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8 November 1973

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MEMORANDUM FOR:

[Redacted]

THROUGH

: Acting Chief, Southeast Asia Division

SUBJECT

: Land Reform in Southeast Asia

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The attached materials were requested by

[Redacted]

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[Redacted] who desired a brief structuring of land reform situations in the various countries of Southeast Asia. He apparently plans to undertake his own research of the subject in much greater detail. As you will note, the content of our assessment varies considerably from country to country, which reflects both a time constraint and use of materials readily available in our files. We have exploited very little of the material in the attached bibliography and offer the listing primarily as a background aid for research effort.

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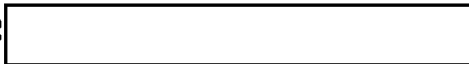
Acting Chief
Economic Branch

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Land Reform in Southeast Asia

Agricultural development is the cornerstone of economic growth of most less developed countries in Southeast Asia. The myriad problems associated with building a strong agricultural sector include institutional constraints that emanate from historical land tenure patterns. Concomitants to high tenancy rates and large numbers of landless farmers have traditionally been a high degree of tenant exploitation, wide ranges in rural incomes, and low levels of productivity. The following articles present a brief summary of land tenure patterns in individual Southeast Asian countries. While by no means definitive, they sketch out the major problem areas and describe government programs aimed at solving these problems. Also attached is a bibliographic listing of material that undoubtedly would prove useful in further research into this highly interesting and complex subject.


South Vietnam

Land tenure patterns in South Vietnam have changed radically in recent years, primarily as a direct result of the government-sponsored Land-to-the-Tiller Program (LTTT), launched formally in March 1970. Prior to this it was estimated that approximately 60% of all rice and secondary crop land was farmed by tenants under a historically rigid system of land rents based on the normal productivity of the land. The Mekong Delta -- the major crop-producing area of the country -- was described as one of the world's worst areas in terms of the number of landless farmers. Under Diem some land reform measures were undertaken in the late 1950's when large French-owned estates were expropriated, but by the start of the war in 1965 little land had been redistributed. The growth of Viet Cong influence after 1965 further retarded government land reform efforts. Absentee landlordism flourished and subsequent GVN pacification was followed by landlords returning to their lands. By 1969 land tenure patterns were not significantly different from the late 1950s.

The LTTT called for the purchase over a 3 year period of 1 million hectares of land (approximately one-third of total cultivated land area) tenanted by some 400,000 peasant families and owned by more than 15,000 landlords. The bill, revolutionary

in concept, provided for free distribution of land to the tenants of all privately-owned rice land not farmed by the owners. All new holdings were limited to 3 hectares per family in the Delta and 1 hectare in the central lowlands. Owners were allowed to retain as much as 15 hectares provided they actually farmed the land. Government compensation to expropriated landowners was based on one-half of the total value of the land's production over the five-year period, 1965-1969. Payment was made in cash (20%) and government bonds at 10% interest, redeemable in equal increments over an eight year period.

By its third anniversary the LTTT had achieved most of its goals. Titles to over 1 million hectares of land had been issued to more than 600,000 families. Although the distribution of compensation payments has lagged somewhat, as of mid-1973 claims for over half of the land distributed have been settled by the government. Most significantly, land tenancy rates were reduced to virtually zero.

The war in the countryside caused large-scale population migration to urban areas that greatly altered rural traditional Vietnamese society and facilitated land reform implementation. The success of the LTTT is also attributable to the decreased attractiveness of farmland under uncertain security conditions, the use of sophisticated surveying techniques, aerial photography, and computerization of administrative data. Perhaps the most remarkable aspect

has been the general acceptance and lack of organized resistance by former landowners, as well as a minimum of government corruption in the program.

The economic impact of the LTTT is as yet impossible to determine, particularly given the fluidity of the security situation in the countryside and the uncertainty generated by the 1973 ceasefire. Production of rice countrywide has neither declined nor increased significantly in recent years; security conditions have probably been a more important factor than landholding patterns. There are some indications, however, that farmers are more willing to adopt new techniques and to invest in more capital inputs to increase productivity.

The efficient, relatively equitable, and fast implementation of South Vietnam's land reform program has proved to be a definite political asset for the Thieu government. The program has been an exceedingly important instrument (perhaps the most successful, but underpublicized GVN program since the start of the war) for gaining political support in rural areas, particularly in the Delta. Moreover, the Vietnamese Communists have had a difficult time countering the general effectiveness of the LTTT. Land reform is no longer a major tenet of Viet Cong propoganda, which, in itself, is an excellent gauge of the success of Saigon's land redistribution efforts.

North Vietnam

The Communists initiated a land reform program immediately after they gained control of North Vietnam through the Geneva Accords of 1954. The initial effort, however, was hastily devised and lacked adequately trained cadre to carry it out. Land distribution was arbitrary, and the chaos that followed led to thousands of deaths and a small rebellion that had to be put down in late 1956. At that point, Ho Chi Minh temporarily stopped the program; a more orderly and rational program was begun shortly thereafter. The first step was to form mutual aid teams in which farm families were organized to help each other on large projects. This was followed by "low-level" cooperatives in which peasants contributed land to a cooperative run by an executive committee. Farmers paid taxes on the land they had contributed, and were in turn paid a percentage of the cooperative profits based on the size of their former landholdings. Around 1961 these farms were converted to "high-level" cooperatives in which farmers were paid solely on the basis of their labor. They no longer paid taxes or had any claims to the land they previously owned, but were encouraged to farm a small private plot on the cooperative.

While the number of farmers in the coop system has steadily risen -- more than 90% of the farmers are reported

to be coop members -- the number of cooperatives has declined because of a decision made in the early 1960's to consolidate small cooperatives into larger, more economical units. The larger coops would more easily be able to generate capital for mechanization and adequate provision of the irrigation and chemical inputs required for the newer, high-yield rice varieties now being grown. A severe lack of trained managers, and the difficulty in adapting highly personalized rice cultivation to a cooperative scheme have thus far prevented any rapid agricultural growth from taking place beyond that initially experienced in the late 1950's.

Hanoi recognizes the need to sustain individual initiative even though it may run counter to regime ideals. In spite of the government's commitment to socialized agriculture, it permits about 5% of the cooperative land to be used as private plots. On these private plots the peasants grow food crops and engage in animal husbandry to supplement income earned on the collective. Typically the plots provide 40% of the peasants' income and supply about 90% of the country's hogs as well as most of the leafy vegetables. As an incentive for increasing productivity on cooperative land, the government in March 1970 fixed grain procurement norms at each cooperative for a period of five years. This innovation not only set more reasonable quotas compared to previous years but put any

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harvested surplus at the disposal of coop members, either to consume or to sell on the free market. Thus far the program has not resulted in a discernible increase in output, no doubt because of disruptions from the war. In any event it offers only partial solution to North Vietnam's agricultural problem which, in the long-term, requires higher yields from limited land resources through irrigation and increased fertilizer application.

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Cambodia and Laos

There are no significant land tenure problems in either Cambodia or Laos. Cultivable land is in relative abundance. Average holdings amount to 2 to 3 hectares -- about all that is needed for subsistence. Some larger farms exist in Cambodia's Battambang Province. The absence of pressures on the land and nominal colonial exploitation have prevented the widespread development of tenant-landlord situations. The agricultural sector in Cambodia is currently in a state of flux, however, because of continuing military activity. Large numbers of peasants have abandoned farms for safer urban areas; consequently, land pressure around Phnom Penh and the provincial capitals is probably intense. Presumably, many farmers will return to the countryside when the fighting ceases. Land reform has taken place in Communist regions of Cambodia, to the extent that abandoned and large landholdings have been divided up among peasants under Communist control, and rudimentary collective farms and agricultural and marketing coops have been established. In Laos, the Communists control few important agricultural areas, but it is assumed that collective/cooperative arrangements exist there also.

Philippines

Land tenancy in the Philippines has long been a critical problem. A deeply entrenched landlord class has maintained a near-feudal structure in the agricultural sector and strongly resisted government attempts at meaningful reform. At the turn of the century the countrywide tenancy rate was below 20%, but by the 1960s it was estimated to be over 50%. Conditions in central Luzon -- the largest and most fertile agricultural land -- were even worse with some areas reaching a tenancy rate of 90%. The existing land tenure system resulted in a majority of the nation's farmers being in a perpetual state of indebtedness, a cycle almost impossible to break due to institutional factors favoring the landlord. Moreover, those areas most in need of reform were also the centers of Communist activity and thus required positive government actions.

In 1963 the government adopted an Agricultural Land Reform Code that envisaged a gradual restructuring of the existing system. The major goal was to establish owner-operated farms of economic family size and to free farmers from long-standing institutional restraints. Progress of the program, however, has been disappointing. The legislation was not adequately prepared and large loopholes and inefficient public service procedures enabled landowners to retain their hold on the land.

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The government reaffirmed its commitment to land reform in late 1972 when President Marcos decreed a program to redistribute some two million hectares of rice and corn land that will affect about 1 million families. Scheduled for completion in 1975, the new program seeks to distribute 3-5 hectare lots to family units with government compensation to former owners. The program gave priority first to large holdings of 100 hectares or more. Subsequently, holdings of 24 hectares and above were brought into the program. Total land now available for distribution is 540,000 hectares.

A major stumbling block in the current land reform program has been the slowness and method of government compensation. As smaller holdings are broken up and brought into the program, the financial burden to the government has escalated substantially. Moreover, Marcos is faced with alienating smaller landowners, many of whom are civil servants and military officers, both important elements in his political base. This group, now constituting an estimated 350,000 landowners, is less willing to accept long-term compensation arrangements than the larger land holders. Additionally, the administrative mechanism has not significantly improved over earlier years, and the government is already facing attempts on the part of many landlords to force tenants off the land. The success of the program, consequently, will depend on the government's determination to demand full landlord cooperation.

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Indonesia

Land tenure patterns in Indonesia are characterized by small farm units, averaging about 1 hectare for the country as a whole. Intensive population pressure on Java-Madura and Bali -- where roughly 70% of the total population lives -- coupled with good land and available irrigation have resulted in even a smaller average farm size of 0.6-0.7 hectares, well below that of other Southeast Asian countries. A 1963 census indicated that of 12.3 million small farms, about 4.4 million were either farmed by sharecroppers or tenants under some type of lease relationship.

In the early 1960s Sukarno initiated a land reform program aimed at abolishing the landlord class and decreasing the number of landless peasants. The law permitted ownership of no more than five hectares in densely populated regions, but allowed somewhat more in sparsely populated regions as a means of encouraging resettlement to the Outer Islands. While not denying property rights, the thrust of the program was to break up larger holdings and to distribute the excess of established maximum holding size to landless farmers. By 1968 an estimated 1,000,000 hectares of land were distributed to as many families. Due to lack of

information it is difficult to determine the evolution of the program beyond that date. It appears that about half of the land distributed was owned by the central government and resulted in little alteration of larger holdings. In recent years, land reform has not been a major issue with the government and the program has generally lost momentum.

Malaysia

Malaysia does not have a land reform program that entails the redistribution of land ownership. Rather, the major thrust of government efforts has centered on expanding areas under cultivation and resettlement of farmers as part of two five-year plans, the second of which is now in progress (1971-75).

The majority of this land reclamation activity has been carried out by a government agency, the Federal Land Development Authority (FLDA). Although the first five-year plan (1966-70) assigned responsibility for the land development program to both the public and private sectors, the private sector fell considerably short of its quota, while the FLDA exceeded its goal by some 25%. Since its inception in 1956, the FLDA has developed some 125,000 hectares and settled nearly 21,000 families, most of which was accomplished during the first five-year plan.

Operation of the FLDA is somewhat unique and has met with a considerable degree of success. The Authority develops the land in lots of 4 hectares and plants the crop before the families are settled. Families for settlement are chosen with a view toward sustaining productivity, and the work performance is rigidly controlled by the government. The percent of return which accrues to the tenant family varies with the amount and market price of commodities produced.

The workers build up credits with the government depending upon their productivity and eventually gain ownership to the plot they have been cultivating, usually in about fifteen years.

The FLDA program also allows the government the option of directing newly developed land into the production of commodities which are in high demand in both domestic and world markets. Most of the land developed during the first five-year plan was cultivated with palm oil and rubber; the objectives of the second plan are of similar outline with a projected overall growth in agricultural output of 8% per year. Although the second five-year plan places greater reliance on the private sector for land development than the first, the FLDA will still be the prime motive force in this venture that is expected to develop an additional 110,000 hectares and to settle another 24,000 families.

Thailand

In contrast to other Southeast Asian countries, problems of land tenure in Thailand are not particularly pressing. The last agricultural census in 1963 revealed that nearly 83% of farmers owned all or part of the land they cultivated. Tenancy is virtually nonexistent in the insurgent-troubled northeast. It is more prevalent in the central plain, where between one-third and one half of paddy fields are tenant-operated.

Traditionally farmers have been able to obtain land merely by clearing and cultivating it. This system prevailed to some extent even after official titles were instituted at the turn of the century. Up to recent times, farmers in many areas have been able to secure land rather easily by complying with liberal and often-ignored government regulations. As a result only 22% of the land is held under titles that confer less than full ownership.

Fragmentation of land holdings, averaging only about 4 hectares in size, has been an important factor in retarding the implementation of modern methods of farming. The introduction of new techniques in Thai agriculture has been rather slow and traditional methods of agriculture still predominate.

Burma

The government effectively controls the agricultural sector through its virtual monopoly of the processing and marketing of agricultural products. Although most agricultural land is still in private hands, there are no serious land tenure problems. Prior to World War II, however, nearly half of the delta rice area was held by the Chettyars (private money-lenders), who provided the bulk of agricultural credit and were thus able to acquire vast holdings of land through defaulted loans. Since independence in 1947, most of the Chettyars were driven from the country and private money-lending was prohibited.

The average size of landholdings in Burma is a little less than four hectares. About 14% of the farms are less than two hectares and about 14% greater than eight hectares. The Land Nationalization Act sets a legal ceiling of 20 hectares for privately owned landholdings. At present agricultural cultivation accounts for 12% of total land area, and considerable opportunities exist for land expansion. Despite the continuing harassment from insurgent groups, the government has reclaimed a considerable amount of land that fell into disuse during World World War II.

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Under contract by USAID, Vietnam, Control Data Corporation has completed a series of detailed studies of the land reform program in South Vietnam. These include:

"The Impact of the Land to the Tiller Program in the Mekong Delta", December 1972.

"Farmers Who Own Their Land and the Land to the Tiller Program", May 1971

"Land Ownership and Tenancy Among Village and Hamlet Officials in the Delta", March 1970

"Soldiers and the Land to the Tiller Program in Military Region 1, Military Region 3, and Military Region 4" (separate reports) August 1971, November 1971, and December 1971.

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