

# POLICIES FOR RURAL INDUSTRIALIZATION AND MODERNIZATION BY 2010

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## I. ACHIEVEMENTS OF VIETNAM'S AGRICULTURE AND RURAL AREAS IN THE PERIOD OF ĐỔI MỚI

The industrialization and modernization of rural areas and agriculture is the proper advocating of our Party and Government. It is just the way to bring the country's agriculture and rural areas out of poverty and backwardness.

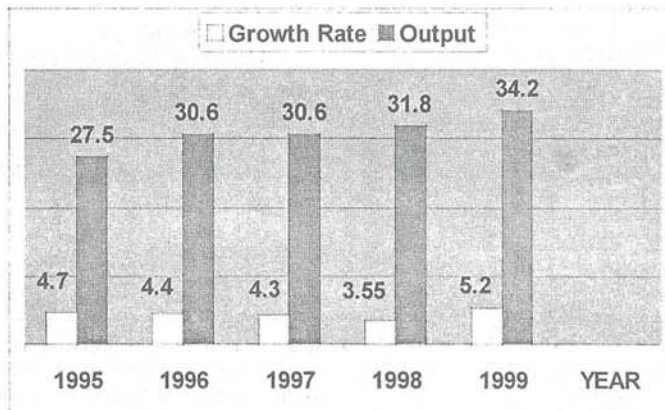
Vietnam is a farming country and 80% of its population live in rural areas, so the farming labor accounts over 70% of the total working force. The Party not also determines the national industrialization and modernization is a central task from now until 2020 but also underlines "the industrialization and modernization of agriculture and rural areas must be of great concern".

Vietnam is also lying in the tropical zone, and endowed with many advantages for farm development. It can sow many crops of food plants in a year and at the SAMCOe time may face many natural calamities causing

damage to crops. To build a sustainable ecological agriculture is a requirement to ensure the national food security.

The sustainable development of production must reach the target: to

### FARMING GROWTH RATE (%) AND OUTPUT OF FOOD EQUIVALENT TO RICE PADDY (MILLION TONNES)



Source: National Bureau of Statistics 1999

make the farmers and the society rich and step by step bridge the gap between urban and rural areas. Vietnam and other countries are prepared to enter the twenty-first century - the century full of prospects for economic, social, scientific and technological development, as well as challenges. To ensure food security whereas the population is increasing is a crucial problem to the development of each nation, especially for developing countries with large population.

Thanks to positive effects of the reform of systems and managerial models, Vietnam's agriculture and rural areas continue to grow and develop firmly in the period of *đổi mới*. The annual average growth rate of agriculture is much higher than that in the 1990s. Both cultivation and

husbandry make progress in terms of product diversification and increasing efficiency of land use and labor. Especially in food production, the annual growth rate of 6% is higher than that of population resulting in the rise in per capita food output.

Given the achievements, Vietnam becomes a rice producer developing fastest and firmest as compared with other countries in ASEAN.

Before 1989 Vietnam was in short of food but turned into the third biggest rice exporter behind Thailand and the U.S. in consecutive years from 1989 to 1997. The country's rice yield reached 3.6 million tonnes in 1998 and 4.5 million tonnes in 1999, surpassing the U.S. and taking the second rank behind Thailand.

The rural economic structure has changed initially into multisector and polyculture, and general business promotion. This has contributed



to the national economic restructuring in the direction of increasing shares of industry and service and reducing that of farming in the country's GDP.

cage (for breeding cattle) + forest has turned out farm products of high value for local consumption and export, accounted for 30% of rural areas' total GDP and opened the path

+ The manufacturing sector in rural areas has to obtain advanced technologies in combination with traditional craft in order to make high-quality goods which can be competitive in local and foreign markets.

+ The rural industrialization and modernization must be closely linked with economic development in urban areas and industrial parks. The labor-intensive industries, which are clustering in big cities, should be encouraged to operate in rural areas.

+ The rural industrialization and modernization must depend upon reasonable employment of natural resources such as water and forest and meet requirements of environmental protection and reclamation.

**Table 1: SHARE IN THE NATIONAL GDP (%)**

	1992	1993	1994	1995	1996	1997	1998	1999
Agriculture (farming, forestry, and fishery)	33.9	29.4	28.7	29.3	27.2	25.7	24.8	25.4
Industry	27.3	28.9	29.6	28.1	30.7	31.7	32.6	34.5
Service	38.8	41.2	41.6	42.6	42.1	42.6	42.6	40.1

In the primary sector, many large-sized regions produce high-quality food. They include the Mekong Delta with rice, fruit and duck, the Central Highlands with coffee and cattle herd; the southeastern provinces with rubber, sugarcane, maize, peanut, cashew nut; the Hồng River Delta with vegetables; the Southern mountainous areas and midland with tea, and the Central coastal provinces with cattle herd. These regions have been producing the majority of national farm products; 70% of commercial rice and 90% of rice exports are derived from the Mekong Delta; 80% of total coffee output from the central highlands; and 85% of rubber output from the Southeastern provinces and so on.

In the past years, it is noteworthy that production in the above regions has been oriented to higher specialization, better capital investment and technological innovation and more effective organization as compared with the previous years. In these specialized regions, goods are produced and marketed in a rather large scale. In Đồng Tháp Mười, and Long Xuyên Quadrangle, there are farming households with an area of tens of hectares and output of 50-70 tonnes, especially some may harvest hundreds of tonnes of rice. In the southern midland and the Central Highlands, large farms have taken shape and grown industrial perennials, fruit trees, pharmaceutical plants, and bred cattle. These farms have gained significant revenues from exports. Many examples of the farm economy model have been learned and promoted in many localities. As a result, the size and number of efficient farms in agriculture, forestry, and fishery are increasing. The model of orchard + pond (for raising fishes) +

to prosperity for farmers.

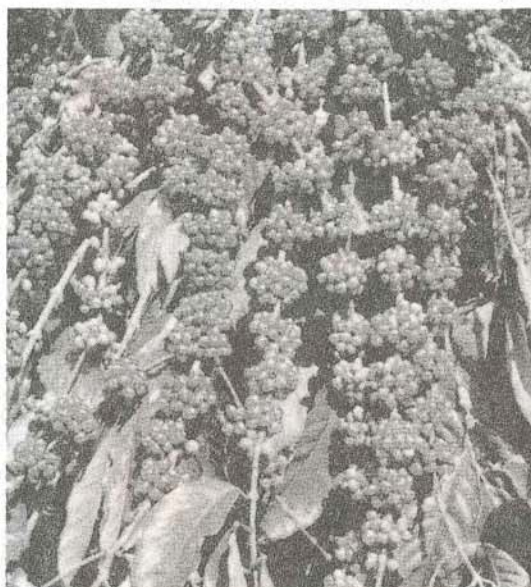
## II. VIEWPOINTS AND OBJECTIVE OF RURAL INDUSTRIALIZATION AND MODERNIZATION UNTIL 2010

### 1. Viewpoints

In current conditions, the rural industrialization and modernization should be based on fundamental viewpoints as follows:

+ The rural industrialization and modernization must generate a diversified commercial agriculture on the basis of utilizing comparative advantages to satisfy requirements of domestic consumption and strongly orient to export.

+ Giving priority to the development of industries and services in rural areas which tap local raw materials, use a great quantity of workers and require less capital; and paying attention to the development of small- and medium-sized establishments including family businesses.



### 2. Objective

The general and long-term objective of the rural industrialization and modernization is to build an agriculture and a rural economy having modern infrastructures, suitable structure, progressive production relations with the aim to improve productivity, create jobs, eradicate hunger, alleviate poverty, and soon promote income and living standard of rural residents.

## III. POLICIES FOR RURAL INDUSTRIALIZATION AND MODERNIZATION UNTIL 2010

### 1. Land policy

In the system of measures and policies for agriculture, the core of the problem is farmers. If they are not given autonomy and lack production motives, then all measures are far from effective as expected. The farmers' dynamics are derived from land use right: "The basic solution for all successes of farm policies is to settle the land problem well." Therefore, the settlement of problems in ownership relations, and land use in accordance with rule and law will make positive contributions to the resolving of socio-economic problems, accelerate the farm economic evolution, secure social equality, eradicate hunger and alleviate poverty, and implement the target of wealthy people and strong nation.

At present, the settlement of land ownership relations must be based on a general view of stability for development. There are so far many arguments on various factors (economic cycle of plants, population growth...) which are

grounds for regulations on the term of land allocation in the Land Law. There is no consensus in these arguments. The general view should be that the term of land allocation is long and unlimited. Land is granted one time and wholly. The legislation only rules: If the Government implements geographical plans or uses land for other purposes, it will make satisfactory compensation. Finally, if the landowners do not fulfill their obligations, their land will be revoked.

What is the term of land allocation? In fact, farmers are not concerned about this question and the reality has no proper answer. We will waste plenty of energy, money, and time due to the term of land allocation (including the granter and the receiver).

What about land accumulation? Land accumulation is a natural process. In Vietnam, land accumulation comes from the process of land use transfer. Land allocation should be based on the farmer's capability of production. The Government will regulate income by imposing taxes and should not restrict land offer. It is required to encourage and recognize land accumulation in deserted areas and barren hills so that the people can make long-term investments in farming. Land transfer is a common practice of a commercial economy under the market mechanism. The effervescence of this transfer is sometimes a sign of economic growth or an outcome of good changes in the market that is beneficial to development.

Nevertheless, if free land accumulation may cause negative effects, for example, those farmers who need land for production will become landless; the speculation in land will occur in the market of real estate, cause capital gluts and worsen social issues in rural areas. Moreover, the labor division in the countryside remains limited, industries and services are underdeveloped, idle farmers do not have job...The Government may foresee to control this event by land limit policies, and tax on land use transfer and improve its support and other social welfare. However, the land limit must be in accordance with the Government's decisions on the development of rural economy and market economy.

Regarding land leasing, it is a problem causing troubles and inconvenience to land users and disputes among legislators as well as local agencies in the process of executing the Land Law.

As for land registration in localities, relevant agencies are required to fulfill its task of granting certificates of land use right to farmers. This will make legal framework for farmers to implement their rights and obligations in compliance with the Land Law. These agencies have to settle land disputes to assure farmers for their investment in production. The Land Law efficiency depends mainly on liberal procedures helping farmers implement their rights concerning land.

In short, the solutions to land issues include legalizing land ownership and transfer, removing the status of "non-owned" land and finally stimulating effective use of land.

## 2. Encouraging private businesses in agriculture and rural areas

The existence of private businesses in agriculture is an inevitable condition in line with the Party and the Government's policy on the development of multi-sectoral economy in the process of *đổi mới*. According to rough statistics, by the end of 1998, the whole country had 12 million rural households, 10 million farming families including 50,000 farm owners and tens of thousands of families with various non-farming careers in rural areas. In the past years, implementing the Politburo's Resolution 10 (Term VI), this economic sector has developed and made significant contributions to the national economy, satisfied domestic consumption, and ensured food security. It also helped transform our country from a rice importer to the second biggest rice exporter in the world, improved the people's living standard, stabilized the society, promoted economic growth and curbed inflation...

The agriculture has become a firm foundation for socio-economic development. The role of farming households and private businesses in this sector makes a major contribution to that success, some 80% of total farm products are produced by them, chiefly in the Mekong Delta, the Central Highlands, and the South-eastern provinces. Most of the state-owned enterprises provide services.

However, the households and private businesses in agriculture still encounter a lot of difficulties in the process of development. The understanding of levels, branches, and localities about this important sector shows discrepancy, so there is not yet orientation and policies for development encouragement. The dis-

crimination in some areas remains. The policies on land, tax, credit, investment, export and import have not yet motivated families and private enterprises in farming to expand production and business to make rich legally. In southern and central provinces, relations between this sector with state one and agricultural cooperatives are still vague, while family businesses are prevalent in southern provinces and the Central Highlands. Nevertheless, the Government's role toward this sector is not distinct.

To overcome the above-mentioned difficulties and restrictions is not only a requirement of private businesses in agriculture but also a must to the sustainable development of agriculture in the trend of industrialization and modernization in line with the Party and Government's policies on multisectoral economic development.

As a result, the Government should perfect its policies and new management systems to meet these requirements, and contribute to accelerating the development of private businesses in agriculture and rural areas under the orientation of socialism. This will implement the national industrialization and modernization as well as fulfill the planned target of rich people, strong nation, and civilized society.

## 3. Markets, prices and Government's support for production

Market plays an important role in the transit from an agriculture based on self-supply and self-sufficiency or small agricultural production to commercial economy. Relations in markets also indicate economic benefits of rural residents in the shift from the centrally planned system to the market one under the Government's management.

In recent years, markets for rural development have been expanded. The exchange of goods has been more liberal than previously. This has good effects on tapping local advantages.

However, it also poses serious problems. If they are not settled soon, they will cause hindrance to rural development. They are as follows:

- The purchasing power remains poor because the practice of self-supply and self-sufficiency is still common and the rural living standard low. The processing industry is a place to consume agricultural products in large quantity and thus becomes a decisive factor to boost specialized rural areas. The country's

food processing industry is weak in terms of size, technological level, and management skill. These shortcomings make manufactured products not competitive and unsalable and therefore the processing factories will buy fewer products from farmers.

- There are difficulties in goods transport. Although there are particular improvements but the technical and transport facilities have not yet met the requirements for exploiting farm potentials and enhancing goods exchange. The development of rural infrastructures has not yet been paid full attention.

- The farmers' marketing capability is low. They still depend on the Government's subsidies. Poor households face troubles in production means and lack skill of economic calculation. Farmers' links are loose, so they are easily affected by risks in the market. This results to that the percentage of commercial food is not high.

- The conditions of goods exchange are adverse to farmers. This is clearly seen in the difference in prices of farm products and manufactured goods and services. While the prices of agricultural products show no or slow rise even decline, the prices of commodities farmers have to purchase from materials to consumer goods are climbing. When the harvest fails, farmers are certainly anxious but even though they enjoy bumper crops, they are also nervous due to very low prices.

- The Government helps farmers by fixing the floor purchasing price of rice paddy but the efficiency of this policy remains low.

- Products in rural areas are not only food but also non-farm products produced by rural industry. These products will hold an important position in future. In the past, many rural areas have invested in promoting non-farming careers. However, the products are also hard to be sold due to low competitiveness, small-sized production, and lack of Government support.

Difficulties in markets and prices are hampering the development of rural economy. If they are not removed, the restructure of rural economy will be slow. As a result, policies on market, which are liberal and helpful to farmers, should be shaped and realized as one of top priority in rural development.

#### 4. Science and technology

One of factors boosting agricultural production and rural economy

is the research and application of technological achievements to production and life. The second plenum of the Party Central Committee affirmed: "industrialization and modernization must be implemented with scientific and technological advances."

The sixth plenum of the Party Central Committee continued to confirm: "More energy should be focused on rural development in the orientation of industrialization and modernization as a firm basis for socio-economic stability and evolution in any situation."

In such situation as increasing techno-scientific achievements, industrialization must be accompanied by modernization. To invest money in advanced technologies and apply them to production and service is a major content of the process of modernization. The central task of industrialization and modernization is to restructure the economy by promoting technology-based and high value-added industries.

According to the Ministry of Agriculture and Rural Development estimates, some 30% to 40% of value added in food production comes from technological application. Farmers soon adapt themselves to techno-scientific advances. Institutes and universities have attracted researchers to solve technological problems for rural development.

In many plans, techno-scientific activities have aimed at evolution in agriculture and rural areas. Many national and ministerial programs have made valuable contributions to resolving the problems in respect of breeds, strains, advanced methods of cultivation and breeding, technology transfer models, and application of technological achievements to mountainous areas. They also include enhancement of output of perennials, pharmaceutical materials, fruit, forest...in the midland and mountainous areas; consumers markets for farm products, job training, and improvement of educational level.

Based on requirements of rural industrialization and modernization together with real problems in respect of techno-scientific programs, we suggest some initial tasks as follows:

1. Evaluating exactly the status of application and mobilization of scientists for rural development; and specifying major achievements, deficiencies, obstacles and difficulties.

2. Analyzing causes, taking measures to overcome current shortcomings, and especially coordinating

techno-scientific programs for rural development.

3. Renovating organizations and management system to use technological achievements effectively and combining techno-scientific programs with socio-economic ones.

4. Official training and employment and rural social policy

The Government should reform its policies on training, using and giving satisfactory incentives to technical officials, farm stimulation officials, technicians and others who are working and devoting their heart and mind to rural evolution. Those who make profitable inventions in respect of science, technology, and management...should be well paid and highly appreciated. Only by doing so, can these scientists and experts be attracted to serve the rural areas in the long run.

When mentioning agriculture, we should not neglect social, economic and cultural life of farmers. It is said many times that agriculture is the key front but the farmers are not paid full attention, even sometimes forgotten. We would like to recall that the people standing on this key front must be given best regards.

Our rural areas are changing strongly in terms of economic forms, structure and organization, income distribution, development of productive forces and effects of the market mechanism. All of these interactive factors will transform rural social structure. To settle social issues, the viewpoint of wealthy people and strong nation in parallel with hunger eradication and poverty alleviation will be firmly grasped.

In the stage of national construction, the economic benefits of farmers in particular and the people on the whole must be given top priority.

At present, there are widening gap in income distribution. The Government is required to settle social welfare and give a hand to poor farmers.

The Government should expand its cooperation with farming households or promote cooperation between rich families with entrepreneurs in cities with the aim to build processing factories. This will help industrialize the countryside, urbanize rural areas step by step and consume food products. The cooperation path is to make farmers become shareholders of processing companies in rural areas to add value to their raw farm products. Finally, foreign investors are welcome when they express their wish to enter joint ventures with local farmers. ■