

Land Reform in Vietnam

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Introduction

Of all the questions related to the development and the future of Vietnam, invariably, the sheer mass of its rural population strikes as its most urgent and challenging priority. If the country is going to grow on a sustained basis, the rural population – which represents up to 75 % of the total population - cannot be left behind. Even when the rural constituency is to fully participate in the wealth generation process of the country, it can however only be a modest contributor since, by the most optimistic worldwide standards, agricultural development reach its plateau at 4-5 % of annual growth. For this reason, countries that have broken the cycle of poverty have all succeeded in shrinking the size of its rural population relatively to the overall work force in the country.

If one agrees on the previous statements, there are at least two immediate social imperatives that come to mind. In the immediate term, the productive employment of the rural constituency is one urgent priority because there is an obvious necessity for that group to be able to cater to itself. And subsequently, in the short term, institutional mechanisms and policies have to be in put in place to enable many in the rural workforce to evolve into a more rewarding occupational activity.

Effectiveness in addressing these issues rests on understanding the parameters and different forces that drive the rural sector. For the farmer, land is a factor of production and a financial asset. For the leadership, there are doctrinal imperatives¹ of the Communist Party that define in very specific ways the ideals of political stability, social justice, and economic development in the government of the country. There are also other forces and stakeholders in the land regime, etc. All these factors have a bearing on the current state and the future of the rural sector.

This paper will include the following sections.

- Communist organizations institute an almost exclusive role to the state in all matters of government. That doctrinal imprint is therefore ingrained in the rural sector of Vietnam. We will focus first on the sugar and fertilizer sectors, the export of rice, which are the monopolies of State Owned Enterprises (SOEs)². The rice, sugar, and

¹ “Nghị Quyết Hội Nghị Lan Thu Bay Ban Chấp Hành Trung Ương Khoa IX: Tiếp Tục Đòi Mối Chính Sách, Pháp Luật Về Đất Đai Trong Thời Kỳ Xây Dựng Xã Hội Chủ Nghĩa, Hiện Đại Đất Nước”: Tạp Chí Công San, Số 13 (Tháng 5 Năm 2003)

² The information and statistical data of the rural sector used in this paper come from a number of studies conducted in Vietnam by the International Food Policy Research Institute (IFPRI). The authors of the research project had the support of the Government of Vietnam, and the opportunity to work with the thousands of stakeholders in the rural sector. They include policy makers in the Vietnamese Government

fertilizer sectors together represent about 80 percent of cultivated land, about 95 percent of national agricultural output, and provide employment for the majority of the rural population. Therefore the analysis of these sectors can form the basis of some general conclusions on the role of the state in the rural economy of Vietnam.

- Subsequently, we will carry the discussion on the land policy and the normative foundation of communist Vietnam in regard to property rights.
- Finally, we will propose changes and alternatives to address the challenges posed by land reform.

I. The Role of the State in the Rural Sector

The sugar sector³

The intent of the development of the sugar sector is to provide a showcase for rural industrialization. A large factory surrounded by large sugar plantations typically represents the organization of production. This model of production is designed to convey the optimal conditions for efficiency and low cost of production.

However, the efficiency of production of sugarcane in Vietnam is low by any standards. It is 48 tons/ha in Vietnam, as compared to 60 tons/ha in Thailand, and 75 tons/ha in Philippines and India. Low efficiency also characterizes the conversion of sugarcane to sugar. In Vietnam, it takes 16 tons of sugarcane to obtain one ton of sugar, when the average conversion rate in other countries is a ration of 10 to 1. In 1997, the wholesale price of sugar is about 25 percent higher than the import price.

And yet, the state support is continuing unabated. Most of the production increase is due to an increase in newly planted areas and plantations of sugar cane growing at 10.7 percent per year. Goletti argues that the current sugar policy imposes a high cost to the country. Trade liberalization would make sugar available at cheaper prices (22 percent) implying a savings of US \$92 millions. He also argued that liberalization would not destroy domestic production of sugarcane but it would call for a reallocation of production in regions that have a better comparative advantage. It is also noted that the benefits of the sugar policy are only advantageous to a minority of sugar industry participants.

The fertilizer sector⁴

With domestic production meeting only 13 percent of the total requirements in fertilizer, the import of such products became critical. From the national standpoint, Vietnamese officials argue that the need for some level of self-sufficiency is required to providing stability against the vagaries of the international market. Two concurrent measures are instituted to meet the objectives of the policy: (1) increase the national production of

down to the farmers who produce the crops. The IFPRI studies provide a rich and invaluable source of information and help to cast a comprehensive assessment of the state of the rural sector in Vietnam.

³ IFPRI, January 1999, James G. Ryan, page 20

⁴ IFPRI, May 1998, Francesco Goletti, page 15

fertilizers, (2) establish a system of import quotas to strictly control the quantities of imported fertilizers.

The impact of these measures is as follows. On average, over the period of 1990–96, urea prices in Vietnam have been 41 percent higher than East Europe prices, 72 percent higher than Indonesia prices, and only 17 percent higher than West Europe prices. Since domestic production has been insignificant in meeting the total demand of fertilizers, a recent decision is to move ahead with the construction of a power-fertilizer complex at Phu My in the Ba Ria – Vung Tau area with a capacity of 680 MW and 800,00 tons of urea. Natural gas will be used for both electricity and fertilizer production. This will allow Vietnam to produce up to 40 percent of total urea requirements and reduce the need for imports.

The cost analysis that has been conducted put the projected cost of urea at \$200/ton, whereas based on world price it is indicated that at \$160/ton the project would not yield a benefit. Goletti computed that the quota system imposed an additional \$25/ton cost to the farmers. With a total import of 1.5 million tons, this results in a total cost of \$37.5 million.

The quota system has no mechanism of selecting the efficient importers. Recorded cases show that many organizations had applied for quota licenses because of subsidized credit. Fertilizer import activities were undertaken because of the access to credit, which, in turn, is used to finance other activities. Quotas have been sold to third parties: “informal interviews reveal that the value of selling these quotas was \$3-4 per ton.⁵” Even more powerful than the sugar lobby, the Phu My lobby includes local authorities and construction companies that look upon these mega-projects as an opportunity of rent seeking and inflated profits.

The case of rice – which will be discussed next - differs from the two previous because here the agents of production are private farmers and the role played by SOEs in the internal rice marketing system is minimal. However, SOEs dominate in the area of long-distance trade, and exports, where they own the monopoly.

The rice trade⁶

Private traders purchase almost the totality of the marketed surplus (96 percent) from farmers. In the Mekong Delta, private traders are also the main suppliers of rice to SOE who in turn are responsible for the south-north trade and for rice exports. According to the Government of Vietnam, the restrictions imposed on the trade of rice for export purposes are intended to maintain food security for the poor. Thus, for export purposes, quotas are imposed. Furthermore, SOEs have monopoly of the export and south-north trade of rice.

⁵ IFPRI, May 1998, Francesco Goletti, page 17

⁶ IFPRI, April 1997, Francesco Goletti, page 5

How does the market perform is a totally different story. Restrictions on the south-to-north flow of rice are very costly. It is computed that only 42 percent of the price gap are explained by cost of transportation and marketing⁷. The remaining 58 percent are equivalent to a tax in the amount of \$100 million per year. The private sector is not allowed to participate in the export of rice even though their unit marketing cost is about one fourth to one sixteenth of those of SOEs⁸.

The poor quality of rice exports has often been the main constraint to obtaining a competitive price. Beyond the criterion of broken percentage, other factors such as moisture content, length of the grain, fragrance, homogeneity, absence of foreign matter, etc., also get into consideration. The lack of adequate storage facilities makes the process of loading a single shipment of 10,000 tons or more into an involved coordination operation. The quantity required by such a shipment has to be coordinated from 20 or more warehouses that have to assemble rice from an even greater number of mills. Quality control in this context is very hard to manage.

The lack of competition in turn triggers other disadvantages. Poor infrastructure and huge shipping costs in Vietnam (twice as much as in Thailand) combined with the long delays in completing the sales process help to explain a higher discount of Vietnam rice in international markets, up to 13 – 15 percent lower than other competitors such as Thailand. Credibility suffers mightily when the general business environment is prone to rent-seeking activities, disputes, breach of contracts, etc.

It is without saying that this inefficiency results in huge losses that have to be subsidized with state funds. Let us now discuss the causes of inefficiency and underproduction that have been uniformly observed in the three sectors of sugar, fertilizer, and the export of rice.

Causes of inefficiency and underproduction in the SOE sector

The fact that commodities from Vietnam are paid on international markets at lower prices can be explained by different crop qualities, a lack of standardization in processing, insufficient investment in equipment, etc. Promoting quality control, however, requires a distinct set of yardsticks and processes. In the case of rice, small farmers have no means to play in that league. Their meager means allow them only the choice of selling their crop at a local market or to an SOE. What governs the behavior of SOEs reflects a totally distinct phenomenon and is now the subject of our attention.

Shleifer and Vishny⁹ described the situation in the Former Soviet Union as follows: “managers and bureaucrats prefer to collect bribes, even despite all the waste associated with queuing and lobbying, they will try to create a shortage. The industry’s objective is to maximize the value of bribes.” This argument - when applied to Vietnam – can be elaborated as follows.

⁷ IFPRI, April 1997, Francesco Goletti, page 36

⁸ IFPRI, May 1998, Francesco Goletti, page 12

⁹ “The Grabbing Hand”, A. Shleifer, R. Vishny, Harvard University Press, 1998.

From the standpoint of the SOE manager, there is no competition, and success does not come in meeting the requirements of the market at the most advantageous terms. In communist Vietnam, the yardsticks of success are defined by the political consensus. In this context, survival comes from the support of one's own constituency, conformity to the prevailing consensus and compromises gained with the other factions in the leadership. What other leverages can the SOE manager use?

Profits that are achieved above the assigned targets are fully taxed and flow right into the Treasury's coffers. In fact, achieving profit above target can potentially become a liability for the SOE manager because profit above target will most likely raise the performance yardstick when associated personal rewards may be doubtful in view of a large bureaucracy.

None of the decision-makers have any rights over the cash flows for personal purposes. But they have definite control rights over the use of the cash flows for public purposes. The outcomes of the exercise of these control rights take the form of the allocation of credits for specific projects or in the exemptions granted for a number of reasons, etc. Because of a lack of independent yardsticks of performance, the allocation process and investment decisions are essentially based on the "trading"¹⁰ of influences and mutual advantages. This essentially defines the operating environment.

With state credits, the placements of key personnel of one's own political constituency can be accommodated. With larger state credits, a large power base becomes possible. *Hence, state credits define the livelihood of party officials. State credits represent power. Consequently, justifying larger projects becomes their driving principle*¹¹. *Justifying larger projects is warranted when conditions of production shortages are also present.* These two conditions perversely suit about every SOE manager and party officials who are contending for state resources. Creating production shortages is effective for the purpose of gaining concessions in the bargaining process. Shortages in production also create a potent situation in which to extract other advantages or rents¹² from those who have a need for one's services or products. As shown in the production of sugar, fertilizer, and the export of rice, conditions of shortages in production and in services are indeed pervasive. *Clearly, a system of incentives that would enable efficiency in production and investments is not in place.*

II. Land Rights

The Doi Moi (Renovation) policy abandoned the previous framework of collective farming by recognizing the household as an economic agent, and by instituting a number of liberalization measures that had allowed the Vietnamese economy to experience very

¹⁰ "Kapitalizm", Rose Brady, Yale University Press, 1999

¹¹ It is important to note that meeting the demand of the market is a secondary consideration. More importantly, none of the actors in that process has to personally repay the credits that are obtained.

¹² IFPRI January 1999, James G. Ryan, page 22: "MARD and MOF both were concerned about the power and economic rents being earned by the SOE from their rice export monopoly".

significant levels of growth in the years after the reform. It is quite remarkable that in spite of all the preceding constraints, rural Vietnam has been able to yield very notable records, the achievement on rice being the one, which is most often cited. During the 1990s production continued to grow, partly because of increasing land productivity and also because of the lack of alternative options for rural employment. To a large extent, farmers grew rice because they could ensure a minimum income and food security. As a result, Vietnam became the 2nd largest worldwide exporter in rice (4 millions of tons) after Thailand in 1998. Rice production grew 57 percent¹³ from 1985 to 1995.

Resolution 5 approved by the Seventh Party Congress in 1993 instituted long-term land use rights to farming households, including the rights to exchange, transfer, lease, inherit, and mortgage in specific circumstances. The ownership of the land remains however the property of the state. Land redistribution from state farms and cooperatives to farmers has proceeded with speed. In short, land markets – in the form of transfer of land use rights – has taken hold in the South and in the North as well.

Goletti noted the following difficulties in that process. “Land titles are not easily obtained unless special relations with local authorities are established.” The imposition on the duration of land use rights to 25 years and a landholding ceiling to 3 hectares place severe limitations to the ability of the industrialization of agriculture in matters of efficiency. It is noted that in practice, especially in the South, such limits are often ignored. Cases of land holdings of hundreds (even up to thousands) hectares are known. Goletti: “such operations cannot be feasible unless special connections with the local authority can be secured”. The system is therefore not transparent and consequently outside capital investment will not likely be attractive.

The right of use

Ensuring social equity, and providing economic development represent the two basic measures of performance of government policies. The right of use of the land, as a rural policy in communist Vietnam, is no exception. Its basic premises are to insure equal access of the land to the farmers so they can provide for their livelihood and to serve the national goal of the supply of targeted agricultural products.

In spite of these social policies, farmers in Vietnam remain the poorest elements of society and, in terms of GDP per capita, the gap between the rural sector and the urban sector is very high. According to Goletti¹⁴, in 1995 the urban income per capita was 7.5 times higher than rural income per capita. It is very clear that if 80% percent of the population remains behind, it is hard to envision positive development for the entire population. Poverty is an anti-social condition, irrespective of the premises that produce it. Therefore, the original intents of the government policies are in direct contradiction with the realities in the field. The natural questions to ask then become:

¹³ IFPRI, 2000, Nicholas Minot, Francesco Goletti, page 7

¹⁴ IFPRI, May 1998, Francesco Goletti, page 3

- In itself, does the right of use of the land promote or inhibit efficiency, which is essential if the agricultural sector is to grow and develop on a sustained basis?
- Is it conceivable that this egalitarian principle in the form of right of use of the land is, after all, limiting the farmers to environmental conditions under which they cannot grow and prosper?

These are central considerations because the results in the field contradict the goals of the social policy.

The communist perspective on property rights

According to communist precepts, private holdings and the factors that help to enforce these institutions – financial profit is one such prominent example – are the primary causes of social inequality. Following the communist doctrine, financial profit represents the measure of the exploitation exercised by one class of the population - the owners - over the other - the deprived - for its own benefits. The example given was the Industrial Revolution, which created the “proletariat”. The two capitalist constructs - private property rights and financial profit - are therefore anathema to the communist regime. Wealth that is accumulated belongs to the State. Devoid of any individual imperatives, the pool of state-owned goods and services can fully be utilized to promote social equality by addressing the broader and higher needs of the population. To that end, land remains under the ownership of the state, and the farmer is only provided the right of use of the land for productive purposes. In general, private property rights are regarded as intrinsically harmful to society. With highly restrictive private rights, it is maintained that profiting from state-owned goods for private purposes would not be feasible. The communist’s view regards rights as absolute, i.e., they exist or they don’t and there is no intermediate state as far as rights are concerned.

We argue that the preceding interpretation is due to the fact that two distinct concepts – the nature of private rights and the abuse of rights – are lumped together, and hence, the confusion in the issues. It will be argued that the communist view of private rights detracts us from a correct understanding of property rights. It is our contention that formal property rights are the required foundation of the wealth creation process and the necessary attributes of social equity. We will argue further that the potential for abuse of rights is much higher in a monopolistic regime than in one that promotes competition.

Alternative perspectives on property rights

Let us clarify the nature of property rights first. According to Barzel¹⁵, rights do not need to be formal to exist. “Anyone who expects to benefit from an asset, be it a legal owner or a thief, is a partial owner”. Therefore there can be real, tangible, but “informal” rights. It can be seen that the extent to which an individual can enjoy the attributes of a good actually defines his rights over that good. In that respect, the personal prerogatives of Vietnamese government officials over the benefits that the state-owned goods can provide – in the form of favors, bribes, etc. - are examples of private property rights.

¹⁵ “Economic Analysis of Property Rights”, Yoram Barzel.

Therefore, rights include formal and informal rights. Simply put, private property rights are in fact pervasive in Vietnam. This definition of rights is not just a matter of semantics. It is fundamentally relevant since it eliminates the ambiguity regarding private rights by including informal rights. It explains the true nature of corruption as a prerogative of individuals in Vietnam and elsewhere.

Property rights, efficiency, and wealth

Economic growth will occur if it is worthwhile to undertake socially productive activities. As potential for gains exceeds costs, efforts will be made to protect such arrangements. Societies are most likely to prosper when there are institutions that formally recognize and protect these arrangements. Cooperation would be enabled to include many types of contractual structures. When transaction costs are positive, each contract structure is associated with different allocation of resources, different distribution of wealth. When competition is enabled, contractual structures that give rise to positive profits survive, and other forms of production go under. From that standpoint, individuals will acquire, and relinquish ownership based on costs and profits. Those who are efficient in the use of resources are those who are owners. *In fundamental ways, formal private ownership can be regarded as the most tangible measure of efficiency in the use and allocation of resources.* Because the benefits yielded by activities can be kept, the individual has the direct incentive to improve production. He/she has valid reasons to acquire knowledge and to further invest when the benefits of the investment can be appropriated. The creation of wealth is therefore given the best conditions to succeed.

In the monopolistic communist regime, the system of incentives yields perverse effects because the rewards of the task at hands are not necessarily related with the performance on the task. Those who want to become owner of the means of production make that choice for the purpose of retaining and enhancing their personal power. In that context, formal control rights of government officials over the allocation of state resources give rise to personal prerogatives – i.e., informal rights - that can be abused for personal profit. Systemic distortions are introduced with all the waste and inefficiency associated with the phenomenon. It can be seen that that *aligning incentives with the task at hands possesses an importance that cannot be overemphasized.*

Financial capital and private property rights¹⁶

A concrete form of property rights comes in a title of ownership. A title makes assets fungible. When property rights are protected, almost anyone who owns some form of property (house, land, etc.) can go to a bank and raises a loan by using the personal property as collateral. If the capital that is raised is used for productive purposes, everybody wins. The bank gets paid in the form of an interest by taking a risk in providing the loan. The individual has been able to leverage his entrepreneurship and raises his productivity to a new level. Wealth is thus created. If the venture fails, the individual having spent away the value of the collateral loses the personal property. In all

¹⁶ “Poverty and Property Rights”, The Economist, March 31, 2001

cases, meeting the demand of the market and efficiency in production are the determining yardsticks. Society will gain.

A reliable property system makes everything easier. Assets can be divided between multiple owners. A farmer dies and the title and the property rests with the wife and the children. They can decide to sell the farm, or retain equal shares in it. Or the more committed sibling can buy the other shares out. The possibilities are many. Values of land, houses, and other assets can widely be disseminated and transacted based on their legal records. Business relationships with strangers can be performed. *A reliable property system provides a multiplication effect since it enables people to undertake economic opportunities well beyond their own neighborhood.* The multiplication effect is most easily grasped in the case of intellectual knowledge. Once a patent recognizes an invention, it can yield as much value as the number of businesses that are willing to use it. Everybody gains in the process because it is advantageous for all concerned parties.

The State owns more assets than any individual. But the capital used by the state for production or investment purposes yield results that are diametrically opposed to the private sector because banks, inevitably, are forced to lend for political reasons rather than commercial reasons. Sound commercial practices cannot be enforced under such conditions.

Without a title of ownership, the individual cannot raise any loan since no bank will lend money without some form of collateral. Without property rights, capital, labor, and technical know-how of an individual is reduced and limited to the nominal value and local confines of the world in which he/she lives with none of the advantages that the world at large can take advantage of. The multiplication effect cannot be effected in such conditions.

Property rights and social equity

Choosing an appropriate social arrangement would not be possible without knowing the associated costs, social and otherwise. In a communist system, since profit cannot formally be owned, associated costs will also be disallowed as a consequence. The failure to take into account the costs imposed on others constitutes one of the most harmful undercurrents of the communist system. This is unfortunate because profit and costs define the livelihood of each individual. In that sense, *cost and profit represent the real measures of social equity when they are the dual function of each other.* With reliable measures of performance, accountability can be instituted. For social indicators to become effective, the institution of private property rights has to be established.

In situations where competition is not allowed, a monopolistic regime will take over. The abuse of the “capitalist” class during the Industrial Revolution period arose because there was collusion between the political and the business leaderships. The power and means of the State were put to use to exploit the “proletariat” to benefit the political and the business interests.

Clearly, formal private rights are not at issue. The abuse of rights – hence, an informal phenomenon - is the actual culprit that communist Vietnam has to address. Whether the communist system in Vietnam has the adequate institutions in place to stem abuses remains an open question. It is therefore not surprising that – because of erroneous premises on the role of state as a leading agent of production and on property rights – “land reform in Vietnam is extremely complex and littered with failures and abandoned projects”¹⁷.

Property rights and social stability

Liberalization as prescribed by many will increase productivity only when producers can keep the profits generated by their work. Property rights to producers have to be recognized and legalized and therefore this, ultimately, calls for the privatization of profits. This is the cure of under-production and shortages.

Economic growth and prosperity will necessarily require the population at large to have a stake in society. The central building component of prosperity revolves around a satisfied owner. He/she would guard society against extreme actions. Private property rights have to be instituted in Vietnam with the proper institutional framework to render them effective. They are basic rights and represent the clearing of the ground for all subsequent reforms. They are needed most where they have been weakest, at the bottom and base of the social pyramid. The resolution of the farmers’ problem will lay the foundation of a stable society.

All developed countries are countries that promote and protect private property rights. All poor countries have ill-defined property rights. Private property rights constitute the fundamental divide between rich countries and poor countries. In that regard, the evidence across the world is quite overwhelming. *Therefore it is no exaggeration to say that the institution of private property rights¹⁸ constitutes the foundation of economic growth and social progress.*

III. Prospects for changes

Communist revolutionaries carried out the most complete reforms after 1975. Central planning was supposed to be the key to unleash economic development. The opposite actually happened. The practice of state farming failed miserably and this gave rise to the Doi Moi policy in 1986. That policy instituted the creation of different conditions – the small private household unit – to enable development in farming. Centralization had failed and this has dictated the sharing of power among many protagonists.

¹⁷ “Vietnam: Land Administration”, Working Paper 4 prepared for AusAID, December 2000, page 1

¹⁸ It has been argued that China is one glaring example where economic growth has been remarkable without the institution of private property rights. This case does not constitute a contradiction to our argument, however. According to Prof. Krugman (Foreign Affairs, November 1994), if you invest in more machines and employ more workers, you would produce more. Growth in communist countries is primarily due to a massive mobilization of labor and capital resources. Growth will slow down when there are no more workers to employ, unless you have better technology and you are able to raise efficiency. Raising efficiency is what it is all about and there is no evidence that communist economies know how.

In matters of land, the government exercises the right of land ownership on behalf of the people. The central government has control over legislation and policy while land management is left to the various local People's Committees. This leverage has allowed the local People's Committees to assert a major role for themselves. The first visible skirmish¹⁹ happened in October 1998 when the 450-member of the National Assembly rejected the recommendation of the powerful Communist Central Committee to change the 1993 land law by lifting the 3-hectare cap on farm size and the extension of land lease to 50 years from 20. These members are from the local party establishment and they all stand to lose enormously if the agricultural economy gets privatized. The press²⁰ is full of accounts of corruption scandals involving the unlawful allocation of land by provincial and district People's committees. Again in this case, there is a clear divorce between the goals of the policy and the realities in the field. The local People's Committees currently represent a formidable stakeholder in the land regime.

Institutional changes will be required and will have to be far-reaching to be of any usefulness. The current structure of power is the result of a built-up over three generations of leadership. The culture of "winner takes all" doesn't serve communist Vietnam since it leaves little room for constructive resolution and compromise. There are too many stakeholders (including the North and South question, Vietnam People's Army, etc.) with conflicting priorities over the direction and pace of changes. For these reasons, we believe that, regrettably, decisive leadership from the top to pursue meaningful reforms will be unlikely to come by.

There are however many other formidable forces at work as well, many of which are beyond the control and influence of the leadership in Vietnam. This will make the prospect for positive changes even bleaker.

- Politically, commercially and socially, China carries an influence over Vietnam that is always present.
- The opening to the world through trade comes with many dynamics. Capital and foreign investments in Vietnam respond to their own criteria. Inefficiency and the mismanagement of these resources can become de-stabilizing because of their sheer sizes.
- Less tangible and much harder to measure is the expectations of the Vietnamese population. Liberalization in Vietnam, however limited, has yielded a new voice in the population. If economic policies fail to deliver, social discontent will mushroom at a much faster pace.
- The physical constraints in Vietnam are very hard. With a rapidly growing population, one can say that rural Vietnam has reached its physical limits as far as growth is concerned. The physical constraints are very real since, in ecological terms, natural resources are being abused beyond their capacity to maintain a balanced environment. Floods, which used to happen every four to five years in Vietnam, have

¹⁹ "No Rubber Stamp: Legislature reverses party bid for land reform", Faith Keenan, Far Eastern Economic Review, December 10, 1998

²⁰ "Vietnam: Land Administration", Working Paper 4 prepared for AusAID, December 2000, page 7

now become a yearly event with unparalleled ferocity. And yet, deforestation is continuing unabated. There is little potential for expansion of rice area and only minimal potential for further intensification in Vietnam. Rice output will increasingly rely on yield expansion. Yield growth in Vietnam has far exceeded the Asian average. Thus, yield growth can be expected to fall in the coming years²¹.

Conclusion

A “land to the tillers” program has to take place with all the formal protection and support that such a process requires. Conditions of success for the business of farming have to be gathered and made available. Transfer of ownership alone will not be sufficient. For sustained development to become a reality, the role of the state in the business sector will have to be phased out. In the same thrust, a private framework providing critical services will be needed. In the transitioning to a new operating world, the risks of doing business will have to be made acceptable to the banks and marketing partners, which are going to replace the existing state infrastructure. These intermediaries have know-how and expertise. In the same thrust, farmers who are experts in growing rice will need the support and training to get new skills as business managers of their enterprises. Overall, the conditions of a competitive market have to assured. Detailing this transitioning framework will be indeed a relevant challenge to tackle.

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²¹ IFPRI, 2000, Nicholas Minot and Francesco Goletti, page xii