

**Study on the Economic Development Policy in  
The Transition toward a Market-Oriented Economy in  
The Socialist Republic of Viet Nam  
(Phase 3)**

**Final Report  
Vol. 4 Agriculture and Rural Development**

**March 2001**

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**Ministry of Planning and Investment  
The Socialist Republic of Viet Nam**

**Japan International  
Cooperation Agency**

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## Foreword

This study entitled "Study on the Economic Development Policy in the Transition toward a Market-Oriented Economy in Viet Nam (Phase 3)" was conducted within the framework of the technical cooperation program of the Government of Japan, in response to the request from the Government of the Socialist Republic of Viet Nam.

This study was carried out as a joint research by professionals specializing in economic policy from both Japan and Viet Nam. The research groups headed by Shigeru Ishikawa, Professor Emeritus of Hitotsubashi University for the Japanese side, and by Dr. Nguyen Quang Thai, Vice president, Development Strategy Institute, Ministry of Planning and Investment, for the Vietnamese side were set up in each country, assisted by consultant teams from leading institutes in both countries.

The research groups and consultant teams held a series of discussions, and conducted several field surveys. This report was prepared jointly by Japanese and Vietnamese research groups based on a mutual understanding.

I hope that the useful suggestions presented in this report will contribute to the formulation of policies for economic transition and sustainable development of Viet Nam, and it would be my great pleasure if the report would be used practically by concerned organizations, officials and experts.

I wish to express my sincere appreciation to Professor Ishikawa, Dr. Thai and each research member for their close cooperation extended to the study, and to the officials concerned for their valuable opinions.

March 2001



**Kunihiro SAITO**

**President**

**Japan International Cooperation Agency**



## Preface

The joint Viet Nam Japan Project of the Study on Economic Development Policy in the Transition toward a Market-oriented Economy in the Socialist Republic of Viet Nam, which we called in short Joint Vietnamese-Japanese Research (JVJR), has just terminated its 6-year activities of an undertaking for "intellectual cooperation" with the aim of advising various issues in designing and implementing the Five-year Social-Economic Plans in Viet Nam. JVJR was agreed upon in the consultations between the Governments of Japan and Viet Nam in 1994 and 1995 and was inaugurated in August 1995. The project was formally implemented under the Japan International Cooperation Agency (JICA)'s Social Development Studies Program as well as Technical Assistance Program.

Under the agreement, the research was to be conducted jointly by Japanese and Vietnamese study groups each consisting respectively of an average 20 academic scholars and high-ranking experts of a similar number.<sup>1</sup> Japanese study group was supported by professional consultants. In fact, these research members were regrouped into a small number of Study Group organized by different academic disciplines, and the joint studies were carried on mainly through these Study Groups. Moreover, the whole studies were conducted in three Phases and one Follow-up, and the Study Groups were specified for each Phase or Follow-up.

Below, the names of the Study Groups with their main study topics are shown according to this phasing.

### Phase 1 (August 1995 - June 1996)

Main topic: Issues relating to the draft documents about the 6th Five-Year Plan

- (1) Macro-economy Group
- (2) Fiscal and Monetary Group
- (3) Industrial Policy Group
- (4) Agricultural and Rural Development Group

### Phase 2 (July 1996 - March 1998)

Main topic: Issues relating to the participation to AFTA/APEC/WTO, and Industrial policy

- (1) Agricultural and Rural Development Group
- (2) Participation for AFTA/APEC/WTO and Industrial Policy Group
- (3) Fiscal and Monetary Policy Group
- (4) State Enterprise Reform Group

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<sup>1</sup> By the end of Phase 2, the Vietnamese-side members of JVJR Study Group consisted solely of the high-level officials and experts of Ministry of Planning and Investment, but thereafter the high-level officials and experts of other Ministries: Ministry of Finance, State Bank of Viet Nam, Ministry of Trade, Ministry of Industry, and Ministry of Agriculture and Rural Development and Ministry of Labor, War Invalids and Social Affairs were permitted to participate in the JVJR Study Group as fullfledged members.

### Follow-up Phase (July 1998 - July 1999)

Main topic: Issues arising from the impacts of the East Asian Economic Crises on the Vietnamese economy

- (1) General Commentary Group
- (2) Industry and Trade Group
- (3) Fiscal and Monetary Matters Group
- (4) Agricultural and Rural Development Group

### Phase 3 (September 1999 - March 2001)

Main topic: Issues relating to the draft documents about the 7th Five-Year Plan

- (1) General Commentary Group
- (2) Trade and Industry Group
- (3) Fiscal and Financial Reform Group
- (4) Agricultural and Rural Development Group
- (5) State-owned Enterprise Reform and Private Sector Promotion Group

While conducting these studies, we held a large number of workshop either on the Study Group level or the overall project level, and either in Tokyo or Hanoi. Workshop on overall project level numbered 12.<sup>2</sup>

The results of these studies and the policy options derived therefrom were published in official reports jointly by JICA and MPI.<sup>3</sup> In addition, we have attempted the commercial publication of a book on overall results of JVJR at the stage of the Phase 2 end.<sup>4</sup>

In retrospect, JVJR started at the period of Vietnamese economic development in which long years of Indo-Chinese War ended and the recovery from war-torn productive facilities and economic system minimumly completed, and therefore, it became possible for the government to think over Vietnamese economic development plans from a long-term perspective. We recognized on the other hand, that the Vietnamese economy was still at the embryonic stage of industrialization and market economy development. Hence, the

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#### <sup>2</sup> Phase 1

Hanoi Preparatory Meeting (May 29, 1995); First Hanoi Workshop (August 28-29, 1995); Consultations on the work plan for joint research (November 27-28, 1995, Tokyo); Tokyo Workshop (January 28-29, 1996); Second Hanoi Workshop (March 1-2, 1996)

#### Phase 2

Tokyo Workshop (March 22-23, 1997); Consultations on the progress of joint research and announcement of results (May 22-23, 1997, Tokyo); Hanoi Workshop (June 6-7, 1997);

#### Follow-up

Hanoi Workshop (July 20-21, 1999)

#### Phase 3

Tokyo Preliminary Meeting (May 30-31, 2000); Tokyo Workshop (July 26-27, 2000); Hanoi Workshop (December 8-9, 2000)

challenging task before us was, in a sense, how to combine the existing theories of development and other disciplines with the practical knowledge of the Vietnamese economy to obtain the really useful prescriptions for triggering the development process in such an early-stage developing country. In the more-recent years when Vietnamese economy encountered a series of difficult issues from the international economic aspects, the task was again quite new and challenging. It was to discover for a country of embryonic industrializations those development policies that enable her to industrialize herself without resorting to conventional policy of "infant-industry protection."

The results of the study have not yet been very satisfactory. But the progress achieved in the method of the joint study has been satisfactory in that the relationship of mutual trust between the Vietnamese and Japanese study groups and among all research members, and even deep friendship, have begun to take root while tackling with these challenging tasks jointly. We both sides believe this mutual trust and friendship would continue to alive even after this round of the joint research ended.

The Japanese side members of JVJR feel extremely fortunate that throughout these six years they have been given many opportunities to meet with the former Secretary General Do Moui, the present Secretary-General Le Kha Phieu and other Vietnamese leaders and seek their opinions. These opportunities were

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#### Phase 1

MPI/JICA(1996): *Opinions of the Five-Year Plan for Social and Economic Development 1996-2000 in Viet Nam: Vol.1 General Comments*, JICA, Tokyo.

MPI/JICA(1996): *Opinions of the Five-Year Plan for Social and Economic Development 1996-2000 in Viet Nam: Vol.2 Macro Economy*, JICA, Tokyo.

MPI/JICA(1996): *Opinions of the Five-Year Plan for Social and Economic Development 1996-2000 in Viet Nam: Vol.3 Fiscal and Monetary Policy*, JICA, Tokyo.

MPI/JICA(1996): *Opinions of the Five-Year Plan for Social and Economic Development 1996-2000 in Viet Nam: Vol.4 Industrial Policy*, JICA, Tokyo.

MPI/JICA(1996): *Opinions of the Five-Year Plan for Social and Economic Development 1996-2000 in Viet Nam: Vol.5 Agricultural and Rural Development*, JICA, Tokyo.

#### Phase 2

MPI/JICA(1998): *Study on the Economic Development Policy in the Transition Toward a Market-Oriented Economy in Viet Nam. Vol.1. General Comments/Agricultural and Rural Development*, JICA, Tokyo.

MPI/JICA(1998): *Study on the Economic Development Policy in the Transition Toward a Market-Oriented Economy in Viet Nam. Vol.2. Participation in AFTA /APEC/WTO and Industrial Policy*, JICA, Tokyo.

MPI/JICA(1998): *Study on the Economic Development Policy in the Transition Toward a Market-Oriented Economy in Viet Nam. Vol.3. Fiscal and Monetary Policy*, JICA, Tokyo.

MPI/JICA(1998): *Study on the Economic Development Policy in the Transition Toward a Market-Oriented Economy in Viet Nam. Vol.4. State Enterprise Reform*, JICA Tokyo.

#### Follow-up

MPI/JICA(1999): *General Commentary / Industry and Trade*, JICA, Tokyo.

MPI/JICA(1999): *Financial and Monetary Matters*, JICA, Tokyo.

MPI/JICA(1999): *Agricultural and Rural Development*, JICA, Tokyo.

<sup>4</sup> Ishikawa Shigeru and Hara Yonosuke (1999): *Viet Nam no Shijo Keizai ka (Marketization of the Vietnamese Economy)*, Toyo Keizai Shinpo-sha, Tokyo.



instrumental in bringing depth and strength to our study and findings.

The Vietnamese side members of the project express sincere thanks to JICA and its Viet Nam Office for supporting its research activities particularly in Japan.

This Final Report is submitted herewith to the leaders of Viet Nam Government as well as to other government agencies concerned. Also, we shall be presenting it to the interested parties in order to seek comments and opinions that would be useful for the possible future joint Vietnamese Japanese Research along the similar lines of the present work.

In addition, we have presented an Executive Summary in March 2001. This was prepared even before the Final Report, as it was required that the research outcome of Phase 3 could be available even briefly before the 9th National Party Congress. It is hoped that this Executive Summary will also be referred to by the readers.

March 31, 2001, Hanoi/Tokyo



Nguyen Quang Thai  
Vietnamese Cochair of the JVJR  
Doctor of Economics



Shigeru Ishikawa  
Japanese Cochair of the JVJR  
Doctor of Economics

## Acronyms & Abbreviations

ADB:	Asian Development Bank
AFTA:	ASEAN Free Trade Area
AICO:	ASEAN Industrial Cooperation
APEC:	Asia-Pacific Economic Cooperation
ASEAN:	Association of South East Asian Nations
CEPT:	Common Effective Preferential Tariff
CGE:	Computable General Equilibrium
CIEM:	Central Institute for Economic Management
CIS:	Commonwealth of Independent States
CKD:	Completely Knocked Down
CMT:	Cut, Make and Trim
CONCETTI:	Consulting and Research Company for Technology Transfer and Investment
CPI:	Consumer Price Index
DSI:	Development Strategy Institute
EAF:	Electrical Arc Furnaces
FDI:	Foreign Direct Investment
FOB:	Free on Board
FYP:	Five-Year Plan
GC:	General Corporation
GDP:	Gross Domestic Product
GRIPS:	National Graduate Institute for Policy Studies
GSO:	General Statistics Office
HNU:	Viet Nam National University, Hanoi
ICT:	Information and Communication Technology
IMF:	International Monetary Fund
IT:	Information Technology
JICA:	Japan International Cooperation Agency
JVJR :	Joint Vietnamese-Japanese Research (officially “the Study on the Economic Development Policy in the Transition toward a Market-oriented Economy in the Socialist Republic of Viet Nam”)
LLDC:	Least Less Developing Country
MARD:	Ministry of Agriculture and Rural Development
MITI:	Ministry of International Trade and Industry (currently “the Ministry of Economy, Trade and Industry”)

MNC:	Multi-National Corporation
MOF:	Ministry of Finance
MOI:	Ministry of Industry
MOSTE:	Ministry of Science, Technology and Environment
MOT:	Ministry of Trade
MPI:	Ministry of Planning and Investment
NEU:	National Economic University
NISTPASS:	National Institute for Science and Technology Policy and Strategy Studies
NPL:	Non-Performing Loan
NTB:	Non-Tariff Barrier
ODA:	Official Development Assistance
OOG:	Office of Government
PCF:	People's Credit Fund
PE:	Polyethylene
PP:	Polypropylene
PPH:	National Political Publish House
PRSP:	Poverty Reduction Strategy Papers
PVC:	Polyvinyl Chloride
SBV :	State Bank of Viet Nam
SI:	Supporting Industry
SME:	Small and Medium Enterprise
SOCB:	State-Owned Commercial Bank
SOE:	State-Owned Enterprise
SSC:	Southern Steel Corporation
SSC:	State Securities Committee
TISCO:	Thai Nguyen Iron and Steel Corporation
TVE:	Township and Village Enterprise
UNDP:	United Nations Development Programme
VASI:	Viet Nam Agricultural Science Institute
VAT:	Value-Added Tax
VBA:	Viet Nam Bank for Agriculture and Rural Development
VBP:	Viet Nam Bank for Poor
VNCC:	Viet Nam Cement Corporation
VSC:	Viet Nam Steel Corporation
WEI:	World Economic Institute
WTO:	World Trade Organization

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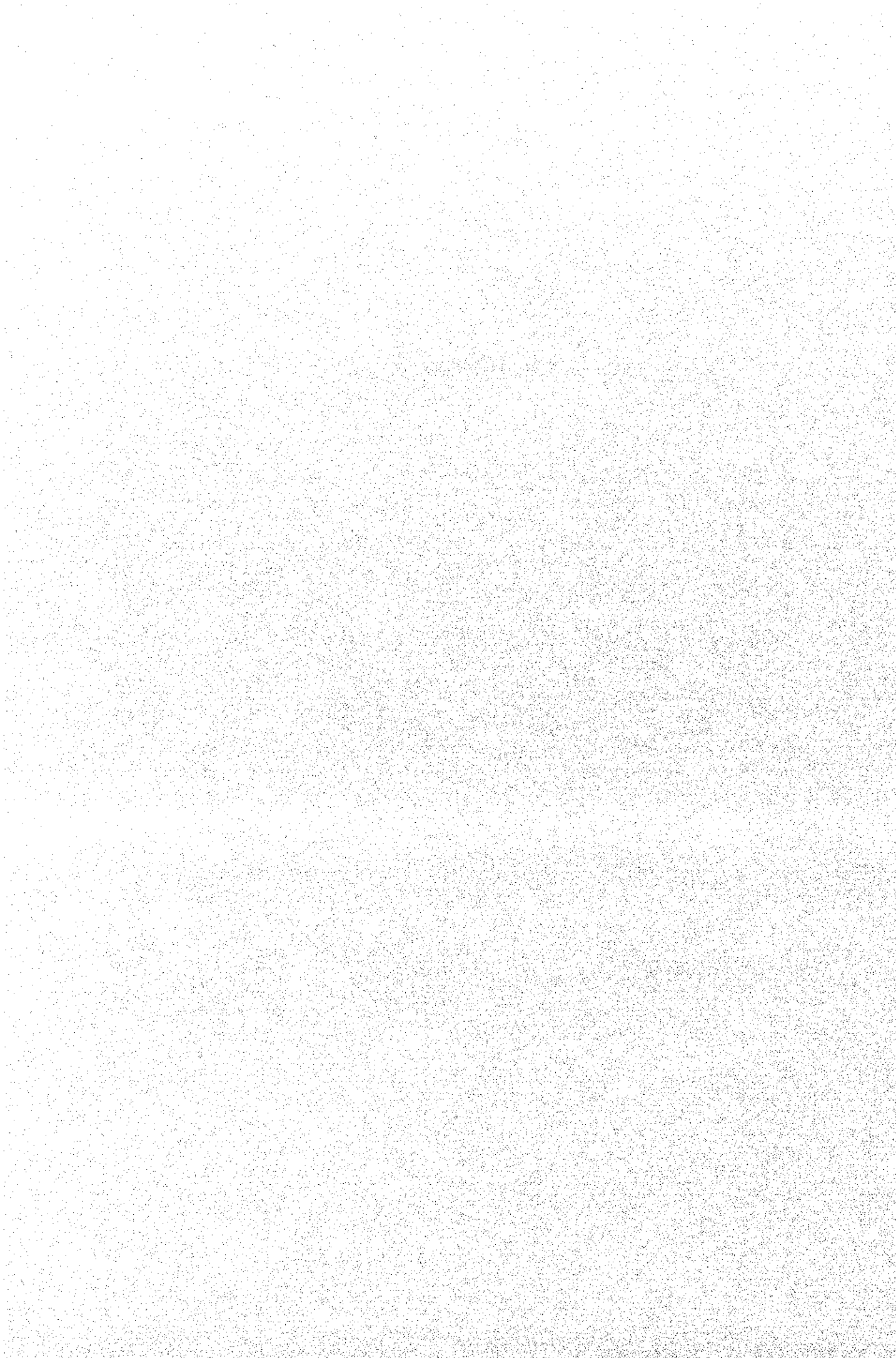
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# **Chapter 1**



## Progress of Joint Studies in Phase 3

Le Hong Thai

Ministry of Planning and Investment

### 1. Background and study contents of Phase 3

In late 1995, rural areas of Viet Nam were the home of 80% of total population and about 70% of the labor force. Agriculture played a very important role, contributing one-thirds of GDP and 40% of national export turnover. Acknowledging such a vital role of agriculture sector in the economy, the study program on agricultural and rural development has been carried out simultaneously with the implementation of the project "Policy and Strategy Research for Economic Development in Viet Nam"

From 1995 to late 1999, Phase 1, Phase 2 and other interim phase were implemented place in focusing on the following subjects:

- Increases in food production
- Agricultural diversification
- Rural micro-finance and farmers' organizations
- Major export products of agriculture and rural areas
- Information and data on non-agricultural employment in rural areas
- Agricultural and rural infrastructure
- Situation of rice production, post-harvest technology, rice market and agricultural support services
- Surveys on household economy in Thai Binh, Can Tho, An Giang, Ninh Binh and Dak Lak provinces

For the past four years from 1996 to 1999, the agriculture and rural areas in Viet Nam had obtained remarkable achievements and contributed to national economic development and social stability. The high growth rates of the agriculture sector have been seen for several years, high export have been achieved in products such as rice, coffee and seafood, and rural infrastructure system and rural population's living standard have much been improved.

However, the development of agriculture and rural areas has been facing with a lot of constraints, such as a low level of rural resident's income and labor productivity, a huge redundancy of rural labor force, a high incidence of hunger and poverty households. Improving rural population's income and alleviating poverty are considered to be vital objectives that need to be achieved for the sake of agricultural and rural development. Therefore, Phase 3 focused on the following subjects:

*Subject 1: Research on agricultural structure and household economy to propose appropriate measures to*



increase agricultural productivity and rural residents' income. The research team conducted a survey on a total of 200 households in 2 communes, one in An Giang province and another in Ninh Binh province, in which 100 households were selected in each commune. Furthermore, the research team paid due attention to the following issues:

- Agricultural statistics: in order to assess achievements as well as constraints in this field for a better supply of required information and data on agricultural and rural development
- Changes in agricultural land use in Red River Delta: in order to review the situation of land accumulation, landless and small land owned households then find out the relation between land accumulation and household income
- Farmers' organizations (cooperatives, rural financial organizations): Although this issue had been reviewed from different aspects, this research aimed at providing update information, assessing and analyzing comprehensively activities of those farmers' institutions as well as their roles in agricultural and rural development
- Measures to improve rural population's income: The research aimed at proposing effectively comprehensive measures to help increase rural households' income

*Subject 2:* Research on rural industry development to assess potentials for rural income improvement from non-agricultural activities. At present, there has been a huge redundancy of labor force in rural areas. Especially, in the Red River Delta, where land per capita is only 500m<sup>2</sup>, rural labor force has been employed for only three to four months and they have a long idle time of eight to nine months annually. Consequently, rural population has a very low income and the rate of households under the poverty line is high.

*Subject 3:* Research on poverty situation and poverty alleviation measures in mountainous and remote areas. Although Viet Nam has so far paid much attention and therefore obtained considerable achievements in poverty reduction, the rate of poverty is still high, especially in mountainous and remote areas. Accordingly, the research aimed at reviewing different approaches and proposing appropriate measures for poverty alleviation.

## 2. Research organization

*On Japanese side:* Prof. Hara was the team leader; Prof. Izumida, Prof. Sakurai, Prof. Ikemoto, Mr. Shindo and other experts were members. Prof. Izumida and his assistant - Mr. Shindo - were in charge of subject 1 and the final report. Prof. Sakurai and Prof. Ikemoto were in charge of subject 2 and 3 respectively.

*On Vietnamese side:* Dr. Le Hong Thai was the team leader. The members were: Prof. Nguyen Sinh Cuc, Director of the Department for Agro-Forestry and Fishery of General Statistics Office; Prof. Nguyen The Nha, National Economics University; Dr. Dang Kim Son, Acting Director of the Information Center of Ministry of Agriculture and Rural Development; Dr. Nguyen Van Tiem, Director of Center for Agriculture and Rural

Development Advises of Viet Nam Farmers' Union; and several experts of the Department of Agriculture and Rural Development of MPI. Experts of relevant departments within MPI, provincial departments of planning and investment and other relevant ministries and corporations also participated.

The research groups prepared the research outline, collected information and data through discussion with relevant ministries and localities, organized seminars, prepared reports of specific subject and carried out household surveys in several localities.

In order to facilitate the research progress, Ministry of Planning and Investment issued 14 official letters to other ministries, corporations and departments of planning and investment in relevant provinces, requiring them to give necessary assistance to the research teams.

During the research process, the research teams met and discussed with officials in a total of 31 provinces, ministries and state agencies, of which:

- In local level: there were 19 provinces: Cao Bang, Bac Kan, Lai Chau, Son La, Nam Dinh, Ha Tay, Ninh Binh, Nghe An, Thua Thien Hue, Quang Tri, Quang Nam, Ninh Thuan, Gia Lai, Kon Tum, Dac Lak, Lam Dong, Binh Phuoc, Long An and An Giang.
- At central level, there were 6 ministries and state agencies: Ministry of Labor, Invalids and Social Affairs, Ministry of Agriculture and Rural Development, Central Committee for Ethnic Groups & Mountains, State Price Committee, Ministry of Communication and Transportation, State Bank of Viet Nam
- Other agencies: Art and Literature Magazine for Ethnic Groups and Mountains, Viet Nam Corporation of Garment & Textile, March 8th Textile Company, Institute of Social Sciences in Ho Chi Minh City

### 3. Research output

There are the following reports:

- Structural transformation in land use in Red River Delta
- Role of rural institutions in improving production efficiency and agricultural household's income
- Policy for raising income of rural households and promoting their participation in economic development of rural households in Viet Nam
- Overview and perspectives of agricultural statistics system in Viet Nam
- Issues of changing agricultural structure in Viet Nam
- Microanalysis on the Vietnamese agriculture – Results of the field survey
- Poverty alleviation policy for ethnic minorities: a capability approach
- Regionality of rural industrialization
- Documents in the workshop on rural industrialization organized in June 25 - 26 2000 in Hanoi,

including 28 papers written by Vietnamese and Japanese scientists and project managers

- Changes in international rice market and rice export policies of Viet Nam
- Summary report of the research group

## 5. Major findings and implications

From the above reports, discussions and other observations, the following findings and implications are perceived:

- (1) In recent years, the statistics sector of Viet Nam has made great efforts in its professional tasks by applying various survey methods such as sample survey, entire population survey, regular data collection, etc. Therefore, the database system has basically satisfied requirements for management and research on agriculture and rural areas. However, many existing constraints caused by "achievementism" and poor professional skills of statistical staffs have resulted in a shortage and/or inaccuracy of some necessary data. Moreover, a limitation in financial budget has also led to a shortage of needed surveys and facilities.
- (2) The Red River Delta, characterized by small land per capita, has a traditional and close community relationship, and its agricultural land is considered to be a precious asset that produces the main income for local people. Thus, land purchasing and other forms of land accumulation are rarely found.
- (3) Financial organizations such as Viet Nam Bank for Agriculture, Bank for the Poor, People's Credit Fund and other formal financial institutions have played a vital role in agriculture and rural development. The transformation of agricultural cooperatives under the Cooperative Law has been rapidly implemented but many of them remain perfunctory, which lowers economic efficiency. This situation has mainly resulted from a weakness in managerial ability of cooperative staffs and small-scale production and business. Successful cooperatives have focused their operations on agricultural input supply services.
- (4) The research has summarized major policies on job creation, agricultural productivity increase and household income improvement. It also proposed some development models that should be widely applied, such as models of the linkage between processing enterprises and materials supplying areas; economic contract based systems development; voluntary economic cooperation development; and human resource development. The research implied that agricultural households should be regarded to be active autonomous economic units in rural development programs.
- (5) Major measures for rural industrialization have been proposed such as specifying priority areas, strengthening the role of the State in planning, policy making, infrastructure improvement, financial support and training. The district level should be considered to be a basic unit in rural industrialization. Rural industries should be developed in using available local materials, applying advanced technologies,

and expanding consumption markets.

(6) Although Viet Nam has put much effort to and achieved significant positive changes in poverty alleviation, there have been various constraints. Poverty incidence is still high, especially in mountainous and remote areas, due mainly to small-sized cultivated land and poor infrastructure. Shifting cultivation, although much reduced, has been still popular because many people lack of cultivated land and live in poor conditions. It is proposed that the definition of hunger and poverty situation should be supplemented because the existing approach tends to ignore the diversity and complexity of the situation of minority people.

(7) It is predicted that in the next 5 to 10 years, the agriculture and rural sector will be still important because rural areas are home to 70% of total population and this sector employs about 60% of labor force, and rice has been still a major agro-product. In the past years, rice export had reached a record of 4.5 millions ton, generating over USD 1 billion. However, this item is facing with difficulties in export. In 2000, rice export was only 3.5 million ton, export price down USD 47 per ton from 1999 and USD 87 from 1998. Therefore, the most important thing is to strengthen structural transformation of the agricultural and rural economy. Even in rice production there is a need of transformation. It is essential to increase product value per hectare of cultivated land by growing high value and new crops. More investments should be given for the improvement of rural infrastructures—electricity, road, irrigation and drainage works, research institutes, health care centers and schools—and due attention should be paid to human resource development in agriculture and rural areas.

## 6. Conclusion

For a short time, the research teams have completed a number of studies and produced some strategically important findings and implications that can be used as a premise for preparing agriculture and rural development policies in coming years.



## The International Rice Market

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### Primary products and economic development

Since the middle of the 19th century, the growth of primary-products exports has greatly stimulated economic development in Asia. It was not only the increased export of plantation products, represented by rubber and sugar, but also of rice, the principal food in the Asian region, that played an important role in drastically transforming the Asian economy, triggering the region's economic growth during the era of "forced free trade." The rise of rice exports was realized by expanded rice production in the delta developed in the downstream area of the Irawaddy, Chao Phraya, and Mekong Rivers. This was an economic expansion that was made possible by exploiting land resources that had been virtually unused until then.

Since the mid 20th century, when nation-states were born in Asia, industrialization became a major policy target in various countries. During the course of industrialization, the importance of the export of primary products gradually declined in national economies. In this regard, the rice-exporting countries in Southeast Asia were not exceptions. In Thailand, rice farmers had to tolerate rice prices far lower than the international price due to a "rice premium" and an export tax, both of which were imposed in order to stabilize domestic rice price and to secure revenue for the government. In Burma, the government set the compulsory rice-purchasing price very low, incorporated that in the national policy, and justified that policy as necessary to establish a socialist nation on its own. In South Viet Nam, rice production was greatly affected by the unstable conditions resulting from escalation of the liberalization war. Consequently, the export from these countries, which early in the 20th century were rice granaries, became very sluggish.

In Thailand in the early 1990s, agricultural policies were liberalized in connection with the nation's increasing participation in the world economy. Also, Burma and Viet Nam began to shift toward market-oriented economies. Accordingly, the rice-producing economies in those countries were directly exposed to the international grain market. As a result, Thailand and Viet Nam were able to recover their positions among the world's leading rice-exporting countries, as they are at present. In addition, although in Burma the pace toward economic reform is still uncertain, that nation is expected to be a large-scale rice-exporting country after its economic reform program progresses a little further. However, compared with the late 19th century, it is certain that the time when rice exports could lead the development of a national economy has already passed.

## The international grain market

An examination of price trends in international markets reveals that for the period for the 19th century and early years of the 20th century the relative prices against for manufactured products have shown the upwards-trend. Late in the 20th century, however, the relative prices of primary products showed sharp declines. From the 1960s until the mid-1990s, the prices of primary products plunged by 40%, and the profits from the export of such products fell accordingly steeply. The trend was exactly the same in regard not only to mineral products but also to agricultural products, including grains such as rice and wheat. Such price trends in international markets constituted one reason that the export of primary products lost its stimulating effect on the economic development of Asian countries. The change in relative prices was brought about by technological innovation that resulted from new knowledge, which had become the most important factor affecting the dynamics of the world economy. The aforementioned price trends also dramatically reduced the economic scarcity of what in the past had been regarded as production prerequisites, such as land. This meant that the production shifted greatly from land which is immobile, to capital, information, and knowledge, which are highly mobile.

The relative international prices of grain foods against world consumer prices, declined greatly in the latter part of the 20th century. The relative price of rice per ton fell by 64%, from USD790 in 1950 to USD280 in 1995. The prices of wheat and corn decreased similarly. In spite of this price trend, food production per capita in Asia as well as in the world as a whole increased greatly. The index of food production per capita, using the year 1980 as the baseline figure of 100, rose in 1997 to 110 for the world as a whole, and was 192 in China, 181 in India, and 144 in other areas of Asia. The only region that recorded an obvious decrease was Africa. Except in some regions, at present the world seems to maintain the ability to expand food production at a pace exceeding its population growth. Food production per capita, even if it fluctuates widely every year, tends to show an apparent upward trend, without any substantial decrease. In that sense, it can be said that "Malthus's prediction" has missed the mark.

## The thin and unstable international market for rice

The amount of rice supplied to the international market is small compared to the total amount produced. Thus, the international market for rice is a "thin" market in which the international price fluctuates in a short period of time. The situation in the rice market is unlike that in the manufacturing industry, which is such that when prices start to decline the volume of shipments to the market can be changed by retaining a greater volume of products as inventories or by lowering the production, so that the prices of products can be kept at a certain level and the products can be sold at "fix-prices" or "administrative prices." In contrast, for a grain such as rice, it is difficult to adjust inventories, because storage capacity is limited. Besides, it is impossible to

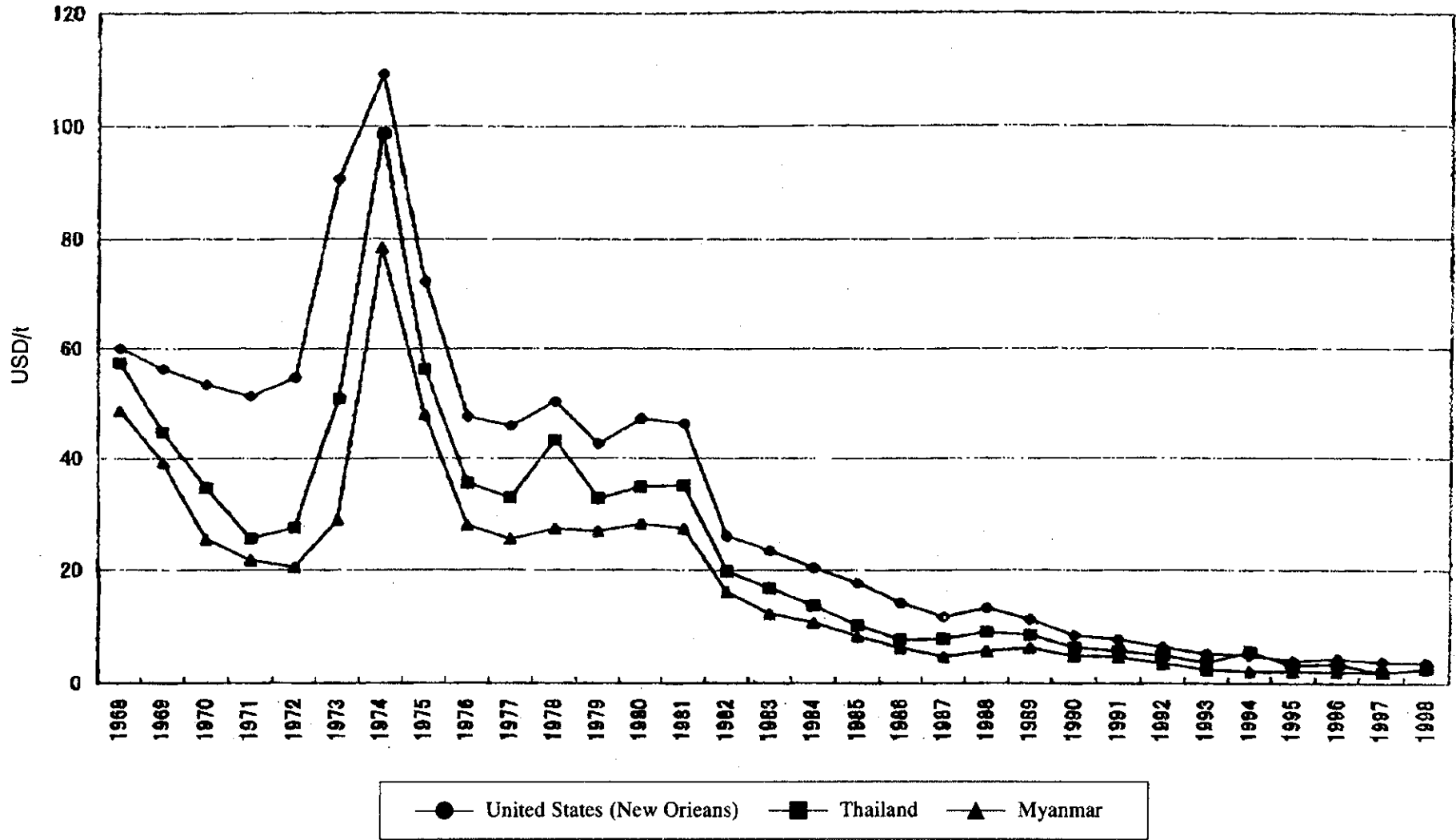
control production after crops are planted, even if prices start to fall. Therefore, the prices of rice fall steeply when harvests are abundant, even if only slightly so, because almost all of the products are sold in a short period of time after being harvested. Agricultural products are products that have to be dealt at “flex-prices” or “competitive prices.”

The short-time fluctuation of food prices creates economic crises such as either plunging prices due to an abundant harvest or a famine due to even a slightly bad harvest. A famine can occur even if food production in a country or region as a whole is sufficient. Even only a small decrease in supply resulting from a bad harvest can trigger a rise in prices, and, speculative behavior accelerates the price increases. As a result, people who lack purchasing power become unable to buy rice foods. This is how a famine occurs. In Bengal in 1943, when food prices jumped up, the social stratum whose members had to buy foods from the market suffered from famine (*Poverty and Famine* by Amartya Sen) In 1997, Indonesia, faced with a currency crisis, experienced a similar situation.

How can we control the short-term fluctuations and stabilize the prices of foods, which are basic everyday needs of people? This is a question that has been asked since the beginning of human history, and it is one that continues to reveal to a major problem that is yet to be solved even now, at the end of the 20th century. In order to stabilize domestic food prices, policy intervention of various forms have been carried out individually in so-called advanced countries. However, these interventions have ended up as supported-price policies that resulted in excessive stockpiles of grains. On the international level, in the 1950s there was adopted the International Wheat Agreement, by which both exporting and importing countries manage buffer stocks. But eventually that scheme failed to function, because exporting countries were not satisfied with price levels when the harvest was bad, and importing countries were not satisfied when the harvest was good. Because the international rice market is “thinner” than even that for wheat, it is extremely difficult to stabilize the rice price internationally by means of buffer stocks. Although the era of globalization has begun, international collaboration regarding food-price stabilization has hardly broken ground.



Rice Price Deflated by World Consumer Price Index (1995=100)



## **Chapter 2**



## Agricultural Structure Problems in Viet Nam

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## 1. Introduction

The Team of Agricultural and Rural Development has analyzed many issues regarding to Vietnamese agriculture and rural areas from various standpoints in Phases 1 and 2, and a follow-up study of the Project. Their results are embodied in three volumes of reports, indicated that the most fundamental problem with Vietnamese agriculture and rural sector in general is an abundance of rural labor force. As confirmed later via statistics, a prominent characteristic of Vietnamese agriculture lies in the smallness of farming size, causing the low labor productivity and low income of agricultural sector. The expansion of agricultural land in Viet Nam is difficult due to the limited national land area. Hence, if agricultural population remains unchanged, this characteristic will be continually the constraint factor for agricultural and rural development.

The study of the Agricultural and Rural Development Group in Phase 3 focuses on the abundance of rural labor and problems stemming from this situation. Three subtopics are given: (1) How to organize agriculture under the circumstances of abundant labor and limited land area, (2) how to utilize agricultural labor in other sectors, and (3) how to mitigate poverty in the handicapped areas. These subtopics have been selected out of concern for surplus labor in rural areas, which is the problem behind a variety of issues in rural Viet Nam.

This paper deals with the first subtopics, discussing how to organize Vietnamese agriculture. Of course, this is a challenge related to the vision of the future agricultural structure in Viet Nam. In more concrete terms, the future direction of Vietnamese agriculture is examined in light of a change in the agricultural land area; the number of agricultural households and changes thereof; the distribution of production units by size, and changes thereof; the actual growth of the agricultural sector; the composition of agricultural household incomes and changes thereof; changes in the employment situation; the number of landless households and changes thereof; the state of mechanization; trends in large-scale farms; the diversification of agricultural production; the commercialization of agriculture; changes in the land itself; labor mobility; and the changing use of land for non-agricultural purposes.

In Viet Nam, the term "agricultural structure" often means the share of the agricultural industry as a part of the national economy, or the composition of agricultural products in total production. In this report, however, agricultural structure means the constitution of agriculture as an industry. Needless to say, agricultural land and production units are two basic elements of the agricultural structure. Hence, it should be noted that broadly speaking, the combination of agricultural land and production units is discussed here.

In the following section (section 2) the characteristics of Vietnamese agriculture are discussed, taking into account the quantity, combination and distribution of agricultural resources—land, and agricultural labor or the number of agricultural households. Given such structural characteristics of Vietnamese agriculture, Section 3 examines how the agricultural household income and the employment status changed with the growth of agriculture in the 1990s. Section 4 discusses how the agricultural structure is changing, from three viewpoints: an increase in the landless or near-landless, agricultural mechanization, and the appearance of agricultural

production units called “farms.” Section 5 presents the basic standpoint that the decision-makers should have about the changing agricultural structure, and discusses the contents of the 1998 land law. Section 6 is the conclusion.

## 2. Characteristics of Vietnamese agriculture

### 1) Agricultural land

To begin with, let us confirm the quantity of the resources of Vietnamese agriculture.

One of these is agricultural land, which accounts for 7,800 thousand hectare, or 21 percent of the total national land. Two figures listed above are bigger than those of Japan, but of course ratio of agricultural land in total is internationally regarded as low.

Agricultural land in Vietnamese agricultural statistics is classified into four categories: paddy land, annual crop land excluding paddy land, perennial crop land, and others (including water surface). Land other than agricultural land, used by agricultural households consists of land for housing, forest and other areas (wasteland, etc.).

Table 1 Change in agricultural land area in Viet Nam

(Unit: 1000 ha)

Year	Total agricultural land	Land for annual crop including paddy land	in which Land for paddy	Land for perennial crop	Others
1985	6492.2	5615.8	4296.5	804.8	71.6
1990	6993.2	5339.0	4108.8	1045.1	609.1
1993	7348.4	5523.8	4252.4	1247.1	557.5
1995	7357.8	5403.2	4203.2	1347.9	606.7
1997	7843.1	5667.7	4199.5	1533.5	641.9
97/85	1.21	1.01	0.98	1.91	3.23

Source: Nguyen Sinh Cuc 1995 and GSO 1999

Note: “others” in this table includes land for feed, and other land (water surface and so on)

As shown in Table 1, more than 70 percent of the agricultural land is annual crop land, including paddy field. Perennial crop land accounts for about 20 percent. The other two categories (“others” in the Table 1) occupy only a small part. It should be noted that the figure for fish-raising ponds (included in “Others” in the table) is relatively large. This reflects the high share of aquaculture in Vietnamese rural sector.

Concerning the increase in agricultural land, the growth rate is not high. From 1985 to 1997, it increased by 20 percent, or at an annual rate of 1.6 percent. Most of the increment was land for perennial crops. On the contrary, the area of land for annual crop remains much the same. It is in the Central Highlands and the Northeast South that the agricultural land area has increased considerably. In particular, the perennial crop land has expanded considerably. In the Central Highlands, land for industrial crops such as coffee and rubber has increased. In the Red River and Mekong River Deltas, agricultural land did not increase. The

observation suggests that in Viet Nam, particularly in the plane areas, the expansion of agricultural land has almost reached its limit. Apart from in certain regions, the further expansion of agricultural land seems difficult.

Table 2 shows the irrigated land as a percentage of the annual crop land area, suggesting the improvement in the quality of land<sup>1</sup>. It is important that the amount of irrigated land increased in general from 1993 to 1998 as a result of the government's active investment in irrigation. The greater amount of irrigated land means an improvement in the quality of land<sup>2</sup>.

**Table 2 Change in quality of annual crop land**

(unit: %)

Region	Irrigated in 1993	Irrigated in 1998
Northern Uplands	30.3	41.9
Red River Delta	90.0	93.7
North Central	50.4	58.3
Central Coast	56.9	63.7
Central Highlands	2.3	45.2
Northeast South	33.3	56.9
Mekong River Delta	41.5	90.0
All Viet Nam	46.4	70.9

Source: GSO 1995 and GSO 2000

## 2) Agricultural labor force

The next matter to be discussed is the state of agricultural labor force. Three factors, that is, the number of agricultural households, the agricultural population, and agricultural labor will be dealt with. Prior to handling each of these, however, let us briefly look at changes in the Vietnamese population.

According to a preliminary report of the 1999 population census, the total Vietnamese population as of April 1, 1999, was some 77 million. And 76 percent lived in rural areas<sup>3</sup>, showing that Vietnamese rural areas hold the overwhelming majority of the population.

The average annual growth rate of the population from 1989 to 1999 was 1.7 percent for the whole

<sup>1</sup> These figures are based on Viet Nam Living Standard Surveys (VLSS) conducted in 1992-93 and 1997-98 (hereafter, the 1992-93 VLSS and the 1997-98 VLSS are referred to as VLSS93 and VLSS98, respectively). In some regions the sample size is too small, and the results of VLSS may demonstrate irregular figures. For example, according to Table 2, the percentage of irrigated land in the Central Highlands was extremely small in 1993, compared with that in 1998. This is probably because the sample size was small and abnormal values affected the result. The other figures in the table do not seem unreasonable. The content and problems of VLSS will again be mentioned later. See note 11.

<sup>2</sup> However, there is another problem with the quality of agricultural land in Viet Nam, the widely scattered nature of the land, which has not yet been resolved.

<sup>3</sup> Definitions of rural areas and farming household may differ among statistics, such as VLSS and GSO's agricultural statistics. In the terms of the census, a rural area means a commune as an administrative unit. Hence, residents in communes are included in the rural population, while residents in wards or district towns are included in the urban population.

country, 3.6 percent for urban areas, and 1.2 percent for rural areas (See Table 3). Although the growth rate for urban areas is three times as high as that for rural areas, it should be noted that the rural population continued to increase by over one percent. As for the growth rate for the whole country, 1.7 percent was the lowest in the past 45 years. This indicates that the population growth has in effect been restrained<sup>4</sup>. The growth rate in each region is 1.4 percent in the Red River Delta and 1.1 percent in the Mekong River Delta. The population in the Central Highlands grew as much as 4.9 percent because of migration.

**Table 3 Average annual growth rates of population from 1899 to 1999**

Region	Growth rate (%)
Whole country	1.7 %
Urban	3.6
Rural	1.2
Red River Delta	1.4
North East	1.5
North West	2.1
North Central	1.4
Central Coast	1.6
Central Highlands	4.9
Northeast South	2.6
Mekong River Delta	1.1

Source: CCSC 1999

Table 4 shows a change in the number of agricultural households, the agricultural population and agricultural labors. However, the figures are not consistent because these are based on different statistical sources. Moreover, definitions of the agricultural household, the agricultural population and agricultural labor are not clear, and there are ambiguity about the relationship between those definitions and the definitions of the census and VLSS. This matter must be cleared up in the future in cooperation with Vietnamese authorities.

**Table 4 Change in the number of agricultural households, agricultural population and agricultural labors**

Year	Number of agricultural households (1000 households)	Agricultural population (1000 persons)	Agricultural labors (1000 persons)	
			(a)	(b)
1985	8315	41244	18,808	15,665
1990	9357	45413	21,863	17,678
1993	10281	49574	23,700	22,813
1995	10468	50335	-	24,041
1998	10981	52668	-	25,302
98/85	1.32	1.28	-	1.61

Source: Nguyen Sinh Cuc 1995 and GSO 1999

Note: a) Data from Nguyen Sinh Cuc 1995

b) Data from GSO 1999

<sup>4</sup> Viet Nam received the 1999 UN Population Award.



According to the Table, the number of agricultural households in 1998 was 11 million, the agricultural population was 53 million, and the number of agricultural workers was 25 million. These numbers increased at much the same pace with, or more rapidly than, the growth of the rural population.

### 3) Distribution of agricultural land

Let's examine how agricultural land is distributed in relation to labor, taking into account the above-mentioned state of agricultural land and labor force. First, the agricultural land per person can be calculated dividing the total agricultural land area by Viet Nam's population. The result is just 0.08 ha, indicating land/ population in Viet Nam is quite small.

In terms of land per agricultural household in 1997, it was computed as 0.72 hectare. This figure is far smaller than that of Japan (about 1.3 hectare). It is certain that the farming size of Vietnamese agriculture is extremely small compared with other countries.

Of course, the agricultural land area per household differs considerably according to region. In the Red River Delta, for example, there are 2,643 thousand households on an agricultural land area of 672 thousand hectare, and the average agricultural land area per household is 0.25 hectare. In the Mekong River Delta, there are 2,261 thousand households on an agricultural land area of 2,632 thousand ha, and the agricultural land area per household is 1.16 ha.

Second, the distribution of agricultural land should be analyzed. Although the data is not up-to-date, Table 5 indicates the distribution of farming units by farm size on the basis of the 1994 agricultural census<sup>5</sup>. In the Red River Delta, farming units of less than 0.5 ha, except for landless households, account for 96 percent of the total. In the Mekong River Delta, farming units from 0.2 ha to 3.0 ha account for 89 percent. Farming unit sizes tend to be concentrated in several median brackets. In other regions, there is no significant difference in the farm size among farming units. The distribution of farming units by farm size is typically unimodal.

The homogeneity in the farm size is, of course, a result of Socialist Viet Nam's policy of equal distribution of agricultural land. It seems, however, that this homogeneity has gradually changed with the growth of agriculture and the national economy, during the 1990s. We would like to return to this matter later, though it is difficult to clarify this matter.

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<sup>5</sup> The national average in the table may cause misinterpretation. It seems to imply that a difference in the regional land availability is equal to a difference in the agricultural land distribution structure. Therefore, land distribution in each region needs to be dealt with separately.

Table 5 Distribution of agricultural households by land sizes: 1994

	Agri. land area (1000ha)	Rural HH (1000)	Shares of no. of households (%)								Average per household (ha)
			land-less	Less than 0.2ha	0.2 -0.5ha	0.5 -1ha	1-3ha	3-5ha	5-10ha	10ha above	
Northern Mountain	1,741	1,886	0.8	25.5	49.1	17.2	6.9	0.4	0.1	0.0	0.92
Red River Delta	712	2,553	0.8	45.5	50.4	3.2	0.1	0.0	0.0	0.0	0.28
North Central Coast	670	1,519	2.3	30.7	54.7	11.2	1.1	0.3	0.1	0.0	0.44
South Central Coast	545	950	1.4	28.0	46.2	17.6	6.4	0.3	0.1	0.0	0.57
Central Highlands	629	387	0.8	10.2	32.3	32.5	22.9	0.2	0.2	0.0	1.63
Northeast South	956	477	1.7	9.5	27.5	29.7	27.9	2.8	0.8	0.1	2.00
Mekong River Delta	2,654	1,756	0.7	6.2	25.7	30.7	32.5	3.6	0.7	0.1	1.51
Whole country	7,907	9,529	1.1	26.9	44.0	16.2	10.5	1.0	0.2	0.0	0.83

Source: GSO 1996

Apart from land and labor, the remaining production factor is capital (fixed capital stock). Though the use of capital must also be described, it will be dealt with in section 4, which handles the changing agricultural structure.

### 3. Growth of Vietnamese agriculture and poverty alleviation

#### 1) Growth of agriculture

Agriculture in Viet Nam has shown high growth since the launching of the "doi moi" policy. As has already been indicated by some reports, the gross added value of agriculture has increased at an average annual rate of more than five percent (see Phan Doanh 1999, Izumida 1999, and Socialist Republic of Viet Nam 1999). The growth rate of agricultural output for food in the past decade was 4.3 percent, 10 percent for industrial crops, and 5.4 percent for livestock products. Concerning rice, the major crop of Vietnamese agriculture, its production grew at an average annual rate of 5.2 percent from 1988 to 1998.

As these figures show, regarding the decade of up to around 1998, Vietnamese agriculture achieved remarkable growth<sup>6</sup>. Instability in production was significantly reduced as seen in the trend in rice production (Izumida 1999). There is still uncertainty at regional levels, but agricultural output at national level is less likely to fall sharply.

There are several factors that brought about the growth of agricultural production. The most important one is the 1986 doi moi policy, which transformed the conventional production system based on the planned economy, and increased incentives to raise agricultural output. Under this policy, agricultural households were regarded as independent production units, and given freedom of production and crop disposal. In addition, an increase in investment in infrastructure helped establish a basis for agricultural development.

It is also important that agricultural product prices rose in relation to factor prices at least until 1998, and

<sup>6</sup> But since 1998, the growth has slowed down and agricultural prices had also begun to fall.

that technology developed overseas, including new varieties of rice, could be available. The latter means that Viet Nam could enjoy what is called a latecomer's advantage. VBARD's disbursement of credit also contributed to the development of Vietnamese agriculture. Deregulation in the distribution sector and the introduction of competition were also important (see Izumida 1999).

It is the key to the next decade of Vietnamese agriculture whether such high growth experienced in the 1990s can be sustained or not. If a high growth rate can be expected, it may be possible to follow an agriculture-led development strategy for rural areas (UNDP and MPI 2000, p.v). But such optimism does not seem justified if we consider the history of various countries. There have been few cases where agriculture has continued to grow at over five percent for more than two decades. Furthermore, an oversupply of food is projected for Asia. China has already suffered from an oversupply problem of agricultural products. It is certain that Myanmar and Cambodia will enter into international rice market. Vietnamese agriculture may no longer see such a golden age as in the 1990s. In my opinion, it is not wise to take an optimistic view of the next decade of Vietnamese agriculture.

## 2) Changes in income of agricultural household

As a result of the growth of agriculture, incomes of agricultural household have also been on the increase. As is shown in Table 6, which indicates a rise in rural household incomes based on VLSS93 and VLSS98, real agricultural incomes at 1998 price grew significantly. It should also be noted that the share of the agricultural income as a portion of agricultural household incomes increased from 1993 to 1998. Naturally the share of non-farm incomes declined<sup>7</sup>. It can be said that the increase in rural household incomes in the period between 1993 and 1998 was primarily a result of agricultural development.

Notwithstanding the above, according to a VLSS98 table that shows sources of income by expenditure brackets, the income<sup>8</sup> of the bracket with the highest expenditure per person is derived from non-farm self-employment, or wages, rather than agriculture. In the Central Highlands, the Mekong River Delta and the Northern uplands, incomes are mainly derived from agriculture. In the Northeast South and the Red River Delta, which include large cities, incomes are mainly gained from non-farm self-employment. That is, the income composition of general households is probably defined by regional conditions (the labor or product market) which create opportunities for developing self-employment businesses or employment. Therefore, the statement that the growth of agriculture is the most important factor in increasing household incomes drawn from Table 6, is not necessarily correct. In terms of the income structure of household in general, an increase in non-farming activities leads to an increase in incomes.

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<sup>7</sup> "Non-farm enterprises" in the table mean business done by farm household based mainly on self-employment. The cases which farmers are paid wages by outside employers are rarely seen.

<sup>8</sup> In this case, rural and urban households are not differentiated.

Table 6 Sources of household incomes in rural Viet Nam

Source of income	Growth rate in 1993-98	Share of income	
		1993	1998
Agriculture	60.6	37.2	46.8
Non-farm enterprises	30.5	18.7	19.2
Wage income	-0.1	21.9	17.1
Others (pensions, etc.)	-2.8	22.2	16.9
Total	27.6	100.0	100.0

Source: Joint Report 1999, p.51

According to the composition of agricultural revenues (Table 7), rice occupies the largest share. Rice accounted for about 44 percent in 1998, but this figure dropped by seven percentage points from 51 percent in 1993. By contrast, the share of livestock and aquaculture increased. Revenues from this category grew 52 percent from 1993 to 1998. Revenues from perennial crops and fruit trees jumped significantly.

Table 7 Growth in agricultural revenues, 1993-1998

Products	Growth rate 1993-98	Share of revenues	
		1993	1998
Rice	21.2	50.9	43.6
Livestock and fish farming	52.3	28.7	31.1
Other food crops (maize, vegetables, etc.)	55.0	9.0	9.9
Industrial crops (sugar, tobacco, etc.)	65.6	4.3	5.0
Perennial crops (coffee, tea and rubber)	127.1	2.6	4.1
Fruit trees	112.3	3.8	5.6
Agro-forestry	0.6	0.8	0.6
Total	41.3	100.0	100.0

Source: Joint Report 1999, p.52

Therefore, agricultural diversification may have made significant progress at national level. Although it is said that livestock husbandry in Viet Nam has peculiar problems such as unstable feed supply and meat quality, the fact that this sector showed such high growth under these unfavorable conditions should be highly evaluated. However, further consideration needs to be given to whether diversification throughout the country has made progress at agricultural household level or at the regional level. Given the latter case, individual farmers would come to specialize in professional management, and risks would not be diversified at the farm level.

### 3) Poverty alleviation

Rural household incomes have certainly improved to some degree as a result of the growth of agriculture, or as a result of the development of the national economy as a whole<sup>9</sup>.

Table 8 shows a change in the poverty rate based on VLSS<sup>10</sup>. From 1993 to 1998 the poverty rate<sup>11</sup>

declined in all regions, especially in the Red River Delta and the Northeast South. On the other hand, poverty did not decline appreciably in the Mekong River Delta. In general, however, the poverty level in Viet Nam was still high even in 1998. In particular, the poverty rate was significantly high in the Central Highlands and Northern Uplands. This suggests the severity of poverty in the Uplands.

Table 8 Change in the food poverty rate by region

Economic region	1993	1998
Whole country	24.9	15.0
Northern Uplands	37.6	29.2
Red River Delta	25.9	7.5
North Central	35.5	19.0
Central Coast	22.0	17.4
Central Highlands	32.0	31.5
Northeast South	10.3	1.8
Mekong River Delta	17.7	11.3

Source: Socialist Republic of Viet Nam 1999

Note: a) The South North East includes Ho Chi Minh City.  
 b) Figures in the table are based on a narrow definition of "poverty," that is, "food poverty." When a wider definition of poverty was applied, the rate nationwide dropped from 58 percent in 1993 to 37 percent in 1998.

Indeed poverty is very much a rural phenomenon (Joint Report 1999, p.20). Farmers (those mainly engaged in agriculture) account for 61 percent of the total population, and as far as farmers are concerned, the incidence of poverty is 48 percent, compared with 37 percent for the total population. Indeed, 79

<sup>9</sup> Contribution of the development of non-agricultural sector does not seem to have made a significant contribution to the poverty alleviation in rural areas, because wage incomes have decreased by 0.1 percent, as seen in Table 6.

<sup>10</sup> VLSS was conducted by the Vietnamese government (GSO) with the support of international aid organizations including SIDA, UNDP and WB. VLSS93 and VLSS98 covered 4,800 and 6,000 households, respectively. Of the 6,000 households, 4,300 were also covered by VLSS93. VLSS includes not only a household survey but also commune and price surveys.

The problem with VLSS98 sampling is that the survey excluded those urban migrants without the right of permanent residence. According to the estimates of several organizations, unregistered urban migrants total somewhere between 1.5 to 2.5 million, 10-50 percent of who live in poverty. Therefore, VLSS98 may have underestimated the level of poverty, especially in urban areas. Much attention should be given to this matter.

<sup>11</sup> There are two definitions of poverty: food poverty and overall poverty. Food poverty is defined as the state where annual expenditure per person (including the consumption of self-grown crops) is equal to or below 2,100 calories per day. Overall poverty is defined as the state where annual expenditure per person is equal to or below the level required to cover nutritional needs and basic non-food needs. The former level was decided upon at 750,000 VND in January 1993 and at 1,287,000 VND (USD92) in January 1998. The latter level was decided upon at 1,160,000 VND in January 1993 and at 1,790,000 VND (USD128) in January 1998.

Given these definitions of poverty, it is true that poverty rapidly declined in Viet Nam between 1993 and 1998, but it must be remembered that the poverty rate depends on where the poverty line is drawn. As the 1999 Joint Report pointed out, estimating the poverty rate at a specific figure should be avoided. For example, saying that the poor in Viet Nam still account for 30-45 percent of the total population is more appropriate than saying that the poverty rate in Viet Nam is 37 percent.

percent of the poor are farmers. Poverty is still a problem in rural areas.

One thing should be added. Poverty is also a problem of ethnic minorities. Most of the 53 ethnic groups live in the uplands. The poverty rate of the ethnic minorities remained extremely high: 86 percent in 1993 and 75 percent in 1998. On the other hand, the poverty rate of the Kinh Majority dropped significantly from 54 percent in 1993 to 31 percent in 1998.

#### 4) Underemployment in rural areas

The state of the employment situation in rural areas improved slightly. Let us follow the definition of VLSS 98 on underemployment as working for less than 40 hours a week, and severe underemployment as working for less than 15 hours a week. According to Table 9, underemployment in rural areas was worse than in urban areas, and though underemployment improved to some degree, about 60 percent of rural workers and 40 percent of urban workers were still underemployed. Even in 1998, over ten percent of the workers nationwide could be defined as in a state of severe underemployment. The conclusion is that employment remained a severe problem in spite of the decade of high economic growth.

According to the Joint Report 1999 (p.47), the employment growth rate from 1993 to 1998 was 0.4 percent for household farm employment (all Viet Nam) and 5.4 percent for household non-farm employment (all Viet Nam). In more detail, 6.7 percent for household non-farm employment 0.8 percent in household farm employment both in rural areas. On the other hand, wage employment in all Viet Nam grew at 3.5 percent. As a result, the share of wage employment as a portion of total employment rose slightly from 17.8 percent in 1993 to 19.4 percent in 1998.

The Joint Report 1999 estimates new wage jobs created in Viet Nam have been at 1.6 million during five years, on the assumption that wage-earning employees increased at an annual rate of 3.5 percent. The number of new workers entering the labor market per year can be roughly calculated by multiplying the total population (77 million) by the population growth rate (1.7 percent). The result of the calculation is 1.3 million<sup>12</sup>. The number of newly created wage jobs is far small compared with annual increase in labor force.

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<sup>12</sup> According to our team's interview with the expert of MPI Employment Bureau, average new labor entry between 1996 and 2000 was 1.6 million annually, the number of retired workers was 0.4 million, hence there was a subsequent net increase of 1.2 million. By multiplying the share of rural labor force, we can obtain the approximate number of one million labor force, entering annually into the primary industry.

Table 9 Hours of work by rural and urban, 1993 and 1998 (unit: %)

Hours worked per week	1993			1998		
	Rural	Urban	Total	Rural	Urban	Total
1-15	14%	12	13	12	10	12
16-39	57	35	53	49	30	45
40-50	17	22	18	18	27	20
51-60	8	16	10	11	16	12
61+	4	14	6	9	17	10
total	71	47	66	59	40	57

Source: Joint Report 1999, p.49

The share of wage-earning employees in the agricultural sector dropped from 27 percent in 1993 to 18 percent in 1998. This means that self-employment increased. In fact, the growth of household non-farm employment was as high as 5.4 percent: 6.7 percent in rural areas and 3.9 percent in urban areas. This implies that rural "household enterprise complexes" (that is, self-employment by farmers), created jobs (employment). Employment seems to have grown in the retailing, food processing, transportation and fishing sectors.

There is one matter in relation to the "farm" to be discussed later. In Viet Nam relatively large-scale farmers' agricultural activities are expected to absorb many workers. Though this matter needs to be verified through further examination, agriculture may be one of the means of absorbing surplus labor in rural areas.

#### 4. Changing agricultural structure

##### 1) Increase in the landless

Economic growth is usually accompanied by wider economic gaps. Economic growth does not mean that economic entities grow in line with each other. Some sectors lead growth, while others decline and disappear. There is no general pattern indicating which sector will grow or decline. In the history of Japanese agriculture, so-called polarization of farmers went on at one time, and at other times convergence amongst middle-class farmers was seen.

How is the structure of Vietnamese agriculture changing? First of all, it is apparent that the number of landless has increased in rural areas. The Follow-up Project Report shows that the landless and the near-landless have rapidly increased in recent years. However, the Follow-up Project Report covered the Mekong River Delta only. The state of the landless and near-landless in whole regions should be discussed.

Table 10, created from the estimation using the VLSS93 and the VLSS98 (Joint Report 1999), offers the information about landless. According to this Table, the share of the landless in total households was around ten percent in 1998, up from about eight percent in 1993. The share was much higher in the South East and the Mekong River Delta. By contrast, the share is far lower in the Central Highlands, the Northern Uplands and the Red River Delta. The problem of the landless is severe only in the Northeast South and the

Mekong River Delta.

The Mekong River Delta and the South North East, of course, are dynamic regions in Viet Nam. The trend in these regions may suggest the future direction of the other regions. In a dynamic region, labor moves from agriculture to non-farm sectors. In this process, it is reasonable to expect that many rural residents lose land. However, such a naive view may not apply to the increase in the landless in Viet Nam. The social issues caused by economic gaps incidental to agriculture should also be considered. The previous land policy may also have had some effect<sup>13</sup>.

Table 10 Percentage of rural households without allocated or swidden land

Region	1993	1998	Average farm size
Whole country	8.2%	10.1%	81.5 a (1 a=100m <sup>2</sup> )
Northern Uplands	2.0	3.7	88.9
Red River Delta	3.2	4.5	64.9
North Central	3.8	7.7	50.0
Central Coast	10.7	5.1	51.8
Central Highlands	3.9	2.6	137.5
Northeast South	21.3	28.7	137.1
Mekong River Delta	16.9	21.3	106.5

Source: Joint Report 1999, p.27

Note: The above estimation is for households with no annual or perennial crop land, water surface, forest, swidden or other land

How to understand the nature of the problem of the landless is a difficult issue, since nationwide official data on the transfer of land use right is seriously lacking. However, we can discuss this issue with several reports conducted by researchers.

In the North, professor Nha's report (Nguyen The Nha 2000) indicated that some movements of land use rights began recently in an area of the Red River Delta where high-value products are grown, including fruit such as litchi. Some cases have been reported of land being rented, particularly in flood-prone areas, from a commune or an agricultural cooperative, and used for high-income vegetables or aquaculture production. However agricultural households generally have a strong attachment to their own land, so transfers of land use rights in the Red River Delta are highly limited in area and size.

In the South, as implied in the high percentage of the landless in Table 10, land use rights are actively transacted. According to the Surveys by the General Statistical Office (GSO) in 1994 and 1998 (in details see Nguyen The Nha 1999), the percentage of landless and near-landless households increased from 6.8 % in 1994 to 14.4 % in 1998. The landless group in particular increased from 0.7 % to 5.7 %. On the whole such large increases can be observed in the provinces close to the coast, including Tra Vinh, Bac Lieu,

<sup>13</sup> If the landless and near-landless are defined as households with agricultural land of less than 0.2 ha per person, their share becomes far larger. In the 1994 agricultural census, about 28 percent of all households fell into this category, but in VLSS98 the share was 37 percent (GSO 2000, p.209)



Vinh Long, and Soc Trang. A joint survey conducted in 1994 and 1998 by the National Economics University (Hanoi) and the Viet Nam Farmers' Union identified that in the Mekong River area, landless households increased from 13.9 % to 19.7 %, and near-landless increased from 13.5 % to 16.0 %. Combining both figures the increase was from 27.4 % to 37.7 %.

In order to understand the characteristics of the landless, it is important to examine the reasons for agricultural households becoming landless or near-landless (Table 11). In the landless households group, the causes for losing land are, in order of frequency: 'division of household or establishment of new household', closely followed by various causes related to 'debts or failure in business'. Next come 'others', followed by causes related to 'landless from the beginning', both of which rank above 'disaster or accident' and 'move to another occupation or place'. Among the land-lacking households group, 'lack of land from the beginning' was more frequent than triggered by causes related to 'debts and failure in business' or 'division of household and establishment of new household'.

For the landless and land-lacking households groups combined, the two causes, i.e., 'the household had not owned land at all' and that 'the household had received too small an area of land', account for the largest numbers. The next most frequent causes are 'foreclosing mortgages due to failure in business of repaying debts', and 'the division and establishment of a new household'. On the other hand, cases resulting from movements or changes to other professions remain relatively few. Although the survey aims at explaining the causes of becoming landless, not those of recent increase, it suggests that the cases losing land to repay debts due to the failure of business or the persistent deficits of farming operations may be a relatively common feature.

In a report on the agricultural structure problem, based on a Mekong River Delta survey (Yamazaki and Duong Ngoc Thanh 1998), it was pointed out that the most fundamental cause of the increase in the landless was the income gap by farm size. Small-sized farm owners get a lower income and that income is unstable, so they are forced to borrow money, and often the result is the selling of their farmland. No doubt there are labor productivity differentials due to differences in farm size. This fact is regarded as the fundamental factor in generating per capita income gaps<sup>14</sup>.

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<sup>14</sup> Interestingly, the report says that though large-sized farm owners tend to grow a single crop, the source of household income overall has been diversifying. Large-sized farm owners are often engaged in collection, transportation and processing of the crop, while middle-sized farm owners have diversified agricultural production.

Table 11 Causes of losing land use rights of landless and near-landless households

(unit : % to total surveyed household)

	Landless household	Near-landless household
No. of surveyed HH	3,079	1,946
1. Sell land to take other more profitable job	2.92	0.36
2. Little experience in farming	1.69	-
3. lack of plan of expense (bankrupt)	0.32	0.15
4. Foreclose mortgage	10.30	9.51
5. Repaid by land to individuals	5.13	1.70
6. Repaid by land to banks	1.36	0.10
7. Division of HH or establishment of new HH	23.8	16.50
8. Move to another place	2.37	-
9. To clear "ho"	0.71	-
10. Lack of land from beginning	-	48.09
11. Sickness or accident	8.48	5.04
12. No fund for continuing agriculture	5.39	9.30
13. Desolation of old cooperative a/	9.71	4.52
14. Migrated from another place	3.90	-
15. Confiscation of illegally occupied land by govt.	1.40	1.39
16. Sold land as price rose b/	0.19	-
17. Others	22.80	-

Sources: Survey of NEU (Ho Chi Minh City)

Notes: a/ This is considered as the cases that former agricultural cooperatives did not return the land to members when they dissolved

b/ Temporary landless while move to another place or start farming in another place

Active transaction of agricultural land, of course, contributed to the increase in the landless. The share of agricultural households that have sold their farmland rose from only 1.1 percent in VLSS93 to 9.8 percent in VLSS98.

In relation to the landless problem, let us look at the structure of the agricultural land use by expenditure quintile (Table 12). In this table, agricultural land is limited to annual cropland. Some figures on agricultural land in VLSS98 include extraordinarily large areas of surface water, which makes overall comparison difficult. That is why the table covers annual cropland only.

According to Table 12, it is in the Northeast South and the Mekong River Delta that there exists higher quintile expenditure per person with large agricultural land area. Such a correlation is not seen in the other regions. Of course, in the Central Highlands, comparison based on annual cropland only is misleading, since the region has a lot of perennial cropland. But even in such cases with total agricultural land excluding water surface, only three regions, i.e., the Northeast South, the Mekong River Delta and the Central Highlands seem to show a positive correlation between agricultural land area (including forest land) and expenditure per person. The other regions do not have such a correlation. Therefore, as far as VLSS98 is concerned, the polarization of agricultural households is the phenomenon of particular regions.

Overall, there remain many uncertain points about the causes of the increase in the landless, a correlation with poverty, and a relationship with job mobility. Further discussion is necessary after examining agricultural

household surveys and interviews with agriculture-related organizations. Here we would like to raise only one question about the definition of the landless.

Table 12 Annual crop land area per household by expenditure quintile

(Unit: m<sup>2</sup>)

Region	I Poorest	II	III	IV	V Richest
Northern Uplands	4548	4519	4534	3210	2083
Red River Delta	2451	2731	2710	2444	1702
North Central	3027	3008	4076	2714	1597
Central Coast	3585	3035	4031	3447	3293
Central Highlands	4842	6889	6242	3643	1564
Northeast South	1324	4041	4867	8502	6330
Mekong River Delta	5699	8057	8997	8756	9930

Source: GSO 2000

As the title of Table 10 implies, the landless or near-landless is defined as a household (almost) without the right to use agricultural land in rural areas. It should be noted that the state of non-holding this right due to the loss of land use right certificates is divided into two categories (though there are exceptions where a household has no land from the beginning).

The first category is comprised of those who have become agricultural laborers because of the loss of land or because they are impoverished, as they have no work as farm workers. This constitutes the differentiation of the peasantry. The second category can be referred to as having voluntarily exited from agriculture. Rural residents who sold their farmland because of a job change fall under this category. In other words, this comprises an increase in part-time agricultural households or less agricultural dependence of rural households. It is not possible to give a general answer to the question of whether people in the second category are in poverty. There is a strong possibility that exit from agriculture will improve their economic status. Anyway, in the process of economic development, the latter phenomenon is common, and will spread even in Viet Nam.

These categories of landless are different, and subsequently different measures are necessary for dealing with them. Measures should be taken for the landless of the first category from the viewpoint of social policy. For the landless of the second category, measures that promote job mobility without friction are needed. At present, two different matters seem to be discussed without distinction under the same term "landless." It will be necessary to realize economic differences between them. Statistical data differentiating each of the categories will also be needed.

## 2) Agricultural mechanization

This section deals with a change in the use of fixed capital in Vietnamese agriculture with regard to the use of tractors. This analysis, of course, aims to examine the significance and effect of agricultural mechanization in relation to a change in the agricultural structure.

The level of agricultural mechanization in Viet Nam seems not high. Table 13 indicates changes in the number of tractors. The number generally seems small, even compared with that in the 1960s in Japan. Regionally, the number of tractors (including both small and large tractors) is the largest in the Mekong River Delta, followed by the Central Highlands, the Northeast South and the Red River Delta<sup>15</sup>.

However, the growth rate of the number of tractors is rather significant. In the Mekong River Delta, the number of tractors increased to 3.7 times from 1990 to 1995 and to 1.23 times from 1995 to 1998. In the Central Highlands the number of tractors increased more rapidly.

If we concentrate our analysis to the change in the number of tractors at national level, the number of large-size tractor (12 horsepower or over, riding-type or high-performance walking-type), was 7,206 in 1990, 26,069 in 1995 and 36,846 in 1998. The number of small tractors (less than 12 horsepower, walking-type) was 17,880 in 1990, 71,208 in 1995, and 86,112 in 1998. In recent years the growth of the number of large tractors has been higher than that of small tractors.

Hence, it can be said that the absolute level of tractor use is not high in Viet Nam, but that agricultural mechanization has steadily advanced. Factors for mechanization and its effect on the rural economy must be further analyzed using the results of household surveys. Especially, analysis of the reason why agricultural mechanization that leads to the reduction in labor hours is occurring in a labor-surplus economy like Viet Nam is necessary.

Table 13 Changes in the number of tractors

Region	1990	1995	1998	1998 (a)		1993 (b)
				Large	Small	Small
Northern Uplands	621	3,668	4,493	1.3	22.3	0.0
Red River Delta	3,617	14,477	17,351	4.3	13.3	0.0
North Central	24	478	474	10.3	6.0	0.0
Central Coast	1,694	4,780	6,100	20.4	13.1	0.0
Central Highlands	2,319	21,042	26,555	131.1	360.2	4.84
Northeast South	6,631	16,411	20,988	32.0	145.1	0.75
Mekong River Delta	9,012	33,581	41,316	5.8	16.2	1.07

Source: GSO 1999, GSO 2000

Note: 1) (a) Average number of tractors per one commune from VLSS 98.

(b) Average number of tractors per 100 households from VLSS93.

2) Large tractor: over 12 horsepower, small tractor: 12 horsepower or lower.

In terms of reference material concerning this matter, we will present information based on an interview with farmers conducted in May 2000 in Ninh Binh Province.

Unlike the impression given by macroeconomic statistics, the use of tractors has unexpectedly spread in the Red River Delta. In the Ninh Phong Commune in Ninh Binh Province tractors did virtually all ploughing

<sup>15</sup> The figures for large or small tractors per commune based on VLSS98 are not consistent with GSO data. The reason is not clear so far, but the unit of 'commune' is probably different between regions.

for rice growing<sup>16</sup>. The agricultural land area of this commune was 355 hectare, the number of agricultural households was 1,600, and the number of tractors was only 21 (one of which is large size). Though the number of tractors per household seems small, it can be said that there are sufficient tractors in terms of the cropland area. Households that had no tractor could ask tractor farmers to offer their services to do ploughing under the coordination of the agricultural cooperative. The service fee for using tractor ploughing was 13,000 to 14,000 VND per sao (360 square meters)<sup>17</sup>.

The reasons for using tractor ploughing are as follows: Ploughing by tractor is more labor-saving and less expensive than ploughing by buffalo. Ploughing by tractor is also effective for raising land productivity due to deep harrowing. It should be noted that the use of a tractor is not expensive in terms of the user's total cash expenditure.

Judging from our interviews, the greatest merit of the use of tractors seems to be a reduction in household's labor. In rice growing, ploughing is said to be the hardest work next to rice transplanting. Even though the use of tractors does not lead to a significant increase in cash revenues or a substantial decline in cash expenditures, agricultural households were willing to pay the charge, since the use of tractor could alleviate the burden of severe labor, and could bring the increase in "leisure time"<sup>18</sup>. Growth of agricultural household income might create the situation that agricultural household economy has come to have leeway for paying that cost.

Anyway, the use of tractors in the commune started in the first half of the 1990s (which is consistent with Table 13) and seems to have already reached a saturation point, implying that there are enough tractors in use to meet demand.

We would like to mention one more thing in this regard. That is related to the possibility that farmers with tractors will expand their farming area through providing tractor service and grow in scale and efficiency. Judging from the result of the survey in Ninh Binh Province in the Red River Delta, however, that possibility is now not so strong. As stated above, some communes already have enough tractors to meet demand. That is, there is a kind of equilibrium of the demand and supply in the market of tractor service. However, it seems that this equilibrium does not have firm ground. If one farmer use more powerful tractor offering cheaper service fee, that farmer can shake off other tractor framers through competition. The competition will result in a smaller number of farmers with larger size of business. But this is not plausible of the two communes we surveyed. What has occurred is coordination by the agricultural cooperative. That is, the agricultural cooperative allocates the farming area to farmers with tractors across-the-board. As a result, competition among farmers with tractors has not occurred at least in Ninh Binh Province.

Probably the commune itself does not hope that any of the farmers with tractors will drop out through

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<sup>16</sup> This was also true of a commune in An Giang Province, where we had interviews with farmers in May 2000.

<sup>17</sup> According to the Province's Agricultural Office, the average service fee for tractor ploughing was 20,000 VND/sao.

<sup>18</sup> This phenomenon is called "subjective equilibrium" of agricultural households.

competition. They may be able to gain no job after dropping out. Given these conditions, competition will not be promoted in rural areas unless the rural labor market becomes active and labor mobility is increased. Probably it would take a long time to see large-scale, efficient agricultural management emerge in the Red River Delta.

### 3) "Farms"

As the market-oriented economy develops and agricultural productivity increases, a new trend has emerged in agriculture aiming at raising agricultural income, by expanding production with larger sized land, capital investment and increasing productivity. Already such agricultural households are appearing, although limited in number. Such agricultural households have been recognized as one of agricultural entities in the "Resolution of the Government on the Farm Economy"<sup>19</sup> in February 2000.

According to a survey<sup>20</sup> by local governments, there are now about 113,000 "farms" in the country (of which 67,000 are in the North) accounting for about 1 % of all the agricultural households in the country. While managers of these "farms" include party members, retired government officials, ex-servicemen, executives of communes, and workers and staff members on active service, 62 % of all the managers are ex-farmers.

Concerning the state of "farm", several surveys conducted by GSO (see Table 14), local governments and academics are available. From these surveys we can describe the notable points on farm economy as follows:

Table 14 Selected results of GSO survey on "farms" in four provinces

	Total	Yen Bai	Thanh Hoa	Binh Duong	Binh Phuoc
Total farms surveyed	5,466	366	1,867	1,284	1,949
Annual crop farms	1,055	32	807	97	119
Perennial crop farms	3,121	116	147	1,048	1,810
Livestock farms	25	2	9	14	0
Forestry farms	586	191	358	21	16
Aquaculture farms	333	3	324	5	1
Mixed farms	346	22	222	99	3

Source : GSO 1999.

Most of the "farms" grow crops, mainly perennials industrial crops such as coffee and rubber. There are "farms" with other types of business including annual crops, aquaculture, fruit, livestock, and forestry. Their numbers and percentages differ from survey to survey<sup>21</sup>. The geographical distribution of the types of

<sup>19</sup> Resolution by Government on the Farm Economy, 03/2000/NQ-CP. Feb. 2, 2000.

<sup>20</sup> Summary Report on Condition of the Farm Economy in Our Country During Past Few Years and the Implementation of the Government's Decision on the Farm Economy, held in April 2000 under the auspices of MARD.

<sup>21</sup> The classification above by type of business is assumed to be based on the major productive activities of a "farm", while in reality every farm operates, more or less, some production activities other than the major one it is classified under.

Business also varies depending on the survey.

Regarding the size of the crop "farms", those operating 2 to 5 hectare predominate in the group of annual-crop "farms", while in the group of perennial-crop "farms", those operating 5 to 10 hectare are the largest in number. The average size of operating agricultural land widely varies according to the types of business from 0.5 hectare in aquaculture "farms" to 8 hectare in perennial-crop "farms", while the average of all "farms" is about 3 to 6 hectare, according to surveys. Most of the "farms" employ the hired labor of 1 to 4 persons. Total number of employees in the whole country is estimated to be 0.3 to 0.4 million.

The ratio of commercialization of agricultural products is high, and the sales are also very large. The GSO survey shows that the gross sales of perennial-crop "farms" are particularly large, exceeding 180 million dong, while the NEU (Ho Chi Minh city) survey shows that the gross sales of "farms" in both the Northeast South and Mekong River Delta regions exceed 100 million dong. However, the average gross sales remain at the level of 40 - 50 million dong.

Many "farms" demand financial support from the government because of a shortage of production funds. Regarding sales of products, almost all output is sold directly without processing. In the Northeast South, half of all the land use rights was obtained through transfers, and the other half by exploitation of unused land. On the other hand, in the Mekong River Delta, transfers and inheritance share equally as the source of land.

In July 2000, the government standardized the criteria for "farms" which previously varied according to governmental agencies<sup>22</sup>. The criteria consist of some basic features and quantitative lines. The basic features are: to aim at large-scale production of agriculture, forestry or fisheries production; levels of intensity and specialization of production are higher than those in ordinary agricultural households, with regard to land size, number of livestock and employees, and output of agriculture, forestry or fisheries production; and managers have sufficient knowledge and experiences of technology and operations. The quantitative criteria are shown in Table 15.

The government officially recognized "farms" in the Government Resolution on the Farm Economy, stipulating that the assets and capital lawfully invested in "farms" should neither be nationalized nor confiscated by without compensation. At the same time, it adopted the following measures to encourage establishment of "farms": Distribution or long-term lease of land use rights to the households or individuals operating or intending to operate a "farm". Support for infrastructure improvement for the "farms" located in "extremely difficult areas", including areas of wasteland, bare hills, mountains, alluvial ground, lakes and coastal marshes. Exemption from income tax granted for a certain period. Loans from the national banks. No restriction on the number of workers to be employed at a "farm" provided it abided by the provisions of the Labor Law. Holding training courses for the purpose of training managers.

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<sup>22</sup> Guidelines on Criteria for Identifying "Farms", 69/2000/TTLT/BNN-TCTK, July 23, 2000.

Table 15 Criteria of "farms"

	Provinces in North and Central Coast	Provinces in South and Central Highland
Average annual output	40 million VND and above	50 million VND and above
Annual crop farm	2 ha and above	3 ha and above
Perennial crop farm	3 ha and above	5 ha and above
Forestry farm	10 ha and above	
Livestock farm		
Cattle, buffalos for breeding, and milking purpose For meat	10 heads and above 50 heads and above	
Pigs, goats for breeding For meat	20 goats and/or 100 sheep and above 100 pigs (excl. suckling pigs) and/or 200 goats and above	
Poultry	2000 chickens, ducks etc. and above	
Agquaculture (water surface area) general shrimp culture	2 ha and above 1 ha and above	

Sources: Interministerial Circular, *ibid*

## 5. Agricultural structure and related policies

### 1) Basic policy stance

As stated above, the dominant feature of Vietnamese agriculture lies in its smallness of farming size. The agricultural land area is small in relation to the population, which brings about the low productivity of agriculture and the low incomes of agricultural households. The distribution of agricultural land is unimodal and homogeneous peasants are engaged in agriculture in Viet Nam. The problem behind that is the surplus rural population. Agricultural household incomes increased to some degree thanks to the growth of Vietnamese agriculture in the 1990s. However, this growth has not yet resolved the problem of low-level incomes and underemployment. Now, the agricultural structure is showing signs of change as indicated in the increase in the landless and near-landless, agricultural mechanization, and the emerging of "farms."

The spread of the use of tractors indicates that technical conditions for realizing economy of scale in Vietnamese agriculture have been growing. If rural labor is mobilized through the development of the labor market, economy of scale will be able to more strongly penetrate Vietnamese agriculture, probably resulting in further polarization of rural households. Moreover, "farms" present the possibility that a new management style beyond traditional small-sized management will emerge, though this possibility may merely be wishful thinking amongst policy-makers. "Farms" may grow to become new production units with more efficient management, with having distribution channels, and with employment management ability.

What stance should the government take on the problem of the agricultural structure on the premise of these changes? This is a difficult question connected with the problem of social equity that underpins the



reason d'être of Socialist Viet Nam. But the future direction of the economy cannot be distorted by the idea of equality. It is necessary to respect economic logic as much as possible and separate economic issues and social ones. Social issues should be handled separately but carefully.

In this context, we will mention Japan's experience after the end of World War II. In Japan, the post-war Land Reform produced a large number of small-sized agricultural households. Landlords disappeared. With the exception of Hokkaido, almost all 1.0 hectare-sized owner-cultivators came to be engaged in agriculture. Japanese rural society became quite homogeneous and stability resulted. From then until the 1970s, a basis for Japan's post-war agricultural policy was laid on how to preserve the homogeneous agricultural structure created by the Land Reform, in other words, how to prevent the restoration of landlordism. The Land Law limited the size of agricultural land ownership and also restricted land leasing, which retarded the development of expansion-oriented farmers with superior management capacity. Of course, the Japanese agricultural policy in recent years has put an emphasis on the development of large-size farmers with strong management ability. However, the development of highly productive agriculture was slow because the policies for protecting owner-farmers hindered the growth and development of agricultural households for years. It is not too much to say that one of the factors that has brought about the current miserable status of Japanese agriculture is an error in the farmland policy. Viet Nam should learn from this failure of Japan.

In addition, finance, the taxation law, the research and development of extension system should also be reviewed in light of the direction for growing "farms". In order to deal with the widening social inequality, it is necessary to provide employment opportunities through the fostering of rural industry and to take measures to facilitate job transfers, including education, training and the provision of information. Anyway, it is important to adopt a policy stance that helps intensification of Vietnamese agriculture.

## 2) The 1998 Land Law<sup>23</sup>

The 1993 Land Law affirmed the five rights of exchange, transfer, lease, inheritance and mortgage relevant to land use rights distributed to households, and regulated the land classification for land use tax and so forth on the basis of the yield of rice crop. It also stated that land use rights should be valid for 20 years in the case of annual crops and 50 years in the case of perennial crops, while the maximum size of land holdings should be 3 hectare in the Mekong River Delta and the Northeast South, and 2 hectare in other regions for annual crops, and 10 hectare in flat land regions and 30 hectare in the regions of mountains and midland for perennial crops.

For confirmation of land use rights, the issuance of a land use certificate was started in 1993. This is issued after measuring the agricultural land distributed to each household, recording the circumstances up

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<sup>23</sup> Formerly called the "Law Amending and Supplementing Certain Articles in the Land Law", which amended or supplemented eight articles of the 1993 Land Law. Enacted on December 2, 1998.

to that time, and confirming the land use right if necessary while coordinating and rearranging concurrent rights. As of May 2000, certificates had been issued in almost all regions with the exception of part of the mountain region, and 87 % of the total agricultural households had received certificates for 78 % of agricultural land.

Table 16 Comparison of main points in agricultural land uses <sup>b/</sup> between 1993 and 1998 Land Laws <sup>c/</sup>

	1993 Land Law	1998 Land Law
Limit of length of land use		
Annual crops	20 years	No change
Perennial crops	50 years	"
Limit of acreage of agricultural use		"
Annual crops	16 provinces <sup>a/</sup> : not exceeding 3 ha. Other provinces and special cities: not exceeding 2 ha	"
Perennial crops	Provinces in deltas: not exceeding 10 ha. Provinces in mountain and midland: not exceeding 30 ha	"
Forestry use	Domestic private enterprises are allocated 100-1000 ha of forest land to carry out production and business in accordance with plans and master plans	"
Kinds of land use rights	Transfer, exchange, lease, inheritance, mortgage	In addition, contribution of value of land use right as capital for production and/or business cooperation of households, individuals, and organizations under some conditions
Exemption of land registration fee in case of agricultural uses	Not clearly stipulated	Exempted in case households and individuals use land for their livelihoods
Lease and sub-lease of land use rights by state	No clear stipulations	In cases that households and individuals carry out production and other business; economic organizations carry out production and other business according to approved projects

Sources: Based on Land Laws 1993 and 1998 and related decrees and circulars.

Notes: a/ Minh Hai, Kien Giang, Soc Trang, Can Tho, An Giang, Vinh Long, Tra Vinh, Dong Thap, Tien Giang, Long An, Ben Tre, Tay Ninh, Song Be, Dong Nai, Ba Ria-Vung Tau Provinces and Ho Chi Minh City

b/ Land uses for agriculture, forestry, aquaculture and salt production

c/ Including related decrees and circulars

The 1993 Land Law however lacked guidelines for the exercise of land use rights, procedures of transfer, exchange, lease, inheritance and mortgage, as well as responsibilities and steps for the authorities to give proper approval. Therefore, the 1998 Land Law was enacted (in practice amendments of the 1993 Land Law) in order to meet emerging demands created by the changing situation including increase in the number of transfers and other changes of land use rights. In addition, a decree<sup>24</sup>, which regulated the procedures for enforcement of the Law, and a circular<sup>25</sup>, which prescribed the guidelines for implementation, were

promulgated.

Major points of the amendments in relation to agricultural utilization of land in the Land Laws, the decree and the circular are as follows. Table 16 shows a comparison between the 1993 and the 1998 Land Laws with regard to the main points concerning agricultural utilization.

- (i) The conditions and procedures for transfer, exchange, leasing (including subleasing), inheritance and mortgage were prescribed. Also prescribed was the competence of the proper authorities (including the state, provinces, towns and communes) to give approval.
- (ii) Agricultural households that acquire land use rights for an area exceeding the legal upper limit can make use of the land (without any limit), provided the exceeding land area is treated as leased land and an additional tax is paid. The time limit of the lease is 50 years, and it is renewable.
- (iii) An economic organization or an individual who does not belong to an agricultural household is authorized to lease land, from another individual or the government, for the purpose of investment in agricultural production.
- (iv) The state exempts agricultural households and individuals from the land use fee, provided they use the land for agricultural production, and are assigned within the land limit.

The intention of the amendment, as described above, is to promote investment and encourage people to move into agriculture from other occupations, while facilitating land use rights movements. It may also be concluded that this amendment provides the conditions for establishing "farms".

## 6. Conclusion

Mobility of land use rights varies considerably from region to region. It is difficult to believe that these patterns will change greatly in the near future. In some parts of the country like the South, mobility of land use rights may continue to increase perhaps at an accelerated pace, while in the North, they will seldom take place.

Under these conditions, the role of the government is to take measures with two pronged objectives. First, it should take measures to improve land-use efficiency overall by putting agricultural land into the hands of competitive agricultural households and other types of entities capable of high productivity. Secondly, measures should be taken to secure stable production and income of individual agricultural households by assuring security of land tenure. Needless to say, speculative acquisitions of land are against the objectives of land use policy. From the perspective of encouraging the development of land use in the correct direction, four points may be considered important as follows:

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<sup>24</sup> Decree of the Government for Procedures for Exchange, Transfer, Lease, Sublease, and Inheritance of Land Use Rights, and for Mortgage, and Capital Contributions by the Land Use Rights, 17/1999/ND-CP, March 29, 2000.

<sup>25</sup> Guidelines on the Implementation of the Decree of 17/1999/ND-CP, 1417/1999/TT-TCDC, September 18, 2000.

- i) Establishment of a system to correctly monitor the actual situation regarding land mobility: improvement of statistics concerning land uses, and further integration of land use administration.
- ii) Taking measures to help people follow the regulations regarding land uses. While facilitating land transfers in further reducing tax rates of land transfers and registration and simplifying procedures, to ensure strict application of the laws and regulations.
- iii) Establishment of methods of land assessment, promotion of open and public transactions by such means as public posting of land prices. Implementation of irrigation and drainage works projects in the framework of exchange and consolidation of land plots in the Red River Delta and other regions.
- iv) The establishment of new “farms” should be encouraged in order to develop commercial agriculture with enhanced productivity. In particular the “farms” are expected to play a major role both in utilizing uncultivated land (estimated at one million hectares) for agricultural uses, and in producing commercial crops for export. Moreover the government should take supporting measures to develop, extend and secure markets for agricultural products. A “farm” can be considered as a large-scale agricultural household, so measures for the “farms” should be planned and implemented in the framework of policies for developing the management of individual agricultural households.

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