

VENEZUELA'S SOLIDARITY ECONOMY: COLLECTIVE OWNERSHIP, EXPROPRIATION, AND WORKERS SELF-MANAGEMENT

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The essay appraises and analyzes different organizational efforts of the Bolivarian government in Venezuela to achieve a democratization of property and management of means of production. The different approaches adopted since 2000 (first a strengthening of cooperatives, then the creation of Social production companies [EPS] and finally the Socialist Enterprises as well as the concept of endogenous development, normative orientation of production organization, and state job training) are described and critically analyzed. Regarding the internal organization of production sites models of comanagement, self-management, and workers control are presented and then critically analyzed concerning successes and failures by resuming fieldwork done about three factories: The Aluminum factory Alcasa, the paper factory Inveval, and the valves factory Inveval.

In accordance with a broad mandate from the majority of the population, the Bolivarian government has embarked upon a series of economic and societal transformations of the country. For an overview see Azzellini (2007). These include attempts to diversify production of the largely oil-dependent economy, to assume control over the secondary processing of its own resources, to democratize ownership of the means of production, and to transform as much property as possible into collective forms of ownership and management. The ideas of sustainable development serve as a guide to this process.

The overall goal was initially defined as a “humanistic and solidary economy,” since the end of 2005, it has been seen within a frame of socialist transformation as Venezuela is on a declared path toward a so-called socialism of the twenty-first century. Thus, this is not a defined concept, but a discussion of a project in development. Values such as democracy, participation and freedom are—in contrast to the implosion of state socialism and the failures of representative democracy—considered as central. Therefore, of central importance has been the democratization of the economy and the transfer of power to the base through the community councils (*Consejos Comunales*). In January 2007, President Chávez announced that the development of community councils and the establishment of workers’ councils within enterprises, along with the establishment of other councils (e.g., peasants, students, disabled)

shall work toward the replacement of the bourgeois state by a “communal state.”

Venezuela’s starting point for the transformation of the economy wasn’t good at all. When Chávez assumed the presidency in February 1999, the country was in a serious and long-lasting crisis. Capital flight and a stunted period of deindustrialization have led to the closure of thousands of production sites since the early 1980s. Since 1999, the Bolivarian government has faced politically motivated opposition from business groups (seen especially in the “entrepreneurs strike” 2002/2003) leading to the closure of further national production sites. The proportion of people in formal employment dropped rapidly, while employment in the informal sector, with unregulated working conditions (e.g., street trading, casual jobs, and services), rose from 34.5 percent in 1980 to 56 percent in 1998 (Márquez 2003, 264).

The following presents the different measures and models aiming to enforce the structural reorganization of production relations, forms of ownership, and the democratization of the economy. As well as addressing the different forms of enterprise organization and initiatives for the reopening of closed-down production sites, the following also describes the underlying concept of endogenous development comprising initiatives such as the job training program *Misión Vuelvan Caras*, recently relaunched as *Misión Che Guevara*.

Cooperatives

In keeping with its intention to build an important social and solidarity economy, the government has focused on promoting cooperatives. Venezuela previously belonged to the Latin American countries with the fewest cooperatives. At the beginning of the Chávez government, there were only 813 cooperatives officially registered.

The creation of cooperatives was greatly simplified in 2001 with the special law for cooperative associations. They are also exempt from charges involved in official registration and other administrative steps. In addition, cooperatives fulfilling the statutory framework are also exempt from income tax. Funding takes place through micro-credit programs following the “micro-finance law.” The access to credit at favorable terms is organized through specially established state banks (*Banco de la Mujer/Women’s Bank*, *Banco de Desarrollo Económico y Social/Bank for Economic and Social Development*, *Banco del Pueblo Soberano/Bank of the Sovereign People*), and funding institutions. Small cooperatives can even get interest-free loans. The number of loans (not only to cooperatives) exceeded 150,000 in 2006.

These favorable conditions led to a boom in the number of cooperatives founded. At the end of 2008, according to the national cooperative supervisory institute *Sunacoop*, 262,904 cooperatives were officially registered. But evaluation and tax registration by *Sunacoop* showed just about 70,000 being operational and were certificated to act legally. The reason for this difference lies in the fact that many cooperatives never worked, but were founded “just in case”

because registration is free. Others are private, mainly family businesses, registered only formally as cooperatives so as to access favorable financing conditions and tax exemption. Still others existed only on paper and the funds they received were misappropriated. Of the cooperatives, 49.38 percent are working in the service sector, mainly in tourism, services for enterprises, cleaning, industrial maintenance, and hairdressing. 25.3 percent are productive cooperatives, mainly in agriculture, livestock farming, fishing, manufacturing, and industry, 11.48 percent are transport cooperatives, and 7.64 percent are banks of *Consejos Comunitarios* (Sunacoop 2008).

In August 2005, Sunacoop started the tax registration of cooperatives not organized by Misión Vuelvan Caras. Of 1,500 cooperatives reviewed, 628 had formal errors and 100 violations were so serious that sanctions were adopted. As a result, 20 cooperatives had access to their bank accounts blocked and 30 others had their authorization to sign tax-free agreements with the state withdrawn. Three huge cooperatives in the coal sector in the western region of Zulia were used exclusively for the personal enrichment and exploitation of third parties. They had their certification revoked and they had to pay additional payments to 600 employees (*Últimas Noticias*, December 20, 2005).

The most common violations were a lack of information about the balance sheets, arbitrary decisions, the imposition of disciplinary measures without legal basis, no holding of members' assemblies, and the employment of workers for longer than six months without integrating them—as prescribed by law—as cooperative members, accompanied by a general lack of training and education policies for members (<http://www.ultimasnoticias.com.ve/>, accessed December 20, 2005). The success rate of cooperatives may appear low, but the number of cooperatives represents an enormous increase in comparison with 1998. In addition, the government underlines the high value of the experience, and despite shortcomings, considers the efforts of the project as a worthwhile investment.

Aiming at an increase in national production, mainly directed toward import substitution, cooperatives also receive loans at preferential terms to buy abandoned companies. So, for example, former employees bought a cocoa-processing plant in Sucre in September 2005 with a special state credit. Through bankruptcy, the plant had been shut down for nine years and was in the possession of a private bank. The former employees formed a cooperative (Unión Cooperativa Agro Industrial del Cacao), with a state credit of 4.8 billion Bolivar (about \$2.3m to the official exchange rate), with only 4 percent annual interest rate (the interest rate of the private banks is about 26 percent), and bought the company to reopen it as a cooperative and Empresa de Producción Social (social production company, EPS).

However, the strategy for the creation of cooperatives is not free of contradictions. On one hand, there is a risk in some areas of deregulating working conditions through cooperatives. In early 2006, for example, the training staff of the Misión Vuelvan Caras in the state of Merida turned against the institutional intention to force them to establish cooperatives, which would have been contracted then by the institution to teach for the training program (Aguirre

2006). Apart from having a lot of owners, rather than one, there's no change to the capitalist mode of operation (capitalist competition, exploitation, efficiency, etc.), even if there is usually an improvement in working conditions and quality of life in the absence of a direct command to work. Nevertheless, it can also push the cooperative members into the entrepreneurs' logic, that is, to reproduce working conditions akin to the traditional capital-labour relations of command and exploitation. Specifically, in companies with mixed forms of ownership (state/employees cooperative), this raises the criticism about the means of production being in the hands of private employees (see section on cogestión).

Thus, in 2007, a new model was launched: the communal cooperatives. These are meant to be established and organized by the community, which are the ones deciding what kind of cooperatives the community needs and who works in them.

Social Production Companies

In 2005, a new enterprise model was created in Venezuela: the social production companies (EPS).

The EPS were designed to facilitate the transition to a socialist production model. The focus is not on the form of ownership, but the behavior of enterprises: cooperatives, state-owned enterprises, joint ventures, or even private companies can become EPS. (In this model, even state holdings should explicitly not act in a state capitalist logic.) The EPS should weigh social profit more than private profit, and direct their production toward social needs rather than along the lines of marketing and capital accumulation. In addition, in October 2005, the president signed a decree by which all resource-producing state enterprises have to fulfill domestic needs first, before they can export.

In an EPS, an employee's position should not give him or her any privileges, and the internal organization of work should follow a democratic model. Work activities should be rotated, and alienation in the production process should be gradually abolished. The EPS should also invest part of their profits (at least 10 to 15 percent) in local social projects and infrastructure, integrating themselves into the surrounding communities through the community councils. Specifically, that means, for example, that the companies defined as EPS shall pass their knowledge to cooperatives by founding and supporting them in the formation of the social economy. A special emphasis should be placed on organizing cooperatives as suppliers of the processed products or establishing contracts with cooperatives as suppliers and customers. EPS must also be transparent and publicly accountable (El Troudi and Monedero 2006, 91–128). According to President Chávez, the EPS are meant to represent the central element of an “economic turnaround in the direction of socialism in the 21st Century” (<http://www.rebellion.org/>, accessed July 22, 2005). In this context, state-owned enterprises should work as a spearhead to promote the EPS. There are several benefits for companies resulting from EPS status, such as being assigned priority in state contracts.

However, there is no officially defined or universally valid definition of EPS and so different government agencies have different definitions of what an EPS is supposed to be. As a result, for example, the EPS formed by or with the help of the state-owned oil company PdVSA, have to pay a portion of their profits to a pot of PdVSA. Out of this pot, PdVSA later on funds projects in communities. This model resembles more a kind of additional tax, than integration with, and a transfer of power to, the communities.

Recovered Companies

The Spanish term, *Empresas Recuperadas* (recovered companies), refers to companies that have been removed in different ways from the control of the private capitalist sector and are under the control of employees, the state and collective or combined administration forms. In Venezuela, this concerns the acquisition by the state of factories shut down by former owners, property taken over by banks in case of bankruptcy, and companies expropriated because of an existing national interest (Article 117). This involves, within a certain range, also the nationalization of the electricity sector in 2007, the formerly privatized national telephone company CANTV and the also formerly privatized steel industry Sidor.

Although the Constitution has made expropriations possible since 2000, there were, up to the end of 2006, only a few cases of successfully completed expropriations. In January 2005, the paper factory Venepal (now Invepal) was expropriated and the Constructora Nacional de Válvulas (CNV, now Inveval), a factory producing valves mainly for the oil industry followed at the end of April 2005. However, from July 2005, the government began to grant special attention to the situation of closed businesses. At the end of September, the National Assembly declared the sugarcane-processing plant of Cumanacoa, and the pipe manufacturer for the oil industry Sidororca “companies of social interest,” the first step in the process of expropriation of the company. At the time, Cumanacoa had been occupied by the former workers for already more than two months. In recent years, the company had reduced its production capacity gradually by a total of more than 80 percent. At the same time, it paid some employees less than the official minimum wage. Wages were even paid in-kind, as in colonial times, with sugar sacks. The workers finally decided to occupy the plant.

In the following months, the industrial slaughterhouse Fribasa, a tomato-processing plant of the U.S. multinational Heinz, the corn flour-processing plant Promabasa owned by the Venezuelan business group Polar, and some other plants previously occupied by former employees, took the same path.

Promabasa was occupied in September 2005 by the workforce after Venezuela's largest food and beer producer, Alimentos Polar, stopped operations on the site while still owing workers six month's wages (<http://www.venezuelanalysis.com>, accessed September 9, 2005). Shortly thereafter, the state also underlined its willingness to undertake resolute steps by sending in the army to support the

occupation. The Agriculture Minister at the time, Antonio Albarrán, asked Polar on the one hand to pay to producers a fair price and on the other to reduce the flour prices for poor people.

According to a parliamentary commission of inquiry, Polar bought the company years ago, in order to eliminate competition in the sector and achieve a monopoly position on the Venezuelan market. Polar closed down the production site and relocated a portion of the machines to Colombia. From there, the processed corn products are reexported to Venezuela and sold through the distribution network of Polar (<http://www.abn.info.ve/>, accessed September 13, 2005). The abandoned plant was expropriated and handed over to the cooperative, Maiceros de la Revolución, built by former workers to manage the plant in the context of a model of cogestion (September 29, 2005). The owners received compensation equivalent to the market value.

Some of the occupations happened as a consequence of a more or less open invitation by the president and the government. At the end of July 2005, Chávez declared on his TV show *Aló Presidente* that 136 closed companies were under examination regarding the possibility of expropriation (<http://www.rebelion.org/>, accessed July 22, 2005). He read out several lists: companies already in the process of expropriation, companies whose expropriation will be examined, and companies that have reduced production facilities wholly or partially. Overall, the list covered 1,149 sites in the whole country.

Chávez called on the population to report further closed businesses: “If the employers do not want to open them, they will probably have to be expropriated, and then we open them” (<http://www.rebelion.org/>, accessed July 22, 2005). The then Labor Minister María Cristina Iglesias, urged unions, workers, and former employees of the listed companies to “recover” them because only in this way could the dependence of Venezuela on private interests be overcome. The Bolivarian trade union umbrella organization, UNT (Unión Nacional de Trabajadores), declared its support of the proceedings, and announced in mid-September 2005 the occupation of 800 closed-down businesses (*Resumen Latinoamericano* on September 15, 2005).

However, in the following period of time, only a small part of the listed companies were actually occupied. Moreover, the total number of factory occupations, expropriations, and purchases by the state remained well below the announced 800. This also points to a contradiction between the claim to prioritize process from the bottom, and the real degree of organization that exists in terms of workers’ self-initiative. Obviously, neither the workers have the strength, to organize political awareness and execute the occupations, nor have the state institutions sufficient commitment to promote and support the announced measures.

In addition, the UNT failed to follow its own announced policy on company occupations. Even the leftist UNT current CCURA, with its central role in many occupations and labor disputes, failed to turn into reality the factory occupations announced and desired, if not by the whole government at least by Chávez. Without the pressure from below, the initiative of the president

drowned in the bureaucratic apparatus. Beyond the already expropriated or simply state-purchased businesses, the number of occupied production sites in Venezuela in 2008 was about 40. A broad and systematic policy for expropriations in the productive sector does not exist. Most expropriations are the result of the pressure placed on state institutions by occupations and mobilizations.

But as the recent case of Sanitarios Maracay, a factory for sanitary facilities in Maracay, shows, the contradictions and different points of view also run through the government and its institutions as well as through the workers. The company, owned by the active opposition entrepreneur Álvaro Pocaterra, was closed down by its owner on November 14, 2006 and occupied on the same day by 550 employees (November 19, 2006). The plant started the production of sanitary equipment under the control of the workers, calling for the expropriation and nationalization under workers' control. They demanded that the products be sold at solidarity prices to the local communities, to be used as the equipment for the bathrooms and toilets in state and local housing programs.

Despite the organizational ability of the workers to run the company themselves and the huge mobilization of the Frente Revolucionario de Trabajadores de Empresas en Cogestión y Ocupadas (Freteco, Revolutionary Front of Workers of companies in cogestion and occupied), the Labor Minister at that time, Ramón Rivero, himself a declared Trotskyist and unionist of the Fuerza Socialista Bolivariana de Trabajadores y Trabajadoras (FSBT formerly FBT, a very moderate current within the UNT), announced publicly that the company was not of "national interest" and should therefore not be nationalized (<http://www.controlobrero.org/content/view/full/134/30/>, accessed April 2009). In response, the UNT-CCURA organized a one-day strike and day of action in Maracay on May 22, 2007, in which about 3,000 employees from 120 companies blocked the main traffic arteries of the city from five to eleven o'clock in the morning to express solidarity with the struggle in Sanitarios Maracay. Following this, the Social Commission of the Venezuelan National Assembly issued a request to President Chávez and the Ministry of Light Industry and Commerce (Milco) to expropriate Sanitarios Maracay and by decree hand it over to the workers in self-administration (May 26, 2007).

However, the Ministry of Labor signed a separate contract with the owner and the white-collar workers of the factory. As a result, the other workers were pushed out of the factory. But the question was set again on the agenda by Chávez, who in December 2008 surprisingly declared that Sanitarios Maracay should be nationalized and an agreement with the workers should be achieved.

Comanagement, Self-management and Workers Control

Comanagement (cogestión) is based on social citizenship and social equality as a goal of social order (with the state as a guarantor), as set out in the 1999 Constitution. That means the state is understood as a participatory space, in which the people through various instruments can participate in public life and exercise control over institutions. As part of the declared participatory and

protagonist democracy, different models of comanagement have been discussed, although as yet no legal basis for this exists. The cogestión has been implemented since the beginning of 2005, mainly in state-owned enterprises and enterprises with mixed forms of ownership (state/cooperative), with different range and forms. Five different examples are presented in Azzellini and Ressler (2006).

From the ranks of the UNT trade union, a proposed law for comanagement was presented to the National Assembly, but was withdrawn following criticisms. SintrAlcasa, the union of the Aluminum factory Alcasa, criticized the law as falling behind the achievements made in Alcasa. The draft stipulated that workers have access to the operational, legal, and financial documents of the company, with the aim to guarantee a proper and efficient level of operation.

The workers' assembly, the owners' assembly, and the board of directors should be composed, at least, by 50 percent of workers functioning as collective decision-making bodies. The companies with comanagement should be given easier access to credit and foreign exchange, and receive the use of government services at a cheaper rate. The state should also support the company so that the balance sheet of the phase after the introduction of comanagement does not turn out to be in deficit (Agencia Bolivariana de Noticias, *El Universal*, May 3, 2005). The development and adoption of a more stringent law is being planned. It would concern all public companies and enterprises or enterprises with public participation, but an application would also be possible in companies of 100 percent private capital if these are declared "public utility companies" or of "social interest."

This precedent can also be applied under the directive of private owners of a company, if the shareholders' meeting decides it, the company falls into bankruptcy, or if it stops working without a justified reason. In such cases, the introduction of comanagement depends upon a vote held among the employees. To monitor and review the comanagement a "National Commission for the participation of workers in the management of public and private companies" has been planned since 2005, but at the end of 2008, the law has not yet been adopted. Given the lack of existing legislation and the different ownership models in many enterprises conflicts have arose around the kind of congestion. Yet in spite of the problems and disadvantages, the absence of a legal framework has also made possible—according to the struggles and the level of awareness of the workers—the organic emergence of a variety of different models that otherwise could have fallen victim to state regulation.

Obviously, the process of democratization of enterprise structures is not a completely harmonious process, and in numerous state-owned enterprises, there is no comanagement. This is most evident in the state oil company PdVSA, where many workers ask for it, but the issue has been avoided by the company's management due to the "strategic importance" of the company. Conflicts over the introduction of comanagement and problems in its application can also be found in the expropriated and formerly occupied factories. Examples of this can be illustrated with reference to the first two companies expropriated Invepal and

Inveval. Both are now 51 percent state-owned and 49 percent owned by the workforce building a cooperative. Alcasa, the second largest aluminum smelter in Venezuela, however, represented a kind of testing ground for the implementation of comanagement undertaken by the government and is a prime example for the difficulties.

Alcasa Aluminum and Workers Power

The aluminum smelter Alcasa in Ciudad Guayana in the state of Bolívar, part of state-owned industrial conglomerate CVG, is part of the Ministry of Basic Industries and Mines (Mibam). This was led in 2005 by Minister Víctor Álvarez, who was strongly in favor of a far-reaching comanagement to—in his own words—“give state capitalism a stab” (Álvarez 2005). The cogestión at Alcasa was thought to have a model character.

In mid-February 2005, the Marxist sociologist and former guerrilla, Carlos Lanz, was named director of Alcasa by the shareholders' meeting of Alcasa in order to introduce a comanagement model. He immediately began to introduce a broad comanagement. The goal, besides the democratization of the plant, was also to make it productive and profitable again. In the last seventeen years, the plant had been driven to inefficiency and into huge debts as a preparation for privatization. The cogestión goal in Alcasa was clearly defined as workers' control of the company. The workers' assembly in Alcasa decided to replace the heads of department and have a wage increase for workers of 15 percent.

Some 15 days after Carlos Lanz arrived, all heads of department were replaced and new ones elected by a workers' assembly, and the new heads of department were to receive the same wages as the workers. Department assemblies were established as well as roundtables of the department speakers elected in the departments. After a few months, the department chiefs were replaced by three department chiefs. All positions were elected in assemblies and can be revoked by these same bodies. The model of having three department chiefs did not prove effective: it was often too difficult to bring them together because of different working shifts or rivalry. And while leftist currents won the elections in the production departments, traditional union representatives won the elections in the different distractive departments.

Various training missions have been brought by the workers into the factory, including political education seminars. Alcasa has become an EPS and has started setting up cooperatives for further processing of the produced aluminum. In November 2005, a new executive board was elected during the shareholders' meeting. Of the five members of the executive board (apart from Carlos Lanz), three come from the CVG and two are employees of Alcasa. Among the vice members of the executive board, there are also two members of the organized local population: a teacher of the Bolivarian University and an economist (<http://www.Alcasa.com.ve/>, accessed November 24, 2005).

In July 2006, Carlos Lanz presented his position as director of the factory for election and got 1,800 out of 1,920 votes. The plan for the future was to

restructure the company's executive board made up of seven members and seven vice members. Four of them should be workers of Alcasa, the others should represent the CVG or the government, and one other from the organized local population. The idea behind that model is that the production facilities are not seen as state or workers' property, but as a real "people's property." This is the logic behind the local population being represented in the company's management structure.

Those who thought the Alcasa project was doomed to failure received a stark surprise. Production levels rose immediately by 11 percent (http://news.bbc.co.uk/hi/spanish/latin_america, August 19, 2005). In 2005 and 2006, Alcasa paid all accumulated debts in salaries and pensions to workers and former workers.

At the end of 2006, Alcasa and the Alcasa union Sintralcasa signed a new collective agreement that was approved by the courts and the government in February 2007. The agreement included the introduction of workers' councils in the factory. The plan was that the various bodies in the company should first present their ideas. On this basis, the workers will develop or select a model (<http://www.Alcasa.com.ve/>, accessed February 22, 2007). (For information about the transformation efforts in Alcasa with Carlos Lanz see Azzellini and Ressler [2006].)

In addition, a discussion began about introducing the six hours workday in Alcasa. A proposal to fix the maximum working week at 36 hours became part of the proposal for constitutional reform and while the proposal was rejected in December 2007, the 36-hour week will probably be relaunched as law. Moreover, Alcasa's subcontractors and short-time contract workers are increasingly being turned into permanent positions with regular work contracts. The regular workforce of Alcasa rose from 2,700 to nearly 3,300. But just about 60 were former cooperative members. The department chiefs in the administration used their influence to employ friends and relatives.

When Carlos Lanz left Alcasa in May 2007, the whole process of comanagement suffered a severe rollback. As the new president did not show much interest in the comanagement, many workers saw their participation as a waste of time and their active engagement dropped rapidly. Only four (all of them in production) out of the seventeen departments of the factory still have Round Tables. The same happened with the productivity and Alcasa turned again to produce enormous losses (about \$180m in 2007). Following the analysis of the organized nucleus of workers in favor of a workers' control, the main error was not having changed most of the directors and the management of Alcasa. As soon as Carlos Lanz left the aluminum hut, they went back to their traditional corrupt practices and the new president started trading huge aluminum stocks below the world market prices in exchange for immediate payment. However, the core of workers in favor of a workers' control maintain a school for political education of the workers inside the factory, financed by Alcasa.

In April 2008, the president of Alcasa was changed again and the workers now hoped to advance in the construction of workers' councils. However, as

soon as October of the same year, the relation between president and workers had broken up. The president started introducing measures against cooperatives and workers' coadministration, and also tried to turn down the social projects elaborated by Alcasa workers in four communities (e.g., school repairs), which should have been financed by the social fund of Alcasa (created following an order of the CVG).

In February 2009, the Alcasa Union (a factory union with internal elections to establish the representation of the different currents) accepted the proposal of the workers' control collective around the internal school for political education to organize a recall referendum in the factory against the factory's president. This interesting initiative could lead to a crucial conflict. The factory's norms or the law do not include any possibility for worker to recall their factory's president. But how could the president of Alcasa or the directors of the state holding CVG deny or ignore a clear workers vote, moreover when Carlos Lanz presented himself to elections.

The centrality of Alcasa in the Bolívar state and the active role of the steelworkers of Sidor (with whom the organized core of Alcasa workers has a strong relation) led President Chávez to nationalize Sidor against the will and interests of the Governor of the Bolívar state Francisco Rangel Gómez, belonging to the right-wing of the bolivarian process. It seems that there is a strong interest in the regional elites to avoid a protagonistic role of workers in Bolívar.

The Alcasa workers in favor of the comanagement have developed a strong political work in the region. They are coordinating with workers from other factories, teachers unions, communal councils, students organizations, cooperatives, and EPS. They gave significant support to the struggle of Sidor workers for nationalization, and since the nationalization, they have been supporting Sidor workers in developing a comanagement model. Behind the scenes, however, Governor Rangel, the president of Alcasa, and others are acting against the official politics and orders of President Chávez to hold their grip on regional power.

Invepal—From Flagship to Black Sheep

On January 19, 2005, President Chávez expropriated by decree the entire possession of the paper company Venepal (renamed as Industria Venezolana Endógena del Papel, Invepal). This once largest paper mill in Latin America was consciously pushed into bankruptcy by the former owners. In the 1990s, they misused and redirected a ten-million-dollar loan instead of investing it into the factory. In the meantime, several agreements were signed between the employees and the former owners, but the former owners never respected them. So the workers repeatedly occupied the factory. The main conflicts occurred at the plant in Morón in the state of Carabobo, but there is a second plant in Maracay producing special kinds of paper and exercise books. The labor dispute has led to success.

Venepal was the first company in Venezuela to be expropriated. The factory brought into force a mixed form of ownership, 51 percent state-owned and

49 percent employee ownership through a joint cooperative (Covinpa). At the same time, a model of comanagement was introduced. Although the director's job, following the ownership, corresponded to the government, it was given to the workers because of the initiative of Hugo Chávez (March 8, 2006). The workers elected their former union chairman Edgar Peña as president of Invepal, while the main decisions about the company should be taken in its assembly.

In late January 2005, the 300 employees began to prepare the factory for production again. The state provided an initial financing of 13.2 billion Bolívares (about \$6.4m at the official exchange rate), 49 percent of that were taken over as loan with low interest rates and favorable terms by the cooperative (March 8, 2006). As a cooperative, Covinpa also enjoys other benefits such as tax advantages and being able to increase its participation up to 99 percent.

Invepal became an EPS and started production again, increasing the number of employees to a total of 600. In a short time, Invepal began again producing a wide range of paper and paperboard as well as working materials for schools, offices, and packaging. The state and its institutions guaranteed to buy a certain amount of the product, and prices proved to be competitive. Thus, from the beginning of 2008, it was forecast that the plant should have entered economically into the profit zone (<http://www.abn.info.ve/>, accessed July 21, 2005; <http://www.ultimasnoticias.com.ve/>, accessed December 16, 2006).

However, various conflicts and problems came up at Invepal. Some were caused by the absence of any legal or contractual framework guaranteeing the participation of the workers in decision making. Although some decisions have been made by the employees, the legal environment put the decision-making power clearly in the hands of the executive board or the president of the factory, and at another level in the hands of the cooperative's president. These measures excluded cooperative members from the decision-making process in the plant (March 8, 2006). It should be also mentioned that the workers for a long time showed little enthusiasm for the administrative aspects of the company. This is probably also a consequence of the fact that the employees, with the establishment of cooperative Covinpa, were turned into owners while the union was dissolved.

Edgar Peña was finally removed as president by the assembly at beginning of 2006 after the Contraloría Social (review of the finances by organized society) of the employees discovered that the Executive Board had taken on 161 workers at the factory in Maracay under much worse conditions than the cooperative members, without integrating them into the cooperative after six months, as the law provides. It also came out that 120 of them were dismissed in November 2005. The Milco and other state institutions tried to refuse the decision on the revocation of Peña by the members of the cooperative, but ultimately the cooperative imposed itself on the situation.

A review of the books by Milco in 2006 showed undocumented spending of 1,700 million Bolívar (about \$800,000). According to the official investigation report, there was not any embezzlement of funds but just "administrative disorder" (<http://www.eluniversal.com/>, accessed August 15, 2006). But some

employees suspect that misappropriations were covered up because government employees, as well as cooperative representatives, were responsible for the loss.

In April 2006, a new board of directors was appointed. Milco Minister María Cristina Iglesias was named president of the factory. This step was to be temporary pending the conclusion of the investigation being carried out. However, the provisional step is still valid at the end of 2007. The new leadership has only two of the five members being part of the workforce. And overall, the participation of employees in the decisions of the company was further restricted. Officially, the argument is that it is first necessary to operate properly before further steps can be taken.

The “betrayal” from its own ranks, the belated recognition of the problems and the inability to find its own solution, and the now heavily circumscribed participation put the workforce in a mood of resignation. But as a cooperative, they were already discussing again which model they wanted to enforce for Invepal and were also involved in the debates of Freteco and Inveval, so a shift to a model of socialist factory seemed quiet probable.

Inveval: Small Factory—Great Awareness

A second expropriation followed on April 27, 2005: the valve factory Constructora Nacional de Válvulas (CNV), now renamed Inveval, in Carrizal, Miranda state. Inveval belonged before to the former PdVSA president and nowadays opposition leader Andres Sosa Pietri. Similar to Invepal, Inveval at the beginning had a model of 51 percent state ownership and 49 percent employee ownership in a joint cooperative. The factory produces valves, mainly for the oil industry. The plant was shut down during the entrepreneurs’ strike in December 2002–January 2003. It was then due to be restructured and reopened, but only with a strong wage reduction and the elimination of compensation for the workers dismissed.

The workers refused to accept such measures and 63 of them occupied the factory. The Ministry of Labor took a decision in favor of the dismissed workers and ordered the rehiring and payment of withheld wages. The owner did not follow the decision. The workers gave up the occupation at the end of 2004, but they summoned new courage after the expropriation of Venepal, and as Pietri began to take out machinery from the factory, the workers occupied the plant again at the middle of February 2005 until it was finally expropriated.

Inveval should have taken up production again in August 2005. To the dissatisfaction of the workers, however, during the first few months after the expropriation not much happened. Only since July 1, 2005 have all workers started to get paid a minimum wage by the state (July 8, 2005). But when the representatives of the Ministry of Popular Economy (Minep, renamed Ministry of Communal Economy, Minec, in 2007) presented their proposal of comanagement, it was rejected by the former CNV workers. The workers’ majority in the company’s management, requested and promised by Chávez, did not figure in the proposal.

Instead, it said that the directors should be appointed by the state. After tough negotiations, a consensus about the comanagement model was finally achieved and signed on August 4, 2005 between the state and the employees. In this agreement, the management of the factory lay in the hands of the workers' assembly, which elected three out of the five executive board members including the factory manager. Apart from the two executive board members, no other government personnel were active in the factory. All the important decisions that affect the factory were to be taken in the weekly factory assembly. The workers had to accept the model of shared ownership even if they rejected it as a capitalist model.

Inveval finally took up work again in mid-2006, but carries out only maintenance and repair of industrial valves, as the foundry for the manufacture of valves, situated in a different location and still owned by Pietri, is not part of the factory. So the Inveval valves are produced in another private foundry on behalf of Inveval. The Inveval employees want the Inveval foundry owned by Pietri to be expropriated as well.

The workers' assembly in Inveval decided right from the beginning on a wage increase and a seven-hour working day. From 4:00 PM onward, various training missions enter the factory site, and some workers even attend evening courses in universities. Overall, 37 of 63 employees take part in educational programs or study in universities. For years, the Inveval workers had to struggle against the bureaucracy of PdVSA to have the state-owned oil company buy their valves and give them a contract for repair and maintenance. They also had conflicts with Milco about raw material.

The highly politicized workers also still rejected to be part-owners of the company in form of a cooperative because they viewed it as a mistake to transform the employees into owners: "What the cooperative does is to feed capitalism because it's created as part of the capitalist system and that's what we don't want here. We didn't kick out one capitalist to have the 60 capitalist instead of one," comments Inveval worker Julio Gonzalez.

The concrete work structure and the situation with a five-person board of directors led to discontent. The separation of the working and decisions arenas led to a greater apathy in the workforce, and at the same time, to an isolation of the board. And as the workers reported, the two state representatives never showed up. So the workers of Inveval, organized with Freteco, took up Chávez' proposal of January 2007 to deepen the revolution through the formation of workers councils and decided with immediate effect, on January 28, to elect a factory council with 32 members.

The council, composed of spokespeople from each department and other volunteer workers, now discusses the points evaluated by just five people before. In the council, they have created several commissions: Sociopolitical matters, Finances and Administration, Accountability and Follow-up, Discipline, Technical Aspects and Services. Each commission has to bring back reports of its work, proposals, etc. and present them to the Council. Inveval has also adopted a new ownership model and is now 100 percent social ownership and a 100

percent managed by the workers. The jobs inside the factory are rotating, they try to overcome the social division of labor (into intellectual and manual work) and any position is recallable by the workers' assembly, which is the highest authority. In addition, salaries are the same for everybody at Inveval. So the Inveval workers have successfully transformed comanagement into worker control.

Inveval is now moving toward developing a model to turn into a socialist factory and has started integrating work with the metal part producer INAF (also expropriated), building a joint factory council with 32 speakers for Inveval and 26 from INAF. They have also proposed a distribution model where they do not sell their products, but give them away for free to the state- and social-owned enterprises that need the valves, in return for a certain amount of money paid by the state according to their own need and local needs defined by the surrounding communities. At the same time, they are coordinating and integrating with the community councils in their neighborhood in order to construct a communal government in the new framework of the communal state.

Fábrica Adentro and Private Entrepreneurs

Private firms with economic problems, or which cannot achieve production volumes for other reasons, now have access to loans with low interest rates and government subsidies. Special conditions are granted through the program *Fábrica adentro* (inside the factory) from Milco since the end of 2005. To have access to the program, owners have to agree with their employees on one form of comanagement, giving workers a participation in the administration, the executive board, and the profits of the company. The conditions include that part of the gains (5–15 percent) has to be transferred to a fund for industrial transformation, no person can be dismissed and new job opportunities must be created.

The approach has been quite successful. By the end of 2006, 1,520 companies had signed up to the program, of which 1,011 have already begun developing and submitting their projects. Of these, 847 received loans and began the implementation of the agreements. Of these, number 69 companies were previously closed and all the others have increased their capacity and developed 268 new projects for additional import substitution (<http://www.vtv.gob.ve/>, accessed December 20, 2006).

But at this point, a dilemma of comanagement has emerged. Many private entrepreneurs and the managerial staff of state-owned enterprises see comanagement in the logic of a social partnership that avoids conflicts, creates jobs, and increases the production. The UNT, many employees, and part of the state apparatus understand cogestión as an interim step in the transformation process toward a future worker control of the companies in the context of a socialist society model (<http://www.rebelion.org/>, accessed April 26, 2005).

Moreover, the quality of comanagement in different factories varies very much. In some companies, it consists simply of models handing over part

ownership to the employees through individual shares or as a cooperative with minority participation (e.g., by transferring 25 percent of the ownership to a cooperative of employees). This involves them in business logic, but without giving them a real participation in the decision-making structures. So the employees have no chance to decide about work or production, but share with the main owner the interest to produce a higher added value. To list such cases as comanagement will surely inflate numbers and statistics but work against the transformation of production relations in a socialist sense.

Endogenous Development and Job Training

As part of the transformation, Venezuela follows the alternative development strategy of “endogenous development” based on first proposals from the CEPAL in the 1950s and further developed in the past decades. According to Valles, the endogenous development “is based on education and training . . . and promotes the transformation of the natural resources through the development of productive chains . . . with a great respect for the environment and an increased sense for his protection” (Valles Caraballo 2004, 23–4).

The Venezuelan approach goes beyond the original objectives of endogenous development, it is not only an endogenous production, but has as a goal also endogenous distribution, as stated by Carlos Luis Rivero, former vice minister of the Minep. With the attempt to promote this by way of new relationships and a more equal distribution of the added value or transfer of ground rent in society, Venezuela, according to Rivero, follows the path of the construction of socialism in practice and not by decree. Carlos Lanz Rodriguez, one of the developers of the state job training program *Misión Vuelvan Caras* (“Turn Around”), cites Articles 70 and 118 of the Constitution as a key political normative orientation of the endogenous development model in Venezuela (Lanz Rodriguez 2004). In Venezuela, the state has a central role in building the marketing structures of the new production because even before 1999, it is the largest employer and customer. Elias Jaua, at that time minister for Popular Economy, declared in 2005: “Our goal is that the entire cycle of production and commercialization lies in the hands of one or several cooperatives, so oligopolistic sectors and the large and medium-sized entrepreneurs who have a different rationality, can’t interrupt at any time the dynamics of this productive process. . . . The State represents in a first phase the guarantee for the feasibility of all these productive units” (<http://www.minci.gov.ve/>, accessed March 2005).

Endogenous development has also postulated the logic of sustainable use of natural resources. *Misión Vuelvan Caras*, for example, provides job training in ecological agriculture. *Misión Vuelvan Caras*, which began in March 2004, is closely related to endogenous development. The aim of the *Misión* was to train—technically and politically—1.2 million people from the poorest regions and districts of the country by the end of 2007, and to promote the formation of cooperatives. The training is offered by the National Institute of Educational Cooperation (Ince) in the fields of construction, tourism, agriculture, catering,

services, and industry. Additionally, at the end of 2006, the *Misión Vuelvan Caras Jóvenes* began, which was aimed at 15- to 28-year-olds. The 72 different training courses are, on average, about two months longer than in the *Misión Vuelvan Caras* because they have also a job orientation phase.

The program is aimed mainly at unemployed adults who have no job training. In the past years, the proportion of women was always around 62 to 65 percent. The students of the *Misión* receive, during the usually six-month training (some courses are longer), a small grant to enable their participation, training and the integration into the working world. The amount of the grant depends on the status of the persons concerned: for example, single mothers—a significant portion of the course participants—received in 2007 the highest rate of 409,860 Bolívar per month (about \$190 at the official exchange rate).

For those participants who want it, cooperatives are established receiving credits and technical assistance. Also workers who take over their enterprises often go through training programs of the *Misión Vuelvan Caras*. The training usually takes place in the *Núcleos de Desarrollo Endógeno* (*Nudes*, Endogenous development cores), of which there are 125 throughout the country, (<http://www.minci.gov.ve/>, accessed January 26, 2007). The *Nudes* are places in which networks of cooperatives exist, which offer the local communities the opportunity to use the existing potential in the region, and to take over planning and development.

Beyond the creation of new jobs, the mission aims to promote the transformation of the socioeconomic model. The handing out of the credits to the cooperatives of the *Misión Vuelvan Caras* is therefore regarded as the last step in a sociopolitical process. The mission touches on the issues of job training, organizing, as well as the sociopolitical and productive training (<http://www.abn.info.ve/>, accessed September 13, 2005). The cooperatives will be forming productive chains, contributing to the model of endogenous development, and thus, promoting the new economic model.

The initial target to train 1.2 million people in the program was not fulfilled. In the first year, 2004–2005, 264,720 “*Lanceros and Lanceras*,” as the participants of the *Misión* are called, concluded a job training program (of 355,864 who had originally registered and 298,000 who attended the courses). For the year 2006, there are no figures for completed training courses, but 345,409 people registered, 284,040 of whom visited the courses. Toward the end of the year 2006, the activities of *Vuelvan Caras* dropped. Less courses were offered and the process experienced delays, so that some courses from 2006 still went on in the year 2007. Even within the program, problems arose. The content of the political training was cancelled by a new director as “too Marxist” and at the same time there was an attempt to outsource training in cooperatives to subcontractors. In early 2007, *Vuelvan Caras* gave the impression to be running only at half strength. In September 2007, the *Misión Vuelvan Caras* was officially relaunched as *Misión Che Guevara*. By then the *Misión Vuelvan Caras* had built 10,122 cooperatives and small- and medium-sized production units with 680,000 people (<http://www.misioncheguevara.gob.ve/contenido.php?id=215>).

The name change is also connected to a reorientation of the mission. It aims to establish a new economic system and by building their own circuits, not to contribute anymore to strengthening of the capitalist market. The job training had already started before September, so until the end of 2007, approximately 80,000 participants concluded their training. In 2008, 136,000 received job training. The *Misión Che Guevara* inserts all its participants into productive work and is following the National Development Plan 2007–2013. Many of the participants are trained to work in the new socialist enterprises, and some existing social enterprises also train participants within the *Misión Che Guevara*.

Socialist Enterprises

After the difficulties experienced with the different models described, especially with mixed ownership, in April 2007, the different ministries asked the state-owned factories under their control to propose criteria of what a socialist enterprise should be, what the parameters are, and how they are to interact with the communities and social politics in their area. The autonomy in administration and business of the state-owned enterprises (oil, petrochemicals, mining, aluminium, electricity, communications, airlines, and agriculture) will be coming to an end, and they will be all integrated with each other into strategic categories and have a central planing in function of the whole society.

Meanwhile, different factories, state enterprises, and ministries have presented different projects. The Milco also organized meetings with workers to discuss possible models. For the socialist factories, “social ownership” was to be defined (in the rejected constitutional reform of December 2007) as two different types: direct, that is, managed by the people through community councils, communes, and communal cities; and indirect, that is, managed by the state. The goods produced should not be seen as goods sold to whoever can afford them, but they should be transferred to the people who need them, based on a permanent exchange and aiming to fulfill necessities of the society. Moreover, the socialist enterprises should monitor the quality of their products and seek to improve them. The workers for the socialist factories are recommended by the communal councils in the areas where they are built. While specialized workers are at the beginning provided by the state, the idea is to pass the socialist factories step by step to the control of workers and communities.

As part of the “Project for National Development of the Bolivarian Revolution,” more than 200 socialist factories were to be opened come the end of 2008. These are to be located in the following areas: 88 factories in the food sector; 12 for chemical products; 48 producing machines and tools; 8 for electronic equipment and material (computers, cellphones, and others); 10 for plastic, tires, and glass; 10 clothes factories; 8 for transport; 4 building houses; and 3 for recycling. Most of them will be built with knowledge transfer and technology from Belarus, China, Iran, Russia, and Argentina. The idea is also to strengthen Venezuelan independence and sovereignty, by setting up a national production network to reduce imports and foreign dependence.

Conclusion

In summary, Venezuela implements a variety of different measures to promote structural changes in the economy and the democratization of relations of ownership, labor, and production. Some approaches are aimed at overcoming the conditions of capitalist exploitation, the separation between manual and intellectual work, and also, in the mid- or long-term, overcoming capitalist social relations. Other initiatives aim, however, at a mere democratization of capitalist labor relations.

In many institutions a certain restraint regarding structural changes can be noted. To date, no overall political approach regarding the recovered companies exists, or at least it is not visible in the form of concrete politics. Moreover, while from above—mainly by the president—a certain policy is set, in the various institutions, programs, and states, no uniform policy still exists. Frequently—as in the case of the EPS—there are even no generalized or homogenous criteria. Many institutions and their employees also seem to be more concerned with the production of quantitative statistics than experimenting with alternative economic and labor models of organization.

At the same time, there are many successful initiatives that exist solely because of the scope of the measures in relation to the relatively short period of time they have been applied. There has also been a significant growth of independent initiatives from below that can be readily observed. The transformation process in Venezuela is still very open and flexible. As Chávez recognized publicly on January 28, 2007, and discussed during the months before by organized workers takeovers, it had been a mistake to turn the employees into partial owners of the factories by distributing shares through a cooperative. Given the experience with mixed ownership models, the state has started to promote the new model of *Empresas Socialistas* (Socialist companies), where the property is not distributed to the employees and the aim is not any longer a model with mixed ownership.

Appendix

Constitution of the Bolivarian Republic of Venezuela, 1999

Article 70: Participation and involvement of people in the exercise of their sovereignty (. . .) in social and economic affairs: citizen service organs, self management, co-management, cooperatives in all forms, including those of a financial nature, savings funds, community enterprises, and other forms of association guided by the values of mutual cooperation and solidarity. (. . .)

Article 115: The right of property is guaranteed. Every person has the right to the use, enjoyment, usufruct and disposal of his or her goods. Property shall be subject to such contributions, restrictions and obligations as may be established by law in the service of the public or general interest. Only for

reasons of public benefit or social interest by final judgment, with timely payment of fair compensation, the expropriation of any kind of property may be declared.

Article 118: The right of workers and the community to develop associations of social and participative nature such as cooperatives, savings funds, mutual funds and other forms of association is recognized. These associations may develop any kind of economic activities in accordance with the law. The law shall recognize the specificity of these organizations, especially those relating the cooperative, the associated work and the generation of collective benefits. The state shall promote and protect these associations destined to improve the popular economic alternative.

Article 308: The State shall protect and promote small and medium-sized manufacturers, cooperatives, savings funds, family owned businesses, small businesses and any other form of community association for purposes of work, savings and consumption, under an arrangement of collective ownership, to strength the country's economic development, based on the initiative of the people. Training, technical assistance and appropriate financing shall be guaranteed.

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