AGRICULTURE SECTOR OF VIETNAM
POLICIES AND PERFORMANCE

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Agriculture Sector of Vietnam Policies and Performance
After a decade since national unification in 1976, the Vietnam’s economy passed through a number of crises provoked by over-ambitious central planning, large reductions in external aid and an unstable external environment (notably the outbreak of war with Democratic Kampuchea and with China). In such a context the process of transition to a market economy began in the late 1970s with central recognition that local experimentation with market-style reforms was useful in overcoming chronic, and sometimes acute, supply shortages. Between 1979 and 1986 the government responded hesitantly, legalizing some reforms, but at the same time attempting to restrict their scope and maintain key elements of central planning.

Gradual marketization during the 1980s was largely successful in generating growth in output. At the same time, however, a two-tier price system had developed in the context of goods scarcity that aggravated inflationary pressures. Goods were increasingly diverted from fixed-price central planning channels to the free market where they could be traded at higher prices. Repeated attempts to equalize planned and market prices proved fruitless as the process of issuing new official prices continually lagged behind the rise in market prices. As early as 1984 Vietnam was beginning to experience hyperinflation. Amid these tumultuous economic conditions, the Vietnamese Communist Party responded by declaring the need for comprehensive reform, known as Doi Moi (Renovation). The 6th Party Congress in 1986 laid down the basis for a series of policy changes that were implemented in succeeding years, abolishing central planning and resulting in the market economy that Vietnam has today.

While the period of Doi Moi has generally witnessed remarkable success, its early stages were beset by difficulties. The Soviet Union – Vietnam’s previously reliable aid donor – had begun its own process of economic and political transformation which was to lead to the eventual termination of aid in 1991. Other hitherto important trading partners and sources of technical assistance in Eastern Europe underwent similar upheavals. The United States continued its embargo on trade until 1994 and other Western aid was not resumed until 1992. Moreover, the changes took place in a context of major macroeconomic imbalances – the balance of trade and the state budget were in deficit, inflation did not wholly abate until the 1992 and the early restructuring of industry produced a sharp increase in unemployment. 2

The agricultural sector was better positioned than industry to absorb many of these shocks – largely because it relied less heavily on imported inputs and government subsidies. The progressive dismantling of central planning during the 1980s also gave it an early advantage. Some of the major rice-producing provinces had effectively abolished the official price system for agricultural goods as early as the late 1970s and, while urban populations suffered severely from inflation during the 1980s, farmers were somewhat insulated by their ability to retain produce for own-consumption. Nevertheless the overall macro-environment tended to restrict output growth, especially during the mid-1980s when rapid inflation in input prices led to stagnation in output growth. After 1988, however, when collective farming was effectively abolished and prices began to stabilize, agricultural output growth has been strongly sustained.

The last three decades marked some of the key changes, some important features are nevertheless brought out.

- First, the growth rate of agricultural output demonstrates the very positive recovery from the crises of the late 1970s induced by the earliest stage of reform during 1979-81. The high growth rates of the early 1980s were followed by a relative stagnation. Per capita cereal production fell slightly, until 1989 when the next round of reforms kicked in.
- Second, the data show how the high GDP growth of 1990-2004 has dramatically reduced agriculture’s share of GDP. However, this did not lead to a substantial reduction in agricultural employment until after 2000. Indeed during the initial stages of Doi Moi, the share of agricultural employment actually rose as the agriculture sector absorbed many of the initial impacts of reform.
- Third, the data on exports show the turnaround from food import dependence to food exports. Here, the figure for 1985-89 hides the large net food imports during 1985-88 offset by the large export figure for 1989. At the national level, food security has been achieved since 1989.

2 Budget deficits during the 1980s ranged from 25 to 45% of expenditure; export coverage of imports improved dramatically, however, during the early reforms before the deficit widened again in the late 1980s. Inflation peaked at 775% p.a. in 1986.
Prior to the renovation period

Before doi moi 1986 agricultural cooperatives solely dominated production activities in rural areas. Cooperatives provided raw material inputs, transferred technology and had the right to buy all output produced by farmers. During that time, there was no free market existed and farmers could not sell outputs to get cash income. In 1980, there were 110878 cooperatives in the North, covering 96.9% of the total farmers and for the whole country this number was 126.056 covering 65.6% farmers. It is realized that, agricultural cooperatives had played a vital role in developing infrastructure in rural areas, reclaiming and rehabilitating land area. However, the collective model failed to stimulate the incentive of laborers that lead to the stagnation of agricultural production. While those cooperatives managed and used 95 percent of cultivated land, it could not provide 50% of income for their member after fulfillment of obligations and contributions to the State.

Due to the poor performance of agricultural production, economic targets in second five-year plan (1976-1980) by the IVth National Party Congress had not been reached. In 1976, the first year of peace, economic growth rate was very high, 16.8%. However, this rate was not maintained in the following years and reduced to only 2.9% in 1980. Industrial production growth was only 0.6% per year. Agricultural production grew at a modest rate, nearly 1.9 percent per year. Aqua-product fell down with total salt-water fish output of 607,000 tones in 1976 reduced to 389,000 tones in 1980. Exports only valued 20-25% of total imports. The state budget was always at deficit situation. Many plans were not fulfilled forced the State to issue more money to cover expenditures. Consequently, the inflation geared up to over 20% per year.

In 1980, the food production obtained only 13.4 million tones against the estimated output of 21 million tones. With over 2.17%/year of total population growth and stagnation in food production, Vietnam had to import on average 500,000 tones of food annually. In 1980, imports of food reached to the highest level in the history, about 1.6 million tones. Farmers were not interested in production. They left their paddy fields unplugged and uncultivated. Many cooperatives in the South were existed in the name only while those in the North allocated land to cooperative members for rent or illegal contract.

The initial renovation period 1981-1985, fence breaking

Amid serious problems in the society during the later 1970s, the Vth National Party Congress in 1981 adjusted many detailed targets of economy and development strategy in five-year plan 1981-1986 compared to of five-year plan 1976-1980. It emphasized that the main objective was to the expand production of consumer goods, exports and food, especially; priorities were given to agricultural development.

Having drawn lessons from experience in Hai Phong and witnessed the spreading tendency of "illegal contract", the Central Communist Party issued the Directive 100 CT/TW dated 13 January 1981 in improvement and expansion of contract system targeted at labor groups of agricultural cooperatives, making great change in economic thoughts, a starting signal for the renovation of agricultural sector and later for the entire economy.

On 22 February 1985, the Ministerial Council (later the Government) issued two important resolutions on: (1) improving management in state-owned Farms and (2) improving management in State-owned Forest Farms. However, renewal ideas presented in these Resolutions was not quickly implemented in reality.

The Directive 100 regulated the method to improve management and distribution mechanism of cooperatives basing on "labor productivity" and open to the thought on "issuance of land use rights" even in case of short-term allocation to production units. This encouraged farmers to invest in paddy cultivation.

Based on agricultural initiatives, the same reform was also proceeded in the industrial sector. The Decision 25/CP of January 1981 was issued in order to create opportunities for the freedom in production and business activities and the
self-financing capability of State-owned enterprises (SOEs). A famous example was the "three-plan regime": (i) Part A of the plan was decided by the State in accordance, the State fixed inputs, outputs and prices; (ii) Part B was conducted by the SOEs and sold at agreed prices and (iii) Part C was taken full advantage of their capacities and improve their incomes.

After enforcing the Directive 100, household economy developed strongly combined with excited movement of "three plans" that led to conflict between the flexibility of SOEs and the fixed plan of the State. Therefore, since 1982, the State allowed non-State enterprises to conduct business activities in some cases and/or some commodities. The experiment in Long An province and other provinces created two kinds of markets existed pararelly that were "free market" and "organized market". Policies to control prices such as exchange rate and interest rate of credit loans was reduced. However, the strict control over price and trade in domestic market was generally still alive until 1984. The State did not give up a monopoly power in trading essential commodities while SOEs and cooperatives still played a vital role.

In 1985, a large difference between fixed prices and free-market prices hasn't created incentives for producers. The State reduced its intervention in markets for agricultural products and materials. It also adjusted planning indicators and contract prices. The State also abolished the obligation to sell out pork and beer with fixed price and permitted to procure such types of meat from local people under 2 methods: namely under two-way economic contracts with fixed price or with economic contract with agreed price. The modifications helped to narrow the gap between the government prices and free market prices.

During this time, institutional and policy changes in production, circulation, exchange rate and interest rate contributed to making the entire economy more dynamic. The economic growth highly grew up, on average 6.4%/year. The industrial sector increased by 9.5% annually. The agricultural sector still grew by 4.9%/year. Food production gained 18.2 million tons in 1985, the 1st year since Vietnam regained its sovereign and become a self-sufficient country despite being still weak.

In the period 1981 – 1985, though the share of investment and supply of agricultural materials by State were only 58% and 41.6% compared to the period 1976 – 1980, rice output increased by 27%, stabilising rural areas and the entire society as well. Between 1976 and 1980, the whole country used to import 5.6 million tons of food. However, this figure was only 1 million ton for the period 1981 - 1985.

However, this achievement was not sustainable due to the problem of fragmentation in investment. As a consequence, over-expenses with 25%- 45% higher than revenue budget was to blame for deficit budget. Vietnam confronted an embargo on economic and international aids. Total trade value was at very low level, about USD1.7 billion a year. The State had no choice and it had to issue more money to cover expenditures. Consequently, inflation rose rapidly, on average, 300%/year. In June 1985, the 6th Central Party Conference, number V decided to launch a money-exchange campaign all over the country with aims to control the inflation. However, the solution "price – salary – money" deteriorated the situation. The inflation rose up to an uncontrollable 774.7% in 1986. The net income of majority of public employees plummeted seriously. The quality of people’s life was poor and on the gradual decrease. In 1984, about 75% of the entire population suffered from poverty. Food shortage became permanent issue.

**The official renovation period (1986-1989) overcoming poverty**

It was the difficult time in shifting from the collective economy into household economy, ensuring food security and overcoming poverty.

In the late 80s, serious problems affecting the macro economy such as high budget deficit and hyper inflation. In the early 80, most of fertilizer and inputs were sold at fixed price by the State. Due to supply shortag of materials from the Government and cooperatives, farmers had to purchase materials in free markets with high prices whilst they were asked to raise their contract output.

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12 The Vth Party Congress, 1983
13 Resolution 190/HDBT dated 27 June 1985 by the Ministerial Council
14 Resolution 4/HDBT dated 8 January 1985 by Ministerial Council
15 Le Mau Han, 2000, page 96
16 Bich, N.V and Quang C.T, 1996
17 Bui Tat Thang, 2000, page 22
18 Bui Tat Thang, 2000, page 22
In 1987, farmers in many areas received only 20% or less in total output produced. Many of them did not obtain adequate output to pay duty for cooperatives. The incentives to produce was lost, resulting in lower agricultural production for the period 1985 – 1987. A number of households give back a part of their paddy field to the cooperative in order to concentrate in intensive cultivation for the purpose of higher productivity and benefits.

In the context of economic crisis, the VIth Communist Party Congress in 1986 realized that the centralized management mechanism was not only fail to create development incentives but deteriorate the entire economy; curb production, productivity and product quality; and push the circulation into tumults. The agriculture had not yet been considered as a top priority. The Congress emphasized that the main task of socio-economic construction and development under the 4th 5-year workplan (1986 - 1990) was not to further enhance investment as before but to renovate economic management institutions and policies.

In 1987, farmers in some certain areas used to be able to enjoy only 10-20% of their production. Under the Resolution 10, they were able to benefit 40-50% of their production. Once farmers feel satisfied with benefits from their production, they will be willing to further invest their labour force, money and intellect in their paddy cultivation, obtaining higher output.

The reality showed that state sector could not solve the problem by itself. It needed the dynamism of the private sector. The Congress officially recognized the existence and the role of multi-sectoral economic structure in Vietnam. The Vietnam’s government encouraged development of the private sector, firstly in agricultural sector, wholesale and retail, then followed by industrial sector and services. Besides, it was planned to shrink investment sources in heavy industries and control the role of State-owned enterprises. For 3 years 1986, 1987 and 1988, Vietnam has implemented institutional and policy changes to make a transition from planning toward market system.

Resolution 10 NQ/TW dated 5 April 1988 by the Politburo (6th Session) on renovation on agricultural management meet urgent needs of agricultural development. This was seen as a prerequisites condition contributing to create fundamental and in-depth changes for agriculture and rural development in Vietnam.

The new policies under Resolution 10 NQ/TW have created further empowerment for farmers to manage main production materials and their products, to take initiative in implementing production proceedings and thereby have big opportunity to get benefits from their production. In fact, this was a new step to adjust the production relation: the management was transferred from cooperatives and production teams into farm households, at the same time the relation between production materials management and product distribution was initially changed. Households were entitled to manage land and main production materials and directly involved in the product distribution. Vietnam also stopped the food procurement with low price and started to apply market price mechanism. It reduced the State's inefficient prevention, increase the self-control of various economic components to attain their objective of economic benefits in the agriculture sector.

The implementation of the Resolution by the VIth Communist Party Congress on “abolishment of the State’s subsidy mechanism for agro-forest state enterprises...and adjustment of the scope of agro-forest state enterprises have positive impacts on infrastructure, technical qualifications and management skills. The land area available, as a result of the above-mentioned adjustment, was planned to be returned to local authorities, and then allocated to cooperatives, households, individuals or private sector for business”. The Ministerial Council promulgated the Decision 76/HDBT dated 26 June 1986 issuing provisional legal documents to ensure the autonomy of business in economic units at the grassroots level. In the period of 1986-1990, renovation on agro- forest state enterprises paid attention to: tightening management regime and giving self-control to their internal enterprises.

The Resolution 10 suggested higher investment budget for agricultural sector, but the real investment was contracted. Nevertheless, spiritual and physical incentives and internal force of farmers were mobilized, production was quickly expanded. Farmers have took initiative in adopting and exploiting existing technical advances and infrastructure in order to improve labor productivity.

However, in general, key changes in institutions and policies for 3 years 1986, 1987 and 1988 mainly focused on the fields of production, circulation and distributions that were of experiment, partial and temporally inconsistent. Therefore,
this failed to free the economy out of crises. High inflation continued occurring 223.1% in 1987 and 393.8% in 1988. In 1988, aids from So Viet Union was cut down, leading to the lack of production materials in State-owned enterprises. Besides, unfavourable weather conditions caused bad harvests in 1987. And food production was down to nearly 1 million tons against 1986. Vietnam was in serious shortage of food. It had to borrow 800,000 tons of food and imported 322.5 thousand tons of rice. In 1988, the country continued importing 199.5 thousand tons. In 1988, around 9.3 million people in 21 northern provinces suffered from poverty, occupying up to 39.7% of farming households, of which 3.6 million people faced up extreme poverty.

Export-driven and extensive commodity development period (1989-1999)

It is the period when agricultural production changed from household economy to a broadly commodity and export-driven economy (increased raw exports, developed farm economy and strived for being well-off).

In 1989, a financial reform was conducted. The banking system was changed into 2 levels. The central bank enforced currency policies while commercial banks were entrusted to be self-financing. Foreign banks were permitted to operate in Vietnam. The exchange rate/interest rate was floated but still controlled. The State also imposed revenue and income taxes on banking operations in a multi-sectoral economy.

With respects to circulation, the Government revoked the policy strictly controlling trading in domestic market, implemented commercial liberalization, except for petroleum and gasoline, electricity and transport fees. Vietnam also tried to set up an integrated domestic market. It abolished the monopoly power of enterprises under control of Foreign Trade Ministry, allowing SOEs to import. The State reduced its control on export and import activities via quotas applicable to 12 main commodities.

In 1989, Vietnam started to carry out the SOE reform keeping key SOEs and gradually equitizing inefficient SOEs. In 1990, the National Assembly promulgated the Corporation Law. The apparatus of the State was re-organized by means of reducing 20-30% of the total payroll.

Renovation policy on commerce, market and finance management created more new incentives for agricultural reform. Naturally, the policy system enabled natural resources to be more efficiently distributed and utilized under the market mechanism. Furthermore, the commercial relations between agriculture and other sectors become more fair.

A reasonable result of policies happened. The Resolution 10 promulgated in 1998 encouraging production expansion. Then, paddy rice was freely circulated and exported, narrowing the gap between international and domestic prices. Domestic price of agricultural products was increased by higher international prices. Prices of material imports decreased whilst benefits of farmers increased. The adjusted exchange rate promoted exports. Farmers had got benefits by taking initiative in production management and enabled to enjoy more benefits. Thereby, the effectiveness of the contract policy increased dramatically.

In 1989, the food production jumped up to over 21 million tons, average per capital food consumption returned to the level above 300kg/person for the period 1955 – 1958. The year 1989 was the first year when Vietnam resumed its rice export with the volume of 1.4 million tons. From that year, Vietnam increased additional 1 million tons of its export turnover every year. The export volume of the following year was higher than that of the previous year.

For 3 years, 1988 – 1991, the total area of paddy cultivation of the country increased by 10.06%, from 5,726,400 ha to 6,302,700 ha; the rice yield was up from 17 million tons to more than 19.6 million tons. Compared to 1976, the rice output in 1991 geared 1.5 times (65.9%).

Once more time, there was a new opportunity. At that time, with soared growth of agricultural production due to long-lasting restrained internal force and expanding domestic and oversea markets, if having reasonable policy, farmers could have created themselves accumulation for reproduction that led to changing towards diversification and cash crops, overcoming barriers and improving jobs and incomes in populous areas. However, because of poor investment in agriculture combined with unequal terms of trade in the 1990s led to the circumstance that farmers could not accumulate enough capital resources to develop non-farm activities in the rural areas.

During this time, there was a generally consensus that Vietnam’s agricultural production had moved to a new position, it faced new opportunities and challenges as well. Farmer households were entitled to utilized natural resources and
production materials in the context of commercial liberalization, bringing the agricultural sector into a commodity development period in an attempt to meet demands of both domestic and export markets.

Changing from self-sufficiency to commodity production, agriculture and rural economy faced up poor competitiveness of agro-products and poor infrastructure and absence of effective cooperative system...Poor investment in the agriculture sector resulted in slowly-improved production structure and poor services; unclarified obligations to manage natural resources resulted in inefficient SOEs and farmers' low income..

The VIIth Communist Part Congress in June 1991 clarified “The most important task was to develop agro-forestry, fisheries closely relating to processing industry and a comprehensive development of the rural economy and new rural areas is a major target to stabilize socio-economic conditions"10. The documents issued by the Party Congress set out concepts “industrialization, modernization of the agricultural sector ans the rural economy”24. By the end of period 1991-1995, it noted that Vietnam has implemented to change its economic structure orientation toward industrialization and modernization in agriculture and rural development.

In order to continue supporting various economic stakeholders, the Executive Board of the Central Coommunist (Session 7) promulgated the Resolution 5 on “further renovation and rural economy development” aiming to abandon paddy monoculture, hand over the ownership of production materials and long-term land use rights to households; expand labor markets for farmer households, confirm roles/positions of economic components under the market mechanism administrated by the State and provide more natural resources capital and scientific knowledge of agricultural production.

At the same year, the Land law was issued to confirm long-term land use rights for farmers, satisfying farmers’ aspirations. Households were allocated land for use from 20 to 50 years depending on types of land. Households are granted land use rights certificate (red book) in a long-term. In addition, farmer households have 5 rights: to inherit, to transfer, to converse, to lend and to use land use rights certificate as a mortgage for loans

In 1993, the Government promulgated a series of legal documents to implement the Party’s advocates: The Decree 13/CP dated 2 march 1993 on agricultural extension stipulated on establishment and development of agricultural extension to transfer technology to farmers. The Decree 14/CP dated 2 March 1993 allowed households to borrow loans in order to develop agro-forestry, fisheries and rural economy. The State Bank started to directly extend loans to farm households for production. The Decree 12/CP regulates on structural re-organization and management renovation on agricultural SOEs, contract for paddy fields, tree gardens and animals for member households on State farms, and fixed amount of revenue, output... for processing activities.

In 1993, agricultural tax was reduced by 50%. The Law on land use tax was promulgated to replace agriculture tax, helping farmers to reduce their 30% of their contribution. In 1996, the cooperatives law approved by the National Assembly clarified the role of service-based cooperatives specialized in serving household economy.

The VIIIth Congress in 1996 set out a task of agricultural and rural industrialization and modernization. The main objective is to set up a comprehensive development of agro-forestry and fisheries; establishment of specialized areas with appropriate crop structure and animals with high quality and efficiency; ensuring food security in the society in combination with processing industry of agro-marine products.

The Cooperatives Law dated 20 March 1996 by the National Assembly created a legal framework for operation of cooperatives. In 1999, the Prime Minister promulgated the Decision 187 on State Forestry Enterprise (SFE) reform. Once more time, the issued of SFE reform was raised again with 3 orientations as follows: forest business unit (mainly forests); forest management unit (under operation of non-business and self-financing units); and others such as service factory, procuring agro-forestry product stations...

2000 marked a remarkable progress in creating favorable environment and conditions for companies. After enforcing the Enterprise Law, Vietnam issued many important legal documents such as Decree on business registration, guide to some articles of the Enterprise Law or Decision on remove 145 kinds of licenses limited business performance. The Land Code was adjusted in 2001. Trading rice and fertilizer was liberalized with participant of all economic sectors. Enterprise reform was promoted. Thanks to these policies, foreign direct investment increased steadily. Total FDI made up 13% of GDP higher than 25.3% of industrial production and over 22% of trade balance with over 360.000 labourers25.

25 Statistics from Ministry of Plan and Investment
This suitable policy continued making great changes. Budget investment for agriculture increased rapidly. In 1995, the State invested in agriculture 3,495 billion dongs; 3,712 billion dongs in 1997 and this number increased to 4,591 billion dongs in 1998. Total budget for rural agriculture in 2000 was up to a very high record, accounting for 25% of total State investment. Credit for agriculture, especially for households also rose sharply. In 1995, total farmer loan from credit fund was 396.1 billion dongs, it increased to 1,311 billion dongs and 1,619 billion dongs in 1997 and 1998, respectively. Veterinary and plant protection system were reformed under new mechanism. By 2000, there were 70% of agricultural cooperatives were transferred following the law. In 2000, this number was 5,692 agricultural cooperatives, in which 58% were provided business licenses. The Decision 01 and 02 were issued to allow widely application of contract mechanism in state farm. Trade policies were more liberalized. License, quota, export right mechanism were loosened and replaced by other tools which were more suitable for international integration, particularly in case of rice and fertilizer. The Program 327 was implemented for forestation and job generation for people in mountainous areas.

Those above policies contributed to a stable growth of agriculture production, with average rate at 4 – 5% per year, industrial commodities were developed; food security was ensured; rice, coffee, cashew, pepper, rubber, tea became important export commodities. Farmer income increased considerably, poverty rate reduced averagely at 2% per year. Successes in agricultural production contributed strongly to the sustainability of the whole economy. Inflation was under control, macro financial policy was stable.

Rural economic structure changed slowly, science research and technology application capacity were weak which reduced livestock and crop productivity, competitive ability of forestry and agro-products was weak, people livelihood in remote and mountainous areas was very difficult as well... One of reasons is strong debate among many party members in terms of reforms, especially for sensitive issue such as role of economic sectors and land use management. For this reason, in order to enhance reform process in agriculture, in November 10th 1998, Politburo issued Decision 06 to confirm the permanent indispensable exist of multi-sector economy, pointed out the important role of economic sectors particularly households economy. Moreover, the Decision stressed the importance of investment in agricultural science technology, extended land use right and developed agro-product market. In 1999, 10.4 million farmer households, making up 88.55% of total households and 81.8% of agricultural area received land use license.

Implementing the Decision 06, investment in agriculture in 1999 increased by nearly 90% and it continued in 2000. The Government filled some supplementary articles of Land Law 1993 which gave people two rights: hire land and contribute land as joint-venture capital. To improve development of multi-sector economy, the Government issued Decision 03 on farm economy, Decree 187 on management reform State-owned farm and Decree 661 on forestry, approve and implement fishery program. In 2000, the Government issued Decision 09 on detail instruction of necessary contents to raise competition for agro-product and expand market.

In order to complete the legal framework for the economy, the Government continued building and issuing some important legal documents, such as Budget Law, Law of credit organizations, Enterprise Law, Commerce Law which created favorable conditions for every economic sectors to invest in production development, exploit the potential of the economy.

Owing to good momentum of reform policy, decade 90 marked an important period that was the agriculture sector changed from self-sufficiency to commodity and commercial production. During ten years from 1989 to 1999, agricultural production’s growth was 4.3%/year; fishery production’s growth was at 5%/year. Agriculture developed strongly. Productivity of many kinds of tree and animal increased, in which rice yield increased by 33%, coffee yield increased by 6-7 times, rubber double increased and pigs increased by 27%... National food security was ensured. From an average export of 600,000 – 1,000,000 tones of rice, Vietnam exported 1.4 million tones of rice in 1989 and it has become one of leading rice exporter in the world market. Total food output (paddy equivalent) was 35.64 million tones in 2000.

Agriculture has moved to the tendency of commodity-orientation. Specialized commodity regions were set up like rice in the Mekong Delta and Red River Delta; coffee in the Central Highland and Southeast region; tea in the mountainous and northern midland; rubber in the Southeast region, Mekong Delta and some northern provinces; vegetable in Lam Dong and provinces in the Red River Delta; sugarcane in the Central coast, old 4 region and South region... Many commodities export at very high rate such as coffee at 95%, cashew (100%), rubber (80-85%), pepper (90%), and tea (50%). Commodity rate in agriculture in 1999 was over 40%. Export value of agriculture, forestry and aquaculture accounted for 38 – 40% of total annual export value.

26 Dong is Vietnamese currency.
In aquaculture, role of people fishery was soon identified. From 1981, aquaculture transferred business production to market mechanism, it implemented self-balance which combined shore and off-shore fishing with aquaculture production and it made great progresses in aquaculture economic structure and agricultural economy in coastal regions. Aquaculture economy including producing and fishing gained relative high growth rate. The Vietnamese aquaculture applied successfully quality management program under developing countries’ standard. Export aqua-products of Vietnam were trusted in foreign markets as Japan, EU and the United States... Export value rose from $205 million in 1989 to $971 million in 1999 and $1.4 billion in 2000.

In forestry sector, the most important change is a transformation in managing mechanism from state to society; allocating forest and land forest to household management, connecting responsibility of forest resources guards, managers to benefit from forest; encouraging development of bio-diversification (plant forest, regenerate forest, combine with agricultural production, etc.). More than 1 million ha of forest land was allocated to households and over 5 million ha were allocated for socio-economic organizations. The Government issued and implemented a lot of important instructions, decisions on forestry development, preventing the problem of deforestation, providing capital to protect and replant forest included the Decision 327, 661 (Replanting 5 million ha forest project), the Instruction 90TTg, etc. These programs were supported and invested by foreign countries and international organizations to implement planting forest projects as PAM, SIDA (Sweden), GTZ (Germany), WB, ADB, etc. However, regarding to the forestry sector there were remain problems such as there was still no market for forestry product and interests of stakeholders involving in forestry development were not ensured.

Beside positive impacts, new policies have not brought results as expected. Some directions in the Central Decision 5 were slow to go into reality: although Land Law was revised, it has not reflected the real demand, so it could not create a healthy land market. Activities related to changing owning right, contributing capital as joint venture, refunding and restoring land for public purposes still faced a lot of difficulties. Investment in science was implemented slowly; investment in human resources was not considerable. Extension system was in slow adjustment.

The Cooperative Law was issued and revised but cooperative economy has not developed. The Prime Minister’s Decision on State farm management went to force lately, management was still weak, and productivity and profit were slow.

**Period of intensive development 2000 – 2005**

In this period, agricultural production transformed from expansion phase toward objectives of higher yield, better quality and higher value in order to create jobs and raise income for people in the rural areas.

The 4th Party Congress held in April 2001 summarized achievements in fifteen years (1986-2001) and also set two main targets for five year plan from 2001 to 2005:

- Building united institution and policy for the market economy under the State control;
- Enhancing economic modernization and industrialization.

In the field of agriculture, the Congress proposed to strengthen conduction and mobilize essential resources to step up agricultural and rural modernization and industrialization.

Under decrees of the 4th Party Congress, the central Government issued the Decree 5 on “stimulating agricultural and rural modernization and industrialization in 2001-2010: The Decree describes a general content for agricultural and rural modernization and industrialization as followed:

- Transferring agricultural economic structure towards big commodity production, connecting to processing industry with market
- Implementing mechanization, electrification and irrigation applying science technology achievements, especially biotechnology which applying machines, modern technique to agricultural production in order to improve yield, quality, effectiveness and competitiveness of agro-products in the market
- Transferring rural economic structure towards increasing industries and service;
- Building socio-economic infrastructure, planning rural development, protecting ecological environment
- Reorganizing production; setting up democratic, fair, civilized, improving material and cultural lives of people in rural areas.
To implement the central Decree 5, the State and people continued implementing target programs such as hunger alleviation and poverty reduction, breeds and plants program, clean water and environment hygiene program, etc. Ministry of Agriculture and Rural Development promoted and constructed movements including "establishing 50 million dongs/ha fields", “four-party association” which set up gradually market relation to connect producers with traders, with science technology and policy. In industries, slogan “standardizing office, planning work, informatics popularizing public service” was set up to bring administrative reform into practical contents. Building law and under-law documents were also expanded.

In July 2002, the Government promulgated the Decree 6 on development of education and training, science and technology. By this Decree, agriculture and rural content was emphasized. It pointed out one of hot problems in agriculture was intensifying investment and improving policies, regimes in researching management and science transference. MARD stepped to increase budget and recover researching management, prepare step by step to rearrange researching and extension system, etc.

Issuing the Enterprise Law helped increasing number of newly established enterprises. In 2001, 18 thousands of new enterprises registered to do business. As the result, GDP of non-state economic sector (including FDI) rose from nearly 0% in early years of Doimoi to 61% in 2001. In 2002, more than 20 thousands of enterprises registered to operate with total registered capital increased by 38% to 30 billion dong.

In agriculture, private and household sector have developed rapidly. Non-state economic sector accounted 96% of total agricultural GDP. By 2002, according to Cadastral General Office, granting land use license completed basically, forestland was allocated to 43.8% of owners.

Restructuring State-owned enterprises were strengthened, reduced from 12,297 enterprises in 1989 to nearly 5,300 enterprises in 2001 through merging or disbanding. This process was strengthened in 2004 and will continue by 2005 with estimation of 2,000 enterprises.

The rate of processed products for export increased to 40% in 2002. Agro - products for export decreased in quantity but increased in value. Fishery exported products shot up 12%, Exported handicrafts rose 34%, created jobs and income for labors in rural areas. The VN - US Bilateral Trade Agreement have created a huge impetus for the Vietnamese export. US market has gradually become the big export market of Vietnam. Export to US rose 128%, account for around 82% of the total export growth in 2002.

Foreign investment in Vietnam recovered. Total capital of registered FDI in Vietnam in 2001 reached USD 3.02 billion, with the average growth of 25.8% against 2000. After nearly 16 years adopted the first foreign investment law, in December 2002, Vietnam has received 3663 projects with the total value of USD 39.09 billion from around 70 countries all over the world. FDI have created about 600,000 jobs that directly related to foreign investment projects and thousands more jobs indirectly related to construction and services.

However, the agricultural development process still reveals some shortcomings: The limited investment in agriculture blocks up the transformation in agricultural intensive development and restrains the effort to improve the competitiveness of Vietnamese agro - products. Due to the lack of investment in science technology, the rearrangement process of science research in agriculture has to face difficulties.

The development strategy in industry and services has not revealed the relationship with the agricultural industrialization and modernization that is the reason why it fails to bring about the income for farmers and fails to take advantage of rural market for agro - products.

There are not proper policy and regulation systems to improve the human resources in rural areas. The quality of education and training is still low and fails to build up labor forces to meet up the agricultural industrialization and modernization.

Investment for the development of rural areas is still modest, the poverty rate reduces fast but still at high level, the gap between urban and rural areas, between flat and mountainous areas continues to widen.
Conclusion

In conclusion, both the Vietnamese economy as a whole and agriculture in particular have demonstrated a remarkable response to the economic reforms introduced from the 1980s onwards. Not only has agriculture grown rapidly, it has also underpinned the success of the rest of the economy. Since the end of the last century, however, a number of new challenges have emerged: while industrial development has taken off, output and productivity in agriculture have begun to slow; expansion of off-farm employment opportunities has not kept pace with growth in the rural population and labour force; poverty reduction is slower in rural than urban areas; pressure on land and other natural resources has increased; agriculture has experienced declining terms of trade for its main export commodities and the main sources of productivity growth in the post-reform period seem to be running out of steam.

It is clear that the revival of the household sector was a crucial element in the success of the reforms. The growth effect was achieved, not through increased investment, but through institutional reorganization that raised the productivity of labour, reduced the costs of restructuring and enabled necessary macroeconomic adjustments (reduction in the budget deficit) without leading to economic collapse.

The very process of export success has generated falling world market prices. Given that Vietnam currently fills a market niche for lower quality products, there is scope to obtain further gains through moving to higher quality products. However, public intervention needs to be more responsive to market cues and move further away from planning and import substitution.

As the drift away from agriculture has begun to accelerate, two trends are developing. One is towards rural diversification, the other towards out-migration to the cities. Narrowing of the urban-rural income gap will depend on how policy addresses this issue.

Poverty eradication proceeds faster in urban areas than in rural areas, at least partly due to the scarcity of land. To reach optimal farm size, many people will need to move out of agriculture into off-farm employment that is sufficiently remunerated to induce them to give up their farm land altogether. The gradualism of Vietnam’s reform process has been one of the factors in its success. However, within this framework, the country now appears to have reached a new turning point in which a renewed focus on rural development and institution building is needed in order to maintain and continue the gains of the past.
References


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<td>• Experiment of agricultural and industrial production mechanism by contract</td>
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<td>1980</td>
<td>• Experiment of agricultural and industrial production mechanism by contract</td>
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<tr>
<td>1981</td>
<td>• Expansion of agricultural and industrial production mechanism by contract all over Vietnam</td>
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<td>1982</td>
<td>• Cancellation of collaborate structure in the South</td>
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<td>1885</td>
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<td>1986</td>
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<td>• Financial management tightening in State - owned enterprises (SOEs)</td>
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<td>Year</td>
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<td>1988</td>
<td>• Promulgation of land Law</td>
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| 1989 | • Staff dismissal in SOEs  
• Banking system decentralization  
• SOEs innovation  
• Domestic market liberalization  
• Promulgation of sales and luxury tax Law  
• Conduction of exchange rate policy / State controlled floating interest rate  
• Commercial control through quota application of 12 main commodities |
| 1990 | • Promulgation of Enterprise and Company Law  
• SOEs rearrangement  
• Promulgation of State bank Law  
• Promulgation of other financial organization Law |
| 1991 | • Abolishment of support mechanism for SOEs (basically) |
| 1992 | |
| 1993 | • Promulgation of amended and revised land Law  
• Relationship normalization with international financial organizations  
• Floor rice price control |
| 1994 | • The United State called off the commercial embargo with Vietnam |
| 1995 | • Relationship normalization with the US.  
• Member of ASEAN |
| 1996 | • Promulgation of amended and revised foreign investment Law  
• Promulgation of cooperative Law |
| 1998 | • Promulgation of amended and revised land Law  
• Simplification of import and export licenses  
• Export allowance for economic sectors  
• Member of APEC |
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<td>1999</td>
<td>• Rearrangement of State owned agro-afforestation yards</td>
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| 2000 | • Promulgation of amended and revised foreign investment Law  
          • Mergence of enterprise Law and company Law  
          • Promulgation of new tax system  
          • Establishment of stock market  
          • Abolishment of imported fertilizer quota  
          • Promulgation of the 80th Decision concerning contract association between producers and enterprises…  
          • VN-US bilateral trade agreement signed |
| 2001 | • Promulgation of amended and revised land Law  
          • SOE equalization improvement |
| 2002 |       |
| 2003 | • Tax and non-tax barrier lessening in ASEAN block  
          • Rearrangement of state owned and equitised commercial banks  
          • Rearrangement and reformation of State owned agro-afforestation yards |
| 2004 | • Promulgation of amended and revised land Law  
          • Promulgation of business tax and revised value added tax 2004 |

**Important macro events**

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<th>Year</th>
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<tr>
<td>1986</td>
<td>• Super inflation</td>
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<td>1989</td>
<td>• Change of VND/USD exchange rate</td>
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</table>
| 1990 | • Oil price reached the highest level (40 USD)  
          • Disintegration of Xo Viet Union |
| 2002 | • Coffee price down at the lowest level |
| 2003 | • Bird flu, SARS epidemic  
          • War in Iraq |
<table>
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<th>Year</th>
<th>Events</th>
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</table>
| 2004 | - High oil price (more than 40 USD)  
      | - Bird flu |

**Main events affecting agricultural growth**

**1985**
- Historic flood in Hoang Long River in 1985 and scare flood in Red river Delta marked the first natural calamity in the last 20 years all over the country in the renovation period. The year 1985 witnessed serious disasters in Red River Delta and the forth zone, in which huge flood and waterlogged fields seriously losses related to human and property.
- The eighth hurricane (known as Cecil) landed in Binh – Tri - Thien in 05/1985 with strong and long lasting wind killed 900 people, injured 215 (mostly in Tam Giang dam, Thua Thien Hue Province), sank 1,772 boats.

**1986**
- Red River Delta witnessed the hugest flood since 1971; floods in Thuong and Luc Nam Rivers were at the traditional highest level, floods in Cau and Thai Binh Rivers were at the similar traditional level (after the historic flood in 1971). Weather conditions in 1986 were serious, diversified and complicated.

**1989**
- The second hurricane landed in Da Nang on May 25th, 1989 with the 11th and more than 11th degree wind through causing heavy rains and floods in Vu Gia and Thu Bon Delta: 124 people were killed, 70 disappeared, 48,000 houses were collapsed, 60,000 houses were seriously damaged, 290 fishing boats were sunk.

**1991**
- North-east monsoon spell in late December, 1991 which swept through the north to the Central southern region caused serious damages in Thua Thien Hue, Quang Nam – Da Nang, Quang Ngai, Binh Dinh provinces: 150 people were killed, 70 disappeared and 592 boats were sunk.

**1993**
- Tropical low atmosphere in accordance with cold atmosphere in late October 1993 brought about a special heavy rain spell in Thua Thien Hue and Quang Tri provinces (rains lasted in 2 days from 7 a.m on October 30th to 7 a.m on November 01st with total volume of 800-1200 mm). That made flood in Huong River, Thua Thien Hue Province reached 4.89m (October 30th), 0.35m higher than the historic level in 1953. Flood killed 294 people in Thua Thien Hue and Quang Tri, flooded 22,500 houses.

**1996**
- In August, 1996, Song Da witnessed the hugest flood in the century; flood in Red River were at the approximate level of the designed level of Hanoi’s dyke, exceeded the flood level in 1986 and known as the second hugest flood against the flood in 1971; there was also a flood swept through Muong Lay (Lai Chau); dyke in Buoi River in Thach Thanh (Thanh Hoa) was...
Natural disasters in 1996 caused great damages, killed 1200 people, and more than VND7000 billion (nearly USD600 million) was lost.

- Floods threatened the safety of various main embankments, floods in accordance with waves from hurricanes eroded more than 390 dyke and embankment stretches of 142km (119km of dykes and 23km of embankments); flood broke the Thanh Hong dyke (under III grade) in Hai Duong.

- There were 5 hurricanes in 1996, in which 4 ones were of tropical low atmosphere swept through 17 in 18 Central districts: 570 people were killed; 55 disappeared 353,600 households were affected; 13,800 houses were collapsed; 509,000 houses were damaged; 1,352 classes, 117 hospitals and infirmaries were collapsed; 323,000 hectares of paddy were waterlogged and damaged; 6.9 million m$^3$ of irrigation land, 4.9 million m$^3$ of road were damaged; 289 boats were sank. Total value of damages reached to more than VND2, 200 billion.

November, 1997

- The 5th hurricane, being known the century’s hurricane brought about disaster for habitants in coastal Cuu Long Delta, seriously damaged the infrastructure, houses, crops, brought about long lasting salted soil and caused great damages in terms of people, boats and other fishery catching means.

1998

- The year 1998 did not witness the most serious natural disaster in Central region, but the most complicated change in climate and weather. It was the hottest and doughtiest year in most of coastal Central and Central Highlands provinces. Consecutively from the beginning of the year to August and September, there had been a shortage of rain against the annual average volume, but only in the two last months of the year, hurricane continuously brought about great flood in the region. In 8 hurricanes and 5 tropical low atmospheres in East Sea, there were 5 hurricanes (the 4th, 5th, 6th, 7th and 8th) and 1 tropical low atmosphere swept through and indirectly affected the middle in Central region and Central Highlands. Especially, within 2 weeks (from November 11th to November 26th), there were continuously 3 hurricanes including those 4th, 5th, 6th with cold atmosphere landed in southern Central region, causing heavy rain in a wide area, that resulted in huge flood in most of rivers in the region. Floods and hurricanes in 1998 resulted in 336 killed and disappeared; 10,560 houses collapsed; 490,600 houses damaged; 144 classes collapsed; 110,200 hectares of paddy damaged; 5.2 million m$^3$ of irrigation soil and 3.2 million m$^3$ of road eroded; 224 boats sank. The total value of damages was nearly VND1, 700 billion.

1999

- The historic flood in Central provinces was the hugest flood in this region from the beginning of the century, the flood crest in Hong River was 1m higher than the historic one, and in other rivers, flood crest were higher than that in 1964, being known to be the highest before 1994.

- The flood situation in Central provinces in 1999 was complicated and extraordinary. Those provinces ranging from Ha Tinh to Quang Ngai had to suffer the 1st hurricane, which caused
heavy early season rain. Only to Quang Ngai, this was the heaviest rain ever that comes in April since 1906. Especially, only in 1 month from November 1st to December 6th, most of the middle and southern Central provinces had to suffer two very much heavy rains which brought about two huge flood spells continuously swept through those provinces ranging from Quang Binh to Khanh Hoa. The total volume of rainfall in two spells (from November 1st – 6th to December 1st – 6th) in Thua Thien Hue reached to 2,500 mm; Quang Tri, Quang Nam, Quang Ngai, Binh Dinh and Da Nang: from 2,000 mm to 2,500 mm; Quang Binh, Phu Yen, Khanh Hoa, Ninh Thuan: from 1,000 mm to 1,500 mm. The largest volume of rainfall in 24 hours in Hue was 1,384 mm (from 7 am, November, 2nd to 7 am, November, 3rd), in Son Gang (Quant Nagy): 1,009 mm (from 1 p.m, November, 3rd to 1 p.m, November, 4th). These above two heavy rains resulted in two special huge floods in Central region, water level in rivers exceeded the III emergency grade, in some rivers the water level were at the approximate or higher levels than that against traditional floods. In flood spell at the beginning of November, water level in rivers in Quang Tri, Thua Thien Hue exceeded the historic level, especially in Hue, water level was 1m higher than that in 1993; water level of flood spell at the beginning of December in rivers in Quang Ngai exceeded the historic level; these were two hugest floods within the last 70 – 100 years in these regions. 715 people killed, nearly 1 million house waterlogged and thousands of houses swept away, estimated economic damages reached to nearly VND5,000 billion, this was also one of the most serious damages due to natural disasters in the twentieth century in Vietnam.

2000
- There was a huge flood in Cuu Long river system since the beginning of July; this was the most serious flood in the last 70 years in a crowded habitant region. This flood affected directly the lives of 5 million people. Flood in Cuu Long Delta in accordance with various sweeping floods killed more than 700 people, the total damage was up to more than VND5000 billion (US$400 million)

2002
- The flood in 2002 was known to be the fourth hugest flood since 1971. Flood with a high water level created more than 250 troubles for dyke - lines in Red River and Thai Binh river in Red River Delta

2003
- Water level of floods in basins of rivers in Southern region in 2003 was at a rare low level. However, in the first half of September 2003, Red River Delta had to suffer a very much heavy rainfall, which lasted in a short time. The unusual heavy volume of rainfall sank most of cultivated area in Thai Binh, caused huge flood in Ninh Binh and Nam Dinh provinces. Some other provinces were also affected but not as serious as those above mention provinces. Damages due to flood were very serious, rice cultivated waterlogged area in these three provinces reached to more than 120,000 hectares.