

IV. EXPERIENCES OF OTHER ASIAN COUNTRIES — SUGGESTIONS FOR VIETNAM

The agricultural reform in Vietnam have undoubtedly produced many remarkable results. However, it has posed many shortcomings that have restrained the country from going ahead. Experiences of other countries that had faced similar challenges may prove invaluable for Vietnam. Among them, those noteworthy are China, Malaysia, Taiwan, South Korea, Philippine, and Indonesia.

4.1 . China's Experiences

Situations in China are similar to Vietnam in the following aspects:

- a) Both have similar domestic social environment: highly densely populated, predominantly agrarian, wet-land- paddy - cultivation economy with 0.1 hectare of land per person in the country-side and high crop intensity of approximately 1.4 crops per year and substantial disguised rural underemployment;
- b) Despite being ranked among the poorest countries in the world, the two countries both have relatively high

- literacy and skilled labour force;
- c) The two countries have obtained their political independence through the struggles of the communist parties whose members come mainly from peasantry and whose policies were based on patriotism;
 - d) Since their independence, both countries have chosen a socialistic way of development, only to suffer the limitations of the centrally planned commando-mechanism; and
 - e) Both countries are now moving toward a market economy.

However, China has some distinct advantages because of its huge country with a large state industry. It did not experience the unfortunate fate of prolonged wars as Vietnam did.


Historically, China started cooperativising in 1953, much sooner and faster than Vietnam (Vietnam had its independence since 1954 and started cooperativising in 1958). After only three and half years, at the end of November 1956, 98 percent (or 120 million) of the total farm households in China joined 764,000 cooperatives in which 96 percent was high level cooperatives. The organization of the cooperatives, the ownership of land and other means of production, the production

management and the income distribution in cooperatives were similar to those practiced later in Vietnam. In other words, Vietnam repeated similarly what China had done.

However, since 1958, more than 760,000 cooperatives were reorganized into 26,000 People's Communes with 6 million productive brigades in 800,000 villages. These brigades absorbed 99 percent of the total farm households. The average size of a People's Commune totalled to about 15,300 hectares of cultivated land, 5,000 farm households, 10,000 farmers (more than 10 times larger than high level cooperatives in Vietnam). Otherwise, the People's Communes managed every aspect of its member's life, comprising administrative, economic and social (Cooperatives in Vietnam focused on economic side only). The Chinese policies went much deeper into collectivisation where even household economy was completely non-existent.

As a result, from 1958 to 1978, there was extremely serious decrease in the Chinese agricultural production such as food produced per capita in the rural areas decreased by 59 percent, cooking oil 43.2 percent, fish production 15 percent and meat became a luxury good. These were widespread famines in many provinces (Nguyen Dien, et al. 1993).

Vietnam, on the other hand, introduced cooperativisation later than China and therefore avoided making the mistakes of the People's Communes establishment.

In many regions in China, inspite of prohibitions, many peasants still had some side-line activities to generate more incomes for survival. Some of the People's Communes signed contracts called "Sneak Contracts" with their members. In 1978, these "Sneak Contracts" were expanded to the province level and they were similar in many ways to the "Sneak Contracts" practiced in Vietnam before 1979. 

In September 1979, the Eleventh Central Committee of the Chinese Communist Party (CCP), in the Fourth Conference made a "decision to enhance the agricultural development of the country". This decision concentrated on relieving and encouraging the development of the households economy, implementing the production contract to the brigades and productive teams. Contracts to families were prohibited. However, in practice, many communes still signed contracts with the families and they seemed to work fine (Khan A. R., Lee E., 1983). Hence, in September 1982, the Twelveth Congress of the CCP recognized the "contract to household" mechanism in agricultural production.

Especially, in Document N°1, 1983, the Central Committee of CCP affirmed the rights of farm households to sell or use their product after tax as they like, and to hire from 7 to 11 persons.

It seemed more open than the similar policy in Vietnam during the same time. Vietnamese peasants had to wait until 1986 when the policy allowed them to hire labour.

In China, from 1982 land was distributed to families for use in 3 years before signing the next contract. Until 1984 the contract period was extended by the Central Committee (CCP, Document N°1, 1984) to at least 15 years while in Vietnam, since 1988, Resolution 10 has allowed farmers to use land contracted for at least 10 years.

In the contract, Chinese peasants have to offer 10 percent of the total products for the right to use the land (taxes). They could sell 40 percent for the state at high price and consume or sell the remainder as they wish. In Vietnam, from 1980 to April 1988, under "Contract 100", after taxes and collective contribution, and expenditure compensation the farm household gained only 20 percent for their own consumption. Since May 1988, under "Contract 10", this rate has been doubled to about 40 percent. However, as

shown in Table 3.17 (p. 74), in 4 representatively surveyed provinces, the State portion (12.87 percent) and the cooperatives portion (16.54 percent), both accounted for 29.41 percent. This is much more in comparison with the 10 percent tax rate in China.

The policy laid down by the Document No 1, 1984 of CCP was also even more open than Resolution 10 in Vietnam because it allowed any farmer to lease his contracted land. In this way, there are more opportunities for the wealthy peasants to have more land or for the less fortunate to work in factories and earn better incomes. It also encouraged a farmer to produce specialized products. Many specialized households were, as a result, formed throughout the country.

Specialized households are defined as households that have their main product values accounting for 60 percent of total product values and goods products accounting for 60-80 percent of the total products. It means that the family has moved from self-sufficient economy to goods economy.

The specialized households eventually became the priority of the government on financial, material supply as well as legal aspects.

According to New China's News Agency (15th January 1985), at the beginning of 1985, China had 25 million

specialized households among the total of 180 million farm households (accounting for 14 percent). In the Eastern Coastal Provinces, these families produced half of the total goods in the society (Nguyen Dien, et al.1993).

Contracted households and specialized households development resulted in a sharp growth of Chinese agriculture. During the period of 1978- 1987, the Gross agricultural products increased at an average growth rate of 14 percent annually. It was an incredible growth rate and it was more than double that of Vietnam. ✓

Food production increased from 305 million tons in 1978 to 435 million tons in 1991 or an increase of 130 million tons. Meat production increased from 8.56 million tons in 1978 to 26.3 million tons in 1989 [Vermeer, E. B. (ed.).1992] *W. J. L. H. T.*

In short, the Economic Reform in Chinese Agriculture has been more successful than that of Vietnam. The lessons drawn from Chinese experiences may prove useful for the progress in Vietnam :

1. Household economy plays a decisive role in the Agricultural development. The country must enhance the development of this sector.
2. Income distribution should be readjusted to ensure

an increase the portion attainable by households. This means reducing the portion of the state and the coops accordingly.

3. The peasants should be allowed not only to hire labours but also to rent cultivated land so as to expand the productive size of capable households and therefore liberate the incapable ones into the development of the industry and other sectors.

4. The handicrafts and local industries should be developed to absorb the labour liberated from centralized mechanization and modernization of agriculture production.

5. The specialized households should be encouraged by giving some measures of priority to various goods production. This may help the country to develop a goods economy.

4.2. Taiwan's Experiences.

Taiwan is one of the most densely populated countries. The cultivated land per capita is only 0.470 hectare, the second lowest in the world, just behind Japan (0.389 hectare) (Nguyen Dien, et al. 1993). Therefore, the size of the farm households, which is the main agricultural productive force, is very small, an average of one hectare only. Vietnam is similar to

Taiwan in terms of grown crops (wet-paddy), and in terms of small size of farm households (Vietnam: 0.59 ha per peasant family)

Taiwan has some successful experiences in agriculture development as follows:

1). Relegated (or devolved) farm households

Farm households in Taiwan are categorized into four groups:

- a) Households who have enough land of their own to produce;
- b) Households that have not enough land but have to rent more land for their production;
- c) Households that have no land of their own to produce, therefore must rent all the land necessary for their production; and
- d) Households who use land relegated by others to produce.

Among these categories, the relegated farm household is a very special one in the agricultural productive organization. This phenomenon has appeared recently since factory jobs and non-agricultural works which offer higher incomes have attracted many farmers and turned them away from their farms. However, they do not want and dare not lease their land because they are

worried that it might be very difficult for them to get it back when it is necessary. Therefore, these land owners entrust their land to their relatives, good friends or neighbours to cultivate. The land owners and the land users negotiate together on contents and prices of the services relegated as per crop or per year. Relegated duties may consist of one, two or more tasks.

There are two levels of relegation:

- i) The relocator let another farmer do one or many works such as: ploughing, sowing, maintaining, harvesting the crops on a portion or on all his cultivated land and pay him as negotiated.
- ii) The relocator let the relegatee manage all the tasks or do all the tasks on a part or on all his land.

Relegated farm pattern brings benefits to both sides:

- a) The relocator is free from matters pertaining to the production on his farm and yet is able to earn a larger income through his new job and the income from the land in the forms of rent paid by the relegatee. And his right to own the land is still ensured.
- b) The relegatee now has an opportunity to expand and enlarge the productive size to enable him to adopt mechanization and modernization in the production.
- c) Consequently, the society in general indirectly

benefits because of the increase in yield on the farm and having more labour to develop industry, services and other sectors.

The Taiwanese government understood the benefit of the relegated farm household pattern. Therefore the pattern was accepted. Its role is officially recognized in the "Acts on agricultural development" which was formulated on the 1st August, 1983. This pattern is now largely accepted and practiced throughout the country. About 75 percent of the land owners - most of them are small land owners in Taiwan currently do not work directly on their land but they adopt the relegation pattern.

It is really a good way for land concentration so as to increase production and modernize the agriculture. Hence, Vietnam should recognize and encourage the development of relegated farming.

2). Cooperatives of small farm households

To reduce the productive expenditure and increase the productive efficiency, small farm households organize many patterns of cooperatives. They are:

- a) Unions of farm households
- b) Unions of irrigation water users.
- c) Union of fishermen
- d) Fruits Trading Cooperatives .

e) Common Activities Groups

These coops are voluntary organizations of farm households. In practice, those coops make the production more efficiency, and consequently bring more benefits to farm households.

In particular, each Common Activities Group consists of 20-30 household combined together to do certain tasks in the productive process such as soil preparation, irrigation and transportation.

The organization, activities, regulation and performance of these cooperatives should be further studied carefully by Vietnamese economists for consideration and adoption in Vietnam.

3). Mechanization development in small farm households

By 1981, Taiwanese agricultural productions were mechanized at a relatively high level. In farm households, 95 percent of soil preparation, 91 percent of rice seedling transplant, and 80 percent of paddy harvest were done by machines.

As a newly industrialized nation, Taiwan has good experiences in mechanization:

- a) It created more job with higher income to attract labour from farming to industry.
- b) It selected suitable mechanization technology (small machines for small farms and small fields)

c) Mechanization of the whole productive process from soil preparation to harvest was done so that work force can be liberated from agriculture production into industrial production.

d) They combined firmly mechanization with chemical and biological technology.

Rice Nursing Center (RNC) is a special model of mechanization organization which is established and run by the private sector under the permission of the government. In 1990, Taiwan had 1785 RNCs. Each RNC served between 100 and 200 hectares by supplying not only paddy seedlings but also transplanting machines, and soil preparation services (Nguyen Dien, et al.1993).

4). Rural development through rural industrialization.

The government of Taiwan argued that "farm households could drive income from both agricultural and non-agricultural sources. One way of boosting non-agricultural sources of income - and hence living standards of farm households - is to provide employment opportunities in the off-farm sector via rural industrialisation. Taiwan government implemented rural-based, decentralised and locally industrial policy". This policy made the income of the farm households increased continuously and out of it, the portion of

non-agricultural income also increased from 43 percent in 1966 to 78 percent in 1989 (Chowdhury ~~U~~ and Islam ~~U~~, 1993, p. 64).

It would be very useful for Vietnam to study these successful experiences of Taiwan in mechanization.

4.3. South Korea's Experiences

South Korea has a very low cultivated land per capita. It is also ranked among the lowest in the world (530 square meter) - the third lowest behind Japan and Taiwan. Rice production is the main productive activity in the rural areas. The average size of a farm household is 1.08 hectare.

Since late 1960s, agricultural production of households farms have developed rapidly. Rice production increased from 3.9 million tons in 1970 to six million tons in 1977 with an average annual growth rate of six percent. Since 1975, after being self-sufficient in their staple food, farm households have diversified into high-value-product crops such as fruits, vegetables and livestock husbandry. These products have grown by an average rate of 8-10 percent annually (Hasan ~~P~~, Rao ~~D.C~~, 1979 and Nguyen Dien, et al, 1993).

The mechanization of Korean household farms was conducted step by step, according to the "Mechanization

Law":

- i) 1967-1971: mechanizing irrigation, drainage and insecticide spray.
- ii) 1972-1976: mechanizing soil preparation
- iii) 1977- 1982: mechanizing rice seedling transplant and harvest.

The Government provided subsidy and credit with low interest rate to encourage farmers to buy machines .

The government also organized "Brigades for agricultural mechanization" at every hamlet and village consisting of 20 farm households each. By 1987, there were 17.328 such brigades throughout the country.

A special provision was made where the government granted 40 percent of the total money that would be used to buy machines and lend the remaining 60 percent at an interest rate of six percent for five years.

As a result, in 1988, the agricultural production of farm households was relatively highly mechanized: 80 percent of mechanization in soil preparation, 54 percent in rice seedling transplanting and 53 percent in rice harvesting (Nguyen Dien, et al. 1993)

The success of the Korean policy on mechanization and the role of "brigades for mechanization" as a form of collective or group farming is laudable and should be made as the examples for Vietnam in their struggle to develop the agriculture .

4.4. Philippines' Experience

Under the Comprehensive Agrarian Reform law launched in 1987, the Comprehensive Agrarian Reform Programme (CARP) was introduced. It was well-known as a very positive Land Reform, based on the principle of "land to the tillers".

CARP encompasses all agricultural lands. With the CARP, land owners as well as tillers retaining their interests on the land, were given an array of options under which base on land they could continue to relate to one another in terms of stock transfer, lease back agreement, profit sharing, cooperative farming and stewardship.

The land was transferred from land owners to tillers in two ways. First, the land was transferred from the land owners directly to the tillers at a price mutually agreed upon between the parties involved in the transaction. Second, the land was transferred to the tiller from land owners indirectly with the participation of the government.

The government paid for the lands in ten years while granting the same land which was amortized by the farmer-beneficiaries within 30 years, with an interest rate of six percent annually.

The agrarian reform led to the attainment of the

elusive dream of restructuring not only the rural areas in the Philippines but also enabling the land owners to become major partners in the development. This makes them a class of investors not only in agriculture but also in other sectors. Up to 1990, 1,392,668 farmers hence benefitted from the programme with 2,523,113 hectares transferred from land owners.

Land reforms in the Philippines was successful. It could be useful for Vietnam if similar land reforms are introduced which give farmer the rights of land owners. It is first step and preparation for the land accumulation so as to obtain a larger and more modern agricultural production.

4.5. Indonesia's Experiences

Indonesia is a country that obtains a high rate of agricultural growth and self-sufficient in staple food. This country has good experience in developing rural cooperatives that are known as self-reliant KUDs (KUD Mandiri).

KUD is a multipurpose rural cooperative society, established on the basis of the economic interest of the rural community which mostly consists of producers. KUD sells productive inputs and necessities of life for rural people. It also supplies credit for

them through its "credit unit" or "rural bank". Otherwise, processing and marketing are carried out by it in accordance with the commodities handled.

The linkage between KUD and farmer groups has been considered as a strategy way in developing the agriculture. This is because of this sector characterized by very small landholdings that need to be supported by capital, technology and market. During the Fifth Five Year Development Plan (1989-1994), the government launched a programme to develop 2,000 to 4,000 KUDs (Sularso, 1990).

Since October 1988, Indonesian government decided that the duty of fertilizer supply has been given to only KUDs with prices unified in the whole country that are 20 percent lower than international prices (Nguyen Huu Tien, et al. 1994).

The experience on organizing and operating the KUD could also be useful for Vietnam in its attempt to improve the current cooperatives.

4.6. Malaysia's Experiences.

Among the ASIAN countries, Malaysia is one of the most successful countries in developing the economy in general and the agriculture sector in particular. Malaysia has many successes in organizing farm

household production in both newly developed lands and in old lands as well as in organizing the cooperations among farm households, government and private firms.

1) The Federal Land Development Authority (FELDA) set up in 1956, is a government body which played a decisive role in reallocating the rural labor force, solving unemployment and eradicating poverty in the rural areas. Up to 1990, more than 119,300 families counting of more than 715,000 persons were resettled in a newly developed land area totalling of 831,044 hectares. These land schemes are utilised for palm oil, rubber, cocoa plantation with a ratio of 1.16 ha per person or 6.97 ha per family "According to the Sixth Malaysia Plan, the average net monthly income of FELDA settlers ranged from RM 410 to RM 720 and from RM 380 to RM 870 for rubber and oil palm schemes, respectively" (Sivalingam, 1991). It can be said that, the income of FELDA settlers in every scheme is generally higher than the poverty line.

In the FELDA schemes, there are three types of tenure:

- a) Individual Ownership of Land,
- b) Cooperative Land Ownership and
- c) the Employee Share Ownership System.

The Individual Ownership of Land was introduced first.

Under this arrangement, each settler household was supplied a house with surrounding garden and 2-3 hectares of oil palm or rubber that were planted one year before. The settlers' duties are to maintain these crops under the guidance of the FELDA staff.

Most of the development costs including preparation works like clearing the jungle, preparing the land, planting the trees, and building the house were born by the settlers. However, the infrastructure construction fees were subsidized. The settlers were given a substance loan until they had the products and could amortise the loan with a interest rate of only 6.25 percent. However, they were required to charge after 15 years.

The settlers were assured of individual land ownership or a title to the land that they operated if they repaid all their debts to FELDA.

The Cooperative Land Ownership was implemented after 1970 since it was realized that there were considerable economies of scale in processing. Now, settlers worked in groups. Each group comprised of 20 to 35 settlers under a leader to do the maintenance and harvesting works together. The wage of each member was paid in proportion to the quality of products harvested by the group. The labour productivity was higher than under

the first type. However, the block system has its weaknesses because "the social desire and pride of owning a private piece of land, which can be a strong motivating factor in self-improvement could probably act against the cooperative system" (Sivalingam, 1991).

The Employee Share Ownership System has been implemented in all new FELDA schemes since 1985.

Under the Share System, the FELDA schemes are operated as companies under the Companies Act. The settlers were paid daily wage for his works.

Each settler has had his ownership rights in the form of a share certificates. The share certificates were issued to the settler when all the development costs were repaid. FELDA land became under the ownership of cooperatives of which all settlers are member. The members would hold shares in cooperatives and these shares could be transfer to the settlers' children (Fong, C.O. 1989)

As in the Individual Ownership system, in the Share System, "the participant's labour is capitalized into the land. He will receive rent in the form of dividends and bonuses for increasing the capital value of his land by regularly applying his labour and time on the land" (Sivalingam, G., 1991).

By the year 1987, among 422 FELDA schemes, the types of tenure were 21 percent for Individual Ownership, 35 percent for Cooperative Ownership and 44 percent for Employee Share Ownership, respectively (Sivalingam, 1991).

The FELDA experiences are not only limited to developing new land, but also in organizing corporate activities.

FELDA set up many corporations to capture the value-added from various activities while continuing or serving the agricultural production. These corporations are the FELDA Marketing Corporation, the FELDA Latex Handling Corporation, the FELDA Transport Corporation, the FELDA Mills Corporation, the FELDA Rubber Corporation, the FELDA Refinery Corporation, the Agricultural Services Corporation, and the FELDA Stores Corporation. The sources of the paid-up capital of these above corporations are the FELDA Settlers' Fund, and the FELDA Investment Fund.

In addition, FELDA has also set up many joint-ventures with private sector companies aimed at maximizing the value-added.

Vietnam has a large potential to develop new land

schemes in highlands and midlands. Vietnam has tried to relocate millions of people from the Red River Delta with a density of over 1,000 person per square kilometer to the Central Highlands with a density of only 40 persons per square kilometer. However, it was not successful. A large number of the settlers had returned to their former places. Nevertheless, Vietnam has still planned to develop three million hectares of new land and to reforest 10 million hectares of bare hills so as to have more job opportunities for peasants (Nguyen Xuan Chinh (ed.) 1990). It would be very useful for Vietnam to learn the experiences of FELDA.

2) In order to create more job opportunities, Malaysian government not only focus on land development but also on small local industries as done in China, Taiwan. The Malaysian Second Outline Perspective Plan for the period of 1991-2000 emphasizes that "For the economically active individuals who lack economic resources, particular land, they will be resettled in land development schemes or encouraged to undertake small resource-based manufacturing activities. In the case of those who have land but lack resources for developing their land, a programme to promote group farming and village restructuring will be implemented" (Malaysia, Government of. 1991)

3) Another experience of Malaysian government is flexibly using credit, subsidy policy and price policy as positive measurements to stimulate the agricultural development.

In order to ensure self-sufficiency of 80 percent of food supply, Malaysian government has given some incentives to poor small-scale padi farmers. "Input subsidies in the form of fertilizers (six bags per acre of padi farm), seeds and pesticides were provided. Training of farmers and farm workers were scheduled through rigorous farm extension services. The price support (price subsidy) and Guaranteed Minimum Price (GMP) for padi (unprocessed rice) were also granted in an attempt to increase farmers' incomes" (Pazim, 1994). As of 1st July 1990, the government ensured that it would buy all rice that the farmers can sell at the guarantee price subsidized by RM 24,81 per 100 kg. (Pazim, 1994).

At the same time, the Government established Rubber Industry for Smallholders Development Authority (RISDA). The main function of RISDA is to assist smallholders to replant old rubber trees exceeding 25 years with new high yield and better quality varieties. "As an incentive, smallholders are granted replanting funds for 7 to 8 years, the maximum period required for initial production to take place. The replanting

fund is constantly reviewed and last records show that it amounts to RM 5,436 per ha for smallholdings with total area of below 4.0 ha. For smallholdings exceeding 4.0 ha but less than 40 ha, the amount of replanting funds per ha is much smaller" (Pazim, 1994).

Credit policy has also been used as a measure to promote mechanization. In the paddy sector, the mechanization is constrained by the limited size of the farm-households. The Malaysian government decided to give mini-estates soft loans and outright subsidies. By joining mini-estates or in other words, by accepting group farming, the small farmers can get soft loans of RM 1,000 per hectare for tractor ploughing and a subsidy of RM 1,000 per hectare for improving the common infrastructures. This could encourage smallholders to come together to derive scale economies. The credit policy supports the infrastructure repairs and provides the hiring tractors and combine harvesters collectively. This experience should be studied in view of overcoming the limitations of very small farm plots in Vietnam after implementing "Contract 10".

4) Another experience of Malaysia is *the role of market forces.*

Malaysia's new National Agricultural Policy drafted for 1992-2010, affirms that "the task of transforming agriculture into viable agribusiness and commercial undertakings and one that is dynamic and competitive in both world and local market will involve the predominant role of the private sector" (Malaysia, Government of. 1992). In 1995 alone, the government decided to "increase the Fund for food to RM 600 million to encourage the private sectors to increase the production of agriculture products and livestock. To promote a greater utilization of this Fund, various criteria were reviewed. The loan interest was reduced from 7.75 percent to 4.0 percent per year and the repayment period was extended from five years to eight years" (Malaysia, Government of. 1995).

The budget allocation during the Sixth Malaysian Plan 1991-1995 was increased to RM 9 billion (compared to RM 7.5 billion during the Fifth Malaysian Plan). The budget allocation for extension services was increased incredibly by more than 300 percent while that for the new land development by state sector was reduced considerably by 32 percent. It means that the government now focuses on intensive development, such as mechanization, new technology adaption, Research and Development (R&D), and training.

The encouragement given to the role of private sector

and the focused direction of the current Malaysian economy should be studied by Vietnam who has just moved towards a market economy. This will help the country to develop not only extensively but also intensively. ↗