

SOME MEASURES TO SPEED UP RURAL INDUSTRIALIZATION AND MODERNIZATION

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After 15 years of implementing its renovation policies, especially since 1990 until now, the Party has taken the initiative in implementing the rural industrialization and modernization with the aim to create new development steps in the Vietnamese agriculture and rural life. Under the proper decisions, the agriculture and rural economy has recorded significant achievements. From a rice-importing country, Vietnam has become a rice exporter, ranked the second following Thailand in the world. In addition, Vietnam exports other agro-products including coffee, cashew nut, tea. The living standard of Vietnamese farmers has been improved.

1. Incompatible investment

Nevertheless, the process of rural industrialization and modernization in the past years has not been in accordance with the potentialities of a sector accounting for 70% of the national workforce. The investment capital poured into the agriculture remains much lower than that in industry, construction and service. At present, the sector represents only 11-12% of the country's gross investment while it contributes 25-27% of GDP to the national economy per year and 70% of rural GDP. The quality of local agro-products is still restricted, and their prices high. In the past years, the sector's resources, potentialities, and comparative advantages



have experienced extensive growth only, labor productivity and production efficiency are still low; the agricultural output increased with higher input costs (reclaiming waste land and expanding farmland).

According to calculations of the Mekong Delta Rice Institute, the cost has risen from VND3-3.5 million to VND4-5 million per hectare. Some plants' yield is only half the world's average; for example sugarcane with 40-50 tonnes per hectare while this figure is 80-90 tonnes in the world. In Vietnam the output value from one hectare of farmland reaches only US\$1,000 while Thai farmers reap US\$10,000. On the other hand, the prices of agro-product went down in recent years, leading to disadvantages in export. In 2001, the agro-product increased in volume but dropped in value due to falling prices; for example, the volume of ex-

ported coffee rose 64% but its earnings declined 20%; the respective figures of rice are 64% and 8.5%; pepper 62% and 28%. This has caused great losses to the people. In the meanwhile, the Government's measures to promote the agricultural development have no strong breakthrough including input price support; price reduction of some varieties of plants and livestock, farm materials; reduction and exemption of land-use tax; cutting interest rates, and increasing investment capital for infrastructure projects.

As a result, the income gap between urban and rural areas has been widening. According to the survey "Vietnamese living standard in 1997-1998", conducted by the General Department of Statistics and the World Bank in 1999, the gap was 3.65 times. The human resources in rural economy have not yet been

strengthened properly as compared with other sectors. Therefore, the educational attainment remains low in rural areas, and the sector is lacking skilled labor and professional managers.

Rural industrialization and modernization is an immense area, it covers a lot of socio-economic problems and requires many specific solutions with the aim to realize the Party's line on this sector. We like to refer to the four following measures to accelerate the rural industrialization and modernization.

2. To boost technological applications

The key problem is how to increase the output in the farm economy; undertake the mechanization; and promote technological applications. This is an only right way to reach the target. To increase the output and reduce input costs, it is important to mechanize the

production. Only by doing so, can we change the structure of farm production with the aim to enhance crop rotation and meet requirements of intensive farming. The manufacture of farm machinery must be regarded as the main target of development investment in the mechanical engineering sector. At present, the country has 150,000 trac-

forestry-fishery product processing with the aim to overcome the deficiencies in productivity, quality and competitiveness of the Vietnamese agro-products; and expand foreign markets." Accordingly, we should make intensive investments in biotechnology, especially genetic technology because a new kind of gene of plants and livestock may increase the

ence, Technology and Environment; and relevant state agencies build a master plan for every focal agricultural area based on natural conditions, ecological environment and social habitude: growing rice in the Mekong Delta and the northern plain; breeding shrimps in southwestern provinces; growing coffee in the Central Highlands, tea in the northern mid-

cally breeding shrimps in 148,000 ha. Its conditions and demands for tapping potentialities in seafood production have helped Cà Mau reach an export revenue of US\$300 million. This is an encouraging success.

At present, we have already surpassed the level of food security. So the agriculture must be restructured. We have to plan rice growing for export and change a part of rice growing area into aquaculture one if it produces higher profits. The government should build industrial parks to process agro-products, applying post-harvest technologies and providing services with the aim to promote commercial agriculture and competitiveness of local agro-products by improving quality and reducing prices. The restructuring and resource allocation must be closely combined with rectification of investment structure. As a result, the government should make higher investment in agriculture, give priority to export-oriented agricultural areas and create favorable conditions in legal system and business environment to attract ODA and FDI capital and other funds.

4. Export orientation

After 15 years of economic renovation, our agriculture has changed fast from small and scattered and self-sufficing production to commercial agriculture. Current agro-products are produced not only for local consumption but also for export. In the 1990-2000 period, the country exported 2.6 million tonnes of rice; 280,000 tonnes of coffee; pepper 21,100 tonnes; cashew nut 23,350 tonnes; rubber 155,000 tonnes and tea 24,000 tonnes on average per year. Especially in aqua-product export, the earning soared from US\$11 million in 1980 to US\$1.47 billion in 2000



tors of various kinds, equivalent to 1.5 times as compared to the figure in 1985. However, it is still much lower in comparison with developing countries in the region including Thailand and China. Along with the mechanization process, the sector is required to boost irrigation and increase the budget for irrigation projects, especially in the Mekong Delta in the program of socioeconomic development and flood control. To implement irrigation well will enhance efficiency in alteration of structure of plant and animal varieties.

The Party has affirmed: "To strengthen and increase investments for selected modern scientific research centers, especially in biotechnology; make a breakthrough in strains, production and preservation, and agro-

output many times. Moreover, in the situation that the country's economy is in the process of integration and export orientation, we have to soon apply advanced technologies to agro-product preservation. The experience indicates that the preservation duration may be longer and the loss may be only 0.1%-0.2% per year if the new preservation method is used while it is shorter and the loss may reach 1%-1.2% if using the old method. Therefore, the application of advanced preservation technologies will help improve the quality of agro-products and economic benefits.

3. Agricultural master plan

The Ministry of Agriculture and Rural Development in collaboration with the Ministries of Planning and Investment; of Sci-

land, rubber, pepper and cashew in southeastern provinces, etc. However, the planning must be in accordance with infrastructure development in specific areas with a view to creating logical steps in the strategy of socioeconomic development.

The resource allocation and agricultural restructuring have to aim at enhancing specialized and intensive farming and tapping fully human resource for highest output. The evidence in the Cà Mau Province reveals the restructuring of plants and livestock has brought benefits to many localities including Đầm Dơi, Cái Nước, Ngọc Hiển and Cà Mau City. Cà Mau has so far 202,000 ha for breeding shrimps including 18,000 ha for shrimp - forest, 10,000 ha for shrimp - fruit orchard, 26,000 ha for shrimp - rice, commonly ecologi-

and US\$1.74 billion with total volume of 2.2 million tonnes of aqua-products. This achievement has made significant contribution to the national growth. The export value of agro-forestry-fishery products accounted for 45%-47% of the country's total export earning in the past years. This is a favorable precondition for developing an export-oriented agriculture.

In the 21st century, economic globalization is a must, Vietnam has step by step integrated in the regional and the world economies. Therefore, the government should take effective measures to orient the agriculture to export. The development of Vietnamese agro-product market must be in accordance with the international market. In our opinion, the following macro measures should be implemented to help local agro-products set a firm foothold in the world market:

Under the pressure of international integration, for example, China's admission to the WTC, execution of Vietnam - the U.S. Trade Agreement, and implementation of tariff commitments, the country will encounter a lot of opportunities and challenges. As a result, the Ministry of Agriculture and Rural Development should cooperate with the Ministry of Foreign Affairs to seek foreign partners via operations of Vietnamese embassies.

The Ministry of Agriculture and Rural Development in coordination with the Ministry of Commerce forecasts the trends of supply and demand in the world agro-product market. Thereby it plans a long-term strategy on farm product export. At the same time it has to build an information strategy on international market via trade promotion centers established overseas with the aim to understand foreign customers'



demand and taste (category, design and price of goods) and take the initiative in exporting farm products.

The Ministry of Agriculture and Rural Development in collaboration with the Ministry of Finance gives tax incentives to the farming sector and rural areas, especially focal economic areas (exemption and reduction of land-use tax, cutting tax rate on farm materials...). The government should establish price support fund or price insurance fund for exported farm products.

The Ministry of Agriculture and Rural Development in coordination with the State Bank of Vietnam devises interest rate support policies for the agriculture, enhances medium- and long-term credit investment in focal agricultural areas; simplifies lending procedures and reduces troubles to farmers. The central bank should soon help build the export-import support bank, an extremely important factor for farm product export.

5. Human resource development

At present, workers in the farming sector and rural areas are on the whole unskilled labor. In the past, we have not yet paid

attention to training manpower for this sector, especially for industries processing farm products. Farmers' knowledge about science and technique (in particular biotechnology) and market remains limited. They do not know what is AFTA and how it affects local agro-products. As a result, the investment in training human resource for the agriculture must be a great solution and it has to make up a significant share in the state budget for the agriculture. The government should strengthen and build vocational schools for farming development and give incentives to well-educated workers in rural areas. At the same time, relevant agencies organize the programs of farming and fishery promotion. This is an extremely important measure to improve the educational level of farmers when we are making access to the knowledge economy. The local government should develop public media in order to help farmers understand local and foreign markets. Thereby the agriculture can be developed intensively.

Once the above measures are implemented uniformly and interactively, they will utilize all existing potentialities of the

productive forces in agriculture. In the meanwhile, the government should renew and strengthen forms of co-operatives and develop them into general or specialized ones. The model of agriculture-industry-trade-credit cooperative should be realized on a pilot basis in the condition of export-oriented agriculture. On the other hand, economic sectors should be combined, especially state-run enterprises. This is a good sign of agriculture and industry alliance (at present, some cooperatives in the Mekong Delta is given assistance by the government; companies trading in food, materials, pesticides; and Sông Hậu Farm; therefore they can afford ploughing, transplanting and husking machinery to provide services for their members). The expansion of links between cooperatives with other economic sectors will bring a lot of benefits to the national economy. The above process is to abide by the rule that productive relations must be in accordance with characteristics and development level of productive forces in the current situation of the agriculture and rural areas. As a result, the sector will have momentum to enter the country's new stage of development - integration in the world economy. ■