of Peru has faced over the last decade is situated between the debates on natural resources and civil conflict and the rise of discontinuous politics. The curse that is experienced in Peru is to a lesser extent a curse of the disrupting impacts that natural resources can have on large-scale economic, political and social structures and to a greater extent a conversion of the course to the local and to every-day life: Conflicts over natural resources do rarely occur in order to overthrow the government or separate oneself from the country, but rather to protest against conditions that come with mining which negatively the personal life. This opens up the space of interpretation to various potential explanations, such as the loss of land, access to other resources, the loss of work, a perceived identity loss, the feeling of being not fairly represented in local and/or governmental politics an questions about the correct distributions of revenues.

The question of ownership appears to be especially relevant in this context. With such smaller, localized conflicts the individual that owns a mine or the concession for future mining projects becomes one direct counterpart of the people that rebel or protest. The decisions and behavior of a mining owner (how much attention is giving to concerns of citizens and environment, which mining method is used, how do I interact in the political structure, etc.) become at least as important as those of the government that regulates the sector.

After locating issues of today in Peru's history of mining and conflicts, I have offered two consecutive approaches to analyze the issue of ownership and these type of conflicts. First, I have conducted a logistic regression based on 874 mines and 100 individual conflicts between 2006 and 2016. In contrast to most past work, I have not used the dichotomous differentiation between domestic and foreign companies, but instead further split up the domestic cases into those with national scope and those that only act regionally. This differentiation was based on the presumption that especially in cases where the interest of local populations are core of the conflict, local actors who are potentially interwoven with the region would face less consent than actors from outside the country, the capital or other parts of the country. This hypothesis was strongly confirmed in the empiric chapters of this paper. Compared with the other ownership patterns, local ownership has significantly decreased the likelihood of conflict.

The second hypothesis I postulated and which was partly build upon the logic of liability of foreignness produced mixed results. The estimations did in fact also predict a increased likelihood of conflict, but these results could only partially be taken for sure. With regard to other aspects, the predicted impact of open-pit and surface mining was confirmed, likewise the impact of the measurement of basic need. The predictions about the resource itself and age of the mine were not confirmed.

The indecisive results on foreign companies lead than to a short analysis of the Las Bambas copper project, which has experienced continuously conflict of various scale and intensity. A short overview over the actors, relevant incidents and some narratives has indicated, that political networking of foreign companies or respectively their interdependence with domestic politicians, can be an interesting aspect for further research in the future. Both the quantitative and the qualitative part also have pointed out, that the role of foreign ownership is quite difficile and the notion of liability of foreignness can only be the starting point for further debate. Political and technical aspects like the preference for certain mine-types suggest that the influence can be much more indirect than the implicit but direct mechanism of the established concept predicts.

The most important finding of this paper is however the notion of *the local.* The contemporary Peruvian conflict structure cannot be understood without a clear local focus. The conflicts arise over issues that are exclusively understandable in the local context, the question where the object of discontent comes from appears to be relevant and political actors and instruments such as the canon mínero that penetrate the local level are recurring aspects of conflict. While in other conflicts local features such as the accessibility of terrain or the abundance of natural resources may be a relevant or decisive feature, the local component constitutes the Peruvian conflict system. Thus, the introduced third category in the debate on private ownership patterns, should be further explored. The notion of *the local* fits well into the current trend of contributing to the literature of civil conflict by introducing more approaches based on micro-foundations (cf. Schneider 2015).

However this also poses challenges to both the general debate and this paper. A problem in the data assessment were spill-over effects: a range of conflicts that occurred in one federal entity of Peru was actually focussed on mines in neighboring districts, provinces or even regions. Even when it was possible to assign the correct mine to the conflict, this fact is challenging for estimators that base on local measurements. Geographical disaggregation that allows to detach the analysis from the administrative districts can only offer a partial solution, as certain indicators vary heavily across regions and could thus not be easily accounted for. In this case, the measurement of basic needs was based on a regional level, while certain conflicts did also involve actors from other regions.

Another challenge for future research is the identification of actual factors. Similar thoughts as the one, that rebel leaders in resource-rich states may instrumentalize existing ethnic grievances to achieve his private goals, can also be drawn for contentious politics in Peru. Are actors really concerned about their environment, or are simple political and economic questions the actual propulsion? Existing research introduced in Chapter 4 has analyzed that there have already been cases, where local communities appeared to be consciously using environmental concerns and fitting narratives, in order to raise global attention to their interests.This uncertainty is especially true when talking about the influence of foreign ownership. As I have shortly mentioned in the case study, many ownership structures of Peruvian mines are complex and potentially include omitted actors. It is often the case that Peruvian companies conduct mining operations on site, but the actual ownership lies in the hands of a major foreign actor. As some of these structures are rarely mentioned by

the media, one has to ask the question wether the fact that actors are aware that their corporation or a mine is owned by a foreign company. Moreover it is sometimes even difficult for academic approaches to identify which actor has the consecutive right of alienation.

The decision, which actor to interpret as the one that constitutes the ownership pattern is crucial. Arguments can be made for both sites: One actor is visually acting on sight and thus can be held accountable for all potential impacts, while it is the omitted owner in the background that defines the general direction and operations of the company. Often the concrete ownership structure with its processes and consequences is unclear as well, which further limits the research to certain areas. Finally, further research has to decide wether the actual owner will be analyzed or the one that other actors perceive to be the owner.

The branch of researching on the impact of ownership patterns on civil conflict is a relatively new and still thin approach. Peru, as a paragon of Latin American politics, offers an interesting case to further conduct research on ownership pattern. As so often, a combination of in-depth qualitative research and quantitative measurements based on a local scale will be needed to grasp this conflict structure comprehensively. One might paraphrase: All conflicts *is* local.

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Appendix

(1) Selected studies on conflicts in Peru with regards to certain properties

Author	Properties	Method	Main Interest / Finding
Armstrong et al. (2014)	Tintaya Yanacocha	Interviews	Narratives of local populatio
Bebbington et al. (2008)	Yanacocha	Case Study	Composing social movements, importance of livelihood
Bury (2004)	Cajamarca	Survey, Interview	Transnational Gold Mining
Carlson et al. (2015)	Madre de Dios, Tambogranda, Tintaya		NGO activity
Delgado & Romero (2016)	Cajamrace	Integrated grey clustering and entropy-weight method	Effects for rural and urban population
Dupuy et al. (2015)	Yanacocha (foreign)	Commonsian Transactional Framework	Regulation and Management of Environment
Haarstad & Fløysand (2007)	Tambogrande	Case Study	Globalization, Networking of Local Populations

Author	Properties	Method	Main Interest / Finding
Hinley (2012)	Pierina	Case Study	Neoliberal Resource Governance
Jaskoski (2014)	Conga Tia Maria	Path-Dependent Framework	Space for Community Participation
Li (2015)	La Oroya Yanacocha	Field Research	Emergence of Acitivism
Muñoz et al. (2007)	Tinataya	Community Level Case Studies	Inequality exacerbates collective action
Muradian et al. (2003)	Tambogrande	Survey, Interviews,	International Capital, Values
Szablowski (2002)	Minera Antamina	Field Research	Corporate Responsibility, Resettlement
Triscritti (2013	Barrick Yanacocha	Case Study	Community-Corporation-Relations
Arce (2014)	Tambogrande	Case Study	Prostest Patterns

(2) Coding Examples

These examples of the *Yanacocha mine* serve as an first overview over the categories used in the empiric study. The detailed tables, including the final composition of variables and the R-code can be found in the digital appendix.

Information on Conflicts from the Defonsorío del Pueblo

Region	Province	Community	Company (Mine)	Topic	Outbreak
Cajamarca	Cajamarca	Cajamarca	Minera Yanacocha (NA)	Environ-mental	Juli 2008
Cusco	Espinar	Coporaque	Glencore (Antapaccay)	Environ-mental	Juni 2012

Information on Mines from Infomine

Property	Region	Worktype	Production Start	Companies	Resource
Yanacocha	Cajamarca	Open-Pit	1993	Minera Yanacocha (100%); Newmont (51.35%); Newmont USA (51.35%); Buenaventura (43.65%); IFC (5%)	Gold
Antapaccay	Cusco	Open-Pit	Glencore Antapaccay	Minera Antapaccay (100%); Glencore Peru (100%); Glencore (100%); Government of Qatar (9.25%); Qatar Holding (9.25%); QIA (9.25%)	Gold & Copper

(3) References for the case study in Chapter 7

As indicated, most information was derived from either the Infomine databank or the monthly reports of the Denfensoría del Pueblo of Peru. All other referenced website were accessed on 06.09.2016.

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