

In 1985, according to the World Bank, 75% of the Vietnamese population lived under the poverty level. In the late 1980's the Vietnamese government, as part of their effort to combat poverty and stimulate the economy, introduced Doi moi (renovation) policies and reforms. These reforms led to rapid economic growth and reduced poverty levels in Vietnam to 20% in 2005 (Dollar, 2006). Recent studies show that while some areas reduced the number of people living in poverty and benefited from new economic growth under Doi moi, others continue to report high levels of persistent poverty and inequality (Minot and Baulch, 2004). Because of the dramatic and spatially uneven decrease in poverty, Vietnam is an important and interesting case study in poverty and income inequality.

In order to gain an understanding of what has caused the change in poverty and economic inequality this research will use cross sectional data from the 1999, 2002, 2004 and 2006 Vietnam Household Living Standard Survey (VHLSS) to answer the following questions: What spatial and socio economic factors account for inter-provincial variance in the rates of poverty and poverty reduction in Vietnam between 1999 and 2006? In particular, what is the role of inter-provincial migration and remittance flows on poverty rates and poverty reduction in Vietnam?

This research will utilize Dunford and Smith's regional development theory of simultaneous convergence and divergence as its theoretical framework. Dunford and Smith's theory challenges traditional neo-liberal development assumptions of convergence by arguing that divergent and convergent forces can co-exist within the

same country at the same time, particularly in economies transitioning from socialism to capitalism.

This theory contends that during socialism economic resources and development were targeted into particular regions while other regions were economically neglected. These policies resulted in an economic environment of inequality resulting in a large variance in regional poverty rates. Once the transition to a capitalist system began, these patterns of regional inequality tend to persist. As a result, the regions that benefited economically from socialist policies retain their economic and political advantages in capitalist markets and continue to attract economic investments. The economic growth that these regions experience in capitalist markets has a propensity to spread to surrounding areas.

Convergent forces exist as new economic growth facilitates the reduction of poverty rates in areas historically advantaged regions as well as in surrounding areas. However, at the same time divergent forces can exist in a country as regions that were looser under socialistic policies do not benefit and even suffer from the transition to capitalism.

Historical tendencies persist in part because neglected areas are seen as high risk, which deters new investments. At the same time skilled labor migrates out of the neglected areas and into economically prosperous areas. While Dunford and Smith and others have successfully applied this theory to transitioning economies, it has only been applied to countries in Eastern Europe (Dunford and Smith, 2000; Brown et al, 2007; Smith, 1998).

This work will test the theory of Dunford and Smith in an Asian context for the first time.

Because of its political and economic history, Vietnam provides the ideal context in Asia to apply Dunford and Smith's theory of regional inequality. Under socialism the Vietnamese government targeted industry and development projects into a few select

areas. Largely politically driven, specific provinces in the Red River and Mekong Delta became Vietnam's economic and industrial centers (Tran eds 2000; Kerkvliet 1995). The pattern of politically motivated economic policies continued into the 1980's with the creation of Doi moi. Economic reforms were demanded, and first granted to those provinces with the strongest political and economic influences (Nguyen, 2007; Duc, 2006; Duiker 1995). Because of Vietnam pursued a policy of channeling economic development into selected areas, the political and economic history in Vietnam mirrors those in Eastern Europe where Dunford and Smith's theory of regional inequality has been successfully applied. Furthermore, application of this theory may help to explain why some provinces in post- Doi moi Vietnam have been able to reduce poverty rates more quickly than others.

In addition to examining socio economic factors that account for inter-provincial variance in the rates of poverty and poverty reduction, this research will particularly focus on the influence of migration and remittance flows on poverty rates. A number of studies confirm the significant importance of internal migration on poverty rates. Dang Nguyen Anh (2005) suggests that in Vietnam migration and remittance "represents a livelihood strategy for most rural households. In this way, the flow of remittances is not a random by-product of individual migration, but an integral part of a family strategy behind migration - a livelihood strategy for poor people". Nguyen Thu Phuong et al. (2006) found that migrants in the 1990's tended to move from provinces with low GDP per capita levels, low Human Development Index (HDI) and high underemployment rates to provinces with high GDP per capita levels, high HDI and low underemployment rates. This suggests that internal migration and remittance flows are facilitating both

convergent and divergent forces in Vietnam. This research will build on the current body of work addressing migration and remittance in Vietnam by utilizing VHLSS data to help elucidate how migration and remittance flows have influenced provincial poverty rates between 1999 and 2006.