

11th Global Labour University Conference – South Africa, 2016
“The Just Transition and the Role of Labour: Our Ecological, Social and Economic Future”
Theme 5: Political parties, alliances and trade union organisations, and political power

The Soya Limits: rise and failure of an alliance between a center-left government and trade-unions on the basis of the extraordinary commodity prices (Argentina 2003-2015)*

1. Introduction

On December 10th 2015 Mauricio Macri, leader of the right-wing party “PRO”, took over as president of Argentina after twelve years of center-left wing governments. The first economic measures taken by the new government included strong benefits for exporters of raw materials (reduction of export taxes, devaluation of the currency) and for the financial sector (strong debt issues, increase of the interest rate set by the Central Bank, greater deregulation of financial activity). At the same time, workers experienced a sharp decline in real wages, which reached 10% in six months, and there was a strong retraction in the labour market, the largest since the crisis in late 2008.

The resistance of workers and trade-unions against these policies constitutes an open process that would require further analysis. Nevertheless, it turns out to be pertinent to wonder about the reasons that contributed to this comeback of a center-right government elected through democratic procedures. Particularly, this paper describes the oscillating relation between the Kirchnerite governments (2003 - 2015) and trade-unions, and the growing tensions since 2012, mainly as a result of the exhaustion of the economic model that had been implemented during the previous decade.

Indeed, this alliance was based on an economic process that included a sharp decline in unemployment and a growth of real wages that had reached the historical minimums in 2003. This process was made possible, among other factors, because of an improvement in the terms of trade, which was a result of a cycle of rising prices of primary products in the international market between 2002 and 2012.

In Argentina, the production of raw materials (mainly agricultural products and mining) is capital intensive and is concentrated in large enterprises. These extractive activities have been criticized because of its environmental consequences but, at the same time, they have played a key role in the center-left government macroeconomic policy. Therefore, the analysis of this problem can be useful for other countries that, over the past years, have also experienced processes of economic growth and income redistribution policies, on the basis of short-term improvements in the terms of trade. In other words, we might briefly consider the following questions:

- What are the challenges faced by a political and economic process that tends to implementing policies of progressive distribution of wealth when the national income is produced mainly by large corporations in the primary sector?
- What are the limits of this process in the medium and long term, and what are its consequences in terms of macroeconomic and environmental sustainability?

The political limits of this process have come before its environmental limits, but nevertheless these questions remain in force. In this sense, the approach of this article might be reproduced in other countries that pass through similar experiences.

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This paper describes, in the first place, the beginnings of the center-left Government in 2003, and analyzes the structural reasons behind the alliance between the ruling party and trade-unions, including changes in employment and wages.

Secondly, the article provides information on the evolution of the main economic variables over a decade, particularly the expansion of the production of primary goods, mainly agricultural products and minerals. It also describes the conflicts that took place as a result of the clash between the expansion of these productions and affected populations.

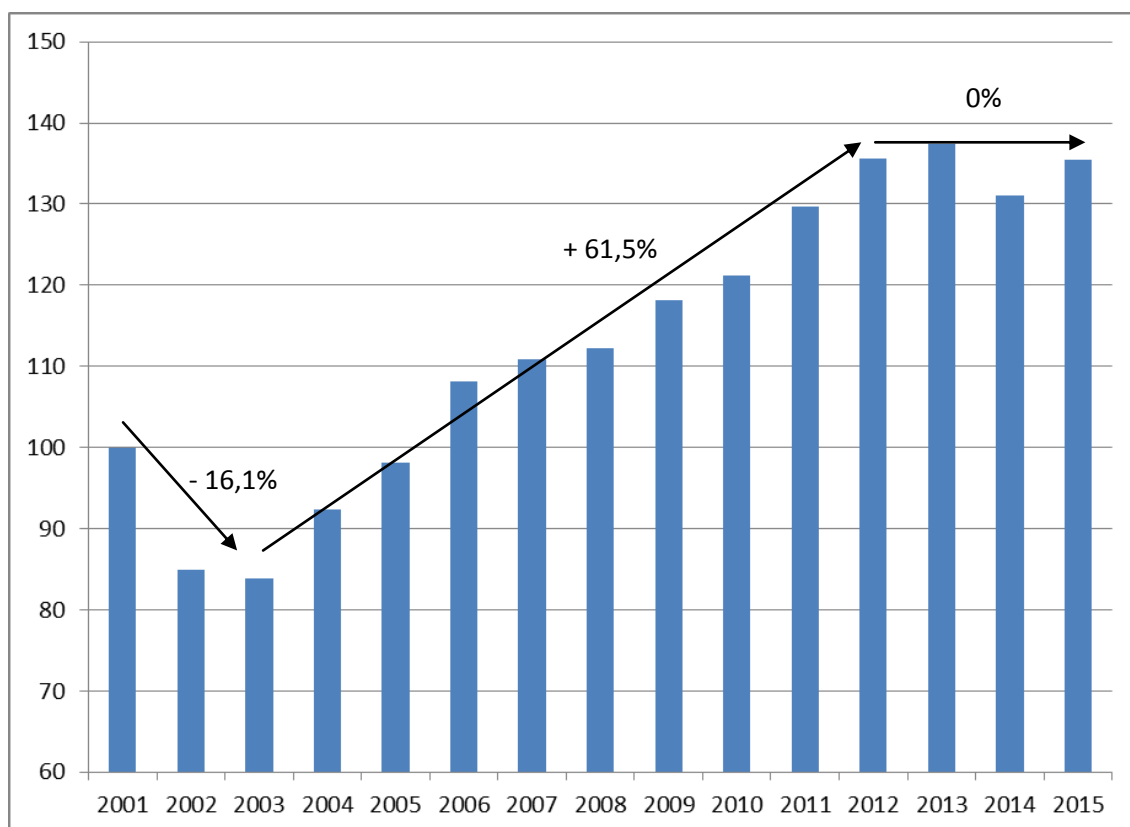
Finally, the article describes how labour market tensions started in 2012 contributed to weaken the alliance between the ruling party and trade-unions, to such an extent that during the presidential campaign of 2015 many trade union leaders accompanied, directly or indirectly, to opposition political parties.

2. The starting point of the center-left government and its alliance with trade-unions

After the political and economic crisis of late 2001 Argentina's economy recovered a path of growth that lasted at least until 2011. During those years real wages increased from their historical minimums reached in 2003, unemployment rate dropped significantly and trade-unions recovered a key role through labor disputes, collective bargaining and the relationship with the National Government.

As we can see in the following chart, the real wages fell almost 20% between 2001 and 2003. Since then, it began a period of growth that lasted until 2012.

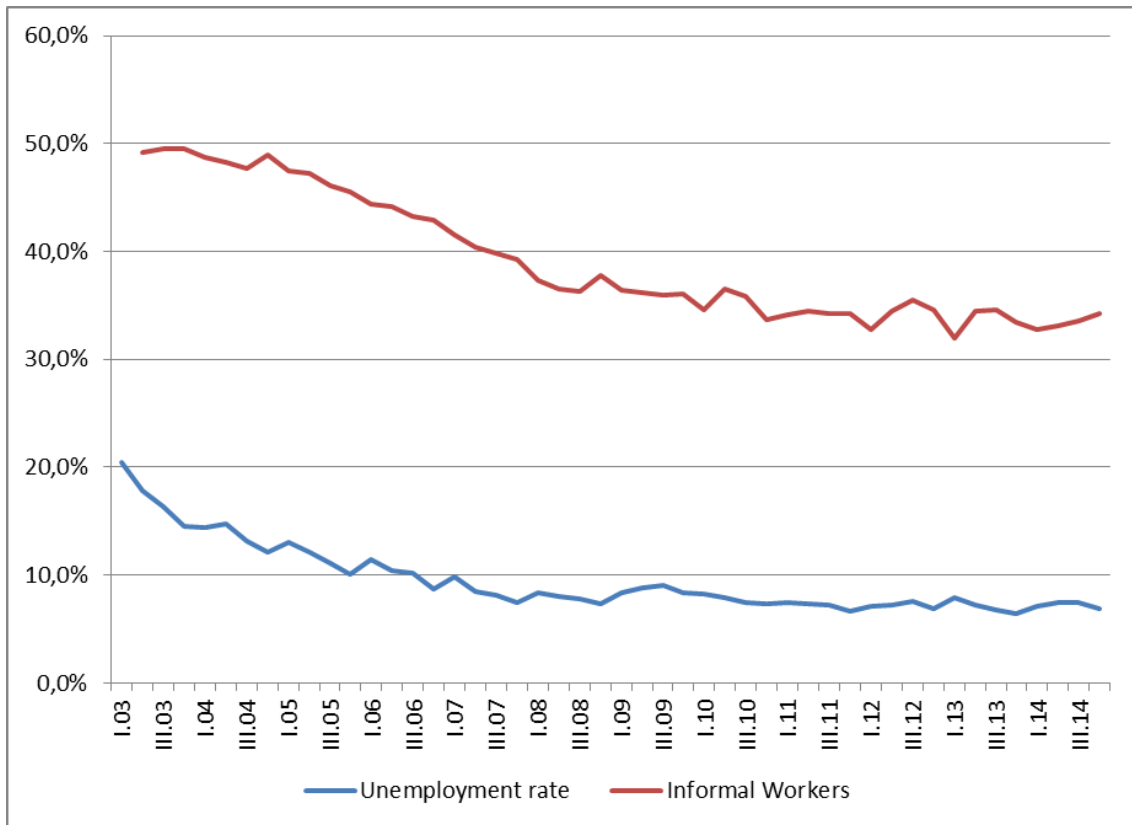
Chart n° 1: Real wages 2001 – 2015 (dec 01 = 100)



Source: Own calculations with data from Labour Ministry and Statistics Provincial Institutes

Regarding unemployment and informal workers, between 2003 and 2007 these variables showed significant improvements, but since then they remained relatively stable (see chart n° 2).

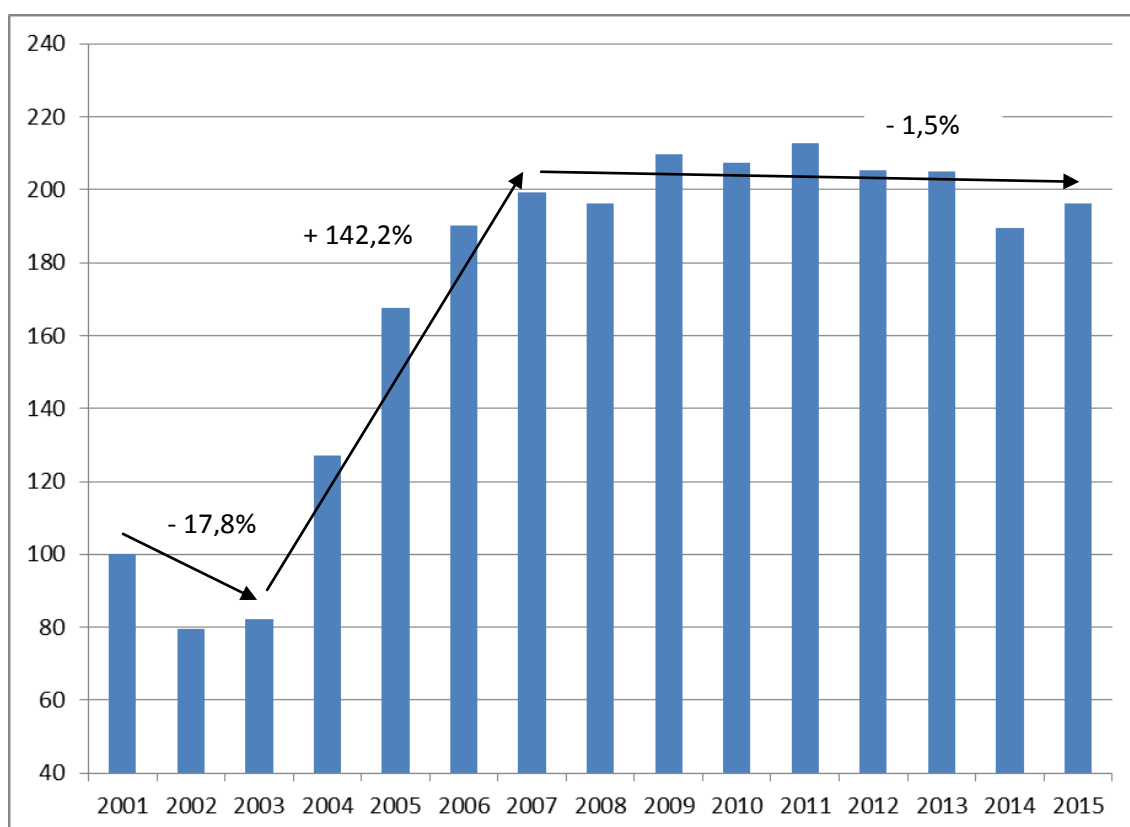
Chart n° 2: Unemployment and informal workers rate 2003 – 2014 (dec 01 = 100)



Source: Labour Ministry – OEDE

Finally, it is also important to highlight the role of minimum wage and collective bargaining, which throughout this period had a strong dynamism. Indeed, minimum wage grew by 142% in real terms between 2003 and 2007, remaining stable since then (chart n° 3). Meanwhile, collective agreements jumped from around 200 in 2002 to an annual average of almost 2000 between 2010 and 2015. However, this process was not exempt from tensions. Indeed, one threat against economic growth was the increase of inflation rate that reached an annual average of 25% since 2007.

Chart n° 3: Minimum wage in real terms 2001 – 2015 (dec 01 = 100)



Source: Own calculations with data from Labour Ministry and Statistics Provincial Institutes

Improvements in labour conditions took place along with a very significant growth of primary production, particularly soya and its derivatives, and in less extent mining. In this sense, national government increased export taxes, up to a maximum of 35%, and implemented income policies to finance the domestic market growth and the industrial production of goods for local consumption. Those policies were a key point to understand the alliance between the ruling party and the majority of trade-unions that lasted at least until 2012. We will later return on this argument.

By the way the expansion of commodities production was not exempt of conflicts. Indeed, the advance of these productions also implied evictions of population, whose reproduction was based on activities of lower profitability, giving rise to numerous conflicts geographically delimited.

So let's move on to some of the major constraints of Argentinean economic structure and the main conflicts that occurred around the production of commodities. After that we will describe its impacts in the origins and rupture of the alliance between the center-left government and a significant part of trade-unions.

3. Short notes on the Argentinean economic structure

The Argentinean economic structure has historically combined the coexistence of a primary sector with high productivity and very competitive at the international level, with an industrial

sector, whose production is intended mostly to the internal market, and requires foreign currency flows in order to import inputs and capital goods.

The primary sector (mostly linked to the agro-export production) is capital intensive, so it does not have high levels of demand for labour force, and is located along a wide geographical extension. By contrast, industrial production was concentrated throughout the 20th century in few cities, which were thus transformed into large attraction poles of workers, including many internal and external migrants (the biggest three cities, Buenos Aires, Córdoba and Rosario, concentrate 43% of total population).

These tensions increased in the last decade since the economic growth was based on a recovery of consumption and industrial production, but again depending on the foreign exchange supplied by the export of primary products, favored by a new cycle of expansion of extractive activities. Two of them consolidated their strategic position in the last years: the production of soybeans and its derivatives, and mining.

In this regard, exports of grains and oilseeds, together with minerals, represented on average 40.6% of total exports between 2003 and 2015 (reaching a maximum of 49.7% in 2015). Meanwhile, imports of capital goods, intermediate goods and parts and accessories of capital goods reached, in the same period, by 72.7% of the total.

These imports increased by 21% yearly between 2003 and 2011. Just after 2012 they stabilized and even presented certain levels of retraction, mainly due to the economic stagnation that started that year. The financing of these imports was possible due to an increase in exports of primary products, which grew at an annual rate of 16%, and jumped from 37.5% of total exports in 2003 to 44.3% in 2011¹. In other words, local economy growth required increasing amounts of foreign currency, which were only provided by a strong rise in exports of primary products, whose characteristics and social consequences will be described in the following section.

3.1 The soy boom

Over the past years soy has been the main agricultural product. This oilseed began to spread rapidly in the '80 and since 1991 has occupied the greatest number of cultivated acres.

Since then, the area sown with soya rose from 5 million acres at the beginning of '90 to 10 million ten years later, and returned double again in the next decade. This increase was associated with the introduction of transgenic variants, particularly those resistant to glyphosate, and a strong increase in the international demand, mainly as a result of the incorporation of China in the world market.

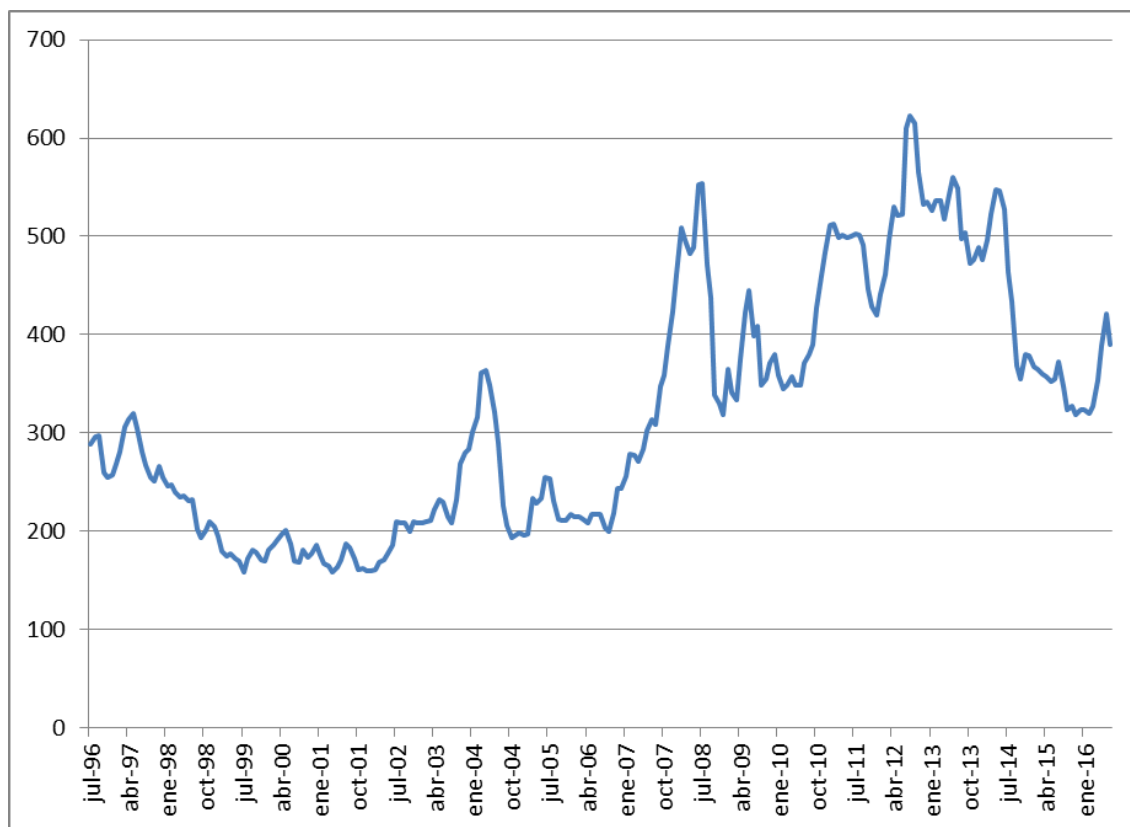
It should be stressed, on the one hand, that in the mid-'90 Argentinean government authorized the use of genetically modified soybeans (soy "RR"). This oilseed is traded by Monsanto Corporation, who also owns the rights of the herbicide RR. This allowed a rapid expansion of this crop, which currently represents almost the totality of soya beans produced in the country.

On the other hand, the increase of soybean price in the world market was very significant over the last decade. As we can see in the chart below, its value jumped from an average of U\$S

¹ The dependence on these items during last decade is even greater. Indeed, cereals, oilseed and minerals represented together a minimum of the 33% within the exports basket in 2006 and ten years later they jumped to a 49.7%.

208/tn in the period 1999 – 2006 to an average of U\$S 537/tn in 2012, reaching a maximum of U\$S 623/tn in August of that year.

Chart n° 4: Soybean price, U\$S/tn 1996 – 2016



Source: USDA Market News, www.indexmundi.com

The increase of the surface sowed with soya was also part of an expansion of the entire agricultural area, which jumped from 17 million acres at the beginning of the '90 to 34 million acres at present. As the rhythm of growth of the soya was greater, it increased its relative participation, representing at present almost of 60% of the entire sowed surface.

As a result of this process, other traditional crops in the agricultural sector virtually disappeared (as for example the linen) or experienced significant setbacks (such as sunflower and sorghum). At the same time, other activities such as livestock or the dairy industry also presented significant retractions along the last decade².

The expansion of soy brought very significant changes in the agricultural sector. On the one hand, this crop occupied the most productive lands, shifting to other productions to least productive grounds³. It also implied a shift of the agricultural border, with important conflicts

² Between 1993 and 2005 nearly 6 million heads of livestock were lost, which meant a drop of 11%.

³ In the core area of agricultural production the fall of the cattle was up to 30%, while in peripheral regions such as Rio Negro or Santiago del Estero there were very significant increases. The latter was one of the provinces where there were numerous conflicts by forced evictions of small farmers and local communities.

between the rural and indigenous communities that were in the new areas incorporated into the large scale production.

Secondly, it should be noted that the soybeans complex constitutes a capital intensive production, since the development of the seed until its industrial processing. This implies, on the one hand, that labour requirements are minimal; on the other hand, that the chain of production is controlled by companies that operate on a large scale, mostly transnational, such as Monsanto, Syngenta, Nidera, Cargill, Dreyfus, etc.

In other words, the vast majority of the population remains away from direct benefits of the production of soybean, which only benefit a small group of large corporations and several small towns on the countryside. In contrast, the rest of the population receives only indirect benefits, linked mainly to taxes imposed by the State to this activity.

3.2 The growth of mining

Mining also have grown in the last decades, although on a smaller scale than the production of soybeans. In this regard, changes in the regulatory framework passed during the '90 encouraged the entry of multinational corporations to exploit minerals located mainly in the Andes Mountains. This activity was mainly export-oriented, without productive linkages that would enable an industrialization of primary products.

Among the major companies that began to operate during those years are Anglo American plc, Barrick Gold, Glencore International AG, Xstrata Copper, Yamana Gold Inc, and the main minerals extracted are gold, copper and silver, among others. Unlike the traditional extractive mining, these companies carry forward open-pit mining, which requires large quantities of water and cyanide, since they are necessary to separate the ore of the materials that are not usable.

As we will see later, several conflicts were generated in towns affected by the way in which open-pit mining operates. It should also be noted that those companies (and also government officials) promised that mining would create many jobs for people from those towns. However, the available information shows that the participation of mining workers in the total workforce has remained relatively stable (table nº 1). In any case the new jobs were mostly temporary, closely linked to the civil works required for the installation of mines. Once they have been finished, mines operate with minimum requirements of jobs.

As the soybean, the benefits on the population as a whole are quite limited, and they rely mostly on the royalties that this activity has to pay as regular taxes.

Table n° 1: Mining workers 1996 – 2015

| | Total workers | % on total workers in private sector |
|------|---------------|--------------------------------------|
| 1996 | 34.876 | 1,0% |
| 1997 | 37.795 | 1,0% |
| 1998 | 39.133 | 1,0% |
| 1999 | 35.944 | 0,9% |
| 2000 | 37.408 | 0,9% |
| 2001 | 38.160 | 1,0% |
| 2002 | 35.712 | 1,0% |
| 2003 | 39.053 | 1,0% |
| 2004 | 44.568 | 1,1% |
| 2005 | 50.856 | 1,1% |
| 2006 | 56.729 | 1,1% |
| 2007 | 63.637 | 1,1% |
| 2008 | 69.356 | 1,2% |
| 2009 | 67.895 | 1,2% |
| 2010 | 69.432 | 1,2% |
| 2011 | 73.527 | 1,2% |
| 2012 | 76.746 | 1,2% |
| 2013 | 79.621 | 1,2% |
| 2014 | 85.531 | 1,3% |
| 2015 | 88.508 | 1,3% |

Source: Own calculations with data from Labour Ministry – OEDE

3.3 Social and environmental impacts of an economic strategy based on commodity exports⁴

The expansion of soybean and mining resulted in several conflicts in the communities affected by these activities.

In the case of soya, it was not only the case of directly affected communities. Furthermore, the advance of this type of production involved the elimination of thousands of acres of native forest who played a very important role in the regulation of the water cycle and hence in the prevention of floods.

Criticism of the expansion of soybean in Argentina included allegations by the use of highly polluting herbicides through aerial spraying. This meant, in many cases, their application on rural populations that were literally sprayed along with the soy plantations. According to the national network of doctors of fumigated towns, “in the last 25 years the consumption of pesticides increased by 983% (from 38 to 370 million kilos)”. This organization has also been

⁴ In this paper we will only address the impact of the cultivation of soya beans and mining in terms of social conflicts produced in areas where such activities are juxtaposed with populations that are left at the margin of its economic benefits. By the way, in terms of the environmental sustainability of these activities it is necessary to consider other dimensions, such as their energy consumption, the nutrient balance in terms of the exhaustion of the soil, and even the technological dependence that they create in the mid and long term.

claiming that “the massive exposure to pesticides modified the disease profile of rural populations”, in which cancer has become the first cause of death. In this regard, during its last annual congress they presented researches that also denounced the relationship between exposure to glyphosate or pesticides in general and the growth of “spontaneous abortions and congenital malformations, endocrine problems such as hypothyroidism, and disorders of neurological development”⁵.

The experience of Malvinas Argentinas town, in the province of Córdoba, was another paradigmatic of this kind of resistance. In that case local population rejected the installation of a seeds plant announced by Monsanto Corporation in 2012 and also prevented similar investments from other companies such as Syngenta. This resistance was preceded by the struggles carried out by the organization Mothers of Ituzaingó (a close neighborhood to Malvinas Argentinas, surrounded by soybeans plantations), who began a social, environmental and legal struggle in 2001 against fumigation, claiming that it was the cause of the increase in cases of cancer, poisoning and malformations.

Conflicts linked to soybean production also involved violent clashes in agricultural frontier areas. Some paradigmatic cases occurred in the provinces of Córdoba and Santiago del Estero, where organizations such as the Association of Small Producers from the Northeast of Cordoba (APENOC) or the Peasant Movement of Santiago del Estero (MOCASE) reported that the expansion of the soya border involved the eviction of hundreds of peasant families, expelled from lands inhabited for decades in many cases through the use of armed force, either public or private⁶.

Furthermore, some researchers and social organizations have highlighted that there is a close link between the expansion of soybean production and the growth of the flooding which in recent years have affected tens of thousands of people. Just to mention some of the latter cases, Misiones province suffered a major flood in 2014. At the beginning of 2015 floods reached Cordoba and Santiago del Estero provinces, and in the following months they affected Buenos Aires and northeastern provinces. Finally, in 2016 there have already been floods in Santa Fe, Entre Rios, Chaco, Corrientes, Córdoba and in the northwest of Buenos Aires.

The most extended explanation about the growth of this phenomenon was associated to changes in rainfall regimes and, more generally, to the "global warming". However, various researchers have pointed out that the direct cause of the increased flooding should be sought in changes that have occurred in recent years in the agricultural sector, particularly due to the advance of the soybean production. This change in the use of the soil has had strong impacts on the absorption capacity of rains. Indeed, the native forest absorbs 300 millimeters of water per hour, while a field with soya absorbs just 30 millimeters per hour⁷.

In other words, the expansion of the most important crop in the last decades (soy among them) has received numerous warnings from a social and environmental perspective, which

⁵ See www.reduas.com.ar/declaracion-del-3o-congreso-nacional-de-medicos-de-pueblos-fumigados

⁶ For additional information on conflicts and forced evictions in the province of Santiago del Estero, see www.mocase.org.ar.

⁷ Bertram, Nicolás and Chiacchiera, Sebastián. “Ascenso de napas en la región pampeana: ¿Incremento de las precipitaciones o cambios en el uso de la tierra?”, available at www.inta.gov.ar. These researchers emphasize that it is possible to observe a direct relation between the increase in agricultural crops (soy mainly) and the approach of the water table to the surface, a circumstance that explains to a large extent the greater frequency of floods.

criticizes both the fumigation of entire towns, the forced evictions of the population, and its contribution to an increase of the floods regime.

Mining also experienced similar conflicts in recent years. These conflicts took place in the Andes region, where the main mineral reserves are located (see map nº 1).

Map nº 1: Geographical distribution of main conflicts around mining 1997 – 2016



Source: Observatorio de Conflictos Mineros de América Latina⁸

Resistance against the expansion of mining industry included the mobilization of entire towns. The main argument stated that its positive effects would be limited in time (jobs in the initial moment, royalties for a limited period of time), while its harmful effects would be permanent (environmental pollution, damages to other productive activities).

This resistance was successful in cases such as the town of Esquel and the province of Mendoza, where social demonstrations were capable of preventing the installation of mining activities. In these two examples one key element was the articulation between social organizations and producers linked to activities sharply installed in both places. In the first case mining was considered a threat to tourism, which has been historically one of the most important economic activities for local population. Meanwhile, in Mendoza not only tourism would have been affected, but also the wine industry, one of the most important of the country.

⁸ Full database available at <http://basedatos.conflictosmineros.net/>

On the contrary, in provinces such as La Rioja, Catamarca and San Juan the resistance against mining industry did not prevent its expansion in the last years, even though it also affected important activities such as tourism, wine industry and the cultivation of olive trees or nuts.

From a broader perspective the resistance against soya and mining did not stop the expansion of these activities, and their importance was increasing for macroeconomic sustainability throughout the last decade, mainly by their positive impact in the balance of payments.

The strategic place occupied by these activities in the economic structure of the country, added to the fact that its location is relatively far from major urban centers, allowed to narrow them geographically and to limit their political consequences. In this regard, such activities constituted a necessary condition for the sustainability of the economic process, and also for the sustaining of the alliance between the ruling party and most of trade-unions. The rupture of this alliance, as we shall see in the following section, was not related with those socio-environmental negative effects, but mainly with the inability to sustain the improvement of labor market indicators, which began to show levels of stagnation from 2012.

4. An alliance weaker than thought

The alliance with trade-unions helped the center-left government that took office in 2003 to strengthen its political legitimacy. In the first section of this paper we described how this alliance was based on economic and political measures that allowed a strong recovery of real wages and employment from their historical lows.

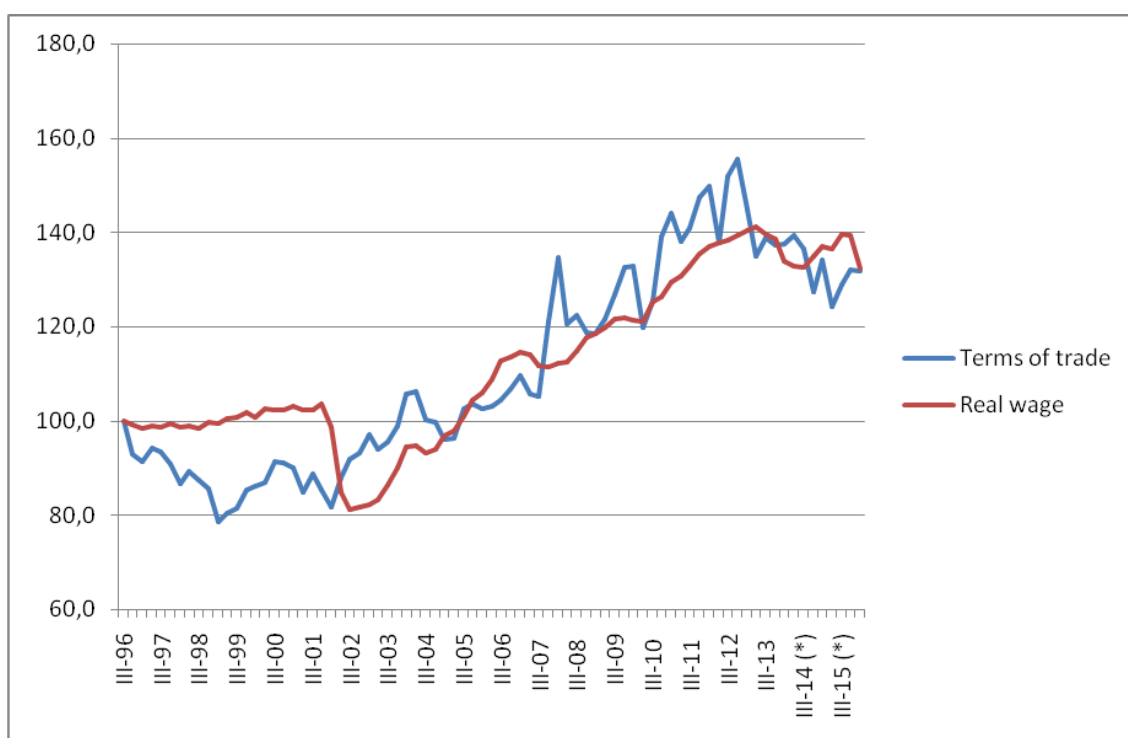
A genuine source of foreign currency was needed to make that possible, since the development of the internal market has been historically loss-making in the balance of payments. From 2002 onwards this role has been fulfilled by the primary sector, where stood out both the oilseed-complex and mining.

However, in the medium and long term this process was threatened by two structural limits: on the one hand, the fact that foreign currency from primary sector was not enough to sustain a continuous growth of the domestic market; on the other hand, the environmental costs and increasing conflicts associated to large-scale exploitation of primary goods.

The alliance between the government and trade-unions began to weaken in 2012, mainly as a result of an economic stagnation. Since then, jobs creation level was almost zero and real wages were barely able to remain stable.

The weakening of this alliance coincided with the end of the upward trend in the prices of primary commodities on the international market and therefore with a deterioration in the terms of trade (the price of soybean in the international market dropped by 35% between 2012 and 2015). The strong correlation between this variable and the average level of real wages during the last decade (see chart n° 5) shows how conditioned were the economic growth and thus the alliance between national government and trade-unions to an external factor beyond their control.

Chart n° 5: Real wages and terms of trade 1996 – 2016 (QIII 1996 = 100)



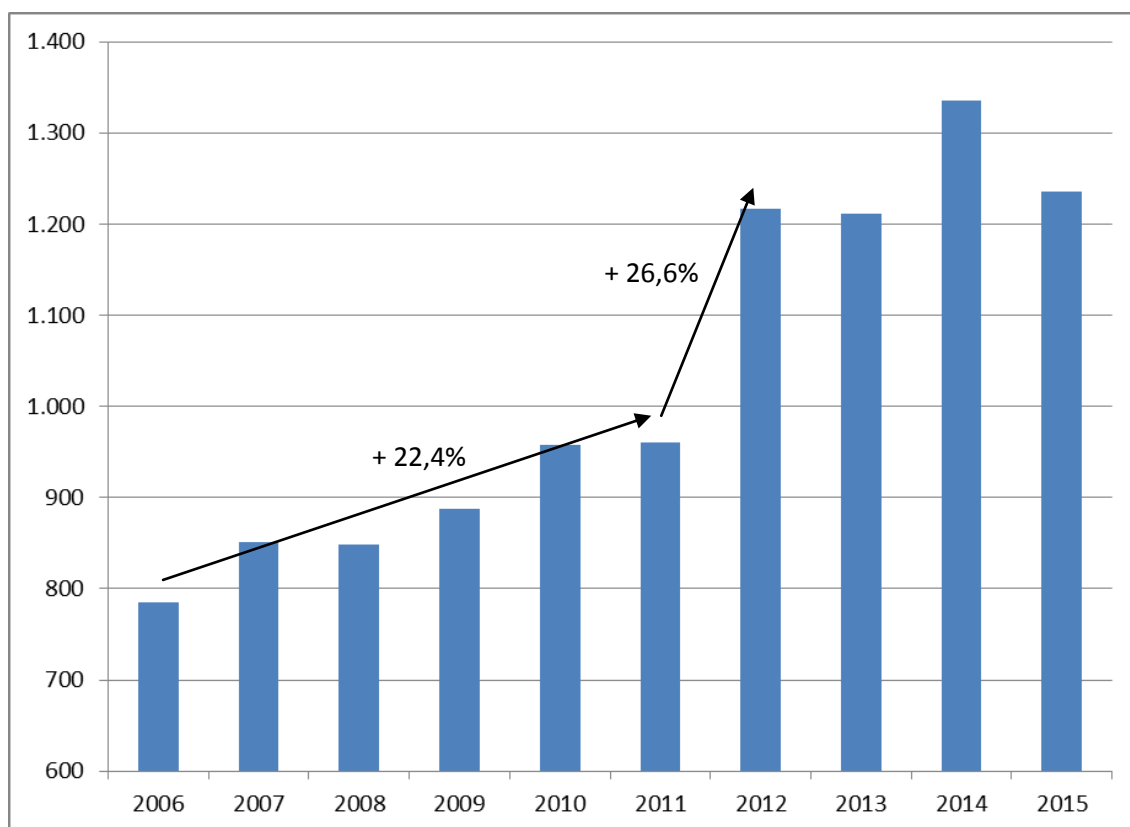
Source: Own calculations with data from Labour Ministry and Economy Ministry

As we mentioned before, the socioenvironmental limits of this economic growth remained in the shadows while this allowed an expansion of the internal market and they were only criticized by the directly affected population. Nevertheless, the sustainability of the alliance between national government and trade-unions started to crack once the macroeconomic limits of this development strategy became explicit.

One strong indicator of this tensions was the growth of labour disputes, which showed an increase of 22,4% between 2006 and 2011, and jumped another 26,6% in 2012 (see chart n° 6). At the same time, five general strikes occurred since 2012 (one in 2012, two in 2014 and two in 2015), the first ones since 2002⁹.

⁹ For a broader description of recent labour conflicts in Argentina, see Campos, Luis and Dobrusin, Bruno, "Labour conflict in Argentina and Brazil: challenging an alliance?", in *Workers of the World: International Journal on Strikes and Social Conflict*, Vol. 1 No. 8, July.

Chart n° 6: Conflicts with strikes (2006 – 2015)



Source: Own calculations with data from Labour Ministry

At the political level these tensions resulted in the division of the General Confederation of Labor¹⁰ and in the support of many trade-union leaders to opposition candidates during the presidential elections of 2015. Therefore, the explanation of the electoral defeat of the official candidate by a narrow margin (less than 3%) should also need to consider, among other causes, the rupture of an alliance with trade-unions that, even with its ups and downs, was one of the pillars of the political project that governed Argentina since 2003.

5. Conclusions

The alliance with national government since 2003 allowed trade-unions to obtain victories in the economic-corporate level (growth of real wages, recovery of collective bargaining, increase of unionization, minimum wage), even though they were confined to a secondary role.

The economic growth was a necessary condition of this alliance, and it relied on the exploitation of primary products as providers of foreign currency. As we mentioned before, soybean and large-scale mining played a key role in the balance of payments.

¹⁰ CGT is the main Trade Union Confederation in Argentina. Until 2011 it had strongly supported the national government. Since then, tensions grew and after its split in 2012 the relationship was much more distant, both within the sector who openly criticized the official policies, as well as of organizations that in theory continued supporting the national government.

Resistance to these activities, particularly due to their social and environmental consequences, was led by the populations that were directly affected. However, these conflicts were kept geographically limited and they did not reach large urban centers.

Moreover, the persistence of an economic growth that allowed real wage increases and improvements on employment, and so the alliance between national government and trade-unions, required them to leave aside the socioenvironmental limits of the productive model¹¹. Therefore, throughout the period 2003 - 2015 there was not a serious debate aimed to substantially alter the productive structure of the country. In other words, trade-unions did not consider the need to overcome a strategy limited to “economic-corporate” claims, particularly when they were also possible because of the extraordinary prices of commodities in the international market.

Once the upward cycle of these prices came to an end in 2012, the center left government confronted structural limits to improve labour market indicators, and hence to sustain its alliance with trade-unions. Furthermore, it also weakened the political project that ruled the country since 2003, and contributed to facilitate the emerging of a right wing party, which won the presidential elections in 2015.

In this regard, the lack of structural transformations in the Argentinean economy helps to explain not only the exhaustion of the economic model implemented since 2003, but also the increasing tensions between national government and trade-unions, which also facilitated the return of a neoliberal government. Although this analysis is limited to the Argentinean experience, there are many points in common with other cases, which seem to face a regressive trend that affects the whole region. The interest of this debate is not only historical, and its conclusions should be taken into account in future experiences. Meanwhile, our attention should also focus on the growth of the resistance actions against the neoliberal policies that, at least in Argentina, have been the rule throughout 2016.

¹¹ This dilemma was characterized by Maristella Svampa as “The commodities consensus”, term that refers to the relationship between neo developmental States and the increase of extractive activities in the whole Latin-American region. Revista Nueva Sociedad N° 244, marzo-abril 2013, available at www.nuso.org. See also Giarraca, Norma, “El ‘desarrollo’ basado en la extracción de recursos naturales”, in CELS, Derechos Humanos en Argentina, Informe 2011, available at www.cels.org.ar.