

Viet Nam: a transition tiger?  
Poverty, location and internal migration

Abstract for chapter 16

In Viet Nam, reduction in poverty will involve both increases in rural income and a process of urbanisation. The text considers the potential rural-urban population movement that can allow migrants to benefit from the better income opportunities in urban areas and improve rural incomes by tightening rural labour markets.

The chapter addresses poverty and location as well as examining the conflicting evidence on rural-urban transition, the suggestion being that there is a lack of certainty and agreement regarding the expected speed of the rural-urban transition. The implications of this rural-urban transition are examined with proposals for alternative scenarios. Furthermore, the emerging Vietnamese industrial economy is expressed as consisting of three regional sub-economies, each drawing upon the rural population in varying patterns of migration.

A possible regional focus for an accelerated rural development strategy is to promote linkages between the three focal development zones and their immediate hinterlands.

Keywords:

economic stagnation, economy, ethnic minorities, focal zones, GDP, growth poles, Hanoi-Hai Phong, Ho Chi Minh City, in-migration, migration, poverty, poverty alleviation, Quang Nam-Da Nang-Quang Ngai, rural-urban population movement, social services, urban growth, Urban Sector Strategy Study, urbanisation

# 16

## POVERTY, LOCATION AND INTERNAL MIGRATION

### POVERTY AND LOCATION

As noted previously, one long-term poverty issue concerns what is to be done with the upland, remote and isolated areas and ethnic minority areas where many of the poor are concentrated.<sup>1</sup> In some cases, limited development may be largely a matter of physical isolation, which will be reduced as the transport system is strengthened. But some areas have inherently harsh natural conditions, with a high propensity to natural disaster and a poor natural resource base. This is especially important for ethnic minorities, the majority of whom live in remote and isolated areas. Ethnic minority communities make up around 29 per cent of the poor even though they form only about 14 per cent of the total national population.

Current approaches to poverty alleviation place a good deal of emphasis on targeting poor areas. Such an approach has the obvious merit of providing a straightforward way of targeting the poor. If poverty results from an infrastructural constraint (for example, poor transport access) that can readily be relaxed through a focused investment program, poverty may be reduced by enhancing productivity, contributing both a reduction in poverty and growth in output. This, however, will not work in all instances. Where natural conditions are not propitious to growth, there may be little or no productive return from investment. In that case, geographically focused investment will neither increase output nor have a lasting effect on poverty reduction.

From the perspective of economic history, one response to persistent poverty in regions with basically poor conditions for productive investment has been migration. Historically, migration in Viet Nam has been a response to poverty.<sup>2</sup> Considerable migration continues in modern Vietnam, both from the countryside to the urban centres and from one rural area to another. A critical resource allocation choice may be whether to tackle the problems of the poor *in situ*, or to provide more economic opportunities in the areas where investment is most productive, and encourage the poor to move to take them up.<sup>3</sup>

This suggests a potential flaw in emphasising poverty alleviation through area-focused programs. Accelerated growth in an area may be associated with a reduction in the proportion of poor without necessarily benefiting the target group. Thus, high growth in the Central Highlands has been associated with an influx of people seeking to benefit for example from the fast growth in tree crop production. This may result in an increase in the proportion of better-off households without necessarily reducing the poverty of the initial residents.

In the long run, reductions in poverty will involve both increases in rural income and the movement of population from the countryside to urban areas. Rural–urban shift can allow migrants to benefit from the better income opportunities in urban areas and improve rural incomes by tightening rural labour markets. An overview of the factors influencing poverty therefore needs to consider the potential rural–urban population movement. The discussion in the remaining parts of this chapter addresses that issue.

#### CONFLICTING EVIDENCE ON RURAL–URBAN TRANSITION<sup>4</sup>

Viet Nam is experiencing urbanisation, but there has been a good deal of uncertainty regarding the rapidity of this process.

In the mid 1990s, the government assumed that the pace of urbanisation would accelerate and had projected urban growth at 5 per cent for the period 1995–2000 and at 5.5 per cent for 2000–10. The Urban Strategy Team reporting at that time took the government projections as representing an ‘high growth scenario’, and also used as ‘lower growth scenario’ based on extrapolation of apparent existing trends, projecting 2.5 per cent per annum growth between 1993 and 2000 and 4.0 per cent per annum for 2000–10. The difference between these two scenarios was not trivial. The lower projection forecast an increase in urban population as a proportion of the total population to 29 per cent in 2000 and 35 per cent in 2010, whereas the government

projection was of 34 per cent and 48 per cent respectively. That is, the different projections established a range for the urban population of between 35 and 47 million people.

Differences of this magnitude reflect more than a statistical quirk; they suggest that there is a basic lack of certainty and agreement regarding the expected speed of the rural–urban transition in Viet Nam, based upon whether expectations are derived from the apparently slow pace of transition in recent years, or from the likely impact of the accelerated growth. The differences may be moot, however, because the recorded rate of urbanisation has so far apparently been significantly lower than predicted by either of the projections. The 1999 Census recorded the urban population as still being only 23.6 per cent of the total (compared to 19.4 per cent in 1989).

The available evidence has been confusing regarding to the momentum of urbanisation, ranging from official data in the mid 1990s that suggested that there was very little movement to the cities to unofficial estimates that as many as 700,000 people were migrating to urban areas each year.

A difficulty was raised when a number of rural communes were reclassified as urban in 1997, causing the official urban population to jump 9 per cent. Furthermore, the Viet Nam Urban Sector Strategy Study (Ministry of Construction 1995) noted that the Vietnamese definition of urban residence did not conform to international practice because rural areas within cities and municipalities were excluded from the urban totals. The study team estimated that, using the more inclusive definition, about 8 per cent more of the population resided in urban areas than suggested by official estimates at that time.

Another difficulty arises from unauthorised urban migration. The Urban Sector Strategy Study (Ministry of Construction 1995:53) estimated that there were almost 200,000 unregistered immigrants in Ho Chi Minh City in the period 1986–94 (however, some of these would have become registered by the end of that period). Unregistered migration of that magnitude would have resulted in annual urban growth rates greater than 3 per cent (as compared with official estimates around 2 per cent). Apart from the issue of bureaucratic definitions of residence, there is always an element of ambiguity about migration in the urbanisation process. There will always be temporary migrants seeking employment, many of whom will eventually become residents.

Critical aspects of the urbanisation expected to take place in Viet Nam over the coming generation are already inherent in existing trends. The likely rate

of urban growth will be around 2.5–3.0 per cent per annum, based on interpretation of the various somewhat conflicting data, implying that the urban population will double in 25–30 years.

### THE DEVELOPMENT OF URBAN GROWTH POLES

Urbanisation will inevitably lead to the concentration of industry and many services in a few areas. Government has accepted this likelihood by emphasising the development of three focal economic zones where infrastructure and other facilities are being developed on a priority basis to attract both domestic and foreign investment.

The two key urban growth poles which have emerged are around Ho Chi Minh City and the corridor to Vung Tau in the Southeast region, and around Hanoi and the Hanoi–Hai Phong corridor in the Red River region.

Ho Chi Minh City and its neighbouring area is already the major centre for commercial and industrial development and is set to become one of the strategic urban growth poles of Southeast Asia. Not only is this virtually inevitable, given existing trends, but is also desirable—a dynamic and fast growing commercial centre will make a crucial contribution to the growth of the economy of Viet Nam. As the main focal point for commercial links with the rest of Southeast Asia and the rest of the world, the character and pace of its development will be strongly influenced by foreign investment.

The growth of Ho Chi Minh City is fed by the in-migration of large numbers of Vietnamese and also of foreign business people and professionals. Vietnamese migration into the city has a bi-modal character: the city attracts unskilled workers with only basic education, but acts as a magnet for the highly educated, who can take advantage of the most sophisticated job opportunities that the development of the city generates (Centre for Population and Human Resources Studies, 1995).

The development of Ho Chi Minh City to become a metropolis of more than five million people has necessitated substantial investment in infrastructure. Its international role demands a high level of services and a cosmopolitan urban environment. The government will have to steer between two dangers—that underinvestment in infrastructure chokes off the desired commercial development of the area and the danger that the demands of a fast growing and (relatively) high income urban area monopolise scarce resources, holding back the development of other areas. Ho Chi Minh City will have income

levels, and will therefore demand service levels, out of line with conditions in the rest of the country. This suggests the need for careful programming of urban infrastructure and the search for imaginative solutions to potential problems before they arise (for example, transport modes to minimise urban congestion, land and credit policies which encourage household investment in low cost housing).

Since the mid 1990s, there has been an acceleration in urban growth in the northern 'focal zone' (Hanoi–Hai Phong), with industrial growth rates overtaking those of the southern zone.<sup>5</sup> Investment is drawn to Hanoi because of its facilities as the national capital. The trends now suggest that Viet Nam will have two large metropolitan growth poles. The pace of change in Ho Chi Minh City and Hanoi is already dramatically changing the character of the urban environment. Highrise development, funded by foreign investment, sprawling-small scale construction by the domestic private sector, and booming spending on motorised transport, have already changed the face of Vietnamese cities. The future path of urban development may be being chosen already, which means that some options may be closing without being given proper consideration (for example, in relation to transport modes).

There is less evidence of an integrated pole developing around the Quang Nam–Da Nang–Quang Ngai focal area in the central part of the country. In 1999, the population of Da Nang city, the fourth largest city in Viet Nam, was only 540,000. The share of manufacturing in GDP in this area is only slightly lower than in the Red River delta and irrigation in the region is the second highest in the country. Yet yields per capita in agriculture and per capita GDP are lower than the national average.

The emerging Vietnamese industrial economy can therefore be viewed as consisting of three regional sub-economies. The south has a well integrated, dynamic and rapidly growing economy. The Hanoi–Hai Phong corridor is now consolidating as the centre of a potentially powerful core–periphery economy in the north. The three regions along the central spine of the country have not yet been drawn into a core–periphery relationship with the focal economic area around Da Nang.

The first period of accelerated growth benefited the Southeast more than the other regions, particularly as most of the initial foreign investment was directed there. As growth has accelerated, the Hanoi–Hai Phong corridor has increasingly benefited.

A number of second and third-level towns are developing as significant urban centres (for example, Hue, Can Tho, Bien Hoa, and Nha Trang, all towns of more than 200,000 population) and serve as centres to stimulate rural development in their hinterlands. This de-concentration of urban development is a positive factor in supporting the geographical diffusion of the benefits of growth.

### THE IMPLICATIONS OF RURAL–URBAN TRANSITION— ALTERNATIVE SCENARIOS

The nature of the future rural–urban transition could be crucial for the future pattern of income distribution and for poverty alleviation. A rural–urban shift can be associated with high growth but can also be associated with economic stagnation. While data on recent rates of urbanisation suggest that the rate of urbanisation is still quite modest, sustained economic growth will shift the centre of gravity of the economy from rural, agricultural activities to urban industry and services. As a consequence, the population will likely be attracted into urban areas by higher income opportunities.

Rural economic stagnation can also promote a rural–urban shift as deteriorating rural conditions push people to move to the cities. The desirable rate of urbanisation depends on the interplay of two concerns. On the one hand, the expansion of urban infrastructure is expensive, suggesting that a low pace of urbanisation would be more manageable. On the other hand, a low rate of growth of urban employment is likely to result in a widening of the gap between urban and rural incomes.

A healthy pattern of urbanisation is more likely to emerge from movements resulting from the attractions (pull factors) of expanding urban livelihood opportunities than from rural stagnation (pushing people out of rural areas). So far, the government of Viet Nam has avoided extreme urban bias.

Available evidence indicates that, while there are significant differences between rural and urban areas in the delivery of social services, the basic education and health outcomes do not vary dramatically. Thus, the literacy rate for people 10 years old and over in rural and urban areas is about 85 per cent and 94 per cent respectively. Similarly, indicators of morbidity show that 39 per cent of the population reported sick in the previous 12 months in rural areas as compared to 33 per cent in urban areas.

The incentive to migrate to urban areas could be moderated if social services are maintained at reasonable levels in rural areas and income opportunities in rural non-agricultural activities are expanded.

Nevertheless, although healthy development requires attention to rural development, it is also the case that urbanisation will be an inevitable outcome of economic growth, and expanding urban employment will play a key role in long-term poverty reduction. High rates of growth in the industrial and service sectors will be associated with increases both in the numbers employed in those activities and with increasing labour productivity. For a given increase in urban GDP, if the balance is struck more in the direction of increasing employment levels rather than raising average urban incomes, the widening in the gap between levels of urban and rural productivity (and incomes) can be restrained. That is, high rates of growth in urban population are not only an unavoidable side product of industrialisation, but are in one respect a desirable consequence.

The international experience of urbanisation has varied. The phenomenon of rapid urbanisation has been associated with successful development, but in many developing countries it has also been associated with economic stagnation and negative social consequences. Even where rapid urbanisation has been associated with national economic success, the poor social outcomes in terms of the condition of the urban poor and the stress of middle-class urban life are still apparent in some developing economies.

In a number of countries, the allocation of resources to support over-concentrated patterns of urban growth has been associated with rural stagnation, with the lack of economic opportunities in the countryside pushing the rural population to migrate to the cities, where many are recruited to an urban underclass. Investment rushes to an urban core, followed by a rush of migrants in search of better jobs, while the peripheral areas are left to stagnate. The incidence of poverty in the periphery is then matched by festering and crammed shanty towns in the ill-prepared urban cores. Crime, stress, pollution, congestion and overloaded transport and communication systems come to dominate the life of the city, while the vast majority eke out a living in the informal sector. The result has been unmanageable urban environments and increasing rural and urban poverty. Also, the resulting imbalances in urban and rural development have in many instances generated constraints on growth, which

at the extreme have resulted in a vicious circle of high rates of urban population growth associated with low rates of economic growth.

In a more positive scenario, urban growth contributes to the development of the rural periphery through the expanding market for rural products, the spread of improved infrastructure and social services, and the withdrawal of surplus labour from rural areas, all of which lead to rising prosperity in the rural hinterland.

While high economic growth will result inevitably in urbanisation, the consequences of that transition will vary, depending on whether urban growth is combined with continued improvements in rural incomes, or whether it is associated with rural stagnation. Rural stagnation not only creates problems for rural areas, but makes urban development more difficult to manage, as the rural poor are forced into the cities as a survival strategy. A more virtuous scenario is one where accelerated urban growth is linked to expansion in rural economic opportunities.

So far, development in Viet Nam has achieved a reasonably virtuous urbanisation pattern because rural households have enjoyed increasing income levels notwithstanding the widening gap between urban and rural incomes. Certain features of Viet Nam suggest that the prospects of the virtuous process of rural–urban transition continuing are reasonable.

- With its long coastline and two areas of dense population (the Red River delta and the Mekong delta), the underlying geography (and history) does not provide the conditions which would give rise to one growth pole, resulting in a single megalopolis (such as Mexico City or Manila).
- The two highest potential agricultural areas (the Red River and Mekong deltas) are adjacent to the two leading urban growth poles (Hanoi–Hai Phong and Ho Chi Minh City) creating good possibilities for linkages between urban and rural development.
- While the growth in the industrial and service industries has been much higher than that of agriculture, the growth of the agricultural sector has been lively—in some areas high enough to generate labour scarcities and local wages higher than unskilled wages in the major urban areas.
- Although the evidence is not conclusive, data suggest that an explosion in the urban growth rate has not yet happened.

- In some parts of country, there has been a lively growth in rural industry, and the potential for further development of rural non-agricultural activities is high.

## PATTERNS OF MIGRATION

Migration patterns revealed in the 1992–93 VLSS and the Census of 1999 indicate some acceleration of urbanisation in Viet Nam. Data from the VLSS indicated that most rural migration (75 per cent) was to other rural areas, with 25 per cent of rural migrants moving to urban areas and 40 per cent of urban migrants moving to other urban areas. Data from the 1999 census show a substantial increase in these figures with 42 per cent of rural migrants now moving to urban areas and 72 per cent of urban migrants moving to other urban areas. However, migration to rural areas remains important. The Central Highlands has continued to attract a large amount of rural in-migration as has the Red River delta and Southeast area. Ho Chi Minh City and the Vung Tau corridor has seen the highest level of in-migration taking 43 per cent of migrants according to 1999 Census, and Hanoi has increased its in-migration, now taking 12 per cent. Despite these obvious urban core areas pulling migrants from surrounding areas as well as from further afield, the Central Highlands has continued to be an important destination for migrants, accounting for 25 per cent of in-migration between 1994 and 1999 (compared to 44 per cent between 1984–89).

In the Southeastern region the share of manufacturing in GDP was already as high at 25 per cent in the mid 1990s. It was only half that or less in all other regions except the Red River delta, where it was around 14 per cent. Per capita GDP in the Southeast was about double the national average at VND5,275 in 1994. Every other region was below the national average. Moreover, GDP was growing at 11 per cent in this region as compared to 7 per cent or less in most other regions.<sup>6</sup> The fairly high population density of the region is mainly a reflection of the concentration of population in Ho Chi Minh City and along the corridor to Vung Tau. An economic growth pole is clearly emerging along this corridor, its periphery lying in the Southeast region itself and the adjoining provinces of the Mekong Delta region. The latter is one of the country's most dynamic agricultural regions, with paddy yields of

over 3 tonnes per hectare and the highest per capita value of agricultural output in the country. The return to land is also reflected in the rental value of land, which is also the highest in the country.<sup>7</sup> In the mid 1990s the region grew at an annual rate of 6–7 per cent, and had the highest GDP per capita after the Southeast and the Red River Delta.

The Red River delta is the second largest region after the Mekong delta in terms of population, with over 14 million people. It has the second highest manufacturing share of GDP after the Southeast at 14 per cent and has received large in-migrations from the Northern Mountain region as well as the North Central Coast region. The region's population density is the highest in the country (1,142 per square kilometre), about three times that of the Southeast and the Mekong Delta. Ninety per cent of the region's cropped area is irrigated, the highest proportion in the country and more than double that of the Mekong delta. Paddy yield at 3.8 tons per hectare is the highest in the country.<sup>8</sup> Per capita GDP is higher than in the Mekong Delta and the growth rate is second only to that of the Southeast. However, the Red River delta region also has one of the largest concentrations of people in poverty in the country because of the high density of population. In this region, more than anywhere else, labour needs to be drawn into non-agricultural activities in order to reduce the intense pressure of population on land.

As noted earlier, the response of a number of donors and the government to the dangers of unequal development has been to focus special attention to the poorest groups and poorest districts. The government has placed particular emphasis on the needs of 'mountainous and remote areas', as the poorest and most problematic. The World Bank Poverty Assessment and Strategy projections of regional incidence of poverty under alternative growth scenarios suggest that poverty is likely to be particularly intractable in the Northern Uplands and North Central regions (World Bank 1995b).

Poverty alleviation should be about tackling the problems of poor people rather than poor areas—in the development of all countries, part of the poverty problem is resolved by the poor in areas of limited potential moving to high growth areas. In this regard, although policy should aim to manage the rural–urban transition to avoid rural stagnation pushing the migration rate to undesirable levels, there will be high levels of rural–urban and rural–rural migration.<sup>9</sup>

Although a 'poverty alleviation strategy' should involve attention to the poorest regions, that concentration should be tempered by the facts that resources are limited and the poor are many and are to be found in all regions. Although the VLSS and the World Bank correctly identified the Northern Uplands and North Central regions as having particularly high poverty problems, with 58.6 per cent and 48.0 per cent below the poverty line respectively, the absolute numbers of poor in the two densely populated deltas was also large. Choices must be made regarding which poor are targeted in the first instance. Given the scarce resources at Viet Nam's disposal, it might make good sense to alleviate poverty, at least in part, by supporting growth in areas where there are concentrations of poor people but which have a reasonable medium-term growth potential. It would be highly desirable to focus on those low income groups that, with some help, could raise their own incomes rapidly—thus achieving both growth and poverty alleviation. This may include encouraging the potential for highly dynamic small-scale development among those who are not so poor and in provinces which have already demonstrated growth potential.

Thus a possible regional focus for an accelerated rural development strategy which would both support high growth and achieve a reasonably wide diffusion of benefits in the specific circumstances of Viet Nam would be to target the 'middle sectors'—the viable and growing small business sector, rural areas which have already demonstrated good development potential and areas which can be provided with reasonable access to the main growth centres with relative ease (that is, a strategy to promote linkages between the three focal development zones and their immediate hinterlands).

Judgment will be required about the existing or potential comparative advantage of the three focal economic zones and their hinterlands, both for the home market as well as for exports. The characteristics of the three zones vary in relation to existing economic activities, land-labour ratios and their natural resource base. Analysis of potential constraints that might limit the realisation of the potential comparative advantage can provide insights into the required government interventions. It should also be noted, however, that the detailed characteristics of a dynamic process of small-scale industrial growth are inherently difficult to predict because they depend on local-level responses to market opportunities.

The government has committed itself to the development of a third economic zone in Quang Nam–Da Nang–Quang Ngai. This strategy seeks to develop the central coast, so that the development of the country is not focused entirely on the two more highly developed areas to the north and south of the country. But the development of this zone is problematic because it does not extrapolate established patterns of urban growth. Although Da Nang is the fourth-largest city in Viet Nam, it has less than a half million urban population and has not yet attracted foreign investors in numbers that would suggest that it about to become a key centre. Quang Ngai has a population of just over 100,000 and is not even among Viet Nam's top 40 towns.

Public investment will have to play a far more prominent role in the central regions and the Quang Nam–Da Nang–Quang Ngai focal area than it has elsewhere. Though the area is yet to pick up the momentum of growth, it has longer-term economic possibilities because of its strategic location. Highway No.1, connecting the northern and southern parts of the country, is being restored and a bold scheme has been proposed under the Greater Mekong sub-regional initiative to build a transnational highway from the eastern seaboard of this area, through Laos, to Bangkok and beyond. To complete the link, the region will also have to be provided with an improved deep water port. Once these projects are implemented, the focal economic area located at the crossing of these two major transport corridors would re-emerge as a great commercial hub, as it used to be in the distant past. It could then draw all the contiguous regions into its periphery, providing them with convenient outlets not only to the national market but also to the rest of the world.

## NOTES

- <sup>1</sup> Van de Walle and Gunewardena (2000) examine this in some detail.
- <sup>2</sup> Hardy (2000:27) discusses the phenomenon of 'two white hands people' (*dan hai ban tay trang*) or the movement of poor landless peasants within Vietnam looking for work and eventually settling.
- <sup>3</sup> Post-war population redistribution programs had questionable outcomes but surely established a vanguard that was the basis for future cash crop expansion and diversification and established the infrastructure allowing future migration.
- <sup>4</sup> Parts of this section are based on Van Arkadie and Mundle (1996).

- <sup>5</sup> In 1994 Hanoi overtook Ho Chi Minh City as the favoured location for foreign investment, as measured by the total value of newly licensed projects in that year (although Ho Chi Minh City remained the clear leader in terms of the accumulated total of licensed projects).
- <sup>6</sup> The reported growth rate for the Central Highlands is 8 per cent in the VLSS. However, the reported paddy yield of 4.2 tonnes for this region is clearly inaccurate and distorts other derivative estimates for this region.
- <sup>7</sup> This is barring the reported rental value of almost VND 6,000 for the Central Coastal region. This is completely out of line with the rental data for the rest of the country and is probably incorrect.
- <sup>8</sup> This excludes the reported yield for the Central Highlands, which is probably inaccurate.
- <sup>9</sup> The Central Highlands region has enjoyed a particularly high rate of growth of rural GDP compared to the national average (11.34 per cent in 1993 compared to 4.60 per cent for the Red River delta and 7.5 per cent for Viet Nam overall. See World Bank 1995b: Table 2.1). Economic growth in the Central Highlands has been associated with movement into the region. Continued growth at that rate would not only reduce the poverty of those currently resident in the Central Highlands, but would also sustain further in-migration from other rural areas.