

A preliminary assessment of attitudes toward the privatization of agriculture in contemporary Kazakhstan

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Perhaps the primary concern of the leaders of the newly independent states of Central Asia is economic reform. One of the prominent features of economic reform is the effort to privatize the extensive property holdings of the former Soviet republics. Privatization is viewed as a critical step in the overall transformation from a socialist command-administrative economy to a capitalist market economy. While the concept of privatization clearly conveys a diminished state presence, the concept in and of itself does not delineate the new role of the state in the economy.

As the privatization process further unfolds, the future role of the state continues to be an underlying source of contention in the numerous, and often bitter, debates on economic reform. This essay examines how contending views of the ideal state are shaping the debates on agricultural reform in Kazakhstan. Interpretations of the most serious obstacles to agricultural reform vary according to the perception of the ideal state role in the agricultural sector. In addition to identifying four trends in the debates on agricultural reform, this essay describes how these debates are influencing the pace and direction of agricultural reform.

The role of agriculture in the Kazakh economy

Currently, agriculture remains the dominant sector in Kazakhstan's economy, providing 37% of the net material product in 1991, followed by industry at 31%.¹ Within the agricultural sector, there is a fairly even balance between cultivated agriculture and livestock production. Generally speaking, Russian peasants cultivate the lands in the northern regions and Kazakh pastoralists raise livestock in the southern regions of the republic. Although Kazakhstan's agricultural sector perpetually fell short in the fulfilment of state plans, it was nevertheless an important supplier of agricultural products to other republics throughout the Soviet period. As part of the all-union division of labour,

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Kazakhstan was producing 26.8% of the wheat, 22.6% of the wool and 7.2% of the meat for the entire Soviet Union during the last five-year plan.²

Since the 1930s, the state has played a major role in Kazakh agricultural production. The Soviet state, for example, was the principal supplier of capital and technology as well as the primary purchaser of agricultural products. Agricultural labour and production was largely organized through the system of collective (*kolkhozy*) and state farms (*sovkhhozy*), which were further broken down into specialized productive units, or brigades.³ In 1988, there were 406 *kolkhoz* (collective farms) and 2125 *sovkhhoz* (state farms) in Kazakhstan, employing a total of 1,725,000 workers.⁴

In addition to working on the collective and state farms, the peasants of Kazakhstan have grown crops and raised privately owned livestock on their private plots. These agricultural products were not merely for subsistence, but typically were sold to urban residents at high prices in special farmers' markets. In 1988, for example, private plots provided the republic with 25% of its vegetables, 30.9% of its meat, 43% of its milk and 30% of its eggs.⁵

Foundations for the privatization of agriculture

During the late 1980s, agricultural reform within the Kazakh Republic was guided by new Soviet laws, particularly the 'Law on Property in the USSR' which established the legality of multiple forms of property (i.e., both state and non-state) and the right to rent land.⁶ Based on these laws, a small number of collective and state farms in Kazakhstan began to transfer their property holdings to private and cooperative forms as early as 1989. This process was accelerated in June 1991, six months before Kazakhstan became an independent nation, when the Supreme Soviet of the Kazakh Republic launched a programme for the destatization (*razgosudarstvenniia*) and the privatization of state property. According to this programme, the property of the agro-industrial complex, with the significant exception of land, should be transferred to several new 'market' forms, including cooperatives, leasing collectives, peasant economies and joint-stock companies. Although land can neither be purchased nor sold, it can be rented and the right to rent a specific parcel of land can be inherited.⁷

The privatization of agricultural enterprises has not occurred as quickly as the government had hoped. In 1990, the government declared that 1500 agricultural enterprises should be privatized by the end of 1992, including 350 farms which were targeted as chronically unprofitable.⁸ In order to encourage privatization, the state announced that the old debts of unprofitable farms would be written off, at an estimated total cost of 10 billion rubles.⁹ However, by late November 1992, only 17% of the total agricultural enterprises and 23% of the targeted farms were privatizing.¹⁰ Despite the slow pace, the total number of peasant economies increased from 254 in 1989 to more than 7000 in April 1992 and the total number of agricultural cooperatives increased from 575 in 1989 to more than 1000 in 1992.¹¹

Trends in the debates on agricultural reforms

Since the initial formulation of new property laws, the newspapers and economic journals of Kazakhstan have been filled with articles containing conflicting points of view. This paper relies almost exclusively on three Russian-language sources: the state newspaper, *Kazakhstanskaia Pravda*; the journal of the Kazakhstan Council of Ministers, *Ekonomika i Zhizn'*; and the journal of the Kazakhstan Agricultural Academy, *Vestnik Sel'skokhoziaistvennoi Nauki Kazakh-stana*. These sources include the perspectives and opinions of government officials, economists, historians, agricultural specialists, and *sovkhos* directors. (In a separate study based on ethnographic fieldwork, I plan to incorporate the voices of Kazakh pastoralists, whose views are not represented in the available sources.)

All of the articles recognize the need for agricultural reform. Their fundamental differences stem from the way in which they perceive the process of privatization and the role of the state in the economy. Using these criteria, four trends, or types of arguments, within these debates, are distinguished in this article. Two of the trends, the 'free marketeer' approach and the 'neo-collectivist' approach, represent extreme positions which are in opposition to each other. The other two trends, the 'pragmatic marketeer' approach and the 'market socialists' approach represent more moderate positions.

The free marketeer approach

On the one extreme, there are the 'free marketeers' who idealize free market relations with minimal state interference. The advocates of this 'free market' approach are most often intellectuals (both Russian and Kazakh) who are not directly involved in agricultural production. Their views strongly reflect those of Western neo-classical economists who stress that only private ownership to the means of production can produce the necessary incentives for good economic performance. As one Western economist notes, government-owned firms are not as productive because their managers are more concerned with pleasing their political superiors than satisfying consumers and maximizing profits.¹²

Thus, from the 'free marketeer' perspective, politics and economics represent two distinct and antithetical entities. The ideal situation is one in which the state has little or no role in the economy. For example, after a short visit to the Kazakh countryside, the journalist Suniat Bakenov, arrives at such a solution for the problems of agriculture:

... the main thing is to liberate land from captivity and to give it to land-owners. Free! Forever! Why should the great gift of God, which belongs to nobody, be an instrument of politicians who intend to transform it into an instrument of blackmail and neo-serfdom?¹³

Similar views are expressed by N. Masanov and N. Amrekulov, co-founders of AMKOR which is described as 'an international Central Asian fund for the intellectual support of reform in Kazakhstan'. In an article outlining a pro-

gramme for agricultural privatization, this intellectual pair, a historian and a philosopher, equated privatization to 'an upheaval of the state (*ogosudarstvleniiny*) deformed society' and the 'restoration of a situation in which the state and bureaucracy were deprived of property'.¹⁴

Several of the 'free marketeers' tend to romanticize the small family farm. The illusions of these 'romantic free marketeers' are largely based on the high levels of output from the private plots.¹⁵ If only the peasants were the true masters of land, they argue, then the quality and quantity of agricultural production in the country would improve. For this reason, they are particularly disturbed by the laws which deny citizens the right to own land.¹⁶ But, as several critics note, this romanticized vision of the small peasant farm is impractical in contemporary Kazakhstan where much of the existing agricultural technology is geared towards larger units of production. Moreover, their arguments do not consider the legal and illegal transferral of resources from the state farms to the private economies.¹⁷

The neo-collectivist approach

At the other extreme, there are the 'neo-collectivists' who seek to maintain a strong relationship between the agricultural sector and the state. For both the 'free marketeers' and the 'neo-collectivists', views on economic reform correlate with social position rather than ethnicity. In this regard, the 'neo-collectivist' view is almost invariably upheld by the leaders of agricultural workers' unions and the local managers of agricultural production (at the *kolkhoz*, *sovkhov*, *raion* and *oblast* level). The 'neo-collectivists' strongly identify themselves as the providers of basic foodstuffs and link this responsibility to the survival of Kazakhstan as a sovereign nation.¹⁸

In contrast to the 'free marketeers', the 'neo-collectivists' perceive the relationship between state and society as symbiotic rather than antithetical. They are opposed to the privatization of property primarily because it would unjustly favour certain groups and create cleavages in society. They are particularly concerned about the increasing economic disparities between the rural and urban sectors.¹⁹ Instead of changing relations to property, they argue that agricultural problems can be solved by loosening the excessive controls of central authorities. In the ideal situation, the collective and state farms would remain intact, but would enjoy greater autonomy from the state in matters of daily production and planning. The state, however, would continue to regulate prices, distribute agricultural products and provide capital investment in agriculture.

For the 'neo-collectivists', the new economic reforms already have had detrimental repercussions on agricultural production. In particular, the directors of collective and state farms have repeatedly made appeals to the state to control the devastating effects of price liberalization.²⁰ In March 1992, for example, the director of a *sovkhov* in North-Kazakhstan *oblast* reported that the prices of industrial goods and raw materials have increased ten times while the prices of agricultural goods have only increased four and a half times. As a result, his

farm spends 30 rubles to produce a kilogram of meat which it can sell for only 23 rubles. After stressing that his farm was thriving previous to price reforms, he makes a very emotional appeal: 'If it is truly impossible to change anything, then I will not participate in a massacre of that which I helped to create. I will not permit my hand to raise a knife to the herd of cows.'²¹

In addition to price reforms, the 'neo-collectivists' have also voiced their dissatisfaction with the privatization of property. Several articles mention how the peasants who have left the collective and state farms have been stealing from the collectives or killing their animals for a quick profit.²² In response to the squandering of property and the slaughtering of livestock that has accompanied privatization, the chief of agricultural management in Kustanai *oblast* cautioned 'not to turn privatization into collectivization the other way around'.²³

In April 1992, the grievances of the 'neo-collectivists' were further expressed during a regular meeting of the Central Council of the Peasant Union and the Council of Kolkhozy of the republic. While preparing a letter to President Nazarbaev and the Supreme Soviet of Kazakhstan, many of the participants interrupted the meeting with angry cries, such as: 'Liberalization, but more truthfully said, the frequent raising of prices on industrial goods and materials is a noose on the peasants'; and 'The difference in pay for the labour of miners and agricultural machine operators is 30 times. Who in this case will feed the miners?' In addition to sending the letter, the participants decided to form a striking peasant committee to bring more attention to their problems. Their demands include the equality of prices, a decrease in taxation (that is, the percentage of products transferred to the state at a non-market price), and the establishment of preferential credit for agricultural economies.²⁴

The pragmatic marketeer approach

In between these two extreme positions, there are at least two distinguishable moderate perspectives. Those who support these two positions generally come from similar backgrounds: the majority are either government officials or agricultural specialists affiliated with various agricultural institutes. Both of the moderate groups share a desire for multiple forms of property. But, again, differences arise in their views towards privatization and the state.

One of the moderate groups, the 'pragmatic marketeers', is most influenced by the opinions of the 'free marketeers'. They agree, for instance, that agricultural production will be more effective if it is based on multiple forms of property and free market relations. However, they do not blame the legacy of the Soviet command-administrative system for all of the problems in Kazakhstan's agricultural sector. Nor do they have a strong faith in the mystical powers of private property and free markets. Instead, they advocate a gradualist path to free market relations and private property that will take into account the present conditions of the agricultural sector. This view is well represented by Chan Yan Beng, the American-educated economic adviser to Nazarbaev: 'The rigorous reality of life dictates the sequence of stages of privatization. I doubt, for example, the

possibility of quickly privatizing land. The leaders of the *kolkhozy* and *sovkhozy* ... are highly conservative people.²⁵

The 'pragmatic marketeers' stress two factors which must be addressed in order to solve the country's agricultural problems. First, they advocate the need to improve the existing infrastructure and to establish several features associated with a market-based infrastructure.²⁶ In addition to improving the transportation, storage and service aspects of the infrastructure, they recognize the need to develop several new institutions, including commodity exchanges, commercial wholesale enterprises and commercial banks. Due to the lack of a market infrastructure, the newly formed cooperatives and peasant economies do not have legal or economic independence from the collective and state farms. In the majority of cases, they rent property from the collectives; their bank accounts are guaranteed by the collectives; and their products are sold to the collectives.²⁷

Second, the 'pragmatic marketeers' acknowledge the need to create individually based incentives for agricultural workers to improve their productivity.²⁸ In 1990, for example, the Kazakh Minister of Agriculture, Baltash Moldabaevich Tursumbaev, declared that economic recovery must begin by 'restoring the peasants' interest to work'.²⁹ He adds that the new laws which permit multiple forms of property and the right to rent land provide a potential solution to this problem.

Tursumbaev also stresses that local leaders and agricultural workers need to become more aware of the new economic opportunities.³⁰ A historian who conducted a survey of agricultural workers in Kustanai *oblast* arrived at a similar conclusion: the majority of peasants are not interested in private property because they do not understand it. He claims that 95% of the agricultural workers surveyed answered 'No' when asked whether or not they would like to receive land as property but only 16% of the surveyed agricultural workers had a good grasp of the concept.³¹

Although the 'pragmatic marketeer' and 'free marketeer' perspectives have similar views concerning the ultimate role of the state, they differ in two respects. First, the 'pragmatic marketeers' recommend a strong state presence for an indefinite period of transition. Eventually, the state's role will be diminished as agricultural managers become representatives of private service establishments rather than the state. Second, from the 'pragmatic marketeers' perspective, the development of the infrastructure and individually based incentive structures are just as important as the development of private property.

The market socialists' approach

The second moderate group, 'the market socialists' are more akin to the 'neo-collectivists' than the 'pragmatic marketeers'. Like the 'neo-collectivists', they seek to loosen the bureaucratic controls on collective and state farms while maintaining an overall strong relationship between the state and the agricultural sector. From their perspective, the ideal state would be the principal purchaser of agricultural products and would provide funds for investment and social

welfare services. The state would also regulate prices to a certain degree. The primary difference between 'market socialists' and 'neo-collectivists' is that the 'market socialists' are not opposed to the introduction of private forms of property.

V. Shets, the Deputy Minister of Agriculture, and K. Frumkin, an agricultural economist, typifies this perspective:

In order to approach economic reform realistically, we must think not so much about where we want to go, but about where we are able to step from the present situation of the economy ... In our opinion, it is not necessary to break up the collective and state farms ... Our task is to change not the organizational structures of productive forces, but the productive relations which are hindering their development.³²

In order to change productive relations, Shets and Frumkin propose that the collective and state farms are reorganized into associations of small enterprises, cooperatives and peasant economies. These new associations will perform two primary functions: they will provide equipment and services, including the selling of agricultural products.³³

Conclusion

In conclusion, the concerns of the two extreme groups have had a tremendous effect on state policy towards agriculture. As the privatization process unfolds, it is becoming clear that the dominant state position is gradually shifting from the 'free marketeer' side of the spectrum to the 'neo-collectivist' perspective. Of course, there are still those who claim that the economic reforms must continue as scheduled. But there are others who are beginning to question whether or not the reforms should be slowed down. For example, in March 1992, the Vice-President of Kazakhstan, E. M. Asanbaev, warned against the encroachment of mafia capital, stating that 'concerning privatization, we have more problems than solutions'.³⁴ And, in December, Prime Minister Tereshchenko declared that it was 'necessary to re-examine the ideology and mechanism of privatization'.³⁵

There seem to be two primary factors influencing the shift towards the 'neo-collectivist' approach. First, concerns for fairness seem to be a common theme throughout these debates. The concern for fairness includes both the rural-urban price differences and the fear that 'shrewd businessmen' or 'squandering peasants' will profit at the expense of Kazakhstan society. This appeal to morality, however, is only one factor influencing the direction of the debate. Second, the formation of a striking committee which unites the peasant unions and the local agricultural management has likely influenced the shift towards the 'neo-collectivist' approach, because it is the 'neo-collectivists', not the 'free marketeers', who control a powerful resource base, that is, agricultural production.

Notes and references

1. *Economic Review: Kazakhstan*, Washington, DC: International Monetary Fund, May 1992, p 1.
2. G. A. Kaliev, 'Problemy perekhoda APK Kazakhstana k rynochnym otnosheniiam' *Vestnik Sel'skokhoziastvennoi nauki Kazakhstana*, 1991, Vol 6, p 3.

3. The state farms (*sovkhozy*) were not introduced until the mid-1950s but soon after became the dominant type of farm. Martha Olcott, *The Kazakhs*, Stanford: Hoover Institution Press, 1987.
4. *Narodnoe khozaistvo Kazakhstana v 1988 g*, Alma Ata: 'Kazakhstan', 1989, pp 201, 278.
5. *Ibid.*, pp 218, 237.
6. V. Radostovets, 'Zemlia zhdet khoziaina' *Ekonomika i zhizn'*, Alma Ata, 1990, Vol. 1, pp 44–47.
7. The programme for economic reform is outlined in a decree entitled 'O programme razgosudarstvenieniia i privatizatsii gosudarstvennoi sobstvennosti v Kazakhskoi SSR na 1991–1992 gody (1-i etap) i Polozhenii o kuponnom mekhanizme privatizatsii gosudarstvennoi sobstvennosti v Kazakhskoi SSR'. This decree was signed by President Nazarbaev on 13 September 1991 and is published in *Ekonomika i zhizn'*, Alma Ata, 1991, Vol 12, pp 5–20.
8. A. Peutov and L. Gorovykh, 'Tempy zamedleny: plokho eto ili khorosho', *Kazakhstanskaia Pravda*, 24 November 1992.
9. B. Tursumbaev, 'Byt' khoziainom na zemle' *Ekonomika i zhizn'*, Alma Ata, 1990, Vol 6, pp 20–23.
10. Peutov and Gorovykh, *ibid.*
11. B. Tursumbaev, *ibid.*; V. Naumov, 'Krestianskoe khoziaistvo', *Kazakhstanskaia Pravda*, 30 April 1992.
12. Thomas Gale Moore, *Privatization Now or Else: The Impending Failure of Democracy and Freedom in Central Europe*, Stanford, CA: Hoover Institution Press, 1991.
13. S. Bakenov, 'Zemlia, poklonis zemlepaitsu!: Razmyshleniia v kanun seva v privatiziruiushchemsia sele' *Kazakhstanskaia Pravda*, 18 April 1992.
14. N. Masanov and N. Amrekulov, 'Kak obustroit Kazakhstan: K programme sel'skoi privatizatsii (Printsipy, Strategii i Taktika)' *Kazakhstanskaia Pravda*, 1 May 1992 (Part I), 5 May 1992 (Part II).
15. K. Stukach, for example, celebrates the peasant farmers as the 'most natural form' of organizing labour to the land. However, unlike the prototype 'free marketer' approach, Stukach stresses the role of the state in the transition period for providing credit and technology. See Stukach, 'Khoziain ili podenshchik?' *Ekonomika i zhizn'*, Alma Ata, 1991, Vol 5, pp 38–41.
16. S. Bakenov, *ibid.*; N. Masanov and N. Amrekulov, *ibid.*
17. For this type of argument, see V. Chevnenko, 'Chto budet s kolkhozami i sovkhozami?' *Ekonomika i zhizn'*, Alma Ata, 1992, Vol 4, pp 47–49.
18. For example, see V. Naumov, 'O tekh, kto kormit molokom' *Kazakhstanskaia Pravda*, 6 March 1992; N. Piltiaev, '... i poshla pod nozh skotina, potomu chto proizvodit moloko i miaso nevygodno' *Kazakhstanskaia Pravda*, 20 March 1992; 'Obrashchenie ko vsem zhiteliu sela, k rabotnikam agropromyshlennogo kompleksa Respubliki Kazakhstan' *Kazakhstanskaia Pravda*, 2 April 1992; V. Naumov, 'Krestianskii Stachkom' *Kazakhstanskaia Pravda*, 18 April 1992.
19. In an investigation of why the collective and state farms were not providing the state with their quotas of wool, it was discovered that low purchasing prices was preventing the leaders of these economies from selling their products to the state. See L. Gorovykh, 'Kuda devalas sherst'?' *Kazakhstanskaia Pravda*, 13 October 1992. For other references to price inequality, see V. Naumov, 'O tekh, kto kormit molokom' *Kazakhstanskaia Pravda*, 6 March 1992; V. Naumov, 'Krestianskoe stachkom' *Kazakhstanskaia Pravda*, 18 April 1992; N. Piltiaev, *ibid.*
20. 'Obrashchenie ko vsem zhiteliu sela, k rabotnikam agropromyshlennogo kompleksa Respubliki Kazakhstan' *Kazakhstanskaia Pravda*, 2 April 1992.
21. N. Piltiaev, *ibid.* For a similar view, see V. Naumov, 'O tekh, kto kormit molokom' *Kazakhstanskaia Pravda*, 6 March 1992.
22. See, for example, V. Katkov, 'Na mestakh privatizatsiia nachalas: Kakim putem poidut seliane?' *Kazakhstanskaia Pravda*, 31 March 1992; V. Naumov, 'Krestianskii Stachkom' *Kazakhstanskaia Pravda*, 18 April 1992.
23. V. Katkov, *ibid.*
24. V. Naumov, *ibid.*
25. Chan Yan Beng, 'Auktsion, Konkurs, kupony' *Ekonomika i zhizn'*, 1991, Vol 7, pp 12–14. This view is also supported by G. A. Kaliev, the president of the Kazakh Academy of Agricultural Sciences. See, for example, G. A. Kaliev, 'Problemy perekhoda APK Kazakhstana k rynochnym otnosheniim' *Vestnik Sel'skokhoziaistvennoi nauki Kazakhstana*, 1991, Vol 6, pp 3–14; and G. A. Kaliev and A. A. Satybal'din, 'Reforma sobstvennosti i organizatsiia sel'skokhoziaistvennykh predpriatii v usloviakh rynka' *Vestnik Sel'skokhoziaistvennoi nauki Kazakhstana*, 1991, Vol 8, pp 8–16.
26. G. A. Kaliev and A. A. Satybal'din, *ibid.*; A. E. Kobalev and G. A. Nikitina, 'Formirovanie infrastruktury rynka sel'skokhoziaistvennykh produktov' *Vestnik Sel'skokhoziaistvennoi nauki Kazakhstana*, 1991, Vol 11, pp 6–11.
27. S. Shumskii, 'APK: Segodnia i zabtra' *Ekonomika i zhizn'*, Alma Ata, 1991, Vol 8, pp 43–48; G. A. Kaliev and A. A. Satybal'din, *ibid.*
28. V. Chernenko, *ibid.*

29. 'Tursumbaev, Baltash Moldabaevich' *Ekonomika i Zhizn'*, 1990, Vol 8, pp 6–8.
30. B. M. Tursumbaev, *ibid.*
31. G. Zadorozhnyi, 'Boiatsia samostoiatel'nosti: Krestiane nakanune privatizatsii selkhozpredpriatii' *Kazakhstanskaia Pravda*, Vol 14 October 1992.
32. V. Shets and K. Frumkin, 'Priglasenie k rynku' *Ekonomika i zhizn'*, 1991, Vol 11, pp 27–30.
33. For related views, see M. M. Darishev, K. N. Urazgulov, B. S. Rafikov and K. A. Tiumenova, 'Razvitie kooperativnykh otnoshenii v usloviakh rynka' *Vestnik sel'skokhoziaistvennoi nauki Kazakhstana*, 1991, Vol 5, pp 16–19. L. Gorovykh, *ibid.*; A. Reutov and L. Gorovykh, *ibid.*
34. M. Buldekbaev, 'Privatizatsiia—glavnyi vopros reformy' *Kazakhstanskaia Pravda*, 19 March 1992. See also, A. Reutov and L. Gorovykh, *ibid.*
35. V. Eliseev, 'Chto Nuzhnei: tysiachi protsvetaiushchikh firm ili tysiachi bankrotov?' *Kazakhstanskaia Pravda*, 9 December 1992.