

The Agricultural Modernization of the Socialist Republic of Vietnam, 1945 - 1996

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I. The Collectivized Agriculture in Vietnam Before the Reform (*Doi moi*)

An Overview on the Role and Features of Vietnam's Agriculture

The Natural Conditions

Vietnam is located in the Indochinese Peninsula, sharing inland borders with China, Laos and Cambodia. The terrain gradually descends from the North to the South, from the West to the East, traversed by numerous but short rivers and springs. The North and South regions have differing climate. The North has four clearly differentiated seasons: spring, summer, autumn and winter, while the South has two: wet and dry seasons. There are usually droughts during the dry season and floods during the wet season. Vietnam also suffers from many heavy storms that cause severe damages to life and property.

Like other Southeast Asian countries, Vietnam is a monsoon country with hot, humid and rainy climate favorable to the development of plants and animals. Vietnam also has many diversified animal and botanical resources.

These natural conditions have created both advantages and disadvantages for the development of a modern agriculture.

The Economic Features

In 1999, Vietnam has a population of 76 million people. The country occupies an area of 331,690 square km. The population density is about 210 people per square km. (equivalent to that of the Philippines and double the number of that in Thailand). However, the area of cultivated land per capita is the lowest in the world. The area of cultivated land accounts for only 21% of the territorial area and the

average area of cultivated land per capita is about 0.14 ha. In the Red River Delta, the average area of cultivated land per capita is only 0.06 ha.

Up to now, agriculture still attracts nearly 80% of the population and over 70% of the labor force. Agriculture annually brings about 30% of GDP (40% from 1985 to 1990 and 26% from 1997 to 1998). Cultivation has a major role in agriculture: in 1990 it accounted for 75% and in 1998 it accounted for 80% of the agricultural output value. Rice growing is traditional and it controls nearly the whole agricultural production.

Because 3/4 of the natural area is hilly and mountainous, rice production mainly concentrates in two major regions, namely:

- a) The Mekong River Delta which accounts for 48% of the rice growing land and 53% of the rice output of the whole country, including 16 million people, who comprise 21% of the national population; and
- b) The Red River Delta which accounts for 15% of the rice growing land and 19% of the rice output of the whole country

Therefore, the two major rice regions account for more than 60% of the rice growing land and more than 70% of the rice output.

The Cultural and Social Features

Vietnam's history is closely connected to the anti-aggression wars (1,000 years of Northern colonization, nearly 100 years under French colonization and, in modern times, the war of resistance to the United States). Rice growing, flood control and resisting natural disasters also created the traditions of the Vietnamese. Strongly influenced by Confucianism, Vietnam is one of the countries practising a Confucian civilization. The Vietnamese people are industrious, with a sense of solidarity, nationalism and of community and village.

The Establishment of Collective Agriculture in Vietnam

Vietnam's Agriculture under French Colonization

In 1858, French troops started attacking Son Tra Peninsula (in Danang province) in their invasion of Vietnam. In 1884, after the Patenot Agreement was signed, Vietnam officially became a French colony. Colonization lasted until Vietnam gained its independence on September 2, 1945. Hence, Vietnam was under French colonial domination for nearly a century.

Vietnam's economy during this period was developed with the influence of Western civilization. The development focused on the following:

- Improvement of the traffic system including roadway, railway, waterway and some marine ports;
- Development of industry including the mining of coal and tin, and the building of thermo-electricity plants and industrial consumer product plants;
- Expansion of plantation for coffee and rubber in the Southeastern part of the South and Tay Nguyen (Central highland); and
- Importation and development of the Western capitalist market economic relations

However, the size of the abovementioned economic units was very small. Basically, Vietnam's economy under French colonization was poor and based on backward agriculture. More than 90% of the population were farmers, making life mainly by growing rice. The poverty and the lack of development in agriculture was reflected in the following aspects:

- Cultivation techniques: Cultivation was done on non-irrigated land. The source of water for cultivation relied on flowing streams and raining water. The local strain of rice had low yield and fertilizer was rarely used. The average yield of rice was only more than 1 ton per ha. annually.
- Social relations: In agriculture, feudal relations still existed. Hence, Vietnam had a semi-feudal colonist society. The landowner class accounted for 2% of the population, but possessed 52% of the total land. Farmers accounted for over 90% of the population, but they owned only 36% of the total land. Fifty-nine percent of the farmer households were landless.
- Distribution relations: The rent was very high. Fifty percent of the total output of agricultural products went to annual rental. Food output per capita was low and tended to decrease in the early years of the century. In 1890, it was 331 kg. per capita per year; in 1913, it was only 314 kg; in the South in 1937, it dropped to 272 kg., while in the North it was 211 kg. But in the 50 years from 1890 to 1939, the French exported 57.8 million tons of rice from Indochina, most of which came from Vietnam. That means, on an average, 1 million tons were exported per year, and in 1937, the highest amount of 1.72 million tons were exported. It was also the year that the food output per capita dropped to 272 kg. as earlier mentioned.

The rice export in Indochina in general, and in Vietnam, in particular, was not a result of high agricultural intensive-farming, but was a result of extreme

exploitation. The farmers' lives were very poor.

Living standard: Farmers suffered from hunger. From 1905 to 1945, in the Red River Delta, the dike was broken 16 times. Ninety-five percent of the population remained illiterate. The average life expectancy was less than 20 years old.

From 1940 to 1945, during World War II, Vietnam also suffered from the Japanese fascist occupation. Throughout that time, Japan took 3.5 million tons of food. The exploitation and crop losses led to a terrible famine in 1945. More than 2 million people in the Red River Delta died of hunger (equal to 20% of the then population in the North).

Thus, Vietnam's agriculture during the time of French colonization was very backward, exploitation was at its worst, so the farmers were very poor. In comparison with other colonies in Asia, like Taiwan or Korea, the development level of Vietnamese agriculture was much lower.

The Period of Economic Recovery and Land Reform

Historical background

After the Democratic Republic of Vietnam (now known as the Socialist Republic of Vietnam) was established on the 2nd of September 1945, French troops re-occupied the South. In December 1946, the war expanded to the whole country and lasted for 9 years, until the victory of the Dien Bien Phu campaign in 1954.

During this period, Vietnam had a wartime economy. In 1954, according to the Geneva Agreement on Indochina, Vietnam was divided into two regions—the North and the South—with different political mechanisms and bordered by the 17th Parallel. While the South remained capitalist, the North embraced socialism. Since then, the North implemented socialism's collectivized agriculture. This will be discussed at length later on. The South continued on a wartime economy until 1975.

Land Reform

Land reform was especially outstanding in the industrial and agricultural State's economic policies with the view to build a new economy. Land reform also had great meaning in society: it meant abolishing the feudal ruling mechanism in the rural areas, bringing about land to farmers.

During the war of resistance against the French (before land reform was carried out), the government followed this guideline: "Carrying out a war of resistance and

building the country at the same time,” with the aim of providing essential needs for the war of resistance. Agriculture as food supplier had an especially important meaning. The most important policy for agriculture at this time was the Government’s Decree, which was issued in July 1949 and was about reducing rent, reducing income tax and clearing debts for farmers. The Decree stipulated the following:

- Reducing 25% of the land rent that farmers had to pay in comparison to the pre-revolution period (in August 1945);
- Eliminating debts that farmers incurred during the pre-revolution period;
- Reducing the interest rate to 18% of the loan in cash; 20% of the loan in rice. (Before the revolution, the interest rate was very high, usually 100%, even 150%);
- Applying a new tax policy for the harvested rice output. Farmers had to pay 6-10% of the total rice output, middle-class farmers had to pay 15-20%, and landowners had to pay 30- 50%; and
- Giving a part of public land to farmers for cultivation.

The rent-reducing policy was good news to the farmers. On the one hand, they were more willing to work. On the other hand, they believed in the revolution and were more willing to join the war of resistance. They understood that the revolution brought about benefits of its own. This was one of the important reasons for the victory of the nine-year war of resistance against the French.

As the war of resistance against the French reached the final stage, land reform began. In November 1953, the Vietnam Communist Party Central Committee reached a decision on land reform. A month after, the National Assembly approved the Law on Land Reform and on 19th December 1953, Ho Chi Minh signed a decree issuing the Law on Land Reform and land reform officially started. First, land reform was carried out experimentally in 53 communes in the three provinces of Thai Nguyen, Bac Giang and Thanh Hoa. The experiment on land reform ended in 1954 when the war of resistance against the French succeeded and Vietnam was temporarily divided into North and South regions. The North started to build socialism by first trying to recover the economy that was damaged by the war. Hence, the period from 1955 to 1957 was called the postwar economic recovery period. During the war, 140,000 ha. of land were not cultivated, water systems were damaged, hundreds of thousands of cattles were killed, and hundreds of thousands of people in the Red River Delta emigrated to the South. The life of the people was disrupted.

During the economic recovery period, land reform was carried out in large scale, starting in February 1955 and ending in the middle of 1958. A total of 810,000

ha. of land were confiscated from landowners and redeemed to allocate to 2,101,138 farmer households, including 8,323,636 people, equal to 72.8% of the total farmer households. The land reform experiment also took away 1,846,000 farming tools, 106,448 cattles and 14,565 houses from the landowners. The landowner class was abolished; land and farming tools were given to farmers. With land reform, the landlords became the laborers, who earned money by working and no longer by exploiting other laborers. Almost all of the former landlords had the ordinary farmers as their neighbors and farmers had land to cultivate. Hence, the land reform in the North of Vietnam was considered the most thorough land reform. There was an unprecedented great change in the history of Vietnam's rural areas.

However, mistakes could not be avoided during the implementation of land reform, causing very serious damages to society. For instance, the same rate was charged to landowners regardless of the size of land owned. Therefore, in many cases, in poor villages, people owning a small area of land were recognized as landowners. And in the war of resistance against the French, many patriotic landowners who provided financial contributions to the war were treated like other landowners. This mistake was discovered and corrected at the right time by the Party and the government.

Despite the mistakes, generally, the mission of land reform was completed, specifically, the giving land to farmers. The farmers' greatest dream of owning land came true. Land reform became a strong motivation that encouraged farmers to produce willingly. The concrete result of agricultural production in the North in 1957 (the year ending the economic recovery period) was compared with the agricultural production in 1939 (the most developed year of the French colonization) and this can be seen in Table 1.

Table 1. Comparative Agricultural Production in North Vietnam in 1939 and 1957.

| | 1939 | 1957 | Growth (%) |
|---------------------------------------|-----------|-----------|------------|
| The area of rice land (ha.) | 1,844,000 | 2,191,800 | 18.9 |
| The area of irrigated rice land (ha.) | 326,000 | 628,000 | 92.6 |
| Rice productivity (tons/ha.) | 1.3 | 1.8 | 38.5 |
| The total rice output (000 tons) | 2,407 | 3,948 | 64.0 |
| The amount of rice per capita (kg.) | 211.2 | 286.7 | 35.7 |
| Herd of buffaloes (000 con) | 788 | 1,238 | 57.1 |
| Herd of cow (000 con) | 563 | 906 | 60.9 |
| Herd of pigs (000 con) | 2,255 | 2,950 | 30.8 |

Hence, after 3 years, the North completed the task of recovery in its postwar agricultural economy.

The Agricultural Collectivization in North Vietnam

The concept then was: in order to build socialism, it is necessary to carry out three revolutions at the same time:

- The revolution of science and technology, with the view to build an advanced production force;
- The revolution of production relations: eliminating private ownership and building the public ownership mechanism; and
- The revolution of ideology and culture

The agriculture cooperative is one of the main components of the production relations revolution, with the view to build the socialist economy. Regarding ideology, the concept then was that private ownership means capitalism and public ownership (public and collective ownership) means socialism. The socialist economy must be an economy based on the mechanism of public ownership. Hence, building socialism in the North meant carrying out agricultural collectivization. But the problem is why the revolution of production relations in agriculture focused mainly on building cooperatives rather than state farms.

The concept then of production relations revolution was this: On the one hand, as the landowner class was abolished, land was allocated to farmers, and “the sea of petty farmers” was created. More than two million farmer households who were allocated land in the land reform program became more than two million small size independent production units. Although they had land and a new motivation for the development of production, the development was not equal. A part of them became rich and exploited other people. Another part became poor and had to sell their land and to work as laborers. Therefore, according to V.I. Lenin (1967), the small commodity production of petty farmers created the capitalism every hour and every day. Production cannot liberate the farmers from the situation of poverty and oppression.

On the basis of this concept, The 14th Meeting of Central Committee of Communist Party (The 2nd tenure, 1958) confirmed that “the main task of the North is to promote the socialist revolution, the immediate task is to speed up the socialist reform of the farmers’ private economic sector.”

On the other hand, in order to build the great socialist production, agriculture

must be the base for the industry's development. Hence, agriculture must be re-organized to yield high productivity. That means the revolution must be carried out in agricultural production. The revolution is aimed at building large-sized agricultural production, starting from the reform of small-sized private agriculture.

Because the farmer class is different from the worker class, the farmers cannot be dispossessed of land in the same way as the landowner and capitalist classes. Teaching farmers to turn from the private ownership mechanism to the public ownership mechanism must involve following the voluntary principle and must be suitable to the people's knowledge. Therefore, the mechanism of cooperatives meets this requirement. The mechanism of cooperatives is a form of public ownership but lower than the form of state ownership. Hence, V.I. Lenin said, "The collective cultivation is like the transitional step from the small agriculture to the great collective agriculture."

Based on the experiment of cooperatives, from the end of 1958, the cooperative movement was expanded in a large scale with 4,800 cooperatives and, after only two years, in 1960, it was basically finalized. In 1960, 41,000 cooperatives were built, including 2.4 million farmer-households, accounting for 85.8% of the total households and 76% of the land in the North. Most of the newly-built cooperatives were the low-level cooperatives. Land and production materials were mainly owned by farmers. They contributed their land and production materials and shared their work. When the products were distributed, the share of the land was distributed as 25% of the total products. The rest was distributed according to the share of work. With this type of distribution, farmers could easily go back to the individual production.

Therefore, since 1961, the Party and the State were moving in the direction of getting these cooperatives from the low level to the high level. The movements in management and cultivation technique improvement in cooperatives were motivated. The content of the improvement included the following:

- Land was publicly owned by the cooperative and private ownership was abolished;
- The size of the cooperatives was expanded from dozens ha. to hundreds ha. of tillable land per cooperative;
- Advanced cultivating techniques were applied. New strains were applied to cultivation and animal husbandry, the water system was built, improved tools and machines were used, electrification was carried out and chemical fertilizer was used;
- The management of labor, plan and accountancy was improved; and

Distribution according to work was carried out.

During the late 1960s and early 1970s, the cooperative farm basically covered rural areas in the North with 95% of the farmer-households and more than 90% of the tillable land. Most cooperatives were changed into high-level cooperatives. The number of high-level cooperatives used to be 84.6%, but in 1975, it increased to 94.4%. The small number of low-level cooperatives existed in some mountainous areas.

Hence, before the liberalization of the South and national unification in 1975, agriculture in the North was collectivized. The central and close management of the cooperative enabled the government to mobilize the labor force, with the view to assist the frontline and to stabilize the rear base. Therefore, in the historical context of the war, the cooperative had positive socioeconomic effects. However, the agriculture then was not able to provide enough food for society's demand. The State had to annually import (or to get aid and loans for) hundreds of thousand tons of food to compensate for the deficiency. The people's food demand was satisfied at a minimum level.

The Agricultural Collectivization in the Whole Country after 1975

After the South's liberation and subsequent national unification, the agricultural collectivization model in the North was expanded to cover the whole country. From September 1975 (or five months after the South's liberation), the 24th Meeting of the Central Committee of the Communist Party (the 3rd tenure) started the task of reforming the production relationship and building of the public ownership mechanism in the South. The implementing method was basically similar to that applied in land reform and the previous cooperative movement in the North. Hence, the cooperative movement was rapidly implemented.

In 1979, around 1,023 cooperatives were built in the Central provinces. In Central Highland provinces, 164 cooperatives and 2,180 producing groups were established, accounting for 70%- 90% of the farmer households. Therefore, in these two regions, the agricultural collectivization process was basically finalized.

In the South, the situation was different. In 1979, only 271 cooperatives and 12,437 producing groups were built, including 491,364 households (equal to 31% of the total farmer households) or 453,400 ha. of land (equal to 24% of the total tillable land). So, at the end of 1970, the model of cooperatives mostly covered the whole agricultural sector in the South, in particular, and in the whole country, in general.

However, the agricultural collectivization in the South took place in a different context from that of the North 15 years ago. Previously, the differences in the collectivization process were curbed due to the war. In the economic reconstruction in time of peace, these differences were clearly shown. In fact, the agricultural collectivization process was not smooth. Farmers in many areas strongly opposed the policies of the cooperative movement. They cut industry crops, and sold or damaged machines. Moreover, the opposition tended to expand and this started a stagnant period that led to an agricultural crisis.

The State-owned Sector in Agriculture

Apart from building cooperatives, the State also established some state-owned farms, mainly in the mountainous areas, growing industry crops like pineapple, tea, rubber, pepper, sugarcane, orange and cattle feed. In 1975, in the North, there were 115 state-owned farms, including 103,700 ha. of agricultural land, with 92,000 laborers growing 23,900 ha. of industry crops. Annually, 2.6% of the total value of agricultural output were produced. In the early years of the 1990s, throughout the whole country, there were 475 farms and 400 farms experimenting with agricultural crops, including 1.6 million ha. of land for cultivation. Annually, about 5% of the total value of agricultural output were produced. The state-owned farms were mainly established in two ways: (1) taking over old plantations; and (2) moving a military unit to construct the economy, so that there were some farms controlled by the military.

The government generally invested more on the state-owned farms than on the agricultural cooperatives. Some main industry crops were produced by the state-owned farms. For example, in the 1980s, the state-owned farms planted 210,000 ha. of land to rubber (equal to 99% of the rubber area in the whole country), producing 98% of latex rubber products; 40,000 ha. of land to coffee (45% of the coffee area) producing 20,000 tons of coffee beans per year (equal to 17% of the output); and 21,000 ha. of land to tea (equal to 35% of the tea area), producing over 50,000 tons of fresh tea leaves (equal to 44% of the tea output).

There were many contributions in terms of agricultural output, but for many reasons, including social and security reasons, and mainly because of the centrally-planned red-tape mechanism, most farms suffered losses. The system of farms also faced great challenges in the development process.

The Crisis of Underproduction in the Collectivized Agriculture in Vietnam

As mentioned earlier, the construction of the collectivized agriculture was carried out in the North since the early years of the 1960s. But for over a decade after and until 1975, the cooperatives existed and developed in the context of war and they accomplished the rare task of stabilizing the agricultural base and supporting the frontline.

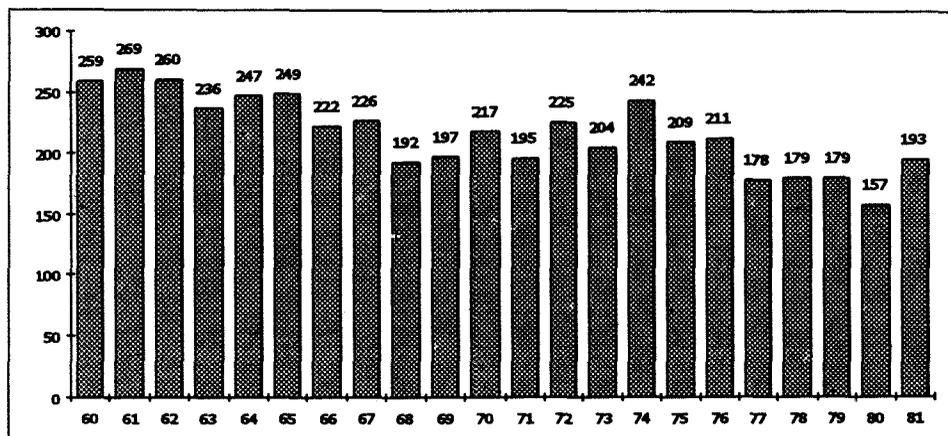
However, since the national unification, the expansion of the cooperative model in the North was carried out rapidly but immediately it showed weaknesses. These weaknesses were seen in the cooperative movement in the North in the early years of the 1960s. But due to the war, these were hidden because the objective of the resistance war became much more vital than the problem of the economy. In time of peace, the economy became the key problem. From 1975 to 1980, as the collectivization model of the North was expanded to cover the whole country, collectivized agriculture went into recession and crisis. The increased level of recession and crisis was directly proportional to the expansion of the cooperative model.

As mentioned earlier, until 1979 the cooperative mechanism covered the whole country (excluding the Mekong River Delta). But since that year, the crisis involving the cooperative model started. After some years, the cooperatives tumbled. In the South, the rapid collectivization elicited strong opposition from farmers. They left the land and stopped doing farm work. The area of tillable land in 1980 was down to 24,500 ha. as compared to 1978. Food output was down to 41,000 tons. At the end of 1980, there were only 137 cooperatives and 3,739 producing groups in the South. Many cooperatives only existed nominally.

In the North, after nearly 20 years of the cooperative mechanism, 15 years of which were times of war, from 1976 to 1979, the agricultural economy started to decline. Farmers were not willing to work, and they even left the land. The crisis in agriculture really started.

From 1975 to 1980, the area of land for cultivation, the rice output and the rice productivity mostly did not increase, but even decreased in some years. Meanwhile, the population increased rapidly (the postwar population boom), so food per capita was really low. (See Figure 1 and Case Study 1). Annually, the State had to import a great amount of food to meet the people's demand (see Tables 2-3). Annually, over 1 million tons of food were imported (about 0.2 million tons of rice and 1 million tons of flour and wheat).

Figure 1. Rice per person (kg/person) in the North, 1960-1981



Source: *The Statistical Yearbook 1985*

Table 2. Distribution of Food, 1976-1980 (million ton)

| | 1976 | 1977 | 1978 | 1979 | 1980 |
|---------------|------|------|------|------|------|
| Whole country | 2.04 | 1.69 | 1.59 | 1.45 | 1.98 |
| The South | 1.09 | 0.99 | 0.71 | 0.64 | 1.24 |

Source: *The Statistical Yearbook 1981*

Table 3. Price Index, 1976-1986

| Year | The social market | The organized market | Free market | Price of Agri. Products |
|------|-------------------|----------------------|-------------|-------------------------|
| 1976 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1977 | 118.6 | 101.1 | 138.0 | - |
| 1980 | 189.0 | 119.7 | 360.0 | 253.2 |
| 1984 | 1,400.6 | 1,297.8 | 1,540.5 | 1,825.9 |
| 1985 | 2,890.2 | 2,737.1 | 3,367.0 | 3,365.0 |
| 1986 | 16,170.0 | 15,260.0 | 19,030.0 | 19,204.0 |

Source: *The Statistical Yearbook 1986*; p. 255 & 239

The reasons for the recession and crisis in agriculture, and the decline of cooperatives include the following:

1. Cooperatives were established too rapidly, breaking the "voluntary" principle. The "voluntary" principle of the voluntary was considered the most important principle of the cooperative formation. In the hope of energizing the cooperative movement and rapidly bringing it to completion,

considered as the objective of the socialist economic construction, compelling measures were taken in the implementation process. Hence, in terms of psychology, farmers opposed this way of doing things.

2. The low-level cooperatives were rapidly elevated to the high level, thereby seriously breaking the principle of suitability, which was an important principle of the cooperative formation. It has been shown that with handicraft-producing tools and low management capacity, the village-sized cooperative was too great and not suitable. With this size, farmers were unable to see that their output was directly related to their daily work. Hence, the effect of economic benefits to work was not brought into full play.
3. In the long term, farmer opposition would occur. Though land reform brought land to them, they were put into the cooperatives, so, the farmers felt that their gains from the revolution were being taken away. While their economic life was improved due to land ownership, they had to contribute to the cooperatives, thus their motivation for economic benefits was not maintained.
4. In the industrialization process, agriculture was regarded as the base for industrial development. There was a disparity between the price of agricultural products (the State set a low price) and the price of industrial products (the State set a high price) in order to support industry. Though the State invested in agriculture, the proportion was much smaller than what the State invested in industry. Agriculture is supposedly a capital-mobilizing resource for industry, but with the high-level cooperatives farmers were not encouraged to produce because they felt they suffered a loss.
5. The condition of interminable food shortage was a problem that the State solved through the policy of food self-supply. Besides this, there were policies on trade isolation and trade restriction. As a result, as agricultural products were produced, farmers did not know what to do with them. Hence, motivation was dampened again by the centrally-planned mechanism.
6. In cooperative management, cooperative members had the right to decide what to produce, how many and where to sell. In fact, the collective ownership was not different from state ownership. The State controlled the cooperatives through administration methods. That means assigning what to produce, and how many, and what products should be sold to the State at the price fixed by the State. Farmers did not have the right to produce and sell their products freely.
7. Finally, the quantitative distribution mechanism of cooperatives failed to encourage farmers to work willingly. This is the most important reason

because it negated the production motivation. Whether cooperatives produced much or little, the rest that was distributed to farmers was only a minimum. The State collected products according to the amount of products produced. This distribution mechanism did not encourage farmers to try to produce more. There is a proverb that states, “Without working and without paying is much better than working without paying.” The prominent English classic economist, Adam Smith quoted this proverb in the book *The Wealth of Nations* published in 1776.

In conclusion, from a poor and backward beginning, Vietnam’s agriculture moved to a new development stage through the land reform. After that, the cooperative model with collective ownership replaced private ownership. In the cooperative mechanism, Vietnam’s agriculture changed and developed much more than in the previous time but, generally, agriculture did not produce enough food. Annually, hundred thousand tons of food had to be imported. The cooperative system under the centrally-planned mechanism negated the production motivation, leading to the stagnation and crisis at the end of the 1970s and the early 1980s. In that context, the reform in the economy, in general, and in agricultural production, in particular, had started.

Case Study 1

Vu Thang Agriculture Cooperative

The Vu Thang Agriculture Cooperative in Kien Xuong district, Thai Binh province was one of some typically advanced cooperatives in the Red River Delta in the North before the *doi moi* process. At that time, the cooperative’s manager was a National Assembly delegate.

In the 1980s, Vu Thang was a village-sized cooperative, with 287 ha. of cultivable land, 971 households and 3,812 people, of whom there were 1,414 laborers. Hence, an individual in Vu Thang owned only 696 square meters and 5 people per 1 ha. of tillable land. Like other cooperatives in the Red River Delta then, Vu Thang Cooperative mainly grew rice and raised pigs. Besides this, there were some handicraft jobs.

Establishing the Cooperative

In the beginning, the establishment of the cooperative faced a lot of difficulties and the size had to be changed many times. Because of unstable organization, the

production could not develop, and many farmer households withdrew from the cooperative. In early 1964, about 40% of the households left the cooperative.

At that time, the Vietnam Communist Party's Central Committee had campaigned for the consolidation of cooperatives. Vu Thang implemented the combination of four small cooperatives (with the size of a hamlet) into one village-sized cooperative. Then, the production was organized according to the centrally-planned mechanism. The cooperative implemented the following:

- Building water system after the implementation of the village-sized cooperative. This involved reliance on communal labor on the basis of land communal ownership, the cooperative carried out the building of irrigation and drainage systems. In 1965, each laborer did 127 cubic meters of irrigation work. During a period of 13 years (from 1964 to 1977), 43 km. of ditch for irrigation and drainage was built, totaling 1.2 million cubic meters, with each laborer digging 65 cubic meters annually.
- Increasing the amount of organic fertilizers (because of the shortage of chemical fertilizers). The cooperative asked each laborer to sell 3.6 tons of cattle manure to the cooperative annually. The households with 2 laborers had to sell 6.4 tons, while 3 laborers had to sell 9 tons.
- Applying new strains to grow. In 1965, the area grown with new strains accounted for only 2.7%. In 1966, new strains accounted for 12%, for 61% in 1969, and for 100% after 1970. Before introducing new strains on a large scale, the cooperative conducted experiments using 1.8 ha. to test new strains.

Hence, the cooperative followed the right direction of traditional rice cultivation. The Vietnamese proverb, "The first thing is water, the second is fertilizer, the third is labor and the fourth is strain" refers to essential requirements of rice cultivation. In terms of animal husbandry, the cooperative organized a communal pig-raising farm apart from animal husbandry in individual households.

Production Output

Rice Output

Rice output per one ha. of cultivable land increased. This increase was mainly due to the water system, helping the cooperative to harvest 2 crops per year in the whole area of rice growing land.

Rice output per 1 ha. of cultivable land annually was up from 2.0 tons in 1964

to 5.1 tons in 1965, 8.2 tons in 1970 and 9.6 tons in 1974. Since 1975, Vu Thang has gained 10 tons per ha. annually, as the leading cooperative in the North.

Pig Raising

As food from rice production increased, food from animal husbandry also improved. The State mobilized to consider husbandry a key industry. Responding to this movement, Vu Thang became one of the many cooperatives that strongly developed husbandry as an industry. Consequently, the value of husbandry output increased from 1.5% of the total output value of the cooperative in 1965 to 7.3% in 1966, 16.6% in 1971 and 20.4% in 1977. Meat output from 1959 to 1964 was only 12 kg. per ha. but in 1965, it went up to 17 kg. in 1970, it was 96 kg. in 1974, 363 kg; and in 1977, 372 kg.

Labor Structure

The labor structure within the cooperative as presented in Table 4, changed with the labor decrease in rice growing. Meanwhile, labor in animal husbandry and handicraft increased.

Table 4. Labor Structure of Vu Thang Agriculture Cooperative

| | 1965 | 1970 | 1977 |
|----------------------|-------|-------|-------|
| Total (%) | 100.0 | 100.0 | 100.0 |
| Plant growing (%) | 97.4 | 67.5 | 60.1 |
| Animal husbandry (%) | 1.2 | 8.6 | 9.7 |
| Handicraft (%) | 1.3 | 23.9 | 29.3 |

Distribution Mechanism and the Cooperative Members' Life

Basically, the living standard of cooperative members depends on the total annual output, the population growth rate and the taxes paid to the State. Let us consider each factor.

- Population growth rate: Because of the narrow land and numerous people, like other cooperatives in the Red River Delta, Vu Thang implemented two ways to control the population growth rate. The first way was to limit the natural population growth rate. In 1965, the natural population growth rate was 3.0%, but in 1977, it dropped to 1.7%. This means that after 13 years, the natural population growth rate decreased by 1.3%. The second way

was to send people to build new economic areas in other provinces. From 1965 to 1977, 1,490 people were sent to build new economic areas in Dai Tu, Dinh Hoa (Bac Thai) and Kien Giang (in the South).

The result was that in 1977, the population was down by 110 people when compared with 1965.

- Rice output and distribution structure of rice output are given in Table 5.

Table 5 shows that rice for animal husbandry and rice paid to the State accounted for an increasingly high proportion; from 1975 to 1977, it accounted for more than

Table 5. Output and its Structure.

| Target | Unit | 1965 | 1966 | 1970 | 1971 | 1974 | 1975 | 1977 |
|--|------|-------|-------|-------|-------|-------|-------|-------|
| 1. Herd of Pigs | pig | 1,193 | 1,296 | 2,310 | 3,096 | 3,435 | 3,410 | 3,154 |
| Of which owned by cooperative | pig | 83 | 192 | 500 | 1,288 | 1,400 | 1,555 | 1,484 |
| 2. Number of pigs per 1 ha. of cultivable land | pig | 2.8 | 3.0 | 4.5 | 1.8 | 6.2 | 6.4 | 6.0 |
| Rice output per year | ton | 1,075 | 1,150 | 1,871 | 1,976 | 2,218 | 1,578 | 2,065 |
| % | | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| 3. Rice for animal husbandry | ton | 43 | 52 | 107 | 259 | 386 | 336 | 421 |
| % | | 4.0 | 4.5 | 5.7 | 13.0 | 17.0 | 20.5 | 20.3 |
| Of which: for communal animal husbandry | ton | 25 | 34 | 73 | 220 | 330 | 283 | 380 |
| % | | 2.3 | 3.2 | 3.9 | 11.2 | 14.6 | 18.0 | 18.0 |
| 4. Rice paid and sold to the State | ton | 232 | 235 | 517 | 546 | 536 | 450 | 593 |
| % | | 21.6 | 20.3 | 27.5 | 26.1 | 23.8 | 28.5 | 28.6 |
| 5. Rice distributed to the cooperative member | ton | 765 | 836 | 1,177 | 1,135 | 1,276 | 731 | 941 |
| % | | 71.0 | 72.0 | 62.0 | 57.1 | 51.1 | 46.3 | 45.5 |

one half of the rice output of the cooperative. Hence, though population decreased, an average food per capita could not increase continuously and still stayed at a low level. The average monthly rice per capita in 1974 was 26 kg. in 1975 it was 16 kg. and in 1977 it was 20 kg.

In the distribution mechanism of the cooperative, the grade A laborers were distributed with 30 kg. of rice per month, the grade B had 27 kg. per month, while the laborers aged 13 to 15 were distributed with 18 kg. per month and those aged 10 to 12 were distributed with 15 kg. per month. Meanwhile, social welfare was expanded. For example, children had three meals in kindergarten without paying money, they could also have free medical examination and treatment at healthcare centers, while old homeless people were taken cared of.

The distribution mechanism of the cooperative also saw to it that the rice left after paying to the State and spending for animal husbandry was distributed. The amount of rice paid to the State changed every year and accounted for an increasingly high proportion. However, The amount of rice gained by farmers did not increase in a directly proportional way to the amount of labor in the year. From 1959 to 1964, an average number of working days per one laborer per year was only 180, in 1970 it was 332 and in 1977 it was 346.

The quantitative distribution mechanism shows that it is clearly egalitarian, and thus failed to encourage laborers. Clearly, the organization of the cooperative in the direction of compulsory labor and egalitarian distribution warned of the danger of the inability to develop for a long time and of the crisis of cooperative mechanism.

Case Study 2

Dinh Cong Agriculture Cooperative

The Dinh Cong Cooperative in Thieu Yen district, Thanh Hoa province, is an agriculture cooperative that is generally regarded as typically advanced, with the size of a village covering 396 ha. of cultivable land, 882 households, 3,930 people and 1,266 laborers. The average area of cultivable land per capita of the cooperative is 939 square meters. The average area of other cooperatives in the district, in particular, and in the Red River Delta, in general, is about 900 square meters, with 3.4 laborers per one ha. of cultivable land.

Establishing the Cooperative

The cooperative was established in 1959, and at first it included three hamlet-

sized cooperatives. The initial technical facility was still in poor condition. Only one crop was harvested in the cultivated land. Life was very difficult. The average food per capita per month was only 9 kg of rice. Every year, the State had to provide 20 tons of rice to Dinh Cong for hunger relief. During the off-season, 50-60% of the total labor force of the cooperative went to other areas to find jobs.

In 1970, three hamlet-sized cooperatives were combined into a single village-sized cooperative. After the merger, the cooperative mobilized 40,000 working days for the construction of water system. Consequently, the rice output was 5.06 tons per ha. in that year, 1.8 times higher than in 1969. An average food output per capita increased from 160 kg. in 1969 to 360 kg. in 1970. Meanwhile, 290 tons of rice was paid to the State.

The cooperative also encouraged animal husbandry, producing organic fertilizer for rice growing. In 1978, 16 tons of organic fertilizer was applied to one ha. of growing land, four times more, in comparison with the amount in 1969. In 1974, the number of pigs raised by the cooperative was 1,000, doubling the number in 1970, and in 1978, the number was 1,200. The amount of gross pork sold to the State was 30.5 tons in 1974, trebling the number in 1970; in 1978, it was 32 tons, 3.1 times higher than in 1970.

The use of new strains was implemented in 1973. Hence, the average rice output increased 8% per year in the 1970s. This is high level compared with the output in the Red River Delta.

The Support from the State

Unlike other cooperatives, the establishment of the Dinh Cong cooperative was linked to the support from the higher level, directly from the district level and the provincial level, in order to develop cooperative movement especially in the period from 1976 to 1978.

The huge material and financial support from the State was aimed at setting up the Dinh Cong cooperative as an advanced model, as shown in two major resources.

First, the state provided cheap input resource from the district for the cooperative's production. However, the resource was limited. This priority was basically a favorable factor, in comparison with the other cooperatives, because the State had monopoly to provide input resource. For instance, from 1976 to 1978, each ha. of cultivated land was provided by the State with the following :

1. Nitrogenous fertilizer: 400 kg. (3.5 times higher than the average level of the district);

2. The amount of phosphate and potassium fertilizer was 5 times higher than the average level of the district;
3. Oil for water pump: 1,120 tons per year (accounting for 50% of the total oil and petrol resource of the district);
4. On the average, one ha. of cultivating land got 450 dong of loan from the State (2.5 times higher than the average level of the district).

Second, the state subsidized the financial resource of the cooperative in two ways: 440,000 dong (non-refundable) was given directly to the cooperative for 3 years, from 1976 to 1978. Of this amount, 53% was for production investment and 47% was for social and cultural work. The subsidy was eight times higher than the average level of the whole district. The other support resource was indirectly given via "orders" with low cost input and the State also guaranteed the purchase of output at a favorable price, thus enabling the cooperative to freely sell its products in the market.

However, it is noted that the economic efficiency gained did not correspond to the higher investment. For example, though the amount of nitrogenous fertilizer sold to the cooperative by the State in 1978 was up 110% compared with 1975, the commercial rice output was up by only 33%. In 1978, on the average, the State collected one ton of rice from Dinh Cong and provided 370 kg. of nitrogenous fertilizer, 440 kg. of phosphate fertilizer, 63 kg. of potassium fertilizer and 70 kg. of machine oil. In comparison with 1975, these amounts were two to three times higher.

Therefore, Dinh Cong became a model for advanced cooperatives, relying mainly on support from the State. Hence, this is also one of the important reasons why the multiplication of the typically advanced models did not extend to the whole agricultural sector.

II. The Process of Reform in the Agricultural Policy: Performance and Reasons

Reform (*Doi moi*) in Agriculture:
The Beginning of Economic Reform in Vietnam

Starting from the "Bottom-Up"

We learned that the nature of the agricultural crisis at the end of the 1970s and the early 1980s was the crisis of the cooperative mechanism. The agricultural

production organization in cooperatives was not suitable to the real situation and it failed to encourage production. Hence, the way out of the situation had to be found. The situation required another approach, which was absolutely new.

At the end of 1979, in the Doan Xa cooperative in Kien Thuy district, now known as Do Son district (Hai Phong province), managers and cooperative members agreed to quietly carry out a new management method: contracting products. Actually, this method was not new in the market economy, but in the condition of the centrally-planned mechanism, it was not accepted. In that context, if the upper level knew what was going on, the cooperative members would be in trouble. Hence they had to quietly “do unauthorizedly.” Now this activity is called “crossing the barriers” of the grassroots level. One of the most remarkable characteristics of economic reform in Vietnam is that it was carried out from the bottom going up. Enjoyably, the phenomenon of crossing the barriers and unauthorized implementation in Vietnam’s agriculture accidentally coincided with the reform (also from the agriculture of China).

In 1978, in a village of Phong Duong district, An Huy province (in China), people also “crossed the barriers,” contracting out products in the same way. It is noted here that Vietnam’s cooperative model is similar to that of the Chinese. Perhaps in the same environment, the same way and the same level, the solution is also the same.

The way to “contract out products” is simply this: Previously, a cooperative managed the whole agricultural production process, and it controlled and assigned work for each person. Now, a cooperative assigns some work for farmers, but the cooperative only manages some work. Land is still a common property of the cooperative. Basically, the rice production process includes preparing the soil, cultivating it, caring for it and harvesting. Firstly, the cooperative still takes on the work of selecting rice strains, preparing the soil, and doing the irrigation. The caring and harvesting work is contracted out to farmers. However, in order to take care of rice plants, the cooperative still takes on the work of supplying water (ensuring the agricultural irrigation system), fertilizer and insecticide. After harvesting, farmers have to hand in their products to the cooperative at the agreed amount, and they then distribute the products according to the contracted amount. When the amount of the products is more than the contracted amount, farmers get the excess amount. In contrast, when the contracted amount is not reached, farmers have to make up the balance. Naturally, the farmers have to first agree that the contracted amount is not so low that it affects the rice amount that the cooperative has to hand in to the State; and that the contracted amount is not so high that farmers cannot meet it. The result is unexpected. Farmers not only hand in enough amount of rice to the State but they also get a larger amount than before. When farmers everywhere leave the

land, or work half-heartedly and the production result is low, the farmers in Doan Xa village (Kien Thuy district, now known as Do Son district, Hai Phong province) have another image. The farmers are willing to work and, thanks to the contraction system, their life has considerably improved.

The "Upper Level" Agreement

During the crisis at the end of the 1970s, in August 1979, the Vietnam Communist Party Central Committee had its 6th Meeting (the 4th tenure) and stated the direction

Rice Devaluation in An Giang Province in 1978

At that time, the State fixed the rice purchasing price of 32- 35 pences (100 p equal to one dong) in the Mekong River Delta, while the price in the free market was about 2.5- 3.0 dong per kg. (that means the price in free market was about 8 times higher than the price fixed by the State). Farmers did not accept to sell rice to the State with the "obligated price". The period from 1978 to 1979 was the most difficult period for Southern cities, especially Ho Chi Minh City. The State's food shop did not have enough rice to buy for people and people did not have enough rice to eat. This situation never happened in the South before, which is considered the rice granary of the whole country. The State had to get *bo bo nut* (a kind of cereal) from Russian aid to support animal husbandry and sell to officers and the people so there would be food to eat instead of rice.

Meanwhile, there were a lot of rice in the plain provinces. But farmers did sell at the price fixed by the State because this price was 1/5 of the production cost. Facing this paradox, farmers had a choice of either accepting the price regulation of the State Pricing Committee and not buying anything; or accepting to buy with the market price and breaking the regulation of the VCP Central Committee. But the situation of food shortage in the cities was solved. People chose the second solution. In An Giang province, the State's food company in Ho Chi Minh City agreed with the province's leaders to buy rice with the rice at 2.5 dong per kg. This was a realistic price, so farmers agreed to sell their rice. Therefore, the Company could buy a lot of rice. Since then, other provinces followed the example of An Giang province: no one agreed to sell rice with the price of 30- 35 p. The chain reaction spread over the whole country and obviously the price of 2.5 dong per kg. became the price fixed by farmers. The law of value and the law of market won. In 1979, the State Pricing Committee had to increase the official price to 50-52 p per kg. This increase failed to persuade farmers. In 1981, the State Pricing Committee had to decide the official price of 2.5- 2.75 dong per kg., equal to the price in the free market at that time. Consequently, since 1980, the amount of food bought by the State started to increase.

of “releasing” business production. The nature of releasing was to ease the close regulations of the centrally-planned mechanism by first considering the low purchasing price fixing system of agricultural products from farmers. The meeting also mentioned the combination of three interests, and emphasized the interest of laborers.

On the occasion of the “easing” direction, Hai Phong City reported to the Central about the “experiment” of product contract and drew out experiences from this system. After a short time, in January 1981, VCP Central Secretariat issued Instruction No. 100 CT/TW on implementing the contracting work and “contracting out products to labor groups and laborers” in agricultural cooperatives, which was called “product contract” for short. With this instruction, the product contraction system was applied to the whole country in the field of agricultural production. This is the most important starting stage of the whole reform process.

Hence it can be commented preliminarily as follows:

1. The reform in agriculture was the starting point of Vietnam’s economic reform;
2. The starting point of the *doi moi* process was to “ease” the hard regulations of the centrally planned mechanism. Arranging the orders of interests, and emphasizing the material interests of laborers, encouraged farmers to work willingly;
3. The acceptance of the market price (the rice purchasing price) shows that the State’s price fixing is not appropriate. Accepting the market price is also accepting the market’s role in fixing price, and this is also the start of the transition process to the market economy in Vietnam;
4. One of the typically important characteristics of the *doi moi* process in Vietnam is that it was carried out from the bottom-up. The “fence passing” of cooperatives was the starting point. Then, this process was accepted by the Central and the State issued reform policies according to this direction.

Some Important Milestones of the Reform in Agricultural Policies

The following comprise some important milestones of the reform in agricultural policies:

Instruction No. 100 CT/TW (in January 1981) of Vietnam Communist Party Central Secretariat

While cooperatives, management and distribution systems were totally maintained, Instruction No. 100 CT/TW of Vietnam Communist Party Central Secretariat on improving the contracting system and expanding “the product contract to labor group and laborers” in agricultural cooperatives (“product contract”) decentralized the production management and assigned farmers to decide some work and to move to the free market. Therefore, the product contracting was an amendment of the former management system. In comparison with the former management system, product contracting was more useful for farmers.

The Instruction confirmed that “the major direction to improve the product contraction in agricultural cooperatives is: much encouraging laborers’ legitimate interests and making people who joined some work in the management and production process of the cooperatives become fond of the final products.”

In the contracting system, a cooperative gave a certain area of land to a labor group and laborers do three steps: cultivating, caring, harvesting; and then handing in the harvested products to the cooperative (product contract). The amount of products was usually the average amount of the three nearest years. Therefore, “the product contract was a form of production management and paying wage, directly linking laborers’ responsibilities and interests with the final products.”

This Instruction also aimed at stopping the situation that “leaders forbid, workers do unauthorizedly.”

Instruction No. 100 CT/TW also forbade the situation of “total contraction” (assigning farmers to take on the whole production process). “It is not allowed to assign land to cooperative members for self-willed use, to assign land to individual cooperative members to take on from the step of ploughing fields to harvesting.”

In the context of the cooperatives in the centrally-planned mechanism, Instruction No. 100 CT/TW was really a big change, creating new motivation for the recovery of agricultural production.

The 6th Congress of Vietnam’s Communist Party (December 1986)

This was the Congress marking the most important change in the *doi moi* process

because it was comprehensive and thorough.

The Congress started to break off the centrally-planned mechanism and officially started economic reform, moving to the market economy in Vietnam. The important or landmark directions of the reform were:

1. Recognizing Vietnam's economy as a multi-sector economy, including private ownership. This is completely different from the centrally planned-economy;
2. Recognizing Vietnam's commodity economy means to recognize the market mechanism;
3. Recognizing Vietnam's economy as an open economy;
4. Deciding to concentrate priorities in the fields of producing export goods, consumption goods and food. Three great economic programs stated in the 5th Congress (March 1982) have been realized.

The renovation framework of the 6th Congress has opened room for a series of reforms in the following years. During the years from 1986 to 1990, the objective was to produce food. This was to meet the food demand of the whole society and to have a reserve of food. In 1990, 22-23 million tons of food (in rice) was targetted for production, with an average of about 20-20.5 million tons to produce annually, an increase of 3-3.5 million tons as compared to the average amount per year during the period from 1980 to 1985. However, actual production reached 21.5 million tons of food of which 19.2 to 19.7 million tons of rice, on the average, were produced from 1986 to 1990, a volume lower than the stated plan.

Other objectives of the 6th Congress include: To carry out a policy system encouraging food production; to finalize the final product contraction system to labor group and laborers; to ensure essential material together with stabilizing the appropriate contraction amount, creating favorable conditions for producers to get contraction and to invest with the view to overweigh the contracted amount; to grant agricultural tax exemption for a certain period to encourage farmers to increase crops and to expand the area of cultivated land. The Congress also stated that besides tax obligation, the economic relations between the State and cooperatives must be carried out through selling and purchasing contracts undertaken by the State's business organizations according to the principle of equality and at par. Apart from contracts being ensured, it is necessary to sell and buy according to the officially agreed price.

Therefore, besides renovation steps according to the market direction, the 6th Congress still considered the cooperative an agricultural economic unit in rural areas.

Resolution No.10- NQ/TW dated 5th April 1988 of the Politburo of Vietnam Communist Party Central Committee on Reforming the Agricultural Economic Management.

Regarding agricultural production, Resolution No.10 of the Politburo was the most important and decisive landmark of the agricultural economic management reform. With this Resolution, Vietnam's agriculture moved from that of a food importer to a rice exporter.

Unlike Instruction No.100 CT/TW (1981) of the Vietnam Communist Party's Central Secretariat, Resolution No.10 NQ/TW (1988) of the Politburo provides a policy on the comprehensive agricultural economic management reform rather than the reform of contraction in agricultural cooperatives. Actually, this is a step of concretizing the reform policies of the 6th Congress (1986) in agriculture. The basic advantage of Resolution No.10 NQ/TW is the common framework of the economic reform stated by the 6th Congress. The field of agriculture is realistic in applying the contraction system since 1981. Especially, the reality of agricultural development shows the weaknesses of the product contraction policy in accordance with Instruction No. 100 CT/ TW.

One of the greatest weaknesses of Instruction No.100 CT/TW was that as it was applied to reality, the contracted output which farmers had to hand-in was not stable. Moreover, the contracted amount usually tended to increase over time. Usually, the Vietnam Communist Party's Central Committee demanded that the rice target must be handed-in to the provincial level. In order to ensure production, higher targets were set for the provinces, for the districts, for the communes, for the production groups, and for cooperative members. Therefore, the contracted amount usually tended to be higher year after year. Finally, farmers had to suffer, all because they could not reach the target by themselves. The high contracted amount led to the farmer's walk-out from their land in 1987-1988. They did not want to cultivate anymore, not even to harvest. The situation where farmers owed the cooperatives or did not have enough rice to hand-in happened in many areas.

In that context, Resolution No. 10 NQ/TW on reforming the agricultural management was timely in bringing about a new growth motivation for Vietnam's farmers and agriculture.

Based on the reassessment of the agricultural development situation after Instruction No.100 CT/TW, Resolution No.10 NQ/TW on the agricultural management reform stated new requirements as follows:

1. Moving the self- sufficient agriculture to commodity agriculture;
2. Correctly solving the relationships in terms of interests, especially ensuring

the legitimate interests of producers;

3. Expanding democracy and giving prominence to the law; and
4. Reforming, in terms of organization and officers.

Therefore, this Resolution emphasized the development of market mechanisms and re-arranged the order of interests. Previously, the order of priorities was: the social interest – collective interest – individual interest. Now the order was reversed, with the individual interests of laborers on top of the list.

In order to meet the abovementioned requirements, some methods were applied in production organization.

Reforming the State-Owned Farms

By moving the state economic units in agriculture to the self-controlled mechanism, self-supporting business, self-responsibility for loss and profit, it meant abolishing the state subsidy for these units. The Resolution clearly shows that at the end of 1989, a unit which could not evolve would be disbanded or moved to another appropriate ownership. After readjusting the size, the old area of land had to be returned to the local authority in order to be given to another cooperative, household or individual. It was forbidden to extort the cultivated land of farmers to establish the state-owned farms. Hence, the state-owned farms were not subsidized and did not have the privilege of belonging to the state.

Reforming Agricultural Cooperatives

The Resolution clearly defined cooperatives and producing groups:

1. As the voluntary economic organization of farmers;
2. As operating according to the principle of self-control, and self-responsible for production efficiency; and
3. As having legal status, equal before the law with other economic units.

Therefore, “apart from the task of paying tax, the trade relationship between cooperatives, producing groups and the state economic organizations is an equal relationship that satisfies both buyers and sellers.”

Defining the position of cooperatives was important because, previously, the principle of voluntary and democracy was violated. Because the State wanted to rapidly construct cooperatives in large sizes, the State had taken many compelling measures. Cooperatives and farmers had to accept the downward management.

In terms of the contracting system and the income distribution system in cooperatives, the Resolution aimed at pursuing the following:

1. To continue implementing the product contracting system to the group of households and farmers' households. In cultivation, the contracting system was basically given to households or cooperative members' households. Hence, this is the first time that the household has been considered a basic economic unit of the agricultural economy in rural areas;
2. To readjust the area of contracted land and to ensure that the contractors can cultivate in an appropriate and suitable area for 15 years, the contracted amount is stable for 5 years. The contracted time is stable and longer;
3. It is not necessary to assign farmers to do three steps (cultivating, caring and harvesting), but maybe much more. The farmer household is ensured to get more than 40% of the contracted output. Management regulation is eased;
4. To carry out the distribution principle according to the work and contribution of cooperative members and to overcome the egalitarianism and subsidy situation. Previously, the distribution in cooperatives was carried out only according to the work, disregarding other elements, such as capital; and
5. To encourage the state servants and cooperative members to improve the household economy.

The Private Economy in Agriculture

1. The State recognized the long-term existence and positive effects of the private economy; acknowledged the legal status, ensured the equal right in interests and obligations in laws of the private economic units. All false ideas about the private economy were abolished.
2. If private households changed wasteland into cultivated land, they have the right to use the land for 15-20 years and are given the right to use it continuously until the next generation.
3. Private households and private companies have the right to employ according to the requirement of production development and the labor law of the State.
4. Excluding the products which must pay tax, private households have the right to sell their products freely in any area where they can get profits.

In conclusion, Resolution No. 10 NQ/TW basically defined the new principles of the agricultural economic management, thus it considers the farmer household as

a local economic unit of agriculture; the farmers have the right to do business and produce; and besides the task of paying tax, the type of relationship between farmers and the State and other economic organizations is the market relationship. Therefore, Resolution No. 10 NQ/TW had liberalized all ties for farmers and encouraged them to produce. Consequently, after one year (1989), Vietnam became a rice exporter. The rice output in 1988 increased by two million tons (equal to 13%), as compared to 1987. In 1989, the rice output was up by nearly two million tons (equal to 12%), as compared to 1988, when the average food per capita increased by 9.3%, as compared to 1987; in 1989, it increased by 8%, as compared to 1988. Vietnam exported 1.4 million tons of rice for the first time in 1989. This was higher than the previous average annual imported amount.

Laws Related to Land

The *Doi moi* process from 1986 is the period when the State strengthened management by laws, firstly through the promulgation of laws. Regarding the *doi moi* process in agricultural policies, the promulgation of laws related to land, in general, and to agricultural land, in particular, is very meaningful and completely regarded as an important landmark in the *doi moi* process. There are important laws related to the use of agricultural land.

The Law on Land

The Law on Land was first approved by the National Assembly of the Socialist Republic of Vietnam in July 1993. The Law stipulates that land is a very precious national natural resource. Clause 1 of the Law on Land stipulates that: "Land belongs to the people's ownership controlled by the State." The State allocates land to organizations, households and individuals, to use stably in the long term. The State also leases the land to organizations, households and individuals.

Clause 3 stipulates the right of land users. "Households, individuals who are allocated land have the right to assign, to transfer, to lease, to inherit and to mortgage the land use right." With five rights, the land use right is now more liberal than before. However, there is not the right of (private) ownership. This is really a very important point in the policies on land management, in general, and on agricultural land, in particular.

Clause 44 specifies that: "The annual growing land limit of each household is not over 3 ha."

Before its implementation, the Law on Land was amended once and expanded, with the view to concretize and to facilitate implementation in December 1998.

The Law on Tax for Agricultural Land Use

The Law on Tax for Agricultural Land Use was also approved by the National Assembly at the same time as the Law on Land (in July 1993), with the view to use agricultural land effectively, and to ensure the equality in the contribution of land users into the State's budget.

The law stipulates that all organizations and individuals that use land in agricultural production have to pay tax on agricultural land use. Households who are given the land use right, but do not use land, still have to pay agricultural land tax.

The basis of calculating tax for agricultural land use includes:

1. Area (small and large sizes);
2. Kinds of land (6 kinds broadly distinguished into good or bad); and
3. The tax rate is fixed by kg. of rice per one unit of area of each land kind. Clause 9 of the Tax for Agricultural Land Use tabulates the one year tax rates according to kg. of rice per ha. of each land kind as shown in Tables 6 and 7.

Table 6. Tax Rates for the yearly-growing land

| Land kinds | Tax Rates |
|------------|-----------|
| 1 | 550 |
| 2 | 400 |
| 3 | 370 |
| 4 | 280 |
| 5 | 180 |
| 6 | 50 |

Table 7. Tax Rates for the long-term-growing land

| Land kinds | Tax Rates |
|------------|-----------|
| 1 | 650 |
| 2 | 550 |
| 3 | 400 |
| 4 | 200 |
| 5 | 80 |

Clause 17 specifies that the tax on agricultural land use must be calculated in rice, and paid in cash. The price of rice for tax purposes is regulated by the Provincial

and City People's Committee, but it is not allowed to be lower than 10% in comparison to the market price in localities during the tax collecting season. The law also stipulates tax reduction and exemption of the agricultural land use in each cases as natural disasters damaging the agricultural production.

The Law on the Tax on Land Use Right Transfer

The Law on the Tax on Land Use Right Transfer was approved by the National Assembly for the first time in June 1994 and amended in December 1999. The Law on the Tax on Land Use Right Transfer mainly aims at strengthening land management and increasing the budget revenue, so it very strictly imposes a very high tax rate in order to restrain the land transfer. Regarding the land for agricultural production, the tax rate of land transfer is 20% (of the transfer value) and regarding the nonagricultural land, the tax rate is 40%. With such a strict management, in reality, there appears to be a popular trend that people transfer their land without the approving tax agencies. Hence, the State cannot manage the land transfer and cannot collect tax. Facing such a situation, the Law on the Tax on Land Use Right Transfer was amended, with the view to make the situation of land "black market" transparent by reducing the tax rate and regulating in detail those who are subject to tax payment and those who are subject to tax exemption. For those who are subject to tax payment, the tax rate is 10 times lower. This means the tax rate for agricultural land is only 2%, while the tax rate for residential land and construction land is 4%.

The abovementioned laws and measures are the most important milestones in the renovation of agricultural development policies. Obviously, the development of agricultural production is not only affected by the policies but is also the common result of the comprehensive renovation direction of the economic mechanism in general. However, the abovementioned renovation of agricultural policies has a strong impact on agricultural development and has a great contribution to the recovery and growth of the whole economy.

The Performance of *Doi moi* in Agriculture

The Economic Growth

Under the influence of the reform policies in the economy, in general, and in agriculture, in particular, Vietnam's agriculture has experienced an unprecedented growth period. As reflected in Table 8, since 1989, the average GDP growth rate in agriculture (Sector I) has been 4.3% per year, with 1992 having a very high growth rate of 7.08%. The rather high agricultural growth rate had an important contribution to the common growth of the whole economy, reaching an average of 7.2% annually

Table 8. The Economic Growth, Population and Inflation of Vietnam 1986-1996 (%)

| | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|------------|-------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|
| GDP | 2.33 | 3.64 | 5.98 | 4.69 | 5.10 | 5.96 | 8.65 | 8.07 | 8.84 | 9.54 | 9.34 |
| Sector I | 2.39 | -0.52 | 3.94 | 6.77 | 1.57 | 2.17 | 7.08 | 3.82 | 3.92 | 4.95 | 4.40 |
| Sector II | 10.28 | 9.15 | 5.29 | -2.81 | 2.87 | 9.04 | 14.03 | 13.13 | 14.02 | 13.30 | 14.85 |
| Sector III | -2.83 | 5.25 | 9.09 | 7.61 | 10.81 | 8.26 | 6.98 | 9.19 | 10.20 | 10.03 | 9.29 |
| Population | 2.06 | 2.19 | 2.04 | 1.64 | 2.25 | 2.33 | 2.41 | 2.33 | 2.10 | 2.00 | 1.90 |
| Inflation | 774.7 | 223.1 | 393.8 | 34.7 | 67.1 | 67.5 | 17.5 | 5.2 | 14.4 | 12.7 | 4.5 |

Source: *Annual Statistical Yearbooks*.

in the same time frame. The growth of services and industry decreased but the rather high growth of agriculture kept the economy from decreasing sharply.

The following are some statistical data reflecting the growth rate of subsectors in agricultural production over the recent decades:

Rice Production

Rice production is an industry with the most important role in Vietnam's agricultural production. Table 9 shows that rice output in over 15 years of *doi moi* doubled; the area increased 1.3 times; rice productivity increased over 1.4 times; and the average food per capita increased by 34%. The growth in rice output is very important to the issue of food security for a nation of nearly 80 million people where the majority are farmers. Moreover, Vietnam's history of fighting made people suffer from famine.

Industry Crops

Many kinds of industry crops have gained high growth rate. Based on the fact that the problem of food was solved, people had favorable conditions to improve other non-food crops. Table 10 shows that in the period from 1990 to 1998, the growth rate of coffee increased three times, rubber growth rate increased 3.5 times and tea, 1.8 times.

Stabilizing Socioeconomic Life

Food and food supply resources are secured much better, so the socioeconomic life is stable. This means a lot to the reform process. This is also an achievement of Vietnam in comparison with other transitional economies. There is no shortage of

Table 9. Vietnam's Rice Production from 1975 to 1998

| Year | Rice output (000 tons) | Area of Rice growing land (000 ha.) | Rice productivity (Tons / ha.) | The average food (kg. per capita) |
|------|---------------------------|---|--------------------------------------|---|
| 1975 | 10,293.6 | 4,855.9 | 2.12 | 240.6 |
| 1976 | 11,827.2 | 5,297.3 | 2.23 | 274.4 |
| 1977 | 10,597.1 | 5,487.7 | 1.94 | 250.1 |
| 1978 | 9,789.9 | 5,426.5 | 1.79 | 238.5 |
| 1979 | 11,362.9 | 5,458.2 | 2.07 | 266.5 |
| 1980 | 11,647.4 | 5,600.2 | 2.08 | 268.2 |
| 1981 | 12,425.2 | 5,651.9 | 2.20 | 272.8 |
| 1982 | 14,390.2 | 5,711.3 | 2.52 | 299.6 |
| 1983 | 14,743.3 | 5,611.0 | 2.63 | 296.1 |
| 1984 | 15,505.6 | 5,675.0 | 2.73 | 302.9 |
| 1985 | 15,874.8 | 5,703.9 | 2.78 | 304.0 |
| 1986 | 16,002.9 | 5,688.5 | 2.81 | 300.8 |
| 1987 | 15,102.6 | 5,588.5 | 2.70 | 280.8 |
| 1988 | 17,000.0 | 5,726.4 | 2.97 | 307.3 |
| 1989 | 18,996.3 | 5,895.8 | 3.23 | 332.2 |
| 1990 | 19,225.2 | 6,027.7 | 3.19 | 324.4 |
| 1991 | 19,621.9 | 6,302.7 | 3.11 | 324.9 |
| 1992 | 21,590.3 | 6,475.4 | 3.33 | 348.9 |
| 1993 | 22,836.5 | 6,559.4 | 3.48 | 359.0 |
| 1994 | 23,528.2 | 6,598.6 | 3.56 | 360.9 |
| 1995 | 24,963.7 | 6,765.6 | 3.69 | 372.8 |
| 1996 | 26,396.7 | 7,003.8 | 3.77 | 387.7 |
| 1997 | 27,523.9 | 7,099.7 | 3.88 | 399.1 |
| 1998 | 29,141.7 | 7,362.4 | 3.96 | 407.9 |
| 1999 | 31,400.0 | | | |
| 2000 | 32,700.0 | | | |

consumption products, especially of food. The price of agricultural and food products is stable, providing great contribution to curb and to stop inflation. The life of the majority of farmers has improved. Not only is the income of farmer households improved but the agricultural infrastructure and the indices of social development and human development have also improved. For instance, in 1998, 93% of the communes had roads leading to the central commune. Seventy percent of the communes had electric power to use; nearly 80% had telephones; 60% had rural

Table 10. Cultivation Products (000 tons)

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|-----------------------------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| Food crop | 21,489 | 21,990 | 24,215 | 25,502 | 26,199 | 27,571 | 29,218 | 30,618 | 31,854 |
| Paddy | 19,225 | 19,622 | 21,590 | 22,837 | 23,528 | 24,964 | 26,397 | 27,524 | 29,142 |
| Spring paddy | 7,846 | 6,788 | 9,153 | 9,036 | 10,504 | 10,737 | 12,210 | 13,310 | 13,560 |
| Summer paddy | 4,110 | 4,718 | 4,910 | 5,633 | 5,630 | 6,501 | 6,879 | 6,638 | 7,523 |
| Winter paddy | 7,269 | 8,116 | 7,527 | 8,168 | 7,395 | 7,726 | 7,309 | 7,576 | 8,060 |
| Other cereals | 2,263 | 2,368 | 2,624 | 2,665 | 2,670 | 2,607 | 2,821 | 3,094 | 2,712 |
| Maize | 671 | 672 | 748 | 882 | 1,144 | 1,177 | 1,538 | 1,651 | 1,612 |
| Sweet potatoes | 1,929 | 2,137 | 2,593 | 2,405 | 1,906 | 1,685 | 1,697 | 1,691 | 1,517 |
| Cassava | 2,276 | 2,455 | 2,568 | 2,450 | 2,358 | 2,190 | 2,067 | 2,403 | 1,783 |
| Vegetable | | | | | | 4,186 | 4,707 | 4,970 | 5,150 |
| Beans | | | | | | 128 | 134 | 151 | 144 |
| Annual Industrial Crops | | | | | | | | | |
| Cotton | 3.1 | 8.3 | 12.8 | 5.2 | 8.7 | 17.9 | 11.2 | 14.0 | 20.7 |
| Jute | 23.8 | 25.3 | 25.7 | 23.4 | 12.8 | 14.8 | 15.0 | 22.3 | 18.6 |
| Rush | 63.6 | 54.4 | 77.2 | 69.5 | 69.1 | 75.6 | 55.0 | 80.9 | 67.0 |
| Sugar-cane | 5,398 | 6,131 | 6,437 | 6,083 | 7,750 | 10,701 | 11,430 | 11,921 | 13,844 |
| Peanut | 213.1 | 234.8 | 226.7 | 259.3 | 294.4 | 334.5 | 357.6 | 351.3 | 386.0 |
| Soybean | 86.6 | 80.0 | 80.0 | 105.7 | 124.5 | 125.5 | 113.8 | 113.0 | 141.3 |
| Tobacco | 21.8 | 36.2 | 27.3 | 20.3 | 21.7 | 27.7 | 23.5 | 27.2 | 31.7 |
| Perennial Industrial Crops | | | | | | | | | |
| Tea | 32.2 | 33.1 | 36.2 | 37.7 | 37.8 | 36.2 | 46.8 | 52.2 | 52.4 |
| Coffee | 92.0 | 100.0 | 119.0 | 136.0 | 180.0 | 218.1 | 254.2 | 294.6 | 272.9 |
| Rubber | 57.9 | 64.6 | 67.0 | 96.9 | 128.8 | 122.7 | 142.5 | 185.7 | 199.7 |
| Peppers | 8.6 | 8.9 | 7.8 | 74.0 | 8.9 | 9.3 | 10.5 | 13.1 | 13.6 |
| Coconut | 894.4 | 1,052.5 | 1,139.8 | 1,184.0 | 1,078.2 | 1,165.3 | 1,315.8 | 1,317.6 | 1,271.4 |
| Cashew | 23,730 | | | | | 50,585 | 59,144 | 66,905 | 53,251 |
| Orange, Lemon & Mandarin | | | | | | 362,349 | 491,504 | 404,853 | 378,957 |
| Banana (Mill. tons) | | | | | | 1,061 | 1,263 | 1,316 | 1,315 |
| Longan, Rambutan Litchi | | | | | | 223,273 | 289,949 | 405,225 | 397,097 |

Table 11. Animal Husbandry Products

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Livestock & Poultry (000 heads) | | | | | | | | | |
| Buffaloes | 2,854.1 | 2,858.6 | 2,886.5 | 2,960.8 | 2,977.3 | 2,962.8 | 2,953.9 | 2,943.6 | 2,951.4 |
| Work Buff. | 1,938.4 | 1,957.2 | 2,000.4 | 2,065.4 | 2,076.3 | 2,065.3 | 2,036.3 | 2,060.8 | 2,018.5 |
| Cattle | 3,116.9 | 3,135.6 | 3,201.8 | 3,333.0 | 3,466.8 | 3,638.9 | 3,888.0 | 3,904.8 | 3,984.2 |
| Work Catt. | 1,420.8 | 1,410.8 | 1,435.8 | 1,508.1 | 1,590.0 | 1,632.3 | 1,646.9 | 1,626.1 | 1,607.6 |
| Pigs | 12,261 | 12,194 | 13,892 | 14,874 | 15,588 | 16,306 | 16,922 | 17,636 | 18,132 |
| Sow Pigs | 1,572.1 | 1,508.4 | 1,809.9 | 2,015.7 | 2,182.1 | 2,198.3 | 2,248.5 | 2,515.7 | 2,602.3 |
| Poultry | 98,249 | 108,990 | 124,460 | 133,393 | 137,793 | 142,069 | 151,402 | 160,550 | 166,382 |
| Gross weight ('000 tons) | | | | | | | | | |
| Pigs | 728.9 | | | | | 1,011.4 | 1,080.0 | 1,154.2 | 1,228.0 |
| Cattle | 53,200 | | | | | 64,548 | 70,075 | 71,797 | 83,154 |
| Buffaloes | 31,426 | | | | | 37,330 | 49,287 | 50,856 | 44,601 |
| Poultry | 151.7 | | | | | 196.7 | 213.0 | 226.1 | 239.2 |
| Eggs. (mill.) | 1,817 | | | | | 2,666 | 3,084 | 3,169 | 3,227 |

Table 12. Aquatic Products (000 tons)

| | 1990 | 1995 | 1996 | 1997 | 1998 |
|---------------------------------|----------------|------------------|------------------|------------------|------------------|
| Gross output of fishery | 890,587 | 1,584,361 | 1,701,002 | 1,730,432 | 1,755,500 |
| Gross output of capture fishery | 728,511 | 1,195,292 | 1,277,964 | 1,315,838 | 1,335,715 |
| Gross output of aquaculture | 162,076 | 389,069 | 423,038 | 414,594 | 419,785 |
| Gross output of fish | 779,151 | 1,084,939 | 1,223,644 | 1,276,325 | 1,320,161 |
| Gross output of capture fish | 649,821 | 875,797 | 967,685 | 997,001 | 1,031,881 |
| Gross output of fish culture | 129,330 | 209,142 | 255,959 | 279,324 | 288,281 |
| Gross output of shrimps | 96,511 | 138,351 | 135,916 | 147,700 | 155,417 |
| Gross output of capture shrimps | 63,765 | 82,758 | 86,166 | 98,401 | 99,359 |
| Gross output of shrimps culture | 32,746 | 55,593 | 49,749 | 49,298 | 56,058 |

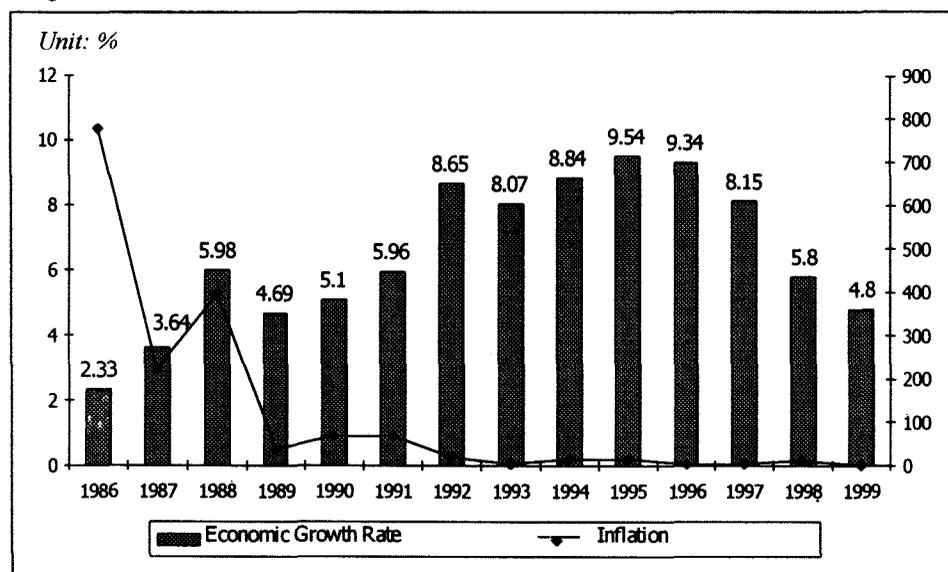
markets; nearly 100% had elementary schools; 87% had high schools; 98% had healthcare centers; and 36% of the rural population had fresh water to use. The average longevity increased from 65 years in 1990 to 67 years in 1999. The malnutrition rate of children under five years old dropped from 51% in 1993 to 34% in 1998. The rate of poor households also sharply decreased and was regarded by the world as an achievement.

Table 13. The Total Amount of Retail Goods and Turnover of Services from 1990 to 1996 Classified in Economic Sectors (billion dong, the current price)

| | Total | Inflation Price (%) | Rate Increase (%) | Of which | | |
|------|-----------|------------------------|----------------------|----------|------------|-----------|
| | | | | State | Collective | Private |
| 1990 | 19,031.2 | 67.1 | - | 5,788.7 | 519.2 | 12,723.3 |
| 1991 | 33,403.6 | 67.5 | 75.5 | 9,000.8 | 662.4 | 23,740.4 |
| 1992 | 51,214.5 | 17.5 | 53.3 | 12,370.6 | 563.7 | 38,280.2 |
| 1993 | 67,273.3 | 5.2 | 31.4 | 14,650.0 | 612.0 | 52,011.3 |
| 1994 | 93,490.0 | 14.4 | 39.0 | 21,556.0 | 753.0 | 69,590.0 |
| 1995 | 12,160.0 | 12.7 | 29.6 | 27,367.0 | 1,060.0 | 90,313.0 |
| 1996 | 145,874.0 | 4.5 | 20.4 | 31,123.0 | 1,358.0 | 108,903.0 |

Source: *Yearly Statistical Book 1998*, p.264.

Figure 2. The Situation of Economic Growth and Inflation in Vietnam from 1986 to 1999



Rural-agricultural Economic Structural Movement

The economic structural movement in the macroeconomy, in general, and in agriculture, in particular, is regarded as one of the main contents of the industrialization process. The stable food production growth has opened development opportunity for industry crops, animal husbandry and aquatic resources as shown

Figure 3. The Economic Growth Population and Inflation (at 1989 constant prices)

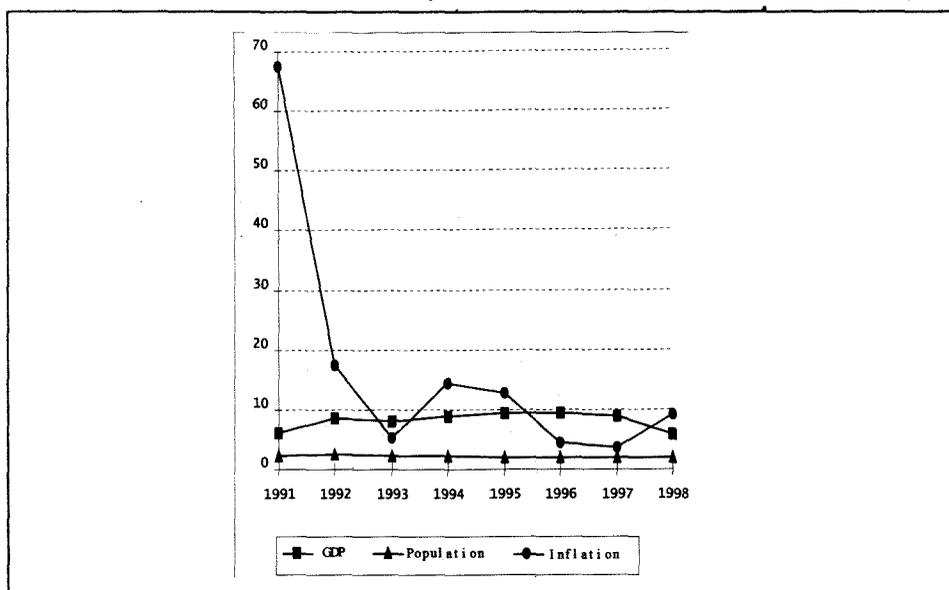


Table 14. GDP Structure in Areas from 1980 to 1999 (The current price; Unit: %)

| Year | Agriculture, forestry and fishery | Industry and Construction | Trade-Service |
|------|-----------------------------------|---------------------------|---------------|
| 1985 | 40.17 | 27.35 | 32.48 |
| 1986 | 38.06 | 28.88 | 33.06 |
| 1987 | 40.56 | 28.36 | 31.08 |
| 1988 | 46.30 | 23.96 | 29.74 |
| 1989 | 42.07 | 22.94 | 34.99 |
| 1990 | 38.74 | 22.67 | 38.59 |
| 1991 | 40.49 | 23.79 | 35.72 |
| 1992 | 33.94 | 27.26 | 38.80 |
| 1993 | 29.87 | 28.90 | 41.23 |
| 1994 | 27.43 | 28.87 | 43.70 |
| 1995 | 27.18 | 28.76 | 44.06 |
| 1996 | 27.76 | 29.73 | 42.51 |
| 1997 | 25.77 | 32.08 | 42.15 |
| 1998 | 25.78 | 32.49 | 41.73 |
| 1999 | | | |
| es. | 25.43 | 34.49 | 40.08 |

Source: Yearly Statistical Book 1989, 1994, 1999.
Statistic Publishing House, Hanoi 1990, 1995

Table 15. The Labor Structure by the Sectors (%)

| | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 |
|------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Sector I | 72.9 | 73.0 | 72.5 | 72.2 | 72.3 | 72.6 | 72.9 | 73.0 | 72.8 | 69.7 | 69.2 | 68.8 | 68 |
| Sector II | 13.9 | 13.8 | 14.1 | 13.9 | 13.9 | 13.6 | 13.4 | 13.4 | 13.6 | 13.2 | 12.9 | 12.9 | 12 |
| Sector III | 12.6 | 12.7 | 12.9 | 13.3 | 13.1 | 13.1 | 12.9 | 12.9 | 12.9 | 17.0 | 17.8 | 18.7 | 19 |

Source: *Annual Statistical Yearbook*.

in Tables 11 and 12. Meanwhile, the growth of agriculture has created favorable conditions for the development of nonagricultural industries in rural areas. Table 13 presents the total amount of retail goods and turnover of services from 1990 to 1996 while Tables 14 and 15 show the agricultural structural movement in the whole economy.

Exports

In the early period of the industrialization process, agricultural products had a remarkable position in the resources of export goods. In Vietnam, the proportion of this industry accounted for nearly 50% in the early years of the 1990s. Recently, the proportion decreased because of the development of processing industries, but it still accounted for 37% in 1998 (See Table 16).

Table 16. Export Goods Structure of Vietnam (%)

| | 1994 | 1995 | 1996 | 1997 | 1998 |
|--|------|------|------|------|------|
| Total export value | 100 | 100 | 100 | 100 | 100 |
| Of which: | | | | | |
| Agricultural, forestry and fishery products | 48.0 | 46.3 | 42.3 | 37.0 | 37.1 |
| Processing industry | 23.1 | 28.4 | 29.0 | 37.1 | 38.7 |
| Exploiting (sic) industry | 28.8 | 25.3 | 28.7 | 25.3 | 24.2 |
| Other Products | 0.1 | 0.3 | 0.0 | 0.6 | 0.0 |

In the export of agricultural products, the position of rice is presented in Tables 17 and 18.

With the proportion of about 10% of the total export value, rice and crude oil (and then aquatic products) are still the key export goods of Vietnam, and perhaps this position will prevail in the future.

Table 17. The Quantity and Export Turnover of Rice in Vietnam from 1989 to 1999

| Year | Quantity (million tons) | | Turnover (million US\$) | |
|------|-------------------------|------------|-------------------------|------------|
| | Quantity | Growth (%) | Turnover | Growth (%) |
| 1989 | 1.425 | - | 321.8 | - |
| 1990 | 1.624 | 14.0 | 310.4 | -3.4 |
| 1991 | 1.033 | -36.4 | 234.5 | -22.5 |
| 1992 | 1.946 | 88.4 | 418.4 | 78.4 |
| 1993 | 1.726 | -11.2 | 362.9 | -13.3 |
| 1994 | 2.040 | 18.1 | 449.5 | 23.9 |
| 1995 | 2.044 | 0.2 | 546.8 | 21.6 |
| 1996 | 3.020 | 47.8 | 854.6 | 56.3 |
| 1997 | 3.550 | 17.6 | 885.0 | 3.5 |
| 1998 | 3.800 | 7.0 | 1,100.0 | 24.3 |
| 1999 | 4.500 | 18.4 | 1,020.0 | -7.3 |

Table 18. The Quantity of Export Rice of Vietnam Compared with the World and the Rice Export Turnover Compared with the total Export Turnover of Vietnam from 1989 to 1999

| Year | Quantity (million tons) | | | Turnover (million US\$) | | |
|------|-------------------------|-------|----------|-------------------------|-----------------------|---|
| | Vietnam | World | Rate (%) | Rice export turnover | Total export turnover | The rate of export rice per total export turnover |
| 1989 | 1.425 | 13.9 | 10.1 | 321.8 | 1,946.0 | 16.5 |
| 1990 | 1.624 | 11.4 | 14.0 | 310.4 | 2,404.0 | 12.9 |
| 1991 | 1.033 | 12.1 | 8.5 | 234.5 | 2,087.1 | 11.2 |
| 1992 | 1.946 | 14.1 | 14.2 | 418.4 | 2,580.7 | 16.2 |
| 1993 | 1.726 | 15.1 | 11.9 | 362.9 | 2,985.2 | 12.2 |
| 1994 | 2.040 | 16.7 | 13.2 | 449.5 | 4,054.3 | 11.1 |
| 1995 | 2.044 | 21.0 | 11.0 | 546.8 | 5,448.9 | 10.0 |
| 1996 | 3.020 | 21.0 | 11.0 | 546.8 | 5,448.9 | 10.0 |
| 1997 | 3.550 | 18.5 | 18.7 | 885.0 | 9,185.0 | 9.6 |
| 1998 | 3.800 | - | 14.5 | 1,100.0 | 9,361.0 | 11.8 |
| 1999 | 4.500 | - | - | 1,020.0 | 11,540.0 | 8.8 |

Moving to the Market Economy

The structure of economic sectors in 1995-1996 is reflected in Table 19. Being a transitional economy, the reform policies in agriculture are relevant to the movement in the market economy in Vietnam. In agriculture, as well as the whole economy in general, all forms of ownership are encouraged to develop. Totally unlike the centrally-planned mechanism in which only two forms of ownership existed, which were the communal (state) ownership and collective (cooperative) ownership, in the transitional economy, not only are the forms of ownership diversified but the

Table 19. The Structure of Economic Sectors in GDP (%)

| | 1995 | 1996 |
|--------------------------|-------|-------|
| Total | 100.0 | 100.0 |
| The State economy | 37.54 | 38.13 |
| Collective economy | 10.80 | 10.23 |
| Private economy | 3.07 | 3.34 |
| Individual economy | 37.59 | 36.82 |
| Mixed economy | 4.43 | 4.21 |
| Foreign invested economy | 6.58 | 7.27 |

Source: *Yearly Statistical Book 1999, The Statistic Publishing House, Hanoi 1998, p.27*

proportion of the private sector and the household is rather large, especially in agriculture.

We have briefly reviewed the reform process in the agricultural development policies of Vietnam. Basically, it started from the initiative of people at the local levels, was accepted by the senior level and was carried out experimentally, then was expanded. Therefore, it was carried out from “bottom-up” and through a step-by-step approach.

The agricultural policy reform is not separate from the comprehensive reform of the whole economy. This means the agricultural reform is in the framework, moving to the market economy and door-opening economy. This process has brought about a period of an unprecedented high growth rate for agriculture. It can be said that thanks to the movement in the market and the door-opening economy. Agriculture, in particular, and the whole economy, in general, have gained high growth rates. On the contrary, the high economic growth rate hastened the moving process to the market economy, making it more stable and heading to an irreversible trend.

The Continuing Problems of *Doi moi* in Agriculture in Vietnam at Present

During the recent *doi moi* process, Vietnam’s agriculture has gained a high growth rate, making some important contributions to the growth rate of the whole economy, to the export economy for foreign currency reserve, to the sufficient food supply for the whole of society, to the increase in the farmers’ income, to the poverty reduction and hunger elimination and to the creation of a new rural face. But the *doi moi* process has not yet been finalized. At present and in the long run, agriculture is still a producing industry with an important role in Vietnam’s economy. Although

in the coming decades, the rural areas will be the places of residence for the majority of the people, agriculture will still create jobs for the majority of society's labor force. Hence, building a sound agricultural development strategy (high and sustainable growth) is a vital problem in Vietnam's economic strategies.

Which problem is the continuing agricultural reform process in Vietnam now facing? Can the recent reform policies maintain the driving force for the next growth?

It may be observed that the growth of Vietnam's agriculture over recent years is unprecedented when compared to the stagnation and crisis before the *doi moi* process. But there are at least two reasons why we are not satisfied with the recent situation. Firstly, it is the backward situation of the whole economy, in general, and agriculture, in particular, in comparison to the development of the world. Secondly, it is the incompleteness of the market economic mechanism. With the two aforesaid problems, the continuing development of Vietnam's agriculture is facing a lot of great challenges. The following discussions talk about some obstacles in the reform and development of Vietnam's contemporary agriculture.

Low Agricultural Labor Productivity and Low Diversification Level

Agriculture accounts for 25% of GDP, but attracts nearly 70% of society's labor force. This means labor productivity in agriculture is low. Moreover, basically 70% of society's labor force sharing 25% of the total GDP of a poor country (the average GDP per capita of Vietnam was about 350 US\$ in 1999) proves that the income of farmers is very low and the income difference in society tends to increase.

In agricultural production, rice production is still paramount. The agricultural structure generally changed little over the last decade of reform. Table 20 shows that over the last decade, the crop growing industry still accounted for 68-69%, animal husbandry accounted for 14%, fishery accounted for 10% and forestry

Table 20. Agricultural Production Structure (% , at 1994 constant prices)

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|------------|------------|------------|------------|------------|------------|------------|
| Agricultural, Forestry & Fishing | 100 |
| Agriculture | 85 |
| Cultivation | 68 | 68 | 68 | 68 | 68 | 68 | 68 |
| Livestock | 14 | 14 | 14 | 14 | 15 | 14 | 14 |
| Agricultural Services | 3 | 3 | 3 | 3 | 3 | 3 | 2 |
| Forestry | 5 |
| Fishing | 10 |

Source: *Annual Statistical Yearbooks*.

Table 21. Composition of Agricultural Exports

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Agricultural Exports (\$ Million) | 1,106 | 1,089 | 1,276 | 1,444 | 1,948 | 2,521 |
| Total (%) | 100 | 100 | 100 | 100 | 100 | 100 |
| Rice | 27 | 22 | 25 | 25 | 22 | 20 |
| Coffee | 7 | 7 | 8 | 8 | 17 | 23 |
| Rubber | 5 | 5 | 5 | 5 | 7 | 8 |
| Tea | 1 | 1 | 1 | 2 | 1 | 1 |
| Cashew | 2 | 2 | 3 | 3 | 4 | 4 |
| Pepper | 1 | 2 | 1 | 1 | 1 | 3 |
| Fruits and Vegetables | 5 | 3 | 3 | 2 | 1 | 2 |
| Fishery products | 22 | 26 | 24 | 30 | 28 | 25 |
| Others | 29 | 33 | 30 | 25 | 18 | 14 |

accounted for 4-5% of the total GDP in agriculture. Rice production is still a producing industry with a remarkable position as the main source of income for the majority of the people, with 60% of the area of cultivated land and accounting for nearly 30% of the agricultural product export value. Moreover, the increase or decrease in rice output (rice bumper crop or poor crop) always coincides with the increase or decrease in agricultural growth. Therefore, the role of rice production is important in Vietnamese economy.

The structure of export agricultural products is also the same. The total export turnover of agricultural products increased four times in the 1990s, but rice and aquatic products are two main export products, with each kind accounting for 20-30% and mostly constant (See Table 21).

Land Shortage and the Natural Environment

Agricultural land for the agricultural population is decreasing, with the average area per capita at only 0.14 ha. Land in the Red River Delta is much less, nearly equal to 1/2 of the average of 0.06 ha. in the whole country (see Table 22). Contracting out the land for households in villages made the size of cultivable land small. Land storing up faced a lot of difficulties so it increased the costs of labor, mechanization as well as water for irrigation. Besides, land disputes have appeared for many reasons, leading to the instability in society.

The problem of the natural environment being destroyed is also a difficulty in the maintenance of a sustainable growth in agriculture. Apart from the damages of natural disasters (storms, floods, droughts), the over-exploitation of watershed forests

Table 22. The Area of Agricultural Land

| | Rural population in 1998 (000 people) | Area of agricultural land in 1997 (000 ha.) | Area of agricultural land/ rural population (ha./person) |
|------------------------|---|---|---|
| The whole country | 57,989.0 | 7,843 | 0.14 |
| The Red River Delta | 11,610.4 | 672 | 0.06 |
| The Eastern North | 9,050.3 | 909 | 0.10 |
| The Western North | 1,909.4 | 316 | 0.17 |
| The Northern Central | 8,714.8 | 681 | 0.08 |
| Central Coastal Area | 4,748.5 | 437 | 0.09 |
| Central Highland | 2,287.7 | 668 | 0.29 |
| The Eastern South | 6,351.3 | 1,526 | 0.24 |
| The Mekong River Delta | 13,316.6 | 2,632 | 0.20 |

Source: Calculated according to the Yearly Statistical Book

makes the environmental degradation more serious. The forest coverage of Vietnam is only more than 30%, while “wasteland and bare hill” are also about more than 30% of the total land area nationwide (see Table 23). The forest coverage is much lower than the needed security level of tropical forests (about more than 45%).

There are many causes of deforestation (mainly in the Northern mountainous area and Tay Nguyen):

1. Expanding agricultural land. Previously, burning forests for farms to grow food plants in was partly carried out by a group of ethnic minority people

Table 23. Land Structure (1999)

| Land kinds | Area (000 ha.) | % |
|---|----------------|-------|
| Total | 33,104.0 | 100.0 |
| Yearly plant growing land | 5,665.0 | 17.1 |
| Long term plant growing land | 1,527.5 | 4.6 |
| The area of water surface for aquaculture | 498.6 | 1.5 |
| Natural Forest | 9,029.6 | 27.3 |
| Artificial forest | 1,536.3 | 4.6 |
| Natural reserve preservation | 2,300.0 | 6.9 |
| Marsh | 168.2 | 0.5 |
| Unused land (wasteland and bare hill) | 10,718.5 | 32.4 |
| Urban land | 63.0 | 0.2 |
| Other land | 1,607.3 | 4.9 |

in the localities. A great number of these people lead a nomadic farming and a nomadic life. The deforestation was also caused by a group of people who migrated from the lowlands to mountainous areas (especially from the Red River Delta). Behind the migration, expanding agricultural land was a self-sufficient policy in the context of serious food shortage before the *doi moi* process. However, forest land is now increasingly used to grow industry crops (*e.g.* coffee, rubber, pepper).

2. The exploitation of wood and firewood. Previously, the exploitation of commercial wood was one of the important reasons for the decrease of forest areas. However, since 1991, it is forbidden to export wood from Vietnam and the policy on forest door-closing has been carried out. Since exploitation of commercial wood has been considerably reduced, deforestation has also been reduced. For local inhabitants, the gathering of firewood is the usual reason for deforestation. According to the assessment of WB, forest areas are destroyed six times more because of fire-wood gathering than commercial wood exploitation. The WB research in 1996 shows that forest areas are destroyed because of: forest fire of 17,000 ha. (2.2%); burning forest for nomadic farming of 180,000 ha. (23.8%); the commercial wood exploitation of 78,000 ha. (10.3%) and the firewood gathering of 482,000 ha. (63.7%).
3. Forest fire Forest fires seldom happen in Vietnam like in many countries. But from 1991 to 1995, an average of over 26,000 ha. was destroyed per year. That means that this figure doubles the one given by WB in 1996. One effect of forest fire is the loss of watershed forests which can damage the environment. In recent years, Vietnam has experienced many floods during the rainy season, and serious droughts during the dry season. The soil is retrograded because of the erosion, and salination in coastal areas has happened. Reforestation is very costly, hence, the program to recover the forest coverage cannot be easily undertaken.

Surplus Labor

The pressure of unemployment is now one of the serious problems in Vietnam. Being an agricultural country with narrow land and a crowded population, the problem of employment first appears in the agricultural and rural sectors. In recent years, the natural population growth rate has decreased, from over 2% in 1995 to 1.8% in the period between 1997 and 1999 (see Table 8) but it is higher than that of other countries in the world. Now there are about one million people joining the labor force annually, with the majority of them in the agricultural and rural sector. While the ability to attract the labor of the industrial and service sectors is limited,

some of the laborers who are retrenched by the industrial and service sectors usually join the labor force of the rural sector. Thus the proportion of agricultural labor basically changes just a little. The proportion of the agricultural sector was 72.9% in 1986 and 68.2% in 1988 (see Table 15), which means that in 13 years, it decreased only by 4.7%, with the average decrease of 0.36% annually. The agricultural work is affected by seasonal factors so the average working time in a year for farmers is low (about 70% of the total amount of time).

According to the assessment of the Ministry of Agriculture and Rural Development, there are now 7.26 million redundant laborers in the rural and agricultural sectors (accounting for 27% of the total labor force of this sector). Meanwhile, the unemployment rate of urban areas also increased from 5.9% in 1996 to 7.4%. In terms of labor quality, though Vietnam is a country with low illiteracy rate, the vocational training and skilled labor is at a low level. This restrains the ability of the labor force to migrate out of the agricultural sector. Hence, the pressure on the employment and redundant labor of the agriculture and rural areas is great.

Poor Production Technology

Nowadays, science-technology develops rapidly and has a special role in the development of social production, in general, and of agriculture, in particular. For agriculture, modern technology includes both before and after harvesting. Fundamentally, science-technology is important to the development in Vietnam. Actually, Vietnam's agricultural development achievement in recent time is due to great contribution of science-technology. In the field of agricultural research managed by the Ministry of Agriculture and Rural Development, there are 24 Institutes and in all areas, there are colleges of agriculture or departments of agriculture in the colleges.

In fact, Vietnam is one of the countries which successfully carried out the "green revolution" in agricultural production. Many new kinds or breeds of rice, corn, vegetables and fruits, industry crops as well as chickens, ducks, pigs, and cattles which were created by cross-breeding or imported due to high productivity and good quality are popularly used in Vietnam.

The advanced cultivation, such as the use of chemical fertilizers, water drainage and plant protection, according to the guidelines of agriculturists, also became a regular and popular activity in villages. Regrettably, there are, at present, no reliable quantitative calculations on the contribution of science-technology to agricultural growth.

However, in comparison with the development level of agricultural production and the science-technology of other regional countries, Vietnam's development level is very low. This has a strong effect on the growth ability of Vietnam's export-led agriculture in terms of low productivity and poor product quality.

Most of the investments for the agricultural science-technology are concentrated on rice growing and some are for corn and other breeds of poultry. Other kinds of crops, such as industry crops, oil-plants, fiber-plants, fruits and cattle are not given due attention. The investment for the research of agricultural science-technology reaches only 0.1% of the agriculture's GDP. The rate of Thailand is 1.4%, which is 14 times higher than Vietnam's rate. Moreover, the investment for services before and after agricultural production (providing material for agriculture and agricultural product processing) is low and less developed.

Table 24. The Total Amount of Retail Goods and Turnover of Services from 1990 to 1996 Classified in Economic Sectors (billion dong, the current price)

| | 1995 | 1996 | 1997 | 1998 | Estimation 1999 |
|---|----------|----------|----------|----------|--------------------|
| Total | 68,047.8 | 79,367.4 | 96,870.4 | 96,400.0 | 103,900.0 |
| 1. The State's capital | 26,047.8 | 35,894.4 | 46,570.4 | 51,000.0 | 64,000.0 |
| a. State budget capital | 13,575.0 | 16,544.2 | 20,570.4 | 20,700.0 | 26,000.0 |
| b. Credit capital | 3,064.0 | 8,280.2 | 12,700.0 | 14,800.0 | 19,000.0 |
| c. Capital of Enterprises | 9,408.8 | 11,070.3 | 13,300.0 | 16,100.0 | 19,000.00 |
| 2. Non-state capital | 20,000.0 | 20,773.0 | 20,000.0 | 20,500.0 | 21,000.0 |
| 3. FDI | 22,000.0 | 22,700.0 | 30,300.0 | 24,300.0 | 18,900.0 |
| The structure (%) | | | | | |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1. The State's capital | 38.3 | 45.2 | 48.1 | 53.5 | 61.6 |
| a. State budget capital | 19.9 | 20.8 | 21.2 | 21.5 | 25.0 |
| b. Credit capital | 4.5 | 10.4 | 13.1 | 15.4 | 18.3 |
| c. Capital of Enterprises | 13.8 | 13.9 | 13.7 | 16.7 | 18.3 |
| 2. Non-state capital | 29.4 | 26.2 | 20.6 | 21.3 | 20.2 |
| 3. FDI | 32.2 | 28.6 | 31.2 | 25.2 | 18.2 |
| The social investment rate compared with GDP (%) | | | | | |
| | 29.7 | 29.2 | 30.9 | 26.7 | 26.0 |
| Coefficient ICOR (times) | | | | | |
| | 3.1 | 3.1 | 3.8 | 4.6 | 5.4 |

Source: Vietnam Economic Times: Economy 1999-2000, p.9

The Limited Investment Capital Resource

Like other fields, the investment resource for the agricultural development includes three kinds: firstly, the personal investment of farmers (including the equity and loan); secondly, the State investment (usually invested in the infrastructure of agricultural and rural development, as well as other supporting services); and thirdly, the investment of enterprises (including direct foreign investment). Table 24 briefly shows the investment situation and its structure in the whole economy in recent years.

The data in Table 24 show that the total investment capital of the whole society still increases in absolute number (excluding 1998) but there is a sharp decrease in the percentage compared to the GDP in 1998 and 1999. This decrease is due to the absolute quantity of the rapid drop of the FDI, while the domestic investment has not increased. The State capital, of which the state budget capital increased in both absolute and relative numbers, was not enough to compensate for the decrease of the foreign investment sector.

Table 25. The Structure of the State's Investment Capital for Basic Construction in 1997*

| | Investment capital (billion dong) | Structure (%) |
|--|--------------------------------------|---------------|
| The State's total investment | 46,570.4 | 100.0 |
| 1. Agriculture, fishery and forestry | 3,991.2 | 8.6 |
| 2. Mining industry | 686.3 | 1.5 |
| 3. Processing industry | 6,017.3 | 12.9 |
| 4. Electricity, burning gas and water supply | 7,047.3 | 15.1 |
| 5. Construction | 936.2 | 2.0 |
| 6. Trade, hotel | 2,023.6 | 4.3 |
| 7. Transportation, store and information communication | 17,153.5 | 36.8 |
| 8. Education and training | 1,534.7 | 3.3 |
| 9. Health care | 1,233.9 | 2.6 |
| 10. Other fields of services | 5,946.4 | 12.8 |

* According to the statistics, the State's investment capital for the basic construction includes three resources: a) the State budget capital; b) the credit and c) the equity of the State-owned enterprises. In the State budget capital, only a portion is invested in basic construction but the total investment capital for basic construction includes a portion of the State credit capital and a portion of capital invested by the State-owned enterprises.

Source: The Yearly Statistical Book, 1998; p.232.

Most of the investment capital from the State budget and FDI is for nonagricultural industries, so the investment for agricultural production is mainly in the “Non-state capital” of Table 24. In the expenditure structure of the State budget capital, the investment for the agricultural sector accounted for only 8.6% in 1997 (see Table 25). This proves that the total direct foreign capital for agriculture does not increase in the absolute quantity and decreases in proportion.

The constraint of the investment capital for agriculture is mainly due to the major dependence on the investment of farmers who directly join the agricultural production. But the low income has limited the farmers’ ability to increase their investment in production. Moreover, the credit and banking system is less developed and the recent lending policies also constrain the farmers’ ability to meet the credit and banking system requirements.

The Problem of Poverty in the Rural Areas

One of the most remarkable achievements of the *doi moi* process in recent times in Vietnam is the success in poverty-reduction and hunger-elimination. According to the poverty standard of Vietnam in 1996, The Ministry of Labor, War Invalid and Social Affairs reported that:

- Hunger households have an average per capita income of under 13 kg. of rice per month (for the whole country);
- Poor households have an average per capita income of under 15 kg. of rice per month for rural, mountainous and island areas; under 20 kg. of rice per month for flat and midland rural areas; and under 25 kg. of rice per month for urban areas; and
- The rate of poor and hunger households in Vietnam in 1993 was 28%; in 1994, 23.1%; in 1995, 20.3%; and in 1996 it dropped to about 19.3%, covering 2.8 million households (over 13 million people). Of these, about 90% of the poor and hunger households could be found in rural areas, with the average per capita income of 50-60 thousand dong per month (that means about 3.8-4.6 US\$ according to the exchange rate of 1US\$ equal to 13,000 VND)

The latest report of the government shows that according to this standard, the rate of the poor and hunger households was only 10-11% in 2000. But in 2001, Vietnam will apply a new poverty standard, close to the world’s standard, therefore, the rate of the poor and hunger households will be 1.5 times higher.

Hunger and poverty had been much reduced but the difference between people

with the highest income and people with the lowest income tends to increase rapidly. According to the report of MOLISA, the difference in income between 5% of the highest group and 5% of the lowest group is about 20 times, and between 20% of the highest income group with 20% of the lowest income group is about 12 times, perhaps equal to some regional countries like Malaysia and the Philippines.

Apart from the causes of hunger and poverty, which are usually consisting of risk, accident or poor capacity, low knowledge and low education level, the most worrying problem is that the success of the poverty-reduction and hunger-elimination is not sustainable. In other words, the sustainability of the poverty-reduction and hunger-elimination achievements is now at a high level because the capacity for coping with the changing effects from the outside is at a low level, especially by the group of vulnerable people. The factors that easily lead to hunger and poverty include:

1. **Natural disasters:** Over recent years, like in many parts of the world, Vietnam has suffered from the harshness of the climate. In 1999, the storm and flood caused a serious damage in the Central coastal areas and droughts happened in the North mountainous areas. In 2000, the heavy and long-lasting flood happened again in the Mekong River Delta. The damages caused by the natural disasters are very serious, even sweeping away the efforts in alleviating the poverty of some households over the previous years.
2. **Changes in the market price:** The price of agricultural products in the market not only tends to decrease but is also very unstable. For example, the data in Table 18 shows that the amount of Vietnam's export rice in 1999 was 0.7 million tons (18.4%), higher than in 1998, but the export value was down to 80 million US\$ (-7.3%). The price of other agricultural products like coffee, rubber, and tea is also in the same situation. The uncertainty of the agricultural product price in the world's market helps farmers to have a rather good harvest, even a bumper crop, but the income in money is not much. Therefore, they might eliminate hunger but cannot reduce poverty.
3. **The underemployment in rural areas:** This is mainly due to the previously mentioned difficulties in redundant labor in the rural sector and the industrial and service sector's very limited ability to attract labor.

In sum, on the threshold of a new development period, Vietnam's agriculture is facing a lot of challenges that need to be overcome in order to gain a high and sustainable growth. The abovementioned difficulties are also main discussion topics in planning the policies on the continuing *doi moi* process of Vietnam's agriculture in the early part of the 21st century.

The Controversial Problems about Agricultural Reform

Since the Instruction No. 100 CT/TW (1981) was issued, the reform process of the agricultural policies has lasted for 20 years. In this period, everything has not taken place smoothly and easily. In the early period of the reform, discussions were held excitedly with the view to overcome the fixed ideas, habits and practices as well as management ways in the centrally-planned mechanism. The serious crisis situation requiring the implementation of the reform created a strong pressure. The pressure from reality has promoted the start of the reform towards the market and door-opening economy.

In conclusion, the reform has brought about great achievements for the economic growth, in general, and for the economy, in particular. However, the problems faced by Vietnam's economy as mentioned above still continuously give new requirements for the reform of agricultural development policies. Some important problems triggering many discussions over the recent years include:

- In the future, what is agriculture's role in the industrialization process? Is agriculture still regarded as "a top front"? Answers to these questions are related to many policies, such as the policies on investment and development of industrial and service industries.
- How much rice should Vietnam produce and is it advisable to continue increasing the amount of rice export? There are many ideas necessary to undertake reform in the policies on rice production, such as paying more attention to the rice with high quality, great export value and stable market as well as strengthening the processing industry. Also, it is not advisable to consider the rice output as the last key objective.
- Being a special agricultural production material, land is usually a problem of great concern which raises a string of questions:

Is it necessary to retain the current land ceiling, e.g.: 2-3 ha. for the long-term crops, 10 ha. for fishery and 30 ha. for long-term crops/plants and the reforestation?

Does the present 20-50 years duration of land use right depending on the kind of plants encourage farmers to invest in the intensive cultivation and to enhance the fertility of the soil?

Farmers are entitled to 5 rights in the land use right: to change, to transfer, to lease, to inherit and to mortgage, but is it fair that they do not have the right to own the land? What source of income other than land can be provided to farmers who transferred their land use right?

- What should be done in order to attack poverty effectively? Is it advisable to set up support in the form of “banks for the poor” with a preferential interest rate (lower than the commercial interest rate and with a short term)?
- What supporting policies should be formulated by the State? Which fields should be paid special attention to in order to promote the effective and sustainable agricultural growth?

The continuing reform of the agricultural policies in Vietnam now faces many problems that need to be studied. More difficult works are still to be done in the *doi moi* process in Vietnam.

III. The Requirements and Direction of the Agricultural Policy Reform in Vietnam

The Requirements of the Continuing Reform of the Agricultural Development Policies

Based on the achievements of *doi moi* process over the years and the forecasted development trends in Vietnam’s economy, the requirements of the agricultural policy reform now are:

1. Ensuring the national food safety. This is a critical problem for the stability of an agricultural and populous country. It is estimated that in 2010, Vietnam will have a population of about 90 million people, and the average nutrition level per capita will be up to 2300-2400 Kcalo. per day compared with 1900-2000 Kcalo. per day at present. Food production, therefore, will be one of the basically meaningful fields in agricultural production. The facts on how many to be produced with which plant breeds and animals will have to be continuously studied.
2. Exploiting the agricultural products for a high comparative advantage with the view to get the most benefits. This implies the necessity to have a sustained and improved plan for the specialized areas in the whole country. Actually, a plan has been carried out a long time ago, but basically, the weak development of market relations and infrastructure, especially transportation, did not make it last..
3. Developing the export-led agriculture and expanding the world market for agricultural products. In recent years, many kinds of the agricultural products have been abolished due to lack of consuming markets. The expansion of

exports includes such important measures as: strengthening marketing work, market information drive, trade promotion and enhancing the product quality, especially investing much more in science-technology research as well as post-harvest processing.

4. Rural and agricultural modernization coupled with ensuring environmental protection. This is viewed to gradually change the rural appearance towards urbanization. On the one hand, this is an inherent purpose of the agricultural and rural development in the aspects of both economy and society. On the other hand, the rural and agricultural modernization aims at bringing about better living and working conditions for farmers, reducing the pressure of immigration from rural to urban areas.
5. Attacking poverty and improving the life of rural population. The majority of the poor households now are farmers in the rural areas, especially in remote and isolated areas. The direction of the policy reform should be to continue minimizing poverty.

These, therefore are the requirements to build a high and sustainable growth in agriculture, to complete the market mechanisms relating to the world market, to apply a modern cultivation system and to preserve the natural environment.

The Direction of the Policy Reform for Agricultural Development

Nowadays, appropriate policies to address the demands of new situations in the coming years are being formulated and prepared for approval. This year, the Vietnam Communist Party Congress will decide on the common socioeconomic development strategy of the whole country, which will be the basis for implementing and concretizing the macro-economic policies as well as policies on each field of Vietnamese society. These policies shall therefore cover the enforcement and encouragement of trade and marketing, science and technology, local and foreign investment, as well as land reform. There shall also be new and relevant policies on population, job creation, human resource development, poverty reduction and hunger-elimination. Moreover, the government must adhere to the policies for the continuing reform of the State management, for strengthening the agricultural extension and democracy in the localities, and for building new cooperative structures.

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Selected Questions and Answers in the Open Forum

Prof. Ben Lim: Compared to the Vietnamese agricultural reform system, the Chinese Communist Party, upon capturing political power in 1949, immediately embarked Party officials on the land reform policy. I think that similar to Vietnam, the Party officials confiscated the land from the landlords. They did not pay the landlords and then they redistributed the land to the peasants who worked on them. In short, it was given only to those who tilled the land. However, there was a problem: that there were so many peasants but there was so little land. So the size of the land that was given to the farmers was very small.

Dr. Bui: The people of Vietnam learned land reform from China.

Prof. Lim: (To give a brief background of land reform in China), land reform was not to kill the farmers nor the landlords, but to make the landlords also tillers of the soil. The transformation was, the landlord no longer owned large tracts of land, he did not just collect the produce of the land but if he wanted to continue, he had to work. So the landlords were also given pieces of land. Part of the process of land reform was to prevent the resurgence of large-tract ownership of land. But those who could not produce so much decided to sell them to those who produced more, who then decided to buy them. And that defeated the concept of land reform. So, as a consequence, the Chinese government had to tell the farmers what the land was for. Previously when the farmers got the land, the first thing they had in mind was to produce food only for themselves and their family. But the land is supposed to produce grains also for the people in the city, for people everywhere. Anticipating that problem, the Chinese communists, when they introduced land reform, gave one very clear message to the farmers who were given the land: the land was taken away from the landlords because they were very selfish and they only thought of themselves. Ownership of land implies that you must share it with the rest of those people who have no land. Therefore, you must give a part of your production to those people. When the land was not producing enough, the Communist Party decided to form cooperatives. Thus, cooperatives were established. So, they asked big families to stay together. They put their implements together. In the cooperative, they not only had the business of farming. They had babies, they had children growing up, so they had to establish the infrastructures of schools, small nurseries, little health centers. They also had to raise other sources of production. There was a big problem in the cooperative. The people who owned land said, "We fought

the revolution. You promised that one of the aims of the revolution was to give us land. Now you are taking it away.” So the Chinese government reminded them, “We are taking it away because you are not producing enough for the people around you, for the community. You are producing only enough for yourselves.” The principle of land reform was reminded of them. So they could not resist. They joined cooperatives. But problems of corruption besieged the cooperatives. The Chinese, therefore, abolished the cooperative and established the commune. The commune turned the cooperative to what we called an “independent political as well as economic community.” People were trained not only in farming but they were also asked to engage in industries, plant fruits, ~~can~~ meat and process food. In short, it was one where you have agriculture and business cooperatives, production of tools, crop rotation, scientific research, community organic fertilizer—all of these were introduced into the commune. Still, despite the high expectation of the Chinese leadership, the commune had its own share of problems. So, Mr. Deng Xiaoping changed it into family cooperatives wherein if you are lazy, you get nothing. If you work very hard, you get something. So, those were the transformations they went into. In short, they made allowances for those kinds of problems that they anticipated. Now, one development in China that changed the concept of agriculture, revolutionary-wise, is the concept that you need large tracts of land to produce agricultural products. Because of bio-technology, what they do is look for the best strains of crops, slice them into thousandths, put them in small bottles, and store them in the big building about twenty storeys-high. For ten hectares, they can produce 500,000 tons of vegetables. The concept of land as the source of agricultural product is now being slowly changed. Question: Is this also anticipated in Vietnam?

Dr. Bui: Your question is very interesting. Comparing the history of Vietnam and China, they are similar in agricultural development, especially in the cooperative mechanism. But if you study carefully, there are differences between Vietnam and China. Besides differences in area and population, China is a very big nation in the world. And Vietnam has high hopes for cooperative mechanism. That means, even the cooperatives have got efficiency. In our economy, this is important because we have to face globalization.

Student: Good morning, sir. You said earlier, that land in Vietnam is owned by the state. Are foreign investors allowed to lease lands whether it be for agricultural or industrial purposes?

Dr. Bui: Vietnam welcomes foreign investors to go to the agriculture sector, but up to now, nobody wants to invest in agriculture because sometimes this is very risky. Investors only go to the service and manufacturing sectors, especially in

the industrial zone.

Student: Sir, here in the Philippines, we have a system called the contract-growing system, wherein some foreign businesses could grant some contracts to individual farmers and instruct them to plant, for example, bananas or pineapples for export. Is that allowed in Vietnam, that kind of contract system wherein investors could instruct farmers or cooperative members to grow a particular crop?

Dr. Bui: Yes, that's right, not only for the local market crops but also especially for the exports. We welcome investors. Some investors from Japan went to the Mekong River to experiment with some blends of rice, sweet rice from Japan and after that, export to Japan. And now they have to experiment around the two yields.

Student: I have a question with regard to marketing of production. Are the cooperatives or the peasants or the farmers, granting that they have a surplus in their production after the quota had been met, allowed to sell it in the local market?

Dr. Bui: Yes. And all the products of Asian countries can go to the markets in Vietnam. I don't see many, but some come from Thailand.

Student: You say that *doi moi* also includes the political and social reforms. Can you explain, sir, briefly, the highlights of the so-called political and social reforms and maybe even cultural reforms?

Prof. Espinas: What had been the effects of *doi moi* in the political aspect? Did the Communist Party become more monolithic or did it open up?

Dr. Bui: Nowadays, we have only one party. It is very difficult to say that it is not *doi moi*. I feel that *doi moi* is very active in the political aspect because now we can speak and discuss everything related to the life of the people, the future direction of our country and I consider that now, Vietnam is rather open. In all of the many international places I spoke about Vietnam, I discussed almost everything, all the issues in Vietnam.

Prof. Espinas: I have a point of clarification, Dr. Bui. You said that during the collectivization period, the attitude of the state was to implement collectivized agriculture rapidly. The intention was, because you were, at that time, influenced by the experiences of the Soviet Union and China, to transform Vietnam into a cooperative state. But then, it did not work so this is the point we have been driving at. The state realized that collectivization did not develop in the peasants, among the farmers, *'yung kanilang* creativity, *'yung* initiative to improve the productivity of their lands because the State was telling them what to do. So the

people abandoned that idea of collectivization. Instead, they did it on their own. I think this is significant because we can see here that the people were ahead of the state in this practice. They thought they should be the one leading. So, the practice wherein the state was telling the people what to do was reversed during the *doi moi* process.

Ms. Roque: I think it was not totally abandoned. The cooperative is still the higher form of collective labor that ensured production of the staple crop. What they did was they modified it, made it flexible so that the farmers can also find their own means of livelihood or engage in other productive endeavors. But as it was said, the farmers had first to complete the share requirements in the cooperative. So there is no conflict, I guess, in the concept of cooperative under socialist system when you allow individual farmers to also engage in other activities.

KMP: I agree with Lu because, for instance, one statement of Dr. Bui that struck me was that collectivization was, in fact, a precondition for *doi moi*, which means that without collectivization, there would not be anything like *doi moi* as it is implemented in agriculture today. So I think it would also be wrong to contrapose collectivization with *doi moi* because it's a small modification, I think, rather than a reversal.

Dr. Bui: Now, you see, that is a very interesting issue, and not only interesting but very difficult. But the more difficult, the more attractive. Maybe the contract system belongs to the capitalist system. But it is not the purpose of development. It is a measure, a way; it is one way to economic development. This is the first step. The second, it should be for people to understand what is socialist economy. The socialist economy includes all of the methods—the new method and the capitalist method. I don't think it is a mistake. Now we combine all of the good experiences of the people everywhere. It is the modern socialist economy we want because up to now we don't have the fixed socialist economic world. We have to fight up to now and even in the future. So, the contract system is the idea. But it is your own idea. If you maintain the socialist economic idea, the old idea, you can consider the contract system, but if you have a new form of economic social economy, maybe it is not that.

Prof. Espinas: He said that the contract system is a capitalist way. It could be a measure, it could lead them to a step further in achieving socialism. '*Di ba, parang ganoon?*' Because he's saying that they still do not know how they will do it based on the experience of the people. *Basta* what they know is that what they are doing today is oriented towards the modern socialist economy. They are determined to reach a socialist economy. What is it, we do not know. '*Yan ba?*'

Dean Malay: Basically, there was a mistake. It is that socialism in countries like Vietnam or China, or for that matter, in more developed countries, tampered with the natural system. What I mean is the natural motivation of the agricultural sector, the market sector, to want to produce a surplus for sale in the market over and above what the farmer needs for his own and his family's consumption. Therefore, the basic need of any modern economy, whether capitalist or socialist, is precisely to motivate the farmers to produce more than what they need. Because without the surplus, the rest of the population, which is non-working, would starve to death. It is as simple as that. Now, historically speaking, Vietnam has reverted to the capitalist system. Whether you call it capitalism or not is beside the point. Nobody invented so-called capitalism. It's not something that you learn in a theory. It is not in a book. Every farmer at one point or another in his development, realizes that in order to develop further, he has to produce a surplus. You have to begin with that. Once you have the surplus, you sell it. Call it capitalism or what you will but that's what makes the economy work.

Prof. Espinas: I think that's a very good point. There is an observation that Vietnam is now adopting certain capitalist measures in order to, *'jung sinasabi ni Dean*, produce surplus. Is it true that it is natural, or *parang ang nakita ko doon sa sinasabi mo*, it is natural for us to be profit-oriented?

Dean Malay: No. It's natural for the producer to want to produce more than what he really needs, *'di ba?* Because if everybody were at the basic primitive level, nobody would progress. We would all be producing all our own basic needs and service ourselves. There would be no division of labor. And there would be no progress. So, profit comes later but that is not the point for people at the beginning. It's not to make a profit. And after all, it is, I would say, only "normal," for somebody to expect some reward, out of the extra value that he or she gives to that product.

Ms. Roque: I would agree to the statement that there is the desire of the people, especially in Vietnam for example, to do extra work outside of the cooperative because there are other needs that a human being has to satisfy himself with, like in the setting that we are having now. We are talking only of agricultural farms where the staple crop is being uncertainly managed, up to the cooperative level. Vietnam not only has to ensure the staple crop, but also the food security of the entire nation. Because of the history of being ravaged by war, rice production was low but still they continued to address the problem, and through cooperatives and land reform, they gained some advances. But later on, they noticed that there was a decline. One measure they adopted was to allow private ownership. That was many years back, after they had their land reform successfully established and they were allowing some degree of private ownership

to also unleash the productivity of the people, which is natural in the sense that there are other needs. There are other satisfactions which are also basic, like shelter, clothing, etc. which, under the cooperative system, were not sufficient. So they allowed individual means on how to earn more income but still they had measures like taxation, and limits of three hectares, not more than two hectares, and the basic rule that they cannot sell and privately own lands. So in that sense, I don't see any contradiction with, for example, the contract system. They also allow that because that's one measure, as we said, of managing the economy so that the farmers' labors are also centrally directed, only it's individually done. Because the main contractor is the state '*di ba*? And the state is the one controlling, for example, the staple crop production. It's the one ensuring that food production is stable and secured. Meaning, the state is the one contracting. There are other forms of contract labor, but I could assume they also have mechanisms that regulate it. So, I think the practice of the Vietnamese people is very flexible, and they are quick to the changes that they can see, the problems, the limitations—both objective and subjective—because the motivation to work is more on the subjective. But the objective reality of agricultural farms in Vietnam is still not that productive in terms of technology, which we have not yet touched. So all in all, I think the experience further strengthens and develops some socialist principles in agriculture.

Prof. Espinas: This is just for the sake of clarification. I think that it is striking at the very heart of the concept to say that socialism is better than capitalism. These are two facts of development vying for our support or, dividing us. So, what do you mean by tampering—that the socialist construction is tampering with the natural tendency of the people just to provide for themselves and for what they need, that the state is seeing to it that the peasants should have an excess produce in order to support the entire country?

Dean Malay: What I mean is that the state interferes in what I called the natural process by making it a crime to engage in what I would call a perfectly normal activity. What is wrong in wanting to produce?

Prof. Espinas: Only for yourself?

Dean Malay: Food over and above your own needs and selling it in the market. Now, the market, as I said, has its own laws and therefore, the price is more or less set by some products of the so-called process. Like demand. The socialist economy interferes by first, setting the prices arbitrarily and also making the whole idea of private enterprise criminal. Some people may get to become millionaires in the process. As we know, in China, there are many farmers who are now millionaires. But it is inevitable because in China, the government has let the market forces come into play. Of course, very controlled but we know

that it has resulted in some inequality. Now this is another controversy when it comes to socialist principles. That whether they allowed it or not, well, an answer to that is if you let capitalism have its way, it really is going to result in a lot of disturbances, *hindi lang* disturbances *kundi* inequality. But the opposite, meaning socialism, also results in so much low productivity, inefficiency, for that matter.

Student: I think it goes to the debate now. One of the most contentious debates now, some said, on post-modern Marxism—I mean the issue that there’s nothing bad with capital but capitalism is the problem because in the socialist construction, the socialist government needs capital—is how to use the capital and not to allow the capitalist to go back to power, as in the Vietnamese experience. They say that allowing the contract system with the participation of Vietnamese farmers is not bad per se, because it only motivates them for their economic participation in Vietnamese economy, for the socialist construction.

Dr. Bui: Yes, your observations in agriculture abound with theory. Sometimes there is weakness between theory and practice.

Prof. Espinas: I think you’re right.

Dean Malay: Let us not debate about it to a point where we Filipinos, who are not socialists, are going to criticize the Vietnamese and the Chinese and the Soviets for reverting to free market capitalist practices. They themselves had seen it in their own experience and how it has failed to work. So we cannot criticize them in the name of a theory which I think we misunderstand. In the first place, *talagang tayo mismo*, we have no experience with that, okay. But you know, it really failed to live up to its promises. So we must re-examine that and let us not criticize them because they know what it is to have tried it and failed.

Ms. Roque: At the same time, it is also not correct to say that just because some socialist countries like Vietnam have indulged in certain capitalist endeavors, they are already becoming capitalists.

Dean Malay: Right now, Vietnam, like China, is still in the transition phase, that is, not yet capitalist, but not fully socialist either. It is moving from one phase to the other. Now, what do you think? Will it revert to socialism? I don’t think so.

Ms. Roque: Well, that is an opinion.

Prof. Espinas: *Hindi natin alam ‘yon. May nabanggit siya kanina na* most important, that land is no longer owned privately by the people. It’s owned by the state. This is one significant difference between, *halimbawa, itong* feudal state *natin na* 90% is owned by just 5 % of the total population. I think this is

one important difference, so *ang tingin ko*, the Communist Party will not allow itself to revert to that. *Kaya* how the Chinese will plan to go to socialism, they themselves don't know. But what they know is that they are in control. I think *'yun ang nakuha kong message kay Dr. Bui*. Actually, it's good to clarify these problems, in socialist construction, for the sake of grappling the theory by its horns. But since we have no experience, only readings, we can go on discussing this *pero* it was a good point. At least, it inspired us to discuss the issue.

Dr. Bui: Yes, I think that *doi moi* is not funny. Not easy. It is now our role to continue doing so. I think that we are not sure it is always right. In the long run, I'm not sure. But now, after over ten years, with reform in our country policy in Vietnam, we are successful in the growth of our economy. We have economic growth. So maybe in the future, we will find other methods, study some situations in land reform and we can explain why Vietnam had to carry out agricultural reform and economic reform.