CENTRAL ASIA

Five recipes for land reform

Following the disintegration of the Soviet Union at the end of 1991, its five Central Asian republics, now newly independent countries, embarked on separate paths to reform. Self-sufficiency in food and the reordering of agricultural production priorities were among the most urgent issues that had to be addressed. Land reform and agricultural privatization programmes are already changing life in rural areas. These programmes vary in their commitment to reform, depending on underlying agricultural, social and political factors, but all of them have so far stopped short of recognizing the right to buy and sell land freely. Furthermore, the Soviet system of compulsory fixed-price sales of agricultural produce to the State has been largely maintained. Governments are still wary of the economic and social disruption that could follow full privatization in the agricultural sector. Free markets for agricultural land and produce are therefore unlikely to emerge in the immediate future.

The legislation so far enacted is based on compromises that leave many problems unsolved. In practice, the sale or transfer of land to private individuals usually entails lifelong, inheritable tenancy, but not the right to dispose of the land by resale to a third party. In most cases, what is officially referred to as privatization of state farms amounts to their conversion into cooperatives, in which members either collectively or individually lease their land from the State. Polls suggest that a majority of collective and state farm workers would like to set up their own private farms. Yet even when they are given an opportunity to lease a plot of land, they often prefer to stay together in the form of a cooperative, because the alternatives are impracticable. On their own, they cannot afford to buy even basic equipment. Inadequate marketing facilities and distortions in the pricing of agricultural products are further disincentives. The option of giving up agriculture altogether and moving to a city is not attractive either, because a farmer cannot sell his plot of land.

Turkmenistan

Of all the Central Asian republics of the former Soviet Union, Turkmenistan is arguably the boldest reformer of the communist system of agriculture. Under a decree issued by President Niyazov in February 1993, anyone who wants to become a farmer can apply for up to 50 hectares of land. Special land commissions have been set up to process applications. Successful applicants have the right to farm the land granted to them and pass it on to their heirs, but they cannot sell it. Two years after taking possession of land, they must supply evidence that it is used for agricultural purposes, failing which they stand to forfeit their title. Although 80 per cent of Turkmenistan is desert, the land commissions had issued nearly 11,000 deeds of property, totalling 80,000 hectares, within a month of the start of the reform.

Private farms set up under this system are exempt from taxation for five years and eligible for interest-free loans of 5 to 10 million roubles ($8,850 to 17,700). They must sell half of their grain or cotton harvest to the State at fixed prices (these were raised significantly in mid-February), but they are allowed to dispose of the remainder freely, including abroad if they can. They can hire workers, provided that they pay them the equivalent of public sector wages. Other incentives, available under the Government's "Grain" programme, include assistance in obtaining seed, equipment and fuel. Special centres are being set up throughout the countryside where farmers can hire agricultural machinery at set prices. The Government hopes that these measures, coupled with the introduction of drought-resistant varieties of wheat from Argentina, will secure self-sufficiency in wheat through the conversion of some 400,000 hectares to this crop.

In view of the shortage of water resources and the consequent scarcity of arable land, this new scheme is expected to lead to the break-up of less profitable collective and state farms. The architects of the reform see no contradiction between the development of private farming and the continued existence of large-scale agricultural enterprises inherited from the old system. Yet the irrigated lands of collective and state farms will henceforth have to be leased from the State, thereby increasing competition. Leases, for up to 500 hectares, cannot be concluded for less than ten years.

Uzbekistan

According to the Ministry of Agriculture, 12,537 new farm holdings totalling 96,000 hectares were established in Uzbekistan by the beginning of 1993. But the country has 4.3 million hectares of arable land and the region's largest population (20 million, as against 3.5 million in Turkmenistan). Since the end of 1992, however, Uzbekistan has taken a number of measures that suggest a departure from its previously lukewarm approach to reform. A new Constitution, adopted in December 1992, formally rejected the old system in favour of a market economy and the development of different forms of ownership. On 10 January 1993 President Islam Karimov signed a decree aimed at denationalizing 700 unprofitable state farms by the end of the year. On the crucial issue of land, however, the ministerial resolution accompanying the decree refers only to long-term ownership and use of land.

In agreement with the farmers concerned, most of these unprofitable state farms are being reorganized into cooperatives, although they are theoretically also allowed to set up private family farms or company farms. This choice is not surprising since land, buildings, equipment and other facilities are left at the disposal of farm workforces free of charge in order to preserve each farm's territorial integrity and agricultural specialization. Repayment of outstanding farm debts to the State has been rescheduled over 20 years. The State has contributed 1.5 billion roubles ($2.65 million) to the starting capital of a new commercial bank established to finance private and cooperative farms and small-scale enterprises processing farm produce. In a separate initiative, the Government has reduced the quota of farm produce that must be sold to the State from 85 to 80 per cent. At commodity exchanges cotton fetches up to three times the state procurement price.

A poll conducted on the eve of these reforms indicates that 57 per cent of collective and state farm workers would like to set up their own private farms; 20 per cent of agricultural specialists and managers said that the system of state and collective farms had no future. Grass-roots support for further reform is clearly strong. However, another long-term – and potentially more intractable – problem confronting Uzbekistan's agricultural policy-makers is the ecological damage resulting from decades of cotton mono-culture in the Amudaria and Syrdaria valleys and the need to increase food-crop yields to feed the population. At present, grain is grown on only 23 per cent of arable land.

Tajikistan

Uzbekistan's neighbour to the east, Tajikistan, got off to a promising start with its land reforms in the first half of 1992, but this initial momentum was lost due to mounting political tension, which soon escalated into a full-blown civil war. Legislation passed in March 1992 gave all citizens the right to own land for life and use it for construction or to set up private farms or carry on any other trade or cottage industry. Land can be inherited by the owner's heirs or leased to a third party, but it cannot be sold. The 1992 Land Reform Act states that its purpose is to promote rational land use with a view to increasing agricultural production through the balanced development of private, collective and state-sector farming. It makes provision for the redistribution of land belonging to restructured collective farms and privatized state farms. By the end of 1992, however, agricultural production had collapsed. The civil war has brought the country near to starvation. Even the 1992 cotton harvest – Tajikistan's principal resource – was largely lost. State farms can only provide the bare essentials for schools and hospitals. The new President, Mr. Imamali Rakhmonov, himself the director of a state farm until the end of last year, will have to start land reform from scratch under much more difficult conditions than those faced by his predecessor.

Kyrgyzstan

In order to minimize the disruption of agricultural production on collective and state farms – but also to defuse social tension in the countryside – Kyrgyzstan has adopted a stop-go approach to land reform.

In mid-December 1992 President Askar Akayev issued a decree providing for the resumption of the land reform programme suspended in April. In the absence of specific legislation on private ownership of land, however, little progress had been achieved before the suspension: 14,000 individual farms comprising only 6 per cent of the country's arable land were established. More radical reform is urgent. The agricultural sector is estimated to owe some 200 billion roubles ($354 million) to the State, making it effectively bankrupt. Plans to resume the cultivation of opium poppy as a means of boosting profitability were finally dismissed by the President in March 1993.

The new decree recommends that collective and state farms should divide their land among their permanent workers. Since Parliament is still opposed to full privatization, this process will often translate into reorganization on a cooperative basis. Agro-industrial processing enterprises are to be privatized as companies. Other state-owned land in the so-called National Land Fund will be sold to individual farmers in the form of inheritable leases. The Government thus expects what it calls large-scale privatization of land to begin in 1993. It hopes to dispose of 66 per cent of arable land in this way by 1995. Shortly after the promulgation of the decree, however, the President assured worried farmers' representatives that he had no intention of closing down or splitting up all collective and state farms. The aim of the reform, he explained, is to encourage the coexistence of different sectors and give farmers a choice.

Farms were initially given the right to sell their produce at market prices, except for grain, cotton, tobacco and wool which remain subject to the system of compulsory state purchases at fixed prices until the end of 1993. At the beginning of the year, however, in the face of deepening economic crisis and the risk of social unrest, the Government prohibited the sale of domestically produced food at market prices.

Kazakhstan

In February 1992 Nursultan Nazarbayev, President of Kazakhstan, launched an ambitious privatization programme aimed at selling off 40 per cent of state agricultural assets by the end of the year. Special commissions were to be set up throughout the country to work out and implement ownership-reform programmes. By March 1993 state-owned agricultural enterprises were to be reorganized into cooperatives, companies and other non-government entities. The least profitable were to be dealt with by mid-1992. Their assets are to be sold to their workers on concessionary terms or simply given to them, or sold or otherwise transferred to other private owners to establish farms, cooperatives, etc. Every worker of a privatized agricultural enterprise is entitled to a share of its assets calculated in accordance with a procedure agreed by the entire workforce and taking account of length of service. State farmers, for example, would typically be issued with a document establishing their ownership of a plot large enough to set up a family farm. In practice, however, very few of them have become private farmers: they have no equipment, no money and nowhere to sell their produce. The majority prefer to stay together in cooperatives.

In March 1993, the President announced that only 24 per cent of state agricultural assets had been disposed of: three-quarters of these assets were given away for free and the majority of recipients are cooperative members, not private farmers. As a result, only 2 million hectares out of 37 million hectares of nominally private land are now genuinely under private control based on a system of leasing. Indeed, unlike most of its neighbours, Kazakhstan recognizes that turning state farms into cooperatives is not the same as privatization. Besides, failure to carry out the agricultural privatization programme on schedule has led to complaints of profiteering in the absence of a free market for farm produce. At a meeting with members of Parliament on 31 March, Mr. Nazarbayev admitted that the agricultural privatization process had run out of steam as a result of obstruction. He did not name the culprits, but stressed that they would be identified. He said he would soon be issuing a second decree aimed at deepening reforms in the countryside and promised to ban what he called unauthorized price regulation. It will take another two years, he believes, to establish a free market for agricultural products.

Sources: Economist Intelligence Unit: *Central Asian Republics* (London), Country Report No. 1, 1993. US Government Foreign Broadcast Information Service: *Daily Report/Central Eurasia* (Washington, DC), passim, Dec. 1991-April 1993. *Izvestia* (Moscow), 11 Feb. 1992, 26 Feb. and 10 Apr. 1993. *Ekonomika i Zhizn* (Moscow), No. 18, May and Dec. 1992. *Trud* (Moscow), 10 Dec. 1992. *Middle East Economic Digest* (London), 5 June 1992.