

# CHANGING THE AGRICULTURAL ECONOMIC STRUCTURE

## VIEWPOINTS AND MEASURES

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I. Development experience of other countries showed that the development of agricultural economy was attached to the development of manufacturing and service industries, including tourism business.

Theoretically and practically, the role of agriculture in the economy as a whole has been affirmed, especially in countries where the process of industrialization and modernization is taking place.

Being aware of this, the VCP has advocated that the Vietnamese economy should be based on development of manufacturing, agricultural and service industries.

The mid-term national congress of the VCP delegation held in December 1993 affirmed: "From now until this decade's end, full attention should be given to industrialization and modernization of agriculture and rural economy, developing the primary industry along with agro-industry and production of goods for export and domestic consumption" (The VCP, *Documents of the mid-term national congress*, limited edition, Hà Nội, 1994, p.28).

In order to make agriculture a

base for the economy, the structure of the agricultural economy should change to the direction of industrialization and modernization and we should adopt the following viewpoints:

### 1. Changing the structure of the agricultural economy with a view to developing the market gardening

The Vietnamese agriculture is backward and farming-intensive. This could be seen in the structure of labor division and agricultural production. Of 27 million laborers in rural areas, over 22 million are working in agricultural production (82.22%). The value of total agricultural output accounts for 80.96% of the total output of rural economy (other 19.04% came from non-agricultural production). Changing the small, backward and subsistence farming into large-scale market gardening is the inevitable trend in the Vietnamese economy and the world economy as well. In developing the economy, the role of agriculture is always considered as a matter of great importance. Agricultural products are essential to human existence.

Thus, affirming an agricultural economic structure appropriate to our present market economy is a must.

Generally, changing the agricultural economic structure means diversifying the agricultural production with a view to improving its economic efficiency. What should be farmed, when and how they should be farmed are problems attaching to modernization of the Vietnam agriculture. Changing the agricultural economic structure with a view to developing the market gardening means improving the economic efficiency of the agriculture in order to develop both primary and other industries.

### 2. Changing the agricultural economic structure with a view to making the best use of comparative advantages and improving the efficiency of the agriculture

From this viewpoint, one country should look for and determine its comparative advantages in production of certain goods at lower costs than other countries, so its products could be more competitive in the world markets.

Vietnam's agricultural technique is more backward than other coun-



tries, and our agricultural products are not plentiful at present, but we could produce agricultural goods of high competitiveness for both domestic and foreign markets. Comparative advantages of certain goods could originate from natural conditions, unique traditional techniques or modern technology.

To make the best use of comparative advantages in the production of agricultural goods is one of directions that we could take to change the agricultural economic structure.

### **3. Changing the agricultural economic structure in accordance with the process of industrialization and modernization of the country**

In Vietnam, over 80% of the population lived in rural areas. Of 33.5 million laborers all over the country, 72.3% worked in agricultural production with an area of 0.1 hectare of land per capita on average, so it's very difficult to industrialize and modernize the agriculture. But we should see that urbanizing rural areas, industrializing and modernizing the agriculture mean improving the living and working conditions for the majority of the Vietnamese people (80.5% of the population).

Industrialization and modernization of the agricultural economy should be connected with the process of changing the economic structure of the country as a whole and the structure of the agricultural economy to be precise. The structure of the agricultural economy should produce a harmony of farming and animal husbandry; agriculture and forestry; agro-industry, service and tourism industries in rural areas.

Experience shows that the national economy can't develop if there is no active and appropriate structure of the agricultural economy in accordance with the market mechanism.

Changing the structure of the agricultural economy also means changing the labor division in rural areas and all over the country as well.

Recently, farmer family business has developed in the real economy. At present, there are many farms having ability to produce agricultural goods such as industrial plants in mountainous provinces or rice in the Mekong Delta. So a new model has made its appearance in the rural economy: farmer family business specializing in market gardening.

Therefore, granting the land use rights for 20 years for land growing annuals and 50 years for land growing perennials is the regulation which the Government should reconsider in order to encourage farmers to invest

more intensively in land assigned to them, especially farmers in new economic zones, bare hills, seaboard, etc.

### **4. Changing the structure of the agricultural economy with a view to improving its efficiency along with living conditions of rural population**

Improving both economic and social efficiency could be considered as one of characteristics of socialism.

Emphasizing too much on the economic efficiency could lead to the erosion of human dignity and public morals. Pursuing the profit wildly and blindly is something contrary to the national traditions and could produce a class of money-grubbers who are ready to stamp on the milk of human kindness.

Changing the structure of the agricultural economy effectively should be a process of changing in which all social problems are solved satisfactorily. The spiritual life, social security, infrastructure in rural areas should be improved. The environment in rural areas should be protected. More jobs should be supplied to rural population in order to help them overcome poverty and hunger, and then, help the young generation in rural areas receive better education. It's also the best way of urbanizing the rural areas now.

II. The development of the agricultural economy in recent years, however, isn't stable because of a lack of a master plan for it. Export turnover of agricultural products doesn't increase regularly. Land reserve in rural areas is used unreasonably, many beautiful landscapes, cultural buildings, or historical remains are damaged. Rural tourism hasn't been developed scientifically. In order to change the structure of the agricultural economy effectively, in my opinion, the following measures should be taken:

#### **1. Giving financial support to the process of changing the structure of the agricultural economy**

Changing the structure of the agricultural economy requires big investments in many fields. It takes a long time to change farmers' habits of doing business, so we should have an abundant supply of capital to accelerate this process. Besides the public treasury used as a source of preferential finance, other sources of capital come from all kinds of credit. Credit supply should be made easier, faster and more convenient for the rural population. In recent years, the banking system sometimes went short of medium and long-term loans and at other times it could not find out borrowers for these loans. As for

short-term loans, they hardly reached down to farmers because of complicated procedures.

There must be credit supplying programs helping farmers change their ways of production. Tax reduction could be applied to new economic zones or wasteland.

In short, an appropriate policy of finance and credit is essential to encouragement of agricultural production and the government's protection for agricultural production.

#### **2. Introducing new technology, developing the market gardening and looking for new markets**

New technical achievements should be applied to the agriculture selectively, especially the biotechnology. Value of agricultural goods will increase remarkably depending on good processing and storage.

Finding out markets for agricultural goods is also a matter of great importance. We should help farmers pay attention to the marginal efficiency of investment when they want to invest in production of certain goods. Thus, there must be a flexible economic structure for the market gardening.

#### **3. Developing infrastructure for rural economy**

Improving the infrastructure in rural areas (communications, telecommunications, water and power supply, etc) is not only a way to develop the agricultural production but also an effort to improve living and working conditions in rural areas.

#### **4. Diversifying forms of organizing the agricultural production**

Various economic organizations in rural areas should be developed; besides farmer family businesses, there must be state farms and agricultural co-operatives. Experience shows that the state farms and farmer family businesses played active roles in changing the structure of agricultural products.

#### **5. Making plan for urbanization in order to preserve the agricultural area**

#### **6. Developing human resources for the agricultural economy**

Big investments should be put in development of education in the Hồng Delta and Mekong Delta where the majority of farmers lived. A well-trained labor force is necessary for the changing of the economic structure in rural areas.

In short, taking the above-mentioned viewpoints and measures is necessary to the industrialization and modernization of rural areas in present conditions ■