

Regional Inequality and Regionalism in Vietnam and China

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Vietnam is a country which has tried to combine unification with economic development under conditions in which two very different economic systems coexisted within the borders of the one state. China is a country with a long history of centrifugal economic and political tendencies which today, in the light of East European experience, is often called "balkanisation." The two issues of regional conflict and conflict between rival social systems within the one country clearly have serious implications for the development prospects of the two Asian socialist countries, but this has only gradually been recognised since 1979 and the inauguration of the economic reform era.¹

The major concern of the analysis which follows is to discuss regional differentiation, rivalry between economic regions and the impact of linkages with the capitalist world market on hitherto autarkic or semi-autarkic economic entities. The idea is to weigh the forces integrating the economics of China and Vietnam as against those, like regional differentiation, which are fragmenting them.

This article looks at these issues in part by consideration of the recent break up of Yugoslavia and the Soviet Union, particularly the rise of sub-national nationalisms there and more generally throughout the former socialist world. The centrifugal forces operating in the older nation-states of eastern and central Europe have generally been attributed to long-standing ethno-linguistic antagonisms and few explanations have been sought outside the political and cultural spheres. The study of Yugoslavia,² however, revealed that important economic factors have underpinned the tendencies towards disintegration of the unified federal structure. They have provided the material conditions in which perceptions of ethnic difference have been able to ripen into full-blown nationalist movements.

Are there, then, some characteristics of the socialist economy which, when combined with a partial marketisation (as happened in Yugoslavia) cause centrifugal forces to be unleashed? If so, is it possible to see similar tendencies developing in China and Vietnam? In spite of the unifying tendency of recent nationalist movements

in both these countries, it is undeniable that both also have regional problems. In particular, they have economically important regions which have become separated from the nation-state for a relatively long period, posing difficult problems of reunification.

Three major issues have been identified in the Yugoslav case:

- (a) the emergence of wide regional disparities between the six republics together with essentially contrived attempts to equalise income differentials which led to resentment (by wealthier regions at having to subsidise the poorer ones and resentment by the poor regions at perceived privileges meted out to the more prosperous);
- (b) regional autarky arising from the operation of the socialist system with incomplete market reform giving rise to a situation in which regions were able to defy central policy directions (this also refers to the rise of local "mafiosi" using family, Party and business connections to build quasi-independent control over a protected local economy);
- (c) failure to create a national market imposing constraints on growth which can only be relieved by integration via foreign investment and export markets into the wider European economy (in the case of Croatia and Slovenia). However, the weakness and small size of these "balkanised" economies necessitates integration in a peripheral relationship to the West European EC members.

Traditional Marxist theory did not cover the case where countries achieved socialism at very different levels of economic development. Nor did Marx and Engels systematically consider the problem of spatial differentiation between regions within a singular socialist country, let alone the coexistence of antagonistic systems within the same borders.

Among the Marxist writers who did look at the problem was Mao Zedong. His views can be found in *On Ten Great Relations* (coastal versus hinterland strategy and national minority issues),³ and *Sixty Workpoints* (advice to cadres at grassroots level about reconciling the interests of communes at very different levels of development). Mao also took up a throw away paragraph of Marx from *The German Ideology* concerning the narrowing of the three differentials.

In Maoist practice some attempts were made to handle the contradictions between regions: (a) by use of an investment fund for underdeveloped regions and (b) by elaborate cross deliveries of grain from food surplus to food deficit areas. Nevertheless, Mao did not attempt to level region-wide incomes by fiscal means, for example, by charging Ricardian rents to areas well-bestowed by nature, or excess profit taxes to successful industrial zones, or reallocating foreign exchange reserves to inland provinces.⁴ The Gang of Four touched on the problem of antagonistic social systems within China's borders in the Shanghai textbook called Political Economy, in their pamphlet on Tao Chu⁵ and in their claim that Sichuan was turning to capitalism, in their posing a threat to China. No one seems to have written about the problems of

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incorporating Taiwan or Hong Kong into the mainland from a socialist point of view. The essence of the late Mao and the Gang of Four, however, was that should the Party in a region be captured by capitalist roaders, such people would attempt and possibly succeed in transforming the economic base from socialism into capitalism and petty commodity production. It is interesting that despite these strictures, it was the Chinese who made the suggestion in about 1970 or '71 that Vietnam should postpone reunification and accept instead the indefinite preservation of a capitalist enclave in the Saigon region. The suggestion was perceived by the Vietnamese at the time as a betrayal⁶ and, as such, became politically impossible. Nevertheless, the current Chinese leadership seems to have applied a variant of this strategy in the case of Hong Kong.

The notion of conflict between regions and central authority has long been studied in China. A classic work is Chi Chao-ting's *Key Economic Areas in Chinese History*.⁷ The usual groupings in conflict with the centre were Fujian-Zhejiang, Guangdong-Guangxi, Hubei-Hunan and Yunnan-Sichuan.

While in China discussion of the spatial dimensions of the economy have focussed on such broad regions as mentioned above, the Vietnamese have had a much narrower focus. As in China there has been virtually no theoretical debate about the problems of unifying a significant capitalist region with the socialist economy.⁸ Rather there has been a very pragmatic approach of dealing with problems as they arise and adjusting national economic strategies to meet the needs of economic growth in the newly absorbed regions. The main aspect of the spatial economy discussed in a theoretical way was the role of districts. There was in the 1970s an attempt to create self-sufficient integrated agro-industrial zones at the district level throughout Vietnam.⁹ This was at least partly in response to an inability by the central government to either stimulate production or control an agricultural surplus. Creation of local industries was to encourage a division of labour and remove control over agrarian surpluses from village level leaderships. From 1983 districts were given wider revenue raising powers, a policy that was only abolished in the 1990s. The result of this policy was the creation of self-sufficient fiefdoms all over the country¹⁰ and it has been criticised for its adverse impact on market integration.¹¹

The main issues which were identified in the Yugoslav study can thus be seen reflected in the Chinese and Vietnamese cases. The question is how serious are the regional disparities and the resentments engendered by differences in treatment? How strong are the regional "mafiosi"? How likely are we to see a repetition of the pattern emerging in Europe where "balkanisation" is part of a process of integration of the former socialist countries into a new continental division of labour with the new small nations providing cheap labour and investment outlets for a European core dominated by Germany?

Uneven Development

In some ways the comparison of regional disparities in China and Vietnam is difficult. Vietnam is, after all, only the size of a single Chinese province and, where studies of

China tend to focus on differences between country-sized provinces, the Vietnamese material focusses on much lower levels of aggregation. Chinese provincial averages might hide disparities within provinces which are closer to the Vietnamese case than, say, the difference between Guangdong and Gansu. A comparison of Vietnam and Guangdong seems to be an obvious one, since there are strong reasons for supposing the North-South regional disparities in Vietnam to be akin to the case of Hong Kong-Shenzen versus the rest of Guangdong. On the other hand, if we are talking about freewheeling market economies of the southern regions breaking loose from the control of more traditionally-minded socialist central governments, then a comparison at the national level seems more appropriate.

The study of Vietnamese regional problems is rendered especially difficult by the paucity of data. In contrast to the situation in China, where provincial statistical yearbooks are regularly published, province-level time series are available only in the case of some agricultural production statistics for Vietnam. The rest are fragments.

Regional disparities in both China and Vietnam are historically rooted. In both countries these are partly the result of colonialist influences. China's Treaty Ports underwent a process of integration into the international economy which also influenced development in the hinterland provinces of the ports (e.g. through the spread of small-scale specialised farming).¹² The Japanese initiated autarkic industrial development in Manchuria based on coal and iron ore deposits and immigrant Chinese labour.¹³ Pre-revolutionary developments thus led to a highly uneven regional pattern of growth. In Vietnam, capitalist agricultural (and commercial) development was largely confined to the southern part of the country and centred on Saigon, while private industry grew only slowly, chiefly in the river port towns of the northern delta. Regional economic divergence developed quite strongly during the colonial era.¹⁴

Post-revolutionary developments have had a strong impact on the colonial spatial pattern. This is clearest in China, where hinterland development accelerated and regional equalisation was attempted. As Larsen and Nolan have shown, we have to see the pre-Deng efforts in People's Republic of China as rooted in the widespread and persistent poverty in the inland provinces.¹⁵ The process of primitive socialist accumulation in China (1949-79) did not repeat capitalist development experience elsewhere in that Maoism narrowed the differences between regions on the criteria of industrial development, though the same cannot be said of agriculture.¹⁶ Larsen's scepticism on this point has been supported by Blecher, who attributes the failure of regions dominated by agriculture to catch up to other provinces to low rural prices and peasants being forced to plant crops which were not in accordance with comparative advantage.¹⁷ Blecher suggests that the Maoist period had at first seen an improvement in the relative position of agricultural regions because of two main policies, land reform which reduced inequalities rooted in tenancy and state budgetary processes which redistributed financial resources from rich to poorer regions. Later, the low agricultural prices and inadequate planning of crop assortment exerted the opposite effect.

China's regional development pattern was also strongly influenced by defence considerations, especially the "third line" strategy which prevailed from the mid-1960s through the '70s and contributed to industrialisation of the interior. However, the interior industries proved less productive and the coastal region continued to produce the bulk of industrial output.¹⁶

In the case of Vietnam, the southern half of the country spent a further twenty years in the capitalist orbit, while the north's economy was influenced both by a socialist development model somewhat similar to China's and by war.

The techniques of economic command during the period of centralised planning in the Asian socialist states also contributed to a certain amount of regional differentiation. As with the feudal regime, planning was not accompanied by a unified system of political economy. What appeared on paper as "planning" actually was a system of commands which split the economy along vertical lines, with few horizontal connections between provinces or between firms. Thus a province's welfare depended on its upward and downward relationships with central ministries and it had few chances to enter by itself into the national or international division of labour. As markets were given more scope, however, it may be observed that the horizontal links to a wider division of labour increased and districts which had hitherto been relatively isolated became part of the national economic web. This was particularly the case in China during 1970-4 and after 1984 and in Vietnam after 1981.

In the socialist economy as it developed in China and Vietnam, then, there were relatively few horizontal exchanges between the different sectors and branches. Sectors were organised along vertical lines with production units having little idea about the ultimate use of their product, even who the customers were. The purpose of production was not for exchange, but to satisfy a plan target. Somewhat surprisingly, given that socialist economic theory was supposed to be based on Marx, there was only very limited use by planners of input-output models of the economy.¹⁷ Vertical integration also led to duplication of capacity, in other words autarkic sectors and regions.²⁰ These systemic tendencies to autarky were reinforced by policies of self-reliance.²¹

While this could perhaps be justified in the Chinese case by the very large size of provincial units, when pursued at a lower administrative level it led to a restricted outlet for the products of individual enterprises and absence of economies of scale. Subcontracting by regional governments to local small factories in districts and cooperatives allowed some industrial growth and modernisation and was probably appropriate under the circumstances of very low levels of development. However, expansion of markets beyond the immediate locality was a decision for higher authorities, there being no means for the production unit to gauge demand, and a ceiling on output could easily be reached at a relatively small scale of production. In fact enterprises were typically given a monopoly of their local market and protected from interprovincial competition.²²

Regional autonomy also developed in Vietnam as a result of war. Decentralisation of decision-making powers was both part of the strategy of People's War,

maintained in order to maximise the active commitment of people at the grassroots, and an inevitable result of poor communications over most of the country.²³ Transport development had to be geared towards supplying the south rather than integrating the economy of the DRV. Regionalisation of industry (despite losses of efficiency) was pursued to avoid the ravages of bombing as well as part of a deliberate strategy to industrialise the countryside and raise rural standards of living.

Table 1: Indicators of regional inequality in China 1949-85a

	Ratio of highest province to lowest	
	1949	1978-1985
a. Electricity generation per capita kWh	1305.0	13.4
b. Gross industrial output value Yuan per capita	63.4	32.6
c. Agricultural output value Yuan per capita	4.7 ^b	2.0
d. National income Yuan per capita	na	na
		8.5 ^c

a. Data presented here exclude Tibet, for which no data are available in 1949. If Tibet is included for 1978 and 1985, the figures show a less marked narrowing of the differential for electricity generation, and a widening for industrial output.

b. Lowest province was an urban area (Tianjin)

c. 1983

d. 1986

Source: Calculated from K.A. Larsen, *Regional Policy of China, 1949-85*, JCA Publishers, Manila, 1992, pp. 340-1, 267, 226-7; national income statistics quoted in World Bank, *China: Macroeconomic Stability and Industrial Growth under Decentralised Socialism*, Washington DC, 1990, p. 129.

There is some evidence that the socialist model operating for a number of decades in China and Vietnam succeeded in partially equalising regional development and income differentials. Province level data is available from China for the period 1949-85 for indicators such as per capita electricity generation, industrial output value and, more ambiguously pattern, agricultural output (Table 1).²⁴ However, it should be pointed out that some of the biggest regional variations occur within provinces and are therefore not captured by the province-level data shown here. It is now more than a dozen years since the "coastal development priority" program was launched in China. Shanghai, at first discriminated against in favour of South China, has gradually restored its leading position,²⁵ but conflict between interior and coast accentuated in 1993-4, even including riots and barricades to prevent local raw materials being

transported to the coast for processing into exports. Since October 1993 in particular, the Beijing government has been responding to loud political complaints about growing regional disparities and has begun to switch the focus of planning to central and northeast China. If this new policy continues, the extremely rapid economic growth seen in South China since 1984 will level off. This could allow some inland provinces to catch up to the South, but would adversely affect Hong Kong.

Table 2: Indicators of regional inequality in Vietnam 1970-76

	Ratio of highest region to lowest	
	1970	1974
a. State sector industrial workers as % of population		
- by province	14.3	21.7
- by region*	1.9	3.3
b. State sector gross value of industrial output per capita (dong)		
- by province	47.5	45.8
- by region	3.2	3.7
c. State investment by local authorities per capita (dong)		
- by province	9.9	5.6
- by region	1.2	1.3

a. Three broad regions are defined: 1. the northern midlands and highlands; 2. the Red River delta; 3. the central coastal provinces (north of the 17th parallel).

Sources: Calculated from General Statistical Office, *Nien Giam Thong Ke* (Statistical Yearbook), 1971, 1975, 1977, Hanoi.

For Vietnam no regional data are available at this stage covering a comparably long period. Some indicators are available for the territory of the former DRV for the 1970s, but appear to show no clear pattern in which spatial distribution of development becomes either more or less equal (Table 2). One problem is that the time period covered is too short to see any major trend. However, the main difficulty from our point of view is that the war, rather than any systemic factors, seems to account for much of the shift in these figures. The provinces receiving the highest per capita investment by local authorities in 1974 and 1976 are those closest to the demilitarised zone, so that the investment should probably be seen as reparation of war damage rather than a deliberately redistributive measure. The apparent rising inequality in distribution of regional industrial output and employment may also be the result of reconstructing and relocating production capacity in the main centres after the cessation of bombing. The war was so destructive of Vietnam's economic progress that any data from after 1965 are not going to be of much help in determining the dynamic influence of the economic strategy being pursued.

Even if the province-level development indicators show quite marked disparities in Vietnam, when broader regions are taken into account the data show a much more equal pattern. These broader regions may be more relevant for comparison with the Chinese data, based as they are on wider geographical zones than the Vietnamese provinces.

The egalitarianism of the socialist model also appears to come out in the little data that is available on household incomes. In fact the regional share of retail markets has to be taken as a proxy for consumer incomes in each area. If these are compared with population shares of the regions, the resulting ratio can be taken as a measure of equality.²⁶ The ratios for the three main regions of northern Vietnam in 1970 were as follows (where 1 = equality):

Northern midlands and highlands	0.9
Red River delta	1.1
Central coastal provinces	0.8

Whatever benefits accrued from a level of per capita industrial output 48 times higher in Hanoi than in Lai Chau province in the northern highlands, it was not reflected in the (official) consuming power of the population. Hanoi's per capita consumption was less than four times higher than that of Lai Chau.²⁷ However, these figures probably indicate nothing more than what Vietnamese commentators have often pointed out in recent times, that equal incomes meant shared poverty.

Both countries began programs of economic restructuring and reform at the end of the 1970s. These programs involved a shift in investment priorities, on the one hand, and market-oriented reforms on the other.

The purpose of reforms decentralising economic decision-making powers initiated in both countries in 1978-9 was to unleash productive energies of individual units. The new policies did not at first contain any well articulated regional dimension. From 1984 to 1993, however, the PRC promoted the strategy of coastal development first. The strategy involved three stages of policy:

- (a) to build up the coast regions by foreign investment and access to foreign inputs and market outlets;
- (b) to allow a period in which coastal areas retained profits and foreign exchange earnings from such foreign contact;
- (c) eventually to promote subcontracting to and investment by Chinese and joint-venture firms in hinterland areas either reasonably close to coastal provinces or accessible by river or canal.

In practice, this strategy led to the evolution of a "southern China economic zone" which links the provinces of Guangdong, Fujian and Zhejiang with Taiwan and Hong Kong. It has thus created a capitalist belt within the Chinese economy.

A special place is occupied in all this by Shanghai. Externally Shanghai is connected to the US West Coast, Japan and Europe. Internally, it generates external economies and promotes growth in the neighbouring province of Jiangsu. However, Shanghai still has more the character of a socialist economy; i.e., it has a high

