

# **ECONOMIC THEORY, APPLICATIONS AND ISSUES**

**Working Paper No. 65**

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Responsible Development in China and  
Vietnam**

**by**

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**April 2012**



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# Agriculture, Structural Change and Socially Responsible Development in China and Vietnam

## ABSTRACT

The gradualism of economic reforms in China and Vietnam (especially in China, which has led the way in this regard) has been commented on favourably by many analysts studying transitional economies. Early market reforms in China and Vietnam were constrained by political considerations and consequently, began in agriculture and in China's case, in rural areas with the development of town-and-village enterprises as well. It is argued that at the time when the reforms began, they were socially responsible. However, they have created a legacy which has resulted in agricultural land disputes and many town-and-village enterprises now face new economic challenges resulting in social conflict as the structure of China's economy alters and greater market competition occurs. A further relevant policy issue which is discussed is whether commercial industrialised farming should be encouraged at the expense of the existing predominantly small-scale household farming in China and Vietnam. At present, titles to agricultural land continue to be held by village councils and villagers only have conditional user rights to the land allocated to them. These rights can be taken away by village councils and the use of the land involved can be reallocated which has been increasingly necessary with structural economic change in China and Vietnam. Some villagers believe that their land is taken unfairly and that they are not adequately compensated for its loss. Why this problem exists and the difficulties of solving it are given particular consideration

**Keywords:** China, commercialisation of agriculture, economic reform, land rights, town-and-village enterprises, transitional economies, Vietnam.

**JEL Classifications:** P21, P25, P31, P32.

# Agriculture, Structural Change and Socially Responsible Development in China and Vietnam

## 1. INTRODUCTION

It is well known that both China and Vietnam have achieved high rates of economic growth since they began their economic reforms. These reforms were designed to transform their economies from a high degree of dependence on central planning and command to ones much more reliant on market systems. Also these reforms were accompanied by policies to make their economies more open to the outside world and encourage foreign direct investment. Although China's economic reforms began in 1978, Vietnam did not commence its reforms until 1986 when it began its *Doi Moi* policy designed to renovate its economy. As a result of their economic reforms, both the economies of China and Vietnam have undergone tremendous structural change in a relatively short time-span (see, for example, Tisdell, 2009b; Tisdell, 2009a). As is to be expected, these changes have given rise to several social tensions. For example, rural land disputes have resulted in social unrest in some rural areas of China and Vietnam. In part, these disputes highlight problems in re-allocating the use of land to accommodate structural economic change.

Possibly, the major structural change in these economies has been the decline of their agricultural sector relative to the remainder of their economies, especially secondary industry. These changes have been accompanied by a rapid increase in urbanisation (and accompanying rural-to-urban migration) and a decline in employment in agriculture. These are trends normally associated with economic growth and development (Clark, 1957). Probably, the economic reforms in China and Vietnam have had the greatest social and economic impact on agriculture and rural communities. Therefore, this chapter focuses on the socio-economic problems faced by agriculturalists in adjusting to structural change in these economies and considers to what extent economic adjustment policies adopted by the reformers have exhibited social responsibility in relation to agriculturalists who in this case, consist mostly of

very small-scale farmers. These small-scale (mostly poor) farmers rely on family labour for their production and in many cases, supply a substantial amount of their own food from their own land.

The discussion in this chapter proceeds in the following way: The process of economic reform in relation to the agricultural sector is considered, including the development of non-agricultural industries in rural areas, town and village enterprises in China's case. Then the question of agricultural land rights and rural land disputes is raised. This is followed by consideration of the social and economic desirability of further structural change in agriculture, namely a change to greater commercial industrial-type agriculture and a reduction in small-scale family-based agriculture, which is seen by some Chinese and Vietnamese policy-makers as of a peasant-like nature, backward and inefficient. The political push by some groups for the extension of commercial industrial-type agriculture in China and Vietnam has created social tensions in rural communities because of some land transfers for this extension. However, forced land transfers required to accommodate other structural social and economic change seem to have created even more social conflict.

Whether or not the policies that have been developed by China and Vietnam to deal with these problems are socially responsible is a matter for debate and will be considered here. As is analysed in the final part of this chapter, their policy of making gradual economic reforms, while socially responsible initially, has now resulted in social conflict and a political dilemma.

## **2. AGRICULTURE AND THE REFORM PROCESS**

The main focus in this chapter is on China but mention will also be made of similar issues that have arisen in Vietnam as a result of structural economic change.

### *2.1 Economic reforms began with agriculture*

Both China and Vietnam began their market economic reforms with agriculture. Was this because it was the socially responsible thing to do or was this for other reasons? The answer is complicated.

China's economic reforms began with the introduction of the household responsibility system in agriculture (Chai, 2011, Ch. 15; Tisdell, 1993, Ch. 8). Among other things, this involved the transfer of collectively owned and managed agricultural land, agricultural animals and equipment to farm families on a contract basis. Land was assigned to farm families for a fixed period of 30 years but titles to the land were retained by the collectives (village governments) and were not given to individuals.

Chai (2011, p. 168) states: "In order to minimise social, political or economic disturbances, China developed a unique approach to privatisation for it did not want to engage in the outright sale of state and collective properties. In the agricultural sector, the way to privatisation was filtered through a contracting-out system". While this process or approach minimised social disruption initially and therefore, at the time, was socially responsible, subsequently (as will be discussed later) this method of allocating land became a source for rural land disputes and social unrest. This is because some local governments facilitated compulsory acquisition by developers of the land initially assigned to farm families. Similar developments can be observed in Vietnam.

It can be argued that it was socially responsible for China and Vietnam to begin their economic reforms with agriculture. At the time these reforms began, most Chinese and Vietnamese were engaged in agriculture and were much poorer than the urban population. They were therefore, in greatest need of a boost in their incomes. There is no doubt that as a result of the introduction of the household responsibility system, managerial efficiency in agriculture greatly increased compared with production under the commune/collective system and that allocative efficiency also improved. Liu Guang, Liang *et al* (1987) stated:

"The contract responsibility system based on the household with remuneration linked to output has been introduced, which clearly defines the obligations, directly benefits the peasants, involves simple procedures and makes maximum use of the enthusiasm of the masses of the peasants by assuring them of their power to make decisions on matters relating to the management of production....."

Consequently, these agricultural reforms helped to raise the incomes of Chinese farmers even though on average their incomes remained lower than those of urban dwellers.

Nevertheless, it seems likely that the exercise of social responsibility was not the only possible reason why China's economic reforms began with agriculture. Another important influence was almost certainly political realities or practicalities. Deng Xiaoping was restrained in his reformist ambitions by party elders who, according to Chai (2011, pp. 163-164), "much preferred central planning and moderate reforms" to the modernisation programme of Deng Xiaoping. To have begun the economic reforms in urban areas would have rapidly generated urban social strife given the vested interests of urban-dwellers in the existing system which favoured and protected them economically to a large extent. Also demonstrations and protests are more likely to occur in urban rather than rural areas when there is social unrest. The prudent political course, therefore, was to begin the economic reforms in rural areas where economic benefits were likely to be achieved quickly. At the same time, village governments or collectives would still be able to retain significant economic and political power, thereby, ensuring their continuing support of China's Communist Party and the central government. For instance, local governments retained considerable political power over members of the collectives or village and their use of land. In turn, this contributed to the continuation of political cohesion.

## *2.2 Town-and-village enterprises*

The Chinese government's support for the growth of rural industries (town-and-village enterprises) early in its period of its economic reform was another important development which significantly benefitted farmers. In addition, it was a stepping stone to further extension of market reforms in China into urban areas (Tisdell, 2009b). Once again, it can be argued that while this was a socially responsible strategy, it was also heavily influenced by practical political considerations. To have begun such reforms in major urban areas in which state owned enterprises dominated production would have courted immediate strong social opposition because the job security of most urban dwellers depended on such enterprises.



The encouragement of the development of rural non-agricultural enterprises by the Chinese government was socially responsible because this development provided non-agricultural employment possibilities close to home for farmers. This reduced the cost to farmers of switching from agricultural work to non-farm work compared to the alternative of seeking employment in a large city far away from home, a possibility anyway restricted by the operation of the Household Registration System. The importance and nature of the costs involved in Chinese farmers changing location to switch their employment is discussed and analysed by Tisdell (2009a). The development of non-agricultural rural enterprises (town-and-village enterprises: TVEs) facilitated a reduction in the amount of China's surplus agricultural labour by providing an alternative to employment in agriculture. After the introduction of the household responsibility system, the surplus of agricultural labour may have increased or may have become more pressing and therefore, the need for political action to absorb this surplus may have become more apparent. Chai (2011, p. 169) states: "Initially the development of TVE's was promoted by the government to soak up the surplus labour generated by the higher productivity which had resulted from the introduction of the HRS [household responsibility system] in the countryside. Later on they were promoted because they provided a competition to SOEs [state owned enterprises]".

The development of TVEs added to rural incomes because on average the productivity increased of those who switched from employment in agriculture to work in TVEs. Initially, also TVEs were owned and controlled by rural collectives thereby strengthening their political power base. However, according to Chai (2011, p. 169), many TVEs have now been converted to private ownership. Chai does not discuss the mechanics used for the conversion of TVEs to public ownership but in several cases, assets may have been privatised at bargain rates.

Initially also the Chinese government favoured the growth of TVEs because it was worried about the social consequences of mass rural migration to large urban areas. Urban dwellers were hostile to such migration because they were fearful that it would create a social and economic burden for them.

Vietnam did not have China's system of TVEs. This may have hindered its structural economic adjustment. Now, however, Vietnam's government is giving greater attention to the development of industries in rural areas.

While the virtues of using TVEs as a part of China's process of gradual economic reform have been stressed by many writers, some limitations should be mentioned. To what extent, in the long run, are or were the activities engaged in by the TVEs economically viable and did the establishment of TVEs result in the best locations for industrial development in China? It seems likely that location of the non-agricultural economic activities engaged in by TVEs was not the most economically efficient nationally. Furthermore, in the longer-term, many established TVEs might be unable to withstand increased market competition and therefore, eventually will no longer be economically viable. The purist economic ideal of optimal economic allocation of resources was probably not achieved by the development of China's TVEs.

However, this purist ideal is to a large extent immaterial because from a dynamic point of view the development of TVEs was a success. It provided rapid economic benefits to rural dwellers at no expense to urban dwellers. The policy was a stepping stone for the extension of China's market reforms to urban areas. According to Tisdell (forthcoming), it is more important to consider economic processes rather than comparative static analysis in formulating economic policies.

On the other hand, as market competition becomes more widespread in China many of the TVEs established in earlier times are likely to be no longer economically viable. Therefore, some socially distressing future economic adjustment is likely to occur. However, China is in a better position than in the past to deal with this readjustment given the considerable economic growth experienced by it.

### **3. AGRICULTURAL LAND RIGHTS**

While the gradual nature of China's and Vietnam's economic reforms can be interpreted as being socially responsible (although this gradualism was to a large extent dictated by political feasibility) because it minimised (early) social conflict, this gradualism also sowed the seeds for some future social conflict. It has resulted in

claims that China's and Vietnam's socio-economic systems are not operating in a socially responsible way. As already indicated, as market competition in China increases some TVEs are coming under financial stress and they complain of unfair competition from state owned enterprises and other more favourably placed business enterprises. This is reflected in a news item by Dong Wei (2012) which appeared in the *China Youth Daily* and which was edited and translated by the *People's Daily Online* and reproduced in the Travel Impact Newswire. This item complains about competition facing farmers and TVEs from state owned enterprises.

A similar type of situation has developed since the introduction of the household responsibility system in agriculture. Land belonging to the village communes or collectives was divided between families on an egalitarian basis for them to use it for agricultural production. Households were given the **conditional** right to use this land for 30 years. They could not mortgage or sell it, but in some circumstances, it could be rented. Titles to the land were retained by the village government and they were authorised to re-allocate the land at any time in response to demographic and similar changes.

This may have seemed socially responsible at the time. This allocation of the land provided farm families with some social security and yet allowed scope for land re-allocation as needs changed. Furthermore, by severely restricting the transfer of agricultural land, it preserved the rural social security base of farm families. Family members of farmers migrating for temporary employment in cities, China's floating population estimated by the OECD (2010) to consist of 74 million people in 2005, had a social blanket to which they could return should they become unemployed or otherwise disadvantaged after migrating.

In recent years, government restrictions on the transfer of agricultural land in China and Vietnam and on the use of agricultural land have been relaxed. Local governments retain property rights in agricultural land and have taken advantage of this relaxation and some ambiguities in the law. Chai (2011, p.177) observes for China the following:

“Theoretically, village officials and township cadres cannot convert or lease farmland for other purposes without the majority consent of their villagers. In practice, however,

to boost the local government revenues, land was [is] often leased to factories or converted to other purposes without due process and then sold to property developers at inflated prices.”

A report in the *China Daily* updated on 6<sup>th</sup> November 2010 (Anon, 2010a, p. 1) states that “about 65 percent of mass incidents in rural areas are triggered by land disputes which are affecting rural stability and development more than any other issue”. Agricultural land is being ‘seized’ to facilitate economic development needed to support China’s economic restructuring. According to Professor Yu Jianrong of the Chinese Academy of Social Sciences, land disputes occur because of forced land acquisition and the low level of compensation paid to those who are forced to relinquish their land. Compared to the market price of the seized land and payments made by those acquiring it, a low amount is paid by village governments to households whose land is repossessed. Professor Yu Jianrong is quoted as saying “Since the reform and opening up more than 50 million farmers have lost their land and nearly all have no jobs or social insurance. This has caused social conflict” (Anon, 2010a, p.1)

The *China Daily* (Anon, 2010b) also reported on 4<sup>th</sup> November, 2010 that some local government officials have broken the law by taking over farmland from farmers and selling it. Breaches of the law are occurring on a large scale and this is a matter of concern for China’s paramount leaders. Even when farmers have legal rights to object to such seizures, it is difficult for them to protect their rights, because they are poor. According to Wang Chunguang, a social mobility researcher at the Chinese Academy of Social Sciences, “many farmers could not protect their rights because they were too poor to afford the cost of a lawsuit and that this explained why so many people appealed to higher authorities for help” (Anon, 2010b). It also helps to explain why land disputes have resulted in so many mass incidents and demonstrations in rural China. How these problems can be solved in a socially responsible and equitable manner is unclear.

This is because legal solutions often fail to work because most affected farmers are too poor to defend their legal rights. Furthermore, legal outcomes are uncertain and significant time may elapse before a decision is reached. Low levels of education of

farmers could also contribute to the difficulties which they face in defending their rights. While arbitration may help to reduce the problems involved, even arbitration is not costless. Furthermore, farmers do not legally possess the land assigned to them as private property. Therefore, legally they are not entitled to full compensation at market value for the repossession of their land. The amount of compensation farmers should receive for land repossession has not been accurately determined but there is no legal requirement that it should be the full market value of the repossessed land. Whether or not farmers should have full private property rights in the land assigned to them is a different matter. However, they do not have these rights at present.

The agricultural land situation in Vietnam is similar to that in China. The repossession of agricultural land results in heated disputes and strong opposition from affected farmers. Bland (2012, p.1) states in relation to the Vietnamese case of farmer Vuon whose land was forcibly taken:

“Vuon’s case quickly became a *cause celebre*, as many sympathised with his frustration with greedy local officials and the lack of avenues for proper legal redress. With courts controlled by the ruling Communist party and land law unclear, there are plenty of opportunities for abuse by officials in league with developers.”

In Vietnam, as in China, farmers hold conditional land use rights, and some trade in these rights is allowed but land titles are held by local governments. Furthermore, as in China, ambiguities exist in the laws relating to land rights and the power of individual farmers to protect their rights is weak in comparison to the power of local governments and the state in taking away these rights. According to Bland (2012, p.2), the Prime Minister of Vietnam “admitted that while the land laws have been improved since Vietnam began opening up its economy in the late 1980s, many of the hundreds of legal documents relating to land ‘remain unclear, even overlapped or conflicting’”.

The taking by the state (public bodies) of land held by private individuals or entities is a contentious issue in all countries. All governments have the right to take private property for public purposes and rules vary about the amount of compensation to be paid to the owners of that property (Tisdell, 2009c, 126-127). However, the magnitude of the problem is much greater in transitional economies such as China and Vietnam

where freehold or similar land titles are absent and land has continued to be owned by the state. While land reforms made as part of the market reform seemed to be socially responsible at the time, with the economic growth and structural change of China and Vietnam, they have become a major source of social conflict. Both the governments of China and Vietnam are searching for ways to overcome these conflicts. However, they face a dilemma. The granting of full private property rights in agricultural land to households will weaken the power base of local officials (who are usually supporters of the ruling party) and indirectly this could weaken the political power of the central government. However, privatisation of land might appease farmers and facilitate the transfer of agricultural land to alternative higher value users. On the other hand, these households selling their land may have less social security than before. Nevertheless, in China's case, its recent introduction of collective medical and pension insurance for rural areas will help to alleviate this problem (Chai, 2011, p.177).

#### **4. SMALL-SCALE HOUSEHOLD FARMS VERSUS LARGER COMMERCIAL INDUSTRIALISED FARMS**

Both in China and in Vietnam, households (rather than business corporations) have the rights to use most of the available agricultural lands. The area of land available to individual households is extremely small by Western standards. The 2000 Agricultural Census in Vietnam recorded that just under 69% of agricultural households had less than 0.5 ha of land and that about 94% had less than 2ha of land (General Statistical Office of Vietnam, 2007). In China, the average area of land held by agricultural households in 2008 was just a little less than 0.5 ha (Wu, 2009). Farm households rely on their own families to provide labour (rather than on hired labour) and only partially rely on market exchange to meet their economic needs.

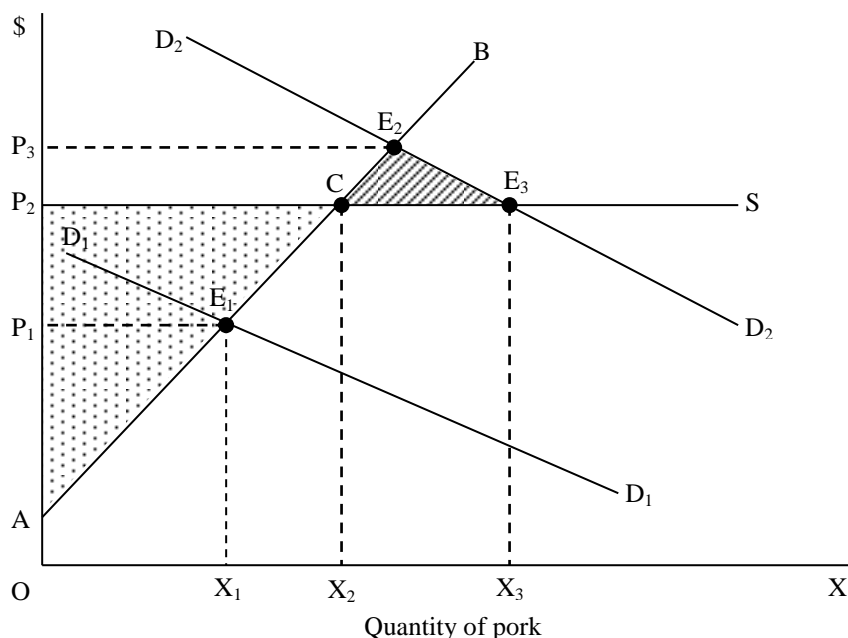
Some policy-makers both in China and Vietnam have questioned whether reliance on peasant-like agriculture of this type is the most economic way to supply agricultural production. They advocate larger agricultural units which are organised completely on a commercial basis and which use 'modern' production techniques (For more information, see Tisdell, 2010). It is believed that significant economies of scale can be achieved for some forms of agriculture, such as pig and poultry production. This

may also be true for the cultivation of some crops such as cotton. China has large mechanised cotton farms in Xinjiang although at the same time, much of China's cotton is produced by households engaged in mixed agricultural production on small land holdings (Zhao and Tisdell, 2011).

Both in China and in Vietnam, some policy-makers favour giving economic concessions to companies that are willing to develop commercial large-scale agricultural production, particularly in the livestock sector, especially pig production. With rising incomes, the demand for livestock products has risen sharply in China and Vietnam and pork is an important component of the diet in both countries. This raises the question of whether it is socially responsible to try to accelerate the replacement of household agricultural production by commercial agricultural production. In the absence of suitable alternative employment for agricultural households, accelerating the process of agricultural commercialisation is likely to cause social distress for agriculturalists depending on small farm lots. At the same time, facilitating the trend towards commercialised agriculture without subsidising it seems to be socially responsible.

Figure 1 can be used to discuss the situation. For illustrative purposes, let us suppose that pork production is being considered. Currently most pork in China and Vietnam is produced by agricultural households. Assume that the supply curve of pork by households in China or Vietnam is as indicated by line AB. If only households supply pork, the equilibrium price of pork is  $P_1$  if the demand relationship is as indicated by the line  $D_1D_1$ , and if the demand curve for pork rises to  $D_2D_2$ , the equilibrium price of pork increases to  $P_3$ . Assume now that commercial producers could supply pork at a cost per cent equivalent to  $P_2$ . If they are free to do so and if households only lose a negligible amount of their land to make this possible, the supply curve of pork is now ACS. Commercial production of pork is not economic when the demand for pork is low ( $D_1D_1$ ) but it is when the demand for pork is high ( $D_2D_2$ ). Using the Kaldor-Hicks criterion, economic welfare is increased by permitting commercial production of pork when demand is high. While the economic surplus of agricultural households is reduced as a result of commercial production when the demand for pork is high by an amount equivalent to the area of trapezium  $P_2P_3E_2C$ , consumers' surplus rises by an

amount equivalent to the area of trapezium  $P_2E_3E_2P_3$  if commercial production occurs. Hence, the amount of economic surplus gained by consumers exceeds that lost by household producers by an amount equal to the area of the hatched triangle  $CE_3E_2$ .



*Figure 1 A diagram to illustrate the view that policies favouring the expansion of commercial agricultural production at the expense of household agricultural production can be socially irresponsible in transitional economies.*

Note that even when demand for pork is high, it is uneconomic to replace all household production of pork by commercial production. In this case illustrated, if this were done it would result in a reduction in economic welfare equivalent to the area of the dotted triangle  $ACP_2$ . Note that the supply curve of output by agricultural households should be based on their opportunity costs. One would expect that as the economies of China and Vietnam continue to grow, these costs would rise because of expanded opportunities for farm families to gain non-agricultural employment yielding increased income. Therefore, it will become more economic for a larger amount of agricultural production to be supplied commercially rather than by



households. Nevertheless, in economic transition, both sources of supply are likely to be economic and it would be socially irresponsible to provide economic incentives which favour the expansion of commercial household production at the expense of agricultural household production.

## **5. DISCUSSION AND CONCLUSION**

In most economic text books, economic policies are analysed by means of comparative statics and are divorced from their historical and political and institutional contexts. As the discussion in this chapter reveals, such an approach is inadequate. The implementation of economic policies involves dynamic processes and is shaped by their historical, institutional and political contexts in which they occur. Therefore, a dynamic approach based on political economy rather than pure economic theory (especially comparative statics) is preferable for the analysis of economic policies. It is only by adopting such an approach that one can adequately appraise China's and Vietnam's economic reforms in recent decades.

It is sometimes said that politics is the art of the possible. Gradual and a measured pace of economic reform was possible in China and Vietnam beginning in rural areas, whereas initial rapid reforms based on altering the economic system within large urban settlements would have been a recipe for civil strife. The early reforms also seem to have been socially responsible but they set in motion processes that have subsequently caused social conflict and which have led to accusations that government officials are acting in a socially irresponsible manner. This is quite evident in cases involving the taking away of the rights of farmers to use agricultural lands and of course, it also arises in relation to the taking away of the use of land by urban households.

Because of economic growth and structural economic change set in train by China and Vietnam's economic reforms, it has become necessary to alter the allocation of land to accommodate structural economic change. Whether or not this re-allocation could best be achieved by establishing a system of complete private property rights in land and in capital is a moot point. Such a change would most likely weaken the power base of the ruling parties in China and Vietnam. Whether it would completely resolve individual

grievances about land rights is unclear, as also is the extent to which it would facilitate land re-allocation to accommodate structural change. Bargaining by individual landowners could hold up socially desirable changes in land use.

Ambiguities in the law and principal-agent problems (for a discussion of this problem see Anon, 2012) play an important role in the occurrence of land disputes in China and Vietnam. On the one hand, village governments are supposed to be the agents of the local people but are also responsible to central authorities which represent supposedly the whole population of the country. However, both these principles (in theory the masters) only have limited means to control their agents (village governments) and the agendas of the agents can differ from those of the principal. This provides scope for local government officials to engage in actions which are seen by farmers as being socially irresponsible.

It was also observed that the development of town-and-village enterprises in China seems to have been a socially responsible policy initially. However, the adoption of this policy is largely explained by political strategy. As the Chinese economy continues to grow and economic competition increases in China, it seems likely that many TVEs will no longer prove to be economically viable. Thus some social conflict is likely to be generated and further industrial restructuring is likely to be needed.

A further source of potential stress for rural households in China and Vietnam is the development of large-scale commercial agriculture. Some policy-makers favour policies which give economic concessions to companies willing to develop large-scale commercial agriculture, particularly in the livestock sector. The livestock sector is of central interest because the demand for livestock products in China and Vietnam has grown rapidly as a result of rising incomes and has forced up the prices of livestock.

It is pointed out that giving economic concessions to encourage the growth of large-scale commercial agricultural production does not seem to be socially responsible. The case for artificially accelerating the change from agriculture mostly based on households with small landholdings is weak from an economic point of view and does not pay enough attention to the low level of opportunity cost currently incurred by household members by continuing to engage in agriculture. As their opportunity costs

rise (for instance because they can obtain a higher income by being employed elsewhere), economic processes will naturally ensure that a larger proportion of agricultural production is supplied by commercial enterprises. Forcing such structural change by government intervention is likely to be socially and economically damaging.

The continuing contribution of China and Vietnam to the realisation of the Asian Century is going to be influenced (along with other factors) by how well their governments are able to deal with social conflicts involving the rights to property and its transfer. While early agricultural reforms were socially responsible, they stopped short of giving agricultural households full property rights in the land assigned to them. At the time, this was most likely the only practical course of action for the Chinese and Vietnamese governments. However, with continuing structural change in their economies and the need to alter the allocation of the use of land, significant social conflict has emerged as a result of agricultural land being transferred to alternative uses by decision of village governments and officials. Another matter of continuing concern in China is whether all TVEs will remain competitive as China's market economy develops. In rural areas where TVEs are no longer competitive, dislocation of employment will occur. In both China and Vietnam, the extent to which the development of commercial large-scale agriculture should be encouraged is also a matter for continuing debate. Providing special government benefits for the development of this type of agriculture will damage the economic interests of agricultural households and could add to social unrest in rural areas. For the reason outlined above, such favouritism would not be a socially responsible policy.

The above issues have arisen because significant economic growth and structural changes have been set in train by the gradual approach of China and Vietnam to their economic reforms. While such gradualism is socially responsible and causes little or no social conflict in the short-term, it can sow the seeds for significant social conflict in the longer term as the experiences of China and Vietnam illustrate. At the same time, it is clear that all dynamic economies have social conflicts of varying magnitudes, the nature of which alters with the passage of time. For example, in India there are also concerns about the increasing commercialisation of agriculture and the

changing social situation of agricultural households. In China and Vietnam, however, the issues involve the very core of communism, namely the desirability of collective ownership of land and other means of production, and are a potential problem for the retention of political power by the ruling communist parties. Consequently, adjustment of property rights is difficult from an ideological and political perspective even though social stability is being put under stress by the present laws.

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