

[Book review] "Vietnamese Agriculture under Market-Oriented Economy edited by Kenji Cho and Hironori Yagi"

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journal or publication title	The Developing Economies
volume	41
number	4
page range	506-510
year	2003-12
URL	http://hdl.handle.net/2344/485

The analytical framework has been suitably modified and developed to suit and capture country-specific situations. The study has followed a purely objective approach and has drawn lessons and implications by confining to empirical findings. The book is the first comprehensive and comprehensible analysis of natural resource management based on simple quantitative tools. It can be easily grasped by readers from various backgrounds. The book would be particularly useful for policy planners concerned with natural resource management. It has beautifully and elegantly captured the impact of systems of land, tree, and forest management and property right regimes on natural resource management as relevant under different situations. It reveals what are the common lessons for natural resource management in diverse situations and what are the specific lessons for each situation.

(Ramesh Chand)

Vietnamese Agriculture under Market-Oriented Economy edited by Kenji Cho and Hironori Yagi, Hanoi, Agricultural Publishing House, 2001, x + 348 pp.

I

The agricultural sector in Vietnam has often been cited as a successful case of “*doi moi*,” the “renovation” policy which introduced the market mechanism to production and marketing, and which has led, since the mid-1980s, to an enormous increase in agricultural production. Many academic papers (both in Vietnamese and in English) as well as government reports have emphasized that three sets of policy reforms have been of critical importance as regards agricultural development in Vietnam. These policy reforms include Directive No.100 of the Politburo of the Communist Party of Vietnam Central Committee (CPVCC) of 1981, which allowed individual farmers’ decision making, albeit of a limited kind, in production processes; Resolution No.10 of the CPVCC of 1988, known as “Contract 10,” which marked the shift from a partial to a complete contract production system; and the Land Law amendment of 1993, under which rights to use farmlands were allocated to individual farm households.

Many previous studies of Vietnam’s agricultural development have focused too strongly on the impact of these three sets of policy reforms, and have not scrutinized the socioeconomic, physical, technical, and institutional aspects that have helped market mechanisms to function well during the transitional period in Vietnam. It is true that these policy reforms provided the basic conditions for Vietnam to become what this book terms a “market-oriented” economy. However, as the book’s findings demonstrate, it is oversimple to attribute the recent growth of the agricultural sector in Vietnam to the implementation of these three policies alone. The book, having recognized the importance of studies on such aspects, contains detailed reviews of various reform policies towards agriculture as well as the findings of field research on the impacts of these reform policies. The book is the outcome of research activities, carried out continuously between 1994 and 1999, by agronomists and agricultural

economists from Japan and Vietnam. The authors limit their research focus to the Red River Delta in the north and the Mekong Delta in the south; the aggregated production of rice in these two regions amounts to more than two-thirds of the nation's total rice output. The first of the five chapters of the book consists of studies mainly on rural poverty and land tenure problems, while Chapter 2 focuses on irrigation and water management, Chapter 3 on the diversified agricultural production system, Chapter 4 on marketing, and Chapter 5 on agricultural cooperatives and extension services. Each chapter consists of between two and four sections, giving a total of thirteen sections, in the aforementioned research areas.

II

A unique feature of the book is its revelation that the reforms enacted since the 1980s have brought not only progress but also some degree of confusion. Take for example land redistribution policy, which is studied exhaustively in Section 4 of Chapter 1. Here, the author concludes that a series of land distribution arrangements have imposed limits on farmland productivity. In the process of allocating land use rights under the Land Law as amended in 1993, farmland was divided into small plots and categorized into five grades in accordance with variations in land quality. Landholdings were then rearranged to ensure that every household possessed equal acreage and equal production capacities per unit of labor. Many disputes arose over fields and boundaries in the process of allocating land use rights, and the equal-base distribution system yielded negative results, especially in the north. The distributed land in the north came to be characterized by small acreages (300–500 square meters) scattered in many different locations (each household owns between two and five separate plots).

It is the author of Section 1 of Chapter 3 who draws attention to the negative aspects of land distribution policy. He points out that these have limited the achievement of scale merits of production, and have hampered the development of the diversified eco-conscious farming method called the "VAC system."¹ The authorities in charge of the agricultural sector have tried to encourage the widespread adoption of this production system, but scattered small plots of farmland are not really appropriate for its adoption.

One of the negative consequences of land policy reform, specifically in the Mekong Delta, was the problem of farmers' landlessness. Because there was much selling and buying of farmland, many poor farmers rapidly became landless and income disparities worsened. As the author of Section 2 of Chapter 3 mentions, compared to the north, nonfarm economic opportunities for the support of farmers' livelihood are relatively scarce in the south,² and the poor have been forced to sell their farmland. Field investigations carried out in the Mekong Delta, studies that are described in detail in Section 4 of Chapter 1, have revealed that farmland holdings are accumulated not only for business reasons by rich farmers; even farmers of

¹ VAC is an acronym for a system of garden, pond, and animal husbandry that was introduced in Vietnam in the early 1980s.

² It is widely accepted that economic activities in general are robust in the south of Vietnam. However, many existing studies have pointed out that farmers in the north have more opportunities for nonagricultural economic activities than those in the Mekong Delta, while the farmers in the Mekong Delta rely heavily on the cash income earned from agricultural employment.

an average economic position need farmland for inheritance purposes, so as to pass land on in due course to their sons and daughters. Land accumulation and the emergence of landless people is to some extent an unavoidable outcome of the intensive redistribution of land on an equal basis, and the authors of a related part of the book (Chapter 1) all agree that the government has not been well prepared for the potential social instability caused by this phenomenon.

Problems relating to irrigation management, analyzed mainly in Chapter 2 and referred to repeatedly in other chapters, also emerged in the aftermath of the *doi moi* agricultural policy reforms. In the Red River Delta, during the era of collective agricultural production, the Irrigation and Drainage Management Company (IDMC) managed irrigation water of the whole delta region in a unified manner. The smallest units of irrigation water management were the entities called “enterprises” established at the district level. However, after the enactment of Resolution No.10 of 1988, most of the “enterprises” gave up maintenance of irrigation facilities and water allocation arrangements, since the resolution left it unclear who was to take responsibility for the management of irrigation systems. As a result, disputes among farmers over water use increased and large areas in the tail-end of irrigation canals became unirrigated. In order to respond to this confusion, according to the findings of the field surveys in Section 1 of Chapter 2, local pumping stations were constructed in many communes and farmers began to pay irrigation fees. Moreover, the land reform of 1993 in which farmlands were reallocated among farmers into fragmented and scattered plots of land, made water management practices more complicated. Many farmers not only have had to pay an irrigation fee but also have had to spend more time drawing water individually to their scattered plots of farmland.

Chapter 2 also examines problems in the south. In the Mekong Delta, maintenance and management of main canals was previously under control of the central or provincial government, although secondary and tertiary canals had been managed by district and commune authorities. But with the introduction of *doi moi*, budgets for irrigation management at the district and commune levels were cut and the authorities have had to rely largely on the irrigation fees and the labor for maintenance provided by the farmers. These local authorities have run into difficulty because many farmers have not paid the fee and have not provided labor.

Section 1 of Chapter 4 points out that a characteristic of Vietnam’s rice trade is the existence of a distorted market for export rice monopolized by state-owned enterprises. State control of this kind has contributed, to some extent, to domestic price stabilization, but at the same time it has weakened the competitiveness of Vietnamese rice in the international market. This form of trade structure is, according to the author, fostered by government policy. Even after the government abandoned direct control of the rice trade in 1989, the state continued to exercise control over the rice market through state-owned enterprises, allowing them to establish a monopoly at the provincial level to collect rice for export. Participation of private traders in the rice market was fully liberalized in 1997. However, some institutional arrangements for exports such as the quota system benefit only the state-owned enterprises, and still hamper expansion of the vigorous private sector participation which in theory would enhance the competitiveness of the rice trade entities. By contrast, according to the author of Section 2 of Chapter 4, the challenge confronting the vegetable trade is the need for

more government intervention in areas such as infrastructure building and transportation network development, so as to meet the growing demand for both domestic consumption and exports.

III

The policy implications that the authors of this book propose are based on thorough analysis of past and present situations, and most of their conclusions and recommendations are insightful and reasonable. As has been seen, although the authors of the book basically provide a positive evaluation of the direction taken by the reform itself, they all point out the shortcomings of reform processes that have been too rapid. They also indicate the limited capability of the relevant organizations, and their methodological awkwardness. Their analysis provides us with evidence that the establishment and development of a “market-oriented economy” is not necessarily guaranteed by the *laissez faire* principle; there are many areas where effective government intervention is imperative. However, the recommendations on the reform of agricultural cooperatives are somewhat confused. Some Japanese authors (Section 1 of Chapter 1, Section 2 of Chapter 3, and Section 1 of Chapter 5) strongly recommend the introduction to Vietnam of “multipurpose” or “Japanese-type” agricultural cooperatives. By “Japanese-type cooperatives,” these authors mean cooperatives that provide comprehensive services to the member farmers, including rural finance, insurance, marketing, extension services, and so on. In reality, however, most of the “new” cooperatives in Vietnam registered after the amendment of Cooperative Law in 1997 have been specialized ones. This means that farmers themselves, contrary to the recommendations of this book, have tended to choose specialized cooperatives, i.e., those dealing with a couple of special functions such as irrigation management and marketing (the majority of them are serving as irrigation associations). The author of Section 1 of Chapter 5 discusses the influence of the Food and Agriculture Organization (FAO) which led the government to prefer specialized or single-purpose cooperatives, both of which require minimal state intervention. In fact, FAO was invited for assistance in drafting the new Cooperative Law of 1997. According to the author, this kind of cooperative model can be successful only in Europe where highly specialized farming with consolidated farm systems is well developed, rooted in “Christian moral beliefs.”

There can be no doubt that Japanese agricultural cooperatives have played an important role in the socioeconomic development of rural areas, especially after World War II. However, it is not clear why the author believes that the Japanese type is preferable to the specialized type in the context of today’s Vietnam. In other words, this section does not define what similarities exist between the characteristics of Vietnamese agriculture and those of agriculture in Japan. The only similarity the author indicates (besides Asian “moral beliefs”) is the fact that many Vietnamese farmers run small-sized diversified farms. Furthermore, this section does not seem to refer to the socioeconomic as well as the political contexts that lie behind the success of the Japanese cooperative model. One of the most important roles Japanese agricultural cooperatives played, until recently, has been the provision of food security. In the process of development of agricultural cooperatives, a nationwide hierarchical network was established enabling local cooperatives to serve effectively as

channels for government food security policies. In Vietnam, where the problem of food shortage has been settled for a decade, and the domestic rice trade has been fully liberalized, it is difficult to see how participation of cooperatives in the rice trade can contribute to food security.

The activities of Japanese cooperatives, including rural finance, marketing, and collective procurement, have been subsidized by various means. Development of such a system was made possible because of government protectionist agricultural policies supported by strong political entities. In some senses, Japan's policies on agricultural cooperatives have for a long time distorted the development of sound markets (the rice market is a good example). However, it is more difficult for Vietnam to be protectionist than it is for many developed countries. What should be borne in mind is the fact that Vietnam is now facing far greater pressure from economies elsewhere in the world than Japan experienced in the 1940s, when the basic structures of present-day Japanese agricultural cooperatives were set up. In a country that aspires to be a "market-oriented economy," the introduction of the Japanese cooperative model (multipurpose, equipped with a nationwide affiliation structure, and heavily subsidized) should be done only after a more systematic analysis both of the Japanese model itself and of the circumstances of the contemporary international economy. (Shozo Sakata)