



Tractors line Route 14 in Gualguaychú, Argentina, during a *piquete*.

ARGENTINA

Farmers at the Barricades

by Neal Richardson

From all regions of the country, protesters converged on Rosario's Monumento a la Bandera. The rally was a who's who of Argentina's disparate political opposition: Buenos Aires' viscerally anti-Peronist elite, excited to have a rallying cause; leftists disgruntled by the government's friendly relations with multinational corporations; opportunistic senators eager to associate themselves with a mass movement; and, of course, the protagonists of the event, farmers enraged at the national government's aggressive taxation and emboldened by their newfound ability to resist.

I was among the crowd of over 200,000 people in Rosario on May 25, 2008, as rural leaders held a

demonstration of unprecedented scale. The protest had begun in March as a tax revolt, a rejection of recently elected President Cristina Fernández de Kirchner's increase of export taxes on agricultural commodities. Yet, as indicated by the diverse crowd and the slogans calling for the revamping of Argentina's federal system, it had clearly become much more.

Three months earlier, a political movement of this magnitude would have seemed impossible in Argentina. That it had grown so fast was even more surprising given the prevailing economic and political winds. Despite a booming economy, the months-long protest included more than 5,000 *piquetes* (roadside protests typically involving

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the blocking of traffic), more than during the 2001-02 economic collapse. Moreover, the dispute accomplished the seemingly impossible feat of uniting the fragmented political opposition against the Kirchners, who had previously faced little organized resistance.

This most-recent episode in Argentina's tumultuous political history thus raises several questions: Why did a farmers' protest in March evolve into something much larger? And why were the Kirchners — despite dominating the national political scene and benefiting from rapid economic growth fueled by soaring commodity prices — unable to contain the situation?

To the Streets

On March 11, the Minister of Economy announced a new regime of progressive agricultural export taxes under which tax rates would increase with the price of commodities. This effectively raised the export tax on soybeans, Argentina's leading export, from 35 to 44 percent. Following the announcement, the four traditional political organizations representing the rural sector — the Sociedad Rural Argentina (SRA), Confederaciones Rurales Argentinas (CRA), the Federación Agraria Argentina (FAA) and the

Confederación Intercooperativa Agropecuaria (Coninagro) — jointly called for farmers to suspend grain sales for 48 hours. This was to be accompanied by small rallies in towns in the interior.

The goal of the initial protest was to increase the urban population's awareness of the government's perceived injustice to the rural sector and thereby turn public opinion against the new taxes. Rural interests had very little access to relevant economic policymakers in the Kirchner administration; as long as policy was determined behind closed doors, they had little hope for a favorable outcome. By taking the debate to the streets, rural leaders hoped to expand the scope of the political conflict, giving them a greater chance of success.

Even so, the rural organizations' initial protest announcement was quite modest, perhaps reflecting concern about their ability to rally the troops. Previously, the rural sector had been unable to sustain large-scale mobilizations, even in 2007 when the government twice raised taxes on agricultural exports.

However, the response in the countryside far exceeded expectations. Farmers assembled at roadside demonstrations, distributing flyers to motorists and

Farmers and their allies protest in Rosario, Argentina, on May 25, 2008.



Photo by Pablo Flores.

sometimes blocking traffic. Some traffic stops were intended to enforce the ban on commerce and prevent the passage of trucks carrying agricultural goods; others stopped all traffic. Many of the demonstrators labeled themselves “*autoconvocados*,” emphasizing that they were there of their own volition and had not been ordered out to the streets by a political organization. The overwhelming response led the rural leadership to extend the protest beyond the initial 48 hours, and within several days, piquetes had spread throughout Argentina’s central agricultural region.

Once the protest had begun, the government’s response only fanned the flames. Initially, the Kirchner administration largely ignored the protest and refused to negotiate or reconsider the export tax regime, defending the redistributive measure on the grounds of social justice. Meanwhile, organized labor and informal workers’ leaders, widely considered surrogates for the Kirchners, decried the “rural oligarchy” for its aspirations to overthrow the democratically elected government. The goal was to marginalize the rural protesters, casting their demands as selfish and not in the general interest. At the same time, though, these claims increased the sense of polarization between *kirchneristas* and the rural sector and helped swell the ranks of the roadside protesters.

From the Streets to the Senate

Throughout the month of March, the situation steadily escalated, reaching a climax on April 1, when President Fernández de Kirchner held a massive afternoon rally in the Plaza de Mayo. It was a dramatic show of force: 100,000 people attended, many of whom were bused in for the event.



Photo courtesy of Presidencia de la Nación Argentina.

President Fernández de Kirchner meets with leaders of the rural sector on March 28, 2008.

In closing her otherwise sharp speech, Fernández de Kirchner invited the rural protesters to step back from the highways and negotiate. The rural leadership obliged, calling a month-long suspension of the mobilization after 21 days in the streets.

Yet it was not solely the president’s invitation that led to the temporary détente. On the contrary, rural leaders had already decided that they needed to shift tactics. There was some concern that farmers, unaccustomed to organized political action, might be fatiguing. Rural leaders were also concerned with preserving the sector’s image among the urban population. Shortages of meat and dairy products — a consequence of the piquetes throughout the country — had reached Buenos Aires, and images of protesting farmers feasting on roasted cow alongside their highway demonstrations did not sit well with carnivorous urbanites who could not buy beef for themselves.

Retooling their approach, rural leaders managed to convert the countryside’s raw expression of anger and frustration into a much more strategically astute campaign. Most

significantly, rural leaders expanded the scope of conflict further, reaching out to governors, mayors and members of Congress and appealing to their common interests in the dispute.

Because export taxes are outside Argentina’s complex system of revenue sharing between central and subnational governments, governors and mayors also had reason to feel that the March rate increases were unjust. The higher taxes, collected by the national government, meant more money leaving their jurisdictions, increasing their dependence on the federal level.

Rural leaders shifted their rhetoric to include discussions of federalism and fair revenue sharing. Most of the speeches at the mass rally in Rosario in May, and even the rally’s slogan — “*Con el campo por un país más federal*” (With the countryside for a more federal nation) — dealt with federalism as much as the rural sector. Moreover, groups of farmers targeted individual mayors and governors previously loyal to the president and convinced many to defect.

This tactic of targeting individual politicians was expanded to include

legislators after the president introduced the export tax increase, previously set by administrative decree, as a congressional bill in June. Facing questions regarding the constitutionality of the decree-based tax increase and unable to win the battle in the streets, Fernández de Kirchner shifted the conflict to the institutional arena, hoping that her comfortable majorities in both houses of Congress would put the matter to a definitive end. She didn't count on the intensive lobbying efforts of the rural sector, which managed to pick off members of the president's coalition by warning of dire consequences in the next election if legislators went against the wishes of the rural electorate.

In spite of the ruralists' strong-arm tactics, they failed to block the bill's passage in the lower house, setting the stage for a dramatic final showdown in the Senate. Following another day of intense mobilization in Buenos Aires — in which rural groups assembled over 200,000 people, far more than attended the pro-government rally across town — the ruralists were able to turn enough kirchneristas to force a tie in the Senate. Then, at 4 a.m. on July 17, Vice President Julio Cobos took the microphone to cast his tie-breaking vote — against the president's tax increase.

His “no” vote was the coup de grâce, effectively ending the conflict. Within a few days, the Minister of Economy issued a new decree resetting the export tax rates to March 10 levels. While the strategic shift took months to play out, the rural groups' decision to expand the scope of conflict from purely agricultural issues to a debate on the Argentine federal system ultimately proved successful.

A Conflict With Institutional Roots?

Stepping back from the events, it is striking how unnecessary the four months of conflict were. After all, this struggle occurred while the economy was booming and agricultural commodities were bringing record prices on the international market. In principle, it should have been possible to divide the expanding economic pie such that everyone received a larger piece.

Yet the government and rural sector failed to compromise, and consequently, much of the country suffered the costs of the conflict. Several elements contributed to this suboptimal scenario. Certainly, strategic and ideological factors on both sides led to intensification of the conflict, undermining opportunities for compromise.

At a deeper level, however, institutional incentives and the structural weaknesses of the Argentine state underpinned the failure to bargain. Fiscal centralization has been key to the Kirchners' political domination of Argentine politics since 2003. By concentrating their control over public resources, they could reward loyal politicians and punish the

disobedient. Export taxes became increasingly important for this fiscal centralization because of two institutional features. First and foremost, under Argentina's system of revenue sharing between the national and subnational governments, export taxes belong exclusively to the national government, while other major taxes must be shared with governors. Hence, raising revenue through export taxes increased the president's power relative to the governors.

Second, unlike other levies, export taxes could be increased without legislative approval due to a clause in the Customs Code dating back to the most recent military regime. Intended to increase the government's agility in responding to macroeconomic crises, the clause was increasingly exploited by the Kirchners in noncrisis times to raise revenue without undergoing potentially costly congressional debate.

While in many ways politically desirable for the president, using export taxes as a redistributive instrument also has its downside. Importantly, they are regressive in nature, affecting small producers' incomes more than those of large producers. Export taxes uniformly reduce the price that producers receive for their grains, yet smaller-scale producers have higher unit costs. So, an export tax rate that takes a moderate level of large farmers' incomes may be onerous enough to inflict losses on small farmers.

While not mobilized political actors prior to 2008, small farmers became the crux of the conflict. Small and medium-sized farmers were the ones manning the roadside protests and appearing on television in Buenos Aires every night. Moreover, with smaller, less-affluent farmers involved, the government's attempt to characterize the protesters as greedy oligarchs was implausible. In their attempt to manage the crisis, members of the Kirchner administration reasoned that if small farmers could be removed from the protests, the piquetes would dissolve, the rural sector would be divided, and the government could more easily isolate the large producers and take a share of their soaring profits.

However, because export taxes are such a blunt instrument, the government was left with an awkward policy option: taxing the exports of all farmers and then buying off the small farmers with subsidies. The Kirchner administration attempted to use this strategy early on in the conflict, offering subsidies to the smallest 80 percent of farmers while steadfastly refusing to alter export tax rates. Farmers roundly rejected the proposal, even as the government continued to increase the subsidies on offer.

Why did small farmers refuse the subsidies, even though by the end of the conflict the proposed subsidies were greater than the tax increase? On an institutional level, the government could not credibly commit to delivering

the subsidies. Moreover, farmers already felt that they were dealing with a government that did not negotiate in good faith, and they had no assurance that their agreement to demobilize would be rewarded. And given the historic nature of the rural sector's mobilization, overcoming years of fragmentation and relative inactivity, farmers were justified in their concern that if they stopped the protest they might not be able to restart it later. Furthermore, the government seemed to be banking on this return to political ineffectiveness, demanding that the roadside protest and grain-trading embargo be lifted before negotiations could begin. Small farmers thus decided that rather than have the government tax (with certainty) their incomes and then later return the money to them (with much uncertainty), they would prefer that the government not tax them in the first place.

A Lost Opportunity?

Argentines are quick to note that a century ago their country had the sixth-largest economy in the world and was

poised to enter the exclusive group of developed countries. Yet internal political strife, miscalculations and tough breaks in international markets frustrated those aspirations.

With global markets turning down in recent months, it seems Argentina has missed another golden opportunity. The four months of struggle resulted in millions of dollars of potential export revenue foregone, and now that international commodity prices have fallen sharply from their record highs in March and April, the window for an export windfall may have closed.

Alternatively, the rural conflict of 2008 may instead turn out to be an opportunity: a chance for a new political opposition to form and for the rural sector to find its political voice. Whether the mass mobilizations and piquetes have a lasting effect on the political scene, however, remains to be seen.

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A Buenos Aires butcher stands outside his shop on March 31, 2008, day 19 of the farmers' strike.



Photo from Associated Press.