VIETNAM - Reluctant Cooperation

The government's new-style agricultural cooperatives meet resistance from many farmers and lack the preconditions vital for success

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A LIVELY KINDERGARTEN occupies the dingy shed once filled with a communal stock of paddy. In Khanh Mau village in the northern province of Ninh Binh, each household stores its own rice these days, and proudly holds a land-lease title. But for local farmers bad memories of Vietnam's collectivized agriculture in the 1960s and 1970s haven't entirely faded. Back then they were hungry and demoralized because the system of sharing land, tools, and farm animals didn't reward hard work.

That's why they're not fully committed to Vietnam's effort to resurrect a cooperative spirit. A residue of distrust clogs the official efforts to promote new-style agricultural cooperatives--tasked with coordinating irrigation, supplying fertilizer and other inputs, and even helping farmers market produce.

In Khanh Mau every household has dutifully joined the co-op, led by a Communist Party cadre--the organization is technically voluntary but villagers signed up because they wanted to get irrigation services. Yet no one wants to contribute any paddy or cash as working capital for the group. "The farmers have the impression that if they contribute something they will lose it," says farmer Le Xuan Hung.

Such news alarms the Communist Party, which considers the co-ops an essential tool in combating rural poverty--the party's most urgent task. Two thirds of the nation's labour force of almost 40 million people are engaged in farming and most poor people reside in rural areas. Even in a relatively accessible province like Ninh Binh, just south of Hanoi, farming households get by on an average per capita annual income of just 2 million dong ($133)--a figure that the World Bank describes as hovering on the borderline of poverty.

The bank and other overseas donors have given Vietnam high marks for lifting living standards over the past decade. But the going is getting rougher: Farmers face dismal prices for major commodities such as coffee, rice, cashews and pepper, mainly due to global oversupply. They also have scant access to critical market information to shape their future planting decisions.

Mounting research suggests the party has committed itself to a rural development strategy without forging the preconditions vital for success--enough capital, management training and decision-making autonomy for co-op members.

"Cooperatives should be free of politics, free of administrative control," says Bui Quang Toan, a senior researcher at the National Institute for Agricultural Planning and Projection. "The government must give up the idea that they can use cooperatives as a tool to manage the people."

It's a familiar refrain in most economic sectors--Vietnam must accelerate reforms and liberalize the climate at the grassroots level to reach ambitious development targets. That's why the escalating debate over the co-ops' failings could have a positive impact. The debate highlights the broader folly of herding villagers into conformity with top-down policies.

"The ideology of Marxism-Leninism emphasizes that it is absolutely impossible to constrain farmers in any form," said Chu Tien Quang, a top rural economy official at the state-run Central Institute for Economic Management, at an August workshop. Indeed, millions of farmers have opted out of co-ops, preferring smaller, more flexible units that perform some communal tasks without seeking any legal status.

The issue will rank high on the agenda at a meeting in December of the Communist Party's central committee. That doesn't mean that party leaders are gearing up to abandon the co-op strategy. On the contrary, many officials paint a dire picture of life without co-ops: the return of big landlords, exploitation by private traders, and growing landlessness that could end in encroachment on precious forests. And some farmers can't
imagine getting rid of them altogether. "Impossible," says Hung in Khanh Mau.

It's true that agricultural co-ops work well in some countries, and Vietnam has noted some isolated success stories in the five years since the new-style co-ops were launched. At their best, co-ops provide important economies of scale for discounted inputs and stronger bargaining muscle. In helping to market commodities, the co-ops aim to deliver more profit directly to farmers, instead of being siphoned off by a long line of intermediary traders. Co-ops can also ease technology transfer and spread new ideas for crop diversification.

That's why foreign cheerleaders like Japan, Germany, Canada and Denmark are putting money into selected Vietnamese co-ops. But conditions in those countries differ markedly from Vietnam. In Canada, for example, co-ops hire professional managers to run the business—which Vietnam's co-ops can't afford. Co-ops overseas can also count on staff trained in accounting, planning and management practices. And in many cases in Canada and Denmark, the government has played a minimal role in the co-ops, which evolved gradually over time based on the members' perceived needs.

In Japan, agricultural co-ops have evolved into a powerful political lobby, urging leaders to reject freer trade at World Trade Organization talks. Some international development experts question whether Vietnam should be taking lessons from Japan's notoriously inefficient agricultural sector. But the resident Japanese advisers on co-ops urge their Vietnamese counterparts to keep the faith. "The present condition of Vietnam is the condition of Japan 30 years ago. It doesn't mean that it will take Vietnam 30 years to catch up," says Naoto Imagawa, an expert from the Japan International Cooperation Agency. Meanwhile, officials at Vietnam's Ministry of Agricultural and Rural Development admit that they are frustrated by the co-ops' slow progress.

Would money solve the problem? Maybe, but there's no clear financial solution in sight. It's a vicious circle: Poor management and negligible collateral make most co-ops a bad credit risk. And the government has failed to craft a budget for the massive training needed to improve co-op management. While co-op leaders can take out personal loans for the use of the group, most fear risking their own assets. "They personally don't feel confident about what they're doing," notes a banking official in Ninh Binh.

Vietnam has good reason to fear another debt trap—which could imperil its three-year agreement with the International Monetary Fund for a $368 million loan. In October, officials announced that they would write off 525 billion dong ($35 million) in pre-1997 debts accumulated by the old subsidized and semi-subsidized cooperatives. In addition to providing a clean slate, the State Bank is considering establishing some sort of credit guarantee to ease the flow of new loans to co-ops. But if each of the 10,853 existing co-ops sought to borrow 200 million dong per year—as suggested by farmers in Ninh Binh—that adds up to a whopping $144 million in the first year alone. That's roughly double the current loan portfolio of the Vietnam Bank for Agriculture and Rural Development.

The big numbers make little sense to the farmers in Ninh Binh. All they know is that they're being left high and dry. "Without capital, we can't do anything," says Duong Xuan Hich, cashier for the Tay Van co-op. And without more creative thinking on how to pump micro-finance into the countryside, poverty will remain a persistent scourge.