

Path Dependence of Vietnam's Regional Development: Roots from the Colonial Rule

Nguyen Thi Ha Assistant Professor, Chugye University for the Arts

The Vietnam economy observes stark contrasts in its regional economies, particularly the North-South economic structure. How and from when did these patterns of the North-South regional imbalance appear? This study attempted to trace grounded reasons for this regional divergence from a comparative historical political economy approach, focusing on the French colonial era. The main finding shows a significant dependence of the North-South's regional development on its past economic structure during the colony, which could be named a so-called path dependence. Differences in colonial policies by region widened the economic discrepancies between the North (Tonkin) and the South (Cochinchina) and provided limited socioeconomic synergy among sectors by region. The limited labour movement and market integration also reinforced regional production patterns. On the one hand, the South promoted specialisation in agriculture, with rice production, industrial crops, trade, and commercial activities, which became the primary sources of its prosperity. In contrast, the northern pattern of diversification of productions essentially sustained the North's autarkic and closed economy. The colonial industry showed a low level of development, especially a lack of linkages between agricultural and industrial production, which left an indelible imprint and legacy on the post-colonial economy. Equally important, the impact of a limited transportation network might have been strong because the freedom to choose a variety of locations was absent, and communications must follow limitedly existing routes.

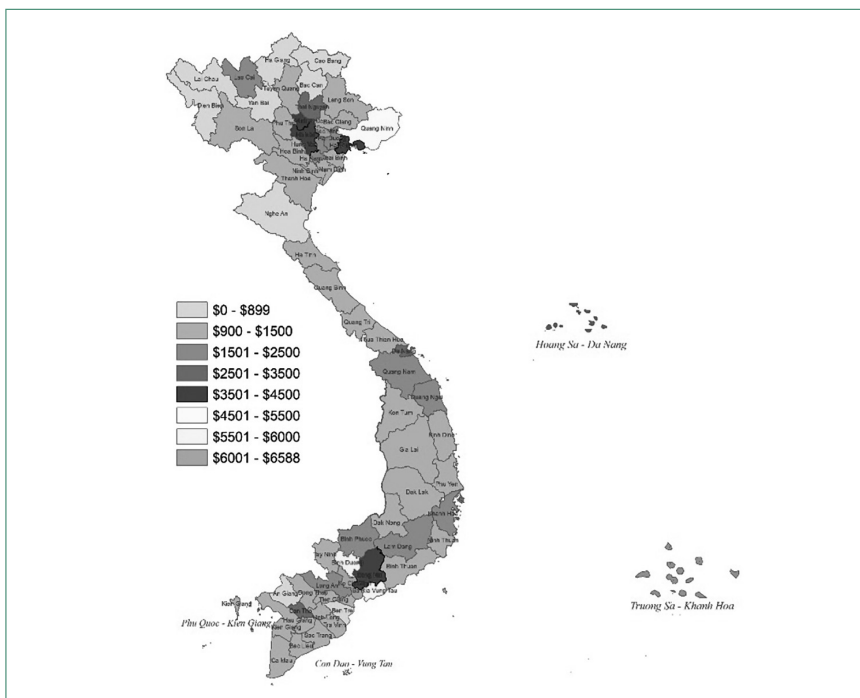
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I. Introduction

When economic growth slows down, the increasing inequality will become more detrimental to social cohesion and poverty reduction, ultimately threatening political stability. Lipton (1977) and Hirschman (1958) pointed out that the prevalence of regional problems and the uneven distribution of wealth are factors that stall economic growth. With limited

resources and multiple urgent needs during the development process, governments often choose an ‘unbalanced growth’ strategy that prioritises a few regions to grow first. This strategy not only results in the widening income gap among regions but also, as R. Gurr (1970) articulated, elicits people’s feeling of “relative deprivation” even if they all benefit from the fruit of the overall economic development.

Vietnam has achieved remarkable economic development compared to other developing countries. However, this economic growth did not set in the same way inside Vietnam. In particular, Vietnam’s northern and southern regions show contrasts in various contexts. The gross industrial output produced in



Source: Author’s adaptation based on data of GRDP and General Statistic Office (GSO) of Vietnam (2020)

Figure 1 Income differentiation by province, 2019

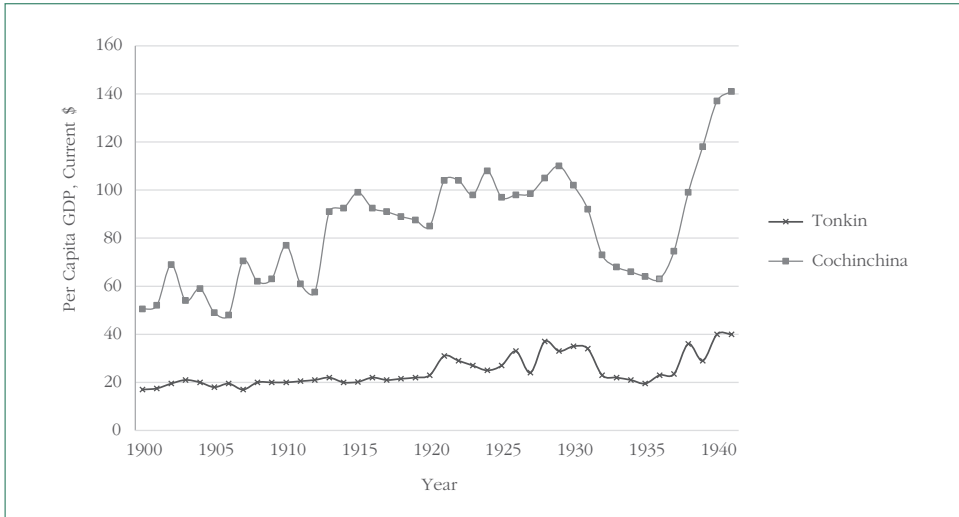
the Southeast region only, accounted for 44.3 per cent in 1990, 48.9 per cent in 1995, 54.8 per cent in 2000, 55.5 per cent in 2005. Though this increasing trend has been slightly curbed after the government's rebalanced measures to drive investment into the northern part, the regional concentration of industry persists (Vietnam Statistical Yearbook, 1993, 1999, 2008).

Amidst the regional divergence, wealth is heavily concentrated in a few provinces located in the core northern and southern parts, creating hyper-concentration in two metropolises of Hanoi and Ho Chi Minh. The wealth concentration is found in a few provinces at the provincial level, namely Ho Chi Minh City (HCMC), Binh Duong, Dong Nai, Ba Ria-Vung Tau in the South and Bac Ninh, Hanoi, Hai Phong in the North.

II. Literature Review

How and from when did these patterns of the North-South regional imbalance appear? There have been a few existing studies attempting to explain the regional division and imbalance in the Vietnam economy. Vietnamese scholars posed the issue of regional development for the first time in the 15th century. Then in the 19th century, many French studies emerged and focused mainly on dividing Vietnamese territory into separate economic zones for colonial exploitation, particularly on natural conditions, natural resources and the population (Tran Huy Lien, 2009). In general, the division of economic regions in those studies is a relatively subjective view of the researcher or characterized by the country's power structure at the time.

Regarding the geographical context, Charles A. Fisher (1965) has commented on a few "Vietnamese problems." The Vietnamese territory



Source: Jean-Pascal Bassino (2000), Sarah Merette (2013)

Figure 2 GDP per capital estimates for Tonkin and Cochinchina, 1900-1940 (current piastre)

developed on two great deltas of the Red River and the Mekong River, linked by a narrow and broken coastal zone at the centre. The long-distance between these two deltas, as Fisher argued, became a great difficulty in maintaining national unity and was the most outstanding in intensifying the differences between the North and South.

The first estimates of Vietnamese gross domestic products (GDP) during French colonial rule (1900-1940) have been documented in the work of Jean-Pascal Bassino (2000). A staggering gap in the GDP per capita of Tonkin and Cochinchina was observed and particularly got widening at the last decade of the French colonialization.

The above illustration, though estimated, has raised a series of questions about the causes for this North-South economic disparity during this time. Finding reasons from the situation during the colonial time itself, arguments from Fisher (1965), Frank (1967) and Sarah Merette (2013) interpreted this North-South gap on account of population density in Tonkin, the

southern “basic advantages,” and the French’s concentrated expenditure in Cochinchina. More specifically, Sarah Merette (2013) contributed to the literature with shreds of evidence on limited North-South commercial links and different production patterns that generated the divergence. Beresford and McFarlane (1995) included historical accounts on the regional disparities, pointing out that legacy of colonial past and differing natural endowments and socio-economic conditions have attributed to the spatial inequalities. To some extent, there’s a consensus agreed on colonial roots of inequalities due to different economic development paths between the North and the South. However, the question about how colonial legacies leave their impacts has not been adequately provided.

In reference to post-colonialization, being affected by the closed socialist economic model, the colonial heritages imprinted in Vietnam were less affected by the core-periphery pattern of international trade (Fforde et.al, 1987; Jerez, 2014). However, the subsequent three wars, including the First Indochina War (1945-1954), the Second Indochina War (1963-1975), and the Sino-Vietnam border war (1979), intensified tremendous and multi-faceted consequences that lasted for decades. Khanh Q. Le (2003) has argued that the two decades of North-South partition and wars under different political and economic systems had more profound effects on regional differentiation than eight decades of colonisation. During this time, the linkages and flows of commodities and labour between regions came to a halt. Consequently, the traditional regional complementarities were disrupted. In line with this, Van Hoa Tran (1997) emphasised the poorly developed industrial facilities and infrastructures during this time in both regions.

On the other hand, several works have clarified that the persistent regional imbalances continued even in the heydays of socialism in Vietnam (Murray and Szelenyi, 1984; Desbarats, 1987). The socialist development model, while emphasising an essential aspect of eliminating socioeconomic

inequality, revealed fatal weakness in mobilizing resources for production. The severe constraints on capital, technologies and trade had prevented all the state's efforts to eliminate regional unbalance.

Based on the above literature review, it could be seen that in general, there is a strand of literature revealing the historically divergent socio-economic structure between northern and southern territories, during both pre-colonial, post-colonial and post-war periods. Despite an apparent knowledge of such a gap, the issue has not been examined in detail. In addition, B. Renaud (1979) has drawn an important lesson from the historical experience of countries during their development course, stating that "while new patterns can be created during the first stages of development, they will quickly become a dominant factor in the national settlement structure." Accordingly, it could raise a question regarding where spatial inequality comes from and what are determinants of the current spatial distribution of economic activity in Vietnam.

In the scope of this study, the author takes the comparative historical political economy (CHPE) approach at the core of analysis, aiming to "trace the causal mechanism behind patterns in wealth and poverty" across regions in Vietnam (J. Boettke, et al., 2013). This approach may clarify, firstly, an aspect of political economy assists an understanding of economic activities placed in a broader political and social context. Second, history is of significant importance in identifying the "first-order" that can 'lock in' institutional arrangements as the way of the presently existing phenomenon. The historical approach is therefore also helpful in terms that it does not limit itself to historical facts but rather to search for persistent historical patterns and then apply them to analyses of contemporary problems.

One more point to be added to the conceptual framework of this study is that as a newly-born state from former colonial dependencies, the

concept of path dependence is used to provide a historical link between Vietnam's colonial experience with its post-independence trajectories. Especially, legacies in the institution, technical standards, infrastructure and placement of economic centres are in place. Once specific growth patterns have been created, even if they are not the best optimal or most efficient, subsequent development processes appear to follow these previous patterns, called the lock-in effect.

Through this, the study aims to answer the question "How has the colonial left impact on the regional structure of the economy in Vietnam?", and explore the past's remaining patterns in present Vietnam's economic structure, for which to understand the nature of regional imbalances in Vietnam.

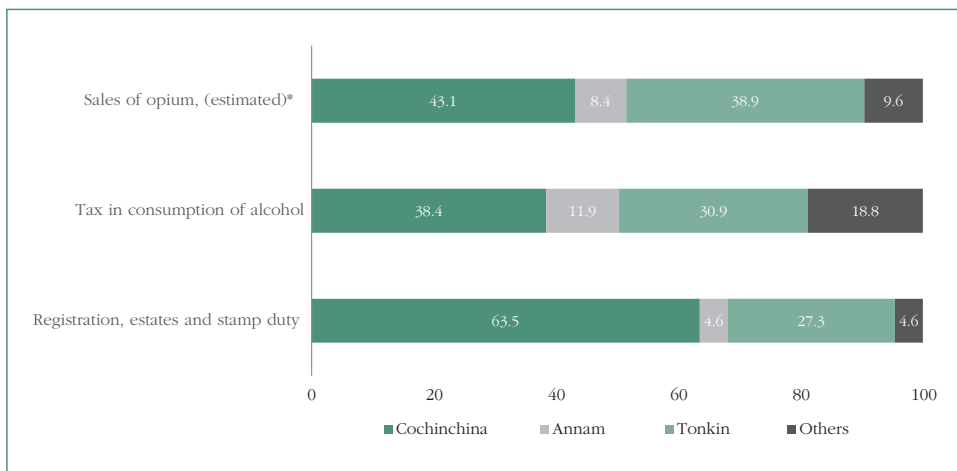
III. French Colonial Making and Divergent Paths of Growth

1. French Colonial Making

From the outset of the colonization, the French had always faced extreme resistance stemming from the Vietnamese monarchy and people. Particularly in Tonkin and Annam, the French's attempts to direct rule provoked obstinate resistance and dissidence of people educated. The eradication of the emperor dynasty resulted in unanimous indignation by the people for a reason, as noted by de Lanessan (1895) that "the emperor is the ritual personification of the Annamese people." Even though direct rule was the predominant tendency among the French by 1889, they admitted that "this experiment almost cost us dearly" due to insurmountable barriers from the indigenous people's resistance (Rouyer, 1906: 185). Also, the linguistic barrier and ignorance about the colonized land made the French abandon

their plan of direct rule. The French intended to build a partnership with the ruling class of Vietnam while enabling the mobilization of Confucian solid values in which the loyalty of civil servants to the king was wisely made use of for the process of “pacification.” Cochinchina was put under direct control due to its historical origins, with a lower degree of Confucian impregnation than the northern and central regions. In addition, the diverse and hybrid traditions in the South permitted a more substantial penetration of the colonizer’s political and legal practices, as well as that of new cultures and values (Rouyer, 1906: 73). On the other hand, Tonkin and Annam were subjected to indirect rule as protectorates. As a result, indigenous authorities remained, under an unstable and unequal compromise of the colonial administrative system. The different designs in the ruling structure then led to a relatively more uncomplicated ruling machine in Cochinchina. In contrast, the dual rule of the colonizer and the indigenous functionaries created a burdensome and doubled oppression for the Tonkinese and Annamese. Regarding the cultural term, Cochinchina was also open to deeper French influence penetration, while the rest remained more ingrained in Confucian values. Consequently, the three regions Tonkin (Bắc Kỳ) — Annam (Trung Kỳ) — Cochinchina (Nam Kỳ) were split up into three different administrative areas, per se the policy of “divide and rule.” For this, a noticeable example showed the distinction on the French spending of its budget on each region as the following. It’s also worth saying that all these factors later contributed to the divergence in the path of economic growth, which will be discussed in the coming paragraphs.

The first small scale census in Indochina was carried out in 1911. Henceforward, other official censuses occurred four times between 1921 and 1936 in five-year intervals. Nevertheless, scholars noted that census data was more or less modified and not fully declared the facts given that villages tended to under-report their population to embezzle from



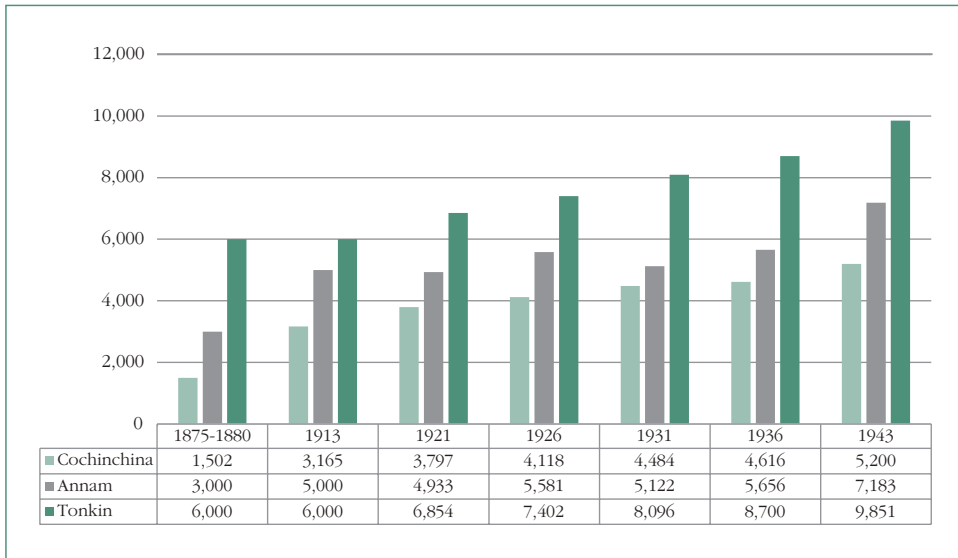
Source: Gouvernement Général de l'Indochine (1938)

Figure 3 The French Indochina's general budget structure by region in 1937 (per cent)

taxations.

During 1921-1931, the annual population growth rates were not so different between the three regions: 1 per cent in Annam, 1.2 per cent in Cochinchina and 1.4 per cent in Tonkin. The 1926 census showed that there were about 17 million people nationwide, more than 18 million by 1936 and about 22.2 million by 1943 (Brocheux, 2009). Through the data below, we can see that the population of Vietnam from 1913 to 1943 increased quite rapidly, but not evenly. On average, Tonkin had always been the most populated area (roughly 44 per cent of the total population) and had the highest population growth at the same time. In contrast, Cochinchina during this period shared the lowest proportion of the country's population (23.3 per cent) but had a more moderate rate of population growth.

During most of the surveyed time, Tonkin was about twice as populous as Cochinchina. The surface area in Tonkin was 115,800 km², while in Cochinchina was 64,000 km² in approximately (Gouvernement Général de l'Indochine, 1927: 32). However, the total size of each region did not necessarily

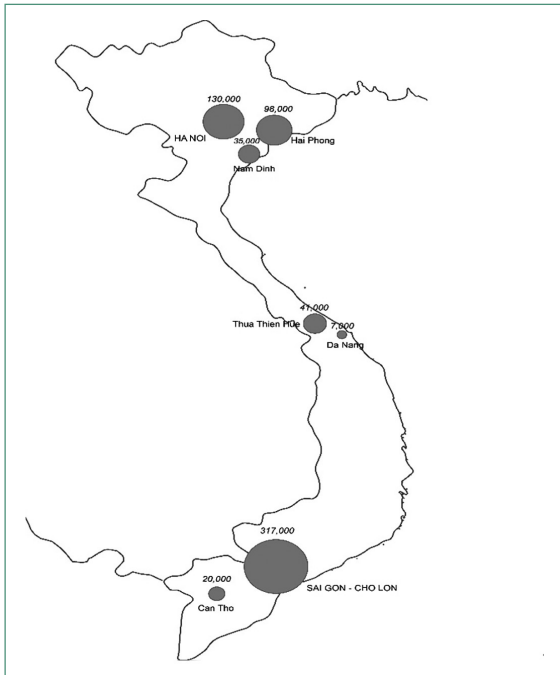


Source: Pierre Brocheux and Daniel Hémerly (2009: 254)

Figure 4 Vietnam's population by region, 1875-1943 (in thousands)

mean cultivable land, notably when the topography in Tonkin consisted of large mountainous areas. According to P. Gourou (1945), in the early 1930s, Tonkin had about 15,000 km² of cultivable land, while the figure in Cochinchina was 21,630 km². Gourou also estimated that about 85 per cent of Tonkinese inhabiting cultivable land (the rest, about 1.2 million people, lived in mountainous areas). Therefore, the population density estimated for cultivable land in Tonkin was around 370 to 450 inhabitants per km² in the early 1930s.

On the other hand, in Cochinchina, the man-to-cultivated land ratio in the same period was approximately 215 to 250. Comparing these figures shows that Tonkin's population density was much higher than that of Cochinchina. It can also be referred to as the more fertile southern lands, meaning higher potential agricultural production and economic opportunities. However, the noteworthy fact is that the population pressure



Source: Author's adaptation from Pham Van Chien (2003) and Nguyen Van Khanh (2019)

Figure 5 Population of major Vietnamese cities in 1920s

and the overuse of land in Tonkin did not create a flow of emigration. The elaborate system of the village hierarchies built higher 'fences' among Tonkin villages and strong resistance to outside influence. In these ways, demographics influenced the economic concentration in the North and South.

2. Two Divergent Paths of Growth

Four essential domains that took responsibility for the colonial development in Indochina were (i) agriculture with rice, indigenous crops for food and plantation; (ii) industries (including agriculture-related manufacturing);

(iii) basic facilities and infrastructure; and (iv) foreign trade. These four leading branches of the economy developed in complex interactions with one another. In sequence, after the first stage of facilitating rice cultivation for export in the 1860s, a time for plantation, mining, and industrial development began in 1897.

1) Agriculture

Rice yield is the first point that could be taken into consideration. To better understand the agricultural production at the time, it should be noted that the closed down of the land market strengthened the characteristics of autarky in Tonkin, where all purchases or distribution of land occurred within the village border. Limited private-owned land and small-scale landholding patterns were characteristic features in the North. In contrast, Cochinchina was instead described as “open villages,” where a large sum of available land allowed individuals to own land on large-scale.

Y. Henry (1932) documented that in the 1930s, the average yield of a crop field in Tonkin was around 1,200 kilograms per hectare for a single crop (and approximately 2,000 kilograms in a double harvest field). Besides that, rice yield in Cochinchina during the same period was recorded at about 2,300 kilograms per hectare. This means the rice yield in Cochinchina nearly doubled Tonkin’s, which according to Jean-Pascal Bassino (2006), was a result of a more favourable climate for agriculture in the South and impoverished land due to overpopulation in the North. In another study, Henry’s estimation shares consensus with Pierre Gourou (1945), who suggested that Cochinchina’s estimated GDP over this period was, on average, more than 34 per cent higher than Tonkin’s. As in the early 1930s, rice accounted for almost 90 per cent of Cochinchina’s agricultural production.

According to the table below, rice acreage and output increased in the first 30 years of the twentieth century, but the yield was not stable,

Table 1 Paddy cultivation area and rice production in Vietnam from 1913 to 1943

Region	Cultivated area (ha)	Rice production (ton)	Rice yield (quintal/ha)	Average rice yields per capita (kg)
Tonkin				
1913	1,150,000	1,825,000	15.8	300
1930	1,200,000	1,600,000	13.0	200
1943	1,487,000	1,882,000	13.0	190
Annam				
1913	467,000	-	-	-
1930	800,000	900,000	12.0	190
1943	946,000	983,000	10.0	160
Cochinchina				
1913	1,800,000	1,993,000	11.0	1,100
1930	2,300,000	2,700,000	12.0	600
1943	2,303,000	3,179,000	14.0	590

Source: Nguyen Van Khanh (2019: 123)

especially in the North and central regions. The main reason was the impact of natural disasters, storms and floods. Furthermore, although rice production had increased, it had not kept pace with the rapidly growing population.¹

In addition, on average, Vietnam had to spend about a quarter of its rice output to sell in the world market each year. Between 1899 and 1903, the rice export output of Indochina was 809,000 tons/year, increased to 1,331,000 tons between 1919-1923, 1,582,000 tons in 1933-1937, and reached the highest level in two years 1939-1940 with 2,200,000 tons for export. As a result, the average amount of rice per capita constantly decreased. In Tonkin and Annam, food shortages were severe, while the

¹ Over half a century, from 1880 to 1943, rice productivity in Vietnam increased by only three quintals/ha (from 9.0 to 12-13 quintals per hectare). Meanwhile, the yield of rice at the same time in Siam was 18 quintals/ha; 15 quintals/ha in Indonesia; 34 in Japan; and Spain, 58 quintals/ha. On the other hand, the population in the ten years from 1921 to 1931 increased by about 3 per cent per year.

Cochinchina region, though declining, was relatively more affluent than the rest.

Given better cultivation conditions in the South and the overpopulation of the North, it could be expected that there would have been an outmigration flow from Tonkin to Cochinchina. However, interestingly, migration occurred limitedly albeit the government's encouragement policy (Sarah Merette, 2013). A lack of integration in these two labour markets, and vice versa, accounted for the substantial gap in economic performance between the two regions. The pattern of limited migration might have been reflected in physical barriers to migration, such as a lack of infrastructure connecting two regions causing the high cost of moving. Alternatively, the prevalence of large landholding and the demand for unskilled wage labour in agriculture did appeal little to the Tonkinese. The tradition of the family bond and the village coherence might also have been counted. However, above all, it is believed that the emergence and concentration of a wide range of industries that provided alternative employments were part and parcel of holding them back.

2) Industry

The pattern observed in agricultural production was similarly found in the industrial sector. Handicraft industries were highly concentrated in Tonkin, with nearly five times more people involved than in Cochinchina during 1900-1940. The majority of these productions were to supply the domestic needs of daily necessities and manufacture. A popular pattern of handicraft industries was the localisation in particular villages, as Gourou indicates, "a monopoly of one village in one craft" (Gourou, 1945: 397). In addition, it was common that these industries were family-based, using local materials as resources for production. For example, the weaving of bamboo and latan palm leaves into baskets, kitchen implements, and

mats was widely distributed in the Red River Delta. Willard Miller (1947) estimated that some 1,350,000 people engaged in handicraft industries. This number of workers was 7 per cent of the total population of Tonkin and Annam and 4 per cent in the other provinces.

Modern industries sprung up around the main urban centres – Saigon, Cho Lon, Hanoi, and Hai Phong. Several industries and their distribution could be named. The textile industry, which started in 1884, employed the largest number of workers. The two centres of this industry were Nam Dinh province and Ha Dong province (southern part of Hanoi). A cement industry was founded in Hai Phong in 1899, which utilised domestic raw materials of clay, coal, and limestone supplies. Unlike traditional construction materials such as bricks, stones, lime, or mortar, cement and concrete were utterly new types of construction materials brought into Vietnam. As a result, the construction industry saw significant changes both in quality and method. If cement production was concentrated in large factories, the brick and tile industry was dispersed almost in all northern and central provinces on a small scale, where coal and soil were available. A modern glass factory producing glass bottles was also located in Hai Phong. Other glass plants were established in Hanoi, Nam Dinh, and Cho Lon. Several pottery kilns, brick kilns and tile factories were established on the alluvial plains of the Red River with Hanoi, Hai Phong and Mekong River, where local clay deposits were abundant. Although the demand for chemicals consumed to serve the textile and mining industries was high, there were only two small factories at Saigon and Hai Phong. Paper industries, founded in 1913, were located in Phu Tho province to use the wood supply in Tonkin's forest.

In Cochinchina, with its strength in the specialisation of rice production, the food processing industry was concentrated in this region with a close link to rice. In 1878, many brewery factories were opened in the Saigon-Cho Lon area, followed by many sawmills, spinning mills and rice mill

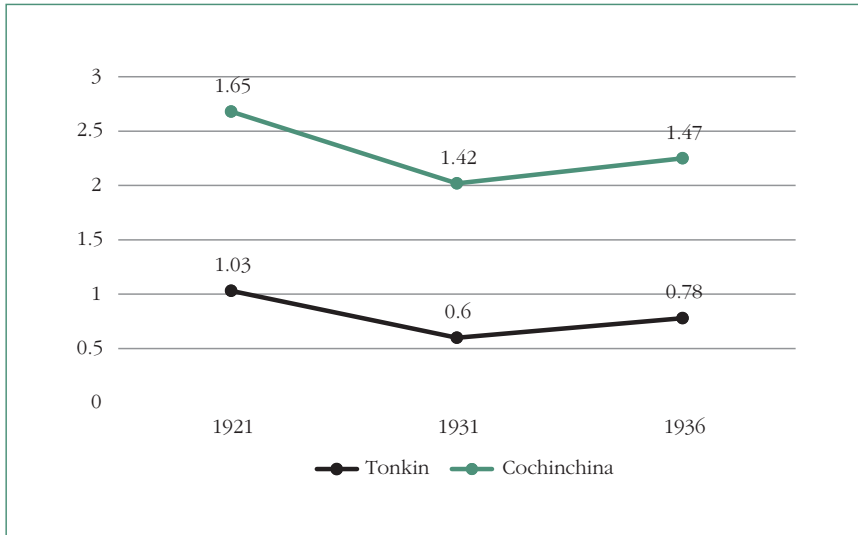
factories. Large-scale rice mills in Cho Lon areas developed as a phase in rice export, while smaller mills scattered in Tonkin primarily for self-consumption. For the French, securing export foods to the motherland was essential, so the milling plants quickly increased in number and spread throughout the South. Rice export supporting facilities such as jute weaving factories, machine repairing shops, vehicles, and boat manufacturing sprang up. As a result, there is little doubt to see industrial activity in Cochinchina as an extension of its specialisation in rice production. Meanwhile, a wide range of industries was presented in Tonkin, with most of them oriented towards the needs of the domestic market. This indicates two different ways of production: one was more geared towards specialisation and international markets, and the other was more engaged in self-sufficient production with the diversification of products.

3) Infrastructure and Trade

From the other perspective, comparing the colonial government budget expenditures by region provides an interpretation of the different concentrations in the two regions. The gap between Tonkin's and Cochinchina's per capita expenditure seemly demonstrates the higher expectation of the colonizer on the economic performance of the South.

More specifically, the average share of local expenditure on economic services, including public works, agriculture, forest, and veterinary services in Cochinchina, was over 30 per cent; meanwhile, the figure in Tonkin was 24 per cent, despite a denser population in the latter. An example of public work on road construction in two regions helped to definitize the point.

The construction of modern ports, roads and railways connected regions and ensured effective exploitation. This basis laid out the very first requirement of physically linking the nation by transport. Regarding road building, it was likely that the total length of roads decreased over time in

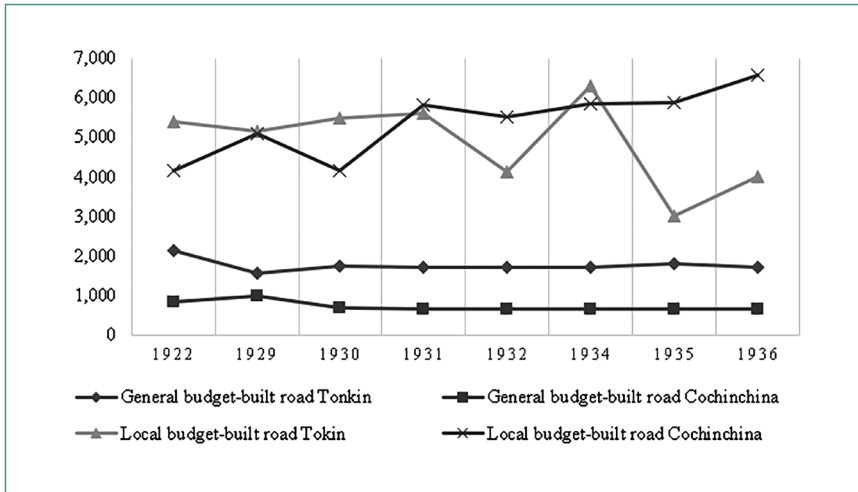


Source: Anne E. Booth (2007)

Figure 6 Government expenditure per capita in Tonkin and Cochinchina, 1920-1936 (US\$)

Tonkin, but a contrary trend was observed in Cochinchina. Distinctly, there were far more roads built by the general budget (referred to as provincial roads) in Tonkin than in Cochinchina. Considering Tonkin's larger population and territory, these roads were seen proportionally with the region's demographic characteristics. However, local roads in Tonkin, which did not increase during the documented period, suggest that commercial activity might not have expanded among localities. Instead, production and exchange of goods remained the traditional patterns that served more intra-regional demand. Cochinchina, on the other hand, had a more extensive local road network by which trade with the other regions may have opened up and facilitated.

Waterway transportation was made mainly in the South with the system of rivers and canals throughout the region. Due to the divided terrain and unfavourable transportation system across the country, the French colonists



Source: General Government of Indochina, Department of Economic Affairs (1927-1939), Sarah Merette (2013)

Figure 7 Length of colonial and local roads by region, 1922-1936 (km)

took the most advantage of the long river system and long coastline to serve the needs of transporting goods. After the Saigon port went into operation, France opened the gates of Da Nang and Cam Ranh, followed by Hai Phong port. As built later in 1884, Saigon port was invested in more modernized construction. In turn, the French opened the ports of Ben Thuy, Quy Nhon, Hon Gai and Cam Pha. In the last few years of the nineteenth century and the beginning of the twentieth century, merchant ships from England, China and the Netherlands came to trade goods and compete with the French. This growing trade fully exploited the river transport network of the Red River Delta, the Mekong River Delta and the primary central rivers. The number of boats had increased significantly at river ports to transport rice and other goods. Apart from some international trade with China which was carried out by railways, the primary portion of commerce was done by ships at Hai Phong port in the North and Saigon

port in the South. P. Brocheux commented that the rise of these two ports was the main motivation for, in his words, “a so-called takeoff of the colonial economy” (Brocheux et al., 2009). The French initially established Hai Phong port for military reasons during the Sino-French War of 1884-1885. It functioned as a point of junction for the lines of the Far East and fleets in the Red River Delta and occupied the most considerable trade between Yunnan and Tonkin.

Regarding the Saigon port, its rise at the beginning of the nineteenth century was followed by the expansion of the Chinese merchant town of Cho Lon, adjacent to Saigon. The port's decisive role in connecting sources of goods came from four different economic spaces: Marseille and Europe, Hong Kong and China, Singapore and Malaysia, as well as southern and central Indochina to southern Laos. In 1937, Saigon's port traffic recorded nearly twice as much as Hai Phong's, 2.14 million tons and 1.2 million tons, respectively. While Hai Phong port was properly characterized for the cabotage of small ships due to its shallowness, Saigon, as a deep-water port, dealt with heavier and bigger ships designated for international commerce. Another obstacle found in the operation of Hai Phong port was the poor road network to support the movement of goods. Hence, it is easy to understand that the French spent nearly twice as much of the budget on ports in Cochinchina (9,173 dollars) than Tonkin (5,019) in 1926.

Since the limited capability of the road network to carry internal transportation, the French saw that the railroad would allow faster movement of goods among regions. In 1881, the first railway connecting Saigon–My Tho was constructed. With 71 kilometres in length, this railway line was significantly important in connecting the centre of Saigon with the Mekong delta - the most productive region in agriculture and aquaculture. At the same time, this line passed through densely populated areas such as Cho Lon to create the synergic effect of promoting urbanization around the

Table 2 Domestic railway network, 1913-1935

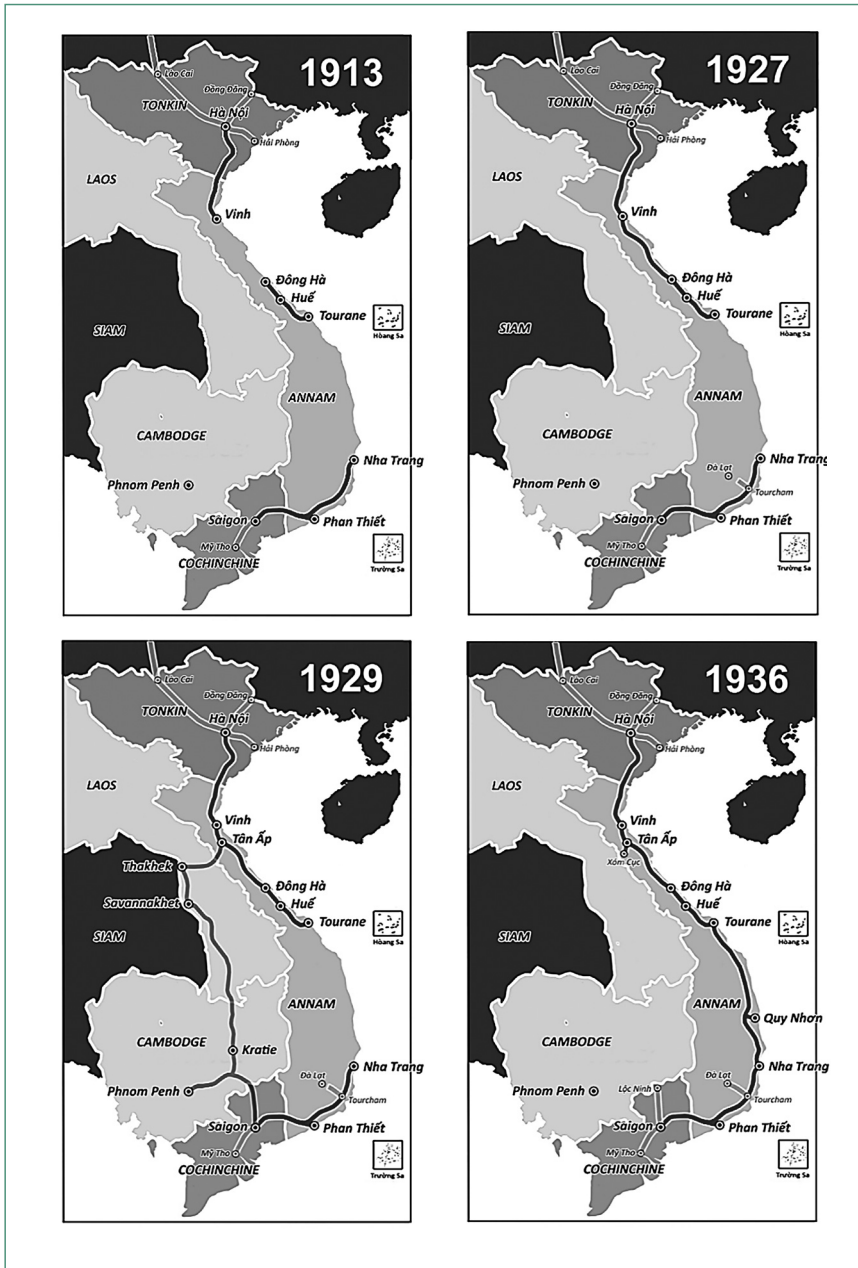
Year	Length (km)		Number of stations	
	North	South	North	South
1913	493	497	-	-
1935	1,314	583	299	94

Source: General Government of Indochina, Department of Economic Affairs (1927-1939)

western provinces of Saigon. Following the success of railway projects in Vietnam, in 1889, Paul Doumer decided to build a trans-Indochina railway system. The first domestic sections of the Saigon-Khanh Hoa railway (1901), Hanoi–Nam Dinh, Hanoi–Lang Son, Hanoi–Vinh (1905), and Da Nang–Hue (1906) were completed in turns. By 1912 the total number of railways constructed in Vietnam was 2059 km. In addition, the network of railways was also expected to facilitate labour movement from the North to the South (Sarah Merette, 2013). The northern-southern rail networks had the main transit points in the four largest urban centres, Hanoi–Hai Phong in the North and Saigon–My Tho in the South.

The northern railroad network was more extensively developed, partly in proportion to the North’s demography and the less developed other means of transportation (i.e., road, waterway). It is noted that the northern network also included its connections to China. Together with this, the greater number of stations largely accounted for commercial links with China and Tonkin's provinces. Through this, the railway usage reflected an aspect of the passenger numbers and the volume of freight transportation services, which can become another evidence of the active economic activity in Tonkin. In the end, this shows the great concern of the French in public infrastructural works to promote the exploitation of production and merchandise as a part of its “development program.”

The process of the railway development can be referred to in the following map, which shows a limited connection in domestic regions'



Source: Tim Doling (2016)

Figure 8 Railway development of French Indochina

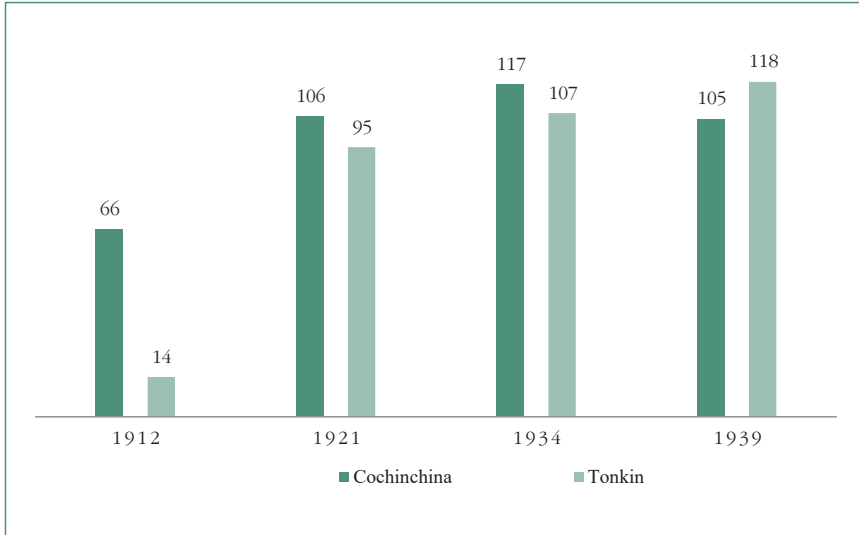
transportation systems. This deteriorated integration of the intra-region markets, thus, on the one hand, sustaining the autarkic feature of production in the northern area while, on the other hand, remaining or even intensifying the already substantial economic gap between Tonkin and Cochinchina.

At the same time, this means different priorities based on investment in infrastructural works in each region. Sources of capital invested in commerce in the two regions were also in sharp contrast. In 1924, the total capital of international and domestic sources poured into Cochinchina was 2.1 million dollars, more than eleven times compared to its counterpart — Tonkin, with less than 180,000 dollars. After four years, in 1928, the invested capital in both regions soared, narrowing the regional gap. Cochinchina received more than 6.5 million, whereas Tonkin attracted about 1.2 million dollars (Smolski, 1929).

The below data on the number of commercial enterprises again underlines the superiority of Cochinchina in this sector.

It should not be confused with the rapid increase in the number of enterprises in Tonkin, which surpassed the enterprise number in Cochinchina in 1939. The number itself failed to illustrate the size of enterprises. It was indicated that most large enterprises and trading houses were located around Saigon port and near the Cho Lon area. In contrast, enterprises in Tonkin were partly concentrated in Hai Phong and scattered throughout the region on a smaller scale (Smolski, 1929: 127). Given the development of specific industries in the North, the production was more for consumption than exchange.

The above table shows the value of imports and exports in two regions for 25 years. Overall, the export values demonstrate a sharp difference between Tonkin and Cochinchina in trade. Most of the time, Tonkin's exports were a fraction of its counterpart. In terms of imports, it is believed

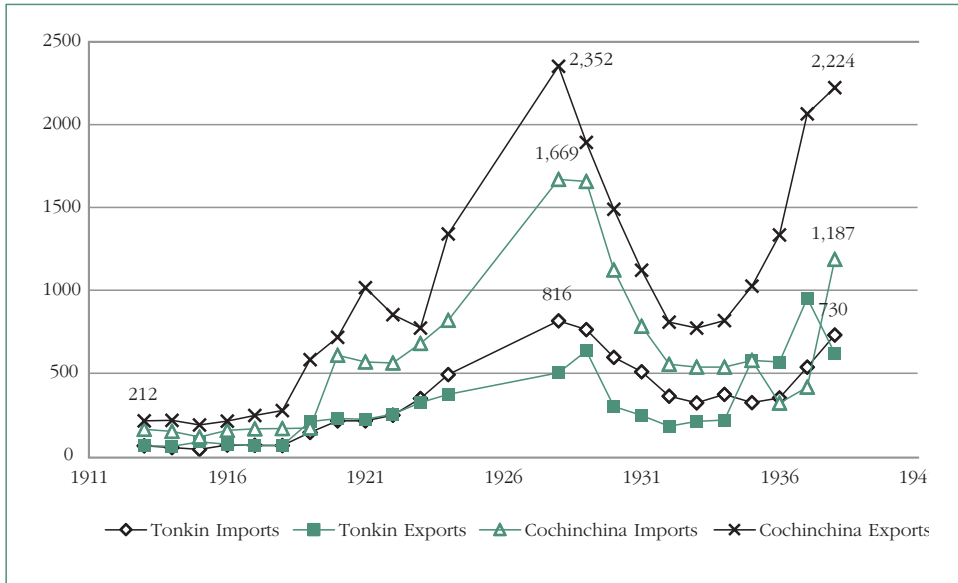


Source: Vorapheth (2004: 135)

Figure 9 Number of commercial enterprises by region, 1912-1939

that Doumer's large infrastructure construction plan was the chief reason for the high value of imports, particularly in the mid-1920s to early 1930s (Bassino et al., 2000: 299). Moreover, growth in the trade surplus of Indochina was rather thanks to the make-up of the positive trade balance in Cochinchina for the poor trade performance of Tonkin. Ethnically diverse, large-scale landholdings, public works, and merchandise contributed mainly to the emergence of the Cho Lon and Saigon urban and the growing concentration in Cochinchina.

In general, Cochinchina had experienced relatively greater prosperity under colonialism than other regions through the process of specialization. Wealth accumulated in Cochinchina through its vast area of arable land with rice production, rubber plantations, and a substantial portion of the trade. Meanwhile, the growth in Tonkin was more engaged in the diversification of production. Even the industrial base in the North was



Source: Indochina Economic Bulletin Year 1914, Sarah Merette (2013:212)

Figure 10 Value of imports and exports for Tonkin and Cochinchina, 1913-1938 (millions of Francs)

a mere poor small-scale; more than two-thirds of the so-called ‘modern industry’ in Vietnam at that time was concentrated there. Mining, metal-processing, cement industry, and manufacturing were mainly in the North. However, as far as the exchanges between regions were concerned, a low level of market integration had been achieved.

IV. Conclusion

The internal conflict that led to the Trinh-Nguyen dissension in the 17th century was one of the most critical historical events in Vietnam that gave rise to the southern land formation – the place that, right from its incipency, was fundamentally distinct from the northern areas in all social,

political and economic facets. Starting the colonialism, the French failed to eliminate the Vietnamese emperor dynasty to take direct administrative control over the entire Indochina. The consequent “divide and rule” policy and the regional division have left indelible imprints on the country's economy until the present day.

Differences in colonial policies by region widened the economic discrepancies between Tonkin and Cochinchina and provided little synergy among sectors and regions. The limited labour movement and market integration resulted in reinforcing regional production patterns. In addition, regional differences in population, labour utilisation and landholding patterns impacted the mode of production and regional economic performances during colonialism.

Specifically, the South promoted specialisation in agriculture, with rice production and many industrial crops. Trade and commercial activities were the primary sources of prosperity in this region. In contrast, the northern pattern of diversification of productions essentially helped sustain the area's autarkic feature. Endowed with natural resources and a vast number of underutilised labours, Tonkin was a conducive climate for handicrafts and mining to prosper. At the same time, the tendency for private ownership of land strongly developed in Cochinchina, creating a basis for agriculture to be shifted into a commodity economy. Although the commodity and private economy developed, it had not yet developed into a capitalist relationship. Agriculture was still the primary production activity. Handicrafts and agriculture-related trade mainly occurred within each region, hence forming natural economic blocks on a regional and local basis. The colonial industry showed a low level of development, especially a lack of linkages between agricultural and industrial production, which left an indelible imprint and legacy on the post-colonial economy.

Another heritage of the French colonial policies was related to public

work expenditure. The transportation network in Vietnam primarily funnelled the movement of goods and services into major harbours in each region. However, the infrastructure did not provide adequate lateral transportation between other inland regional centres. The impact of a limited transportation network might have been strong because the freedom to choose a variety of locations did not exist, and communications must follow a few existing routes. Moreover, given the typical transportation networks, economic forces accentuated the concentration of economic activities at the terminals. Limited transportation systems connecting domestic regions had deteriorated the integration of the two regions and consequently became causative of the divergence in regional economic performance. The colonial exploitation, in the end, favoured higher growth in Cochinchina than in Tonkin.

In Vietnam, the regional imbalance has been exaggerated according to the long-run historical experience of regional development. Under the socialist ideology, economic growth and socio-economic equality were identified as two essential aspects of the development process. On the one side, this dual goal emphasised an egalitarian distribution of benefits from economic growth to eliminate inequality. On the other side, it drove the economy towards rapid modernisation and industrialisation. Obstacles to the socialist building were the chronic shortage of production factors and lack of transport facilities facilitating interregional exchanges. Several external constraints were also in place, such as the cut-off of foreign aid, the U.S. economic blockade, and the tension relation with China. Under these constraints, “economic complementarity” factors in each region were not taken full advantage of to improve North-South structural imbalances.

Entering the early stage of Doimoi, when the closed socialist economy opened to the free market’s door, regions experienced increasingly severe North-South dualism. Faced with constraints by scarce resources,

the authorities were forced to make priority choices between two policy objectives of egalitarianism and economic growth. This means some regions might obtain better growth opportunities, exaggerating regional growth divergence.

However, in contrast to some studies arguing that the underlying causes of regional inequality in Vietnam emerged with the Doimoi, this study claims the roots from colonial times, showing the path-dependent pattern of regional growth lasted to the present day. The French colonial ideology, which manifested the systemic ideas of economic exploitation and hindrances to national integration, has explained the mechanism by which unequal social and economic relations were reproduced.

As the growing concern about the overconcentration of economic activity in the South and the consequent widening economic gap, there have been many attempts to rebalance the regional development. Since the early 2000s, the Vietnamese government marked a turning point in development policy by driving massive investment into the North. In addition, the growth pole strategy was adopted to create other new economic centres that counterbalanced traditional ones. This new “path creation” has aligned with the socialist egalitarian distribution and various redistributive policies. Nevertheless, the government’s reform policy has had little effect on rectifying such a lack of integration in the North-South structure. The consequences of the colonial regime's segregation and unbalanced development remained as the rooted cause of regional inequality in Vietnam.

In general, economic growth will be unbalanced. Hence, this study does not argue that the state government should spread out its economic activity. In the case of Vietnam, the history of many centuries has shown the deep-rooted differentiation in regional economic structure, which favoured the concentration of wealth in a few places. At the same time,

there is no need to trade off economic growth for equality. Still, this study concludes that the state has a role in ensuring that development should be inclusive. Economic integration is the way to kill both birds with one stone, achieving both the benefits of uneven growth and inclusive development. This means that the state could use spatially targeted interventions to integrate leading and lagging regions, rural and urban areas, and to put in place institutions and infrastructures that connect regions. By so doing, the fruits of economic growth could be widely shared.

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