

LEVELED MOUNTAINS AND BROKEN FENCES:
MEASURING AND ANALYSING DE FACTO
DECENTRALISATION IN VIETNAM

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Abstract. The article seeks to measure and explain provincial autonomy in Vietnam during the reform era, arguing that the absence of an effective measure of autonomy to date has limited the scope for developing an overarching theory capable of explaining autonomy across a range of settings. The article pioneers a method for measuring autonomy involving a content analysis of Vietnamese newspapers over a ten-year period, noting whenever provinces are reported for engaging in a series of carefully defined autonomous acts. Having developed the measure of autonomy, the article seeks to test four hypotheses for explaining it, namely geographical location, relations with central government, initial conditions on the eve of reform, and the dominant source of economic activity in terms of ownership. The article finds that no single factor accounts for autonomy on its own but also that there is only a weak relationship between autonomy and a province's geographical location and that provinces heavily represented in central government tend to be among the least autonomous.

Introduction

In an interview, a provincial People's Committee deputy chairman in the Mekong Delta was asked a question about the 'innovative' development strategies being attempted in nearby Binh Duong and Dong Nai provinces. Stopping the interviewee in mid-sentence, the deputy chairman, interjected: 'You misunderstand development in those provinces. Those provinces have been successful because they had *mountains*.' Mountains, he went on, were the key to development because they could be levelled, freeing up rocks to create roads and bridges, while less endowed provinces could not afford to invest heavily in infrastructure. Roads and bridges lowered the costs of transporting goods to Ho Chi Minh City, which attracted foreign

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investors. According to the official, it was only after large stocks of foreign direct investment (FDI) built up in a province that they acquired the autonomy to pursue the innovative strategies referred to above. Binh Duong and Dong Nai were economic success stories because they enjoyed a mountain premium. Meanwhile, the deputy chairman's province in the low lands of the Mekong Delta was cursed by topography.¹

In some respects, the notion of mountains as the driving force of economic development seems absurd. And yet, buried within this rather bizarre exchange is an important question. If not mountains, what factors have allowed a small set of provinces to pursue innovative approaches to economic development? Some scholars have termed this freedom to innovate *de facto decentralisation* or *autonomy*, which is the terminology adopted in this article.² I also use the term *fence-breaking* to describe acts of autonomy. Fence-breaking was classically a term used by Vietnam scholars to describe the violation of central government rules and regulations by state-owned enterprises (SOEs) during the central planning era.³ In this article, I extend the term's usage to include provincial government activity that violated central government regulations during the post-planning period, and provincial government experimentation or innovation in situations where regulations do not exist.

Mountains aside, the deputy chairman's logic hints at two causal factors which may play a role in leading to *de facto* decentralisation: infrastructure, which attracts foreign investors, and FDI itself, which as the official suggested and it is argued here, strengthens the bargaining position of provincial governments.⁴ Apart from infrastructure and

¹ I would like to thank Markus Taussig for sharing this anecdote with me.

² Pauline Jones-Luong, 'Economic Decentralization in Kazakhstan: Causes and Consequences,' in Pauline Jones-Luong (ed.), *The Transformation of Central Asia: States and Societies from Soviet Rule to Independence* (Ithaca: Cornell University Press, 2003); Jean C. Oi, 'Fiscal Reform and the Economic Foundations of Local State Corporatism in China,' *World Politics*, Vol. 45 (1992), pp. 99–126; Tian Gang, *Shanghai's Role in the Economic Development of China: Reform of Foreign Trade and Investment* (Westport, Connecticut: Praeger, 1996); Dali Yang, *Beyond Beijing: Liberalization and the Regions in China*. London: Routledge, 1997; Gabriella Montinola, Yingyi Qian and Barry Weingast, 'Federalism Chinese Style: The Political Basis for Economic Success in China,' *World Politics*, Vol. 48, No. 1 (1995), pp. 50–81.

³ See Adam Fforde and Stefan de Vylder, *From Plan to Market: The Economic Transition in Vietnam* (Boulder, Colo: Westview Press, 1996); Adam Fforde, 'Major Economic Changes and Socio-Economic Development in Vietnam since mid-1988,' in Per Ronnas and Orjan Sjoberg (ed.), *Doi Moi: Economic Reforms and Development Policies in Vietnam* (Hanoi: Swedish International Development Agency and the Central Institute for Economic Management, 1989), pp. 7–23.

⁴ For further development of these arguments see Edmund Malesky, 'Push, Pull,

FDI, there are a multitude of other possible explanations for de facto decentralisation in Vietnam during the reform era, some of which are explored in this article.

In Vietnam studies, there is a large and growing literature addressing the issue of provincial autonomy. In fact, it has become extremely common to assert that one cannot understand Vietnam's politics and political economy without reference to it. The literature on provincial autonomy can loosely be divided into three sub-categories. One group of authors commonly directs the reader to the famous proverb, '*Phep vua thua le lang*', or the 'King's law stops at the village gates', as evidence not only that this is an important phenomenon today but also that it is one which has existed throughout Vietnamese history.⁵ However, in such accounts, the analysis rarely goes beyond simply asserting the existence of provincial autonomy or at most offering a description of the sources of provincial power.

A second group of scholars have studied the actions of a few cutting-edge provinces that led the way in terms of experimentation prior to the *doi moi* (renovation) economic reforms introduced at the Sixth Party Congress in 1986.⁶ Benedict J. Tria Kerkvliet highlights the 'sneaky rice contracts' in Hai Phong and Vinh Phu in the early 1980s.⁷ Gareth Porter looks at the 1980 'Long An model' of wage and price policies.⁸ Phong and Beresford highlight numerous provincial experiments although they narrow their lens on Ho Chi Minh City's defiance of a central government circular prohibiting commercial use of motorcycles in 1979.⁹

Such work is notable for its detail and its 'thick description'. It usefully highlights the origins of more contemporary experimentation and, in some cases, uncovers the complex central–local networks that enabled such experimentation to occur. Such scholarship falls short, however, of offering a comprehensive account of the general mecha-

and Reinforcing: The Channels of FDI Influence on Provincial Governance in Vietnam,' in Benedict J. Tria Kerkvliet and David G. Marr (eds.), *Beyond Ha Noi: Local Governance in Vietnam* (Singapore: Institute for Southeast Asian Studies, 2004).

⁵ Martin Grossheim, 'History of local government in Vietnam,' in Kerkvliet and Marr, *Beyond Hanoi*.

⁶ Interestingly, less work has been done on provincial experimentation following the onset of reforms.

⁷ Benedict J. Tria Kerkvliet, 'An Approach for Analysing the State in Vietnam,' *Sojourn*, Vol. 16, No. 2, 2001, pp. 179–186.

⁸ Gareth Porter, *Vietnam: The Politics of Bureaucratic Socialism* (Ithaca: Cornell University Press, 1993).

⁹ Dang Phong and Melanie Beresford, *Authority Relations and Economic Decision Making in Vietnam* (Copenhagen: Nordic Institute of Asian Studies, 1998).

nisms at play and hence limits predictability in other contexts.¹⁰ For example, what is it that has allowed certain provinces to push forward with innovative economic policies, while other provinces have lagged behind, heavily dependent on central government transfers and multilateral aid? Of course, historical factors, initial conditions on the eve of reform, and personal relations between central and local actors are likely to have played a role but how much and when? Such factors, it is worth remembering, exist across time and space and yet experimentation has occurred in particular provinces at particular times. Without a standard measure of autonomy, it is very difficult to make comparisons or grant causal primacy to any particular factor. Such a measure, however, is thus far lacking in the literature on Vietnam.

A third area of the provincial autonomy literature focuses on a debate which has emerged during the reform era, namely whether Vietnam is decentralising or centralising. While intuitively the former seems more likely to be correct and hence has attracted plenty of adherents, a number of scholars have highlighted moves to re-centralise power during the 1990s. Thaveeporn Vasavakul, for example, has pointed to attempts by the central government to re-centralise power through the redefinition of tasks and jurisdiction of local government.¹¹ Martin Gainsborough's study of Ho Chi Minh City confirms Vasavakul's position by noting the central government's efforts to rein in Ho Chi Minh City during the reform era.¹² However, as some scholars have noted, both sides of the debate may be simultaneously true.¹³ Decentralisation has occurred in spite of efforts by the centre to centralise power. Moreover, when formal legislation shifted responsibilities to the sub-national level, it was often only formalising changes that had already occurred.

In this article I seek to test three of the more commonly asserted explanations for provincial autonomy or fence-breaking in the reform era in Vietnam. These are North-South differences and particularly the legacy of the South's separate development between 1954 and

¹⁰ A notable exception here is Doug Porter's careful comparisons of the impact of economic liberalisation on districts in Ba Ria-Vung Tau and Quang Nam-Da Nang. See Doug J. Porter, 'Economic Liberalisation, Marginality, and the Local State,' In Benedict J. Tria Kerkvliet and Doug J. Porter (eds.), *Vietnam's Rural Transformation* (Boulder, Colo: Westview Press, 1995).

¹¹ Thaveeporn Vaskavul, 'Rebuilding Authority Relations: Public Administration Reform in the Era of Doi Moi,' study commissioned by the Asian Development Bank, 2002 (www.aduki.com.au), p. 27.

¹² Martin Gainsborough, *The Changing Political Economy of Vietnam* (London: RoutledgeCurzon, 2003), pp. 78-97.

¹³ Fforde and DeVylder, *From Plan to Market*.

1975; the impact of initial conditions on the eve of reform; and the rise of provincial politicians to positions in central government. With respect to the latter, the argument would be that the rise of provincial politicians to the centre has given the provinces from whence they came a degree of protection or room for manoeuvre that has allowed experimentation to occur. I also seek to test a fourth, less commonly cited explanation for provincial autonomy, namely whether the extent of autonomy is influenced by the dominance of one source of economic activity (i.e., state, private or foreign) over another.

Before I can test these explanations for provincial autonomy, I first need to develop a way of measuring autonomy. To do this, I conducted a content analysis of six Vietnamese daily newspapers from 1990–2000, recording every time a province was cited in connection with one of four things: firstly, engaging in fence-breaking; secondly being punished for fence-breaking; thirdly, requesting permission to engage in policy experimentation; and fourthly being granted permission to engage in experimentation.¹⁴ All four categories were regarded as evidence of autonomous activity even though a request to experiment or the granting of such a request might simply involve formalising existing practice.

The content analysis process yielded a total of 550 articles covering fifteen different policy areas. Seven of these are discussed in the article. They are: land use rights; state housing sales; administrative policy; legal reform, micro-economic policy; trade policy; and industrial or export-processing zones. Nearly all of Vietnam's 61 provinces were cited at least once although many provinces did not receive any hits in a particular year.¹⁵

Measuring something as elusive and politically sensitive as *de facto* decentralisation is clearly not easy, and no approach will be entirely fool-proof. The strength of the approach adopted here is that it exploits the common practice in Vietnam whereby politicians use the state-owned media, including the press, to denounce provinces which contravene central policy and also to boast about the successes of provincial experiments purportedly sanctioned by central government.¹⁶

¹⁴ The six newspapers were *Nhan dan* (People's Daily), *Lao dong* (Labour), *Sai Gon giai phong* (Liberated Saigon), *Tuoi tre* (Youth), *Thanh nien* (Young People) and the *Vietnam Investment Review*, the newspaper of record for the foreign investment community in Vietnam.

¹⁵ Due to provincial boundary changes the number of provinces in Vietnam fluctuated during the period in which the content analysis took place. However, where possible, this has been adjusted for during the preparation of the data set.

¹⁶ The precise relationship between central government and provincial experi-

There are some limitations to the approach adopted here, although where possible, I have sought to control for them. Firstly, the two largest cities of Hanoi and Ho Chi Minh City tended to be cited in the press more than other provinces, simply because of their special importance to the economy as a whole. At the same time, smaller, less commercially attractive provinces tend to receive less coverage in the newspapers. However, in multivariate testing of my measure of provincial autonomy, I have sought to control for this by taking into account a province's overall contribution to national GDP (i.e., the larger a province's contribution to GDP, the more one would expect it to be cited in the press).

Secondly, it is often not clear whether a province has simply 'broken a fence' or is engaged in corruption, as is sometimes suggested in the press. The fact that factional struggles between politicians are often played out in the media increases the likelihood that corruption allegations will sometimes be politically motivated. Some so-called 'policy innovations' undoubtedly do carry personal gain for officials and their families. To address this problem, I have divided the data set into cases where officials potentially benefited monetarily from an initiative through the sale of houses, land, or imported goods, and cases where this was less likely. Cases of 'tentative' corruption account for about one-third of the entire sample of cases. When analysing the data, I used both the cumulative data set and a data set including only cases where no personal gain was likely. Results did not vary significantly, although the relationship between FDI and autonomy was strongest when cases of personal gain were dropped.

Thirdly, some scholars have noted that the central government may avoid publicly criticising a particular province for fear that drawing attention to its innovation will cause it to spread.¹⁷ If this is the case, there is no denying that my data set simply misses such occasions as provinces must be cited to appear. This highlights the need for additional research in the form of qualitative case studies of a subset of provinces.

The article proceeds as follows. It first highlights the kind of fence-breaking activity revealed by the content analysis across the seven different policy areas selected for discussion in this article. It then sets out the overall results of the content analysis, highlighting where

ments said to have official sanction, is often unclear. However, there are strong suspicions that the centre claims the experiment as its own *ex post facto*.

¹⁷ Gareth Porter noticed that it took years for the government to acknowledge Long An province's violation of central pricing policies. When it finally did, it trumpeted them as its own ideas. See Porter, *Vietnam*.

and when fence-breaking was most common. The remainder of the article is concerned with assessing the validity of the four hypotheses as explanations of provincial autonomy in Vietnam during the 1990s.

Cases of Fence-Breaking in Vietnam

Land Use Rights

Provincial governments were at the forefront of attempts to create markets for land. Local level experimentation on land can be seen in several provinces in the early 1990s when increasing investor activity drove up the price of land in high FDI-recipient provinces. Investors needed land and provinces had an abundance to sell as they shifted away from a reliance on the agricultural sector. As no private market for land existed, provinces began to sell land illegally to domestic investors, who often leased it to foreigners.¹⁸ Many provincial officials were cited in the press for violations involving land in the early 1990s. Officials in more powerful provinces generally remained in office. Smaller, less powerful officials were sometimes dismissed.

In 1993, the central government responded to violations such as these with the passage of a new Land Law. This created a market for land by allowing investors to lease land use rights certificates for long periods of time. In co-opting provincial land experiments, the central government was motivated by the opportunity to benefit from increases in provincial revenue, which would flow from the leasing or transfer of land use right certificates to private business, largely by both central and local SOEs.

Fence-breaking also occurred with provinces allowing private companies to use land use rights as collateral for bank loans from the early 1990s. Officially, this was only permitted for SOEs. The southern Ba Ria–Vung Tau province was one of the first provinces to extend this right to private firms in 1993. Initially, the province's leaders were criticised for their actions. Later, they were given central government

¹⁸ *Nhan dan*, 'Cac Phuong o Thi xa Bim Son duoc cap dat' (Wards of Bim Son town allowed to grant land), 11 September 1992; *Nhan dan*, 'Lan thu hai nong dan Ha Bac that su lam chu ruong dong' (The second time farmers in Ha Bac are truly allowed to be master of the fields), 27–28 April 1993; *Nhan dan*, 'Ve viec thi hanh Luat dat dai o thanh pho Ho Chi Minh va tinh Song Be' (About the implementation of land laws in HCM City and Song Be Province), 31 March 1993; *Nhan dan*, 'Dieu khong binh thuong tu mot vu tranh chap dat dai' (An unusual situation in regard to the competition for land), 19 October 1996.

permission to pursue an experiment in this area although this was subsequently revoked amid allegations that the practice was being abused.¹⁹ However, in time, other provinces also started allowing private companies to use land use rights as collateral. The practice was finally enshrined in the revisions to the Land Law in 1998.

The central government also came under provincial pressure to extend a fuller range of land rights to foreigners. In 2000, the prime minister's office agreed to a request by Ho Chi Minh City People's Committee to be allowed to grant long-term land leasing and housing rights to foreigners.²⁰ After some debate, the approach was given the status of an official experiment that was later extended to Binh Duong and Dong Nai.²¹

State Housing Sales

Other provincial fence-breaking involved the sale of state-owned housing for private business and personal use. This was in clear breach of Article 6 of the Housing Law.²² A full-scale investigation into the practice occurred in Ho Chi Minh City in the early 1990s but closed without anyone being punished formally. Nevertheless, officials in Ho Chi Minh City continued to be cited in the newspapers for violations after the investigation had been concluded.²³ Meanwhile, officials in the much weaker Vinh Phu province were punished for what were ostensibly very similar violations.²⁴

¹⁹ *Sai Gon giai phong*, 'Thanh tra nha nuoc kien nghi CP cho phep tinh Ba Ria Vung tau chinh thuc duoc su dung quy dat tao von so ha tang' (Investigation of the state into the government's decision to allow BRVT use land use rights as collateral for infrastructure construction), 6 December 1993; *Lao dong*, 'Bai hoc tra gia qua dat can xu ly nghiem khac sai pham tai tinh Ba Ria Vung Tau' (Settlement of the illegal land use activities of BRVT), 2 December 1993.

²⁰ *Sai Gon giai phong*, 'Ket luan cua Thu tuong Chinh Phu tai buoi lam viec voi lanh dao thanh pho Ho Chi Minh' (Conclusion of Prime Minister in regard to the work of the leaders of Ho Chi Minh City), 8 February 2000.

²¹ *Sai Gong giai phong*, 'TP HCM duoc phep thi diem cho nguoi nuoc ngoai thue dat xay dung nha de kinh doanh' (Ho Chi Ming City granted permission to experiment with land leases for construction of business), 31 July 1998.

²² *Nhan dan*, 'Ket qua buoc dau sua sai viec ban hoa gia nha o TPHCM' (Results of initial attempts to redress the wrongdoing of selling state housing in HCMC), 10 and 11 April 1992.

²³ *Tuoi tre*, 'Khong tiep tục xét cấp chủ quyền nhà cấp 3,4. Tại sao?' (No continuance of examination of granting of rights to type 3 and 4 house. Why?), 16 May 1992; *Nhan dan*, 'Ket luan thanh tra ve nganh nha dat Thanh Pho,' (Results of investigation into the housing and land trade in the city), 29 August 1992.

²⁴ *Nhan dan*, 'Theo dau thu ban doc' (According to letters from our readers), 23 October 1990.

Administrative Policy

In the early 1990s Ho Chi Minh City and Binh Duong provinces took unilateral steps to try and improve local government efficiency in a policy which later became known as 'one door, one stamp'. The policy sought to simplify administrative procedures in a number of different areas, ranging from registering an enterprise to getting permission to extend one's house. At first, both Ho Chi Minh City and Binh Duong were criticised in the press for their activities. However, Ho Chi Minh City was granted official permission in 1994 to pilot the programme in a number of districts in the city. Binh Duong, by contrast, continued to operate 'one door, one stamp' without official permission. Later, the experiment was extended to the whole of Ho Chi Minh City.²⁵ As other provinces, including Dong Nai and Vung Tau, began to implement the 'one door, one stamp' policy in order to compete with Ho Chi Minh City and Binh Duong, the centre decided to roll out the policy nationally. The first national resolution on public administration reform was issued in May 1994. Initially, it implemented the policy rather conservatively although it was later developed more wholeheartedly.

Legal Reform

During the first half of the 1990s the government took steps to develop a civil code designed to create a legal framework suitable for a market economy. Some provincial governments can again be seen taking pioneering steps in this respect. This included moving to recognise different forms of corporate ownership before this occurred nationally and then making representations to the centre for the changes to be enshrined in law. Nine provinces were cited in the press as recognising five different types of ownership (state, non-state, collective, limited liability and joint stock), rather than the official three (state, non-state and collective).²⁶ These were later given official recognition in the civil code passed in 1995.

²⁵ *Sai Gon giai phong*, 'Thanh Pho Ho Chi Minh se thu nhien chinh sach mot cua mot dau' (Ho Chi Minh City will test the one door one stamp policy), 12 February 1995.

²⁶ *Vietnam Investment Review*, 'Assembly gets down to brass tacks on civil code,' 17 April 1995.

Micro-economic Reform

Micro-economic reform includes policies aimed at improving the efficiency of the private sector and creating a level playing field between state and private companies. Both northern and southern provinces have experimented with innovative policies designed to develop the private sector and create a level-playing field between state and private firms. In the first half of the 1990s, Ho Chi Minh City and other southern provinces, such as An Giang and Binh Duong, were most prominent in this area although northern provinces such as Hung Yen and Vinh Phuc became more vocal in the second half of the decade.

In 1992, Ho Chi Minh City People's Committee chairman, Nguyen Vinh Nghiep, proposed a series of reforms to prepare for a stock market for private companies. The suggestion was met with scepticism at the time in one newspaper.²⁷ However, experimentation in this area was critical to future moves to develop a stock market and a law to encourage domestic investment, notably by the private sector. A stock market was finally opened in Ho Chi Minh City in 2000.

In the late 1990s, provincial attempts to by-pass central government policies that favoured the state enterprises were evident from a heated exchange in the National Assembly which was reported in the press. Several northern provinces defended their use of fence-breaking policies to boost the performance of the private sector. A delegate from Bac Ninh province was especially vocal accusing the government of saying one thing and doing another: 'On the one hand, the government keeps saying it wants to promote non-state economic players,' he said, 'but on the other hand it continues to provide credit and administrative and tax favours to large and loss-making state companies.' The delegate called on the government to back up its words with action, saying that otherwise the country would not develop.²⁸

The People's Committee in Ho Chi Minh City was the first provincial authority to call for a level playing field between state and private companies in regard to auditing procedures. In 1997, it issued a resolution stating that all companies would be held to the same auditing standards regardless of ownership type.²⁹ Two years later, Ho

²⁷ *Tuoi tre*, 'Chu tich UBND thanh pho lam viec voi doan Dai bieu Quoc Hoi' (People's Committee Chairman of the City works with delegate of National Assembly) 19 March 1992.

²⁸ *Vietnam Investment Review*, 'Government taken to task by Assembly,' 9 November 1998.

²⁹ *Sai Gon giai phong*, 'Kien Nghi ap dung che dokiem toan bat buoc doi voi cac doanh nghiep' (Provincial resolution implements auditing system in regard to all enterprises), 3 February 1997.

Chi Minh City requested and received permission from central government to issue procurement contracts on an experimental basis for project worth less than a stipulated amount. Prior to this, the city was criticised in the press for putting projects out to tender without central government permission.³⁰

Trade Policy

In the early 1990s, a series of scandals rocked several southern provinces, which had contravened official trade regulations. This included Ho Chi Minh City and provinces such as Binh Duong, Can Tho, Dong Nai, Dong Thap. One common practice was for the provincial authorities to allow goods to be imported without paying duty. These could then be sold at a lower price than goods on which import duty had been paid.³¹ During the 1990s, Ho Chi Minh City was cited for a variety of other trade violations as well. These ostensibly seemed to be designed to reduce the time it took for goods to clear customs. On one occasion, the city authorities were accused of clearing goods awaiting inspection by the customs department before they had been assessed for import duty.³²

In some provinces, low-level officials were punished for allegedly violating government trade policy. However, more senior provincial officials generally escaped with just a warning.³³ Where overt punishment did occur, it appears to have been in places where FDI was minimal in the early 1990s, such as coastal areas in central southern Vietnam.

³⁰ *Sai Gon giai phong*, 'Kien nghi Chinh phu cai tien phuong thuc dau thu' (Provincial resolution to improve procedures form implementing investment), 5 December 1999.

³¹ Bui Van, 'Tai sao UBND tinh Song Be lai voi va ban so go trai phep bi tinh thu? Duong di cua go nhap lau?' (Why did the PCOM of Song Be collect and illegally sell confiscated wood?), *Lao dong*, 5 March 1994; Thuy An, 'Ket quakiem tra viec xu ly xe o to xe gan may nhap trai phep tai cac dia phuong' (Results of the investigation of the into the settlement of illegally imported motorcycles into several province), *Lao Dong*, 4 August 1994; *Vietnam Investment Review*, 'Illegally imported motorcycles taxed and legalized,' 6 December 1993; *Nhan dan*, 'Vi sao hang ngoai nhap lau van tran vao o at' (Why are smuggled goods still overflowing and drowning us?) 2 August 1990.

³² *Sai Gon giai phong*, 'So kinh te ngoai giao thanh pho kien nghi nhieu bien phap XNH' (The Department of External of Economic Relations of HCMC decides on several procedures to reduce the costs of import-export procedures), 29 April 1991; *Sai Gon giai phong*, 'Quy trình va nguoc quy trình' (Processes and reverse processes), 6 May 1993.

³³ *Nhan dan*, 'Xu ly ky luat nhung can bo trach nhem trong cac vu, viec tieu cuc o cong ty lien hiep XNK QNDN,' (Solution to the responsibility of cadres responsible for negative acts at the union of Import-Export companies of Quang Nam-Dan Nang), 11 August 1990; *Nhan dan*, 'Tai so nhung ke buon lau van tiep tuc lam an phat dat' (Why do smugglers

In some cases, provinces have pushed for import taxes to be lowered in order to help foreign investors who complained that they were unable to compete internationally because of such high duty. In 1996, officials from Binh Duong province accompanied representatives of a French electronics company, which had invested in the province, to Hanoi to lobby for changes in the law to allow the firm to import intermediate goods more cheaply. According to Binh Duong officials, the firm was paying the same amount in import taxes as the minimum price for which it could sell its finished product. The officials claim that in the end they got their way, with the relevant changes now enshrined in law.³⁴

One particularly notorious case of trade-related fence-breaking occurred in Long An province in the late 1990s. It was notable because it led to the dismissal of the provincial Communist Party secretary, Pham Thanh Phong, and the People's Committee chairman, Pham Van Thai, who were accused of turning a blind eye to smuggling. In their defence, the officials argued that they were simply trying to comply with the spirit of official legislation, which encouraged lowering tariffs as a way of promoting Vietnam's open-door policy.³⁵ The case highlights why it is not always easy to distinguish between innovation and corruption.

Some fence-breaking involving domestic trade was of a distinctly protectionist nature, with provinces moving to block imports from their neighbours or insisting that investors use locally produced goods in the production process. Such practices appear to be most common in poor coastal provinces in the north.³⁶ In the late 1990s, restaurants in Quang Binh province found it difficult to get permission to sell Hasinger beer, which is made in Ha Tinh province. There have also been reports of 'unwritten rules' in northern coastal provinces requiring investors to commit to using locally produced cement if they want their project to be approved.

continue to earn a prosperous living?'), 7 April 1990; *Nhan dan*, 'Cac tinh mien trung va nguyen phoi hop hanh dong chong buon lau' (The central province coordinate smuggling prevention acts), 21 May 1992.

³⁴ *Thoi Bao Kinh Te Sai Gon*, 'Vi sao chung toi dau tu vao cac khu cong nghiep tinh Binh Duong?' (Why do we invest in Binh Duong Industrial Zones?), 29 October 1998.

³⁵ *Lao dong*, 'Khang nghi ve vi pham o hai quan tinh' (Appeal regarding illegal customs actions in province), 13 March 1994; *Vietnam Investment Review*, 'Party chiefs axed over smuggling,' 5 November 1998.

³⁶ *Vietnam Investment Review*, 'When too many provinces slice up the same economic cake,' 10 November 1999.

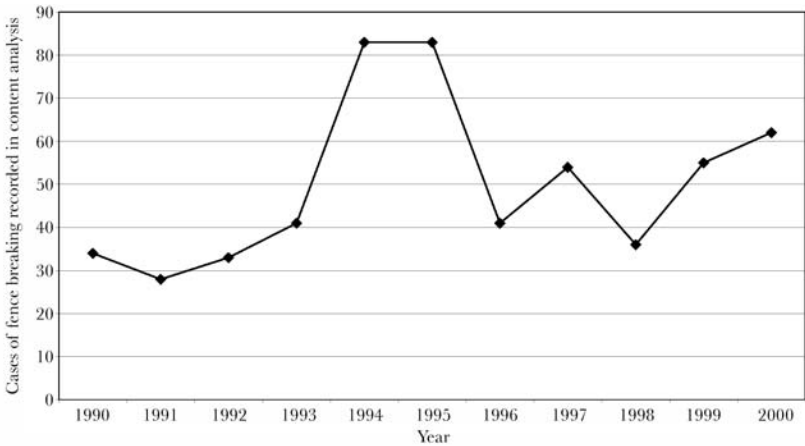


Figure 1. Autonomous incidents per year

Industrial or Export-processing Zones

A number of provinces, including Binh Duong, Dong Nai and Ho Chi Minh City, pushed for the right to create industrial or export-processing zones to concentrate investment from the early 1990s. Dong Nai argued—somewhat ironically—that it should be allowed to establish the first industrial zone given its experience at managing an industrial zone in the former southern regime prior to 1975. With some reluctance, it is suggested, Hanoi allowed Dong Nai to proceed on an experimental basis in 1992.³⁷ Later in the decade, establishing industrial zones became all the rage and many provinces asked, and were granted, permission to create them. Some provinces, which were slow to receive official permission, have begun to create ‘industrial concentrations’ (*cum cong nghiep*) that offer the same infrastructure and other benefits to investors as industrial zones, but do not have the prime ministerial approval. In 2000, a number of provinces were pushing to expand the powers granted to them within industrial zones, asking that they should be given permission to guarantee loans to private firms wishing to establish businesses inside the zone.³⁸

³⁷ For more information on Dong Nai’s industrial zones, see Bien Hoa and Bien Hoa 2 zones at www.dongnai.gov.vn.

³⁸ *Sai Gon giai phong*, ‘*Kien nghi cho doanh nghiep dau tu vao KCX-KCN vay 70% tien thue dat*,’ (Provincial Resolution for enterprises investing in export zone and industrial zone will receive loans amounting to 70 per cent of the cost of land), 25 September 2000.

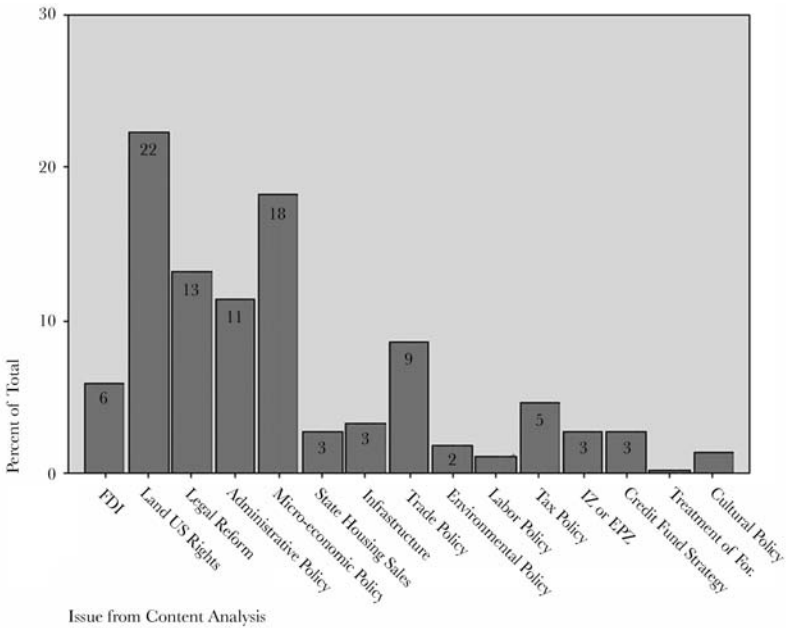


Figure 2. Types of autonomous actions

Having looked at the material generated by the content analysis in general terms, we will now look at the results overall.

Results of the Content Analysis

Based on the content analysis, the number of autonomous incidents was quite low at the beginning of the 1990s. They rose sharply in 1993 and 1994 reaching the highest level for the decade as a whole during these two years. In 1995, the number of autonomous incidents declined sharply although it was on a rising trend from 1997 (Fig. 1).

In terms of policy area, fence-breaking was most common in the area of land policy, with 22 per cent of all recorded incidents occurring in this area. The next most common area in which fence-breaking occurred was micro-economic reform, with 18 per cent of recorded incidents. This was followed by legal reform (13 per cent), administrative policy (11 per cent) and trade policy (9 per cent) (Fig. 2).

If we break recordings of autonomous incidents down in term of type of citation (i.e., being reported for engaging in fence-breaking, being punished for fence-breaking, requesting permission to experi-

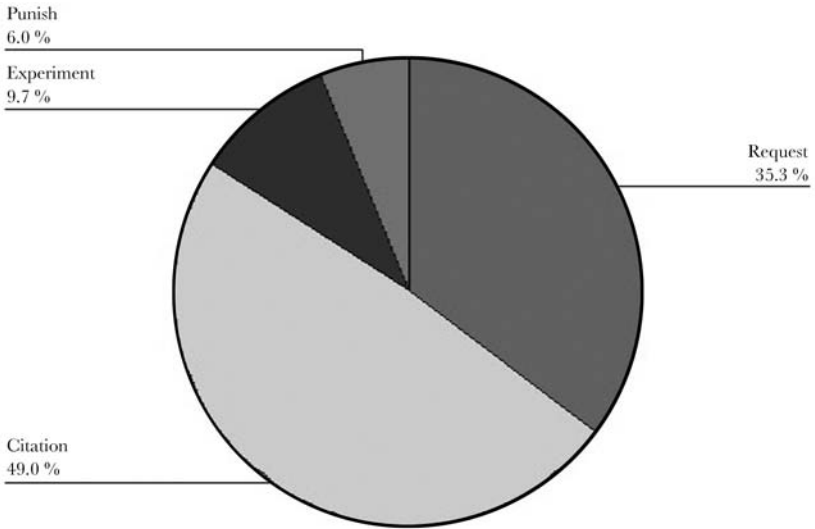


Figure 3. Degree of autonomous actions

ment, or being granted permission to experiment), the most common was being reported for engaging in fence-breaking. This accounted for very nearly half of all recorded cases. Requests by provincial authorities to be allowed to conduct policy experiments were the next most common form of fence-breaking recorded, accounting for 35.3 per cent of all incidents recorded. Reports of provinces being granted permission to experiment or officials being punished for fence-breaking appeared much less frequently. These two categories accounted for just 9.7 per cent and 6.0 per cent of autonomous incidents respectively (Fig. 3).

In terms of the geographical location of autonomous actions, most of the early fence-breaking activities took place in southern provinces, especially in Ho Chi Minh City and the provinces around it, notably Ba Ria-Vung Tau, Binh Duong, Dong Nai, and Ho Chi Minh City. In official terminology, this is referred to as Vietnam's North South-east region. Ho Chi Minh City itself is responsible for nearly one-fourth of all cases of autonomous activity cited in the newspapers surveyed. Southern provinces were more autonomous than northern provinces between 1992 and 1996. However, by 1998, both halves of the country were acting autonomously at about the same rate while some northern provinces were more active fence-breakers than notorious southern ones. A good example is northern Vinh Phuc province which between 1997 and 2000 was cited for more autonomous actions

Table 1. Cumulative number of content analysis hits (By region and over time)

REGION	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
Red River Delta	11	2	6	4	8	17	6	4	8	12	14	92
<i>Ha Noi</i>	1	0	0	1	3	11	1	3	1	2	2	25
<i>Vinh Phuc</i>	0	0	1	0	2	1	2	0	3	3	5	17
Northern Uplands	3	5	4	4	8	7	4	2	0	2	3	42
<i>Quang Ninh</i>	0	0	1	0	1	1	2	1	0	0	0	6
North Central Coast	1	0	2	2	1	5	1	2	3	6	5	28
<i>Ha Tinh</i>	0	1	0	1	0	1	0	0	1	0	1	5
<i>Nghe An</i>	0	0	1	0	1	0	1	0	0	1	0	4
<i>TT Hue</i>	0	0	0	1	1	0	1	0	1	0	2	6
South Central Coast	7	3	6	1	28	11	2	3	4	4	5	74
<i>Da Nang</i>	2	0	1	0	13	5	1	0	1	0	2	25
Central Highlands	0	0	0	0	6	0	0	2	2	7	0	17
<i>Dac Lac</i>	0	0	0	0	1	0	0	1	0	6	0	8
North Southeast	4	13	14	18	20	31	28	34	14	19	22	217
<i>Ho Chi Minh City</i>	2	13	12	11	4	14	23	25	13	13	17	147
<i>Ba Ria-Vung Tau</i>	0	0	1	3	3	4	1	0	1	1	2	16
<i>Binh Duong</i>	0	0	2	6	5	1	5	0	0	2	0	21
<i>Dong Nai</i>	1	0	1	1	3	5	1	1	0	2	1	16
Mekong Delta	8	5	1	12	12	12	0	7	5	5	13	80
<i>An Giang</i>	1	0	0	2	0	2	1	3	0	2	3	14
<i>Long An</i>	0	0	0	2	1	2	0	0	2	3	2	12
Total	34	28	33	41	83	83	41	54	36	55	62	550

than either Binh Duong or Dong Nai put together. Table 1 contains a breakdown of incidents of autonomy by region and selected provinces. A more detailed statement of the content analysis results for Binh Duong, Long An, Vinh Phuc, and Ha Tinh provinces is contained in the Appendix.

Testing Explanations for Provincial Autonomy

The Southern Legacy

One of the common assertions made in the literature on Vietnam is that provinces located in the former South Vietnamese regime are more likely to be fence-breakers in the reform era (the so-called southern legacy). Based on the data presented in this article (Fig. 4), we can see that although many southern provinces were among the early fence-breakers, the southern legacy was not a determinative condition for early fence-breaking activity. Some provinces which were situated in the former southern regime have engaged in very

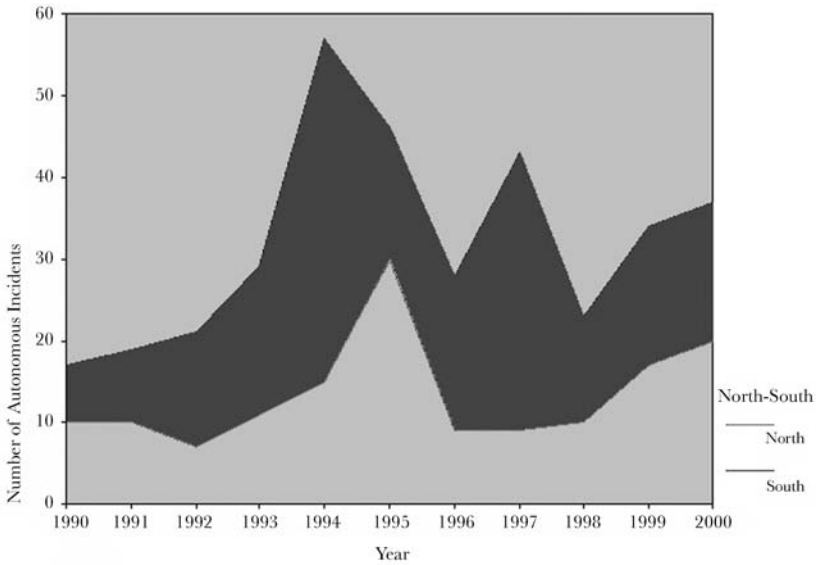


Figure 4. Gap between northern and southern provinces

little fence-breaking and certainly cannot be described as reform pioneers. Bac Lieu and Tra Vinh, for example, were never cited in the content analysis for being engaged in autonomous action, while some northern provinces such as Vinh Phuc engaged in a high number of autonomous actions in the late nineties. This presents a puzzle. If not the southern legacy, what does account for fence-breaking?

Next, I examine two the other commonly asserted explanations for provincial autonomy: that is, ties with central government through the presence of former provincial leaders in positions in central government; and initial conditions on the eve of reform.

Relations with Central Government

Using government data on cabinet representation by province and region, we find that those provinces which score most highly in terms of our measure for autonomy are *least* represented in government.³⁹ Thus, in the past three administrations covering the period from 1992–2002, only 11.9 per cent of cabinet ministers came from the South (Figs. 5 and 6). Most cabinet ministers came from the north

³⁹ *Nien Giam To Chuc Hanh Chinh Vietnam 1992–2002* (Compendium of Administration in Vietnam), (Hanoi: Statistical Publishing House, 2003).

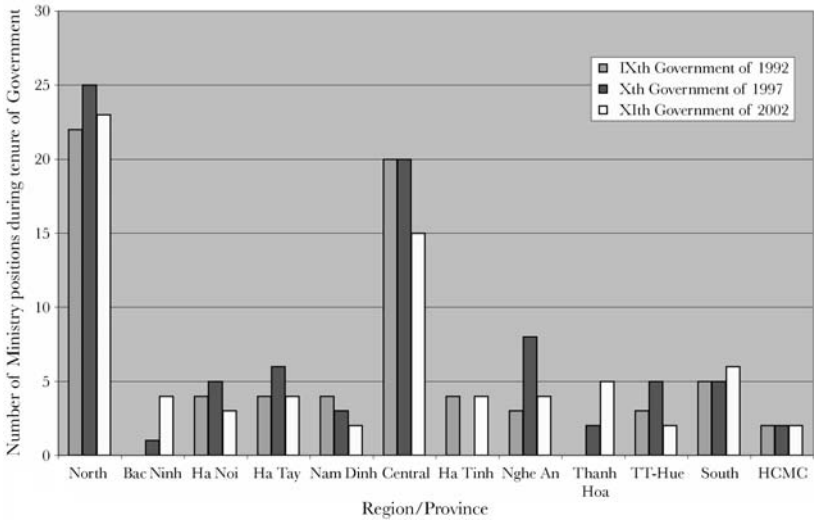


Figure 5. Distribution of cabinet by region and province

or the centre of the country. Nghe An, Ha Tinh and Thanh Hoa were particularly highly represented. However, they are among the weakest fence-breakers in our sample. Furthermore, analysing the extent of cabinet representation of leading northern fence-breakers, we find that like their southern counterparts, they too are poorly represented in government. Vinh Phuc province, for example, currently has no cabinet representation while only one official from the province served in the cabinet in the early 1990s.⁴⁰

Based on this data, it is clearly difficult to argue as many scholars have sought to do that fence-breaking provinces have been successful because they are well represented at the centre. Furthermore, one can go a step further and posit that the tendency of officials from fence-breaking provinces to stay at home may itself be linked to autonomy. However, whether it is a cause or a symptom, it is harder to say.⁴¹

So, if not political connections at the centre, to what extent do initial conditions provide a better explanation of provincial autonomy?

⁴⁰ Vinh Phuc along with Phu Tho made up the province of Vinh Phu in the early 1990s.

⁴¹ For an article which explores the significance of provincial officials choosing to remain in the provinces in China for autonomy see Christopher Earle Nevit, 'Private Business Associations in China: Evidence of Civil Society or Local State Power?' *The China Journal*, no. 36, 1996, pp. 25-43.

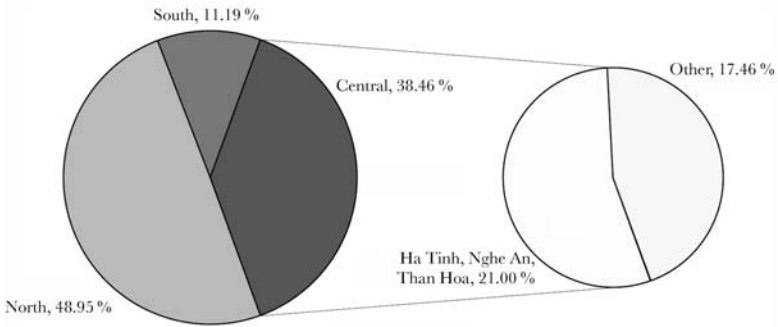


Figure 6. Representation in cabinet by region (1992–2002)

Initial Conditions

Measuring the impact of initial conditions on provincial autonomy is not easy because of the lack of ready-made index for this variable which can be applied consistently across Vietnam’s 61 provinces. To generate such an index, I took six factors commonly regarded as impediments to economic development. These were: the percentage of provincial GDP contributed by agriculture; the number of telephones per 1000 people; the percentage of population living in rural areas; the percentage of communes with roads to the provincial capital; the amount of transported material; and the distance of the province from the major economic centre of Hanoi and Ho Chi Minh City.⁴²

There are a number of problems with creating an initial conditions index in this way. However, many of the problems with the data can be adjusted for and none undermine the process entirely.⁴³ Calculating the mean provincial score for each of the six indicators created an initial conditions score ranging from nominally ‘perfect’ initial conditions for Hanoi and Ho Chi Minh City to ‘superior’ for Hai Phong and Ba Ria-Vung Tau down to ‘low’ for Son La and Bac Kan (Table 2).

⁴² All data was taken from General Statistical Office, *Handbook of Statistical Indicators* (Hanoi: Statistical Publishing House, 2003).

⁴³ Some of these variables offer data available in 1991 and others offer data available in 1995. While 1991 would be preferable, I use the 1995 data to comprise the index under the assumption that even rapid economic development could not have changed infrastructure measures too rapidly over five years. Some provinces, which invested heavily in infrastructure development in the early 1990s, such as Binh Duong and Dong Nai, may appear to have better initial conditions than their actual starting point in 1990.

Table 2. Classifying provinces by their initial conditions for economic development

<i>Province</i>	<i>Agriculture as a % of GDP (1995)</i>	<i>Telephones per 1000 people (1991)</i>	<i>% of population living 1000 people (1991)</i>	<i>Communes with roads to the provincial capital (1995)</i>	<i>Tons of local freight transported per kilometer (1991)</i>	<i>Distance from either HCMC or Ha Noi</i>	<i>Average score</i>	<i>Initial conditions classification</i>
Mean	36.13	8.35	81.62	89.47	80.04	246.43	2.19	
Standard Deviation	13.26	8.60	13.68	16.96	76.50	221.77	0.36	
Ha Noi	3	3	3	3	3	3	3	Metropolis
HCMC	3	3	3	3	3	3	3	Metropolis
BRVT	3	3	3	2	3	3	2.83	7
Hai Phong	3	2	3	3	3	3	2.83	7
Quang Ninh	3	3	3	3	3	2	2.83	7
Binh Duong	3	3	3	1	3	3	2.67	6
Da Nang	3	3	3	3	3	1	2.67	6
Dong Nai	3	2	3	2	3	3	2.67	6
Hai Duong	2	2	3	3	3	3	2.67	6
Khanh Hoa	3	3	3	3	3	1	2.67	6
Bac Ninh	2	2	3	2	3	3	2.5	5
Ha Tay	2	2	3	2	3	3	2.5	5
Nam Dinh	2	2	3	2	3	3	2.5	5
Nghe An	2	2	3	3	3	2	2.5	5
Phu To	2	2	3	2	3	3	2.5	5
Tay Ninh	1	2	3	3	3	3	2.5	5
An Giang	1	2	3	3	3	2	2.33	5
Ben Tre	1	2	3	2	3	3	2.33	5
Ha Nam	2	1	3	2	3	3	2.33	5
Hung Yen	1	1	3	3	3	3	2.33	5
Lam Dong	1	3	3	2	3	2	2.33	5
Phu Yen	2	2	3	3	3	1	2.33	5
Thai Nguyen	2	2	3	1	3	3	2.33	5
Thanh Hoa	2	1	3	3	3	3	2.33	5
Tien Giang	1	2	3	2	3	3	2.33	5
Vinh Phuc	1	2	3	2	3	3	2.33	5
Bac Giang	1	1	3	2	3	3	2.17	4
Binh Phuoc	1	2	3	1	3	3	2.17	4
Binh Tuan	1	2	3	2	3	2	2.17	4

<i>Province</i>	<i>Agriculture as a % of GDP (1995)</i>	<i>Telephones per 1000 people (1991)</i>	<i>% of population living 1000 people (1991)</i>	<i>Communes with roads to the provincial capital (1995)</i>	<i>Tons of local freight transported per kilometer (1991)</i>	<i>Distance from either HCMC or Ha Noi</i>	<i>Average score</i>	<i>Initial conditions classification</i>
Dak Lak	1	2	3	2	3	2	2.17	4
Long An	1	2	3	2	2	3	2.17	4
Ninh Binh	2	2	3	1	3	3	2.17	4
Quang Tri	2	2	3	2	3	1	2.17	4
Thai Binh	1	1	3	2	3	3	2.17	4
TT-Hue	3	2	3	1	3	1	2.17	4
Bac Lieu	1	3	3	2	1	2	2	3
Dong Thap	1	2	3	2	2	2	2	3
Hoa Binh	1	1	3	1	3	3	2	3
Lang Son	1	2	3	1	3	2	2	3
Ninh Thuan	1	2	3	1	3	2	2	3
Quang Binh	2	2	3	1	3	1	2	3
Quang Nam	1	1	3	3	3	1	2	3
Soc Trang	1	2	3	3	1	2	2	3
Tra Vinh	1	2	3	1	3	2	2	3
Vinh Long	1	2	3	2	1	2	2	3
Binh Dinh	1	2	3	1	3	3	1.83	2
Ca Mau	1	2	3	2	1	1	1.83	2
Can Tho	2	2	3	2	1	2	1.83	2
Gia Lai	1	2	3	1	3	1	1.83	2
Ha Tinh	1	1	3	1	3	2	1.83	2
Kien Giang	1	2	3	2	1	2	1.83	2
Kon Tum	1	2	3	1	3	1	1.83	2
Lao Cai	1	2	3	1	2	2	1.83	2
Quang Ngai	1	2	3	1	3	1	1.83	2
Tuyen Quang	1	1	3	1	3	2	1.83	2
Yen Bai	1	2	3	1	2	2	1.83	2
Cao Bang	1	1	3	1	2	2	1.67	1
Ha Giang	1	1	3	1	2	2	1.67	1
Lai Chau	2	1	3	1	2	1	1.67	1
Son La	1	1	3	1	2	2	1.67	1
Bac Kan	1	1	3	1	1	2	1.5	1

Table Key: 3 = High scoring province (over one-half a standard deviation above national mean); 2 = Medium scoring province (within one-half a standard deviation of national mean); 1 = Low scoring province (over one-half a standard deviation below national mean).

Relating this data to provincial autonomy, moving up from 'low' to 'superior' initial conditions generally enhances the probability of autonomous activity. In addition, provinces with the lowest level of initial conditions saw almost no increase in autonomy over the course of the 1990s (Fig. 7).

However, as with the southern legacy, the impact of initial conditions on provincial autonomy is by no means determinative. For example, provinces with 'very high' initial conditions actually recorded more cases of fence-breaking than those with 'superior' conditions. There was also very little difference in terms of the extent of fence-breaking between provinces in the 'medium-low' to 'high' initial conditions range.

While initial conditions appear not to be determinative, there are other problems with the initial conditions hypothesis as commonly articulated. Good initial conditions, such as well-developed infrastructure, cannot themselves lead to autonomous actions. Rather, they are only a first step towards enabling experimentation to occur. This presupposes another question, namely what is the causal mechanism by which initial conditions lead to more autonomy?

In this article, we consider a number of possible answers although focus on one in particular. It may be that provincial leaders in better endowed provinces more readily sense the opportunities that economic reform can bring, and act accordingly. Alternatively, good initial conditions may expose provincial leaders to innovative, external ideas because of the tendency that they attract a higher frequency of visits by foreign investors. Higher foreign—and domestic—investment may, in turn, lead to the emergence of a constituency which also advocates economic policy change.

A related possibility to the investment hypothesis above is that there may be a correlation between the dominant source of economic activity—whether it is central state, local state, private, or foreign—and provincial autonomy. The argument here would be that different sources of economic activity would prompt different policy responses, including more or less fence-breaking. This is the explanation which is favoured here and is explored below.

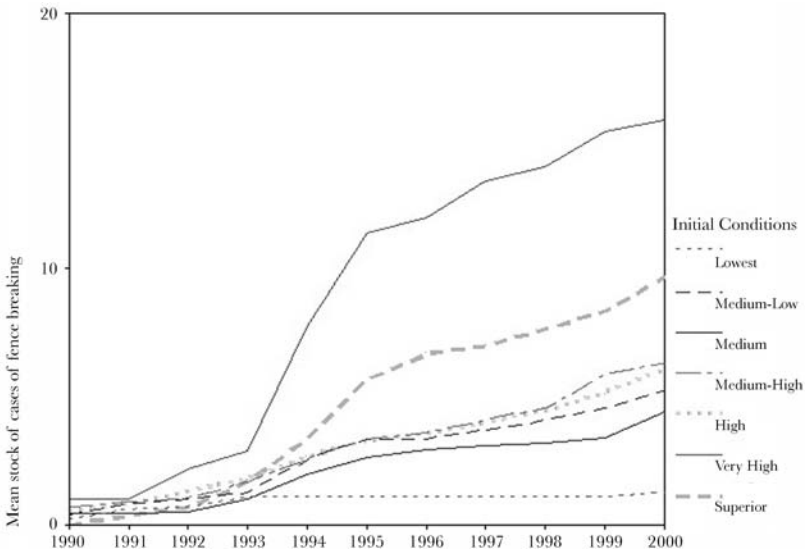


Figure 7. The leveled mountains test. The relationship between fence-breaking and initial conditions

The Source of Economic Activity

Table 3 classifies provinces according to whether their main source of revenue came from state, private or foreign companies in 2001—as a measure of the dominant source of economic activity.⁴⁴ Provinces are also divided according to a number of sub-categories. If a province is predominately reliant on revenue from central state-owned enterprises but is also a large recipient of FDI, it is shaded in the table. Provinces are also shaded if the largest source of revenue comes from the private sector but where revenue from the central and local state combined exceeds that of the private sector. A final category lists provinces where the largest source of revenue was formerly from the foreign-invested sector but where since 2000 it has been eclipsed by revenue from the domestic private sector, possibly as a result of new business registrations caused by passage of the enterprise law. Table 3 also lists the total incidence of autonomous activity for each province generated by the content analysis, enabling a comparison between autonomy and this variable to be made.

⁴⁴ Nationwide data for this indicator is only available for 2001.

Table 3. Biggest provincial revenue earners in 2001 and total content analysis autonomy hits (1990–200)

Central SOE	Aut.	Local SOE	Aut.
Ha Noi	25	Hay Tay	8
Hai Phong	7	Thai Binh	6
Hai Duong	7	Cao Bang	0
Thanh Hoa	10	Bac Kan	2.5
Da Nang	25	Lang Son	6
Binh Phuoc	11	Tuyen Quang	5
Ha Nam	0	Yen Bai	2
Thai Nguyen	2	Bac Giang	5.5
Phu Tho	4	Lai Chau	2
Quang Ninh	6	Son La	0
		Hoa Binh	2.5
		Nghe An	4
		Ha Tinh	5
		Quang Binh	3
		TT Hue	6
		Quang Nam	13
		Phu Yen	2
		Khanh Hoa	11
		Ninh Thuan	0
High FDI in JV	14.8	Ben Tre	3
Low FDI	4.6	Bac Lieu	4

Based on the data in Table 3, we can see that only twelve provinces are heavily influenced by FDI, including those where central state companies provide the largest source of revenue. These provinces were also some of the most autonomous during the 1990s. Provinces dominated by central state companies which also have received large amounts of FDI have fluctuated between occasional fence-breaking and more conservative behaviour. A good example is Hai Phong, which although it received seven citations for fence-breaking in the 1990s was also the site of an International Finance Corporation pilot project to auction state-owned enterprises that had limited success.⁴⁵

Another finding is that provinces where the private sector provides the largest source of revenue are less autonomous than those where it comes from the state sector. This is somewhat counter-intuitive but it suggests that provinces where the private sector is sizeable may be more cautious about contravening the law. The least autonomous

⁴⁵ The project faced problematic opposition from provincial officials. Interviews with Macek Gadamski, International Finance Corporation official involved in the project.

Table 3. (continued)

Central SOE	Aut.	Local SOE	Aut.
Private	If Non State, Who?		Aut.
Nam Dinh	Joint stock with 50% state owned shares		1
Tien Giang	Sole-proprietors		3
Binh Dinh	Sole-proprietors		10
Can Tho	Sole-proprietors		13
Dak Lak	Sole-proprietors		8
Dong Thap	Sole-proprietors		6
Gia Lai	Sole-proprietors		3
Kien Giang	Sole-proprietors		17
Kon Tum	Sole-proprietors		0
Ninh Binh	Sole-proprietors		1
Quang Ngai	Sole-proprietors		2
Bac Ninh	Limited liability		15
Ha Giang	Limited liability		2
Lao Cai	Limited liability		2
Quang Tri	Limited liability		7
An Giang	Sole-proprietors		14
Binh Thuan	Sole-proprietors		3
Ca Mau	Sole-proprietors		0
Soc Trang	Sole-proprietors		4.5
Tay Ninh	Sole-proprietors		5
Tra Vinh	Sole-proprietors		1.5
Vinh Long	Sole-proprietors		3.5
Lam Dong	Sole-proprietors		6
Mean Total State>Priv.			6.6
Mean Priv.>Total State			4.7
Mean Autonomy			5.5
Total FDI	Aut.	Formerly FDI, now private	Aut.
Vinh Phuc	17	HCM City	147
Hung Yen	5	Long An	12
BR-Vung Tau	16	Binh Duong	21
Dong Nai	16		
Joint-Ventures	12.7		
100% Foreign	16		
Mean Autonomy	13.5		60.0

Data from 2001 Enterprise Survey, General Statistical Office. Hanoi: National Statistical Publishing House

provinces of all are those dominated by the local state sector. These are also provinces with difficult initial conditions, pointing to a possible conflation of these two causal factors.

Conclusion

Using the measure for provincial autonomy generated by the content analysis, this article has sought to test four key hypotheses for explaining provincial autonomy. The only hypothesis where there was no clear-cut evidence for increased autonomy is the one which suggests that provinces with close connections to the central government are likely to be more autonomous. Based on the data presented in this article, this proved to be untrue. However, it is possible that a different method of data collection could yield a different result. After all, provinces which have good relations with the centre may never be cited in the newspapers at all.

Of the other three hypotheses—North-South differences, initial conditions and the dominant source of economic activity—a relationship with provincial autonomy was found in each case. However, it was never determinative. Consequently, a significant part of the data is left unexplained by the hypotheses considered here.

In some respects, this is not very surprising. After all, it is unlikely that any one hypothesis would explain everything. Instead, it is more likely that geographical location, initial conditions and the dominant source of economic activity probably interact in a complex manner, creating a variety of different opportunities for provincial autonomy.

Table 4 represents a preliminary attempt to show how these variables may interact in a way which makes most sense of the data. Six types of province are identified. In the first category are southern provinces with high initial conditions which were able to attract high levels of FDI quickly. They tended to be the early fence-breakers in the early 1990s. A second group followed, which had lower initial conditions but benefited from proximity to these provinces as investment spilled over when land and labour costs in these provinces rose. A third group of vacillating provinces had high initial conditions, but tended to see most FDI enter in the form of joint ventures with state enterprises. This led policy makers to fluctuate between autonomous behaviour and behaviour beneficial to the state sector. Other provinces with low initial conditions tended to rely heavily on the sector which grew fastest in the early 1990s. Those provinces which remained captured by local state-owned companies constitute the fourth category, while a fifth category comprises those which responded to the emergence of the private sector. Neither type, however, showed much inclination towards autonomy. Finally, some provinces in both north and south Vietnam remained burdened by very

Table 4. Provincial Classifications (6 main provincial types)

Province Type	Description	Prediction	Examples
Reformers	High initial conditions with low state sector dependence	Fence breaker and eventually sanctioned experimenter	HCM City, Binh Duong, Dong Nai, Da Nang (late nineties)
Spillover recipients	Located next to provinces with high initial conditions. Attracts FDI in later nineties.	Late fence breaker and perhaps sanctioned experimenter	Long An, Vinh Phuc, Kien Giang
Vacillitators	High FDI in the form of JVs, but highly state dependent.	Cautious fence breaker, likely to reverse course.	Hai Phong, Hai Duong, Bac Ninh, Da Nang (early nineties)
Greenfield private	Provinces with low state sector and initial conditions.	Province will provide encouraging environment for private sector development, but with very little experimental policies.	An Giang, Tay Ninh, Lam Dong, perhaps Dac Lac
State Captured	Relatively low initial conditions and large state (local or central).	Dependent on formal state transfers or indirect subsidies to state sector	Quang Ninh, Phu Tho, Ha Tinh, Nghe An, Nam Dinh
Poor and struggling	Low initial conditions, small but important state sector, low human capital, and high minority populations.	Little fence-breaking by the PCOM, which is very dependent on state transfers	Northwest Vietnam, Hoa Binh, Son La, Lang Son, Bac Lieu

poor initial conditions, which have limited their ability to attract investment of any type. These provinces rely heavily on state budget transfers and are therefore highly dependent on central government.

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APPENDIX. EXCERPTS FROM THE CONTENT ANALYSIS FOR FOUR PROVINCES

<i>Province</i>	<i>Newspaper</i>	<i>Year</i>	<i>Issue</i>	<i>Status</i>	<i>Request for experiment?</i>	<i>Possible case of corruption?</i>
Cases of post-Doi Moi fence-breaking in Binh Duong province						
Binh Duong	Nhan Dan	1993	Land	Citation	Yes	
Binh Duong	Vietnam Investment Review	1993	Micro-economic policy	Citation		
Binh Duong	Lao Dong	1994	Trade policy	Citation		
Binh Duong	Binh Duong	1994	Trade policy	Citation		
Binh Duong	Lao Dong	1994	Trade policy	Citation		Yes
Binh Duong	Lao Dong	1994	Trade policy	Citation		Yes
Binh Duong	Lao Dong	1994	Trade policy	Citation		
Binh Duong	Vietnam Investment Review	1994	Labor policy	Experiment	Yes	
Binh Duong	Nhan Dan	1995	Land	Citation		
Binh Duong	Vietnam Investment Review	1995	Land	Experiment	Yes	Yes
Binh Duong	Sai Gon Giai Phong	1995	Legal	Citation	Yes	
Binh Duong	Sai Gon Giai Phong	1995	Micro-economic policy	Citation		
Binh Duong	Vietnam Investment Review	1995	Micro-economic policy	Citation	Yes	
Binh Duong	Vietnam Investment Review	1996	FDI	Citation		
Binh Duong	Sai Gon Giai Phong	1997	Housing sales	Citation		Yes
Binh Duong	Sai Gon Giai Phong	1997	Micro-economic policy	Experiment	Yes	
Binh Duong	Vietnam Investment Review	1997	Administrative	Experiment	Yes	
Binh Duong	Sai Gon Giai Phong	1997	Taxes	Citation		
Binh Duong	Vietnam Investment Review	1999	Micro-economic policy	Experiment		
Binh Duong	Vietnam Investment Review	1999	Micro-economic policy	Citation		
Cases of post-Doi Moi fence-breaking in Ha Tinh province						
Ha Tinh	Nhan Dan	1993	Administrative	Experiment	Yes	
Ha Tinh	Nhan Dan	1993	Administrative	Experiment	Yes	
Ha Tinh	Vietnam Investment Review	1995	Housing sales	Citation		
Ha Tinh	Lao Dong	1998	Trade policy	Punishment		Yes
Ha Tinh	Lao Dong	2000	Legal	Punishment		Yes

<i>Province</i>	<i>Newspaper</i>	<i>Year</i>	<i>Issue</i>	<i>Status</i>	<i>Request for experiment?</i>	<i>Possible case of corruption?</i>
<i>Cases of post-Doi Moi fence-breaking in Long An province</i>						
Long An	Vietnam Investment Review	1993	Legal	Citation		Yes
Long An	Vietnam Investment Review	1993	Trade policy	Citation		
Long An	Lao Dong	1994	Trade policy	Citation		
Long An	Sai Gon Giai Phong	1995	Legal	Citation		
Long An	Vietnam Investment Review	1995	Micro-economic policy	Citation		
Long An	Vietnam Investment Review	1998	Trade policy	Punishment		Yes
Long An	Sai Gon Giai Phong	1998	Trade policy	Punishment		Yes
Long An	Vietnam Investment Review	1999	Micro-economic policy	Citation		
Long An	Sai Gon Giai Phong	2000	Legal	Citation		
Long An	Sai Gon Giai Phong	2000	Legal	Citation	Yes	
<i>Cases of post-Doi Moi fence-breaking in Vinh Phuc/Vinh Phu province</i>						
Vinh Phu	Nhan Dan	1991	Land	Citation		
Vinh Phu	Nhan Dan	1992	Land	Citation		Yes
Vinh Phu	Vietnam Investment Review	1992	Labor policy	Citation		
Vinh Phu	Vietnam Investment Review	1994	Trade policy	Citation		Yes
Vinh Phu	Vietnam Investment Review	1994	Trade policy	Citation		
Vinh Phu	Lao Dong	1995	Land	Citation		
Vinh Phu	Nhan Dan	1996	Trade policy	Citation		
Vinh Phu	Vietnam Investment Review	1996	Administrative	Citation		
Vinh Phuc	Tuoi Tre	1998	Land	Citation		
Vinh Phuc	Lao Dong	1998	Land	Citation		
Vinh Phuc	Lao Dong	1998	Land/Labor	Citation		
Vinh Phuc	Lao Dong	1999	Trade	Citation		
Vinh Phuc	Nhan Dan	1999	Land/Labor	Citation		Yes
Vinh Phuc	Nhan Dan	1999	Tax	Citation		
Vinh Phuc	Lao Dong	2000	Land/Labor	Citation		
Vinh Phuc	Vietnam Investment Review	2000	Tax	Citation		
Vinh Phuc	Vietnam Investment Review	2000	Labor policy	Citation	Yes	
Vinh Phuc	Vietnam Investment Review	2000	FDI	Experiment	Yes	



Red River Delta
 Ha Noi, Hai Phong
 Vinh Phuc, Ha Tay
 Bac Ninh, Hai Duong
 Hung Yen, Ha Nam
 Nam Dinh, Thai Binh
 Ninh Binh,

North West
 Lai Chau, Son La
 Hoa Binh

North East
 Ha Giang, Cao Bang
 Lao Cai, Bac Can
 Lang Son, Tuyen Quang
 Yen Bai
 Thai Nguyen, Phu Tho,
 Bac Giang
 Quang Ninh

Central Highlands
 Kon Tum, Gia Lai
 Dak Lak, Lam Dong

South Central Coast
 Da Nang, Quang Nam
 Quang Ngai, Binh Dinh,
 Phu Yen
 Khanh Hoa

Mekong River Delta
 Long An, Dong Thap,
 An Giang, Tien Giang,
 Vinh Long, Ben Tre,
 Kien Giang, Can Tho Tra
 Vinh, Soc Trang, Bac
 Lieu, Ca Mau

North East South
 Ho Chi Minh, Ninh
 Thuan, Binh Phuoc, Tay
 Ninh, Binh Duong, Dong
 Nai, Binh Thuan, Ba
 Ria- Vung Tau

North Central Coast
 Thanh Hoa, Nghe An
 Ha Tinh, Quang Binh
 Quang Tri
 Thua Thien-Hue

Administrative map of Vietnam