



**The Political Formation and Consolidation
of Peak Business Associations:
The Case of Peru**

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Working Paper #170 - January 1992

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This paper was presented at a conference on "Business Elites and Democracy in Latin America," held at the Kellogg Institute in May 1991.

ABSTRACT

This paper examines the question of business organization building in the 1980s, a time of economic and political transformation in Latin America. It focuses on the Peruvian case. The study of the Peruvian peak business association, CONFIEP, shows how the business sector was able to form and consolidate an umbrella organization that became the single spokesman of the private sector. A new generation of business leaders was able to mobilize the business sector around the peak association in order to face the challenges posed by the changing rules of the political game that came with the transition to democracy and macroeconomic policy changes. In the 1980s, the peak business association successfully struggled to obtain recognition among its peers and "others" (state, labor unions, political parties). CONFIEP became capable of recognizing the dangers of its own members' lack of coordination, and the association became less vulnerable to the state elite's efforts to exploit internal divisions. In the process of institutional consolidation, because of the political nature of this struggle, business leaders became national figures and decided to intervene in party politics.

RESUMEN

Este trabajo analiza el tema de la organización empresarial durante la década de los ochentas, período de transformaciones económicas y políticas en América Latina, y se concentra en el análisis del caso peruano. El estudio de la máxima asociación empresarial peruana, CONFIEP, muestra como el sector empresarial fue capaz de formar y consolidar una amplia organización que llegó a ser el único portavoz del sector privado. Una nueva generación de líderes empresariales fue capaz de movilizar al sector empresarial alrededor de esta asociación cúpula con el objeto de hacer frente a los retos planteados por la modificación de las reglas del juego político que se dió con la transición hacia la democracia y con los cambios en la política macroeconómica. Durante los años ochenta, este organismo luchó con éxito para obtener el reconocimiento de los suyos y de los "otros" (el Estado, sindicatos, partidos políticos). CONFIEP fue capaz de identificar los peligros derivados de la falta de coordinación de sus miembros, y logró hacerse menos vulnerable a los esfuerzos de la élite estatal para sacar partido de las divisiones internas. Durante el proceso de consolidación institucional, debido a la naturaleza política de esa lucha, los líderes empresariales se convirtieron en figuras nacionales y decidieron intervenir en la política partidaria.

This paper examines the question of business organization building in a time of economic and political transformation. Since 1980, Latin America has witnessed efforts by business in many countries to create and/or consolidate a peak association that represents the business sector as a whole (also known as umbrella organizations or comprehensive organizations). These organizational efforts have appeared when deep changes were taking place: the transition to democracy and the adoption of liberal economic policies. The two phenomena are closely related. Peak associations emerged as the business sector's collective reaction to profound alterations in both the economic and political rules of the game. This reaction, in turn, was possible because a new generation of business leaders seized the opportunity for collective action and sought to develop and strengthen an umbrella organization. It was not easy. Businessmen had to struggle hard to form it, to consolidate it, to achieve societal recognition from their own peers and "others" (the state, political parties, civil society).

This political issue is crucial to the understanding of collective business action in the region, because institutions have to be properly built before they can play a positive role in defending interests related to specific policies. In reality, in this transitional period, where the umbrella business organization is emerging but still lacks consolidation, the two dynamics overlap and must not be confused. There is a struggle around specific policy issues and, at the same time, a struggle over institutional consolidation and recognition. The two goals can be accomplished depending on the business leaders' ability to act despite objective economic differences and political disagreements. Internal discipline to mobilize the business sector as a whole, and to avoid interference from other actors trying to take advantage of businesses' lack of cohesion, is seen as an indispensable requisite for a more effective role of peak associations in the political arena.

Peru is, within this context, a fascinating case. After a ten-year struggle, the Confederation of Private Entrepreneurial Institutions (CONFIEP) was finally founded in 1984, but it took several skirmishes and one final battle (the 1987 nationalization of the banks) with President García to strengthen the organization and obtain internal and external recognition. It is a case where the drama of changing circumstances is adequately combined with organizational vitality and astute business leadership.

1. LATIN AMERICA: THE PECULIAR CHARACTER OF BUSINESS

The emergence of a peak business association is a major event in business politics and politics in general for any given country (Turner 1984: 7; Windmuller and Gladstone 1984: iii; Becker 1991: 114). Peak associations emerge when the industrialization process is well

underway and there is a sense of political urgency among businessmen for organized collective action. In that moment, several trade associations, representing different sectors and regions, are united under a single representative institution. This institution is unique because it becomes the spokesman for the business sector as a whole, an attribute that is recognized by other pressure groups (labor), political parties, and the state. Its recognition, granted according to the rules of the political system, can be regarded as important and necessary since it is an organization that represents those who control economic resources. Peak business associations gradually become an essential part of the system of interest representation (Schmitter and Streeck 1985: 2-4).

The emergence of peak business associations in Western Europe was a sign of collective development; this happened in countries like the U.S. and Italy (National Association of Manufacturers and Confederazione Italiana Dell'Industria respectively) as early as 1885 and 1910 (Zeigler and Peak 1976: 227; Martinelli and Treu 1984: 265). That is why scholars can take for granted, as Claus Offe argues, the "solid and undisputable acceptance" of a system of interest representation (1981: 151). Is this the case of Latin America?

Modern businessmen in the region came on the scene much later than in developed countries, and so did business trade associations and peak associations. But, more important than this and the timing of industrialization were the economic weakness and political ineffectiveness of native elites. In Latin America, peak associations started to become an expression of a surge of business political activism only in the 1980s (Touraine 1984; Maxfield and Anzaldía 1987: 5; Cueva 1988: 39). In only two countries, Chile and Venezuela, were peak business associations formed between 1935 and 1944. Paraguay and Bolivia followed in the next two decades. In Mexico, Nicaragua, and Peru peak associations were founded in the 1970s and 1980s. In several countries (Brazil, Argentina, Ecuador, and Colombia), trade associations are still struggling to create a confederation, or have attempted to build temporary coordinating organizations.¹

In Latin America, the peak business association is a rather recent phenomenon and its stature and impact is conditioned by native businessmen's economic weakness and its degree of politicization.² In Latin America the national private sector does not play, as in developed

1 Information about peak associations in the region can be found in CIEDLA-Centro de Investigación Económica para América Latina (1984) and Garrido (1988). For Argentina and Brazil see Acuña (1988: 35). For Chile see Campero (1984). For Mexico see Camp (1989). For Peru see Durand (1987 and 1990). Venezuela is a rather exceptional case, because FEDECAMARAS has been part of the institutional landscape for several decades. That is why studies about its role and a debate about its influence are more abundant (Moncada 1985; Salgado 1987; Becker 1991).

2 The economic weakness assertion has been adequately explained elsewhere (Durand 1987: 44-45). The same argument has been used to explain the peculiarities of two Western latecomers, Italy and Canada. See Bottomore and Brym (1989: 110-177).

countries, a “dominant role” in the economy and is rarely a powerful political player. These facts deeply affect the nature of its relationship with the state and other actors. The question of economic weakness must be understood because businessmen in general, and peak associations in particular, are not “that important” for the state, which is always more interested in “powerful investors” (but potentially able to “protect” the weak). Lack of economic hegemony conditions the game played by national businessmen and their organizations. Economic weakness, however, cannot be automatically translated into political weakness, as some scholars have done.³ This correlation is too simple to be of any analytical use because the national businessmen’s organization still represents an economic force of some significance and participates, even as a minor partner, in political coalitions. Its relative importance can be enhanced if it has internal unity. In sum, economic weakness can be compensated for by organizational developments, particularly the formation of umbrella organizations and participation in broader pro-business coalitions.

These developments have in fact taken place in Latin America in the 1980s, stimulated by overall societal changes. In the midst of a crisis the region underwent two major changes: the transition to democracy and the transition to liberal economic policies. The transition from authoritarian or semi-authoritarian regimes (*democracia limitada*) to democracies, was not merely one more Latin American swing of the pendulum. The adoption of democracy was accompanied with much deeper legal transformations: many countries adopted new constitutions (or are in the process of changing the existing ones), and many laws were changed or are under revision. The political transition, then, defined a whole new set of rules for political players, business included. At the same time, democracy provided an environment more adequate for and tolerant of organizational initiatives. It offered the opportunity for business people to raise their voices and to bargain more safely than under a military regime. Even though the militarism of the 1970s was more determined to suppress grass-roots organizations and unions than business associations, the fact remains that the latter were also constrained by authoritarian rule and, in some cases like Argentina, directly affected (Acuña 1988: 35).

The transition from protectionist economic policies to open trade policies also had a stimulating effect on business political activism. The new set of policies deeply affected vested interests, with varied results. While the industrialists had to face foreign competition and were negatively affected, others, like exporters and the Groups (diversified economic conglomerates), clearly benefited. Despite the diversity of interests at stake, businessmen felt the need to get organized and to mobilize themselves collectively in order to reject the changes or, eventually, to set the pace and the conditions under which liberal policies were adopted. It must be noted that

3 Leff (1976) equates economic weakness with political weakness.

this economic transition (that came accompanied with a deep recession) also affected public firms by means of privatization. This fact altered the relative importance of the national private sector: as a result of the weakening of public firms, it became more important as an investor. Another fact that comes into play is the debt crisis: it made governments badly in need of investment more sensitive to private-sector demands.

The 1980s and 1990s, then, are a new period that is crucial to the understanding of the emergence and consolidation of peak business associations. It is under these historical circumstances that the business sector faces overall societal changes, and these changes force business to find collective ways of responding to the challenges.

A final caveat is necessary here. Studies of peak associations have correctly pointed out that the critical issues to be discussed are as follows: constituents, internal cohesion, representation, types of demands, modes of influence, expectations and reactions of those who deal with peak associations (the state, labor) (Windmuller and Gladstone 1984: 2). These issues are certainly important; however, what interests us is rather a question of associative formation and business politicization. That is, the “logic of consolidation” of the umbrella organization and the business sector as a political actor.⁴ All these issues are dependent on the advancements and organizational developments of peak associations. A weak peak association, with low degrees of representativity, cannot deal with the state on key issues in the same way as a strong and highly representative peak association.

In the transitional period, when peak associations consolidate by moving from a “weak” to a “strong” position, a process of finding a defined location in the new institutional universe takes place. Other institutions, whether business-related or not, will have to consider that fact because peak associations cannot be removed from that organizational universe. At that point, relations among actors and institutions have a new point of reference that cannot be ignored.

2. ORIGINS OF PERU’S PEAK BUSINESS ASSOCIATION

The 1980s and early 1990s were times of deep changes in the system of interest representation in Peru, changes that have been manifested not only by social actors’ initiatives but also by overall political and economic factors. The country moved to a democratic regime in 1980, after adopting a new constitution in 1978. In the 1980s, several attempts to change economic policies occurred when social actors and political institutions were trying to assess the cost and benefit of these changes—more so when a severe economic recession and widespread

4 Schmitter and Streek (1981) have emphasized the importance of studying two “logics” that govern the life of peak business associations in Western Europe: the “logic of membership” and the “logic of influence.” See also Acuña (1988: 27).

social violence became the trademark of the decade. In the 1980s, grass-roots organizations and unions were negatively affected by high rates of unemployment and declining standards of living, while business organizations experienced a surge of political activism. In addition, the state was severely weakened as an economic agent, and foreign credit and investment declined sharply. Both facts enhanced the political importance of the national private sector and showed that the relationship between the state and civil society was being transformed. It is in this context that Peru's peak business association was created. A comparison of the state-business relation in the 1970s and 1980s is necessary to understand these changes.

The formation of the new system of interest representation can be briefly summarized as follows. In 1968, Peru was governed by a military populist regime (Velasco) which developed an interventionist state. In the early 1970s, unions and "popular" organizations quickly developed, partially sponsored by the state, seeking to create social bases of support, and partially by civil society's own autonomous dynamism. A strong state (*dirigiste* and authoritarian) dealt with business trade associations according to their stance (positive or negative) toward the government and the "structural reforms" being implemented (Agrarian Reform, nationalizations, the Industrial Communities). The government eliminated the rural trade association (National Agrarian Society) in 1969, in order to facilitate extensive expropriations of land. Since 1970, the government moved to isolate those trade associations that rejected the reforms (National Industrial Society) and openly favored the ones that supported the "dialogue" with the state (Bamat 1978; Ferner 1982). But the state, no matter how hard it tried, never succeeded in imposing its rule over civil society, whether bourgeois or proletarian, whose tradition of "autonomy" was jealously guarded.

In the 1970s, business associations remained autonomous but divided, unable to participate actively in the policy-making process and limiting themselves to "dialogue" with the state or to angry reactions against decisions being taken without any prior consultation. Attempts to break out of isolation and act cohesively, when business interests were threatened by nationalizations or when policy changes affected their interests, failed twice. The first attempt occurred in 1974, when the National Industrial Society tried unsuccessfully to create a United Front for the Defense of Private Property in order to oppose the nationalization of the fishing industry. Most of the trade associations did not dare to challenge Velasco and opted to keep quiet in order to avoid trouble or in exchange for particular favors from the state. Later on, in 1977, when General Morales Bermudez, Velasco's successor, decided to shift the course of the military revolution and "reform the reforms" (in order to cope with a severe economic recession and the effects of the external debt crisis), a new peak association emerged. The Unión de Empresarios Privados del Peru (UEPP) was formed by seven trade associations, but it did not last long. UEPP was dissolved six months later, after its leaders failed to maintain internal unity and to adopt a

common position with regard to radical policy changes implemented under pressure from the International Monetary Fund. In addition, state officials had reinforced divisions within UEPP by favoring exporters and isolating industrialists (Durand 1987: 12-15).

The formation of a peak business association in the 1970s was prevented by both businesses' internal problems and state actions to put obstacles in the way and undermine class cohesion. The problems that blocked the formation of a peak association were the prevailing divisions among trade associations and businessmen in general, not only because of differences in economic interests but also because of political differences—in particular, disagreements on how businessmen should unite themselves and on how to ensure democratic procedures in the selection of leaders. Businessmen's fears of confronting an authoritarian government were also present. If the first Front failed in 1974, it was because trade associations were unwilling to fight such a powerful government and opted for accommodation. In the second attempt, when UEPP was formed in 1977, policymakers tried to exacerbate internal divisions by granting special favors to exporters and economic power groups while seeking to isolate the industrialists. But outcomes in the 1970s cannot be measured only in terms of the failure to form a peak business association. The organizational project was still pursued by business leaders, who decided to evaluate their experience and to find a better time to found the peak association. Gian Flavio Gerbolini, a textile industrialist and leader of Acción para el Desarrollo, an important entrepreneurial institution, used to say, referring to their political experience, "we learn the hard way." Indeed, the learning process was already underway, and it had lasting consequences in the next decade. The legacy of the 1970s became manifested in the formation of business leaders who learned from their failures.

In the late 1970s and 1980s, the system of interest representation was influenced by several factors and changed dramatically. A new constitution was approved in 1979, granting trade associations the right to organize freely and reaffirming the rights of private property. The Constitution introduced a new bargaining concept, typical of the 1980s, known as "concerted action." Economic interest groups (business and labor) and the state could agree on policy changes in order to develop plans for economic development (*planificación concertada*).⁵ Additionally, the powers of the Executive were enhanced. The Constitution authorized the cabinet and the President to issue decree laws under several legal modalities (Bernaes and Rubio 1981). These new rules of the game influenced the behavior of economic interest groups, who tried to adapt themselves to the new constitution.

Civil society became even more autonomous in the 1980s, thanks to democratization, but the balance between economic interest groups differed greatly from the previous decade, not

5 In many Latin American countries the idea of concerted action between the state and interest groups became particularly strong with the transition to democracy. See Dos Santos (1987).

only because of political changes but also because of changing economic trends. During the Great Depression of the 1980s, unions and peasant organizations were weakened and had less bargaining power, while scattered “informal sector” organizations and “survival organizations” flourished to cope with the crisis. But even these gains were limited because at the end of the 1980s the Shining Path, a violent guerrilla movement, began to attack and dismantle these organizations. With regard to business associations, the trend was the opposite. Their activity increased, as a reaction to macroeconomic policy changes (Germana 1981) and an escalating rate of political and social violence. In 1984, a peak business association, the Confederation of Private Entrepreneurial Institutions (CONFIEP), was finally formed and legally recognized by the state and the International Labor Organization.⁶ In this period, the state was severely weakened by the fiscal crisis and by an effective political offensive by the private sector and external forces to reduce its role in the economy, although open trade policies were not immediately adopted.⁷ A hectic period of policy changes started, aggravated by the continuing economic crisis. Some policies taken in the early 1980s (carried out without consultation and issued by the executive in most of the cases) were supported by the private sector (labor laws, weakening of the state) but others (tariffs, floating exchange and interest rates) affected the industrialists and were criticized by several trade associations. As the crisis deepened, it affected all business segments, making the economic differences of interest among businessmen less significant. In 1984, the “weak” Peruvian bourgeoisie demanded the adoption of “emergency” policies to avoid a general bankruptcy and publically struggled against open trade policies; by so doing, it began organizing itself collectively.

CONFIEP’s formation was, then, stimulated by a changing economic and political environment. Peru had become unpredictable, and the response of the business sector to extreme uncertainty was expressed in organizational developments. That is why one of CONFIEP’s first claims did not have to do with specific policy issues, but with demands to put an end to “inestabilidad jurídica,” that is, continuous changes of policies and policy orientations. The business organizations reacted against a particularly hectic, unstable environment .

In sum, it is clear that political and economic changes have to be considered as factors that have determined the formation and shaped the characteristics of Peru’s first peak business association. A more specific analysis, however, is necessary to explain the politicization of the Peruvian bourgeoisie and to identify some critical factors that intervened in the creation of a peak association. The formation of CONFIEP, more concretely, occurred because of the following factors.

6 On the formation of CONFIEP see Durand (1987). On the recognition of CONFIEP see Demaison (1985).

7 A useful overview of policy changes and the reaction of the business sector to them at the beginning of the 1980s is provided by Abuggatas (1986).

- a) The active role played by a cadre of politically experienced business leaders. The leaders were known in business circles as “gremialistas,” that is, those who defended trade associations and fought for the formation, consolidation, and recognition of a comprehensive business organization. The “gremialistas” acknowledged the importance of internal divisions and rivalries among trade associations and were conscious that policymakers were unwilling to go on with “concertación,” because it limited their autonomy. The leaders were fully aware that separate dealings with individual trade associations sponsored by high state officials were a political method used by the state elites to interfere with internal unity. In the 1980s, the “gremialistas” took full advantage of a democratic climate to demand participation in the policy-making process in spite of the resistance of state officials.

- b) The prevalence of internal business unity in 1983-1984. Class cohesion tended to prevail over internal divisions among individuals and/or economic sectors, favoring concerted action. The leaders seized the opportunity in 1984 when the generalization of the economic crisis forced all segments to get mobilized and when the unpredictability of government actions became a serious source of business worries.

- c) The demonstration that collective action produces specific advantages for the business sector as a whole, that is, it has concrete, tangible results. CONFIEP was formed in November 1984, three months after a group of trade associations united against the government’s attempt to impose a new tax raising the cost of credit transactions (from 8 percent to 17 percent). This became a public political confrontation known by the press as “el lío del 17%.” Business unity and mobilization successfully forced the government to limit the tax increase to 10 percent. This first battle ended in a victory, and the united front of trade associations obtained concrete, tangible results. It became a case of “demonstration of mutual advantages” obtained by collective action.⁸

⁸ This idea is developed by Windmuller and Gladstone in their study of Employers Associations in developed countries (1984: 3).

3. FINDING A PLACE IN A NEW ORGANIZATIONAL UNIVERSE (*hacerse sitio*)

The emergence of a peak association modifies both the relationship among trade associations and the relationship between businessmen and others (the state, political parties, labor). When the newly founded organization emerges, a new point on the institutional map appears, and the lines that express interorganizational and intraclass relationships are gradually redrawn. These impacts on the system of interest representation happen as the peak business association is struggling to consolidate itself, to be considered by “others” as an institution that not only enjoys formal recognition, but seeks societal recognition. In Peru, business leaders refer to this issue as CONFIEP’s need to become “un interlocutor válido,” that is, recognized by the state and others as a valid spokesman for collective business interests. The process in which CONFIEP was gradually invited to the bargaining table in order to hold dialogues, consultations, and negotiations with the state was neither immediate nor easy.⁹

The political game was being altered when CONFIEP emerged because the modalities of business influence over the state were being conditioned by the process of institutional consolidation. For CONFIEP, the idea was not only to be a member of a club of organizations, but a member with the prestige and recognition granted by its peers and outsiders as the single spokesman of the private sector. The point then is that, in order to exist, CONFIEP could not afford to be ignored. The process of institutional consolidation will be illustrated with references to two types of political battles: the struggle to achieve recognition from García’s government, and the disputes over the nomination of business leaders in governmental commissions.

CONFIEP’s first battle was particularly illustrative and deserves to be mentioned in some detail. In 1985, Alan García’s government was strongly supported by the business sector and CONFIEP, because García temporarily eliminated one worrying factor: he shifted from recessionary neoliberal policies to protectionist and demand-stimulation economic policies (Iguñiz 1986; Wise 1986). García, however, was reluctant to admit CONFIEP as a permanent member at the bargaining table. A loose political alliance based on business support for an administration that changed economic policies in a direction desired by most business segments was one thing, but it was quite another to expect García to share policy-making decisions with business organizations.

García did not think it was necessary to reduce his room to maneuver in order to please the members of the ruling coalition. On one occasion, García told one of Peru’s top businessman, Juan Francisco Raffo, “leave politics to me.” By that, García meant that he expected the business

⁹ These three forms of business-government bargaining are explained by Harry Eckstein (1960: 22-25).

sector not to involve itself in politics and not to interfere directly in policy-making decisions (*The Peru Report*, September 1987). Many policymakers (*técnicos*) shared García's concern because they were reluctant to divulge information and to be constrained by the existence of CONFIEP, which demanded real recognition as spokesman of the private sector and consultation on policy decisions taken by the executive, a branch empowered by the new constitution.

In CONFIEP's first meeting with García, when he was already elected President (May 1985), CONFIEP demanded "concertación institucionalizada," including negotiations with labor confederations, to deal with a number of issues. García courteously dismissed the proposal on the grounds that the Communist labor confederation (CGTP) was too problematic. CONFIEP, however, kept insisting on this key issue because the problem was not only that labor was being ignored. The question of "recognition" was critical. In 1986 and 1987, personal interviews were conducted by the author with all sixteen leaders of trade associations belonging to CONFIEP, and with the peak association's first two presidents.¹⁰ The issue of recognition was raised by all of them. The issue was perceived as more important than specific policies being discussed such as labor laws, taxes, customs duties, price controls, the external debt, and investment incentives.

CONFIEP's first clash with García came in late 1985. In a move typical of Peruvian policymakers, accustomed to act on their own but conscious of potential reactions from civil society, the government approved, without any prior consultation, a decree law (DS 362) modifying tax incentives for investments in all economic sectors. The measure was approved on December 27, a day when protest was not expected: two days after Christmas, four days before New Year's Eve, and one day before the end of the 1986 legislature (*Peru Económico*, May 1986: 5). CONFIEP's first reaction was cautious, trying not to show its displeasure openly; nevertheless, it pressed hard for a suspension of the decree law until discussions about its implications for the business sector were held (*Industrial Peruana*, Enero 1987: 11). The government, reacting to business pressure, decided to hold a dialogue. In early 1986, CONFIEP leaders and several ministers met and agreed to create a commission to discuss DS 362, but the commission failed to materialize due to the administration's lack of interest. When CONFIEP sensed that the commission was basically a diversionary tactic, it started a "mail campaign," sending letters that were never answered. When they tired of that tactic, CONFIEP's leaders started to send telexes directly to the Prime Minister, but weeks passed and the government remained silent. Finally, after all other initiatives failed, a meeting with García himself materialized in mid-1986. But it started the process all over again: promises of commissions that were never formed! It was now clear that it was the President himself who had devised this tactic. The dialogue held first with cabinet members and later with the President did not lead to negotiations as CONFIEP expected, but

¹⁰ For specific information about these and other interviews with business leaders see Durand (1990).

these events were part of a process of organizational consolidation that has to be understood in a larger context.

The issue at stake was not so much taxes, but what the peak association perceived as a negative attitude of *políticos* and *técnicos* toward dialogue, consultation, or negotiation on policy decisions. As Edgardo Palza, manager of CONFIEP stated: “This was a question of principles, not taxes.”¹¹ CONFIEP’s position was backed by all trade associations, but there was some hesitation about going further because the whole alliance with García could be endangered. General business interests prevailed in two senses: the need for collective action and cautiousness to maintain the alliance with García. “We agree on twenty out of twenty-one policy decisions,” CONFIEP leaders used to say, trying to emphasize business support for policy measures, but they insisted that “this one” (DS 362) implied a lack of consultation and an unwillingness to accept concerted action. CONFIEP was not willing to give up, because the consolidation of the peak association was clearly at stake as well as the definition of the rules of the game.

Other battles followed. The appointment of business leaders in government councils has traditionally been a prerogative of the state, but CONFIEP wanted to put an end to arbitrary selection of business leaders by high state officials. CONFIEP’s reasoning was clear: if trade associations now count with a confederation that represents them collectively, and if CONFIEP is the spokesmen of the private sector, then the state has to consult with CONFIEP in order to appoint business representatives. This second battle had several rounds. First, the Minister of Economy and Finance formed an advisory committee in 1985 and decided to appoint one leading businessman (Dionisio Romero, a powerful investor) and CONFIEP’s first two presidents (Julio Piccini and Miguel Vega Alvear). Both accepted the nomination because the state implicitly recognized the existence of CONFIEP, but they politely insisted on pointing out that it would be better if the Minister would ask CONFIEP to nominate “representative leaders” (“empresarios gremiales representativos”). A second round came in 1986, when the National Planning Institute created a consultative commission and appointed a number of individual entrepreneurs and trade association leaders, including CONFIEP’s president. The same line of action followed: CONFIEP accepted the appointment but reminded the government that they would prefer to be consulted first. CONFIEP’s first victory came in 1987, when in a newly created organization, Instituto de Comercio Exterior (ICE), a consultative commission was formed. In this third round, the composition of the committee was agreed on previously between ICE leaders and CONFIEP.

11 Personal interview with Edgardo Palza, Lima, November 1986.

4. LACK OF CLASS COHESION: A PERMANENT DANGER

Internal divisions are one of the most difficult problems in the life of a peak business association. Besides market competition among firms that belong to the same economic sectors, differences of size and differences of economic activity (manufacturing industry, agriculture, banking, etc.) can negatively affect the cohesiveness of the business sector, up to a point where the defense of particular interests makes impossible the defense of general interests. These divisions, at the same time, give rivals or enemies a political advantage; they can be used politically to reinforce the divisions. A peak association emerges when the business sector develops the ability to distinguish between general and particular interests, when it learns to mediate conflicts among members, when it becomes politically able to speak with a single voice and to avoid outside interference. This game is played taking into account that a peak business association has one disadvantage compared to labor unions: it does not have binding rules. Peak business associations, however, are not influenced by political parties, as in the case of labor unions (Martinelli and Treu 1984: 269). The Peruvian peak business association, for example, is fairly independent from political parties, but internal cohesion is difficult to attain and maintain. The two following cases illustrate the point.

The issue that tested the resolution of CONFIEP—DS 362—is also illustrative of the causes and consequences of internal divisions. As has already been explained, member trade associations supported CONFIEP's position against the reduction of tax incentives for investors for two reasons. First, because the measure touched the interests of all trade associations. Second, because they considered that CONFIEP had the right to claim dialogue, consultation, and negotiation, a right that was not adequately granted by García's government. Properly speaking, business unity was more the unity among leaders of member trade associations rather than a solid class unity.

The "gremialista" leaders at work in CONFIEP knew in advance that it was not a good idea to raise issues that were not defended by most or all members. The need for consensus was based on their earlier collective political experience and reflected an internal agreement: CONFIEP could act only when leaders of all member trade associations agreed. In addition to the consensus rule, the founders also decided that CONFIEP's president could not be reelected and that all trade associations' leaders had to rotate in the presidency. Finally, it was also informally agreed that CONFIEP only spoke on general matters, letting individual trade associations deal with issues that involved particular interests.

García's government did not feel predisposed to dialogue about DS 362 because it operated on the assumption that policy decisions (decree laws) approved by the Executive did

not have to be consulted. But there was more than that, and this case reveals why the government did not care to listen to CONFIEP's complaints. It is true that all trade associations were against DS 362; they acted accordingly using CONFIEP as the spokesman of the private sector, but individual capitalists were not all equally affected. According to the Peruvian Industrial Law of 1983, foreign corporations and larger national firms are entitled to sign a "tax stability contract" with the state for a given period of time. When the government issued DS 362, policymakers knew in advance that they could get away with it, despite CONFIEP's pressures, because "the big ones" were not touched by it. This fact was even publicly recognized by the Minister of Industry, Manuel Romero, who asserted that: "the vast majority of large firms...signed stability contracts with us at the end of 1985, so later laws [DS 362] do not affect them" (*The Peru Report*, 1987). CONFIEP's strong institutional pressure was weakened because a handful of powerful firms were not interested in modifying DS 362. It is clear, then, that lack of class cohesion weakened CONFIEP's role and negatively affected business-government relations.

Dangers of internal divisions also have to do with rivalries among business institutions and the state's subtle interference in class unity. The case to be analyzed next deals with this issue and also sheds light on the dynamic of recomposition of the system of interest representation once there is a new organization located in it.

The actors in this conflict are CONFIEP and the Peruvian Institute of Business Administration (IPAE). Before CONFIEP emerged, trade associations acted without coordination and lacked cohesion, but an informal collective dialogue was held with the state through IPAE. IPAE was founded in 1962 as a business educational entity to train middle managers and to disseminate the ideas of "scientific management." Every November, IPAE organized a highly publicized conference to discuss management problems and business issues (*Conferencia Anual de Ejecutivos, CADE*). When the military government stepped in (1968) and closed Congress, IPAE continued to organize the conference and, since all formal mechanisms of access to the state were closed, it decided to invite the military leaders to discuss economic policies at their annual conferences. Since then, the CADE conference has become the great business-government event of the year. IPAE, which did not represent trade associations and whose members were only individual firms and entrepreneurs, organized this forum ("tribuna de diálogo") which entrepreneurs of all sectors were invited to attend. Businessmen were attracted because CADEs were usually attended by cabinet members and, on the last day, by the President himself. For the government, CADEs were important to obtain useful information about businessmen. The CADEs were also occasionally used by the government to announce new measures, to dialogue, and to consult informally about policy changes with pro-government business leaders. But CADE, by definition, was not a bargaining table. The only organization allowed to "represent" the business sector and bargain on its behalf was a peak association.

Since CONFIEP was not founded until 1984 and trade associations were usually divided, most businessmen tolerated the CADEs because it was the only option available to approach the military government and obtain information.¹² CADE continued over the years despite policy and political changes and gradually became a tradition. Its prestige as “tribuna de diálogo” contrasted with trade associations who used to complain loudly whenever the government adopted policy measures without their knowledge. CADE and IPAE, compared to trade associations like the National Industrial Society, had a “positive” outlook, not a “negative” one. This image also reflected IPAE’s leadership interests, mainly composed of big firms, national and multinational, who were more interested in less institutionalized, more informal channels of access to political power (Ferner 1982; Durand 1989).

The CADEs were the only point of contact between entrepreneurs of all economic sectors and state officials, and it was there where CONFIEP was originally conceived. The first step was taken when business leaders decided to act collectively. At CADE 1983, IPAE and trade associations leaders agreed to work on a National Plan for Economic Development to be presented to the government at CADE 1984. The idea was to produce a document that reflected the views of the business sector as a whole, so the government could know in advance what their collective interests were. The hectic economic and political environment of the mid-1980s makes this rather unusual initiative understandable: it was a collective reaction to overall societal changes in order to make politics and policies more predictable. The idea to elaborate this document was justified at CADE on the grounds that the new constitution allowed social groups to present proposals based on concerted action. A collective business dynamic started, reinforced by the economic and political circumstances of this critical moment, and achieved results that were initially not clear to its leaders: they could not figure out how far the events would push business unitary trends. The meetings held by leaders in charge of elaborating the Plan created strong bonds among them. Once the commonality of problems became clear (because of the generalized and sharp economic decline of 1984), they decided to act collectively to protest against the 17 percent tax increase, an initiative already explained. When they won the battle over credit taxes, the initiative to form CONFIEP was taken. Policy decisions could be stopped or negotiated if concerted action followed, and permanent unity could only be facilitated through a peak association.

12 Edgardo Palza, manager of IPAE for fifteen years, defined the CADEs during the 1970s as an “informal parliament.” According to him, the CADEs became a tradition and no government interfered with it because it was a way of sending signals to the business community without having to compromise on policy matters. It was a forum, not a bargaining table between trade associations and the state. Personal interview, Lima, November 1986. See also Durand (1989: 24-27).

IPAE, then, helped to nurture CONFIEP, but CONFIEP was soon to develop its own dynamic and, eventually, compete with IPAE. A redefinition of the whole system of interest representation was taking place. At the beginning, IPAE kept organizing its CADE annual conferences and CONFIEP concentrated on building up its own organization by incorporating new members. As of November 1984, CONFIEP had eight members. In March 1985, two more trade associations joined, followed a year later by six more (Durand 1990: 222). In two years, CONFIEP was able to double its membership. By 1986, CONFIEP had increased its representativity significantly and was ready to hold its ground with the state, as the conflict over DS 362 convincingly revealed.

García's government, however, was determined to play on the business sector's internal divisions, relying on the differences between IPAE and CONFIEP and counting on the weaknesses of entrepreneurs to whom the President offered special access to political power. In November 1985, at the CADE conference, García announced his intention to "dialogue in a permanent way" with business leaders and urged CADE organizers to form a "CADE permanente." The initiative came in a moment when CONFIEP was beginning to claim the institutionalization of dialogue with the state, arguing that CONFIEP was now a "representative" organization of the private sector. In CADE 85, García chose to ignore CONFIEP and to privilege a dialogue with IPAE leaders, even if the institution did not represent any trade association. "CADE Permanente" was a direct challenge to CONFIEP, but IPAE's president, Octavio Mavila, decided to publicly and enthusiastically support García's "historic decision" (*Gerencia*, December 1985: 2). In doing so, IPAE and Mavila did not bother to consult with CONFIEP. CONFIEP's reaction was to silently criticize Mavila and hold private meetings with IPAE leaders in order to reaffirm its role as the true representative of the business sector. IPAE tried to defend its position, arguing that the dialogue was an opportunity to establish "a permanent channel of communication" with the state that could not be dismissed. IPAE also gave assurances to CONFIEP that it was not interfering with them. According to Mavila, the dialogue was limited to individual entrepreneurs who did not claim collective representativity.

One of the consequences of the clash between IPAE and CONFIEP was that it helped to set the boundaries between both organizations: IPAE now knew that any interference with CONFIEP would create problems because CONFIEP was ready to defend its jurisdiction. Since IPAE was better known to the public, CONFIEP tried to obtain further public recognition and to gain legitimacy within the business sector. After the clash, CONFIEP decided to organize an annual congress to discuss policy problems and agree on issues to be discussed with the state, collectively setting the agenda of business-government relations. The first Congress, held in August 1986, effectively consolidated CONFIEP's position. The debate was publicized in the press and the number of entrepreneurs attending it was even higher than those who went to the

CADEs. With regard to García, the President was invited to give the closing address (*discurso de clausura*), but he declined and sent a minister instead. But the President could not keep ignoring CONFIEP indefinitely. Once the conclusions of the Congress were printed in the press and sent to the President (including the claim for “concerted action” with “representative institutions”), García decided to invite CONFIEP’s leaders to the Presidential Palace before the press started to make an issue out of their misunderstandings.

In the following years, IPAE did not dare to interfere again with CONFIEP, and both organizations continued to organize their annual meetings. CONFIEP was finding a place in the new organizational universe, and the state and other institutions were beginning to recognize its existence. Political parties, for instance, started to hold dialogues with CONFIEP whenever they needed to discuss business issues, and labor confederations became more concerned with the effectiveness of business pressures organized by CONFIEP.

5. THE BATTLE OF THE BANKS AND CONFIEP’S FINAL CONSOLIDATION

The possession of key resources, according to the “investment mandate” approach, explains why the state establishes a privileged relationship with business (Lindblom 1976). The investment mandate approach, however, refers to the business class as a whole; it does not attempt to take into consideration business’s internal differences. If the control of key resources explains business’s privileged access to political power, then the most powerful business segments (or class factions) tend to establish a more privileged relationship than weak segments. This distinction is important because it is generally accepted among scholars that the main dividing line among businessmen is that of size—between large and small firms—and this can be expressed politically and organizationally (Grant and Streek 1985; Vogel 1989). The relationship with the state does not have to be the same for all sizes of firms, because large firms are in principle more important to the state than small ones. This might explain why in Latin America the “weak national bourgeoisie” has not usually enjoyed special access to the state and did not count very much in terms of influencing the policy-making process. This situation was probably reinforced because the national bourgeoisie was politically weak: internally divided, unorganized, and unable to gain allies to support its cause.

Is the situation changing in the 1980s and 1990s? We have argued that the formation of a peak association is one step forward in terms of the political activation of the business sector. In addition, we have stated that national private capital plays a more important role today because neither the state nor foreign capital is interested in or capable of leading, as in the past, the process of capital accumulation. In a case like Peru during the García administration (1985-1990), the government could not count on the public sector to reactivate the economy and did not enjoy

external financial support because of its nationalist stance on the external debt issue. Therefore, attention to the national private sector was critical despite its relative economic weakness. The national bourgeoisie was part of the governmental coalition, backing the new policy orientation, particularly those segments that were threatened by bankruptcy or affected by open-trade policies. Although CONFIEP was one piece in this complex connection between business and the García administration, policymakers tried to ignore it or put obstacles in the way of its consolidation because they correctly feared that CONFIEP would sooner or later interfere with the policy-making process. The government, however, was willing to establish concerted action with large investors, the owners of economic conglomerates known as Groups, in order to promote investment.¹³ By doing so, the administration once more ignored CONFIEP, and García dared to openly admit that he dealt only with the big ones, “con los que mandan.” The phrase reflects part of CONFIEP’s problems because big business was willing to play another game, a game CONFIEP could be kept out of. CONFIEP’s degree of representativity in terms of amount of capital was relatively low because the largest Groups could establish a private privileged relationship with the state, leaving CONFIEP out in the cold.

CONFIEP dealt with this challenge in the same cautious but firm way already manifested in earlier battles for institutional recognition. CONFIEP could not force the Groups to abandon special concerted action, but CONFIEP could try to avoid further damage to class cohesion by tolerating the private deal and, at the same time, letting García know that it was not the proper way of dealing with the issue. CONFIEP also pointed out to the twelve leaders of the Groups who were engaged in this dealing that a failure in negotiations could lead to a confrontation between the Groups and the state. If the press named the group of powerful investors the “12 Apostles,” CONFIEP leaders renamed them the “12 prisoners” because of their political overexposure in investment negotiations. This point is important, because it shows how the unpredictability of government behavior required not only cautiousness on the part of business leaders, but also a safety net which a collective association could adequately provide. The struggles with the state and internal class disagreements reinforced a sense of political precariousness in the early stages of organization building, a precariousness that was visible among CONFIEP leaders. One of its presidents, Julio Piccini, once defined CONFIEP as “a crystal” that had to be handled with care.¹⁴ Unpredictability was also a factor that affected business-government relations. Businessmen in Peru talked constantly about the charming but audacious, unpredictable nature of the President (who was known as Crazy Horse). The following presidential statement illustrates the point. Information about the different policy alternatives the President was considering became public in

13 For information on specific policy proposals on this issue see Alva Castro (1987: 35-42).

14 Interview with Julio Piccini, CONFIEP’s first president. Lima, February 1987.

1986. In his July 28th speech (Peru's national holiday), García made the following revealing statement:

One possibility for us, as some sectors propose it, is to proceed with the nationalization of firms owned by Groups. However, that would generate the distrust and apprehension of the middle class, the economic agents, and would inevitably lead to a greater bureaucratization of our economy....We offer a different alternative...through productive investment of Groups' economic surplus, according to national goals. In this way, they will not be the center of accumulation and power, or accomplices of dependency, but rather factors of support and stimuli to national development (García 1986).

The Groups were relatively aware of the danger and decided to play a double game: to attend CONFIEP meetings and keep in touch with trade associations who belonged to CONFIEP, and to continue with the special concerted action scheme designed by García to negotiate private investment. García was putting some political pressure on investors because his government badly needed to maintain economic recovery (for that reason, 1987 was officially labelled "Year of Investments.")

The Groups' approach was criticized by the "gremialistas" leaders who were particularly sensitive about matters of recognition, but they could not afford to fight with the powerful Groups. A fight between CONFIEP and the Groups could mean the end of precarious business unity and a blow to the existence of the newly founded confederation. CONFIEP leaders thus decided to introduce organizational innovations and create "special committees" that included some Group leaders. A "problem-solving" logic was being dictated by CONFIEP's political learning process. In that way, CONFIEP had an institutional device to exchange opinions with the Groups about policy and political matters.

Industrialist Carlos Verme, one of CONFIEP's founders, stated that the Groups viewed CONFIEP as a "cheap shield" (*escudo barato*), because they did not struggle to found it but could use it in case of danger. And indeed, CONFIEP became a cheap shield for the Groups. In July 1987, one year after the President's enigmatic speech about different policy scenarios, the nationalization of the banking system was announced without warning.¹⁵ It will not be possible here to analyze the causes that led to the nationalization, and the political dynamics that generated it. Suffice it to say that the alliance was broken, and since private property was at stake and CONFIEP was at the ready, class unity could be rapidly mobilized. The nationalization was not only a question of the Groups' rights (owners of the banks) but, as CONFIEP put it, "a question of principles," that is, general interests. Businessmen had the right to defend private property, and the Constitution provided them with effective means of legal defense to oppose the nationalization.

15 A list of the banks, insurances companies and financial firms potentially affected by the nationalization attempt is found in *The Peru Report* (1987).

García, unable to understand CONFIEP's role and the nature of business political activism, badly miscalculated business class divisions when he announced the nationalization of the banks. He tried to present the measure as beneficial to medium-sized and small-sized firms, because the nationalization of the banks could "democratize credit," but CONFIEP, fearful of more nationalizations and already doubtful about the President's sincerity, decided to support the Groups. CONFIEP seized the opportunity and used this battle to achieve final institutional consolidation. First, it welcomed the Groups, strengthening organizational unity. Second, it coordinated the protests of trade associations and individual firms against the nationalization, seeking to broaden this support to include the middle class and informal entrepreneurs. Third, it started a legal battle in the judicial system to declare the measure "unconstitutional" and to lobby in Congress against it.

Three months after García's dramatic announcement, the project was approved in Congress but largely modified. The modification was a desperate but ineffective effort by García and his party, APRA, to cope with increasing isolation from the business sector. Once it was approved, it was never fully put into practice. García lost the political will to go on with the bank nationalization and the state, weakened by a severe fiscal crisis, could not even formally take over the banks by compensating the owners. It was a major political victory for CONFIEP, and for Peru's business class a historical turning point. The battle of the banks demonstrated to entrepreneurs and other social groups that business's internal unity, organization building, and clever political leadership, could defeat the government. The rewards were immediate: seven trade associations joined CONFIEP in 1987, bringing the total to twenty-three as of November 1987 (see Table 1). Its political success, and the fear of further nationalizations, convinced other trade associations that, just in case, it was better to be under CONFIEP's umbrella.

Another clear indicator of CONFIEP's strengthening also has more to do with politics than policy-making. Since 1987, CONFIEP properly became the spokesmen of the private sector in a number of matters. The fact that many of CONFIEP's suggestions were not taken into account (because of the situation of open confrontation with García), did not mean that the peak association was weak and politically ineffective. On the contrary, it played a role, a political role. From then on, society paid attention to CONFIEP's public communiques, and the business sector felt collectively represented by the peak association. In 1988, four years after being founded and hardened by many political battles, CONFIEP obtained real recognition. Ricardo Vega Llona, president of CONFIEP at the time of the nationalization, was pleased to say that "today CONFIEP

TABLE 1

**Confederation of Private Entrepreneurial Institutions:
Members in Order of Admission**

Trade Association	Date of Foundation	Members
<u>As of November 1984:</u>		
National Industrial Society	1896	1,654*
Association of Exporters	1974	952*
National Mining and Petroleum Society	1896	120
Peruvian Chamber of Construction	1954	1,048*
Lima Chamber of Commerce	1888	4,000
National Confederation of Merchants	1945	100,000
National Fishing Society	1952	108*
Association of Radio and Television	na	na
<u>As of March 1985:</u>		
Peruvian Association of Shipowners	1919	10
Peruvian Association of Insurance Companies	1904	22*
<u>As of March 1986:</u>		
National Confederation of Chambers of Commerce and Production	1970	na
Association of Banks	1967	15*
Association of Hotels and Restaurants	1943	800
National Agrarian Association	1980	250,000
National Chamber of Tourism	1971	130
Association of Airplane Companies	1979	15
<u>As of November 1987:</u>		
Peruvian Association of Car Manufacturers	na	na
Association of Construction Engineers	na	na
Association of Insurance Producers	na	na
Peruvian Chamber of Realtors	1984	56
Peruvian Association of Aviculture	1953	560
National Association of Pharmaceutical Laboratories	1965	67*
National Association of Pharmacy Owners	na	na

* Data obtained from membership lists provided by trade associations. Data not marked with an asterisk are approximate and, for the most part, are taken from Abuggatas, "Crisis de transición, asociaciones empresariales y partidos políticos: El caso peruano." Paper presented at the Latin American Studies Association, XIII International Congress, Boston, Mass., October 1986; p. 35.

is not a crystal any more, it is a rock.”¹⁶ In the 1990 presidential elections, and once the Fujimori administration came to power, CONFIEP played a key role in voicing the interests of the business sector. This time, it was the President who sought CONFIEP’s support.¹⁷

6. BUSINESS POLITICIZATION IN TIMES OF CRISIS

Michael Useem, in his study of American and British businessmen, argues that trade associations play a particular function: to train businessmen in political matters and to contribute to leadership formation (Useem 1984: 104-105). This is also the case of CONFIEP, but we might add that the political climate of Peru in the second half of the 1980s and early 1990s was so intense and hectic that it accelerated business’s learning process.

One of the most important consequences of the battle of the banks was the politicization of the business sector (Rospigliosi 1991: 25). Business leaders were more concerned with politics and the danger of societal chaos (continuing economic recession and widespread social and political violence) than with policy matters. CONFIEP and IPAE became centers of political activism and, in the midst of the battle of the banks, a new political organization was formed. CADE 87, a conference that I was able to attend, was mainly concerned with finding political solutions to the crisis, assessing the different political alternatives for businessmen, and debating ways to “hacer política,” to become involved in politics (IPAE 1987). A sign of the changing although naive business attitudes was the declaration of a young industrialist José Chlimper, who stated in CADE 87 that business’s historical mission was “to become a ruling class.” Chlimper touched a sensitive issue, because an economically weak and politically divided national bourgeoisie could not consider itself a “ruling class,” but new political developments seemed to provide a chance for social leadership (Durand 1988: 20-23).

Another sign of business political activism concerns its connection with political parties.¹⁸ The Democratic Front, founded in early 1988 and headed by Mario Vargas Llosa, was the result of the unity between Popular Action, the Christian Democratic Party, and Libertad.¹⁹ This unity, according to several interviews, was fostered by businessmen who urged political parties to unite themselves: “We will not give any money for parties that are unwilling to create a front,” stated

16 Personal interview. Lima, February 1988.

17 For an analysis of the relationship between the business sector and the Fujimori administration, who decided to adopt open-trade policies with the support of most trade associations and CONFIEP, see Castillo Ochoa (1990: 46-52 and 1991: 20-22).

18 Mario Vargas Llosa’s own account of the political activation of Peruvian elites, businessman included, is found in *Granta*, no. 36 (1991: 15-75).

19 Information about Libertad’s first congress is found in *Movimiento Libertad* (1988).

Julio Piccini.²⁰ Business then conditioned the formation of the Democratic Front and, at the same time, opened a door for the personal involvement of business leaders in party politics.²¹

Business leaders had two available options to become directly involved in politics: to create a new party or to join existing political parties. The two options were tried in the 1990 general elections with varied results. Four business leaders decided to form a new independent but unknown organization, "Somos Libres," and none of them were elected. Five trade association leaders (three of them former presidents of CONFIEP) ran as the Democratic Front's senatorial candidates and three were elected (the ones related to CONFIEP) (*El Comercio*, January 8, 1990: A5). In general, CONFIEP provided the opportunity to form not only peak association leaders, but party leaders as well, another important sign of the rise of business political activism.

7. CONCLUSION

The analysis of the Peruvian case shows the conditions under which structurally young, economically weak, and politically divided business sector was able to form and consolidate a peak association that became the single spokesman of the private sector. The business confederation, CONFIEP, struggled to obtain recognition among its peers and from "others": the state, political parties, labor unions. The peak association became capable of recognizing the dangers of businessmen's own lack of coordination, and less vulnerable to the state elite's effort to play with their internal divisions. In the process of institutional consolidation, because of the political nature of this struggle, business leaders became national figures and soon after some of them even intervened in party politics.

This process was the result of a positive combination of factors that emerged in the 1980s. Economic changes, particularly the struggle to adopt open-trade policies and its impact on businessmen, stimulated the need for a collective business response to defend their interests and accommodate themselves to changing circumstances. Political changes, the transition to democracy, and the modification of the Constitution facilitated the formation of a peak business association and redefined the rules of the game between the state and the business sector. The executive branch enhanced its constitutional powers and new mechanisms of policy-making participation (concerted action) were adopted. But the emergence and subsequent consolidation of the peak business association became a reality thanks to the active role played by

20 Informal interviews were conducted at CADE 87 and in CONFIEP's second congress in 1988. Personal interview with Julio Piccini, Lima, February 1988.

21 CONFIEP's second President, Miguel Vega, became a powerful senator of the 1990-1995 legislature representing the Democratic Front.

a new generation of business leaders identified with the goal of organization building. They learned by identifying the internal and external causes of their early failures in the 1970s. In the 1980s, the peak association was formed and strengthened, particularly when it became the shield that protected businessmen from the bank nationalization attempt. In the 1990s, political parties and governmental leaders recognize the existence and role of the peak association.

When this happened, the system of interest representation was modified, because it included an organization that claimed representativity as the single spokesman of the private sector, and “others” granted this recognition. This “logic of institutional consolidation” was a political question that developed as CONFIEP’s struggle to influence the policy-making process took place. The consolidation of a peak business association changed the ability of businessmen to influence policy and political decisions because they were now able to act in unity and to defend general interests whenever necessary.

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