Metropolisation and challenges of rural industrialisation in the Red River Delta

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In the densely populated countryside of the Red River Delta (1,290 inhabitants per square kilometre in 2009), an original localised production system is in the process of being modernized and expanded. Founded on the bedrock of craft and industrial villages connected within commercial and familial networks, clusters of craft villages seek their way in the context of the ongoing transition to a market economy of a system long administered by the communist state.

Craft villages emerged as early as the 11th century in the environs of Hà Nội for the production of objects necessary to the workings of the imperial capital and to supply products for the everyday needs of a village society geared towards home consumption. Since time immemorial, they have been tied into networks of age-old connections, linked to the capital by the "District of the 36 streets and guilds" and to areas where raw materials are extracted, to markets both national and international (principally China). Since the Economic Liberalization of the 1980s, or *Đổi mới*, growing numbers of villages have developed fresh activities, or have intensified their production. This thanks to the opening up of borders, the freedom to do business, the acceleration of town-country links which were restricted during the collectivist era, and thanks to national and provincial incentive policies.

Currently, there are about 1,000 craft villages in the Red River Delta organized into clusters. These localities produce articles designed for the daily life of villagers (food processing, religious objects, industrial products and building materials, commercial services and transport…) and for export (wickerwork, furniture, woollen clothing and *objets d'art*…). They enjoy income several times greater than that of "agricultural" villages and have thus been able to invest in real estate and improve their living conditions. In terms of production growth, employment capacity of a plentiful underemployed workforce in the countryside and of the resilience of this type of industry during the industrial crises of the collectivist period, craft villages have proved their worth.

As we contemplate the history of handicrafts in the Red River Delta over the course of several centuries, an endless cycle seems to emerge: its narratives tell of the birth of the crafts, their dissemination and specialization, technical improvements and eventually their death and subsequent resurrection. The type of cluster organization characteristic to Vietnamese handicrafts is a pre-capitalist system that has survived the advent of the market economy. This stands in sharp contrast with the rest of East and Southeast Asia, where large, international corporations thrive on laissez-faire economics and cheap labour.

Provincial People's Committees have implemented policies to promote SMEs in rural areas and have especially encouraged small enterprises to formalize. However, this rural industrialization, which grew from "bottom" with local capital and specific technical innovations, is having difficulties in doing so. First of all, state and regional policy regarding the support of rural SMEs contradicts land ownership and industrial policies, in the context of the expansion of the city of Hà Nội and of the implementation of the future Master Plan 2010. The "small is beautiful" period is apparently over and the state, in its desire to modernize the country with the help of foreign capital, is now turning to heavy industry and the construction of big industrial parks while continuing to subsidize state enterprises. It is becoming more and more difficult for small village's enterprises to get land because of land liberalization and the abolition of grants for industrial sites in craft villages. There thus exists a contradiction: heavy mechanized industry with a limited potential for local job creation receives more support from the authorities, particularly for land acquisition. On the other hand, the small labour- intensive enterprises with little capital, operating in the craft villages, benefit from very little aid in spite of the good intentions of numerous resolutions decreed in their favour.

To attract foreign capital in industry and in real estate, the state in several steps has implemented many land reforms, administrative and social and abandons its policy to support the small industrial business, yet more labour-intensive. In the shadow of China, one of its key partners, Vietnam has attractive assets for investors: cheap labour and favourable land policies. Industrial parks are built on large portions of rice fields and contribute significantly to industrial production in the region (40% in the case of the province of Hà Nội).

The industrial sector hiring more and more active population in the Red River Delta, especially in the expanded Hà Nội province: 28.3% of the economically active population (15 years) works in this sector, a figure higher than the national average (21%) [GSO, 2010]. The informal sector is the main source of employment, followed closely by foreign-funded enterprises which represent 44% of the non-agricultural private sector jobs in 2008 [Nguyen, 2012]. The industrial craft sector plays an increasing role in the rural economy and loses its importance in cities, increasingly tertiarised. Two types of businesses occupy the industrial workforce in rural areas: the craft villages of clusters (17% of rural jobs) and that of the relocated factories in industrial zones.

Based on surveys conducted from 2003 to 2010 in several craft villages around Hà Nội where residential and industrial projects have been put in place, and interviews conducted in 2013 in many industrial parks, this article aims to analyze hiring capabilities of different types of industrial and other businesses, their access to land and their relationships. We will examine the impact of the global industry on clusters of craft villages. We will study in more details in the cluster of La Phù, the impact of expropriation of peasants on the organization of the system of craft villages clusters based on their association with agriculture.

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Craft village clusters: localized production systems, very flexible and in perpetual recomposition

An old system that has its roots in the delta village society

Linked closely since their creation with the capital Hà Nội and a dense network of markets (Nguyên Duc Nghinh 1993), craft villages have been organized into clusters, both for production and for marketing. These villages were linked by a latticework of canals and rivers to Hà Nội, the city located "within the bend in the river", constituting a veritable communications hub between the mountains and the China Sea, opening out to the world.

This production system is specific to densely populated rice-growing deltas. In these Asian monsoon plains, transplanting work, a technique necessary for attaining very high rice yields and obtaining two harvests every year, has seasonally required a large workforce. Rice, a colonizing plant, has the merit of feeding a large population, but demands intensive bursts of work at specific times of the year.

During the off-season, labourers have had to find other activities, their small plots of land being insufficient to feed them all year round. In this manner, several villages on these overpopulated plains have specialized in other non-agricultural activities that require little capital outlay and are capable of temporarily absorbing a large workforce.

In spite of the upheavals of the economic and political history of the last century, craft villages have managed to survive and even to prosper. Our hypothesis is that the resilience of craft villages can be explained by their bunching into clusters, a very flexible organization of villages in terms of use of workforce and capital and within which the production process is fragmented and the economic risks spread widely.

Villages organized themselves into clusters several centuries ago to respond to the fragmented organization of work (and thus avoid competition), and for specialization and optimum use of raw materials. Division of labour is particularly noticeable in the silk industry, where the production process entails several different stages. Each stage is carried out by a different village within a large network. Some activities were complementary: the lacquerware manufacturers of Bing Vong often worked with woodcraft or wickerwork villages.

Another factor explaining the high degree of interdependence among villages is the fragmented way in which raw materials are used for the manufacture of various goods (e.g., bamboo or latania palm leaves). Each village only uses part of the raw materials for the manufacture of the goods it specializes in, and then sells on what is left to other villages, which use it to produce the category of objects they specialize in.

During the collectivist era, several crafts were spread through co-operatives. As the taboos concerning trade secrets no longer held, co-operatives specialized in certain kinds of artistic products formed large groups of artisans capable of delivering orders to Eastern European markets. In the villages around Phú Vinh, a famous village specialized in rattan weaving, training courses were organized. The craft was shared with about ten surrounding villages. Today, rattan and bamboo weaving has become the speciality of craft villages in the district of Chương Mỹ and employs nearly 35,000 villagers (Fanchette and Stedman 2009).

The spread of new crafts has taken place around the most dynamic villages since *Đổi mới*. Villages having undertaken mechanization and modernization of their activity have scaled up and diversified their production (Fanchette 2007); businesses need vast workshops and employ a large workforce (either *in situ*, or subcontracted). In order to respond to a growing market in the construction industry, the metalworking village of Da Hoi set up a 13 ha industrial zone at the beginning of the 2000s, where blast furnaces have been installed. Businesses that were unable to obtain land here built workshops in surrounding agricultural villages or on the small industrial park in the commune of Dinh Bang located along the main road. Fresh crafts have appeared in the poorest villages of the commune: couriers in the village of Da Van link up the many businesses in the cluster, particularly those enclosed within the congested village centre. In this same village, people weave wire to make anti-erosion devices for dykes or chicken baskets and cages, and all other kinds of utensils for daily life. Shops selling metallic bars and rods open in neighbouring villages, while others provide workers for businesses in Da Hoi.

Villages of clusters organized at several levels and incorporating formal and informal enterprises

The organization of clusters takes place on three levels (Fanchette and Nguyên Xuân 2009):

- Between villages:

A cluster of villages is composed of a central village (the mother-village) and of secondary villages. At the centre are the major producers and placers of orders, official businesses, often mechanized and concentrated within a designated craft park. Several types of inter-village relations can be found within clusters. Each village specializes in one type of product but relies on others for:

- Supply of raw materials (trade, sorting, recycling): for villages using recycled products, there is a long processing chain for these materials. Workshops that carry out this kind of work generally belong to secondary and poorer villages of the cluster that have a numerous workforce and scant means to set up mechanized workshops.

- Knowhow: some villages have had a craft specialization for centuries and take part in the making of luxury articles or *objets d'art* (woodcarving, mother-of-pearl inlaying, joinery…). These are often villages where the artisans are not businessmen or salesmen and rely on more dynamic villages to market their products.

- Production space: large-scale contractors in the mother-villages have big workshops and, lacking sufficient land in their villages, they rent plots of land in neighbouring villages.

- Services: (transport, trade, markets for raw material, workshops for repairing machines) and other related activities linked to the principal activity (packaging, dyeing or sewing services for textile villages).

- Supply of manpower: the extension of the employment area of clusters takes place in two directions: the closest communes for subcontracting and the hiring of some temporary workers, and the provinces on the fringes of the Red River Delta for longer-term workers, without experience, but working for lower wages.

- At village level:

Work is divided up between complementary businesses, each responsible for one stage of production, or which may also specialize in one type of product. Mechanization and diversification have extended the production chain and generated an increase in the division of labour between households. Recycled raw materials (paper or metal) are traded down a long line of collectors, then processed by craftspeople who have invested in machines-smelters sell recycled metal in the form of ready-to-use sheets, which can then be cut up to make pots, trays and gongs.

- Between village businesses and formal sector companies on industrial sites:

Large-scale companies established on urban industrial sites subcontract the production of spare parts to specialized workshops in craft villages. This type of relationship can be found in the metalworking industry.

Clusters of villages and opening to the outside world

In the context of its integration into the international market (WTO) and especially South East Asia (ASEAN partner), of the acceleration of globalization, craft villages have diversified and changed their production standards and mechanized certain steps. Through contractors connected to the export markets, production increases, subcontracting many small informal workshops satellites. Drawn by export agents, clusters extend sometimes beyond borders - as is the case of art furniture of Dong Ky villages connected to Canton region - diversifying their production, modernizing and seek to adapt to diversified markets.

With the withdrawal of the state, only formal enterprises now benefit from incentive policies, whereas small family workshops are considered unsustainable and very polluting. Indeed, formal registration easiers access to land and incentives bank loans, but it results in an increase in production costs (higher taxes, Labour Code and environment norms of production). Informal work in formal enterprises is high: few employees are declared. Only the accountants and some other qualified employees have national insurance and work contracts. Each employer negotiates hiring conditions. For the most dangerous type of work, wages are higher. Employers should pay insurance for all their employees, but they take advantage of the seasonality of the work to avoid doing so. [Fanchette, Nguyên, 2012].

Du to global crisis in 2008 and the rising price of land, these businesses are vulnerable: they have lost the advantages of flexibility and informality of the cluster system. Some companies, shortly after changing status, went bankrupt. The search for the control of a large share of the production process by these companies, in order to respond more quickly to orders for export and quality standards that the system of subcontracting in clusters makes it difficult, stiffens the system of production. The greater flexibility of hiring labor in the cluster system, workshop and businesses pluriactivity, including the role played by agriculture, and trust between partners help to better stand economic crises, including one that has hit hard the export market in 2008.

Thus, some activities such as basketry for example, largely specialised for export markets, have been hit hard by the crisis. Competition with more efficient Asian countries, such as Indonesia, has hit this sector. The downward pressure of prices by large groups such as IKEA looking to sub-contract large companies affects the entire chain. Low prices to subcontractors result in low quality articles that can't then be exported: it is a vicious circle.

According to a report of the Vietnam Academy of Social Sciences on the 2009 financial crisis, orders from international markets to craft villages have been reduced by 30% between 2008 and 2009. Employment is reduced, including workshops subcontracted. However, due to inflation, the minimum wage increased despite the decline in orders, only higher wages attract migrants working in larger companies [Vietnam Academy of Social Sciences, 2009].

Companies that have diversified their markets are turning to the domestic market which can alone absorb craft production. This is the case of the market for art furniture or agro-processed products. In villages with two activities, such as La Phù, activity linked to export markets, mainly textiles, is in crisis, while confectionery open to the domestic market, expands and modernizes through the conversion of formal businesses previously specialized in textiles.

Economic Renewal, metropolisation of Hà Nội city and emergence of globalized industry

Growth in industrial production, foreign investment and low impact on local employment

The launch of *Đổi mới* in 1986 marked Vietnam's transition to a "socialist-oriented market economy" and the start of a process of integration into the world economy, with remarkable results in terms of growth and poverty reduction. Over the last two decades, Vietnam's GDP growth has hovered around 7.5 percent per year. Since the beginning of the current decade, the Vietnamese economy posts the highest growth in Asia after China. The opening-up of the economy is even more rapid. The export growth rate (50 percent of them being manufactured products) is the highest in Asia. Between 1990 and 2006, the share of industry in GDP increased from 23 to 42% and in total employment from 13.2% to 18.9%. The annual growth in employment in the industry reached 7% per year since the early 2000s [Cling and al., 2009]. Within the framework of transition towards a market economy, and of Vietnam's integration into the WTO, Vietnam counts on foreign investment to develop its economy and particularly its industry. Although growth in informal employment for industry and construction has been high (44% between 2007 and 2009) [Nguyên H. C. 2012], Vietnamese state industrial policies mainly support the foreign investment sector.

Indeed, industrial parks, *Khu Công Nghiệp* (KCN), have developed rapidly. There are 19 of them, covering 7,526 hectares, eight of which are operational and the others being developed. 350 companies have set themselves up for business on them. On a macroeconomic level, company performances are most satisfactory to the authorities: they produce 40% of the province's industrial worth and in 2010 they employed an estimated 102,573 workers [Vu Nguyen, 2012]. However, if one examines the local impact of these industrial parks on issues such as the job market, land use and social change, the success of these performances appears more mixed.

About 70% of workers in industrial areas are from other provinces (*Le Courrier du Vietnam*, 27/11/2011). Migrant workers apparently represent 80% of the workforce active in Vietnamese industrial parks, while 60% of this population is made up of temporary migrants[1]. Although, according to the texts governing expropriations, local work is supposed to be favoured by the companies operating in these industrial parks, in reality, few expropriated villagers are directly employed by them.

Foreign invested enterprises (FIEs) prefer to employ young people aged from 18 to 25, or up to 30 for some, and mainly women (60%). Expropriated farmers aged over 30 are not easily integrated into these companies. The method of workforce recruitment by brokers promotes corruption and above all targets people from outside the recruitment area, unfamiliar with the sharp practice of these intermediaries. It is very often the case that these brokers force job seekers to pay very large sums (a third or even half of their salary). Former migrants, they possess a wealth of information on employment opportunities in the industrial parks in the province and look for candidates among the inhabitants of their home villages [Do, Tran, 2008]. Company bosses prefer to employ young people from elsewhere, reputedly more submissive and with fewer contacts between themselves to avoid development of social movements.

Since the 2008-2009 crisis, many foreign companies, which are actually branches of large groups, saw their orders fall and can not hire their contract labour. They did not renew temporary contracts of workers and reduce the working time of the steering wheel of workers in permanent contracts. Hoping that the economic crisis remains, these companies are reluctant to

[1] *Source: VGCL report at the Conference on Directive 22 of the Politburo, in Ho Chi Minh City, June 2008*

part of these workers already formed. Stay in their dorm with reduced wages without overtime becomes difficult for young migrants.

In addition, in an already very densely populated residential space, the arrival of young migrants creates pressure on housing. Most industrial areas do not provide housing for their workers. Among Hà Nội's eight industrial parks in operation, out of 110,000 workers employed, only 16,300 are housed on site (Vietnam Investment Review, 31/10/2011). When building industrial areas, project managers did not factor in the land needed to house their personnel. Few building companies are interested in low-profit constructions of this kind. Expropriated villagers switch to renting accommodation for workers, often very basic, but considered as very expensive for these low-paid workers. However, although enterprises on these KCNs employ few workers locally, they do have a trickledown effect into the service sector (catering, rental of rooms to workers, various other services). Accommodations are half empty and farmers converted into landlords complain they can't get enough benefit from their investment because tenants are not numerous.

A land-consuming industry whose location is related to the profitability of capital and proximity to the main roads.

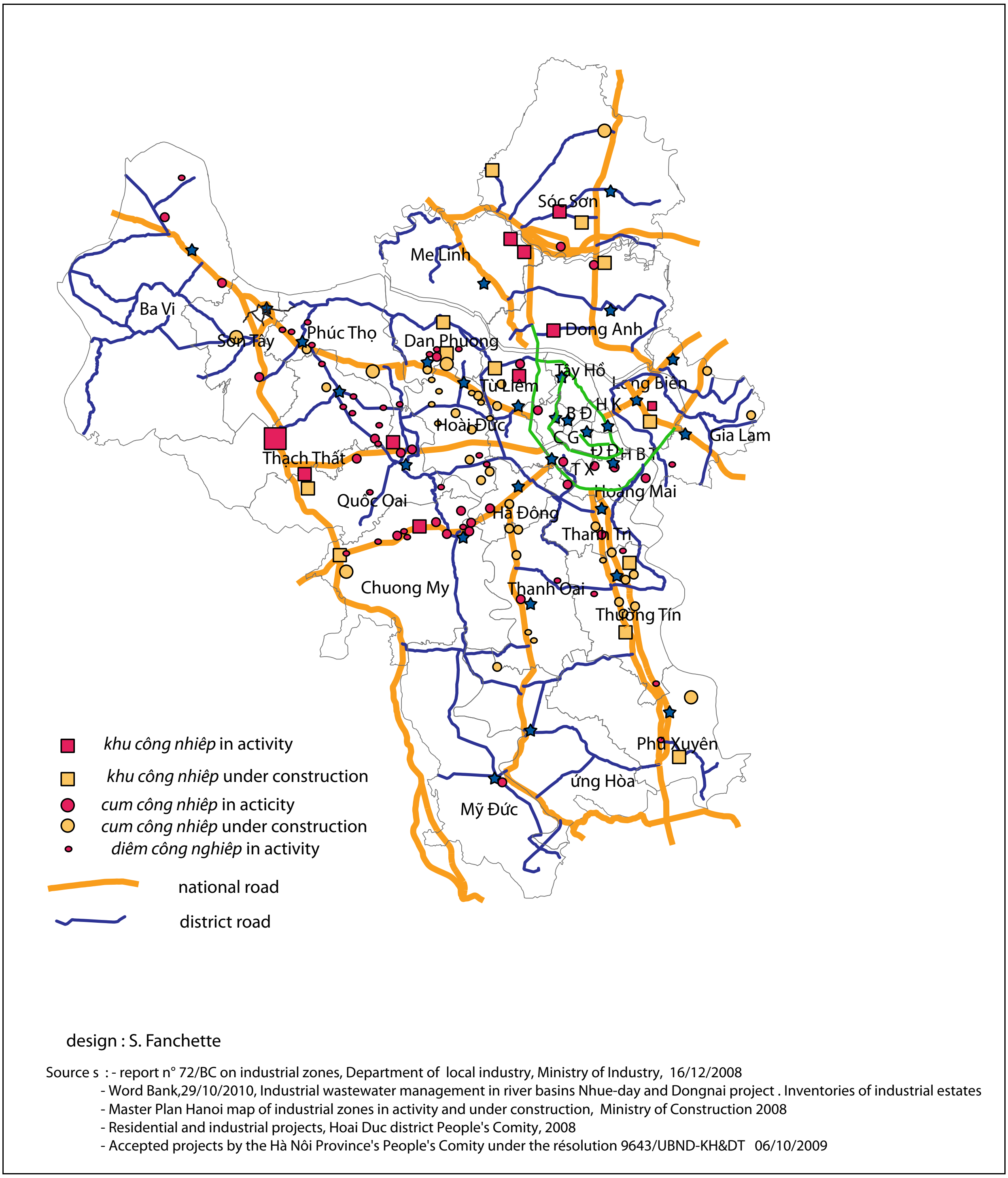
The map of the three kinds of industrial areas (Plate 1) shows the various installation rationales of types of company and their distribution in the province.

In 2010, 44 communes in the province housed KCNs in operation or under construction. They are situated along major roads, ideally motorways and highways giving access to Nội Bài airport or the port at Hải Phòng, without any other economic strategy (consolidation by kind of activity or compatibility, presence of a source of workforce or know-how…) other than accessibility. They obey the rationale of metropolisation, the role of transportation in urban structuring and top-down initiated planning, without any thought for local economic realities.

Land expropriations by these KCNs are significant (between 200 and 400 hectares) in relation to communal land. With metropolisation and the slow process of freeing up land for developers owing to conflicts, the pressure on land has pushed up prices, making them prohibitive for small companies, particularly given the lack of political support from local authorities. In fact, KCNs have privileged access to industrial land (tax breaks, etc.), in contrast with local enterprises, not judged as consistent with the country's modernisation.

Overall, industrial areas have an occupation rate of 46% [Dang, 2012], while some, for lack of investors, have yet to be built. Once land has been expropriated, its use is blocked for years on end, even though there is strong local demand on land for production. Some tracts of land have been illegally replanted by farmers, while others lie fallow for years, owing to the dismantlement of the hydraulic system rendering them unsuitable for agriculture.

The *Cụm Công Nghiệp* (CCNs) are dispersed among about sixty communes. Their size is theoretically less than 75 hectares and they are usually situated on a single commune. They usually house large companies relocated from the capital (because of pollution), and small and medium-sized enterprises, usually Vietnamese. They are mostly located along major roads. A quarter of these areas are set up in craft villages and house both local enterprises specialised in the village's activity and companies from outside. 26 are currently in operation and 33 are being built or awaiting the arrival of companies. They employ the local population more readily, particularly those among the first wave created by the state.



Map 1. Industrial parks, zones and sites in Hà Nội Province in 2008

The *Điểm Công Nghiệp* (DCNs), or artisanal sites, are rarely bigger than 15 hectares and in most cases are set up in the communes of craft villages. Designed to remove the most polluting enterprises from central locations in villages, they are sometimes established away from major lines of communication. They enabled mechanised workshops to extend their production space. Although the first generation of DCNs built at the behest of local authorities at the beginning of the 2000s enabled several workshops to develop their operations at affordable prices, since around 2005, land speculation and the refusal by farmers to allow themselves to be expropriated at low prices and without land compensation, has slowed down the process of creating DCNs. In the 176 DCN projects approved by the Ministry of Trade and Industry for the province of Hà

Noi over an area of 1,295 hectares , only 49 have been established (470 hectares) of which 37 in craft communes.

A comparison between maps showing the situation of industrial parks (KCNs), industrial areas for small and medium-sized enterprises (CCNs) and artisanal sites (DCNs), along with that showing the population economically active in industry and craft villages, leads us to several conclusions.

- The presence of KCNs does not have a systematic impact on industrial employment in communes where they are established, with workers meant to register in the village (something that many migrant and seasonal workers do not do). This is the case of communes where the industrial areas are established, apart from Quang Minh and Chi Đông in Me Linh, for which we have no information. This confirms that three-quarters of the 120,000 workers employed by companies located in these KCNs mostly originate from elsewhere.
- On the other hand, the CCNs that house small and medium-sized Vietnamese enterprises have an impact on local job creation. In fact, in the district of Chương Mỹ, where many CCNs have been established, the proportion of people working in industry is above average.
- Finally, the map of craft villages is highly consistent with that of the population economically active in industry, particularly the sphere of influence of small sources of workforce made up by the parent villages of clusters. The cases of highest rates of population economically active in industry are in fact very dynamic craft villages.

La Phù, a cluster of craft villages in the turmoil of metropolisation: pressure on land, modernization and competition

Due to the metropolisation process of Hà Nội, the land market for construction has sky-rocketed and the difference between the land compensation to the peasants and the free market land prices has jumped. This land inflation has adverse affects on intensive agriculture and craft activities in the villages of peri-urban areas. It is becoming increasingly difficult for artisans to access to non-agricultural production land. Selling land becomes a new lucrative activity [Nguyên V. S., 2009].

An ancient village of the silk cluster that is adapted to new markets

During the colonial era, the textile industry was preponderant in Hà Tây Province (recently merged in Hà Nội): it accounted for 20,000 artisans out of a total of 54,000 in the Delta. They were to be found in 37 villages specialized in cotton fabrics and their by-products and 25 of silk spinners or producers of silk fabrics (Gourou, 1936). These villages were grouped into two clusters not far from Hà Nội, seat of political power until the 19th century and the biggest market for the consumption of luxury goods:

- Near Hà Đông was the silk cluster composed of seven villages all with La in their name (La Phù, La Khê, La Nội, La Duong, La Ca, Đông La, Y La) and 3 with Mô. The other villages were located to the north and south of this major textile centre.
- The cluster around the shores of the great West Lake: where five villages were specialized in silk gauze in the 17-18th centuries.

Today silk making has almost disappeared from Hà Tây. The collectivist interlude killed off this activity following the suppression of luxury markets, a ban on silkworm production and the reorganization of artisans into co-operatives. Weavers therefore had to switch to the production of low-quality cotton fabrics on wider looms in co-operatives controlled by the State to supply the country at war. Attempts to restart the activity after *Đổi mới* have been unsuccessful, owing to the competition from Chinese products, the use of silk threads mixed with synthetic fibres and the absence of quality control.

La Phù is an ancient village of the silk cluster of Hà Đông, located about fifteen km south-west of the city center of Hà Nội. It has now specialized in knitted-garments and confectionery. With more than 10 000 inhabitants, it attracts a multitude of workers and artisans from the surrounding countryside to work in its workshops and businesses which employ around 12 200 workers and artisans [People's Committee of La Phù, 2009]. Almost every morning and afternoon, the lanes of La Phù are saturated with cars, motorbikes and bicycles. People converge on La Phù to deliver raw materials, to receive finished products or to work.

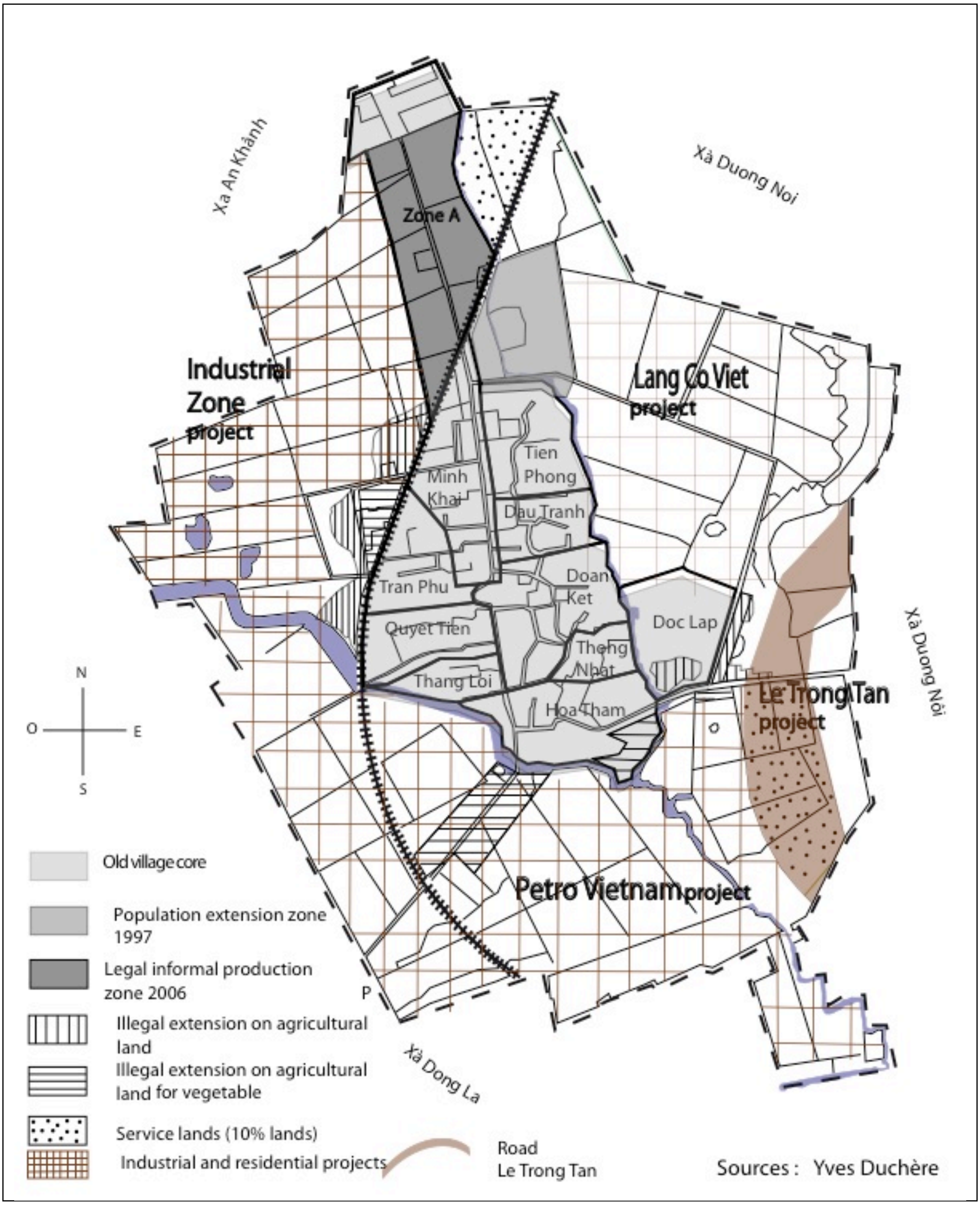
The trade of silk did not survive the collectivist era in this village. In 1959, a craft co-operative was created. Towels, woollen clothing, socks and carpets were made there. To begin with, artisans worked in the co-operative. Then the state handed over the production plans and allowed them to take the machines home to work and obtain help from other members of the family.

Since *Đổi mới* launch, synthetic wool knitting garment production grew rapidly, while some artisans have specialized in making cookies and candies. In the 1990s, La Phù artisans started to buy machines from the south of the country and set up business on their own. They had to find buyers for themselves: in 1992-1993, exports began to Russia, East Germany and Ukraine. These markets stem from the old commercial contacts that the co-operatives had with Eastern European countries at the collectivist era. They also managed to break into new markets. For some time now, they have exported to the United States. In winter, the La Phù workshops make woollen clothes of very average quality for the domestic market in the north of Vietnam, where cold snaps in winter can be quite severe. Competition with large national companies does not allow them access to urban markets. For sweets, only the national market is covered.

Since the late 1990s, with mechanization, diversification and the opening of markets, production is increasing rapidly. The number of reported enterprises export capacity also has doubled in two years: from 70 units in 2009 to 132 in 2011. Family workshops are over 300 units. Dozens of homes are specialized in trading locally and throughout the country. In 2006, each textile company employs an average of 200 to 500 workers, whereas every informal workshop gives work from 4 to 20 people [People's Committee of La Phù, 2006].

Until the 2000s, textile dominated La Phù economy. But since big companies have been set up, overproduction drives prices down and the activity is less profitable. The 2008 economic crisis dealt a hard blow to this sector: orders decreased on the export market, while the number of subcontractors was growing. With the rise in the supply of labor, subcontracted craftworkers are less paid. Small textile employers have temporarily stopped their production and some finally sold their machines. Others have turned to confectionery, to plastic packaging, while large companies have scaled back their production and hired less labour. The general trend in the textile is down.

The confectionery sector, by contrast, has mechanized its production. Former small family workshops of candy, whose production was sold on the market of *Đồ*ng Xuân in Hà Nội, have been replaced by large registered businesses having chains of mechanized cookies production. Indeed, in agro-processing, companies' registration is a sign of confidence and gives access to public markets to which informal workshops have no right. They are specialised in confectionery for low class people, small employees who are unable to access the market of imported products too expensive.



Map 2 : Land use of La Phù commune : illegal extensions and industrial and residential projects

Large registered companies now manufacture the entire production process on large production lines with baking mat that require a lot of space. They need an area of 500 m2 or 1000 m2, surface required for environmental production standards by sanitary authorities of Hà Nội. Wholesale confectionery is made in Zone A at the entrance of the village where intense commercial activity developed.

However, in textiles, the production process is highly fragmented, most of the knitting is done at home in satellite villages subcontractors and prime contractor is responsible for finishing (assembly, ironing, packaging) in his workshop or his factory. Large companies also subcontract some of their orders to workshops of La Phù which in turn subcontract different pieces of clothing in other villages. Piece rated workers earn more than those working for a monthly wage at the artisans 'confectionery.

The latter activity is very tiring, as companies work nights and days and pay per hour. The people of La Phù can't stand such working conditions and companies must hire workers from remote provinces. In this highly populated village, accommodating young migrants is challenging. Few companies have enough space to build dormitories. Some of them are built illegally on agricultural land.

There are also many small workshops specialized in one activity (dyeing, knitting sleeve cuffs or collars and automated embroidery) working independently and selling their services or products to other companies. They try to innovate and find new markets because they compete with each other to retain customers. Dyers need at least 350 m2 for their machines and to store the parts to be dyed.

More production land for mechanizing both activities

In La Phù, inhabitants need more and more residential and industrial land to increase production, mechanise, build dormitories and relocate the workshops generating the most pollution. 'Land encroachment' and development of illegal constructions on agricultural land, particularly the 5% plots, have increase. Indeed, this very dynamic large craft village has increased its population from 6,798 inhabitants in 1989 to 9764 in 2009. However, the extension of industrial and craft space did not follow the growth of production and population. The land allocated to this area is limited and provincial authorities are reluctant to change the status of agriculture land to residential. In a context of growing demand for land by urban developers and land speculation, its price is increasing.

From the 2000s, the La Phù artisans asked the municipal and provincial authorities to change the status of their "gardening land" located near the entrance of the village and to use it for craft production. These plots also called "land of 5%"[2] are seen by the villagers as their own, as well as residential land. Some of them have been sold to new comers at very high prices and built for enlarging workshops.

After five years of negotiations between villagers and local authorities, the area of 11 hectares, near the entrance of the village, called Zone A (map 2), have been turned into land suitable for building workshops, factories and stores. This area was to be developed by local authorities, respecting standards in terms of size and equipment, but was in fact built up informally by villagers with no real servicing. They refused to sell their land use rights to the provincial authorities. The plots of the industrial area would have been to large and too expensive for them.

- [2] Agricultural land set aside for market gardening (called "5% land" because it represents 5% of land belonging to co-operatives), which was allocated to villagers in usufruct between 1971 and 1993 to compensate for the low level of production in agricultural co-operatives. This is usually divided into very small plots (on average 100 m^2 per household), well situated on the edges of residential areas and that villagers tend to build on illegally, particularly workshops and businesses (this is agricultural land where construction is forbidden). These plots of land are the subject of numerous property transactions and, depending on their locations, prices can reach ten times those paid for paddy fields.

They build small workshops to install more than a machine there (100 to 200 m2), shops and warehouses for wholesale's confectionery and biscuits. In the south of the village, artisans also asked provincial authorities to change the status of their small plots of 5% agricultural land. They refused to prevent self-building of small workshop like in zone A. Even so, in 2006-2007, villagers began to build illegally workshops, assembling plots of 5% land purchased. The sloppiness of the provincial authorities of the former province of Ha Tay, the corruption of some executives have enabled villagers to remodel residential space in mixed space. while the remaining land is illegally occupied by village businesses awaiting regularisation.

However, due to their precarious tenure status (they suffer from police raids to destroy their illegally built workshops), artisans and businesses face many problems to set up large production lines. They have to rent or purchase land use right illegally from many people to get 500 m2 or 1000 m2 needed for their business. It is difficult in these conditions to invest in a long-term production in accordance with acceptable environmentally and socially standards of production.

The municipality of Hà Nội tries to fight village self-building, in order to set up the necessary infrastructure for its urban development. But it is paradoxically strengthened by the establishment of industrial and urban projects. At La Phù, a project of industrial site (DCN) of 42.5 ha is in progress. 300 to 400 artisans of this village have made requests to buy some plots: they are supposed to be given priority over those from outside. The plots, once serviced, will have a size greater than 1,000 m2, minimum area to build a workshop with hygiene standards imposed by the municipality. The cost of installation of water supply and wastewater treatment infrastructure will be charged to the tenants. The plots will be leased for 50 years to 3 million VND per square meter, that is to say 3 billion VND, a price that few artisans can afford, especially in a crisis exports and lower profits. So many villagers refuse to be expropriated because they know they will not benefit from these lands, it only slows down the development of the project.

A context of pressure on the land

This commoditisation of industrial development throws into question the policy of promoting small, rural businesses by provincial authorities. Until now, the basis of this policy was priority access to land on industrial sites, training, preferential rates on bank loans, and favourable fiscal policies for these artisans. The commoditisation of land leads to competition between land developers and villagers that curtails the land conversion process. In this context, artisanal production continues to overflow the village space and mix with the residential spaces. Because of lack of space, self-construction and densification of the built area still progress and cause serious environmental and sanitary problems.

Due to lack of space in La Phù, thirty companies had to move away at great expense to the nearby industrial area of An Khánh, and more recently to that of Quốc Oai, about twenty kilometres away or along the national 6. Their isolation from the cluster of La Phù deprives them from the benefits of the cluster advantages: exchange of labor for work and expertise, division of labor, economies of scale.

In the old center with narrow and winding lane, several types of poorly mechanized workshops exist side by side: in the yard of the family home, on the land of backfilled ponds at the site of the traditional houses, urban style "tube" houses are built and densification of the built up are makes traffic difficult. These family workshops are primarily small subcontractors providing one or two stages of the production chain for companies operating in the industrial area A (including processing wool, spinning and winding after dyeing, or ironing and packing socks). In small workshops built in the courtyard of the house on an area not exceeding 100 m2, confectioners produce popcorn in coal ovens at the expense of the neighbours who complain because of noxious fumes. Workshops specialized in winding yarns have a limited production capacity, lacking of space. In addition, the low voltage electrical current in the villager center limits the mechanisation capacity of small textile artisans. Craft people work hard 12 to 15 hours per day to ensure orders, but for poor and irregular income. However, they prefer to be self-employed rather than to go to work to the factories of the industrial zone.

La Phù has 129.6 ha of cultivated land considered as land reserves for urban development of the Hà Nội metropolis and not for that of the inhabitants of the periurban areas. According to the Master Plan of the municipality, La Phù is planed by 2015 to loose all its agricultural land. About 70 ha have already been expropriated for three projects including a residential area of high standing, a road and an industrial site of 42.5 ha.

The situation has reached deadlock: on the one hand, provincial land services argue in favour of the necessity of building quality residential areas and industrial estates with urban standards and on the other, villagers who do not have the financial and political means to acquire these pieces of land. The authorities' resolution is all the firmer, given that since integration into Hà Nội, the Municipality seeks to curb low-quality individual construction projects and to install infrastructure necessary to the city's expansion. This poses the problem of right of access to the city of these urbanised and multi-activity villagers with insufficient incomes to compete with the rising middle classes that have flourished since *Đổi mới*.

Conclusion

The craft village clusters have until the 1990s benefited from many incentive policies to develop, access land production and subsidized loans. They occupy a large local workforce and they hire full-time or seasonal workers from remote areas. Very flexible production system in hiring, crafts managed to open up new markets for export, despite an upgrade needed to acquire the standards of quality and production within sustainable environmental conditions.

However, since the 2000s, globalization of the Vietnamese economy and accelerating metropolisation Hà Nội weaken the rural industrial production system because of the competition on land, liberalized prices, and the new industrial policy of the state. Big industry financed by foreign capital attracted the attention of the government, because of the many revenue it brings, its integration into the international market, and give an modern image of the country. This major consumer of agricultural land globally industry offers many jobs but has a mixed impact on labour: first hiring is temporary and discriminatory (young and mainly in some companies, only women) and does not create a permanent working class and settled in host villages. These young people work a few years and then they return back home, while the local population, expropriated for the realization of industrial parks, is struggling to convert in activities with an uncertain future.

The coexistence of two types of industries, one initiated from the top and one from the bottom in villages, is not done smoothly, especially because of the unequal access to land and incentive policies of the state for the benefit of the first. Both industrial systems are characterized by a different temporality: crafts in basketry is seasonal and is part of the agricultural calendar, while employment in modern industry is based on short term contracts (one or three years, and scarcely long term ones). With the disappearance of rice that ensured food security for the multitude of subcontractors and small seasonal artisans, villagers cannot get enough income from crafts and turn to factories employment.

However, the localized production system of craft villages has a millennium long life, a territorial base and managed to create a village artisan class that passes from one generation to another their know-how and seeks to develop them. However, the new globalized industry, with an uncertain future, because perpetual relocations, seeks to hire temporarily cheap labour and little training to perform repetitive tasks. It cannot and does not seek to retain the local workforce too stubborn to difficult working conditions.

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