

On the Gap between Urban and Rural Areas in Vietnam Today

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1. Economic growth and poverty alleviation in the past few years

The economic reform since 1989 has brought about both economic growth and social progress. The growth rate rose from 4.8% on average in 1986-1990 to 8.2% in 1991-1995. In the years 1996-2000, in spite of Asian financial crisis, the average rate of Vietnam still reached 6.96% - the highest in Southeast Asia. From 2001 to 2007, the growth rate

and this figure rose to 17.9% in 2005. The labor force of the service sector also rose from 19.7% to 25.3% while this share of the agricultural sector decreased from 68.2% to 56.8% in the same period. Proportion of labor with some training rose from 20% in 2000 to 25% in 2005.

In the years 2001-05, Vietnam's export value amounted to US\$111 billion increasing by 17.5% a year while the import value was US\$130.2 billion

and this proportion fell to a fifth in 2007.

The economic reform has turned Vietnam into an exporter of rice and helped rural areas diversify their production and develop services. The UNDP Human Development Report 2006 appreciated efforts in Vietnam to supply clean water and improve sanitary conditions in rural areas. In 1998 only 32% of rural residents (some 23 million people) were provided with clean water and this figure rose to 60% (some 40 million) in 2004. Some 50% of rural households had toilets, and 10% of traditional guilds and 30% of animal farms had facilities for treating effluent.

In its report in 2007, WB experts remarked that Vietnam has created conditions that allowed producers get the best access to natural resources, such as land and water, granted land to peasants, increased investment in irrigation and liberated the trading service.

According to the UNDP annual report, the Vietnam's HDI increased steadily in the past two decades, from 0.540 in 1995 to 0.671 in 2000 and 0.709 in 2006. The UNDP HD Report 2006 stressed that although the Vietnam's per capita GDP was less than a half of the Algerian GDP (US\$2,745 compared with 6,303), the Vietnam HDI was only six places lower than Algeria (0.709 compared with 0.728).

According to the UNDP Human Development Report 2007-2008 published on Nov. 28, 2007 in Hà Nội, the Vietnam's HDI was 0.733 ranking 105th among 177 countries surveyed (up by four place over 2006). Compared with regional countries, Vietnam's place was lower than Singapore

Table 1: Structure of industry (%)

Sector	1986	1990	1995	2000	2004	2005	2006
Agriculture	38.06	38.74	27.18	24.30	21.81	20.97	20.36
Manufacturing and construction	28.88	22.67	28.76	36.61	40.21	41.02	41.56
Service	33.06	38.59	44.06	39.09	37.98	38.01	38.08

kept rising: 6.9% in 2001; 7.1% in 2002; 7.3% in 2003; 7.7% in 2004; 8.4% in 2005; 8.17% in 2006 and 8.48% in 2007.

The personal income increased from US\$124 in 1990 to 397 in 2000; 545 in 2004; 644 in 2005 and 835 in 2007. According to the UNDP Human Development Report 2006, the Vietnam's per capita GDP (by PPP) rose from US\$2,745 in 2004 to 3,076 in 2005 (according to new calculations published by the WB on Dec. 17, 2007, this figure was US\$2,142).

The Vietnam's structure of industry has changed positively: share of agricultural sector decreased over years while the ones of the manufacturing and service sectors rose steadily. In 2006 shares of the three sectors were 20.36%; 41.56% and 38.08% respectively.

Structure of labor force was also changed by industrialization. In 2000, the manufacturing and construction employed only 12.1% of the working population

increasing by 18.8% a year. In 2007, foreign trade value was US\$109 billion and export value was US\$48.4 billion increasing by 21% over 2006. The year 2007 also witnessed increases in foreign sources of finance: 20.3 billion in FDI and 6.5 billion in ODA (for 2006-07).

As for the social progress, the following are some significant facts:

- High growth rate and decreases in birth rate have helped improve the personal income and alleviate the poverty. By international standard, proportion of the poor in Vietnam fell from 60% in 1990 to 58.1% in 1993; 37.4% in 1998; 32.0% in 2000; 28.9% in 2002; 18.1% in 2004; 15.47% in 2006 and 14.75% in 2007. In rural areas, this proportion fell from 66.4% in 1993 to 35.6% in 2002. According to recent survey of WB experts, the economic growth brought about benefits for both urban and rural areas. In 1993, two thirds of rural residents were considered as poor

Table 2: Vietnam's HDI in 2004

HDI	Average longevity (year)	Adult literacy, from 15 years old and more (%)	School admission to all levels of education (%)	Per capita GDP (PPP - US\$)
1 Norway (0.965)	1. Japan (82.2)	1. Georgia (100)	1. Australia (113.2)	Luxemburg (69,961)
108. Indonesia (0.711)	82. El Salvador (71.1)	56. Indonesia (90.4)	122. Sao Tomé and Príncipe (63.0)	117. Georgia (2,844)
109. Vietnam (0.709)	83. Vietnam (70.8)	56. Vietnam (90.3)	123. Vietnam (62.8)	118. Vietnam (2,745)
177. Niger (0.311)	177. Swaziland (31.3)	128. Mali (19.0)	172. Niger (21.5)	172. Sierra Leone (561)

(25); Thailand (78); and the Philippines (90), and higher than Indonesia (107); Laos (130); Cambodia (131); and Myanmar (132). It's worth noting that Vietnam surpassed many countries with higher personal income in terms of longevity (Vietnam: 73.7 years ranking 56th among 177) and adult literacy (90.3% ranking 57/177).

2. Difficulties and challenges arising from the gap between urban and rural areas

a. Difference in income between groups of residents tends to increase. The difference between the richest 20% and the poorest 20% increased from 4.3 times in 1993 to 8.14 times in 2002. The difference between the richest 10% and the poorest 10% rose from 12.5 times in 2002 to 13.5 times in 2004. The difference widens more drastically with the poorest groups in rural areas.

Thus, the proportion of the poor in rural areas was 6.6 times higher than the one in urban

area. Estimated data in 2005 show that the proportion of the poor in Western North was 2.67 times higher than the one found in the Hồng Delta; and the one in the Mekong Delta was 3.4 times higher than the one in Eastern South.

b. Difference in the income of urban and rural residents increased, and according to many analysts, it rose to 6.9 times in 2004 instead of 3.5 times as frequently quoted.

One of worrying facts in the past few years was the slowdown of the poverty alleviation and this effort hasn't been carried out evenly in different zones. In 1992-1998, the ratio of the growth rate to poverty alleviation was 1: 0.7 and it fell to 1:0.3 in 1998-2004. This means that the relative poverty has become more serious. According to the General Bureau of Statistics, a fifth of rural households is poor.

The proportion of the poor gets bigger in minority groups. Facts in recent years showed

that the difference between minority groups and Vietnamese community had become more serious than the difference between rural and urban areas. While the average proportion of the poor decreased, this proportion in mountainous areas where many minority groups live kept increasing, up to 55% in Lai Châu and 40% in Điện Biên for example. The poor in minority groups accounted for 21% of the poor in the whole country in 2001 and this figure rose to 36% in 2005.

c. Rural areas also face many other problems, such as:

- Many rural families, especially in depressed areas, fall again below the poverty line after some time. Statistics show that such depressed areas as Western North, Northern Central Vietnam and Western Highlands gain high speeds of poverty alleviation and they also suffer the highest proportions of the poor.

- Poor infrastructure: In most depressed and remote areas, almost no road is built and some 40% of rural residents have no clean water to use. Dr. Hans Troedsson, WHO representative in Vietnam, remarked that over two thirds of Vietnamese population contract diseases caused by unclean water and poor sanitary conditions and most of them live in rural areas.

- Human resource in rural area is very poor. Phạm Quang Vinh, Head of Department of Statistics specializing in the agricultural sector, has remarked that of 23 million laborers in this sector, only 1.35% had some primary technical training; 0.89%

Table 3: Proportion of the poor over zones (%)

	1993	1998	2002	2004	2005 (estd.)
Whole nation	58.1	37.4	28.9	24.1	22.3
* Rural and urban areas					
- Rural area	66.4	45.5	35.6	25.0	
- Urban area	25.0	9.2	6.6	3.6	
* Zone					
- Eastern North	86.1	62.2	38.4	31.7	29.6
- Western North	81.0	73.4	68.0	54.4	52.1
- Hồng Delta	62.7	29.3	22.4	21.1	19.5
- Northern Central Vietnam	74.5	48.1	43.9	41.4	39.1
- Southern Central Vietnam	47.2	34.5	25.2	21.3	19.4
- Western Highlands	70.0	52.4	51.8	32.7	30.2
- Eastern South	37.0	12.2	10.6	6.7	5.3
- Mekong Delta	47.1	41.9	23.2	19.5	18.0

had secondary technical training; and 0.11% had higher education.

- Surplus of labor in rural areas tends to increase (at present, some 35% or 40% of the working population in rural areas stay idle) because the birth rate there is high and non-farming business is less developed. At the same time, low productivity in such areas prevents them from improving their living standard.

- When the rate of urbanization increases, from 18.5% in 1989 to 20.5% in 1997; 23.6% in 1999 and 15% in 2004, it produces bad effects on the environment and reduces area of farming land. In addition, wrong use of public land and existence of an unofficial market for real estate have hindered agricultural production and made the surplus of labor more serious.

d. Vietnam's accession to the WTO leads to new opportunities, including the ones for rural areas. Cuts in support for the agriculture and duties on imported farm products, however, have immediately forced peasant to face keener competition on the market for farm products when they have enjoyed advantages of land and labor. Without measures to deal with this situation, their income will certainly decrease, which will lead to higher unemployment and idle labor rates.

e. Potential danger arising from the gap between urban and rural areas is unequal opportunity. This seems inevitable because of disadvantages of the agricultural sector during the industrialization. A survey by the Vietnam Institute of Social Sciences shows that of 51% of peasants who cry for help only a third



of them get some help. Hồ Xuân Hùng, Deputy Minister of Agriculture and Rural Development, once said that there was potential social unrest in rural areas because the idle labor rate was high and rural residents had no more trust in local authorities. This potential danger not only widens the gap between urban and rural areas, but also hinders the industrialization and modernization.

3. Measures to bridge the gap

- Accelerating the industrialization in rural areas: Great efforts should be made to change the structure of farm products to link it with markets and the manufacturing sector. In industrializing the agriculture, full attention must be paid to mechanization, electrification and irrigation. Commercial farming must be developed to produce more added value based on technical advances and integration into the world market.

- Diversifying industries in rural areas: Strong measures should be taken to encourage development of small and labor-intensive businesses to change the structure of industry and reduce the idle labor.

- Developing rural infrastructure: This infrastructure must include communications, schools,

hospitals, water and power supply, cultural centers, and recreation grounds, etc. that aim at improving both material and spiritual life of rural residents. To achieve this aim, it's necessary to encourage the private sector to take part in all development projects besides employing public funds and foreign aids.

- Information: Local authorities can, at least, help rural residents find markets for their produce and supply of agricultural materials by providing them with necessary information and technical assistance. This effort requires expansion of internet services.

- Reducing the idle labor: Local authorities should make plan to help rural residents to engage in non-farming businesses; support education service and vocational training; develop traditional occupations with a view to producing exports and high-quality goods; and giving incentives to companies and individuals that want to develop their businesses in rural areas.

- Dealing with foreign competition: Local authorities should encourage formation of associations, organizations and cooperatives that help rural residents do business. Through these organizations, technical advances can be introduced to encourage them to improve the competitiveness of their products.

- When productivity and living standard in rural areas are still low, and the proportion of the poor is high, poverty-alleviating program is an effective measure to reduce the gap between the two areas as long as they are carried out actively. ■