Land reform and the development of commercial agriculture in Vietnam: policy and issues

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WORKING PAPER – NOT FOR CITATION
Abstract
Over the last decade, following the doi moi reforms, the Vietnamese government has formally recognised the household as the basic unit of production and allocated land use rights to households. Under the 1993 Land Law these rights can be transferred, exchanged, leased, inherited, and mortgaged. A ‘land market’ is emerging in Vietnam but is still constrained for various reasons. Additionally, lack of flexibility of land use is an issue. As Vietnam moves into the world market and reduces trade barriers in line with ASEAN requirements, farmers are becoming increasingly vulnerable to falling incomes because of lower prices for their produce. This paper gives an overview of land reform policies, issues related to these, and discusses challenges facing Vietnamese agriculture as it strives to move its household farms from subsistence to a more commercial base.

1 Introduction
In December 1986 at the Sixth National Congress the government of Vietnam introduced a wide-ranging set of reforms known as “doi moi” (meaning renewal or innovation or literally ‘change to the new’). These reforms recognised a number of the failures of central planning and were designed to gradually de-regulate and liberalise the economy. Associated with these reforms, the 1993 Land Law (and revisions of 1998), which followed the 1988 Household Responsible Contract System, recognised the farm household as the main unit of agricultural production and provided for the allocation of land use rights to households, giving them farm decision-making rights related to the purchase and use of inputs, the sale of outputs, and to some extent the use of land. Under the 1993 Land Law these land use rights can be transferred, exchanged, leased, inherited, and mortgaged. Land reforms that grant land use rights to individual households and encourage the equitable distribution and efficient use of land are considered to be “indispensable for rural development, for the mobilization of human resources, and for increased production for the alleviation of poverty” (FAO, 1979: cited in de Janvry, 1984).

Vietnam has undergone more than 10 years of reform following the doi moi resolutions in 1986. The economy is sustaining strong economic growth and generally speaking the country is considered more ‘open’ and market oriented (East Asia Analytical Unit, 1997; United Nations, 1999). In line with the process of economic development, resources have shifted from agriculture to other sectors. In 1981 about 53% of GDP came from agriculture, whereas in 1996 it was 32%. In recent years, however, the rate of economic growth has slackened from rates in the mid-1990s following the reforms of around 8 to 9%, to real figures in 1998 and 1999 of around 4 to 6% (East Asia Analytical Unit, 1997; United Nations, 2000). Employment share for the agricultural sector remains high. Between 1993 and 1998 it has only fallen from 71 to 66% (The World Bank in Vietnam, 2000).

Land and other economic reforms were successful in stimulating agricultural production to the extent that Vietnam moved from being a rice importer to the world’s second largest rice exporter. The production of commercial and industrial crops increased significantly
(United Nations, 1999) and export markets have been developed for coffee, cashew, pepper and aquaculture products. However, significant challenges for agriculture still remain. The combined real growth rate of agriculture, forestry and fisheries declined from 4.8% in 1995 to 2.7% in 1998 (United Nations, 1999), although a rise to 4.4% was estimated for 1999 (United Nations, 2000). A report from The World Bank in Vietnam (2000, p. viii) considers that:

“With some of the easy gains from the transition to a market economy now exhausted, Vietnam must focus on improving both the productivity of its existing cropland and providing opportunities for rural workers to diversify into other sectors (such as livestock and non-farm enterprises).”

For this increase in productivity and diversification to be possible, there appears to be consensus from international donor agencies that reforms need to be “re-invigorated” (The World Bank in Vietnam, 1998). Although a land market is emerging in Vietnam in response to the reforms that have given a degree of security and tenure to land holdings, it is still constrained for various reasons. Additionally, the flexibility of land use is still constrained, particularly the conversion of paddy areas (that have traditionally grown, and are often still required to grow, rice) to other crops. As Vietnam moves into the world market and reduces trade barriers in line with ASEAN and WTO requirements, farmers are becoming increasingly vulnerable to falling incomes because of lower prices for their produce on world markets, and a lack of flexibility to change enterprises will condemn many to increased poverty.

Challenges facing Vietnamese agriculture (relevant to land reform) include:

- The need to increase capacity for commercial farm production through both land consolidation and land accumulation.
- Managing the freeing-up of labour in agricultural areas that will result from land consolidation and accumulation, and increasing opportunity costs for labour as the non-rural sector develops.
- Maintaining livelihoods in subsistence households given small farm size, fluctuating prices for crops being sold on world markets, and increasing input prices.
- The need to allow flexibility of land use (at the moment constrained by policy) to allow farmers to respond to market signals.

In this paper, we discuss these challenges and policy issues related to land reform in the context of the reforms already undertaken and emerging trends. This paper provides a background for policy analysis and economic modelling work being undertaken as part of an ACIAR-funded project entitled “Impacts of Alternative Policy Options on the Agricultural Sector in Vietnam”. 
2 Land reform in Vietnam

2.1 A brief overview of recent land reforms in Vietnam

Kerkvliet (2000, p 1) writes “it is hard to think of a more politically controversial resource in Vietnam during the 20th century than farm land”. Conflicts over land policy (access to, and the ownership and use of land) have been integral to the period of French colonial rule, the conflict with America and the policies of the Communist Party government after re-unification of Vietnam in 1975. Kerkvliet (1995, 1997) provides an overview of the historical and political context of land policies in Vietnam in the 20th century.

After a period of collectivization of agricultural land lasting from the late 1950s to the late 1970s, there was an official policy shift in 1981 when the party's Central Committee introduced a “product contract” system. This “Contract 100”, as it was known, authorized cooperatives to assign parcels of land to individual households on an annual basis and contract directly with these households for “the planting, tending, and harvesting of rice and other crops” (Kerkvliet, 1995, p. 410). The harvested product, however, still mostly belonged to the cooperative. This “product contract” system was the pre-cursor to future more far reaching reforms that would consolidate the agricultural household as the primary unit of agricultural production by allocating land use rights to households, and lead to a period of sustained agricultural growth.

Further pressure for economic reforms in the 1980s resulted in the doi moi resolutions of 1986. Kerkvliet (1995, p. 411) writes that the objective was to "radically deal with a number of mistakes in agriculture accumulated over the years," which included the "forced advance to big-scale cooperatives, lack of encouragement to family economy, (and) inadequate attention paid to (the) private economy". The 1988 Household Responsible Contract System or “Contract 10” gave households greater “production rights” (including the right to sell their production) and began the process of land reallocation on a more permanent basis, but there were no tenure periods for land use stipulated and no statement of land use rights until the 1993 Land Law.

The 1993 Land Law granted farmers increased security and tenure over land which they had been allocated. Land use rights were granted for 20 years for land used for annual crops, and 50 years for land used for perennial crops. Land use rights also included “five rights” – the rights of transfer, exchange, lease, inheritance and mortgage. The Land Law also put a ceiling on the amount of land that can be allocated to households: for annually cropped land this is 2 hectares in the central and northern provinces and 3 hectares in the southern provinces, and for land planted to perennials the limit on holdings is 10 hectares.

Revisions to the Land Law in 1998 (Circular No. 346/1998/TT-TCDC, 1998) sought to encourage and facilitate the process of land allocation and registration by outlining procedures and designating responsibilities, and added two new land rights, including the right to use land (including rented land) as capital for joint ventures. The revisions also set out the circumstances for allowing land related changes, and procedures for registration of changes. As might reasonably be expected, land use rights are not free of
legislative requirements and constraints. As noted by the East Asia Analytical Unit (1997, p.27) the ability to transfer, lease, exchange, mortgage or inherit land use rights “varies between different categories of land, landholders and land use rights. Transactions are subject to official approval case by case.”

Land related changes that are officially required to be registered with the local authorities include: changing the land use purposes stated in the certificate, re-shaping land plots, changing the land tenure right, using land as a mortgage at banks for borrowings, altering the land use duration, and sub-leasing land. Registration can only be made after the changes are “permitted by the People’s Committee of the competent level and effected in accordance with current regulations” (Circular No. 346/1998/TT-TCDC, 1998, p. 87). Registration of land-related changes incurs a fee.

Further revisions in 1999 addressed complaints about the lack of procedures for “implementation” of land use rights (e.g. The World Bank in Vietnam, 1998, p.36). Decree No 17/1999/ND-CP (1999) set out the conditions and procedures for exchange, transfer, lease, inheritance and mortgage of land use rights. The conditions and procedure for land use right exchange appear straightforward. Exchange of land may occur if “it is convenient for production and livelihood” and “the land must be used for the right purposes and within the term set by the State when the land is assigned” (Decree No 17/1999/ND-CP, 1999, p. 15).

Conditions for the transfer and lease of land appear stricter, especially for wet rice land (paddy). Households (or individuals) can only transfer land use rights if they move to other places of residence to live or take up production or business activities, change to other occupations or have no capacity to work. The land use right can only be transferred to households or individuals who have the demand to use the land and have no land or a land area less than the land limit. If the transferred land is wet rice land, then the land use right can only be transferred to a household or individual “directly involved in agricultural production” (Decree No 17/1999/ND-CP, 1999, p. 16). Transfer of land use right involves payment of a tax on the transfer by the transferor, and payment of a registration fee by the transferee.

Likewise, conditions apply for the leasing of land use rights. Households can make their land use rights available for lease if the family is in poverty, if they have taken up other occupations or if they lack capacity to work the land. Generally, land is only able to be leased for 3 years, except for “particularly difficult cases as certified by the commune/ward/township People’s Committee”, and then the lease can be up to 10 years (Decree No 17/1999/ND-CP, 1999, p. 17). Subleasing of land is allowed, but only if the lease money has been paid in advance and the duration of the lease has at least 5 years still to run. The government has no policy on the rental rate of agricultural land, however market forces do not always determine rent values. The People’s Committee can determine rent for available land in a commune.

Land limits are not rigidly enforced in all areas – especially when there is unused land (hence 1000 hectare farms do exist), but limits hold in the heavily populated Delta areas.
Although, theoretically, households cannot be transferred land use rights in excess of the land limit, provision is made for households to be able to work land in excess of the limit. Land transferred in excess of the limit must be leased from the State.

The process of land reform in Vietnam is ongoing, and a revised Land Law is being considered for 2001 (Vy, 2000). Considerable pressure is being exerted on the government in relation to the completion of allocation and registration of land use rights, and the desirability of stable and long-term tenure (e.g. Vietnam News, 2000b). There is also ongoing debate about the appropriate length of tenure, ceiling levels for land holdings and restrictions on the transfer and use of land. These issues are discussed further in Section 3.

2.2 The process of land allocation

Approximately 80% of the population of some 76 million people live in rural areas and there are over 11 million household farms in Vietnam. Farm sizes vary throughout the country, but they are typically small. The average size of farms in the Mekong Delta is 1.2 hectares, and this is considerably larger than average farm sizes in the Red River Delta (The World Bank in Vietnam, 1998). The present land allocation was determined largely by the 1988 reform when “production rights” for allocated land was given to individual households, with the 1993 Law giving the land use rights for the land allocated. The allocation of land use rights is officially undertaken by the General Department for Land Administration, with certificates of title for agricultural land issued by the District People’s Councils (The World Bank in Vietnam, 1998). In practice however, the State allocates land use rights through People's Committees at the district and commune level (East Asia Analytical Unit, 1997; The World Bank in Vietnam, 1998).

Since 1993, the process of land allocation has been proceeding steadily, along with the necessary mapping that precedes allocation and certification, although a number of problems have arisen with the allocation of forest land.

“Before land-use rights can be exercised, title to land must be established. The process involves several sequential steps, including: mapping, determination of “origins” and subsequent allocation, dispute settlement, and issuance of certificates of title (“Red Paper”). Mapping of agricultural land is Vietnam is almost complete, and rights to 86% of the cropland have been allocated. Issuance of certificates of title for agricultural land is also well advanced. … Directive 10-1998/CT-TTg (20/2/98) claims that 60% of households with rights to 65% of agricultural land have been issued certificates of title. … Only 9.8% of forest land (of which only 1% is natural forest) has been allocated. Local authorities are having to grapple with the complex issues involved in marrying the terms of the 1993 Land Law with customary land-use patterns and rights. The scope for disputes is large since customary owners may vigorously contest the allocation of individual rights.” (The World Bank in Vietnam, 1998, pp. 35-36)
Equality among households was a primary consideration in the land allocation, with consideration being given both to land quality and the number of people, or more specifically labour equivalents, in a household. Consequentially, the amount of land allocated varied between households and this land was typically split into a number of plots of varying land quality. The World Bank in Vietnam (1998, p. 10) says “on average, farms in the Red River Delta comprise eight or nine noncontiguous plots often no larger than 200 to 500 square meters each”. Likewise, Chung (1994, p. 4) reports that in the Red River Delta “households held three to ten plots of farm land scattered in different locations”. In mountainous areas, the number of plots allocated to households tended to be even greater, as the land quality was extremely variable.

In the South of Vietnam, the degree of land fragmentation is not so pronounced, with many farmers in the Mekong Delta having only one plot. Be (2000b) suggests that in the South, farmers were “less concerned” with equitable distribution and negotiations took place at District Committee level to “balance” the size of allocations giving consideration to the varying quality of land, and farmers were then allocated larger consolidated parcels.

The allocation process varies between districts, although the underlying principle of equity is always the basis for the allocation. Kerkvliet (2000) and Kirsch (1997) both give several examples of land allocation in different districts. For example, in Long Xuyen cooperative (Phuc Tho District, Ha Tay Province) each family was allocated 360 m² per family member for individual cultivation, in addition to private kitchen gardens of 360 m² per family, and in An Phong cooperative (Hoa Lu District, Ninh Binh Province) each cooperative member has been allotted three different plots, according to different land qualities (Kirsch, 1997).

Typically, not all land within a commune was allocated. A proportion of land was kept (usually between 5 and 10%) “to defray public expenses or readjust land allocation periodically to demographic changes such as family members returning from military service” (Chung, 1994, p.4). Other land such as ponds, lakes and garden areas, which are difficult to divide, were often also left unallocated, and then assigned to individual households on the basis of competitive bidding.

2.3 Land use in Vietnam

Under the Vietnamese Constitution, land is the property of the people but the State administers it on their behalf. Since land is 'owned' by the people as a whole, it is not possible for individuals (or corporations) to own land, although they (and foreigners) can own and transfer structures such as houses built on land. However, Vietnamese (but not foreign) individuals, households and organisations can hold and transfer rights to use land. Vietnam has a large population and limited land and, like other countries with high population to land ratio, the value of land is high, and use rights are very important. These rights are crucial to improved private sector development but there are ideological issues that remain important (Fforde, 1995; East Asia Analytical Unit, 1997).
Fforde (1995) talks of the difference between Western and Vietnamese understanding of the concepts of public and private land. ‘Private’ land has always been “land over which the local community had considerable residual rights” (p. 93). Hence he argues that “In practice, it is very hard to imagine that various implications of a western concept of private property in land would be accepted – for example, that rice land offered as collateral on a loan by a family should be taken upon foreclosure without the village’s permission.” (p. 93)

Other ideological issues relate to the use of land. Land use should be complete (day du), that is, all land should be used, and reasonable (hop li), that is, the land should be farmed efficiently with appropriate crops and rotations and attention paid to maintaining the fertility of the land (Tien, 2000b). In practice, this is determined by restrictions on land use that are specified on the certificate of land use rights. There are conflicting views about to what extent the use of land should be the province of the individual or controlled by the State. These concerns on the use of land are linked closely to issues of rice policy and food security. Shortages of food were commonplace in the mid-1980s and that is not so long ago.

In some districts control over production in still exerted by the State, particularly with regard to rice production (The World Bank in Vietnam, 1998). Production targets are set at a local level in response to government directives and individual households may have to grow crops as directed. Some 4 million hectares of land in Vietnam is still ‘required’ to grow rice, although this represents a decrease of 0.2 million hectares on land previously set aside for rice production (Vietnam News, 2000c).

3 Responses to land reforms and emerging trends

Successive land reform policies since 1988 have tended to reduce land fragmentation, allow larger holding size, longer land use rights, and more flexibility in land use. The effects of policies can be seen in evidence of larger farms and an increase in the number of landless, and changes and pressure for change in land use.

3.1 Land consolidation and accumulation

There is evidence that both land consolidation (i.e. reducing the number of plots) and land accumulation (i.e. larger farm sizes) is occurring. Chung (2000) reports that a ‘land market’ is operating in every region in Vietnam with activities including renting and leasing land, lending and borrowing land, ‘buying’ and ‘selling’ land (i.e. land use right transfers), land exchange and bidding for land. The extent of the market is larger in areas with smaller population density, or in areas where there are more job opportunities off-farm.

Even before the 1993 Land Law allocated land use rights to households and enabled their transfer and exchange, unofficial rural land market transactions were taking place (Kerkvliet, 1995; Chung, 1995). Kerkvliet (2000, p. 8-9) says that even now “Available evidence suggests that villagers commonly swap, sell, loan, and do other transactions with their land use rights without informing
district offices or other levels of government that are supposed to record such changes … Most buying or selling of land use rights reportedly occurs in the Mekong delta and some central and mountainous areas … Renting or loaning use rights is more apparently more common in the delta and midlands of north and central Vietnam.”

The disadvantages of excessive fragmentation of land that resulted from ‘equitable’ allocation of land are recognized. It hampers mechanization and involves additional time and labour for farming activities that must be carried out in geographically distant plots. Throughout Vietnam there are now around 75 million parcels or plots of land, on average 8 to 10 per household (Vy, 2000). There has been encouragement by the government, and voluntary action in some districts, to consolidate plots. Kerkvliet (2000, p. 10) comments that “whether such consolidation is becoming widespread is not yet known”. Vietnam News (2000b) reports that “to date, 16 provinces, 73 districts and 890 communes have participated in the process of enlarging land holdings”.

An example of consolidation is provided by data from Can Kien commune in (Thach That district, Ha Tay province) where we are surveying farmers. Land allocations made in 1993 were made to 1588 households and resulted in 11,000 plots, some as small as 100m². A local committee of 13 was formed in 1998 to encourage farmers to exchange land to consolidate plots, and to facilitate the process. Exchanges were finalized in 1999, resulting in 9,000 plots (a reduction of around 20%) ranging in size from 250m² to 1,000m². Registration of these changes and allocation of land use right certificates is now complete except for 23 households. Commune officials say that most farmers are happy with the changes that have been made.

Despite the existence of land holding ceilings as outlined in Section 2.1, there is also evidence that accumulation of land is occurring through land transfer. Additionally, recent government policies support the notion of larger farms that will permit the concentration of land and capital. In mountainous areas where land is comparatively underused, and population pressure is less, land accumulation is occurring as farmers move into unused areas and, following recent policies, are given use rights for this land. This latter development is discussed further in Section 3.2. In the delta areas land accumulation appears to be occurring slowly and differently. Farmers will only transfer use-rights to others if they have off-farm activities and can see an opportunity for better economic prospects off-farm, or are forced to do so by poverty or debt. Transferring land is not common, as people don’t want to lose their land permanently (Chung, 2000). The limited data suggest that farm size is increasing and that larger farmers are increasing their land size further. This outcome is supported by an extensive literature that suggests that small farmers are not able to raise (or repay) the capital required to enlarge their holdings (e.g. Binswanger and Elgin, 1998; Melmet-Sanjak and Lastarria-Cornhiel, 1998).

Chung (1994) reports data from a 1993 survey of 200 households in the Red River Delta that shows that the bidding system for unallocated land (mostly ponds, lakes and gardens) within communes resulted in mainly high and medium-income farmers gaining access to
these lands. For these farmers, the land acquired by bidding was approximately 10% of their total holdings. Additionally, his survey found that only high and medium-income farmers (12% of the total surveyed) were involved in leasing-in land, although leased-in areas were only small (less than 3% of total holdings). Reasons given for leasing-in land included: the original allocation being too small and the need for more land to increase income, excess labour, and helping kin to work land. Only 7% of the surveyed farmers had leased-out land, and 50% of these were low-income farmers. The main reasons for leasing-out land were lack of investment funds, parcels being too small and too scattered, insufficient labour and moving to other businesses. Chung’s (1994) survey found no farmer who had transferred all of his/her land holdings.

Using this survey data from 200 farmers in the Red River Delta, Chung (1995) used linear programming to model the effects of changes in land policy. Results suggested that if land transfers were feasible, the land resource would shift from the low-income to the high and medium-income farms (shadow prices for land were lower for low-income farms than for high and medium-income farms). His model also suggested that in the short run, and given present patterns of land use, a ceiling holding value of 2 ha would not impose a constraint to farm consolidation in the study area. Most farms were below 0.4 hectares, and maximum areas leased-in by the model were not constrained by the 2 hectare ceiling limit.

Be and Hiep (2000) report change in farm size for 70 farmers in two coastal districts of the Mekong delta. On average, the surveyed farmers tended to accumulate more land over the three years 1997-99. In Gia Rai district, land area of the surveyed farmers increased from 2.55 ha in 1997 to 3.05 ha in 1999, while in My Xuyen district land area increased from 2.48 ha to 2.57 ha. In some cases it is difficult to interpret changes in farm size from reported data. For example, data reported from a 1996 survey by Yamazaki and Thanh (1998) for a Mekong Delta district shows an increase in farm size after 1988 for all farmers, but particularly for farmers whose 1996 farm size was more than 2 hectares (Table 1).

![Table 1](image)

Table 1 Change in land area farmed between 1989 and 1996 for farms in Thot Not district (Trung An village and Co Do state farm), Can Tho province. (Data adapted from Yamazaki and Thanh, 1998.)

However, the data presented by Yamazaki and Thanh (1998) confuse land changes occurring because of original allocations to households with little or no land (hence a large change in area between 1989 and 1996), or changes occurring because of land
accumulation after original allocations. It appears that some of these reported increases are because of the original allocation. For example, the authors state that many of the farmers surveyed in Co Do immigrated into the area after 1988 and were allocated about 2.5 ha of land. However, they also suggest that larger farms tended to grow monoculture rice, have economic surpluses and increase their land area after 1988.

“The differentiation of farmers developed dramatically after 1988. This means that there was an animated exchange of land on the agricultural land market during this period” (Yamazaki and Thanh, 1998, p. 134).

3.2 Policies encouraging the development of commercial or ‘family’ farms and ‘new-style cooperatives’

As previously mentioned, recent government policies support the notion of larger farms that will permit the concentration of land and capital. Resolution No 03/2000/NQ-CP (2000) outlined a more accommodating government attitude to “the allocation, lease, assignment and accumulation of land” over prescribed limits, particularly for “effective exploitation and use of the waste land, bare hills and mountains in the midlands, the mountain areas, along the borders and on the offshore islands” (pp. 3-4). Specifically, the Resolution specified that:

“Family households and individuals that have been allocated or assigned the land use right for farm development but have exceeded the land use quota set prior to January 1st 1999, shall be allowed to continue to use the land already allocated or assigned. The area of land in excess of quota shall be converted into leased land as prescribed by the land legislation and they shall be issued with land use right certificates”. (p. 5)

The Resolution also implemented tax and credit policies to encourage the development of these larger farms. For example, decisions in 1998 and 1999 charged income tax on enterprises (including commercially-oriented farms) with revenue of over 30 million VND. This policy was revised by the Resolution, and also rental rate reduced by the government for land rented by the larger farms. A further decree (Decree No 04/2000/ND-CP, 2000) was enacted in response to concerns about the stability of land use tenure, stating that the duration of land assignment or land lease from the government “shall be stable and long-termed” and that the government could not confiscate land without compensation to farmers. These changes in government policy have been favourably received (e.g. Vietnam Economic Times, 2000: Vietnam News, 2000a).

These larger farm holdings are often referred to as ‘family farms’. The distinction between a household farm and a family farm is not clear, however, generally the family farm is larger - a farm producing for the commercial sector (in contrast to subsistence agriculture). Priorities for land accumulation via family farms has been given to farmer households with capital, production and management experience who are willing to produce commercial crop products, and also to those households with no land (Resolution No 03/2000/NQ-CP, 2000). There are about 113,000 commercial farms throughout the country, with an average land area of 5 hectares, involving an estimated land area of 7 million hectares (Vietnam Economic Times, 2000).
In some provinces there are specific policy objectives to restructure agricultural production and encourage the development of larger, commercial farms growing short and long-term industrial crops such as sugarcane, cashew and coffee. For example, Decision No. 14/1998 QD-TTg (1998, p. 6) for development of in south-central Vietnam states among its objectives:

“To strive to maintain the growth rate on the basis of strongly restructuring the agricultural production along the direction of intensive farming and crop multiplication to produce large quantities of commodity products, ... in combination with acreage expansion in order to step by step achieve the objective of food security and contribute to the export (sic):”

Additionally, policies have been enacted to encourage the development of so-called ‘new-style cooperatives’. Cooperatives in Vietnam have undergone a dramatic change since doi moi, but are still hampered (particularly in the South) by the perception that “cooperatives” mean collectivised farming (Kirsch, 1997). The new-style cooperatives (encouraged by the new Cooperative Law effective from 1997) support their members with supply and marketing services as well as coordinating production, and providing additional community activities (Kerkvleit (2000).

Most of the enforced agricultural production cooperatives, although mostly no longer operational, still exist ‘on paper’ and are supposed to be transformed into ‘new-style’ service cooperatives in line with the Cooperative Law. However, many of the successfully operating ‘new-style’ cooperatives have not yet changed their structure to become voluntary cooperatives with members contributing shares. As the cooperative structure evolves, it is possible that these may mimic ‘larger farms’ to some extent by coordinating production, and providing mechanisation and management.

3.3 Changes in land use

Changes in land use are undoubtedly occurring. Fforde (1995) reports that “low profitability cash crops have been abandoned in favour of crops offering higher returns” (p.91) citing examples such as the planting of high value fragrant rice in the Red River delta. Khiem et al. (1999) report that land reform (and improved market access) has affected land use patterns in the northern uplands, with areas planted to fruit trees and horticultural crops “increasing dramatically”. In districts close to towns and cities, high value horticulture and flower crops are becoming increasingly common, with some communes specialising in specific high value crops. In some coastal areas of the Mekong there is an expansion of more profitable rice-shrimp farming systems (Ben, 2000).

3.4 An increase in the number of rural households with no land

The emergence of very small farms is common in most low-income countries. So is the rapidly growing number of people who belong to the category ‘landless labour’ (Thampapillai, 1992). There is evidence that the percentage of landless farmers, particularly in the Mekong delta, is increasing in Vietnam (Kerkvliet, 2000). Surveys by the Government Statistical Office in 1994 and 1998 indicate that the number of landless households had increased from 12,250 farmer households or 0.7% of the Mekong total
population, to more than 1,000,000 farmer households or 6% of the region’s population (Vietnam News, 1999). A report by the World Bank in Vietnam (2000) considers that the imbalance of land ownership is getting bigger, creating a visible gap between the landless poor and richer land owners.

The World Bank in Vietnam (2000) reports that poverty, however measured, declined in Vietnam during 1993-1998. However they caution that the gains in poverty reduction remain fragile. A high percentage of the population is bunched just above the poverty line and a relatively small deterioration in living standards would be sufficient to push them below the poverty line again. Furthermore, poverty remains largely a rural phenomenon with 45% of the rural population living below the poverty line, and 94% of families classified as living below the poverty line located in rural areas (United Nations, 1999). Typically, poor households have small landholdings or are landless, so the link between land accumulation and landlessness is of concern.

3.5 Pressure for further reform

Kerkvliet (1995) considers that there are 3 views about state-society relationships in Vietnam. The first is that of a powerful dominating state, which controls society, while the second view allows some social power, but only through organisations that are dominated by the state. The third view acknowledges that social groups and processes have shaped Vietnam’s economy and society, and Kerkvliet (1995, p.399) states that:

“The attention that this third interpretation gives to social forces outside the state's control moves in a direction compatible with my understanding of rural society and state relations in recent decades.”

Kerkvliet (1995) discusses the influence of what he calls “everyday politics”: people challenging authority and often eventually influencing policy, using examples such as the failure of the Communist Party to implement collectivization (particularly in the south), and the return to household-based production. Similarly, the progress and direction of land reform appears to be being influenced by society, with the government under pressure to legislate to accommodate change that is already occurring. We use two examples to illustrate this.

The first concerns the accumulation of land beyond the land limit and policy to support the ‘family farm’. It is suggested that government policy to support larger farms was in response to developments that were occurring already. The family farm developed spontaneously from household farms, from ex-military and ex-government officials who used pension payments to rent/acquire land (Tien, 2000a). Be (2000a) also suggests that land accumulation started in the Mekong Delta from 1984/85, with people paying money for land and acquiring land over the legal limit. To avoid trouble they put the land use right titles in the names of family members, but really the land was being farmed by one person/household. Hence pressure was exerted on the government by people for the concept of the ‘family farm’, which allows larger limits on land that can be held.

The second example concerns pressure for land use changes in coastal areas of the Mekong delta where saline intrusion prevents the growing of rice in the dry season. In
Bac Lieu province farmers have been developing rice-shrimp systems (rice in the wet season and shrimp in brackish water in the dry season). This system has proved more profitable than rice production and a policy conflict has arisen over the use of land for rice-shrimp systems opposed to monoculture rice production. Sluice gates have recently been installed by government directive to restrict saline intrusion in the dry season, and inland from the sluice gates rice-shrimp production is not possible. This is a matter of local controversy, as local people would like more canal development to enable use of saline water for rice-shrimp production systems.

Land use planning carried out in conjunction with an ACIAR-funded project assessed three different land uses in the Gai Rai district – monoculture rice, rice-shrimp and intensive shrimp (Tri et al., 2000). The outcomes were discussed with local people who chose a land-use plan that maximised area to shrimp production. Presently this land-use is not zoned for the district and hence officially ‘illegal’. This local decision will be taken to the provincial committee, discussed, and hopefully incorporated ‘step-by-step’ in planning to 2010. Already a government decision passed in June 2000 has allowed “unproductive rice lands” to be used for shrimp production (Ben, 2000). Further relaxation of land use regulations is more controversial as it means that land will be taken out of rice production, but the consensus appears to be that the authorities will ‘have to yield to pressure from farmers’.

4 Policy issues

4.1 The rate of economic reform/land reform

Despite Vietnam’s relatively strong economic performance since the doi moi reforms, it is considered that the pace of reform has ‘slackened’ and needs to be ‘re-invigorated’ (The World Bank in Vietnam, 1998). However, “running a free market economy in a socialist country was never going to be easy” (Watkin, 2000, p. 44) and tension within the country over the scope and pace of economic reform is well documented. The Economic and Social Commission for Asia and the Pacific (1998, p. 109) notes that:

“… the attempt to create a socialist market economy remains strained by conflicting efforts to maintain government control of the economy and to achieve equity objectives and the desire to let market forces increase efficiency.”

The East Asia Analytical Unit (1997, p.69) also notes the “internal contradiction” associated with the notion of a “controlled free market economy” and suggests that reforms such as land ownership, “while unlikely to be reversed, will probably not move rapidly ahead”. Vietnamese often talk of the need for changes to be made ‘step-by-step’ (e.g. Resolution No. 03/2000/NQ-CP, 2000). Land policy in Vietnam is a politically sensitive and complicated issue. There are social, historical and cultural perspectives that impinge on the economics of land policy (see Kerkvliet, 2000). For example, within policy circles there is disagreement about the desirability of accumulation of land and policies to encourage larger ‘family farms’. However, we see evidence as outlined in
Section 3.4 that pressure is coming from society to allow accumulation of land, and changes in land use.

There is also debate regarding to what extent there should be an unrestricted land market, which is essentially a debate about the desired relationship between property rights and land use rights, as discussed briefly in Section 2.3. As land use rights become longer, and can be implemented with fewer restrictions, they become more like the western concept of ‘private’ land ownership. The likelihood of a slow pace of reform sits in contrast to the general western consensus that constraints on development of a land market imposed by the current Land Law, as well as restrictive credit, tax and trade policies that impact on the agricultural sector, need to be addressed (The World Bank in Vietnam, 1998; United Nations, 1999). These issues are made more pressing by requirements to implement reforms being put on Vietnam as the country get ready for admission into the ASEAN Free Trade Area (AFTA) in 2003, and seeks entry into WTO.

There are undoubtedly still difficulties associated with land transfer, especially with regard to restrictions on when transfers can officially occur and on the transparency of procedures (The World Bank in Vietnam, 1998; Kerkvliet, 2000). Evidence of ‘unofficial’ transfers suggests that, in practice, villagers find ways around restrictions and bureaucracy, but informal land transactions raise other difficulties such as an increased likelihood of disputes and opportunities for corruption (Kerkvliet, 2000). Sales and exchanges of land use rights are also taxed. “In a situation where fragmentation of agricultural land is such a great problem, such taxes effectively inhibit land amalgamation.” (The World Bank in Vietnam, 1998, p. 24). Additionally, there are issues with the value of use rights when used as collateral, as the value is based on the rental payment and not the actual market value, and restrictions on the rights of creditors over use rights when loan repayments are in default (The World Bank in Vietnam, 1998).

4.2 Land reforms on their own will not be sufficient for rural development

Land reform, although considered essential for rural development in developing countries, is not sufficient in itself (e.g. de Janvry, 1984; Binswanger et al., 1993). In their review of the literature, Melmet-Sanjak and Lastarria-Cornhiel (1998, pp. 6-7) state that

“It is clear to us that around the rural areas of the globe, access to food is determined at least partly by a person’s access to various types of capital (e.g. land, physical non-land, human and financial). … access to various types of capital is pivotal in determining household income strategies and, therefore, in determining the likely change in household behaviours and well-being when faced with macropolicy changes.”

The World Bank in Vietnam (1998) identified four key ingredients for rural development in Vietnam including: getting a market in land use rights working, making reforms to the credit system, investment in rural infrastructure such as irrigation and transport, and investment in human resources such as health care and education. Additionally, restrictive trade practices and preferential treatment for State Owned Enterprises and various commodity production programs in terms of land, taxation and credit impede the
development of the private sector. These issues are not developed in this paper, but are an essential component of the policy debate in Vietnam, and irrevocably linked with the response of households to land policy initiatives.

4.3 The need to increase productivity

The need to increase agricultural productivity (and hence farm income) is central to the debate on rural development in Vietnam (e.g. The World Bank in Vietnam, 1998). How does land policy relate to increased agricultural productivity? In this paper we have discussed land policy reforms and alluded to other reforms in tax, credit, infrastructure, etc. that are considered essential to rural development. Section 2.3 briefly considered the powerful influence of government policy and ideology on land use.

Agricultural productivity can be thought of in terms of both land and labour productivity. Small farm sizes linked to the high proportion of the population involved in agriculture means that labour productivity is low, indicating a potential for productivity growth as labour moves out of agriculture (East Asia Analytical Unit, 1997). Undoubtedly farm size puts a limit on farm earnings. The World Bank in Vietnam (1998, p. 11) gives an example to illustrate:

“A rice-farming household that has an average size farm of 1.2 hectares and obtains an average yield of 6.1 tons per hectare will earn an average yield of approximately VND 6.6 million (US $470), assuming a 50% gross margin. Those with smaller farms and lower than average yields would be significantly worse off.”

In reality, many farms are smaller than 1.2 hectares and the world price of rice has fallen considerably since this calculation would have been made. To some degree, small farms can be viewed as poverty traps. The World Bank in Vietnam (2000) notes that households who are unable to make a living from the land find few opportunities for stable income generation off the farm and suggests there is an urgent need for reforms which will stimulate greater off-farm employment. Increased off-farm income could potentially alleviate low incomes caused by small farm size.

Whether larger farm size will increase land productivity is not so clear. There is a considerable literature that indicates that productivity is higher on small farms than larger ones (Berry and Cline, 1979; cited in Binswanger and Elgin, 1998), although some of this work has been critiqued for not taking account of differences in land quality. Recent work by Wan and Cheng (2001) using household survey data from rural China indicate that economies of scale from land consolidation appear too small to suggest that radical land policy changes are needed. A study conducted by Yamazaki and Thanh (1998) in the Mekong delta indicated that the labour productivity of large farmers was higher then small farmers, but land productivity did not depend on farm size.

However, it is likely that more efficient use of lumpy inputs such as draft animals, machinery and management would result in initial economies of scale for larger farm holdings. Binswanger and Elgin (1998) argue that many of these efficiencies can be gained through the rental market, and the development of self-help groups and ‘new
style’ cooperatives in Vietnam could potentially mimic the efficient rental of lumpy resources. However, certain industrial crops such as sugar, and livestock industries such as diary production, are likely to have economies of scale in production and marketing that would favour larger farms.

Lack of land use flexibility is still an issue, particularly with regards to paddy land (wet rice land). Both land and labour productivity are hindered by lack of land use flexibility. The government’s position on rice policy and other commodity production programs (e.g. sugar) will continue to affect the flexibility of land use, and hence the potential of farmers to diversify their agricultural enterprises in response to market signals. Government expenditure on infrastructure such as roads and irrigation also affects land use flexibility. For example, priority given to large-scale irrigation facilities for paddy production at the expense of small-scale, on-farm facilities effectively prevents small farmers from diversifying into higher value crops (United Nations, 1999). The example for rice-shrimp production in this paper illustrates this point.

Furthermore, risk plays a role in restricting the land use choice of poor households. Poor household's livelihoods are extremely vulnerable to both household-specific (e.g. health) and community-wide shocks. For subsistence farmers, the risk of failure associated with on-farm investments or new enterprises can deter them from expanding their economic base or changing their farming activities in such a way to improve their resilience to shocks (World Bank in Vietnam, 2000). When marketing institutions and infrastructure such as transport are not well developed, a shift to non-food crops can make small farmers particularly vulnerable. Khiem et al. (1999) show that both land and labour productivity were higher in areas with better market access.

Land policies will affect land consolidation and accumulation, and this in turn will influence land use choice and technology choice. In reality, farm size, land use choice and technology choice are closely interrelated and all affect land productivity.

4.4 Growth with equity

The promotion of ‘growth with equity’ is a principle that is fundamental to the development path Vietnam has chosen to follow. The debate over the desirable extent of land reforms is linked to both this ideological stance and poverty issues. After the revolution land was given to every farmer, but now there are indications that land will concentrate to fewer people and some will become landless. In this paper, we have presented limited evidence that land consolidation and accumulation is occurring. Unless accompanied by off-farm opportunities, problems of equity become an issue for those displaced. The government is concerned about this, but the alternative of many small household farms is linked to poverty. There are reports of a growing number of land conflicts in rural areas (Far Eastern Economic Review, 2001). Yamazaki and Thanh (1998: p. 118) say that “it is thought necessary to prevent the differentiation of peasants in the Mekong Delta in order to avoid an intensification of the social tension in this rural area”. In some provinces in the south land has actually been
given back to landless farmers, but in some cases they have transferred their land use rights again for the money (Anh, 2000).

As discussed earlier, there is international evidence indicating that small farmers are unable to increase their farm size even in perfectly functioning land markets. More substantial land rights can actually disadvantage small farmers. Carter (1994; cited in Melmet-Sanjak and Lastarria-Cornhiel, 1998) say that if land can be used as collateral it leads to real risks of foreclosure and land loss, especially for smaller farmers unprotected by adequate insurance markets. Furthermore, Melmet-Sanjak and Lastarria-Cornhiel (1998) suggest that land titling may increase risks and transactions costs for small landholders who formally depended on customary tenure mechanisms. Problems with the allocation of forest land in Vietnam is possibly related to these problems.

The World Bank in Vietnam (2000) reports that there has been a modest increase in inequality, largely due to the widening of rural-urban gaps, with some increase in inequality between the 7 regions of Vietnam. However, inequality within rural areas has actually declined. They conclude that while concern has been raised that the policy reforms initiated in agriculture would lead to rising inequalities, there is no evidence to indicate that this is the case. This however seems at odds with their expressed anxiety about the growth of landlessness in some districts, and its links with poverty.

5 Conclusion

Issues raised in this paper are being investigated in an ACIAR Project ‘Impacts of Alternative Policy Options on the Agricultural Sector in Vietnam’ scheduled to run until mid-2003. It is envisaged that work being undertaken in the project will investigate, using household data collection and economic modelling, the impacts of policy such as changes to land use rights at the household level. We are interested in the extent to which land consolidation and accumulation, and changes in land use, may occur given different land, input/output, tax and credit policies. Associated with this are the effects of consolidation/accumulation and land use change on labour use, land and labour productivity, household income and income distribution. We hope to do this economic research in a way that acknowledges, and is cognisant of, the social, historical and cultural perspectives that impinge on the economics of land policy in Vietnam.

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Not with standing, all errors of fact remain the responsibility of the authors.

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