

III. THE ECONOMIC REFORM IN AGRICULTURE.

3.1. ROLE OF AGRICULTURE IN VIETNAM'S ECONOMIC DEVELOPMENT

Agriculture in Vietnam, as well as in most of poor nations, plays a key role because most of the people of the nation make their living from the land. According to Table 3.1, nearly 70 percent of the total population and over 72 percent of the total labour force are farmers. There are several reasons for high dependence on agriculture.

Firstly, the country must rely on its own agricultural sector to produce the food consumed by its 72 million people. With a per capita GDP of only US\$ 200 and neglected foreign exchange earnings, the country cannot afford to import food from abroad. So, there is no choice for Vietnam in meeting the demand for food, but to develop her own agriculture.

Secondly, during the industrialization process, the proportion of the urban population will rise very fast. Policies to promote the development of agriculture must be given a greater attention. If agricultural

productivity does not rise (and in the absence of food imports), the terms of trade will turn sharply against the industrial sector, hence a cut in the profits which will eventually bring economic growth to a halt.

Thirdly, agricultural productivity growth allows the country to redistribute her labour force so as to supply labour input for industrial and service sectors. ✓

Fourthly, Vietnam has comparative advantages on agricultural products. Agriculture, in practice, supplies about one third of the total export value. Hence, the sector becomes the main source of savings and capital for economic development .

Lastly, 10.281 million farmer households with nearly 49.57 million people offer a large market for industrialization. They will expand their demand for goods and services and can therefore afford it if the agriculture is more developed.

In short, as a key sector, agriculture and its reforms are very important for economic development in Vietnam.

Table 3.1. VIETNAM: THE ROLE OF AGRICULTURE IN THE ECONOMY

INDICATOR	unit	1985	1990	1991	1992	1993
1. Natural Land	mil.ha	33.113	33.113	33.113	33.113	33.113
- Agric. Land	mil.ha	6.4922	6.993	7.0078	7.293	
(percentage)	(%)	19.6	21.1	21.2	22.0	
2. Population	mil.pp	59.87	69.93	67.774	69.306	70.983
- Agric. Pop.	mil.pp	41.24	66.23	46.734	48.183	49.574
(percentage)	(%)	68.9	68.6	68.9	69.5	69.84
3. Labour	mil.pp	26.03	30.83	30.974	31.815	
- Agric. Labour	mil.pp	18.81	21.86	22.276	22.998	23.700
(percentage)	(%)	72.3	70.3	71.9	72.2	
4. GDP						
(current price)	bil.d.	153.2	53606	101359	147159	
- Agric. G. P.	bil.d.	50.2	20542	41971	50951	
(percentage)	(%)	37.2	38.3	41.4	34.6	
5. National Income	bil.d.	76.5	27513	51136	71091	
- Agric. N.I.	bil.d.	35.7	12818	25241	30233	
(percentage)	(%)	47.3	46.6	49.4	42.5	
6. State						
Investment	mil.d.	37.2	2703.7	4503.9	7497.0	
- Agric. S.I.	mil.d.	6.9	409.2	615.4	839.8	1140.0
(percentage)	(%)	18.5	15.1	13.7	11.2	
7. Exports	US\$mil	689.5	2404.2	2067.0	2475.0	2700.0
- Agric. products	US\$mil	274.2	793.2	628.0	800.0	900.0
(percentage)	(%)	35.4	32.6	30.4	32.3	33.3

Source: Vietnam, Government of. 1994b. "Statistical Data for Agriculture, Forestry and Fishery, 1985-1993". GDS.

3.2. SPECIFIC CHARACTERISTICS OF THE VIETNAMESE AGRICULTURE.

Vietnam is located along the coastal portion of the Indo-China peninsular, and extending over 15 parallels from north to south. Hence, her agriculture is quite unique.

Vietnam is a highly densely populated country with 214 persons/sq.km. At 0.1 hectare per head, the ratio of arable land per person is among the lowest in the world. The total arable land now is 7.3 million hectares. Although 60 percent of the country is hilly and mountainous, only 20 percent is covered with forest. The wasted land and bare hills make up more than 40 percent of the total area of the country with 13 million ha. The problem of land erosion in the hilly area, droughts, floods and storms threaten the country frequently. Luckily, there are two large deltas - the Mekong River Delta (3.8 million hectares) and the Red Rive Delta (1.7 million hectares) which are extremely fertile.

There are big differences regionally in terms of economic, social and cultural development as well as the production method and the level of technology. The

most highly intensive and developed agricultural can be found in the deltas, town outskirts and some coastal areas where most of the people completed at least primary school education. In contrast, in the highly mountainous areas and islands, agriculture is extensive. Over a million people with most of them illiterate, are still making their living by shifting cultivation.

Besides, there are also large regional variations in population density. The deltas are much more densely populated than the midlands and highlands. For example, in Red River Delta, there are over 1,000 inhabitants per sq.km while the Central Highlands have only 40 persons per sq.km.

The climate and weather conditions, to some extent, allow farmers to grow several crops per year. The average intensity at present is only 1.4 but in some regions it reaches up to 2.5- 3.0. Many suitable long-term plants such as tea, coffee, rubber, selected spices and herbs for cultivation in the hilly and mountainous regions could both give considerable economic benefits - combat land erosions and declining land fertility.

Production capacity in many parts of the country is

very high. The delta, in particular, is possible to produced three paddy crops per year with yields of over 20 tons per hectare. The farmers can also produce 10-15 tons of rice with two paddy crops and 20 tons of potatoes or 30-35 tons of vegetables per hectare annually.

Vietnam has better conditions than most of the neighbors to cultivate high value temperate vegetables such as potato, onion, garlic, tomato, cucumber, watermelon, cabbage and cauliflower during the winter. The harvest time for these vegetables in Vietnam coincides with a period of low stock and expensive in countries that have temperate climate .

In addition, Vietnam has a large maritime economic zone - three time larger than its land area and rich in resources. The total stock of seafood is estimated to be about 3.5 million tons with annual catch of 700,000 tons. The aquatic production also has a huge potential.

In short, Vietnam has a great potential and many advantages to develop her agriculture because of its relatively high educated society, skilled and experience labours, rich natural resources and wide climate variations. However, the agriculture has,

unfortunately, suffered from unemployment, shortage of capital and shortcomings of the policy. Hence, it has not developed as much as it could. Therefore, every model or policy should be adapted to the specific characteristics of Vietnamese agriculture, and should not be indiscriminately copied from other countries.

3.3.THE FORMER SOCIALISTIC MODEL AND AGRICULTURAL DEVELOPMENT UP TO 1980

3.3.1. Period of 1955-1965

After the withdrawal of the French troops in 1954, Vietnam had been divided into two regions - North and South Vietnam. The North, under the rule of communists, immediately started to transform into socialism.

In the North, the government introduced land reform in 1955. The reform had liberated peasants from feudalism, made them independent and redistributed land more equally among the social classes. As a result, the agricultural production increased briskly. However, certain accompanying contractions and problems demanded to be resolved. After the land was distributed, families that lacked financial resources or experience in farming had to either give up their land or continue

utilizing it at low yields. This problem day after day became more serious. Unfortunately, at that time, more than 90 percent of the Vietnamese were farmers while industrial and services sectors were too weak to absorb labour from the countryside.

In order to resolve the contraction, the government decided to introduce cooperativisation. The collectivizing labour and means of production were basically completed in just two years. By December 1960, there were 414,000 cooperatives comprising 2.4 million of peasant households who accounted for 85.8 percent of the total agricultural population covering 68.1 percent of cultivated area (Nguyen Luc ed., 1990). *? when refer to*

The cooperatives in Vietnam were divided into two categories: the low-level and the high-level coops. Both categories practiced collectivism in their means of production. However, they differ in the degree of their collectivism. In the former, the products were distributed based not only on the amount of labour that the farmer offered to the coops, but also on the amount of land and other means of production that the farmer contributed to the coops. However, in the latter, the product distribution was based only on the amount of labour that the peasant offered to the coops. *✓* Therefore, in the high level coops, the rent was no

longer paid to the former owners of the land.

When the coops distributed their products according to labour, they used "workpoints". This measured the quantity and quality of works which the members contributed to their cooperatives. After working for eight hours in a normal day, a member who had an average level of health, intelligence, experience, skillfulness, and with an average means of production, was given ten "workpoints" or one "workday". If he did another work two times harder, he would be given "twenty workpoints" or two "workdays".

At harvest time, after a deduction was made for taxes, production cost, and social security expenses, members received their shares of the crop according to the amount of "workpoints" or "workdays" they had accumulated. This measure of labour, understandably, differ from one cooperative to another.

However, it was very difficult to judge the quality of the performance. Group members usually avoided rating each other since they are usually related to each other or neighbours. As a result, every member usually paid attention to only the quantity of work for the "workpoints" at the expense of product quality and

production. Thus, in the long run the cost of production increased which in turn decreased the value of "workday". As illustrated in Table 3.2, the amount of workdays per hectare increased from 216 in 1961 to 356 in 1965, a growth rate of 64.8 percent. During the same period, production cost per hectare grew by 64.8 percent. Therefore, the production cost in the gross output value which accounted for 25 percent in 1961 increased to 32.8 percent in 1965. Hence, the returns for one *dong* of capital input and value in *dong* of a workday was reduced by 12.8 and 27.8 percent, respectively. ✓

**Table 3.2. NORTH VIETNAM: PRODUCTION COST AND THE VALUE
OF THE WORKDAY (1961-1965)**
(Values at 1959 constant prices)

Indicator	1961	1963	1964	1965	Growth Rate 1965/61 (%)
Production costs in dong per hectare cultivated	85	128	123	140	64.7
Workdays per hectare	216	354	326	356	64.8
Percentage of production cost in gross output (%)	25.5	29.9	30.1	32.8	28.6
Return for 1 dong of capital input	4.07	3.24	3.79	3.55	-12.8
Value in dong of a workday	0.86	0.67	0.68	0.64	-27.8

Source: Nguyen Luc (ed.). 1990.

However, this period of time has still been considered as the "golden period" of more than 30 years of cooperativization. It is evidenced from Table 3.3 that the rice production per head reached to the highest level on average at 373 kg/head during the period 1961-

1965, in comparison with 355 kg during the previous period 1955-1960, 319 kg during 1966-1971, and 267 kg during 1972-1975.

Table 3.3. NORTH VIETNAM: ANNUAL AVERAGE OF FOOD PRODUCTION AND FOOD PRODUCTION PER CAPITA

Periods	Food production (million tons)	Food production per capita (kg)
1956-1960	5.29	355
1961-1965	6.64	373
1966-1971	6.61	319
1972-1975	6.21	276
1976-1980	6.18	-

Source: - Vickerman A. 1987.

- Bresford M. 1989.

3.3.2. Period of 1966-1975

In 1965, America invaded South Vietnam and expanded the war to the North. The northern economy had to be put into wartime situation. The government decided to extend the size of the cooperatives from hamlet level to village level (about four times larger). The "high-

level" cooperative, then consisted of the entire village population, allowed the country absorb more human and material resources for the war effort.

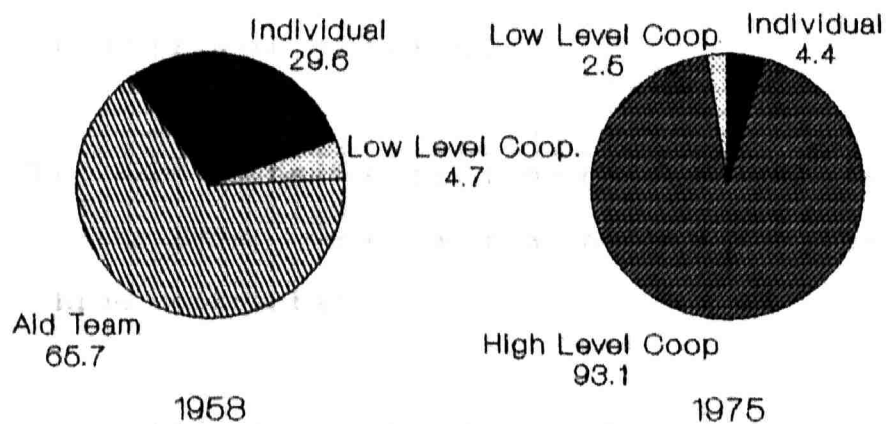
As shown in Table 3.4 and Figure 3.1, the percentage of households that belonged to the high-level cooperatives increased from 65 percent in 1965 to 93.1 percent in 1975. Correspondingly, the cultivated land belonging to the high level cooperatives also increased from 54.4 percent to 88.7 percent.

Table 3.4. NORTH VIETNAM: COLLECTIVISATION OF AGRICULTURE,
1955-1975

Year	Household Production		Mutual Aid Team (% of House-holds)	Low level Coops		High level Coops	
	% of All House-holds	% of All Culti. Land		% of All House-Holds	% of All Culti. Land	% of All House-Holds	% of All Culti. Land
1955	59.5	n/a	40.3	n/a	n/a	n/a	n/a
1956	49.0	n/a	50.1	n/a	n/a	n/a	n/a
1957	78.1	n/a	21.1	n/a	n/a	n/a	n/a
1958	29.6	n/a	65.7	4.7	n/a	n/a	n/a
1959	17.1	n/a	37.5	43.0	35.0	2.4	2.0
1960	14.2	31.9		73.4	57.5	12.4	10.6
1961	11.1	29.1		58.3	46.7	30.6	24.2
1962	13.7	30.9		49.0	38.9	37.3	30.2
1963	14.9	31.1		45.9	37.1	39.2	31.0
1964	15.3	24.4		39.2	36.5	45.5	31.3
1965	9.9	19.7		25.1	25.9	65.0	39.1
1966	7.3	10.9		13.0	13.5	79.7	54.4
1967	5.9	9.1		12.7	12.7	81.4	75.6
1968	5.2	7.8		6.7	8.5	88.1	78.2
1969	4.9	7.6		5.4	7.8	89.7	83.7
1970	4.5	5.4		3.6	7.3	91.9	84.6
1871	4.1	5.0		3.9	7.5	92.9	87.5
1972	4.3	5.1		3.7	7.2	92.0	87.7
1973	5.2	5.3		3.5	7.1	91.3	87.6
1974	4.8	5.0		2.6	6.6	92.6	88.4
1975	4.4	4.8		2.5	6.5	93.1	88.7

Source:- Vickerman A. 1987.

Figure 3.1. NORTH VIETNAM: FARM HOUSEHOLDS CATEGORISED BY ECONOMIC SECTORS (%)



Source : Vickerman A, 1987.

Besides, due to having more labours, the cooperatives manage to specialize the division of labour. "Specialized brigades" (SBs) and "basic production brigades" (BPs) were organized. Many kinds of SBs specialized in many kinds of works, such as irrigation, soil preparation, seeding production, fertilizers production and application, plant protection, and livestock rearing. These SBs operated as the service units of the BPs which performed all other works until the crops were harvested.

The BPs being the basic production vehicles performed by the BPs, were paid according to the system of "three contracts":

i) "product contract" was signed between the cooperative and each BP to deliver at the end of each harvest or each year a given quantity of product at certain qualities, based on fertilizer and cultivated surface.

According to this contract, the brigades may get 80 percent to 100 percent of the amount of products which exceeded the agreed upon quotas. However, in cases of a deficit, the BPs had to bear 50 percent to 70 percent of the deficit.

ii) "production cost contract" provided the brigade fixed amount of seeds, fertilizers, and fuel, etc. to plant, look after and harvest certain hectares of certain crops so as to create the amount of products signed in the "product contract".

iii) "Piece-work contract" fixed the number of "workdays" for each task based on the previous experiences.

To implement these contracts, the brigades used sub-contract "portions of work" to group of farmers or to households or even to each individual.

However, this contract system still showed a significant shortcoming: it tied the brigades but not individuals to the final products. As a result, the farmers individually still paid attention to the number of "workpoints" or "workdays" only. Actually, they did not care about the quality of works or the amount of final products. ✓

Consequently, the cost of production during this period (1966-1975) had risen over time, as large as 3.6 times in comparison with the preceding period 1961-1965, while the total income of the cooperatives increase

only 2.5 times. The percent cost against the total income also rose up from 30 percent during 1961-1965 to 48 percent by 1975. (Nguyen Luc ed. 1990, p.33)

3.3.3. The period of 1976-1980

Immediately, after the unification of Vietnam in 1976, the government, laid out a policy to "prioritise heavy industry in a rational way on the basis of agricultural and light industry development". Accordingly, as shown from Table 3.5, the investment for the agricultural development was reduced from 23.7 percent in 1977 to 19 percent in 1990.

Table 3.5. VIETNAM: CAPITAL AND MATERIALS INVESTED IN
AGRICULTURE FROM 1976 TO 1980

Items	1976	1977	1978	1979	1980
Ratio (%) of direct investment in Agriculture compared with total capital for construction	20	23.7	22.7	20.6	19
Annual material investment per hectare					
- standard nitrogen fertilizer (kg/ha)	104.1	144.2	110.7	71.8	65.4
- Phosphorous Fertilizer (kg/ha)	54.5	62.1	59.6	23.6	19.7
- Kali (kg/ha)	6.5	6.9	6.4	8.5	N/A

Source: Nguyen Luc (ed.), 1990.

Unfortunately, instead of drawing lessons from the failures in the past, the government continued to push cooperative consolidation in the North in order to achieve "large scale socialist production". By 1979, in the North, there are 4,150 cooperatives cultivating land area from 500 to over 1000 hectares, (accompanied by about 1000 to over 2000 labour each). Compared with 1960, the number of families in a cooperative by 1980

has increased by five times and the cultivated area increased by six times.

Land, draft cattle and all other means of production were highly collectivized and labors were further reorganized into specialized brigades. These teams absorbed most of the men and healthy, skillful women labour. However, they were given specific tasks which were many steps removed from the final products. So, they had little incentive to perform their job properly. There was also no incentive for those who worked in the basic production brigades because they were also not tied by final products.

In many regions, the replacement of food distribution in kind by a system of "payment of labour in cash and distribution of food according to quotas" took place. Now, each labour received his income from the cooperative in cash. This is done by multiplying his number of "workdays" by the value of each "workday". This value could be calculated by dividing the total income of the cooperative (after tax, security reserve, common expenditures offset, and food for old people and children) by the number of total "workdays" of the cooperative. Meanwhile, "workpoints" were still used to measure labor expenditure inspite of its shortcoming.


Otherwise, when the scale of the cooperatives and then their brigades became too large, many problems arose. Especially, cooperative cadres had very poor education and training. In fact, it was reported that " In the agricultural production, the majority of management staff at commune and cooperative levels just enjoyed primary or secondary school education, mostly without having ever experienced any systematic management training courses, thus resulting in their unapprehensive application of scientific and technical advances. Regarding the general education ratio of three key commune posts- the secretary of the communal communist party committee, the commune president and the cooperative manager in rural areas, it is found that 52.9 percent of them completed the primary school level and 32.2 percent at secondary school level. In terms of qualification's ratio, 22.4 percent experienced economic management training courses and 15.3 percent experienced state administration training courses"

(Tran Hoang Kim and Le Thu, 1992, p.52)

It is no wonder that they encountered problems in running the cooperatives with thousands of labours.

Moreover, individuals who had been considered as the owners of the cooperatives, could not, in practice,

trust the cooperative cadres. The reason was the scale of the cooperative and the brigades were so large that the members could not keep track of the performance of the cadres. So, there was no incentive for both cadres and members. And the corruption was rampant throughout the Northern territory.



A survey conducted among 307 representative cooperatives in Red River Delta, in 1979 showed that the larger the scale of cooperative, the less the income a cooperative member earned. This can be illustrated by Table 3.6 which shows that when the size of cooperatives increased from 301-400 ha to 401-500 and to above 500 ha; the padi yield reduced from 3,256 kg to 2,944 kg and 2,731 kg; income per capita reduced from 2,685 dong to 2,179 and 2,055 dong.

**Table 3.6. RELATIONSHIP BETWEEN SIZES OF COOPERATIVES
AND THEIR PRODUCTION OF RICE IN RED RIVER DELTA IN 1979**


Size of cultivated area (ha)	301-400	401-500	over 500
Number of surveyed cooperatives	141	90	76
Average yield per ha (tons)	3.256	2.944	2.731
State procurement per ha (kg)	838	769	656
Income per ha (dong)	2,685	2,179	2,055
Marketed food crops per ha (dong)	565	511	466
Net surplus per ha (dong)	408	86	73

Source : Nguyen Luc (ed.). 1990.

As a consequence, agricultural production stagnated if not, decreased. Production of rice (main product) per capita in the North - one half of the country, decreased continuously in between 1976 and 1980 with staple food per capita monthly of: 15.4 kg, 12.0 kg, 11.6 kg, 11.9 kg, and 10.4 kg in 1976, 1977, 1978, 1979, and 1980 respectively (Nguyen Luc (ed.), 1990, 35-36).

The model implemented in the North was immediately applied to the South after 1975. It was introduced in

the form of production teams and cooperatives. After a period of experimentation, the cooperativization movement expanded into all the regions in 1978. In just about two years half of all the southern farmers were production team and cooperative members.

However, rapid collectivization in the South provoked a stronger reaction. Labour productivity and income of farmers who belonged to the production team or cooperative generally were lower than that of private farmers. And in late of 1979, many production team and cooperatives were on the verge of collapse. By the end of 1980, only one-third of the production teams and cooperatives remained, many of them existed in name only. 

In 1979 and 1980, many cooperatives kept their name while their members operated under "Sneak Contract" or under their own control. This worked out to be better since there was more incentive for peasants to work. As a result, the agricultural production in 1979 and 1980 increased somewhat in comparison with some previous years. It can be evidenced from Table 3.7 that the food production increased from 17.9 million tons in 1978 to 20.8 million tons in 1980. Hence, annual food produced per capita increased from 238 kg in 1978 to 268 kg in 1980.

Above all, the most important reason that led to inefficiencies of cooperative production was the socialist collectivism where the land and other means of production were shared. Hence, there was no incentives for farmers to maintain their land well or to improve production because the benefits of an individual effort would be spread among all members. Many took advantage of the system. This was similar to public goods or free - rider problems. The problems of the collective agriculture were seen through a symptom called "leaning on a hoe": a labor leaned on a hoe, when another was working very hard, could earn the same amount of workpoints. Another symptom was labours appearing as "workpoints" hunters when they are not even bothered about the quality of works as well as the final products.

It was then necessary to have new policies that focused on solving the problems of free-riders.

Table 3.7. VIETNAM: SELECTED INDICATORS OF AGRICULTURAL
DEVELOPMENT, 1976 - 1980
(Value at 1979 constant prices)

Items	1976	1977	1978	1979	1980
1.Total Output value (bil.dong)	66.28	62.36	61.25	66.59	71.72
-Cultivation (bil.d)	53.05	49.12	48.79	55.44	56.94
2.Food output (mil.tons)	13.49	12.62	12.27	13.98	14.41
3.Yield/ha (tons)					
- Rice	2.23	19.4	17.9	20.07	20.8
- Maize	1.15	10.0	11.0	9.9	11.0
4. Annual Food per capita (kg)	274	250	238	266	268
5.Fishing output (thousand tons)	784	775	674	610	545
6. Afforestation (thous.ha)	89.7	126.7	149.3	115.8	92.4
7.Ratio of agri. export in total export value	45.3	36.3	45.2	35.1	41.7

Source : Vietnam, Government of. 1991a. "1976-1990
Statistical Data". GDS. Hanoi.

3.4. PROCESS OF THE REFORM AND THE NEW MODEL

3.4.1. Period of 1981-1985

In response to the decrease in agricultural production, many policy changes were introduced.

On 27th August 1979, for the first time in the history of collectivisation, the Sixth Plenum of the Fourth Central Committee passed the Resolution Six to recognize "agriculture as the main battlefield". Since then, a larger state investment had been focused on agriculture. This is illustrated in Table 3.8.

Table 3.8. VIETNAM: STATE CAPITAL INVESTED IN AGRICULTURE, 1981-1985 (Values in 1982 Prices)

Indicator	1981	1982	1983	1984	1985
State Capital Invested in Agriculture (bil.dong)	2.94	2.39	3.1	4.48	4.608
Long term state loan to coops (mil.dong)	17.3	41.1	79.0	129.9	298
Fertilizer production (bil.tons)	0.78	0.87	1.33	1.917	1.819
Electricity for Agriculture (mil.kw)	311.2	256	142.8	306.9	308.0

Source: Nguyen Luc (ed.), 1990.

However, there was no considerable change in the policy of cooperativization. Luckily, the first answer to the problems of collectivism began to be found as an experiment in a cooperative by the district leaders of Dason, Haiphong City in 1980. It caught fire and spread so quickly such that by Spring 1981 it became predominant throughout the country. This practice was known at as "sneak contract" (*khoan chui*) in the initial stage because it has no official sanction. It was legalized in January 1981 by Central Committee Directive 100/CT/TW, and was called "new contract" (*khoan moi*) or "final product contract" (*khoan san pham cuoi cung*), or "contract 100" (*khoan 100*).

The new contract system, was actually a new attempt to improve collective land and labour utilization. It was still based on the "three contracts system" that had existed existence since 1970s.

As before, the cooperatives still signed contracts with specialized brigades (SBs) on specialized tasks such as mechanized soil preparation, irrigation, fertilizer production and application, insect and disease control. The cooperatives still signed with the basic production brigades (BPs) other contracts on maintaining crops and husbandry. The main difference was that payment was now made to smaller groups of labour or even to

individuals based on the crop yields on specific plots of land contracted to them. The cultivated area of the cooperative was divided among the group or individuals in proportion to the principal and supplement labours. The compensation for labour was now determined based on the proximity and the fertility of all the pieces of land that the workers were given. /

Otherwise, the production quotas for each unit of land had been fixed for three years. Groups and individuals who exceeded their quotas were allowed to own all the amount of surplus and spend as they wish. In contrast, they had to make up for all the deficits except the case of natural calamities and other external circumstances.

In this way, the cooperative farmers in BPBs worked in small groups and more often they worked individually or as a household (Hong Giao, 1981).

When they worked individually or as a household, there were neither any more "free-riders", nor "leaning on the hoe", because the farmers now were tied to the final products.

The "piece-work contract" implied that the division of labour between the cooperative and the households while "production-cost contract" referred to the planned cost of product quotas only.

Households were given incentive to invest more labour, more fertilizer and other materials in the plots of land they had contracted. They tried to do their best to get more yields with the highest efficiency to improve their own family economy. And when each household exceeded the quotas of final products, the household, the cooperative, and the state all benefitted.

The "new-contract" therefore was a significant improvement to the former "three contracts" in terms of labour utilization and income distribution. ✓

However, it still remained the controlling role of the cooperative cadres. They assigned tasks to collective units, groups, families, and individuals on the basis of whom they thought could serve them best or whom they personally favored. For instance, they still decided what to grow, and when to start sowing, when and how to spray pesticides, to irrigate the field.

The families in BPBs had only to work harder, invest more and hence had the rights to own all the surplus as well as to bear all the deficits incurred.

However, this was a significant change in the agricultural policy, since it eliminated the free-rider problems or "leaning on the hoe" phenomenon in

cooperativization which had existed for more than 20 years in the North and 5 years in the South.

The implementation of the Directive 100 was an important factor that contributed to the growth of the agricultural production during this period. As shown in Table 3.9, foods production, the key task of Vietnamese agriculture, increased by 5 percent annually from 1980 to 1985 compared with 3.6 percent during the period 1976-1980; and the annual average rice production increased by 3.65 million tons, from 13.35 million tons to 17 million tons. Since available food stocks available grew faster than the population, food per capita also increased

Therefore the determining factor that encouraged production growth is the new policy which provides incentives to the agricultural production. With the changes in management mechanism in agriculture, the labour could be responsible for the results and able to enjoy the fruits of its own efforts. This could create a kind of enthusiasm, and motivation that could encourage other factors to produce more goods (Vu Huu Ngoan. 1983).

Table 3.9. VIETNAM: AGRICULTURAL DEVELOPMENT (1981-1985).

Indicator	1981	1982	1983	1984	1985	(**)
National Income from Agric.(bil.d)	64.0	70.8	76.22	79.25	83.36	127
Food production(%) (mil.tons)	15.0	16.8	17	17.8	18.2	127
Paddy yield (tons/ha)	21.7	24.7	25	28.4	28.4	123
Area of annual cash crops (thous.ha)	415.5	467.5	523.	571.9	600.7	162.1
Area of perennial crops (thous.ha)	260.2	288.3	333.5	404.5	470.3	153
Pork production alive weight (thous.tons)	567.1	643.4	619.9	715.6	748.6	156.6
Foodstuff delivery to the state (thous.tons)	2.74	3.15	3.79	3.81	3.91	197
Average annual food per capita (kg)	273	299	296	303	304	115.8

Note: (*) - rice equivalent

(**) - average for 1981-85 as percentage of average for 1976-80.

Source: - Vietnam, Government of. 1985. "Statistical Data, 1930-84", GDS. Hanoi.
- . 1991a. "Statistical data, 1976-1990". GDS. Hanoi.

3.4.2. DOI MOI Policy and the New Model since 1986.

3.4.2.1. Reasons for the DOI MOI

Agriculture developed at a considerable speed during the period of 1981-1986. However, the "contract 100" could only produce a short-term effect, because it was very limited in scope and without fundamental changes. If this policy continued, this would lead to the deterioration of the economy. It was discovered that the cooperative households in the northern half of the country during 1986-1987 were able to retain only about 20 percent of the crop yield after the production costs, taxes, and other deduction at the hand of the cooperative officials or "new local despots". In fact, from 1976 to 1988, over 60 percent of cooperative members' total income come from "five-percent land", that they had been allowed to keep after 95 percent of land had been collectivized (Nguyen Luc ed., 1990). Since the cooperativization, with the exception of 1959, the main income of the peasant's families did not originate from their cooperatives but from sub-family-economy. Considering the fact that the cooperative was the main productive operation of the farmers, they gained only about 30 percent of the income from the cooperative during the period of 1986-1988 while the

rest came from the sub-household-economy. This is illustrated in Table 3.10.

What did the peasants think when they get only 30 percent of the income from their main performance in the cooperatives ? Ngo Vinh Long (1990) reported that farmers were tired of cooperatives. This is why most of the peasants in Mekong River Delta expressed their resistance to the formation of the cooperatives.

Table 3.10. NORTH VIETNAM: STRUCTURE OF PEASANTS' INCOME, 1959-1988

Years	Income from cooperative (%)	Income from sub-family economy (%)	Real income compared to nominal one (%)
1959	50.2	42.2	100.0
1960	40.1	49.4	101.9
1961-1965	40.0	51.5	90.9
1966-1975	32.1	53.6	77.5
1976-1980	28.8	60.8	67.5
1981-1985	29.2	65.3	75.4
1986-1988	30.3	61.9	78.2

Source: Nguyen Luc (ed). 1990.

It could be said that the contradiction between the peasant, collective and social welfare were not truly resolved. Peasants had no incentive to produce more, hence, foods production was reduced from 18.2 mil.

tons in 1986 to 17.5 mil. tons in 1987. Meanwhile, the population grew at 2.3 percent annually. The result was a severe food shortage beginning in March 1988 that affected 9.3 mil. people in the North alone. In many regions, farmers abandoned their land.

Together with the shortcomings of the cooperativization the prolonged high rate of inflation and unstable prices pushed the country into a crisis. A new comprehensive policy was badly needed to help the country overcome the crisis and to find a way ahead. The peasants had to be given real independence in production. A complete overhand was required to push all factors of production into play. Scientific and technology revolution, financial strategy, workable policies and so on was imminent in order to leap out of the long standing of economic stagnancy. Such a vision propelled the introduction of an economic reform programme, called *DOI MOI*, which has been implemented since December 1986.

3.4.2.2. Contents of the DOI MOI policy in Agriculture

The *DOI MOI* policy focuses on developing a multisectoral economy, absorbing all the available and exploitable resources for three significant economic

programs - "Production of foods", "production of consumer goods" and "production of export goods".

It is estimated that about 60 percent of the total central government budget and 70-80 percent of local government budget has been employed in the development of projects associated with one of these programmes

(Le Duc Thuy, 1990). *not in ref. list*

These programmes imply a concentration on promoting the development of the agriculture is of utmost importance since agriculture encompasses all of the three economic programmes. Agriculture directly produces foods to feed the people. Agriculture is also the largest source for exportation and the main source of raw materials needed by light industries to produce consumer goods. The most important measure is the acknowledging, for first time, the equality of every economic sector in the economy as well as that of the agriculture: the state, collective, household, individual and private sectors.

In April 5, 1988, the Political Bureau of VCP launched a resolution called *Resolution 10* entitled "*Renewals in Agricultural Economic Management*". This solution seeks to create a new management mechanism in agriculture commonly known as the "*Contract 10*" mechanism by farmers. It has proved to be the most suitable and significant policy in stimulating the development of

agriculture since 1958.

The Resolution provided that :

i) The long term existence and equality of the state, collective, private and individual economies should be recognized;

ii) Cooperative and production teams are voluntary economic organizations of the peasants with the status of juridical persons. Cooperatives and production teams are self-governing economic units which would determine their own form, scale, and orientation, and mode of production; and

iii) To improve family-based contract work ; the area under contract should be fixed for a period of 10 to 15 years and not less than five years for short-term plant farms, thirty years or more for long-term plant farms and the division of labours on the basis of capability should be encouraged.

The Sixth Plenum of the Central Committee (Sixth Congress) in March 1989 further defined the Government and the Party's main line for agricultural economic reform. It was confirmed that:

a) Cooperatives and production teams are collectively economic units with many forms of property and means of production;

- b) Any firm in which workers have invested jointly, participated in and managed according to democratic principles, regardless of scale, technology level, or degree of collectivization of the means of production, is a cooperative; and
- c) The families within a cooperative is a self-governing economic unit.

It implied that Resolution 10 is a historical milestone on the road of developing the agriculture. Here are some significant aspects supporting this conclusion:

Firstly, it has granted peasants in the collective sector greater control of their own produce and their life as a whole. Now, peasant families gain total control over all production process. The collectivization of labours and means of production were completely abolished.

All the means of production were turned over to cooperative members for their management and use. As a result, the number of management officials and indirect expenditures declined by 50 percent to 60 percent (Nguyen Luc, 1990). Many types of cooperatives were formed among peasants families, agricultural firms, and various occupations in the rural areas. Many new cooperatives began to emerge on the basis of voluntary

association among peasants families in order to perform steps of production that they were not able to perform individually. Commercial sale and rental of agricultural equipment replaced the central supply through intermediate levels. Peasants have the right to sell their products freely and to engage in exchange with the state at their discretion.

Secondly, the long term contracts of 10 years to 15 years encourage peasants to improve the quality of land contracted.

Thirdly, Resolution 10 reaffirmed the existence of various economic sectors, including household sector as a self-governing economy. The family have freedom in their production. And the family economy, which had, in the past, been considered as a supplementary and limited to only five percent of the agricultural land, therefore has been vastly widened, diversified and made richer in all the areas where it can accept contracts. A few peasant families have gone into specialized production. Others have diversified their businesses for instance, into crop growing, animal husbandry, handicrafts or into services sector. In this way, man power is used to the maximum.

3.4.2.3. Achievements of the Reform under DOI MOI

Generally speaking, a good policy should promote social production and increase efficiency of the production and ultimately increase the standard of living. After the DOI MOI policy was launched in 1986, and particularly, after the implementation of Resolution 10 in 1988, the national food production has grown tremendously with the exception of 1987 when the nation was struck by natural calamities. It reached 24.5 million tons in 1993 compared to 18.4 million tons in 1986. This is an increase of 33.15 percent. During the same period, the population increased from 61.1 million to 70.9 million people which is a 16 percent . Thus, the annual food per capita increased from 301 kg in 1986 to 345 kg in 1993 with a substantial increase of 14.6 percent. This is illustrated in Table 3.11, Figure 3.3 and Figure 3.3.

Table 3.11. VIETNAM: ANNUAL FOOD PRODUCTION, POPULATION
AND FOOD PER CAPITA

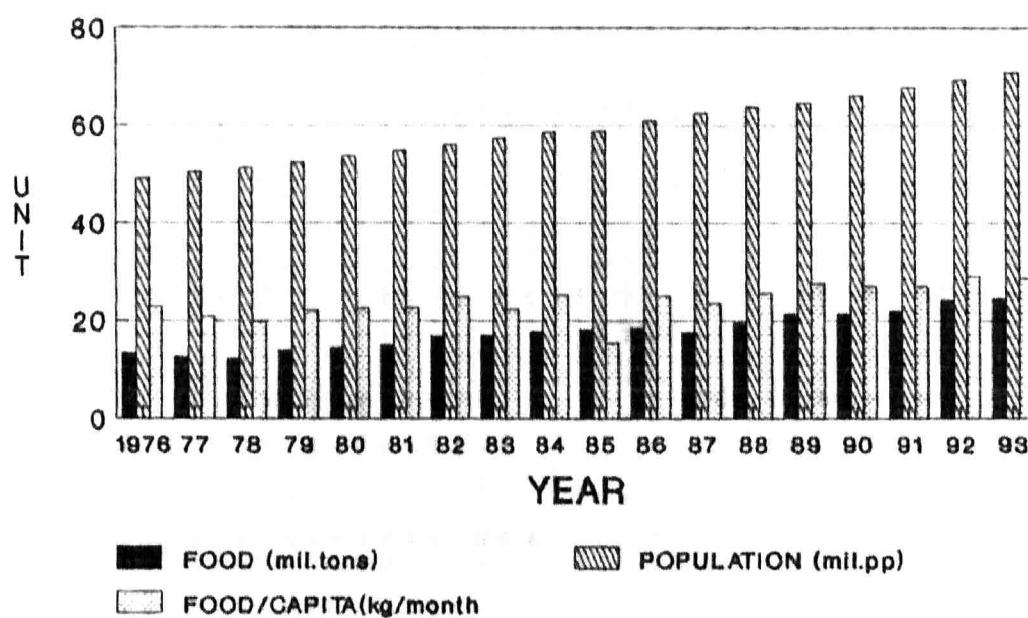
Year	Food (mil. tons)	Pop. (mil. people)	Food per capita (kg)	Growth Rate compared to previous year (%)		
				Food	Popul.	Food/ capita
1976	13.49	49.16	274	-	-	-
1977	12.62	50.41	250	-6.45	+2.54	-8.77
1978	12.26	51.42	238	-2.85	+2.00	-4.80
1979	13.94	52.46	266	+13.73	+2.02	+11.76
1980	14.44	53.72	270	+3.30	+1.54	+1.73
1981	15.0	54.93	273	+3.89	+2.25	+1.02
1982	16.83	56.17	300	+12.2	+2.25	+9.72
1983	16.99	57.37	269	+0.95	+2.14	-1.16
1984	17.80	58.65	303	+4.77	+2.23	+2.48
1985	18.20	58.87	304	+2.25	+2.08	+0.16
1986	18.44	61.11	301	+1.10	+2.07	-0.95
1987	17.65	62.45	283	-4.08	+2.19	-6.13
1988	19.58	63.73	307	+10.93	+2.05	+8.70
1989	21.52	64.77	332	+9.91	+1.63	+8.14
1990	21.49	66.23	324	-0.11	+2.25	+2.34
1991	21.99	67.77	325	+2.33	+2.33	+0.001
1992	24.21	69.41	349	+10.1	+2.42	+7.94
1993	24.50	70.98	345	+12.00	+2.26	-1.04

Source:- Vietnam, Government of. 1994a.

"1993 Statistical Yearbook". GDS. Hanoi.

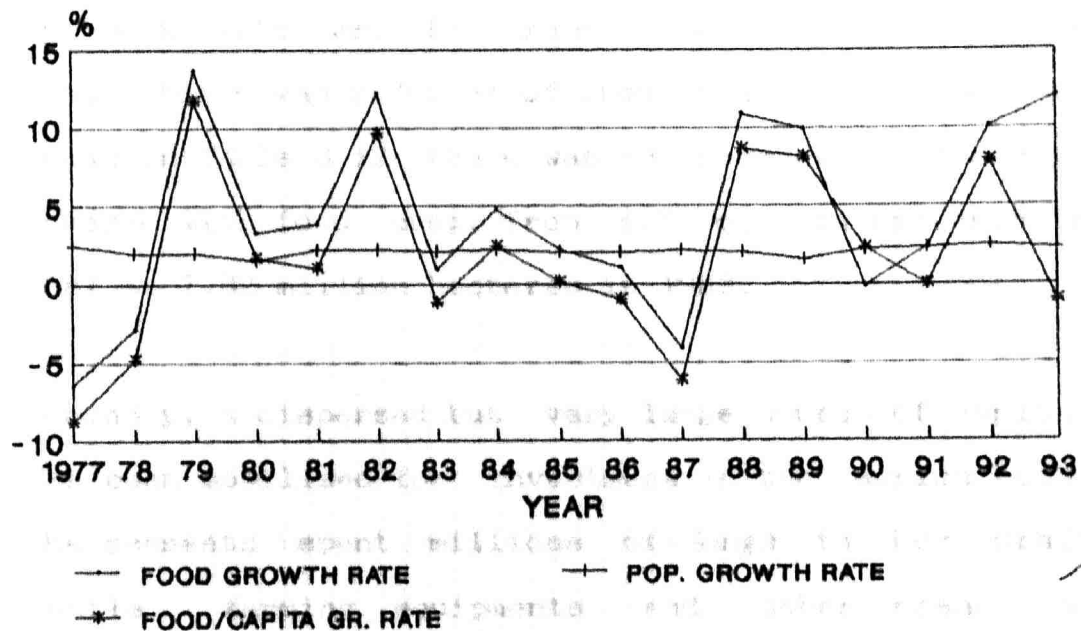
----- "Statistical Data for Agriculture,
Forestry and Fishery, 1985-1993". GDS. Hanoi.

**Figure 3.2. VIETNAM: FOOD PRODUCTION
POPULATION, PER CAPITA FOOD PRODUCTION**



Source: Vietnam, Government of. 1994a
-----, 1994b.

Figure 3.3. VIETNAM: FOOD PRODUCTION, POPULATION, FOOD PER CAPITA GROWTH RATE



Source : Vietnam, Government of. 1994a.
 -----, 1994b.

The effects of Resolution 10 are reflected in various aspects of agriculture:

Firstly, land, whether it is placed under contracts or managed by farmer themselves, has now been used more productively. Much of the uncultivated land has been put back into use. For example, in Thaibinh province alone, there was 2,700 ha of such land. Nationwide, as shown in Table 3.12, there was an increase in the area covered with food crop, from 6.7 million hectares in 1987 to 7.62 million hectares in 1993.

Secondly, a dispersed but very large source of capital has been mobilized for investment in the agriculture. The peasants spent millions of *dongs* to buy draft cattle, farming equipments and other means of production. In the Mekong delta alone, the government and the peasants together invested ten million *dongs* to develop the Plain of Reeds and the Long Xyen quadrangle. The investment enabled the people here to grow an additional crop a year, and increase the annual yield per hectare from 1.2 - 1.5 tons to 8 - 10 tons. In Dong Nai province, government surveys showed that the larger of household savings have been transferred to investment in production. They devoted about 80 of their spending to enlarge their production, which includes: cultivation of perennial plants and trees

(coffee, tea, pepper, cashews, fruit etc.), the collecting of sea products, the enlargement of animal husbandry and afforestation. For this reason, not only the cultivated area was expanded but the yield of the crops were also increased sharply (Nguyen Van Thao, 1990). This was particularly true in the case of paddy - the main crop of the country. Its annual yield, increased from 2.7 tons/ha in 1987 to 3.25 tons/ha in 1993 as already presented in Table 3.11.

Thirdly, because of the reduction of demand for cooperative management, the number of collective officials fell down by 200,000 persons (40 percent). Effectively, bureaucracy, and corruption were reduced. Hence, there is more democracy which allows farm households to self-rule. This leads to a more efficient method of production for farmers.

Fourthly, there has been a more equitable distribution of income. The net income that the peasant households obtained, after taking into account of the production expenditures, taxes and social security, are quite rational- from 40 to 45 percent of the total output. In comparison with 20 percent previously, it is a larger and better deal. This is indeed an incentive that helps stimulate the 10 million peasant families throughout

the country to produce even more !

Finally, there is an increase in output, productivity of land and labors, and income of farmers. The agricultural production in particular, increased significantly over last few years. This is clearly shown in Table 3.12.

Year	1980		1981		1982		1983	
	Value	Index	Value	Index	Value	Index	Value	Index
Foodgrains	1,147	100	1,217	105	1,312	114	1,412	123
Other crops	1,000	100	1,050	105	1,100	110	1,150	115
Forest products	100	100	100	100	100	100	100	100
Animal products	100	100	100	100	100	100	100	100
Mineral products	100	100	100	100	100	100	100	100
Manufactures	100	100	100	100	100	100	100	100
Services	100	100	100	100	100	100	100	100
Total	2,347	100	2,467	105	2,612	111	2,762	118

Source: National Government, 1987. Statistical Yearbook of Agriculture, Forestry, and Fisheries, 1984-1985, 11. (Vol. 1)

Table 3.12. VIETNAM: MAIN INDICATORS OF AGRICULTURAL PRODUCTION (Values calculated in 1989 constant prices)

ITEMS	1987	1988	1989	1990	1991	1992	1993
1. Agric. Products (billion dong)	13.0	14.7	14.7	14.9	15.4	17.2	17.7
2. Foods production (million tons)	15.6	19.6	21.4	21.5	21.9	24.2	24.5
3. Rice production (million tons)	n/a	17	18.9	19.2	19.6	21.6	21.9
4. Paddy yield (tons/ha)	2.7	2.97	3.23	3.21	3.25	3.25	3.25
5. Sown area of food crops (million ha)	6.7	6.9	7.1	7.1	7.45	7.71	7.62
6. Annual food per capita (kg)	281	307	332	324	324	349	345

Source: Vietnam, Government of, 1994. "Statistical Data for Agriculture, Forestry and Fishery, 1985-1993". GDS. Hanoi.

from the Table 3.13 that the strongest in the Mekong River Delta were the annual per capita of farmers increased from 21.150 in 1985 to 24.5 in 1993.

The Gross Agricultural Products increased dramatically from 13 billion dongs in 1987 to 17.7 billion dongs in 1993. During the same period, food production also increased sharply from 15.6 million tons to 24.5 million tons, registering an increase of 8.9 million tons or over 57 percent. The average annual growth of food production during this period is estimated at as high as 7.8 percent. It is much higher than the annual growth rate of population which is 1.6 percent. This resulted in the per capita food production - the most important economic indicator for Vietnam, to increase from 281 in 1987 to 345 kg in 1993. ✓

This is particularly significant because after many years of food shortage, Vietnam was able to export 1.4 million tons of rice in 1989, then increased to 1.95 million tons in 1992 and 1.8 million tons in 1993 (GDS, 1994). Since 1989, Vietnam has become the third largest exporter of rice in the world market, trailing in third place behind Thailand and America.

Resolution 10 has significantly affected the income of farmers everywhere throughout the country. It can be seen from the Table 3.13 that the effects were strongest in the Mekong River Delta where the income per capita of farmers increased from 21,859 dongs

during the period 1981-1987 (before Resolution 10) to 27,285 dong in 1989. It accounts to an increase of 25 percent. This is because of the more fertile and more land per capita as well as more wealth of the peasants.

Hence, when the policy is launched, it is easier for the farmers to step up production by investing more capital and using more land in comparison with other regions.

Table 3.13. VIETNAM: AVERAGE INCOME PER CAPITA

(in 1989 constant DONG)

AREA	1976-1980	1981-1987	1988	1989	Growth Rate 1989/81-87 (%)
National Average	17,605	19,596	20,847	21,428	10.0
Northern Highland	15,743	16,695	17,705	18,798	12.6
Red River Delta	17,854	18,028	18,622	19,203	7.0
Central Coastal	17,962	18,197	18,569	18,658	2.6
Central Highland	n/a	n/a	n/a	21,104	n/a
Mekong River Delta	20,118	21,859	23,857	27,285	25.0

Source: Vietnam, Communist Party. 1991. Central Committee's Bureau for Agriculture. Report No 1. p.208.

The income inequality among these five regions and the

Table 3.14. VIETNAM: HOUSEHOLD INCOME LEVELS IN 1990

ITEMS	Northern Highland	Red River Delta	Central Coastal	Central Highland	Mekong Delta
# N° of Sampled Households:	342	417	1,416	120	200
Household Members	6.4	4.9	5.3	6.5	6.9
Main Labor	2.4	2.1	1.8	2.7	3.4
# Cultivated Surface/Household (sq.meters)	2,643	3,231	3,687	5,468	13,814
- 3 Paddy Crops	36	541	63	71	195
- 2 Paddy Crops	1,686	1,892	2,767	5,177	11,840
- 1 Paddy Crop	478	631	383	N/A	1,638
- Secondary Crop	N/A	465	220	141	N/A
# Other Surface (sq.meters)	1,347	398	841	822	816
- Residential	514	241	327	351	232
- Garden	780	110	470	455	428
- Fish Ponds	80	47	44	16	156
# Annual Income per Capita (dong)	113,931	276,836	210,080	296,523	639,924
- Under 200,000	107,617	148,075	124,668	126,526	144,151
- 2 to 400,000	268,222	281,126	277,130	298,369	288,455
- 4 to 600,000	584,403	448,189	436,124	485,073	486,801
- 6 to 800,000	N/A	627,931	613,202	686,416	688,300
- Above 800,000	N/A	1109252	N/A	1250205	1369781
# Income Structure of the households (%):					
- Under 200,000	67.8	36.7	45.4	22.3	17.1
- 2 to 400,000	30.2	49.6	40.5	45.9	36.8
- 4 to 600,000	2.0	7.7	13.0	24.7	19.7
- 6 to 800,000	N/A	3.4	1.1	4.7	10.4
- Above 800,000	N/A	2.6	N/A	2.4	16.0

Source : Vietnam, Government of. 1991b. "1990 Agricultural Data". GDS. Department of Agriculture. Hanoi .

Looking at the income structure of the families in all the regions, it is very clear that those in the Mekong River rural are richer than those of other regions while those of the Northern Highland rural are the poorest. In this poor region, only two percent of the total families have a per capita income of more than 400,000 dong. In the Red River Delta, Central Coastal, Central Highland and Mekong River Delta regions, the percentages are as high as 13.4, 14.1, 31.8, and 46.1 percent respectively.

There is no doubt about the positive effects of Resolution 10, but there is *another side of the coin*. It is the income differentiation. A joint survey on the production practices and living conditions of seven villages in the Red River Delta was conducted from 1989 to 1990 by the Agricultural University No1 and the Institute of Agriculture Science of Vietnam. This survey focused on the differentiation among the villages as well as among families in the villages. From the survey, as shown in Table 3.15, it was found that in comparison with other Asian countries, the differentiation of income as measured by Gini coefficients, of Red Rive Delta was much lower, averaging 0.11 compared to China's 0.26 (in 1982), Thailand's 0.44 (in 1981). It implied that the income

distribution in Red River Delta rural area was much more equal than in other countries' rural.

Table 3.15. GINI COEFFICIENTS OF INCOME FOR RURAL INEQUALITIES

Countries	Years	Gini coefficients
Taiwan	1975	0.26
China	1982	0.23
South Korea	1981	0.39
Pakistan	1979	0.41
Thailand	1981	0.44
India	1983	0.29
Indonesia	1981	0.42
Bangladesh	1976	0.40
The Philippines	1975	0.38
Sri Lanka	1978	0.49
Malaysia	1990	0.446
Vietnam	1989	0.11

Source: - Dao The Tuan, 1991. Vietnam.

- Pazim @ Fadzim Othman. 1994, Malaysia.

In August 1990, another survey on economic and standard of living in rural area was conducted under the Directive 194 (1/12/1989). The aim of this survey was to determine the effect of Resolution 10 on the real life of the farmers. Here are some of the important conclusions drawn from the five presentative provinces - Hoang Lien Son, Ha Nam Ninh, Binh Dinh, Dac Lac and Hau Giang.

a) **Ownership:** In the former model of the central management and planning mechanism, all means of production were collectivized. Under the Resolution 10, the new mechanism recognized the rights of ownership of the peasant families on draft cattle, machines, and production tools. They have the rights to buy and sell these production inputs freely in the local market. This differs significantly from the former model. Therefore, after nearly three years of the new policy implementation, the means of agricultural production grew at a tremendous rate. For example, as illustrated in Table 3.16, the draft cattle in the five provinces increased by three times in 1989 compared with those of 1980.

Table 3.16. NUMBER OF DRAFT CATTLE IN THE FIVE PROVINCES
(on 100 households)

Province	1980	1987	1989
<i>Five provinces</i>	<i>6</i>	<i>12</i>	<i>18</i>
- Hoang Lien Son	27	48	63
- Ha Nam Ninh	n/a	4	10
- Binh Dinh	2	3	6
- Dac Lac	3	12	18
- Hau Giang	2	5	5

Source : Vietnam, Government of. 1990. "Report on
1989 Farm Household Economy Survey". GDS.

The above cattle consisted of those bought from the cooperatives and markets by the households to enable them manage the land by themselves. In addition, many families bought tractors, water pumping machines, insecticide sprayers, threshing machine and other related equipments. Many families in coastal areas bought boats and fishing equipments to step up production.

However, land was delivered to the households but this families have been given only the rights to use the

land, not the rights to own it. However, after 30 year of working collectively together on the common farms, farmers have for first time the rights to use it freely as the masters not as the employees.

2) **Management of the production:** The cooperatives now are in charge of only irrigation and plant protection. The rest are managed by the families themselves.

3) **Distribution of the production results**

The basic content of the Resolution 10 is ensured three benefits: benefit to the state, benefit to the cooperatives and benefit to the farmer households. Among them, the net income of the farmers is the most considerable. It must be not less than 40 percent of the products or double that of under "contract 100". The farmer, after rendering some products in the forms of taxes, and contributing to the cooperative funds, can sell the remainder freely in the market or do as he likes.

Resolution 10 has gone much further than the previous Directive 100. It eliminated "work point", and "workday", affirmed and expanded the autonomous rights of the households not only in the production process but also in the distribution of the products. Under the former contract mechanism ("contract 100"), households

only knew how to work, not know how much they could get for themselves after the harvest. Under the new contract mechanism ("contract 10"), each family knows from the beginning of the crop season their expected income through the contract with the cooperative.

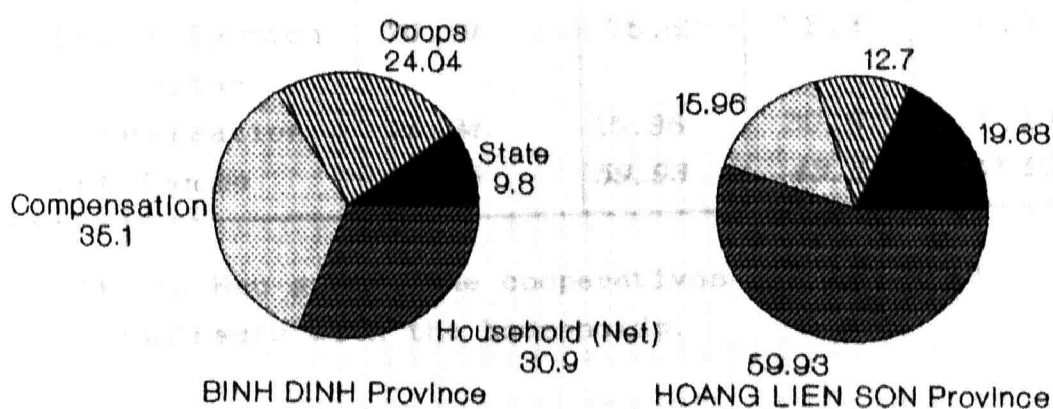
As presented in Table 3.17, the products of households contracted in four presentative provinces (Hoang Lien Son, Ha Nam Ninh, Binh Dinh, Dac Lac) were distributed as follows:

i) The portion contributed to the government, on average, was 12.87 percent, out of which taxes were 8.04 percent of the practical rice production. It was suitable to the present tax regulation.

ii) The portion offered to cooperatives was still high. In the four provinces, it was on average of 16.45 percent, of which collective funds were 15.13 percent, management fees compensated accounted for 1.7 percent.

iii) The portion left for labours contracted, on average, was 44.65 percent, much higher than that of before Resolution 10 implementation. However, in Hoang Lien Son the portion of the state was larger; it accounted to 19.68 percent. In Binh Dinh, the cooperative portion was 24.04 percent which is also too much. The larger the state and cooperative portions were, the less net households incomes would be. It is illustrated in Figure 3.4.

**Figure 3.4. DISTRIBUTION OF RICE PRODUCT
IN 1989 (%)**



Source: Vietnam, Government of, 1990.

Table 3.17. PRACTICAL DISTRIBUTION RICE PRODUCT IN 1989
(%) (*)

Proportion	Average of four Provinces	Hoang Lien Son	Ha Nam Ninh	Binh Dinh	Dac Lac
I. State Portion	12.87	19.68	13.85	9.89	8.49
- taxes included	8.04	10.27	9.73	5.89	5.39
II. Coop. Portion	16.54	12.70	12.28	24.04	12.45
- Management Fee included	1.7	1.55	1.4	2.06	3.24
III. Family Portion	70.59	75.62	73.87	66.07	79.06
- Expenditure Compensation	25.94	15.96	30.87	35.10	19.97
- Net Income	44.65	59.93	43.0	30.90	59.09

(*) In Hau giang, the cooperatives did not have contracts with the households.

Source : Vietnam, Government of. 1990. "Report on 1989 Farm Household Economy Survey". GDS. Hanoi.

****) Differentiation of income and living condition***

Production and farmer life have dialectical relationship reflected in the relationship between income and living conditions. The greater their production, the better their life will be.

In the five representative provinces, annual rice production per capita, on average, in 1989 was 332 kg compared with 307 kg in 1988 while that of the country as a whole at the same time was 325 kg and 324.4 kg

respectively. Monthly, per capita net income value in the 5 provinces in 1989 was 21.25 dong.

The General Department of Statistics (GDS) divided all the households surveyed into 5 categories according to their monthly per capita net income:

- a) Category I: *rich families* (above 40,000 dong)
- b) Category II: *relatively rich families* (from 30,000 to 40,000 dong)
- c) Category III: *medium families* (20,000 - 30,000 dong)
- d) Category IV: *relatively poor families* (10,000 - 20,000 dong)
- e) Category V: *poor families* (under 10,000 dong)

The results are presented in the Table 18:

Table 3.18. HOUSEHOLDS CATEGORIZED BY NET INCOME PER CAPITA (%)

Province	Categ.I	Categ.II	Categ.III	Categ.IV	Categ.V
Five Provinces	8.06	10.34	26.54	45.62	9.44
Hoang Lien Son	7.38	8.42	22.27	46.87	15.15
Ha Nam Ninh	3.18	6.94	27.62	54.86	7.40
Binh Dinh	4.04	7.49	25.18	57.32	5.97
Dac Lac	10.65	10.38	23.34	32.25	20.41
Hau Giang	15.73	17.96	31.15	31.66	3.1

Source : Vietnam, Government of. 1990. "Report on 1989 Farm Household Economy Survey". p.38. GDS.

From the survey in the five provinces, the followings were observed:

a) The number of relatively poor households (Category IV) was highest, accounting for 45.62 percent of the total surveyed. The poor households (Category V) accounted for 9.44 percent. These two categories put together accounted for more than half (55.06 percent) of the total households surveyed.

b) Among the five provinces surveyed, Hau giang recorded the least number of poor and relatively poor families i.e. 34.67 percent (out of which, the poor accounted for 3.1 percent only). In the other provinces, it was much higher, ranging from 55.63 percent to 63.29 percent of the total family surveyed. Hoang Lien Son recorded the largest number of the poor households, accounting for 15.15 percent. The income structure of the total farm households in Hau Giang - the richest province and in Hoang Lien Son - the poorest one can be shown together in Figure 3.5.


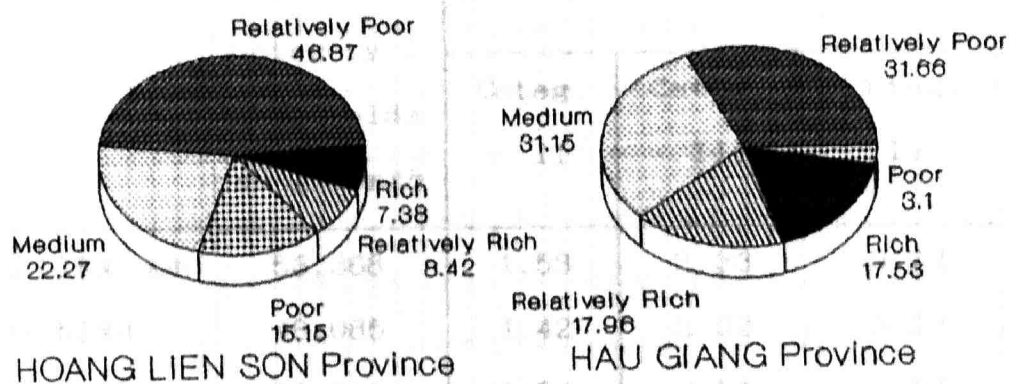


Figure 3.5. FARM HOUSEHOLDS CATEGORISED BY NET INCOME PER CAPITA (%)



Source : Vietnam, Government of. 1990.

The income differentiation among the peasants families surveyed can be seen more clearly in Table 3.19 as follows:

**Table 3.19. COMPARATIVE COEFFICIENTS BETWEEN INCOME
OF HOUSEHOLDS**

Province	Income per capita of Category I households <i>dong/month</i>	Comparative coefficients of income per capita between category I with			
		Categ. II	Categ. III	Categ. IV	Categ. V
HOANG LIEN SON	53,368	1.58	2.33	3.72	6.77
HA NAM NINH	48,085	1.42	2.02	3.22	5.74
BINH DINH	52,818	1.54	2.21	3.57	6.56
DAC LAC	58,224	1.70	2.41	3.92	8.24
HAU GIANG	58,317	1.65	2.33	3.69	6.81

Source: Vietnam, Government of. 1990. "Report on 1989 Farm

Household Economy Survey". p.38. GDS. Hanoi.

The coefficients in Table 3.19 shows that the income differentiation among the rich farmers and the poor is not very large, varying from 5.74 to 8.24 times only.

3.4.2.4. Present Shortcomings of the Agriculture Reform

i). *Land Ownership.*

This is currently the main problem. Peasants are given the right to manage and use the land for 10-15 years for annual-crops and 30 years or more for long-term-crops. However, they have no right to sell, rent or give it away. Furthermore, as the term "household contracting" implies, the land is only contracted out and these contracts are, according to currently policy statements, intended to be adjusted and relocated periodically. There is therefore no element of proprietary (or inheritance) rights at present as implied in the contract system. Hence, there is not much encouragement to the peasants.

Otherwise, this arrangement, in practice, prevents the land concentration to households that have ability to grow better crops. Some peasants have not enough capital and experience to use the land appropriately. They really want to leave their land for other jobs, worker in factories or even become employees for the better ones even in the same villages. But they are not the owner of the land. On the contrary, many peasants have good experience on agricultural production. They also have enough capital to expand their production, hence want to look for more land. How

could they do if they have no rights to buy land and if there is no land for them to buy? This phenomenon actually bars the redistribution of rural labours, constraining not only the efficient use of land, but also the development of handicrafts, small industries and services in the rural areas.

This problem also limits the additional labour supply for the industry and other sector development in the economy.

Therefore, it would be better if the government gives peasants the rights of ownership to the cultivated land.

ii). **Farm Size.**

For equality sake, each family has been given a small plot of land in each field of its cooperative to avoid the inequality arising from the differentiation of the fertility level of the fields. The families have therefore been using many small plots of land.

In Ha Nam Ninh, for example, each family normally uses 4 or 5 small plots (GDS, 1990). It is very difficult for them to mechanize the production process. It would be better if each family has been allocated only 1 or 2 plots of land but of bigger size. This will be more convenient for them to cultivate, especially to mechanize the production process.

Otherwise, there is a contraction between equality and efficiency in the distribution of land. According to the Resolution 10, the land should be distributed in two rounds. In the first round, all available fertile land of the cooperatives should be equally distributed to the households to ensure that the food supply is equal. In the second one, the remaining less fertile land will be given to those who have advantages in terms of labour, capital and experience. This should be done through bidding process. However, in practice, most of cooperatives implemented this policy in favour of equality, hence, all of their lands are distributed equally according to the number of people in each family. So, families that have little capacity of intensive farming cannot use the land efficiently while the others have not enough land to meet their demand in production. Hence, the country as a whole cannot absorb all the productive forces available or cannot use them efficiently.

iii). **Cooperative Funds.**

In some regions such as Dac Lac, the cooperative funds are still too large absorbing too much the production output, and directly affecting the net income of the families. These funds are used to support the cooperative management fees, to subsidize the "policy

families" whose members were wounded or died in the wars. However, the fund was also found to be an "outlet" for opportunist and corrupted cadres. To ensure that the benefit rightly goes to the farmers, the government should have more strict regulation to control the usage of these funds.

iv). *Income Differentiation*

There are still differentiations in income and standards of living in the rural areas. Since between 80 percent to 90 percent of agricultural works are done by manual labour with very rudimentary instruments but without technological equipment, the productivity is very low and the living conditions are poor (Nguyen Van Lich, 1993). More than half of the total farm households currently are poor and relatively poor. The most difficult problem for them is the shortage of capital and technology. Although the rich and the relatively rich families have good knowledge, experiences, as well as capital to develop, they accounted for only 20 percent of the total population. The extension and credit programmes for farmers in Vietnam have just started since early 1990s. In practice, they benefit mainly the rich families who can adopt the technology and repay the loan. This obviously discriminates the poor farmers. It will argue well if

the government has specific programmes to help particularly the poor in their production.

v) *Unsystematic Policies.*

The policies for economic reform in agriculture is not uniform and systematic.

Both the central government and the local authorities can impose supplementary taxes at their wish. Therefore, the central government has decreed a 10 percent tax on production, but in practice, farmers in many regions must pay more, in some cases, doubled. The policy on prices, credit and supply of technological materials and on purchase of the final products have not been uniform. They have not met the demands of the farmers. Thus, the peasants do not really feel confident in the intended assistance given by the government, even in cases of economic unrest or natural calamities. Hence, the government should have a unique and stable system of policies to encourage farmers in their production.

3.4.2.5. *Lessons Drawn From the Agriculture Reform*

i). In Vietnam, the collective farming is less suitable than household farming .

It seems that there is no economies of scale because of

two reasons. First, small scale farming is better suited to the conditions in Vietnam.

Firstly, in almost every region in Vietnam, the agricultural production is **wet - land - paddy cultivation**. The works on these fields are best done individually or in small groups. Each family can spend more labour and time to maintain the crops more carefully than a larger cooperative. Therefore, small farm households often have higher efficiency than the cooperatives. However, economies of scale appear when small farmers combine together to implement mechanization, to irrigate their farms, or to spread the insecticide. Group farming seems more appropriate to do such works.

Secondly, **public goods or free-rider problem exist during the collectivization process.**

When free-rider problem exists, the farmer has no incentive to work, because he must work not only for himself but mainly also for other parties.

It was found that the success of the Vietnamese economic reform in agriculture depends very much on the degree to which the free-rider problem is solved. The greater the free-rider problem was solved, the faster the agriculture would develop.

This problem can be overcome through solving the three following aspects:

1. Enable the farmers to become the owner of

cultivated land, draft cattle and other means of production;

2. Enable the autonomy of households or individual labours in the production process; and

3. Enable equality in the distribution of income.

Under the "contract 100" system, people had more incentives to work than before since they could own some normal means of production, they could work autonomously and individually in certain parts of the production process and they were tied with the final products.

On the contrary, under the "contract 10" system, farmers were more encouraged to work than the previous periods because now the households own all the means of production (except

land where they have been allowed to use it for a long time)

Further more, they have the right to decide what, when and how to produce the agricultural product.

And they gained net incomes doubled that of what existed under the "contract 100".

However, rural institutions like cooperatives could be

mobilized to provide services like credit, marketing,

irrigation, drainage, plant and animal protection. These could be provided for farmers' production according to their contracts (Le Thanh Nghiep. 1991; Le Nghiem. 1994)

The state farming firms accounted for only two percent of the total agricultural output (Vietnam, Government of, 1994a). However, compared to the households and cooperative sectors, it still has many advantages of highly educated labour and technological equipment. It could also be mobilized to supply high yield breeds and new technology for cultivation, animal husbandry, forestation and fishing.

ii). Government policies that promote efficient development of rural household economy, play a significant role.

1) Investment policy: The state investment allocated for agriculture has recently been increased to 40 percent.

A large amount of investment has been made by the government for scientific and technical research. Therefore, cropping systems and crop varieties have been appropriately identified to suit the ecological condition of each region. Many varieties of high

productivity have been created and supplied to households. On 19th May 1994, the Government promulgated a system of 17 extension services programmes until the year 2000 that involves an investment of 230 billion dongs (or more than US\$ 200 million) (Vietnam, Government of. 1994c).

2) *Credit policy* : Despite the shortage of capital the State Bank of Vietnam has granted credit for farmer households at an interest of 70 percent of that given to other sectors. In 1989 alone, farmers borrowed 46.28 billion dongs (equal to US\$ 40 million).

The Vietnam's Agricultural Bank was set up in 1992. Its offices in every province continue to give farmers soft loans at such low interest rate. However, until 1993, only 18 percent of the total farm households had access to the loans. The government is trying to increase the percentage of borrowed families among the total farm households to at least 50 percent by 1995 (Nguyen Huu Tien, et al, 1994).

3) *Price and purchase policy* : The selling and buying of productive materials and agroproducts are based on local market prices. The government does not make profit from the supply of productive materials (Nguyen Duong Dan. 1994)

In order to encourage peasants to continue their production during the declining market prices (for instance, rice market in 1989), the government will subsidize and guarantee the purchase of these products. Many state-run corporations such as the General Corporation of Food, the General Company of Vegetable and Fruits, the General Corporation of Material Supply, the Union of Tea Production, the Union of Enterprise for Sugar Cane and Sugar Production have supplied new varieties, fertilizers, insecticides and farming tools to farmer households according to their contracts.

4) Extension services policy

Vietnam's Department of Agricultural Extension Services that belong to the Ministry of Agriculture, was established in 1993 with its offices in all provinces. It also provides working groups at all districts throughout the country to enable new technology transfer to the farmer households (Vietnam, Government of. 1993).

In short, the government policies in Vietnam since 1986 have affected strongly the development of Agriculture by promoting the development of farm household economy. To some extent, it can be said that they are successful.