

This article has served to demonstrate the realities of international development in Cambodia specifically but also more generally in other supposedly developing 'Third World' countries. Faced with such bleak circumstances, what can be done to reverse these trends? Above all it is necessary to take the reins of development away from those who currently hold them, which would mean international organizations, bilateral donors

and at times the internationally endorsed Cambodian government. Power needs to be handed over to those who are supposed to be benefiting from the development activities – in other words into the hands of local communities and the poor.

⁷¹ St. John 423.

The Rise of Worker Cooperatives in Argentina:

Zanon Ceramics laying out the tiles for Argentine socialism

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In 2001, Argentina suffered a devastating economic crisis that will haunt economists everywhere for decades to come. Following the International Monetary Fund's (IMF) rulebook for over a decade, Argentina was led into a shocking and colossal economic crisis which has established this country as one of the great failures of the Washington Consensus. The resulting unemployment, poverty and nationwide upheavals reflect the severe weaknesses and limitations of the neoliberal institution. However, underneath the ruins of Argentine capitalism something was growing: the movement of factory expropriation.

At the peak of the crisis, unemployment (25 percent) and underemployment combined to reach a staggering 35 percent of the populace. In addition, more than 60 percent of the population of 37 million was below the poverty level.¹ In a country where economic disparity is ubiquitous, the crisis inexorably affected some Argentines more than others, exacerbating this nationwide inequality and

aggravating an already dire situation of misery and poverty for so many people. The crisis served to devise a path for Argentine socialism.irate citizens who overnight lost their entire livelihood, their savings, their jobs, and their dignity would soon learn the true meaning of democracy. These newly unemployed workers took the matter in their own hands and laid the foundation for an unprecedented nationwide movement of factory expropriation².

Inspired by Avi Lewis's and Naomi Klein's documentary film *The Take*, which explores the rise of factory expropriation and worker-cooperatives in Argentina, this paper will attempt to better understand the expropriation movement as well as to bring the movement up to date. It will begin by putting the movement in context by briefly explaining the political and economic conditions that preceded the Argentine crisis and the origins of the movement. It is suggested that the crisis owed its existence to decades of fiscal instability as well as the Argentine president at the time of the crisis, Carlos Menem's resolute trust in the Washington Consensus.³ This combined with a series of unfortunate economic circumstances outside of Argentina's control resulted in the vicious self-reinforcing circle that led to the demise of Argentina's economy in 2001.

² Expropriation is a complicated process aiming for the legitimate recognition of factory recuperation. The system basically entails a procedure whereby workers set up a cooperative or somebody that establishes them as a legal entity and that allows them to 'take-over' a bankrupt or abandoned factory. The process is obviously very complex, involving an array of legal procedures, and can last for several years, as in the case of Zanon Ceramics explored later in this paper.

³ Avi Lewis and Naomi Klein. *The Take*, Co-Porduction of Barna-Alper Productions and the National Film Board of Canada. Alliance Atlantis, 2005.

¹ Peter Ranis. "Argentina's Worker-Occupied Factories and Enterprises". *Socialism and Democracy*, Vol. 19, Iss. 3, New York, 2005. 93-117.

<http://proquest.umi.com.libproxy.mta.ca/pqdweb?index=2&did=1146417691&srchMode=1&sid=2&Fmt=3&VInst=PROD&VType=PQD&RQT=309&VName=PQD&TS=1201749064&clientId=13370>

Subsequently, this paper will explore a case study of the Zanon Ceramics factory, as highlighted in the aforementioned film. It is important to look at what the conditions of the factory were before the crisis, and how it has improved (or worsened) following the occupation? Also, I will discuss the barriers the workers have been facing throughout the process: the workers must carry this battle onwards through the various levels and hindrances of typical red-tape bureaucracy and of the Argentine legal system. There are many occasions for them to falter and veer off track, it is thus important to look at the incentives that carry them through the days and to analyze the process by which they managed to succeed. Finally, I will analyze the movement according to two theories of development: participatory development on the one hand, and the underlying capitalist motivations on the other. The worker-cooperative movement is a direct challenge to the top-down, neoliberal system that governed Argentina into the crisis; the workers are demonstrating that it is possible to build an economy based on a system of solidarity and where rights are respected.

SETTING THE STAGE:

AN OVERVIEW OF ARGENTINEAN ECONOMIC AND POLITICAL HISTORY

As with so many of its Latin American neighbours, Argentina's history is laden with political instability and economic disparity. Since the era of colonialism, the country has been divided between the wealthy and the poor. The economic elites of Argentina are usually of European descent, and they often have strong political affiliation and influence. The poor, the indigenous communities and *campesinos* of Argentine society are often forced to follow the rules and struggle against longstanding traditions of discrimination and oppression. Argentina's colonial past will have lasting ramifications on the dynamics of society, and the crisis inevitably shed light on these historically rooted wounds.

Argentina's Golden Years, following World War II, were marked by days when 'everybody had a job',

"Irate citizens who overnight lost their entire livelihood, their savings, their jobs, and their dignity would soon learn the true meaning of democracy."

the economy was ever flourishing and the country became a hot spot for wealthy American and European tourists. Buenos Aires enjoyed glamorous soirees and lavish drinks all around. In 1946, Argentina elected General Juan Domingo Perón, a President distinguished for his 'made in Argentina factory economy'. Perón was an acclaimed leader: he promoted domestic production over foreign

ownership of the economy, and it worked well at the time. Argentines enjoyed every moment! His wife, Eva (Evita) Duarte was acclaimed for acting on behalf of the disenfranchised and helping women obtaining the right to vote in 1947.⁴

However, Perón was also notorious for supporting fascist movements, such as Mussolini's in Italy. In fact, under his government, Argentina became a safe-haven for high-level Nazi members after the Second World War. A controversial move, no doubt, that infuriated the elite class of Argentina. In 1955, he was ousted by a military coup and forced into exile in Spain. Perón returned in 1974 after Argentina's first election in ten years, which inexorably caused controversy and resulted in violent uprisings. He died in 1975 and was succeeded by his second wife whose term is characterized by the strengthening of the armed forces and the growth of the 'AAA' which aimed at the assassination of leftist politicians, writers and activists.⁵

Shortly after, a military junta staged a coup in 1976 and declared a state of siege. For six years, this military government murdered and caused the disappearance of over 30,000 Argentines, mostly students and union activists; it was dubbed the Dirty War. To add to the complexity of the issue, the IMF lent billions of dollars to the military junta under the conditions that they eliminate their nationalistic policies and adopt outward-looking, open market

⁴ *The Take* official website. Klein Lewis Productions, 2005. Good Company Communications Inc.

http://www.thetake.org/index.cfm?page_name=background_articles_and_links

⁵ "Argentina History Timeline"

http://www.thetake.org/index.cfm?page_name=argentina_hostpry_timeline

economic mentality. This would be the beginning of radical new economic policies for Argentina as well as growing dependence on the IMF. Finally, after facing defeat in the war against Britain over the Falkland Islands, corruption in the military junta is made public and results in widespread protests. This was the beginning of the transition towards a democracy – a democracy that is welcomed with over \$45 billion dollars in national debt.⁶

With the arrival of Carlos Menem in 1989, Argentina had hope for a more stable economy and society. At first, Menem was full of promise: “For the first half of the 1990s, capital inflows did increase substantially and the economy expanded at unprecedented rates”.⁷ But Menem did not distinguish between the theory and application of the IMF’s liberal policies; he applied every policy in the neoliberal rulebook – at the same time. Argentines called it *El Modelo* (“The Model”). The fact of the matter is that Menem set the stage for a serious economic crisis:

Almost all national assets [were] privatized, currency markets [were] deregulated, and the peso [was] pegged to the U.S. dollar at one-to-one. While Argentina’s GDP almost double[d], the unemployment rate soar[ed] from 6% to 18% as hundreds of thousands of workers [were] downsized in privatizations. The public debt soar[ed], corruption scandals erupt[ed] on a monthly basis, but the IMF and the World Bank continue[d] to lend Argentina tens of billions of dollars.⁸

Then, “Argentina was hit with a series of external shocks”.⁹ Indeed, what follows Menem’s mistakes was utter chaos: “Argentina was unable to adjust to the volatility exhibited by the external environment at that time”.¹⁰ Menem stepped down and Fernando de la Rúa was elected President in 1999, but did little to improve Argentina’s dilemma. By this time, Argentina’s open market economy allowed the

greater majority of its top 100 companies to rely on foreign ownership. Its dependency on foreign currency devalued is domestic currency and its terms of trade declined sharply following a recession in Brazil, Argentina’s largest trading partner. Succeeding tax hikes, further currency devaluation, soaring inflation rates, the ever increasing foreign debt (reaching over 46% of GDP in 2000) and the pressure to stay within the IMF programme was adding an excruciating burden on Argentina’s evermore fragile economy and politics.¹¹ The situation was clearly unsustainable, and on December 19th 2001, Argentina exploded: \$40 billion dollars cash disappeared in the dead of night! The country reacted: banks were frozen, food riots and protests ripped across the country and a state of siege was declared. Millions of angry Argentines raided the streets chanting “*Que se vayan todos!*” (All of them out!). More than 25 people were killed that single night. The following day, December 20th 2001, de la Rúa resigned from his position as president leaving Argentina with five presidents in three weeks. During that time, on December 21st, Argentina defaulted on its foreign debt and declared bankruptcy. Its currency was devastatingly devalued, losing two thirds of its value, and more than 50 percent of the population fell below the poverty line.¹²

Proponents of the IMF and even the authors of the plan responded by admitting that the adjustment process and tightening of the economy during its restructuring carries the greatest costs. The argument was that “everyone must suffer short-term pain for long-term gain”.¹³ Still, this argument was clearly not sufficiently persuasive for the newly impoverished people of Argentina. Coined the *piquetero* movement, unemployed workers and middle-class citizens abounded the streets of Buenos Aires. They protested, rioted, and blocked roadways, demanding the government to take action and to help them. “The protests were not aimed at

⁶ Ibid.

⁷ Dani Rodrik. *One Economics, Many Recipes: Globalisation, Institutions and Economic Growth*. (Princeton University Press. Princeton, 2007.) 203.

⁸ *The Take* official website.

⁹ Dani Rodrik. 203

¹⁰ Ibid. 43.

¹¹ Andrew Philip Powell. “Argentina’s Avoidable Crisis: Bad Luck, Bad Economics, Bad Politics, Bad Advice.” Universidad Torcuato Di Tella, Buenos Aires. *Brookings Trade Forum* 2002: 1-58.

http://muse.jhu.edu/journals/brookings_trade_forum/v2002/2002_1powell.html

¹² *The Take* official website.

¹³ Lindsay DuBois. *The Politics of the Past in an Argentine Working-Class Neighbourhood*. (University of Toronto Press. Toronto, 2005) 125.

any particular politician or policy; people were rejecting the entire model".¹⁴

Out of the crisis grew innovative ideas, the people acted upon what they knew was best before the government could. 'Neighbourhood assemblies' met to discuss national and local issues, politics and possible solutions to their plight.¹⁵ Soon, abandoned factories began to be 'taken over' by their former workers. It was the beginning of an organic, raw, grassroots, bottom-up, democratic approach to a devastating and demoralizing shock. Across the country, these workers formed cooperatives and some 10,000 workers joined forces under the motto "Unity and Strength!" The idea is that worker-cooperatives offer "the promise of new forms of worker control over the productive process, worker political empowerment and a potential revision of traditional relations between capital and labour".¹⁶ The members of the cooperatives grouped together under the National Movement of Recuperated Factories (MNFR in Spanish) and today, over 200 of these worker-run factories exist in Argentina and over 55 000 workers are employed in these factories.¹⁷ Their slogan: *Occupy. Resist. Produce.*¹⁸

Finally, in 2003, Nestor Kirchner is elected as a left-leaning president who would allow the mass protests to flourish. However, he also immediately began talks in the hope of reaching a new agreement with the IMF seeking to solve the country's colossal debt. Truth be told, Kirchner "stopped short of supporting the development of a grassroots "social economy," and many in the recuperated workplace movement view[ed] him with skepticism".¹⁹ Nevertheless, in 2005, he announced a two million dollar credit line to help these worker-cooperatives to improve their performance: "Under the new

scheme, soft loans of up to 65,000 dollars will be made available to the cooperatives, requiring no guarantee, at an annual interest rate of seven percent".²⁰ Later that year, the Buenos Aires city council voted to support the worker-cooperatives. As a result, the cooperatives were exempt from paying taxes and authorised to use the pre-crisis

"Out of the crisis grew innovative ideas... Soon, abandoned factories began to be 'taken over' by their former workers. It was the beginning of an organic, raw, grassroots, bottom-up, democratic approach to a devastating and demoralizing shock."

brand name of their company. In addition, the factories were allowed to buy off the machinery and equipment at the price they fetched at auction.²¹ The government essentially agreed to allow workers to occupy the businesses; but, only on a temporary permit. These permits had

a valid period of two years, and have since been renewed.

The subsequent legal battles to allow these factories to exist and work under the control of the cooperatives have dragged on for over seven years. The case study of the Zanon ceramic factory in this essay will demonstrate one particularly difficult and long battle for legitimacy and definitive ownership of their enterprise. Day by day workers of Zanon face the risk of eviction and continue to battle for their place in Argentine society. These workers are not the enemies, they are not looking to shed blood or overthrow the system. The movement arose from a basic desire to work, a movement in the name of human dignity and solidarity. These workers are simply working for what is fair and what is right, working to feed their children.

CASE STUDY: ZANON CERAMIC FACTORY

Nothing short of a seven year long legal battle, numerous death threats, violent harassment,

¹⁴ Avi Lewis and Naomi Klein.

¹⁵ *The Take* official website.

¹⁶ Peter Ranis.

¹⁷ Viviana Alonso. *Argentina: Workers Salvage Factories and Jobs*, Global Information Network. New York, Jan. 2005.

¹⁸ <http://proquest.umi.com.libproxy.mta.ca/pqdweb?index=5&did=521397961&SrchMode=1&sid=4&Fmt=3&VInst=PROD&VType=PQD&RQT=309&VName=PQD&TS=1201751337&clientId=13370>

¹⁹ Chris Tilly, Marie Kennedy.

"From Resistance to Production in Argentina." *Dollars and Sense*, Iss. 262. Summerville, 2005. 28-33.

²⁰ <http://proquest.umi.com.libproxy.mta.ca/pqdweb?index=0&did=958476951&SrchMode=1&sid=1&Fmt=4&VInst=PROD&VType=PQD&RQT=309&VName=PQD&TS=1201747764&clientId=13370>

²⁰ Viviana Alonso.

²¹ Ibid.

ongoing protests and despair characterize the story of Zanon Ceramics factory located in the province of Neuquén, Argentina. In 2001, it also faced its fate as did so many other neighbouring factories. Roughly 300 employees lost their jobs overnight, the doors were closed, welded shut, never to be opened again.

On March 17th 2002, 170 workers march to Buenos Aires as part of a national campaign to defend factory occupation. Shortly after, 240 workers marched up to the doors of Zanon Ceramics and in an instant occupied the factory without doubting for a moment that this was the right thing to do. These workers formed the cooperative known as FaSinPat, an acronym for *Fabricas sin Patrones* (Factories without bosses). They formed assemblies: one person, one vote, and everyone receives an equal salary. Like their neighbouring counterparts, the Zanon workers also longed to rise against the capitalist system that had oppressed them for the decades leading up to the take. For workers everywhere, they too wanted to show the world that workers can produce even better under self-management.²² A petition in their name reads:

In defense of Zanon and all worker occupied factories! If they mess with one of us, they mess with all of us! Definitive expropriation of all factories and companies producing under worker control!²³

Prior to the occupation, conditions in the Zanon factory were dire, dangerous and bleak. Wages were reduced to a minimum to maximize profits; safety was continuously jeopardized as the employers demanded outrageous levels of production, putting excessive pressure on the workers; workers had no voice in the factory, let alone health care or life insurance. "These conditions previous to the workers' occupation led to an average of 25-30 accidents per month and one fatality per year. In the years of Zanon's production, 14 workers died inside

the factory. Since Zanon's occupation by its workers, not one accident inside the factory has occurred".²⁴ Indeed, under Luis Zanon, the founder and former owner of the factory, there was an average of nearly 300 accidents per year in the factory out of which half were serious, and one death per year. After the occupation, that amount dropped to 33 minor accidents per year. In addition, workers now have access to health care and life insurance. Furthermore, in 2004, the factory employed 420 workers, 180 more than the original 240 that occupied the factory in 2002. They produced some 3,000 meters of ceramic a month increased from 15,000 meters formerly produced under Zanon, and out of which they have donated hundreds of square feet of ceramics to hospitals, schools, churches, libraries, and so on, of the Neuquén community as a sign of gratitude to those that supported them throughout their extensive challenge. As well, the Zanon workers help build a health centre that the impoverished community had been requesting for over 20 years.²⁵ Therefore, the movement has served to improve the life of the workers as well as the conditions of the surrounding communities. Furthermore, the system "helps creditors as well as workers, since keeping the factory open stops machinery deterioration or [vandalism]. It also ensures that standing charges, such as property taxes, are paid. If and when the courts decide to put the plant on the market, all of this would ensure a better price".²⁶

Yet, for over seven years the workers of Zanon have been denied definitive expropriation of the factory. The government and opponents of the movement have been vying for the end of the worker-cooperatives and for the restoration of authority. In the film, *The Take*, Mr. Zanon himself seems pretty confident that he will reclaim the factory and that the government will help him do so. In fact, by 2004, the factory had already successfully resisted six eviction orders.²⁷

²² Marie Trigona. "Zanon, Argentina." ZNet Commentary. March 18th 2004. <http://www.zmag.org/sustainers/content/2004-03/18trigona.cfm>

²³ Alavio Grupo. *March in Defense of Zanon*. Znet Commentary. Sept. 17th 2004.

<http://www.zmag.org/content/showarticle.cfm?SectionID=42&ItemID=6250>

²⁴ Marie Trigona. "Occupied Factory Movements in Argentina." Oct. 06 2004(a), http://thetake.org/index.cfm?page_name=news_oct_06_04_znet_eng

²⁵ Alavio Grupo.

²⁶ The Economist, "Under Worker's Control – Argentina's Struggling Factories." *The Economist Newspaper Limited*, Nov. 2002; London. http://thetake.org/index.cfm?page_name=news_nov_09_02_eng

²⁷ Avi Lewis and Naomi Klein.

These temporary allocations and the unpredictability of the system have been severely unsatisfactory for Zanon workers. Despite Zanon's success, facing constant threats of eviction, death threats and violent attacks make it difficult to acquire loans and rather discouraging to invest in the factory. The factory risks losing workers who are getting increasingly frustrated and disheartened as well as discouraging new and younger people to work at Zanon or in other worker-cooperatives. Still, a few courageous ones battle on. It is more than a question of salary or a passion for ceramic; it is a question of dignity, principles and values. In the course of those seven years, while waiting for the legal decisions to be made, solidarity gained strength amongst the worker-cooperatives and Argentine communities. It truly has become a nationwide movement, a nationwide battle.

THEORETICAL ANALYSIS

The economic crisis in Argentina that gave way to the worker-cooperative movement shed light on the weaknesses and limitations of the Washington Consensus. It highlights the fact that the international financial architecture is still incomplete and flawed – a critique often made about the institution. During the crisis, the IMF was both reluctant to assist by fear of moral hazard or to withdraw support fearing that the private sector would lose confidence in Argentina, thus being disinclined to invest. However, once Argentina collapsed, the IMF was more than willing to run to the rescue: "This implies sustained IMF assistance will be available only once the crisis has been resolved".²⁸

Leading economist, Dani Rodrik argues that "[The Washington Consensus] is far from silly: it is the result of systematic thinking about the multiple, often complementary reforms needed to establish property rights, put market incentives to work, and maintain macroeconomic stability".²⁹ However, he adds that although the consensus represents a logical way to achieve these goals, "trying to come up with an identical growth strategy for all countries, regardless of their circumstances, is

unlikely to prove productive".³⁰ The success of these neoliberal policies is therefore contingent on local circumstances.

Clearly, the way and the timing of which the IMF policies were applied did not work for Argentina. Effectively, "the Argentine strategy may have had elements of a gamble, but it was solidly grounded in the theories expounded by U.S.-based economists and multilateral agencies such as the World Bank and the IMF".³¹ The experience in Argentina is not uncommon. Poor countries are often caught between an array of multilateral and transnational agreements and the strict conditions of international institutions such as the World Bank and the IMF. It leaves them with little room to devise their own path out of poverty. Instead, they are time and again expected to implement often asymmetric reforms to achieve in a decade what rich countries achieved through several generations.

It is not the IMF that paid the price for the Argentine crisis; it has been the poor, marginalized, newly unemployed citizens of the country that have suffered and continue to bear the enduring ramifications. Accordingly, the workers in Argentina responded to the stereotypical top-down policies of the IMF with the rise of worker-cooperatives: "the worker cooperative movement, with its critique of the neoliberal business-as-usual ethos, inspires large portions of Argentine civil society".³² This autonomous, bottom-up approach entails the involvement of the people that are most directly affected by the issues of poverty and unemployment.

Indeed, the worker-cooperative movement of Argentina holds two spots on the theoretical spectrum. On the one hand, it embraces the idea of participatory development (PD), or *horizontalidad*, an Argentinean term meaning participatory democracy and decision by consensus.³³ One could define PD as the involvement of beneficiaries whereby participation improves the efficiency of institutions. That is to say that "development" is flawed and only by valorizing other voices, such as those of the

²⁸ Ibid. 56.

²⁹ Ibid. 240.

³⁰ Peter Ranis.

³¹ Chris Tilly, Marie Kennedy.

²⁸ Andrew Philip Powell.

²⁹ Dani Rodrik. 22.

people who are most affected by the policies, can meaningful social change occur".³⁴ This can be seen especially through the one person, one vote mechanism for the decision making processes of Zanon and other worker cooperatives. Furthermore, PD is highly present in the roots of the movement since it has clearly grown from the heart of the people most affected by the crisis. Undoubtedly, the participation and support from the communities affected by the crisis and the expropriation movements are crucial to the movement's success and continuation.

On the other hand, there is an underlying capitalist motivation for these workers to recuperate their businesses. "Here, the governing council of the cooperative often plays a more traditional management role".³⁵ Beyond their moral incentive, workers also need salaries and are looking for profits and for ways to enter the sphere of Argentinean, and perhaps international markets. In fact, the film highlights the impressive networking systems established by these cooperatives. Indeed, mutual support between factories has allowed them to thrive economically and gain legitimacy in the markets. This is also clearly exemplified by Zanon Ceramic's growing production capacity and employment: the movement is not only good for the communities' economy but for the country's economic and social stability as well.

CONCLUSION

Since the crisis in 2001, Argentina has experienced limited economic recovery. Economic disparity and poverty remains widespread in Argentina: "A nighttime walk through Buenos Aires reveals armies of *cartoneros*, cardboard scavengers digging through garbage bags to retrieve cardboard they can trade for a few centavos".³⁶ Nonetheless, the economy has awakened sufficiently to ebb the swell of protests, and owners are all the more motivated to hold onto their businesses. These 200 enterprises or so did not succeed to form a 'parallel economy' in a country of 40 million, but these worker-

cooperatives have discovered ways to barter and foster mutual economic support.³⁷

The success of the worker-cooperative movement is barely due to the 'sympathetic' leaders that have allowed these factories to run, instead of evicting them. Mostly it is owed to the web of support between the workers and the communities that have provided them with the strength and solidarity, the legitimacy and the economic support needed to overcome the ongoing legal and political obstacles. Argentine society (in 2001) consisted of a large middle-class, unwilling to stand by while their income was being stolen, and a vast population suffering from poverty and refusing to allow their leaders to continue on this path of theft and oppression. All they wanted was to restart the silent machines. These individuals have created a thriving micro-economy and a new, conceivably better, life for themselves. They are recuperating their jobs and their dignity – and making history while they're at it.

³⁴ Giles Mohan. "Participatory Development" in *The Companion to Development Studies*. Ed. Desai, Vandana and Potter, Robert B. (Oxford University Press. New York, 2002.)

³⁵ Chris Tilly, Marie Kennedy.

³⁶ Ibid.

³⁷ Ibid.