


I . INTRODUCTION

1.1. VIETNAMESE ECONOMIC REFORM AND OBJECTIVE OF THE STUDY.

Vietnam is located in the South East Asia region. It has an total land area of 331,113 square kilometers (300,000 square miles), and a coastline of 3,260 kilometers (2,000 miles) on the western shore of the South China Sea. It is an agricultural country with a population of 72 million, ranked the fifteenth on the world. Its labour force of 36 million is highly literate and skilled (literacy: 90 percent of males, 78 percent of female) with a considerable contingent of post graduates. Natural resources of the country are in abundance but mostly unexploited.



Despite these favourable factors and its advantageous location being within one of the most dynamic regions, Vietnam still has an under-developed economy. Her capita Gross National Output (GNP) is estimated at about US\$ 200 only. It is due to the prolonged 30-year wars and the many shortcomings of the centrally - planned commando - mechanism.

Agriculture plays a significant role as the backbone of

the economy. In 1991, it employed 71.9 percent of the total social labour force, contributed 41.4 percent of the Gross Domestic Products (GDP), 49.4 percent of the national income and 30.4 percent of the total export value. Thus, agriculture holds a decisive role in the forward development of the country. Unfortunately, the agriculture sector was not developed as it could be. /

After the reunification of North and South Vietnam in 1975, the Vietnamese Communist Party (VCP) and the government laid out a policy to "prioritise heavy industry in a rational way on the basis of agricultural and light industry development". Accordingly, the national sources were concentrated on building the heavy industry.

In addition, there was an excessive emphasis on the collectivisation of agricultural labour and means of production so as to create a "large socialist agriculture". The Soviet and the Bulgarian models were adopted although the country had to depend on backward equipments and cooperative management cadres with very low knowledge. /

On the one hand, the government neither recognized and nor encouraged the role of private sector in every

branch of the economy. On the other hand, the centralized, subsidized and bureaucratic mechanism did not encourage the creative talent or productive labour.

Hence, talent, equipment and labour therefore were wasted. Instead, corruption had a good chance to take place. As a result, the national production did not grow, but reduced. For instance, the yield of paddy - the most important and the main crop of Vietnam fell from 22,300 kg/ha in 1976 to 17,900 kg/ha in 1978 (Vietnam, Government of, 1991a). This represents about 20 percent decrease in only two years thus resulting in a serious shortage in food.

The country fell into an economic disaster which later forced the Party and the Government to revert their focus on agriculture and light industries and trading in order to adjust many limitations of the economic mechanism.

In 1979, the first micro-economic reforms in agriculture and light industries were introduced in Vietnam. Although the first half of 1980s saw agricultural and light industries coming out of stagnancy, the budget deficit seriously continued to soar due to the failures of the "wage and price

adjustment" policies of the government. The inflation even galloped up to 774 percent in 1986 and the people continued to face the hardship (State Bank of Vietnam. / 1995). Consequently, their confidence in the regime diminished, and the country fell into a more serious socio-economic crisis.

As a response to the crisis, the Sixth Congress of the VCP introduced an economic reform programme - *DOI MOI*, in December 1986. This programme provided detailly the concept of economic reforms and prepared the ground for macro-economic adjustments.

The main aim of this policy is to revitalize the economy and ensure the survival of the authoritarian system. The contents were concentrated on :

- i) Developing a multisectoral economy;
- ii) Emphasizing on production of food, consumer and export goods;
- iii) Changing the management mechanism more legally and in a democratic way; and
- iv) Implementing the open-door policy and expanding the economic foreign relations.

Since then, the reform process has taken place with many initial successes. It had overcome tremendous challenges linked to the collapse of the Soviet Union

and the loss of the East - European markets.

Here are some initial laudable results of the reform programmes:

i) Since 1989, Vietnam has not only had enough food but also become the third largest exporter of rice in the world market; 1

ii) The economy has grown at high speed. For instance, in 1993, GDP grew at the rate of 8.07 percent, industry, agriculture and services grew at the rates of 11.21 percent, 6.6 percent and 9.2 percent, respectively (Vietnam, ~~Government of~~ 1994a). /

iii) non-state sector has grown steadily.

iv) The country has a new market in Asia and attracted US\$ 10.5 billions of foreign investment (Zulkifli. M. A. 1994).

While it is apparent that the reform produced initial positive results, its long term effects and efficiency will remain the focus of the government. Agriculture, being a key industry, will continue to contribute significantly to the growth of the economy. It is therefore necessary so as to review the reform process in this industry to ensure continued successes in the overall economic reformation of the country. 1

Hence, in the context of economic reforms of the economy, the economic reforms in agriculture will be

discussed in this paper.

This study has the following objectives:

i) to examine the contents, achievements and shortcomings of agricultural reform policies and their effects on the agricultural development as well as on the income of the peasants; and

ii) to propose ways in which Vietnam could enhance the development of the agriculture by drawing successful lessons from domestic reform process and comparing them with the experiences of the Asian counterparts.

1.2. LITERATURE REVIEW

Various papers have been presented concerning the economic reforms in Vietnam in general, and the agricultural innovation in particular.

Nguyen Van Hung (1991) focused on the contents, transformations and challenges facing every industry. Hofmann and Stingftung (1993) presented the aims, instruments, and achievements of the reforms in Vietnam's economy. In particular, the aims were given very clearly in the context not only of Vietnam but also of

the rest of the world affairs relating to Vietnam.

Some other studies focused on agriculture, particularly focusing on cooperatives and households. They viewed the contract system as an instrument of the economic reform in agriculture (Hong Giao, 1984; Vu Huu Ngoan, 1984; Nguyen Van Luc, 1990; Nguyen Van Thao, 1991).

not in list

The effects of the reform on the living conditions of the peasants were also studied by Nguyen Luc (1990), Tran An Phong and Cao Duc Phat (1990) and some Government surveys reported by the General Department of Statistics (GDS).

not in list

In short, many papers are presented in this field of study. Some of them focused on the economic reform in agriculture - the backbone of the economy. However, until now, none of them managed to provide a concrete and multi-aspect picture about the agricultural transformation.

In particular, they give no comparisons with successful experiences of other countries to affirm what and how should be done - although these are very important elements for the development of the country. Hence, this paper tries to review carefully the agricultural economic reforms, and thereafter provide some

comparisons of lessons drawn from successful experiences of other countries.

1.3. METHODOLOGY

All the data used in this paper were directly obtained from secondary data such as Statistical Yearbooks, Reports of General Department of Statistics (GDS) and other Ministries as well as some available studies.

1.4. SCOPE AND ORGANIZATION OF THE STUDY

1.4.1. The scope of the study

This study generally reviews the economy of North Vietnam since 1958, and that of the reunified Vietnam since 1975 till the present day. It focuses on the economic reform which took place during these periods with particular reference to the agriculture reform. There had been significant changes in the economic models adopted by the government since 1958. As such, the models will be analyzed accordingly. This study will however focus on the periods after the 1975 Reunification of the North and South Vietnam in ensuring the economic reform.

Particular reference will be made on the agriculture

reforms, specially concentrating on two significant sectors of agriculture, that is the collective and the households sectors. The remaining state sector which accounts for only two percent of the Gross Agricultural Products (GAP) is not included in this study. However, this sector adopted a reform process similar to that of collective sector.

The study also made some comparisons with other countries including China, Taiwan, South Korea, the Philippines, Indonesia and Malaysia, based on their successes in recent years.

1.4.2. The organization of the study

The paper is presented in 4 sections.

i) **Section I: Introduction.**

The necessity, objective, literature review, methodology, scope and organization of the study are presented.

ii) **Section II: The Economic Reform In Vietnam: An Overview.**

The reasons, aims, content, and achievements of the economic reform in Vietnam are briefly discussed.

iii) **Section III: Economic Reform in the Vietnamese Agriculture.**

Firstly, this section underlines shortly the role and

the characteristics of the agriculture in the economy. Secondly, policies for agricultural development during the periods were reviewed so as to highlight their contents, achievements and shortcomings and effects on the development of the agriculture as well on the income of the peasants.

vi) Section IV: **Experiences of Other Asian Countries - Suggestions for Vietnam.**

The section draws out successful experiences of other countries for comparison with the agricultural reform in Vietnam. These experiences would provide useful lessons for the Vietnam.

v) Section V: **Concluding Remarks.**

Various strategies that would be more appropriate to Vietnam's future agricultural development, will be presented.