



Development Policy 2019

Session (12): Rural Development in the Communist:
Lessons for Vietnam

Schedule

- Unlike other countries in Asia, Vietnam (as well as China) has been ruled by the Communist Party. How has the communist world govern the agricultural sector?
- What is the lessons of Vietnamese rural development? What are challenges?

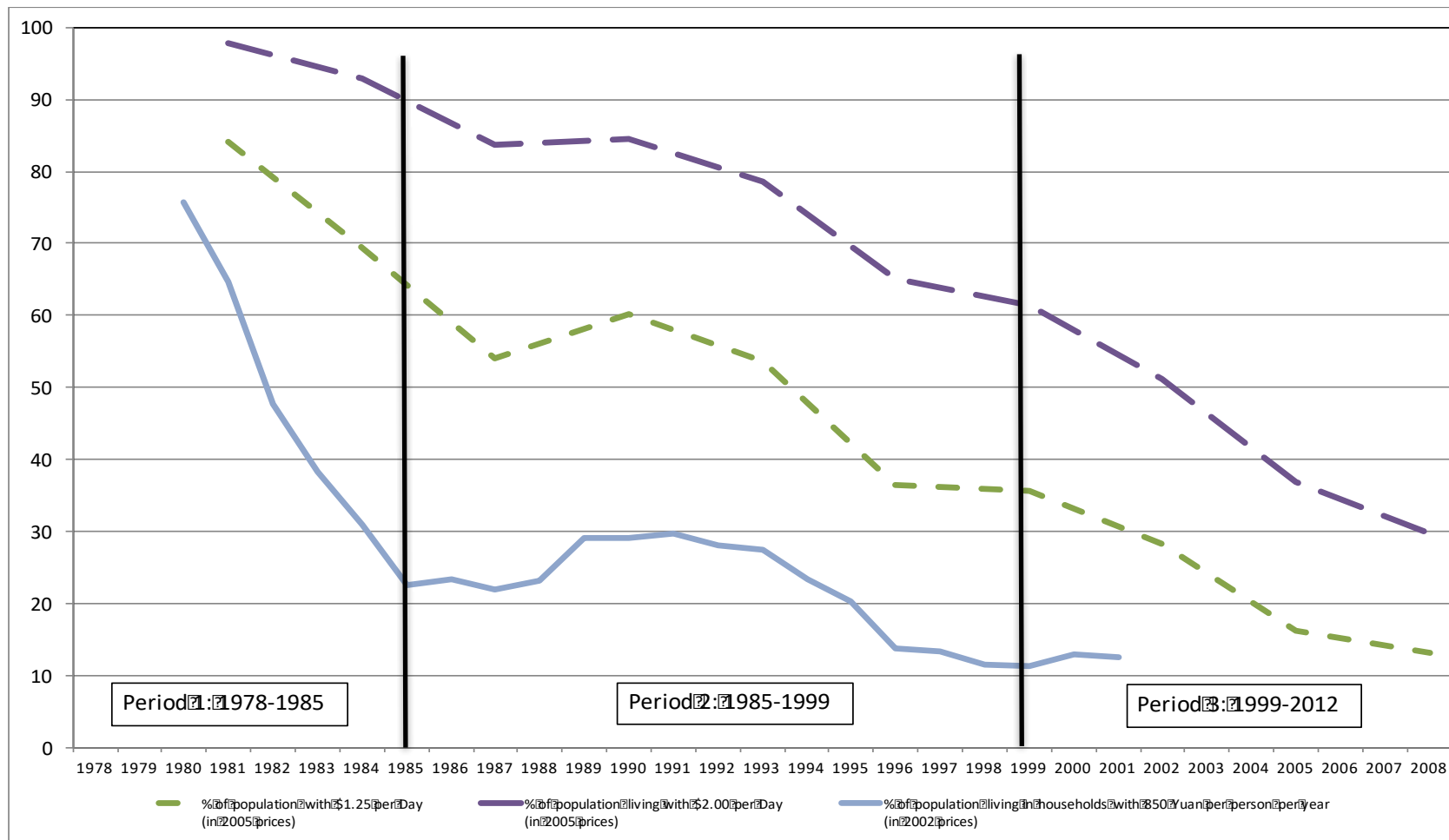
Again, importance of Land



- Land reform in Vietnam – was essential to the lives of rural Vietnamese. Earlier reform (WWII – 1950s) by Viet Minh and the communists in the North + later South Vietnam (Land to the Tiller program, 1970s).
- The Communist Party received nation-wide support from peasants (ally with peasant). Rent reduction program impacted nearly 8 million farmers (North Vietnam, 1953-1956)
- Land-to-the-Tiller (South Vietnam): The reform aimed to expropriate land from landlords not personally cultivating the land and giving it to tenant farmers.
- By the mid-1970s, almost 1 million land titles had been distributed to the poor or landless farmers. Living standards of farmers increased by 30~50%.



Poverty Reduction in Post-Reform China



- Less than 10% of the people own more than 80% of arable land then.
- Since Mao Tse-Tung's period (1930s) – land reform has been the principal feature of the Chinese Communist Party (CCP) – most stressed.
- By promising free land to all – won the peasants' support.

Theoretical Explanation about China

- The most common explanation – China's impressive economic growth resulted in rapid decline in rural poverty (poverty reduction is the outcome of industrialization and urbanization).
- Some alternative perspectives: (e.g.) the changes in poverty rates during key developmental period were not synchronous with economic growth rates → instead of growth rates, how the economic growth rates are distributed is more important.

State intervention in industrialization, urbanization and rural development matter

Increased farmers' ability to make and profit from planting decisions (farmers gained more)

(Institutional argument)

Hu Jintao's welfare program → rural-based welfare system established
(to address social, environmental, etc. problems under Deng Xiaoping)



Land Reform in China – Critical Juncture

- Land reform has characterized rural China since the founding of the People's Republic in 1949 – there are three critical junctures (very sensitive).
- First reform (the early 1950s) – radical farmland revolution. China achieved the long-lasting dream of farmers (“having their own land”). Adopted from Soviet-Union model but different (focused on land use rights, instead of collective ownership and operation).
- Second reform (mid-1950s) – A campaign on “collectivization” was established by compelling individual farmers to join collectives (co-ops) – destroyed farmers operational freedom and enthusiasm for production → poor performance

China's Third Land Reform

- Third Reform (the 1970s) – breaking from the Soviet model, China launched an economic reform. Introduced a family-oriented contract system ('Household Responsibility System').
- Great success, set nationwide pattern of agricultural tenure since then.
- Incentives for production – giving farmers freedom of land use rights and decision-making. Closely linking rewards with their performance.
- Production increased: Substantial increase in grain production (rice) peaked (solved centuries-old fundamental problem of feeding Chinese mass).
- **Still challenges** – Distribution of land to each household was minimal, fragmented (hard to adopt machinery) | not full ownership (private ownership transfer limited), state intervention (production decision intervened by the state) | marketing limitation (production only sold to state institution at low prices).

Vietnam Overview

- Overall: Vietnam is a diversified market economy moving to a more holistic rural development.
- While industrialization and increased agricultural productivity have had both push and pull effects on rural-urban migration, overall Vietnam has still remained a predominantly rural country.
- 1960~2013: Urban population increased from 5.1 million to 28.9 million (UN).
- Concentration on HCMC and Hanoi and small-medium-sized cities
- Still 60 million (about 60%) of population lives in rural areas (started to decrease).
- Since the two-child policy (from 1986): fertility rate decreased 8.3 to 1.8 per woman in 2012. Extended life expectancy, opened a demographic change.

Before 2007



- Before 2007, there was no specific policy for rural areas – agricultural policy along other infrastructure projects, was the main motor of change.
 - ✓ *Empowering farmers (Freedom) to manage their main production.*
 - ✓ *Applied market-price mechanism → greater incentives*
- Agricultural and rural development as a part of the country's **Comprehensive Poverty Reduction and Growth Strategy**.
- 1987-2007: Shift from co-operatives to family-based economy (production & trade) | restored national sufficiency on food + export raw materials.
- Industrialization and modernization of agricultural and rural areas → 1) establishing extensive market for agricultural products; 2) applying scientific and technical advances; 3) improving product competitiveness.

After 2008 – Present

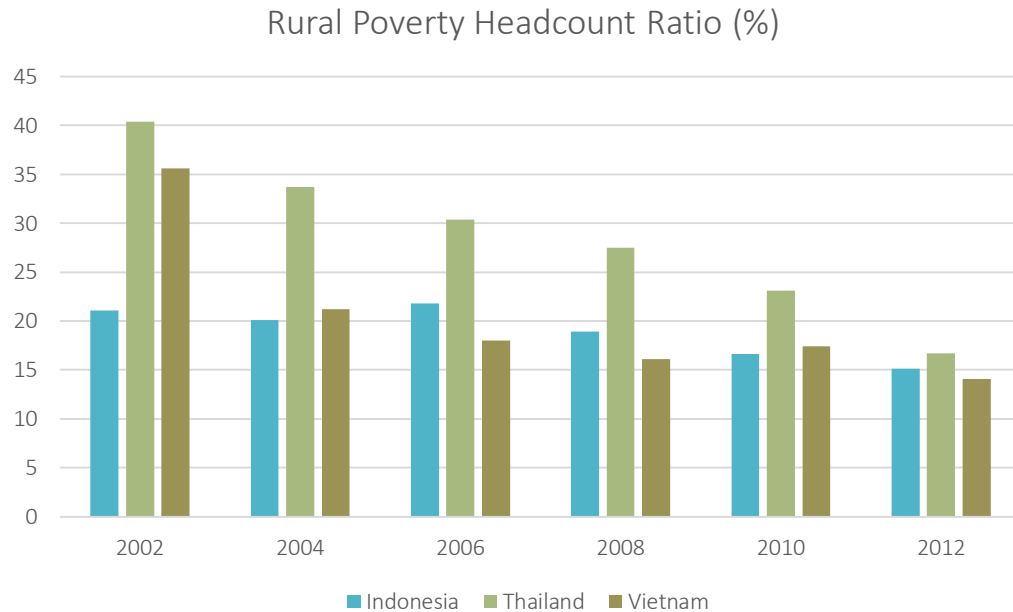
- The Communist Party – Tam Nong Resolution (integrating rural areas, agriculture, and farmers).
- Launch of National Target Programme (NTP) on New Rural Areas for 2010-2020 (NTP-NRD): through economic, social, and cultural policies, Vietnam attempted to reduce agricultural employment from 47% (2015) of working population to 35% (by 2020).
- Intended to increase farmers' income – contract farmers, co-operatives' marketing, improving food safety, and product diversification.

	1996	2006	2012
Indonesia	44.0% (45.0%)	42.0%	35.1% (34.5%)
Thailand	48.8% (51.5%)	42.1%	39.6% (37.8%)
Vietnam	70.0% (70.4%)	51.7%	47.4% (49.5%)

<Discussion>
What does reduced
female workers in
Agriculture mean?

Parenthesis (female employment% in agriculture)

Some Results



Income sources: cropping, livestock, fisheries, forestry, non-farm entrepreneurship, wage, transfers, and other income

Income Source Diversification for Rural Household

	2002	2008
Northern Uplands	4.97	4.64
Red River Delta	4.37	4.28
North Central Coast	4.65	4.36
South Central Coast	4.49	4.34
Central Highlands	5.21	4.16
South East	4.16	3.56
Mekong River Delta	4.91	3.85

What does decrease in income source mean?

Remaining Challenges for Vietnam

- Labor productivity is still low (available land per workers low, skill level low, financing low)
- Rural Poverty Gap ratio is still significant (5.9% in 2012, Indonesia, 2.4%) – RPG at national poverty lines is the rural population's mean shortfall from the poverty lines (counting the nonpoor as having zero shortfall) as a percentage of the poverty lines. This measure reflects the depth of poverty.
- Vulnerable to climate change (and attention to climate change low), salinization (crops)
- But at the same time;
 - Rural access to infrastructure is higher (sanitation 65%, electricity 98%, water 92%)
 - Network with secondary & tertiary cities – creating off-farm employment
 - Quick adoption of innovation for rural development (e.g. Cell phone (market access), drone).

