

On Socioeconomic Development in the Mekong Delta

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I. RECENT SOCIOECONOMIC ACHIEVEMENTS

1. Encouraging changes in the production

The most remarkable changes are:

- Developing commercial farming and promoting exports,
- More autonomy for producers and consumers, especially private ones,
- Increasing both public and private investments

2. Increases in investment for development

In the years 1996-2000, the public investment, especially in the infrastructure, rose by 170% compared with the 1991-95 period, and 50% of which was put in flood plains.

After 2000, the investment for development kept increasing. Statistics show that the gross investment in this delta reached VND20,000 billion in 2001 (increasing by 19.7% compared with 2000); VND24,500 billion in 2002 (increasing by 12.2%); and 27,700 billion in 2003 (increasing by 13.5%). Besides a wide range of infrastructure projects, some VND3,200 billion has been put in the building of high-leveled residential areas since 2001.

3. High growth rate

Although the growth rate in 1996-2000 was lower than what was achieved in 1991-95, the growth rate still stayed at some 8.5%. After 2000, the growth rate reached about 10% in 2001, 12% in 2002 and 11.9% in 2003. Such a growth rate is very high for an agriculture-based region.

4. Positive improvements in the structure of industry

The share of the primary sector in the gross output fell from 61.8% in 1995 to 51.3% in 2000; 51.0% in 2001; and 49.0% in 2002. The share of the manufacturing and construction sector rose from 11.7% in 1995,

to 19.5% in 2000; 19.8% in 2001 and 21.0% in 2002; while the share of the service sector rose from 21.3% in 1995 to some 29% in the years 2002-02.

The structure of farm products was also adjusted. From the 1980s to the late 1990s, the rice area was on the increase: 2.6 million hectares in 1990 to 3.1 million hectares in 1995 and 3.9 million hectares in 2000. Rice was even grown in unsuited plains, such as Đồng Tháp Mười, Long Xuyên and coastal areas while these areas could be used for raising or farming other crops and animals.

After many studies in various fields, both political leaders and peasants have changed their views and thinking ways. As a result, the rice area after 2000 has contracted and new crops with better value were introduced. In the years 2001-03, the rice area fell to some 3.7 million hectares while areas for forests, shrimp farming and fruits started to increase. In Cà Mau, the seafarming area rose from 204,381 hectares in 2000 to 254,191 hectares in 2001 and 270,851 hectares in 2002. These figures in the years 2000-02 in Sóc

Trăng were 15,422 and 53,245 hectares; Kiên Giang: 32,770 and 43,000 hectares; Bạc Liêu: 54,017 and 101,690 hectares. In other provinces, such as An Giang, Đồng Tháp, Long An and Kiên Giang, shrimp and fish have been raised in rice fields.

In addition to changes in the structure of farm products, new techniques are also introduced. Good relations between production, processing and distribution have helped increase rice, shrimp and catfish output in this delta, and Vietnam became an important supplier of rice and aquatic products: from 2000 to 2002, the shrimp export rose from 36,256 tons to 80,039 tons; other aquatic products from 36,778 tons to 62,598 tons; and rice from 2.54 million tons in 2000 to 2.72 million tons in 2003.

5. Reorganization of production

The fact that the peasant family was considered as an autonomous unit in the delta economy has affected favorably the economic growth.

Along with the export-oriented commercial farming, support from the government (in terms of infrastructure building, technology transfer, financial support, etc.) and efforts from scientists of various fields, many peasants have improved their ways of doing business and performance. According to recent studies, some 20% of peasant families have achieved great success in production and become new dynamics of development.

Old-style cooperatives of the 1980s have been replaced by family-scale production and new cooperation



Photo by Hoàng Tuấn

between them. New-style cooperatives have started to make their appearance and engaged in all stages of production although this form hasn't been widespread in the Mekong Delta.

Companies and family businesses in the manufacturing and services sectors started to develop and experienced many changes and improvements, especially after the Companies Law was introduced.

These concerns have produced positive effects: (1) developing the manufacturing and service sectors thereby accelerating changes in the structure of industry; (2) developing closer relations with HCMC and other provinces, along with foreign countries; (3) facilitating distribution of products and supply of raw materials. Many companies in the Mekong Delta provinces have developed well in recent years and made themselves success stories.

6. The Mekong Delta as an important agricultural zone of the country

In these achievements are contributions from flood plains. In 2003, these plains accounted for 65% of the gross output from the whole zone; 76% of the agricultural output; 37.8% of the fishing and seafarming output;

75.8% of the food output; and 76.3% of the rice output.

Provinces in flood plains are also main suppliers of Vietnam's staple exports, such as rice, shrimp, fish and fruit.

Thus, the Mekong Delta, and flood plains in particular, has ensured the food security for the whole country and developed well the commercial farming and production of exports.

7. Living standard in terms of social benefit

To estimate exactly changes and achievements realized in the Mekong Delta, we should consider the living standard and effects of the economic growth on social benefits. The Mekong Delta experienced many improvements in personal income, education and health care services, supply of clean water and environmental protection although the result aren't as high as expected.

The personal income in the Delta rose from VND242,312 per month in 1996 to 342,000 in 1999 and 371,300 in 2002. It is worth noting that the income of the 20% poorest rose from VND112,000 in 1999 to 122,900 per month in 2002. Difference between the poorest and the richest in personal income reduced from 7.9 times in 1999 to 7.1 times in

2002. The proportion of the poor also reduced from 13.4% in 1996 to 10.9% in 2001.

The education service could reach more children. Numbers of schools, teachers and pupils are all on the increase. From 78% to 80% of children of the schooling age went to junior high schools and some 45% went to senior high schools.

Numbers of health caring stations of commune and district levels also increased. Many national programs to prevent and control diseases, supply clean water and ensure hygienic food were carried in rural areas.

The clean water is really an urgent problem in the Delta and many provinces have gained initial results in solving this problem:

In An Giang, 191 pumping stations have come into operation to supply clean water to 48,259 families, making 54% of families in the province able to enjoy this service.

In Tiền Giang, some VND51 billion was used for drilling wells (some 12,000 wells) and building pumping stations (263 stations). At present, 41% of families in this province could get clean water.

In other provinces, various programs with foreign support and local effort have been carried out to increase the proportion of families provided with the clean water: 65% in Long An and 23% in Cần Thơ for example.

Waste treatment and protection for the environment are also urgent problems. This task is particularly difficult in flood plains. In recent years, various programs and studies have helped raise alarm and call for positive actions among local communities. A survey of 500 families in Đồng Tháp Mười reveals that only 8% of them have private toilets and 47% have toilets of very simple kinds. In certain cities and towns, garbage collection service has just come into operation and most people usually dump rubbish in rivers or canals.

II. SHORTCOMINGS

1. Increasing population and poor social progress

In 2002, the Mekong Delta population was 16,698,900 persons with a birth rate of 1.34% a year. The population density was 400 persons per sq.km – much higher than the level needed for sustainable development.

For such an agriculture-based zone as the Mekong Delta, a big population is a source of challenges

Table 1: Mekong Delta in comparison with other zones

| Indicators | Unit | Absolute value | As % of the national value | Rank among 8 zones |
|--|---------------|----------------|----------------------------|--------------------|
| 1. Area (2001) | 1,000 ha | 3,970.0 | 12.05 | 4 th |
| + Farming land | 1,000 ha | 2,977.2 | 31.7 | 1 st |
| + Forest | 1,000 ha | 342.3 | 2.8 | 7 th |
| 2. Population (2002) | 1,000 persons | 16,713.7 | 20.9 | 2 nd |
| + Urban area | % | (18.4) | (25.1) | 3 rd |
| 3. Agricultural output (2002, based on 1994 price) | VND billion | 44,269.0 | 36.2 | 1 st |
| 4. Industrial output (2002, based on 1994 price) | VND billion | 25,115.7 | 9.6 | 3 rd |
| 5. Total retail sales of goods and services (2002, current market price) | VND billion | 53,789.0 | 19.9 | 2 nd |
| 6. Grain output (2002) | 1,000 tons | 17,576.5 | 48.3 | 1 st |
| + Rice | 1,000 tons | 17,477.9 | 51.3 | 1 st |
| 7. Per capita food output (2002) | kg | (1,051.6) | (456.3) | 1 st |
| 8. Aquatic product output (2002) | 1,000 tons | 1,327.4 | 51.4 | 1 st |
| 9. Fruit output | 1,000 tons | 2,500.0 | 47.6 | 1 st |

Source: *Niên giám thống kê 2002* (Statistical Yearbook), Hà Nội, 2003

to the socioeconomic development. Creating jobs and generating new sources of income thereby improving the living standard is no easy task. The following data demonstrate this argument:

- Proportion of productive working hour of the working population in rural area of the Delta in the years 1997-2001 was around 72% or 73% compared with the national average of 71-74%.

- Unemployment rate in urban areas was rather high: 6.5% in 1999; 6.1% in 2000; 6.08% in 2001 and 5.52% in 2002.

- In spite of recent improvement, the personal income is still very low: VND371,300 a month in 2002; and the income of the poorest group was only VND126,230 a month.

- Proportion of poor families, including those who suffered frequent shortage of food, is still high although it has been reduced in recent years: by 13.4% in 1996; 12.3% in 2000 and 10.9% in 2001.

- Proportion of children of the school-leaving age who didn't attend school was 20-22% for junior secondary education and 55-58% for senior secondary education. Proportion of trained labor varies from 20% to 25%.

Pressure from the big population, the need to ensure the food safety and the lack of technical and managerial skills have forced the Mekong Delta to pay full attention to quantity instead of quality of its produce and ignore the need to protect the environment. This reflects in the following facts:

- To grow two crops a year in the flood plains, peasants and local governments have built dykes surrounding each commune, which made the flood more serious and spread to other districts.

- Shrimp raising was carried out at large scales without measures to protect the environment, which generated more effluent.

- Thousands of cages have been built on the Tiền and Hậu Rivers to raise fish without a system to treat waste and effluent, which polluted all waterways in the Delta.

- Too many peasants raised fish or shrimp in rice fields without a master plan or directions from local authorities with the result that the area of coastal forest in Đồng Tháp Mười, Long Xuyên and Duyên Hải contracted. This caused great damage to the ecosystem of the Delta.

2. Infrastructural problems

Although the infrastructure has been improved in recent years, it isn't good enough to accelerate the economic growth and protect local residents from floods. The following are some facts:

- Some 2% of communes and 20% of families have no power supply.

- The National Route 1A, especially the section from HCMC to the Mỹ Thuận Bridge, is not large enough to ensure heavy traffic. Provincial roads, especially at district level, are of poor quality. During the flood in 2000, some 1,200 km of the national and provincial routes and 10,000 km of rural roads were covered by water. Up to now, the road

network didn't reach some 20% of communes. Transport by boat and ship in the Delta is convenient and important to the economic activities but there are only a few river ports. Many waterways haven't been dredged for years.

- To deal with annual floods in the Delta, more canals are needed for draining water towards the Gulf of Thailand but they are still lacking. Many dykes and roads become obstacles to the flow of water and make the flood prolong.

- The main source of water for daily life in the Mekong is from rivers that have been polluted. The number of works to process and supply clean water is very small. At present, only 58% of families in the Delta are provided with the clean water. Similarly, the Delta lacks facilities to treat chemical waste from the agricultural production, collect and process rubbish, deal with dead human and animals during the flood seasons and provide local residents with standard toilets. These problems are serious challenges to the sustainable development.

3. The manufacturing and service sector limited to serving the agricultural production

To ensure the food safety for the whole country, increase the export of rice and ensure income for some 50% of peasant families, the better part of the working population have to work in the rice farming business. The production of rice in the Delta aims too much at increasing the quantity, instead of the product quality, with the result that the rice is of poor competitiveness and could only be sold at low prices. From 1996 to 2001, the rice price fell year after year causing great losses to peasants. In the past two years the situation was improved when the price on the world market rose. Meanwhile, prices of farm machines and other materials kept increasing and became a burden to rice planters. Results of many surveys show that the proportion of net income to the total sales for rice producers fell from 58.05% in 1993 to 49.9% in 1997, 46.6% in 1998, and 41% in 2001. The same thing has happened to producers of fruits, poultry and aquatic products.

Although the output increased over years, the manufacturing sector isn't strong enough. Its share in the gross output is much lower than the national average. Many concerns in the Delta operate as satellites for bigger companies in other zones or



Photo by Hoàng Tuấn

supply building materials and consumer goods of poor quality. Most manufacturing concerns are of small scale with obsolete machinery. Most of their labor force is not trained properly. The ICOR index for the whole sector in this Delta is only 3.78.

The Mekong Delta is developing its open economy, the market demand here is great but the service sector didn't develop well to meet the demand. Transport of goods and passengers is slow, expensive and unsafe. The better part of trading concerns in the Delta is branches of bigger companies in other zones. The tourism products here are monotonous and visitors tend to stay for only a short period and come back to HCMC. The Mekong Delta usually suffers huge trade gap so it is always in need of foreign exchange as a source of investment for development. Difference in prices of farm and manufactured products put peasants at a great disadvantage. Advisory and information services are very limited and inefficient.

4. Lack of large-scale companies

Family business is the most common form in the agricultural economy in the Mekong Delta. The following are some facts:

- The average working capital of a family is VND3.7 million;
- The value of durables of a family is VND7.4 million on average;
- Reinvestment ability of a family is about VND3.6 million.

When the commercial farming develops and orients toward export, some 20% of peasant families have engaged in agricultural production of larger scale and controlled from 50% to 66% of the total income of all peasant families. The remaining 80% still meet with many difficulties in both business and daily life. Some 20% of peasant families are of the poorest and they account for only 7%-10% of total income for peasant families (some 5% have no land and over 10% have only small areas.)

Cooperatives of new style have come into being but their development is very slow, so they didn't play an important role in the economy. There were 426 cooperatives in the Mekong Delta in 2001 (5.8% of the number of cooperatives in the whole country). The average working capital of a cooperative was VND272.4 million. The biggest challenge to the cooperatives is their poor competitiveness in comparison with experienced peasant families and farmers,

and with companies, agencies and private traders with better capabilities.

In the manufacturing and services sectors, most concerns are of small and medium sizes. They lack good relations and cooperation with their counterparts in other zones. Both owners and labor force are not well trained.

III. GENERAL MEASURES TO DEVELOP MEKONG DELTA FLOOD PLAINS

1. Basic arguments

a. An open economy for the Delta: The Delta enjoys convenient communications with HCMC, eastern South Vietnam and Southeast Asian countries, and a continental shelf and territorial waters that are nine times bigger than its area with abundant aquatic resources. It is also adjacent to the shipping route from East to West. In the near future when the idea of opening a canal through Isthmus of Kra is realized this route will be some 1,000 km shorter, which offers the Delta a bigger business opportunity. These conditions allow us to think of an open economy for the Delta that is no longer limited to the agriculture. It could include seafarming, fishing, oil, service and industry on a fertile delta.

b. Development based on the agriculture: The agriculture will keep playing an important role in the economic growth of the Delta in many coming years. It will ensure the food safety for the country, export farm products of higher quality and value, consume raw materials and consumer goods in large quantities, and solve environmental and social problems by its own.

The economic growth based on the agriculture must serve rural areas by protecting local residents from natural disasters, especially the annual floods. Both theory and practice prove this direction is feasible and reasonable.

c. Development with high technology, market forces and environmental protection: The agricultural revolution in the Delta must be based on the technological revolution and modernization and close relations with both foreign and domestic market. Foreign experience will help with working out measures to protect the environment and solve environment problems arising from the economic development.

d. Developing the economy dealing with flood: Annual floods bring

about both damage and advantage; and human reactions could make the flood more harmful or less dangerous. After many decades, local residents have accepted a living-with-flood attitude in which they want to control the flood more effectively. This attitude leads to the following directions:

- Controlling the flood by building irrigation systems or reservoirs and exploiting natural resources more reasonably.

- Adjusting their life and activities to the flood seasons.

- Open more waterways to drain water toward the seas.

2. Overall measures

a. Reducing the pressure from the growing population: Besides supplying appropriate equipment and knowledge of birth control, better education and health care services are also very necessary. As for the education system, the time of the school year could be adjusted in order to avoid the flood season.

b. Building high-leveled residential areas and beefing up the infrastructure: Many projects of this kind have been carried out in the Delta but at slow speed. Local authorities must deal with the shortage of funds, planning and constructors. To ensure better living conditions in new residential areas, clean water must be available in order to avoid environmental problems in the future.

c. Working out new development strategy based on high technologies and good relations with the market: New techniques, strains of plant and animals and training courses must be supplied more frequently in order to develop crop growing, seafarming and fishing. In areas not suitable to the rice growing, other crops or forests could be planted.

The manufacturing sector must be linked with local sources of raw materials and support from other zones. As for the service sector, the tourism business could be seen as a key industry.

d. Encouraging the development of large-scale farms: This could be seen as a precondition for the export-oriented economy. This effort requires close relations between farmers, business circle, scientific community and the State.

e. Support from the government: The government had better increase the public investment in the Delta, give tax incentives, allow price support for certain activities and encourage foreign investment in this zone. ■