**Land reform and the development of commercial agriculture in Vietnam: policy and issues**

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**Abstract**

Over the last decade, following the *doi moi* reforms, the Vietnamese government has formally recognised the household as the basic unit of production and allocated land use rights to households. Under the 1993 Land Law these rights can be transferred, exchanged, leased, inherited, and mortgaged. A land market is emerging in Vietnam but is still constrained for various reasons. Additionally, lack of flexibility of land use is an issue. As Vietnam moves into the world market and reduces trade barriers in line with ASEAN Free Trade Area (AFTA) requirements, farmers are becoming increasingly vulnerable to falling incomes because of lower prices for their produce. An overview of the land reform policies and issues related to these are outlined in the paper. Challenges facing Vietnamese agriculture are discussed within the context of an effort by Vietnam to more its household farms from subsistence farming to a more commercial base.

## 1. Introduction

In December 1986 at the Sixth National Congress the government of Vietnam introduced a wide-ranging set of reforms known as "*doi moi*" (meaning renewal or innovation or literally 'change to the new'). These reforms recognised a number of the failures of central planning and were designed to gradually de-regulate and liberalise the economy. Associated with these reforms, the 1993 Land Law (and revisions of 1998), which followed the 1988 "Resolution 10", formalised the farm household as the main unit of agricultural production and provided for the allocation of land use rights to households. These land use rights give households farm decision-making rights related to the purchase and use of inputs, the sale of outputs, and to some extent the use of land. Under the 1993 Land Law these land use rights can be transferred, exchanged, leased, inherited, and mortgaged. Land reforms that grant land use rights to individual households and encourage the equitable distribution and efficient use of land are considered to be "indispensable for rural development, for the mobilization of human resources, and for increased production for the alleviation of poverty" (FAO, 1979: cited in de Janvry, 1984, p. 263).

Vietnam has undergone more than 15 years of reform following the *doi moi* resolutions in 1986. The economy is sustaining strong economic growth and generally speaking the country is considered more 'open' and market oriented (East Asia Analytical Unit, 1997; United Nations, 1999). In line with the process of economic development, resources have shifted from agriculture

to other sectors. In 1981 about 53 percent of GDP came from agriculture, whereas in 2000 it was around 25 percent. In recent years, however, the rate of economic growth has slackened from rates in the mid-1990s (following the reforms) of around 8 to 9 percent, to real figures in 1998 and 1999 of around 4 to 6 percent (East Asia Analytical Unit, 1997; United Nations, 2000). Real growth in GDP was higher than expected in 2000 at 6.7 percent (UNDP, 2000) and forecasts for 2001 and 2002 are around 4.8 to 5.5 percent (The World Bank, 2001). Although lower than in earlier periods, the forecast growth in GDP is still the second highest behind China among the region's large economies. Employment share for the agricultural sector remains high. Between 1993 and 1998 it has only fallen from 71 to 66 percent (The World Bank in Vietnam, 2000).

Land and other economic reforms were successful in stimulating agricultural production to the extent that Vietnam moved from being a rice importer to the world's second largest rice exporter. The production of commercial and industrial crops increased significantly and export markets have been developed for coffee, cashew, pepper and aquaculture products. However, significant challenges for agriculture still remain. The combined real growth rate of agriculture, forestry and fisheries declined from 4.4 percent in 1996 to 3.5 percent in 1998, and preliminary figures suggest that growth will be 4.0 percent in 2000. (The World Bank in Vietnam, 2002). The World Bank in Vietnam (2000, p. viii) considers that:

> *"With some of the easy gains from the transition to a market economy now exhausted, Vietnam must focus on improving both the productivity of its existing cropland and providing opportunities for rural workers to diversify into other sectors (such as livestock and non-farm enterprises)."*

For this increase in productivity and diversification to be possible, there appeared to be consensus in the late 1990s among international donor agencies that reforms needed to be "re-invigorated" (The World Bank in Vietnam, 1998). Although a land use rights market is emerging in Vietnam in response to the reforms that have given a degree of security and tenure to land holdings, it is still constrained for various reasons. Additionally, the flexibility of land use is still constrained, particularly the conversion of paddy areas (that have traditionally grown, and are often still required to grow, rice) to other crops. As Vietnam moves into the world market and reduces trade barriers in line with ASEAN Free Trade Area (AFTA) and WTO requirements, farmers are becoming increasingly vulnerable to falling incomes because of lower prices for their produce on world markets, and a lack of flexibility to change enterprises will condemn many to increased poverty.

This paper gives an overview of land reform policies, issues related to these, and challenges facing Vietnamese agriculture as it strives to move its household farms from subsistence farming to a more commercial base. These challenges and policy issues related to land reform are discussed in the context of the reforms already undertaken, and emerging responses to these reforms.

## 2. Land reform in Vietnam

### 2.1 A brief overview of recent land reforms in Vietnam

Kerkvliet (2000, p. 1) writes "it is hard to think of a more politically controversial resource in Vietnam during the 20$^{th}$ century than farm land". Conflicts over land policy (access to, and the ownership and use of land) have been integral to the period of French colonial rule, the conflict with America and the policies of the Communist Party government after re-unification of Vietnam in 1975.

After a period of collectivization of agricultural land lasting from the late 1950s to the late 1970s, there was an official policy shift in 1981 when the party's Central Committee introduced a "product contract" system. This "Contract 100", as it was known, authorized cooperatives to assign parcels of land to individual households on an annual basis and contract directly with these households to undertake the planting, care and harvesting of rice and other crops. The harvested product, however, still mostly belonged to the cooperative. This "product contract" system was the pre-cursor to future more far reaching reforms that would consolidate the

agricultural household as the primary unit of agricultural production by allocating land use rights to households, and lead to a period of sustained agricultural growth.

Further pressure for economic reforms in the 1980s resulted in the *doi moi* resolutions of 1986. Kerkvliet (1995, p. 411) writes that the objective was to "radically deal with a number of mistakes in agriculture accumulated over the years," which included the "forced advance to big-scale cooperatives, lack of encouragement to family economy, (and) inadequate attention paid to (the) private economy". The 1988 "Resolution 10" gave households greater "production rights" (including the right to sell their farm products) and began the process of land allocation on a more permanent basis.

The 1993 Land Law granted farmers increased security of tenure over the land that they had been allocated. Land use rights were granted for 20 years for land used for annual crops, and 50 years for land used for perennial crops. Land use rights also included "five rights" – the rights of transfer, exchange, lease, inheritance and mortgage. The Land Law also put a ceiling on the amount of land that can be allocated to households: for annually cropped land this is 2 hectares in the central and northern provinces and 3 hectares in the southern provinces, and for land planted to perennials the limit on holdings is 10 hectares.

Revisions to the Land Law in 1998 (Circular No. 346/1998/TT-TCDC, 1998) sought to encourage and facilitate the process of land allocation and registration by outlining procedures and designating responsibilities, and added two new land rights, including the right to use land (including rented land) as capital for joint ventures. The revisions also set out the circumstances for allowing land related changes, and procedures for registration of changes. As might reasonably be expected, land use rights are not free of legislative requirements and constraints. As noted by the East Asia Analytical Unit (1997, p. 27) the ability to transfer, lease, exchange, mortgage or inherit land use rights "varies between different categories of land, landholders and land use rights. Transactions are subject to official approval case by case."

Land related changes that are officially required to be registered with the local authorities include: changing the land use purposes stated in the certificate, re-shaping land plots, changing the land tenure right, using land as a mortgage at banks for borrowings, altering the land use duration, and sub-leasing land. Registration can only be made after the changes are "permitted by the People's Committee of the competent level and effected in accordance with current regulations" (Circular No. 346/1998/TT-TCDC, 1998, p. 87). Registration of land-related changes incurs a fee.

Further revisions in 1999 addressed complaints about the lack of procedures for "implementation" of land use rights (for example: The World Bank in Vietnam, 1998, p. 36). Decree No 17/1999/ND-CP (1999) set out the conditions and procedures for exchange, transfer, lease, inheritance and mortgage of land use rights. The conditions and procedure for land use rights exchange appear straightforward. Exchange of land may occur if "it is convenient for production and livelihood" and "the land must be used for the right purposes and within the term set by the State when the land is assigned" (Decree No 17/1999/ND-CP,1999, p. 15).

Conditions for the transfer and lease of land appear stricter, especially for wet rice land (paddy). Households (or individuals) can only transfer land use rights if they move to other places of residence to live or take up production or business activities, change to other occupations or have no capacity to work. The land use right can only be transferred to households or individuals who have the demand to use the land and have no land or a land area less than the land limit. If the transferred land is wet rice land, then the land use right can only be transferred to a household or individual "directly involved in agricultural production" (Decree No 17/1999/ND-CP, 1999, p. 16). Transfer of a land use right involves payment of a tax on the transfer by the transferor, and payment of a registration fee by the transferee.

Likewise, conditions apply for the leasing of land use rights. Households can make their land use rights available for lease if the family is in poverty, if they have taken up other occupations or if they lack capacity to work the land. Generally, land is only able to be leased for 3 years, except for "particularly difficult cases as certified by the commune/ ward/township People's Committee", and then the lease can be up to 10 years (Decree No 17/1999/ND-CP, 1999, p. 17). Subleasing

of land is allowed, but only if the lease money has been paid in advance and the duration of the lease has at least 5 years still to run. Rental and land transfer values do not reflect true market prices, but rather are determined within a pricing framework set by the Central Government, with the actual prices fixed by the provincial or municipal authorities.

Land limits are not rigidly enforced in all areas – especially when there is unused land, but limits hold in the heavily populated delta areas. Although, theoretically, households cannot be transferred land use rights in excess of the land limit, provision is made for households to be able to work land in excess of the limit. Land transferred in excess of the limit must be leased from the State. Lease money is not always charged however, especially for land not considered highly productive (for example, "barren hills" in upland areas).

The process of land reform in Vietnam is on going, and another revision to the Land Law has recently been passed by the National Assembly and took effect in October 2001. Considerable pressure is being exerted on the government in relation to the completion of allocation and registration of land use rights, issues related to compensation and the desirability of stable and long-term tenure (for example: *Vietnam News*, 2000b; Mai, 2001). There is also ongoing debate about the appropriate length of tenure, ceiling levels for land holdings and restrictions on the transfer and use of land. These issues are discussed further in Section 5.

### 2.2 The process of land allocation

Approximately 80 percent of the population of some 76 million people live in rural areas and there are over 11 million household farms in Vietnam. Farm sizes vary throughout the country, but they are typically small. The average size of farms in the Mekong Delta is 1.2 hectares, and this is considerably larger than average farm sizes in the Red River Delta. The allocation of land use rights is officially undertaken by the General Department for Land Administration, with certificates of title for agricultural land issued by the District People's Councils. In practice however, the State allocates land use rights through People's Committees at the district and commune level (East Asia Analytical Unit, 1997; The World Bank in Vietnam, 1998). The October 2001 revisions to the Land Law have given local authorities more power to deal with matters such as allocation and leasing of land, and the issuing of land use right certificates.

Since 1993, the process of land allocation in rural areas has been proceeding steadily, along with the necessary mapping that precedes allocation and certification, although a number of problems have arisen with the allocation of forest land (The World Bank in Vietnam, 1998, pp. 35-36):

> *"Directive 10-1998/CT-TTg (20/2/98) claims that 60% of households with rights to 65% of agricultural land have been issued certificates of title. … Only 9.8% of forest land (of which only 1% is natural forest) has been allocated. Local authorities are having to grapple with the complex issues involved in marrying the terms of the 1993 Land Law with customary land-use patterns and rights. The scope for disputes is large since customary owners may vigorously contest the allocation of individual rights."*

The allocation process varies between districts, although equity between households was a primary consideration in the land allocation, with consideration being given both to land quality and the number of people, or more specifically labour equivalents, in a household. Consequently, the amount of land allocated varied between households and this land was typically split into a number of plots of varying land quality. The World Bank in Vietnam (1998, p. 10) says "on average, farms in the Red River Delta comprise eight or nine noncontiguous plots often no larger than 200 to 500 square meters each". Likewise, Chung (1994, p. 4) reports that in the Red River Delta "households held three to ten plots of farm land scattered in different locations". In mountainous areas, the number of plots allocated to households tended to be even greater, as the land quality was extremely variable.

In the South of Vietnam, the degree of land fragmentation is not so pronounced, with many farmers in the Mekong Delta having only one plot. Be (2000b) suggests that in the South, farmers were "less concerned" with equitable distribution and negotiations took place at District Committee level to "balance" the size of allocations giving consideration to the varying quality of

land, and farmers were then allocated larger consolidated parcels. Land allocation to households in the south of Vietnam was also more likely to be based on earlier allocations made during the land reforms of 1975.

Typically, not all land within a commune was allocated. A proportion of land was kept (usually between 5 and 10 percent) "to defray public expenses or readjust land allocation periodically to demographic changes such as family members returning from military service" (Chung, 1994, p. 4). Other land such as ponds, lakes and garden areas, which are difficult to divide, were often also left unallocated, and then assigned to individual households on the basis of competitive bidding.

### 2.3 Land use in Vietnam

Under the Vietnamese Constitution, land is the property of the people as a whole and the State administers it on their behalf. Since land is 'owned' by the people as a whole, it is not possible for individuals (or corporations) to own land, although they (and foreigners) can own and transfer structures such as houses built on land. However, Vietnamese (but not foreign) individuals, households and organisations can hold and transfer rights to use land. Recent changes to the Land Law made in October 2001 will make it possible for some categories of overseas Vietnamese (Viet kieu) to hold land use rights.

Vietnam has a large population and limited land and, like other countries with high population to land ratio, the value of land is high, and use rights are very important. These rights are crucial to improved private sector development but there are ideological issues that remain important (Fforde, 1995; East Asia Analytical Unit, 1997; AusAID, 2001). Fforde (1995) talks of the difference between Western and Vietnamese understanding of the concepts of public and private land. 'Private' land has always been "land over which the local community had considerable residual rights" (p. 93). Hence Fforde (1995, p. 93) argues that

"In practice, it is very hard to imagine that various implications of a western concept of private property in land would be accepted – for example, that rice land offered as collateral on a loan by a family should be taken upon foreclosure without the village's permission."

Other ideological issues relate to the use of land. Land use should be complete (day du), that is, all land should be used; and reasonable (hop ly), that is, the land should be farmed efficiently with appropriate crops and rotations and attention paid to maintaining the fertility of the land (Tien, 2000b). In practice, this is determined by restrictions on land use that are specified on the certificate of land use rights. There are conflicting views about to what extent the use of land should be the province of the individual or controlled by the State. However, the centrality of state land management to government policies is still paramount (AusAID, 2001). For example, the Hanoi People's Committee confiscated over 50 hectares of "illegally used" land in late 2001 and early 2002 (*Vietnam News*, 2002a).

These concerns on the use of land are linked closely to issues of rice policy and food security. Shortages of food were commonplace in the mid- 1980s and that is not so long ago. In some districts control over production in still exerted by the State, particularly with regard to rice production (The World Bank in Vietnam, 1998). Production targets are set at a local level in response to government directives and individual households may have to grow crops as directed. Some 4 million hectares of land in Vietnam is still 'required' to grow rice, although this represents a decrease of 0.2 million hectares on land previously set aside for rice production (*Vietnam News*, 2000c).

## 3. Responses to land reforms and emerging trends

Successive land reform policies since 1988 have tended to reduce land fragmentation, allow larger holding size, longer land use rights, and more flexibility in land use. The effects of policies can be seen in evidence of larger farms and an increase in the number of landless, and changes and pressure for change in land use.

### 3.1 Land consolidation and accumulation

There is evidence that both land consolidation (that is, reducing the number of plots) and land accumulation (that is, larger farm sizes) is occurring. Chung (2000) reports that a 'land market' is operating in every region in Vietnam with activities including renting and leasing land, lending and borrowing land, 'buying' and 'selling' land (that is, land use right transfers), land exchange and bidding for land. The extent of the market is larger in areas with smaller population density, or in areas where there are more job opportunities off-farm.

Even before the 1993 Land Law allocated land use rights to households and enabled their transfer and exchange, unofficial rural land market transactions were taking place (Kerkvliet, 1995; Chung, 1995). Kerkvliet (2000, p. 8-9) writes that even now

> *"Available evidence suggests that villagers commonly swap, sell, loan, and do other transactions with their land use rights without informing district offices or other levels of government that are supposed to record such changes … Most buying or selling of land use rights reportedly occurs in the Mekong delta and some central and mountainous areas … Renting or loaning use rights apparently is more common in the delta and midlands of north and central Vietnam."*

The disadvantages of excessive fragmentation of land that resulted from 'equitable' allocation of land are recognized. It hampers mechanization and involves additional time and labour for farming activities that must be carried out in geographically distant plots. Throughout Vietnam there are now around 75 million parcels or plots of land, on average 8 to 10 per household (Vy, 2000). Around 10 percent of these plots have an area of only $100m^2$ or less (Phien, 2001). There has been encouragement by the government, and voluntary action in some districts, to consolidate plots. *Vietnam News* (2000b) reports that "to date, 16 provinces, 73 districts and 890 communes have participated in the process of enlarging land holdings".

An example of consolidation is provided by data from Can Kien commune in Thach That district, Ha Tay province. Land allocations made in 1993 were made to 1588 households and resulted in 11,000 plots, some as small as $100m^2$. A local committee of 13 was formed in 1998 to encourage farmers to exchange land to consolidate plots, and to facilitate the process. Exchanges were finalized in 1999, resulting in 9,000 plots (a reduction of around 20 percent) ranging in size from $250m^2$ to $1{,}000m^2$. Registration of these changes and allocation of land use right certificates is now complete except for 23 households. Commune officials say that most farmers are happy with the changes that have been made.

Despite the existence of land holding ceilings as outlined in Section 2.1, there is also evidence that accumulation of land is occurring through land leasing and transfer. Additionally, recent government policies support the notion of larger farms that will permit the concentration of land and capital. In mountainous areas where land is comparatively underused, and population pressure is less, land accumulation is occurring as farmers move into unused areas and, following recent policies, are given use rights for this land. This latter development is discussed further in Section 4. In the delta areas land accumulation appears to be occurring slowly and differently. Farmers will only transfer use-rights to others if they have off-farm activities and can see an opportunity for better economic prospects off-farm, or are forced to do so by poverty or debt. Transferring land is not common, as people don't want to lose their land permanently (Chung, 2000). The limited data suggest that farm size is increasing and that larger farmers are increasing their land size further. This outcome is supported by an extensive literature that suggests that small farmers are not able to raise (or repay) the capital required to enlarge their holdings (for example: Binswanger and Elgin, 1998; Melmet-Sanjak and Lastarria-Cornhiel, 1998).

Chung (1994) reports data from a 1993 survey of 200 households in the Red River Delta that shows that the bidding system for unallocated land (mostly ponds, lakes and gardens) within communes resulted in mainly high and medium-income farmers gaining access to these lands. For these farmers, the land acquired by bidding was approximately 10 percent of their total holdings. Additionally, his survey found that only high and medium-income farmers (12 percent of

the total surveyed) were involved in leasing in land, although leased-in areas were only small (less than 3 percent of total holdings). Reasons given for leasing in land included: the original allocation being too small and the need for more land to increase income, excess labour, and helping kin to work land. Only 7 percent of the surveyed farmers had leased out land, and 50 percent of these were low-income farmers. The main reasons for leasing out land were lack of investment funds, parcels being too small and too scattered, insufficient labour and moving to other businesses. Chung's (1994) survey found no farmer who had transferred all of his/her land holdings.

Be and Hiep (2000) report change in farm size for 70 farmers in two coastal districts of the Mekong delta. On average, the surveyed farmers tended to accumulate more land over the three years 1997-99. In Gia Rai district, land area of the surveyed farmers increased from 2.55 ha in 1997 to 3.05 ha in 1999, while in My Xuyen district land area increased from 2.48 ha to 2.57 ha. In some cases it is difficult to interpret changes in farm size from reported data. For example, data reported from a 1996 survey by Yamazaki and Thanh (1998) for a Mekong Delta district shows an increase in farm size after 1988 for all farmers, but particularly for farmers whose 1996 farm size was more than 2 hectares (Table 1).

However, the data presented by Yamazaki and Thanh (1998) confuse land changes occurring because of original allocations to households with little or no land (hence a large change in area between 1989 and 1996), and changes occurring because of land accumulation after original allocations. It appears that some of these reported increases are because of the original allocation. For example, the authors state that many of the farmers surveyed in Co Do immigrated into the area after 1988 and were allocated about 2.5 ha of land. However, they also suggest that larger farms tended to grow monoculture rice, have economic surpluses and increase their land area after 1988 and that

> *"The differentiation of farmers developed dramatically after 1988. This means that that there was an animated exchange of land on the agricultural land market during this period" (Yamazaki and Thanh, 1998, p. 134).*

**Table 1: Change in land area farmed between 1989 and 1996 for farms in Thot Not district (Trung An village and Co Do state farm), Can Tho province.[a]**

| Category of farmer based on hectares of land farmed in 1996 | Average change in land farmed since 1988 (hectares) |
|---|---|
| Land-less farmers (no land) (n = 10) | - 0.18 ha |
| Small scale farmers (<1 ha) (n = 27) | + 0.08 ha |
| Middle scale farmers (1 to 2 ha) (n = 22) | + 0.25 ha |
| Big scale farmers (>2 ha) (Trung An n = 18) | + 2.19 ha |
| Big scale farmers (> 2 ha) (Co Do n = 23) | + 2.50 ha |

[a] Adapted from Yamazaki and Thanh, 1998.

### *3.2 An increase in the number of rural households with no land*

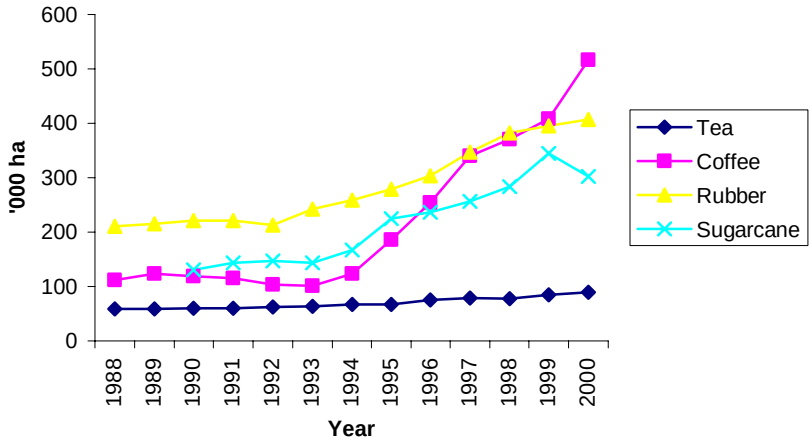
The emergence of very small farms is common in most low-income countries. So is the rapidly growing number of people who belong to the category 'landless labour' (Thampapillai, 1992). There is evidence that the percentage of landless farmers, particularly in the Mekong delta, is increasing in Vietnam. Surveys by the Government Statistical Office in 1994 and 1998 indicate that the number of landless households had increased from 12,250 farmer households or 0.7 percent of the Mekong total population, to more than 1,000,000 farmer households or 6 percent of the region's population (*Vietnam News*, 1999). A report by the World Bank in Vietnam (2000) considers that the imbalance of land ownership is getting bigger, creating a visible gap between the landless poor and richer land owners.

The World Bank in Vietnam (2000) reports that poverty, however measured, declined in Vietnam during 1993-1998. However they caution that the gains in poverty reduction remain fragile. A high percentage of the population is bunched just above the poverty line and a relatively small deterioration in living standards would be sufficient to push them below the poverty line again. Furthermore, poverty remains largely a rural phenomenon with 45 percent of the rural population living below the poverty line, and 94 percent of families classified as living below the poverty line located in rural areas (United Nations, 1999). Typically, poor households have small landholdings or are landless, so the link between land accumulation and landlessness is of concern.

### 3.3 Changes in land use

Changes in land use are undoubtedly occurring. Government statistics readily show the growth in land area planted to industrial crops such as tea, coffee, rubber and sugarcane (see Figure 1). The area planted to pepper also increased from 7,600 hectares in 1988 to 12,800 hectares in 1998 and 24,500 hectares (preliminary figure) in 2000.

**Figure 1: Area planted to tea, coffee, rubber and sugarcane 1988-2000**

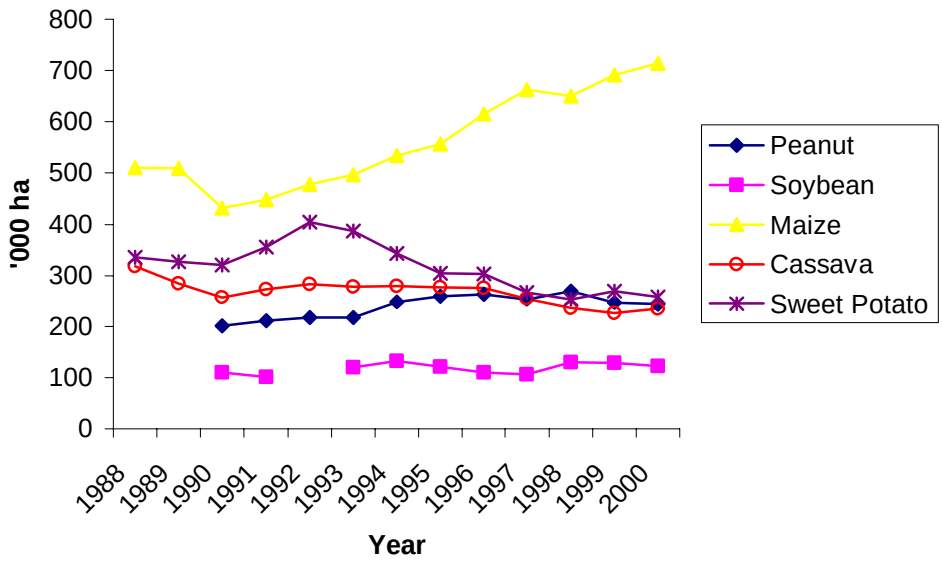



Source: GSO, 2000, 2001

Changes in land area planted to major food and annual industrial crops crops (maize, soybean, cassava, sweet potato and peanut) are shown in Figure 2. It would appear that the area planted to both cassava and sweet potato has decreased, while the area planted to both maize and peanut has increased.

Soybean area has remained relatively constant. Although not shown in Figure 2, the total area planted to rice (all paddy production) increased from 6,027,700 hectares in 1988 to 7,362,700 hectares in 1998 and 7,654,900 hectares (preliminary figure) in 2000 (GSO, 2001).

**Figure 2: Area planted to peanut, soybean, maize, cassava and sweet potato 1988-2000**




Source: GSO, 2000, 2001

Percentage land areas planted to some major annual food and industrial crops are given in Table 2. The percentage area planted to rice appears quite stable, while there has been some growth in the percentage area planted to sugarcane and maize and some decrease in the percentage area planted to sweet potato and cassava (both comparatively low value food crops).

Land use changes are also being reported by researchers. Fforde (1995) reports that "low profitability cash crops have been abandoned in favour of crops offering higher returns" (p.91) citing examples such as the planting of high value fragrant rice in the Red River delta. Khiem *et al.* (1999) report that land reform (and improved market access) has affected land use patterns in the northern uplands, with areas planted to fruit trees and horticultural crops "increasing dramatically". In districts close to towns and cities, high value horticulture and flower crops are becoming increasingly common, with some communes specialising in specific high value crops. In some coastal areas of the Mekong there is an expansion of more profitable rice-shrimp farming systems (Ben, 2000).

There are continual English language newspaper reports of diversification success stories. For example, *Vietnam News* (2001a) reports that in the northern province of Hai Duong, farmers are taking low-lying paddy fields and transforming them into fish-breeding ponds, and now have more than 5,700 ha under aquaculture cultivation. The province plans to restructure another 10,000 ha of rice paddy for cultivating trees and for raising fish. However, despite evidence of changing land use, rice still accounts for over 60 percent of the total sown area, and food crops for over 70 percent of total sown areas. Despite an official policy that supports diversification, there still remain inconsistent government documents and local pressures to produce rice and food (Hung and Murata, 2001).

**Table 2: Major annual crops grown in Vietnam, 1995-2000**

| Year | Area of each crop as a percentage of total area under all annual crops | | | | | | |
|---|---|---|---|---|---|---|---|
| | Food crops | | | | Annual industrial crops | | |
| | Rice | Maize | Sweet potato | Cassava | Sugar-cane | Peanut | Soy-bean |
| 1995 | 73.3 | 6.0 | 3.3 | 3.0 | 2.4 | 2.8 | 1.3 |
| 1996 | 73.8 | 6.5 | 3.2 | 2.9 | 2.5 | 2.8 | 1.2 |
| 1997 | 73.3 | 6.8 | 2.8 | 2.6 | 2.7 | 2.6 | 1.1 |
| 1998 | 73.5 | 6.5 | 2.5 | 2.4 | 2.8 | 2.7 | 1.3 |
| 1999 | 73.1 | 6.6 | 2.6 | 2.2 | 3.3 | 2.4 | 1.2 |
| 2000[a] | 73.3 | 6.8 | 2.5 | 2.2 | 2.9 | 2.3 | 1.2 |

[a] Figures for 2000 are preliminary

Source: Adapted from data reported by GSO (2001).

### 3.4 Pressure for further reform

Kerkvliet (1995) considers that there are three views about state-society relationships in Vietnam. The first is that of a powerful dominating state, which controls society, while the second view allows some social power, but only through organisations that are dominated by the state. The third view acknowledges that social groups and processes have shaped Vietnam's economy and society, and he discusses the influence of what he calls "everyday politics": people challenging authority and often eventually influencing policy, using examples such as the failure of the Communist Party to implement collectivization (particularly in the south), and the return to household-based production.

Similarly, the progress and direction of land reform appears to be being influenced by society, with the government under pressure to legislate to accommodate change that is already occurring. We use two examples to illustrate this point.

The first concerns the accumulation of land beyond the land limit and policy to support the 'family farm'. It is suggested that government policy to support larger farms was in response to developments that were occurring already. The family farm developed spontaneously from household farms, from ex-military and ex-government officials who used pension payments to rent/acquire land (Tien, 2000a). Be (2000a) also suggests that land accumulation started in the Mekong Delta from 1984/85, with people paying money for land and acquiring land over the legal limit. To avoid trouble they put the land use right titles in the names of family members, but really the land was being farmed by one person/household. Hence pressure was exerted on the government by people for the concept of the 'family farm', which allows larger limits on land that can be held.

The second example concerns pressure for land use changes in coastal areas of the Mekong delta where saline intrusion prevents the growing of rice in the dry season. In Bac Lieu province farmers have been developing rice-shrimp systems (rice in the wet season and shrimp in brackish water in the dry season). This system has proved more profitable than rice production and a policy conflict has arisen over the use of land for rice-shrimp systems opposed to monoculture rice production. Sluice gates have recently been installed by government directive to restrict saline intrusion in the dry season, and inland from the sluice gates rice-shrimp production is not possible. This is a matter of local controversy, as local people would like more canal development to enable use of saline water for rice-shrimp production systems.

Land use planning carried out in conjunction with an ACIAR-funded project assessed three different land uses in the Gai Rai district – monoculture rice, rice-shrimp and intensive shrimp (Tri *et al.*, 2000). The outcomes were discussed with local people who chose a land-use plan that maximised area to shrimp production. Presently this land-use is not zoned for the district and hence officially 'illegal'. This local decision will be taken to the provincial committee, discussed, and hopefully incorporated 'step-by-step' in planning to 2010. Already a government decision passed in June 2000 has allowed "unproductive rice lands" to be used for shrimp production (Ben, 2000). Further relaxation of land use regulations is more controversial as it means that land will be taken out of rice production, but the consensus appears to be that the authorities will 'have to yield to pressure from farmers'.

## 4. Policies encouraging the development of commercial agriculture

In the last decade there has been a considerable increase in the production of commercial cash crops. From 1990 to 1999, the land area planted to annual industrial crops (cotton, jute, sugarcane, peanut, soybean, tobacco) has increased 64 percent, area planted to multi-year industrial crops (tea, coffee, rubber, pepper, coconut) has increased by 91 percent, and area planted to fruit crops increased by 82 percent. At the same time the land area planted to food crops has only increased by 29 percent. Since 1990 to 1999 there has also been a 30 percent increase in the numbers of cattle and a 54 percent increase in the numbers of pigs (GSO, 2001).

Mechanization is still at a very low level, hampered by small land holdings, scattered plots and poor rural infrastructure. Low income levels and the availability of cheap household labour also discourage households from either purchasing or renting machinery. Of the food crops, rice production has the highest level of mechanization, particularly in the Mekong Delta where landholdings are larger and less fragmented. Despite a government rhetoric encouraging industrialisation and modernization, farm mechanization is hampered by a lack of positive government policies such as finance subsidies, low interest loans for farm machinery, tax exemptions for the manufacture of machinery and fuel for farm machinery (Phien, 2001).

As mentioned in Section 3.1, recent government policies support the notion of larger farms that will permit the concentration of land and capital. Resolution No 03/2000/NQ-CP (2000) outlined a more accommodating government attitude to "the allocation, lease, assignment and accumulation of land" over prescribed limits, particularly for "effective exploitation and use of the waste land, bare hills and mountains in the midlands, the mountain areas, along the borders and on the offshore islands" (pp. 3-4). Specifically, the Resolution (p. 5) specified that:

"Family households and individuals that have been allocated or assigned the land use right for farm development but have exceeded the land use quota set prior to January 1st 1999, shall be allowed to continue to use the land already allocated or assigned. The area of land in excess of quota shall be converted into leased land as prescribed by the land legislation and they shall be issued with land use right certificates".

The Resolution also implemented tax and credit policies to encourage the development of these larger farms. For example, decisions in 1998 and 1999 charged income tax on enterprises (including commercially-oriented farms) with revenue of over 30 million VND. This policy was revised by the Resolution, and also rental rate reduced by the government for land rented by the larger farms. A further decree (Decree No 04/2000/ND-CP, 2000) was enacted in response to concerns about the stability of land use tenure, stating that the duration of land assignment or land lease from the government "shall be stable and long-termed" and that the government could not confiscate land without compensation to farmers. These changes in government policy have been favourably received for (for example: *Vietnam Economic Times*, 2000; *Vietnam News*, 2000a).

These larger farm holdings are often referred to as 'family farms'. The distinction between a household farm and a family farm is not clear, however, generally the family farm is larger - a farm producing for the commercial sector (in contrast to subsistence agriculture). Priorities for land accumulation via family farms has been given to farmer households with capital, production and management experience who are willing to produce commercial crop products, and also to

those households with no land (Resolution No 03/2000/NQ-CP, 2000). There are about 113,000 commercial farms throughout the country, with an average land area of 5 hectares, involving an estimated land area of 7 million hectares (*Vietnam Economic Times*, 2000).

Some degree of large-scale production is seen as essential to development and diversification. The Ministry of Agriculture and Rural Development (MARD) has designated areas for large scale production; especially areas that are growing rice for export, areas that supply materials for sugar producing plants, fruit processing plants, areas for forestation and for aquatic product breeding. In some provinces there are specific policy objectives to restructure agricultural production and encourage the development of larger, commercial farms growing short and long-term industrial crops such as sugarcane, cashew and coffee. For example, Decision No. 14/1998 QD-TTg (1998, p. 6) for development of the agricultural sector in south-central Vietnam states among its objectives:

> *"To strive to maintain the growth rate on the basis of strongly restructuring the agricultural production along the direction of intensive farming and crop multiplication to produce large quantities of commodity products, … in combination with acreage expansion in order to step by step achieve the objective of food security and contribute to the export (sic):"*

Additionally, policies have been enacted to encourage the development of so-called 'new-style cooperatives'. Cooperatives in Vietnam have undergone a dramatic change since *doi moi*, but are still hampered (particularly in the South) by the perception that "cooperatives" mean collectivised farming (Kirsch, 1997). Cooperatives now play a role (encouraged by the new Cooperative Law effective from 1997) in supporting their members with supply and marketing services as well as coordinating production, and providing additional community activities.

Most of the enforced agricultural production cooperatives, although generally no longer operational, still exist 'on paper' and are supposed to be transformed into 'new-style' service cooperatives in line with the new Cooperative Law. However, many of the successfully operating 'new-style' cooperatives have not yet changed their structure to become voluntary cooperatives with members contributing shares. As the cooperative structure evolves, it is possible that these may mimic 'larger farms' to some extent by coordinating production, and providing mechanisation and management.

## 5. Policy issues

### 5.1 The rate of economic reform/land reform

Despite Vietnam's relatively strong economic performance since the *doi moi* reforms, it was considered in the late 1990s that the pace of reform had 'slackened' and needed to be 're-invigorated' (The World Bank in Vietnam, 1998). Although Vietnam stepped up its policy reform agenda during 2001, tension within the country over the scope and pace of economic reform is well documented. The Economic and Social Commission for Asia and the Pacific (1998, p. 109) notes that:

> *" … the attempt to create a socialist market economy remains strained by conflicting efforts to maintain government control of the economy and to achieve equity objectives and the desire to let market forces increase efficiency."*

The East Asia Analytical Unit (1997, p. 69) also notes the "internal contradiction" associated with the notion of a "controlled free market economy" and suggests that reforms such as land ownership, "while unlikely to be reversed, will probably not move rapidly ahead". This is readily seen in changes to the Land Law effective as of 1st October 2001. Major reforms were not forthcoming and Bui Xuan Son, General Director of Land Administration, was quoted as saying that more time is needed to consider other more comprehensive changes to the Land Law "because many new problems (are) related to social and political stability, as well as major orientations of the Party and the State" (*Vietnam News*, 2001b).

Vietnamese often talk of the need for changes to be made 'step-by-step' (for example, Resolution No. 03/2000/NQ-CP, 2000). Land policy in Vietnam is a politically sensitive and complicated issue. There are social, historical and cultural perspectives that impinge on the economics of land policy (see Kerkvliet, 1995, 1997, 2000). For example, within policy circles there is disagreement about the desirability of accumulation of land and policies to encourage larger 'family farms'. However, there is evidence, as outlined in Section 3.4, that pressure is coming from society to allow accumulation of land, and changes in land use.

There is also debate regarding to what extent there should be an unrestricted land market, which is essentially a debate about the desired relationship between property rights and land use rights, as discussed briefly in Section 2.3. As land use rights become longer, and can be implemented with fewer restrictions, they become more like the western concept of 'private' land ownership. The likelihood of a slow pace of reform sits in contrast to the general western consensus that constraints on development of a land market imposed by the current Land Law, as well as restrictive credit, tax and trade policies that impact on the agricultural sector, need to be addressed (The World Bank in Vietnam, 1998; United Nations, 1999; AusAID, 2001). These issues are made more pressing by requirements to implement reforms being put on Vietnam as the country gets ready for admission into the AFTA in 2003, and seeks entry into WTO.

There are undoubtedly still difficulties associated with land transfer, especially with regard to restrictions on when transfers can officially occur and on the transparency of procedures. Evidence of 'unofficial' transfers suggests that, in practice, villagers find ways around restrictions and bureaucracy, but informal land transactions raise other difficulties such as an increased likelihood of disputes and opportunities for corruption and tax avoidance. Sales and exchanges of land use rights are taxed, and given that fragmentation of agricultural land is a problem, such taxes do not encourage land amalgamation. Additionally, there are issues with the value of use rights when used as collateral, as the value is based on the rental payment and not the actual market value, and restrictions on the rights of creditors over use rights when loan repayments are in default (The World Bank in Vietnam, 1998; Hicken, 2001; *Vietnam Economic Times*, 2001).

Despite these difficulties there is now evidence that more formal markets for agricultural land are emerging. *Vietnam News* (2002b) report that the Farm Service Company based in Ho Chi Minh City registered more than 1,000 hectares for farming rights transfer in its first four trading sessions. However, it is noted that almost two-thirds of the farmers in attendance at the trading sessions were looking for partners to help them exploit their land more effectively, rather than buying or selling land use rights.

### 5.2 Land reforms on their own will not be sufficient for rural development

Land reform, although considered essential for rural development in developing countries, is not sufficient in itself (for example: de Janvry, 1984; Binswanger *et al.*, 1993). In their review of the literature, Melmet-Sanjak and Lastarria-Cornhiel (1998, pp. 6-7) state that

> *"It is clear to us that around the rural areas of the globe, access to food is determined at least partly by a person's access to various types of capital (e.g. land, physical non-land, human and financial). … access to various types of capital is pivotal in determining household income strategies and, therefore, in determining the likely change in household behaviours and well-being when faced with macropolicy changes."*

The World Bank in Vietnam (1998) identified four key ingredients for rural development in Vietnam including: getting a market in land use rights working, making reforms to the credit system, investment in rural infrastructure such as irrigation and transport, and investment in human resources such as health care and education. Additionally, restrictive trade practices and preferential treatment for State Owned Enterprises and various commodity production programs in terms of land, taxation and credit impede the development of the private sector. These issues are not developed in this paper, but are an essential component of the policy debate in Vietnam, and irrevocably linked with the response of households to land policy initiatives.

### 5.3 The need to increase productivity

The need to increase agricultural productivity (and hence farm income) is central to the debate on rural development in Vietnam. How does land policy relate to increased agricultural productivity? In this paper we have discussed land policy reforms and alluded to other reforms in tax, credit, infrastructure, etc. that are considered essential to rural development. Section 2.3 briefly considered the powerful influence of government policy and ideology on land use.

Agricultural productivity can be thought of in terms of both land and labour productivity. Small farm sizes linked to the high proportion of the population involved in agriculture means that labour productivity is low, indicating a potential for productivity growth as labour moves out of agriculture. Undoubtedly farm size puts a limit on farm earnings. The World Bank in Vietnam (1998, p. 11) gives an example to illustrate:

> *"A rice-farming household that has an average size farm of 1.2 hectare and obtains an average yield of 6.1 tons per hectare will earn an average yield of approximately VND 6.6 million (US $470), assuming a 50% gross margin. Those with smaller farms and lower than average yields would be significantly worse off."*

In reality, many farms are smaller than 1.2 hectares and the world price of rice has fallen considerably since this calculation would have been made. To some degree, small farms can be viewed as poverty traps. The World Bank in Vietnam (2000) notes that households who are unable to make a living from the land find few opportunities for stable income generation off the farm and suggests there is an urgent need for reforms which will stimulate greater off-farm employment. Increased off-farm income could potentially alleviate low incomes caused by small farm size.

Whether larger farm size will increase land productivity is not so clear. There is a considerable literature that indicates that productivity is higher on small farms than larger ones (Berry and Cline, 1979; cited in Binswanger and Elgin, 1998), although some of this work has been critiqued for not taking account of differences in land quality. Recent work by Wan and Cheng (2001) using household survey data from rural China indicate that economies of scale from land consolidation appear too small to suggest that radical land policy changes are needed. A study conducted by Yamazaki and Thanh (1998) in the Mekong delta indicated that the labour productivity of large farmers was higher than small farmers, but land productivity did not depend on farm size.

However, it is likely that more efficient use of lumpy inputs such as draft animals, machinery and management would result in initial economies of scale for larger farm holdings. Binswanger and Elgin (1998) argue that many of these efficiencies can be gained through the rental market, and the development of co-operation groups and 'new style' cooperatives in Vietnam could potentially mimic the efficient rental of lumpy resources. However, certain industrial crops such as sugar, and livestock industries such as dairy production, are likely to have economies of scale in production and marketing that would favour larger farms.

Lack of land use flexibility is still an issue, particularly with regards to paddy land (wet rice land). Both land and labour productivity are hindered by lack of land use flexibility. The government's position on rice policy and other commodity production programs (for example: sugar, cotton) will continue to affect the flexibility of land use, and hence the potential of farmers to diversify their agricultural enterprises in response to market signals. Government expenditure on infrastructure such as roads and irrigation also affects land use flexibility. For example, priority given to large-scale irrigation facilities for paddy production at the expense of small-scale, on-farm facilities effectively prevents small farmers from diversifying into higher value crops (United Nations, 1999). The example for rice-shrimp production in this paper illustrates this point.

Furthermore, risk plays a role in restricting the land use choice of poor households. Poor household's livelihoods are extremely vulnerable to both household-specific (for example, illness) and community-wide shocks. For subsistence farmers, the risk of failure associated with on-farm investments or new enterprises can deter them from expanding their economic base or changing

their farming activities in such a way to improve their resilience to shocks. When marketing institutions and infrastructure such as transport are not well developed, a shift to non-food crops can make small farmers particularly vulnerable. Khiem *et al.* (1999) show that both land and labour productivity were higher in areas with better market access.

### 5.4 Growth with equity

The promotion of 'growth with equity' is a principle that is fundamental to the development path Vietnam has chosen to follow. The debate over the desirable extent of land reforms is linked to both this ideological stance and poverty issues. After the revolution land was given to every farmer, but now there are indications that land will concentrate to fewer people and some will become landless.

In this paper, limited evidence has been presented that land consolidation and accumulation is occurring. Unless accompanied by off-farm opportunities, problems of equity become an issue for those displaced. The government is concerned about this, but the alternative of many small household farms is linked to poverty. There are reports of a growing number of land conflicts in rural areas (*Far Eastern Economic Review*, 2001). Yamazaki and Thanh (1998: p. 118) say that "it is thought necessary to prevent the differentiation of peasants in the Mekong Delta in order to avoid an intensification of the social tension in this rural area". In some provinces in the south land has actually been given back to landless farmers, but in some cases they have transferred their land use rights again for the money (Anh, 2000).

As discussed earlier, there is international evidence indicating that small farmers are unable to increase their farm size even in perfectly functioning land markets. More substantial land rights can actually disadvantage small farmers. Carter (1994; cited in Melmet-Sanjak and Lastarria-Cornhiel, 1998) say that if land can be used as collateral it leads to real risks of foreclosure and land loss, especially for smaller farmers unprotected by adequate insurance markets. Furthermore, Melmet-Sanjak and Lastarria-Cornhiel (1998) suggest that land titling may increase risks and transactions costs for small landholders who formally depended on customary tenure mechanisms. Problems with the allocation of forest land in Vietnam is possibly related to these problems.

The World Bank in Vietnam (2000) reports that there has been a modest increase in inequality, largely due to the widening of rural-urban gaps, with some increase in inequality between the 7 regions of Vietnam. However, inequality within rural areas has actually declined. They conclude that while concern has been raised that the policy reforms initiated in agriculture would lead to rising inequalities, there is no evidence to indicate that this is the case. This however seems at odds with their expressed anxiety about the growth of landlessness in some districts, and its links with poverty.

## 6. Conclusion

In this paper an overview of recent land reforms in Vietnam has been provided, and evidence suggesting that land consolidation and accumulation and changes in land use are occurring in response to these reforms has been reviewed. A land market exists, especially for leasing land, but recorded transfers of land still appear to be minimal. A gradual change in land use from food production to commercial crops is also occurring. Both land accumulation and land use changes are however still restricted by government policy.

Land policies that affect the ability of farm households to move from subsistence farming to commercial production include policies related to the size of land holdings and the exchange of land use rights (through either leasing or transfer), and policies related to land use and land tenure. Uncertainty of tenure affects investment in agriculture.

Challenges facing Vietnamese agriculture that are influenced by land policy include:

- The need to increase capacity for commercial farm production through both land consolidation and land accumulation.
- Managing the freeing-up of labour in agricultural areas that will result from land consolidation and accumulation, and increasing opportunity costs for labour as the non-rural sector develops.
- Maintaining livelihoods in subsistence households given small farm size, fluctuating prices for crops being sold on world markets, and increasing input prices.
- The need to allow flexibility of land use (at the moment constrained by policy) to allow farmers to respond to market signals.

Land policies will affect land consolidation and accumulation, and this in turn will influence land use choice and technology choice. In reality, farm size, land use choice and technology choice are closely interrelated and all affect land productivity. Although there is considerable pressure for further land reform in Vietnam, there are opposing ideological and practical concerns, combined with the ability to implement reforms at the local level, which are moderating and slowing further reform.

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