

World Market and Agrarian Transformation: The Case of Neo-Liberal Chile

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The recent Chilean agrarian transformation is analyzed, with special focus on the export boom in fresh fruit. The expansion and diversification of the sector are explored, and its structural characteristics explicated as "semi-peripheral." Changing consumption patterns in the advanced countries and technological improvements in storage and transport are credited with facilitating growth. Increases in national basic foodstuff production are explained as a departure from neo-liberal practice. The heterogeneous composition of both the owning and the producing classes is outlined.

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Introducción

The increasing amount of scholarly attention recently attracted by the rapidly expanding Chilean fresh fruit export sector—with over \$US 1 billion annually, Chile is second worldwide to an Italy which as part of the EC is not exactly an exporter(1)—has derived from a number of complementary, competing, intersecting, and overlapping angles of vision. This export boom has been part of a larger transformation in which rural Chile has passed from domination by the hacienda to domination by the agroindustrial complex (CAI). In this article we summarize the results of investigations into these changes, including our own.

Sociology of Development

From the standpoint of development sociology, Chile is the leading current Latin American exemplar of the shift from import-substituting industrialization (ISI) to export-oriented industrialization (EOI). While military governments elsewhere in the region engaged in what Garreton (1989) calls the "reactive" socio-political project of anti-socialist, anti-union, anti-Marxist institutional and cultural repression, only in Chile did the regime engage in what he calls an extensive "foundational" project of constructing a politico-economic order hospitable to expanded accumulation based on near-total integration into the world market on the terms of that market.

Many scholars have described and explicated the institutional features, policy choices, and agrarian consequences of this neo-liberal model (e.g., de Janvry 1985, Jarvis 1985, Gómez & Echenique 1988).

Seen from this angle, the fruit export boom at first appears an unalloyed success, one for which the regime and its spokesmen typically claim all the credit even though CORFO (the state development corporation) laid the groundwork for it during the Frei and Allende regimes (1964-73). Along with forest and fishery products, fruit is one of the so-called "non-traditional" exports which have considerably lessened the country's historic reliance on copper (now about 45%) for foreign exchange. Not only have the orchards and vineyards proved an important source of foreign exchange: along with the packing sheds, they employ almost half a million workers, not to mention the upstream stimulus to the production of containers (including refrigerated ones for air shipping asparagus, cherries, and raspberries) and the downstream linkages to the transportation sector.

Linkages to other national sectors of the Chilean economy are not the only ways in which the produce sector can be shown to have positive developmental effects. Granted, most of the science and technology behind the fruit boom has been developed in California, and some large grower-shippers receive advice telephonically from consultants at the renowned agricultural campus at Davis. But much technology transfer has occurred under the aegis of the Fundación Chile, a joint venture of the Chilean government and the ITT corporation, and much via locally organized GTTs (Groups for Technology Transfer). Chilean agronomists make independent scientific and technical contributions to horticulture. Local universities offer advanced training in relevant fields. A recent technical report complained of the lack of a Chilean computer industry to develop and market appropriate software, a complaint which speaks

volumes about what has already been accomplished. Further, with regard to ownership, two of the five largest exporters are nationally owned and controlled, including the very largest, which has twelve staff agronomists and publishes a quarterly magazine (see Goldfrank 1989, 1990; Gómez & Echenique 1988). And a significant portion of the exported produce is carried by Chilean-owned ships.

The patterns, then, are not those typical of the primary product enclaves of the periphery, disarticulated, isolated from the rest of the national economy and designed, owned, and controlled by foreign capital. But given the high degree of foreign participation and innovation, and the extreme dependence on external markets, neither are they typical of the core. Cardoso and Faletto's concept of "associated dependent development," a sub-type of Wallerstein's "semi-periphery," captures this intermediate position well; the language of both terms suggests a "semi-articulated" national economy.

Is the produce boom then "development" or "underdevelopment"? It is capitalization, and some profit reinvested locally ("national" accumulation), and some upgrading of Chilean technical and organizational capacity. It is also immiseration and chemical endangering of rural workers, including thousands of town- and city-dwelling seasonal temporaries (Lago & Olavarria 1980, Campana 1985, Cruz 1986, Falabella 1989). It is a sector which may soon face both upper limits on its northern hemisphere markets and debilitating competition from two alternative sources of supply: extended growing and/or storage seasons in the north, and new producing zones in the south (Klingenberg & Narea 1985, Gómez 1987). It is a sector peculiarly dependent on the U.S. market, which while not yet saturated with off-season fruit, no longer offers the growth potential of the early part of the 1980s. Thus in terms of the sociology of development, the answer to the question of development versus underdevelopment is: "both" and "neither," an

old story in semi-peripheral countries which must run very fast in order to stand still in relation to the core.

So-called development models such as ISI (populism) and EOI (neo-liberalism) do not evolve organically from their local socio-economic roots so much as they represent discontinuous responses by bourgeoisies, bureaucrats, and other social forces: responses to crises and to the changing conjunctures and opportunity structures of the world-economy. But discontinuity hurts. The Chilean transition from protectionist and statist populism to neo-liberalism was brutal, rapid, and thorough, entailing privation as well as privatization. This privation was principally borne by the peasantry, the working class, and state-dependent sectors of the middle class. So successful was the military in reconstructing an entrepreneurial bourgeoisie that many of the latter are now quite confidently supporting the political withdrawal of the former in the current transition to democracy.

However, one must ask, can the produce exporters who pay the lowest wages (and, with their core markets, supply the most affluent consumers) among this bourgeoisie afford democratization, with the likelihood of unionization and taxation for social services raising their costs? If they cannot, the developmental promise of this sector will shrink. Already in the 1985-1990 period, the total cost of labor has more than doubled as prices in the USA have fallen. If the cyanide scare of 1989 was not enough (it cost Chile an estimated \$300 million), Winter 1990 afforded two further glimpses of Chilean vulnerability, as (1) the US invasion of Panama halted canal traffic sufficiently to cause a fall in prices when oversupply resulted from the canal's reopening, and (2) a fruit fly infestation at the peak of the harvest led to higher processing costs and lowered product quality, further reducing prices. This has sharply reduced profit margins and left less surplus for redeployment. But for the present, there is optimism about long-

term expansion; about diversification into other counter-seasonal produce such as berries, avocados, and artichokes; about commercialization of exotics such as cherimoyas; about increasing the industrial processing of sub-export grade produce by canning, freezing, juicing, and/or jam and jelly making; about upgrading the skills and increasing the specialization and training of workers; about streamlining the commercialization process—the 1988-89 season marked the first time retail supermarket chains from core countries sent agents to Chile to buy directly from growers; and about augmenting sales in Europe, the Middle East, and Asia.

Sociology of Agriculture

As implied in the optimistic projects and projections of the sector's cutting edge, from the standpoint of the new sociology of agriculture, the Chilean case exemplifies many of the processes an international community of scholars has begun to explore. The direct producers on the land are becoming dwarfed in importance from two sides: (1) by multinational corporate suppliers of seed, root stock, fertilizers, pesticides, fungicides, and machinery; and (2) by packers, processors, shippers, middlemen, and marketers. Striking technological advances in fumigation and transportation have insured product quality and reduced shipping time and costs; similar developments in irrigation (in this case Israeli) have enabled Chilean producers at the edge of the northern desert to ship grapes for the lucrative North American holiday season in December. Computerized tracking systems follow produce from the farm to the distributor.

Paralleling and in part impelling this internationalization of production and distribution has come a homogenization and "yuppification" of taste among the affluent consumers of the core countries. For example, Chilean marketers have pioneered the introduction of seedless table grape

varieties both into Japan, where for years slipskin grapes dominated the market so that consumers must be persuaded not to peel the Perlette, Thompson, and Flame; and into the United Kingdom, where California seedless producers had no luck until the Chileans made converts during recent winters (H. Schacht, "State Sows the Seeds for a New Grape Market," *S.F. Chronicle*, 6/23/90, p. D1). With an assist from Mintz's (1985) calling attention to the role of taste and promotion in the staple-ization of sugar in the 18th century, we have emphasized the roles of health consciousness, aesthetics, and aggressive advertising—especially by supermarket chains—in the acceptance of Chilean grapes and stone fruit in the USA and Canada. Notably, this acceptance easily weathered the storm caused by the cyanide scare of early 1989, as 1990 proved by setting new records in volume. But Chile is heavily dependent on the North American market; the duration and cost of transport to Europe and Asia are at least 50% higher, and those affluent zones may well develop alternative sources of supply (South Africa already accounts for 11% of global table grape exports, Australia about one and one-half percent).

Another major issue, one shared between agricultural and development sociology, is the competition for land between the food needs of the local population and the profit opportunities of capitalist growers for export. Nothing in Chile approximates the disaster of the Sahel in the 1970s, where the expansion of peanut cultivation and cattle grazing drastically reduced millet and sorghum production and led to drought and famine (Franke & Chasin 1980). Although some croplands have been replanted with orchards and vineyards, the nutritional deficiencies of the Chilean poor—estimates put them at 30% to 45% of the population—have more to do with the extreme skewness of income distribution than with insufficient land to devote to food crops. It is an unusual story, because the military government originally opened Chile wide to agricultural imports, principally from the USA.

Prices fell, and per capita wheat production fell to nineteenth century levels. Protesting dairymen were dismissively told to eat their cows. But the 1982 economic crisis led to a significant departure from the neo-liberal model in agriculture, with the introduction of price supports and other protective measures. These in turn sparked the adoption of green revolution techniques and rapid surges in productivity on the medium- and large-scale farms. Domestic production as a proportion of consumption had risen by 1986 to 91% in wheat, 97% in sugar, 99% in dairy (much now owned by a New Zealand firm), 94% in corn, 78% in rice, and 60% in vegetable oils. Ought we call this phenomenon ISA, import-substituting agriculturization? Its current limits are precisely those that led to the crisis of ISI: a restricted internal market due to highly unequal income distribution, and high costs of imported inputs. Thus it is an odd mix of export orientation in produce and import substitution in foodstuffs that has produced the current agricultural dynamism.

It is worth emphasizing that in three ways, then, the success of the agricultural sector is due to departures from the ideology of the neo-liberal model: the state planning for export diversification under Frei and Allende; the state subsidies in infrastructure, tax breaks, and commercial promotion under Pinochet; and the introduction of price supports after the 1982 crisis. At the same time it is crucial to recognize that agriculture as such is rapidly being replaced by the agro-industrial complex (CAI) in basic foodstuffs as well as—if more slowly than—in export production. Central Chile's geographical resemblance to California has long been noted; now the leadership of the agrarian sector aims to replicate California economically as well.

Class Structure & Organization

Development scholars and sociologists of agriculture converge around the importance of rural class structure, both as an object of study and as a causal force in agricultural transformation

(or stagnation, for that matter). In the Chilean case, the last twenty-five years have witnessed a process of doubly discontinuous change that renders Zeitlin & Ratcliff's (1988, pp. 154-155; see also pp. 191-192) characterization of the mid-1960s utterly obsolete: "the dominion of the large landed estate...was still relatively secure." Dividing the recent past into four periods will help to make these changes clearer. (For more detail on what follows, see Gómez 1988.)

In the prehistory (1930-1960), many large estates began departing from long-standing hacienda practices by cultivating a greater range of crops to supply an infant agro-industrial sector, by starting to mechanize, and by employing an increasing proportion of *afuerinos* (non-estate laborers) to *inquilinos* (resident laborers with small plots for auto-consumption). Urban migration of displaced workers and land-poor peasants grew in importance. During the reform decade (1964-1973), the state expropriated many (especially the less modernized) estates, dividing them into smallholdings, some of which were cooperativized. Other estates were divided by their owners to avoid the reform. Unionization of workers and organization of peasants picked up steam, as the parties of the left joined the Christian Democrats in competing for the allegiance and votes of the rural population. The decade of counter-reform (1974-1983) accelerated the commercialization of land and proletarianization of labor; it also utterly reversed the redistribution of land and organization of labor. Of the less than half of the reform beneficiaries who were allowed to keep their parcels, many were soon forced into crippling debt and then into distress sales; virtually all were systematically denied credits and technical assistance, in part due to their politics, in part to the regime's idea that large farms were more efficient than small.

The full-on boom period (since 1983) has witnessed state-supported processes of property consolidation and concentration, of large investments by national and multinational

corporate enterprises, and of multiple polarizations: among producers, between large and small, with the peasant sector further marginalized; between growers and workers; and between regions.

In the present conjuncture and for the foreseeable future, both the dominant class and the working class strike the observer as extraordinarily heterogeneous. Excluding limiting cases such as the handful of traditional estate owners and the few industrial corporations which own agricultural land as a sideline, the owning class can be typologized into the following:

- a) primary production only
- b) primary production + supplemental processing
- c) balanced primary production + processing
- d) mostly processing with some primary production
- e) processing only

In terms of origins, these five can be classified into three basic types:

- a) national & rural
- b) national & mixed rural/urban
- c) international

The first two of these can then be further subdivided into those who have long engaged in agriculture and can be expected to remain, and those recently attracted by the conjunctural opportunities and might withdraw. A recent survey (Gómez & Echenique 1986) of a sample of medium and large scale fruit-exporting enterprises in central Chile began to explore these dimensions. With regard to entrepreneurial origins, it found that 50% had always been growers, 40% came from the liberal professions or commerce, and 10% had risen from rural wage work. With regard to the enterprises themselves, 24% had been inherited, 36% inherited and

augmented by purchase, and 40% bought on the market. Some enterprises include their own post-harvest packing and/or cold storage facilities, some have investments in canning and/or freezing, some in transportation. In general, the largest and most modern ones, including here the multinationals, tend to emphasize the post-harvest processes while controlling sufficient acreage to profit while minimizing risk in years of slack demand. The large enterprises also employ technical, supervisory, and administrative personnel who are coming to constitute a new middle stratum in the countryside.

The entrepreneurial class is marked by a high level of political organization, for the purpose of representing its interests both in sectoral struggles over conditions of employment and in national politics. Its ultimately successful battle against agrarian reform did not, as suggested earlier, prevent that reform from greatly altering the conditions under which rural accumulation would proceed. But while the major organization (the SNA—Sociedad Nacional de Agricultura) has defended class interests within the sector, the main propulsive force behind technical and commercial modernization has come from cooperatives of medium-sized producers and above all from specialized producer associations like that of the fruit exporters. This organization has direct links with North American groups like the Chilean Winter Fruit Association, the Delaware River Port Authority, and the International Longshoremen's Association, as well as collaborating with the Chilean state in market-expanding strategies. So the upper class promotes its interests abroad as well as at home, in spite of its heterogeneity.

The rural working class (about 20% of the country's paid labor force) is also extremely heterogeneous, except for its poverty and insecurity. Some four-fifths of the rural proletariat work seasonally, many of them described by Cruz's (1986) title—from estate residents to temporaries. Other seasonal workers are the

urban unemployed and/or youth, many—especially in the packing sheds—women, as in California, which is also a model for the migratory stream that follows the grape harvest, except that in Chile it runs from north to south. In an inventory of workers, one ought also include the semi-proletarianized peasantry, whose households require waged employment at least some of the year from some of its members in order to survive (Rivera 1988). Seasonality is highly pronounced: the largest grower-shipper has a year round work force of 500; his rolls reach 5,000 at the peak harvest moment and include about 13,000 different individuals in the course of a year. The labor force is unstable from year to year, and very difficult to organize, although residence-based organizing around collective consumption issues has had some success in Santa María (Falabella 1989). Petras (1988) has optimistically suggested a number of factors which, with somewhat lessened repression thanks to quasi-democratized conditions, “will converge to detonate working-class organization” (p. 73): residence-based organizing, the peculiar vulnerability of potentially spoiling crops to quite limited labor actions, and the way concentrated sites of agitation may affect adjacent areas. It is perhaps tempting to some analysts to read too much into the household and neighborhood survival strategies that have been the major emphasis of organizing among the impoverished sectors of the working class in recent years. The desperate emphasis on family and community survival was echoed on a national scale in the remarkable cross-class, across-the-political-spectrum response to the US embargo on Chilean grapes after the March 1989 cyanide scare, a generalized defense of the produce export sector as essential to the nation's livelihood. Further, the general scheme developed by Paige (1975) leads to a prediction of “wages and working conditions” unionization among agricultural workers in highly capitalized enterprises, should rural social movements arise at all. And the

present center-left government promises to begin a process of increasing public health and social service benefits for the poorest third of the population. In sum, then, given the structural conditions of the sector and the political conjuncture, a lengthy and incomplete process of relatively apolitical unionization seems considerably more likely than the "detonation" envisioned by Petras.

Concluding Note

Considering the recent trajectory of Chilean agriculture leads one to ask comparative questions about other Latin American semi-peripheral countries in which the agro-industrial complex increasingly characterizes both dynamic export sectors and advanced foodstuff producers for the national market, while coexisting impatiently but symbiotically with a peasant sector whose household strategies include the flexible supply of labor (and, in the Mexican case, sometimes land) to the CAI. The long historical process of primitive accumulation is far from over, but both the Chilean and Mexican cases suggest that agrarian reform, however radically intended, is likely to be absorbed into that process by counter-reform or by demographic pressures and economic uncompetitiveness. Not only agrarian reform, but peasant revolution as well may turn out to be 20th century phenomena. A feasible progressive agenda for the early 21st century is to create a modicum of social democracy in the countryside, as a counterpoise and corrective to the powerful thrust of contemporary agricultural capitalism.

Notes

1. Chile accounts for about 10% of global exports of non-citrus, non-tropical fruits according to ODEPA (Gómez and Echenique, 1988), and about 3% of all world fruit exports. But Chile accounts for 86% of global table grape exports, by far the most fragile and vulnerable such commodity.

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RESUMEN

**Mercado Mundial y Transformación Agraria:
El caso del Neoliberalismo en Chile**

La reciente transformación agraria chilena es analizada haciendo especial énfasis en el boom de las exportaciones de frutas frescas. Se explora la expansión y diversificación de este sector y su característica estructural es explicada como "semiperiférica". El cambio en los patrones de consumo de los países avanzados y el perfeccionamiento tecnológico en el transporte y almacenamiento son facilidades que posibilitan su crecimiento. El incremento de la producción básica alimentaria nacional es explicado como consecuencia de la apertura hacia prácticas neoliberales. Como consecuencia de ello, la composición heterogénea tanto de las clases productoras como poseedoras se está terminando...

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