

# THE AGRICULTURAL CO-OPERATIVE IN SOCIALIST EGYPT

—Its Role in a Changing Rural Economy\*—

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## I. IDEOLOGICAL FOUNDATIONS OF ARAB SOCIALISM IN EGYPT

(A) The Egyptian Revolution (1952– ) has been the subject of much controversy, for, with a background of economic underdevelopedness, social backwardness and colonial subordination, its early attempts to lay the foundations for a national economy combined the ideological revolution of Egyptian-Arab nationalism with more popular aspects of capitalistic development. However, in the summer of 1961 Arab socialism was declared to be the guiding principle of Egyptian national policy, on the basis of the nine years development of the Revolution. From this time, the leaders of the Revolution, composed of the Free Officers and techno-bureaucrats, the principal revolutionaries, have been forced to make public their designs for the new nation state, and, in addition, to produce their political and ideological responses to the demands of the Western ideal of democracy and the Eastern ideal of socialism.

There are, of course, a great many divergences of opinion on the true nature and relevancy of Arab socialism in Egypt, as may be seen in recent works which argue in the context of socialism, state-capitalism or capitalism, and sometimes in the context of democracy or étatism. The Marxist theory used to take into consideration as an indispensable element of socialism that the socialist party, theoretically equipped with the class theory and the labourer-peasant organization oriented in the direction of the socialist party should undertake a seizure of political and productive power, while admitting variety in historical examples. But it is a difficult, or rather, an obligatory task, for the Marxist

\* In this paper the author attempts a further examination of Arab socialism, a type which might provide a new pattern of the nation state for other developing nations. Showing how institutional changes and material productive power are interacting to establish the new nation state, he avoids drawing an immediate conclusion regarding the state's true nature on the strength of a one-sided appraisal. Since the final conception of the Revolution is only four years old, this does not afford time for a definite evaluation, especially since the country is in the vortex of the Arab national movement, with a number of directions and feasibilities in its future development.

theorists to find out explicitly the necessary elements in Arab socialism, so that an appraisal of its present political status can provide the design for its future development along the non-capitalist path, although it remains at present under the system of so-called *state-capitalism*, the concept of which is still implicit.<sup>1</sup> In a broader sense, it may be considered to be *anti-neo-colonialism*, which might be regarded as a combination of socialist strategy and nationalistic doctrines modified by the requirements of international politics. The Marxist theorists, regardless of which school, should be requested, first of all, to produce a theoretization of the historical stage or conditions required for the institution of a socialist nation state in this area.

The Western ideal of democracy is inconsistent with the new pattern of political democracy insisted on by the Egyptian Revolution, for the Western countries fear instinctively that this might deteriorate into the kind of totalitarianism or authoritarianism much favoured in Eastern countries, particularly in the context of the myth of the irrational culture-bound framework as different from Western institutions. As Dr. Leonard Binder has pointed out, however, such an opinion commits a most grave error by confusing an ideal with an institutional framework.<sup>2</sup> A question will be put to the school of modern politics which applies the method of comparative politics to studies of the developing areas: What would be the proper institutional framework and discipline necessary to change the country to conform to Western ideals, fitted to the given socio-political circumstances of Egypt? From the viewpoint of Western ideals, however, the political legitimacy of Arab socialism must be derived from the politicization of the masses and, what is regarded as more important, in the *par excellence* of

<sup>1</sup> The reason why the concept of state-capitalism is still implicit will be ascribed to an abuse of its concept: it refers sometimes to the transitional stage or pattern of a whole nation-system in a broader sense, and sometimes to the expanded public sector to a certain degree in a narrower sense. Dr. I. Sachs' approach to its concept will be useful because of his starting-point of examining it from a narrower terminology to a broader one. See Ignacy Sachs, *Patterns of Public Sector in Underdeveloped Economics*, Bombay, Asia Publishing House, 1964. As to the state-capitalism in Egypt, Dr. H. Riad presents a typical idea from the viewpoint of the Marxist theory, but his concept of state-capitalism and *new bourgeoisie* might be a pragmatic politician's view personally attached to Egyptian politics, rather than that of an outsider. See Hassan Riad, *L'Égypte nassérienne*, Paris, Edition de Minuit, 1964, and also Hassan Riad, "State-capitalism in Egypt," *Revolution; Africa, Asia and Latin America*, No. 7, 1964.

<sup>2</sup> "The rise of nationalism is intimately connected with the continued difficulty in using *democratic* ideology to justify *democratic* institutions." Leonard Binder, *The Ideological Revolution in the Middle East*, New York, John Wiley & Sons, 1964, p. 13.

universal human ideals of the individual's sacred rights, something which is liable to revert in actual politics to a formalism in political philosophy.

As regards the ideological foundations of Arab socialism, political reasoning indicates that the UAR and her leaders have experienced, during nine years of the Revolution, three phases of political development: the political revolution which aims at national liberation, the social revolution which attempts to do away with *feudal elements* in society, and the socialist revolution which is to build up the new pattern of the nation state. Along the series of these phases, or rather, these logical processes, Nasser's government assumes that it has carried out a political role which has aimed at protecting and promoting popular interests against an alliance of the former dominators, internal and external. In the latest logical process of this transformation, such a direction is incorporated in the Arab socialist policy of benefiting the *working class* and solving the *social inequality of wealth and income distribution*. This idea is indeed partly derived of the traditional ideal of *social justice*, an inherent social value among the Arab-Moslems.<sup>1</sup> But, it may be rather said to be crystallized in the historical process of actual politics by the pragmatic feelings and empirical responses of the leaders, whose activities sometimes appeared to be a repetition of trial and error beyond these principles.

Arab socialism in Egypt is now qualified in that it is democratic and co-operative. In this qualification, the word *democratic* is elucidated as a conception of a policy antithetical to the Western pattern of parliamentary politics, on the basis of historical reflection on the experience of parliamentary politics in modern Egypt, under which the *status quo élite* were able to enjoy their privileges in security. But Nasser's government has not been successful in its search for a new pattern of political democracy differing from Western and Eastern patterns, as was confessed by the President himself. The organization of the National Union, as well as the National Assembly of 1956-1958, has been of doubtful use as a means of building up a new institutional framework of political democracy, because of their functional paralysis, as well as the ambiguity in their leadership and representation systems. It was destined that new patterns would be sought for in view of the

<sup>1</sup> The idea of *social justice* (*al 'adâlat ul ijtimâ'îya*) in the Islamic concept has made a number of expressions in modern history, from the discipline of the right-wing to that of the left-wing. Among them, the idea insisted on by the Moslem Brotherhood in its early stage of development would not be passed by in respect of a means of mass-mobilization in Egypt, though the idea has not been so much a discipline to decide a policy as to stir up the mobs.

immature state of motivational and political development, in which the masses were denied a conscious participation and an expression of their political will and desires. It should be remembered that there has been a *traditional* way of reasoning among the fundamentalist-moslem that he who has *religious knowledge* and *justice* should be a ruler. Clearly this could not be reconciled with the modern ideals of democracy and individual rights as expressed in Western democracy, though it does not deny the right of revolution from the side of the masses. But, irrespective of any romantic reasons, this potentially dangerous remnant of étatism still persists. As a second trial of Nasser's government, the Arab socialist Union and the National Assembly of 1962, succeeding the National Congress of Popular Forces of 1961, appeared. They announced their intentions of excluding the *former exploiting class* from within, liberating the masses from the moslem-fundamentalist's ideology, and of abolishing martial law or acquitting left-wing political offenders, in order that their *raison d'être* might be examined as to whether or not contending opinions could be admitted as an institutional status in a political democracy.

The word *co-operative* implies a mutual benefit or common action of individuals in economic and social endeavour. Co-operation has been remarkably effective in the various fields of industry. The agricultural co-operative system which prevails throughout the country represents the summit of this movement. It aims at bringing together the business of small producing farmers based on the principles of private ownership, which is sometimes regarded as a security against the idea of *communism*, but sometimes as a less sacred right than labour. Co-operation of the small producers' farm units and the reorganization of business structure in general follows nationalization procedures and agrarian reforms. Here the government is the prime mover behind the movement, and the voluntary attempts of small producers to reorganize themselves seem to be restricted to the extent that governmental guidance meets their demands or requirements. It is noteworthy that there is hardly any direct interaction among village communities in extending the agricultural co-operative movement into neighbouring areas.<sup>1</sup> In

<sup>1</sup> Interaction among village communities has not been clear, because arguments on the multi-village structure have not paid so much attention to economic interaction, particularly the local market area, as to communication among village communities. Some reports produced by the Arab State Fundamental Education Centre in Sirs al Layyān are useful for this issue. See *qarya Kafr Shubrā Zingī: i'adad al qarya min al fawj al sādīs* (mimeographed), 1958 and also Mūsa Muḥammad 'Arfa, *al baḥth al ijtimā'i wa iqtisādī li sūq Kafr al Baḡūr* (unpublished thesis) 1960.

these circumstances, the local leadership of the co-operative movement has been prone to preserve the interests of the surviving *traditional élite*, and the organization itself may well become a shelter of official sanction to the activities of men of the old order. The exclusion of these elements from the co-operative leadership and the predominant membership of persons of lower peasant status on the board of the local co-operative committees would make a great contribution to the conversion of its physical nature, for which legal and political procedures were introduced in 1961. In short, the words *democratic* and *co-operative* were familiar even before the declaration of Arab socialism, but its substance has been greatly changed since the turning-point of July-December 1961. There is no trace of the ideological resemblance to British Labour Party theory in official statements on the socialist aspect of agricultural co-operatives or on the idea of social justice after the publication of *The Agrarian Reform in Nine Years* in 1961.<sup>1</sup>

(B) Activities of some political groups and organs in Arab socialism are to be examined here, as to whether they were, and are, influential in producing a conception of an agricultural policy or not. The Egyptian trade unions, composed of a minority of labourers, seem to have no political intention aiming at the preferential treatment of labourers along the line of proletarian internationalism in close co-operation with peasant organizations, in the way in which Nasser's government has been recognized as a main protagonist of international solidarity among Asian and African people against *colonialism* or *neo-colonialism*.

The agricultural co-operative, which is the sole organization of operating farmers, is not a free and independent organization of the peasant class itself. The idea of a *Peasant Union* has not acquired even a tiny foothold in actual politics and is still only pure theory. The agricultural labourers are also excluded from membership of the co-operative, though there are relatively a few adult agricultural labourers without land, either owned or under tenancy. Seasonal labourers for rural public works have not been organized. In general, the agrarian policy of the pre-1961 period might be charged with preserving, partly at least, the interests of the landed proprietor, as was claimed by some critics

<sup>1</sup> Mr. Sayed Marei, Minister of Agriculture and Agrarian Reform at that time, wrote an introducing chapter of *al islah al zirā'i fi tis'a sanuwāt*, published by the Ministry of Agrarian Reform, which was written just before the declaration of Arab socialism for distribution on the 10th anniversary of the Revolution. It bore marks of the British Labour Party's idea of socialism.

in the Egyptian press.<sup>1</sup> It is easy to claim, from the viewpoint of a pure culture theory, that the free and self-active expression of peasants and labourers should be the sole system of socialistic popular organization in this area, but it is too hasty to conclude that there is no expectation of the supervised co-operative system bringing about a community development from within. The choice will be dichotomous as to which is the more real and practical at a given stage of socio-historical development in Egypt, a loftier ideal or a more gradual achievement, for both are possible on different understandings of strategic feasibilities.<sup>2</sup>

As historical experience has shown, the socialist concept of state power has swung, as though it were between two contrasting theories: those of Lassalle's and Blanqui's schools. But, apart from theory, the state power in Egypt is as yet the sole agent for countering the insistent demands of the former *traditional élite* or *status quo élite*, and the historical dignity and ability of the Egyptian administration has been favourably recognized by historians. This competency in bureaucracy and technology should promote organizations which represent popular interests, under the revolutionary leadership. As to a grouping of political forces in Egypt, one may suggest the following: military élite, technocrat élite, intellectual élite or the *new middle class*, etc. But it should be remembered in the present situation that there is hardly any personal-occupational specialization of function among these élites. A member of the military élite of today may be a member of the managing staff of a public enterprise tomorrow, with various kinds of *specialized* function within his own personnel. Such an "uncertainty implies backwardness, and a promise" to use Dr. Jacques Berque's expression. He acknowledges "successive types and varied types of modernization," even though most students of Middle Eastern entrepreneurship are forming pessimistic impressions of the promise.<sup>3</sup> A more serious prob-

<sup>1</sup> For instance, see the special article of *al Akhbār*, September 16, 1961, under the title of "Akhbār al Yōm tu'qadu nawda li-l fallāḥīn—al fallāḥūn yunāqishūna al qarārāt al ishtirākiyat al jadīda."

<sup>2</sup> As to the aspects of this choice, it is useful to mention the fact that according to an official statement the multi-purpose co-operative system was chosen because of lack of suitable personnel within the village community who would be capable of conducting co-operative management. "The number of persons capable of filling the posts of members of co-operative societies boards are limited in each village. It would be rather difficult to find enough efficient persons for managing more than one society in each village." *Co-operative Reorganization and Administration in the Southern Region of the UAR*, Review Presented to Afro-Asian Conference on Rural Reconstruction, 1961, p. 6.

<sup>3</sup> Jacques Berque, *The Arabs: Their History and Future*, trans. Jean Stewart, London, Faber & Faber, 1964, pp. 118, 120.

lem is that such an uncertainty involves a danger of a devotion to étatism both on the side of the élite and the masses. Really, on the one side of social and political bi-polarization, there are the expectant masses who are awaiting favours from above, and the former traditional leaders who desire to curry favour with the new régime in order to secure their vested interests, through an agglutination with authority. It is very interesting to note that leading families are introducing their children into a set of professions: landowner, government official and military officer. Occupational distribution of family members into main functions of the élite serves to maintain the social, political and economic prestige of a family unit. Under such circumstances, for instance, the selection of officials under a supervised co-operative system sometimes ruins the foundation of political and administrative legitimacy derived from the masses in the countryside, not only through the bureaucratic mode of co-operative management, but also through an attachment to the family unit's interests. In this respect, strictness in the bureaucratic system and in civil service regulations would be a decisive factor in building a new nation state, because, "for Middle Eastern leaders and theorists, the question is 'How can one change a culture and a society?' Their name for these changes is revolution, and its instrument is government."<sup>1</sup>

(C) A few years before the declaration of Arab socialism, nationalization policy took rapid steps and the Economic Development Organization came to take charge of structural adjustment and capital allocation in respect of the planned development of both the public and the private sectors. But, in an earlier period, the predominant idea in economic policy was to transfer private enterprise to public enterprise through peaceful-uncoercive competition between them.<sup>2</sup> Even now, the National Charter says that private economic activity is free, though it must not prejudice social interests. It would seem to be the general consensus of opinion among Egyptian economists that it would be desirable for economic development to be carried out along the line of private enterprise, because of its high efficiency and profitability, and the state, as a public entrepreneur, would be efficient to the extent that it supplements private enterprise, taking the role of improving private enterprise or taking charge of public investment beyond the limits of private enter-

<sup>1</sup> Leonard Binder, *op. cit.*, p. 9.

<sup>2</sup> XXX, "Pragmatic Socialism," *The Egyptian Economic and Political Review*, May-June, 1959, pp. 13-14.

prise. This as far as private enterprise could organize itself an effective production or rare resources allocation system, without prejudice to governmental leadership.<sup>1</sup> But this opinion must be revised in the actual course of politics, because of the major capitalists' doubts in regard to governmental policy. Then comes the coercive policy of *socialization*, with a reservation of certain activities of private enterprise, because the choice as to whether or not the expansion of the state-public sector and mixed enterprise supplanting the private one is favourable would be decided by a given socio-political factor as well as an economic factor.

By the end of 1962, the main enterprises were combined in the *public organizations* formed in accordance with industrial classification. In furtherance of an expansion policy of the public sector, Nasser's government at first did not take measures for property confiscation, as a rule, without compensation. However, after the latter half of 1961, a remarkable change took place in which the capitalists and landed proprietors' properties were appropriated by a policy of sequestration. According to newspaper reports, first, 3 persons found guilty of high treason, 37 reactionaries and their assistants, and 167 capitalists and their assistants were deprived of their civil rights and had their properties confiscated as enemies of the people, then 400, and by now some thousands of persons have suffered the same fate. Apart from this no other action against major capitalists and landed proprietors has been taken, though they expected to retrieve their influence over the economy and politics at the time of the Egypt-Syrian partition in 1961 which made a deep impression on Nasser's government and made it consider the elimination of the bourgeoisie's influence in Egypt, and eventually became the incentive for a system change or revolution to a new pattern of nation state.

At present, the public sector is scheduled to cover 45.5 per cent of the national income produced in the non-agricultural sector, but only 6 per cent of that in the agricultural sector. It may be fairly said that all the modern enterprises have been reorganized into the public sector under *public organization*. In the non-agricultural production, the public sector has passed far beyond the role of supplementing the private one, and even in the agricultural sector, the co-operative system is controlling private economic activities. It is a reasonable opinion that the expansion

<sup>1</sup> Said el Naggar, *Problems and Methodology Involved in the Confrontation of Basic Concepts and Techniques of Countries at Different Levels of Economic Development*, INP Memo No. 237, Cairo, the Institute of National Planning, September 1962, pp. 3-4.



of the public sector fulfils the criteria of *socialization*, but not always of socialism, because the *socialization* of main industry may be realized, both now and in the future in a highly developed capitalist country and does not necessarily mean a system change.

As to the disparity between the agricultural and the non-agricultural sector, the former always lags behind the other sectors and is the most retarded in its social and technological aspects. In Egypt, the distributive share of wages and salaries in the national income distributed is estimated at 44.5 per cent in 1959-60 and 42.3 per cent in 1964-65, and its sector share among agriculture, industry, construction and services is estimated at 33.8 per cent, 33.3 per cent, 65.4 per cent and 55.6 per cent in 1959-60, and 33.4 per cent, 28.7 per cent, 64.7 per cent and 57.9 per cent in 1964-65. If the per capita wage and salary is taken into consideration, the figures change from 42 LE to 45 LE in agriculture, from 144 LE to 183 LE in industry, from 200 LE to 207 LE in construction and from 146 LE to 167 LE in services between 1959-60 to 1964-65 (estimated at 1959-60 prices). Industry is marked by a rapid increase, not only in respect of per capita wages and salaries, but also of the value added in the national income produced: from 273 million LE in 1959-60 to 540 million LE in 1964-65. On the other hand, the growth of the value added in agriculture is only 22.3 per cent during those five years, far behind the 98 per cent for industry.<sup>1</sup>

From the viewpoint of increase in per capita income and the national income produced, the agricultural sector has a growing differential. The productive contribution per unit of labour to the total value added is estimated at 123 LE in 1959-60 and 135 LE in 1964-65 in agriculture, and at 433 LE and 637 LE in industry for the respective years. The share of the agricultural sector in the national income produced has dropped from 34 per cent in 1959-60 to 22.6 per cent in 1964-65, whilst that of industry has increased from 15.7 per cent to 22.6 per cent during the same period. Again, the share of the employed labour force is estimated at 54.3 per cent in 1959-60 and 54.1 per cent in 1964-65 for agriculture, and 10.6 per cent and 12.1 per cent for industry in the respective years. The growth rate of the number of the employed labour force is also estimated at 17 per cent in agriculture and 34 per cent in industry during this five-year period, but there is no remarkable change in the labour force structure as a whole and the government's figures are based on a rather wider underestimation of the population

<sup>1</sup> Those figures are taken from I. H. Abdel Rahman, "Comprehensive Economic Planning in the UAR," *L'Egypte Contemporaine*, No. 313, 1963.

growth rate of 11.9 per cent in these five years.<sup>1</sup>

Since the Revolution, a considerable number of modern factories have been established both in the Metropolitan city limits and in the provincial towns, but the modern industrial sector is not expected at this stage to absorb a considerable labour force, except as auxiliary or seasonal labourers. The exodus of labour from the agricultural sector to small-scale industry or subsidiary farm business, even though it has a relatively larger absorbing capacity for labour than the advanced sector in the first step of development, will be insufficient in the economic sense even for the production of local consumer goods and will produce atavism at the craftsmanship level and a reversion to family mastership, that is, a retrogressive process against the highly mechanized industrial structure, as well as an over-urbanization process forming a few parasite cities. But it is an useful short-term procedure solving, by a smaller induction of capital, the losing lot of the agricultural sector in the planned economy of Arab socialism, and a very useful means of training the rural population for professions other than agriculture. A question will be asked as to whether or not Nasser's government is consciously aiming at the industry-first strategy of intersectoral development as such, leaving it as it is with a reservation of the low productivity of the agricultural sector as well as the auxiliary part of the modern industry, small-scale industry and the subsidiary farm business, both with labour-intensive forms of production, as a sacrifice made necessary by the conflict between social equity and larger economic efficiency. It was found that the distribution of more subsidy income to the agricultural sector, labour-intensive subsidiary farm business and seasonal or auxiliary employees in the advanced factories beyond the growing production efficiency, along the line of benefiting the *working class*, invited a general poverty and a greater reliance of those parts on subsidies derived from the other sectors. In the following passages, a further examination will be made of the interaction of agricultural production and the changing institutional framework of the agricultural economy under Arab socialism, with special reference to the agricultural co-operative system, as to the extent it has been active in increasing production and the income of the agricultural sector itself.

1 Those figures are taken from I. H. Abdel Rahman.

## II. THE ROLE OF THE AGRICULTURAL CO-OPERATIVE IN INSTITUTIONAL CHANGES AND AGRICULTURAL PRODUCTION IN EGYPT

In this chapter, the following questions will be examined in respect to agricultural production and its institutional framework. The questions are: (1) to what extent, and in what form has the ownership of agricultural land, capital and labour been changed, (2) to what extent, and in what form has the operation of agricultural land, capital and labour been changed, (3) to what extent, and by what policies can agricultural production and productivity be increased. These questions may be regarded as the assumed criteria of socialist development.

(A) Egypt is no exception among the less developed countries. It has chronically lower per capita income, lower productivity and a large body of disguised unemployment, particularly in the agricultural sector, yet the yields per acre of the main cash crops place it among the higher levels in the world, and may be regarded as being over-developed in some respects. The higher level of agricultural production per acre was established by the development of productive power and technological level along the line of landed proprietors before the Revolution, with an eye for the European market. The institutional framework before the Agrarian Reform of 1952 could be characterized by the following features :

- (1) In the sphere of landownership and tenure: the bi-polarized disparity of landownership, the farm unit fragmented into minute plots, insecured rights of tenancy, high rates of rent and the prevalence of the undersized farm unit and landless peasantry.
- (2) In the sphere of credit and market mechanisms of agricultural products and capital goods, etc.: the unreasonable supply of loans, the lack of proper agents to collect farm products and to distribute services.
- (3) In the sphere of the social circumstances of units of economic activity in the rural areas: the frozen social ladder of rural stratification, the unspecialized professional distribution, the prevalence of a patri-lineal family system and the high social prestige of the landed proprietorship.
- (4) In the sphere of political leadership in local and central political circles: the overwhelming influence of landed proprietors within the community, as *natural leaders*.

The period of change of landownership will be divided into three steps: first, the pre-revolution period ( —1952); second, the First Agrarian Reform period (1952–1961); third, the Second Agrarian Reform period (1961– ). During the second period, 426,000 *feddan* of arable land were distributed to 161,000 families, the average size of distributed land per family being 2.64 *feddan*. The area to be distributed according to the Second Agrarian Reform Law is estimated at 300,000 *feddan*. The average size of landownership in those three periods shows slight movements: 0.86→0.93→1.04 *feddan*, 6.66→6.71→6.71 *feddan*, 18.7→18.8→18.8 *feddan*, 71.5→57.3→57.3 *feddan* and 145.6→150→100 *feddan* respectively, among the following categories of units of ownership: less than 5, 5–10, 10–50, 50–100 and more than 100 *feddan*. The increase of the average size is remarkable in the category of less than 5 *feddan*, as is the decrease in the last two categories.<sup>1</sup>

But the total exploited as well as cultivated area in Egypt has been almost at the same level during those 40 years, 1915–1955, with a little variation. Even after the First Agrarian Reform, horizontal expansion of arable land still remained in a state of stagnation. Furthermore, the per capita share of cultivated and exploited land has been declining during the 40 years, 1915–1955, as Dr. M. El Imam's diagram shows.<sup>2</sup> The reclamation of arable land now in progress has failed to prevent a decline in the per capita area of land, both cultivated and exploited. If the category of less than 5 *feddan* is taken into consideration, the average size in that category will be 1.4 *feddan*, far less than the minimum size for optimum farm operation per family assumed in official statements—3 *feddan*.

In 1950, there were about one million farm units which operated about 6 million plots: 6 plots per farm unit on the average.<sup>3</sup> Since the First Agrarian Reform, these fragmented plots were to have been set about to be consolidated through a redistribution of arable land by the Agrarian Reform Law and the pilot scheme for *consolidation of fragmented lands* which began in the Village Nawag.<sup>4</sup>

<sup>1</sup> National Bank of Egypt, *Economic Bulletin*, Vol. XIV, No. 3, 1961, p. 278.

<sup>2</sup> M. Imam, *A Production Function for Egyptian Agriculture, 1915–1955*, INP Memo No. 259, Cairo, the Institute of National Planning, December 1962, p. 18.

<sup>3</sup> Sayed Marei, *The Agrarian Reform in Egypt*, Cairo, the Ministry of Agrarian Reform, 1957, p. 190.

<sup>4</sup> See "Nawāg: najāḥa tajribat al thawra fi ḥalli mushkilat al milkīyāt," *binā' al watan*, December 1960, "awwal taqrīr 'an tajriba tajriba tajmī'i al milkīyāt al zirā'iyat al ṣāghira," the special article in *al Ahrām*, May 6, 1961, and Muḥammad Fawzi, Nawāg: *awwal tajriba...*, Cairo, the Ministry of Agrarian Reform, 1960.

With regard to tenant farming before the Agrarian Reform, more than 60 per cent of arable land was estimated to have been under tenancy. A sample survey of large-scale landownership conducted by Dr. Riad El Ghonemy revealed the fact that most of the area was leased out to tenants.<sup>1</sup> Moreover, the tenant contract was carried out on the owner's initiative, thus fixing the term to the owner's advantage, with the owner's right to cancel the term at will or to require a deposit at the time of making the contract. The form of rent may be divided into three categories: cash rent, rent in kind and share-cropping. But it is not of great importance to classify these three forms, because the main cash crops, such as cotton, wheat and sugar-cane, were collected by the landowners in such a manner that hardly any remained in the hands of the peasants that could be marketed.

There was no possibility for small producers, either as operating owners or as tenants, to bring cash crops to market themselves. The small producers were completely excluded from the agricultural market which was under the control of the landed proprietors or monopsony-traders, among which were many foreign merchants, such as Greeks, etc. Small producers had no independent market where they could compete with the landowners' market system, and it could be said that they were subordinate to the landed proprietors without any hope of operating their farm business independently, either in marketing or producing activities. There has always been a traditional local market, remote from the flow of the main agricultural commodities, which deals with sporadic barter exchange of local consumer goods. This is the *village fair*, but there are no possibilities of developing this local market area into a nation-wide domestic market, though this is also the important market for domestic animals which is controlled by large traders.<sup>2</sup> In this market mechanism, the total sum of marketable farm products was determined by the amount of rent collected by the landed proprietors. Thus the rent was always placed beyond the net income of the land, the difference being extracted from the peasant's livelihood.<sup>3</sup>

<sup>1</sup> Mohamed Riad Ghonemy, *Resources Use and Income in Egyptian Agriculture before and after Reform with Special Reference to Economic Development*, Unpublished Thesis, the North Carolina State College, 1953, p. 58.

<sup>2</sup> See Mūsa Muḥammad 'Arfa, *op. cit.* and also San-eki Nakaoka, "Observations on Kafr el Bāgūr Fair in Egypt," *Isuramu Sekai* (The Islamic World), Vol. I, No. 1, Tokyo, Association for Islamic Studies in Japan, 1963.

<sup>3</sup> Mohamed Riad Ghonemy, *op. cit.*, p. 62, and also Samir Saffa, "Exploitation Economique et Agricole d'un Domaine Rural Egyptien," *L'Egypte Contemporaine*, No. 251-252, 1949.

The operation of agricultural land, capital and labour was also carried out under the direction of the landed proprietors. Inside the village community farm operation was regulated by the traditional practices of the community as well as by the coercive orders of the landed proprietors. The large-scale landowners could decide the date of irrigation, cultivation and even the choice of crop, whilst, on the other hand, the small producers followed the cropping patterns of the landowners as though they were better than their own choice. Community regulation will also be seen in the system of land tax assessment. The land tax has been determined by the size of the village field, but the allocation of it to villagers was greatly influenced by the traditional practice of assessment in accordance with the landowners' prestige, and not with regard to the real value of the land. In short, there was no independent small producer's farm business in rural Egypt, in respect to production, marketing, or even ownership.

(B) The agrarian reform laws of 1952 and 1961 limited landownership, in order to change the institutional framework of agricultural production. From the very beginning of the reform, careful attention was paid to keeping the production levels up, which was achieved by employing the landed proprietor's methods of production as before the Revolution. The co-operative system was introduced to keep production at this level, as well as doing away with the prestige of the landed proprietors by a co-operative credit and marketing system. The ceiling of landownership was to have been fixed at 200 *feddan* in the First Agrarian Reform Law, and at 100 *feddan* in the Second Agrarian Reform Law. In the original plan of the Second Agrarian Reform, the ceiling was assumed to be 50 *feddan*, though this was not realized in order to avoid possible political and social unrest. It should be noticed that the increasing welfare of the lower classes at the expense of the upper classes might be, and is, inviting a rapid demographic pressure on the agricultural economy, unless it is accompanied by ethical restraint of childbirth and unproductive consumption, the co-operativization of small producer's businesses, and improved techniques on the part of small producers. This is demonstrated in some agrarian reform villages which have experienced no rise in the standard of living, and where production growth has failed to keep up with the increase in population.

The agricultural policy has been to use the agricultural co-operative organization, as the means of eliminating the old order, and this organization is taking over the operation of small producer's farms village by

the village. The fundamental characteristics of the agricultural co-operative in Egypt are: (1) It is the sole organization of agricultural producers; (2) it is the organization of *par excellence* small producers to which governmental services are offered according to the size of their farm units; (3) it is a multi-purpose co-operative; (4) the coercive entry of the co-operative membership and (5) the supervised system.<sup>1</sup> Those characteristics are quite different from the co-operatives of the pre-Revolutionary period, which principally served for the larger landowners' interest.

A conception of agricultural co-operative policy today is the formation of the social ownership and operation of land, capital, and labour, through co-operative ownership of the main agricultural machines and implements, partial interference with landownership, co-operative guidance of farming, and organization of a market system for small producers, etc. This is the question of the co-operative type of social ownership and operation versus that of the landed proprietor's type. This is a question of *socialized* ownership and operation of the small producer's farm business, under a co-operative system versus the control of a landed proprietor.

The agricultural co-operative organization in general aims originally at the *co-operativization* (introducing of co-operatives) of small producers, who occupy an inferior part of capitalistic society, in order to cover their inferiority from the viewpoint of the marketing of farm products and the services-distribution of necessary materials and funds. But it is not contradictory to apply the concept of the co-operative system as a means of achieving a socialistic society, if the substance is changed from a capitalistic one. The co-operative system organizes, at first, a widespread marketing and credit network for its members and unites isolated and dispersed small producers in one system, regardless of its nature and orientation. But a change in the co-operative concept will be feasible, if the co-operative system fosters *co-operativization* of small

<sup>1</sup> The *supervised* system was, at the beginning, applied only to the co-operatives in the so-called agrarian reform area. But at the end of 1960, a long issue on the co-operative system between the Ministry of Agriculture, the Ministry of Agrarian Reform and the Ministry of Social Affairs and Labour came to an end and all the co-operatives were completely reorganized under the supervision of the Ministry of Agriculture and the Ministry of Agrarian Reform. Without a break, reorganization of the ordinary co-operative system into a *supervised* one was introduced early in 1961. See Doreen Warriner, "Observations on Land Reform Administration in Egypt," *Journal of Local Administration Overseas*, Vol. II, No. 2, 1963. As to reorganization of local co-operative board, see *al Ta'awn*, No. 72, 1961, pp. 8-10.

producers' production activities. That is a producer's co-operative system in the actual sense of the word. The producer's co-operative may be organized by means of the following: a powerful and nation-wide network of small producer's co-operatives for marketing and services-distribution, and small producers politically and socially trained through consumer's co-operatives. Thus the co-operative system can be regarded as a stronghold of small producers in building up an agricultural sector fitted to the new pattern of the nation state.

Now, after the widespread institution of agricultural co-operatives in every village (about 3,600 multi-purpose co-operatives, of which 330 are the so-called agrarian reform co-operatives), what are the prospects regarding the question of the co-operative type of social ownership and operation as against the landed proprietor's type of ownership and operation? The main functions of a co-operative system will be examined in the following.

As to the function of agricultural services-distribution, the chemical fertilizer-distribution is the most important. The distribution of chemical fertilizer is occupying more than 40 per cent of the total material services of the co-operative organization to small producers. In 1959, three-quarters of the total consumption of chemical fertilizers in Egypt was distributed through the Agricultural Credit and Co-operative Bank—co-operative units system. And year after year, the control of fertilizer distribution by the Bank—co-operative units system is becoming stronger. As Egyptian agriculture is characterized by a manifold cropping system, heavy applications of fertilizers (chemical and organic) and labour-intensive farming, chemical fertilizer application is an important technological factor in determining the level of the agricultural production. For instance, application of nitrogen fertilizer per hectare was estimated at 44 kg at an earlier stage of the Revolution, and this has been increasing year after year, occupying 11–12 per cent of agricultural expenditure.<sup>1</sup> The yearly consumption of chemical fertilizers was about 500,000 tons on the prewar average, and this is now about 1,400,000 tons. Between 1951 and 1961 the share of chemical fertilizers in the variable cost of main crops per *feddan* was from 28 per cent to 30 per cent in the case of wheat, from 17 per cent to 20 per cent in the case of cotton, from 15 per cent to 21 per cent in the case of rice, and 47 per cent to 45 per cent in the case of maize.<sup>2</sup> The co-operative control

<sup>1</sup> Charles Issawi, *Egypt at Mid-Century*, London, Oxford University Press, 1954, p. 107.

<sup>2</sup> National Bank of Egypt, *Economic Bulletin*, Vol. XVI, No. 1-2, 1963, Table on the Variable Cost of Main Crops in pp. 22-23.



of chemical fertilizer-distribution is creating a condition that facilitates the planned and systematized distribution of government services, such as fertilizers, insecticides, selected seeds, etc.

As to the function of collecting and marketing small producer's products, this is exclusively applied to the main cash crops: cotton, wheat, maize, sugar-cane, etc. In the so-called agrarian reform area, the cotton which is produced there is almost completely collected and marketed by the hand of the so-called agrarian reform co-operative. But outside agrarian reform areas the co-operative cotton marketing seems to lag far behind that of the agrarian reform area. Anyway, the marketing system under the control of the landed proprietors is declining, and the co-operative marketing system, closely connected with the other local and foreign trade co-operatives and public organizations, is now the biggest agent dealing in the farm products of small producers. The urgent question is whether this co-operative type of marketing should be responsible for establishing improvements in market equipment, standardizing agricultural commodities, and improving processing, packing and canning techniques, etc., so as to be able to compete with international marketing techniques and mechanisms, in order to maintain the advantages derived from a lower standard of labour production-costs, and to supply the principal foodstuffs for the urban lower class, such as maize, and perishables for city dwellers.

As to the price-fixing mechanism of agricultural products, especially the producer price or the co-operative purchase price, there are no data to check the details. But the co-operative purchase price is fixed at the will of the co-operative, that is, at the government planned price and also, on the premise of the self-supporting accounting system of the co-operative system, is to be fixed according to the values of supplied services. Thus the co-operative function of collecting and marketing the small producer's products is close by connected with its distribution and credit functions. The value of products collected by the co-operative is set at: the total sum of distributed services (material)+the total sum of advanced farm funds (cash)+marketing commission+co-operative owned machines and implements fees+dividends to membership+taxes and other public fees+others (including instalment payment of the distributed land according to the Law).<sup>1</sup> Besides those items, the surplus

<sup>1</sup> From the author's observation of the account books of co-operative offices (during 1960-1962). See San-eki Nakaoka, "A Note on the Evaluation Work of the Agrarian Reform in the UAR (Egypt)," *The Developing Economies*, Vol. I, No. 1, 1963, pp. 56, 68.

of the individual small producers is to be placed under the co-operative control, so that the co-operative can regulate the consumption pattern of the individual's household economy and establish the self-supporting accounting system of the co-operative organization as a whole. Such a surplus, which is registered in the debit column of the co-operative account book, is used mainly to cover the personnel expenditure of co-operative management by its interest revenue from loaning to the government.<sup>1</sup> Owing to the accounting system, every peasant cannot dispose of his surplus at will, because it is disposed of by the co-operative which makes a proper allocation of it between private consumption and farm investment, and co-operative management. It is doubtful whether the co-operative accounting system is absorbing the marketable products of small producers to a greater degree than the landed proprietor's extraction of the rent. At the same time, there are no reliable data which show the increase of agricultural commodities self-consumed or domestically-consumed in accordance with a welfare policy. But, for lack of means of checking the price-fixing mechanism and the sum of self-consumed products, it is sufficient to mention that there is hardly any feasibility of changing the peasant's expenditure trend into a productive one, without a relatively coercive control of the peasant's surplus by public organs, because of the prevailing tendency of a propensity to unproductive consumption among the Egyptian peasants.

The distribution function of government services by the co-operative system is included in the credit function, because all the services, material or cash, is to be advanced in balance with marketed farm products through the co-operative accounting system. By the introduction of such an accounting system, every detail of the individual's farm business is clearly presented in the individual's farm account book, which is recopied from the original copy in the co-operative office. On the basis of this accounting system, the Agricultural Credit and Co-operative Bank offers loans directly to the local co-operatives, but not to individual members. At an earlier stage of the Revolution, the credit was given also directly to individuals, but the share of co-operative unit credit advance has grown from 50.2 per cent of the total loans of the Bank in 1958, to 70 per cent of it in 1959, and 80 per cent in 1960. At present loans are offered to co-operative units exclusively.<sup>2</sup> The reason

<sup>1</sup> From the author's interview with staff members of the Agricultural Credit and Co-operative Bank and its Branch in Shibin el Kom, etc. (during 1960-1962).

<sup>2</sup> Crédit Agricole et Coopératif, *Rapports du Conseil d'Administration et des Censeurs*, Cairo, 1960, especially Tableau I in "Statistiques et Graphiques," and also Table I in bank al taslif al zirā'i wa ta'awni, *taqdir majlis al idāra...*, 1960.

why the Bank offers credit exclusively to the co-operative unit are as follows :

- (1) to withdraw credits completely from peasants through the co-operative accounting system, on the basis of the experience that the supervised co-operative system could make a better result of loans-withdrawal than that of the ordinary co-operatives and individuals ;
- (2) to reinforce the co-operative policy of giving loans to the smaller producers (in 1960, 68.9 per cent of loans were offered to small producers farming less than 5 *feddan*, 16.6 per cent to lower middle-sized producers farming 5–10 *feddan* and 10.3 per cent to upper middle-sized producers farming 10–30 *feddan*);<sup>1</sup>
- (3) and to strengthen the control of agricultural production activities over the individual farms.

The mono-systematized co-operative credit system is now replacing the former credit system under the landed proprietor's superiority and strengthening loan-supply to small and middle-sized producers. The agricultural co-operative activities contribute so greatly that the money-lender and monopsony-trader in the rural areas have been excluded from the main economic activities, not to mention black-market activities. It is difficult to fix a figure for the profit which these persons have extracted from the rural producers. A tentative figure stated in an official report shows that the producer price of farm products marketed through the co-operative system is higher by about 20 per cent than the producer's price in private sales.<sup>2</sup>

The co-operative system now occupies an omnipotent position in the agricultural sector in every respect, and local leaders of the co-operative movement also represent the peasants in the Arab Socialist Union, this replacing the old type of rural hierarchy of *shaikh* and *omda*. The future direction of the co-operative movement will be decided by the activities of the officials and local leaders concerned in respect to the domestic reconstruction of rural society.

(C) In the midst of changing ownership and operation conducted by the co-operative system, to what extent can the growth of production and productivity be expected?

<sup>1</sup> The Agricultural Credit and Co-operative Bank, "Summary Report of the Board of Directors, Submitted to the Ordinary General Meeting of Shareholders on the 29th Financial Year," 1961, p. 7 (unpublished).

<sup>2</sup> From the author's interview with officials working in the co-operatives and the Agricultural Credit and Co-operative Bank (during 1960–1962).

The agricultural co-operative organization is now in charge of agricultural mechanization, letting out the co-operative-owned machinery and implements in order to reorganize the small producer's labour-intensive and dispersed farming. The co-operative-owned machinery, for instance, the farming tractor, conducts a *en bloc* cultivation of individuals' farms at one time, with fees according to the size of farms under cultivation, the same method being applied to insecticide-spraying and irrigation water supply. But the charges for the hire of this machinery are not always welcomed by the peasants who prefer the old-fashioned labour intensive methods to mechanized farming, mainly because of their reluctance to make any cash payment. As to the technological aspects, the government's and co-operative's guidances and services seem not to be adopted as much by the smaller producers as by the middle-sized and larger producers and landowners. Yields per acre among the middle-sized and larger producers are said to be higher than among the smaller producers, in a prevailing condition of both applying labour intensive methods of cultivation, inspite of the government's endeavours to promote the small producer's production after the introduction of the supervised co-operative system.<sup>1</sup> This is ascribed to the given technological development of Egyptian agriculture, where the differentials of yields per acre are determined by the grade of land fertility, quantity of fertilizer input, supply of irrigation water, seeds selection, etc., and not by labour input which has not differed remarkably according to the size of farm unit. But recently the larger producers and landowners have been disposed to prefer the advanced method to the labour intensive method of cultivation, owing to the lapse of their extra-economic compulsion over their tenants and labourers since the agrarian reforms.

According to Dr. M. Imam's diagram, the per capita share of agricultural production reached its summit in 1928 and 1938, and sagged to its lowest point in 1944. After a slight recovery, it has been falling since 1949.<sup>2</sup> The declining trend of agricultural labour productivity comes from the rapid growth of the per-acre labour input far beyond the marginal productivity of labour. As the result of the government services, a comparatively marked increase of per-acre production appears, particularly in the so-called agrarian reform area, though the area which was distributed by the First Agrarian Reform Law was composed of

<sup>1</sup> This is also confirmed by the author's interview with Mr. Sayed Marei, Ex-Minister of Agriculture and Agrarian Reform, early in 1962.

<sup>2</sup> M. Imam, *op. cit.*, p. 25.

arable lands with lesser fertility.<sup>1</sup> The increase of per-acre production in this area implies that about 10 per cent of the arable land in Egypt was improved in its fertility but does not imply the increase of productivity as a whole. The horizontal expansion of arable land, even with the completion of the Aswan High Dam, cannot compete with demographic pressure to lower agricultural productivity, unless the vicious circle is broken at some point in the institutional and production framework of the agricultural sector.

The only way to break this vicious circle, apart from the control of natural population growth, will be found in the changing agricultural income structure: the decrease of production costs, the changing of the cropping pattern, a relatively high level of producer prices for agricultural products, etc. This is the target of co-operative marketing, credit and production, but there is no unanimous opinion among the Egyptian agronomists themselves as to what the choice of crops for international market should be, especially for the European market, and what food-stuffs should be grown to make the country self-supporting, a most acute problem from the viewpoint of national defence and economy for a country so greatly dependent on United States Surplus Agricultural Commodities.

In conclusion, the co-operative system is forwarding a step in the right direction of supplementing the defects of the institutional framework of agricultural production by its functions in fertilizer and other materials distribution, collecting and marketing of the small producer's products, loan-supply, etc. and partly by introduction of new farming techniques and machinery. Though agricultural value-production has increased by 1.6 times during these ten years, there is little expectation of an increase of agricultural physical production and an exodus of labour from agriculture. Under such circumstances, a further issue will arise in the changing co-operative or nation-wide market structure in order to meet the demands of the lowering of marketing costs, the diminishing of the marketing margin of foreign traders, and improved techniques of transportation, storage, processing, packing, and standardization of agricultural commodities.<sup>2</sup> A vision of an agricultural sector

<sup>1</sup> United Nations Economic and Social Council, *Progress in Land Reform: Third Report*, 1962, p. 123, and also see "Reports of Landowners," in *al islah al zirâ'i fi sab'a sanawât*, Part I, Chapter 1, pp. 57-58.

<sup>2</sup> Said Naggar, "Prospect for Expansion of Mediterranean Trade in Perishable Products," in C. A. C. Van Nieuwenhijze ed., *Markets and Marketing as Factors of Development in the Mediterranean Basin*, The Hague, Mouton & Co., 1963, pp. 46-47.

for Arab socialism would be examined again as a policy for the *socialization* of the national economy in the context of North-South and Inter-Arab questions, and also a policy to appease, or to make the masses aware of, the economic burdens which have unavoidably fallen on their shoulders during the transitional period, in order to provide for the capital goods for use in the secondary and tertiary sectors by exportation of agricultural products at the sacrifice of domestic demands for agricultural commodities.