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ICA MISSION TO VIETNAM

- A REPORT

Sept. 28 - Oct. 3, 1988

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for Asia**

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MISSION REPORT OF G.K. SHARMA, REGIONAL DIRECTOR, ICA ROA
TO VIETNAM : 28TH SEPTEMBER TO 3RD OCTOBER 1988

Mission Background

1. The ICA Executive Committee admitted the Central Council of Supply and Marketing Cooperatives of Vietnam as its member in the meeting held on 4th July 1988 at Stockholm. A delegation consisting of Mr. Nguyen Quang Quynh, President and Mr. Vu Lyu, Vice President of the Central Council of Cooperatives attended the ICA Congress held in Stockholm in July 1988. The delegation and the Regional Director of ICA ROA had discussions about the possible collaboration which could be developed between the ICA and the Vietnamese Movement as also the possible support which could be extended to the Vietnamese Cooperative Movement. The delegation expressed interest particularly in agro-processing industries in the cooperative sector in Vietnam with assistance from Indian Cooperative Movement. It was agreed that the Regional Director and possibly an Indian cooperative delegation could undertake a visit to Vietnam in the near future.

2. Thus a Mission to Vietnam was undertaken from 28th September to 3rd October 1988 on the invitation of the Vietnam Cooperative Consumers Union by the Regional Director on his way to Beijing to attend the ICA Executive Committee Meeting. It may be mentioned that Vietnam Cooperative Consumers Union is the same as the

Central Council of Supply and Marketing Cooperatives though translated at times differently. They had also desired that the President of the National Cooperative Union of India (NCUI) could also visit Vietnam along with the Regional Director. But due to short notice and other commitments of the President of the NCUI, he could not join during the Mission.

3. During the Mission two days were spent in Hanoi City and neighbouring areas and 3 days in Hochin Minh city and neighbouring areas. During the Mission discussions were held with the President and officials of the Central Union and other cooperative leaders as also visits were made to various cooperatives. A courtesy call was made to the Foreign Minister and Vice Chairman of the Council of Ministers, Mr. Nguyen Co Thach with whom very fruitful discussion took place. Courtesy calls were also made to Mr. Tran Tan, Mayor of Hanoi and Vice Mayor of Hochin Minh City. Mr. Le Anh, Officer IV of Asian Department of the Ministry of Foreign Affairs helped in interpretation during stay in Hanoi.

Purpose of Mission

4. As mentioned earlier the main purpose of the Mission was to acquaint with the present situation of the Cooperative Movement in Vietnam as also assess the need and scope of collaboration between the Vietnamese Movement and the ICA activities.

5. To really appreciate the present situation of Vietnamese Cooperatives, it is necessary to have an understanding of the political and socio-economic background of Vietnam and also changes which have taken place during the last few years particularly in the economic field. A note, therefore, covering the political and economic background of Vietnam is enclosed as part 1. Part II covers the development of cooperatives during this period. These notes are based on the printed material available and discussions and observations that took place during the visit. It may be mentioned that the Mission was of a very short duration and hence it was not possible to have a full insight particularly due to language constraint. However, everyone I met extended full support and tried to provide full information without reservation. Thus to have a better understanding of the cooperative situation in Vietnam a longer Mission would be necessary.

Findings and Recommendations

6. Cooperatives in North Vietnam were organised much earlier than south. Starting from 1959 onwards by 1968 practically every family was a member of cooperative. During 1974 there were reported to be 18,000 primary cooperatives in north each comprising of 200 - 400 households averaging 200 hectares of land. From 1975 onwards the number was reduced to 15,200 comprising of 300 - 500 households to avail benefits of economy

of scale. However, in the south cooperatives were started from 1975 onwards only.

7. Presently the Cooperative Movement of Vietnam consists of four tier structures. At base level, there are reported to be 10,000 primary level cooperatives which are integrated into 500 district level cooperatives. These district level cooperatives are federated into 40 provincial cooperatives and finally at the national level there is a Central Union of Cooperatives. The individual membership consists of 20 million. In addition, there are reported to be 5,41 handicrafts and industrial cooperatives with their own Central Cooperative Union at the national level.

8. The functions of the cooperatives are varied and multifarious. These include : supply of production inputs, procurement and marketing of produce, running processing and industrial units as also marketing of consumer goods. There are horizontal and vertical linkages within cooperatives in exchange of goods.

9. To a great extent the economy of Vietnam is based on barter system, so are the cooperatives. For example during my visit to Hanoi Consumers Cooperative, I was told that the value of each share is equivalent to 5 kg of rice.

10. The present size of the cooperatives is fairly large. For

example in Hanoi Consumers Cooperative Union was founded in 1965. This is a provincial cooperative to which 4 district cooperatives and 31 village cooperatives are affiliated. The individual membership consists of 600,000, out of the population of two million in Hanoi City and around. Though its name is consumers cooperative and handling of consumers goods accounts for major share, its activities also include : supply of inputs, marketing of produce like paddy, peanuts, beans, fruits and vegetables, etc.

11. While in north cooperatives were established much earlier, in the south the movement is comparatively recent. For example the Consumers and Trading Cooperative of Hochin Minh City was founded in October 1975. Till 1978 its membership was only 1,500. Presently it has a membership of one million and covers 25% of the city and neighbouring population and accounts for 35% of the business in the city. It is also a provincial cooperative. 18 district level cooperatives and 320 primary level cooperatives are affiliated to it. It has a share capital of 250 million dong and value of one share is 100 dong. It is running 6,500 shops or stores. Its sales accounted for 190 billion dong during 1987-88 consisting of 60% of food material, 20% of consumer goods, 15% luxury items like TV, refrigerator, etc. and 5% service centre activities e.g. restaurants, tailor shop, etc. The number of employees working in the society are 10,500 and have five full time members of the board. Usually in

the board one third are employees.

12. Vietnam has decentralized its policy regarding international trade. The provincial authorities are free to have their own regulations regarding export/import. Under this policy the cooperatives can export their products against import of goods. Usually they import goods first from the suppliers and after receipt of the goods they purchase produce from members and export. Trading is taking place with companies in Hong Kong, Singapore, Bangkok, etc. I visited one of the stores of this consumer cooperative which is of a fairly large size. The total sales of this shop was reported to be 5 billion dong per annum. The shop is free to purchase goods to the extent of 30% of its sales. The balance 70% is purchased centrally by the Provincial Union.

13. I also visited a soya sauce factory being run by the consumer cooperative. It manufactures soya sauce, fish sauce, confectioneries, rice papers, etc. This factory belonged to a private person and after nationalization it was handed over to the cooperative. It has 200 employees and products are being exported particularly to France and has a good demand.

14. The inflation rate in Vietnam particularly during the last two years is very high which is reported to be about 700%. A year back the official conversion rate for a US dollar was 150

dong which is now 950 dong per dollar. Salaries in the cooperatives are linked with the inflation rate. Three years back the workers in this factory were paid 500 dong per month based on cost of living. They are now being paid 30,000 to 50,000 dong per month. However, this factory is paying comparatively higher salary. Normally the wages in other factories are reported to be around 25,000 dong per month.

15. I also visited Vuang Tau Consumers Cooperative in the south which is nine years old with turn over of 3 billion dong and presently has a membership of 12,000. This is a district level cooperative and has 12 affiliated cooperatives as its members. It has 200 selling points with a staff of 400. Under the local regulations all meat has to be sold to this cooperative. Many of the shops being run are one man shop. Some of the goods are supplied by the state and others are bought from cooperatives of other areas. Remaining goods are purchased locally by the member cooperative. The salary paid to its employees is around 30,000 dong per month which was 10,000 dong two years back. When we compare the inflation, one kg of rice in 1985 was reported to be 4 dong which is 500 dong presently. Similarly the cost of one kg beef was 24 dong before 1985 which is now 3,700 dong. The staff of the cooperative consists of the whole time President, Vice President and head clerk, accountant and one each for planning and typing. The rest of the staff are posted in the shops. These shops are run by the primary cooperatives except

one which is being run by the provincial cooperative itself and which also acts as a wholesale distribution centre to the member cooperatives. I was told that the salary paid to its employees is slightly better than what is paid by the government.

16. The cooperatives I visited showed keen interest in export of goods particularly peanuts and beans, in addition to other items like cashewnuts, black pepper, dry liches, fish sauce, etc. There is shortage of fertilizers and insecticides and cooperatives would like to import items like fertilizers (urea, NPK), transport equipment, consumer goods, etc. against their exports.

17. The major handicap being faced by the cooperatives and their members are lack of farming implements and transport facilities. Even the paddy produced by them are carried on bicycles from the paddy field due to nonavailability of transport facilities such as tractors, trucks, bullock carts, etc. The main means of transport are bicycles.

18. The shortage of trained and educated manpower is a major handicap in the working of cooperatives in Vietnam. In the early 1970s few then 10 per cent of the managers had graduated from lower secondary level and only 1% of the graduates of agricultural college were working in the cooperatives. (Wood Side, 1983, p-412). The position has not improved much in the

cooperative sector. They are keen to develop training facilities for their employees. The Central Council is running training centres, but needs updating.

19. Many of the present employees have been educated and trained in USSR and have done three to five years training programmes in USSR.

20. Language is a barrier to a great extent in Vietnam including for the leaders and workers of cooperatives. They are mostly trained in USSR and can speak Russian well in addition to Chinese and French to a limited extent. Some of them have been trained in English in USSR but are not in practice. They want to have practical training in English speaking for their officials.

21. As a matter of policy the Government of Vietnam is reducing subsidies and wants cooperatives to be self-sufficient. At present there is 4% tax on turn over and 30% on the income. It is the same for the private trade. While private trade can manipulate their accounts regarding turn over and income, cooperatives have to pay the tax which is reducing their competitiveness in the market.

22. Till a few years back the major production by the cooperative members had to be delivered to the state. Now only a portion of the production in the form of land revenue is given to

be state which ranges between 10 to 40% depending on the productivity of the land. The rest of the produce the farmers are free to sell to their cooperative and in the free market.

23. At present there is no separate law for cooperatives. Thus cooperative laws from other Socialist countries are being collected and a cooperative law is expected to be drafted shortly.

24. The main objectives of the government in its economic planing are :

- i. employment generation;
- ii. increase production;
- iii. ensure supply of goods; and
- iv. exports.

25. Cooperatives are concerned with all the four basic objectives of the state and have to play a key role. But they lack resources and have to compete increasingly with the private sector particularly in the southern part. This is a transition period and the cooperatives need support in their efforts so that they are able to stabilise and play a dominant and effective role in the national economy. If they are not able to come up to the expectations, they will miss the golden opportunity.

26. The assistance from outside Socialist countries to Vietnam and also to the cooperatives is not coming to the desired extent. One of the reasons why donors are not coming forward to support Vietnam is its involvement in Kampuchea. From the discussions I had at various levels, I feel that Vietnamese authorities are serious in withdrawing forces from Kampuchea which will encourage the donors to actively contribute to the economic development of Vietnam. But cooperative activities in Vietnam should not be linked with the political policies and it is the time that all possible assistance should be extended to the Vietnamese cooperatives so that they are able to play a constructive role and secure a position in the Vietnamese economy. Even limited help at this stage will be much more productive than large scale help which might be available after a few years.

27. At the end of the Mission Mr. Vu Lyu, Vice President of the Central Council, summarised their needs as under :-

- i. The Central Council would very much like to take active interest and participate in the ICA ROA activities, but it is rather difficult for them to participate due to shortage of financial resources.
- ii. For meetings, conferences and training programmes if ICA or others could meet the costs, they would very much like to participate and benefit from such activities.
- iii. They would like to promote exchange of know-how between cooperatives in the region.

- iv. They would like to promote inter-cooperative trade particularly with the Indian cooperatives along with others.
 - v. They would like to welcome joint processing and manufacturing units with support from cooperatives in the region or outside. Particular interest include fruit processing and garments production. Also need machinery for jute twine making.
 - vi. They need material help in the form of equipment and consumer goods.
 - vii. The staff needs advanced training. Would like to send 5-10 employees to be proficient in English speaking.
 - viii. They would like to sponsor delegations to visit other countries and to understand their working. They would be happy to sponsor a cooperative delegation to China and vice versa in the near future and would welcome a delegation from India to discuss joint collaboration with Indian cooperatives in agro-processing and mutual trade.
 - ix. The Central Council is collecting basic information from its members. But it is very preliminary. They do not have information regarding turn over, export, etc. which is taking place in the lower level cooperatives. It was agreed that the ROA will work out a format which could be used by the Central Union for collection of basic data.
 - x. They need to create an export cell in the Central Council and need technical support for that.
28. They extended an invitation to the President of ICA, Mr. Lars Marcus, for visiting Vietnam.

PART - I
RECENT HISTORICAL BACKGROUND

Political Development prior to Unification

1. The southernmost part of Vietnam (Cochin China) became a French colony in 1867. Annam and Tonkin (central and northern Vietnam) were proclaimed French protectorates in 1883. Later all three were merged with Cambodia (now Kampuchea) and Laos to form French Indochina.

2. In September 1940 Japanese forces, with French cooperation, began to occupy Vietnam, and in June 1941 the nationalists formed the Vietnam Doc Lap Dong Minh Hoi (Revolutionary League for the Independence of Vietnam), known as the Viet-Minh. In March 1945 French control ended. Following Japan's surrender in August 1945, Viet-Minh forces entered Hanoi, and on 2nd September the new regime proclaimed independence as the Democratic Republic of Vietnam (DRV). The Communist Party, formally dissolved in 1945, continued to be the dominant group within the Viet-minh government. In March 1946, after French forces re-entered Vietnam, an agreement between France and the DRV recognized Vietnam as a "free" state within the French Union but the DRV government continued to press for complete independence. Negotiations with France broke down and full-scale hostilities began in December 1946.

3. In March 1949 the French established the State of Vietnam in the South. After the defeat of French forces at Dien Bien Phu in May 1954, terms for a cease-fire were settled in Geneva. Agreements signed in July 1954 provided for provisional partition of Vietnam into two military zones, with French forces south of latitude 17°N and DRV forces in the north. Later in 1954 the French withdrew from South Vietnam.

4. From 1959 the DRV actively assisted the insurgent movement in South Vietnam. In 1961 the USA joined the war on the side of the anti-communist regimes in Saigon. In November 1968 peace talks between the four participants in the Vietnam war began in Paris but remained deadlocked as the fighting continued. In 1972 PRG and North Vietnamese forces launched a major offensive in South Vietnam and US bombing of the North was renewed with greater intensity. In January 1973 a peace agreement was finally signed. It provided for a cease-fire in the South, the withdrawal of US forces, reunification of the whole country. US troops were withdrawn, but in December 1974 combined PRG and North Vietnamese forces launched a major offensive, and the capital fell in April 1975. By May 1975 the new regime was in complete control of South Vietnam.

5. While South Vietnam, under the PRG, remained technically separate from the DRV, effective control of the whole country passed to Hanoi. In July 1976 the country's reunification was proclaimed under the name of the Socialist Republic of Vietnam, and Saigon was renamed Ho Chi Minh City. A new government was appointed, dominated by members of the former Government of the DRV but including some members of the PRG.

Development After Unification

6. Vietnam is a unique country in having made the attempt to incorporate a large capitalist region into its socialist system two decades after the establishment of that system. The lessons of this have proved vital to the future development of socialism in Vietnam. One of the most pressing problems facing the regime since 1975 has been that of incorporating the southern half of the country. This region, which had continued along a capitalist path of development during the first two decades of socialism in the North, proved to hold quite different political, social and economic problems from those which had faced the DRV in 1954. In

fact some important sectors of southern society resisted the implementation of the northern socio-economic system and this has led, in the 1980s, to a process of gradual re-evaluation and re-vamping of policy towards the South. The picture in 1975 was clouded by the fact that the country had only just emerged from a long and costly war. Chronic shortages and low productivity of both industry and agriculture in the DRV were thought to be largely war-related and, subsequently, most of the continued poor economic performance during 1975-80 was attributed to wars.

Agricultural Economy

7. The economy of Vietnam was seriously disrupted by the war and, and the ending of hostilities in 1975, the two halves of the country remained economically distinct. A state-controlled system was well-established in the north, while in the south a considerable amount of private enterprise continued until April 1978, when a campaign against small business in Ho Chi Minh City was launched. In May 1978 a unified currency was introduced throughout the country. Collectivisation of agriculture in the south was gradually extended. During the period 1976-80 about 1.6 million people were resettled in New Economic Zones (NEZs), while about 1.3 million were moved south during the third Five Year Plan(1981-85). The process continued during the 1980s.

8. The economy, especially in the south, is predominantly agricultural. In 1985 about 70% of the labour force were engaged in agriculture, and the sector accounted for about 45% of Gross Domestic Product (GDP). The staple crop is rice, although significant amounts of maize, sorghum, cassava, sweet potatoes and fruit are also grown. Vietnam became self-sufficient in food for the first time in 1983. In 1985 a record grain crop of 18.2 million metric tons was harvested, in spite of considerable damage to crops by a typhoon, and imports of only 200,000 tons were needed in that year, compared with 2 million tons in 1979.

Production of paddy rice was about 15.9 million tons in 1985. Grain production in 1986 increased slightly, to 18.5 million tons, but was considerably short of the target of 20 million tons. In 1987 agricultural output decreased by 2%, total grain production declined to 17.6 million tons, and there was a shortfall of 830,000 tons in paddy rice production, owing to adverse weather conditions and the Government's inability to import sufficient fertilizers and pesticides. Owing to an increase in population of more than one million per year, the amount of rice available for consumption declined from 304 kg per head in 1985 to 280 kg per head in 1987. Severe food shortages were reported in early 1988, and the Government appealed for emergency food aid from the United Nations.

Mineral Resources

9. Most of the country's mineral resources are found in the north. Coal, Vietnam's main export, is the most important of these, with an output of 5.4 million metric tons of hard coal in 1985. Proven reserves are about 130 million tons, sufficient for more than 20 years' supply at current production levels. In 1982 Vietnam exported an estimated 800,000 metric tons of coal, mostly to capitalist countries. In 1987 coal provided about 91% of the energy produced in Vietnam. Other minerals include tin, copper, chromium ore and apatite (phosphate rock).

Industry

10. Industry is mainly concentrated in the north. Heavy US bombing from 1965 to 1973 destroyed an estimated 70% of productive capacity but by 1976 output in many sectors had regained pre-war levels. The principal industries are food processing, cement, metallurgy, chemicals, paper, engineering and textiles. In 1983 gross output value in the industrial sector

grew by 15%, compared with an annual average increase of 0.6% during the 1976-80 Plan period. The increase was mainly a result of the liberalization of capitalist enterprises in 1979 and the subsequent growth of small industries. In 1987 Vietnam's state industrial enterprises (numbering almost 3,300) were reported to be working at only 50% of capacity, owing to shortages of raw materials and of spare parts for machinery, although the Government reported an increase of 6.7% in the value of industrial production in that year.

Economic Reforms

11. Vietnam's economic growth has been restricted by a series of natural disasters which have ruined successive crops. Thus in March 1983 a series of changes in the tax system were introduced in an effort to reduce the budget deficit, which stood at 4,000 million dong (US\$440 million) at the end of 1982. The deficit was reduced from 19% of GDP in 1982 to 11% in 1983. A number of economic reforms were further introduced during 1985, and included the abolition of subsidies on the purchase of basic commodities supplied to state employees, and compensation for this by salaries linked to a cost of living index. There were also plans to reduce the number of state employees and to allow a degree of private enterprise in small firms.

Currency Devaluation

12. In April 1985 the dong was devalued against the US Dollar, raising the rate of exchange from 11.7 to 100 dong per dollar. In September a new dong, worth 10 old dong, was introduced in an attempt to control the rise in money supply on the 'black market'. In November 1986, in an attempt to curb the soaring rate of inflation, a further currency reform was introduced, with the establishment of a 'parallel' exchange rate of US\$1 = 80 dong, compared with the official rate of 15 dong per dollar. In

1987 the Foreign Trade Bank began a policy of issuing special cheques to foreigners, to curb the 'black market' in dollars and to increase the foreign currency earnings of state institutions. In March 1988 Vietnam devalued the currency by 35%.

13. Following the failure of the second Five Year Plan (1976-80), the Government revised and lowered the target of the third Five Year Plan (1981-85), during which period agricultural production was reported to have increased by 4.9%, compared with 1.9% in 1976-80, and industrial output grew by 9.5%, compared with 0.6% under the previous Plan. According to IMF estimates, the annual rate of inflation was reduced from 90% in 1982 to 50% in 1983, and per caput income was about \$195 in 1983, among the lowest in the world. The 1986-90 Five Year Plan was announced in January 1986. In the first year of the Plan industrial production increased by 5.6%, according to the Government. However, the rate of inflation soared to an estimated 700% during the year, and was estimated at between 700% and 1,000% in 1987.

Changes During 1987-88

14. Vietnam in 1987 was a country in transition, after the communist party congress in mid-December 1986. A host of reforms throughout the year were announced, aimed at lifting the country from its economic depths. "Never before", party chief Nguyen Van Linh told a central committee meeting in April, "has inflation worsened so fast, prices increased so unexpectedly, and the lives of wage earners and members of the armed forces become so much more difficult as last year".

15. In February 1987, Hanoi introduced new measures to encourage private enterprise in the capital - businesses were given tax breaks in their first year, some companies were allowed to obtain bank loans and set their own prices and exporters were authorized

to borrow foreign currency to import raw materials. Similar measures were introduced in Ho Chi Minh City in 1986.

16. In April 1987 the Central Committee of the Communist Party responded to popular discontent at chronic food shortages and high inflation, by announcing a new series of economic reforms. These included an increase in profit incentives for farmers; permission for private marketing of agricultural produce and for the establishment of private businesses; and tax incentives for industries producing goods for export. It called for higher cash incentives for peasants and workers, an end to discrimination against private capitalists and a reduced reliance on certain planning. The plenum said farmers are to earn up to 40% profit and called for a review of agricultural tax rates and product contract quotas. The meeting legalized moonlighting for government employees and stressed the need to use bonuses and piece-rate wages to reward hard workers.

17. The central committee also lifted checkpoints controlling the movement of goods across provincial lines, a move which immediately brought a large supply of goods to the country's markets. The plenum called for an end to "all narrow-minded prejudices" against private capitalists, and said they are to receive the same access to cheap credit and supplies as cooperatives. Private businessmen were encouraged to get involved in transport in an attempt to overcome Vietnam's critical distribution problems.

18. The central committee's third plenum - in late August 1987 - addressed ways to increase production in state enterprises, many of which had operated at half-capacity in recent years. The party set guidelines for shifting government economic units to "socialist business operations" and ending "bureaucratic centralism and state subsidies". This meant that these enterprises were to be responsible for their own profits and

losses, and managers would have more responsibility for organizing their factories. In December 1987 new legislation on foreign investment was adopted, which allowed wholly foreign-owned companies to operate in Vietnam and repatriate their profits, and gave a guarantee that foreign companies would not be nationalized. (Europe Year Book, 1988).

19. The reforms prompted a dramatic increase in private economic activity. Restaurants, tea shops, bicycle-repair stands and barber shops mushroomed in Hanoi and Ho Chi Minh City. Hanoi's party secretary Nguyen Thanh Binh said in July 1988 that some 602 families had begun handicraft production after the new regulations were adopted, providing jobs for more than 6,000 people. But most people with money to invest tended to put it into the trade and service sectors, rather than invest it in production.

20. Food production also dropped in 1987. The crop harvested in the north in the spring was 700,000 tones less than the previous year because of pests, causing rice prices in Hanoi to double and forcing the government to buy rice in the south and ship in north. Later, drought and typhoons hit the central provinces, and it was estimated that rice production would fall more than a million tones short of the 19.2 million ton target. Planning chief Vo Van Kiet warned the National Assembly in June that rice production during the past three years had averaged around 18 million tones, while the population continued to grow by about 1 million a year. Vietnam's rapid population increase also exacerbates the country's unemployment problems :the Vietnam News Agency estimated in August 1987 that there were 1.6 million unemployed people, with young people making up 60% of the 600,000 unemployed in urban areas. Vietnamese economists say it will take at least five years for the reforms to begin to reverse the country's economic crisis, and that the country will need an infusion of foreign capital and technology before it starts to

take off. Hanoi has begun trying to diversify its trading partners and to break the international isolation. (Vietnam - M. Berestard).

Trade

21. Vietnamese officials estimate the country's exports were about US\$800 million in 1986, while imports totalled nearly US\$1 billion. About 70% of its exports were raw materials and agricultural products sent to the Soviet Union in repayment for its economic and military aid. The party set increased exports as one of its highest priorities at its congress in December 1986, but in June, Kiet said the country had achieved only 38% of its export target during the first half of 1987.

22. Trade with Japan, Vietnam's largest non-communist trading partner, was US\$280 million in 1986. In 1987, two Japanese companies purchased Vietnam's first shipments of crude oil, totalling 127,000 tons. The Honda Motor Company signed an agreement to begin producing motor cycles on a knockdown basis in Ho Chi Minh City, but later dropped the venture after sharp protests from the US Congress. Singapore, which sharply criticized Japanese companies for breaking the embargo, traded about US\$210 million worth of goods, including oil-drilling equipment, with Vietnam.

PART-II
COOPERATIVE DEVELOPMENT

23. The period 1954-60 was one of rapid growth for North Vietnamese agriculture.

24. In 1959 the DRV embarked upon the collectivization of agriculture. In this it would appear to have followed the Chinese model up to a point. "Mutual Aid" teams or "Production Solidarity" groups were established first. These institutionalized already existing collective practices of traditional Vietnamese wet rice agriculture, (such as joint transplanting and harvesting, lending of tools and draft animals). The next stage was the setting up of "production collectives" (tap doon san xuat) or "lower-level cooperatives". Land and means of production were contributed to the production collectives in exchange for a small rent (in proportion to the amount contributed). A system of work-points was also established according to which workers were remunerated, in kind, after the harvest according to the number of workpoints accumulated by each individual. Norms were established for agricultural tasks (so many hectares ploughed per day, so much fertilizer distributed, etc.) and workpoints allocated on the basis of completion of these norms. Income was then distributed to workers from the harvest, after payment of the collective's taxes and compulsory deliveries to the state, as well as that portion set aside for collective accumulation and social funds. Facilities such as health clinics, child care and assistance for poor and disabled members of the collective were met from the latter fund.

25. Income distribution in the collectives was thus carried out according to a dual system of distribution according to means of production contributed, on the one hand, and labour, on the other. In the third and final stage of the collectivisation

process, in which the advanced production cooperatives (hop tac xa) were established, all remuneration was based on labour contribution and the rents to former owners of land and means of production were eliminated. By 1968, virtually all of North Vietnam's peasants were incorporated into these advanced cooperatives. After this time, a process of gradually increasing the size of the cooperatives was set in motion by amalgamating smaller cooperatives, usually at village level, but nothing on the scale of China's communes was ever attempted (Elliott, 1976). Nor did the Vietnamese try any of the more radical aspects of Chinese communal life - communal eating, for example, which was experimented with during China's Great Leap Forward.

26. At the time of unification the north Vietnam economy had achieved a high level of socialization: most peasants were members of cooperative units and nearly all staple food production was carried out by these units; industry had also been incorporated in the socialist sector - modern industrial plants were owned by the state at the central or provincial level, and handicrafts were run by cooperatives set up by districts or within agricultural cooperatives. By 1974 there were reported to be 18,000 cooperatives in North each comprising of 200 - 400 households, averaging 200 hectares of land each. Over half of state investment in agriculture during the years 1960-64 went into construction of irrigation and drainage schemes. The irrigation carried out by collectives and cooperatives were responsible for increased cropping intensity, raising labour productivity prior to 1965. The advent of collective farming also gave most Vietnamese women an independent source of income for the first time. However, in the later part of 60s production started declining. It was, therefore, felt to increase the size of the cooperatives and reform the management system to provide greater centralization of decision making, more technical expertise in agricultural management and to achieve the economies of scale through increased division of labour. The number was

reduced from 18,000 to 15,200 with 300 - 500 acres of land. In mountain regions the holding size for each cooperative was less than 100 hectares. By 1984 there were around 23,000 production collectives and 368 agricultural cooperatives in the South amounting for 47% of the cultivated area. There were about 300 state farms.

27. But, in many cooperatives, the residual nature of workers' remuneration meant that peasant incomes did not rise and, in fact, many may have fallen below subsistence levels. This was particularly true of areas in which little or no real surplus was being produced above subsistence requirements. On most cooperatives there was in fact little internal accumulation, while state investment in agriculture was both small as a proportion of its total investment effort and concentrated upon state farms which contributed only a tiny proportion of the total output. The investible surplus extracted from the cooperatives did not, therefore, contribute to growth of cooperative incomes (except in certain favoured areas) and thus a very real conflict of interest appeared between the cooperatives and the state. In many cases, the purpose of the workpoint system - to distribute income according to labour - was defeated because once minimum food requirements had been met for all members, there was little left over. Compression of the share of total income going to workers therefore led to a very flat distribution of income between cooperative members and reduced incentive to work hard in the collective sphere. (Vietnam - M Berestard).

27. In August 1977 certain reforms were designed to stimulate production specially in those areas of economy which were not covered by the state plan. The measures announced in September 1979 allowed enterprises wanting to produce products not covered by their plan to use their own initiatives to find raw materials and to sell those products on the free market. Handicraft cooperatives, for example, could send teams of workers to

collect raw materials from forest areas or buy them directly from producers without having to wait for state supplies. Also, fallow or virgin land belonging to cooperatives could be allocated to individual households to clear and, as an added incentive, those utilizing such land would receive a three to five year tax exemption. Output produced by cooperatives over and above obligatory quota sales to the state could be sold on the free market. Under the new system, many of the existing production teams, based on specialization of tasks, were broken up and individual households (or in rare cases, work teams) were allocated plots of land by the collective. On these plots, each household team is responsible for sowing, transplanting, cultivation and harvesting of the crop. Cooperatives themselves remain responsible for those areas of production which involve the use of collectively owned means of production or more advanced techniques - ploughing, insecticide spraying, irrigation, seed propagation and selection and supply of chemical fertilizer. Households sign individual contracts with the collective (or directly with the state in the case of the remaining private land in the south), under which they are to receive any inputs and services they require in return for a fixed quantity of grain, pork, etc. The prices at which these goods exchange are determined by the state (some examples : 1 kg urea = 3 kg paddy : 1 kg phosphate fertilizer = 1.5 kg paddy : 1 litre diesel fuel = 0.8 kg paddy) (Lam Thanh Liem, 1985, p.387).

28. Cooperatives continued to plan their crop structures, providing seed, ploughing services, water, fertilizer and pesticides to households for their contract land, while households retained full control over the family plots as before.

29. In October 1981 a major change in the official price structure was announced. The price of most agricultural goods was raised by 300-400 per cent, but those of major inputs were raised by approximately 1,000 per cent. This was designed to bring the official prices of most goods much closer to their

prevailing free market prices and reduce incentives to divert state resources to the black market.

30. In 1981 the foreign trade sector was also decentralized further. The four major cities of Ho Chi Minh City, Hanoi, Haiphong and Da Nang were permitted to establish their own import-export (IMEX) corporations. Ho Chi Minh City, for example, had about a hundred municipal-level enterprises producing for export and receiving imported raw materials and spare parts in exchange. Enterprises and local authorities producing for export were permitted to retain a 25 per cent share of foreign exchange earnings which they received in the form of imported goods. The cooperatives are also permitted to export/import under barter system.

31. In March 1983 a new system of taxation of agriculture was introduced. Land was divided into seven categories, according to its average yield over the previous five years. Taxes were fixed at 10 per cent of this average yield (instead of 15 per cent under the previous system), though taxes on land still privately held would appear to have been higher. The new system ensured that increased yields would not lead to a proportion increase in taxes and was designed to encourage intensification of cultivation effort in the collective sector. Cooperatives can negotiate purchases from their members and sell to other cooperatives, as in free market and even export.

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