

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Al Rosenfeld, MSUG

DATE: April 9, 1957

FROM : Price Gittinger

SUBJECT : Attached manuscripts

Price Gittinger

I am attaching a copy of "Rent Reduction and Tenure Security in Free Viet Nam" which was accepted by the Journal of Farm Economics.

Also attached is a copy of a note entitled "Vietnamese Land Transfer Program" which includes my most recent estimate of the area available for transfer to sitting tenants.

RENT REDUCTION AND TENURE SECURITY IN FREE VIET NAM

Price Gittinger
International Cooperation Administration

Free Viet Nam, in common with many another Free World nation, faces a critical problem of enlisting peasant loyalty and raising rural levels of living. As a principal component in its search for a solution, the Government of Viet Nam since early 1955 has carried out an agrarian reform which reduces rent to 25 percent of the crop, regulates other tenure conditions, and provides tenure security for peasants who undertake to cultivate abandoned land.

The effort of this south-east Asian nation to improve its tenure structure merits critical examination by agricultural economists and political scientists concerned with preserving the values of the Free World. The agrarian reform must be carried out in a nation still racked by internal Communist subversion, and in areas where the Communist Viet Minh formerly was in occupation and had promised "reforms" of its own. The reform is being carried out entirely by the civil mechanisms of a free government without the intervention of an over-riding military machine. It must be implemented in a nation desperately short of qualified administrators and in a nation where Government revenues are critically short. For national and provincial administration, the Government must depend upon administrators of urban orientation, often drawn from land-owning classes, since tenant groups lack the educational background. The Government has relied heavily upon the United States for technical advice and local currency financing for administrative costs. This has been provided through the International Cooperation Administration and its United States Operations Mission to Viet Nam. Finally, the American officials have played an important part in convincing top Government officials of the need for agrarian reform.

Geographically, Viet Nam clings to the extreme south-eastern corner of Asia. The 17th parallel was defined by the Geneva Convention of July 1954 as the artificial boundary between Free Viet Nam and its communist counterpart. Southward, the nation stretches along the coast and through the mountainous Annam Cordillera to the broad Mekong delta. Twelve million people live in this new nation, nine million of them in rural areas.^{1/} They are concentrated into packed coastal deltas which stretch like a necklace along the coast and in the huge pendant formed by the Mekong delta. Approximately five million people live in tenant households, three million comprise landless laborer families, and the remaining one million live in owner-operator or landlord households.

Traditionally, rents have been 50 percent of the crop for the land alone, with all labor, fertilizer, seeds, draft power, and equipment

provided by the tenant or rented at extra cost. Tenants had no security of tenure. They could be removed at the landlord's will as the result of sale, whim, or fancied insult.

The pattern of tenure is divided sharply between the coastal deltas which comprise Central Viet Nam and the Mekong delta which forms South Viet Nam.² The CVN coastal deltas are characterized by very small holdings. Tenants often own one or two tenths of an acre, and may rent another half acre or acre. Landlords own comparably small areas, and a rich owner may have only 12 acres. Holdings over 100 acres are virtually unknown. Up to half the area in many villages is owned as communal land which is either rented to landless villagers in units of one or two tenths of an acre, or cultivated in common by the landless families. Rice is the dominate crop, but manioc and sweet potatoes are common. Rice yields are low and extremely variable, depending largely upon water control, and run from 600 to 1,300 pounds annually per acre from two and sometimes three crops.

In South Viet Nam, holdings are substantially larger. The average tenant unit is around 7 acres, and holdings commonly run from 4 to 15 acres. This area has been settled by the Vietnamese within the last 250 years or so, and vast tracts were given as concession lands by the French colonial administration to French and Vietnamese with capital enough to dig canals for irrigation and drainage. About half the land is owned in units of 125 acres or more, and most large owners now are Vietnamese. Rice yields in this area are substantially better, running from 1,000 to 1,500 pounds per acre for a single crop.

Prior to World War II, the agricultural policy of the French colonial administration centered on irrigation and drainage, crop research unaccompanied by agricultural extension, development of plantation crops grown largely outside the rice deltas, and upon helping large land owners. Little was done to aid individual peasant farmers directly, and almost nothing for tenants. Even the agricultural credit schemes were directed largely at owners who pledged land for security and in turn lent money to their tenants at high interest.

In 1946 civil war broke out resisting French efforts to re-establish their pre-war administration. The leading unit of this opposition, although not the only political element strongly in favor of independence, was the Communist Viet Minh. Gradually the Viet Minh came to control more and more of the rural areas until by the time of the Geneva Convention, Viet Minh troops controlled virtually all of what is now North Viet Nam, and substantial proportions of the rural sections in Free Viet Nam.

The Viet Minh was able to draw upon the new status they accorded cultivators, peasant dislike of the French, and fear in order to maintain Com-

nist troops. From area to area Communist administration varied widely, but in general rents were greatly reduced or eliminated, and heavy taxes in kind were levied. Records of land ownership were destroyed. Constant propaganda effort was devoted to convincing peasants the Communists had their best interests at heart and to trying to inject class hatred into rural communities. No attempts were made at collectivization.

In Central Viet Nam, where Communist control was highly organized, immediate elimination of rent or dispossession of small landlords was impractical. Instead rents were reduced, and the Viet Minh administrative officers took great care to demonstrate their concern for tenants. In one village for example, a peasant related the rent collection process. All the paddy was collected in his thatched home. The tenant, the landlord, and the Viet Minh agent gathered to divide the crop. The agent first divided the pile of paddy in two, giving half to the landlord and half to the tenant--the traditional division. Then he split the landlord's half into three portions, and physically gave a generous third to the tenant, leaving him with a total of about two-thirds of the crop. However, the Viet Minh agent then promptly taxed both parties 50 percent in kind so the tenant wound up finally with only one-third of the crop, the landlord with one-sixth, and the Viet Minh with half. To get around this heavy tax, the tenants in this village shifted to manico which the Communist guerrillas found less palatable and so taxed less heavily. In another CVN village a small landlord owning 12 acres related how he was neither permitted to sell his land nor keep his crop. The Viet Minh kept him almost a prisoner to use him as a "bad example".

In South Viet Nam, where the Communists were much less completely in control, administration was less rigorous. As Viet Minh guerrillas gained night-time and marshland control, the area became physically unsafe for landlords to visit, and some tenants paid no rent at all for nearly eight years. Viet Minh tax collections were onerous, usually running more than half the crop with added special collections. In one of the areas under Viet Minh control, a peasant told of producing a crop of 22,000 pounds, and paying a tax in kind of approximately 1,400 pounds for each of five members of his family, plus a basic 15 percent overall tax and occasional special assessments which ran the total tax well over 50 percent. Although the Viet Minh admonished tenants to cultivate "all the land you want", the general insecurity, deterioration of irrigation and drainage facilities, and destruction of draft animals so greatly reduced the area under cultivation that by 1954 only two-thirds of the pre-war area was sown to rice.

Measured in terms of physical well-being, the tenant was no better off under the Viet Minh than when he paid 50 percent rent to a landlord. The big difference was his viewpoint. No longer did the tenant feel the tax represented an unjust exaction--economic exploitation. The Communist

leadership convinced large numbers of rural people that to the Viet Minh the common man really mattered. Economic imports and other hardships were depicted as self-imposed by the multitude to further the common fight. In many areas non-Communist farmers collected the tax themselves without much help from armed Viet Minh troops as a voluntary contribution to the "People's War for Liberation". Following a century of paying heavy rent to landlords, this altogether new approach paid off handsomely. Farmers were flattered by the Viet Minh attitude of taking them into their confidence and consulting them. For the first time the tenant farmer felt he had a real status in his community and a real dignity. Support for the Viet Minh followed naturally.

To counteract Communist peasant support, the French and the semi-independent Vietnamese Government sought a land reform policy which would regain rural loyalty. The first evidence of interest in agrarian reform came in the Vietnamese New Year message of Emperor Bao Dai in February 1951. He promised regularized tenancy agreements and credit control, although quickly adding, "without, of course, impairing the interests of the established large land owners . . ." He also promised that peasants who had been given land by the Communists would be allowed to retain their holdings when the "troubles" were over. But the message was entirely a propaganda move, and produced nothing tangible. The influence of land-owning interests remained high and the need for genuine changes in tenure institutions went unfilled.

Matters were allowed to slide for 2 years with only scattered and token reference to tenure conditions. Meanwhile, Communist gains continued, and it became painfully evident some move to reform the conditions under which land was held and operated must be made. Even so, the Government was not yet ready to face the problem realistically.

In the early spring of 1953, President Nguyen Van Tam, partly in a move to gain political strength at the expense of Bao Dai and partly to counteract Communist propaganda, dramatically announced that henceforth the pre-war rent of 50 percent of the crop would be reduced to no more than 15 percent. Although he gave wide publicity to the decree, it was evident from the start it could never be enforced.

Official American advisers, meanwhile, had been urging the promulgation of a real agrarian reform code. Events forced action, and a long-dormant National Committee for Agrarian Reform met to draft agrarian reform legislation. Although the American technicians were informally consulted about the proposed laws, the Vietnamese did not await their formal technical analysis before promulgating four ordinances in June 1953.

These ordinances provide for the return of uncultivated land concessions to be reallocated to small farmers; regularised tenure relationships with written leases following a prescribed form; a maximum rent of

15 percent; a minimum of three years tenure security; maximum land holdings running from 50 acres in North Viet Nam to 250 acres in the South; and for the government to allot to tenants any uncultivated land, depositing the rent to the account of absent owners.

Again, these ordinances were motivated largely by propaganda considerations, and their shortcomings must be seen in this light. Most striking among these was the failure to include any enforcement measures. Another was the unrealistically low 15 percent rental. The wording was vague and sometimes contradictory. The impractical complexity of the ordinances provided for many possible variations to meet differing conditions, but made them too complicated to be enforceable or for tenants to understand. Although the Americans and Vietnamese familiar with rural conditions recognized these shortcomings, they were unable to remedy them.

With the partition of Viet Nam following the Geneva Convention in 1954 and the accession of Ngo Dinh Diem as President, agrarian reform was given fresh consideration. In this, the Americans rendered valuable technical assistance, and indeed were persistent advocates of action.

The goals of agrarian reform were clear: (1) stabilize rural conditions and gain tenant loyalty by injecting a prospect for economic improvement in a peaceful environment; and (2) provide incentives for tenants to cultivate idle land. These objectives were fully in accord with the new Diem Government which was struggling against internal opposition from armed bandit and sect groups and against continuing Communist subversion.

During the fall of 1954, the Americans and the French, who also agreed upon the need for agrarian reform, worked together on a unified position. It was agreed that the Government was not yet in a position to embark upon a land transfer program, and that the immediate goals could be realized by a sincere rent reduction and tenure security program. It was felt, however, that land transfer would have to come later.

Agrarian reform constituted a principal point in the program of General J. Lawton Collins, President Eisenhower's special representative. Accordingly, in December, 1954, General Collins called upon President Diem to present the American viewpoint, and later the same day the French High Commissioner, General Paul Ely, called to present an identical French position. Within hours, President Diem had issued instructions to his Government, and the Vietnamese, French, and American agricultural specialists were seated around a conference table. There was no difficulty agreeing upon the general terms of the new ordinances. The basic needs and mechanisms to achieve them had been carefully threshed out between the French and Americans earlier, and they were known to be in accord with the Vietnamese thinking. The conferences worked quickly, and the President promulgated Ordinance No. 2 regularizing tenancy and limiting rents on

Rent Reduction and Tenure
Security in Free Viet Nam

January 8, 1955 and Ordinance No. 7 governing recultivation of abandoned land on February 5, 1955.

Ordinance No. 2 (which technically amended ones of the 1953 ordinances) provided that: (1) all established tenants must have a written contract following a prescribed form and registered in their village; (2) rents be set at the more realistic rate of 18 to 25 percent of the principal crop depending upon the fertility of the land; (3) annual rent for tools, draft animals, etc., could not exceed 12 percent of their value and loans to tenants could not exceed 12 percent annual interest; (4) contracts must last for at least 5 years and be renewable at the tenant's option; (5) village and district agrarian reform committees would be formed which, with the provincial committees established by the 1953 legislation, would administer the program, report abandoned land, and arbitrate disputes; and (6) failure to comply with the ordinances was made punishable with stipulated penalties.

Ordinance No. 7 provided that: (1) communal councils would forward to the Government a list of arable land not cultivated the prior season; (2) landowners must declare their intention either to leave abandoned land or cultivate it themselves; or else they would be considered as absent; (3) landlords considered present would sign a prescribed contract with new tenants which reduced the normal 15 to 25 percent rent but exempted the landlord from liability for land taxes; (4) where the landlord was considered absent, abandoned land could be let by the communal council to tenants, again using a prescribed contract form. These tenants on recultivated land would pay no rent the first year and reduced rent the next two years. The rent collected would be held to the account of the owner. The ordinance automatically expired on December 31, 1955 and was replaced by Ordinance No. 28 of April 30, 1956 reinstating the same provisions on a permanent basis.

To aid in the implementation of each of these ordinances, a mandatory contract form was appended to them. Three different contracts were provided. Appended to Ordinance No. 2 for established tenants was the so-called Type A contract. It embodied the terms of the ordinance relating to land rent, animal rent for equipment and animals, interest on loans, and the duration of the contract. Appended to Ordinance No. 7 governing abandoned land were the two other contracts: Type B for use where the landlord was known, and Type C for use by communal councils where the landlord was absent. These, too, embodied the terms of the ordinance relating to tenancy conditions.

In framing these two ordinances, an explicit attempt was made to correct obvious deficiencies and take advantage of prior experience in other Asian nations. American technical help showed to best advantage here, since U. S. advisers had had experience in Japan, Taiwan, and the Philippines. Allowing the rent to range from 15 to 25 percent was partly a political expedient, since the Government was saddled with the unrealistic rate publicized in earlier propaganda efforts, but it was also an attempt

to relate rent to the productivity of the land. The establishment of local committees was urged by the American officials both as a means of providing a local administrative unit and as a desirable device to encourage democratic growth. The general terms of the ordinances were simplified to make administration possible, and the focus of emphasis was narrowed to rent reduction, interest control, and tenure security. The model contract was retained to make the law easier to administer. And, of course, the inclusion of penalties corrected a glaring omission.

In human terms, the impact of the new code can most easily be seen by its effect on a tenant farmer's budget. Nguyen Van Thanh, a "typical" farmer interviewed in the South, rents a holding very near the average of 7 acres. His wife and three children must live largely off the rice the family can grow, plus their chickens and the fish from nearby canals. Thanh produces 4-2/3 metric tons of rice, of which his landlord from Saigon traditionally collected half. He must save out 1-2/3 tons for family consumption and seed, leaving some 2/3 ton-worth \$25.00--to sell and pay his debts. Under the new ordinance, the rent reduction gives him an additional \$40.00--which he planned to spend at least in part on increased consumption of sugar, for sweetened condensed milk, and for some black cotton for a new year's outfit.

To help village people understand the tenure security program and its operation, the Vietnamese, with substantial American technical and financial assistance, prepared blank contract forms and publicity materials. Two million contract blanks were printed, each type with a different colored line drawing so that semi-literate peasants could readily distinguish between types. Posters were printed at a ratio of one for every 150 rural people. To identify the explanations with the proper contract forms, posters were color-keyed to match the line drawings. Leaflets were distributed on the basis of one for every three families.

As implementation began, an interesting paradox in landlord and tenant attitudes emerged. Much of Free Viet Nam had either recently been recovered from Communist control or Viet Minh forces still retained paramount influence. In these areas, particularly those in South Viet Nam, landlords had sometimes not collected rent for as long as eight years. Now, landlords looked upon the contract program as a means to assure them a rental of at least 25 percent of the crop. On the other hand, tenants in these areas resisted the program since they had been paying no rent at all (although they had paid heavy Viet Minh taxes). By July 1955, however, the increasing stability achieved by the National Government had changed the environment and more orthodox positions were taken by tenants and landlords, with peasants in favor and landlords protesting that rent rates were too low.

In addition, the program was plagued from the very beginning by administrative and enforcement problems. On the broader front, the Government was still locked in a struggle with Communist subversion and rebellious armed sect groups. Administrative resources were scarce, and few men could be made available, even for so important a program as agrarian reform. When the ordinances were passed, the small General Directorate of Agrarian Reform in the Ministry of Agriculture struggled to put the new program into effect. In May 1955, during a general Governmental reorganization, President Diem established a separate Ministry of Agrarian Reform to deal with the program and with agricultural credit. But the combination of the lack of administrative manpower and the shifts in organization delayed real progress until mid-summer, well past the planting season. Provincial estimates of abandoned land were not returned until too late to assign tenants. The election of village and districts agrarian reform committees had hardly begun when the original deadline had passed. Progress of the program was dependent upon the efforts of Provincial administrations, which varied from complete cooperation to outright rejection of the whole concept. To support the administrative efforts, the U. S. Operations Mission assisted the Vietnamese Government to secure 180 field agents. But organization was slow, and the Government was unable to finish recruiting the agents until December. All told, the Government used only \$4,247 of American assistance through June 30, 1955 and \$267,404 during the following fiscal year.

Although the agrarian reform program had been foreseen as a partial solution to immediate problems, the impact during the 1955 season was small. Six months after the promulgation of Ordinance No. 7 there were only some 20,000 contracts registered. Of these, 16,200 were Type A for established tenants and 3,800 Types B and C for abandoned land. As information about the program spread and field agents began to reach tenants, the number of contracts climbed. By the end of 1955, nearly a year after promulgation, there were 277,345 contracts registered; 205,513 for established tenants and 72,032 for abandoned land. In another year, at the end of 1956, there were 537,030 contracts; 392,131 Type A and 144,849 Types B and C. This represents well over half of all tenants in Free Viet Nam, and some 3.7 million acres; just over 2.5 million individuals are directly affected. Approximately 1 million acres of abandoned land have been recultivated under registered contracts.

Most of this progress has been realized in the South where in some provinces four-fifths of the tenants have contracts. In Central Viet Nam, there were only 95,120 contracts registered, and only 17,245 Types B and C contracts reflecting the small amount of abandoned land in the crowded center. Other factors have also slowed down progress. The law limits rent to 25 percent of the main crop, which is fitted to conditions in the one-crop South, but is not realistic in the two-crop coastal deltas. In the South landlords have much larger holdings, and do not link themselves

closely to the village. In CVN, where holdings are small, the landlord is very much a part of communal life, and exerts a strong influence on tenant thinking. In these coastal deltas tenants are more concerned simply to find land to cultivate than they are in the more spacious South. For the tenant to raise the issue of a contract is likely to result in eviction with no alternative holding available.

Throughout the nation, problems of enforcement and administration are still great. Although contracts clearly set the maximum rent at 25 percent of the main crop, in practice most tenants with contracts seem to pay a third or slightly more of each rice crop. Even so, contract holders feel the program has been of distinct benefit to them, and point to neighbors without contracts who, now that stability has been restored, pay 50 percent. The clauses relating to tenure security have proved difficult to enforce. Even though illegal eviction is a common complaint in the countryside, very few disputes have reached formal arbitration. At first the courts were unsympathetic to the program, but more recently tenants with contracts have won most of the disputes which they have appealed to the courts. Nevertheless, the high costs of legal action and the slow judicial process have combined to make recourse to the courts all but inaccessible to tenants. Only about half the villages have agrarian reform committees, and these meet infrequently and have often been irregularly appointed.

These problems of enforcement and administration are currently under review by the Department of Agrarian Reform, and it is anticipated the law will be amended to make it more applicable to conditions in Central Viet Nam and to simplify arbitration procedures. Consideration is being given to strengthening the agrarian reform committees and to giving them more power to settle disputes. The confusing sliding rent scale may be replaced by a single percentage of each crop which in practice has already occurred, despite its theoretical disadvantages.

In general, the agrarian reform program in Free Viet Nam has made substantial progress toward accomplishing its goals, despite admitted shortcomings and problems. Tenants are aware of the program, are interested in it, feel the program can be a substantial benefit to them, and recognize in the program a concrete indication of Government concern with peasant problems. Over half the tenants hold valid tenancy contracts. The agrarian reform program directly affects the lives of more rural people than all other Government agricultural programs combined. Some 1 million acres of abandoned land have been recultivated as a direct result of the program. In the countryside, there are strong indications that the Government's agrarian reform program has reduced the appeal of Communist promises.

Enforcement and administration remain knotty problems which do not

admit easy or quick solutions. Providing an adequate mechanism for settling disputes is probably the most pressing immediate problem. The courts are too expensive and overloaded to perform this service efficiently. At present it seems the solution will be sought by increasing the powers of local agrarian reform committees, with right of appeal to the provincial committee. Only broad questions of policy would fall within the jurisdiction of the regular civil courts. There are difficult problems of mass education, of better training for poorly-paid agrarian reform agents, and of tightening of the lines of administrative control. The program still depends too much upon the attitude of the Provincial Chief, who can make the program a success or thwart it, depending upon his personal opinion of its merits.

Implementation of the law has re-emphasized the necessity for an agrarian reform in an underdeveloped nation to be as simply framed as possible, even at the expense of fostering some inefficiency and injustice. The sliding rental scale has been nothing but a bone of contention, and probably will be replaced by a single, clearly stated rent rate, most likely 25 percent. The necessity to tailor the law to fit differing regional conditions is brought out by the slow implementation in Central Viet Nam where the prevalence of double cropping and the pattern of tenure does not fit the provisions of the law. And finally, the difficulty of organizing and using local agrarian reform committees reflects at least in part the complicated, indirect election process. More direct election and a simpler statement of the powers of the committees would probably increase their effectiveness.

The agrarian reform has been an interesting example of the service which can be rendered by foreign technicians. From the very first, American advice and urging on the critical nature of the problem and on possible lines of remedial action played a critical role. The assistance of American technicians was very important in helping frame the decrees, and helping organize implementation; United States local currency aid was critical in supporting the administration of the program. Yet the Americans seem to have succeeded in retaining their position as advisors, not "operators", and there is no doubt the Government rightly looks upon the program as its own, carried out with some American assistance. Peasants, it seems, identify the program entirely with the National Government.

The whole rent reduction and tenure security program has had a logical relationship to the better known device of land transfer. In the first place, the tenure security program met a need at a time when the Government could not have mustered either the political support or the administrative and financial resources to carry out land transfer. Secondly, the program is a necessary complement to a land transfer program, particularly since no current transfer proposal would have any appreciable effect on the tenure structure in Central Viet Nam, nor would it eliminate tenancy in the South. President Diem on October 22, 1956

announced a land transfer program framed in cooperation with American officials and unofficial advisors. But this program sets a retention limit of 250 acres, and best estimates indicate it would affect only about 270,000 holdings. Thus some three-fourths of Viet Nam's tenants would be unaffected by the new ordinance, although they will continue to benefit from the rent reduction and tenure security program.

Despite the problems they have faced, the Vietnamese have demonstrated yet again that a free nation can institute needed reforms by legal and just processes before deteriorating circumstances force the population to more drastic means. They have also demonstrated that foreign aid can be used to promote change without losing independence of action and control.

- 1/ Reliable agricultural data about Free Viet Nam are almost non-existent. Figures used in this article represent the best available estimates and are based principally upon Vietnamese Government sources, United States Operations Mission estimates, and published sources where available and reliable. The best published source, despite its age, is Yves Henry, L'Economie Agricole de l'Indochine (Hanoi: Gouvernement General de l'Indochine, Inspection Generale de l'Agricole, de l'Elevage et des Forets, 1932), now out of print and virtually unobtainable. Two good English sources are Pierre Gourou, Land Utilization in French Indochina (New York: Institute of Pacific Relations, 1945), mimeo., and Office of Foreign Agricultural Relations, The Agriculture of French Indochina (Washington: United States Department of Agriculture, 1950), mimeo. The sources relied upon for information on agrarian reform activities in Viet Nam are principally working files of the author and the United States Operations Mission to Viet Nam.
- 2/ The entire area south of the 17th parallel is often referred to as South Viet Nam to distinguish it from neighboring Communist North Viet Nam. Within Free Viet Nam are three major regions: Central Viet Nam, South Viet Nam, and the sparsely-settled Southern Mountain Plateau (which is unimportant from the standpoint of agrarian reform). In this article, to distinguish the major regions from the nation, Free Viet Nam refers to the nation as a whole south of the 17th parallel, and Central Viet Nam (CVN) and South Viet Nam (SVN) refer to the two most important regions within the nation.